

# Audit Committee

## 2019 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 2019 was as follows:

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

**Prof. Barbara Flood**, Full Professor of Accounting, 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 twentieth Audit Committee report for Revenue and covers the year ending 31 December 2019.

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).

2019 saw the introduction of multi-year internal audit planning along with the review of the Audit Universe. In this context, the Committee continues to be satisfied that the Internal Audit function in Revenue continues to make a significant contribution to the internal control environment of Revenue. In 2019, the Internal Audit function had a change of Director and a number of staff changes, and I wish to acknowledge the continuity of service during the transition period. 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 2019 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 also issued an unqualified opinion on Revenue's 2018 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 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 Audit Committee receives from the Revenue Board.

**John Murphy**

**Chairperson**

**30 March 2020**

### **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 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 five meetings in 2019, viz., 25 January, 29 March, 28 June, 27 September, 13 December.

The work of the Audit Committee in 2019 focussed mainly on:

- 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 signed and approved by both the Chair of the Committee and Revenue's Accounting Officer
- Review of the introduction of Multi-Year Internal Audit Planning 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,
- Conformance to the Internal Audit Standards (DPER, 2012 as updated) and oversight of the Internal Review of the IA Function carried out in 2019 under the Standards' Quality Assurance and Improvement Programme (QAIP),
- Arrangements to promote the ethics and values in Revenue,
- Assurance arrangements for services provided by the National Shared Services Office
- Meeting with Management and other groups including: -
  - Revenue Chairman (as well as a separate meeting between the Chairperson of the Audit Committee and the Board),
  - Key Divisional Management which included an on-site visit to Frontier Management Branch, Dublin Port to develop the Committee's understanding of Revenue's enforcement and trade facilitation activities,
  - Representatives of Revenue's Risk Management Committee, and
- Engagement with the Office of the Comptroller and Auditor General (meeting took place in February 2020).

## **Section 5: Internal Audit Unit work in 2019 and other audit activities**

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

Following a 2018 External Review recommendation to move to Multi-Year Planning, the Q1 2019 Internal Audit Plan and the Q2 2019-2021 Multi-Year 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 32 audit reports (including 17 follow-up audits) during the year. 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.

### ***IT Audit***

Two Information Technology Audits were assigned to an external service provider, and were presented to the Committee. Within the Internal Audit unit, the IT Audit capability was strengthened during 2019 whereby selected IT Audits are co-sourced by IA staff and the external service provider. Training specifically for IT Audit was provided to the Unit by the Chartered Institute of Internal Auditors.

### ***Risk***

The Audit Committee recognises the importance of Risk Management within Revenue. Audit Committee meetings during 2019 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.

### ***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. For continued enhancement and improvement of the practices, recommendations were made, and the implementation of those recommendations will be reviewed by the Audit Committee during 2020.

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

At the end of 2019, the Internal Audit Unit comprised a Director of Internal Audit, an Internal Audit Manager, and eight auditors (four teams of two). One of the positions was vacated on foot of a promotion and was replaced in March 2020. All auditors and the Internal Audit Manager have received appropriate formal training and certification from the Institute of Public Administration. IPA training was completed for the two members of the team who joined in 2019. Further training was also undertaken during the year by both the Director of Internal Audit and the Internal Audit Manager. The Director of Internal Audit is an active member of the Heads of Internal Audit Forum (“HIAF”).

### ***Revised Standards***

Revised Internal Audit Standards were published in 2018, providing for the strengthening of audit functions across Government Departments and bodies. In addition to the 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. 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 took place in 2019 and the outcome is to be finalised in 2020.

### ***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 2018. 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 2020**

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

- Corporate governance awareness
- Audit Committee Self Assessment
- Shared services: good practice controls.

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 2019

Report	Title
1	Third Party Returns Procedures
2	ITS/CRS Access & Maintenance Controls
3	Administrative Functions in a selected Revenue Unit 2017 (Follow-up)
4	Charitable Tax Exemption Scheme (Follow-up)
5	Prosecution Process in the National Prosecution and Seizure Office
6	Evaluation Procedures for Software Licensing Management (Follow-up)
7	Administrative Functions in a selected Revenue Unit 2015 (Follow-up)
8	Appropriate use of Integrated Taxation Processing (ITP) Stops
9	ICT Shared Services
10	Customs & Excise Payments (Follow-up)
11	Divisional Communications - Tax and Duty Manuals and RevNET
12	eRCT (Follow-up)
13	Guidelines in Relation to Authorisations (Follow-up)
14	Review of Automatic Carry Forward (ACF)
15	Tax Arrears Write-out in 2018
16	Unregistered VAT Repayments
17	Data Protection in Central Repayments Office (Follow-up)
18	Data Quality – Common Registration System (CRS) (Follow-up)
19	Payroll Overpayments (Follow-up)
20	Administrative Functions in Selected Revenue Units 2019
21	Anti-Corruption & Anti-Bribery Procedures & Controls (Follow-up)
22	Technical Obsolescence
23	Administrative Function in Selected Revenue Units 2019 (Follow-up)
24	Charitable Tax Exemption Schemes (Follow-up)
25	Instalment Arrangement Processes in the Collector Generals Division (Follow-up)
26	Administrative Functions in Selected Revenue Units 2017 (Follow-up)
27	Tax Arrears Write-out in 2018 (Follow-up)
28	Repayment and Remission of Mineral Oil Tax
29	Time and Attendance System
30	Verification Audit of Tax Collection Policy and Procedures as Operated by Revenue Sheriffs
31	EU Audit - Traditional Own Resources
32	Administrative & Accounting Procedures for Payover (Follow-up)

### **Follow Up Audits**

Follow-Up Audits Carried Out in 2019	Associated Recommendations	Implemented	In progress	Not Started	Superseded	No response from Management
17	56	46	5	0	5	0