

Appropriation Account 2015

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 2015 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 2015, including the amount that could be used as appropriations-in-aid of expenditure for the year.

A surplus of €8.55 million is liable for surrender to the Exchequer.

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

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 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 rely on letters of assurance from the Accounting Officer of the Vote for Shared Services in relation to the provision of Human Resources shared services and from the Accounting Officer of the Department of Justice and Equality in relation to the provision of Payroll shared services. The letters provide assurances that the appropriate controls are exercised in the provision of shared services to this Office.

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 to identify potential risks and ensure an appropriate mitigation strategy is in place
- mitigations used to manage risk include;
 - revenue's governance structures
 - environmental scanning to ensure Revenue are aware of influences that affect risk
 - 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.

The Office has introduced a financial management system that records details of all supplies of goods and services and related payments. This database includes records relating to long term service, support and maintenance agreements, largely in respect of software and communications where regular tendering is not practical or possible. These arrangements have not been included under Circular 40/02 but are recorded separately.

The total value of these arrangements is €10,698,766 and includes:

- Twenty six contracts with a total value of €7,172,060 relating to the roll-over of support/maintenance/licensing of Revenue IT systems.
- Five contracts with a total value of €746,976 relating to annual/bi annual subscriptions.
- Six contracts with a total value of €2,280,792 awarded to sole suppliers.
- One contract with a value of €498,938 procured contrary to national procurement guidelines. This relates to a long standing contract for telephonist services to Government Departments. Revenue intends to engage with the Office of Government Procurement (OGP) to address this issue.

The Office complied with the guidelines with the exception of 26 contracts to the value of €4,636,573 which are listed in my annual return in respect of Circular 40/2002. These contracts have been included in the Circular 40/02 return as they are above the reporting threshold of €25,000 and were awarded without competitive tender for the following reasons:

- Fourteen contracts with a total value of €3,576,558 which were extended due to timing of procurement tenders in the Office of Government Procurement.
- Four contracts with a total value of €619,557 were awarded due to specialist skills/expertise requirements.
- Seven contracts with a total value of €391,867 were awarded to a sole supplier.
- One contract with a value of €48,591 was awarded for essential vehicle repair and maintenance work. This contract is being replaced in 2016 following a cross departmental tendering process.

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.

Niall Cody

Accounting Officer

Office of the Revenue Commissioners

31 March 2016

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 2015 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, and 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 his control, for the efficiency and economy of administration by his Office and for the regularity and propriety of all transactions in the appropriation account.

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 each year, a report 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 the Department of Public Expenditure and Reform's *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 2015.

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

Non compliance with procurement rules

The Accounting Officer has disclosed in the statement on internal financial control that material instances of non-compliance with national procurement rules occurred in respect of a contract that operated in 2015.

Seamus McCarthy
Comptroller and Auditor General

13 September 2016

Vote 9 Office of the Revenue Commissioners Appropriation Account 2015

		2015		2014
		Estimate provision	Outturn	Outturn
		€000	€000	€000
Programme expenditure				
A	Administration and collection of taxes and duties, and frontier management	405,637	401,440	385,294
Gross expenditure		405,637	401,440	385,294
<i>Deduct</i>				
B	Appropriations-in-aid	76,156	82,512	78,061
Net expenditure		329,481	318,928	307,233

Surplus for surrender

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.

	2015	2014
	€	€
Surplus	10,553,281	13,230,169
Deferred surrender	(2,000,000)	—
Surplus to be surrendered	8,553,281	13,230,169

Analysis of administration expenditure

		2015		2014
		Estimate provision	Outturn	Outturn
		€000	€000	€000
i	Salaries, wages and allowances	299,666	288,647	285,655
ii	Travel and subsistence	3,500	3,740	3,606
iii	Training and development and other day-to-day expenses	18,975	17,839	19,899
iv	Postal and telecommunications services	9,700	9,977	9,928
v	Office equipment and external IT services	52,450	60,234	46,503
vi	Office premises expenses	7,100	6,351	6,882
vii	Consultancy services and value for money and policy reviews	45	55	43
viii	Motor vehicles and equipment maintenance	2,400	2,951	2,481
ix	Law charges, fees and rewards	11,285	11,046	9,868
x	Compensation and losses	516	600	429
		405,637	401,440	385,294

