

## 12 Tackling Fuel Laundering

- 12.1** In 2015, €2.6 billion was collected by the Revenue Commissioners (Revenue) in excise duty on mineral oils in the form of mineral oil tax and carbon tax. This represents almost half (47%) of the total excise duty of €5.5 billion collected by Revenue in that year.
- 12.2** All taxes are subject to risk of fraud and evasion. In the case of mineral oils, fuel 'launderers' use techniques to remove markers from the fuel making the use of sight tests ineffective for detecting the illegal use of fuel. By removing the marker, fuel that is subject to a lower rate of excise duty and VAT can be sold on as fuel with a higher sale price.
- 12.3** Revenue has introduced a number of initiatives as part of a Mineral Oils Strategy implemented in 2011 to combat the illicit fuel market and fuel laundering in Ireland.
- 12.4** This report examines
- the actions taken by Revenue in recent years to tackle the issue of fuel laundering
  - the cost to the State in taxes forgone as a result of fuel laundering.

### Excise duty

- 12.5** There are three categories of excisable products - mineral oils, alcohol and alcoholic beverages, and manufactured tobacco products. Excise duties are also chargeable on certain premises or activities (for example, betting and licences for retailing of liquor).<sup>1</sup> Figure 12.1 shows the excise receipts related to mineral oils as a proportion of the total excise duty collected for the period 2010 to 2015. Annex A provides a detailed breakdown of the excise duty collected between 2010 and 2015.

**Figure 12.1 Excise duty collected, as a proportion of total excise receipts, 2010 to 2015**



<sup>1</sup> The rates of duty are available at [www.Revenue.ie](http://www.Revenue.ie).

Source: Office of the Revenue Commissioners

Note: The 'excise mineral oils' figures comprise excise duty on oil and carbon tax.

## Fuel laundering

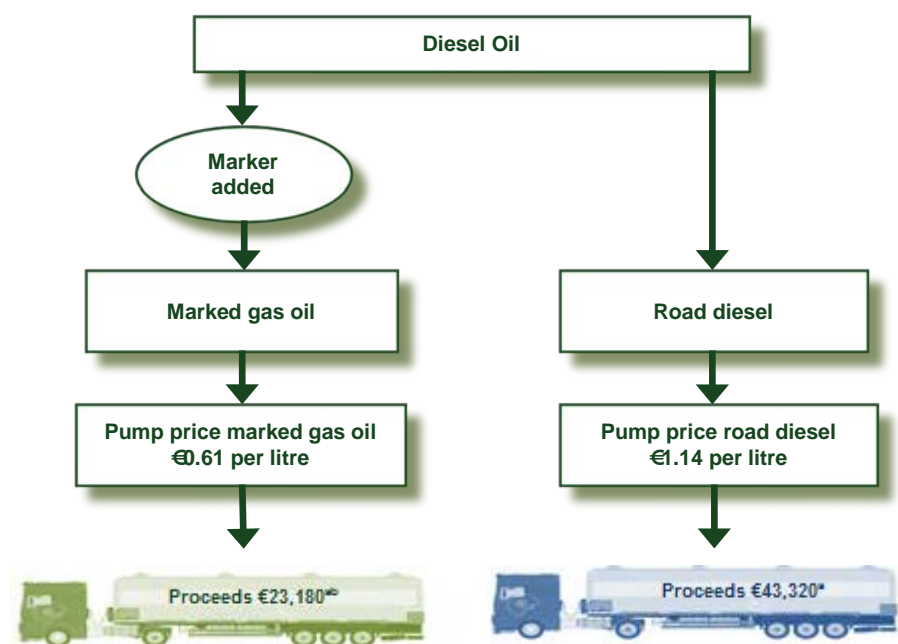
**12.6** There are two main types of diesel oil – road diesel and marked gas oil

- **road diesel** is used as a fuel for transport and passenger vehicles
- **marked gas oil** is intended for use in industry (for example in construction equipment such as forklifts, compressors, portable generators), agricultural equipment (such as tractors) and home heating systems.

**12.7** Marked gas oil is subject to a significantly lower rate of excise duty and VAT than road diesel.<sup>1</sup> It is marked with fuel dyes and chemicals in order to differentiate it from road diesel. Fuel laundering is an illegal process to remove the markers, with the laundered fuel then sold on for use in road vehicles.

