

7 Audit of Revenue 2011

- 7.1 Under the Comptroller and Auditor General (Amendment) Act 1993 (the Act), the Revenue Commissioners are required to prepare accounts of the receipt by them of revenue of the State. The Act also requires that the accounts are examined by the Comptroller and Auditor General to confirm they are complete and accurate.
- 7.2 I form an opinion on the completeness and accuracy of the revenue account on the basis of the examination and testing carried out by my Office on the various receipting, repayment and accounting systems within Revenue. I also take assurance from examinations of Revenue's collection systems, which are carried out on a cyclical basis.
- 7.3 I have given a clear report on the revenue account for 2011.
- 7.4 The account of revenue for 2011 is attached to this chapter. Chapter 8 provides an overview of the outturn for the year.

Revenue Collection Systems

- 7.5 Under Section 3(7) of the Act, I carry out further examinations in order
- to ascertain whether systems, procedures and practices have been established that are adequate to secure an effective check on the assessment, collection and proper allocation of the revenue of the State
 - to satisfy myself that the manner in which the systems, procedures and practices are being employed and applied is adequate.
- 7.6 On a cyclical basis, I examine Revenue's systems for the assessment and collection of tax. I report on any general matters arising out of my systems examinations that I consider merit consideration by the Committee of Public Accounts of Dáil Éireann.
- 7.7 The results of examinations carried out in 2011 are reported in Chapters 8 to 11.

Presentation of Accounts

- 7.8 The Act does not explicitly provide for the presentation of the revenue account to Dáil Éireann, either by the Revenue Commissioners or by the Comptroller and Auditor General.
- 7.9 In the absence of a statutory basis for presentation and publication of the revenue account, it has been included as part of the report of the Comptroller and Auditor General on the accounts of the public services for a number of years. In my opinion, it would be more appropriate for the Revenue Commissioners to present the account, following completion of the audit.

Recommendation 7.1: Notwithstanding the absence of a statutory requirement to do so, the Revenue Commissioners should undertake to present the revenue account to Dáil Éireann each year, together with the certificate of the Comptroller and Auditor General.

Accounting Officer's Response: Agreed

Receipt of Revenue of the State 2011

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Statement by Accounting Officer on Internal Financial Controls

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.

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

Financial Control Environment

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

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

Administrative Controls and Management Reporting

I confirm that the 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 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.

Internal Audit

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 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
28 February 2012



Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Account of the receipt of revenue of the State collected by the Revenue Commissioners

I have examined the financial statements relating to the receipt and disposal of revenue of the State collected by the Revenue Commissioners during the year 2011 under Section 3(7) of the Comptroller and Auditor General (Amendment) Act 1993.

The financial statements, which have been prepared under the accounting policies stated therein, comprise the accounting policies, the account of the receipt of revenue of the State collected by the Revenue Commissioners and the related notes.

Responsibilities of the Revenue Commissioners

The Revenue Commissioners are responsible for preparing the financial statements and for ensuring the regularity of transactions.

Responsibilities of the Comptroller and Auditor General

My responsibility is to examine the financial statements in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report my opinion as to whether the financial statements are properly presented in accordance with the accounting policies. I also report whether in my opinion proper books of account have been kept. In addition, I state whether the financial statements are in agreement with the books of account.

I report any material instance where the transactions do not conform to the authorities governing them.

I also report if I have not obtained all the information and explanations necessary for the purposes of my examination.

Basis of Opinion

In the exercise of my function as Comptroller and Auditor General, I conducted my examination of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and by reference to the special considerations that attached to State bodies in relation to their management and operation.

My examination was conducted on a test basis that reviewed evidence relevant to the amounts, disclosures and regularity of the financial transactions included in the financial statements. It also included an assessment of the significant estimates and judgements made in the preparation of the financial statements, and of whether the accounting policies were appropriate, consistently applied and adequately disclosed.

I planned my examination so as to obtain all the information and explanations that I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion, I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion, the financial statements properly present the receipt and disposal of the revenue collected for the year ended 31 December 2011 and the residual balances at that date.

