

Appropriation Account 2017

Vote 10

Tax Appeals Commission

Introduction

As Accounting Officer for Vote 10, I am required each year to prepare the appropriation account for the Vote, and to submit the account to the Comptroller and Auditor General for audit.

In accordance with this requirement, I have prepared the attached account of the amount expended in the year ended 31 December 2017 for the salaries and expenses of the Tax Appeals Commission.

The expenditure outturn is compared with the sums granted by Dáil Éireann under the Appropriation Act 2017, including the amount that could be used as appropriations-in-aid of expenditure for the year.

A surplus of €528,203 is liable for surrender to the Exchequer.

Establishment of the Commission

The Finance (Tax Appeals) Act 2015 which establishes the Tax Appeals Commission (formerly the Office of the Appeal Commissioners) was signed into law in December 2015. The Minister for Finance signed the relevant commencement orders to give effect to the new legislative provisions in February 2016. The Tax Appeals Commission and the new regime for the processing of tax appeals came into force in March 2016. To coincide with these legislative changes, a modern governance framework is also being put in place.

Statement of Accounting Policies and Principles

The standard accounting policies and principles for the production of appropriation accounts, as set out by the Department of Public Expenditure and Reform in Circular 25 of 2017, have been applied in the preparation of the account.

Statement on Internal Financial Control

Responsibility for System of Internal Financial Control

As Accounting Officer, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by the Commission.

This responsibility is exercised in the context of the resources available to me and my other obligations as Head of Office. Also, any system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely manner.

Financial Control Environment

The Tax Appeals Commission depends to a significant degree on the controls operated by the Revenue Commissioners which provides a payment function and an accounting service to the Commission. I note in this regard the assurances provided to the Revenue Commissioners by the Accounting Officer of the Vote for the National Shared Service Office in relation to the provision of Human Resources and Payroll shared services .

A revised service level agreement between the Commission and the Office of the Revenue Commissioners setting out both parties' responsibilities for all administrative and accounting procedures was not signed during 2017. The existing procedures have rolled over from 2016.

The Tax Appeals Commission did not, in 2017, have an audit committee but it did in late 2017 establish an audit group pending establishment of an audit and risk committee. The agreement between the Commission and the Revenue Commissioners did not provide for access to the Revenue Commissioners' Audit Committee by the Commission. However, had I required access to the Audit Committee, I understand I would have been facilitated.

Administrative Controls and Management Reporting

I confirm that within our limited resources a framework of administrative procedures and regular management reporting is in place including segregation of duties and a system of delegation and accountability and, in particular, that

- there is a budgeting system with an annual budget which is kept under review by senior management
- there are periodic and annual financial reports which indicate financial performance against forecasts provided by Revenue to senior management for review
- there are systems aimed at ensuring the security of Revenue's ICT applications, particularly in relation to cyber threats and malicious attacks
- the Commission ensures that there is an appropriate focus on good practice in purchasing and that procedures are in place to ensure compliance with all relevant guidelines.

The risk management system in the Revenue Commissioners did not extend to the Tax Appeals Commission and the Commission did not, in 2017, have a separate risk management system or maintain a risk register. It did, however, make strides towards developing a risk management policy and register, with the assistance of 3rd party consultants. This has been ongoing into 2018. The most significant risk is that the Commission does not have the resources to adequately process appeals, or address its Civil Service and compliance obligations. It has not been possible to dedicate staff of the Commission to specified roles while we remain significantly short-staffed. The reality is that responsibilities and duties can change daily, based on emerging needs and priorities. The fluidity that pertains in relation to individuals' responsibilities makes it difficult to assign functions in relation to risk identification in some instances.

As part of a reform agenda currently underway to enhance and modernise the appeals process, internal controls are being revised in line with best public service practice.

