ComReg statement on IOB Opinion

Information Notice

Reference:	ComReg 21/95
Version:	Final
Date:	05/10/2021

1. As part of the Settlement Agreement of 10 December 2018 between ComReg and Eircom, Eircom agreed to a set of commitments which, when fully implemented, was to result in the establishment and operation of an enhanced Regulatory Governance Model ("RGM") in Eircom.[1] These commitments, known as the RGM Undertakings ("RGMU"), are set out in Annex 1 of the Settlement Agreement, include Eircom's agreement to create an Independent Oversight Body ("IOB"). The IOB, which was established in May 2019,[2] is charged with, among other things, overseeing and assessing Eircom's regulatory governance arrangements.

2. As part of its mandate, the IOB is required to publish a report on an annual basis with an opinion regarding the implementation and effectiveness of Eircom's RGM, including Eircom's compliance with, and the adequacy of the RGM undertakings. The IOB has now issued its first report which is annexed to this Information Note.

3. ComReg wishes to recognise the work completed by the IOB to date. ComReg notes that this is the IOB's first report, and that significant time was taken by the IOB to develop its workplan, to develop its understanding of the implications of the Settlement Agreement and to establish its operating model with Eircom. ComReg also acknowledges the comments and feedback that the IOB has given to Eircom management about improvements it recommends should be made to aspects of Eircom's RGM. ComReg would like to thank all the IOB members for their contribution. ComReg also acknowledges the work of the IOB Executive for the support they have provided.

4. In order to inform ComReg's understanding of the reliance that it could reasonably place on an IOB report in a regulatory context, ComReg commissioned two reports from its advisors, KPMG, in October 2019 and September 2020. The two reports were provided by ComReg to both the IOB and Eircom so they could be taken into account in developing the IOB workplan and determining the support and facilitation required from Eircom. The KPMG reports identify the levels of assurance that can be provided by the IOB and the relative reliance that ComReg can then place on those assurances in carrying out its regulatory functions.

5. The IOB Report is wholly based on evidence provided by Eircom. While some evidence has been provided by or verified by Eircom's risk management and internal audit functions, Eircom has not yet permitted the independence and effectiveness of these functions to be independently assured in a way that ComReg considers adequate. ComReg considers that the IOB would therefore not have been in a position to adopt an opinion on the overall effectiveness of Eircom's RGM and notes that the IOB Report does not contain such an opinion.

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[1] ComReg 18/110, 10 December 2018, "Wholesale Compliance Litigation Update - Outcome of Cases 481 and 568 and related litigation" https://www.comreg.ie/publication/wholesale-compliance-litigation-update/

[2] ComReg 19/49, ComReg information notice on the establishment of the IOB

6. As a result, the IOB Report – while providing some degree of comfort about aspects of Eircom's RGM – does not provide ComReg with reason to place meaningful reliance on the effectiveness of Eircom's RGM when ComReg is exercising its regulatory functions.

7. ComReg recognises that the IOB may reasonably wish to build on the experience of its first review cycle before it settles on an approach that enables it to express a robust opinion on the effectiveness of Eircom's RGM, and acknowledges paragraph 6.2.10 of the IOB Report which states that, "*Following the IOB's establishment, the absence of a clear operating model in the Settlement Agreement delayed the development of an executive function of the Board, the development of a work plan and approach to how the IOB might fulfil its duties and responsibilities as outlined in the Charter, including the methodology by which it might provide recommendations to eir.*"

8. The Settlement Agreement provides a framework for oversight of Eircom's RGM. Eircom has the opportunity to implement it in a way that achieves the objective of giving ComReg and other stakeholders meaningful assurance about the effectiveness of its RGM. Equally, Eircom's implementation of the Settlement Agreement may not be sufficient to achieve this objective.

9. ComReg notes the IOB report acknowledges that the work of the IOB will evolve over a period of 5 years such that the required level of assurance is provided to Eircom and ComReg. To this end ComReg will communicate to Eircom and the IOB its views on the further work that will be needed in order to ensure that future IOB reports can provide a stronger level of assurance about the effectiveness of Eircom's RGM. Some key elements are set out in the Annex.

10. ComReg notes that this work can only be carried out if the IOB is appropriately supported and facilitated by Eircom in doing so. It remains to be seen if the IOB will be provided with the increased support and resources from Eircom and from independent external experts that are needed to enable the IOB to form a more robust opinion in future. ComReg therefore cannot be confident that the Settlement Agreement, as implemented by Eircom, will result in the IOB being able to provide robust assurance to Eircom and ComReg that there is in place a clear and unambiguous set of measures, arrangements, structures, and internal controls that will ensure compliance with Eircom's regulatory obligations

11. ComReg also notes that it has determined that Eircom did not meet Milestone 4 of the Performance Agreement, agreed as part of the Settlement Agreement. This milestone required Eircom to complete a comprehensive all risk review (including operational, non-operations and system) in respect of Eircom's SMP obligations. ComReg notes the importance of Milestone 4 in its view, and its particular significance with respect to Eircom's implementation of the Undertakings and the operation of its RGM (Eircom has disputed ComReg's determination and, under the terms of the Settlement Agreement, the dispute has been referred to mediation which is scheduled to take place in the coming months).

12. Against this background, ComReg is giving consideration to placing Eircom's governance of its regulatory compliance on a regulatory footing additional to and distinct from the Settlement Agreement, as well as to any further measures to help ensure regulatory

compliance which may be justified. The nature of and need for such measures will depend to some extent on whether Eircom facilitates sufficiently robust assurance of the effectiveness of its RGM. ComReg will provide more information on this at an appropriate time.

Annex 1:   COMREG'S VIEWS ON THE ADDITIONAL WORK NEEDED FOR FUTURE REPORTS

A 1.1   In order to help ComReg understand the relationship between the IOB workplan and the extent to which reliance might be placed on the IOB report, ComReg commissioned two reports from its advisors, KPMG, in October 2019 and September 2020. The two reports were also provided by ComReg to both the IOB and Eircom so they could be taken into account in developing the IOB workplan and determining the support and facilitation required from Eircom.

A 1.2   The first Report was concerned with the "Basis of IOB Opinion – Framework Options" (The First KPMG Report"); the second was concerned with "Guidance on good practice for the conduct of Quality Assessment reviews of certain independent Control Functions" ("the Second KPMG Report"). Both reports are appended to this Information Note.

A 1.3   The purpose of the First KPMG Report was to provide an outline of the levels of assurance from the various review mechanisms available to the IOB. For each review mechanism, KPMG considered the levels of effort involved, value to the key stakeholders, and the comparable level of assurance. In summary, KPMG identified a range of options open to the IOB noting that the extent to which external reviews, independent of Eircom, are deployed is an important determinant of how much reliance can be placed on the work of the IOB and the Regulatory Governance Model. The report sets out that a relatively high degree of assurance on a specific matter could be obtained by means of a Reasonable Assurance Review conducted in accordance with The International Standard on Assurance Engagements ('ISAE') 3000 which is a standard for assurance engagements other than audits or reviews of historical financial information, as issued by the International Auditing and Assurance Standards Board ('IAASB').

A 1.4   The lowest form of assurance identified by the First KPMG Report was IOB Monitoring and Analytical Review, with no eir Management Representation. The Report noted that under that option, "*Given the lack of eir representations and/or comfort provided by eir on the completeness and/or accuracy of the RGM related submissions and data, there is* (sic) *inherent limitations on the resultant opinion and the level of strength or reliability which the IOB would be able to provide to stakeholders in relation to its opinion. Accordingly, an IOB opinion formulated based on this approach would not allow it or other stakeholders to place reliance on such an opinion and by extension, Eircom's Regulatory Governance Model.*"

A 1.5   The First KPMG Report also notes that the level of effort and cost involved in assurance engagements would also be higher than that associated with other non-assurance review standards. As an alternative "… *non-assurance opinion-based reviews could be completed by eir's Third Line of Defence ('TLOD') function, and the appropriate Second Line of Defence ('SLOD') function, as determined by the IOB. Where this is the case and given the reliance the IOB would place on the reviews by the TLOD and the SLOD, at a minimum a regular external independent review of these functions should be performed.*

This external review would focus on the independence, capability and effectiveness of these functions" (ComReg emphasis).

A 1.6   The Second KPMG Report is concerned with the detail as to how such an external review of the TLOD and SLOD could be conducted. It describes best practice for assessing conformance with relevant CIIA standards. It also notes that best practice would also consider a broader "Performance" type scope rather than focusing only on conformance with CIIA Standards.

A 1.7   In the light of the advice provided by KPMG, ComReg considers that the opinions expressed by the IOB in their Report generally provide only weak assurance about the effectiveness of Eircom's RGM:

   a.   In respect of "binary" obligations (defined as obligations which "*do not require an assessment of the adequacy of the subject*") the IOB has used the formulation, "It would appear that eir has met this obligation under the RGMU".

   b.   In respect of "subjective obligations" (defined as obligations which "*require an assessment of the solution implemented by eir to determine whether the obligation is met*"), the IOB has either used the formulation "no matters of significant interest have come to the IOB's attention regarding" or else, in some cases, provided no opinion at all[3].

A 1.8   ComReg notes that this is consistent with an evidence base that did not include external assurance of Eircom's internal audit function or independent assurance of Eircom's risk function. This limits the assurance that can be placed on evidence provided by the Second and Third Lines of Defence.

A 1.9   ComReg also notes that the IOB has therefore needed to place extensive reliance on IOB Monitoring and Analytical Review of Eircom submissions. ComReg agrees with the proposition set out in the First KPMG Report that reliance solely or mainly on this form of evidence places "*inherent limitations on the resultant opinion and the level of strength or reliability which the IOB would be able to provide to stakeholders in relation to its opinion.*"

A 1.10   ComReg is aware that Eircom has now commissioned an external review of its internal audit function, but neither the IOB nor ComReg had input into the terms of reference. Having subsequently seen the terms of reference, ComReg is concerned that the outcome of the review will not provide the IOB with sufficient assurance to enable it to place greater reliance on evidence provided by the Second and Third Lines of Defence.

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[3] For example, while the report references "a formal decision-making framework", it is unclear if reviews have been completed for all eir governance fora and Process, as required by the RGMU.
Further, there is no reference in the Report to a conclusion on whether all Regulatory Risk Management and Assurance ("RRMA") processes are robust and effective to ensure the correct identification and mitigation of risks of non-compliance ..(RGM Undertakings, Paragraph 25)

A 1.11   ComReg is also aware that Eircom's current internal audit plan envisages reviewing the elements of the RGM on a two-year cycle, which would not enable the IOB to adopt a robust opinion on an annual basis.

A 1.12   ComReg considers that for future IOB reports to include a usefully robust opinion, Eircom would need to provide support and resource so that:

   a.   the IOB can make appropriate use of external reviews at a minimum to encompass reviews of the Second and Third lines of Defence as recommended by KPMG;

   b.   all elements of the RGM are reviewed on an annual rather than a bi-annual cycle;

   c.   the IOB Executive is resourced to take on whatever support tasks the IOB requires;

   d.   The IOB can thereby formulate a work programme which clearly links to the requirements of the Settlement Agreement and in particular that meaningful opinions can be provided in line with all of the requirements of Paragraph 6.1 and Schedule 1 of the IOB Charter in the Settlement Agreement.

Appendix 1
First IOB Report
September 2021

Independent Oversight Body

1st Report

September 08th 2021

Table of Contents

Disclaimer

This report has been prepared by the Independent Oversight Body (IOB). The IOB was established in line with a bilateral agreement between the Commission for Communications Regulation (ComReg) and Eircom Ltd (trading as eir) (the Settlement Agreement). Its mandate, known as the IOB Charter, is set out in Annex 3 of the Settlement Agreement.

The views, conclusions and recommendations included in this report are entirely those of the IOB and are not necessarily those of its individual members. It is not a legal document, nor does it contain legal, commercial, financial, technical or other advice.

The IOB's operating model, its work plan, basis and approach to the review are described in Section 5. The views, conclusions and recommendations are based on the IOB's assessment of the documents provided by and presentations made by eir. The IOB has not, as yet, applied independent verification procedures to the documents provided by and presentations made by eir and this report should be read in this context.

In considering eir's compliance with its obligations, the IOB has only assessed those obligations contained within the Settlement Agreement, and specifically those contained within the Regulatory Governance Model Undertakings (RGMU) and the IOB Charter (IOBC).
Other regulatory and legal obligations to which eir may be subject to are not addressed.

Other individuals considering the same information could form a different assessment of it. Similarly, the IOB might have formed a different assessment had it considered other information. Accordingly, the views set out in this report should not be treated as determinative of any fact, nor of the performance of, or compliance with, any legal or regulatory obligation.

For the avoidance of doubt, this report was prepared by the IOB pursuant to the terms of the Settlement Agreement between ComReg and eir and is therefore addressed only to ComReg and eir. The IOB and its individual members do not make any representation or warranty as to the accuracy or completeness of the statements or any information contained in or omitted from this report and any liability therefore, including in respect of direct, indirect or consequential loss or damage, is expressly disclaimed.

This report is published pursuant to Section 6 of the IOB Charter.

Chairman's message

Welcome to the first Report of the Independent Oversight Body. The creation of the IOB is a pioneering and innovative approach to managing evolving regulatory relations between an incumbent and a regulator. It was established on foot of the Settlement Agreement between eir and ComReg in December 2018, (also referred to throughout this report as the Settlement Agreement) pursuant to which eir agreed to implement a Regulatory Governance Model (RGM).

The IOB's core responsibility is to oversee eir's governance structures as they apply to its regulatory obligations. This is not a view at a single point in time. The Settlement Agreement envisages the evolution of the RGM, and the associated work of the IOB, developing over a period of five years. The IOB intends to use this time to provide assurance to eir and ComReg that there is in place a clear and unambiguous set of measures, arrangements, structures and internal controls that ensure compliance with eir's regulatory obligations.

The IOB began its work in June 2019 and first had to build an operating model for the IOB without precedent. Owing to the innovative approach, there was no practical model on which the IOB could easily establish itself beyond the context provided by the Settlement Agreement itself.

The Settlement Agreement prescribes a wide range of issues upon which the IOB is required to form an opinion. A practical approach to this has been developed by the IOB, which subjects eir RGM and Internal Audit reports to analysis and scrutiny through dialogue with eir executives. This allows the IOB to assess eir's compliance with its obligations and assists the IOB in meeting its own obligation. The results of this inquiry process are the subject of this Annual Report. Some matters remain part of our ongoing work programme and some in the future may require additional expert scrutiny on behalf of the IOB.

Despite the various challenges of these early phases, considerable progress has been made on many of the IOB responsibilities set out in the Agreement. These are documented in the report. Practical challenges were also posed by the global pandemic, leading the IOB to move to virtual meetings from March 2020.

There are also a number of responsibilities where we have more work to do. These include the type and nature of assurance that the IOB might be able to draw upon to express opinions to the levels anticipated in the Settlement Agreement.

Given the novel approach that led to the creation of the IOB, this first Report provides an important benchmark point for reflection. The formal workplan for the next Report offers the opportunity to support the effective evolution of the RGM journey.

I would like to thank all our stakeholders for their support and guidance. In particular, I would like to express my appreciation to my fellow IOB members, to the IOB Executive who have been instrumental in our work and to executives in both eir and ComReg.

This is our first report and I very much welcome constructive comment which will allow the IOB to continue to improve its approach and performance over the years ahead.

Bob Downes

IOB Chair

1. Introduction

In late 2018, the Commission for Communications Regulation (ComReg) reached a settlement with Eircom Limited (eir) in respect of certain litigation that had been brought to the High Court. In line with that Settlement Agreement[4], eir agreed (among other things) to implement a set of commitments, known as the Regulatory Governance Model Undertakings (RGMU), and to create the Independent Oversight Body (IOB) which would have a majority independent membership.

Paragraph 1 of the RGMU sets out the general requirements of eir, in that it must "put in place and document measures to manage, or where appropriate mitigate, potential regulatory related conflicts of interest, including:

a)   an appropriate segregation of duties, functions, business lines and/or units;

b)   establishing information barriers including the possibility of physical separation of certain business lines or units;

c)   ensuring that there is appropriate access to regulated products and services; and

d)   ensuring that there is appropriate transparency over decision making in relation to eir's regulatory obligations at the Board and within the Wholesale Function."

Paragraph 38 of the RGMU defines how eir must operate the RGM, requiring that Three Lines of Defence (TLOD) are implemented. These are separate governance, operational and assurance roles.

The objective of the IOB is to provide assurance to both eir and ComReg that there is in place a clear and unambiguous set of measures, arrangements, structures and internal controls that will ensure compliance with eir's regulatory obligations. It is required to conduct an annual review of eir's governance of its compliance with its regulatory obligations and its compliance with and the adequacy of the RGMU and prepare and publish a report with an opinion, regarding the implementation and effectiveness of eir's RGM. This document is intended to fulfil this requirement.

2. Summary conclusions

The IOB has made considerable progress since its establishment in 2019. This progress has involved both the development of its own operating model and work plan, the set-up and operationalisation of its executive arm, and the analysis of over 200 items of material submitted by eir.

The members of the IOB acknowledge that although the work of the IOB is far from complete, the ongoing positive engagement with eir, at both operational and executive levels, bodes well for the remainder of its term. The IOB believes that the engagement between it and eir can be

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[4] "Wholesale Compliance litigation update, Outcome of Cases 481 and 568 and related litigation.", ComReg 18/110, 10 December 2018

reflected in terms of setting up the foundations for assurance and has established positive norms in respect of behavioural and cultural progress.

This ongoing engagement is typified by regular operational exchanges between the IOB and eir, thereby ensuring the IOB fully understands the original material provided by eir and responses to clarifications sought by the IOB. It has resulted in several informal suggestions from the IOB on foot of specific issues discussed regarding how the regulatory governance model could be improved. These have, for the most part, been accepted by eir. Where not accepted, eir has provided clear reasoning why this is the case. The IOB's analysis has also resulted in formal recommendations, which are set out in the summary below.

The IOB has conducted extensive desktop analysis of all material provided by eir and has itself sought supplementary information to this material. It has relied upon audit reports received from eir's Internal Audit (IA) function, and these have been further informed by other material received from eir's Second Line of Defence (SLOD) and indeed material provided by various business units. Reports received from eir are listed in Appendix 2. These have been supplemented by ad hoc queries raised by the IOB and responded to by eir.

During this analysis, the IOB has assessed eir's compliance with its obligations as set out in the Settlement Agreement. Many of these obligations are binary in nature and compliance can be determined quite simply but many others are subjective in nature and compliance with these is not so simply determined. Binary obligations take the form of a direct verb, e.g. "Meetings of the Wholesale SMT will be formally minuted […]" which do not require an assessment of the adequacy of the subject. Subjective obligations on the other hand, require an assessment of the solution implemented by eir to determine whether the obligation is met, e.g. "eir will ensure that CRI is managed appropriately." The IOB is conscious that it is not yet able to determine whether eir is in compliance with all of these obligations. This is not to say that eir is or is not in compliance, but that, at this stage, the IOB is not yet in a position to make that determination.

While the conclusions from much of the IOB's analysis indicates that no matters of significant interest have come to the IOB's attention regarding the implementation and effectiveness of eir's RGM, the IOB has taken the opportunity to make suggestions and recommendations in respect of several areas where it believes eir might improve either its processes or how it explains such to the IOB. These are summarised in this section, and more detail about these and other conclusions is set out in Section 0.

1.1.1   Product development and access requests and product prioritisation
During its analysis of the open eir Wholesale Product Development Council (PDC), the IOB noted a restricted level of assurance that it may draw from Internal Audit's review of open eir Wholesale Product Development Council (PDC) arising from the lack of clarity on the process by which recommendations made by IA to the business were resolved. The IOB has communicated to eir to consider whether improvements could be made so that eir is better able to demonstrate its assurance position. Following the IOB's analysis of this area,

Internal Audit has amended its process and has brought forward a repeat audit of this area. The IOB notes the change in process is not retrospective and will assess the results of the repeat audit on receipt of the report.

The IOB suggested, and eir agreed, to an integrated control testing approach between IA and the Regulatory Risk Group (RRG) and that the two would provide the IOB a regular joint log with categorised control test findings. This log will enable the IOB to assess the findings of both IA and the RRG in a better context.

Although the IOB suggested that eir consider regular periodic regulatory all risk reviews, eir is of the view that its current process that addresses any change that may impact Regulatory Access Products (RAP), associated services and/or underpinning processes, is sufficiently robust. The IOB intends further engagement with eir and some more detailed review of its regulatory risk management processes and self-certification under the IOB's next work programme. The IOB notes that eir has disputed ComReg's assessment that it has not met Milestone 4 ('All Risk Review') and, at the time of writing, resolution of this dispute remains pending..

The IOB notes that the Settlement Agreement did not require eir to provide a review of the operation and management of Wholesale Service Level Agreements (SLAs), either from Internal Audit or the Second Line of Defence. On request from the IOB, IA provided its views on this matter and its related future audit plans. At this point, the IOB view is that no matters of significant interest have come to its attention regarding regulatory noncompliance or eir's regulatory governance structures in so far as they are relevant to the effectiveness of governance arrangements to assure regulatory compliance regarding the operation and management of SLAs for regulated products.

Regarding the different mechanisms which employees might use in the event they wish to report a breach of the Regulatory Code of Practice, the IOB suggested to eir that, in terms of regulatory best practice, it might consider that the Speak Up channel should be given at least as strong a prominence as the normal chains of command channels which are more frequently referred to within the Code. This is not to suggest that the normal chains of command channels referred to within the Code are not functioning effectively.

1.1.2   Wholesale Remuneration Policy
Pursuant to the Settlement Agreement, eir is required to ensure that employees of its Wholesale Function, including employees of Networks, and employees of Internal Audit are not incentivised on the financial performance of the broader eir Group.

The IOB's view is that no matters of significant interest have come to the IOB's attention regarding regulatory non-compliance or eir's regulatory governance structures in so far as they are relevant to the incentivisation of these employees.

1.1.3   Capex and Group IT Budgets
The Settlement Agreement sets out several specific obligations on eir relating to how IT Capex and other resources are allocated across the eir Group in line with eir's regulatory obligations in a non-discriminatory manner.

eir's submissions to the IOB demonstrate the existence of a clear open eir capex process, a separate open eir Wholesale Capex budget, the role of the Wholesale SMT, the existence and operation of a formal decision-making framework and the consideration of Capex processes in eir's review of regulatory risks.

The IOB's view is that, having performed a desktop analysis of the inputs received from eir, no matters of significant interest have come to the IOB's attention regarding regulatory noncompliance or eir's regulatory governance structures in so far as they are relevant to the allocation of group resources, including IT, in light of eir's regulatory obligations, with respect to the development and provision of regulated services.

1.1.4 Wholesale Customer Complaints and Whistle-blower Complaints
When assessing complaints received by eir from Wholesale customers, eir noted the receipt of a number of complaints, the investigations into which led to a single finding of a breach of regulatory obligations. As of 02 December 2020, ComReg confirmed the receipt of a single formal substantive complaint in the previous 12 months but was not in a position to provide any details since it was the subject of ongoing investigations.

1.1.5 Key Performance Indicators (KPIs)
Regarding eir's process for the generation and publication of Key Performance Indicators

(KPIs), eir Internal Audit has confirmed its process adheres to the guidance set out in Schedule 3 of the IOB Charter. The IOB understands that this process will be re-examined by IA following the further development of relevant IT developments and the ComReg KPI metrics consultation currently underway.

1.1.6 Regulatory Code of Practice
The IOB has requested an update from eir on the status of disciplinary sanctions for both employees of eir and Managed Service Providers (MSPs) with regard to Code of Practice (CoP) training and specifically with regard to inaccurate self-certification risk and control returns. The IOB will report on any further developments to this in a subsequent report, if appropriate.

The IOB is also of the view that eir needs to consider further, and provide greater assurances on the robustness of, CoP training for employees of MSPs with regard to

governance structures concerning regulatory obligations. The IOB has received a related updated policy document from eir, however the position of Internal Audit on this and the associated level of assurance is pending as of the time of this report. The IOB will report on any further relevant developments in a subsequent Report.

No other matters of significant interest have come to the IOB's attention with respect to eir's regulatory governance structures in so far as they are relevant to, firstly, the establishment of a Regulatory Code of Practice and, secondly, formal communication and training on the Regulatory Code of Practice.

1.1.7 Structured and unstructured data governance

A number of specific Internal Audit reviews are required under the RGMU on reviews of systems access management carried out by both IT and business units, and the management of Confidential Regulated Information (CRI). While it appears these obligations have been met by eir, a question remains open for now on whether the extent of review of system CRI access by eir Internal Audit is sufficient for IOB purposes; this will be interrogated further in the next IOB work programme. The IOB will also continue to monitor a number of open IA recommendations made in respect of is most recent audit of unstructured CRI data classification and handling, which remains open.

The IOB recognises that considerable progress has been made in respect of system CRI access from a starting point in November 2019 where nearly 30% of systems containing CRI were found by eir to be 'high risk' from an access management perspective. Due to ongoing system remediation, this number reduced considerably to 2% of systems by March 2021.

Nonetheless, the IOB is aware that eir's downstream arm had access to structured CRI for a period of time since the IOB's establishment. eir has confirmed that this has been remediated as part of its Milestone 13 structured data remediation implementation report, and the information has been disclosed to ComReg and made publicly available.

The IOB is currently considering whether, and if so, to what extent, external assistance on data governance is required, particularly with respect to the governance of structured CRI data.

1.1.8 Bespoke Bids

Although the IOB notes a number of points of divergence in eir's bid process from bid process guidance contained in Schedule 3 of the IOB Charter, it considers that this has not, to the knowledge of the IOB, resulted in any matters of significant interest with regard to eir's regulatory compliance and governance structures.

1.1.9 Lines of Defence

Overall, the IOB has no reason at this stage to conclude that the Third Line of Defence (TLOD) (also known as Internal Audit) is not independent of line management. However, the IOB is not yet able to conclude at this stage that the Second and Third Lines of Defence have appropriate mandates and adequate resources in respect of regulatory governance matters under the Settlement Agreement as these matters are the subject of ongoing review and evaluation with continuing inputs and contributions from eir.

1.1.10 Future work

The IOB will continue to review and assess submissions made by eir over the course of its term, requesting additional material and engagement where needed. The IOB will take the conclusions reached into account when preparing its work plan for the next and future years and will continue to monitor eir's compliance with its obligations under the Settlement Agreement. Where circumstances change, the IOB will revisit its analysis accordingly. The IOB will also carefully consider if it is necessary to engage external expertise to assist it in its work.

3. Report structure

The structure of the remainder of this Report is outlined below.

Section 4 sets out those relevant obligations borne by eir which are relevant to the scope of the IOB, including those set out in the RGM Undertakings (Annex 1 of the Settlement Agreement).

Section 5 outlines the basis on which the IOB is publishing the Report, and a summary of its own activities, including governance and operations. It also establishes the basis of the Report, together with the IOB's operating model and work plan used to develop the underlying analysis conducted in preparation of the Report.

Section 6 provides a summary of the analysis undertaken by the IOB in the relevant period, and the conclusions reached on foot of this analysis.

Section 7 sets out those management representations made by eir in respect of the information and material it has provided to the IOB in the relevant period.

Paragraph 6.3 of the IOB Charter requires the IOB to share a copy of its opinion with eir and ComReg at least four weeks in advance of publication. eir has the opportunity to comment on the opinion prior to publication. Section 8 sets out eir's response in this regard.

4. Relevant obligations borne by eir

This section describes the obligations set out in the following sections of the Settlement Agreement:

- The Regulatory Governance Model Undertakings (RGMU) (Annex 1 of the Settlement Agreement)

- The Performance Agreement (Annex 2 of the Settlement Agreement)

- The Independent Oversight Body (IOB) Charter (Annex 3 of the Settlement Agreement)

- IOB Responsibilities (Schedule 1 to the IOB Charter)

- Reporting (Schedule 2 to the IOB Charter)

- Guiding Principles in Relation to Regulatory Governance (Schedule 3 to the IOB Charter)

The obligations with which eir must comply, and which are relevant to the scope of the IOB's work, are primarily set out in the RGMU, but some are also set out in the IOB Charter and its Schedules.

The Performance Agreement (PA) sets out contractual requirements between the two signing principals. The IOB notes that ComReg has repaid all but one milestone payment noted in the PA. At the time of writing, resolution of a dispute between eir and ComReg on Milestone 4 remains pending.

Material which has been simultaneously submitted to ComReg and the IOB in respect of eir's obligations under the PA has been considered in the course of the IOB's analysis.

4.1. Obligations set out in the Settlement Agreement
The specific obligations on both eir and the IOB can be found in the addendums to the Settlement Agreement, as outlined above. A summary of the general requirements is outlined below for convenience.

1.1.10.1 4.1.1. Regulatory Governance Model Undertakings (RGMU)

The RGMU specifies those obligations with which eir must comply in the context of the Settlement Agreement. The vast majority of obligations on eir within the RGMU require a factual assessment. Compliance with others requires a subjective view of the adequacy of eir's response. The extent to which, and the manner in which, they are complied with will influence the extent to which the IOB can assess the adequacy of the overall regulatory framework.

1.1.10.2 4.1.2. IOB Charter

The Charter consists of approximately 50 obligations in total, the majority of which are factual. An example is paragraph 7, which consists of 11 obligations all of which relate to the proceedings of IOB meetings.

1.1.10.3 4.1.3. Schedule 1 to the IOB Charter: IOB Responsibilities

This Schedule outlines approximately 30 obligations, dealing with the responsibilities of the IOB, the vast majority of which require a subjective opinion as to the adequacy of various aspects of eir's regulatory governance.

1.1.10.4 4.1.4. Schedule 2 to the IOB Charter: Reporting

This Schedule sets out 26 separate reports required from eir, the details and regularity of which are specified in the Schedule. All of these reports have been provided by eir.

1.1.10.5 4.1.5. Schedule 3 to the IOB Charter: Guiding Principles

This Schedule outlines guidance specific to obligations set out elsewhere in the Agreement. The IOB is required to monitor eir's adherence to the RGMU and establish whether the principles outlined in this Schedule have been adhered to.

1.1.10.6 4.1.6. Topics addressed by the obligations

The obligations set out in the Settlement Agreement, with which eir must comply, relate to two main themes; governance and assurance.

The governance theme addresses the following topics:

- Requirements requiring eir to put in place measures to manage and/or mitigate potential regulatory related conflicts of interest;

- Measures to ensure the effectiveness of eir's working relationship with the IOB, specifying the requirement to implement structural and governance arrangements to ensure the transparent and non-discriminatory operation of eir's Wholesale Function;

- Governance frameworks, ensuring non-operational decisions are made and approved according to a compliant decision-making framework;

- Ensuring that incentives paid to employees reflect the objectives of the Wholesale Function or Internal Audit, as relevant;

- Regulatory risk management and assurance processes must be robust and effective;

- Establishment and maintenance of processes to ensure the Regulatory Code of Practice is relevant, communicated effectively and relevant training is provided;

- Implementation of a whistleblowing process, including the investigation and addressing of legitimate material regulatory concerns and complaints;

- Maintenance of a Portfolio Board to oversee product developments at eir Group level, to ensure eir's product development process is in line with its regulatory obligations;

- Availability of a separate Capex budget for the Wholesale Function and documentation of its allocation and any subsequent changes to the allocation;

- Risk analysis and subsequent development of controls of eir's bespoke bids process; and
    - Documentation of the process governing the generation and publication of KPIs.

The assurance theme addresses the following topics:

- The RGM defines the Three Lines of Defence model, the requirement for formally documented mandates for all regulatory functions, and the requirement for adequate authority and access to records for RGM functions.

- Specific requirements in respect of the Third Line of Defence (Internal Audit), including the requirement to provide a work plan to the IOB for comment, and the performance of various, specified, end-to-end compliance reviews;

- Specific requirements and milestones in respect of the management of Confidential Regulated Information (CRI), including the requirement to conduct reviews of user access

to CRI, to provide a written report of risks identified and remediation plan to address these risks and also to provide updates on the ongoing IT Transformation Plan; and

- Specific reporting requirements as outlined in Schedule 2 of the IOB Charter at Annex 3 of the Settlement Agreement, with further detail for these reports set out in Schedule 3 of the IOB Charter.

5. IOB activities and basis of publication

This section outlines the basis on which the IOB is publishing the Report, and a summary of its own activities, including governance and operations. It also sets out the basis of the Report, together with the IOB's operating model and work plan used to develop the underlying analysis conducted in preparation of the Report.

5.1. Basis of publication

The establishment and operation of the IOB is set out in the IOB Charter at Annex 3 of the Settlement Agreement. Paragraph 6.1 of the Charter requires that the IOB "*conduct an annual review of eir's governance of its compliance with its Regulatory Obligations and its compliance with and the adequacy of the RGM Undertakings and prepare and publish a report with an opinion, regarding the implementation and effectiveness of eir's RGM. The report will, at a minimum, explain the reasons for the opinion and the information relied upon.*"

Further, Schedule 1 of the IOB Charter at Annex 3 of the Settlement Agreement sets out those responsibilities required from the IOB.