In my opinion, proper books of account have been kept by the Revenue Commissioners. The financial statements are in agreement with them.

Seamus McCarthy
Comptroller and Auditor General

15 September 2012

Accounting Policies

1. This Account presents the collection and allocation of taxes and duties by the Revenue Commissioners, and the transfer of the proceeds to the Exchequer. The Account has been prepared pursuant to Section 3(9) of the Comptroller and Auditor General (Amendment) Act 1993.
2. No charge is included in this Account for the administration or operational costs of the Office of the Revenue Commissioners. Funds for this purpose are voted by the Oireachtas and accounted for in the annual Appropriation Account for Vote 9 - Office of the Revenue Commissioners.
3. Amounts received in respect of penalties and interest imposed by the Revenue Commissioners are brought to account with the related tax and duty settlements. Court fines and penalties are brought to account as appropriations-in-aid of Vote 9.
4. The Account also presents the receipts collected by the Revenue Commissioners for other Government departments and agencies as follows:
 - Department of Social Protection (PRSI contributions and Health Levy)
 - Health Service Executive (Tobacco Levy)
 - Department of Environment, Community and Local Government (Environmental Levy on plastic bags)
 - Department of Jobs, Enterprise and Innovation (Employment and Training Levy)
 - Commissioners of Irish Lights (Light Dues)
 - Department of Finance (Fee Stamps in respect of Registry of Deeds, Arbitration Fees, Companies' Registration Fees and Nursing Home Support Scheme payments).
5. A charge is levied by the Revenue Commissioners for the collection of PRSI contributions, the Environmental Levy on plastic bags, Light Dues and Nursing Home Support Scheme payments. A charge is also levied by the Commissioners on customers who opt to pay their tax liabilities by credit card. Amounts received in respect of those charges are not included in this Account but are accounted for as appropriations-in-aid of Vote 9.
6. The Account has been prepared on a cash basis in accordance with the principles of Government accounting. The Account shows the actual amounts received and paid in the year. Where further amounts of taxes, duties, etc. are received in subsequent years or where amounts received in the current or earlier years are repaid, such items are recorded in the year of receipt or repayment.
7. The gross receipts and repayment figures for each taxhead include offsets i.e. cases where the repayment is not directly paid to the taxpayer but offset against other outstanding taxes.

Account of the Receipt and Disposal of Revenue Collected 2011

	Notes	2011 €000	2010 €000
Gross Receipts			
Taxes and duties collected	1	40,490,231	38,338,924
Receipts collected on behalf of other departments/agencies	2	7,937,133	9,220,222
Total gross receipts of revenue collected		48,427,364	47,559,146
Repayments			
Repayment of taxes and duties	3	(6,269,477)	(6,420,498)
Repayment of receipts collected on behalf of other departments/agencies	4	(58,157)	(86,190)
Total repayments		(6,327,634)	(6,506,688)
Net Receipts			
Taxes and duties collected	5	34,220,754	31,918,426
Receipts collected on behalf of other departments/agencies	7	7,878,976	9,134,032
Total net receipts of revenue collected		42,099,730	41,052,458
Disposal of Net Receipts			
Taxes and duties transferred to the Exchequer	6	(34,026,878)	(31,752,074)
Transfer of Tobacco Levy to Health Service Executive	6	(167,605)	(167,605)
Transfer of receipts to other departments/agencies	7	(7,887,340)	(9,141,581)
Total disposal of receipts of revenue collected		(42,081,823)	(41,061,260)
Net receipts retained at year end		17,907	(8,802)
Opening balance on the account of receipt and disposal of revenue at 1 January		(129,060)	(120,258)
Closing balance on the account of receipt and disposal of revenue at 31 December		(111,153)	(129,060)

The Accounting Policies and Notes 1 to 13 form part of this Account.

