Audit Committee

2014 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 2014 was as follows:

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

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

Ms. Marie-Claire Maney, Revenue Solicitor, Revenue

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

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 sixteenth Audit Committee report for Revenue and covers the year to 31 December 2014.

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 2014 included:

- Input into the development of Revenue’s Internal Audit Plan and oversight of its implementation;
- Review of Internal Audit planning processes, with a particular focus on the alignment between internal audit activity and risk management;
- Review of audit reports and assessment of implementation of agreed corrective actions;
- Briefings on major challenges affecting Revenue;
- Developing our knowledge of governance structures and controls within the organisation;
- Engaging in dialogue with Senior Management as to system/process controls and improvements;
- Briefing by senior officials from the Office of the Comptroller and Auditor General on the control environment in Revenue and issues arising.
The Committee places significant importance on Internal Audit activities, reports and assurance on governance matters such as risk management, financial controls and external reports/findings on systemic issues.

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.

We also thank Revenue’s Senior Management for their input into the Internal Audit process and their implementation of the Audit Reports’ recommendations. Such Senior Management commitment is essential to an effective Internal Audit function.

Prof. Barbara Flood joined as a new member in January 2014. Her expertise and insights deeply enrich the work of the Committee.

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 April 2015
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 2014, viz., 29 January, 21 March, 20 June, 26 September, and 10 December.

The work of the Audit Committee in 2014 focussed mainly on:
- Deepening our understanding of Governance controls, particularly risk management in terms of organisational structures and operational activity;
- Meeting with key Divisional managers;
- Review of the work-plan and outputs of the Internal Audit function;
- Engagement with the Comptroller and Auditor General;
- Oversight of the Internal Audit’s implementation of the Revised Internal Audit Standards.

Particular aspects of the Committee’s work included:
- Review of audit reports, as listed at Appendix A, and oversight of progress in implementing the Audit Plan;
- Mandating and receiving briefing on major Revenue programmes, challenges and collection performance;
- On-site visit to Information and Communications Technology & Logistics Division, which included briefings on Revenue’s strategic goals through the provision of secure, reliable and quality ICT services;
- Meeting with Revenue’s Chairman on governance issues and controls;
- Oversight of Internal Audit’s Quality Assurance and Improvement Programme;
- Meeting with Chair of the Revenue Risk Management (RM) Committee and attendance by an Audit Committee member at the RM committee.
Section 5: Internal Audit Unit work in 2014 and other audit activities

Programme of work
The 2014 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 18 audit reports (including three follow-up audits) during the year. 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 critical 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 assessing the effectiveness of risk management and internal controls in the organisation.

Staffing and Training
At the end of 2014, 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 IDEA Software, Report Writing, IIA Training Course in Risk and in Techniques for Effective Testing) and continued professional development events for staff in the Unit were provided in 2014.

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. This includes internal and external assessments of Internal Audit under a Quality Assurance and Improvement Programme. Revenue is participating in the quality assurance subgroup of interdepartmental Heads of Internal Audit Forum to access good practice and shared understanding and approaches in this regard.
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 Regions/Divisions. Also 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.

The EU inspection for 2014 focused on how information relating to cases of suspected fraud and other irregularities are managed in Ireland. The inspection focused on whether the systems and procedures in place are adequate to protect the interests of the EU. The inspector’s conclusion was that the systems in place in Ireland are generally satisfactory.
Section 7: Priorities for 2015

Over the coming period the Committee will support and oversee the implementation of the Revised Internal Audit Standards within Internal Audit in Revenue and as part of that programme an assessment of the Internal Audit activity will take place in 2015.

The Committee will also focus on possible improvements in the process for developing the annual programme of internal audit activities, as well as increased emphasis on the preplanning phase of audits themselves.

During 2015, the Audit Committee will also maintain its focus on areas such as Risk Management, IT Audit, and outsourced services in Revenue. Arrangements for ensuring the maintenance and enhancement of the Committee’s competencies will also be considered.

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 2014

<table>
<thead>
<tr>
<th>Report</th>
<th>Title</th>
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<tr>
<td>1</td>
<td>Report on Administrative Functions and Compliance Activities in a selected Revenue Unit</td>
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<td>2</td>
<td>Review of e-Registration</td>
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<td>3</td>
<td>Inventory of non-standard tax and duty collection; and review of non-standard excise collection</td>
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<td>4</td>
<td>Report on the Collection and Accounting Procedures applying to Payments of LPT through the PSP’s</td>
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<td>5</td>
<td>Review of Repayments of Taxes and Refunds under the Disabled Drivers and Passengers Scheme</td>
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<td>6</td>
<td>Collection and Accounting for Traditional Own Resources</td>
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<td>7</td>
<td>Report on Tax Arrears Write-out 2013</td>
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<td>8</td>
<td>Review of IT Governance of Electronic Relevant Contracts Tax System – Follow-up</td>
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<td>Review of Expressions of Doubt on IT and CT Returns – Follow-up</td>
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<td>Report on Non-Central Procurement</td>
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<td>11</td>
<td>Review of IBI Access</td>
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<td>12</td>
<td>Review of Procurement Procedures in relation to the Operation and Maintenance of the Revenue Cutters</td>
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<td>13</td>
<td>Report on the Protection of Personal Data in Wexford District and the Processing Procedures for Courier and Hand-delivered post in all Districts</td>
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<td>14</td>
<td>Report on the Exchange of Data with Third Parties</td>
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<td>15</td>
<td>Report on the Collection and Accounting Procedures applying to payment of LPT through Direct Debit and Single Debit Authority</td>
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<td>16</td>
<td>Review of the State Warehouse – Follow-up Audit</td>
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<td>17</td>
<td>Report on Maintenance Contracts for IT Equipment</td>
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<td>18</td>
<td>Report on the Disposal of Assets and Maintenance of the Asset Register</td>
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### Follow-Up Audit Outcomes

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<tr>
<th>Follow-Up Audits Carried Out in 2014</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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