

Appropriation Account 2018

Vote 10

Tax Appeals Commission

Introduction

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

In accordance with this requirement, I have prepared the attached account of the amount expended in the year ended 31 December 2018 for the salaries and expenses of the Tax Appeals Commission.

The expenditure outturn is compared with the sums granted by Dáil Eireann under the Appropriation Act 2018, including the amount that could be used as appropriations-in-aid of expenditure for the year.

A surplus of €260,170 is liable for surrender to the Exchequer.

The Statement of Accounting Policies and Principles and notes 1 to 5 form part of the account.

Establishment of the Commission

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

Statement of Accounting Policies and Principles

The standard accounting policies and principles for the production of appropriation accounts, as set out by the Department of Public Expenditure and Reform in Circular 24 of 2018, have been applied in the preparation of the account.

Statement on Internal Financial Control

Responsibility for system of internal financial control

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

This responsibility is exercised in the context of the resources available to me and my other obligations as Head of Office. Also, any system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely manner. The implementation of the system of internal financial controls is an ongoing process. When finalised and implemented, the system and its effectiveness will be kept under ongoing review.

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

Procedures in relation to the payment and accounting service were established in 2016 when the Commission was established. A service level agreement (SLA) between the Commission and the Office of the Revenue Commissioners setting out the responsibilities of the parties was signed in 2016. This agreement covered Accounts/Finance, IT Services and Internal Audit. The SLA was not reviewed in 2017 and 2018 but it is planned that a review will take place in 2019 and a new management agreement will be put in place as required.

I note in this regard the assurances provided to the Revenue Commissioners by the Accounting Officer of the Vote for National Shared Services Office in relation to the provision of Human Resources and Payroll shared services.

The Commission does not have a formalised system in which financial responsibilities have been assigned at the appropriate management level and through which significant control failures are identified and appropriate corrective action taken. During 2018, formalised Financial Procedures and Policies were devised and it is planned to put this system in place in 2019. The Commission received approval, through the Minister for Finance's sanction of the recommendations in the O'Donoghue Report, for the recruitment of a designated Finance Officer in 2019.

Pending the establishment of an Audit and Risk Committee, an Audit Group was formed in late 2017 consisting of senior administration management and a representative of the consultant internal audit firm. The group met four times in 2018 but following the last of those meetings in September 2018, due to staffing issues, were unable to reach the necessary quorum to continue. The group was unable to progress the establishment of an Audit and Risk Committee in 2018. The Commission has now prepared Terms of Reference for an Audit and Risk Committee and will appoint members to this committee in 2019.

During 2018, due to resource constraints, the Commission had difficulty in assigning responsibility for risk management and, as a result, the Commission did not have a risk management system or maintain a risk register. With the assistance of external consultants, the Commission commenced the development of a risk management policy and risk register in 2018. The most significant risk faced by the Commission is the ability to adequately process appeals and address civil service compliance obligations with current staffing levels. Increased resources have been made available to the Commission in 2019 which will allow these areas of risk to be addressed. The newly appointed Chief Operations Officer has been tasked with finalising and implementing the risk management procedures in 2019.

Administrative controls and management reporting

I confirm that within our limited resources a draft framework of administrative procedures and regular management reporting is in place. This includes the following elements

- Under the SLA between the Commission and the Office of the Revenue Commissioners, an annual budget is prepared and is reviewed by senior management periodically.
- There are periodic and annual financial reports which indicate financial performance against forecasts provided by Revenue to senior management for review.
- There are systems aimed at ensuring the security of Revenue's ICT applications.
- The Commission aims to ensure that there is an appropriate focus on good practice in purchasing.

Internal audit

I confirm that the Commission has an agreement in place with the Revenue Commissioners which provides the Commission with access to Revenue's internal audit function which will, on request, advise the Commission on departmental standards of internal audit, practices and procedures in auditing generally, and ongoing developments. In 2018, the Commission did not consult with or seek the advice of Revenue's internal audit function.

The Commission established an internal audit function during 2017, with consultants engaged for this purpose, under the remit of the Audit Group. The group agreed an internal audit plan for the period from 2018 to 2020 with the internal auditors in 2018.

Non-compliance with procurement rules

The Commission ensures that there is an appropriate focus on good practice in purchasing. However, formal procedures are not yet in place to ensure compliance with all relevant guidelines. It is the Commission's intention to put such procedures in place during 2019.