William Funnell
Accountant General
Office of the Revenue Commissioners

Josephine Feehily
Accounting Officer
Office of the Revenue Commissioners

28 February 2012

28 February 2012

Statement of Balances at 31 December 2011

	Notes	2011 €000	2010 €000
Assets			
Cash at bank and in hand	8	289,521	56,255
Accrued income	9	—	16
Advances for revenue purposes	10	17	56
Amounts due from Government departments	11	282	609
Total assets		289,820	56,936
Liabilities			
Amounts awaiting receipting and allocation	12	(290,131)	(42,132)
Deposits held	13	(110,842)	(143,864)
Total liabilities		(400,973)	(185,996)
Net liabilities		(111,153)	(129,060)
Represented by:			
Closing balance on the account of receipt and disposal of revenue			
Balance of taxes and duties owing from the Exchequer	6	(106,628)	(132,899)
Balance of receipts collected and due (from)/to other departments/agencies	7	(4,525)	3,839
		(111,153)	(129,060)

The accounting policies and notes 1 to 13 form part of this account.

William Funnell
Accountant General
Office of the Revenue Commissioners

28 February 2012

Josephine Feehily
Accounting Officer
Office of the Revenue Commissioners

28 February 2012

Notes to the Account

Note 1 Gross Taxes and Duties collected

	2011	2010
	€000	€000
Income Tax	16,411,501	13,945,794
Value Added Tax	12,356,164	12,743,817
Excise Duty	4,924,991	4,888,819
Corporation Tax	4,448,689	4,919,889
Stamp Duties	1,400,848	984,791
Capital Gains Tax	453,722	383,240
Capital Acquisitions Tax	253,582	242,675
Customs Duty	240,734	229,899
	40,490,231	38,338,924

Note 2 Gross Receipts collected on behalf of other Departments/Agencies

	2011	2010
	€000	€000
Department of Social Protection (DSP)	7,915,090	9,008,403
Health Service Executive (HSE)	— ¹	187,793
Department of Environment, Community and Local Government	16,026	19,218
Commissioners of Irish Lights	4,308	4,284
Department of Jobs, Enterprise and Innovation	270	523
Department of Finance (Miscellaneous Revenue and Nursing Home Support Scheme)	1,439	1
	7,937,133	9,220,222

¹ With effect from 1 January 2011 all Health Levy receipts are payable to DSP instead of HSE.

Note 3 Repayment of Taxes and Duties

	2011	2010
	€000	€000
Value Added Tax	(2,603,611)	(2,641,300)
Income Tax	(2,597,387)	(2,680,217)
Corporation Tax	(948,312)	(976,302)
Excise Duty	(53,178)	(54,211)
Capital Gains Tax	(37,631)	(38,118)
Stamp Duties	(18,196)	(23,206)
Capital Acquisitions Tax	(10,369)	(6,170)
Customs Duty	(793)	(974)
	(6,269,477)	(6,420,498)

Note 4 Repayment of Receipts collected on behalf of other Departments/Agencies

	2011	2010
Department	€000	€000
Social Protection	58,145	86,184
Environment, Community and Local Government	10	6
Finance (Miscellaneous Revenue and Nursing Home Support Scheme)	2	—
	58,157	86,190

Note 5 Net Receipts of Taxes and Duties

	Gross Receipts	Repayments	Net Receipts	Net Receipts
	2011	2011	2011	2010
	€000	€000	€000	€000
Income Tax	16,411,501	(2,597,387)	13,814,114	11,265,577
Value Added Tax	12,356,164	(2,603,611)	9,752,553	10,102,517
Excise Duty	4,924,991	(53,178)	4,871,813	4,834,608
Corporation Tax	4,448,689	(948,312)	3,500,377	3,943,587
Stamp Duties	1,400,848	(18,196)	1,382,652	961,585
Capital Gains Tax	453,722	(37,631)	416,091	345,122
Capital Acquisitions Tax	253,582	(10,369)	243,213	236,505
Customs Duty	240,734	(793)	239,941	228,925
	40,490,231	(6,269,477)	34,220,754	31,918,426

