Management and financing of Estonian Public Broadcasting

Do we know what to expect from Estonian Public Broadcasting and how much taxpayers' money is spent on maintaining it? Has the money been used purposefully and in compliance with law?

Summary of audit results

What did we audit?

The National Audit Office audited whether Estonian Public Broadcasting has used the money allocated from the state budget purposefully, lawfully and prudently. We also analysed the management system of Estonian Public Broadcasting, the transparency of its financing and reporting, compliance with international management and financing principles as well as with the strategic goals of the state and the organisation itself.

Why is this important to taxpayers?

A public media organisation has an important role to perform in society. Acting in public interests, Estonian Public Broadcasting develops democracy and social self-awareness via free, diverse and balanced journalism.

Estonian Public Broadcasting is predominantly financed from the state budget. In 2016 the Riigikogu allocated Estonian Public Broadcasting 32.8 million euros, which covers 91% of the public broadcaster's total expenses.

Financing and managing a public media organisation must be organised in a manner that does not affect the organisation's reliability or independence. The transparency of the organisation's activities is the precondition to the achievement of reliability and independence. The activities of the public broadcaster as a whole are transparent if it is possible for the general public to understand the goals of the public broadcaster, the financed tasks, expected results and their achievement, the reasonability of the use of money, and the principles of formation of the organisation's managing and supervisory bodies and their activities.

What did we find and conclude on the basis of the audit?

The National Audit Office is of the opinion that Estonian Public Broadcasting has largely used the money allocated from the state budget purposefully, lawfully and prudently. However, the transparency of financing the public broadcaster and its ties to development documents should be increased. In terms of financing the public broadcaster, no agreement has been made as to which functions and activities will be financed from the annual state budget allocation and which ones on the basis of one-off additional applications. The transparency of financing the public broadcaster is also decreased by government grants not included in the basic financing, which are given by other agencies, and reporting that does not make it possible to compare expected and achieved results.

When money is allocated from the state budget, there is no clarity about the tasks the public broadcaster has to perform or the development needs it has to satisfy with the allocated money. The absence of a clear and agreed financing model makes it difficult to assess whether the financing provided to the public broadcaster is adequate, hold substantive budget discussions or plan the organisation's long-term development. Although the public broadcaster is financed from the state

budget, some of its revenue is received via the services ordered by other agencies financed from the state budget and the government grants allocated by them. For example, in 2015 the public broadcaster received income in the amount of 853,556 euros from other agencies financed from the state budget.

The public broadcaster's development plan and the report on its implementation should become more substantive than before, and they should be the baseline documents according to which the allocation of money from the state budget is decided. The development plan of the public broadcaster is not used as an input when money is allocated from the state budget. The Ministry of Culture has demonstrated no substantive interest in the development plan and the Ministry of Finance does not rely on it when preparing the state budget. The limited interest of the ministries is understandable considering the content of the development plan, as it is too general when it comes to specifying the organisation's goals for making financing decisions, and tying them with the money necessary for the performance of tasks and satisfaction of development needs. The reports of the public broadcaster should also be better connected to its goals, results and the use of money. For example, the reports do not indicate which goals were not achieved and why, and what will happen if they will not be achieved in the near future either.

The public broadcaster should pay more attention to the development of IT systems and guaranteeing their continued functioning. Developing the public broadcaster's information systems has been left in the background in the organisation's strategic documents and they do not set out specific goals, actions or the necessary resources. Management and administration of the area of IT has been irregular. Most information systems did not have correct documents, and such systems have usually been created or modified by the broadcaster's own employees. No operating guidelines, roles or areas of responsibility for information security incidents or emergencies had been written down.

The transparency and balance of the election of the public broadcaster's supervisory board should also be increased. One representative of each fraction of the Riigikogu and four recognised experts in the field are appointed to the supervisory board of the public broadcaster. Although this requirement should guarantee the independence of the supervisory board, it may become difficult if there are more or less than four fractions in the Riigikogu. The law should be changed to guarantee that the supervisory board is in balance. The audit also revealed that the members of the supervisory board have not always been elected in a manner that would allow the general public understand the considerations behind the appointment of one or another candidate. The Cultural Affairs Committee of the Riigikogu usually does not give the reasons why a candidate was considered suitable or unsuitable.

The public broadcaster has largely acted purposefully and lawfully in the possession, use and transfer of assets. The use and transfer of the public broadcaster's assets and the conclusion of transactions with them is regulated at a good level and largely guarantees the purposeful, prudent and lawful use of the public broadcaster's money. The National Audit Office did not identify any significant omissions in the management of assets or conclusion of transactions.