

Appropriation Account 2017

Vote 9

Office of the Revenue Commissioners

Introduction

As Accounting Officer for Vote 9, 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 Vote for the Office of the Revenue Commissioners, including certain other services administered by that Office.

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, and
- provided for capital supply services in 2017 out of unspent 2016 appropriations, under the deferred surrender arrangements established by section 91 of the Finance Act 2004.

A surplus of €3.42 million is liable for surrender to the Exchequer.

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, with the exceptions listed here.

Capital assets: vehicles and equipment

Seized vehicles that have been appropriated by Revenue are included in the capital assets at open market value at the time of appropriation and are depreciated at a rate of 20% per annum on a straight line basis.

The Customs cutter is depreciated at a rate of 5% per annum on a straight line basis.

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 Office.

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. Maintaining the system of internal financial controls is a continuous process and the system and its effectiveness are kept under ongoing review.

I have fulfilled my responsibilities in relation to the requirements of the Service Management Agreement between this Office and the National Shared Service Office for the provision of Human Resources and Payroll shared services.

I rely on a letter of assurance from the Accounting Officer of the Vote for the National Shared Service Office in relation to the provision of Human Resources and Payroll shared services.

The position in regard to the financial control environment, the framework of administrative procedures, management reporting and internal audit is as follows.

Financial Control Environment

I confirm that a control environment containing the following elements is in place:

- financial responsibilities have been assigned at management level with corresponding accountability
- reporting arrangements have been established at all levels where responsibility for financial management has been assigned
- formal procedures have been established for reporting significant control failures and ensuring appropriate corrective action
- there is an Audit Committee to advise me in discharging my responsibilities for the internal financial control system
- procedures for all key business processes have been documented
- there are systems in place to safeguard the assets.

Administrative Controls and Management Reporting

I confirm that a framework of administrative procedures and regular management reporting is in place, including segregation of duties and a system of delegation and accountability. This includes the following elements:

- there is an appropriate budgeting system with an annual budget which is kept under review by senior management.
- there are regular reviews by senior management of periodic and annual financial reports which indicate financial performance against forecasts.
- mitigations used to manage risk include;
 - Revenue's governance structures
 - environmental scanning to ensure Revenue is aware of influences that affect risk, such as Brexit
 - integrated strategic/business planning and Risk Management system that regularly reviews risks at Organisational, Divisional and Branch level
 - project management methodologies for all significant projects.
- there are systems aimed at ensuring the security of the ICT applications, particularly in relation to cyber threats and malicious attacks.
- there are appropriate capital investment control guidelines and formal project management disciplines.

Procurement

The Office 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.

As required by DPER circular 40/2002, I have submitted a report on procurements in 2017 without competitive tendering process to the value of €1,676,644. In addition, contracts valued at €13,012,637, which were originally the subject of competitive tendering, were continued in 2017. The combined total was €14,689,281 and included:

- €8,987,859 (27 contracts) spent on goods and services from proprietary suppliers to cover ongoing support, maintenance and licencing of ICT (and other systems) to which Revenue is committed.
- €2,900,886 (10 contracts) contracts extended pending availability of replacement arrangements by OGP.
- €1,375,543 (8 contracts) in place with suppliers who provided required specialist skills and expertise.
- €893,799 (10 contracts) in place with sole suppliers of required goods and services.

- €531,194 (1 contract) rolled over contrary to national procurement guidelines. This relates to a long standing contract for telephonist services to Government departments. Revenue intends to work towards phasing out the use of external telephonists.

The Office operates a financial management system that records details of all suppliers of goods and services and related payments. This database includes records relating to long term service, licencing, support and maintenance agreements, largely in respect of software, IT hardware and communications where regular tendering is not practical or possible. These arrangements have not been included under Circular 40/2002 but are recorded separately.

It is the policy of my Office to avail of all centrally available frameworks as soon as they come on stream and to engage with the Office of Government Procurement where we have more specific requirements. Controls will remain in place to ensure compliance with this strategy.

Internal Audit and Audit Committee

I confirm that the Office has an internal audit function with appropriately trained personnel, which operates in accordance with a formal written Internal Audit Charter. Its work is informed by analysis of the financial risks to which the Office is exposed and its annual internal audit plans, approved by me, are based on this analysis. These plans aim to cover the key controls on a rolling basis over a reasonable period. The internal audit function is reviewed periodically by me and by the Audit Committee. I have put procedures in place to ensure that the reports of the internal audit function are followed up.