Internal Audit

I confirm that the Tax Appeals Commission has an agreement in place with the Revenue Commissioners which provides the Commission with access to Revenue's internal audit function which will, on request, advise the Commission on departmental standards of internal audit, practices and procedures in auditing generally, and ongoing developments. The Commission established an internal audit function during 2017, with consultants engaged for this purpose. In the second half of 2017, the Commission also established an audit group, to begin the task of internal audit and identification of risks in the Commission, as well as commencement of the work to establish an audit & risk committee. The group itself is curtailed in its work, as members must address the daily, competing priorities that arise within the Office. The group has noted the significant risk faced by the Commission in relation to staff shortages and is itself at risk of sub-optimal performance because of that issue.

In 2017, the Commission did not consult with or seek the advice of Revenue's internal audit function.

Procurement Compliance

During 2017, procurement documentation was not maintained in a compliant manner. This meant that it was not available for review by external auditors. However, the Commission believes that the procurement was carried out in line with best public procurement guidelines.

Risk and Control Framework

The Commission has identified the need to develop a risk management system which identifies key risks and the management actions being taken to address and, to the extent possible, to mitigate those risks. The Commission has engaged the Institute of Public Administration (IPA) to assist with enhancement of the risk function and to train staff on all aspects of same. A draft policy and register was developed in the latter half of 2017 but, given our limited resources and the time and expertise needed for this important task, assistance was sought from consultants. This in itself is a time-consuming process and has gone on into 2018. The development of these policies and roles, with an inadequate staff complement, clearly reduces the time available to deal with the Commission's core function of resolving tax appeals.

The draft register is being adapted to meet with needs and in consultation with the IPA. The outcome of these assessments will be used to plan and allocate limited resources to ensure risks are managed to the best level possible, given our resource constraints.

The risk register will detail the controls and actions needed to mitigate risks and will identify where responsibility for operation of controls should be assigned to specific staff. However, based on current staffing levels, it is likely that a significant exercise in priority-identification will be to the fore, given that the Commission does not have enough staff to take responsibility for all risks likely to be identified.

Ongoing Monitoring and Review

Formal procedures have been established for monitoring control processes and control deficiencies are communicated to those responsible for taking corrective action in a timely way. The main risk, our significant resource deficit, has been identified and processes have been put in place to monitor this risk and report any identified deficiencies, to the Department of Finance, as well as to the Department of Public Expenditure and Reform. The Commission has highlighted the resource-related risk to all parties and has strived to put in place efficiencies that address what we can, such as new liaison systems with Revenue in respect of the appeals process. At year-end, as part of our review of progress to date, a full resource review, to be conducted by consultants, was identified as a pressing need. The Commission began that process.

Review of Effectiveness

The Commission's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal and external auditors and the senior management within the Commission responsible for the development and maintenance of the internal financial control framework.

Internal Financial Control Issues

A weakness was identified in the internal financial controls relating to the making and payment of overtime claims. The weakness has been addressed by the introduction of a new policy in June 2017 governing the pre-authorisation, approval and payment of overtime claims, which is in line with the Department of Public Expenditure & Reform guidelines and the Civil Service Code of Conduct. There is currently an ongoing inquiry into related issues which is having a significant impact on the resources of the Commission.

Mark O'Mahony
Accounting Officer
Tax Appeals Commission

19 September 2018

Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Vote 10 Tax Appeals Commission

Opinion on the appropriation account

I have audited the appropriation account for Vote 10 Tax Appeals Commission for the year ended 31 December 2017 under section 3 of the Comptroller and Auditor General (Amendment) Act 1993.

In my opinion, the appropriation account

- properly presents the receipts and expenditure of Vote 10 Tax Appeals Commission for the year ended 31 December 2017
- has been prepared in the form prescribed by the Minister for Public Expenditure and Reform.

Basis of opinion

I conducted my audit of the appropriation account in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the *Preface to the Appropriation Accounts*. I am independent of the Tax Appeals Commission and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Report on the statement on internal financial control, and on other matters

The Accounting Officer has presented a statement on internal financial control together with the appropriation account. My responsibilities to report in relation to the information in the statement, and on certain other matters upon which I report by exception, are described in the *Preface to the Appropriation Accounts*.

