

# **Audit Committee**

## **2018 Annual Report**

### **Office of the Revenue Commissioners**

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## **Section 1: Membership of the Audit Committee**

The Audit Committee of the Office of the Revenue Commissioners consists of four members. Three of these members are external to the Office itself. The composition of the Committee at the end of 2018 was as follows:

**Mr. John Murphy, Chairperson of the Committee**, former Secretary General of the then Department of Jobs, Enterprise and Innovation

**Mr. Richard Murphy**, Principal Auditor, Local Government Audit Service, Department of Housing Planning and Local Government

**Prof. Barbara Flood**, Professor of Accounting and Deputy Dean of DCU Business School

**Mr. Gerard Moran**, Assistant Secretary, Indirect Taxes Policy and Legislation Division, Revenue

**Secretary to the Committee Ms. Siobhán Gilbourne**, Executive Officer, Internal Audit Unit, Revenue.

## **Section 2: Chairperson's Statement**

### **Statement by the Chairperson of the Audit Committee to the Chairman and Accounting Officer of the Revenue Commissioners**

This is the nineteenth Audit Committee report for Revenue and covers the year ending 31 December 2018. This is the first report since I joined the Audit Committee in July 2018, replacing Mr. Gerry Kearney.

The role of the Audit Committee, as set out in the Audit Committee Charter, is to oversee the internal audit function in Revenue and advise the Board in relation to the operation and development of that function, as well as to assess governance arrangements (including those related to the system of risk management and internal control).

Against the backdrop of the Revenue Audit Universe, the Committee is satisfied that the Internal Audit function in Revenue continues to make a significant contribution to the internal control environment of Revenue. In 2018, the Internal Audit function had a change of Director and a number of staff changes, and I wish to acknowledge the continuity of service during the transition period. The Committee appreciate the commitment and professionalism of the Internal Audit staff and their positive contributions in relation to quality assurance, risk-based methodologies and their engagement in the further development of internal audit capabilities.

The Committee's work in 2018 is detailed at Section 4 of this document. The Committee met with representatives of the Comptroller and Auditor General (C&AG) and discussed the findings in relation to the controls operated by Revenue. The C&AG also issued an unqualified opinion on Revenue's 2017 Appropriation Account and on the Revenue Account.

On behalf of the Committee I would also like to thank senior management in Revenue for their engagement with the work of internal audit teams and their implementation of Internal Audit report recommendations. Such co-operation is essential to an effective internal audit function. We would also like to express our appreciation for the strong support the Audit Committee receives from the Revenue Board.

**John Murphy**

**Chairperson**

**Date 29 March 2019**

### **Section 3: Role of the Audit Committee**

The role of the Audit Committee is to oversee the internal audit function and advise the Board of the Revenue Commissioners in relation to the operation and development of that function. Furthermore, its role is to assess governance arrangements (including those related to the system of risk management and internal control).

The functions of the Audit Committee, as set out in its Charter, are to:

- Advise, and make recommendations, to the Board and Senior Management on any matter pertaining to the internal audit function in Revenue, as the Committee considers necessary or appropriate, including its organisation, resources, training, the use of technology, etc.,
- Consider the systems for managing risks,
- Review the Internal Audit Charter, as appropriate,
- Review the draft Annual Internal Audit Plan, prior to its submission to the Board,
- Monitor the implementation of the Audit Plan on a quarterly basis,
- Assess the outcome of the audit process, having regard to findings, recommendations and management responses,
- Assess the implementation of agreed corrective actions by management, having regard to follow-up audits,
- Request special reports and briefings from the Internal Audit Unit and operational management as considered appropriate,
- Foster the development of good practice in the internal audit function.

The Audit Committee does not exercise any executive or managerial functions.

The Committee is required to report to the Board within three months following the end of each calendar year on its activities during the year and may proffer such advice and recommendations, as it may deem appropriate.

## **Section 4: Work of the Audit Committee**

The Audit Committee held four meetings in 2018, viz., 25 January, 19 July, 12 October, 15 December.