Risk and Control Framework

This Office has implemented a risk management system which identifies and reports key risks and the actions being taken to address and, to the extent possible, to mitigate those risks.

A risk register is in place which identifies the key risks facing this Office and these have been identified, evaluated and graded according to their likelihood and impact. The risk register details the actions needed to mitigate risks and these actions are integrated in to Revenue's strategic and business planning process. The register is reviewed and updated on a quarterly basis by the Risk Management Committee (RMC) and noted by the Management Advisory Committee (MAC). The Committee also takes account of feedback received from Divisional management when determining whether there should be changes to the priority or ranking of a risk.

A Data Protection Unit is in place which has responsibility for the overall management and administration of data protection in Revenue. A Data Protection Officer, whose primary role is to ensure compliance with the General Data Protection Regulation (GDPR) and with Revenue data protection policies, is also in place.

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 and to management and the MAC, where relevant, in a timely way. I confirm that key risks and related controls have been identified and processes have been put in place to monitor the operation of those key controls and report any identified deficiencies.

Review of Effectiveness

I confirm that this Office has procedures to monitor the effectiveness of its risk management and control procedures. The Office'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 this Office are responsible for the development and maintenance of the internal financial control framework

Internal Financial Control Issues

No weaknesses in internal financial control were identified in relation to 2017 that resulted in, or may result in, a material loss.

Niall Cody
Accounting Officer
Office of the Revenue Commissioners

27 March 2018

Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Vote 9 Office of the Revenue Commissioners

Opinion on the appropriation account

I have audited the appropriation account for Vote 9 Office of the Revenue Commissioners 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 9 Office of the Revenue Commissioners 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 Office of the Revenue Commissioners 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*.

Reporting on matters arising from audit

Chapter 17 of my report on the accounts of the public services for 2017 refers to certain matters relating to Vote 9 Office of the Revenue Commissioners.

Seamus McCarthy
Comptroller and Auditor General

21 September 2018

Vote 9 Office of the Revenue Commissioners Appropriation Account 2017

	€000	2017		2016
		Estimate provision	Outturn	Outturn
	€000	€000	€000	€000
Programme expenditure				
A Administration and collection of taxes and duties, and frontier management				
<i>Current year provision</i>	409,380			
<i>Deferred surrender</i>	<u>2,000</u>			
		411,380	410,874	397,003
Gross expenditure		411,380	410,874	397,003
<i>Deduct</i>				
B Appropriations-in-aid		68,239	71,153	74,696
Net expenditure				
<i>Current year provision</i>	341,141			
<i>Deferred surrender</i>	<u>2,000</u>			
		343,141	339,721	322,307

Surplus

The surplus of the amount provided over the net amount applied is liable for surrender to the Exchequer. Under Section 91 of the Finance Act 2004, all or part of any unspent appropriations for capital supply services may be carried over for spending in the following year.

	2017	2016
	€	€
Surplus	3,420,000	10,805,980
Deferred surrender	—	(2,000,000)
Surplus to be surrendered	3,420,000	8,805,980

Niall Cody
Accounting Officer
Office of the Revenue Commissioners

27 March 2018

Notes to the Appropriation Account

Note 1 Operating Cost Statement 2017

	2017	2016
	€000	€000
Pay	293,808	288,101
Non pay	117,066	108,902
Gross expenditure	410,874	397,003
<i>Deduct</i>		
Appropriations-in-aid	71,153	74,696
Net expenditure	339,721	322,307
Changes in capital assets		
Purchases cash	(20,709)	
Depreciation	17,564	
Disposals cash	69	
Gain on disposals	(20)	
	(3,096)	(8,327)
Changes in net current assets		
Increase in closing accruals	384	
Decrease in stock	197	
	581	4,524
Direct expenditure	337,206	318,504
Expenditure borne elsewhere		
Net allied services expenditure (cash) (note 1.1)	109,918	88,956
Notional rents (non cash)	9,936	9,969
Net programme cost	457,060	417,429

1.1 Net Allied Services Expenditure

The net allied services expenditure amount is made up of the following amounts in relation to Vote 9 borne elsewhere and amounts borne on the Vote in respect of other services.