Paragraph 1.1 of Schedule 1 of the IOB Charter requires the IOB to: "[O]n an annual basis prepare and publish on open eir's and ComReg's websites a report with respect to the operation and effectiveness of eir's regulatory governance model, to include the IOB's opinion as to:

a) whether the IOB's own governance was satisfactory;

b) whether adequate resources - financial and non-financial - had been made available to it;

c) whether eir's Second Line of Defence and Third Line of Defence with responsibilities in respect of regulatory governance had appropriate mandates and were adequately resourced and whether the Third Line of Defence was sufficiently independent of line management;

d) the adequacy of the Regulatory Code of Practice and other relevant documentation to foster regulatory compliance; and

e) the adequacy of the governance structures in place to ensure regulatory compliance."

This and future reports are intended to address these requirements.

Schedule 1 to the IOB Charter also includes a list of specific tasks which must be addressed by the IOB's multi-annual work plan, which is to include the review of a set of reports required of eir in Schedule 2 to the IOB Charter ('Reporting'). These tasks have been incorporated into the analysis conducted by the IOB, a summary of which, and the conclusions reached, can be found in Section 6.

1.1.10.7 5.1.1. Period of review

The Settlement Agreement was signed by both principals in December 2018. The IOB's first meeting was held on June 12th 2019, and eir then started to provide material to the IOB further to its obligations under the Settlement Agreement.

The period under review for the purposes of this Report begins from its first meeting in June 2019 and runs until end March 2021.

The analytical and assessment work of the IOB continues, and its subsequent reporting will consider material received after March 2021.

5.2. IOB operations

The IOB Charter sets out specific requirements for the composition, authority, duties and responsibilities, governance, reporting requirements, meeting proceedings and status of the IOB itself. Clause 16.1 of the Settlement Agreement specifically notes that the IOB is not a body corporate under the Companies Act 2014

The IOB was established in May 2019[5] and has met 20 times in the period under review, and agreed minutes of these meetings have been provided to both eir and ComReg to ensure both principals are kept abreast of the IOB's activities.

Following the IOB's establishment, the absence of a clear operating model in the Settlement Agreement delayed the development of an executive function of the Board, the development of a work plan and the development of an approach as to how the IOB might fulfil its duties and responsibilities as outlined in the Charter.

On foot of this delay, it was agreed with the principals that the first Report would be published in mid-2021.

In August 2019, ComReg commissioned a report on operating model options for IOB activities and provided it to the IOB. Following discussion of this report, the working assumption for the operating model of the IOB was to continue with reporting, discussion and analysis of the material submitted by eir, supported by an IOB Executive function (IOBE) with the possibility of limited other external assistance reviews on technical areas.

Operational support was provided from the outset of the IOB's establishment and this was enhanced by an executive function, established in April 2020, to support the IOB in its operations and in delivery of its obligations under the Charter. This function is staffed by three employees on full-time secondment from eir. This function was not envisaged by the Settlement Agreement and operates in a purely functional manner on instruction from the IOB. All decisions are taken by the IOB.

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[5] See ComReg Information Notice 'Establishment of the Independent Oversight Board', ComReg document 19/49.

5.3. IOB's own governance

Whilst the primary focus of the IOB's activities is to assess the adequacy and effectiveness of eir's compliance with its obligations under the Settlement Agreement, it must also have due regard to its own activities, and, in particular, the governance of those activities. The IOB Charter and its Schedules set out a number of key requirements in this respect and work on this is ongoing.

Paragraph 5.1 of the IOB Charter requires that after an initial period of two years, the IOB will for each year of the IOB's existence commission a suitably qualified independent person or organisation to express an opinion as to the effectiveness of the IOB's activity.

Owing to the previously identified delay resulting from the absence in the Settlement Agreement of an operating model, the IOB expects to commission this review over the coming months and, pursuant to the terms of Paragraph 5.1, once concluded, this review will be shared with ComReg and eir and subsequently published on an open eir website.

Paragraph 8 of the IOB Charter states that the IOB Charter may be amended from time to time by recommendation of the IOB and with the approval of ComReg and the Board. The IOB expects to review the IOB Charter on foot of the conclusion of its first Report and will include an update, if appropriate, in its next Report.

As previously noted, paragraph 1.1 of Schedule 1 of the IOB Charter states that on an annual basis, IOB must prepare and publish on open eir's and ComReg's websites a report with respect to the operation and effectiveness of eir's regulatory governance model, to include the IOB's opinion as to:

a) whether the IOB's own governance was satisfactory; and

b) whether adequate resources - financial and non-financial - had been made available to it.

In advance of the review outlined in Paragraph 5.1 of the IOB Charter, it would be premature of the IOB to definitively state an opinion on whether its own governance was satisfactory or whether the resources made available to it were adequate. In addition, the IOB has no criteria against which to assess the adequacy of resources made available to it. Further to Paragraph 3.1 of the IOB Charter, a pragmatic agreement was reached with eir on a preliminary allocation of resources to the IOB Executive, pending the preparation of this, the IOB's first Report.

Paragraph 1.3 of Schedule 1 of the IOB Charter states that in order to form its opinion as per paragraph 1.1 as referred to above, the IOB will develop a multi annual work plan which will include the review of the reports in Schedule 2 (Reporting) of the IOB Charter at Annex 3 of the Settlement Agreement, and any additional material the IOB deems necessary in order to carry out the tasks outlined below and/or any other tasks the IOB deems necessary and that are consistent with the IOB Charter.

In June 2020, the IOB Executive prepared and presented a work plan that was agreed by the members of the IOB, which included the review of all inputs received from eir, including

those reports required by Schedule 2 of the IOB Charter. Section 5.5 sets out more information on this work plan.

5.4. IOB operating model

As previously noted, the Settlement Agreement is silent on the operating model, framework or approach to be used by the IOB in addressing its own obligations. In the absence of such, the IOB proceeded on the basis of receiving reports and presentations from eir management and eir's Second and Third Lines of Defence (SLOD and TLOD) as detailed in the Settlement Agreement. The IOB's activities were limited to the review, discussion and analysis of these reports and presentations. These activities were organised using an agreed work plan. This work plan evolved as work progressed and is described below. The resulting analyses form the basis of this report.

5.5. IOB work plan

The work plan agreed by the IOB in June 2020 outlined a set of reports which had the objective of conducting the analysis required to assess the adequacy of eir's governance structures.   The reports were grouped together as follows:

1. RGM Organisation, consisting of reports on mandates and resourcing, incentives, governance and policies and wholesale customer complaints;

2. RGM Operation, consisting of reports on bespoke bids, regulated product processes, capital expenditure, and on Key Performance Indicators and metrics.

The analyses underpinning these groupings reviewed all relevant material received from eir against the obligations set out in the Settlement Agreement. Many of these obligations are specified in a directive form, e.g. "*eir will put in place...*". The IOB has made an assessment of eir's compliance with these obligations based on the material provided by eir, the analysis conducted and subsequent discussion within the IOB.

Other obligations are of a more subjective form, and these have been assessed both at an individual level using the same method as used for direct obligations, as well as by way of a broader review of the adequacy of eir's compliance with the letter and spirit of the Agreement.

It should be noted that in assessing the completeness and adequacy of the material submitted by eir for the IOB's analysis, only evidence provided by eir was relied upon. Since Internal Audit is operating under a two-year audit plan, by definition the IOB has not yet had sight of reports of audits not yet complete. To the extent that these as yet incomplete reports address subjects already assessed by the IOB or raise issues not yet identified by it, these issues will be reviewed as part of the subsequent IOB Reports.

Likewise, some analysis initially commenced by the IOB in the relevant period has not been completed in time for inclusion in this report. Where this is the case, for example, the analysis regarding mandates and resourcing, the IOB will continue its assessment and provide an update, where appropriate, in its next Report.

5.6. Other IOB activity

The IOB ensures ongoing communication takes place with its key stakeholders. Regular updates are provided to its principals through the circulation of agreed meeting minutes, bilateral meetings between the IOB and eir and ComReg, and separate and joint meetings between the Chair, the eir CEO and the relevant ComReg Commissioner.

In addition, as is required under paragraph 6.9 of the IOB Charter, an annual meeting is held between the IOB and industry stakeholders. The first meeting was in person held on October 23rd, 2019. The second such meeting was held virtually on November 4th 2020, via Google Hangout. It is intended that the third meeting will take place in Autumn 2021.

5.6. Other IOB activity

6. IOB analysis

This section provides a summary of the activities and analysis undertaken by the IOB in the relevant period and sets out the conclusions reached and areas identified for further analysis.

6.1. eir's Internal Audit function

At its first meeting on 12 June 2019, the Director of Internal Audit (DIA) in eir clarified that all the internal controls in the RGM would be tested for operating effectiveness by Internal Audit (IA) on a two-year cycle basis. IOB noted that its reporting obligations were on a oneyear cycle basis and hence, in any given year, IOB would not have evidence from Internal Audit on the operating effectiveness of all internal controls comprising the RGM.

1.1.10.8 6.1.1. External Quality Assurance of eir's Internal Audit function

The IOB was informed, at its meeting in March 2021, that eir had decided to undertake an external assurance review of eir's Internal Audit function. The Terms of Reference of this review were provided to the IOB in May 2021. At the time of writing, it is understood that this review remains ongoing.

1.1.10.9 6.1.2. Summary of DIA's annual report

Set out below is a memo from eir's DIA, confirming the status of control testing for the period July 2020 to March 2021.

To: IOB

Title: Summary of Control Testing FY21 to 31 March 2021

Further to my memo on 21 May 2021 I outline below information relating to 2nd and 3rd line RGM control testing. Note the period requested relates to Q1 through Q3 only. IA audited 23% (50) of the total registered RACM controls during this period whilst RRG tested 89% (196) of the RACM controls. The RACM is a shifting platform with new, changed or retired controls being populated as they occur.

Total no. of RGM Controls by Category Extract on 14 June 2021 (including retired)

Category	No. of controls
Data Access	102
Governance	36
Change Control	30
New (Undergoing review)	12
Pre-Ordering/ Ordering	12
Service Assurance	11
RAP Product Development	8

Provisioning	5
Equivalence KPI generation/publication	1
Fault Reporting and Repair	1
RAP Ordering & Provisioning	1
Retail Pricing	1
Total no. of controls	220

Associated Business Areas   *Extract on 14 June 2021*

Business Area	No. of controls
Regulatory Product	48
Openeir Networks	39
Service Management	30
Network Design	25
Finance	14
IT	14
Group Pricing & Reg Finance	9
Consumer & SB	8
Openeir Wholesale	6
Eir Business	6
Regulatory & Public Affairs	4
Chief Technology Officer	3
Openeir Sales & Mktg	3
Sales and Marketing	2
HR	2
Procurement, Commercial & General	2
Customer Operations	2
Regulatory and Public Affairs	2
Head of Technical Pre-Sales	1

Dual Tested by Third and Second Line

Q1 through Q3 (July 2020 through March 2021)

Category	Controls audited
Change control	28
Governance	10
Service Assurance	9
Data Access	2
Fault Reporting and Repair	1
Grand Total	50

Internal Audit Test Outcomes		Equivalent RRG Control Testing Outcomes	
Internal Audit risk rating	No of controls	RRG Risk rating	No of Controls
3	4	Retired	1
2	11	2	4
1	35	1	45
Total Tested	50	Grand Total	50

One retired control at time of memo

Q1-Q3

The number of internal controls tested by the Second line of defence =   196

The number of internal controls tested by the Third line of defence =   50 Results of the
tests of controls for the period summarised by finding (rating number).

RRG Testing Outcome	Total No. controls tested
Retired	4
3	5
2	21
1	166
Grand Total	196

Four controls that had been previously tested had been retired at the time of this memo.

Please note that some high risk controls are scheduled to be reviewed by IA and RRG during Q4.
These will be reflected in later control test reports and audits.

We noticed variances in the outcomes of the 50 dual tested controls between IA and RRG. This was
expected due to the varying nature of reviews by both lines of defence as IA conducts a more in depth
end to end review with a wider scope than RRG in their self cert testing. The scope of the scheduled

IA H2 Self Cert review will include analysis of 10 controls were differences in outcome scores occurred (Q1 to Q3). We will also incorporate any differences in Q4.

Keith Mulvey

Director of Internal Audit

15 June 2021

6.2. IOB Analysis

There are a wide range of areas where the IOB has been able to assess inputs from eir and, based on these, form its initial view on eir's compliance with its obligations. These areas are captured in this section. However, due to the multi-annual nature of both eir's and the IOB's work plan, the extent of analysis to be conducted and the start-up issues which needed to be addressed by the IOB, a number of obligations remain under review. These will be addressed, as appropriate, in future Reports.

6.2.1. Product Development and Access requests and Product Prioritisation eir has a

number of obligations and requirements related to the development of regulated products and related processes which are set out in the Settlement Agreement, including requirements relating to:

1. measures to manage or mitigate potential regulatory related conflicts of interest;

2. measures to increase governance and operational independence of the Wholesale Function in relation to operational decision-making, specifically in relation to the development of regulated products (including treatment of access requests, and prioritisation of product development) and pricing of such products; and

3. the development and operation of a formal decision-making framework which addresses all decisions that have relevance for eir's compliance with its regulatory obligations. The formal decision-making framework must specifically address specified fora and processes relevant to the development, pricing, operation and management of regulated products; and

4. the identification of all relevant regulatory risks and related controls, including those specifically related to the development, pricing, operation and management of regulated products; and

5. the operation of a Portfolio Board to oversee product developments to ensure that eir manages its product development process in line with its regulatory obligations.

Paragraph 1.1 (e) of Schedule 1 of the IOB Charter requires the IOB to form an opinion on the adequacy of governance structures in place to ensure regulatory compliance. Per paragraph 1.3 of Schedule 1 of the IOB Charter, the IOB is also required to assess governance arrangements for, inter alia:

1. Service Level Agreements (SLAs) for regulated products;

2. open eir's Regulatory Access Products (RAP) product prioritisation process; and

3. open eir's assessment of requests for RAP products and services.

1.1.11 *1. Management & mitigation of conflicts of interest in access to RAPs*

Paragraph 1 of the RGMU requires that eir will put in place and document measures to manage, or where appropriate, mitigate, potential regulatory related conflicts of interest, including ensuring that there is appropriate access to regulated products and services. In assessing this, the IOB review of regulated product processes noted that reports provided by eir to the IOB on provision and repair SLA performance and KPIs demonstrated that the data did not suggest any obvious discriminatory practices.

The IOB review further noted that product development and access request reports received from eir did not suggest any discriminatory behaviour. Product prioritisation reviews performed by eir found that there were 10 RAP requests over the period of reporting from July 2019 to June 2020 and provided a documented rationale for why the priority scores were found to be reasonable in all cases. These reviews by eir recommended a requirement for peer reviews of priority scores and this has commenced. Reports received covering the period July 2020 to December 2020 report some on-going developments but, in the view of the IOB, nothing of significant note in relation to governance.

Information to the IOB from eir on the management of White Label services within open eir Wholesale appears to demonstrate adequate risk mitigations in places; however the IOB has sought to ensure on-going monitoring of this by eir IA, specifically by way of an end-to-end audit by IA when there is sufficient material available to audit.

The IOB notes its reservation on the adequacy of assurance received with regard to the governance of the open eir Wholesale PDC process, one of the governance forums in eir relevant to the management and mitigation of conflicts of interest. Following the IOB's analysis of this area, Internal Audit has amended its process and brought forward the next IA audit of open eir Wholesale PDC, scheduled for July 2021. The IOB notes that the change to the IA process is not retrospective and has suggested that eir could consider the assurance of the governance of open eir Wholesale PDC to determine whether changes could be made to demonstrate an improved assurance position. The IOB awaits the results of the next IA audit of open eir Wholesale PDC and will assess the results of this when in receipt of the report.

eir has responded to the IOB's request for information on the delivery of D10/18 requirements relating to Civil Engineering Infrastructure (CEI) Passive Access Records (PAR),
CEI rollout/build plans and Equivalence of Input (EoI) for Current Generation Access (CGA). This response and a publication from ComReg on 08 March 2021 of a notification of a finding of non- compliance suggest a difference of opinion between eir and ComReg with regard to the fulfilment of these requirements. The specific relevant requirement within the Settlement Agreement under clause 4.1a (iv) has been met and no matters of significant interest have come to the IOB's attention regarding eir's regulatory governance structures with regard to the implementation of ComReg decisions.

The IOB requested ComReg's view on the potential impact of open compliance cases, if any, on regulated product processes, and secondly, information on any relevant complaint investigation it deemed appropriate to share information on. ComReg noted in its response that, at that point, six investigations referred to by eir to the IOB were each at different stages of development and had not yet reached any conclusion. In this regard ComReg regretted that it was not in a position to share any views with the IOB. With regard to complaints to ComReg from Other Authorised Operators (OAOs) regarding eir product processes, ComReg noted that, at that point, it had received one formal and substantive complaint in the previous 12 months which was the subject of on-going investigations. For that reason it was not at that point possible for ComReg to share any further details.

With the exception of one complaint accepted by eir regarding removal by eir in error of a customer's access to the Unified Gateway (UG), there have been no upheld complaints against eir relating to access to regulated products and services within the period of reporting to the IOB. The preliminary IOB view on the complaints process approved on 24 February 2021 was that no matters of significant interest had come to the IOB's attention regarding regulatory non-compliance or eir's regulatory governance structures in so far as they are relevant to the establishment and operation of the wholesale complaint process and whistleblowing process. Subsequent reports received from eir do not contain anything of significant note in relation to governance to have any impact on this view.

In all other matters considered by the IOB under the management and mitigation of conflicts of interest, the IOB view is that, having performed a desktop analysis of the inputs received from eir, no other matters of significant interest have come to the IOB's attention regarding regulatory non-compliance or eir's regulatory governance structures.

2. Operational independence of Wholesale & formal decision making framework eir has confirmed that a Wholesale Senior Management Team (SMT) is in operation and this has formal terms of reference which governs Paragraph 11a) – f) of the RGMU. Further, the IA audit of senior management forums received by the IOB provides assurance with regard to paragraph 19 of the RGMU which requires eir to develop, implement, maintain and embed a formal decision making framework that will address all decisions that have relevance for eir's compliance with its regulatory obligations.

The IOB's view is that, having performed a desktop analysis of the inputs received from eir, no matters of significant interest have come to the IOB's attention regarding regulatory noncompliance or eir's regulatory governance structures in so far as they are relevant to the functioning of the Wholesale SMT or the formal decision making framework.

1.1.12 *3. Risk identification and management*

Paragraph 27 of the RGMU requires that eir will have a process to ensure that all relevant regulatory risks are identified and have effective risk management controls.

In response to an IOB request, eir provided details to the IOB from the All Risk Review relevant to conflicts of interest in access to RAP, the WSMT, decision making, the risk identification process, the Portfolio Boards, SLAs, the Product Change Request Process (PCRP), the Prioritisation Process and open eir Wholesale PDC.

The IOB view is that having performed a desktop analysis of the inputs received from eir, no matters of significant interest have come to the IOB's attention regarding regulatory noncompliance or eir's regulatory governance structures in so far as they are relevant to the identification and management of relevant regulatory risks in these forums or processes.

IA was asked and agreed to an integrated control testing approach between IA and the Regulatory Risk Group (RRG) and that the two would commence regular submissions to the IOB of a joint log of categorised control test findings. Findings from this will be incorporated into future IOB Reports as appropriate.

The IOB suggested that eir consider periodic regulatory All Risk reviews, however eir notes it has a robust process in place where a review is carried out when there is any development or process change that may impact the RAP, associated services and/or underpinning processes. eir believes this ensures that a risk review has been completed for the introduction of the change and that, therefore, an additional periodic all risk review would not highlight any additional issues. eir notes the established processes ensure the Statement of Compliance evolves with each RAP change and captures any issues arising as a consequence of each change. While the IOB accepted that it was eir's prerogative to accept or reject a suggestion from the IOB, it nevertheless noted to eir that there is a benefit to be gained from a holistic view on a regular basis.

1.1.13 *4. Portfolio Boards*

Paragraph 33 of the RGMU requires that eir implement a Portfolio Board to oversee product developments at eir Group level, to help ensure that eir manages its product development process in line with its regulatory obligations. It further requires that the Portfolio Board will provide reports on activities to the Wholesale Senior Management Team, that RAP product development prioritisation will take place within the Wholesale Function, and that the Portfolio Board will respect this prioritisation. The IOB's analysis noted that, based on eir's inputs provided to the IOB, these requirements appear to have been met.

The IOB's view, therefore, is that having performed a desktop analysis of the inputs received from eir, no matters of significant interest have come to the IOB's attention regarding regulatory non-compliance or eir's regulatory governance structures in so far as they are relevant to the governance arrangements within the portfolio boards and related prioritisation process.

1.1.14 *5. Governance arrangements for open eir Wholesale RAP SLAs*

The IOB is required to review and assess how effective the governance arrangements were to assure regulatory compliance regarding the operation and management of open eir Wholesale Service Level Agreements (SLAs) for regulated products (Schedule 1 1.3 b). No detail regarding these SLAs is otherwise required in any report specified in the Settlement Agreement. The IOB therefore requested detailed information from eir with regard to the operation and management of its Wholesale SLAs for regulated products.

Furthermore, IA submissions to the IOB did not cover a review of the operation and management of these SLAs. The IOB requested IA views and future audit plans on Wholesale SLAs.

eir's submission in response to the above queries clarified the governance arrangements regarding the operation and management of SLAs and provided the details requested. The governance arrangements appear sufficient, when taken alongside comments received from eir's Director of Internal Audit on robust processes for SLA calculations and IA reviews of relevant controls..

Following consideration of the responses received from eir, the IOB view is that having performed a desktop analysis of the inputs received from eir, no matters of significant interest have come to the IOB's attention regarding regulatory non-compliance or eir's regulatory governance structures in so far as they are relevant to the effectiveness of governance arrangements to assure regulatory compliance regarding the operation and management of SLAs for regulated products.

1.1.15 *6. Governance arrangements for open eir Wholesale's RAP product prioritisation process*

The IOB is required to review and assess how effective the governance arrangements were to assure regulatory compliance for eir's RAP product prioritisation process (Schedule 1 1.3 (i)). The IOB review of regulated product processes found that governance arrangements for open eir Wholesale's RAP product prioritisation process are well defined by eir submissions to the IOB.

open eir Wholesale is responsible for the prioritisation of product changes, based on the prioritisation calculation tool. The prioritisation score is only relevant at "Solution Assessment" and "E2E Planning" stages when, firstly, system level requirements and complete solution assessments are completed, and secondly, when there is consideration given to the allocation of delivery resources. Regulatory Operations reviews all actual priority scores assigned for reasonableness. The priority score is published to operators on the Product Change Request Log (PCRL). In addition to the requirement for a priority score, eir has a number of milestone obligations arising from D10/18[6] for any development request received up to the publication of a project plan.

Product development reports submitted by open eir to the IOB demonstrate that all but one request received between July 2019 and June 2020 achieved the relevant milestones as set out in decision D10/18. No regulatory complaints within the period of reporting to the IOB have made any reference to the priority score or relative prioritisation of a development.

Subsequent to the IOB approval of its preliminary view, the IOB received product development and product prioritisation reports from eir covering the period July to December 2020. While the IOB will monitor a number of points of interest within these reports, these subsequent submissions are not considered to have any impact on this view.

The IOB view is that having performed a desktop analysis of the inputs received from eir, no matters of significant interest have come to the IOB's attention regarding regulatory non-compliance or eir's regulatory governance structures in so far as they are relevant to the effectiveness of governance arrangements to assure regulatory compliance for eir's RAP product prioritisation process.

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[6] D10/18 is a ComReg decision document which sets out its decision on the Wholesale Local Access and Wholesale Central Access markets, available at https://www.comreg.ie/?dlm_download=3a-3b-marketanalysis-decision.

7. Governance arrangements for open eir Wholesale's assessment of RAP products and

1.1.16 *services*

The IOB is required to review and assess how effective the governance arrangements were to assure regulatory compliance in respect of eir's assessment of requests for regulated products and services (Schedule 1 IOB Charter Paragraph 1.3 (i)).

The IOB review of regulated product processes found that governance arrangements for open eir Wholesale's assessment of RAP products and services, i.e. how requests are accepted or declined throughout the development cycle, are well defined by eir submissions to the IOB. Product development reports submitted by open eir to the IOB contain lists and some details of requests that were cancelled or declined within the period, noting that the full details are available on a case by case basis on the customer portal within each individual Customer Requirements Document (CRD). These reports also note the introduction of a two-step process to be implemented when a request is put forward to be cancelled (the requestor has withdrawn their request) or declined (due to technical or economic feasibility). This potential cancellation is presented at the next regular Product Development Workshop (PDW) to allow Wholesale Customers provide feedback and to provide transparency before the decision is taken to cancel or decline the request.

Prioritisation reports submitted by eir to the IOB note that the Product Change Request Process (PCRP) is published on the open eir portal and that this outlines the development and prioritisation process used by open eir. An updated version of the Product Change Request Log (PCRL) is available to operators every Friday.

eir provided reports to the IOB on Other Authorised Operator (OAO) complaints between July 2019 and June 2020. There were 15 complaints in total to the end of that period and all complaint investigations by eir are now complete, with one finding of a breach by eir of regulatory obligations regarding removal by eir in error of a customer's access to the Unified Gateway (UG). Separately, three of the 15 complaints related to eir's regulatory Access obligations, specifically in relation to eir declining development requests. The investigations into all three by eir found no breach of regulatory obligations. Subsequent to this preliminary view being approved, the IOB received a complaints reports covering October to December 2020 and January to March 2021, which when reviewed by IOB were found to have no impact on the view for this Report.

In response to a query by the IOB, eir noted that there was, as of the end of September 2020, one open relevant compliance case within ComReg of which eir is aware, relating to a complaint regarding Access. eir WRO's review of the decision to reject the request found it to be in line with eir regulatory obligations.

While the reviews by eir WRO of open eir decisions in relation to Access request rejections upheld these decisions, the reviews also resulted in recommendations to the business to improve customer engagement and transparency. For example, in relation to one complaint, six recommendations of a management and administrative nature were made, including the preservation of complete email threads, an amendment to the internal process to better capture customer views and discussion of CRD requirements at the PDW to ensure transparency to all.

In response to the IOB's request to ComReg for information on any relevant complaint investigation it deemed appropriate to share, ComReg noted that, at that point, it had received one formal and substantive complaint in the previous 12 months which was the subject of on-going investigations. For that reason it was not at that point possible for ComReg to share any further details.

1.1.17 *Conclusions*

The IOB noted a reservation on the adequacy of assurance received with regard to the governance of the open eir Wholesale Product Development Council (PDC) process as noted earlier in *Management & mitigation of conflicts of interest in access to RAPs* and has suggested that eir could consider the assurance of the governance of open eir Wholesale PDC to determine whether improvements could be made to be in a position to demonstrate an improved assurance position.

Notwithstanding this, the IOB view is that having performed a desktop analysis of the inputs received from eir, no other matters of significant interest have come to the IOB's attention regarding regulatory non-compliance or eir's regulatory governance structures in so far as they are relevant to the effectiveness of governance arrangements to assure regulatory compliance in respect of eir's assessment of requests for regulated products and services.

6.2.2. Wholesale Remuneration Policy eir is required to ensure that employees of its Wholesale Function, including employees of Networks, are incentivised in such a way that reflects the objectives of the Wholesale Function, and not of the broader eir Group. Equally, relevant Internal Audit employees should not be incentivised on the financial performance of the eir Group.

Although the IOB is not specifically required to assess the incentivisation of these employees, it is required to review the approach to such incentivisation.

1.1.18 *Conclusions*

Having completed the analysis of the inputs received from eir, the IOB's view is that no matters of significant interest have come to the IOB's attention regarding regulatory noncompliance or eir's regulatory governance structures in so far as they are relevant to the incentivisation of eir employees of its Wholesale Function or relevant eir employees of Internal Audit.

1.1.18.1 6.2.3. Capex and Group IT Budgets

The Settlement Agreement sets out several specific obligations on eir relating to how IT Capex and other resources are allocated across the eir Group in line with eir's regulatory obligations in a non-discriminatory manner.

These include specific requirements related to the decision-making framework and related governance and authority, identification of related risks and implementation of mitigating controls, and the allocation of a separate Wholesale Function Capex budget.

The IOB Charter specifically requires the IOB to:

☐   Review how effective the governance arrangements were to assure regulatory compliance in respect of the allocation of group resources, including IT, in light of eir's regulatory obligations, with respect to the development and provision of regulated services (Schedule 1, 1.3 (k)); and

☐   Review how effective the governance arrangements were for allocating capital expenditure to the Wholesale Function in light of eir's regulatory obligations (Schedule 1, 1.3 (m)).

No specific opinion is required of the IOB on Capex and access to group functions in line with eir's regulatory obligations. However, paragraph 1.1 (e) of Schedule 1 of the IOB Charter requires a decision from the IOB on the IOB's opinion as to the adequacy of the governance structures in place to ensure regulatory compliance. The IOB considers the allocation of Capex germane to the consideration of this.

eir submissions to the IOB demonstrate the existence of a clear open eir capex process, a separate open eir Wholesale Capex budget, the role of the Wholesale SMT, the existence and operation of a formal decision-making framework and the consideration of Capex processes in eir's review of regulatory risks.

In terms of access to Group Functions including IT, eir submissions outline how input from IT and Networks form the basis of open eir's annual Capex budget request and the IOB's Regulated Product Processes review outlines how the prioritised list of projects is set by open eir and determines the allocation of relative delivery resources by IT and Networks.

1.1.19   *Conclusions*

The IOB's view is that, having performed a desktop analysis of the inputs received from eir, no matters of significant interest have come to the IOB's attention regarding regulatory noncompliance or eir's regulatory governance structures in so far as they are relevant to the allocation of group resources, including IT, in light of eir's regulatory obligations, with respect to the development and provision of regulated services.

1.1.19.1 6.2.4. Wholesale Customer Complaints and Whistle-blower Complaints

Clause 31 of the Settlement Agreement requires that eir will oversee and approve how and by whom legitimate material regulatory concerns and complaints will be investigated and addressed. Metrics in respect of whistleblowing cases will be reported to the IOB and appropriate details communicated on request having regard to any need to preserve anonymity.

Clause 32 requires that eir will continue to operate a wholesale complaints process which will be overseen by a Second Line of Defence (SLOD) function.

There are two relevant requirements on the IOB set out in Schedule 1 of the IOB Charter:

-   Review and assess how effective the governance arrangements were in addressing complaints made to the eir whistleblower hotline relating to regulatory compliance matters as referred to in the Regulatory Code of Practice (Schedule 1 Clause 1.3 (f)); and

- Review how effective the governance arrangements were for managing any complaints from other operators (Schedule 1 Clause 1.3 (r)).

In addition, paragraph 1.1 (e) Schedule 1 to the IOB Charter requires the IOB set out its view on the adequacy of the governance structures in place to ensure regulatory compliance. It is reasonable to consider the matters of wholesale customer complaints and whistleblowing as germane to regulatory compliance.

eir submissions to the IOB have demonstrated compliance with the RGMU relating to whistleblowing and an operator complaints process. The IOB review engaged with eir particularly on the effectiveness of governance arrangements in addressing regulatory related complaints made via the whistleblowing process and on the effectiveness of governance arrangements for managing complaints from other operators.

1.1.20 *Conclusions*

The IOB view is that, having performed a desktop analysis of the inputs received from eir, no matters of significant interest have come to the IOB's attention regarding regulatory noncompliance or eir's regulatory governance structures in so far as they are relevant to the establishment and operation of the wholesale complaint process and whistleblowing process.

The IOB has suggested to eir it might consider that, when publicising channels which employees might use in the event they wish to report a breach of the Regulatory Code of Practice, the Speak Up channel should be given at least as strong a prominence as the normal chains of command channels which are more frequently referred to within the Code. This is not to suggest that the normal chains of command channels referred to within the Code are not functioning effectively.

Separately, at its meeting with industry stakeholders (see Section 5.6), the IOB reminded attendees that the opportunity to provide evidence and information of failures of eir's governance to the IOB remains open, including specifically examples of complaints. No such examples have been received by the IOB.

1.1.20.1 6.2.5. Equivalence KPIs

The following paragraphs of the RGMU set out the relevant obligations on eir.

1. Paragraph 19 RGMU requires eir to develop, implement, maintain and embed a formal decision-making framework which will address all decisions that have relevance for eir's compliance with its regulatory obligations. The formal decision-making framework will include identification of all relevant decision-making fora, all decision makers, relevant processes and will clearly identify all relevant decisions. Each forum will have clear terms of reference. The scope of this decision-making framework will include the KPI generation and publication process.