Note 6 Taxes and Duties Transferred to the Exchequer

	Balance at 1 January 2011	Net Receipts	Total Transfers	Balance at 31 December 2011
	€000	€000	€000	€000
Income Tax	(13,052)	13,814,114	(13,797,532)	3,530
Value Added Tax	1,978	9,752,553	(9,740,525)	14,006
Excise Duty	(149,005)	4,871,813	(4,845,205) ¹	(122,397)
Corporation Tax	15,984	3,500,377	(3,520,193)	(3,832)
Stamp Duties	8,681	1,382,652	(1,391,289)	44
Capital Gains Tax	584	416,091	(415,974)	701
Capital Acquisitions Tax	572	243,213	(243,507)	278
Customs Duty	1,359	239,941	(240,258)	1,042
	(132,899)	34,220,754	(34,194,483)	(106,628)

¹ The amount of €4,845,205,000 includes €167,605,000 which was paid from the proceeds of Tobacco Excise Receipts to the Health Service Executive under Section 3 of the Appropriation Act 1999 as amended by the Appropriation Act 2005.

Note 7 Transfer of Receipts to other Departments/Agencies

	Balance at 1 January 2011	Net Receipts	Total Transfers	Balance at 31 December 2011
	€000	€000	€000	€000
Department of Social Protection (DSP)	3,527 ¹	7,856,945	(7,865,289)	(4,817)
Department of Environment, Community and Local Government	162	16,016	(15,976)	202
Commissioners of Irish Lights	86	4,308	(4,328)	66
Department of Jobs, Enterprise and Innovation	63	270	(311)	22
Department of Finance (Miscellaneous Revenue and Nursing Home Support Scheme)	1	1,437	(1,436)	2
	3,839	7,878,976	(7,887,340)	(4,525)

¹ The amount shown of €3,527,039 includes €1,607,028 owing to the HSE at 1 January 2011.

Note 8 Cash at Bank and in Hand

	2011	2010
	€000	€000
Balance in revenue accounts at Central Bank	17,888	9,990
Cash in hand	271,633	46,265
	289,521	56,255

Cash at bank and in hand represents amounts held in Revenue bank accounts pending completion of processing through Revenue's accounting systems. The 2010 comparative figures have been restated to reflect a more accurate allocation of these amounts.

Note 9 Accrued Income

Accrued income represents amounts due to Revenue in the year of account for which payment was received after the year-end.

Note 10 Advances for Revenue Purposes

Advances for revenue purposes arose due to the operation of a local accounting procedure in districts for Customs and Excise Duties whereby a shortfall in the collection of monies arising from items such as an unpaid cheque was temporarily met through the mechanism of an 'advance' drawn on a Revenue account. The advance was cleared when payment was received subsequently from the trader. This practice no longer exists. The balances remaining in the Account date back to 2007 and are currently subject to legal proceedings.

Note 11 Amounts due from Government Departments

Where a liability arises as a result of the importation of goods by Government departments, the goods are released without immediate payment of duties or taxes and the Department is subsequently charged for the amount due.

Note 12 Amounts Awaiting Receipting and Allocation

	2011	2010
	€000	€000
Unallocated Tax Deposits	(22,968) ¹	(17,177)
Tax receipts awaiting transfer and allocation	(267,125)	(41,368)
Miscellaneous	(38)	16,413
	(290,131)	(42,132)

¹ Unallocated Tax Deposits (UTD) comprise mainly of payments made on account during tax audits and audit settlements for which accounting instructions have not been completed. Consequently, the payments cannot be allocated to the appropriate taxheads and are held by Revenue in a UTD account in the Central Bank.

Note 13 Deposits Held

	2011	2010
	€000	€000
Deposits held under Criminal Justice Act 1994	(4,102)	(4,638)
Customs and Excise Collectors	(883)	(973)
Automated Entry Processing system Deposits	(105,857)	(138,253)
	(110,842)	(143,864)

Deposits held under Criminal Justice Act 1994 relate to money seized under the Act and held on deposit pending court proceedings. The 2010 comparative figure for Customs and Excise Collectors has been restated to reflect these deposits. All other deposits represent amounts paid by taxpayers for Customs and Excise liabilities falling due after 31 December and brought to account when the appropriate return is filed. These deposits have been surrendered to the Exchequer at 31 December as part of Customs and Excise Duty transfers in Note 6.