

# **Audit Committee**

## **2024 Annual Report**

**Office of the Revenue Commissioners**

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## **Membership of 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 2024 was as follows:

- ❖ **Helen Hall, Chairperson of the Committee**, Chief Executive, Policing Authority.
- ❖ **Dr. Paul Lyons, Vice-Chairperson of the Committee**, Adjunct Assistant Professor, Trinity Business School, Trinity College Dublin.
- ❖ **Dr. Karen-Ann Dwyer**, Assistant Professor in Accounting, Dublin City University.
- ❖ **Pádraig Dalton**, former Director General of the Central Statistics Office.
- ❖ **Maura Kiely**, Revenue Solicitor (Assistant Secretary), Revenue Solicitor's Division, Revenue.
  
- ❖ **Sinéad Coburn, Secretary to the Committee**, Internal Auditor, Revenue.

In March 2024, John Murphy, former Secretary General of the then Department of Jobs, Enterprise, and Innovation completed his term as Chairperson of the Committee. Having served as Committee Vice-Chairperson for a number of years, the Revenue Board appointed Helen Hall to the role of Chairperson of the Committee, and appointed existing Committee member, Dr. Paul Lyons, to the position of Vice-Chairperson. In September 2024, the Revenue Board appointed Pádraig Dalton to the Audit Committee. Additionally, Dr. Karen-Ann Dwyer's three-year term serving on the Committee ended on 31 December 2024. As a result, the Revenue Board appointed Eileen Townsend, Head of Standards, Policy and Organisational Development at the Irish Auditing & Accounting Supervisory Authority (IAASA) to the Committee, with effect from 1 January 2025.

## **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-fifth Audit Committee report for Revenue and covers the year ending 31 December 2024.

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. The Committee's role is also to assess governance arrangements and to provide advice and guidance in relation to the systems of risk management and internal control.

The Audit Committee met five times in the year. In addition to overseeing the implementation of the 2022-2024 Internal Audit Strategy and Audit Plan, the Committee considered 24 audit reports, of which 10 were follow up audits. Broadly speaking, and based on evidence gathered, the audit reports provided adequate assurance as regards governance arrangements and the systems of risk management and internal control in place for the relevant audit topics.

One audit, related to cash handling<sup>1</sup>, identified a serious weakness in controls which arose due to temporary procedural changes brought in due to the Covid-19 pandemic against the backdrop of public health restrictions and to minimise risk to staff. While a resumption of the previous procedures should have been actioned sooner, the Committee notes that immediate management actions, as a result of the audit, have adequately addressed the identified control weaknesses. On another follow up audit, during the year, the Committee also noted that remedial actions in response to internal audit recommendations, related to the management of mobile phones, had not been adequately progressed by Revenue management. The timely actioning of internal audit recommendations will continue to be a particular area of focus for the Committee in 2025.

The Committee also engaged with Senior Management during the year to assess governance and risk management arrangements. As in previous years, the Committee maintained a routine of briefings from Assistant Secretaries and other senior managers to learn about their ongoing work

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<sup>1</sup> The amount of cash received by Revenue each year is relatively small with less than 0.001% (~€24,000) of all payments processed by Revenue in 2022 received in cash.

in order to inform the Committee's understanding of the business's challenges and opportunities. During 2024 topics covered in such briefings included: risk management; Revenue's Information Communications and Technology Strategy, Cybersecurity, Artificial Intelligence, PAYE Customer Service Strategy, and the approach to measuring progress against the corporate priorities set by Revenue for 2024.

With effect from August 2024, Internal Audit now includes a specific corporate risk management element as part of each of its audit engagements. This initiative, agreed following discussions between the Audit Committee and the Chair of the Risk Management Committee, seeks to verify that the stated mitigating actions in place to address risks recorded on the Corporate Risk Register (CRR) are in place and can be evidenced. This work will provide further assurance on the effectiveness of risk management across Revenue.

