

Audit Committee

2017 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 2017 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. Siobhán Gilbourne, Executive Officer, Internal Audit
Unit, Revenue.

Section 2: Chairperson's Statement

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

This is the nineteenth Internal Audit Committee report for Revenue and covers the year ending 31 December 2017.

The role of the Internal Audit Committee, as set out in the Revenue 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).

Against the backdrop of the Revenue Audit Universe, the Committee is satisfied that the Internal Audit function in Revenue continues to make a significant contribution to the internal control environment of Revenue. We acknowledge 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 2017 is detailed at Section 4 of this document.

On behalf of the Committee I would also like to thank senior management in Revenue for their engagement with the work of internal audit teams and their implementation of Internal Audit report recommendations. Such co-operation is essential to an effective internal audit function. We would also like to express our appreciation for the strong support the Internal Audit Committee receives from the Revenue Board.

On a personal level, as I conclude my term as Chairman of the Committee, I would like to express my appreciation of all the support from current and former colleagues on the Audit Committee, and from the tremendous staff in the Internal Audit Unit. It has been a privilege to work with such inspirational public servants.

Gerry Kearney

Chairperson

Date March 2018

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 five meetings in 2017, viz., 30 January, 7 April, 30 June, 22 September, and 15 December 2017.

The work of the Audit Committee in 2017 focussed mainly on:

- Deepening our engagement with systems of governance and internal control, particularly as they relate to Information Technology,
- Oversight of the operationalising of the Internal Audit Universe as an integral part of the Internal Audit Planning process,
- Review of the work-plan and outputs of the Internal Audit Unit including audit reports as listed at Appendix A,
- Conformance to the Internal Audit Standards (DPER, 2012, updated January 2018) and oversight of Internal Audit's Quality Assurance and Improvement Programme (QAIP),
- Engaging with arrangements to promote the ethics and values in Revenue,
- Meeting with Management and other groups including: -
 - Revenue Chairman and Board,
 - Key Divisional Management which included an on-site visit to the offices of the Accountant General and the Collector General in Limerick
 - Representatives of Revenue's Risk Management Committee, and
 - Audit Committee of the Department of Employment Affairs and Social Protection to discuss areas of mutual interest
- Engagement with the Office of the Comptroller and Auditor General.

Section 5: Internal Audit Unit work in 2017 and other audit activities

Programme of work

The 2017 Internal Audit Plan was reviewed by the Audit Committee prior to its approval 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 31 audit reports (including 12 follow-up audits) during the year. All were approved and finalised during the year. Details are included at Appendix A.

Internal Audit Universe

The Internal Audit Universe 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. The Revenue Audit Universe was finalised and used for the first time in drawing up the Internal Audit Plan for 2016. The 2017 programme of audit engagements was again strongly influenced by the Internal Audit Universe as well as Revenue's Corporate Risk Register and Revenue's Risk Management Framework. Preparation of the 2018 Internal Audit plan similarly drew from risk assessments in the Audit Universe. It is planned to review and assess coverage, progress and issues with the Audit Universe template during 2018.

IT Audit

Within the framework of focus by the Audit Committee on IT governance and controls, an Internal Audit on cybersecurity controls was carried out by an external service provider. Two further outsourced Information Technology Audits, one with a particular focus on IT governance, are planned to take place in 2018.

Risk

A key area of interest of the Audit Committee is to consider the systems in place by Revenue to manage risk. Arising from this, the Committee meet with representatives of the Risk Management Committee. Risk Management also features as a frequent agenda item at Audit Committee meetings.

Quality Assurance Improvement Programme (QAIP)

In accordance with the QAIP in the standards, an external assessment should take place every five years. Consistent with this requirement, the tender for such an assessment was awarded in December 2017, with the actual assessment scheduled to take place in Q2 2018.

