

Appropriation Account 2016

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 2016 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:

(a) granted by Dáil Éireann under the Appropriation Act 2016, including the amount that could be used as appropriations-in-aid of expenditure for the year, and

(b) provided for capital supply services in 2016 out of unspent 2015 appropriations, under the deferred surrender arrangements established by section 91 of the Finance Act 2004.

A surplus of €8.81 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 the National Shared Services Office in relation to the provision of Human Resources and Payroll shared services. I also rely on the letter of assurance from the Accounting Officer of the Department of Justice and Equality in relation to the provision of payroll shared services from the beginning of the year until migration to the Payroll Shared Service Centre on 13 June 2016. The letters provide assurances that the appropriate framework of controls is in place for 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, such as Brexit
 - 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.

As required in DPER circular 40/2002, I have submitted a report on procurements in 2016 that were not based on competitive tendering processes, worth a total of €18,134,442. This included

- €12,121,477 (37 contracts) spent on goods and services from proprietary suppliers to cover ongoing support, maintenance and licencing of ICT (and other systems) to which Revenue is committed
- €671,901 (10 contracts) in place with sole suppliers of required goods and services
- €692,771 (8 contracts) in place with suppliers who provided required specialist skills and expertise
- €4,068,295 (15 contracts) contracts extended pending availability of replacement arrangements by OGP
- €579,998 (1 contract) 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 has introduced a financial management system that records details of all suppliers 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.

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

25 September 2017

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 2016 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 2016.

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 2016.

Seamus McCarthy
Comptroller and Auditor General

26 September 2017

Vote 9 Office of the Revenue Commissioners Appropriation Account 2016

		2016		2015
		Estimate provision	Outturn	Outturn
		€000	€000	€000
Programme expenditure				
A	Administration and collection of taxes and duties, and frontier management			
	<i>Current year provision</i>	400,600		
	<i>Deferred surrender</i>	<u>2,000</u>		
		402,600	397,003	401,440
	Gross expenditure	402,600	397,003	401,440
	<i>Deduct</i>			
B	Appropriations-in-aid	69,487	74,696	82,512
	Net expenditure			
	<i>Current year provision</i>	331,113		
	<i>Deferred surrender</i>	<u>2,000</u>		
		333,113	322,307	318,928

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.

	2016	2015
	€	€
Surplus	10,805,980	10,553,281
Deferred surrender	(2,000,000)	(2,000,000)
Surplus to be surrendered	<u>8,805,980</u>	<u>8,553,281</u>

Analysis of administration expenditure

		2016		2015
		Estimate provision		Outturn
		€000	€000	€000
i	Salaries, wages and allowances	294,629	288,101	288,647
ii	Travel and subsistence	3,500	3,956	3,740
iii	Training and development and other day-to-day expenses	17,846	19,721	17,839
iv	Postal and telecommunications services	10,200	10,057	9,977
v	Office equipment and external IT services	52,550	52,304	60,234
vi	Office premises expenses	7,100	7,507	6,351
vii	Consultancy services and value for money and policy reviews	45	53	55
viii	Motor vehicles and equipment maintenance			
	<i>Current year provision</i>	3,460		
	<i>Deferred surrender</i>	2,000	5,460	4,376
ix	Law charges, fees and rewards	10,770	10,532	11,046
x	Compensation and losses	500	396	600
		<u>402,600</u>	<u>397,003</u>	<u>401,440</u>

Notes to the Appropriation Account

1 Operating Cost Statement 2016

	2016	2015
	€000	€000
Pay	288,101	288,647
Non pay	108,902	112,793
Gross expenditure	397,003	401,440
<i>Deduct</i>		
Appropriations-in-aid	74,696	82,512
Net expenditure	322,307	318,928
Changes in capital assets		
Purchases cash	(8,776)	
Depreciation	15,345	
Disposals cash	16	
Loss on disposals	116	
	6,701	11,046
Changes in assets under development		
Cash payments	(15,028)	(9,727)
Changes in net current assets		
Increase in closing accruals	4,777	
(Increase) in stock	(253)	
	4,524	(10,620)
Direct expenditure	318,504	309,627
Expenditure borne elsewhere		
Net allied services expenditure (cash) (note 1.1)	88,956	88,542
Notional rents (non cash)	9,969	9,843
Net programme cost	417,429	408,012

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.