**12.8** The key driver for fuel laundering is the price differential between marked gas oil and road diesel. Once the marker is removed from marked gas oil, it can be sold on as road diesel taking advantage of the resulting higher prices achievable for road diesel. Figure 12.2 sets out an estimation of the price differential between a tanker of marked gas oil and a tanker of road diesel.

**Figure 12. 2 Price differential between marked gas oil and road diesel**



<sup>1</sup> Road diesel is subject to 23% VAT and 48 cent excise duty per litre; marked gas oil is subject to 13.5% VAT and 10 cent excise duty per litre.

Source: Fuel prices taken from Irish Farmers' Association fuel survey (national average), June 2016. Analysis by the Office of the Comptroller and Auditor General.

- Notes:
- a Assumes a tanker of oil is approximately 38,000 litres.
  - b A submission to the Joint Committee on Environment, Transport, Culture and the Gaeltacht in January 2012 by the Irish Petrol Retailers Association included an estimate of €20,000 for the tax loss to Revenue for each tanker of laundered fuel.

## Initiatives to tackle fuel laundering

- 12.9** In 2011, an EU Directive came into force which required the sulphur content of marked gas oil marketed for use in non-road mobile machinery to be reduced to the same level as road diesel.<sup>1</sup> This made laundered fuel more difficult to detect, thus increasing the risk of greater fuel laundering.
- 12.10** In response to this, Revenue developed a strategy for combatting the illegal trade in mineral oils. This set out eight objectives with a number of associated actions for each objective. Figure 12.3 sets out the strategic objectives and an assessment of the progress in implementing each one to date.

**Figure 12.3 Implementation of Revenue's Mineral Oils Strategy**

Strategic objective	Progress made
Rigorous enforcement	●
Increase prosecutions	●
Maintain compliance of legitimate trade	●
Enhance cooperation	●
Enhance IT capability	●
Strengthen the law	●
Improve marking of mineral oils	●
Reduce demand for illegal mineral oils	●

Source: Analysis by the Office of the Comptroller and Auditor General

Notes: ● Significant progress made  
● Some progress made

<sup>1</sup> Non-road mobile machinery includes tractors, agricultural equipment, construction equipment, portable generators and forklifts. Gas oil intended for use in home heating systems, stationary equipment or marine fuel continues to have a higher specification of sulphur.

- 12.11** The key measures introduced to tackle fuel laundering, and the dates they were implemented, are set out in Figure 12.4.

**Figure 12.4 Revenue's measures to tackle fuel laundering**

<b>2011</b>	<b>Revenue's Mineral Oils Strategy</b>	
<b>2012</b>	<b>July</b> Annual auto fuel trader's licence required by traders for each premises that produces, sells, delivers or deals in, mineral oils for use in motor vehicles. For 2015/2016, there were 2,269 such licences listed.	<b>October</b> Annual marked fuel trader's licence required by traders for each premises that produces, holds, deals in, or delivers marked gas oil or marked kerosene. For 2015/2016 there were 1,403 such licences listed.
<b>2013</b>	<b>January</b> Introduction of a supply chain reporting system which includes a mandatory monthly Return of Oil Movements form (ROM 1) providing details on the inward and outward movement of stock. Average compliance rate for submission of return is 98% for 2013 to 2015.	<b>December</b> Marked fuel traders made liable for tax evaded, if recklessly supplying marked fuel.
<b>2014</b>	<b>December</b> Grounds to refuse or revoke licence extended. Increased Revenue powers to request information in relation to a licence application.	
<b>2015</b>	<b>January</b> Commencement of the national mineral oil compliance project.	<b>September</b> Phased introduction of portable analysers. National risk based sampling programme implemented. Up to July 2016, 1,515 samples taken.
	<b>April</b> New fuel marker introduced in Ireland and the United Kingdom (UK).	
<b>2016</b>	<b>January</b> <ul style="list-style-type: none"> <li>Code of business conduct regarding the supply of marked fuels published by the Irish Petroleum Industry Association in consultation with Revenue.</li> <li>A random sampling exercise of fuel licence holders was carried out in January 2016. 197 samples were tested and there was no evidence of the new marker found.<sup>a</sup></li> </ul>	<b>May</b> Report on the national mineral oil compliance project.
<b>2017</b>	<b>February (planned)</b> Integration of mineral oil tax into Revenue's mainstream IT system for collecting and reporting tax. <sup>b</sup> This will lead to enhanced risk analysis.	

