

# Audit Committee

## 2020 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 five members. Four of these members are external to the Office itself. The composition of the Committee at the end of 2020 was as follows:

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

**Prof. Barbara Flood**, Acting Dean, DCU Business School

**Helen Hall**, Chief Executive, Policing Authority

**Dr. Paul Lyons**, Adjunct Assistant Professor, Trinity Business School, Trinity College Dublin

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

**Liza Deegan, Secretary to the Committee**, Internal Auditor, 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 twenty-first Audit Committee report for Revenue and covers the year ending 31 December 2020.

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).

2020 brought enormous challenges worldwide with the response to the COVID-19 pandemic, and with those challenges the reconsideration of how, Revenue can work to maintain not only the Health and Safety of customers and employees, and to continue to work towards the achievement of its objectives. How the Audit Committee conducted its proceedings changed accordingly, and with the benefits of video-conferencing was able to sustain the function through 2020. In addition to overseeing the implementation and ongoing review of the internal audit plan, the Committee undertook a review through an external service provider and engaged with Senior Management during the year to assess governance and risk management arrangements.

The Committee requested input from the Internal Audit function and from Revenue Senior Management on cross-Government Revenue activity in response to COVID-19 and the implications on internal control structures.

The Committee remains satisfied that the Internal Audit function in Revenue continues to make a significant contribution to the internal control environment of Revenue. In 2020, the Internal Audit function had to adapt to new remote working conditions for the team and for auditees, as well as a number of staff changes, and I wish to acknowledge the continuity of service during a very challenging year. The Committee appreciates 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 2020 is detailed at Section 4 of this document. The Committee met with representatives of the Comptroller and Auditor General (C&AG) to discuss the findings in relation to the controls operated by Revenue. The C&AG issued an unqualified opinion on Revenue's 2019 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 Audit Committee and with internal audit; both in audit engagements and in the implementation of recommendations. Such co-operation is essential for 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**

**February 2021**

### **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 risk.
- Review the Internal Audit Charter, as appropriate,
- Review the draft Multi-Year 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 2020, viz., 21 February, 19 June, 18 September and 18 December.

The work of the Audit Committee in 2020 focussed mainly on:

- Oversight of control implications of Revenue's response to COVID-19 (including IT Risks and Data Protection) and the administration of COVID-19 specific activity (e.g. the Temporary Wage Subsidy Scheme)
- Review of Audit Committee effectiveness
- Deepening our engagement with systems of governance and internal control
- Oversight of the review and operationalising of the Internal Audit Universe as an integral part of the Internal Audit Planning process
- Review of the AC Charter
- Review of Multi-Year Internal Audit Plan and outputs of the Internal Audit Unit including audit reports as listed at Appendix A and monitoring the implementation of agreed recommendations having regard to follow-up audits
- Meeting with Management and other groups including: -
  - Revenue Chairman (as well as a separate meeting between the Chairperson of the Audit Committee and the Chairman)
  - Key Divisional Management including the Assistant Secretary of Customs Division in relation to Customs Duty activity and preparation for Brexit
  - Chair of Revenue's Risk Management Committee, and
- Engagement with the Office of the Comptroller and Auditor General.

### ***Audit Committee Effectiveness Review***

The Audit Committee undertook a review of Audit Committee effectiveness, carried out by the IPA. The outcome of the review was presented to the Committee at the December meeting, and the Committee received the final report in January 2021. The Committee welcomed the very positive review of its effectiveness; in particular its focus and approach were noted. To continue to enhance effectiveness, the review made recommendations in relation to clarifying the role of the Committee on risk and as well as the potential benefit from engagement with other Audit Committees from similar organisations. The implementation of these agreed recommendations of the review will be a priority for the Audit Committee during 2021.

## **Section 5: Internal Audit Unit work in 2020 and other audit activities**

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

The implementation of the Q2 2019-2021 Multi-Year Internal Audit Plan was monitored by the Committee by means of quarterly progress reports presented by the Internal Audit Unit.

The Internal Audit Unit submitted 19 audit reports (including 9 follow-up audits) and all were approved during the year. Details are included at Appendix A.

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

The Internal Audit Universe was first introduced in 2016 and 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.

A review of the Audit Universe was carried out in Q1 2019 along with the move to a Multi-Year Planning structure. The 2019 programme of audit engagements was again strongly influenced by the revised Internal Audit Universe as well as coverage of Revenue's Corporate Risk Register and Revenue's Risk Management Framework.

In the context of the response to COVID-19 and the impact on the implementation of the Audit Plan, research was carried out by the Internal Audit Unit on the component elements of the Audit Universe topics, that will allow for scoping and audit engagement planning and a clearer reflection of what elements of audit topics lie within, and outside, audit scope.

### ***IT Audit***

Two Information Technology Audits were assigned to an external service provider, one presented to the Committee in September, and one ongoing at year-end. Within the Internal Audit Unit, the IT Audit capability was strengthened during 2020 whereby selected IT Audits were co-sourced by IA staff and the external service provider.

