

Audit Committee

2023 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 2023 was as follows:

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

Helen Hall, Vice Chairperson, Chief Executive, Policing Authority.

Dr. Karen-Ann Dwyer, Assistant Professor in Accounting, Dublin City University.

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

Maura Kiely, Revenue Solicitor, Revenue Solicitor's Division, Revenue.

Sinéad Coburn, Secretary to the Committee, Internal Auditor, Revenue.

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-fourth Audit Committee report for Revenue and covers the year ending 31 December 2023.

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 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 engaged with Senior Management during the year to assess governance and risk management arrangements. The Committee met with Assistant Secretaries and other senior managers in relation to risk management, Revenue's compliance intervention framework, a year into its operation, and trade facilitation, frontier control operations and risk management at Rosslare Europort. Arising out of the Committee's meeting with the Chair of Revenue's Risk Management Committee in July, it was agreed that, from 2024, Internal Audit will incorporate an examination and assessment of mitigating actions in place to address operational risks as an additional strand of its audits as they occur. These examinations will be undertaken with a view to further strengthen effective 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 Internal Audit function carried out its function, with a number of staff changes, including the appointments of Leeann Kennedy as Director of Internal Audit and Mary Sinnott as Audit Manager. The Committee wishes to thank the former Director, Angela O'Gorman, and former Audit Manager, Emma Rafferty, for their dedication and contribution to Revenue's Internal Audit function. 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 Audit Committee Chairman and the Director of Internal Audit attended the NSSO annual assurance event and noted strengthening of governance arrangements with the NSSO since its establishment.

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 Appropriation Account and on the Revenue Account, and the Committee notes the recommendations and Revenue's response in relation to matters that need further attention. The Committee also met with the Chairman at its December meeting and discussed a range of matters including the challenge of ongoing staff changes within the Internal Audit team and the importance of ensuring the function is adequately resourced. Separately, I met with Revenue's Board and the Assistant Secretary over Corporate Services Division on 14 March 2023.

On behalf of the Committee, I would 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.

Finally, the Audit Committee welcomed Maura Kiely, Revenue Solicitor, as the Revenue representative to the Board in June, following the retirement of Declan Rigney from Revenue. On behalf of the Committee, I wish to thank Declan for the depth of Revenue knowledge and experience that he brought to his time with the Committee.

John Murphy

Chairperson

January 2024

Section 3: 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.

Section 4: Work of the Audit Committee

The Audit Committee held five meetings in 2023, viz., 17 February, 15 March, 7 July, 6 October, and 13 December.

The work of the Audit Committee in 2023 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 and monitoring the implementation of agreed recommendations having regard to follow-up audits.
- Oversight of the Internal Review of Capability of the IA Function.
- Deepening our engagement as regards the effectiveness of corporate risk management in Revenue and measures in place to address both inherent and residual risk.
- Considering the effectiveness of compliance interventions one year into the operation of Revenue's new Compliance Intervention Framework. The Committee met with the Principal Officer with overall responsibility for compliance policy in Revenue on this matter.
- Meeting with Management and other groups including: -
 - Revenue Chairman (as well as a separate meeting between the Chairperson of the Audit Committee and the Revenue Board on 14 March 2023)
 - Key Divisional Management including the Assistant Secretary of Investigation, Prosecutions and Frontier Management Division.
 - Chair 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 Audit Committee Agenda.
- Attendance of Director of Internal Audit, as observer, at all RMC meetings and quarterly update from 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 consideration of same for inclusion in IA work and in the Audit Plan.

Audit Committee meetings during 2023 included a presentation from the Chair of the RMC as well as updates from the Director of Internal Audit who attends meetings of the RMC as an observer. At the July meeting, the RMC Chair presented on Risk Management. The discussion on corporate risk management, included the arrangements in place for the identification of risk owners and quarterly reporting by Divisions on the effectiveness of mitigating actions and residual risks in the Corporate Risk Register (CRR). Arising out of the Committee's meeting with the Chair of the RMC in July, it was agreed that, from 2024, Internal Audit will incorporate an examination and assessment of mitigating actions in place to address operational risks as an additional strand of its audits as they occur. These examinations will be undertaken with a view to further strengthen effective risk management across Revenue.

The Audit Committee also reviewed the report from the Risk Management Committee of its activity during 2022.

Section 5: Internal Audit Unit work in 2023 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.

The Internal Audit Unit submitted 19 audit reports (including 6 follow-up audits) and all were approved during the year. Details are included at Appendix A.

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, two IT Audits were assigned on a co-sourced basis to an external service provider, and reports were presented to the Audit Committee at its March and July meetings. Audit topics covered were the Automated Import System (AIS) and Cyber Security – Respond.

