



Appropriation Account 2012

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 2012 for the salaries and expenses of 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 2012, including the amount that could be used as appropriations-in-aid of expenditure for the year.

The Statement of Accounting Policies and Principles and notes 1 to 6 form part of the account.

New Function

The Finance (Local Property Tax) Act 2012 imposed an annual tax in respect of certain residential properties and for the establishment and maintenance of a register of residential properties in the State by the Revenue Commissioners.

Statement of Accounting Policies and Principles

The standard accounting policies and principles for the production of appropriation accounts 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 to 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.

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.

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 and, in particular, that

- 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
- a risk management system operates within the Office
- there are systems aimed at ensuring the security of the ICT systems
- there are appropriate capital investment control guidelines and formal project management disciplines
- the Office is compliant with all relevant guidelines regarding procurement and is complying with all circulars relating to the mandatory use of framework agreements and contracts.

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 written charter which I have approved. 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.

Josephine Feehily

Accounting Officer

Office of the Revenue Commissioners

25 March 2013

Comptroller and Auditor General Report for presentation to the Houses of the Oireachtas

Vote 9 Office of the Revenue Commissioners

I have audited the appropriation account for Vote 9 Office of the Revenue Commissioners for the year ended 31 December 2012 under section 3 of the Comptroller and Auditor General (Amendment) Act 1993. The account has been prepared in the form prescribed by the Minister for Public Expenditure and Reform, in accordance with standard accounting policies and principles for appropriation accounts.

Responsibility of the Accounting Officer

In accordance with Section 22 of the Exchequer and Audit Departments Act 1866, the Accounting Officer is required to prepare the appropriation account. By law, the account must be submitted to me by 31 March following the end of the year of account.

The Accounting Officer is also responsible for the safeguarding of public funds and property under her control, for the efficiency and economy of administration in her Office and for the regularity and propriety of all transactions in the appropriation accounts.

Responsibility of the Comptroller and Auditor General

I am required under Section 3 of the Comptroller and Auditor General (Amendment) Act 1993 to audit the appropriation accounts of all Votes and to perform such tests as I consider appropriate for the purpose of the audit.

Upon completion of the audit of an appropriation account, I am obliged to provide a certificate stating whether, in my opinion, the account properly presents the receipts and expenditure related to the Vote. I am also required to refer to any material case in which

- a department or office has failed to apply expenditure recorded in the account for the purposes for which the appropriations made by the Oireachtas were intended, or
- transactions recorded in the account do not conform with the authority under which they purport to have been carried out.

Under Section 3 (10) of the Comptroller and Auditor General (Amendment) Act 1993, I am required to prepare a report each year on any matters that arise from the audits of the appropriation accounts or examinations of accounting controls.

Scope of audit

An audit includes examination, on a test basis, of evidence relevant to the amounts and regularity of financial transactions included in the account and an assessment of whether the accounting provisions of Public Financial Procedures have been complied with.

The audit involves obtaining sufficient evidence to give reasonable assurance that the appropriation account is free from material misstatement, whether caused by fraud or other irregularity or error. I also seek to obtain evidence about the regularity of financial transactions in the course of the audit. In forming the audit opinion, the overall adequacy of the presentation of the information in the appropriation account is evaluated.

Opinion on the appropriation account

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 2012.

I have obtained all the information and explanations I considered necessary for the purposes of my audit. In my opinion, proper books of account have been kept by the Office of the Revenue Commissioners. The appropriation account is in agreement with the books of account.