	2017	2016
	€000	€000
Vote 12 Superannuation and Retired Allowances	94,061	73,202
Vote 13 Office of Public Works	18,825	18,541
Vote 18 National Shared Services Office	744	154
Vote 24 Justice and Equality	—	561
	<u>113,630</u>	<u>92,458</u>
Services rendered by Revenue without charge ^a	e (3,712)	(3,502)
	<u>109,918</u>	<u>88,956</u>

^a In addition to services rendered without charge to other Votes shown here (€3.7 million), services to the value of approximately €1,107,000 were also provided without charge to other non voted bodies.

'e' Indicates that the number is an estimated value or an apportioned cost.

Note 2 Statement of Financial Position as at 31 December 2017

	Note	2017	2016
		€000	€000
Capital assets	2.2	75,748	71,356
Current assets			
Bank and cash	2.3	9,687	21,771
Stocks	2.4	1,370	1,567
Prepayments		13,231	13,278
Accrued income		1,884	1,884
Other debit balances	2.5	2,509	1,731
Net Exchequer funding due	2.7	85	(7,194)
Total current assets		28,766	33,037
Less current liabilities			
Accrued expenses		4,274	3,193
Deferred income		113	135
Other credit balances	2.6	12,281	16,308
Total current liabilities		16,668	19,636
Net current assets		12,098	13,401
Net assets		87,846	84,757
Represented by:			
State funding account	2.1	87,846	84,757

2.1 State funding account

	Note	2017	2016
		€000	€000
Balance at 1 January		84,757	80,928
Disbursements from the Vote			
Estimate provision	Account	341,141	
Deferred surrender	Account	2,000	
Surplus to be surrendered	Account	(3,420)	
Net vote		339,721	322,307
Expenditure (cash) borne elsewhere	1.1	109,918	88,956
Non cash expenditure – notional rent	1	9,936	9,969
Other non-cash items – seized vehicles		574	26
Net programme cost	1	(457,060)	(417,429)
Balance at 31 December		87,846	84,757

2.2 Capital assets

	Vehicles and equipment €000	Office/IT equipment €000	Furniture and fittings €000	Capital assets under development €000	Total €000
Gross assets					
Cost or valuation at 1 January 2017	16,351	426,487	59,823	6,558	509,219
Additions	1,397	6,221	3,284	10,528	21,430
Seized vehicles appropriated to Revenue	574	—	—	—	574
Assets under development capitalised	—	14,296	—	(14,296)	—
Transfers from Vote 10	—	4	—	—	4
Transfers to Vote 10	—	(3)	—	—	(3)
Disposals	(1,136)	(6,360)	(1,965)	—	(9,461)
Cost or valuation at 31 December 2017	17,186	440,645	61,142	2,790	521,763
Accumulated depreciation					
Opening balance at 1 January 2017	11,897	372,468	53,498	—	437,863
Transfers to Vote 10	—	(2)	—	—	(2)
Depreciation for the year	1,358	14,671	1,537	—	17,566
Depreciation on disposals	(1,125)	(6,336)	(1,951)	—	(9,412)
Cumulative depreciation at 31 December 2017	12,130	380,801	53,084	—	446,015
Net assets at 31 December 2017	5,056	59,844	8,058	2,790	75,748
Net assets at 31 December 2016	4,454	54,019	6,325	6,558	71,356

2.3 Bank and cash

at 31 December	2017 €000	2016 €000
PMG balances and cash	9,685	21,768
Commercial bank account balances	2	3
	9,687	21,771

2.4 Stocks

at 31 December	2017 €000	2016 €000
Stationery and small stores	975	934
IT consumables	11	225
Equipment/clothing/miscellaneous	384	408
	1,370	1,567

2.5 Other debit balances

at 31 December	2017	2016
	€000	€000
Shared buildings advances	215	183
Advances for travel and subsistence purposes	18	19
Advances to OPW for building works, etc.	1,689	906
Miscellaneous suspense	247	352
Vote 10 Tax Appeals Commission	340	271
	2,509	1,731

2.6 Other credit balances

at 31 December	2017	2016
	€000	€000
Amounts due to the State		
Income Tax	3,818	5,430
Pay Related Social Insurance	1,794	2,315
Professional Services Withholding Tax	1,801	1,734
Value Added Tax	429	756
Local Property Tax	47	61
Pension contributions	799	1,945
Extra Exchequer receipts	424	—
	9,112	12,241
Payroll deductions held in suspense	3,019	4,020
Recoupable expenditure in advance ^a	52	(32)
Other credit suspense items	98	79
	12,281	16,308

^a In 2016, recoupable expenditure in advance of (€32,000) was disclosed in Note 2.5 Other debit balances.