2. Paragraph 27 RGMU requires that eir will have a process to ensure that all relevant regulatory risks are identified. The scope of the risks to be addressed will include operations and non-operational risks including those relating to management decision making. There will be an effective risk management control for each identified regulatory risk. The correct operation of controls should be recorded with sufficient clarity and detail such that the control can be operated, by assurance process owners, at all levels of the eir organisation, e.g., within business units, governance fora etc. in a consistent manner. In particular eir shall identify risks of non-compliance and apply appropriate controls in relation to the generation and publication of key performance indicators mandated by ComReg.

3. Paragraph 36 RGMU requires that "eir will document the process for the generation and publication of Key Performance Indicators (KPIs) and perform a risk analysis and develop controls to ensure accuracy and comparability. This documentation underpinning KPIs and metrics will provide an audit trail."

No specific opinion is required of the IOB on Equivalence KPIs, however as per 1.1 (e) of Schedule 1 of the IOB Charter, the IOB must prepare an opinion on the adequacy of the governance structures in place to ensure regulatory compliance.

The IOB Charter also specifically requires the IOB to:

1. Review and assess how effective the governance arrangements were to ensure the accuracy of KPIs and metrics relevant to regulatory matters (Paragraph 1.3 (a) of Schedule 1 of the IOB Charter);

2. Assess the implications of such KPIs and metrics for the effectiveness of governance arrangements generally (Paragraph 1.3 (a) of Schedule 1 to the IOB Charter;

3. Assess the implications of such KPIs and metrics for the workplan for Internal Audit (Paragraph 1.3 (a) of Schedule 1 to the IOB Charter); and

4. Establish whether or not the principles detailed in Section 2 Guidance on the KPI Process (Paragraph 2, Schedule 3 to the IOB Charter) have been adhered to.

KPIs and metrics relevant to regulatory matters are understood to mean the Equivalence KPI tables published quarterly by eir in accordance with ComReg Decision requirements relevant to four regulated markets.

1.1.20.2 1. Formal decision making framework

Information received by the IOB from eir, including from IA, provides assurance to the IOB with regard to paragraph 19 RGMU requiring eir to develop, implement, maintain and embed a formal decision making framework which will address all decisions that have relevance for eir's compliance with its regulatory obligations.

The IOB view is that having performed a desktop analysis of the inputs received from eir, no matters of significant interest have come to the IOB's attention regarding regulatory noncompliance or eir's regulatory governance structures in so far as they are relevant to eir's formal decision making framework relevant to equivalence KPIs.

1.1.20.3 2. Risk identification and management

Paragraph 27 RGMU requires that eir has a process to ensure that all relevant regulatory risks are identified and have effective risk management controls, including with respect to the generation and publication of key performance indicators mandated by ComReg. Information received by the IOB indicates that eir has met this obligation.

In response to requests for clarification from the IOB, eir confirmed that, in its view, all preexisting regulatory risks were captured and reviewed by the Milestone 4 "All Risk Review". Note, at the time of writing, resolution of a dispute between eir and ComReg on Milestone 4 remains pending. With regard to the IOB's risk management oversight obligation, eir has agreed to the IOB suggestion of an integrated approach to control testing between eir's second and third lines of defence and the IOB request for the establishment of a joint log of control test findings to be periodically reported to the IOB.

The IOB view is that, having performed a desktop analysis of the inputs received from eir, no matters of significant interest have come to the IOB's attention regarding regulatory noncompliance or eir's regulatory governance structures in so far as they are relevant to eir's risk identification and management practices related to equivalence KPIs.

1.1.20.4 3. Process for generation and publication of KPIs

Paragraph 36 RGMU requires eir to:

1. Document the process for the generation and publication of KPIs;

2. Perform a risk analysis and develop controls to ensure accuracy and comparability; and

3. Ensure that the documentation underpinning KPIs and metrics will provide an audit trail.

The second part of this requirement is addressed in the detailed analysis associated with the requirement relating to risk identification and management directly above.

In relation to the first and third parts of this requirement, an Internal Audit submission to the IOB confirms that eir has produced a report which states how the equivalence KPIs metrics are produced on a quarterly basis, outlines the governance process prior to KPI publication and outlines how to provide an audit trail as required by Paragraph 36 of the Settlement Agreement. The Internal Audit report noted to the IOB that this has been done with regard to the principles and methodologies described in Schedule 3 to the IOB Charter at Annex 3 of the Settlement Agreement, in particular the guidance on the KPI process.

The IOB view is that, having performed a desktop analysis of the inputs received from eir, no matters of significant interest have come to the IOB's attention regarding regulatory noncompliance or eir's regulatory governance structures in so far as they are relevant to the process for generation and publication of KPIs. The IOB understands that this process will be reviewed in line both with relevant IT developments and ComReg's KPI metrics

consultation currently underway[7]. The IOB will be kept informed of progress on the ComReg KPI metrics consultation and transformation of the KPI Process.

1.1.20.5 4. Governance arrangements to ensure the accuracy of KPIs and metrics

Submissions from eir to the IOB demonstrate a documented process within eir for KPI generation and publication, though eir notes that this is a process under transformation and upgrade. With regard to the governance arrangements to ensure the accuracy of KPIs, WRO had highlighted a potential data integrity risk through continued reliance on excel in the data generation process. The IOB subsequently requested an update from eir on the current status of the relevant IT development and any associated identified risk with the use of excel and pivot tables for KPI report generation. eir has noted the introduction of a new risk and control with regard to continued reliance on excel and pivot tables.

In the context of ComReg's consultation on KPIs issued on 01 April 2021, which suggests the likely requirement for a significant number of new KPIs, eir has noted that, pending clarification on what these new metrics will be, it is likely eir will postpone further development of KPI data queries as it would not be efficient or effective to generate data that will no longer be required.

The IOB view is that, having performed a desktop analysis of the inputs received from eir, no matters of significant interest have come to the IOB's attention regarding regulatory noncompliance or eir's regulatory governance structures in so far as they are relevant to governance arrangements to ensure the accuracy of KPIs and metrics. As already noted, the IOB expects to be kept informed of progress on the ComReg KPI metrics consultation and transformation of the KPI Process.

1.1.20.6   5. Implications of KPIs and metrics for effectiveness of governance arrangements generally

With regard to the governance arrangements more generally, Internal Audit has highlighted a dependency by open eir on Wholesale Regulatory Operations (WRO) within the KPI process which should be addressed by training by the end of June 2021. eir has confirmed this is on track.

The IOB view is that, having performed a desktop analysis of the inputs received from eir, no matters of significant interest have come to the IOB's attention regarding regulatory noncompliance or eir's regulatory governance structures in so far as relevant to implications of KPIs and metrics for the effectiveness of governance arrangements generally.

6. Implications of KPIs and metrics for the work plan for Internal Audit eir has confirmed that IA has yet to assess the full capability of the new data validation and integrity processes to be introduced on completion of the relevant IT development, and that when this is launched it will review system documentation and at that point set an appropriate scope for the review. This scope will include a review of the validation and the integrity of KPI source data.

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[7] Access products and   services KPI   metrics   consultation   (ComReg   21/33).   See https://www.comreg.ie/publication/access-products-and-services-kpi-metrics-consultation.

The IOB view is that, having performed a desktop analysis of the inputs received from eir, no matters of significant interest have come to the IOB's attention regarding regulatory noncompliance or eir's regulatory governance structures in so far as relevant to implications of KPIs and metrics for the work plan for IA.

1.1.20.7 7. Adherence to guidance on the KPI Process contained in Schedule 3 to the IOB Charter

Schedule 3 of the IOB Charter sets out detailed guidance on the KPI process. The requirement on the IOB is to establish adherence to the guidance and assess the implications for the effectiveness of governance arrangements.

The IOB requested that eir IA comment on the extent to which the existing KPI process adhered to the guidance set out in Schedule 3 of the IOB Charter, on a point by point basis. eir has confirmed with detailed narrative comment against each of the guidance points that eir's process adheres to the guidance set out in Schedule 3 of the IOB Charter.

1.1.21 *Conclusions*

The IOB view is that, having performed a desktop analysis of the inputs received from eir, no matters of significant interest have come to the IOB's attention regarding regulatory noncompliance or eir's regulatory governance structures in so far as they are relevant to adherence to guidance on the KPI Process contained in Schedule 3 to the IOB Charter.

The IOB understands that this process will be re-examined by IA following the further progress of relevant IT developments and the ComReg KPI metrics consultation currently underway.

1.1.21.1 6.2.6. Code and Regulated Policies and Procedures

Paragraph 30 of the RGMU requires that "eir will establish and maintain the Regulatory Code of Practice which will be communicated to all staff and relevant contractors on a periodic basis. eir shall formalise the Regulatory Code of Practice (CoP) processes, including reporting requirements, to ensure that the Regulatory Code of Practice considers all relevant regulatory obligations and requirements at the right level of detail. This will include formalising communication and training on the Regulatory Code of Practice which includes communication on the disciplinary consequences of non-compliance with the Regulatory Code of Practice. eir has aligned and will continue to align its human resources policies with the Regulatory Code of Practice".

Paragraph 23 of the RGMU requires that "the remuneration policies for all eir staff will include completion of Regulatory Code of Practice training as a perquisite for inclusion in any incentive plan. eir's disciplinary policy will also address breaches of the Regulatory Code of Practice by any member of eir staff".

Paragraph 1.1 (d) of Schedule 1 of the IOB Charter requires the IOB to give an opinion on the adequacy of the Regulatory Code of Practice and other relevant documentation to foster regulatory compliance. In order to form this opinion, 1.3 (e) Schedule 1 of the IOB Charter requires the IOB to "*review and assess how effective governance arrangements were in addressing breaches of the Regulatory Code of Practice*" and 1.3 (n) requires the IOB to "*review all RGM*

related policies that support the operation, standardisation and embedding of the Regulatory Code of Practice".

1.1.22 *Conclusions*

The IOB has requested an update from eir on the status of disciplinary sanctions for both employees of eir and Managed Service Providers (MSPs) with regard to Code of Practice training and specifically with regard to inaccurate self-certification risk and control returns. The IOB will report on any further developments to this in a subsequent report, if appropriate.

The IOB is also of the view that eir needs to consider further and provide greater assurances on the robustness of Code of Practice training for employees of Managed Service Providers, with regard to governance structures concerning regulatory obligations. The IOB has received a related updated policy document from eir, however the position of Internal Audit on this and the associated level of assurance is pending as of the time of this report. The IOB will report on any further relevant developments in a subsequent Annual Report. No other matters of significant interest have come to the IOB's attention with respect to eir's regulatory governance structures in so far as they are relevant to, firstly, the establishment of a Regulatory Code of Practice and, secondly, formal communication and training on the Regulatory Code of Practice.

1.1.22.1 6.2.7. Data Governance - Structured and Unstructured

The obligations on eir in respect of structured and unstructured data systems, together with the respective IOB views, are set out below.

1.1.22.2 1. Internal Audit reviews required
Paragraph 47b) of the RGMU requires that Internal Audit will perform end-to-end reviews of Wholesale Function activities including:

ii Systems access management reviews performed by both IT and business units; iii. Management of Confidential Regulated Information (CRI) including structured data access management, unstructured data access management, data classification and data handling.

System access management and both structured and unstructured CRI data reviews have been received by the IOB. Schedule 2 of the IOB Charter has an indicative reporting frequency of once per year for both structured and unstructured data reviews and the IOB has received two reports of each to date. It would appear that eir has met this obligation under the RGMU. A question remains open for now on whether the extent of review of system CRI access by eir Internal Audit is sufficient for IOB purposes; this will be interrogated further in the next IOB work programme.

1.1.22.3 2. BAR & TSDS reviews at regular intervals
Paragraph 51 of the RGMU requires that eir completes Business Access Review (BAR) and Technical System Data Segregation (TSDS) reviews on user access to IT Systems at regular intervals, that these reviews are designed to provide reasonable assurance that access to CRI is appropriate and that non-Wholesale staff cannot access CRI.

eir has confirmed that the BAR happens on a six-monthly basis by way of an automated process and further notes that there are additional RGM RACM risks and controls to review user access to systems on a 6-monthly basis. Segregation of Duties (SOD) and TSDS reviews are carried out by IA on a sample set of high risk systems only. The All Risk Review in eir reviewed all systems containing CRI. The IT Asset Application Register is reviewed regularly. The IT Asset Register Change Control Forum reviews and signs off on proposed changes to the Register relevant to systems which process or contain CRI including any proposed changes to risk ratings assigned to systems.

It would appear from the above that eir has met the obligation under paragraph 51 of the RGMU.

1.1.22.4   3. Review of access to IT systems containing CRI, report, delivery plan & remediation progress

Paragraphs 52 to 53 of the RGMU require that by 31 May 2019, eir will have performed a full review of all IT systems with CRI or that have access to systems with CRI to ensure that Wholesale Function and non-Wholesale Function access to these IT systems is appropriately controlled, and that this review would include:

a) Identifying and classifying the data held on each system and determining a risk rating for each system;

b) Documenting access to each system at a business unit level;

c) Updating the Data Asset Register to reflect the risk rating which will be reviewed on a quarterly basis; and

d) Conducting a risk review of each system identifying risks of non-compliance and identifying new controls.

Paragraph 55 of the RGMU requires that by 31 May 2019 eir will have provided a report to the IOB and ComReg based on the review described in paragraphs 52 and 53.

This report was shared with ComReg; the first meeting of the IOB did not take place until 12 June 2019. The report was subsequently made available to the IOB by eir. It would appear that eir has met its obligations under paragraphs 52, 53 and 55 of the RGMU.

Paragraph 56 of the RGMU requires that by 30 November 2019 eir will have provided a systems/application delivery plan to the IOB and ComReg, based on the report outlined in paragraph 55. This plan provides timelines for the development of controls and/or systems remediation in order to manage or mitigate the risk including controls based on the appropriate segregation of Structured Data at a system level. The remediation plan for structured data was shared with ComReg and the IOB in November 2019 and outlines eir's plan and timelines to address the findings of the *Report on Review of Access Controls to eir IT Systems with CRI*, which itself was shared with ComReg and the IOB as required under the Performance Agreement. It would appear that eir has met its obligations under paragraph 56 of the RGMU.

Paragraph 57 of the RGMU requires that by 1 March 2020, eir will have provided to the IOB and ComReg a written report on progress of the remediation of high risk systems and an updated review of low risk systems. This milestone submission was received from eir in

March 2020. It would appear that eir has met its obligations under paragraph 57 of the RGMU.

1.1.22.5 4. Remediation of high risk systems

Paragraphs 55 and 58 of the RGMU require that by 01 December 2020 high risk systems will have been remediated by adding these systems to eir's User Access Management (UAM) system. For the remainder of the systems, the controls identified in the report are to be implemented, operated and managed in order to ensure that Wholesale Function and NonWholesale Function access to systems with CRI, or to systems that have access to systems with CRI, is appropriately controlled.

As per paragraph 58 of the RGMU, the IOB received a report from eir in December 2020 confirming completion of full systems remediation for structured data. It would appear that eir has met this obligation.

1.1.22.6 5. Policy on the management of CRI

Paragraph 59 of the RGMU requires that by 31 May 2019, eir will have developed and provided to the IOB and ComReg an overarching policy on the management of CRI from, at a minimum, data governance, data ownership, data management, data classification, data handling and security perspective.

This milestone deadline preceded the first meeting of the IOB, and the timely milestone submission was subsequently made available to the IOB. The milestone submission contained eir's Clean Desk Policy, Data Classification Policy, Data Governance Policy, Data Handling and Management Policy, Data Ownership Policy and the Overarching Policy. All policies with the exception of the Clean Desk Policy include explicit reference to the Regulatory Code of Practice, but the Clean Desk Policy applies to all confidential and commercially sensitive information. It would appear that eir has met this obligation under the RGMU.

As already noted, having assessed the relevant material provided by eir, the IOB proposed that eir should consider further and provide greater assurances on the robustness of the Code of Practice training provided to employees of Managed Service Providers. eir has since provided an update regarding the company policy on its approach to such training, although the IOB notes that it has not yet received an audit report regarding this policy and will therefore keep the matter under review.

1.1.22.7 6. Protocol for new systems

Paragraph 60 of the RGMU requires that, by 31 May 2019, eir will have developed and provided a protocol to the IOB and ComReg for the implementation of all future new systems that will ensure compliance with regulatory obligations including appropriate segregation of and governance over retail and wholesale data. The protocol will include the design principles for user access profiles on the new systems. eir will implement the protocol for all new systems development. Future BAR and TSDS reviews on these systems will address user access profiles.

This protocol document was provided to ComReg before the first meeting of the IOB and was subsequently made available to the IOB. It would appear that eir has met this obligation under the RGMU.

1.1.22.8 7. Unstructured data risk report

Paragraph 61 of the RGMU requires "that eir carries out a comprehensive analysis and prepares a written report of the risks associated with the use of Unstructured Data and the extent to which existing policies and controls mitigate these risks. The report should include analysis of systems based controls and other controls as ways of mitigating against risks identified and should consider which controls from a cost and complexity approach are appropriate to be adopted. Having consulted the IOB and taken their advice into account, that eir must have implemented a remediation plan to include the most appropriate controls to deliver remediation. The report and the remediation plan must have been provided to ComReg and the IOB by 30 September 2019 and eir must regularly report to ComReg and the IOB on the delivery of the plan. The remediation must have been completed by 1 December 2019." eir shared its remediation plan for risks associated with the use of unstructured data with ComReg and the IOB in September 2019. The milestone submission included an external report containing their recommendations on the Risk and Control Matrix (RACM), relevant policies and potential technologies that could be used to mitigate risk, as well as eir's remediation plan. The remediation plan outlined how the recommendations contained in that report would be delivered.

On 23 December 2019 ComReg notified eir of its determination that eir had not yet met milestones 4 ["All Risk Review"], 10 [unstructured CRI risk review] and 11 [execution of unstructured CRI remediation plan]. An amendment to the Settlement Agreement was signed by eir and ComReg on 17 February 2020, agreeing that a revised unstructured CRI review would be submitted by eir by 01 May 2020 and the remediation plan would be implemented by 01 August 2020.

The revised unstructured CRI review was shared with the IOB by eir on 01 May 2020. This submission notes that eir has considered in the review how unstructured CRI is generated, shared, stored and disposed of/deleted. Fewer than 10% of eir employees were found to generate this data from upstream or central business units and the review considered the life cycle of the data across all eir's business units, governance forums and processes. The report further notes that unintended distribution and deliberate inappropriate access were also considered. Reference is made to the context of the review being within an established regulatory framework which includes risks previously identified, the Code of Practice and CRI Policy and training in these.

eir's review concluded that no significant new regulatory risks were identified and, secondly, that there is reasonable assurance that even if downstream business units gained inappropriate access to unstructured CRI, such information cannot be acted on or brought to market. Notwithstanding these conclusions, the report did identify a number of enhancements to the current framework, including simplification of the language on unstructured CRI and business unit specific labelling guidelines for the Regulatory Code or Practice and CRI Policy. It was also noted that regular reviews of Google shared drives would be conducted to ensure access remains up to date, new controls were introduced to ensure that the RAP product list remains up to date for eir Networks and procurement project lists were separated into RAP and non-RAP.

On 24 June 2020, ComReg confirmed that eir had achieved milestones 10 [unstructured CRI risk review] and 12 [remediation of high risk systems]. ComReg offered a number of points for consideration by eir in its then future milestone 4 and 13 submissions on the "All Risk Review" and completion of full systems remediation for structured data as set out in paragraph 58 of the RGMU.

eir IT presented to the IOB meeting on 30 March 2020 during which paragraph 61 of the RGMU was noted to the IOB: "Having consulted the IOB and taken their advice into account, that eir has implemented a remediation plan to include the most appropriate controls to deliver remediation." eir IT noted the distinction between data at rest (repositories including SharePoint, fileshare and google G suite) and data in motion (email) and outlined the recommendations contained in the relevant report commissioned by eir. The IOB discussed a number of points including staff training and behaviours.

In line with the side letter to the Settlement Agreement of 17 February 2020, eir submitted milestone 11 to ComReg and the IOB in August 2020, confirming as per paragraph 61 of the RGMU that the remediation plan set out in milestone 10 on unstructured CRI had been implemented. While resolution of a dispute between eir and ComReg on Milestone 4 remains pending at this point and the above comments from ComReg in relation to eir's milestone 11 on unstructured CRI data are noted, it would appear nevertheless that eir has met the obligations under paragraph 61 of the RGMU on unstructured CRI data.

IA's most recent audit of unstructured CRI data classification and handling was provided to the IOB in July 2020. As of February 2021 there were three open IA recommendations, due for completion by 31 March 2021, two of which were system related and one of which required an update to IT policies with regard to g-suite functionality and CRI. The IOB continues to monitor the resolution of these issues.

The IOB view is that having performed a desktop analysis of the inputs received from eir, no matters of significant interest have come to the IOB's attention regarding regulatory noncompliance or eir's regulatory governance structures in so far as they are relevant to unstructured CRI data management in eir.

1.1.22.9 8. Data Asset Register

Paragraph 62 of the RGMU requires that by 31 March 2019, eir will have had designed, implemented and subsequently maintained a Data Asset Register (including Structured Data) to include information on the nature and type of data in use. The Data Asset Register must include a current data classification on systems and will be updated for any subsequent changes. The Register must be kept up to date, i.e. current systems and systems data will be in scope, and include:

a) description of system including functionality and/or use;

b) types of data held (e.g. wholesale customer personally identifiable information (PII), retail customer PII, employee PII, financial, wholesale commercial, retail commercial, intellectual property etc.);

c) classification of data as per the Data Classification Policy (e.g. Confidential Regulatory Information etc.);

d) UAM; and

e) risk rating and criteria eir shared its Data Asset Register with the IOB in April 2020. The milestone submission notes that the IT Asset Register Change Control Forum is chaired by the Director of Solutions and Engagement, is dependent on the IT development process to track and update the IT RMS with any changes to data stored in systems on foot of developments but it is not part of the IT development or RAP product development. Other attendees are the Owner of IT Application Asset Register, Head of Architecture, Director of Internal Audit, Head of Wholesale Regulatory Operations, Head of IT Security, Director of Wholesale Products and Director of Data Protection and Enterprise Risk.

The IT Application Asset Register owner collates a list of proposed changes to the Register pertaining to systems which process or contain CRI including any proposed changes to risk ratings assigned to systems. These changes could include the introduction of new systems to the eir IT estate, the decommissioning of legacy systems, changes to user access management or changes requested by system / control owner. Following this the IT Application Asset Register owner updates the Asset Register Change Control log (which maintains a list of all changes to the IT Application Asset Register). System owners are informed of changes to their systems so they can request the appropriate changes to the relevant risks and controls relating to their systems on the Risk and Control Matrix (RACM).

It would appear that eir has met the obligations under paragraph 62 of the RGMU in relation to a Data Asset Register.

1.1.22.10   9. IT Transformation Plan

Paragraph 63 of the RGMU requires that by 31 May 2019, eir will have had provided

ComReg and the IOB with its most up to date IT Transformation Plan (IT Transformation Plan), which will have provided information on eir's plan for the implementation of new IT systems and that as eir's IT Transformation Plan in relation to new systems develops that it is shared with ComReg and the IOB.

eir's IT transformation plan was provided to ComReg before the first meeting of the IOB and was subsequently made available to the IOB in January 2020. eir IT has since provided regular updates to the IOB. The relevant structured data milestone submissions provided further detail and updates on the IT transformation plan. It would appear that eir has met this obligation under the RGMU.

Nonetheless, given the significant programme of transformation which continues to be undertaken by eir, the IOB will monitor carefully this area as the extent of transformation may, in of itself, give rise to potential risks associated with the transfer of data between legacy and new systems. As noted elsewhere in this Report, the IOB is considering whether, and if so, to what extent, external assurance on data governance may be required.

1.1.22.11   10. Periodic communications

Paragraph 64 of the RGMU requires that eir will communicate periodically with the IOB and ComReg with regard to progress against milestones and updates in relation to the report

described at paragraph 55 [report on systems with CRI access]. eir must also communicate periodically with ComReg and the IOB progress against all Wholesale Function aspects of the IT Transformation Plan. eir must ensure that the IT Transformation Plan ensures that IT governance arrangements provide adequate assurance regarding management of CRI and related access management requirements.

While eir IT has provided a number of updates to IOB meetings and by way of milestone submissions, the assurance aspect for IOB purposes is considered against IA reports to the IOB. It would appear that eir has met this obligation under the RGMU.

1.1.23 *IOB obligations*

No specific opinion is required of the IOB on structured and unstructured CRI data governance and management in eir. However, as per 1.1 (e) of Schedule 1 of the IOB Charter, the IOB must prepare an opinion on the adequacy of the governance structures in place to ensure regulatory compliance.

To inform the IOB's annual opinion on the adequacy of the governance structures in place to ensure regulatory compliance, the IOB Charter requires the IOB to:

"review eir's other policies and structures in so far as they are intended to ensure that they enable eir to be compliant with its regulatory obligations" (Schedule 1 Paragraph 1.3 (o)); and

"review eir's governance structures to ensure they enable eir to comply with its regulatory obligations in an effective and transparent manner" (Schedule 1 Paragraph 1.3 (p)).

Policies relevant to eir's regulatory governance obligations have been addressed in Section 6.2.6 of this document.

The most relevant governance structures, forums and processes in eir related to structured CRI data would appear to be the regular Business Access Reviews (BAR), Segregation of Duties (SOD) and Technical System Data Segregation (TSDS) reviews, the IT Asset Register Change Control Forum and the regular Data Integrity Group (DIG) review meeting attended by the DIA. This is based on eir milestone submissions and references made by IT and IA in IOB meetings.

In matters concerning BAR/SOD/TSDS reviews and the IT Asset Register Change Control Forum, the IOB view is that having performed a desktop analysis of the inputs received from eir, no matters of significant interest have come to the IOB's attention regarding regulatory non-compliance or eir's regulatory governance structures.

The most relevant governance structures, forums and processes in eir relevant to unstructured CRI data are captured by eir's Milestone 4 submission. This concludes that, having assessed each using a consistent set of questions specific to relevant regulatory obligations regarding information sources and flows, sufficient safeguards are in place. eir IA's review of Senior Management Fora notes that: "*eir ensures that CRI is appropriately managed as part of the decision making framework*".

1.1.24 *Conclusion*

The IOB recognises that considerable progress has been made in respect of system CRI access, from a starting point in November 2019 where nearly 30% of systems containing CRI were found by eir to be 'high risk' from an access management perspective. Due to ongoing system remediation, this number reduced considerably to 2% of systems by March 2021.

Nonetheless, the IOB is aware that eir's downstream arm had access to structured CRI for a period of time since the IOB's establishment. eir confirmed that this has been remediated as part of its Milestone 13 structured data remediation implementation report, and the information has been disclosed to ComReg and made publicly available.

The IOB notes a difference of definitions of structured and unstructured data as contained in the Settlement Agreement and as employed by eir in its risk reviews and milestone submissions. However, this has not to the IOB's knowledge had any material impact on eir's risk reviews. eir's data definitions have been consistent within remediation and implementation reports and eir has confirmed to the IOB that, however defined, all categories of data have been addressed by a combination of the reports submitted by eir to meet milestones associated with paragraphs 52, 53 and 61 of the Settlement Agreement.

A question remains open for now on whether the extent of review of system CRI access by eir Internal Audit is sufficient for IOB purposes and the IOB is therefore currently considering whether, and if so, to what extent, external assurance on data governance is required, particularly with respect to the governance of structured CRI data.

Additionally, given the significant programme of transformation being undertaken by eir, the IOB will monitor carefully this area as the extent of transformation may, in of itself, give rise to potential risks associated with the transfer of data between legacy and new systems.

Notwithstanding this likely future activity, the IOB view is that having performed a desktop analysis of the inputs received from eir, no matters of significant interest have come to the IOB's attention regarding regulatory non-compliance or eir's regulatory governance structures in so far as they are relevant to structured and unstructured CRI data management in eir.

1.1.24.1 6.2.8. Bespoke Bids

The Settlement Agreement sets out a number of specific requirements of eir relating to how it deals with wholesale bespoke bids, including the requirement to develop and operate a formal decision-making framework which addresses all decisions that have relevance for eir's compliance with its regulatory obligations.

The formal decision-making framework must specifically address the wholesale bid process including bespoke bid processes. eir is also required to identify risks of non-compliance and apply appropriate controls in relation to wholesale bids including bespoke bids.

Schedule 3 of the IOB Charter requires that the IOB monitor eir's adherence to relevant clauses from the RGMU, establish whether or not guidance on the Bespoke Bids Process contained in Schedule 3 to the IOB Charter has been adhered to, and assess the

implications for the effectiveness of governance arrangements specified in the Schedule. These obligations relate to the establishment and operation of the relevant bid teams, policies, procedures and governance surrounding related decisions, management of Confidential Regulated Information (CRI) and, for those bids including RAP products, adequate governance of pricing.

In addition, paragraph 1.1 (e) of Schedule 1 of the IOB Charter requires a decision from the IOB on the IOB's opinion as to the adequacy of the governance structures in place to ensure regulatory compliance. Although this is not specific to bespoke bids, it is reasonable to consider this matter as germane to regulatory compliance.

1.1.25 *Conclusion*

While the IOB view is that no matters of significant interest have come to the IOB's attention regarding regulatory non- compliance or eir's regulatory governance structures. The IOB notes a number of points of divergence in eir's bid process from bid process guidance contained in Schedule 3 of the IOB Charter but considers that this has not to the knowledge of the IOB resulted in any matters of significant interest with regard to eir's regulatory compliance and governance structures.

The IOB notes that since it conducted its analysis, an updated version of eir's Bespoke Bids process, consistent with previous versions, was provided by eir. Nothing in this update indicated a reason that would cause the IOB to change its view as expressed above.

1.1.25.1 6.2.9. Lines of Defence

The IOB has no reason at this stage to conclude that the Third Line of Defence (TLOD) (Internal Audit) is not independent of line management. However, the IOB is not yet in a position to conclude at this stage that the Second and Third Lines of Defence have appropriate mandates and adequate resources in respect of regulatory governance matters under the Settlement Agreement. These matters are the subject of ongoing review and evaluation with continuing inputs and contributions from eir.

1.1.25.2 6.2.10. Recommendations made by IOB to eir

Following the IOB's establishment, the absence of a clear operating model in the Settlement Agreement delayed the development of an executive function of the Board, the development of a work plan and approach to how the IOB might fulfil its duties and responsibilities as outlined in the Charter, including the methodology by which it might provide recommendations to eir.

Nonetheless, since its establishment, the IOB has sought, through constructive feedback provided to eir, to develop the reporting format and content of eir's submissions, both from eir's RGM Committee and from eir Internal Audit. This feedback has taken the guise of recommendations, listed below, and more specific suggestions as to how eir could further develop its reporting, from both Internal Audit and the Second Line of Defence, to the IOB.

1.1.25.3 1. Use of the "Speak Up" channel
In respect to eir's Regulatory Code of Practice (CoP), the IOB agreed to suggest to eir that it might consider that, when publicising channels which employees might use in the event they

wish to report a breach of the Regulatory Code of Practice, the Speak Up channel should be given at least as strong a prominence as the normal chains of command channels which are more frequently referred to within the Code.

1.1.25.4 2. Managed Service Partner Service Agreements

In respect of Code of Practice training for Managed Service Partners (MSPs), the IOB agreed to suggest to eir that it might consider that relevant service agreements address the requirement for employees of the relevant MSP to complete the training in a more explicit manner.

1.1.25.5 3. RGM Committee document approval

The IOB agreed to recommend to eir that, firstly, a document owner's approval should be recorded prior to the RGM Committee approval, and, secondly, that where a member of the RGM Committee also has "document approval responsibility" that another member of the RGM Committee should approve on behalf of the RGM Committee.

1.1.25.6 4. RGM Committee Meeting minutes

It was noted that eir had responded to the IOB's request for eir's consideration on whether it is appropriate to provide the IOB with access to RGM Committee minutes. Having considered this, the IOB agreed to recommend formally that eir accede to an IOB request to provide it with RGM Committee meeting minutes.

1.1.25.7 5. Periodic All Risk Reviews

While it was accepted that it was eir's prerogative to accept or reject a suggestion from the IOB that eir consider periodic all risk reviews, it was nevertheless agreed that the IOB would note to eir that there is a benefit to be gained from a holistic view on a regular basis.

7. eir management representations

Following a request by the IOB to eir to provide a set of management representations relating to the information it has provided the IOB in the course of the IOB's work, the following letter and representations were received from eir on 16th July 2021.

eir

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T +353 1 671 4444
eir.ie

Bob Downes, IOB Chair
Lakh Jemmett, IOB Member
Fiona Tierney, IOB Member
Rose Hynes, IOB Member

16 July 2021

By email only: oonagh.oreilly@saoib.ie

CONFIDENTIAL

RE: eir management representations

Dear IOB members

I refer to your request of 30 June 2021. In reply, please see the attached management representations from eir relating to RGM undertakings.

For and on behalf of the Regulatory Governance Committee of eir.