	2016	2015
	€000	€000
Vote 12 Superannuation and Retired Allowances	73,202	72,294
Vote 13 Office of Public Works	18,541	18,655
Vote 18 National Shared Services Office	154	—
Vote 24 Justice and Equality	561	1,229
	<u>92,458</u>	<u>92,178</u>
Services rendered by Revenue without charge ^a	e (3,502)	(3,636)
	<u>88,956</u>	<u>88,542</u>

^a In addition to services rendered without charge to other Votes shown here (€3.5 million), services to the value of approximately €908,000 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 2016

	Note	2016 €000	2015 €000
Capital assets	2.2	64,798	61,137
Capital assets under development	2.3	6,558	1,905
		71,356	63,042
Current assets			
Bank and cash	2.4	21,771	14,365
Stocks	2.5	1,567	1,314
Prepayments		13,278	17,418
Accrued income		1,884	2,594
Other debit balances	2.6	1,763	2,545
Total current assets		40,263	38,236
Less current liabilities			
Accrued expenses		3,193	3,350
Deferred income		135	90
Other credit balances	2.7	16,340	15,171
Net liability to the Exchequer	2.8	7,194	1,739
Total current liabilities		26,862	20,350
Net current assets		13,401	17,886
Net assets		84,757	80,928
Represented by:			
State funding account	2.1	84,757	80,928

2.1 State Funding Account	Note	2016 €000	2015 €000
Balance at 1 January		80,928	71,595
Disbursements from the Vote			
Estimate provision	Account	333,113	
Deferred surrender	Account	(2,000)	
Surplus to be surrendered	Account	(8,806)	
Net vote		322,307	318,928
Expenditure (cash) borne elsewhere	1	88,956	88,542
Non cash expenditure – notional rent	1	9,969	9,843
Other non-cash items – seized vehicles		26	32
Net programme cost	1	(417,429)	(408,012)
Balance at 31 December		84,757	80,928

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 2016	14,335	416,950	57,973	489,258
Additions	2,445	14,707	1,966	19,118
Seized vehicles appropriated to Revenue	26	—	—	26
Transfers from Vote 10	—	5	—	5
Disposals	(455)	(5,175)	(116)	(5,746)
Cost or valuation at 31 December 2016	<u>16,351</u>	<u>426,487</u>	<u>59,823</u>	<u>502,661</u>
Accumulated depreciation				
Opening balance at 1 January 2016	11,290	364,551	52,280	428,121
Depreciation for the year	1,058	12,976	1,311	15,345
Depreciation on transfers	—	5	—	5
Depreciation on disposals	(451)	(5,064)	(93)	(5,608)
Cumulative depreciation at 31 December 2016	<u>11,897</u>	<u>372,468</u>	<u>53,498</u>	<u>437,863</u>
Net assets at 31 December 2016	<u>4,454</u>	<u>54,019</u>	<u>6,325</u>	<u>64,798</u>
Net assets at 31 December 2015	<u>3,045</u>	<u>52,399</u>	<u>5,693</u>	<u>61,137</u>

2.3 Capital Assets under Development

at 31 December	In-house computer applications
	€000
Amounts brought forward at 1 January 2016	1,905
Cash payments for the year	15,028
Transferred to asset register	<u>(10,375)</u>
Amounts carried forward at 31 December 2016	<u>6,558</u>

2.4 Bank and Cash

at 31 December	2016	2015
	€000	€000
PMG balances and cash	21,768	14,363
Commercial bank account balances	3	2
	<u>21,771</u>	<u>14,365</u>

2.5 Stocks	2016	2015
at 31 December	€000	€000
Stationery and small stores	934	593
IT consumables	225	380
Equipment/clothing/miscellaneous	408	341
	<u>1,567</u>	<u>1,314</u>

