

Witness name: Finbarr Patrick Ronayne
Dated: 14 October 2011
Filed in response to a notice dated 8 August 2011

The Leveson Inquiry into the culture, practices and ethics of the press

**WITNESS STATEMENT OF FINBARR PATRICK RONAYNE
FINANCE DIRECTOR, TELEGRAPH MEDIA GROUP LIMITED
14 OCTOBER 2011**

I, Finbarr Patrick Ronayne of Telegraph Media Group Limited, 111 Buckingham Palace Road, London SW1W ODT, will say as follows:

1. I am Finance Director of Telegraph Media Group (**TMG** or the **Company**), a position which I have held since I joined TMG on 1st October 2008.
2. I make this witness statement in response to the Leveson Inquiry's notice sent to me on 8 August 2011 (the **Notice**), with particular reference to the questions raised in the Notice. In accordance with the terms of the Notice, this statement addresses my experience at TMG since I joined in October 2008.
3. The Notice has requested that I provide to the Inquiry copies of any policies or protocols referred to in the Notice and any details or documents relating to expenses paid to private investigators and/or other external sources of information. In so far as responsive documents exist, those documents have been collated and are being provided to the Inquiry in response to the Company Secretary's notice.

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Question 1: Who you are and a brief summary of your career history in finance and in the media.

4. I qualified as an accountant in 1987, after having completed articles at Hitchmough Kinnear & Co, Chartered Accountants (Cork). I moved to the UK in 1988 where I joined Moores Rowland, Chartered Accountants (London), holding roles in their Audit department and Corporate Finance department.
5. I left private practice and joined Mirror Group plc in June 1991 as an Internal Audit manager. I subsequently held a number of financial and analytical reporting roles before being appointed Finance Director of the National Newspaper Division (Daily Mirror, Sunday Mirror and People) following the merger of Trinity plc and Mirror Group plc (to form Trinity Mirror plc) in 1999. My remit was extended between August 2006 and September 2007 to overseeing the disposal of the Sports Division (Racing Post and Raceform). I remained with Trinity Mirror plc until I left to take up my present position in October 2008.

TMG's Financial Systems: overview

6. I attach to this statement a document entitled Processing and Payment Procedures, which I have prepared to provide a brief overview and summary of TMG's financial systems, including the operation of TMG's "self-billing" system. I believe that the overview will be helpful to place the answers which follow in context, and will assist the Inquiry's understanding of TMG's financial controls.

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Question 2: How you understand the system of financial governance to work in principle and in practice at the newspapers owned by your company with particular emphasis on systems to ensure that the newspaper's funds are not used to pay bribes or to fund the gathering of information by illegal methods?

Question 3: What your role is in ensuring that financial governance and all relevant policies are adhered to in practice. If you do not consider yourself to have been/be responsible for this, please tell us who you consider to hold that responsibility and why.

Question 4: Whether financial governance policies and practice (to the extent that they relate to anti-bribery measures and the prevention of funding illegal information gathering activities) are adhered to in practice, to the best of your knowledge.

Question 5: Whether these practices or policies have changed, either recently as a result of anti-bribery laws, phone hacking media interest, or prior to that point, and if so, what the changes were and the reasons for them?

7. I understand that TMG's Chief Executive, Murdoch MacLennan, has outlined in his statement TMG's corporate governance systems, in particular on the editorial side of the newspaper. These corporate governance systems are the foundation for, amongst other things, the financial governance systems, setting the tone for the entire organisation with reference to factors such as integrity, ethical values, competence, authority and responsibility.
8. The financial governance systems in place at TMG are designed to achieve a range of objectives. For example, TMG's internal systems and controls are designed to ensure that the Company maintains proper accounting records which identify and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company. This includes ensuring that the Company's financial statements comply with the

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requirements of the Companies Act 2006, and ensuring that timely and relevant information is provided to the Board members in relation to the discharge of their duties. TMG's internal systems are further designed to provide reasonable assurance regarding the prevention and detection of fraud and other irregularities, and to otherwise safeguard the Company's assets.