Source: Office of the Comptroller and Auditor General

Notes: a This exercise forms part of the national risk based sampling programme introduced in September 2015.

b Excise duty is currently not incorporated into Revenue's mainstream IT systems.

**12.12** Figure 12.5 sets out the results of the various compliance activities for the period 2010 to 2015.

**Figure 12.5 Results of Revenue compliance activity, 2010 to 2015**

Year	Filling stations closed	Commercial seizures		Laundry detections	Convictions/settlements for oil offences
		Number	Litres		
2010	— <sup>a</sup>	40	138,484	4	11
2011	32	88	718,181	9	12
2012	57	86	914,087	11	19
2013	30	67	771,232	9	14
2014	15	32	150,800	2	9
2015	15	47	215,132	—	2
<b>Total</b>	<b>149</b>	<b>360</b>	<b>2,907,916</b>	<b>35</b>	<b>67</b>

Source: Office of the Revenue Commissioners

Note: a Revenue began taking action from mid-2011 against service stations that were unlicensed and also against stations that had failed to adhere to the conditions of their licences.

**12.13** Revenue implemented a national sampling programme in September 2015. 1,515 samples were taken and processed by the portable analysers. The results of the samples taken are set out in Figure 12.6.

**Figure 12.6 Results of national sampling programme, September 2015 to July 2016**

Revenue region	Samples tested <sup>a</sup>	Positive detections certified by State Laboratory	Positive detections as % of samples tested	Prosecutions initiated <sup>b</sup>
Border, Midlands and West	638	31	4.9%	6
East and South East	286	11	3.8%	3
South West	349	—	—	—
Dublin	242	2	0.8%	1
<b>Total</b>	<b>1,515</b>	<b>44</b>	<b>2.9%</b>	<b>10</b>

Source: Office of the Revenue Commissioners

Notes: a The 1,515 samples tested includes the samples tested in January 2016 as part of the random sampling exercise carried out on fuel licence holders.

b Results to 15 August 2016

**12.14** As can be seen in Figure 12.6, 2.9% of the samples tested resulted in positive detections of laundered fuel. Revenue stated that the majority of these detections occurred in the early months of the national sampling programme with evident decreases in detections in the later months.

**12.15** Revenue will usually detain or seize suspect fuel following its detection by a portable analyser and pending a full investigation. However, prosecutions are only initiated following formal testing and certification of the presence of the marker by the State Laboratory and where the investigation supports this course of action. Revenue explained that while 44 samples were certified as positive by the State Laboratory, there are a number of reasons why prosecutions could only be initiated for 10 of those samples. The reasons include

- multiple samples taken at one premises
- trace elements of the new marker which are too low to sustain a prosecution
- covert samples (taken in advance of further overt sampling)
- contaminations.

### **Report on National Mineral Oil Compliance Project**

**12.16** Revenue undertook a national mineral oil compliance project in 2015, with a final report produced in May 2016. The project focused on ensuring inclusion of excise risk in Revenue audit programmes and developing the capability of Revenue auditors to identify and address excise risk. The project involved the initiation of 205 compliance interventions by Revenue – 167 have been closed to date. Total yield for all closed interventions is €3.3 million – €1.2 million (36%) of which related to excise duties. Figure 12.7 provides a breakdown of the cases and resulting yield, by Revenue region.

**Figure 12.7 Revenue's National Mineral Oil Compliance Project**

Revenue Region	Number of closed cases	Number of yielding cases	Yield		
			Excise €	Other €	Total €
Border, Midlands and West	54	14	—	278,923	278,923
Dublin	21	17	6,658	700,171	706,829
East and South East	43	12	8,121	321,684	329,805
South West	35	11	—	662,518	662,518
Large Cases Division	14	4	1,164,407	118,838	1,283,245
<b>Totals</b>	<b>167</b>	<b>58</b>	<b>1,179,186</b>	<b>2,082,134</b>	<b>3,261,320</b>

Source: National Mineral Oil Compliance Project – Final Report, National Mineral Oil Steering Group, May 2016.