The Committee remains satisfied that the Internal Audit function continues to make a significant contribution to Revenue's internal control environment. The Committee notes that the Internal Audit function continued to meet its objectives against the backdrop of a number of staff changes over the course of the year. The Committee acknowledges that these changes were well managed with new team members provided with coaching, mentoring and formal training which prioritised their integration into their role as internal auditors. The Committee appreciates the commitment and professionalism of the Internal Audit staff and recognises their positive contributions in relation to quality assurance, risk-based methodologies, and their engagement in the further development of internal audit capabilities. This view was similarly reflected in the overall positive result provided by the independent External Quality Assessment of the Internal Audit function, carried out in 2024, the results of which evidenced general conformance with the International Professional Practices Framework (IPPF).

On 20 February 2024, the Director of Internal Audit (DIA) and I attended the NSSO annual assurance event and noted the continuing progressive work being undertaken by the NSSO to strengthen its existing internal controls as well as governance and risk management arrangements. In the context of the NSSO's role in providing key shared services to Revenue, it is important that the annual assurance statement provided by the NSSO to the Accounting Officer is underpinned by evidence of strengthening controls and improvements.

Given the nature of Revenue's role, the Comptroller and Audit General (C&AG) has a permanent external audit presence in Revenue. During 2024, the C&AG issued an unqualified opinion

following their audit of both the 2023 Revenue Receipt Account and Revenue's 2023 Vote (expenditure) Account. The Committee met with representatives of the C&AG to discuss their audit engagements and audit opinion as well as their audit findings in relation to the controls operated by Revenue. The Committee noted the recommendations made and Revenue's response in relation to matters that need further attention. The Committee was also provided with an update on the implementation of prior year C&AG Management Letter recommendations and are satisfied that with the remedial actions taken by Revenue.

On 26 March 2024, just before his term ended, my predecessor, John Murphy, met with Revenue's Board and the Assistant Secretary in charge of the Corporate Services Division and discussed a range of matters including staffing challenges, support for building capability and capacity through EO-led audits and the benefits on the ongoing engagement between the DIA, the Divisions, and the C&AG. In addition, I met with the Revenue Chairman prior to taking up my role as Committee Chairperson while, separately, the Committee is scheduled to meet with the Revenue Chairman at its meeting in January 2025.

On behalf of the Committee, I would like to thank Senior Management in Revenue for their positive 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.

Finally, the membership of the Audit Committee had a number of changes in 2024. Firstly, on behalf of the Committee, I wish to thank John Murphy for his excellent leadership during his six-year term as Chairperson of the Audit Committee. I would also like to thank Dr. Karen-Ann Dwyer, whose term ended on 31 December 2024, for her much-valued contribution to the Audit Committee over the past three years. The knowledge and dedication of both John and Karen-Ann is much appreciated. I would also like to welcome Pádraig Dalton, former Director General of the CSO, and Eileen Townsend Head of Standards, Policy and Organisational Development at IAASA who joined the Audit Committee in September 2024 and January 2025 respectively. Both Pádraig and Eileen bring a wealth of experience and insights across a wide range of areas of focus for the Committee, and I very much look forward to working with them and the wider Committee throughout 2025.

**Helen Hall**

**Chairperson**

**January 2025**

## **Role of the Audit Committee**

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 and to provide advice and guidance in relation to the systems 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 and review Revenue's risk management arrangements and, as appropriate, advise the Accounting Officer on such arrangements,
- 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, and
- monitor Protected Disclosures and review the status of Protected Disclosures received on a biannual basis.

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.

## **Work of the Audit Committee in 2024**

The Audit Committee held five meetings in 2024, viz., 31 January, 21 March, 17 June, 1 October, and 11 December.