Seamus McCarthy
Comptroller and Auditor General

30 August 2013

Vote 9 Office of the Revenue Commissioners Appropriation Account 2012

| | 2012 | | 2011 |
|--|-----------------------|----------------|----------------|
| | Estimate provision | Outturn | Outturn |
| | €000 | €000 | €000 |
| Programme Expenditure | | | |
| A Administration and collection of taxes and duties, and frontier management | 382,145 | 381,474 | 391,892 |
| Gross expenditure | 382,145 | 381,474 | 391,892 |
| <i>Deduct</i> | | | |
| B Appropriations-in-aid | 70,167 | 73,347 | 74,335 |
| Net expenditure | 311,978 | 308,127 | 317,557 |

Surplus for surrender

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

| | 2012 | 2011 |
|---------------------------|-----------|-----------|
| | € | € |
| Surplus to be surrendered | 3,850,808 | 7,614,739 |

Analysis of administration expenditure

| | | 2012 | | 2011 |
|------|---|------------------|----------------|----------------|
| | | Estimate | Outturn | Outturn |
| | | provision | | |
| | | €000 | €000 | €000 |
| i | Salaries, wages and allowances | 282,027 | 282,580 | 293,598 |
| ii | Travel and subsistence | 3,300 | 3,192 | 3,325 |
| iii | Training and development and incidental expenses | 14,400 | 12,357 | 13,163 |
| iv | Postal and telecommunications services | 11,000 | 9,186 | 11,001 |
| v | Office equipment and external IT services | 44,950 | 49,179 | 43,559 |
| vi | Office premises expenses | 7,700 | 8,775 | 7,674 |
| vii | Consultancy services and value for money and policy reviews | 106 | 35 | 107 |
| viii | Motor vehicles and equipment maintenance | 2,212 | 2,064 | 2,231 |
| ix | Law charges, fees and rewards | 15,900 | 13,675 | 17,074 |
| x | Compensation and losses | 550 | 431 | 160 |
| | | 382,145 | 381,474 | 391,892 |

Notes to the Appropriation Account

1 Operating Cost Statement 2012

| | 2012 | | 2011 |
|---|---------|-----------------|-----------------|
| | €000 | €000 | €000 |
| Pay | | 282,580 | 293,598 |
| Non pay | | 98,894 | 98,294 |
| Gross expenditure | | 381,474 | 391,892 |
| <i>Deduct</i> | | | |
| Appropriations-in-aid | | (73,347) | (74,335) |
| Net expenditure | | 308,127 | 317,557 |
| Changes in capital assets | | | |
| Purchases cash | (5,789) | | |
| Depreciation | 17,324 | | |
| Disposals cash | 29 | | |
| Loss on disposals | 35 | | |
| | | 11,599 | 20,667 |
| Changes in assets under development | | | |
| Cash payments | | (16,829) | (16,580) |
| Changes in net current assets | | | |
| Increase in closing accruals | 1,878 | | |
| Increase in stock | (194) | | |
| | | 1,684 | 7,592 |
| Direct expenditure | | 304,581 | 329,236 |
| Expenditure borne elsewhere | | | |
| Net allied services expenditure (cash) (note 1.1) | | 74,330 | 71,769 |
| Notional rents (non cash) | | 11,378 | 11,019 |
| Net programme cost | | 390,289 | 412,024 |

1.1 Net Allied Services Expenditure

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

| | 2012 | 2011 |
|---|---------|---------|
| | €000 | €000 |
| Vote 12 Superannuation and Retired Allowances | 63,983 | 57,840 |
| Vote 13 Office of Public Works | 18,235 | 22,342 |
| | 82,218 | 80,182 |
| Services rendered by Revenue without charge | (7,888) | (8,413) |
| | 74,330 | 71,769 |

2 Balance Sheet as at 31 December 2012

| | Note | 2012 €000 | 2011 €000 |
|---|------|---------------|---------------|
| Capital assets | 2.3 | 56,968 | 55,276 |
| Capital assets under development | 2.4 | 6,199 | 2,734 |
| | | 63,167 | 58,010 |
| Current assets | | | |
| Bank and cash | 2.5 | 9,929 | 10,466 |
| Stocks | 2.6 | 1,659 | 1,465 |
| Prepayments | | 12,684 | 15,233 |
| Accrued income | | 2,126 | 1,303 |
| Other debit balances | 2.7 | 1,104 | 530 |
| Total current assets | | 27,502 | 28,997 |
| Less current liabilities | | | |
| Accrued expenses | | 3,214 | 3,131 |
| Deferred income | | 37 | 89 |
| Other credit balances | 2.8 | 11,355 | 10,711 |
| Net liability due (from)/to the Exchequer | 2.9 | (322) | 285 |
| Total current liabilities | | 14,284 | 14,216 |
| Net current assets | | 13,218 | 14,781 |
| Net assets | | 76,385 | 72,791 |
| Represented by: | | | |
| State funding account | 2.1 | 76,385 | 72,791 |