<sup>1</sup> REAP is a computerised risk profiling system in use since 2008. It rates taxpayers, relative to one another, using Revenue's other systems as well as information from third parties such as the Health Service Executive, the Department of Housing, Planning, Community and Local Government and the National Transport Authority.

**12.17** One of the main aims of the project was to inform policy and practice on risk identification for mineral oil cases. The cases included in the project were centrally selected using a set of risk criteria that was specifically designed for this project. The risk criteria was scored, in order of perceived significance, and an overall risk score was then generated for each trader. One of the recommendations from the project group is that proposals should be developed for the systemisation, within Revenue's Risk Evaluation and Profiling System (REAP), of the risks that were deemed to have had a high impact.<sup>1</sup>

- 12.18** The project also highlighted that the auditors involved in the case reviews had little or no knowledge of excise duty and its related risks prior to taking part in the project. The project report noted that this was not unexpected given the traditional separation between excise and other tax compliance functions. Revenue's formal audit training programme does not incorporate the key learning objectives necessary for an excise audit. The project report indicated that the full integration of excise taxes under the whole case management system could not occur until the training needs associated with those taxes are fully incorporated into the audit training programme.

## Results of review

- 12.19** When the ROM 1 returns are submitted to Revenue, the data is collated and used to generate specific monthly reports by region. These reports identify anomalies or irregular behaviour for each mineral oil trader that provide the basis for follow-up queries by Revenue officers. The reports generated and the issues they highlight are set out in Figure 12.8 below.

**Figure 12.8 Revenue's analysis of Return of Oil Movements (ROM 1) data**

Report focus	Issue highlighted
Trader to trader mismatch report	All trade mismatches between traders declared on ROM 1
Inactive licence number report	Trades by active licence holders with inactive licence holders
Unknown licence number report	Traders that are unknown to Revenue
Nil return per licence report	No inward or outward movements noted on the ROM 1
Oil movement report	Allows Revenue to view oil movements between traders
Balance mismatch report	Balance mismatches in declarations made by inter-trading entities
Non-return per licence report	Traders that have not made a return for a specific period

Source: Office of the Comptroller and Auditor General

- 12.20** As part of this examination, the examination team randomly selected a sample of 50 anomalies that arose in four of the mineral oil reports – trader to trader mismatch, inactive licences, nil returns and unknown licences to assess how they were dealt with. The sample included cases from three Revenue districts – Louth, Galway and Cork.

### *Timely follow-up*

- 12.21** Revenue's staff manual for mineral oils sets out the action that should be taken when anomalies arise but it does not provide any guidance on the timeframe within which follow-up action should be taken.
- 12.22** Of the 50 exceptions selected, there was evidence to show that five were checked at the time the mineral oil report was generated. For the remaining 45 anomalies, there was no evidence to show that they were followed up at the time the exception report was generated. A number of the anomalies were only followed up by Revenue when the examination team raised the query as part of this review. One weakness noted generally on the follow-up of issues is that there seems to be a lack of communication between Revenue districts when anomalies arise. Instances were noted as part of this review where one district would satisfy itself that the error was not with the trader in its district but would not follow up with the other district to confirm the reason for the error.

### Quality of data

**12.23** The review found that there are issues with the accuracy of the information being provided by traders via the ROM 1 which is distorting the anomalies being generated in the mineral oil reports. Some anomalies are also caused by IT issues, both on the part of Revenue and the traders submitting the ROM 1 returns. Revenue was unable to explain the cause of five (10%) of the anomalies. For the remaining 45 anomalies

- 15 (33%) were appropriately raised
- 16 (36%) arose as a result of inaccurate information being provided by the trader submitting the ROM 1, for example incorrect licence numbers being provided
- 14 (31%) of the anomalies were generated as a result of IT issues.

**12.24** While these anomalies are likely to be innocent in nature, they affect the quality and the usefulness of the data being collated by Revenue.

### Outcomes

**12.25** Regarding the outcomes of the 50 anomalies reviewed

- One case resulted in a 'reckless trading' letter being issued requesting information on oil supplies reportedly made to a particular company. This action was taken on foot of the anomaly being appropriately highlighted in the inactive licences report.
- A second case resulted in a visit from Revenue officers who established that the business was selling auto fuel and marked fuel without the relevant licences. While this case was highlighted by an inactive licence report, action was not taken at the time the report was generated. The anomaly was only followed up on foot of the query raised by the examination team as part of this review.