9. I note that the Inquiry is particularly concerned with the systems in place to ensure that the Company's funds are not used to pay bribes or to fund the gathering of information by illegal methods. These systems are part-and-parcel of the systems which TMG has in place to ensure, amongst other things, that its funds are not misspent or otherwise improperly applied. The systems fall into four main strands:
- (i) a comprehensive and robust budgeting process together with a rigorous monitoring of variances against budget and the previous year's expenditure at regular intervals;
 - (ii) establishing appropriate Authority Levels, and the delegation of authority to trusted employees within the business;
 - (iii) the establishment and communication to staff of appropriate policies, those of particular relevance to the Inquiry's questions being TMG's Procurement Policy and Expenses & Business Travel Policy; and
 - (iv) central control over key functions.

Robust budgeting process:

10. Each editorial department (e.g. News, Features, Foreign, Sport) is required, in advance of the start of the financial year, to prepare a detailed annual budget. Working to overall editorial expenditure guidelines set by me as Finance Director, Editors and heads of department discuss and agree their individual budgets with the Executive Director, Editorial (Richard Ellis) and the

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Managing Editor (Ian Marsden). The approved budget is then phased on a monthly basis for the financial year. The departmental budget is broken down into individual expense categories ranging from Salaries, Contributions, Retainers, Information Services, Entertaining, Professional Fees and other Miscellaneous office running costs. In the context of financial governance issues, an editorial department's budget in respect of 'Contributions', 'Retainers', 'Information Services' and 'Entertaining – Customers', would be scrutinised with particular care, often being itemised by individual recipient (or expenditure by employee in the case of entertaining) against budget and the previous year.

11. Having set a budget for each month, the monthly reporting process reviews and identifies any variances, or anticipated variances, against the budgeted and previous year's expenditure.
12. In the event that any department was significantly over budget in respect of any category of expense (generally, in excess of 5% to 10%), this would trigger a review meeting between the relevant budget holders and the Editorial Executive Director / Managing Editor to explain the divergence from budget and, if necessary, prompt further investigation and to agree remedial action to reign back the overspend. As Finance Director, I will generally become involved if the overall Editorial expenditure exceeds budget.
13. The budgeting process, combined with the monthly review, is designed to ensure that no individual journalist or department can depart significantly from anticipated and typical expenditure in respect of any particular category of expense without investigation.

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Authority Levels:

14. The number of Authority Level holders was restricted and the financial Authority Levels were lowered in December 2008 as part of a significant cost reduction programme at TMG, conducted in response to the economic downturn. A system of appropriate Authority Levels is at the centre of good financial governance. The Company has delegated authority for the approval of transactions at the appropriate level by trusted employees to ensure that the Company's funds are not spent unnecessarily. This process should ensure that individual members of staff are kept within strict financial constraints, and are unable to make payments of any description without being subject to review and authorisation by least one senior member of staff.

15. The Authority Levels are strictly controlled. For example, in relation to editorial expenditure, only the Editors, senior editorial staff and heads of department are provided with authority to authorise expenditure. Other members of editorial staff, e.g. reporters or production journalists, have no authority to allocate any costs to a department, and would therefore always need to have a payment agreed, usually by at least their head of department, and possibly more senior members of the editorial team. For administrative ease, Editors' PAs have Authority Levels to approve lower value Supplier¹ invoices, but not Contributor² payments or employee expenses.

16. Even at a senior editorial level, Authority Levels are limited. There are only five people in TMG who are able to authorise editorial expenses claims in excess of and payments to Contributors in excess of . These are

¹ See the attached Processing and Payment Procedures document.

² This term is explained in the attached Processing and Payment Procedures document. However, a Contributor includes anyone who provides information, text, pictures or other assistance to TMG's publications.