In 2018, the Commission complied with procurement guidelines with the exception of the following

- €33,000 relating to the software and hardware for a voice recognition and dictation system.

The Commission has provided details of this exceptional contract in the annual return in respect of Circular 40/2002 to the Office of the Comptroller and Auditor General and the Department of Public Expenditure and Reform.

The Commission is committed to achieving value for money in the procurement of supplies and services that are essential to the Commission's activities. From January 2019 the Commission has fully participated in on-going initiatives of the Office of Government Procurement (OGP) including the use of appropriate shared services and services agreed under the SLA with Revenue. Policies and procedures are being adhered to that are in accordance with The Public Procurement Guidelines for Goods and Services. Controls will remain in place to ensure compliance with this strategy.

Risk and control framework

The Commission has identified the need to develop a risk management system which identifies key risks and the management actions required to address and, to the extent possible, to mitigate those risks. The Commission engaged the Institute of Public Administration (IPA) to assist with enhancement of the risk function and to train staff on all aspects of same. A draft policy and register were developed in the latter half of 2017 but, given our limited resources and the time and expertise needed for this important task, assistance was sought from consultants in 2018. This is a time-consuming process and due to the absence of an Audit and Risk Committee, this has gone on into 2019.

The draft risk register is being adapted, in consultation with the IPA and internal auditors, to meet the Commission's needs. The outcome of these assessments will be used to plan and allocate the available resources to ensure risks are managed to the best level possible.

The risk register will detail the controls and actions needed to mitigate risks and will identify where responsibility for the operation of controls should be assigned to specific staff.

Subject to the establishment of the Audit and Risk Committee in 2019, the Commission aims to have an operational risk and control framework in place by the end of 2019.

Ongoing monitoring and review

Formal procedures have not yet been finalised and implemented for monitoring control processes. As a result, control deficiencies are communicated to those responsible for taking corrective action in an unsystematic and ad hoc manner. The main risk, our significant resource deficit, has been identified and additional resources have been approved for 2019 by the Minister for Finance. In 2018 a full resource review was undertaken by an external consultant, Ms. Niamh O'Donoghue. The Report was submitted to the Minister for Finance in August 2018. The Report's findings were approved by the Minister and funding has been approved for 2019 to implement its recommendations. Subject to the establishment of an Audit and Risk Committee in 2019, the Commission aims to have formal procedures in place for monitoring control processes by the end of 2019.

Review of effectiveness

The Commission's monitoring and review of the effectiveness of the internal financial controls is informed by the work of the internal and external auditors and the senior management within the Commission responsible for the development and implementation of the internal financial framework. No review took place in 2018. However, arising from the work of the Audit Group, the internal audit plan for the year was agreed and a review of the systems of internal control commenced at the start of 2019.

Internal financial control issues

Case management system

In 2016, following a procurement exercise, the Commission procured a case management system. During 2016 and 2017, expenditure totaling €202,000 was incurred in this regard. During 2018, a review conducted by Internal Audit identified weaknesses in the procurement process used.

The system did not operate as intended. By April 2018, the Commission ceased operation of the new system. At the end of 2018, the net book value of the related assets was €84,000. Whilst the system may have some residual value, the Commission have decided it would be more prudent to write off the remaining value at year end 2018. A temporary ICT solution has been implemented pending a decision around a long term solution.

The joint development of a new case management system which would allow for an automated electronic interface between the ICT systems in Revenue and the Commission has been suggested and Revenue have conducted a high level scoping exercise in this regard. An ICT working group with representatives from Revenue, the Commission, OGCI0 and the Department of Finance is in the process of being established to consider how the ICT requirements of the Commission and its stakeholders can best be met.

In addition, the Commission has in 2019 employed an ICT expert at Assistant Principal grade to ensure it has in-house capacity to manage on-going ICT requirements.

Mark O'Mahony
Accounting Officer
Tax Appeals Commission

23 September 2019

Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Vote 10 Tax Appeals Commission

Opinion on the appropriation account

I have audited the appropriation account for Vote 10 Tax Appeals Commission for the year ended 31 December 2018 under section 3 of the Comptroller and Auditor General (Amendment) Act 1993.