Carolan Lennon

CEO

Member RGM Committee

Kjeld Hartog

Director of Regulatory and Public Affairs

Chair of RGM Committee

1.1.26 Management representations

eir acknowledges the responsibility of eir under the terms of the Settlement Agreement, among other matters, to implement the Regulatory Governance Model Undertakings as set out in Annex 1 to the Settlement Agreement. Included in the Undertakings is an undertaking that eir will design, implement, embed and monitor controls to mitigate the risks of noncompliance with eir's regulatory obligations within the governance fora or decision making processes outlined in Clause 19 to Annex 1.

eir confirms that, to the best of its knowledge and belief, having made such enquiries as it considered necessary for the purpose of appropriately informing itself that:

(i)   the information which the company has provided to you regarding the RGM, has been presented fairly in all material respects.

(ii)   we have designed such internal controls over the Regulatory Governance Model (RGM), or caused such internal controls over the RGM to be designed under our supervision, to provide reasonable assurance regarding the reliability of the RGM to ensure compliance with eir's regulatory obligations. As of 31st March 2021 there were a total of 206 controls on eir's RACM (Risk and Control Matrix).

(iii)   we have disclosed to you all weaknesses in the design or operation of internal control over the RGM as identified as part of our evaluation

(iv)   we have performed an evaluation and assessed the effectiveness of eir's internal control over the RGM as of 31 March 2021. Our assessment, which is supported with sufficient evidence, including documentation, is that eir maintained effective internal control over RGM covering the period from 12 June 2019 to 31 March 2021.

(v)   we have resolved internal control weaknesses identified in the period from 12 June 2019 to 31 March 2021 that were determined to be material weaknesses, other than a single item, reference number R10-20 where eir is undertaking an IT update relating to certain fileshares. This IT update is due to complete by end 2021; manual controls will remain in place pending its completion.

(vi)   no changes in internal control to the RGM or other factors that have occurred after 31 March 2021 through to the date of this letter that might significantly affect internal control over the RGM, including corrective actions taken by management with regard to material weaknesses.

(vii)   the IOB has requested access to the minutes of the meetings of the Regulatory Governance Committee (RGC) for the period from 12 June 2019 to the date of this letter and this matter remains under consideration by eir. We represent that, insofar as we are aware, no matters are recorded in minutes of the RGC meetings for the relevant period that eir considers would have an impact on the reporting obligations of IOB for the same relevant period.

(viii) eir's mandated KPIs have been prepared accurately and in accordance with the methodology and timescales required by ComReg.

(ix)   we have complied with the requirement in the RGM Undertakings to capture, review, and resolve all Wholesale related complaints.

(x)   the representations made on the implementation of effective governance arrangements to ensure that the allocation of capital expenditure to the Wholesale function is in accordance with eir's regulatory obligations, are made based on enquiries of management and staff. These persons had the relevant knowledge and experience to satisfy ourselves that we can properly make these representations to you, the IOB.

8. Requirement to share this opinion

Paragraph 6.3 of the IOB Charter states that "At least 4 weeks in advance of publication, the IOB will share a copy of its opinion with eir and ComReg. Eir will have 4 weeks within which to comment on the opinion prior to publication. The IOB will include eir's comments in its report. The IOB opinion shall be published on the dedicated IOB section on the open eir website and ComReg's website."

This opinion was provided to eir and ComReg on 11 August, 2021 and eir was requested to provide its comments by 08 September, 2021. These were received on 08 September, 2021.

8.1. eir comments

As noted in the Introduction to this report, there was no extant practical model upon which the IOB could base itself, and eir acknowledges the very significant work that had to be undertaken by the IOB members in the initial stages, both in establishing the IOB itself and in developing an operating model that would enable the IOB to oversee the wide range of issues upon which the IOB is required, by its Charter, to form an opinion.

eir's experience to date has been that the IOB has developed a robust and effective operating model, in particular in terms of its information gathering, both by means of analysis of the reports stipulated by its Charter, and interviews of relevant staff members. The IOB has also engaged with ComReg as co-signatory of the Settlement Agreement and met with wider industry as provided for in the Charter. eir notes that the IOB has drawn on the expertise of its constituent members to challenge and to make recommendations to eir on an ongoing basis, whenever it has identified concerns or aspects of eir's regulatory governance which it considers could be improved. eir appreciates this dynamic approach to making informal recommendations as matters arise, in addition to the more formal process envisaged by the publication of the annual IOB report.

eir acknowledges the IOB's recommendations to strengthen aspects of its regulatory governance measures, almost all of which eir has now implemented, and accepts that they have enhanced eir's regulatory governance processes. The Introduction to this report notes that the Settlement Agreement envisages the evolution of the RGM and the associated work of the IOB developing over a period of five years. eir remains committed to transparent cooperation with, and support of, the IOB's ongoing oversight in the coming years. eir acknowledges the significant work done by the IOB to date and will continue to engage constructively with any future recommendations in relation to its regulatory governance model.

Appendices

1. Who we are

The IOB currently consists of four members, as follows.

1.1.27 Bob Downes, chair

Bob is Chair of the Scottish Environment Protection Agency and a non-executive director of OFCOM, the UK communications and media regulator. He was formerly a director with BT Group involved in the set-up of Openreach and held a number of leadership roles throughout BT. He also Chaired CENSIS, an innovation centre for sensor technology and he advises a number of communication technology businesses including Kubenet where he is a non-executive director. Bob is Chair of Cryptic, an international arts production house based in Glasgow. He was previously a non executive director with the Scottish Government where he Chaired the Digital Public Services Transformation Group. He has also held non executive positions with Glasgow University Business School, Glasgow School of Art and Scotrail.

1.1.28 Rose Hynes

Rose Hynes is a non-executive director of Eircom (Holdings) Ireland Ltd. She is Chairman of the Irish Aviation Authority and also of Origin Enterprises plc. Rose is a non-executive director of a number of other companies in various sectors including Dole plc. Rose, a qualified lawyer, previously held a number of senior executive positions with GPA Group plc including General Counsel and Head of the Commercial Department. GPA was then the world's largest aircraft lessor. She has substantial broad-spectrum experience which is drawn from her work as a member of senior management and as a chairman and director of Stock Exchange companies, utilities and other commercial entities in a variety of sectors. A law graduate of University College Dublin, Rose is an Associate of the Irish Tax Institute and of the Chartered Institute of Arbitrators.

Rose is also a former Chairman of Bord Gais /Ervia and also of Shannon Group plc and a former non-executive director of Bank of Ireland, Fyffes plc and Aer Lingus.

1.1.29 Lakh Jemmett

Lakh has built and led international Telecommunications Businesses for the past 30 years in

Europe, Asia and the US. He has a track record of P&L leadership within incumbent and competitor providers. In addition to 10 years with Colt Telecom plc., latterly as CEO Major Enterprise Division, during which time he also had P&L responsibility for Ireland, Lakh spent three years with Alcatel Lucent before moving to BT, where he was CEO BT Managed Services Ltd. and Managing Director BT Wholesale.

Lakh is current a Non-Executive Director at HM Courts & Tribunals, the Royal Surrey NHS Foundation Trust and Healthcare Partners Ltd. He is a Director of Wimoweh Ltd and the Chair of Portsmouth Water Ltd Customer Challenge Group.

1.1.30 Fiona Tierney

Fiona is a non-executive director of Eircom (Holdings) Ireland Ltd. Fiona is also on the board of Wells Fargo Bank International, and of Pieta House. She also is Chair of the Audit Committee of the Office of the Comptroller and Auditor General. She is a member of the Top Level Appointments Committee, and she is also a member of the Governmentappointed business group, Better Balance for Better Business, which is examining how more women can be involved in decision-making at the top level of businesses in Ireland.

A graduate of Trinity College Dublin and of UCD, Fiona is a Chartered Director of the Institute of Directors, and a Certified Bank Director. Prior to taking up her non-executive roles, Fiona had a successful career across the private and public sector in a range of senior positions, including Wholesale Director of eircom. She is a former Chief Executive Officer of the Public Appointments Service, which is the centralised provider of recruitment for the civil and public service in Ireland. Fiona previously served on the Board of the Irish Management Institute.

2. List of all material received from eir between May 2019 and March 2021

Information & Reports to the IOB from eir		
Meeting #	Meeting Date	Report Name
1	12-Jun19	IOB 19.01 Workflow & Assumptions
		IA RGM Audit Resource Plan 09.05.19 Final Draft
		IOB 19.02 Key Dates 05.06.19
		Induction Training for the IOB 13062019
2	8-Aug19	IOB 2.2 Fixed-Line-Retail-and-Wholesale-Revenues
		IOB 2.3 Provisioning process
		IOB 2.4 Repair Process
		IOB 2.5 Letter confirming secondment of IOB Executive Support
		IOB 2.6 eir-ComReg Settlement Agreement log and Executive Summary
		IOB 2.11 Internal Audit Workplan clarifications – for discussion and noting
		IOB 2.13 Director of Internal Audit Summary Report on RGM audits completed to the end of June 2019, containing the following information on each of the 12 RGM audits completed between August 2018 and June 2019: title & background to audit; key issues identified; agreed solutions; conclusion – for discussion and noting
		IOB 2.14 Sample encrypted RGM audit report
		IOB Wholesale Commercial Context Final
3	10-Sept-19	IOB 3.2a eir-ComReg SA Executive Summary – for information
		IOB 3.2b eir-ComReg SA log – for information

		IOB 3.6 RGM Committee Proposal – SA Reporting 21 August 2019 – for information and discussion
		IOB 3.8 Sequencing for IOB – IA RGM 2-yr audit plan 28 August 2019
		IOB 3.9 Clarification document - 12 June from eir to ComReg
		IOB 3.10 Draft response to ComReg queries - 20 June from eir to ComReg
		IOB 3.11 eir IA process document - 20 June from eir to ComReg
		IOB 3.12 eir IA skills and competencies - 20 June from eir to ComReg
		IOB 3.13 RGM Undertakings – IOB Summary
4	16-Oct19	IOB 4.5 SA Milestone – Unstructured Data
		IOB 4.6 SA Milestone – RACM
		IOB 4.8 IA Issues Tracker Report
		IOB 4.9 IA Process
		IOB 4.10 Q2 2019 Equivalence KPI Summary Report
		IOB 4.11 Q2 2019 Equivalence KPI Full Report
		IOB 4.12 RGM Undertakings – IOB Summary
		IOB 4.13 RGM Undertakings - key metrics and reporting
		IOB 4.14 Provision & Repair Process
		KPI Metrics explanatory doc (informal)
5	21-Nov19	IOB 5.3 Duct Access Process (RGM Committee)
		IOB 5.4 Review of Wholesale Remuneration Policy (RGM Committee)

		IOB 5.5 Report on Code & Regulatory Related Policies & Procedures (RGM Committee)
		IOB 5.6 Wholesale Customer Complaints (RGM Committee)
		IOB 5.7 Report on ComReg Decisions (RGM Committee)
		IOB 5.8 Report on ComReg Compliance Investigations (RGM Committee)
		IOB 5.9a RGM Transformation Status Report (RGM Committee)
		IOB 5.9b Appendix 1 RGM Programme Tracker (RGM Committee
		IOB 5.10a Quarterly Review of Annual Plans for Second Line of Defence (RGM Committee)
		IOB 5.10b eir Regulatory Mandate (RGM Committee)
		IOB 5.10c eir Regulatory Strategy Annual Plan (RGM Committee)
		IOB 5.10d eir Wholesale Regulatory Operations Annual Plan (RGM Committee)
		IOB 5.16 eir IT presentation
6	16-Jan20	IOB 6.2 folder of milestone delivery documentation [note that file names reconcile to IOB 3.2b eir-ComReg SA log]

		IOB 6.3 folder of audit reports completed by Internal Audit under the RGM audit plan (FY18/19)
		IOB 6.4 RO1 Quarterly Self-Certification Report Q1 2020 (a)
		IOB 6.4 RO1 Quarterly Self-Certification Report Q1 2020 (b)
		IOB 6.5 R02 RGM Risk Group Quarterly Report Q1 2019/20
		IOB 6.6 Whistle-blower Report 11 Nov'19
		IOB 6.7 eir Equivalence KPIs Jul-Sept'19
		IOB 6.8 eir IA actions from IOB 13 Jan'20
		IOB 6.9 DIA Summary_RGM Audits_Dec 2019
		IOB 6.11 RGM reporting - IOB overview
		IOB 6.12 Wholesale Regulatory Complaints Process Information Document
		IOB 6.13 Wholesale Regulatory Customer Complaints Process January 2020
		IOB 6.14 DIA responses to queries & additional documents
		IOB 6.16 CL IOB Jan 2020
7	20-Feb20	IOB 7.7 IOB IA Presentation 20 Feb'20
		IOB 7.8 IOB IT Presentation 20 Feb'20
		IOB 7.9 IOB Q3 2019 Equivalence KPI summary report
		IOB 7.10 openeir delivery & repair analysis
		IOB 7.11 R06 Capex report Q1FY20
		IOB 7.12 IA Memo - Basis for Audit Conclusions Significance
		IOB 7.13 RGM Audit Issue Tracking Report_February_2020_Draft_KM
8	30-Mar20	IOB 8.5 R01 Self-Cert Q2 20 Overview Cycle 1, 2 & 3
		IOB 8.6 R02 RGM Risk Group Quarterly Report
		IOB 8.7 R03 IOB Product Development & Access Requests Summary Review Jul-Dec 2019
		IOB 8.8 R04 Product Prioritisation Review

		IOB 8.9 R06 - open eir capex and group IT budget
		IOB 8.10 R08 Quarterly Report on Wholesale Customer Complaints
		IOB 8.11 R10 – Mandated KPIs (signed)
		IOB 8.12 R11 – ComReg Decisions
		IOB 8.13 R12 – ComReg Compliance Investigations
		IOB 8.14a R13 RGM Transformation Status
		IOB 8.14b R13 RGM Transformation Status [implementation log]

		IOB 8.15 R14 Regulatory Annual Plans Quarterly Review
		IOB 8.16 Regulatory Strategy & Wholesale Regulatory Operations Annual Plans [updated] - folder
		IOB 8.17 Reports completed by Internal Audit under the RGM audit plan to date (FY1920) - folder
		· R01-20 Review of controls not yet captured in previous RGM audits
		· R02-20 Review of regulatory risk identification
		· R03-20 Review of RGM Self-Certification, RACM & Risk Management
		· R04-20 Review of the operational effectiveness of 2nd Line RGM Risk Group
		IOB 8.18 openeir sample presentation SIPSIP-I_Network Modernisation_Technical Workshop_29 Jan 2020
		IOB 8.19 openeir Context Slide 20 Feb'20
		IOB 8.21 RGM Framework
		IOB 8.20 eir IT Presentation 30 Mar'20
9	21-Apr20	IOB 9.3a SA Milestone 12 – 31 Mar'20 [EMAIL]
		IOB 9.3b SA Milestone 12 - eir IT Application Asset Register Q12020
		IOB 9.3c SA Milestone 12 - Progress of Remediation of High Risk Systems and Updated Review of Low Risk Systems
		IOB 9.4 eir comments on priorities for IOB – 09 Apr'20
		IOB 9.5 R09 – Whistleblower Complaints
		IOB 9.6a R10 – Equivalence KPI Summary Report Q4 2019
		IOB 9.6b R10 - eir KPI Equivalence Oct - Dec 2019 [Comreg]
		IOB 9.7 IA Memo - IA RGM Risk Rating Definitions 210420
		IOB 9.8 Audit R07-20 Review of Openeir Wholesale PDC_Final
10	20-May-20	IOB 10.2 Senior Executive Secondment Letter 01 Apr'20
		IOB 10.6 IA RGM Update April 2020 [from IOB Meeting 21 Apr'20]
		IOB 10.7 IA RGM Audit Plan Status [from IOB Meeting 21 Apr'20]
		IOB 10.8 IA Memo - Audit summary_FY19-20_140420 [from IOB Meeting 21 Apr'20]
		IOB 10.9 Product Development PCRP Example 21 Apr'20 [from IOB Meeting 21 Apr'20]
		IOB 10.10a Milestone 10 – BUPCR Unstructured CRI Data – Risk Review & Report
		IOB 10.10b Milestone 10 – Appendix 3. UCD BUPCR Review Document
		IOB 10.10c Milestone 10 – Appendix 4. Confidential - UCD Evidence List

		Final
		IOB 10.10d Milestone 10 – Appendix 5. Compliance Log - UCD Review
		IOB 10.10e Milestone 10 - Appendix 6. Report on Wholesale non-rap review
		IOB 10.10f Milestone 10 - Appendix 7. Confidential - BUCPR requirements against Report
		IOB 10.11a Second Side Letter to the SA 12 Feb'20
		IOB 10.14 DIA Summary
		IOB 10.15 Audit R08-20 Review of Regulatory Pre-Ordering Ordering Controls
		IOB 10.16 Presentation_RRG_Self Cert_20May2020
11	10-Jun20	N/A - internal IOB meeting re plan for coming months
12	24-Jun20	IOB 12.2 IA RGM Audits and Reports in SA [from IOB Meeting 20 May]
		IOB 12.3 IA RGM Update May 2020 [from IOB Meeting 20 May]
		IOB 12.4 R06 (b) Openeir Capex and Group IT Budget Change Report [openeir] Q3FY20
		IOB 12.5 R08 Wholesale Customer Complaints Q1 2020 [WRO]
		IOB 12.6 R11 ComReg Decisions FY19 20 Q3 [Reg Strategy]
		IOB 12.7 R12 ComReg Compliance Investigations FY19 20 Q3 [Reg Strategy]
		IOB 12.8a R13 RGM Transformation Status Jan-Mar2020 [WRO]
		IOB 12.8b R13 SA Implementation_RAID_Log May 2020
		IOB 12.9 R14 Regulatory Annual Plans Quaterly review Jan-Mar2020 [Reg Ops]
		IOB 12.10 R05-20 Quarterly Self-Certification - desktop review including remediation tracking [IA Report]
		IOB 12.11 R06-20_Review of the operational effectiveness of the Second Line of Defence_June2020 [IA Report]
		IOB 12.15 WRO presentation 24Jun20
		IOB 12.16 PCRP Presentation June 2020
		IOB 12.17 relationship building June 2020
13	29-Jul20	IOB 13.3 R01 Risks & Controls Summary Review – Self-Cert Q3 Jan-Mar 2020
		IOB 13.4 R02 Risks & Controls Assurance Summary Review – RGM Risk Group Q3 Jan-Mar 2020
		IOB 13.5 R08 Wholesale Customer Complaints Q2 Apr-Jun 2020
		IOB 13.6 R09 Whistleblower Complaints Q3 Jan-Mar 2020

		IOB 13.7 R09 Whistleblower Complaints Q4 Apr-Jun 2020
		IOB 13.8 R10 Equivalence KPI Metrics Q1 Jan-Mar 2020
		IOB 13.9a R13 RGM Transformation Q4 Apr-Jun 2020
		IOB 13.9b R13 RGM Transformation – SA Implementation Log July 2020
		IOB 13.10 R14 Regulatory Annual Plans Quarterly Review Q4 Apr-Jun 2020

		IOB 13.11 RGM Control Framework
		IOB 13.17 IA RGM FY19-20 EOY overview 290720
		IOB 13.18 DIA Summary_RGM Audits_FY19-20_Draft
		IOB 13.19 Audit R10-20 Review CRI data classification_handling_Final
		IOB 13.21 IA Memo_RGM Framework
14	26-Aug20	IOB 14.2 Milestone 11 – implementation of remediation plan for unstructured CRI
		IOB 14.3 R01 Risks & Controls Summary Review – Self-Cert Q4 Apr-Jun 2020
		IOB 14.4 R02 Risks & Controls Assurance Summary Review – RGM Risk Group Q4 Apr-Jun 2020
		IOB 14.5 R03 IOB Product Development and Access Requests Summary Review Jan-Jun 2020
		IOB 14.6 R04 IOB Report Product Prioritisations Jan-Jun 2020
		IOB 14.7 R06 IOB open eir Capex report Q4FY20
		IOB 14.8 R11 IOB Report ComReg Decisions Q4FY1920
		IOB 14.9 R12 IOB Report ComReg Compliance Q4FY1920
		IOB 14.10 Proposed SA-Reporting-RGM FY2021
		IOB 14.17 RGM Audit Issue Tracking Report Aug'20
15	23-Sept-20	IOB 15.3 eir Equivalence KPI's Q1 Jan - Mar 2020
		IOB 15.4 eir Equivalence KPI's Q2 Apr - Jun 2020
		IOB 15.5 R10 Q2 2020 Equivalence KPI summary report
		IOB 15.6 Regulatory Code of Practice v5 July 2020
		IOB 15.7 CRI Policy V4 July 2020
		IOB 15.8 Update on IT Transformation Programmes - ComReg Presentation August 2020
		IOB 15.9 All risks letter ComReg 15 July 2020
		IOB 15.15 Validation of one cycle of RGM Committee reports to IOB
		IOB 15.16 WRO presentation 23 Sept'20
		IOB 15.17 Audit R09-20_IT BAR SOD TSDS_Final

		IOB 15.18 Audit R12-20_Review of the Code of Practice Training_Final
		IOB 15.19a Audit R04-21_Review of Equivalence KPIs_Final
		IOB 15.19b Annex1 EqKPI Trend_Analysis_R04-21
		IOB 15.20 Audit R11-20 Implementation of ComReg Decisions_Final
		IOB 15.21 Audit_R02-21 Review of CapEx_Final
		IOB 15.22 IA RGM Audits and Reports in Settlement Agreement
		IOB 15.23 DIA Summary_RGM Audits_FY20_Final
		IOB 15.24 IA Update Sept'20
		IOB 15.25 DIA_FY20_Annual Report and Opinion
16	03 Nov'20	IOB 16.2 Addendum to Audit R09-20 IT BAR/SOD and TSDS
		IOB 16.4 Milestone 5 confirmation of delivery of IOB reports
		IOB 16.8 Milestone 4a All Risk Review
		IOB 16.9 Milestone 4b RACM

		IOB 16.11 IOB Presentation - Update on IT Transformation Programmes 20201104
		IOB 16.12 IT Actions update
		IOB 16.13 WRO presentation IOB 3Nov2020 Milestone 4
17	10 Dec'20	IOB 17.4 R01 - Overview Cycle 1, 2 & 3 Jul'Sept'20
		IOB 17.5 R02 RRG Quarterly Test Report Jul-Sept'20
		IOB 17.6a R06 open eir Capex report Q1FY21
		IOB 17.6b open eir Capex Process
		IOB 17.7a R08-Wholesale Regulatory Complaints Report Jul-Sept'20
		IOB 17.7b Wholesale Customer Complaints Process V1.1
		IOB 17.7c Updated Wholesale-Regulatory-Customer-Complaint-Form-v1
		IOB 17.8 R10 Equivalence KPI summary report Jul-Sept'20
		IOB 17.9 R11 ComReg Decisions Aug-Oct'20
		IOB 17.10 R12 ComReg Compliance Aug-Oct'20
		IOB 17.11 Wholesale Bid Process v2.3
		IOB 17.12 Milestone 13 Delivery of Remediation Plan for Structured Data 01 Dec'20
		IOB 17.13 Milestone 4 Delivery of Remediation Plan for All Risk Review 01 Dec'20
		IOB 17.14 Wholesale Commercial Update
18	21	IOB 18.2 IA Update 10 December 2020

	Jan'21	IOB 18.3 eir response to IOB action 118 - RGM Framework (ref IOB 13.11 RGM Control Framework)
		IOB 18.4 RGM Control Framework-v1.1 Jan2021
		IOB 18.5 Regulatory code of practice v5.1 Jan2021
		IOB 18.6 CRI and CWCI Policy V4.1 Jan 2021
		IOB 18.7 Bid_Process_Documentation_v2.5
		IOB 18.8 R14 Regulatory Annual Plans Quaterly review July - Sept 2020
		IOB 18.9 eir Equivalence KPI's Jul - Sep 2020
		IOB 18.10 IA Memo - R02-21 Review of STIP Payments
		IOB 18.11 Audit R01-21 Self-Certification
		IOB 18.12 Audit R05-21 Review of Regulatory Repair Controls
		IOB 18.13 IA Audit Plan update Jan'21
		IOB 18.14 IA Issues Tracking Update 15 Jan'21
		IOB 18.20 Audit R03-21-Senior Management For a
19	24 Feb'21	IOB 19.2 Signed SA Third Side Letter 221220
		IOB 19.6 R01- Self-Certification Q2 20/21
		IOB 19.7 R02 RRG Quarterly Test Report Oct-Dec 2020
		IOB 19.8 R07 Regulatory Code of Practice Mandatory Training FY 2019 2020
		IOB 19.9 R08 Wholesale Regulatory Complaints Report Oct-Dec (Q4) 2020
		IOB 19.10 R14 Quarterly Review of progress against Wholesale Regulatory
		Operations Plan and Regulatory Strategy Annual Plans Review Oct-Dec (Q2) 2020
		IOB 19.11 Bid Process comparison v2.6 to v2.2
		IOB 19.12 Wholesale Bid Process 2.6
		IOB 19.13 Handling Confidential Regulated Information and Confidential Wholesale Customer Information Policy v4.1 marked
		IOB 19.14 Handling Confidential Regulated Information and Confidential Wholesale Customer Information Policy v4.1 unmarked
		IOB 19.15 Regulatory Code of Practise v5.1
		IOB 19.16 Regulatory Code of Practise v5.1 marked
		IOB 19.17 RGM Control Framework-v1.1
		IOB 19.18 RGM Control Framework v1.1 marked
		IOB 19.19 Milestone4 - All Risk Review report ref IOB action #120
		IOB 19.20 open eir SLA metrics ref IOB action #120+129
		IOB 19.25a IA RGM Issues Tracking Report 18 Feb'21

		IOB 19.25b IA RGM Issues Tracking Report 18 Feb'21
20	31 Mar'21	IOB 20.3 Q2 21 controls requiring remediation (refer IOB 19.6)
		IOB 20.4 R03 Product development and access requests summary July – Dec 2020
		IOB 20.5 R04 Product prioritisation review July – Dec 2020
		IOB 20.6 R09 Speak up report July – Dec 2020
		IOB 20.7 R10 Equivalence KPI report Q4 2020
		IOB 20.8 R12 ComReg compliance report 01 Oct'20 - 09 Mar'21

3. List of all material received from ComReg between May 2019 and March 2021

Information & Reports to the IOB from ComReg		
Meeting #	Meeting Date	Report Name
2	8-Aug-19	IOB Slides on Markets - 8 August 2019 - Telephony and Broadband Markets Overview
5	2-Mar-20	Basis of IOB Opinion – Framework Options – KPMG (October 2019)
19	24-Feb-21	ComReg EQA report – Guidance on good practice for the conduct of Quality Assessment reviews of certain independent Control Functions (September 2020)

4. Glossary of terms

Acronym	Full Name	Description
BAR	Business Access Review	The standard Business Access Review (BAR) is a review of all employees' access rights to systems, accounts, and entitlements.
BUPCR	Business Unit Process Compliance Review	eir's process to identify new/changed regulatory compliance risks and issues in the regulated market.
ComReg	Commission for Communications Regulation	ComReg is the statutory body responsible for the regulation of the electronic communications sector (telecommunications, radio communications, broadcasting transmission and premium rate services) and the postal sector. ComReg is one of the two signing parties to the Settlement Agreement.
CRI	Confidential Regulated Information	Information related to regulated access products (RAP) over and above that which is currently in the public domain, which may be of value to eir's downstream business or a wholesale customer or to a downstream wholesale customer. This includes Confidential Wholesale Information.
CWI	Confidential Wholesale Information	Confidential or commercially sensitive information provided to the Wholesale Function by a wholesale customer.
DIA	Director of Internal Audit (eir)	The individual acting as Director of eir's Internal Audit function.
eir	Eircom, trading as eir	Eircom Limited, trading as eir, is an authorised provider of electronic communications networks and services in Ireland. Eircom Limited is one of the two signing parties to the Settlement Agreement.
FLOD	First Line of Defence	The First Line of Defence comprises eir's business units which own and manage regulatory risks, including the identification, assessment and mitigation of risk.
IA	Internal Audit	That part of the Internal Audit function of the eir Group that is responsible for carrying out internal audit activity relating to regulatory governance. This is also referred to as the 'Third Line of Defence'.
IOB	Independent Oversight Body	The Independent Oversight Body established in accordance with the IOB Charter at Annex 3 of the Settlement Agreement.
IOBC	IOB Charter	The Charter of the Independent Oversight Body which is at Annex 3 of the Settlement Agreement
IOBE	Independent Oversight Body Executive	The support team put in place to support the work of the IOB.

KPI	Key Performance Indicator	
PA	Performance Agreement	
	Performance Milestones	Annex 2 of the Settlement Agreement in respect of the RGM Undert... Milestones to be achieved by the relevant dates applicable thereto a... this Performance Agreement.
RACM	Risk and Control Matrix	eir's Risk and Control Matrix sets out a full list of all identified risks
COP	Regulatory Code of Practice	eir's Regulatory Code of Practice which was been designed to foster... adhered to by all employees, board members and - where appropri...
RGM	Regulated Governance Model	eir's Regulatory Governance Model
RGMU	Regulated Governance Model Undertakings	The Undertakings given by eir to ComReg as contained in Annex 1 c... ComReg's website.
RRRMA	Regulatory Risk Management and Assurance	Part of the Second Line of Defence which provides the risk manager... RGM.
SA	Settlement Agreement	An Agreement entered into by ComReg and eir in respect of certain... to the High Court. This Agreement is available on ComReg's websit... https://www.comreg.ie/publication/wholesale-compliance-litigati...
SLOD	Second Line of Defence	The Second Line of Defence comprises a risk management function, a risk testing function and an advisory function independent from the First Line of Defence. The Regulatory Risk Management and Assurance function addresses the risk management and testing requirements. Wholesale Regulatory Operations function acts as an independent advisory function within eir.
	Three lines of defence	This refers to the separation of governance, operational and assurance roles within eir in respect of the Regulatory Governance Model. The First Line of Defence comprises eir's business units which own and manage regulatory risks, including the identification, assessment and mitigation of risk. The Second Line of Defence comprises a risk management function, a risk testing functi... from the First Line of Defence. The Third Line of Defence comprises... Audit) which is independent from the First and Second Lines of Def... line to the IOB in respect of regulatory matters.
TSDS	Technical System Data Segregation	
TLOD	Third Line of Defence	That part of the Internal Audit function of the eir Group that is resp... relating to regulatory governance. This is also referred to as the 'In...

	Wholesale Function	Those divisions of eir collectively referred to as open eir which inclu networks business and the regulated activities of field operations.
WRO	Wholesale Regulatory Operations	Part of the Second Line of Defence which provides the independent
WSMT	Wholesale Senior Management Team	is the management team of the Wholesale Function (including a Wholesale SMT Managing Director or Directors with a formal terms of reference) responsible for inter alia wholesale regulatory governance.

Appendix 2
First KPMG Report
October 2019

Commission for Communications Regulation

Basis of IOB Opinion – Framework Options

Final Report

17 October 2019
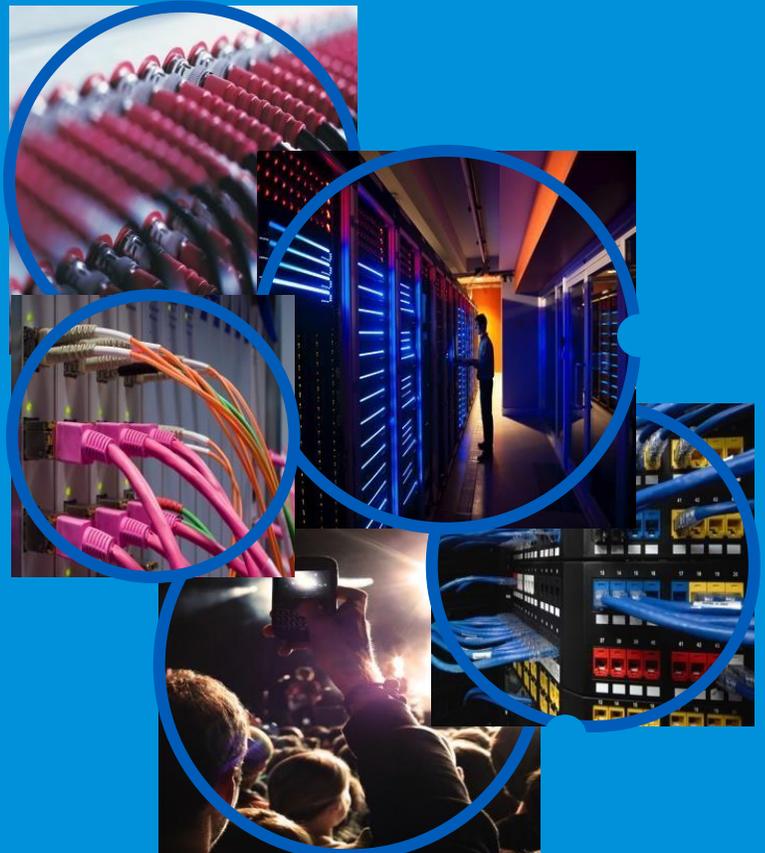
Contents

1.0 Introduction

1.1 Background to the Review

In December 2018, the Commission for Communications Regulation ('ComReg') and Eircom Limited
('eir') entered into a Settlement Agreement ('SA') which, inter alia, requires eir to implement Regulatory Governance Model ('RGM') Undertakings, to improve eir's internal governance mechanisms in respect of regulatory matters.