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The same
five individuals, are the only people
who can authorise payment of an editorial invoice from a Supplier in excess
of

17. These strict Authority Levels operate in conjunction with TMG's financial systems. Any Contributor transaction or Supplier transaction, or any claim made in respect of expenses, is electronically work flowed for authorisation. TMG's financial systems ultimately determine the authorisation path to the individual with the appropriate Authority Level to approve the transaction or claim for payment, but only after the transaction or claim has first been approved by any appropriate holders of a lower Authority Level.

Appropriate Policies:

18. From a financial governance perspective, there are two key policies: the Procurement Policy and the Expenses & Business Travel Policy. I revised both when I joined TMG in October 2008 and they include the following key features:

- a) Procurement: the policy, which sets out TMG's position with respect to the procurement of goods and services, expressly requires that *"Our activities must fully respect all applicable UK and European laws and regulations"*. It further provides that orders should only be placed with approved suppliers, and new suppliers must be notified to the Financial Department *"to carry out checks on the quality, value and authenticity of the supplier"*. Staff are reminded of the requirement to obtain the appropriate level of authority, and are reminded that *"It is never permissible to split a contract in order to circumvent authority limits"*. Finally, the policy emphasises the importance of good intelligence, and requires that *"Any actual or potential unethical approach or inducement..."* and *"Information on illegal or unacceptable practices by a supplier which could be to our discredit if we*

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were known to be a customer" be immediately reported to the Finance Director and Commercial Legal Director.

- b) Expenses & Business Travel: the policy, which sets out TMG's position with respect to the reimbursement of expenditure incurred by employees on behalf of the Company, expressly requires that "*employees only claim for expenditure that they incur wholly, necessarily and exclusively in the performance of their duties on behalf of the Company*". Again, approval for expenses must be in accordance with established Authority Levels. There are a number of safeguards built into the policy. Receipts are required for all items (except parking meter and Oyster Card travel charges), entire itemised restaurant bills are required and handwritten receipts must be accompanied by a credit card receipt. Whilst confidentiality is an acceptable ground to depart from the general policy of identifying any non-Telegraph employee who has been the recipient of client entertaining, the appropriate Authority Level holder can make enquiries as to the identity of the person as appropriate. Importantly, cash advances are discouraged. They are generally only available for foreign travel, mostly in a foreign currency. Any cash advance is posted to the relevant employee's expense account, and the advance is required to be repaid or accounted for in the same manner as any other expenses claim, by the submission of receipts.

19. TMG's policy of limiting cash advances is intended to prevent journalists from using the expenses system to make cash payments to sources or intermediaries for information, tips or similar. In this regard, the review of TMG's expenses records conducted for the purpose of responding to the Inquiry's questions has not disclosed any expenses claim made in respect of a cash payment to a source since the Company revised the Expenses policy in December 2008. Instead, if a journalist wants to make any such payment the transaction must be processed through the Contributor system (see the

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attached Processing and Payment Procedures). In summary, this requires the journalist to enter into TMG's system the name, address, post code, bank account details and, where applicable, VAT number for the recipient. The payment can only be made to the recipient via BACS transfer to the identified account, and appropriate disclosure of the payments is made to HMRC (above £1,000 in a tax year). This system dovetails with the Authority Levels and approval system so that if, for example, a journalist sets up a source as a Contributor, they cannot make any payment to that Contributor without at least the approval and knowledge of their head of department or a senior member of editorial staff. This is an important aspect of TMG's governance systems.

20. TMG's Whistleblowing Policy is also important to the successful operation of the policies referred to above and is expressly incorporated into the Procurement Policy, which notes "*It is our policy to support, protect and, where possible, preserve the anonymity of any employees that report apparently questionable activity*". The Whistleblowing Policy provides a mechanism which supports and encourages employees to raise concerns regarding potential illegal activity or any other wrongdoing to an appropriate level and, if necessary, outside TMG.