### Estimating the cost of illicit activity

**12.26** Revenue does not estimate the loss to the Exchequer as a result of fuel laundering. A report published in May 2016 estimated the loss to be €239 million in 2015.<sup>1</sup>

### Ireland

**12.27** Revenue notes that while it does not measure the shadow economy or the overall tax gap in Ireland, it does conduct a number of targeted analysis projects in particular areas or sectors, including fuels.<sup>2</sup> For example

- Revenue carried out an analysis of the oil market in Ireland to assess the impact of Revenue's initiatives to tackle fuel laundering.<sup>3</sup> The report included an analysis of the trends in the amount of road diesel and marked gas oil leaving oil warehouses (pre and post 2013). The report concluded that Revenue's compliance activities may be responsible for reducing the amount of marked gas oil and increasing the amount of road diesel leaving oil warehouses.
- The national random sampling exercise carried out in January 2016.

<sup>1</sup> Illicit Trade 2015-2016 – Implications for the Irish Economy, Grant Thornton, May 2016.

<sup>2</sup> The 'tax gap' is the difference between the amount of tax that should, in theory, be collected against what is actually collected. See Chapter 15 on Taxpayer Compliance for further consideration of this issue.

<sup>3</sup> The Oil Market in Ireland: Duties, Prices and Consumption, Statistics and Economic Research Branch, December 2014.

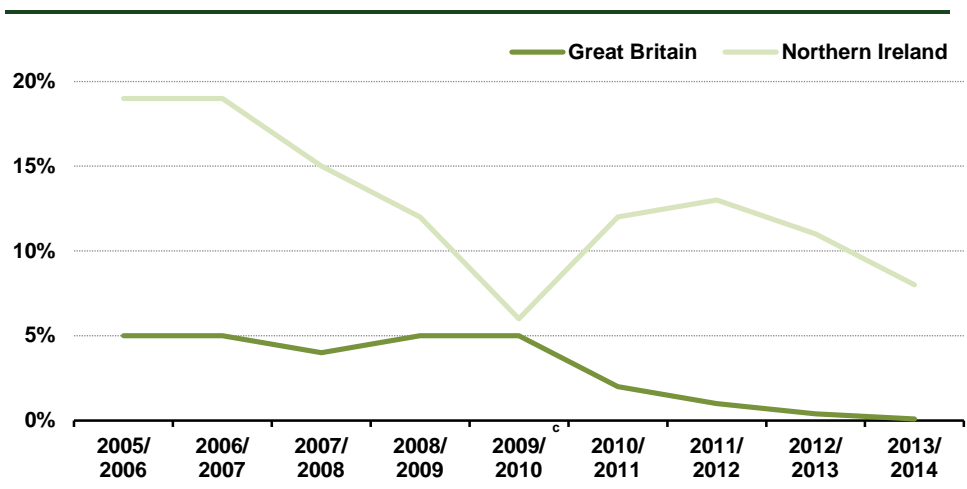


- 12.28** While Revenue believes that all methods that purport to estimate the shadow economy or a tax gap are subjective and limited by the data available, it has stated that these types of analysis are effectively the same as gap analysis in terms of improving Revenue's understanding of its effectiveness. Revenue added that it does not quantify the tax gap based on that analysis as it cannot be confident that such a gap estimate is robust or accurate.

### United Kingdom

- 12.29** HM Revenue and Customs (HMRC) in the UK produce a report each year which provides information on the size of the tax gap in the UK. HMRC measures the tax gap in order to quantify the level of non-compliance and also to help understand the reasons for losses in the tax system. HMRC stated that measuring the tax gap, while not sufficiently timely or precise enough to set performance targets, is useful in understanding long-term performance.
- 12.30** HMRC provides estimates of the illicit market for both diesel and petrol in Great Britain and Northern Ireland. Figure 12.9 shows the HMRC estimate of the illicit market share for diesel in Great Britain and Northern Ireland for the period 2005/2006-2013/2014. The estimated illicit market share for fraudulent diesel in Northern Ireland was 8% in 2013/2014, with an estimated tax gap of £50 million.