Notes to the Appropriation Account

1 Operating Cost Statement 2015

	2015	2014
	€000	€000
Pay	288,647	285,655
Non pay	112,793	99,639
Gross expenditure	401,440	385,294
<i>Deduct</i>		
Appropriations-in-aid	82,512	78,061
Net expenditure	318,928	307,233
Changes in capital assets		
Purchases cash	(5,931)	
Depreciation	16,965	
Disposals cash	24	
Gain on disposals	(12)	
	11,046	10,635
Changes in assets under development		
Cash payments	(9,727)	(8,127)
Changes in net current assets		
Decrease in closing accruals	(10,824)	
Decrease in stock	204	
	(10,620)	(1,100)
Direct expenditure	309,627	308,641
Expenditure borne elsewhere		
Net allied services expenditure (cash) (note 1.1)	88,542	83,963
Notional rents (non cash)	9,843	9,220
Net programme cost	408,012	401,824

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.

	2015	2014
	€000	€000
Vote 12 Superannuation and Retired Allowances	72,294	66,650
Vote 13 Office of Public Works	18,655	19,154
Vote 24 Justice and Equality	1,229	1,045
	<u>92,178</u>	<u>86,849</u>
Services rendered by Revenue without charge ^a	e (3,636)	(2,886)
	<u>88,542</u>	<u>83,963</u>

^a In addition to services rendered without charge to other Votes (€3.64 million), services to the value of approximately €890,000 were also provided without charge to other non voted bodies.

"e" indicates that the number is an estimated value or an apportioned cost.

2 Balance Sheet as at 31 December 2015

	Note	2015 €000	2014 €000
Capital assets	2.2	61,137	62,683
Capital assets under development	2.3	1,905	1,625
		63,042	64,308
Current assets			
Bank and cash	2.4	14,365	5,539
Stocks	2.5	1,314	1,518
Prepayments		17,418	7,047
Accrued income		2,594	2,658
Other debit balances	2.6	2,665	5,462
Total current assets		38,356	22,224
Less current liabilities			
Accrued expenses		3,350	3,855
Deferred income		90	81
Other credit balances	2.7	15,291	10,552
Net liability to the Exchequer	2.8	1,739	449
Total current liabilities		20,470	14,937
Net current assets		17,886	7,287
Net assets		80,928	71,595
Represented by:			
State funding account	2.1	80,928	71,595

2.1 State Funding Account	Note	2015 €000	2014 €000
Balance at 1 January		71,595	72,999
Disbursements from the Vote			
Estimate provision	Account	329,481	
Deferred surrender	Account	(2,000)	
Surplus to be surrendered	Account	(8,553)	
Net vote		318,928	307,233
Expenditure (cash) borne elsewhere	1	88,542	83,963
Non cash expenditure – notional rent	1	9,843	9,220
Other non-cash items – seized vehicles		32	4
Net programme cost	1	(408,012)	(401,824)
Balance at 31 December		80,928	71,595

2.2 Capital Assets

	Vehicles and equipment	Office/IT equipment	Furniture and fittings	Total
	€000	€000	€000	€000
Gross assets				
Cost or valuation at 1 January 2015	13,779	404,392	57,016	475,187
Additions	835	13,576	989	15,400
Seized vehicles appropriated to Revenue	32	—	—	32
Disposals	(311)	(1,018)	(32)	(1,361)
Cost or valuation at 31 December 2015	<u>14,335</u>	<u>416,950</u>	<u>57,973</u>	<u>489,258</u>
Accumulated depreciation				
Opening balance at 1 January 2015	10,933	350,449	51,122	412,504
Depreciation for the year	659	15,117	1,189	16,965
Depreciation on disposals	(302)	(1,015)	(31)	(1,348)
Cumulative depreciation at 31 December 2015	<u>11,290</u>	<u>364,551</u>	<u>52,280</u>	<u>428,121</u>
Net assets at 31 December 2015	<u>3,045</u>	<u>52,399</u>	<u>5,693</u>	<u>61,137</u>
Net assets at 31 December 2014	<u>2,846</u>	<u>53,943</u>	<u>5,894</u>	<u>62,683</u>