Adequacy of resources

In the statement on internal financial control, the Accounting Officer sets out concerns regarding the adequacy of resources within the Tax Appeals Commission and the implications for the control environment.

Seamus McCarthy
Comptroller and Auditor General

21 September 2018

Vote 10 Tax Appeals Commission

Appropriation Account 2017

	2017		2016
	Estimate provision	Outturn	Outturn
	€000	€000	€000
Programme expenditure			
A Facilitation of hearing of tax appeals	1,684	1,122	890
Gross expenditure	1,684	1,122	890
<i>Deduct</i>			
B Appropriations-in-aid	79	45	46
Net expenditure	1,605	1,077	844

Surplus

The surplus of the amount provided over the net amount applied is liable for surrender to the Exchequer.

	2017	2016
	€	€
Surplus to be surrendered	528,203	596,480

Mark O' Mahony
Accounting Officer
Tax Appeals Commission

19 September 2018

Notes to the Appropriation Account

Note 1 Operating Cost Statement 2017

	2017	2016
	€000	€000
Pay	753	661
Non pay	369	229
Gross expenditure	1,122	890
<i>Deduct</i>		
Appropriations-in-aid	45	46
Net expenditure	1,077	844
Changes in capital assets		
Purchases cash	(58)	
Depreciation	62	
	4	(194)
Changes in net current assets		
Decrease in closing accruals	—	
Increase in stock	(3)	
	(3)	(21)
Direct expenditure	1,078	629
Expenditure borne elsewhere		
Net allied services expenditure (note 1.1)	270	265
Net programme cost	1,348	894

1.1 Net Allied Services Expenditure

The net allied services expenditure amount is made up of the following actual amounts in relation to Vote 10 borne elsewhere.

	2017	2016
	€000	€000
Vote 9 Revenue Commissioners	28	28
Vote 13 Office of Public Works	242	237
	270	265

Note 2 Statement of Financial Position as at 31 December 2017

	Note	2017 €000	2016 €000
Capital assets	2.2	204	208
Current Assets			
Bank and cash		371	383
Prepayments		36	41
Accrued income		—	4
Stocks	2.3	3	—
Total current assets		410	428
Less current liabilities			
Accrued expenses		9	18
Vote 9 Revenue Commissioners		340	271
Net Exchequer funding due	2.4	31	112
Total current liabilities		380	401
Net current assets		30	27
Net assets		234	235
Represented by:			
State funding account	2.1	234	235

2.1 State funding account

	Note	2017 €000	2016 €000
Balance at 1 January		235	20
Disbursements from the Vote			
Estimate provision	Account	1,605	
Surplus to be surrendered	Account	(528)	
Net vote		1,077	844
Expenditure (cash) borne elsewhere	1	270	265
Net programme cost	1	(1,348)	(894)
Balance at 31 December		234	235

2.2 Capital assets

	Furniture and fittings €000	Office equipment €000	Total €000
Gross assets			
Cost or valuation at 1 January 2017	78	260	338
Additions	7	51	58
Transfers from Vote 9	3	—	3
Transfers to Vote 9	—	(4)	(4)
Disposals	(3)	—	(3)
Cost or valuation at 31 December 2017	85	307	392
Accumulated depreciation			
Opening balance at 1 January 2017	63	67	130
Depreciation for the year	3	60	63
Depreciation on transfers from Vote 9	2	—	2
Depreciation on transfers to Vote 9	—	(4)	(4)
Depreciation on disposals	(3)	—	(3)
Cumulative depreciation at 31 December 2017	65	123	188
Net assets at 31 December 2017	20	184	204
Net assets at 31 December 2016	15	193	208

2.3 Stocks

at 31 December	2017 €000	2016 €000
Stationery and small stores	1	—
Consumables	2	—
	3	—

2.4 Net Exchequer funding due

at 31 December	2017 €000	2016 €000
Surplus to be surrendered	528	596
Exchequer grant undrawn	(497)	(484)
Net Exchequer funding due	31	112
Represented by:		
Debtors		
Bank and cash	371	383
	371	383
Creditors		
Vote 9 Revenue Commissioners	(340)	(271)
	31	112