IA Standards: Quality Assurance Improvement Programme (QAIP)

The QAIP sets out that an internal review of the Internal Audit function is carried out every three years. Having begun a review at the end of 2022, a report on an internal review of the Internal Audit function, focusing on capability, was presented to the Audit Committee at its July meeting. The review included a benchmarking exercise with other Irish Government Departments as well as other tax and customs administrations in the Organisation for Economic Cooperation and Development (OECD) Forum of Tax Administration (FTA). Based on this review, the Internal Audit Management were satisfied that the current level of staffing and grade mix is appropriate to the internal audit function for Revenue. This is particularly the case, when benchmarking against similar sized Irish Government Departments, where there is evidence that staff levels, grade mix and team structures are broadly comparable.

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 the ongoing Quality Assurance Improvement

Programme. Furthermore, Internal Audit Unit surveys issue to auditee Senior Management, following each completed audit, for feedback on audit execution and value-add to the audited functions.

External quality assessments of the internal audit functions are recommended to occur every five years. Internal Audit prepared and agreed the procurement process for engaging a service provider for the external review in Q4 2023, with engagement on the assessment expected to commence in the first quarter of 2024. The previous external assessment took place in 2018, with recommendations arising implemented.

Staffing and Training

At the end of 2023, the Internal Audit Unit comprised a Director of Internal Audit, an Internal Audit Manager, and eight auditors. An EO vacancy was filled in January 2023 and a HEO/AO vacancy was filled in August 2023. In May of 2023, a new Director of Internal Audit was appointed to the Unit, while a new Audit Manager was appointed in September 2023. A number of Internal Audit Unit staff are placed on a promotion panel, with appointment expected in due course. The Director of Internal Audit continues to put succession plans in place to maximise upskilling of new team members and minimise disruption in completion of the audit plan.

In November 2023, the Director of Internal Audit completed a Heads of Internal Audit Master Class with the Institute of Internal Auditors (IIA) and a Fraud Awareness course with the Institute of Public Administration (IPA). The two most recently appointed EO auditors completed the IPA certificate in Internal Audit Skills from September to December 2023. The AO appointed in August is scheduled to participate in formal training in 2024. All other auditors in the Unit have received appropriate formal training and certification.

Internal Audit staff also engaged in further training on fraud awareness, trends in IT audit, audit planning and managing in a blended work environment. 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. Four members of the team attended the 2023 IIA conference. The Director of Internal Audit is a member of the Heads of Internal Audit Forum (HIAF).

EU Inspection

The Committee work generally includes a review of the European Commission 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 EU customs legislation and that monies are properly collected, accounted for, and made available to the Commission. The 2023 annual EU audit took place in October. The findings were presented in December and are still under discussion. The inspection focused on Ireland's strategy for treatment of 'end-use' goods.

Additionally, a site visit by the European Court of Auditors (ECA) took place in November to inspect VAT fraud on imports while in December, the ECA commenced an audit in the field of harmful tax competition in the EU. The Comptroller and Auditor General is taking part in this audit on an observer basis. The findings of these audits 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 report on both the Revenue Account and the Appropriation Account for 2022. The Committee met with representatives of the C&AG in December and noted the recommendations made and Revenue's response in relation to matters that need further attention. The Committee welcomed the unqualified report on both the Revenue Account and the Appropriation Account.

Section 6: Looking ahead to 2024

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

- Revenue's implementation of its Green Roadmap to minimise its environmental impact, supporting the Government's sustainability goals.
- Oversight of the External Quality Assessment of the IA Function.
- Oversight of Internal Audit's review of controls in place to address and/or mitigate risks identified on the Corporate and Divisional Risk Registers.

Appendix A: Audits Carried out in 2022

Report	Title
1	A Review of Corporate Risk Management
2	Customer Registrations (eRegistrations) and Cancellations
3	The Management of Revenue Mobile Phones – (A restricted scope review)
4	Audit of the Operation of the Automated Import System (AIS)
5	Automated Import System (AIS) IT Audit
6	An Audit of NASC
7	A Review of Phased Payment Arrangements (Instalment Arrangements) for Capital Acquisitions Tax
8	Administrative Functions in Selected Revenue Areas
9	Cyber Security – Respond Audit - IT
10	Review of Debt Write-Out (A restricted scope review)
11	Control Interventions – CGT Capital Losses Carried Forward.
12	Review of VAT Postponed Accounting (A restricted scope review)
13	Registered Exporters System (Follow-up)
14	Customer Registrations (eRegistrations) and Cancellations (Follow-up)
15	Corporate Risk Management (Follow-up)
16	Audit of Operation of Automated Import System AIS (Follow-up)
17	A Review of High Value Tax Credits (Follow-up)
18	Management of IT Applications Development in Revenue (Follow-up)
19	A Review of Imprest Accounts

Follow Up Audits

Follow-Up Audits Carried Out in 2023	Associated Recommendations	Implemented/ Closed	In Progress	No response from Management
6	14	12	2	0