2.3 Capital Assets under Development

at 31 December	In-house computer applications
	€000
Amounts brought forward at 1 January 2015	1,625
Cash payments for the year	9,727
Transferred to asset register	(9,447)
Amounts carried forward at 31 December 2015	<u>1,905</u>

2.4 Bank and Cash

at 31 December	2015	2014
	€000	€000
PMG balances and cash	14,363	5,611
Commercial bank account balances	2	8
Orders outstanding	—	(80)
	<u>14,365</u>	<u>5,539</u>

2.5 Stocks

at 31 December	2015	2014
	€000	€000
Stationery and small stores	593	593
IT consumables	380	477
Equipment/clothing/miscellaneous	341	448
	<u>1,314</u>	<u>1,518</u>

2.6 Other Debit Balances	2015	2014
at 31 December	€000	€000
Shared buildings advances	155	211
Advances for travel and subsistence purposes	9	6
Advances to OPW for building works etc.	415	291
Miscellaneous suspense	871	775
Vote 10 Appeal Commissioners	178	114
Payroll suspense	1,037	4,065
	<u>2,665</u>	<u>5,462</u>

a) Debt Write-Offs and Provisions

During 2015, Vote 9 made a provision for bad debts of €25,000 as follows

	Debts written off		Movement in provision	
	2015	2014	2015	2014
	€000	€000	€000	€000
Unrecoverable OPW shared buildings balances	—	—	25	—
Total	<u>—</u>	<u>—</u>	<u>25</u>	<u>—</u>

2.7 Other Credit Balances	2015	2014
at 31 December	€000	€000
Amounts due to the State		
Income Tax	5,480	4,086
Pay Related Social Insurance	1,971	1,480
Professional Services Withholding Tax	2,110	457
Value Added Tax	430	275
Relevant Contracts Tax	—	(3)
Local Property Tax	47	53
Pension contributions	927	683
Extra exchequer receipts	460	410
	<u>11,425</u>	<u>7,441</u>
Payroll deductions held in suspense	3,694	2,868
Recoupable expenditure in advance	120	187
Other credit suspense items	52	56
	<u>15,291</u>	<u>10,552</u>

2.8 Net Liability to the Exchequer	2015	2014
at 31 December	€000	€000
Surplus to be surrendered	8,553	13,230
Deferred surrender	2,000	—
Exchequer grant undrawn	(8,814)	(12,781)
Net liability to the Exchequer	<u>1,739</u>	<u>449</u>

Represented by:**Debtors**

Bank and cash	14,365	5,539
Other debit balances	<u>2,665</u>	<u>5,462</u>
	17,030	11,001

Creditors

Due to State	(11,425)	(7,441)
Other credit balances	<u>(3,866)</u>	<u>(3,111)</u>
	(15,291)	(10,552)
	<u>1,739</u>	<u>449</u>

2.9 Commitments	2015	2014
at 31 December	€000	€000
Procurement subheads	4,696	6,311

3 Programme Expenditure by Subhead

	2015		2014
	Estimate provision	Outturn	Outturn
	€000	€000	€000
A Administration and collection of taxes, duties and frontier management			
A.1 Administration – pay	299,666	288,647	285,655
A.2 Administration – non pay	105,971	112,793	99,639
	<u>405,637</u>	<u>401,440</u>	<u>385,294</u>

4 Receipts

4.1 Appropriations-in-aid	2015		2014
	Estimated €000	Realised €000	Realised €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	3,586	3,664
3. Cherished numbers	50	177	131
4. Receipts in respect of Environmental Levy collection	400	398	399
5. Share of SASP collection cost (Single Authorisation for Simplified Procedures)	16,000	23,151	18,204
6. Miscellaneous	2,000	2,664	2,545
7. Receipts from pension-related deductions on public service receipts in respect of civil service staff	16,669	15,099	15,681
Total	76,156	82,512	78,061