In my opinion, the appropriation account

- properly presents the receipts and expenditure of Vote 10 Tax Appeals Commission for the year ended 31 December 2018
- has been prepared in the form prescribed by the Minister for Public Expenditure and Reform.

Basis of opinion

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

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

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

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

I have nothing to report in that regard.

Seamus McCarthy
Comptroller and Auditor General

23 September 2019

Vote 10 Tax Appeals Commission

Appropriation Account 2018

	2018		2017
	Estimate provision	Outturn	Outturn
	€000	€000	€000
Programme expenditure			
A Facilitation of hearing of tax appeals	1,707	1,426	1,122
Gross expenditure	1,707	1,426	1,122
<i>Deduct</i>			
B Appropriations-in-aid	81	60	45
Net expenditure	1,626	1,366	1,077

Surplus for surrender

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

	2018	2017
	€	€
Surplus to be surrendered	260,170	528,203

Mark O'Mahony
Accounting Officer
Tax Appeals Commission
27 March 2019

Notes to the Appropriation Account

Note 1 Operating Cost Statement 2018

	2018	2017
	€000	€000
Programme cost		
Pay	1,148	753
Non pay	278	369
Gross expenditure	1,426	1,122
<i>Deduct</i>		
Appropriations-in-aid	60	45
Net expenditure	1,366	1,077
Changes in capital assets		
Purchases cash	(38)	
Depreciation	65	
Asset write off	84	
Loss on disposal	27	
	138	4
Changes in net current assets		
Increase in closing accruals	31	
Increase in stock	(2)	
	29	(3)
Direct expenditure	1,533	1,078
Expenditure borne elsewhere		
Net allied services expenditure (note 1.1)	380	270
Net programme cost	1,913	1,348

1.1 Net allied services expenditure

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

	2018	2017
	€000	€000
Vote 9 Office of the Revenue Commissioners	28	28
Vote 13 Office of Public Works	352	242
	380	270

Note 2 Statement of Financial Position as at 31 December 2018

	Note	2018 €000	2017 €000
Capital assets	2.2	66	204
Current assets			
Bank and cash		134	371
Stocks	2.3	5	3
Prepayments		34	36
Total current assets		<u>173</u>	<u>410</u>
Less current liabilities			
Accrued expenses		38	9
Vote 9 Revenue Commissioners		99	340
Net Exchequer funding due	2.4	35	31
Total current liabilities		<u>172</u>	<u>380</u>
Net current assets		<u>1</u>	<u>30</u>
Net assets		<u>67</u>	<u>234</u>
Represented by:			
State funding account	2.1	<u>67</u>	<u>234</u>

2.1 State funding account

	Note	2018 €000	2017 €000
Balance at 1 January		234	235
Disbursements from the Vote			
Estimate provision	Account	1,626	
Surplus to be surrendered	Account	<u>(260)</u>	
Net vote		1,366	1,077
Expenditure (cash) borne elsewhere	1	380	270
Net programme cost	1	<u>(1,913)</u>	<u>(1,348)</u>
Balance at 31 December		<u>67</u>	<u>234</u>

2.2 Capital assets

	Furniture and fittings €000	Office equipment €000	Total €000
Gross assets			
Cost or valuation at 1 January 2018	85	307	392
Additions	—	38	38
Asset write off ^a	—	(186)	(186)
Disposals	(85)	(12)	(97)
Cost or valuation at 31 December 2018	—	147	147
Accumulated depreciation			
Opening balance at 1 January 2018	65	123	188
Depreciation for the year	—	65	65
Asset write off ^a	—	(102)	(102)
Depreciation on disposals	(65)	(5)	(70)
Cumulative depreciation at 31 December 2018	—	81	81
Net assets at 31 December 2018	—	66	66
Net assets at 31 December 2017	20	184	204

Note ^a Please see the statement on internal financial control regarding the case management system in the internal financial control issues section.

2.3 Stocks

at 31 December	2018 €000	2017 €000
Stationery and small stores	5	1
IT consumables	—	2
	5	3

2.4 Net Exchequer funding due

at 31 December	2018	2017
	€000	€000
Surplus to be surrendered	260	528
Exchequer grant undrawn	(225)	(497)
Net Exchequer funding due	35	31
Represented by:		
Debtors		
Bank and cash	134	371
	134	371
Creditors		
Vote 9 Revenue Commissioners	(99)	(340)
	35	31

2.5 Commitments

Global commitments		
at 31 December	2018	2017
	€000	€000
Procurement of goods and services	34	—
Total of legally enforceable commitments	34	—

2.6 Contingent Liabilities

The Tax Appeals Commission has contingent liabilities estimated at €22,000.