The work of the Audit Committee in 2024 focussed mainly on:

- oversight of the implementation of the 2022-2024 Internal Audit Strategy and Multi-Year Audit Plan,
- review of outputs of the Internal Audit Unit including audit reports as listed at Appendix A,
- monitoring the implementation of agreed recommendations having regard to follow-up audits,
- actively participating in the External Quality Assessment (EQA) of the Internal Audit Function, which was carried out by external auditors.
- engaging with the external auditors mentioned above on the outcome of the EQA, the recommendations made and oversight of the implementation of the action plan for addressing same,
- oversight of the preparations and planning process for the 2025-2027 Multi-Year Audit Plan, including a comprehensive review of the Audit Universe, consultation across the organisation as regards key operational risks and potential audit topics, a revised Internal Audit Strategy and the selection methodology for audit topics included,
- deepening its engagement as regards the effectiveness of corporate risk management in Revenue and measures in place to address both inherent and residual risk,
- meetings with the following:
  - Revenue Chairman
  - Revenue Board
  - Key Divisional Management including the Assistant Secretaries of Information, Communications, Technology and Logistics Division, Personal Division, and Accountant General & Strategic Planning Division.
  - Chairperson of Revenue's Risk Management Committee,
- engagement with the Office of the Comptroller and Auditor General.



## **Risk Management**

The following structures and activities are in place for the Audit Committee to carry out its role in providing assurance, advice, and support on risk management arrangements:

- meeting with the Chairperson of the Risk Management Committee (RMC) in relation to risk management and how key corporate and business risks are identified, evaluated, and monitored,
- dual membership of the Revenue Assistant Secretary on the Audit Committee and RMC,
- standing Risk Management item on each quarterly Audit Committee agenda,
- attendance of the Director of Internal Audit (DIA), as observer, at all RMC meetings and a quarterly update from the DIA on risk management arrangements,
- engagement with, and feedback from, management on the extent to which management has assumed ownership of risk and control and whether controls are fit for purpose and working as intended,
- risk management is an auditable topic in the Audit Universe and is considered for inclusion in the Audit Plan (having regard to the audit selection methodology),
- feedback from the Director of Internal Audit on the risk mitigation verification checks carried out as part of internal audit engagements from H2 2024.

Audit Committee meetings during 2024 included a presentation from the Chairperson of the RMC as well as updates from the Director of Internal Audit who attends meetings of the RMC as an observer. At its June meeting, the Audit Committee reviewed Revenue's Corporate Risk Management Annual Report for 2023 and discussed a range of risk management matters with the Chairperson of the RMC, including improvements to Revenue's risk assessment process, its risk awareness campaign and the progression of Revenue's risk management capability and maturity to an Organisation for Economic Cooperation and Development (OECD) benchmark of "Established". To further strengthen effective risk management across Revenue, since August 2024, all internal audit engagements now include a specific corporate risk management element. These engagements seek to confirm that actions to mitigate risks on the Corporate Risk Register (CRR) are embedded into Divisional business planning, that corporate risk is discussed at Divisional Management Meetings each quarter (at a minimum) and that the stated mitigating actions in place to address risks, as recorded on the CRR, are in place and can be evidenced.

## Internal Audit Unit work in 2024 and other audit activities

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

The implementation of the 2022-2024 Multi-Year Internal Audit Plan was monitored by the Committee by means of quarterly progress reports presented by the Internal Audit Unit. In 2024, the Internal Audit Unit submitted 24 audit reports (including 10 follow-up audits), all of which were approved during the year. Details are included at Appendix A.

Throughout 2024, the Director in internal Audit engaged extensively across the organisation through attendance at Divisional Management Team meetings. Many senior managers within Revenue are new to their role and/or the organisation. In this context, this engagement provided the opportunity to discuss a range of internal related matters including the importance of the role of internal audit, the benefits of independent process review, embedding effective risk management into business processes and the expectations as regards management responses to, and timely actioning of, internal audit recommendations.

### ***IT Audit***

The Internal Audit Standards set out that *“The internal audit activity collectively must possess or obtain the knowledge, skills and other competencies needed to perform its responsibilities”*. In relation to technical IT Audit engagements, one IT Audit was assigned on a co-sourced basis to an external service provider. The audit report, which related to Business Continuity in Revenue’s Active Directory and Citrix Desktop systems, was presented to the Audit Committee at its December meeting.