2.7 Net Exchequer funding due

at 31 December	2017	2016
	€000	€000
Surplus to be surrendered	3,420	8,806
Deferred surrender	—	2,000
Exchequer grant undrawn	(3,505)	(3,612)
Net Exchequer funding due	(85)	7,194
Represented by:		
Debtors		
Bank and cash	9,687	21,771
Other debit balances	2,509	1,731
	12,196	23,502
Creditors		
Due to State	(9,112)	(12,241)
Other credit balances	(3,169)	(4,067)
	(12,281)	(16,308)
	(85)	7,194

2.8 Commitments

at 31 December	2017	2016
	€000	€000
Global commitments		
Procurement of goods and services	2,351	3,899
Total of legally enforceable commitments	2,351	3,899

Note 3 Vote Expenditure by Subhead

Analysis of administration expenditure

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

		2017		2016
		Estimate provision		Outturn
		€000	€000	€000
I	Salaries, wages and allowances	301,645	293,808	288,101
ii	Travel and subsistence	4,100	4,670	3,956
iii	Training and development and other day-to-day expenses	18,035	20,943	19,721
iv	Postal and telecommunications services	10,200	11,198	10,057
v	Office equipment and external IT services			
	<i>Current year provision</i>	53,950		
	<i>Deferred surrender</i>	2,000	55,950	56,855
vi	Office premises expenses	7,000	7,954	7,507
vii	Consultancy services and value for money and policy reviews	50	47	53
viii	Motor vehicles and equipment maintenance	3,000	3,807	4,376
ix	Law charges, fees and rewards	10,900	11,250	10,532
x	Compensation and losses	500	342	396
		411,380	410,874	397,003

Significant variations

viii Motor vehicles and equipment maintenance

Estimate provision: €3 million, outturn: €3.8 million

The increase of €807,000 on expenditure on motor vehicles and equipment maintenance was due to the number of periodic maintenance on motor vehicles, scanners and boats being higher than normal in 2017.

x Compensation and losses

Estimate provision: €500,000, outturn: €342,000

The decrease of €158,000 on expenditure on compensation and losses was due to lower than expected costs. Compensation and losses can be difficult to accurately estimate due to irregular and long lead-in nature of payments.

Note 4 Receipts

4.1 Appropriations-in-aid

	2017		2016
	Estimated	Realised	Realised
	€000	€000	€000
1 Receipts for services relating to Pay Related Social Insurance Scheme	37,437	37,437	37,437
2 Fines, forfeitures, law costs recovered	3,600	2,895	3,269
3 Cherished numbers	150	198	257
4 Receipts in respect of Environmental Levy collection	400	397	394
5 Share of SASP collection cost (Single Authorisation for Simplified Procedures)	15,600	17,885	19,892
6 Miscellaneous	2,000	2,441	2,500
7 Receipts from pension-related deductions on public service receipts in respect of civil service staff	9,052	9,900	10,947
	68,239	71,153	74,696

Significant variations

Overall, appropriations-in-aid were €2.9 million more than the estimate.

Explanations for variances are set out below:

2 *Fines, forfeitures, law costs recovered*

Estimate provision: €3.6 million, outturn: €2.895 million

The shortfall of €705,000 was due to the introduction of a new instalment arrangement. This resulted in an interim timing issue, which will balance out over time.

5 *Share of SASP collection cost (Single Authorisation for Simplified Procedures)*

Estimate provision: €15.6 million, outturn: €17.885 million

The additional €2.285 million was due to the value of imports by private companies to other member states which are difficult to forecast. A conservative approach is taken in preparing the estimate.

6 *Miscellaneous*

Estimate provision: €2 million, outturn: €2.441 million

The additional €441,000 was due to (i) the increase in the number of people who paid by credit card, (ii) increase in Vote refunds.

7 *Receipts from pension-related deductions on public service receipts in respect of civil service staff*

Estimate provision: €9.052 million, outturn: €9.9 million

The additional €848,000 was due to the review of the Lansdowne Road Agreement and increase in staff numbers.

