Audit Committee

2013 Annual Report

Office of the Revenue Commissioners
<table>
<thead>
<tr>
<th>Contents</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Section 1: Membership of the Audit Committee</strong></td>
<td>2</td>
</tr>
<tr>
<td><strong>Section 2: Chairperson’s Statement</strong></td>
<td>3</td>
</tr>
<tr>
<td><strong>Section 3: Role of the Audit Committee</strong></td>
<td>5</td>
</tr>
<tr>
<td><strong>Section 4: Work of the Audit Committee</strong></td>
<td>6</td>
</tr>
<tr>
<td><strong>Section 5: Internal Audit Unit work in 2013 and other audit activities</strong></td>
<td>7</td>
</tr>
<tr>
<td><strong>Section 7: Priorities for 2014</strong></td>
<td>10</td>
</tr>
<tr>
<td><strong>Appendix A: Audits Carried out in 2013</strong></td>
<td>11</td>
</tr>
</tbody>
</table>
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 2013 was as follows:

Mr. Gerry Kearney, Chairperson of the Committee, former Secretary General Department of Community, Rural and Gaeltacht Affairs

Ms. Siobhán Lawlor, Principal Officer, Department of Social Protection

Ms. Marie-Claire Maney, Revenue Solicitor, Revenue

Mr. Richard Murphy, Principal Auditor, Local Government Audit Service, Department of Environment, Community and Local Government

Secretary to the Committee Ms. Eithne Hogarty, Executive Officer, Internal Audit Unit.
Section 2: Chairperson’s Statement

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

This is the fifteenth Audit Committee report for Revenue and covers the year to 31 December 2013.

The role of the Committee, as set out in the Audit Committee Charter, is to oversee the Internal Audit function in Revenue and to advise the Board in relation to the operation and development of that function, as part of the systemic review of the control environment and governance procedures within Revenue. Furthermore the Committee assesses governance arrangements including risk management and internal controls, and whether processes are in place to manage risks in accordance with organisational guidelines and business plans.

The Committee’s work in 2013 included:

- Input to the development of Revenue’s Internal Audit Plan and oversight of its implementation;
- Review of audit reports and assessment of implementation of agreed corrective actions;
- Deepening our understanding of the major challenges affecting Revenue;
- Developing our knowledge of governance structures and controls within the organisation;
- Engaging in dialogue with Senior Management as to process controls and improvements.

The Committee places significant importance on reports and assurance on governance matters such as risk management, financial controls and external reports/findings on systemic issues. The strengthening of the alignment between audit activity and risk management constitutes a particular interest.
The Committee is satisfied that the Internal Audit function in Revenue continues to make a significant contribution to sustaining and strengthening the internal control environment of Revenue.

We acknowledge in particular the commitment, professionalism and thoroughness of the Internal Audit Unit in undertaking all areas of their work.

On behalf of the Committee I also want to thank Senior Management for their input into the Internal Audits and their implementation of the Reports’ recommendations. Such Senior Management commitment is essential to an effective Internal Audit function.

The Committee also wishes to thank Siobhán Lawlor, who completed her term with the Committee at the end of 2013, for her professionalism, commitment and input.

Finally, the Committee would like to express its appreciation for the strong support it receives from the Revenue Board.

The members of the Audit Committee have approved this report.

Gerry Kearney

Chairperson

Date March 2014
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.

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 effectiveness of risk management arrangements.
- Review the charter for Internal Audit, 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.
- Request special reports from Internal Audit and operational management as considered appropriate.
- 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.
- Foster the development of good practice in the Internal Audit function.

The Audit Committee does not exercise executive functions or powers.

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 five meetings during 2013, viz., 29 January, 8 March, 19 July, 27 September, and 18 December.

The work of the Audit Committee in 2013 focussed mainly on:
- Deepening engagement on governance controls, particularly risk management;
- Meeting with key Divisional managers;
- Review of the work-plan and outputs of the Internal Audit function;
- Ongoing engagement with the Comptroller and Auditor General;
- Oversight of the Internal Audit function’s implementation of the Revised Internal Audit Standards.

Particular aspects of the Committee’s work included:
- Review and updating of both the Audit Committee Charter and the Internal Audit Charter;
- Review of audit reports, as listed at Appendix A, on a quarterly basis and oversight of progress in implementing the Audit Plan;
- Updates on major Revenue programmes including implementation of the Local Property Tax;
- Meeting with Chair of the Revenue Risk Management Committee;
- On-site visit to the Collector General’s Division, which included briefings on Revenue’s debt-management activities and technologies and insolvency;
- Meeting with Revenue’s Chairman on governance issues and controls.
Section 5: Internal Audit Unit work in 2013 and other audit activities

Programme of work
The 2013 Internal Audit Plan was considered by the Audit Committee and was approved 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 21 audit reports (including three follow-up audits) during the year. Despite the breadth of issues that were examined in an organisation as large as Revenue, all were approved and finalised during the year.

Managing Risk
Significant emerging issues or risks, which may impact on the achievement of Revenue’s Corporate Priorities and Objectives, are identified and addressed by the Risk Management Committee (RMC). A goal of the Internal Audit function is to provide objective assurance to Revenue’s Board that major risks are being managed appropriately as well as assurance on the effectiveness of risk management and internal controls in the organisation. Revenue’s Director of Internal Audit is also the Manager of the Administration of Risk in Revenue and acts as Secretary to the RMC.