The SA requires the establishment of an Independent Oversight Body ('IOB'). As per Paragraph 4.1 of Annex 3 of the SA "*The objective of the IOB is to provide assurance to eir and ComReg that there is in place a clear and unambiguous set of measures, arrangements, structures and internal controls which will ensure compliance with eir's regulatory obligations*". In addition, Paragraph 4.2 of Annex 3 lists the monitoring and reporting activities which the IOB must undertake.

As required by the SA, the IOB has been established, and through discussions with ComReg, we understand that the IOB is currently considering its workplan. In particular, the IOB is considering the steps it must take, and the activities it must engage in, in order to prepare and publish an annual report with an opinion regarding the implementation and effectiveness of eir's RGM, as required by Paragraph 6.1 of Annex 3 – IOB Charter, and Paragraph 1.1 of Schedule 1 to the IOB Charter: IOB Responsibilities.

In addition, Paragraph 5.1 of Annex 3 – IOB Charter, requires the IOB, after an initial period of 2 years, to commission a suitably qualified independent person or organisation to express an opinion as to the effectiveness of the IOB's activity for each year of the IOB's existence.

While the SA sets out the requirements for the IOB to form and publish an opinion on eir's RGM as outlined above, it does not provide guidance as to how the IOB should form its opinion. However, Paragraph 6.1 of Annex 3 – IOB Charter states that "*The IOB report shall, at a minimum, explain the reasons for the opinion and the information relied upon*". In addition, the SA also does not set out the degree of assurance to be provided by the IOB opinion nor does it set out standards or provide procedural requirements for reviews to be performed by the IOB.

ComReg has requested KPMG to provide examples of how the IOB could form its opinion, related basis of opinions, and the relevant degree of assurance provided by such opinions.

1.2 Scope of the Review

The scope of the review was to prepare a report setting out options available to the IOB when considering an appropriate framework for the preparation of an annual opinion on eir's RGM such that the IOB may fulfil its obligations under the SA.

Specifically, as per the Statement of Work agreed with ComReg on the 26 August 2019, KPMG was requested to identify and detail:

1. Options for different basis of the IOB opinions including any reference to relevant internationally recognised audit or governance standards, and an evaluation of the appropriateness, including limitations, of each form of opinion including commentary on:
   a. The alignment of the IOB opinions (and related basis) with the requirements of the Settlement Agreement; and,
   b. The strength and reliability of the assurance required from Eircom to support each basis of opinion.
2. The above to include and evaluation of any practicable alternative to the use of internationally recognised audit or governance standards to support the basis of Opinions and an explanation of applicability;

3. For each type of possible Opinion identified above, provide a description of the supporting evidence likely to be necessary to support each basis of Opinion. In addition, identify any potential limitations on eir's SA's reporting requirements; and,

4. Based on the above, and where practical, provide outline examples of potential IOB opinion, and the basis of each Opinion.

1.3 Scope Limitations

The services provided by KPMG are limited to the matter set out in the scope and accordingly do not include, for the avoidance of doubt, any of the following:

✦ A legal opinion or view on the interpretation of the Settlement Agreement and its application by the IOB;

✦ A detailed compliance review against legislative or regulatory guidelines;

✦ A review of the IOB or any eir functions, committees or policies, processes or procedures;

✦ An assessment of the appropriateness of the basis of the opinion to detailed IOB requirements in the Settlement Agreement; or,

✦ An assessment of the accuracy or appropriateness of submissions from eir to the IOB.

It is the responsibility of the IOB to determine its own internal (eir) and external (independent third party) assurance reviews and/or assertion requirements to support its opinion. As such, the commentary in this report should be considered persuasive and not conclusive.

1.4 Approach to the Review

Our review has been conducted in accordance with the terms set out in the Statement of Work dated 26 August 2019. Contained herein is our report setting out our observations on the available internationally recognised assurance or review standards that could provide an appropriate framework for the IOB to prepare an opinion on eir's RGM.

Our approach to the engagement consisted of the following:

✦ Reviewing in detail the December 2018 Settlement Agreement ('SA'), with specific focus on the sections which reference the requirement for the IOB to provide an opinion, and the details of the basis on which that opinion may be based;

✦ Reviewing a range of available assurance and non-assurance review standards on which to base any IOB opinion;

✦ Setting out our observations on the available assurance and non-assurance review standards and their applicability to the IOB; and,

✦ Based on the above, developing illustrative IOB opinion wording.

1.5 Restriction on circulation of the Report

This report may not be copied, reproduced, circulated, distributed, or disclosed in whole or in part to any third parties save as expressly permitted by KPMG in writing.

This report can only be relied upon by our client (ComReg) on the terms and conditions agreed and recorded in the Statement of Work between the Commission for Communication Regulation and Contractor KPMG dated 26 August 2019 (the "Call-Off Contract") and the Framework Agreement Contract dated 26 June 2017. This firm's work and the report were not planned or prepared in contemplation, or for the purpose, of the interests or needs of anyone other than our client. Therefore, items of possible interest to other recipients may not have been addressed by us. The use of professional judgement, and the assessment of issues or their relevance (as appropriate) by this firm would or might have been used and assessed differently by other recipients for their purposes. This firm does not warrant or represent that any facts or matters in the report or that information or explanations (if any) provided orally by this firm in relation to the report, are suitable or appropriate for other recipients' purposes. To the fullest extent permitted by law, KPMG accepts no liability for any loss or damage suffered or costs incurred by any party or person, other than ComReg, under the terms of the Call-Off Contract and the Framework Agreement Contract, arising out of, or in connection with our report, however so the loss or damage is caused if, notwithstanding the terms of this clause 1.5, another recipient does rely on our report for any purpose, they will do so entirely at their own risk.

For the avoidance of doubt, any party or persons who are the recipients of this report shall not be deemed to be clients of KPMG and KPMG shall accordingly not be responsible to such recipients for providing advice or recommendations in relation to the subject matter as referred to herein.

1.6 Status of work

The status of this report is **Final** as of the 17 October 2019**.**

2.0 Options for different basis of IOB Opinions

2.1 Overview and context of review

In line with the Call-Off Contract agreed with ComReg, KPMG sought to identify standards which are applied to both assurance and non-assurance reviews through our research and knowledge of these standards and on how such standards have been applied in practice. In reviewing the available standards, we have considered what is the level of assurance, or comfort, that the Independent Oversight Body ('IOB') would obtain from such reviews. We also considered the requirements imposed by the Settlement Agreement ('SA') on the IOB.

As stated previously, while the SA sets out the requirements for the IOB to form and publish an annual opinion on eir's RGM, it does not provide guidance as to how the IOB should form its opinion. Taking into consideration the requirement and tasks as detailed in the SA, the IOB has certain flexibility as to the basis of any IOB opinion and the review activities upon which to base this opinion.

The resulting report is based on a combination of additional research in the area, combined with our knowledge of the standards relating to **assurance engagements** and **non-assurance engagements/reviews,** and on how such standards could be applied in practice by the IOB. We have described the differences between these types of engagements below.

Assurance engagements

As defined by the Institute of Chartered Accountants of England and Wales ('ICAEW'), **assurance** is the word for the comfort that somebody can take from an assurance engagement, such as a statutory audit. It is a level of confidence in the subject matter of that assurance engagement.

An **Assurance engagement** is defined[8] as an engagement in which a 'practitioner' (the professional accountants in public practice performing the engagement) "expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria." **Section 2.2.1** of this report provides greater detail on the formal assurance engagements completed under the International Standard on Assurance Engagements ('ISAE') 3000, which relates to assurance engagements, other than audits or reviews of historical financial information.

Non-Assurance engagements

Not all engagements, or reviews, relating to compliance with regulation or a set of procedures are assurance engagements. Such engagements/reviews, where formal assurance is not provided, include **Agreed-Upon procedures** or **Review and Recommend** based reviews. The most significant difference when compared to a formal assurance engagement, is that these review types do not provide, or express, an assurance opinion. However, organisations, such as the IOB, can draw comfort from such reviews as they do provide independent information and/or

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[8] International Auditing and Assurance Standards Board ('IAASB'), "International Framework for Assurance Engagements", published March 2008, https://www.ifac.org/system/files/downloads/International_Framework_for_Assurance_Engagements.pdf

findings and conclusions from the practitioners, based on the procedures and reviews performed. **Section 2.2.2** and **2.2.3** of this report provides greater detail on such reviews.

It should also be noted that certain **Agreed-Upon procedures** or **Review and Recommend** based reviews could be performed internally by eir, in particular, by the eir Internal Audit function. This would be dependent on the level of confidence in the independence, capability and effectiveness of the internal function performing such reviews, and the comfort level required, by the IOB.

Finally, formal representation can be obtained from an organisation's management (**Management Representation**) on information provided to such bodies as the IOB. No formal independent assurance is given with such representations. However, even with or without, obtaining formal **Management Representation** on information provided by eir, the IOB could obtain a certain level of comfort by monitoring and analysing the information provided. **Section 2.2.4** and **2.2.5** of this report provides greater detail on such review activities.

Levels of Assurance

In reviewing the available standards and review activities, we have considered what level of assurance, or comfort, that the IOB would obtain from engagements/reviews applying such standards. The use of available standards provides a framework for the assurance and non-assurance reviews which would enhance the transparency and understanding of the following:

✦ The basis on which the review has been performed for the IOB;

✦ The elements of the SA Undertakings which were subject to review, and importantly, those elements which were not;

✦ The basis and extent of the finding and/or conclusions from such reviews; and, ✦ The level of assurance and/or comfort received by the IOB.

Without a documented basis of opinion, outlining the review activities (either internal eir or independent external assurance/reviews, or a combination of both), it would be unclear as to how the IOB could arrive at a conclusion on the implementation and effectiveness of eir's RGM.

Outlined below, we have provided an outline of the levels of assurance from the various review mechanisms available to the IOB. For each review mechanism, we have also considered the levels of effort involved, value to the key stakeholders, and the comparable level of assurance.

Overview of Levels of Assurance

* IOB Monitoring & Analytical Review of Eircom reporting
** ISAE 3000 – Assurance engagement other than Financial Statements
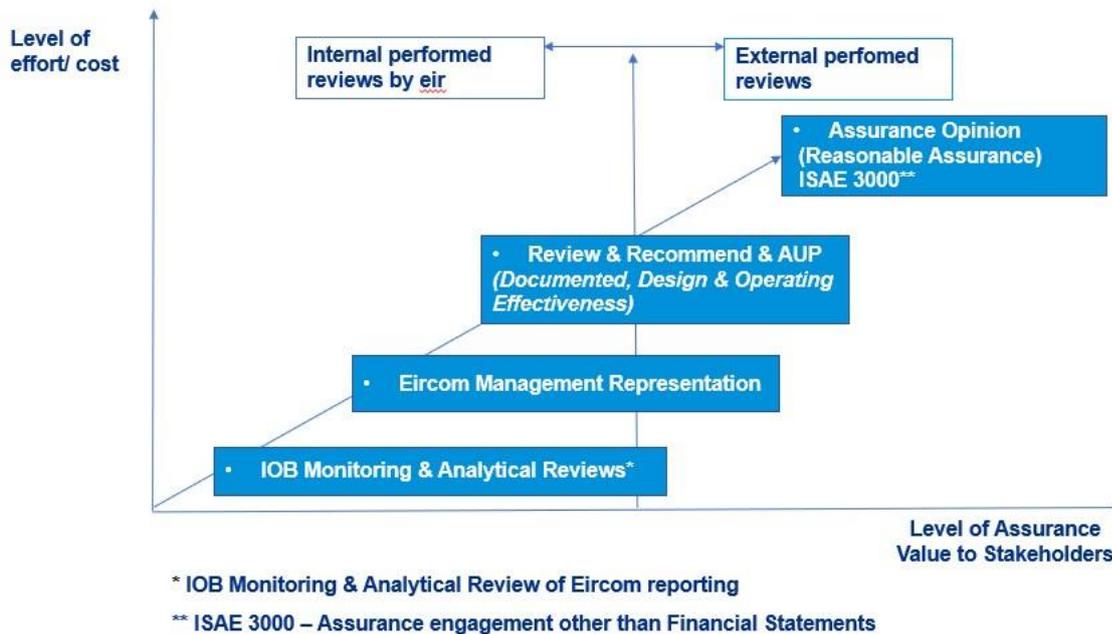
As illustrated above, the highest level of assurance is obtained from external independent engagements performed under the ISAE 3000 standard. As such, these engagements would provide the highest level of comfort to the IOB and externally to key stakeholders, including eir, ComReg and other telco operators.

However, the level of effort and cost involved in assurance engagements would also be higher than that associated with other non-assurance review standards. For example, certain reviews could be performed internally by the appropriate independent eir functions.

It is important to note, that in the absence of any external independent reviews (assurance reviews; review and recommend and/or Agreed-upon procedures) to support the basis of IOB opinion, the wording of the IOB opinion may be limited to provide sufficient comfort to key stakeholders including eir, ComReg and other telco operators.

The SA Undertakings detail that eir will operate a **Three Lines of Defence Model**[9]. As such, non-assurance opinion-based reviews could be completed by eir's **Third Line of Defence ('TLOD')**[3] **function,** and the appropriate **Second Line of Defence ('SLOD') function**, as determined by the IOB. Where this is the case and given the reliance the IOB would place on the reviews by the TLOD and the SLOD, at a minimum a regular external independent review of these functions should be performed. This external review would focus on the independence, capability, and effectiveness of these functions.

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[9] See Settlement Agreement, Annex 1 "The RGM Undertakings", Part B, Regulatory Governance Model, paragraphs 37 to 50, "*Eir will operate a Regulatory Governance Model ("RGM") comprising Three Lines of Defence…*" [3] The Third Line of Defence i.e., the independent Internal Audit Function.

Whilst there will be a cost in relation to the performance of the external independent TLOD and SLOD functional reviews, in the event of a positive outcome from the reviews, this may lead to a reduction in the number and frequency of external independent reviews on RGM related areas, as the IOB would be able to place some reliance on the effectiveness of the reviews performed by the TLOD and SLOD functions.

The timing of such external independent reviews of these functions would be critical. We recommend that these reviews are performed in advance/at the start of the period covered by the IOB opinion. This will enable the IOB to determine the degree of reliance they can place on the reviews being performed by these internal eir functions.

Settlement Agreement IOB Opinions

The table below refers to the most relevant sections of the SA, which should be considered by the IOB when determining the most appropriate framework to support the basis of its annual opinion:

SA Reference	SA wording
Annex 3-IOB Charter, Section 6 Reporting: - Paragraph 6.1	IOB to conduct an annual review of eir's governance of its compliance with its Regulatory Obligations and its compliance with and the adequacy of the RGM Undertakings and prepare to a report with an opinion, regarding the implementation and effectiveness of eir's RGM. (Paragraph 6.2: In forming its opinion, the IOB will, inter alia, have regard to the guidance provided at Schedule 3-Guiding principles in relation to Regulatory Governance, *see pages 59 to 61 of SA*).
Schedule 1 to Annex 3-IOB Charter, **1. IOB Responsibilities:** - Paragraph 1.1	On an annual basis prepare and publish on open Eir's and ComReg websites a report with respect to the operation and effectiveness of eir's regulatory governance model, to include the IOB's opinion as to:
- Paragraph 1.1, a).	whether its own governance was satisfactory;
- Paragraph 1.1, b).	whether adequate resources- financial and non-financial – had been made available to it;
- Paragraph 1.1, c).	whether eir's Second Line of Defence and Third Line of Defence with responsibilities in respect of regulatory governance had appropriate mandates and were adequately resourced and whether the Third Line of Defence was sufficiently independent of line management;
- Paragraph 1.1, d).	the adequacy of the Regulatory Code of Practice and other relevant documentation to foster regulatory compliance; and,
- Paragraph 1.1, e).	the adequacy of the governance structures in place to ensure regulatory compliance.
- Paragraph 1.2	The extent to which eir's RGM meets the requirements of the RGM Undertakings
Schedule 1 to Annex 3-IOB Charter, **1. IOB Responsibilities:** - Paragraph 1.3:	In order to form its opinion in 1.1 above the IOB will develop a multi-annual workplan which will include the review of the reports in Schedule 2 (Reporting) of the IOB Charter at Annex 3 of the Settlement Agreement and any additional material the IOB deems necessary in order to carry out the task outlined and or any other tasks the IOB deems necessary and are consistent with the IOB Charter: *(see pages 49 to 51 of SA for Undertaking listing)*
Schedule 1 to Annex 3-IOB Charter, **1. IOB Responsibilities:** - Paragraph 1.4:	This list may be amended from time to time with agreement of ComReg and eir.

2.2 Framework options for Basis of Opinion

We set out in this section, those standards which we consider most relevant to create a framework of options for the basis of the IOB's annual opinion. In this regard, the following are considered the most applicable review options to provide the IOB with the basis for their opinion:

Report Section	Type: Assurance / Review / Other	Basis of Opinion
2.2.1	External Assurance	**Reasonable or Limited Assurance Reviews**, performed under ISAE 3000
2.2.2	External / Internal Review	**Agreed-upon Procedures**, performed under IAS/ISRS 4400
2.2.3	External / Internal Review	**Review and Recommend Reviews**, with guidance from ICAEW Technical Release 01/18FSF
2.2.4	Internal Assertion	**Eir Management Representation** on eir reporting (including internal Review and Recommend reports) to the IOB, with guidance from ISA 580
2.2.5	IOB Monitoring and Analytical Review	**No eir Management Representation** on eir reporting to the IOB, based solely on IOB Monitoring and Analytical review of eir submissions.

Other framework options to support the basis of opinion were reviewed, and for completeness, summary information has been included in **Appendix 2** of this report. However, these other frameworks were not viewed as being as applicable or relevant to the IOB.

It is important to note, the IOB is most likely to receive a combination of the above forms of assurance activities, reviews and/or assertions to support its annual opinion. As such, the IOB opinion is likely to be a
'free form' statement based on the internal and/or external assurance activities, reviews and/or assertions it has received.

The use of combination of assurance activities, reviews and/or assertions to support the production of opinions by other organisations is not uncommon. In this regard, **Appendix 1** of this report contains 2 examples of the use of combinations of assurance and review mechanisms to support the basis of an opinion. This also formed the basis for the Illustrative IOB opinion in **Section 2.4** of this report.

Dependent on the level of internal and/or external assurance activities, reviews and/or assertions received, the statement may be a 'Negative' statement or a 'Positive' statement. It is likely the statement cannot be 'Positive' should no external assurance or reviews form part of the basis of the opinion.

Additionally, there is a requirement in the SA, for the IOB to conclude whether its own governance was satisfactory; and whether adequate resources (financial and non-financial) have been made available to it. It is likely that external independent support may be required to satisfy this requirement.

Overleaf, a summary of each of the options has been provided. In addition, for each of the options reviewed, the following has been provided:

✦ Summary of Standard (where relevant);

✦ Appropriateness and alignment to the SA;

✦ Potential limitations and strength and reliability to support the basis of the opinion;

✦ Evidence requirements;

✦ Potential impact on eir; and,

✦ Assurance received by the IOB.

In the following **Sections 2.2.1** to **2.2.5** we have set out how the above review opinions could be applied to the Settlement Agreement and what types of assurance the IOB could receive from such reviews.

1.1.31 2.2.1 Reasonable or Limited Assurance Reviews, **performed under ISAE 3000**

Reasonable or Limited Assurance Reviews, performed under ISAE 3000

Summary of Standard

The International Standard on Assurance Engagements ('ISAE') 3000 is a standard for assurance engagements other than audits or reviews of historical financial information, as issued by the International Auditing and Assurance Standards Board ('IAASB'). ISAE 3000 provides basic principles, essential procedures and guidance for the performance of such assurance engagements. The standard detail the requirement for pre-existing conditions to complete such an assurance engagement and that ISAE 3000 reviews must be completed by a firm who is independent of the organisation being subject to the review. In the context of the IOB, these pre-existing conditions mean a clear set of definitive and unambiguous criteria, or a clear frame of reference, against which to attest. All firms providing ISAE 3000 reports must meet the requirements of ISAE 3000, including compliance with International Standard on Quality Control 1[10] (or requirements which are at least as demanding).

ISAE 3000 provides details of the minimum threshold expected for the contents of an Assurance Report, in particular paragraph 69 prescribes two types of opinions which are distinguished between a **'reasonable assurance engagemen**t' and a '**limited assurance engagement'**. The objective of both assurance opinions is to reduce engagement risk, the difference being whether the conclusion drawn in the engagement is positive (reasonable) or negative (limited). In addition to the type of opinion to be issued, there is also a requirement imposed by ISAE 3000 to report any limitations encountered during the engagement.

The objective of ISAE 3000 Assurance Reports is to enhance the readers' confidence over a specific subject matter. ISAE 3000 Assurance engagements will typically involve detailed testing and verification procedures. As detailed in ISAE 3000, paragraph 10, the objectives of such an engagement are:

*"(a) To obtain either **reasonable assurance** or **limited assurance**, as appropriate, about whether the subject matter information is free from material misstatement;*

*(b)   To **express a conclusion regarding the outcome of the measurement or evaluation of the underlying subject matter through a written report** that conveys either a reasonable assurance or a limited assurance conclusion and describes the basis for the conclusion; (Ref: Para. A2); and,*

(c)   To communicate further as required by this ISAE and any other relevant ISAEs."

The International Framework for Assurance Engagements (International Auditing Standards and Assurance Standards Board, revised March 2008) requires that, where an assertion about the effectiveness of internal control is being made, a framework must be applied for evaluating the effectiveness of internal control. The document Internal Control – Integrated Framework published by the Committee of Sponsoring Organisations of the Treadway Commission ('COSO') provides such a Framework.

Appropriateness and alignment to the SA

Paragraph 7 of ISAE 3000 states that *"An assurance engagement performed under the ISAEs may be part of a larger engagement. In such circumstances, the ISAEs are relevant only to the assurance portion of the engagement."* Therefore, it is possible to apply an ISAE review standard to all elements of the required IOB opinions, or to individual elements. However, this would have to be determined by the IOB.

We have set out below four examples of the how the IOB could apply ISAE 3000:

a) Whether eir's description of its RGM and of certain aspects of process and controls to support compliance with its regulatory obligations (as set out in eir's description document) is fairly presented;
b) The adequacy and effectiveness of the controls over the preparation of data included in the reports to the IOB. For example, the approach to preparing KPIs or capturing and reporting complaints;
c) The IOB opinion on its own governance and resources as detailed in Schedule 1, section 1.1, paragraph a and b. For example, whether the IOB has met the requirements of the Undertakings in relation to meeting attendance, quorum, independence, review of the implementation of the Undertakings etc.; and,
d) The adequacy and effectiveness of the governance arrangements to assure regulatory compliance for eir's RAP product prioritisation.

The IOB may deem it more appropriate to seek external assurance support to apply this assurance standard on a more targeted or limited basis with the application of other review approaches to other areas of the SA. For example, while the IOB could seek an assurance review over the eir implementation of the TLOD and the SLOD requirement of the SA[5], given that there are elements which involve a certain element of professional judgement and for these elements an external non-assurance review based on Agreed-Upon procedures or Review and Recommend may be more appropriate (see **Sections 2.2.2** and **2.2.3**, respectively).

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[10] International Standard on Quality Control 1, 'Quality Control for firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements' (ISQC 1).
[5] see Annex 1:The RGM Undertakings, Part B-Assurance, pages 19 to 22.

Reasonable or Limited Assurance Reviews, performed under ISAE 3000 (*cont'd*)

Appropriateness and alignment to the SA (cont'd)

Should the IOB proceed on the basis of seeking external independent assurance support to apply this standard on a targeted basis, the IOB would need to review its annual workplans and prioritise the requirements of the SA to be subject to this assurance standard accordingly. This would require the application of rolling external independent assurance reviews across the SA requirements across a number of years. This approach would be consistent with the approach employed by the EAB (See **Appendix 1** of this report).

Based on the provision of a reasonable assurance by an external independent assurance provider to the IOB, across a number of SA requirements, the subsequent IOB opinion should be of high value to key stakeholders, including eir, ComReg and other telco operators. The provision of a limited assurance opinion by an external assurance provider, would be of less value, however is still considered an assurance opinion.

Potential Limitations and strength and reliability to support the basis of the opinion

The implementation of this standard requires a firm who is independent of the organisation being subject to the review. As such, depending on the scope of the assurance engagement, the level of effort (and related cost) would generally be higher than that of a non-assurance engagement. The level of work to attain either a limited or reasonable assurance opinion is greater than some of the other standards that could be employed by the IOB, such as Agreed-upon Procedures (see **Page 11** of this report).

However, the strength of an ISAE 3000 review, and the value of the review to the stakeholders (such as eir, ComReg and other telco operators), is greater than other standards referred to in this report due to the reliability that can be placed on the assurance being provided by an external and independent firm.

Supporting evidence

A high evidence threshold is a requirement of any assurance engagement performed under ISAE 3000. In particular, to attain a reasonable assurance opinion, the threshold of evidence is more significant than a limited assurance opinion. It is envisaged that a higher evidence threshold would be required for a review of controls using this standard, rather than a review of whether eir's description of its RGM is fairly presented (which is where this standard has been commonly used in the past in the regulated sector – see case studies in **Appendix 1**).

Potential impact on eir

In light of the high evidence threshold required of an assurance engagement under ISAE 3000, it would be expected that eir would be required to provide access to the data, systems, supporting documentation and details on the control environment related to the area of review. eir may also be required to required to provide a detailed description of the RGM structures, processes and controls supported by a management representation to the external independent assurance provider.

Assurance received by the IOB

We have set out below examples of the opinions that would be provided to the IOB in relation to aspects of the Undertakings. For each of the example opinions below, we have included the reference to Schedule 1 of the SA IOB responsibilities.

Limited Assurance

An opinion expressed by the reviewer under limited assurance is negative in nature on the compliance with the SA. An example of a conclusion expressed **to the IOB** in a form appropriate for a limited assurance engagement could include the following:

✦ "Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that eir has not complied, in all material respects, with the governance arrangements in relation to RAP's product prioritisation".

Reasonable Assurance

An opinion expressed by the reviewer under reasonable assurance is positive in nature on the compliance with the SA. Examples of opinions expressed **to the IOB** in a form appropriate for a reasonable assurance engagement could include the following:

✦ When expressed in terms of a statement made by the appropriate party, "In our opinion, in all material respects, the eir description of its RGM and certain aspects of process and controls to support compliance with its regulatory obligations (as set out in eir's description document) is fairly presented";

✦ When expressed in terms of the subject matter information and the applicable criteria, "In our opinion, the mandated KPIs, as reported to the IOB, in relation to eir's regulatory requirements are properly prepared"; and,

✦ When expressed in the procedures performed and evidence obtained "In our opinion, the IOB governance arrangements were satisfactory; and, that adequate resources, both financial and non-financial, had been made available to it".

1.1.32   2.2.2 Agreed-upon Procedures, performed under IAS/ISRS 4400

Agreed-upon Procedures, performed under IAS/ISRS 4400
Summary of Standard
Agreed-upon Procedures reviews provide a pre-determined set of procedures that are performed for the auditor/reviewer to provide a report of the factual findings. **No assurance or opinion is expressed**. Such reviews can be performed in accordance with ISRS 4400 or specific requirements. The users of Agreed-upon Procedures reports are expected to assess for themselves the procedures and findings provided by the review and draw their own conclusions from the report presented. The objective of an agreed upon procedures engagement is for the reviewer to carry out the procedures of an audit nature to which the all parties concerned, for example the IOB, have agreed and to report on factual findings.   ISRS 4400 states that "*whilst directed towards engagements regarding financial information….it may provide useful guidance for engagements regarding non-financial information, provided that the auditor has adequate knowledge of the subject matter in question and reasonable criteria exist on which to base findings*".   Agreed-upon Procedures reviews can give parties, such as the IOB, the information it requires in relation to a specific objective or review and can potentially be less costly in establish facts where no views, or opinions are required of a review.
Appropriateness and alignment to the SA

For the IOB to commission an Agreed-Upon Procedures review as a basis its opinion, they would need to provide and agree with the reviewer a pre-determined set of procedures relevant to the area subject to review. For example, where such a review is commissioned, the IOB could utilise the relevant tasks and criteria set out in the Undertakings in the SA to create the set of procedures for the reviewer to perform. Given the large number of requirements in the Undertakings, the IOB would potentially need to prioritise the individual Undertakings to be subject to review.

An Agreed-Upon Procedures review can be performed by an external reviewer and, in certain circumstances, by an internal function for example eir's Internal Audit function. However, it should be noted that, when deciding on an internal eir function to perform a review, reference must be made to Schedule 2 of the SA which includes the following reference "*In relation to RGM Assurance reviews, in all cases the risk of self-review with conducting and completing such reviews is to be avoided. This includes a clear separation of those conducting RGM Assurance reviews from business operations*".

We have set out below an example of the application of Agreed-upon Procedures in relation to the IOB's annual report:

a)   A review of aspects of the approach to incentives for Wholesale personnel. The pre-determined procedures would be based upon the requirements of the SA in relation to (see Annex 1: The RGM Undertakings, Page 17).

The IOB would be required to review and agree with eir and ComReg what SA Undertakings are deemed suitable to utilise the guidance in this standard and to develop Agreed-upon Procedures. No assurance is received, however, this approach provides factual findings upon which the IOB can use to form the basis of their opinion. The IOB will be required to decide as whether formal findings or Agreed-upon Procedures are suitable for specific elements of the SA.

Potential Limitations and strength and reliability to support the basis of the opinion

Agreed-upon Procedures reports are, in general, restricted to those parties who have agreed the procedures to be performed since others, unaware of the reasons for the procedures, may misinterpret the results. This may limit the distribution of the report to the IOB, which the IOB may consider appropriate. However, there are options available to enable wider distribution including the publication of a disclaimer on the duty of care owed by the party performing the Agreed-upon Procedures.

The IOB do not receive definite conclusions or opinions as the findings will, in the main, detail the gaps between the procedures agreed for review and the current eir data and/or processes in place, this may restrict or limit the final opinion that the IOB could publish. However, a balanced approach will be required between the value to key stakeholders, such as eir, ComReg and other telco operators, of these engagements compared to the associated costs.

The strength of this basis of opinion may be increased if performed by an external reviewer. The reliability of the basis of opinion may vary depending on the extent to which the procedures align with the detail in the SA.

Agreed-upon Procedures, performed under IAS/ISRS 4400 *(cont'd)*

Supporting evidence

Agreed-upon Procedures can give the IOB the information it requires in relation to a specific objective or review. The requirement of evidence is for agreement between parties, overall factual reporting only is performed. As no opinion is being provided by the reviewer, it would be expected that a lower or more focused level of evidence would be required of eir, when compared to an ISAE assurance engagement. However, depending on the detailed requirements of the Agreed-upon Procedures, this may not always be the case.

Potential impact on eir

The overall impacts on eir would be linked to the detailed requirements of the Agreed-upon Procedures.

Assurance received by the IOB

Overall, no assurance is given to the IOB. The report would include factual details of the results of the procedures being completed. We have set out below examples of statements that could be made in relation to the requirement to review the approach to incentives in the SA, Schedule 1 to the IOB Charter, paragraph 1.3(l):

For example, in relation to the Incentives related Undertaking the following statements could be received by the IOB from the reviewer, based on the completion of specific procedures :

✦ With respect to paragraph 22, we noted that performance management and incentive remuneration of the Wholesale Function employees reflected the objectives of the Wholesale Function as set out in document A;

✦ With respect to paragraph 23, we noted that the remuneration policies for eir staff included the completion of the Regulatory Code of Practice training as a perquisite for inclusion in any incentive plan; and/or,

✦ With respect to paragraph 24, we noted that incentives relating to employees working in Internal Audit are based on its objectives and are not based on the financial performance of eir. These statements would provide a basis of the IOB opinion against the SA requirement to annually review and if appropriate comment on the approach to incentivising Wholesale Function and Internal Audit personnel (see the SA, Schedule 1 to the IOB Charter, paragraph 1.3(l)).

1.1.33 2.2.3 Review and Recommend Reviews, with guidance from ICAEW 01/18FSF

Review and Recommend, with guidance from ICAEW Technical Release 01/18FSF
Summary of Standard

This type of review is performed to provide findings, recommendations, views and conclusions based on a "skilled person's" (the reviewer) professional experience and judgement. Review and Recommend reports are an external assessment of the design and operation of a firm's processes and controls. Under a review and recommend approach, a skilled person is able to provide their views and recommendations on both the design and operation of such processes and controls.