2.6 Other Debit Balances	2016	2015
at 31 December	€000	€000
Shared buildings advances	183	155
Advances for travel and subsistence purposes	19	9
Advances to OPW for building works etc.	906	415
Miscellaneous suspense	352	871
Vote 10 Appeal Commissioners	271	178
Payroll suspense	—	1,037
Recoupable expenditure in advance	32	(120)
	<u>1,763</u>	<u>2,545</u>

2.7 Other Credit Balances	2016	2015
at 31 December	€000	€000
Amounts due to the State		
Income Tax	5,430	5,480
Pay Related Social Insurance	2,315	1,971
Professional Services Withholding Tax	1,734	2,110
Value Added Tax	756	430
Local Property Tax	61	47
Pension contributions	1,945	927
Extra exchequer receipts	—	460
	<u>12,241</u>	<u>11,425</u>
Payroll deductions held in suspense	4,020	3,694
Other credit suspense items	79	52
	<u>16,340</u>	<u>15,171</u>

2.8 Net Liability to the Exchequer	2016	2015
at 31 December	€000	€000
Surplus to be surrendered	8,806	8,553
Deferred surrender	2,000	2,000
Exchequer grant undrawn	(3,612)	(8,814)
Net liability to the Exchequer	<u>7,194</u>	<u>1,739</u>

Represented by:

Debtors		
Bank and cash	21,771	14,365
Other debit balances	1,763	2,545
	<u>23,534</u>	<u>16,910</u>
Creditors		
Due to State	(12,241)	(11,425)
Other credit balances	(4,099)	(3,746)
	<u>(16,340)</u>	<u>(15,171)</u>
	<u>7,194</u>	<u>1,739</u>

2.9 Commitments	2016	2015
at 31 December	€000	€000

a) Global Commitments

Procurement of goods and services	<u>3,899</u>	<u>4,696</u>
Total of legally enforceable commitments	<u>3,899</u>	<u>4,696</u>

3 Programme Expenditure by Subhead

		2016		2015
		Estimate provision	Outturn	Outturn
		€000	€000	€000
A	Administration and collection of taxes, duties and frontier management			
A.1	Administration – pay	294,629	288,101	288,647
A.2	Administration – non pay			
		<i>Original</i> 105,971		
		<i>Deferred surrender</i> 2,000		
		<u>107,971</u>	<u>108,902</u>	<u>112,793</u>
		<u>402,600</u>	<u>397,003</u>	<u>401,440</u>

4 Receipts

4.1 Appropriations-in-aid	2016		2015
	Estimated	Realised	Realised
	€000	€000	€000
1. Receipts for services relating to Pay-Related Social Insurance Scheme	37,437	37,437	37,437
2. Fines, forfeitures, law costs recovered	3,600	3,269	3,586
3. Cherished numbers	50	257	177
4. Receipts in respect of Environmental Levy collection	400	394	398
5. Share of SASP collection cost (Single Authorisation for Simplified Procedures)	15,000	19,892	23,151
6. Miscellaneous	2,000	2,500	2,664
7. Receipts from pension-related deductions on public service receipts in respect of civil service staff	11,000	10,947	15,099
Total	69,487	74,696	82,512

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	
Fines, forfeitures, law costs recovered	331	Variance arises due to timing issues.
Cherished numbers	(207)	Receipts vary with demand. The increase is due to the higher volume of new car sales in line with the economic recovery. The 2017 Estimate was increased three-fold to €150,000.
Share of SASP collection costs (Single Authorisation for Simplified Procedures)	(4,892)	The estimate assumed that the reduced rate of 20% would apply for the full calendar year. However, the full rate was applied from January to September 2016. This was due to the delay in all the EU member states ratifying the rate change. The reduced rate applied from October 2016 only. If the reduced rate had applied for all of 2016, the outturn would have reduced by €2.2million putting the variance at 18%.
Miscellaneous	(500)	The variance arises mainly from: (i) the provision of an EU grant in respect of a Revenue x ray scanner (€375,000), and (ii) the payment of both 2015 and 2016 HSE Ancillary State Support Scheme contributions in 2016 (€139,000).