Staffing and Training

At the end of 2017, the Internal Audit Unit comprised a Director of Internal Audit, an Internal Audit Manager, and eight auditors (four teams of two). Auditors and the Internal Audit Manager have received appropriate formal training and certification from the Institute of Public Administration. Those who joined the Unit recently are currently undertaking training and certification. IPA certification was awarded to three auditors during 2017, while two new auditors commenced Certification courses during the year, one in the IPA and the other in the Chartered Institute of Internal Auditors. Further appropriate training was also undertaken during the year. The Director of Internal Audit is a member of the Heads of Internal Audit Forum (“HIAF”).

Revised Standards

Revised Internal Audit Standards due for publication in early 2018 provide for the strengthening of audit functions across Government Departments and bodies. This will again require internal and external assessments of Internal Audit under a Quality Assurance and Improvement Programme. The Revenue Audit Committee will fully support Internal Audit in Revenue in developing the function consistent with these revised 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 Regions/Divisions. The C&AG issued an unqualified report on both the Revenue Account and the Appropriation Account for 2016. The Committee met with representatives of the C&AG in late 2017 and discussed the findings. Arising from those discussions the Audit Committee welcomed the view expressed by the Office of the C and AG’s as to the good practice evidenced in Revenue’s control systems.

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 Own Resource inspection for 2017 focused on Transit. The primary purpose of the inspection was to provide assurance that our procedures comply with relevant regulations and that customs duties are properly accounted for. The inspectors concluded that our Transit systems and procedures are generally compliant with EU legislation and that the financial interests of the EU are adequately protected, with some minor recommendations relating to some Transit administrative practices. These recommendations are currently being considered by Revenue management.

Section 7: Looking ahead to 2018

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

- Audit Universe: review and operationalisation
- Review of IT Governance.
- Ethics & Standards: engagement and benchmarking
- Shared services: good practice controls.

The Committee will also undertake oversight of the implementation of the Internal Audit Plan for 2018 and issues emerging therefrom.

Appendix A: Audits Carried out in 2017

Report	Title
1	Report on Electronic Relevant Contracts System (eRCT)
2	Follow-up Report: Review of Non-Central Procurement
3	Follow-up Report: Review of Training Procurement and refund of Fees
4	Follow-up Report: Verification Audit of Tax Arrears collected by Revenue Sheriff
5	Report on Data Quality – Common Registration System (CRS)
6	Report on Evaluation Procedures for Software Licensing Management
7	Follow-up Report: Review of Procedures relating to Artist’s Exemption and the Expenditure on Approved Buildings and Gardens
8	Report on Customs Interventions Single Administrative Documents (SADs)
9	Report on Tax Arrears Write-out in 2016
10	Collection and Accounting for Traditional Own Resources – EU Audit
11	Follow-up Report: Pre-Retirement Access to Additional Voluntary Contributions
12	Follow-up Report: Vehicle Registration Tax (VRT) Collection
13	Report on Payment Procedures in Customs and Excise Enforcement Stations and at the Roadside
14	Report on Third Party Contracts Management
15	Follow-up Report: Official Vehicles
16	Import Duty Compliance at Revenue-approved Mail Centres
17	Crisis Management Planning
18	Cyber Security (outsourced)
19	Bank Account Management
20	Follow-up Report: Payroll Overpayments
21	Charitable Tax Exemption Scheme
22	Verification Audit of Tax Arrears collection by Revenue Sheriff
23	Report on Local Property Tax (LPT) Deductions at Source by DEASP
24	Review of Data Protection in Monaghan, Central Repayments Office
25	Report on the adherence to Revenue Policy and Guidelines in relation to Authorisations
26	Verification Audit of External Solicitor Tax Arrears Collection
27	Report on Administrative Functions in a selected Revenue District
28	Follow-up Report: Report on the Collection and Accounting Procedures applying to Payments of LPT through Payment Service Provider (PSP)
29	Follow-up Report: IT Active Directory
30	Follow-up Report: Review of VAT Maximum Repayment Amount (MRA) and Annual Net Repayment (ANRA) Thresholds
31	Follow-up Report: Payments to Covert Human Intelligence Sources

Follow Up Audits

Follow-Up Audits Carried Out in 2017	Associated Recommendations	Implemented	In progress	Not Started	Superseded	No response from Management
12	38	25	10	1	3	0