Views expressed would typically be based on a level of agreed detailed sample testing as part of the scoping of the engagement. To do this the skilled person prepares a detailed work programme to identify the levels of testing to be performed and may share this with, for example, the IOB. As the amount of testing necessary can be discussed and agreed between the skilled person and the stakeholders, it may mean the report is more efficient to produce than an assurance engagement.

The Review and Recommend report will also typically include recommendations setting out actions to be taken by the organisation being subject to the review. This may help to address issues highlighted during the engagement and also can be employed to monitor progress.

Appropriateness and alignment to the SA

This approach would allow the IOB to request a review to be performed to provide findings, recommendations, views and conclusions based on a "skilled person's" (the reviewer) professional experience and judgement. Review and Recommend reports are generally an independent assessment of the design and operation of a firm's governance structures, processes and controls.

The provision of such review would require the development of detailed work programmes to be agreed between the IOB and the external reviewer. However, given the extensive nature of the IOB obligations, Review and Recommend reviews could be a useful mechanism for the IOB, in particular to assess the design and operation of eir's RGM governance structures, processes and controls.

We have set out below five examples of the application of Review and Recommend reviews in relation to the IOB's annual report:

a) A review of the effectiveness of the Third Line of Defence ('TLOD') function and the Second Line of Defence ('SLOD') functions. The review procedures would be based upon the SA requirements in relation to these functions (see Annex 1: The RGM Undertakings, Part B-Assurance, pages 19 to 22). We also note that it is a requirement of the Chartered Institute of Internal Auditors that Internal Audit functions are subject to external review at least every five years[11];

b) The adequacy and effectiveness of the systems and controls relating to the access to Confidential Regulatory Information ('CRI'). For example, a review of the access controls over systems holding CRI or the controls over the management of non-structured data relating to CRI;

c) The design of RGM related policies that support the operation, standardisation and embedding of the Regulatory Code of Practice;

d) The design and effectiveness of the Complaints or Whistleblowing governance frameworks; and,

e) The design and operational effectiveness of specified controls to identify, manage, monitor and report eir regulatory risks. For example, the RACM and related governance framework. The procedures adopted for a Review and Recommend report would not be sufficient on their own to support an assurance opinion over the suitability of design and/or operating effectiveness of controls as discussed above. However, they would allow the reviewer to provide their views on design and operation and recommended actions.

Potential Limitations and strength and reliability to support the basis of the opinion

The IOB would not receive definite assurance or opinions but rather it will be provided with findings, recommendations, views and conclusions in the main concerning the design and operation of in scope eir RGM governance structures, processes and controls.

The strength of this basis of opinion would generally be increased if performed by an external reviewer. The reliability of the basis of opinion may depend on the reviewer's knowledge and experience in relation to the system, processes and regulatory aspects of the area subject to review. In relation to a review of effectiveness of TLOD and SLOD functions, we would envisage these to be performed by an independent external reviewer, at the start of the period covered by the opinion, to facilitate the ability for IOB to determine level of reliance to place on the output/reports from these functions

Review and Recommend, with guidance from ICAEW Technical Release 01/18FSF

Supporting evidence

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[11] International Standards for the Professional Practice of Internal Auditing, Standard 1312, External Assessments

The reviewer would be required to gather detailed evidence to support their findings, recommendations, views and conclusions as clearly set out within a supporting report. A range of evidentiary levels are prescribed by the guidance document but widely accepted that detailed review of the subject matter and sample testing is performed. Thus, it would be expected that a lower or more focus level of evidence would be required of eir, when compared to an ISAE assurance engagement. However, depending on the detailed requirements of the Review and Recommend review, this may not always be the case.

Potential impact on eir

The overall impact on eir would be linked to the detailed Review and Recommend findings.

Assurance received by IOB

No assurance opinion is provided to the IOB. The report resulting from the review will include details of:

✦   Each of the matters examined under the terms of the IOB's scope;
✦   Providing summary results of testing;
✦   Expressing a view on the outcomes of such testing; and,
✦   Providing detailed observations and recommendations in any areas where weaknesses were identified.

1.1.34 2.2.4 Eir Management Representation on eir reporting to the IOB, guidance from ISA 580

Eir Management Representation on eir reporting (including internal Review and Recommend reports) to the IOB, guidance from ISA 580

Summary of Standard

The International Standards on Auditing 'ISA' are the professional standards for the performance of audits of financial information. However, they provide strong guidance and foundation upon which to form a basis of a non-financial related opinion. In particular, ISA 580 governs the provision of written statements by management (where appropriate, those charged with governance) provided to the auditor to confirm certain matters or to support other audit evidence. Under ISA 580, the objective is to obtain written representations from those deemed in charge whereby they confirm they have fulfilled their responsibility for the preparation of the financial statements and completeness of the information provided. Furthermore, in the case of a fair presentation framework, management is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework; or the preparation of financial statements that give a true and fair view in accordance with the applicable financial reporting framework.

The introduction of Management Representations would employ a method of obtaining an appropriate level of written representation from organisations and/or individuals responsible for preparing relevant information being provided. The completion of such representations may prompt further inquiries, including of, and from those with specialised knowledge. Thus, the ultimate achievement being, that any representations from those in charge should be made with sufficient knowledge of the process/report, etc or they will prompt inquiries of further information.

The objectives of the IOB in this instance may be to obtain written representations from management and, where appropriate, those charged with governance that they believe that they have fulfilled their responsibility for the preparation and the completeness of the information provided to the IOB.

In addition, eir may include qualifying language such as "to the best of our knowledge and belief", and it is normally reasonable for an auditor to accept such wording.

Appropriateness and alignment to the SA

The IOB could consider employing a Management Representation for certain identified aspects of the SA. This would involve consideration of what aspects of the SA would lend themselves to such an approach based on the priorities of the IOB and could be seen as providing increased comfort from eir that certain submissions to the IOB provide 'a true and fair view' or are a 'fair presentation' from an eir perspective. This could also be appropriate for lower priority aspects of the Undertakings, as determined by the IOB, including elements set out in the SA, schedule 1, paragraph 1.3 and Schedule 2.

We have set out below four examples of the application of Management Representation in relation to the IOB's annual report:

a)   The information which the company has provided to you regarding the RGM, has been presented fairly in all material respects;

b)   The directors have fulfilled their responsibilities, as required by the RGM Undertakings, and acknowledge their responsibility for establishing and maintaining adequate and appropriate internal controls and processes to ensure that mandated KPIs are prepared accurately and on a timely basis;

c)   Controls have been designed effectively and are operating effectively to ensure that all Wholesale customer complaint are captured, reviewed and satisfactorily resolved; and,

d)   The company has implemented effective governance arrangements to ensure that the allocation of capital expenditure to the Wholesale function is in accordance with eir's regulatory obligations.

In addition, eir currently provides ComReg with a number of regulatory "Statements of Compliance", including under ComReg D10/18, issued 19 November 2018 which requires eir to demonstrate its compliance with its regulatory obligations. The requirements include the following statement to be signed by the Directors of eir: "*Confirmation that, in the opinion of the Directors, arrangements, structures and internal controls are in place that provide reasonable assurance that Eircom is compliant with its regulatory obligations.*" This is a form of Management Representation which already contains references to the eir RGM and as such could be applied to the RGM submission to the IOB.

Potential Limitations and strength and reliability to support the basis of the opinion

Written representations would be for agreement between all relevant parties and therefore limitations may exist as to what each party are willing to provide and thus limit the subsequent IOB opinion. The provision of Management Representations are often provided in the absence of any internal independent review activities, and as such, therefore provides no independent view and thus limits the opinion that the IOB can provide on this basis.

In addition, solely utilising Management Representation as a framework to support its opinion, the IOB would not have any internal or external independent reviews or assurance activities to form the basis of its opinion. Thus, the value to key stakeholders, such as eir, ComReg and other telco operators, and the strength and reliability of the basis of the opinion would be limited when compared to reasonable, or limited assurance based reviews performed under ISAE 3000 or other independent reviews (Agreed-upon procedures and Review and Recommend reports).

Eir Management Representation on eir reporting (including internal Review and Recommend reports) to the IOB, with guidance from ISA 580

Supporting evidence

The threshold for evidence in respect of Management Representations is considered low and if solely relied upon by the IOB would be more appropriate to lower priority Undertakings, as determined by the IOB. ISA 580 provides guiding principles as to the evidence required to accompany Management Representations, however the evidence requirements would, in the main, be lower than those associated with an assurance review or other external reviews.

Potential impact on eir

Given that there is no external or independent aspect to the review, it would be anticipated that where Management Representation is solely relied up, that it would have limited impact on eir, unless accompanied by an appropriate level of independent signoff within eir. ComReg in D10/18 determined that a Director level signoff was required in relation to regulatory Statements of Compliance.

Assurance and/or comfort received by the IOB

No assurance is provided to the IOB. We have set out below two examples *of management representation* expressed by company directors:

✦ "We confirm that (to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves) the information which the company has provided to you regarding the RGM, has been presented fairly in all material respects";
✦ "We confirm eir's mandated KPIs have been prepared accurately and in accordance with the methodology and timescales required by ComReg;
✦ "We confirm that (to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves) that we have complied with the requirement to capture, review and resolve all Wholesale related complaints; and,
✦ *"*We confirm that the representations made on the implementation of effective governance arrangements to ensure that the allocation of capital expenditure to the Wholesale function is in accordance with eir's regulatory obligations, are made on the basis of enquiries of management and staff. These persons had the relevant knowledge and experience to satisfy ourselves that we can properly make this representations to you, the IOB."

1.1.35 2.2.5 IOB Monitoring and Analytical Review, with no Eir Management Representation

No eir Management Representation on eir reporting to the IOB, based solely on IOB Monitoring and Analytical review of eir submissions
Summary of Standard
There are no standards or guidance documents to reference the type of Monitoring or Analytical Review activities of information to be performed by the IOB, on submissions by eir to support its annual opinion.
Appropriateness and alignment to the SA
Given the lack of eir representations and/or comfort provided by eir on the completeness and/or accuracy of the RGM related submissions and data, it is anticipated that this internal review activity would be employed on a very limited basis by the IOB. We also note it would be most likely be limited to areas and submissions from eir which the IOB has determined to be of low priority in the context of the RGM.
Potential Limitations and strength and reliability to support the basis of the opinion
Given the lack of eir representations and/or comfort provided by eir on the completeness and/or accuracy of the RGM related submissions and data, there is inherent limitations on the resultant opinion and the level of strength or reliability which the IOB would be able to provide to stakeholders in relation to its opinion.
Supporting evidence
The IOB would decide on the evidentiary threshold required to support its own Monitoring and Analytical Review activities. The likelihood is that a low threshold will materialise given there the lack of a standardised approach.
The threshold for evidence is considered very low and thus better suited to very low priority Undertakings and eir submissions, as determined by the IOB. Any evidence provided would, in the main, be significantly lower than those associated with an assurance review or other reviews types.
Potential impact on eir
Given that there is no external or independent aspect to this basis of opinion, it would be anticipated that these internal IOB reviews would have limited impact on eir, other than additional information requests or queries associated with submitted data. As such, the value to key stakeholders, such as eir, ComReg and other telco operators, of these type of review activities is very limited.
Assurance and/or comfort received by the IOB
No assurance or representations from management included in submission from eir to the IOB.

2.3 Application of options to Settlement Agreement

Based on the differing review options detailed in the **Section 2.2** of this report, the following table sets out how these various review options could be applied to the relevant IOB Opinion requirements of the Settlement Agreement. **Note**, this is for illustrative purposes only, and the IOB should determine its own assurance activities, reviews and/or assertions to support its annual opinion:

Table 2.3.1 Reference to Settlement Agreement	Reviewer IOB Monitoring and 7 AgreedProcedures- upon	Management Representation Type	Analytical Review	Review and Recommend	Limited Assurance	Reasonable Assurance
Annex 3 IOB Charter, Section 6 Reporting, paragraph 6.1; prepare a report with an opinion, regarding the implementation and effectiveness of ear's RGM.	*This overall opinion will be informed by, but not limited, to the following basis:*					
Schedule 1 to the IOB Charter, 1. IOB Responsibilities: Paragraph 1.1, a). the IOB's own governance was satisfactory;	*External*				**X**	**X**	**X**
Schedule 1 to the IOB Charter 1, paragraph 1.1, b). whether adequate resources - financial and non-financial - had been made available to it;	*External*				**X**	**X**	**X**

Schedule 1 to the IOB Charter 1, paragraph 1.1, c). whether eir's Second Line of Defence and Third Line of Defence with responsibilities in respect of regulatory governance had appropriate mandates and were adequately resourced and whether the Third Line of Defence was sufficiently independent of line management;	*External*				X	X		

[7] No eir Management Representation.

Table 2.3.1 Reference to Settlement Agreement	Reviewer Type	IOB Monitoring and Analytical Review [7]	Management Representation	Agreed- upon Procedures	Review and Recommend	Limited Assurance	Reasonable Assurance
Schedule 1 to the IOB Charter 1, paragraph 1.1, d). the adequacy of the Regulatory Code of Practice and other relevant documentation to foster regulatory compliance;	*Internal / External*			X	X		
Schedule 1 to the IOB Charter 1, paragraph 1.1 e). the adequacy of the governance structures in place to ensure regulatory compliance.	*External*			X	X	X	X
Schedule 1 to the IOB Charter 1, paragraph 1.2. the extent to which eir's RGM meets the requirements of the RGM Undertakings.	*Internal / External*		X	X	X		

Schedule 1, paragraph 1.3, sub-sections a) to s); *IOB to prioritise these aspects of the Undertakings and determine the appropriate assurance/review requirements.*	*Internal/ External*	X	X	X	X	X	X
Schedule 2, Reporting; *IOB to prioritise these aspects of the Undertakings and determine the appropriate assurance/review requirements on the reporting from the RGM Committee and Internal Audit.*	*Internal/ External*	X	X	X	X	X	X

2.4 Illustrative IOB annual opinion

It is envisaged from the Settlement Agreement (Annex 3, Schedule 1, paragraph 1.3), that the IOB will develop a multi-annual work plan which will outline the areas the IOB deem necessary to review (and through which framework) to form the basis of its annual opinion.

The opinion of the IOB, will most likely be based on a combination of external (3rd party) assurance or review activities and internal (eir) reviews and/or assertions it has received, and will not be referenced to any formal auditing or assurance standard.

We have outlined below, illustrative opinions based on a workplan of activities to support the basis of the opinion. The workplan and basis may change from year to year, depending on the IOB's areas of priority.

We recommend that the IOB annual workplan be subject to agreement between eir and ComReg on an annual basis. In addition, the respective responsibilities, including duty of care, of eir and the IOB should be captured and detailed in the IOB annual report. This will aid the understanding and help avoid potential ambiguities both within the IOB report and the published IOB Opinion:

IOB opinion on own governance

In line with Annex 3, Schedule 1 of the Settlement Agreement between eir and ComReg, the IOB is required to provide an opinion on:

✦ Whether its own governance was satisfactory; and

✦ Whether adequate resources – financial and non-financial – had been made available to it. In this regard, for the period xx to yy, it is the IOB's view that its own governance arrangements were satisfactory and that adequate resources, both financial and non-financial, were made available to it.

Basis of this opinion

As part of the agreed annual work programme between the IOB, eir and ComReg, the IOB has formed the above view based on an independent external reasonable assurance review performed by ABC professional services firm under the ISAE 3000 assurance standard. ABC professional services firm concluded based on set criteria, that, in their opinion:

✦ The IOB governance arrangements were satisfactory; and,

✦ That adequate resources, both financial and non-financial, had been made available to it.

Further detail is outlined in **Appendix X** of this report.

IOB opinion on eir's RGM

In line with Annex 3, Section 6.1 of the Settlement Agreement between eir and ComReg, the IOB is required to conduct an annual review and provide an opinion on the implementation and effectiveness of eir's RGM. For the period xx to yy, it is the IOB's view that whilst eir has made progress in addressing the requirements of the Settlement Agreement regarding the implementation and effectiveness of the RGM, improvements are required in several areas.

To be used if no significant issues identified (either by rating or volume) a negative statement can be provided:

Specifically, based on the delivery of the agreed workplan, the IOB has no evidence to suggest that:

✦ The mandates and resourcing of the Second Line of Defence and Third Line of Defence functions are not appropriate and that the Third Line of Defence was not sufficiently independent of line management;

✦ The Regulatory Code of Practice and related documentation required to foster regulatory compliance was not adequate;

✦ The governance structures in place to ensure regulatory compliance was not adequate; or

✦ The RGM does not meet the requirements of the RGM Undertakings.

OR – if significant issues identified (either by rating or volume), no negative statement provided but areas for improvement outlined.

This includes material observations in relation to:

✦ The adequacy of Eir's Second Line of Defence and Third Line of Defence functions and related mandates, independence and resourcing;

✦ The adequacy of the Eir Regulatory Code of Practice and other relevant documentation to foster regulatory compliance;

✦ The adequacy of Eir's governance structures in place to ensure regulatory compliance; and

✦ The extent to which Eir's RGM meets the requirements of the RGM Undertakings.

<u>Basis of this opinion</u>

As part of the agreed annual work programme between the IOB, eir and ComReg, the IOB has formed the above view based on a combination of external (3rd party) assurance or review activities and internal (eir) reviews and/or assertions it has received, these include the following:

✦ The IOB commissioned an independent external reasonable assurance review performed by ABC professional services firm under the ISAE 3000 assurance standard. ABC professional services firm concluded based on the set criteria, that, in their opinion:

   • The eir's description of its RGM and of [certain aspects] of process and controls to support compliance with its regulatory obligations (as set out in eir's description document) was fairly presented; and,

   • The mandated KPIs, as reported to the IOB, in relation to eir's regulatory requirements are properly prepared.

   Further detail is outlined in **Appendix X** of this report.

✦ The IOB commissioned an independent external limited assurance review performed by ABC professional services firm under the ISAE 3000 assurance standard. ABC professional

services firm concluded based on the procedures performed and evidence obtained, that, in their opinion:

- Nothing has come to their attention that causes them to believe that eir has not complied, in all material respects, with the governance arrangements in relation to RAP's product prioritisation. Further detail is outlined in **Appendix X** of this report.

✦ The IOB commissioned an external review of the TLOD and SLOD functions to assess whether these functions had an appropriate mandate, were adequately resourced and whether the TLOD was sufficiently independent of line management. This review was performed by Firm ABC. The detailed scope, findings and areas for improvement are set out in **Appendix X**.

✦ The IOB commissioned an external review of the adequacy of the governance structures in place to ensure regulatory compliance. This review was performed by Firm ABC. The detailed scope, findings and areas for improvement are set out in **Appendix X**.

✦ The IOB commissioned an external review the adequacy and effectiveness of the systems and controls relating to the access to Confidential Regulatory Information ('CRI'). This review was performed by Firm ABC. The detailed scope, findings and areas for improvement are set out in **Appendix X**.

✦ Eir's Internal Audit function has performed a review of the adequacy of the Regulatory Code of Practice, and other regulatory requirements, to foster regulatory compliance. Internal Audit concluded that there are improvements to be made to the policies and procedures to ensure that they are updated to reflect changes to the Code of Practice. This, and other observations made by Internal Audit in relation to this area are set out in **Appendix X**.

✦ Eir's Internal Audit function has performed a number of internal audit reviews (a mixture of Review and Recommend and Agreed-upon procedures) relating to many of the areas outlined in Annex 3, Schedule 1, paragraph 1.3 of the SA. The scope of these reviews, type of audit activities and findings and areas for improvement are set out in **Appendix X.**

✦ The IOB sought management representations on the remainder of the Settlement Agreement requirements including the completeness and accuracy of submissions to the IOB (excluding Internal Audit submissions which are independent by their nature), the extent to which eir's RGM meets the requirement of the RGM Undertakings and consideration of managements proposed actions to address those aspects of the Undertakings which remain to be implemented. A summary of the representations made by management, and the further actions required, are set out in **Appendix X**.

Summary Commentary

The IOB has been tasked with preparing an annual report and opinion on the implementation and effectiveness of eir's Regulatory Governance Model ('RGM').

This report sets out options available to the IOB, when considering an appropriate framework for the preparation of the annual opinion on eir's RGM, such that the IOB may fulfil its obligations under the Settlement Agreement ('SA')

We have considered the appropriateness of both assurance reviews and non-assurance related reviews and/or assertions which the IOB could commission and apply when preparing its annual opinion. As noted, the level of assurance and comfort to be received from key stakeholders, eir, other telco operators and ComReg, ranges from a high level of assurance from external independent assurance reviews (performed under an ISAE 3000 assurance standard) or other external independent reviews; to a lower level of assurance either from internal reviews, management representations or IOB monitoring and analytical review procedures.

We further note, the level of effort, and cost involved in commissioning external independent assurance or review engagements would also be higher than the costs associated with other internal nonassurance reviews, for example, reviews being performed internally by the appropriate independent eir functions.

The SA Undertakings detail that eir will operate a Three Lines of Defence Model[12]. As such, nonassurance opinion-based reviews could be completed by eir's Third Line of Defence ('TLOD')[9] function, and the appropriate Second Line of Defence ('SLOD') function, as determined by the IOB.

Where this is the case and given the reliance the IOB would place on the reviews by the TLOD and the SLOD, we recommend that, at a minimum, a regular external independent review of these functions should be performed. This external review should focus on the independence, capability and effectiveness of these functions.

Whilst there will be a cost in relation to the performance of the external independent TLOD and SLOD functional reviews, in the event of a positive outcome from the reviews, this could lead to a reduction in the number and frequency of external independent reviews on RGM related areas, as the IOB would be able to place more reliance on the internal reviews performed by the TLOD and SLOD functions.

The timing of such external independent reviews of these functions would be critical. We recommend that these reviews are performed in advance/at the start of the period covered by the IOB opinion. This will enable the IOB to determine the degree of reliance they can place on the reviews being performed by these internal eir functions.

The IOB is most likely to receive a combination of external assurance or review activities and internal reviews and/or assertions to support its annual opinion. As such, the IOB opinion is likely to be a **'free form' statement** based on the review activities it has commissioned and

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[12] See Settlement Agreement, Annex 1 "The RGM Undertakings", Part B, Regulatory Governance Model, paragraphs 37 to 50, "*Eir will operate a Regulatory Governance Model ("RGM") comprising Three Lines of Defence…*" [9]
The Third Line of Defence i.e., the independent Internal Audit Function.

received. The use of combination of assurance activities, reviews and/or assertions to support the production of opinions by other organisations is not uncommon.

However, in the absence of any external independent reviews (assurance reviews; Review and Recommend and/or Agreed-upon procedures) to support the basis of IOB opinion, the wording of the IOB opinion may be limited in nature to provide sufficient comfort to key stakeholders including eir, ComReg and other telco operators.

Dependent on the level of internal and/or external assurance activities, reviews and/or assertions received, the statement may be a 'Negative' statement or a 'Positive' statement. It is likely the statement cannot be 'Positive' should no external independent assurance or reviews form part of the basis of the opinion.

The wording of such free form IOB opinion will be guided by the underlying assurance and/or comfort obtained by the IOB. There is a direct correlation between the level of assurance received and the type of opinion that the IOB should issue and we have provided an example opinion wording in **Section 2.4** to illustrate this point.

In deciding on its approach, the IOB should consider the balance of level of effort, and cost, required to obtain a particular level of assurance, with the value to the stakeholders of the final IOB opinion to be published.

The IOB should develop a workplan, covering the required aspects of the SA, to support the basis of its opinion. We recommend that the IOB annual workplan be subject to agreement between eir and ComReg on an annual basis.

Appendix 1: Example Case Studies

The following are two case studies that provides examples of combination of different basis of opinions. As noted throughout the report, a Reasonable Assurance engagement would provide the highest level of assurance to the IOB with a Limited Assurance engagement provides a lesser degree of assurance. These engagement types have a high evidentiary threshold and can be performed on specific elements of an overall review and not necessary to an entire review, as evidenced in the case studies below.

The following case studies demonstrate the use of combinations of assurance and non-assurance reviews. It is also possible to use further combinations, including, for example, the additional use of Review and Recommend based reviews which the IOB could also employ.

Case Study 1: Opinion combination

In September 2011, the Committee of European Banking Supervisors (now the European Banking Authority's ('EBA'), issued Guidance on Internal Governance ("GL44").

The core principle governing these internal governance guidelines of Credit Institutions in European Union law is set out in Article 74(1) of Directive 2013/36/EU' which requires that:

"Institutions shall have robust governance arrangements, which include a clear organisational structure with well-defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks they are or might be exposed to, adequate internal control mechanisms, including sound administration and accounting procedures, and remuneration policies and practices that are consistent with and promote sound and effective risk management."

Based on these requirements auditors, such as KPMG, conduct examinations for the purposes of providing the Central Bank of Ireland ('CBI') with a statement as to the extent to which Credit Institutions have complied with such obligations.

Given the complexity of the requirements on the auditor, the statement provided by the auditor to the CBI comprises both of an **ISAE 3000 based Reasonable Assurance report** and a **Review and Recommend**[13] report. In particular, the review and recommend approach is used to review that the governance arrangements within the Credit Institution are appropriately designed to comply with the specific GL44 obligations. In this regard, the auditor provides the CBI with the auditor's views and recommendations, but without an opinion, on the operation of the Credit institution's governance arrangements.

In the case of a Reasonable Assurance engagement, the auditor's conclusion is expressed in a positive form. The auditor concludes whether in its opinion the description (as provided by the credit institution) is fairly presented based on the same criteria used by management to make the assertion set out above and whether the processes and controls as set out in the description were operating as described for the specified reporting period[11].

In the case of a Limited Assurance engagement, the auditor's conclusion is expressed in a negative form that conveys whether, based on the procedures performed and the evidence obtained, a matter has come to the auditor's attention to cause him/her to believe that the

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[13] Institute of Chartered Accountants in England and Wales (ICAEW) document "Technical Release 15/14 FSF - Guidance for Skilled Persons' Reviews [11] See Chartered Accountants Ireland, Technical Release 01/2015, Assurance report (page 8). https://www.charteredaccountants.ie/docs/default-source/technical-documents/technical-releases-alerts/technical-release-01-2015-section-27ba-cba-1997-guidance-forauditors-may-20156b8c524808b3649fa7d8ff000079c5aa.pdf?sfvrsn=0

assertion and the description is fairly presented and that the arrangements described therein are operating as described, is materially misstated.

Case Study 2: Equality Access Board Reports

The Equality of Access Board ('EAB'), which was a committee of the BT Group, was responsible "for monitoring BT's compliance with all aspects of the Undertakings, including potential breaches, complaints, Communication Providers' issues, systems separation and employee behaviours".

In the UK, PwC was engaged by the EAB to provide a Reasonable Assurance opinion on selected aspects of BT's activities and this was reported in the EAB Annual Reports. The report was prepared in accordance with the requirements of the Undertakings given to Ofcom BT Group plc pursuant to the Enterprise Act 2002 effective 22 September 2005 (the "Undertakings")

It was acknowledged in the report that there are no generally accepted standards for reporting on compliance with the Undertakings but the EAB did provide details of the reporting policies that formed the basis of their opinions.

For example, for the 2017 EAB annual report, PwC provided the EAB with assurance regarding compilation of management information and evidence gathering by the EAO, on a number of specific items, including:

✦ EAB's conclusions per their Risk Register;

✦ Investigation of breaches;

✦ Informal complaints tracking; ✦ Information request findings; and

✦ Specific type analysis of breaches.

PwC detailed in the EAB annual report their procedures and testing completed throughout their assurance engagement in order to provide a reasonable basis for their conclusions:

"In this regard, we planned our procedures to provide us with reasonable assurance on the completeness and consistency of each of the EAB Conclusions with underlying management information of the EAO. We obtained an understanding of the relevant controls and procedures applied by the EAB and the EAO to generate, aggregate and evaluate information in respect of the Group's governance, delivery and ongoing compliance with the Undertakings, including the EAO monitoring and reporting, audit and validation plan, quick checks, exemptions and variations and breaches and complaints processes. We completed tests over data consolidation and reporting in respect of each of the EAB Conclusions only and did not perform testing over the generation of data within the underlying management information systems of the Group or the sufficiency of evidence gathered by the EAO."

With a combination of the Reasonable Assurance provided by PwC on specific aspects and the EAB's own work, they were able to develop the following free form opinion (i.e. not linked to an assurance standard): "*The EAB's view is that BT's overall compliance continues to be good and that BT has remained committed to the Undertakings. However, as noted above, there were aspects where BT could have done better.*"

Appendix 2: Other Framework Options

Other review standards and approaches were reviewed, however, these were not viewed as being as applicable to the IOB for the reasons listed below. However, the opinion wording for some of the options detailed may be considered by the IOB when developing the IOB opinion wording:

Standard / Approach	Standard/ Reference	Summary of Standard and potential application to the IOB	Attestation	Audit Attestation (Opinion/Statements)	Relevance to the IOB
Comply or explain	UK Corporate Governance Code	Comply or explain is a regulatory approach used in relation to corporate governance and financial supervision. Rather than setting out binding laws, government regulators set out a code of "provisions" which listed companies may either comply with, or if they do not comply, explain publicly why they do not. The SA Undertakings could form the basis of the "provisions" against which the eir and/or the IOB could assess compliance against. In addition, eir/IOB would need to provide an explanation for those Undertakings with which they do not comply.	The Directors include information in the Annual Report on whether they comply with each of the principles of the UK Governance Code and, where they report otherwise, an explanation is required as to the reason why and whether any action is planned to move to compliance.	None	This can be considered as a variant of the Management Representation standard.
Assurance Reports on Controls at a Service Organisation	ISAE 3402	Service organisations control reports are reports on the internal control structure to understand the adequacy and operating effectiveness of their service provider's controls including in respect of any outsourcing arrangements. Under paragraph 4 of ISAE 3402, a service auditor may also be engaged to provide reports such as Agreed-upon Procedures report on controls.	Representation letter addressed to the service auditor, per paragraphs 38 to 42.	Service Auditor's assurance report	This can be considered as a variant of the ISEA 3000 standard.

| Review of Financial Controls | Service Organisation Control ('SOC') 1 | Organisations require that their Outsourced Service Providers ('OSP') provide them with a SOC 1 report which covers internal controls over financial reporting within the OSP.

Such reporting requirements under SOC 1 could be considered when reviewing the current list of eir reporting submissions to the IOB.

The IOB could consider requesting eir to report on the Undertakings in the style of a SOC 1 report. | None | None | Not as relevant to the IOB as this would still require a basis of opinion standard as detailed in **Section 2.2** of this report. |

Standard / Approach	Standard/ Reference	Summary of Standard and potential application to the IOB	Attestation	Audit Attestation (Opinion/Statements)	Relevance to the IOB
Review of System Controls	Service Organisation Control ('SOC') 2 and 2+	Organisations require that their Outsourced Service Providers ('OSP') provide them with a SOC 2 report which covers the OSP's controls in relation to systems: ▪ Security; ▪ Availability; ▪ Processing Integrity; ▪ Confidentiality; and, ▪ Privacy. SOC 2+ has an extended scope that may include a the OSP assessing against wider frameworks. The IOB could consider requesting eir to report on the Undertakings in the style of a SOC 2/2+ report.	None	None	Similar to SOC 1, this would still require a basis of opinion standard as detailed in **Section 2.2** of this report. However, this approach does not appear to be relevant for the IOB.
Quality Management at a firm level	International Standards on Quality Management 1	This standard relates to enhancing the robustness of a professional services firm's systems of quality control through various means, including: ▪ Introducing a more proactive and tailored approach to managing quality; ▪ Increasing firm leadership responsibilities and accountability and improving firm governance; and, ▪ A more rigorous monitoring of systems of quality control and more effective remediation of deficiencies. This Standard would be relevant to the wording of the IOB Opinion. An example opinion is set out below: *"Based on our experience the non-executive members of XX, the IOB consider the quality and risk management arrangements of XX to be appropriate, robust and, when warranted, open to change.."*	An independent body is put in place to review the firm's quality controls. The independent body is required to provide a statement on their view of the firm's Quality Controls in a publicly available report. For example, a Transparency Report.	None	Not applicable.