**Figure 12.9 Illicit market share for diesel in Great Britain and Northern Ireland<sup>a,b</sup>**



Source: HM Revenue and Customs, Measuring Tax Gaps

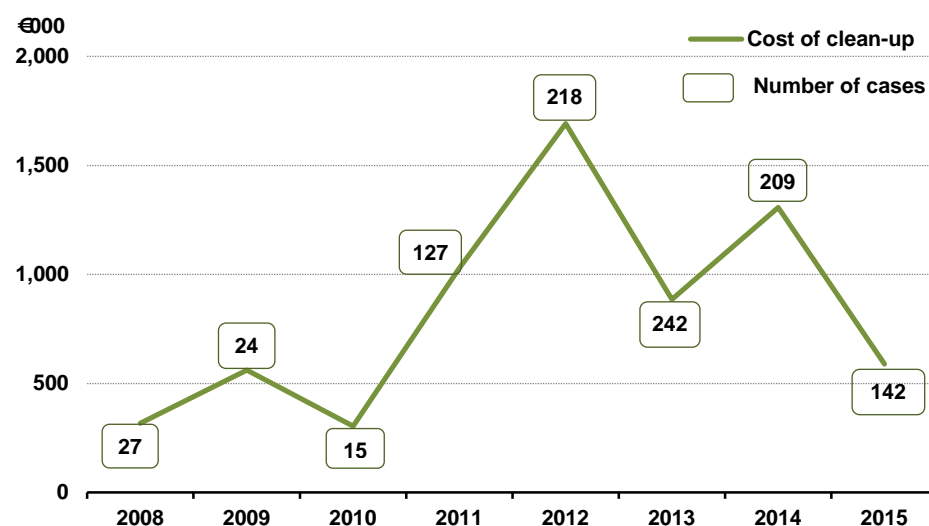
- Notes:
- a HMRC provide the upper and lower confidence level and also the central estimate. For the purposes of the graph above, the central estimate has been used.
  - b Exploratory modelling carried out by HMRC in recent years has given an indication of the level of cross border purchases. Prior to this it was not possible to estimate it. HMRC recognises that this work is not yet fully robust.
  - c According to HMRC, the low level in 2009/2010 may be predominantly due to a reduction in the amount of cross-border purchases by Northern Ireland residents in the Republic of Ireland due to the smaller price differential in that year.

### Environmental cost of fuel laundering

**12.31** The fuel laundering process results in a waste by-product ('sludge') being produced that is usually dumped by fuel launderers. As the designated competent authorities under waste legislation, it is the responsibility of the relevant local authority to ensure that any waste dumped by diesel launderers is disposed of without endangering human health and without harming the environment. The local authority is then reimbursed by the Department of the Environment, Community and Local Government (the Department) from the Environment Fund.<sup>1</sup>

**12.32** Since 2008, there have been over 1,000 cases of waste dumping as a result of diesel laundering with the total clean-up cost amounting to €6.7 million. The majority of the clean-up operations have taken place in Louth (539 cases) and Monaghan (459 cases). Figure 12.10 sets out the amounts provided by the Department to local authorities between 2008 and 2015, and the number of cases by year.

**Figure 12.10 Cost of environmental clean-up, 2008 to 2015<sup>a</sup>**



Source: Department of the Environment, Community and Local Government

Note: a The costs incurred relate to the removal of the waste from the site, transporting and exporting it to an authorised waste facility to be treated.

**12.33** Data collated by Revenue from Monaghan and Louth County Councils indicate a significant reduction in the number of containers dumped containing diesel sludge between the first half of 2015 and the first half of 2016. Figure 12.11 sets out the results.

**Figure 12.11 Number of containers removed containing diesel sludge**

	Monaghan County Council	Louth County Council
January to July 2015	186	239
January to July 2016	11	69

Source: Office of the Revenue Commissioners

<sup>1</sup> Responsibility for the Environment Fund transferred to the Department of Communications, Climate Action and Environment in July 2016.

- 12.34** Some sources have used the volume of waste dumped by fuel launderers to estimate the volume of fuel laundering. For example, in a submission to the Joint Committee on Environment, Transport, Culture and the Gaeltacht in February 2012, Monaghan County Council quoted an example of sulphuric acid wash and stated that it had been estimated that 1,000 litres of wash found would represent 100,000 litres of washed diesel on the market.

