

Audit Committee

2021 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 2021 was as follows:

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

Prof. Barbara Flood, Acting Dean, DCU Business School (until December 2021)

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 (until March 2021)

Declan Rigney, Assistant Secretary, Personal Taxes Policy and Legislation Division, Revenue (from April 2021)

Liza Deegan, Secretary to the Committee, Internal Auditor, Revenue (until October 2021)

Sinéad Coburn, Secretary to the Committee, Internal Auditor, Revenue (from December 2021).

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 twenty-second Audit Committee report for Revenue and covers the year ending 31 December 2021.

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. 2021 continued to bring enormous challenges worldwide with the response to the COVID-19 pandemic, and with those challenges the ongoing delivery of services by Revenue through altered working structures, maintaining not only the Health and Safety of customers but of its employees. The Audit Committee conducted its proceedings in 2021 entirely through video-conferencing and in addition to overseeing the implementation of the 2019-2021 Multi-Year internal audit plan and the development 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 actively engaged with the Internal Audit function and Revenue Senior Management on cross-Government Revenue activity in response to COVID-19 and the implications on internal control structures.

The Committee remains satisfied that the Internal Audit function in Revenue continues to make a significant contribution to the control environment of Revenue. In 2021, the Internal Audit function carried out its function under remote working conditions for the team and for auditees, with a number of staff changes, and I wish to acknowledge the continued service during a very challenging year. 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.

An external review report on the effectiveness of the Audit Committee was presented in January 2021, which concluded that the Committee is working well and suggested some improvements that would strengthen the Committee's output, and I am pleased to say that these have been implemented.

Following on from the above review, the role of the Committee in relation to the risk management framework in Revenue was reflected in the revised Charter as follows: "to assess governance arrangements

and to provide advice and guidance in relation to the systems of risk management and internal control". The activity of the Committee in relation to Risk Management, and otherwise, in 2021 is set out in Section 4.

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 2020 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 the December Committee meeting and separately I met with Revenue's Board and Assistant Secretary over Corporate Services Division in April.

On behalf of the Committee I would also 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.

I would like to end with a special thank you to Professor Barbara Flood and Gerard Moran who stood down from the Committee during the year. The significant contribution of both to the Committee's work is acknowledged and will be greatly missed.

John Murphy

Chairperson

17 February 2022

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 2021, viz., 29 January, 26 March, 25 June, 7 October, and 9 December.

The work of the Audit Committee in 2021 focussed mainly on:

- Oversight of control implications of Revenue's response to COVID-19 (including IT Risks and Data Protection) and the administration of pandemic support activity (e.g. the Employment Wage Subsidy Scheme, Debt Warehousing Scheme)
- Oversight of the development of the 2022-2024 internal Audit Strategy and Multi-Year Audit Plan
- Review of Audit Committee effectiveness
- Deepening our engagement with systems of governance and internal control
- Oversight of the review and use of the Internal Audit Universe as the main source of the Internal Audit Planning process
- Review of the AC Charter. The review resulted in a more detailed reflection of the Committee's role and activity in relation to Risk Management and the monitoring of Protected Disclosures
- 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
- Meeting with Management and other groups including: -
 - Revenue Chairman (as well as a separate meeting between the Chairperson of the Audit Committee, the Chairman, and the Assistant Secretary over Corporate Services Division)
 - Key Divisional Management including the Assistant Secretary of Personal Division
 - Chair of Revenue's Risk Management Committee, and
- Engagement with the Office of the Comptroller and Auditor General.

Audit Committee Effectiveness Review

The Audit Committee undertook a review of Audit Committee effectiveness, assisted by an external service provider. The final report was received in January 2021, and the Committee welcomed the positive review, and in terms of recommendations, the main issue for consideration was the role of the Committee with regard to risk management. The implementation of agreed recommendations of the review ~~will be~~ **was a** priority for the Audit Committee in 2021.

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:

- Biannual 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 audit plan.

Audit Committee meetings during 2021 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 with observer status. At the June meeting, the RMC Chair presented on a new process in development for Divisional input into the Corporate Risk Register and the Committee welcomed the structure for ongoing Divisional review of the control environment underpinning risk mitigation.

The Audit Committee also reviewed the first report from the Risk Management Committee of its activity during 2020 and the report of a cross-Departmental Survey of Audit and Risk Committee Models. The Committee noted the consistency with governance arrangements in Revenue, in that separate Audit and Risk Committees are in place in the majority of participant organisations and general satisfaction with this approach.

Section 5: Internal Audit Unit work in 2021 and other audit activities

Programme of work

The implementation of the Q2 2019-2021 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 21 audit reports (including 10 follow-up audits) and all were approved during the year. Details are included at Appendix A.

Internal Audit Universe and Development of Internal Audit Strategy and Multi Year Audit Plan 2022-2024

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 2021 incorporating a review of topics and control scorings based on IA activity, and collaboration with Divisional management and executive groups. The reviewed Internal Audit Universe aligns with Revenue's Statement of Strategy and Corporate Priorities and was the main source of the audit engagements set out in the Strategy and Multi-Year Plan 2022-2024.