4.2 Extra receipts payable to the Exchequer

	2017	2016
	€000	€000
Balance at 1 January	—	460
Receipts from cash forfeited under Section 39 of the Criminal Justice Act 1994	862	439
Receipts from Ireland's share of the annual payments under an international anti-counterfeit/anti-contraband agreement with global cigarette manufacturers	750	768
Transferred to Exchequer	(1,188)	(1,667)
Balance at 31 December	424	—

Note 5 Employee Numbers and Pay

5.1 Employee numbers

	2017	2016
Number of staff at year end (full time equivalents)	6,113	6,054

The number of staff at year end 2017 includes 106 temporary clerical officers (2016:86), 48 of whom were engaged in the administration of Local Property Tax. The remainder covered other peak business periods across the organisation.

5.2 Pay

	2017	2016
	€000	€000
Pay	271,404	266,807
Higher, special or additional duties allowance	4,087	4,131
Overtime	2,490	2,398
Employer's PRSI	15,827	14,765
Total pay	293,808	288,101

5.3 Allowances and overtime payments

	Number of recipients	Recipients of €10,000 or more	Highest individual payment	Highest individual payment
			2017	2016
			€	€
Higher, special or additional duties	116	14	21,304	17,288
Overtime and extra attendance	1,757	78	17,085	17,297
Shift and roster allowances	215	25	23,413	23,177
Miscellaneous	241	4	28,385	13,280
Extra remuneration in more than one category	324	93	25,478	23,548

5.4 Performance awards

A total of €103,011 was spent on Staff Recognition Schemes. There were 1,844 individual awards, ranging from €20 to €350.

5.5 Other remuneration arrangements

The cost of Revenue staff on secondment to other departments/agencies without recoupment was €295,380 (2016: €365,687).

A total of €65,125 was paid to three Revenue staff in 2017 in compensation for loss of earnings in accordance with Labour Court Recommendation No.19995.

A total of €44,087 was paid to 28 retired civil servants by Revenue in 2017 in respect of Interview Board payments, training interventions and witness expenses. These payments were made in accordance with the appropriate Department of Public Expenditure and Reform rates.

A total of €24,742 was paid to 12 staff in 2017 who redeployed to Revenue from other public sector bodies. These payments were in compensation for the loss of entitlements from their previous employment, including for annual leave and employee schemes. The payments were made in accordance with Department of Public Expenditure Reform guidelines.

5.6 Payroll overpayments

Overpayments recorded by NSSO at the year-end were €1,690,634 (797 employees) (2016: €1,512,222; 662 employees). Of this, €730,512 (353 employees) had recovery plans in place.

Note 6 Miscellaneous

6.1 Write-offs

The following sums were written off in the year:

	2017	2016
	€000	€000
Obsolete stock	<u>31</u>	<u>24</u>

6.2 Law charges, fees and rewards (subhead A (ix))

	2017	2016
	€000	€000
Legal costs paid during the year are categorised as follows:		
External solicitors	4,713	4,583
Counsel fees	2,406	2,532
Other fees and costs:		
Bankruptcy/liquidation costs	2,877	2,676
Court fees	10	8
Miscellaneous costs and rewards	<u>1,244</u>	<u>733</u>
	<u><u>11,250</u></u>	<u><u>10,532</u></u>

6.3 Compensation and legal costs

				2017	2016	
	Number of cases	Legal costs paid by the Office €000	Legal costs awarded €000	Compensation awarded €000	Total €000	Total €000
Claims by employees of the Office						
Legal action taken by members of staff including claims pursued via the State Claims Agency	11	9	4	47	60	68
Miscellaneous expenses arising from work related incidents.	5	—	—	1	1	5
Claims by members of the public	26	20	215	46	281	323
		<u>29</u>	<u>219</u>	<u>94</u>	<u>342</u>	<u>396</u>

6.4 Arbitration and conciliation costs

Revenue had no expenditure in 2017 relating to arbitration and conciliation (2016: €1,678).

6.5 Contingent liability

Revenue has contingent liabilities of €1.5 million at year end (2016: €2.6 million).

6.6 EU funding

A grant for €375,000 was received from the European Anti-fraud Office towards the procurement of a mobile x-ray scanner. This was the second half of a €750,000 EU grant towards this purchase.