### Views of the Accounting Officer

- 12.35** The introduction of the new licensing regime and the comprehensive supply chain reporting system in conjunction with increased compliance activity and direct engagement with industry representative bodies has contributed to increasing compliance in the legitimate trade.
- 12.36** The successful joint exercise undertaken by Revenue and HMRC to source and implement a new marker in both jurisdictions during 2015 was a significant achievement.
- 12.37** The national random sampling exercise carried out in January 2016 is a key metric in relation to the impact of Revenue's strategy to combat fuel laundering. The number of licenced traders tested, 197 in total, represented 10% of licence holders and no evidence of laundered fuel was found. This provided authoritative evidence that the selling of laundered fuel is negligible and close to being eliminated.
- 12.38** Frequent consultation with trade representative groups takes place on an ongoing basis – there have been 23 formal meetings with trade representative bodies between 2012 and to date in 2016. There has also been a significant number of bilateral meetings with key companies. One of the key outcomes of this process was the development and adoption of a code of business conduct for the supply of marked fuels in 2016. It is also worth noting that the oil sector, at both representative and individual level, has provided very positive feedback to Revenue regarding the effectiveness of measures taken to address fuel laundering.
- 12.39** Cooperation at international level, particularly with the HMRC and other enforcement agencies, continues to be at a very high level. Cooperation is formally progressed through the Cross-Border Fuel Fraud Group and a new Revenue/HMRC joint group on excise fraud established in 2015. Cooperation is also ongoing at an operational level with HMRC through Revenue's enforcement units in the Border, Midlands and West region.
- 12.40** The fuel laundering problem has been effectively eliminated. The results of the random sampling project, the economic analysis contained in our 2014 report on the oil market in Ireland and the recent statistics from Monaghan and Louth County Councils on the reduction in diesel wash dumps are all clear indicators of a reduction in fuel fraud.

## Conclusions and recommendations

- 12.41** In response to an increase in the level of fuel laundering in 2011, Revenue introduced a number of strategies aimed at tackling the issue. The introduction of these initiatives by Revenue has strengthened controls over the market for mineral oils. The new licensing arrangements and the electronic reporting system have made it more difficult for fuel launderers to source marked fuel for illicit purposes. The reckless trading provisions introduced at the end of 2013 act as a further deterrent for suppliers from supplying fuel to launderers. Following a joint project with the equivalent authority in the UK, a new fuel marker was introduced in Ireland and the UK from April 2015. Revenue commenced a national risk based sampling programme in September 2015 which found that 2.9% of the samples tested resulted in positive detections of the new marker. A random sampling exercise carried out in January 2016 found no evidence of the new marker in the samples tested.
- 12.42** While controls have been strengthened, there are some areas where improvements could be made to further enhance the control environment for the mineral oils market. These are considered below.

### *Measuring the tax gap*

- 12.43** Revenue does not currently estimate the tax gap due to concerns around the accuracy of estimating the gap and concerns about its usefulness at an operational level. Figures are collated by the Department of the Environment, Community and Local Government on the cost and scale of dealing with the waste dumped by fuel launderers. This information is not used by Revenue in estimating the volume of fuel laundering, although it does carry out other analysis in this area.
- 12.44** This means that there is no Revenue estimate of the loss to the Exchequer as a result of fuel laundering. Producing estimates of the tax gap on a consistent basis, and tracking it over time, would assist Revenue in quantifying the level of non-compliance and understanding the reasons for losses in the tax system as a result of fuel laundering. It would also assist Revenue in measuring its performance as it would show the impact its initiatives are having on the illicit diesel market in Ireland.
- 12.45** The Accounting Officer has stated that the national random sampling exercise carried out in January 2016 represents an authoritative check on compliance among fuel licence holders. This random sampling exercise, conducted on a national level over a short time period, provides a powerful and robust measurement of the scale of the selling of laundered fuel in the State. If repeated in the future, this exercise provides a benchmark against which to compare later outcomes. The results of the 2016 exercise show that Revenue's overall strategy is successfully addressing the illicit trade in fuel and reaffirms the effectiveness of the various measures introduced by Revenue over recent years.

### *Integration of excise duty*

- 12.46** Excise duty is currently not incorporated into Revenue's mainstream IT systems, including its Risk Evaluation and Profiling System (REAP). Revenue has recognised the importance of integrating excise into its mainstream IT system and included it as a strategic objective in its Mineral Oils Strategy in 2011. Current plans are that the integration project for mineral oil tax will be completed by February 2017 and will be followed by the intergration of tobacco products tax and alcohol products tax.