Over the course of 2021 the Committee received presentations from IA on the methodology for the development of the 2022-2024 Internal Audit Plan, with updates on progress made. The process included the review of the Internal Audit Universe with input from the Risk Management Committee and other Senior Managers, and the representation of the reviewed Universe in the Audit Plan along with the outcome of suggestions for the Plan from Senior Management. The Committee agreed the Plan at the December meeting.

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 Information Technology Audits were assigned on a co-sourced basis to an external service provider, one presented to the Committee in June, and one ongoing at year-end.

IA Standards: 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. The implementation of recommendation made as a result of this review has benefitted the development of the internal audit function and has facilitated the continued enhancement and improvement of practices. The QAIP sets out that an internal review of the Internal Audit function is carried out within every three years and the Committee notes that a further internal review is planned to take place in 2022.

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

Staffing and Training

At the end of 2021, the Internal Audit Unit comprised a Director of Internal Audit, an Internal Audit Manager, and eight auditors (four teams of two). One HEO transferred out of the unit in March 2021, and in December, an EO moved out of the Unit and Revenue on secondment to the Central Statistics Office. With COVID-19 restrictions, IIA Training for new Internal Auditors only became available online in December 2020 and was undertaken by two HEOs (who joined the Unit in February 2020 and June 2021 respectively) Training online, with the IPA, for two EO's who joined the Unit in 2020 was completed in 2021. All members of the Unit have received appropriate formal training and certification, or are in the process of getting the training. IA staff also engaged in further training on Chartered Institute of Internal Auditors (CIIA) short courses on Internal Audit Planning, Finance risks and controls, and Corporate Governance and Risk Management. The Internal Audit Manager engaged in CIIA training on Internal Audit Planning, and along with the Director of Internal Audit attended the CIIA Annual Conference by webinar. 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 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 inspection due to be carried out in 2020 was postponed to Q2, 2021 due to COVID-19 restrictions. This inspection included a review of issues raised in relation to a 2019 inspection on the control strategy in place for Customs valuation, focusing on imported textiles and footwear imported in the years 2015-2017. An EU Court of Auditors inspection also took place in Q4, 2021. The conclusion of these inspections will be considered by the Committee.

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 on both the Revenue Account and the Appropriation Account for 2020. The Committee met with representatives of the C&AG in December and discussed the findings. The Committee welcomed the unqualified opinion on both the Revenue Account and the Appropriation Account.

Section 6: Looking ahead to 2022

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

- Fraud and anti-corruption
- The removal of Covid-19 public health restrictions and supports on Revenue's activity and control environment
- Oversight of an Internal Review of the IA Function, due in 2022
- Effectiveness of compliance interventions in the context of the new Compliance Intervention Framework.

The Committee will also undertake oversight of the implementation of the Internal Audit Strategy and Multi-Year Plan for 2022-2024 and issues emerging therefrom.

Appendix A: Audits Carried out in 2021, including Follow-ups

| Report | Title |
|--------|--|
| 1 | The Repayment and Remission of Motor Oil (MOT) (Follow up) |
| 2 | Technical Obsolescence Audit (Follow up) |
| 3 | A Review of Revenue Technical Service (RTS) |
| 4 | A Review of Revenue Procurement Policy and Procedures |
| 5 | Audit of Shadow (locally developed) Business Intelligence Solutions |
| 6 | Report on the Appropriate use of ITP stops (Follow up) |
| 7 | Verification Audit of Tax Collection Policy and Procedures as Operated by Revenue Sheriff (Follow up) |
| 8 | ICT Shared Services Audit (Follow up) |
| 9 | Review of Divisional Communications Tax and Duty Manuals and RevNET (Follow up) |
| 10 | Review of Time and Attendance (T&A) system including National Shared Services Office (NSSO)(Follow up) |
| 11 | A Review of the Employment Wage Subsidy Scheme in Revenue |
| 12 | Remote Working Cyber Security Audit |
| 13 | A Review of Customer Engagement in Revenue |
| 14 | Audit of ICT Service Desk (Follow up) |
| 15 | A Review of Debt Warehousing Scheme in Revenue |
| 16 | Administrative Functions in Selected Revenue areas |
| 17 | Customs Deferred Payments and Comprehensive Guarantee Authorisations |
| 18 | Review of Compliance Interventions e-Audit Techniques (Follow up) |
| 19 | Residential Development Stamp Duty Refund Scheme (Follow up) |
| 20 | Selected Contracts Management |
| 21 | A Review of Access Permission Controls for Movers and Leavers in Revenue |

Follow Up Audits

| Follow-Up Audits Carried Out in 2021 | Associated Recommendations | Implemented | In progress | Not Started | Superseded | No response from Management |
|--------------------------------------|----------------------------|-------------|-------------|-------------|------------|-----------------------------|
| 10 | 38 | 37 | 0 | 0 | 1 | 0 |