### ***Risk***

The Audit Committee recognises the importance of Risk Management within Revenue. Audit Committee meetings during 2020 included a presentation from the Chair of the Risk Management Committee as well as updates from the Director of Internal Audit who attends meetings of the Risk Management Committee with observer status. The Revenue member of the Audit Committee now sits on the Risk Management Committee.



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

In 2019 an Internal Review of the Internal Audit function was undertaken as required by the IA Standards under Quality Assurance Improvement Programme. The opinion of the Internal Review was that the IA function “Generally Conforms” to the definition of IA, the International Standards for the Professional Practice of Internal Auditing and the Code of Conduct. The implementation of recommendation made as a result of this review has benefitted the development of the internal audit function and has facilitated the continued enhancement and improvement of practices.

The ongoing review of the Audit Universe and its component elements in response to Corporate Risk Register updates and audit outcomes, and the quarterly review of the Multi-Year Audit Plan with the Audit Committee is an important element of ongoing Quality Assurance Improvement Programme. Furthermore, Internal Audit Unit surveys, following each completed audit, auditee Senior Management for feedback on audit execution and value-add to the audited functions.

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

At the end of 2020, the Internal Audit Unit comprised a Director of Internal Audit, an Internal Audit Manager, and eight auditors (four teams of two). There were two promotions out of the Unit in 2020 (one to AP, and one to HEO) with associated replacements in March, and one EO retirement and who was replaced in September. With COVID-19 restrictions, IIA Training for new Internal Auditors only became available online in December 2020 and was commenced by the new HEO to the Unit. Training online, with the IPA, for the two new EO’s in the Unit is awaited. Otherwise, all members of the Unit have received appropriate formal training and certification. A Diploma in Risk Management, Internal Audit and Compliance from the Chartered Accountants of Ireland was awarded to a HEO in the Unit. IA staff also engaged in further training on Chartered Institute of Internal Auditors (CIIA) short courses on Finance risks and controls and Corporate Governance and Risk Management. Self-directed learning was availed of during the year by the IT Audit Team on IT Auditing, and by Audit Management on Agile Planning. The Director of Internal Audit attended a CIIA Heads of Internal Audit (induction master class) and is a member of the Heads of Internal Audit Forum (“HIAF”).

### ***Standards***

Internal Audit Standards were published by the Department of Public Expenditure and Reform in 2018, providing for the strengthening of audit functions across Government Departments and bodies. In addition to the 2019 Internal Review under the Standards’ QAIP and the implementation of its recommendations, the Audit Committee fully supports Internal Audit in developing the function consistent with these revised Standards.

### ***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” role. However, in 2020, due to COVID-19 restrictions, the inspection was not carried out and has been postponed to Q2 2021. The 2019 inspection reviewed the control strategy in place for Customs valuation, focusing on imported textiles and footwear imported in the years 2015-2017. The inspection report raised issues regarding the control strategy for customs values and repayment claims. The response by Revenue to this report was the subject of particular attention to the Committee in 2020. The Assistant Secretary of Customs Division attended the Committee to brief them on the differences between Revenue, with the EU auditors on the customs procedures that should apply to implement valuation rules. The Committee remains interested in the resolution of the matter and will be briefed further on the issue during 2021.

### ***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 2019. The Committee met with representatives of the C&AG 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: Looking ahead to 2021**

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

- Implementation of agreed recommendations from the Review of Audit Committee effectiveness
  - o Role of Committee in relation to Risk Management – Audit Committee Charter and the separate role of the Risk Management Committee
  - o Engagement with Audit Committees for other, similar, organisations
- Impact of COVID 19
- Brexit
- Audit Planning for the development of the Internal Audit Multi-Year Plan for 2022-2024

The Committee will also undertake oversight of the implementation of the Internal Audit Multi-Year Plan for 2020-2021 and issues emerging therefrom.

## Appendix A: Audits Carried out in 2020

Report	Title
1	Training and Development Procedures in Revenue (Follow up)
2	A Review of Revenue's GDPR Governance Procedures
3	Audit of ICT Service Desk
4	Evaluation Procedures for Software Licencing management (Follow up)
5	C&E Online Payment Processing (RevPay services)
6	Tax Arrears Write-out in 2020
7	Review of the Automatic Carry Forward (ACF) Process and Pre-Population of Returns (Follow up)
8	Examination of the Prosecution Process in the National Prosecution and Seizures Office (NPSO) (Follow up)
9	Review of STRs (Follow up)
10	Audit of Quality Assurance Procedures for Tax and Duty Manuals
11	Review of the Electronic VAT Refunds (EVR) System (Follow up)
12	Health and Safety
13	Wide Area Network (WAN) - Mazars
14	Single Administrative Documents (SAD's) (Follow-up to Report No 8/2017)
15	Third Party Returns Procedures (Follow up)
16	VAT Unregistered Repayments (Follow up)
17	Residential Development Stamp Duty Refund Scheme
18	A Review of the Temporary Wage Subsidy Scheme in Revenue
19	Review of Compliance Interventions using e-Audit Techniques

### Follow Up Audits

Follow-Up Audits Carried Out in 2020	Associated Recommendations	Implemented	In progress	Not Started	Superseded	No response from Management
9	25	23	1	0	1	0