Central control over key functions:

21. The Company operates functional reporting lines, with key functions such as treasury, taxation, audit, insurance, litigation, investment decisions and major contractual commitments being reported and dealt with centrally, either to me, the Chief Executive or other Board director.

22. As Finance Director, I am responsible for establishing and maintaining the appropriate policies, procedures and Authority Levels which enable the Company to safeguard its assets and to conduct its business in an orderly, efficient and lawful manner. Significant changes to policy or procedures are

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generally agreed before implementation with appropriate members of the Board. The internal control procedures are subject to annual testing by TMG's external auditors.

23. All employees are expected to comply with the Company's policies and procedures and to operate within their delegated Authority Levels at all times. Material breaches would not be tolerated and would be dealt with under the Company's disciplinary procedures. I have no knowledge, either directly or indirectly, of any employee having materially breached such policies or procedures, or having operated outside their delegated Authority Levels.
24. With regard to whether any of the policies or practices have changed, I have already addressed the changes to the Authority Levels and policies following my arrival at TMG in 2008. Regarding the Inquiry's question whether practices have changed as a result of anti-bribery laws, the entry into force of the Bribery Act 2010 caused TMG to introduce an Anti-Bribery and Corruption Code of Conduct, which has been issued to all staff alongside a programme of training on the practical implications of the Bribery Act.
25. In September 2011 TMG distributed to all editorial staff an Editorial Code of Conduct. However, as the covering letter sent by Murdoch MacLennan made clear, TMG's Editorial Code of Conduct was not intended to introduce any new policies or procedures. Rather, it was intended to draw some of the important principles together into one summary note, and to provide a timely and relevant reminder to staff, in light of the events relating to the News of the World, regarding the standards which they were expected to uphold. For example, in relation to expenses, the Code reminded staff that *"TMG will only reimburse the cost of entertainment, gifts and other benefits where they are consistent with accepted business practice and comply with the Company's expense policy"*.

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26. Finally, although I do not believe it necessarily falls within the Inquiry's terms of reference, for completeness I note that I was involved in setting up an internal investigation into how, in December 2010, material relating to a story about the Secretary of State for Business found its way into the public domain prior to its publication by the Telegraph.

Question 6: The extent to which you, as a Finance Director, felt any financial and/or commercial pressure from the proprietors of your newspapers, the editor or anyone else, and whether any such pressure affected any of the decisions you made in relation to the use of the newspaper's funds to secure information for news stories.

27. TMG, in common with the entire publishing sector, continues to face the major challenge of transitioning our business from a traditional print base to a multi media digital business of scale. TMG is seeking to generate sufficient operating profit to fund this transition, against the backdrop of the present fragile economic environment. As Finance Director, the pressure on me and the rest of the executive team is to ensure the business operates profitably and to diversify our revenue streams.

28. This is reflected in the bonus element of my remuneration package, being predominantly based on financial targets (TMG Operating Profit) and in part on meeting key performance indicators

29. However, although the sector in which we operate, and the role of Finance Director, carries with it a certain degree of professional and personal pressure, I have never felt any financial or commercial pressure from the proprietors, Chairman, Chief Executive, Editors or anyone else. Further, I can confirm that I have never felt under any pressure to make particular decisions in relation to the use of TMG's funds to secure information for news stories.

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Questions 7 to 11: Whether, to the best of your knowledge, the newspapers owned by your company used, paid or had any connection with private investigators in order to source stories or information and/or paid or received payments in kind for such information from the police, public officials, mobile phone companies or others with access to the same? What your role was in instructing, paying or having any other contact with such private investigators and/or other external providers of information. If such investigators or other external providers of information were used, what policy/protocol, if any, was used to facilitate the use of such investigators or other external providers of information? If there was such a policy/protocol, whether it was followed, and if not, what practice was followed in respect of all these matters? Whether there are any situations in which neither the existing protocol/policy nor the practice were followed and what precisely happened/failed to happen in those situations. What factors were in play in deciding to depart from the protocol or practice?