| 2.1 State Funding Account | Note | 2012 €000 | 2011 €000 |
|--------------------------------------|---------|----------------|----------------|
| Balance at 1 January | | 72,791 | 84,352 |
| Funding drawn down | 2.2 | 382,457 | 389,326 |
| Non cash expenditure – notional rent | 1 | 11,378 | 11,019 |
| Seized vehicles | | 48 | 76 |
| Prior year adjustment | | — | 42 |
| Net programme cost | 1 | (390,289) | (412,024) |
| Balance at 31 December | | 76,385 | 72,791 |
| 2.2 Funding drawn down | Note | 2012 €000 | 2011 €000 |
| Disbursements from the Vote | | | |
| Estimate provision | Account | 311,978 | 325,172 |
| Surplus to be surrendered | Account | (3,851) | (7,615) |
| | | 308,127 | 317,557 |
| Expenditure (cash) borne elsewhere | 1 | 74,330 | 71,769 |
| Total funding drawn down | | 382,457 | 389,326 |

2.3 Capital Assets

| | Vehicles and equipment €000 | Office/IT equipment €000 | Furniture and fittings €000 | Total €000 |
|---|-----------------------------------|--------------------------------|-----------------------------------|----------------------|
| Gross assets | | | | |
| Cost or valuation at 1 January 2012 | 13,175 | 409,712 | 53,066 | 475,953 |
| Adjustment ¹ | — | (54,062) | — | (54,062) |
| Additions | 295 | 18,267 | 470 | 19,032 |
| Seized vehicles appropriated to Revenue | 48 | — | — | 48 |
| Disposals | (228) | (1,094) | (99) | (1,421) |
| Cost or valuation at 31 December 2012 | <u>13,290</u> | <u>372,823</u> | <u>53,437</u> | <u>439,550</u> |
| Accumulated depreciation | | | | |
| Opening balance at 1 January 2012 | 9,645 | 363,617 | 47,415 | 420,677 |
| Adjustment ¹ | — | (54,062) | — | (54,062) |
| Depreciation for the year | 760 | 15,098 | 1,466 | 17,324 |
| Depreciation on disposals | (228) | (1,093) | (36) | (1,357) |
| Cumulative depreciation at 31 December 2012 | <u>10,177</u> | <u>323,560</u> | <u>48,845</u> | <u>382,582</u> |
| Net assets at 31 December 2012 | <u>3,113</u> | <u>49,263</u> | <u>4,592</u> | <u>56,968</u> |
| Net assets at 31 December 2011 | <u>3,530</u> | <u>46,095</u> | <u>5,651</u> | <u>55,276</u> |

¹ The balances at 1 January 2012 in respect of cost and accumulated depreciation for office/IT equipment have been adjusted by €54 million in respect of fully depreciated pre-2000 computer equipment that was obsolete and no longer in use at that date.

2.4 Capital Assets under Development

| at 31 December | In-house computer applications €000 |
|---|---|
| Amounts brought forward at 1 January 2012 | 2,734 |
| Cash payments for the year | 16,829 |
| Transferred to asset register | (13,364) |
| Amounts carried forward at 31 December 2012 | <u>6,199</u> |