Note 3 Vote Expenditure

Analysis of administration expenditure

	2018		2017
	Estimate provision	Outturn	Outturn
	€000	€000	€000
i Salaries, wages and allowances	1,307	1,148	753
ii Travel and subsistence	70	4	1
iii Training and development and incidental expenses	30	98	62
iv Postal and telecommunications services	30	8	9
v Office equipment and external IT services	200	116	252
vi Office premises expenses	70	4	16
vii Consultancy and other services	—	48	29
	1,707	1,426	1,122

Significant variations

All the programme expenditure is classified as administrative expenditure. The following outlines the reasons for significant variations in administration expenditure (+/- 25% or €100,000).

i. Salaries, wages and allowances

Estimate provision: €1.307 million, outturn: €1.148 million

The underspend of €159,000 on salaries, wages and allowances was due to the recruitment of additional staff by the Commission taking longer than anticipated and the departure of senior staff towards the end of the year.

ii. Travel and subsistence

Estimate provision: €70,000, outturn: €4,000

The underspend of €66,000 on expenditure on travel and subsistence expenses was due to all appeals being heard in Dublin. The 2018 estimate provided for Commissioner travel to venues around the country to hear appeals.

iii Training and development and incidental expenses

Estimate provision: €30,000, outturn: €98,000

The overspend of €68,000 on expenditure on training and development and incidental expenses was due to the flow in staff numbers at the Commission requiring additional training and development. The Commission also incurred additional expenditure in relation to subscriptions to legal and tax databases and internal audit fees. The Commission was also obliged to incur room hire charges to conduct hearings as space was not available in its former office.

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iv Postal and telecommunications services

Estimate provision: €30,000, outturn: €8,000

The underspend of €22,000 on expenditure on postal and telecommunications services expenses was due to the Commission's policy of communicating by e-mail rather than by post where possible and appropriate.

v Office equipment and external IT services

Estimate provision: €200,000, outturn: €116,000

The underspend of €84,000 on expenditure on office equipment and external IT services expenses was due to planned expenditure on additional computer hardware and on the development of the Commission's software not occurring during 2018.

vi Office premises expenses

Estimate provision: €70,000, outturn: €4,000

The underspend of €66,000 on expenditure on office premises expenses was due to expenditure envisaged during 2018 in relation to the recruitment of additional staff not arising, and the costs of the Commission's move to new offices was less than anticipated.

vii Consultancy and other services

Estimate provision: €Nil, outturn: €48,000

The overspend of €48,000 on consultancy and other services expenses was due to the need for project management services in relation to the Commission's office move, ICT support and development of the case management system.

4 Receipts

4.1 Appropriations-in-aid

	2018		2017
	Estimated	Realised	Realised
	€000	€000	€000
1 Receipts from pension-related deductions on public service remuneration	81	60	41
2 Miscellaneous	—	—	4
Total	81	60	45

Significant variations

Overall, appropriations-in-aid were €21,000 less than the estimate. Explanation for the variance is set out below.

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

Estimate provision: €81,000, outturn: €60,000

The shortfall of €21,000 was due to the recruitment of additional staff taking longer than anticipated.

Note 5 Staffing and Remuneration

5.1 Employee Numbers (full time equivalents)

	2018	2017
Number of staff at year end	<u>14</u>	<u>13</u>

5.2 Pay

	2018	2017
	€000	€000
Pay	1,040	686
Higher, special or additional duties allowance	9	—
Employer's PRSI	<u>99</u>	<u>67</u>
Total pay	<u>1,148</u>	<u>753</u>

5.3 Allowances and overtime payments

	Number of recipients	Recipients of €10,000 or more	Highest individual payment	
			2018	2017
			€	€
Higher, special or additional duties	1	—	9,519	—

5.4 Payroll overpayments

Overpayments at the year-end were €2,217 in respect of 1 individual (2017: Nil). At the year-end there were no recovery plans in place. Since 31 December 2018 the recoupment process has commenced.