- 12.47** Revenue's formal audit training programme does not currently incorporate the key learning objectives necessary for carrying out an audit of excise duties. The final report on the National Mineral Oils Compliance Project noted that the full integration of excise taxes under the whole case management system could not occur until the training needs associated with those taxes are fully incorporated into the audit training programme.

#### **Recommendation 12.1**

Revenue should ensure that its audit training programme is updated to include excise duties which will upskill auditors and facilitate a whole case management approach to traders dealing in excise goods.

#### **Accounting Officer's response**

Agreed. Revenue Training Branch is developing a two day excise audit module to be incorporated into the audit programme. It is scheduled to be delivered to two groups in February 2017.

#### ***Follow-up of mineral oil reporting anomalies***

- 12.48** As part of this examination, we reviewed a sample of anomalies generated from the data collated from the Return of Oil Movement (ROM 1) forms. Of the 50 exceptions reviewed, there was no evidence to show that a significant number (45) were checked at the time the exception arose, with some only being followed up on receipt of our query. One anomaly which was not followed up until it was queried as part of this review resulted in the case being referred to Revenue's prosecution section.

#### **Recommendation 12.2**

Revenue should review the procedures in place for following-up the anomalies generated by the ROM 1 data. If it is not possible to follow-up on all anomalies, a prioritisation process should be developed.

#### **Accounting Officer's response**

Agreed. Revenue will review the procedures as recommended.

- 12.49** The review noted that a significant number of anomalies (60% of those reviewed) were being generated as a result of IT issues or inaccurate information supplied by traders via the ROM 1 returns. The ROM 1 reporting system has been in operation since January 2013. However, the level of anomalies being generated by inadvertent errors such as this remains high over three years after its introduction. These errors affect the quality and usefulness of the information being collated by Revenue.

**Recommendation 12.3**

Revenue should investigate anomalies being caused by IT issues, both in its internal systems and those of the traders. Revenue should make any necessary revisions to Revenue's ROM 1 system and liaise with the traders to rectify the issues with their systems. Revenue should also communicate with traders to explain the main errors made when completing the ROM 1 returns to reduce the incidence of inaccurate information being provided.

**Accounting Officer's response**

Agreed. There are currently 13 (of 15 planned) enhancements to the ROM 1 system in train with a planned live release date of November. Compliance staff will be reminded to engage with traders with ongoing ROM 1 errors so as to reduce the incidence of inaccurate information being provided.

- 12.50** The review noted a lack of communication between Revenue districts when investigating anomalies.

**Recommendation 12.4**

Revenue should remind staff of the importance of communicating with other districts when anomalies arise in order to ensure that correct and complete follow-up action is taken by the district responsible.

**Accounting Officer's response**

Agreed. Revenue will remind staff of the importance of communicating with other relevant districts when anomalies arise.

## Annex A Excise duty collected

Figure A1 provides a breakdown of the excise duty collected by Revenue between 2010 and 2015.

**Figure A1 Excise duty collected, 2010 to 2015**

	2010	2011	2012	2013	2014	2015
	€m	€m	€m	€m	€m	€m
Excise oil	2,075	2,123	2,020	2,021	2,018	2,132
Excise alcohol	826	830	846	995	1,140	1,137
Excise tobacco	1,160	1,126	1,072	1,057	984	1,064
Vehicle Registration Tax	383	388	379	437	542	649
Carbon tax <sup>a</sup>	223	298	354	388	385	419
Betting duty	31	27	27	25	26	32
Air travel tax	105	48	34	35	10	—
Licences <sup>b</sup>	24	24	19	20	20	16
Other <sup>c</sup>	8	8	8	8	9	14
<b>Total</b>	<b>4,835</b>	<b>4,872</b>	<b>4,759</b>	<b>4,986</b>	<b>5,134</b>	<b>5,463</b>

Source: Office of the Revenue Commissioners

- Notes:
- a The carbon tax was introduced in 2010. The carbon tax applies to auto diesel, petrol, kerosene, marked gasoil, liquid petroleum gas, fuel oil, natural gas and solid fuels.
  - b This includes mineral oil licences, public dancing licences and bookmakers' licences.
  - c 'Other' includes the electricity tax, tax on bookmakers' premises and clubs.

