

# **Audit Committee**

## **2016 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 2016 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

**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. AnnMarie McKnight**, Executive Officer, Internal Audit Unit, Revenue.

## **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 eighteenth Audit Committee report for Revenue and covers the year to 31 December 2016.

As part of the ongoing systematic review of the control environment in Revenue, the role of the 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). The implementation of the Internal Audit Universe during 2016 as a key driver for the internal audit function was a significant milestone.

The Committee's work in 2016 is detailed at Section 4 of this document.

The Committee is satisfied that the internal audit function in Revenue continues to make a significant contribution to the internal control environment of Revenue, and recognises the commitment, professionalism and thoroughness of the function and the positive developments in relation to quality assurance, risk-based methodologies and the further development of IT Audit capabilities.

On behalf of the Committee I would like to thank Senior Management for their input into the internal audit engagement and their implementation of the reports' recommendations. Such Senior Management co-operation is essential to an effective internal audit function. 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 2017**

### **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 six meetings during 2016, viz., 29 January, 7 April, 13 July, 23 September, 4 November and 9 December 2016.

The work of the Audit Committee in 2016 focussed mainly on:

- Review of the work-plan and outputs of the Internal Audit Unit including consideration of audit reports as listed at Appendix A,
- Conformance to the Internal Audit Standards (DPER, 2012) and oversight of Internal Audit's Quality Assurance and Improvement Programme (QAIP) which included
  - the approval, and putting into operation, of the Internal Audit Universe by the Internal Audit Unit and
  - the implementation of recommendations from the Internal Quality Assessment in 2015,
- Deepening our understanding of systems of governance and internal control, particularly risk management in terms of organisational structures and operational activity,
- Meeting with Management and peer groups including
  - Revenue Chairman and Board,
  - Key Divisional Management which included an on-site visit to Border Midland West Region,
  - Chair of Revenue's Risk Management Committee, and
  - Briefing from Senior Management dealing with some key organisational risks,
- Engagement with the Comptroller and Auditor General as external auditors,

## **Section 5: Internal Audit Unit work in 2016 and other audit activities**

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

The 2016 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 30 audit reports (including 16 follow-up audits) during the year. All were approved and finalised during the year. Details are included at Appendix A.

### ***Outsourced Internal Audit***

During the year, an internal audit on information technology was carried out with the assistance of an external service provider. This audit was shadowed by members of the Internal Audit Unit. It is intended that such audits, subject to funding, will be a feature of future internal audit programmes.

### ***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 Revenue's Internal Audit 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.

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

An Internal Audit Universe represents the potential range of all audit activities and comprises all identified auditable units. These units generally include a range of programmes, activities, functions, structures and initiatives which collectively contribute to the achievement of an organisation's strategic objectives.

In 2016, the Internal Audit Unit introduced an Internal Audit Universe, which is a milestone in the Unit's development of risk-based audit planning. The Universe was the main driver in the 2017 Audit Planning process, and the Committee welcomes its introduction and

looks forward to its ongoing review into the future as a source document for audit planning research. The Information Technology aspect of the Universe was completed with the assistance of external consultants.

### ***Quality Assurance Improvement Programme***

2016 saw Internal Audit's implementation of recommendations from the 2015 Internal Quality Assessment (carried out subject to requirements of the Internal Audit Standards (DPER, 2012). The Standards' QAIP also sets out the requirement for an External Review, which the Committee looks forward to reviewing in 2017.

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

At the end of 2016, 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.

IPA certified training for three new auditors was provided in 2016, while further training (including auditing Data Protection, Cybersecurity, and a Civil Service Graduate Development Programme) along with continued professional development events for staff in the Unit also took place during the year.

The Director of Internal Audit is a member of, and actively participates in, the Heads of Internal Audit Forum ("HIAF").

### ***Revised Standards***

The Revised Internal Audit Standards present significant challenges for the strengthening of audit functions across Government Departments and bodies over the coming period. The Revenue Audit Committee continues to fully support 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.

### ***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. The Committee met with representatives of the C & AG and discussed the findings in relation to the audits of the

Revenue Account and Appropriation Accounts. The C & AG issued an unqualified report in on both accounts for 2015.

## **Section 6: EU Audits**

### ***EU Audit***

The European Commission carries out annual audits in Member States 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 the Internal Audit Unit having an “associate” (or supporting) role.

The EU Inspection for 2016 focussed on (a) the management of Tariff Suspensions and Quotas and (b) accounting for customs duties. The inspection focussed on the adequacy of the systems and procedures in place. The inspection concluded that no major issues were identified during the course of the review. Some minor administrative and technical issues were identified and have been dealt with by Revenue management.

## **Section 7: Looking ahead to 2017**

Over the coming year the Committee will monitor the implementation of the Internal Audit Plan for 2017 and assess outcomes.

It will also promote embedding the Internal Audit Universe as a critical driver for internal audit within Revenue.

Other areas of interest to the Committee over the coming period are:

- IT governance structures
- Ethics/values within Revenue
- Interface of Revenue and Shared services.

## Appendix A: Audits Carried out in 2016

Report	Title
1	Follow-up Report: Data Protection in South City
2	Review of Procedures for Collecting and Accounting of Settlements Made on Foot of Offshore Assets Group Investigations
3	Review of Suspicious Transaction Reports (STRs)
4	Follow-up Report: Review of Procurement Procedures in Relation to the Operation and Maintenance of the Revenue Cutters
5	Review of Procedures relating to Artists' Exemption and Expenditure on Approved Buildings and Gardens.
6	Follow-up Report: Protection of Personal Data in Wexford District and the Processing Procedures for Courier and Hand-delivered/Collected post in all Districts
7	Follow-up Report: Report on Disposal of Assets Procedures and Maintenance of the Asset Register
8	Follow-up Report: Report on Maintenance Contracts for IT Equipment
9	Follow-up Report: Verification Audit of External Solicitor Tax Arrears Collection
10	Follow-up Report: Verification Audit of Tax Arrears Collected by Revenue Sheriffs
11	Follow-up Report: Administrative & Accounting Procedures for Payover
12	Follow-up Report: Protection of Personal Data in the Exchange of Data between Joint Investigation Units and third Party Agencies
13	Follow-up Report: Review of Electronic VAT Refunds (EVR) System
14	Follow-up Report: Review of IBI Access
15	Inability to Pay
16	Traditional Own Resources - EU Audit
17	Follow-up Report: Review of VAT Maximum Repayment Amount (MRA) and Annual Net Repayment (ANRA) Thresholds
18	Report on Tax Arrears Write-out
19	Revenue Official Vehicles
20	Pre-Retirement Access to Additional Voluntary Contributions
21	Active Directory (IT Audit)
22	Follow-up Report: Standards in Public Office
23	Follow-up Report: Review of the Management of Seized Goods in Selected Locations
24	Follow-up Report: Tax Clearance Manual Review
25	Administrative Functions in a selected Revenue Unit
26	Payments to Covert Human Intelligence Sources
27	Review of Payroll Overpayment
28	Follow-up Report: Collection and Accounting Procedures applying to Payments of Local property tax by Deductions at Source
29	Review of Revenue's Anti-Corruption & Anti- Bribery Procedures & Controls
30	Review of PAYE PIC System

### Follow Up Audits

Follow-Up Audits Carried Out in 2016	Associated Recommendations	Implemented	In progress	Not Started	Superseded	No response from Management
16	89	72	15	1	1	0