2.5 Bank and Cash

| at 31 December | 2012 €000 | 2011 €000 |
|-----------------------|--------------|---------------|
| PMG balances and cash | 10,011 | 10,577 |
| Orders outstanding | (82) | (111) |
| | <u>9,929</u> | <u>10,466</u> |

| 2.6 Stocks | 2012 | 2011 |
|----------------------------------|--------------|--------------|
| at 31 December | €000 | €000 |
| Stationery and small stores | 772 | 865 |
| IT consumables | 542 | 524 |
| Equipment/clothing/miscellaneous | 345 | 76 |
| | <u>1,659</u> | <u>1,465</u> |

| 2.7 Other Debit Balances | 2012 | 2011 |
|--|--------------|-------------|
| at 31 December | €000 | €000 |
| Shared buildings advances | 238 | 190 |
| Advances for travel and subsistence purposes | 13 | 14 |
| Miscellaneous suspense | 749 | 222 |
| Vote 10 Appeal Commissioners | 104 | 104 |
| | <u>1,104</u> | <u>530</u> |

| 2.8 Other Credit Balances | 2012 | 2011 |
|--|---------------|---------------|
| at 31 December | €000 | €000 |
| Amounts due to the State | | |
| Income Tax | 4,148 | 4,444 |
| Pay Related Social Insurance | 1,335 | 1,483 |
| Professional Services Withholding Tax | 1,508 | 1,189 |
| Value Added Tax | 359 | 317 |
| Relevant Contracts Tax | 2 | — |
| Pension contributions | 549 | 691 |
| Extra exchequer receipts | 137 | 1,028 |
| | <u>8,038</u> | <u>9,152</u> |
| Payroll deductions held in suspense | 2,818 | 3,074 |
| Amounts due to OPW for building works etc. | 143 | (593) |
| Recoupable expenditure in advance | 336 | (1,185) |
| Other credit suspense items | 20 | 263 |
| | <u>11,355</u> | <u>10,711</u> |

| 2.9 Net Liability (from)/to the Exchequer | 2012 | 2011 |
|--|--------------|-------------|
| at 31 December | €000 | €000 |
| Surplus to be surrendered | 3,851 | 7,615 |
| Exchequer grant undrawn | (4,173) | (7,330) |
| Net liability (from)/to the Exchequer | <u>(322)</u> | <u>285</u> |

Represented by:**Debtors**

| | | |
|----------------------|---------------|---------------|
| Bank and cash | 9,929 | 10,466 |
| Other debit balances | 1,104 | 530 |
| | <u>11,033</u> | <u>10,996</u> |

Creditors

| | | |
|-----------------------|-----------------|-----------------|
| Due to State | (8,038) | (9,152) |
| Other credit balances | (3,317) | (1,559) |
| | <u>(11,355)</u> | <u>(10,711)</u> |
| | <u>(322)</u> | <u>285</u> |

| 2.10 Commitments | 2012 | 2011 |
|--|-------------|-------------|
| at 31 December | €000 | €000 |
| Total of legally enforceable commitments | 852 | 166 |

3 Programme Expenditure by Subhead

| | | <u>2012</u> | | 2011 |
|----------|---|-----------------------|-----------------------|-----------------------|
| | | Estimate provision | Outturn | Outturn |
| | | €000 | €000 | €000 |
| A | Administration and collection of taxes, duties and frontier management | | | |
| A.1 | Administration - pay | 282,027 | 282,580 | 293,598 |
| A.2 | Administration - non pay | 100,118 | 98,894 | 98,294 |
| | | <u>382,145</u> | <u>381,474</u> | <u>391,892</u> |

Explanation of significant variations

Overall, the expenditure in relation to Programme A was €671,000 lower than provided.
Expenditure outturn on all headings was not significantly different from the amounts provided.

4 Receipts

4.1 Appropriations-in-aid

| | 2012 | | 2011 |
|--|---------------|---------------|---------------|
| | 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 | 4,500 | 3,892 | 4,155 |
| 3. Cherished numbers | 50 | 55 | 166 |
| 4. Receipts in respect of Environmental Levy collection | 400 | 402 | 399 |
| 5. Miscellaneous | 11,380 | 15,481 | 15,379 |
| 6. Receipts from pension-related deductions on public service remuneration | 16,400 | 16,080 | 16,799 |
| Total | 70,167 | 73,347 | 74,335 |