Standard / Approach	Standard/ Reference	Summary of Standard and potential application to the IOB	Attestation	Audit Attestation (Opinion/Statements)	Relevance to the IOB
Review of Financial Controls	Sarbanes Oxley ('SOx') 302	In Quarterly Financial Statements for listed companies. The CEO and CFO are directly responsible for the accuracy, documentation and submission of all financial reports as well as the internal control structure to the SEC. An independent function performs a review of the controls to enable these statements to be made. Each of the individual SA Undertakings could be identified as a "control" and a statement could be made by the relevant eir Directors to the IOB that the they have designed these "controls" effectively, have evaluated the effectiveness of the "controls" and have presented in the report their conclusions about the effectiveness of their "controls".	A statement is made to confirm the following: ▪ CEO and CFO must review all financial report; ▪ Financial report does not contain any misrepresentations; ▪ Information in the financial report is "fairly presented"; ▪ CEO and CFO are responsible for the internal accounting controls; ▪ CEO and CFO must report any deficiencies in internal accounting controls, or any fraud involving the management of the audit committee; and, ▪ CEO and CFO must indicate any material changes in internal accounting controls.	None	Not applicable as related to financial control.
Review of Financial Controls	Sarbanes Oxley ('SOx') 404	In Annual Financial Statements for listed companies. The CEO and CFO are directly responsible for the accuracy, documentation and submission of all financial reports as well as the internal control structure to the SEC. An independent function performs a review of the controls to enable these statements to be made. In addition, registered external auditors must attest to the accuracy of the company management assertion. Each of the individual SA Undertakings could be identified as a "control" and a statement could be made by the relevant eir Directors to the IOB that the Directors have designed these "controls" effectively, have evaluated the effectiveness of the "controls" and have presented in the report their conclusions about the effectiveness of their "controls". Further external attestation of this process would be required.	The CEO/CFO have to include in the financial reports must include an Internal Control Report stating that management is responsible for an "adequate" internal control structure, and an assessment by management of the effectiveness of the control structure.	Registered external auditors must attest to the accuracy of the company management assertion that internal accounting controls are in place, operational and effective.	Not applicable as related to financial control.

Appendix 3
Second KPMG Report
September 2020

Commissionfor CommunicationsRegulation

Guidance on good practice for the conduct of Quality Assessment reviews of certain independent Control Functions

Final Report

22 September 2020
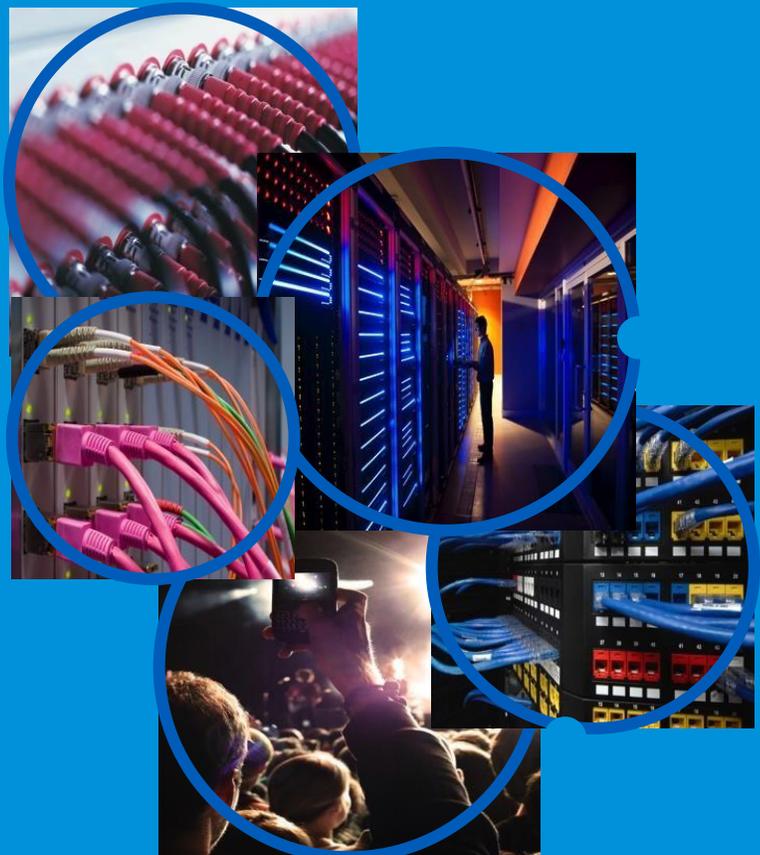
Contents

1. Introduction

1.1 Background to the Review

In December 2018, the Commission for Communications Regulation ('ComReg') and Eircom ('eir') entered into a Settlement Agreement ('SA') which, inter alia, requires eir to implement Regulatory Governance Model ('RGM') Undertakings in order to establish, operate and embed effective regulatory governance arrangements within eir to ensure it remains compliant with its regulatory obligations.

The SA also required the establishment of an Independent Oversight Body ('IOB') the objective of which is to provide assurance to eir and ComReg that, within eir, there is a clear and unambiguous set of measures, arrangements, structures and internal controls which will ensure eir's compliance with its regulatory obligations as per Para 4.1 of Annex 3 of the SA. In addition, Para 4.2 of Annex 3 of the SA lists the monitoring and reporting activities which the IOB must undertake.

The Third Line of Defence ('TLOD') and the Second Line of Defence ('SLOD') functions within eir are responsible for providing the IOB with reports, and any other information that the IOB deem necessary, on eir's RGM related activities, to enable the IOB to fulfil its objective defined above. Hence, it is of critical importance that the IOB can rely of the activities of the TLOD and SLOD functions in preparing the reports upon which the IOB seeks to obtain assurance.

In this regard, ComReg has requested KPMG to provide guidance on an approach to the performance of assessments of the TLOD and SLOD functions, which if performed appropriately, would support the IOB to consider the extent to which they can rely on the outputs from these functions.

1.2 Scope of the Review

ComReg has requested KPMG to provide guidance on good practice for the conduct of an External Quality Assessment ('EQA') of eir's related Internal Audit Regulatory Governance ('IARG') Function and more specifically addressing the following key areas:

1. Provide guidance on what a good practice approach to an EQA review of the eir Third Line of Defence ('TLOD') IARG Function should involve, this should include consideration of the capability of eir's TLOD to review a SLOD function;

2. Provide advice on an approach that eir's TLOD IARG Function may take to review eir's SLOD Functions that, if performed appropriately, IOB could consider placing reliance on; and,

3. Provide commentary on expected frequency of such EQA's.

As outlined in our discussions with ComReg, we have considered good practice standards and guidance including that issued by the Chartered Institute of Internal Auditors ("CIIA").

1.3 Scope Limitations

The services provided by KPMG are limited to the matter set out in the scope and accordingly do not include, for the avoidance of doubt, any of the following:

- A legal opinion or view on the interpretation of the Settlement Agreement and its application by the IOB;
- A detailed compliance review against legislative, regulatory or other accounting, audit or related standards and/or guidelines;
- An assessment of eir's current "Three Lines of Defence" Model or any consideration of the appropriateness of structure, operating model or mandate of eir's Control Functions;
- Consideration of eir's non-RGM related Second Line of Defence and Third Line of Defence functions and/or activities; or,
- Consideration of eir's First Line of Defence functions and associated activities.

To note, KPMG has not had any direct contact with eir with regard to their current Three Lines of Defence Model and the associated functions, processes and/or structures. Any reference to the functions and their activities has been obtained from the documents listed in **Appendix 1**.

1.4 Approach to the Review

Our review has been conducted in accordance with the terms set out in the Statement of Work dated 15 April 2020. Contained herein is our report setting out our observations on the approach to the assessment of both the SLOD and TLOD functions: Our approach to the engagement consisted of the following:

- Reviewing in detail the guidance on the implementation of the Chartered Institute of Internal Auditors ('CIIA') Standards including those in relation to the requirement for, and scope of, EQAs of Internal Audit Functions;
- Considering the role and responsibilities of the SLOD and TLOD functions within eir as detailed in the SA;
- Drawing on KPMG's experience of performing assessments of SLOD and TLOD functions; and,
- Considering the requirements of the IOB in relation to SLOD and TLOD functions at eir.

Based on the above, we set out a suggested approach to an assessment of the SLOD and TLOD functions at eir.

1.5 Restriction on circulation of the Report

This report is strictly private and confidential.   Accordingly, except as required by law (including as the case may be for the purpose of the Freedom of Information Act 2014), this report shall not be copied, reproduced, circulated, distributed referred to or disclosed, in whole or in part, without KPMG's prior written consent. In the event that a request for disclosure of the report is received whereby disclosure is stated to be required by law, and/or the IOB or Eircom form the view that disclosure of the report is required by law, the IOB or

Eircom as the case may be is required to inform ComReg of same without delay and to take into account any representations made by ComReg in respect of the proposed disclosure.

This report can only be relied upon by our client (ComReg) on the terms and conditions agreed and recorded in the Statement of Work between the Commission for Communication Regulation and Contractor KPMG dated 15 April 2020 (the "Call-Off Contract") and the Framework Agreement Contract dated 26 June 2017. This firm's work and the report were not planned or prepared in contemplation, or for the purpose, of the interests or needs of anyone other than our client. Therefore, items of possible interest to other recipients may not have been addressed by us. The use of professional judgement, and the assessment of issues or their relevance (as appropriate) by this firm would or might have been used and assessed differently by other recipients for their purposes. This firm does not warrant or represent that any facts or matters in the report or that information or explanations (if any) provided orally by this firm in relation to the report, are suitable or appropriate for other recipients' purposes.

In consenting to the potential disclosure of the Report to the Independent Oversight Body ("IOB") and Eircom Limited ("Eircom"), KPMG do not assume any responsibility to either the IOB or Eircom or both in respect of its work for ComReg, the Report or any judgments, conclusions, opinions, findings or recommendations that KPMG may have formed or made and, to the fullest extent permitted by law, KPMG accepts no liability in respect of any such matters to the IOB and Eircom. Should the IOB or Eircom choose to rely on the Report, they do so at their own risk.

To the fullest extent permitted by law, KPMG accepts no liability for any loss or damage suffered or costs incurred by any party or person, other than ComReg, under the terms of the Call-Off Contract and the Framework Agreement Contract, arising out of, or in connection with our report, however so the loss or damage is caused if, notwithstanding the terms of this clause 1.5, another recipient does rely on our report for any purpose, they will do so entirely at their own risk.

For the avoidance of doubt, any party or persons who are the recipients of this report shall not be deemed to be clients of KPMG and KPMG shall accordingly not be responsible to such recipients for providing advice or recommendations in relation to the subject matter as referred to herein.

1.6 Status of work

The status of this report is **Final** as of the 22 September 2020.

2. An approach to EQA reviews of the Third Line of Defence

2.1 Introduction

This section of the report provides guidance on a good practice approach to an EQA review of the eir Third Line of Defence ('TLOD'), the Internal Audit Regulatory Governance ('IARG') function and includes commentary on expected frequency of such reviews.

This section also includes consideration of the approach that eir's IARG function may take to review a Second Line of Defence ('SLOD') function, such that the IOB may consider placing reliance on the SLOD reports and/or other information provided to it by that SLOD function.

2.2 Background to the IARG function

The eir document "Three Lines of Defence Overview"[14] describes the role and responsibilities of its Internal Audit Regulatory Governance ('IARG') function as follows:

"The independent internal audit function, through a risk-based approach to its work, provides assurance to eir's board of directors and senior management. This assurance covers how effectively the organisation assesses and manages its regulatory risks and includes assurance on the effectiveness of the first and second lines of defence. It encompasses all elements of monitoring of the RGM (including a review of the control environment and assurance on the effectiveness of the risk management process)"

The eir document also states that the IARG function is led by the Head of Internal Audit and reports to the Chief Financial Officer. The function comprises the Head of Internal Audit and two Internal Auditors. In addition, its states that the key Third Lines of Defence activities of the IARG are to conduct:

- Desktop reviews of quarterly self-certification including changes to the RACM;
- Reviews of the effectiveness of the first and second lines of defence, including maturity of RGM Risk Group. We understand that the SLOD functions within eir comprise the RGM Risk Group, Group Risk, Wholesale Regulatory Operations and Regulatory Strategy;
- Annual regulatory E2E audits including Wholesale pricing, bespoke bid and product development process;
- Specific IT regulatory assurance audits including Business Access Reviews ('BAR'), Segregation of Duty ('SOD') reviews and Technical Systems Data Segregation ('TSDS') reviews as well as the management of Confidential Regulatory Information ('CRI');
- Audits of Group processes which could impact regulatory obligations on a prioritised risk basis; and,
- A risk assessment to produce an IARG Annual Plan for review by IOB.

The outputs of all of the above activities will be reported to the IOB, in accordance with the frequencies set out in the Settlement Agreement, and will support inform the IOB's annual opinion on controls and governance. As such, it is of critical importance to the IOB that the

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[14] Eir document "RGM Control Framework", v.1.0, dated 20/07/2018.

approach to planning, resourcing, delivering and reporting on these activities is robust and effective to enable the IOB to place reliance on the reports when forming its annual opinion.

2.3 Background to EQAs

The Chartered Institute of Internal Auditors' ('CIIA') has developed "International Standards for the
Professional Practice of Internal Auditing"[15] (hereinafter 'CIIA Standards') which are principle-focused

and provide a framework for performing and promoting Internal Auditing. The CIIA Standards, last updated in January 2017, are mandatory requirements. They consist of statements of basic requirements for the professional practice of internal auditing for evaluating the effectiveness of its performance. The requirements are internationally applicable at organisational and individual levels and also include a Code of Ethics[16] to which Internal Audit functions should conform in relation to integrity, objectivity, confidentiality and competency.

Of note, CIIA **Standard 1312** requires that Internal Audit functions are subject to an External Quality Assessment ('EQA') at least every 5 years by a qualified, independent reviewer or review team from outside the organisation (see **Appendix 2** for the full description of CIIA **Standard 1312**). To ensure that Internal Audit functions are subject to more frequent assessment, the Standards (**1310** and **1311**) require that in the period between the EQAs, the Internal Audit function is subject to Internal Assessments and must have a Quality Assurance and Improvement Programme ('QAIP') in place. The results of the Internal Assessments and the QAIP activities must be reported to the Audit Committee (or equivalent).

In addition, the CIIA Standard requires that the Head of Internal Audit must agree the scope and approach to the EQA with the Audit Committee (or equivalent) to ensure that they are satisfied with the scope of the review.

The CIIA standard specifies that such an EQA may be accomplished using one of two approaches:

- The first approach is the completion of a fully externally assessed EQA (by qualified independent external assessor) which includes three core components:
  - The level of conformance with the CIIA Standards and Code of Ethics;
  - The efficiency and effectiveness of the Internal Audit activity; and,
  - The extent to which the Internal Audit activity meets expectations of the board, senior management, and operations management, and adds value to the organisation.

- The second approach is to firstly complete an internal self-assessment (generally performed by the Head of Internal Audit) against the CIIA Standards, and then to obtain an independent external validation of this internal self-assessment. This is referred to as a

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[15] CIIA document "International Standards for the Professional Practice of Internal Auditing" effective January 2017.
[16] 3 The Code of Ethics is included in the CIIA document "International Standards for the Professional Practice of Internal Auditing" effective January 2017.

Self-Assessment with external Independent Validation ('SAIV'). While the internal self-assessment would include a review of level of conformance with the CIIA Standards and Code of Ethics, the scope of an SAIV would comprise:
- A comprehensive and fully documented self-assessment of the Internal Audit function's conformance with the CIIA Standards and Code of Ethics; and,
- Onsite validation by a qualified independent external assessor.

In addition, an EQA could also use a combination of the two approaches described above. For example, the Head of Internal Audit could perform a self-assessment against the CIIA Standards and the external reviewer could then validate this and also perform an effectiveness assessment.

We note that generally EQA's are performed on a **Review and Recommend**[17] basis and, as such these review types do not provide, or express, an assurance opinion. The report resulting from the review will include details of:

• Each of the matters examined under the terms of the EQA's scope;
• Summary results of assessment which comprises the results of the CIIA Standards assessment and, for a full EQA, the assessment of the design and effectiveness of the function;
• A view on the outcomes of such assessment which comprises a conclusion on the level of conformance with the CIIA Standards and, for a full EQA, a broad conclusion on the design and effectiveness of the function; and,
• Detailed observations and recommendations in any areas where weaknesses were identified.

The following sections provides an overview of the completion of an assessment of conformance with the CIIA Standards, while **Section 2.5** and **Sections 2.6** provide an overview of the of two approaches to the completion basis of an EQA, either a full external assessment, or a SAIV employed.

2.4 An illustrative approach to an assessment of conformance with the CIIA Standards

An EQA completed on the basis of either a full external assessment, or of a Self-Assessment with Independent external Validation ('SAIV'), would require the completion of an assessment as to the extent to which the IARG conforms with the CIIA Standards. In addition, the approach taken by the individual performing the assessment should be the same whether being performed externally or being performed internally prior to independent external validation.

We have set out overleaf the comprehensive list of the CIIA Standards which are assessed to provide a conclusion of the extent of conformance. The Standards are defined under an Attribute heading as illustrated below. We have highlighted (in blue) below the Standards which appear to align with the requirements of the IARG in the Settlement Agreement and have greater influence on the extent to which the IOB can rely on the reports that it receives from the IARG function and use as a basis for their annual opinion. **CIIA Standards**

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[17] KPMG report to ComReg, "Basis of Opinion – Framework Options, October 2019

Number	Attribute	Standards
-	**Code of Ethics**	Integrity, Objectivity, Confidentiality and Competence.
1000	**Purpose, Authority, and Responsibility**	1010: Recognising Mandatory Guidance in the Internal Audit Charter
1100	**Independence and Objectivity**	1110: Organisational Independence 1111: Direct Interaction with the Board 1112: Chief Audit Executive Roles Beyond Internal Auditing 1120: Individual Objectivity 1130: Impairments to Independence of Objectivity
1200	**Proficiency and Due Professional Care**	1210: Proficiency 1220: Due Professional Care 1230: Continuing Professional Development
1300	**Quality Assurance and Improvement Program**	1310: Requirements of the Quality Assurance and Improvement Program 1311: Internal Assessments 1312: External Assessments 1320: Reporting on the Quality Assurance and Improvement Program 1321: Use of ''Conforms with the *International Standards for the Professional Practice of Internal Auditing*'' 1322 Disclosure of Nonconformance
2000	**Managing the Internal Audit Activity**	2010: Planning 2020: Communication and Approval 2030: Resource Management 2040: Policies and Procedures 2050: Coordination and Reliance 2060: Reporting to Senior Management and the Board 2070: External Service Provider and Organisational Responsibility for Internal Auditing
2100	**Nature of Work**	2110: Governance 2120: Risk Management 2130: Control

Number	Attribute	Standards
2200	**Engagement Planning**	2201: Planning Considerations 2210: Engagement Objectives 2220: Engagement Scope 2230: Engagement Resource Allocation 2240: Engagement Work Program
2300	**Performing the Engagement**	2310: Identifying Information 2320: Analysis and Evaluation 2330: Documenting Information 2340: Engagement Supervision
2400	**Communicating Results**	2410: Criteria for communicating 2420: Quality of Communications 2421: Errors and Omissions 2430: Use of "Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing" 2431: Engagement Disclosure of Nonconformance 2450: Overall Opinions
2500	**Monitoring Progress**	Processes for the tracking of Internal Audit recommendations
2600	**Communicating the Acceptance of Risks**	Processes for reporting risks accepted by management

The assessment of the CIIA Standards is performed on the basis of discussions with the IARG function and a review of their activities including the IARG charter, mandate, plans, policies, procedures, and practices. This is in addition to a detailed review of the deliverables and requirements placed on the IARG by the Settlement Agreement. The key documents to be reviewed will also include the IARG Methodology, the IOB Charter and example IARG outputs for example Terms of Reference, Work Programmes, Test Schedule, Audit Reports and Summary Reports to the IOB.

When considering the level of conformance with the standards, the CIIA identifies three levels, these being:

- **"Generally conforms"** which means that Internal Audit activity has a charter, policies, and processes that are judged to be in accordance with the CIIA Standards, with some opportunities for improvement.
- **"Partially conforms"** which means deficiencies in practice are noted that are judged to deviate from the CIIA Standards, but these deficiencies did not preclude the Internal Audit activity from performing its responsibilities in an acceptable manner.
- **"Does not conform"** which means deficiencies in practice are judged to be so significant as to seriously impair or preclude the Internal Audit activity from performing adequately in all or in significant areas of its responsibilities.

Upon completion of the assessment of each standard, a conclusion is made on the level of conformance for each Standard (see **Appendix 3** for an illustrative example of a completed assessment). This is generally reported at both Attribute level and for an Internal Audit function as a whole as illustrated on **Page 10**.

In the event that the EQA was being performed under the SAIV approach, the internal reviewer will provide the external reviewer with their assessment, conclusion and supporting working papers. The external reviewer will perform a verification of the internal assessment and provide their conclusion on conformance to the Head of IARG.

1.1.36 *Example CIIA Standards conformance statement*

"In our opinion, and based upon the assessment below, our work confirms that overall IA 'Partially Conforms' with the CIIA Standards".

CIIA Standard	CIIA Standard Title	Assessment at June 2020
-	Code of Ethics	Generally conforms
1000	Purpose, authority and responsibility	Partially conforms
1100	Independence and objectivity	Generally conforms
1200	Proficiency and due professional care	Partially conforms
1300	Quality assurance and improvement programme	Does not conform
2000	Managing the Internal Audit activity	Partially conforms
2100	Nature of work	Generally conforms
2200	Engagement planning	Generally conforms
2300	Performing the engagement	Generally conforms
2400	Communicating the results	Partially conforms
2500	Monitoring progress	Partially conforms
2600	Communicating the acceptance of risks	Partially conforms

On completion of the conformance assessment, the IOB will receive from the assessor a report including:

- Each of the matters examined under the terms of the EQA's scope;
- Summary results of the CIIA Standards assessment;
- A view on the outcomes of such assessment which comprises a conclusion on the level of conformance with the CIIA Standards; and,
- Detailed observations and recommendations in any areas where weaknesses were identified.

2.5 An illustrative approach to a full external assessment EQA

Whilst the CIIA standards reference two approaches to the performance of an external EQA, both of which mainly consider the **Conformance** of the Internal Audit function against the CIIA Standards, good market practice for external EQA reviews would also consider a broader **"Performance"** type scope rather than focusing only on conformance with the CIIA Standards.

A full external assessment EQA, aligned with good market practice, comprises not only an assessment of conformance with the CIIA Standards as described in **Section 2.4**, but also how different Internal Audit functions work in practice to enable benchmarking of an Internal Audit function to relative peers and assess the effectiveness and maturity of the function. The external practitioner performing the EQA assessment must have experience beyond assessing conformance with the CIIA Standards to ensure that there is effective benchmarking to other similar Internal Audit functions, and good market practice, to provide broader recommendations for potential improvement.

We have set out below details of an illustrative approach to a full external assessment EQA which builds upon the CIIA Standards by also assessing the effectiveness and maturity of the:

- **Positioning** of the Internal Audit function within the organisation and with its stakeholders;
- **Process** used by Internal Audit including the effectiveness of the risk assessment to inform the Internal Audit Plan, planning, execution of audits, reporting and follow up; and,
- **People** aspects of the Internal Audit function including competencies and development.

The assessment criteria for each of the above, which we have termed the 3P's approach, is illustrated below:
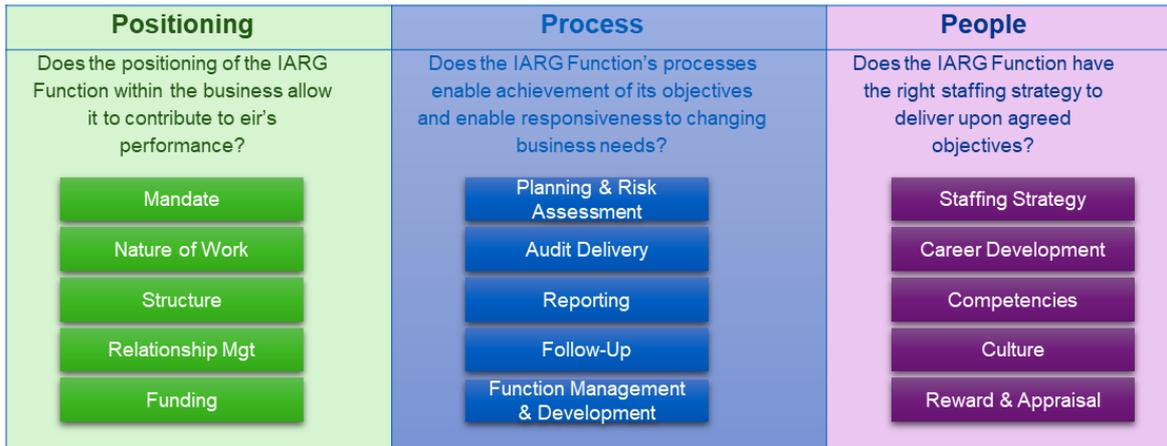
We have set out below further details of the assessment criteria and how this approach can be applied to the assessment of eir's IARG.

The <u>Positioning</u> of IARG:

The assessment of the Positioning of the IARG should consider whether the IARG has the appropriate mandate, structure, funding and relationships to ensure that it is operating effectively. The following criteria should be assessed:

3Ps assessment criteria	Specific eir RGM related considerations *(including reference to the Settlement Agreement where applicable)*
Mandate: The drivers for IARG are aligned with corporate goals and the needs of key stakeholders. The mission and role are formally defined within a wider corporate governance framework and have been effectively communicated.	• The IARG function has a formal mandate outlining the scope, methodology and activities *(P21, para 45)*. • The mandate is appropriate to the roles and responsibilities of the IARG function. • The mandate for the IARG function is aligned with the Settlement Agreement and has been approved by the IOB *(P51, para 1.3q)*. • The Mandate is subject to annual review by the IOB *(P52, para 1.3q)*.

Nature of work: IARG is providing assurance over existing and emerging significant risks facing the organisation.	The mandate of IARG clearly sets out the nature of the work performed by the IARG function and includes, as a minimum, the performance of: • End-to-end compliance review of controls which includes a review of the design and operating effectiveness of controls identified in the RACM; • End-to-end reviews of the processes included in Paragraph 19 of the Settlement Agreement (Capex Process, Wholesale bid process including bespoke bid processes, RAP change request process, RAP development process, RAP prioritisation process, KPI generation and publication process and Wholesale pricing); • End-to-end reviews of Wholesale Function activities with specific focus on regulatory and compliance matters including (***Par 47 of the Settlement Agreement***): - Governance fora and decision making; - Systems access management reviews performed by both IT and business units; - Management of Confidential Regulatory

3Ps assessment criteria	**Specific eir RGM related considerations** *(including reference to the Settlement Agreement where applicable)*
	Information including Structured Data access management, Unstructured Data Access management, data classification and data handling; and, - Reviewing of the effectiveness of the Second Line of Defence ('SLOD') functions including an annual review of the SLOD Annual Plans. • Reviews of: - The Wholesale Remuneration Policy; - Wholesale Customer complaints process; - Whistleblower complaints process; - ComReg Decisions (implementation of by eir); - ComReg compliance investigations processes; - Other audits requested by the IOB. (***Schedule 3 of the Settlement Agreement***)

Structure: The structure of IARG promotes independence, objectivity and consistency.	• The IARG function is sufficiently independent of line management *(P49, para 1.1c)*. • The Head of IARG is of sufficient seniority within eir. • The Head of IARG reports functionally in respect of regulatory matters to the IOB (and to chair of Audit Committee, if exists) and administratively at a level within the organisation that allows the assurance activity to fulfil its responsibilities *(P20, para 42)*. • The Head of IARG must confirm to the IOB, at least annually, the organisational independence of the Internal Audit activity *(P20, para 42)*.
Relationship Management: IARG maintains effective relationships with key stakeholders	• The IARG function has a Stakeholder Relationship Plan which clearly sets out the frequency and format of meetings with its stakeholders. This should include the IOB, the members of the Wholesale SMT, the Wholesale SLOD heads and other SMT members who have responsibilities for areas included in the IARG mandate, for example IT. • Achievement and outcomes of the communications with the Stakeholders is reported to the IOB.
Funding: IARG funding promotes objectivity and consistency in service quality.	• The IARG function has a ring-fenced budget, with specific reference to allocation to RMG related activity vs. other Internal Audit related activity. • The IOB shall review the appropriateness of the IARG's budgeted resources assigned on an at least annual basis *(P43, para 3.6)*. • If in exceptional circumstances where, Internal Audit staff are temporarily diverted to nonregulatory matters, the IOB is notified and immediately provided with an assessment of the impact on the Internal Audit annual audit plan relating to RGM activity *(P43, para 3.5)*. • In these circumstances, the IOB will consider the need for additional funding and request approval from the Board *(P43, para 3.5)*.

The Processes within IARG:

The assessment of the Processes within the IARG should include consideration of the Function's methodology, use of technology, the administration of the function, how performance is measured and communicated throughout eir and how the annual IARG Plan is created and delivered. The following criteria should be assessed:

3Ps assessment criteria	Specific eir RGM related considerations *(including reference to the Settlement Agreement where applicable)*

Planning and risk assessment: IARG implements a good planning and risk assessment process in the creation of the Annual IARG Plan.	An Internal Audit risk based work plan is in place that sets out all RGM related tasks to be performed during the period to include:
	• The approach to audit planning;
	• Details of the Internal Audit tasks including reviews to be performed during the period that relate to the RGM;
	• Details of RGM related process which will not be covered in the period of review and rationale;
	• The number of days required for each RGM related Internal Audit task in order to generate a projected resource requirement;
	• An identification of any resource gap to achieve the work plan based on the projected resource requirement;
	• The risk based Annual Plan and resourcing, is regularly reviewed by the IOB *(P20, para 46);*
	• In relation to RGM related assurance reviews, in all cases the risk of self-review when conducting and completing such reviews is to be avoided. This includes a separation of those conducting RGM assurance reviews from business operations *(Annex 2, Page 52)*.
Audit delivery: IARG implements a good structured methodology and delivers a high-quality service.	• There is a formal IARG methodology including the approach planning, fieldwork, reporting and the followup of previous recommendations *(P21, para 45).*
	• Standard work programmes and test schedules are in place and completed for all audits.
	• Appropriate internal quality assurance activities are in place over the work performed by IARG teams.
	• To assess the application of the IARG methodology, a sample of files should be reviewed as part of the EQA to ensure that the IARG RGM related reviews are performed consistently, effectively, by appropriately skilled resources and in line with the documented methodology.
	• A process is in place to ensure clear separation of those conducting RGM assurance reviews from business operation (*Annex 2, Page 52*). Such a procedure could comprise a documented review as part of the planning stage of each audit to ensure that the individuals performing the review have no responsibilities for the business operations being reviewed.
	• To assess whether there is appropriate separation, a sample of IARG RGM related reviews should be selected during the EQA to ensure that these was a clear separation of those conducting RGM assurance reviews from business operations.
3Ps assessment criteria	**Specific eir RGM related considerations** *(including reference to the Settlement Agreement where applicable)*

Reporting: IARG produce clear, concise reports that meet stakeholder expectations.	The IARG function has a methodology for report production which includes the requirement for: • All data used in the production of the report to be clearly identified and retained for possible review, with report owner(s) and report approver(s) being clearly identified; • All reports to the IOB should also include the basis of preparation, standards used, review and approval process (including, where relevant, details of the review and quality control processes); and, • IARG reports for RGM related activities will be provided directly to the IOB and copied to eir senior management at the same time. **(P15, para 7)**. To ensure that the reporting requirements of the IOB are consistently followed, a sample of IARG RGM related reports should be selected by the reviewer to ensure that the requirements above have been met and that each report includes: • An executive summary; • Detailed findings; • Root cause analysis; • Exception and escalation cases with descriptive detail and associated remediation; and, • A comparison to the results or findings from the same review performed in the prior period/year (***Annex 2, Page 52***).
Follow-up: IARG implement a thorough follow up process to ensure management actions are effectively implemented.	The IARG function will follow-up recommendations raised during the audit reviews to ensure that appropriate and timely action has been taken. (**P22, para 48**).
Function management and development: The IARG Function has a formal quality and continuous improvement programme to measure its performance.	The Head of IARG reviews the working papers and reports prior to issuance to the IOB. Other appropriate quality processes and KPIs are in place to measure IARG's performance. Assessment against agreed KPI's should be regularly reported to IOB.

The People within IARG:

The assessment of the People aspects of the IARG should include consideration of the IARG's staffing strategy, career progression paths, culture, reward systems and a determination of the competency requirements of the Function. The following criteria should be assessed:

3Ps assessment criteria	Specific eir RGM related considerations *(including reference to the Settlement Agreement where applicable)*
Staffing strategy: IARG's staffing strategy reflects its mission, role and required core competencies. It is sufficiently flexible to respond to change in demand.	A formal Staffing Strategy document is in place for the IARG function. The IARG Resource Plan must demonstrate that appropriate resources (number, skills level and competencies) to achieve its mandate in a comprehensive, effective and timely manner (**P21, para 46)**. The Resource Plan is reviewed by the IOB on an annual basis **(P43, para 3.6)**.