4.2 Extra receipts payable to the Exchequer

	2016	2015
	€000	€000
Balance at 1 January	460	410
Receipts from cash forfeited under Section 39 of the Criminal Justice Act 1994	439	1,054
Receipts from Ireland's share of the annual payments under an international anti-counterfeit/anti-contraband agreement with global cigarette manufacturers	768	726
Transferred to Exchequer	<u>(1,667)</u>	<u>(1,730)</u>
Balance at 31 December	<u><u>—</u></u>	<u><u>460</u></u>

5 Employee Numbers and Pay

	2016	2015
Number of staff at year end (full time equivalents)	6,054	5,860

The number of staff at year end 2016 includes 86 temporary clerical officers (2015:80), 40 of whom were engaged in the administration of Local Property Tax. The remainder covered other peak business periods across the organisation.

	2016	2015
	€000	€000
Pay	266,807	268,040
Higher, special or additional duties allowance	4,131	4,257
Overtime	2,398	2,630
Employer's PRSI	14,765	13,720
Total pay	288,101	288,647

5.1 Allowances and Overtime Payments

	Number of recipients	Recipients of €10,000 or more	Maximum individual payment 2016 €	Maximum individual payment 2015 €
Higher, special or additional duties	100	10	17,288	17,998
Overtime and extra attendance	1,743	90	17,297	29,618
Shift and roster allowances	185	19	23,177	23,595
Miscellaneous	173	4	13,280	27,505
Extra remuneration in more than one category	240	79	23,548	29,828

5.2 Performance Awards

A total of €96,809 was spent on Staff Recognition Schemes. There were 1,705 individual awards, ranging from €12 to €350.

5.3 Other Remuneration Arrangements

The cost of Revenue staff on secondment to other departments/agencies without recoupment was €365,687 (2015: €487,977).

A total of €24,427 was paid to six Revenue staff in 2016 in compensation for loss of earnings in accordance with Labour Court recommendation 19995.

A total of €28,249 was paid to 22 retired civil servants by Revenue in 2016 in respect of Interview Board fees, training interventions and witness expenses. These payments were made in accordance with the appropriate Department of Public Expenditure and Reform rates.

5.4 Payroll Overpayments

Overpayments at the year end were €1,512,222 (1,068 cases) (2015: €1,128,777; 827 cases). Of this, €565,605 (391 cases) had recovery plans in place.

6 Miscellaneous

6.1 Write-Offs

The following sums were written off in the year:

	2016	2015
	€000	€000
Obsolete stock	24	145

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

	2016	2015
	€000	€000
Legal costs paid during the year are categorised as follows:		
External solicitors	4,583	5,230
Counsel fees	2,532	2,387
Other fees and costs:		
Bankruptcy/liquidation costs	2,676	2,204
Court fees	8	484
Miscellaneous costs and rewards	733	741
	10,532	11,046

6.3 Legal Costs

				2016	2015	
	Number of cases	Legal costs paid by the Office €000	Legal costs awarded €000	Compensation awarded €000	Total €000	Total €000
Claims by employees of the Office						
Legal action taken by members of staff including claims pursued via the State Claims Agency	8	4	—	64	68	89
Miscellaneous expenses arising from work related incidents.	11	—	—	5	5	3
Claims by members of the public	30	12	160	151	323	508
		16	160	220	396	600

6.4 Arbitration and Conciliation Costs

Revenue had €1,678 expenditure in 2016 related to arbitration and conciliation (2015: €149,250).

This relates to 1 case that spanned both years. Figures include legal, real estate and valuers fees and stenography services (inclusive of VAT).

6.5 Contingent Liability

Revenue has contingent liabilities of €2.6 million (2015: €2.2 million).

6.6 EU Funding

A grant for €375,000 was received from the European Anti-fraud Office towards the procurement of a mobile x-ray scanner.