Explanation of significant variations

An explanation is provided below in the case of each heading where the outturn varied from the amount estimated by more than €100,000, and by more than 5%

| Description | Less/(more) than estimated €000 | Explanation |
|---|------------------------------------|---|
| Fines, forfeitures, law costs recovered | 608 | Difficult to estimate accurately due to uncertainty as regards amounts and timing of receipts. |
| Miscellaneous | (4,101) | €14 million of miscellaneous appropriations-in-aid relates to collection costs in respect of Customs duties, which are determined by the type and volume of imports. It is difficult to estimate these receipts accurately. |

4.2 Extra receipts payable to the Exchequer

| | 2012 | 2011 |
|---|--------------|--------------|
| | Realised | Realised |
| | €000 | €000 |
| Forfeited cash ¹ | 2,012 | 520 |
| Anti-counterfeit/contraband operations ² | 695 | 1,529 |
| Bank interest ³ | 189 | 478 |
| Voluntary salary surrender ⁴ | 16 | 8 |
| | <u>2,912</u> | <u>2,535</u> |

¹ Cash forfeited under Section 39 of the Criminal Justice Act, 1994. €137,281 of this was received in December 2012 and is due to be paid to the Exchequer in 2013.

² Ireland's share of the annual payments under an international anti-counterfeit/anti-contraband agreement with global cigarette manufacturers.

³ Bank interest on Revenue accounts held with the Central Bank.

⁴ Voluntary surrender of salary under Section 483 of the Taxes Consolidation Act, 1997.

5 Employee Numbers and Pay

| | | |
|--|----------------|----------------|
| | 2012 | 2011 |
| Number of staff at year end (full time equivalents) | 5,715 | 5,957 |
| | 2012 | 2011 |
| | €000 | €000 |
| Pay | 263,641 | 274,249 |
| Higher, special or additional duties allowance | 3,993 | 4,332 |
| Overtime | 2,805 | 2,987 |
| Employer's PRSI | 12,141 | 12,030 |
| Total Pay | 282,580 | 293,598 |

5.1 Allowances and Overtime Payments

| | Number of recipients | Recipients of €10,000 or more | Maximum individual payment 2012 € | Maximum individual payment 2011 € |
|--------------------------------------|----------------------------|-------------------------------------|---|---|
| Higher, special or additional duties | 442 | 18 | 19,568 | 18,589 |
| Overtime and extra attendance | 1,941 | 82 | 18,465 | 21,409 |
| Shift and roster allowances | 174 | 26 | 22,435 | 19,466 |
| Miscellaneous | 67 | 4 | 15,925 | 18,828 |

Certain individuals received extra remuneration in more than one category.

5.2 Performance Awards

A total of €165,077 was spent on exceptional performance awards i.e. 1,088 individual awards, ranging from €25 to €2,000, and four team awards ranging from €630 to €1,750.

5.3 Other Remuneration Arrangements

The cost of Revenue staff on loan to other departments/agencies without recoupment was €345,559.

6 Miscellaneous

6.1 Write-off

Obsolete stock to the value of €110,000 was written off in the year.

6.2 EU Funding

Two grants totalling €57,484 were received from the European Anti-fraud Office towards the purchase of a scan van and towards the purchase and training of a tobacco detection dog.

6.3 Legal Costs, Other Fees and Rewards

| | 2012 | 2011 |
|--|---------------|---------------|
| | €000 | €000 |
| Legal costs paid during the year are categorised as follows: | | |
| External solicitors | 4,994 | 4,839 |
| Counsel fees | 2,223 | 1,750 |
| Other fees and costs charged to subhead A(ix): | | |
| Bankruptcy/liquidation costs | 3,204 | 3,732 |
| Court fees | 2,478 | 5,926 |
| Miscellaneous costs and rewards | 776 | 827 |
| | <u>13,675</u> | <u>17,074</u> |

6.4 Compensation Costs

| | 2012 | 2011 |
|--------------------|-------------|-------------|
| | €000 | €000 |
| Compensation costs | 431 | 160 |

Compensation of €392,007 was paid in respect of legal action taken by members of the public.

A total of €33,828 was paid in respect of compensation claims by members of staff pursued via the State Claims Agency.

6.5 Contingent Liability

Revenue has contingent liabilities of €580,000.