3Ps assessment criteria	Specific eir RGM related considerations *(including reference to the Settlement Agreement where applicable)*
Career development: IARG has an established career progression programme that incorporates training and competency development.	A clear progression programme is in place with for the IARG function which incorporates training and competency development. The training and competency development is aligned with the RGM related mandate of the IARG.
Competencies: IARG core competencies (both technical and behavioural) are directly related to its mission, role and scope of work.	A competency framework is in place to ensure that the staff selected to perform the IARG RGM related reviews have the appropriate competencies. Where the relevant competencies are not available this is addressed through training, access to external resource etc. Evidence from discussions with IARG and Stakeholders and the results of the file review should also be used to support whether the IARG team have the appropriate competencies. For example, such evidence can inform the reviewers conclusion on whether IARG clearly understand the subject matter including the regulations, standards and processes in relation to the audits that they have performed.
Culture: IARG operates in a culture that fosters the well-being of employees and achievement of its mission.	The culture in the IARG function supports the requirements of the RGM.
Reward and Appraisal: Performance-based reward program is consistently applied	The members of the IARG function have an appropriate performance manager. Annual goals are agreed and regular feedback is obtained on the performance against their goals in line with the eir performance management process. Remuneration incentive arrangements for employees working on RGM related reviews are based on its objectives and are not based on the financial performance of eir (***P17, para 24***).

The review of the 3Ps assessment criteria should be based upon the following activities:

- **Interviews with the IARG function**: Interviews should be held with each member of the IARG function to ascertain the processes they follow, their knowledge and experience of internal auditing and their technical knowledge in relation to the telecommunications sector mandate and their understanding of the regulatory environment.

- **Stakeholder interviews**: Interviews should be held with individuals who either interact with the IARG and/or are the recipients of outputs from the IARG. This includes members of the IOB, members of the Wholesale SMT, Heads of the SLOD functions and operational management in business units where IARG reviews have been performed. Questions should be based on the 3Ps criteria. These interviews are confidential and the reviewer should not include any direct quotes or reference to a specific stakeholder in the report, the findings from these interviews should be reported in a common theme format.

- **Desktop review**: Relevant documentation relating to the IARG function should be requested at the start of the review including the IARG mandate, charter, methodology, audit reports, Annual IA Plans (current and previous year) and progress reports to the IOB. Details of the structure of the function and evidence of the team member's experience and CPD should also be requested.

- **Audit workpaper and report review:** To assess the consistency of the application of the IARG methodology, the reviewer should select a sample of completed audits and review the audit file and report to ensure that the audit scope was appropriate, resourced appropriately, scope fulfilled and that there is evidence to support the conclusions of the audit. Compliance with the IOB requirements for reporting in Annex 2 of the Settlement Agreement should also be assessed. More specifically, the review of the completed IARG reports and the supporting working papers would include an assessment as to whether:

  - The review was performed by a suitably experienced member of IARG;

  - The review was appropriately planned to ensure coverage of the relevant risks;

  - The scope of the review was appropriate and has been fully completed;

  - Appropriate sampling methodologies have been used;

  - Evidence is retained to support the findings and conclusion;

  - All relevant findings are included in the draft report and explanation for omissions in either the draft and/or final report are provided;

  - The Head of IARG reviews the scope, working papers and draft and final reports; and,

    - The IOB receives the same report as management.

- **Industry good practice**: The reviewer should benchmark the review findings against good practice Internal Audit operations at peer organisations and also an assessment of the level of conformance with the CIIA's Standards.

The report resulting from the review will include details of:

- Each of the matters examined under the terms of the EQA's scope;
- Summary results of testing which comprises the results of the CIIA Standards assessment and the assessment of the design and effectiveness of the function;
- A view on the outcomes of such testing which comprises a conclusion on the level of **Conformance** with the CIIA Standards and a conclusion on the **Performance** (effectiveness) of the function; and,
- Detailed observations and recommendations in any areas where weaknesses were identified

2.6 Consideration of the capability of eir's TLOD to review a SLOD function

In considering the capability of the IARG to review a SLOD function, the key outputs from the EQA that should be considered by the IOB are:

- The independence of the IARG function from the SLOD activities. This includes a conclusion on the appropriateness of the TLOD reporting line and how effectively the risk

    of self-review is managed in the event that any members of the IARG team are involved in delivering SLOD activities;

- The conclusion on the existence, appropriateness and consistent application of a formal methodology for the review of a SLOD. The effectiveness of the scoping element of the methodology is of high importance to ensure that the IOB can be assured that the audit is appropriately covering all of the SLOD assurance activities that are reported to the IOB to inform their annual opinion;

- The conclusion on the proficiency, knowledge, experience and seniority of the IARG team members performing the review. It is important that the IARG team members are assessed as proficient in that they clearly understand the subject matter including the regulations, standards and processes relating the SLOD activities under review; and,

- The conclusion on the appropriateness of the IARG's quality assurance processes to ensure the completeness and accuracy of the SLOD review findings and the report presented to the IOB.

The amount of IARG resources available to complete the reviews of the SLOD functions is also a significant consideration, especially given that the Settlement Agreement requires that these reviews are performed and reported the IOB annually (**Page 71, A06**). Each SLOD has a significant mandate for the delivery of reports to the IOB, all of which will have to be included in the scope of the IARG review of the SLOD, to enable a conclusion to be made on whether the IOB can rely on the reports and information it receives from the SLOD.

It is good practice for a TLOD function to review the approach taken by SLOD functions to performing assurance and monitoring activities. If, on completion of an appropriately scoped review, the SLOD regulatory assurance processes are considered to be effective:

- The IOB may consider placing greater reliance on the reports that it receives from the relevant SLOD; and,

- The IARG function may rely on the assurance activities of the SLOD and, as such, may not have to perform detailed reviews of these activities as part of the Annual IARG Plan and can focus resources on other areas.

3. An approach to the review of eir's RGM related Second Line of Defence functions by Internal

Audit

3.1 Introduction

In this section of the report, we set out details of a suggested approach that eir's Internal Audit Regulatory Governance ('IARG') function may take to reviewing eir's RGM Second Line of Defence ('SLOD') functions.

In developing the approach, we have considered:

- The requirements of the IOB in relation to SLOD functions at eir, as set out in the Settlement Agreement;
- The eir documents provided to us by ComReg (see **Appendix 1**); and,
- Our experience of performing reviews of SLOD functions.

Through discussions with ComReg, we understand that the RGM SLOD functions comprises of:

- RGM Risk Group;
- Group Risk;
- Wholesale Regulatory Operations; and,
- Regulatory Strategy.

It is important to note, that each of these functions have **very different mandates**, from standard setting and advisory to monitoring and assurance.

As such, the illustrative approach to an IARG review of these functions **needs to be considered in light of the specific mandate of each function** and its role in providing assurance to the IOB to support its annual opinion.

At a high-level, the broad mandate of a SLOD Function (either Risk or Regulatory Compliance Function), generally includes the following (for the purposes of illustration, Risk includes Regulatory Compliance risk):

- Establish Risk Governance structures;
- Set Risk Appetite;
- Define and establish Risk Management Framework;
- Set Risk Policies;
- Provide Risk oversight:
    - Facilitate Risk and Control identification and assessment; - Review and challenge (both qualitative and quantitative); and, - Develop Risk Monitoring and assurance plan.

- Perform Risk monitoring and assurance:
    - Policy compliance reviews;
    - Regulatory Compliance review;
    - Control assurance; and, -   Deep dives.

- Perform strategic risk and compliance horizon scanning;

- Advise and train (including Risk culture);

- Reporting and MI; and,

- Maintain appropriate resource levels and skills within the SLOD function

3.2 An illustrative scope of a review of a RGM SLOD function

The purpose of the review of the SLOD functions is not only to assess the structure, operating model and effectiveness of the functions, but to also consider the extent to which the IOB may rely on the information reported to them by these functions to inform the annual IOB opinion. The assessment framework as detailed in **Section 2.5** of this report, termed the 3Ps approach, can also be applied as a good practice framework for the IARG review of the RGM SLOD functions.

In preparing the scope for each of the RGM SLOD functions, the IARG function should consider the following:

The mandate of the SLOD function

In order to scope the SLOD function review, the IARG will need to have an understanding of the SLOD function's mandate. This would include consideration of:

- The documented mandates for the function;

- The Annual Plans for the function;

- The reporting requirements of the IOB in relation to the function. This should be ascertained by reference to the reports listed in Annex 2 of the Settlement Agreement, and any changes made to this list, to establish the IOB's reporting requirements of the SLOD function;

- Discussions with the Heads of the SLOD functions to establish any further RGM activities that are performed; and,

- The independence and seniority of the reporting line of the SLOD function. For example, the SLOD function's reporting line must be separate to that of the IARG function to ensure that the review of the SLOD function is independent, but also the internal reporting line and operation of the SLOD function needs to be sufficiently independent from the areas it reviews and senior within the organisation.

External standards for informing the IARG reviews of the SLOD functions

As described in **Section 2** of this report, the CIIA Standards provide a basis for a function-wide review of an Internal Audit function. Whilst there is not a functional level standard for the RGM SLOD functions, there are reference Standards that the IARG should consider (only,

not necessary for gap analysis) when identifying assessment criteria for the SLOD reviews. We have set out details of these below.

1.1.37 *The RGM Risk functions*

A relevant standard for the RGM risk functions is *ISO 31000:2018 Risk Management Guidelines.* The Standard covers the following aspects of Enterprise Risk Management: Leadership and communication, Integration, Design, Implementation, Evaluation and Improvement. The two above mentioned RGM risk functions, RGM Risk Group and Group Risk, have very specific RGM related activities mainly in relation to the RACM and, as such, aspects of ISO 31000 may not be relevant to IARG's review, as the Standard covers all aspects of an Enterprise Risk Management framework. However, the Standard provides eight principles for risk management which the IARG should incorporate into their review of the RGM Risk Group and Group Risk functions:

- Framework and processes should be customised and proportionate;
- Appropriate and timely involvement of stakeholders is necessary;
- Structured and comprehensive approach is required;
- Risk management is an integral part of all organisational activities;
- Risk management anticipates, detects, acknowledges and responds to changes;
- Risk management explicitly considers any limitations of available information;
- Human and cultural factors influence all aspects of risk management; and,
- Risk management is continually improved through learning and experience.

One of the RGM Risk Group's core tasks[18] is testing the accuracy and effectiveness of controls that have been certified as accurate and effectively operated by the Business Units to ensure that the controls are designed appropriately and operating effectively. A generally accepted standard on the approach to design, monitoring and testing of internal control is **The Committee of Sponsoring Organizations of the Treadway Commission** ('COSO') framework.

COSO comprises a model for evaluating internal controls and has been adopted as the generally accepted framework for internal control and is widely recognised as the definitive standard against which organisations measure the effectiveness of their systems of internal control. COSO comprises five components: Control Environment, Risk Assessment, Control Activities, Information and Communication, Monitoring. The Monitoring component of COSO will provide standards for IARG to assess the SLOD risk functions approach to ongoing monitoring and evaluation of controls and also the approach to reporting deficiencies.

1.1.38 *The Regulatory functions*

The following Standard could be considered by IARG when preparing the scope of the reviews of the Wholesale Regulatory Operations and Regulatory Strategy functions.

- **ISO 9000 Quality Standards** which comprises a set of standards that helps organisations ensure they meet customers and other stakeholder needs within statutory and regulatory

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[18] As detailed in the eir documents: "eir's Regulatory Governance Model (RGM), Overview Three Lines of Defence Model", v.3, dated 07/09/2018; and the RGM Risk Group mandate "SAI63_e_RRG Mandate 2.0_RGM Risk Group".

requirements related to a product or service. The seven quality principles set out in the Standard should be considered by IARG as part of the assessment criteria:

- Customer focus;
- Leadership;
- Engagement of people;
- Process approach;
- Improvement;
- Evidence-based decision making; and, -   Relationship management.

Methodologies applied by the SLOD functions

For the review of the SLOD to be effective, the SLOD must have a standard methodology for performing assurance activities which are reported to the IOB. If this is not the case, IARG cannot confirm that the performance of, and approach to, the SLOD assurance activities will be consistently applied and may not be able to rely on the SLOD outputs.

At the scoping phase of the SLOD reviews, the IARG should ascertain what methodologies are in place for the SLOD activities to inform the in-scope activities that can be effectively reviewed in forming a conclusion on reliance on the work of the function.

3.3 An illustrative approach to an assessment of SLOD functions

We have set out below an illustrative approach to the IARG review of the SLOD functions using the relevant 3Ps criteria and the broad mandate of a SLOD function set out in **Section 3.1**. The approach will need to be tailored for each of the four SLOD functions based on the scoping procedures described in **Section 3.2**:

The Positioning of a SLOD function:

The assessment of the Positioning of a SLOD function should consider whether the SLOD has established an effective Risk Governance structure, a Risk Appetite and a Risk Management Framework. The policies and procedures developed by the function should also be assessed to ensure that they facilitate effective implementation of Risk Governance structures, Risk Appetite and the Risk Management Framework. The following criteria should be assessed:

3Ps assessment criteria	Specific eir RGM related considerations *(including reference to the Settlement Agreement where applicable)*

Mandate: The SLOD function should have a formal mandate outlining the scope, methodology and activities.	• The SLOD function has a formal mandate outlining the scope, methodology and activities. *(P21, para 45)*. • The mandate is appropriate to the roles and responsibilities of the SLOD function. • The mandate for the SLOD function is aligned with the Settlement Agreement and has been approved by the IOB *(P51, para 1.3q)*. • The Mandate is subject to annual review by the IOB *(P52, para 1.3q)*.
Risk Governance Structures: The SLOD function is appropriately structured, and reports to an appropriate level of seniority, to set the tone and cascade accountability for risk management throughout eir.	• A formal governance structure is place through which eir directs, manages and reports its risk management activities. • The structure includes clearly defined roles and responsibilities, decision rights, the risk governance operating model and reporting lines. • The SLOD function should have a reporting line to an appropriately senior member of Management team, generally the CEO or Chief Legal Officer or equivalent. • The reporting line of the SLOD function should be independent of the reporting line of the IARG and of the areas for which its mandate covers. • The Head of the SLOD function should be of sufficient seniority within eir.

Risk Appetite: A formally documented Risk Appetite has been developed and is embedded in the Risk Management Framework.	• A Risk Appetite has been developed for application within the eir Risk Management Framework which:
	
	  - Encompasses qualitative and quantitative approaches;
	
	  - Is subject to regular review to ensure that it remains in line with eir's strategy and objectives; and,
	
	  - Is approved at least annually by the Board (or equivalent).
	
	• Individuals involved in risk management related activities understand and consistently apply the Risk Appetite.

3Ps assessment criteria	**Specific eir RGM related considerations** *(including reference to the Settlement Agreement where applicable)*
Risk Management Framework: The function should have defined and established a Risk Management Framework.	• A defined and established a Risk Management Framework is in place which provides succinct guidance to all levels of staff on the way eir manage specific risks. • It includes a Risk Appetite Statement (as noted above) supported by risk tolerances, limits and associated breach protocols to control risk levels throughout eir.

Risk Policies: The SLOD function sets Risk Policies and supporting Procedures.	• Risk Policies and supporting Procedures are in place to ensure the FLOD and SLOD are aware of their separate risk management roles and responsibilities. FLOD being responsible for risk management activities, and SLOD for setting Risk Policies and oversight of their implementation by FLOD. • The Risk Policies and Procedures are reviewed on a regular basis to ensure that they reflect current processes and good practice. • The Risk Policies and Procedures are subject to formal annual review and approval by the Board (or equivalent).

The <u>Processes</u> within a SLOD function:

The assessment of the Processes within the SLOD function should include consideration of the Function's methodology in relation to its activities such as risk oversight, risk monitoring and assurance and strategic risk and compliance horizon scanning. The process for reporting on these activities should be assessed and also the approach to the provision of advice and training to eir on the Risk Management Framework and supporting activities.

| 3Ps assessment criteria	Specific eir RGM related considerations *(including reference to the Settlement Agreement where applicable)*
Planning: The SLOD implements appropriate risk-based analysis and planning techniques in the creation of the Annual Work Plan for the function.	• The SLOD function has an Annual Work plan that sets out all RGM related tasks to be performed during the period to achieve the mandate of the function (*P21, Para 45*). This should include a Risk Monitoring and Assurance Plan, which should be based on appropriate risk-based analysis and planning techniques (see **Risk Oversight** below). • The Annual Work Plan is reviewed and approved by the IOB. • Quarterly review of progress against the Annual Work Plan should be provided to the IOB, including, where appropriate, key themes, issues, concerns and, where relevant, corrective action(s) (*P67, R14*). • To ensure that the progress reports are being produced accurately and on a timely basis, a sample of the quarterly update reports, should be reviewed along with review the minutes of the IOB meetings to ensure that any actions required of the SLOD function as a result of the update have been tracked to completion.
3Ps assessment criteria	Specific eir RGM related considerations *(including reference to the Settlement Agreement where applicable)*

Risk Oversight: The SLOD function should have a formal methodology and plan for the performance of Risk Oversight activities.	• The SLOD function should have a formal methodology for the facilitation of risk and control identification and assessment.
	• The methodology should be based upon good practice guidance for risk and control identification. For example: ISO31000:2018 Risk Management Guidelines or COSO.
	• The methodology should Include the approach taken by the Function to review and challenge the risks and controls identified, from both a qualitative and quantitative perspective.
	• As part of the Annual Work Plan, the SLOD function should have a Risk Monitoring and Assurance Plan setting out the scope of their review and testing of RGM related risks.
	• The Risk Monitoring and Assurance Plan should be shared with the other SLOD functions and the TLOD function to ensure that there is no duplication or gaps in obtaining assurance on the effectiveness of risk management activities.
	• The Risk Monitoring and Assurance plan, as it relates to RGM activities should be shared and approved with IOB as part of the Annual Work Plan referred to above.
Risk Monitoring and Assurance: The SLOD function should have a formal methodology and plan for the performance of Risk Monitoring and Assurance.	• The SLOD function should have a formal methodology for the completion of:
	- Policy compliance reviews;
	- Regulatory Compliance reviews;
	- Control assurance reviews; and,
	- Deep dive reviews into specifically selected risks.
	• The frequency and scope of these reviews should be set out in the Risk Monitoring and Assurance Plan referred to above.
Perform strategic risk and compliance horizon scanning	• The SLOD function should have in place activities to facilitate strategic risk and compliance horizon scanning. Such activities should include, for example:
	- Regular contact with the Regulator;
	- Attendance at Industry fora; and,
	- Having in place a Stakeholder Relationship Plan which clearly sets out the frequency and format of meetings with its stakeholders. This should include the IOB, the members of the Wholesale SMT, the IARG function and other SLOD functions. Achievement and outcomes of the communications with the Stakeholders is reported to the IOB.
Advise and train (including Risk culture)	• The SLOD function should provide regular advice to the organisation in relation to all aspects of Risk Management and compliance related activities. For example, through governance fora, the Stakeholder Relationship Plan and strategy meetings.
	• A formal training plan should be in place to all relevant staff are provided with training on the relevant risk management policies and procedures.

Reporting and MI: SLOD functions produce clear, concise reports that meet stakeholder expectations.	• The SLOD function has a methodology for report production which includes the requirement for: - All data used in the production of the report to be clearly identified and retained for possible review,

3Ps assessment criteria	**Specific eir RGM related considerations** *(including reference to the Settlement Agreement where applicable)*
	with report owner(s) and report approver(s) being clearly identified; and, - All reports to the IOB should also include the basis of preparation, standards used, review and approval process (including, where relevant, details of the review and quality control processes). (***Annex 2, Page 52***) • Information and reports provided by the SLOD function to be made available to Internal Audit at the same time as it is made available to eir senior management. (***Para 7, Page 15***) • To ensure that the reporting requirements of the IOB are consistently followed a sample of each type of report produced should be selected by the reviewer to ensure that the requirements above have been met and that each report includes: - An executive summary; - Detailed findings; - Root cause analysis; - Exception and escalation cases with descriptive detail and associated remediation; and, - A comparison to the results or findings from the same review performed in the prior period/year (***Annex 2, Page 52***).

The <u>People</u> within a SLOD function:

The assessment of the People aspects of the SLOD function should include consideration of the appropriateness of resource levels to complete the function's mandate and also the appropriateness of the skills and competencies within the function.

3Ps assessment criteria	**Specific eir RGM related considerations** *(including reference to the Settlement Agreement where applicable)*
Resourcing:	• The approach to resourcing of the SLOD function should: - Be based upon the resources required to complete the Annual Work Plan, rather than basing the Annual Work Plan on the available resources; - Have the appropriate skills level, competencies, seniority and independence to achieve the function's mandate; and, - Where the relevant competencies are not available this is addressed through training, access to external resource etc.

Skills and Competencies: The SLOD function has an established career progression programme that incorporates training and competency development.	• A clear progression programme is in place with for the SLOD function which incorporates training and competency development. • Training and competency development is aligned with the RGM related mandate of the SLOD.

The review of the 3Ps assessment criteria set out above should be based upon the following activities:

- **Interviews with the SLOD function**: Interviews should be held with each member of the SLOD function to ascertain the processes they follow, their experience and their understanding of the tasks for which they are responsible for.

- **Stakeholder interviews**: Interviews should be held with individuals who either interact with the SLOD or are the recipients of outputs from the function. This includes members of the IOB, members of the Wholesale SMT, Heads of the other SLOD functions and operational management in business units where the SLOD has performed reviews. The questions should be based on the 3Ps criteria. These interviews should be confidential and the reviewer should not include any direct quotes or reference to a specific stakeholder in the report, the findings from these interviews should be reported in a common theme format.

- **Desktop review**: Relevant documentation relating to the SLOD function should be requested at the start of the review including the mandate, Annual Work Plan, methodology, reports and progress reports to the IOB. Details of the structure of the function and evidence of the team member's experience and CPD should also be requested.

- **Report and workpaper review:** To assess the consistency of the application of the SLOD function's methodology, the reviewer should select a sample of each of activities undertaken by the function and review the supporting documentation and the report. This will enable the reviewer to assess whether the review was completed by the SLOD in accordance with their methodology and that there is evidence to support the conclusions of the review.

The report resulting from the review of the SLOD function will include details of:

- Each of the matters examined under the terms of the scope of the review;
- Summary results of the assessment of the design and effectiveness of the function;

- A conclusion on the extent to which the reporting of the activities performed by the SLOD function can be relied on by the IOB; and,

- Detailed observations and recommendations in any areas where weaknesses were identified.

4 Frequency of assessments of the Second and Third Line of Defence functions

4.1 Introduction

In this section of the report, we provide details of the appropriate frequency of the EQA of the IARG and the review of the RGM SLOD functions.

4.2 Frequency of assessments

CIIA **Standard 1312** requires that Internal functions are subject to an EQA at least every 5 years. (see **Appendix 2** for the full description of CIIA **Standard 1312.** To ensure that Internal Audit functions are subject to more frequent assessment, the Standards (**1310** and **1311**) require that in the period between the EQAs the Internal Audit function is subject to Internal Assessments and must have a Quality Assurance and Improvement Programme ('QAIP') in place. The results of the Internal Assessments and the QAIP activities must be reported to the Audit Committee (or equivalent).

There is no formal external guidance on the frequency of the reviews of the SLOD functions. We note that the Settlement Agreement requires that IARG must "Report on the reviews of the effectiveness of the Second Line of Defence Functions" on an annual basis (Page 71, A06).

It is good practice for regular independent reviews of both TLOD and SLOD functions to be performed, in particular, where there is a material change in mandate or personnel, or where the previous full review highlighted a number of improvement areas.

For example, the reviews could be performed in advance/at the start of the period covered by the IOB opinion, and may focus on the areas highlighted in previous full reviews as requiring improvement or specifically focus on areas of higher risk. This will enable the IOB to determine the degree of reliance they can place on the reviews being performed by these eir Control Functions for the annual opinion period.

5 Summary Conclusions

The IOB has been tasked with preparing an annual report and opinion on the implementation and effectiveness of eir's Regulatory Governance Model ('RGM'). In the preparation of the annual opinion on eir's RGM, such that the IOB may fulfil its obligations under the Settlement

Agreement ('SA'), eir's Third Line of Defence ('TLOD') and the Second Line of Defence ('SLOD') functions are responsible for providing the IOB with reports, and any other information that the IOB deem necessary, on eir's RGM related activities.

The purpose of the EQA review of eir's TLOD and SLOD functions is not only to assess the structure, operating model and effectiveness of the functions, but to also to support the IOB make a determination on the level of reliance they can place on the information reported to them by these functions.

We have set out on the following a summary of a suggested approach, in line with good practice, to an EQA of the eir IARG. And subject to a satisfactory outcome of the eir IARG EQA, we outline a suggested approach that the IARG could take to review the relevant eir SLOD functions, with a focus on those functions which provide reports and information to the IOB. **We advise that the IOB should review and approve the scope and deliverables of reviews of eir's TLOD and SLOD functions.**

We consider that good practice approach to the EQA of the IARG should comprise of the following aspects:

Conformance	Performance
A **Self-Assessment** of the conformance with all the CIIA Standards with **external independent validation** of the assessment <u>or</u> alternatively **a full external independent assessment.** The **key CIIA Standards** for the IOB comprise: • 1100: Independence and Objectivity • 1200: Proficiency and Due Professional Care • 1300: Quality Assurance and Improvement Programme • 2000: Management of the Audit Activity • 2400: Communicating the Results	An **external independent review,** with particular focus on the RGM aspects of the IARG remit, employing the **"3Ps"** approach of focusing on **Positioning, Process and People** to assess: • The **efficiency and effectiveness** of the Internal Audit activity; and, • The extent to which the **Internal Audit activity meets expectations** of stakeholders. The approach should include: • Stakeholder interviews. • Reviews of IARG (IOB related) working papers and reports to assess the effectiveness of the IARG methodology and consistency of application; and, • Consideration of the competencies of IARG to assess RGM matters.

In addition, any such EQA's **should be performed by an external reviewer who is appropriately independent of eir and has both telco and regulatory expertise.**

The IOB should **prioritise the timing of the IARG EQA review**, to determine the requirements and delivery approach for the eir SLOD function reviews.

To support the IOB make a determination that the eir IARG function is well positioned, is equipped and is capable to perform the independent reviews of the eir SLOD functions, the outcomes of the EQA must conclude, at a minimum, that IARG has:

• Appropriate independence from management and the FLOD and SLOD activities. This includes a conclusion on the appropriateness of the TLOD seniority, positioning and reporting line and how effectively the risk of self-review is managed in the event that any members of the IARG team are involved in delivering SLOD activities;

• A formal and consistently applied methodology for the IARG reviews, including a risk based analysis approach to be applied to the review of the eir SLOD functions and their RGM activities;

• Effective quality assurance processes which are consistently applied to all aspects of IARG RGM related activities;

- A Team with the appropriate level of proficiency, knowledge and experience to perform the IARG
    RGM related activities including the reviews of the eir SLOD functions and their RGM activities; and,

- An appropriate levels of IARG resources available to complete the planned IA RGM related activities including the reviews of the SLOD functions and their RGM activities.

If the outcome of the IARG EQA is satisfactory, then the IOB may place additional reliance on IARG reviews of the SLOD functions. In this instance, the IARG approach to the review of the eir SLOD functions should include considerations of the following:

- Mapping of the IOB reports to each of the individual eir SLOD functions to ascertain each functions mandate in the context of the extent to which the IOB relies on the work of the SLOD, with IOB input and approval of the scope of the individual eir SLOD reviews; and,

- Once the mandate is ascertained, perform a "3Ps" assessment of the SLOD function (see **Section 3.3** of this report). In summary, for a broader assessment of **capability** and **effectiveness** of the functions, the key assessment criteria to be applied to the RGM responsibilities and activities, includes:

    - **Positioning** of the function within the organisation and with its stakeholders;
    - **Process** used by the function including forma methodology and the effectiveness of the risk assessment to inform planning, execution of audits/reviews, reporting and follow up; and,
    - **People** aspects of the function, including resourcing, competencies, seniority, independence and staff development.

    In assessing these criteria, the IARG should include interviews with key stakeholders and reviews of an appropriate sample of reports, and supporting documents, in relation to activities reported to the IOB.

However, where the outcome of the IARG EQA contains unsatisfactory elements this may have consequence for the level of reliance that the IOB may deem appropriate to place on the deliverables of the IARG, including the SLOD reviews.

As determined by the IOB, depending on the extent and consequence of the specific unsatisfactory elements identified and any associated corrective actions required of the IARG, then external support may be required to complete aspects of the IARG deliverables to the IOB. This could include the use of external support to compete part or all of the IARG SLOD reviews.

Finally, the CIIA Standard 1312 requires that Internal Audit functions are subject to an EQA at least every 5 years. There is no formal external guidance on the frequency of the reviews of the SLOD functions. However, the SA requires that IARG must "Report on the reviews of the effectiveness of the Second Line of Defence Functions"[19] on an annual basis.

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[19] December 2018 Settlement Agreement, section (Page 71, A06).

Appendix 1: Eir documents reviewed

The following eir documents were reviewed during the preparation of this report:

- RGM Control Framework-Final-21072020;

- SAI63_b_Regulatory Strategy Annual Plan FY19-20 V2; • SAI63_c_WRO Annual Work Plan FY 19-20 v1.1 March 2020; and

- SAI63_e_RRG Mandate 2.0_RGM Risk Group.

Appendix 2: CIIA Standard 1312- External Assessments

The CIIA issued an Implementation Guide in relation to the updated International Professional Practices Framework Standards in 2017[20] which includes the following description of CIIA Standard 1312-External Assessments:

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The chief audit executive must discuss with the board:

- The form and frequency of external assessment; and,
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

Interpretation:

External assessments may be accomplished through a full external assessment, or a self-assessment with independent external validation. The external assessor must conclude as to conformance with the Code of Ethics and the Standards; the external assessment may also include operational or strategic comments.

A qualified assessor or assessment team demonstrates competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organizations of similar size, complexity, sector or industry, and technical issues is more valuable than less relevant experience. In the case of an assessment team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The chief audit executive uses professional judgment when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified.

An independent assessor or assessment team means not having either an actual or a perceived conflict of interest and not being a part of, or under the control of, the organization to which the internal audit activity belongs. The chief audit executive should encourage board oversight in the external assessment to reduce perceived or potential conflicts of interest.

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[20] CIIA document Implementation Guide – International Professional Practices Framework Standards (2017

Revised Standards, Effective 1 January 2017

Appendix 3: Illustrative assessment against the CIIA Standards

We have set out below our assessment of the level of conformance with each of the CIIA standards. Based upon our assessment, we consider that XYZ Internal Audit '**Partially Conforms**' with the CIIA Standards.

Rating	Reference	IIA Standards
		Code of Ethics
Green	1	Integrity
Green	2	Objectivity
Green	3	Confidentiality
Amber	4	Competence
		Attribute Standards
Amber	1000	**Purpose, Authority, and Responsibility**
Amber	1010	Recognising Mandatory Guidance in the Internal Audit Charter
Green	1100	**Independence and Objectivity**
Amber	1110	Organisational Independence
Green	1111	Direct Interaction with the Board
Amber	1112	Chief Audit Executive Roles Beyond Internal Auditing
Green	1120	Individual Objectivity
Green	1130	Impairments to Independence or Objectivity
Amber	1200	**Proficiency and Due Professional Care**
Amber	1210	Proficiency
Amber	1220	Due Professional Care
Amber	1230	Continuing Professional Development
Red	1300	**Quality Assurance and Improvement Program**
Red	1310	Requirements of the Quality Assurance and Improvement Program
Amber	1311	Internal Assessments
Green	1312	External Assessments
Red	1320	Reporting on the Quality Assurance and Improvement Program
Red	1321	Use of ''Conforms with the *International Standards for the Professional Practice of Internal Auditing*''
Red	1322	Disclosure of Nonconformance
Amber	2000	**Managing the Internal Audit Activity**
Green	2010	Planning
Green	2020	Communication and Approval
Amber	2030	Resource Management
Amber	2040	Policies and Procedures
Amber	2050	Coordination and Reliance

Rating	Reference	IIA Standards
Green	2060	Reporting to Senior Management and the Board
Green	2070	External Service Provider and Organisational Responsibility for Internal Auditing
Green	2100	**Nature of Work**
Green	2110	Governance
Green	2120	Risk Management
Green	2130	Control
Green	2200	**Engagement Planning**
Green	2201	Planning Considerations
Green	2210	Engagement Objectives
Green	2220	Engagement Scope
Green	2230	Engagement Resource Allocation
Green	2240	Engagement Work Program
Green	2300	**Performing the Engagement**
Green	2310	Identifying Information
Green	2320	Analysis and Evaluation
Green	2330	Documenting Information
Amber	2340	Engagement Supervision
Amber	2400	**Communicating Results**
Green	2410	Criteria for communicating
Amber	2420	Quality of Communications
Green	2421	Errors and Omissions
Green	2430	Use of "Conducted in Conformance with the *International Standards for the Professional Practice of Internal Auditing*"
Red	2431	Engagement Disclosure of Nonconformance
Green	2440	Disseminating Results
Amber	2450	Overall Opinions
Amber	2500	**Monitoring Progress**
Amber	2600	**Communicating the Acceptance of Risks**

Key	
Green	Generally Conforms
Amber	Partially Conforms
Red	Does Not Conform