2.5 Commitments

at 31 December	2017	2016
	€000	€000
Global commitments		
Procurement of goods and services	—	40
Total of legally enforceable commitments	<u>—</u>	<u>40</u>

Note 3 Vote Expenditure by Subhead

Analysis of administration expenditure

The allocation for Vote 10 is all classified as administrative expenditure. The following note presents an analysis of the administration expenditure and outlines the reasons for significant variations (+/- 25% and €100,000).

		2017		2016
		Estimate	Outturn	Outturn
		provision		
	€000	€000	€000	
i	Salaries, wages and allowances	1,284	753	661
ii	Travel and subsistence	70	1	4
iii	Training and development and incidental expenses	30	62	19
iv	Postal and telecommunications services	30	9	8
v	Office equipment and external IT services	200	252	181
vi	Office premises expenses	70	16	17
vii	Consultancy and other services	—	29	—
		1,684	1,122	890

Significant variations

i Salaries, wages and allowances

Estimate provision: €1,284,000, outturn: €753,000

The underspend of €531,000 on salaries, wages and allowances was because the recruitment of additional staff was slower than anticipated.

ii Travel and subsistence

Estimate provision: €70,000, outturn: €1,000

The vast majority of cases were held in Dublin. The 2017 estimate provided for an amount of travel to venues around the country in connection with the hearing of cases.

iii Training and development and incidental expenses

Estimate provision: €30,000, outturn: €62,000

The increase of €32,000 on expenditure on training and development and incidental expenses was due to the recruitment of additional staff, coupled with expenditure on online resources.

iv Postal and telecommunications services

Estimate provision: €30,000, outturn: €9,000

The decrease of €21,000 on expenditure on postal and telecommunications services was due to increased use of email. The allocation of expenditure set aside to take account of increased correspondence in line with increased levels of appeals was not required.

v Office equipment and external IT services

Estimate provision: €200,000 outturn: €252,000

The increase of €52,000 on office equipment and external IT services was due to continued development on the ICT infrastructure and Case Management System.

vi Office premises expenses

Estimate provision: €70,000, outturn: €16,000

The decrease of €54,000 on expenditure on office premises expenses was due to slower than anticipated recruitment of additional staff and the moving of offices did not arise.

vii Consultancy and other services

Estimate provision: €Nil, outturn: €29,000

Consultancy was not provided for in the estimates. Consultancy spend was on IT services for the management of the new build of the case management system and on accountancy services.

Note 4 Receipts

4.1 Appropriations-in-aid

	2017		2016
	Estimated	Realised	Realised
	€000	€000	€000
1 Receipts from pension-related deductions on public service remuneration	79	41	46
2 Miscellaneous	—	4	—
	79	45	46

Significant variations

Overall, appropriations-in-aid were €34,000 less than the estimate.

Explanations for variances are set out below:

1 *Receipts from pension-related deductions on public service remuneration*

Estimate provision: €79,000, outturn: €41,000

The shortfall of €38,000 was due to the recruitment of additional staff being slower than anticipated.

2 *Miscellaneous*

Estimate provision: €Nil, outturn: €4,000

The increase of €4,000 was due to a recoupment from the Department of Finance in respect of previous year expenditure.

Note 5 Employee Numbers and Pay

5.1 Employee numbers

	2017	2016
Number of staff at year end (full time equivalents)	13	7

5.2 Pay

	2017	2016
	€000	€000
Salaries	686	541
Higher, special or additional duties allowance	—	4
Overtime	—	65
Employer's PRSI	67	51
	753	661

5.3 Allowances and overtime payments

	Number of recipients	Recipients of €10,000 or more	Highest individual payment 2017 €	Highest individual payment 2016 €
Higher, special or additional duties allowance	—	—	—	3,679
Overtime and extra attendance	—	—	—	65,411