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	Explanation
	€000	
Cherished numbers	(127)	Receipts vary with demand. Increase due to higher volume of new car sales.
Share of SASP collection costs	(7,151)	This represents the collection costs in respect of Custom duties. Forecasting the duties payable is difficult as it relates to levels of economic activity in other member states.
Miscellaneous	(664)	Increase in amount of fees on credit/debit cards due to greater use and VRT Export Repayments.
Receipts from pension-related deductions on public service receipts in respect of civil service staff	1,570	Largely due to overestimation of average salary used in the estimates process.

4.2 Extra receipts payable to the Exchequer

	2015	2014
	€000	€000
Balance at 1 January	410	366
Receipts from cash forfeited under Section 39 of the Criminal Justice Act 1994	1,054	844
Receipts from Ireland's share of the annual payments under an international anti-counterfeit/anti-contraband agreement with global cigarette manufacturers	726	667
Bank interest	—	55
Receipts from voluntary surrender of salary under Section 483 of the Taxes Consolidation Act 1997	—	14
Transferred to Exchequer	(1,730)	(1,536)
Balance at 31 December	<u>460</u>	<u>410</u>

5 Employee Numbers and Pay

	2015	2014
Number of staff at year end (full time equivalents)	5,860	5,787
	2015	2014
	€000	€000
Pay	268,040	265,409
Higher, special or additional duties allowance	4,257	3,851
Overtime	2,630	3,194
Employer's PRSI	13,720	13,201
Total pay	288,647	285,655

The number of staff at year end 2015 includes 80 temporary Clerical Officers (2014:140), 46 of whom were engaged in the administration of Local Property Tax. The remainder covered other peak business periods across the organisation.

5.1 Allowances and Overtime Payments

	Number of recipients	Recipients of €10,000 or more	Maximum individual payment 2015 €	Maximum individual payment 2014 €
Higher, special or additional duties	218	11	17,998	17,602
Overtime and extra attendance	1,798	129	29,618	26,870
Shift and roster allowances	188	26	23,595	22,015
Miscellaneous	95	6	27,505	10,232
Number of individuals who received extra remuneration in more than one category	268	101	29,828	26,723

5.2 Performance Awards

A total of €105,633 was spent on Staff Recognition Schemes i.e. 1,826 individual awards, ranging from €19 to €350.

5.3 Other Remuneration Arrangements

The cost of Revenue staff on secondment to other departments/agencies without recoupment was €487,977 (2014: €447,241).

A total of €123,810 was paid to 13 staff in 2015 in compensation of claims for loss of earnings in accordance with Labour Court recommendation 19995 and Mediation Officer recommendation under Department of Finance circular 11/2001.

5.4 Payroll Overpayments

Overpayments at the year end were €1,128,777 (827 cases) (2014: €782,173, 555 cases). Of this, €432,517 (279 cases) have recovery plans in place.

6 Miscellaneous

6.1 Write-Offs

The following sums were written off in the year:

	2015	2014
	€000	€000
Obsolete stock	145	42

6.2 Law Charges, Fees and Rewards (subhead A (ix))

	2015	2014
	€000	€000
Legal costs paid during the year are categorised as follows:		
External solicitors	5,230	5,447
Counsel fees	2,387	1,820
Other fees and costs:		
Bankruptcy/liquidation costs	2,204	1,978
Court fees	484	2
Miscellaneous costs and rewards	741	621
	11,046	9,868

6.3 Legal Costs (in 2014 accounts compensation costs)

					2015	2014
	Number of cases	Legal costs paid by the Department €000	Legal costs awarded €000	Compensation awarded €000	Total €000	Total €000
Claims by employees of the Vote						
Claims pursued via the State Claims Agency	10	2	39	48	89	136
Miscellaneous expenses arising from work related incidents.	9	—	—	3	3	6
Claims by members of the public	17	15	249	244	508	287
		17	288	295	600	429

6.4 Contingent Liability

Revenue has contingent liabilities of €2.2 million (2014: €2.1 million).