### ***IA Standards: Quality Assurance Improvement Programme (QAIP)***

The QAIP sets out that an external review of the Internal Audit Function be carried out every five years. As the previous external review was completed in 2019, a renewed External Quality Assessment (EQA) was undertaken in 2024. The assessment was conducted by an independent, outsourced service provider, the results of which evidenced general conformance with the International Professional Practices Framework (34 general conformance, 12 partial conformance and no non-conformance results). The assessment report made 18 recommendations for which Internal Audit Management have drawn up a 42-point action plan, the implementation of which is well under way. Work on implementing the action plan will be a key focus of the Internal Audit

Unit in 2025, with regular updates provided to the Audit Committee until such time as all actions are complete.

Internal 'self-assessment' reviews, generally focused on conformance with Internal Audit Standards, are required every three years. As the most recent internal review was completed in 2022, the Internal Audit Unit will carry out a self-review of conformance with professional standards in the second half of 2025.

The Audit Universe is a living document of all the auditable units (topics) in Revenue. Its ongoing review in response to Corporate Risk Register updates, audit engagement outcomes, and the quarterly review of the Multi-Year Audit Plan with the Audit Committee is an important element of the ongoing Quality Assurance Improvement Programme. In 2024, a comprehensive review of the Audit Universe, including peer review input from Senior Management across the organisation, was carried out in advance of drawing up a proposed Multi-Year Audit Plan for the period 2025-2027.

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

At the end of 2024, the Internal Audit Unit comprised a Director of Internal Audit, an Internal Audit Manager, and eight auditors. Arising from the uptake of mobility opportunities by two audit team leads (Higher Executive Officer (HEO) grade), two new audit team leads joined the Internal Audit Unit in March and December respectively. Two further audit team leads (HEO grade) are placed on a promotion panel, with appointment expected in due course. The Director of Internal Audit continues to put succession and onboarding plans in place to maximise upskilling of new team members and minimise disruption in completion of the audit plan.

In 2024, the Director of Internal Audit (DIA) completed training modules in Corporate Governance for State and Public Sector Bodies, Risk Management for Public Sector Organisations and State Agencies, Operational Risk Management and Leading the Internal Audit Function. In addition, the DIA is currently participating in Revenue's PO Leadership Programme and will complete further, formal Internal Audit training in 2025. The audit team leads (HEO grade) appointed to the team during 2024 will complete formal training in 2025, with one already having completed modules in the Essentials of Internal Audit and Governance, Risk and Compliance.

Internal Audit staff across the wider team also engaged in further training in 2024, including in relation to audit methodology, articulating risks and controls, quality in Internal Audit, and the

essentials of Internal Audit. Each of the team is a member of the Chartered Institute of Internal Auditors and have access to training and resources which are of use in risk identification and audit work. Three members of the team attended the 2024 Institute of Internal Auditors (IIA) conference. The Director of Internal Audit is a member of the Heads of Internal Audit Forum (HIAF).

### ***EU Inspection***

Each year the European Commission carries out annual inspections 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 European Union (EU) customs legislation and that monies are properly collected, accounted for, and made available to the Commission.

In 2024, the findings of an EU audit which took place in October 2023 and focused on Ireland's strategy for the treatment of 'end use' goods were finalised. The inspection examined whether the Irish authorities have implemented a proper control strategy for the treatment of 'end use' goods and whether it ensures appropriate protection of the EU's financial interests. Based on their findings and on the samples checked, the audit concluded that the Irish systems and procedures, including control procedures, are generally satisfactory.

A European Court of Auditors (ECA) inspection focusing on VAT fraud on imports was closed in April 2024, following an on-site visit by European auditors in November 2023. The results of the inspection were partly satisfactory with some recommendations to better combat such fraud currently being implemented. Internal Audit will monitor progress in implementing agreed recommendations and consider such matters in the context of its audit planning.

In November 2024, the ECA published a special report entitled "combatting harmful tax regimes and corporate tax avoidance". The auditees for this report were the European Commission and five EU Member States, including Ireland. The overall conclusion of the report is that the established EU framework serves as a necessary first line of defence to support the fight against harmful tax regimes and corporate tax avoidance. The report also notes that there are shortcomings in the way the measures have been implemented. The report makes

recommendations to the European Commission regarding DAC6<sup>2</sup>, the Code of Conduct for business taxation and the monitoring of the actions taken against corporate tax avoidance. Revenue will monitor any action taken by the European Commission in response to these recommendations and respond appropriately, in close coordination with the Department of Finance.