The work of the Audit Committee in 2018 focussed mainly on:

- Deepening our engagement with systems of governance and internal control, particularly as they relate to Information Technology, including oversight of an outsourced review of Corporate IT Governance
- Oversight of the operationalising of the Internal Audit Universe as an integral part of the Internal Audit Planning process,
- Review of the work-plan and outputs of the Internal Audit Unit including audit reports as listed at Appendix A,
- Conformance to the Internal Audit Standards (DPER, 2012, updated January 2018) and oversight of the External review of the IA Function carried out in 2018 under the Standards' Quality Assurance and Improvement Programme (QAIP),
- Arrangements to promote the ethics and values in Revenue,
- Assurance arrangements for services provided by the National Shared Services Office
- Meeting with Management and other groups including: -
  - Revenue Chairman (as well as a separate meeting between the Chairperson of the Audit Committee and the Board),
  - Key Divisional Management which included an on-site visit to the South West Special Compliance District offices in Cork
  - Representatives of Revenue's Risk Management Committee, and
- Engagement with the Office of the Comptroller and Auditor General.

## **Section 5: Internal Audit Unit work in 2018 and other audit activities**

### ***Programme of work***

The 2018 Internal Audit Plan was reviewed by the Audit Committee prior to its approval by the Revenue Board. Progress in implementing the plan was monitored by the Committee by means of quarterly progress reports presented by the Internal Audit Unit.

The Internal Audit Unit submitted 22 audit reports (including 12 follow-up audits) during the year. All were approved and finalised during the year. Details are included at Appendix A. An External Review of the Internal Audit function recommended that a multi-year planning approach should be introduced instead of the previous annual audit plan. On this basis audits carried over into 2019, with the agreement of the Board, were either scheduled for completion in Q1 2019, or for consideration for the multi-year plan Q2 2019-2021.

### ***Internal Audit Universe***

The Internal Audit Universe represents the potential range of all audit activities and comprises all identified auditable units within Revenue. These units generally comprise a range of programmes, activities, functions, structures and initiatives which collectively contribute to the achievement of an organisation's strategic objectives. The Revenue Audit Universe was finalised and used for the first time in drawing up the Internal Audit Plan for 2016. The 2018 programme of audit engagements was again strongly influenced by the Internal Audit Universe as well as Revenue's Corporate Risk Register and Revenue's Risk Management Framework. Preparation of a new multi-year plan for Q2 2019-2021 draws from risk assessments in the Audit Universe. The planned 2018 review the Audit Universe was postponed with the agreement of the Board and the Audit Committee to Q1 2019 to incorporate revised Divisional structures following significant organisational realignment in late 2018.

### ***IT Audit***

Within the framework of focus by the Audit Committee on IT governance and controls, Committee activity during 2018 included oversight of a review by an external service provider on Corporate IT Governance. Two further outsourced Information Technology Audits were assigned to an external service provider. Within the Internal Audit unit, the IT Audit capability was strengthened during 2018 whereby outsourced IT Audits were

shadowed by IA staff, along with training specifically for IT Audit. An IT specialist resource was identified in 2018 to add to the IT Audit capability.

### ***Risk***

The Audit Committee recognises the importance of Risk Management within Revenue. Audit Committee meetings during 2018 included updates from the Director of Internal Audit who attends meetings of the Risk Management Committee with observer status.

### ***Quality Assurance Improvement Programme (QAIP)***

In 2018 an External Review of the Internal Audit function was undertaken as set out in the IA Standards under Quality Assurance Improvement Programme. The opinion of the External Reviewer was of “SUBSTANTIAL ASSURANCE” for the IA activity i.e. “There is a robust system of governance, risk management and control which should ensure that objectives are fully achieved”. Furthermore the external reviewer concluded that Revenue’s IA function “Generally Conforms” to the definition of IA, the International Standards for the Professional Practice of Internal Auditing and the Code of Conduct and is well placed to have a further positive impact on Revenue’s internal controls and practices. For continued enhancement and improvement of the practices, recommendations were made, and the implementation of those recommendations will be reviewed by the Audit Committee during 2019.