Staffing and Training
At the end of 2013, the Internal Audit Unit comprised a Director of Internal Audit, an Internal Audit Manager and eight auditors (four teams of two). All auditors and the Internal Audit Manager have received appropriate formal training and certification from the Institute of Public Administration. Further training (including IT Audit training) and continued professional development events for staff in the Unit continued in 2013.

Revised Standards
The Revised Internal Audit Standards present significant challenges for the strengthening of audit functions across Government Departments and bodies. The Revenue Audit Committee is committed to fully supporting Internal Audit in Revenue in developing the function in line with these 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 and representatives of the C&AG meet annually with the Audit Committee.
Section 6: EU Audits

EU Audit

The European Commission carries out annual audits in each Member State on different aspects of procedures for Traditional Own Resources (TOR). The audits focus on the reliability of systems put in place by management for the collection and accounting of TOR, and to ensure that those accounting practices accord with EU law. These audits are led by European Commission auditors, with Internal Audit having an “associate” (or supporting) role.

In 2013 the audit focussed on end-use, a customs procedure that allows certain goods to be imported into the EU on favourable terms, including the reduction or suspension of duty, on condition that they are put to a prescribed use. The purpose of this procedure is to facilitate trade and the movement of goods within the EU. The auditors were generally satisfied following their audit and concluded that arrangements are generally satisfactory and compliant with the relevant EU legislation.
Section 7: Priorities for 2014

In 2014 and over the coming period the Committee will support and oversee the implementation of the Revised Internal Audit Standards within Internal Audit in Revenue. Implementation of the Revised Internal Audit Standards includes a Quality Assurance and Improvement Programme, and as part of that programme an assessment of the Internal Audit activity will take place in 2014.

During 2014, in addition to its on-going oversight role of the work and development of the Internal Audit function, the Audit Committee will also maintain its focus on areas such as Risk Management, IT Audit, and outsourced services in Revenue.

Finally, drawing on the breadth of experience of its members the Committee will seek to identify and promote emerging good practice in governance and audit generally.
## Appendix A: Audits Carried out in 2013

<table>
<thead>
<tr>
<th>Report</th>
<th>Title</th>
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<tbody>
<tr>
<td>1</td>
<td>Report on ICT Business Continuity Management</td>
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<tr>
<td>2</td>
<td>Report on Administrative Functions and Compliance Activities in Revenue Districts</td>
</tr>
<tr>
<td>3</td>
<td>Report on Selected Third Party Returns to Revenue</td>
</tr>
<tr>
<td>4</td>
<td>Report on IT Governance of Electronic Relevant Contract Tax System (eRCT)</td>
</tr>
<tr>
<td>5</td>
<td>Review of the State Warehouse</td>
</tr>
<tr>
<td>6</td>
<td>Report on Security Procedures Applying to the Approval of Repayments/Offsets</td>
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<tr>
<td>7</td>
<td>Vehicle Registration Tax (VRT) Collection</td>
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<td>8</td>
<td>Report on Services and Transaction Taxes (Fair Deal Nursing Home Scheme)</td>
</tr>
<tr>
<td>9</td>
<td>Report on the Control of Losses and Capital Allowances</td>
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<tr>
<td>10</td>
<td>Local Payment Accounting System – Follow-up Audit</td>
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<tr>
<td>11</td>
<td>Report on Tax Arrears Write-Out 2013</td>
</tr>
<tr>
<td>12</td>
<td>Verification Audit of Tax Arrears Collected by Revenue Sheriff</td>
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<tr>
<td>13</td>
<td>Report on the Protection of Customer Personal Data in Louth and Kerry Districts</td>
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<tr>
<td>14</td>
<td>Review of VAT Retail Export Scheme</td>
</tr>
<tr>
<td>15</td>
<td>Traditional Own Resources</td>
</tr>
<tr>
<td>16</td>
<td>Verification Audit of Solicitor Tax Arrears Collection</td>
</tr>
<tr>
<td>17</td>
<td>Report on Selected External Delivery Service Contract and Relevant Service Level Agreement</td>
</tr>
<tr>
<td>18</td>
<td>Review of Administrative Practices in a Frontier Operational Area – Follow-Up Audit</td>
</tr>
<tr>
<td>19</td>
<td>Report on the Control of Payments to External Legal Services</td>
</tr>
<tr>
<td>20</td>
<td>Report on Information Security Management System</td>
</tr>
<tr>
<td>21</td>
<td>Report on Logical Security And Access Controls in CNet – Follow-Up Audit</td>
</tr>
</tbody>
</table>

### Follow-Up Audit Outcomes

<table>
<thead>
<tr>
<th>Follow-Up Audits Carried Out in 2013</th>
<th>Associated Recommendations</th>
<th>Implemented</th>
<th>In progress</th>
<th>Not Started</th>
<th>Superseded</th>
<th>No response From Management</th>
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<td>19</td>
<td>18</td>
<td>1*</td>
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* the recommendation in progress requires incorporation into a wider IT development in progress