Additionally, the 2024 annual EU audit took place in October 2024 with the inspection focusing on the reliability of the normal and separate account statements (referred to as A&B accounts). The findings of this audit are awaited.

### ***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 opinion following their audit of both the Revenue Receipt Account and Appropriation Account for 2023. The Committee met with representatives of the C&AG at its December meeting and noted the recommendations made and Revenue's response in relation to matters that need further attention. The Committee had previously discussed the follow up of prior year Management Letter recommendations with C&AG representatives. Having regard to this, the Committee was also provided with an update on the implementation of prior year C&AG Management Letter recommendations at its December meeting and are satisfied that with the remedial actions taken by Revenue.

### **Looking ahead to 2025**

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

- Revenue's Compliance Intervention Framework and supporting legislative framework,
- Revenue's use of Cloud Service Providers and the governance arrangements in place regarding same,
- progress against Revenue's Green Roadmap, its Energy Management System and ISO 5001 Certification,

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<sup>2</sup>The Directive of Administrative Cooperation (DAC) provides for the exchange of taxpayer information between the tax administrations of EU Member States. DAC6 introduced a mandatory disclosure regime for certain cross-border tax arrangements.

- Revenue's progress in implementing the agreed recommendations arising from the European Court of Auditors (ECA) inspection focusing on VAT fraud on imports,
- oversight of the following within the Internal Audit Function:
  - full adoption of the new Global Internal Audit Standards which came into effect on 9 January 2025,
  - implementation of the action plan to address the recommendations of the External Quality Assessment carried out in 2024,
  - completion of an Internal Review against conformance to Internal Audit Standards,
  - timely implementation of internal audit recommendations by Revenue management,
  - verification checks that the stated mitigating actions in place to address risks, as recorded on the Corporate Risk Register are in place and can be evidenced.

## **Appendix A: Audits Completed in 2024**

<b>Report</b>	<b>Title</b>
1	A review of Controls of e-Commerce Parcel Operators (Follow-up)
2	An audit of Professional Services Withholding Tax (PSWT)
3	A review of Administrative Functions in Selected Areas 2023 (Follow-up)
4	An audit of Cash Handling Procedures in Collector General's Division – Sarsfield House
5	An audit of the Automated Import System (AIS) (Follow-up)
6	An audit of Computer Equipment (CE) Asset Management
7	A review of Vehicle Registration Tax
8	An audit of Cash Handling Procedures in Collector General's Division – Sarsfield House (Follow-up)
9	An IT audit of Cyber Security – Respond (Follow-up)
10	Enforcement and Data Protection Procedures in Revenue Sheriff Practices – in liaison with Revenue's Data Protection Unit
11	A review of Imprest Accounts (Follow-up)
12	An audit of Shadow (locally developed) Business Intelligence Solutions (Follow-up)
13	A review of Phased Payments Arrangements for Capital Acquisitions Tax (Follow-up)
14	A review of Vehicle Registration Tax (Follow-up)
15	A review of Counsel Fees Budgeting in Revenue Solicitor's Division
16	A review of Control Interventions CGT Losses Carried Forward (Follow-up)
17	Re-audit of the Management of Mobile Phones
18	An examination of Salary Overpayments in Revenue in liaison with the NSSO
19	An audit of the PAYE Real-Time Risk Framework
20	An audit of Diversity and Equality
21	A review of Training and Development in Revenue
22	A review of Appeals Management
23	A review of Repayments of VAT to Unregistered Farmers
24	An IT business continuity audit of Active Directory and Citrix Desktop

### **Follow Up Audits**

<b>Follow-Up Audits Carried Out in 2024</b>	<b>Associated Recommendations</b>	<b>Implemented /Closed</b>	<b>In Progress</b>	<b>No response from Management</b>
10	28	28	0	0