30. The only occasion on which I have been involved with any discussion regarding the purchase of information for a possible story was in relation to the MPs' expenses computer disc in April 2009.
31. On that occasion, I was informed by members of the editorial team on 28th April 2009 that TMG had been offered a copy of the computer disc containing details of MPs' expenses. TMG's Chief Executive (Murdoch MacLennan) was away on holiday at the time, and I was involved because the proposed level of financial commitment (£110,000) was above any of the editorial team's Authority Level and because the possible purchase of the disc was of sufficient importance and had such potentially significant financial ramifications that the Editor thought it should be brought to my attention as Finance Director.

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32. Following receipt of legal advice and satisfactory structuring of the deal, I subsequently approved the final version of the contract between TMG and John Wick's (who would later 'out' himself as the intermediary) company acting as agent for and on behalf of an undisclosed principal. The contract was signed on behalf of the Company by Richard Ellis on 29th April 2009. I authorised the payment of the [] deposit on 30th April 2009 to secure the disc for a 10 day review period. Later, following his return from holiday, Murdoch MacLennan authorised the exercise of the option to purchase the disc and I authorised the stage payments totalling []
33. Although I do not believe it falls within the Inquiry's terms of reference, for completeness I mention that a commercial agreement was entered into with John Wick in August 2009 (and a subsequent, related agreement) for his assistance with writing the book *No Expenses Spared* and with a television documentary on the MP expenses saga, and in relation to his own memoirs.
34. Other than in relation to the MPs' expenses disc, I have not been involved with making direct payments to, or otherwise instructing, private investigators, public officials, police or mobile phone companies³. Similarly, I have never been asked to authorise such direct payments and nor, to the best of my knowledge, have the two senior members of my Finance Team, who have authority levels higher than those of the Editor and who report directly into me.
35. With regard to indirect payments, from time-to-time editorial executives will claim expenses in respect of entertaining police or public officials. However, I am not aware of, or have not been involved with, any indirect payments made to police, public officials, mobile phone companies⁴ or intermediaries.

³ In the context agreed with the Inquiry (i.e. excluding payments made to mobile phone companies in respect of journalists' line rentals and call charges).

⁴ See footnote 3 above.

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36. TMG does not operate any policies or procedures which deal specifically with the direct payment for information made to the particular categories identified by the Inquiry. However, TMG's Procurement Policy and Expenses & Business Travel Policy, the procedures which operate with respect to Authority Levels, and the governance systems in place as described above, are nevertheless relevant to (for example) the entertainment of politicians and (as demonstrated by the purchase of the MPs' expenses disc) apply in circumstances where there is any direct purchase of information.
37. For completeness, I ask the Inquiry to note that I led the review of TMG's financial records for the purpose of preparing TMG's response to the Inquiry's request for documents submitted to the Company Secretary on 8 August 2011. I have reviewed the letter provided by the Company Secretary detailing the exercise undertaken and the results of the exercise, and confirm that the letter addresses all relevant matters which have come to my attention as a result of the financial review.

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Questions 12 to 13: The extent to which you are aware of protocols or policies operating at your newspapers in relation to expenses or remuneration paid to other external sources of information (whether actually commissioned by the newspapers owned by your company or not). There is no need for you to cover 'official' sources, such as the Press Association.

The practice of the newspapers owned by your company in relation to payment of expenses and/or remuneration paid to other external sources of information (whether actually commissioned by the newspapers owned by your company or not). There is no need to cover 'official' sources such as the Press Association.

38. I have already addressed TMG's Procurement Policy and Expenses & Business Travel Policy, the operation of procedures relating to Authority Levels and the financial governance systems in place. I have also attached a document which explains the operation of TMG's "self-billing" system and financial processing and payment procedures. I am not aware of any other protocols or policies operating specifically in relation to expenses or remuneration paid to other external sources of information.

I believe the facts stated in this witness statement are true

...
Finbarr Patrick Ronayne

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