### ***Staffing and Training***

At the end of 2018, the Internal Audit Unit comprised a Director of Internal Audit, an Internal Audit Manager, and eight auditors (four teams of two). Auditors and the Internal Audit Manager have received appropriate formal training and certification from the Institute of Public Administration. Those who joined the Unit late in 2018 are scheduled to commence certification training in internal audit in 2019. IPA certification was awarded to one auditor during 2018. Further training was also undertaken during the year. The Director of Internal Audit is an active member of the Heads of Internal Audit Forum (“HIAF”).

### ***Revised Standards***

Revised Internal Audit Standards were published in 2018, providing for the strengthening of audit functions across Government Departments and bodies. This will again require internal and external assessments of Internal Audit under a Quality Assurance and



Improvement Programme. The Revenue Audit Committee will fully support Internal Audit in Revenue in developing the function consistent with these revised Standards.

### ***The Comptroller & Auditor General***

The Comptroller & Auditor General (C&AG) has a full-time staff presence in Revenue engaged in financial/regularity audit across all Divisions. The C&AG issued an unqualified report on both the Revenue Account and the Appropriation Account for 2017. The Committee met with representatives of the C&AG in late 2018 and discussed the findings. Arising from those discussions the Audit Committee welcomed the view expressed by the Office of the C&AG as to the good practice evidenced in Revenue's control systems.

## **Section 6: EU Inspection**

### ***EU Inspection***

Every year, based on risk analysis, the European Commission carries out inspections in Member States on different aspects of the management and collection of Traditional Own Resources (TOR). The aim of these checks is to verify that national procedures comply with EU customs legislation and that monies are properly collected, accounted for and made available to the Commission. These inspections are led by Commission staff, with Internal Audit having an "associate" (or supporting) role.

The 2018 inspection focused on the controls and procedures in place over the importation of solar panels. The purpose of the inspection was to provide assurance that national arrangements comply with EU legislation and that the financial interests of the Union are adequately protected. The inspection was based on detailed questionnaires sent in advance with sample importations selected from Dublin Port and Dublin airport. The team were provided with all relevant information including copies of all import documents, files and accounts.

Based on their review the inspectors are satisfied that the systems and procedures in place in Ireland for the management of importations of solar panels are generally compliant with EU law and that the financial interests of the EU are adequately protected.

## **Section 7: Looking ahead to 2019**

The Committee has identified the following among its priority interests for the coming year:

- Audit Universe: review
- Audit Planning
- Ethics & Standards: engagement and benchmarking
- Shared services: good practice controls.

The Committee will also undertake oversight of the implementation of the Internal Audit Multi-Year Plan for Q2 2019-2021 and issues emerging therefrom.

## Appendix A: Audits Carried out in 2018

Report	Title
1	Third Party Supplier Management in ICT&L
2	Report on Maintenance Contracts for IT Equipment (Follow-up)
3	Report on Third Party Contracts Management (Follow-up)
4	Report on Data Protection in South City/Dun Laoghaire Rathdown District (Follow-up)
5	Report on Tax Arrears Write-Out in 2017
6	Review of Training and Development Procedures in Revenue
7	Report on the Protection of Personal Data in Wexford District and the Processing Procedures for Courier and Hand-delivered/Collected post in all Districts (Follow-up)
8	Review of Procedures relating to Artists' Exemption and the Expenditure on Approved Buildings and Gardens (Follow-up)
9	Collection and Accounting for Traditional Own Resources (EU Audit)
10	A Review of the Data Alignment Project in Preparation for PAYE Modernisation
11	IT Active Directory (Follow-up)
12	Review of IBI Access (Follow-up)
13	Review of Payroll Overpayments (Follow-up)
14	Non-Filer Programme, Income Tax and Corporation Tax Returns
15	Data Protection in Central Repayments Office (CRO), Monaghan (Follow-up)
16	Review of Suspicious Transaction Reports (STRs) (Follow-up)
17	Review of Claims where Inability to Pay has been granted in the Context of Audit Settlement (Follow-up)
18	Travel and Subsistence Claims
19	Revenue Central Procurement Practices
20	Exchange of Data with Third Parties (Follow-up)
21	Administrative Functions in selected Revenue Units
22	Instalment Arrangements Processes in CGD

### Follow Up Audits

Follow-Up Audits Carried Out in 2018	Associated Recommendations	Implemented	In progress	Not Started	Superseded	No response from Management
12	34	27	4	0	3	0