



Coimisiún an Chúlchiste Náisiunta Pinsean  
National Pensions Reserve Fund Commission

National Pensions  
Reserve Fund  
Commission

*Annual Report  
& Financial  
Statements*

2017

# CONTENTS

**Commission Report** **3**

**Financial Statements** **5**

## **Commission Report**

The National Treasury Management Agency (“the NTMA”) is the Manager of the National Pensions Reserve Fund (“the Fund”) and acts as the agent of the National Pensions Reserve Fund Commission (“the Commission”) in the performance of its functions under the Act. The NTMA Governance Statement and Agency Members’ Report is published in the NTMA Annual Report 2017.

The Fund’s Discretionary Portfolio was valued by the NTMA at €7.1 billion at 21 December 2014. All transferrable assets were transferred from the Fund to the Ireland Strategic Investment Fund (“the ISIF”) on this date. The remainder of the Fund’s Discretionary Portfolio comprised assets governed by foreign law. As at 31 December 2017, all foreign assets, other than €5,000 of withholding tax reclaims, have transferred to the ISIF. The Bank of New York Mellon acts as Custodian to the Fund’s remaining assets.

Once all assets have been transferred to the ISIF, the Commission will be dissolved.

## **Fees & Expenses**

The NPRF’s ongoing costs are nil. Any transition related costs are charged to the ISIF.

## **Statement of Compliance**

The NTMA, as Manager of the Fund, has implemented the 2016 Code of Practice for the Governance of State Bodies in relation to the NPRF insofar as its requirements are relevant to the management of the NPRF.

## **Statement of Commission’s Responsibilities**

The Commission is required by the National Pensions Reserve Fund Act, 2000 to prepare annual financial statements of the Fund.

## Statement of Commission's Responsibilities (continued)

In preparing those statements the Commission:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a going concern basis unless it is inappropriate to do so;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards.

The Commission is responsible for keeping in such form as may be approved by the Minister for Finance all proper and usual accounts of all moneys received or expended by it and for maintaining accounting records which disclose with reasonable accuracy at any time the financial position of the Fund and the administrative costs of the Commission.

The Commission is also responsible for safeguarding assets under its control and hence for taking reasonable steps in order to prevent and detect fraud and other irregularities.

Pursuant to section 38(1) of the National Treasury Management Agency (Amendment) Act, 2014 ("NTMA Act 2014"), the ISIF was established on 22 December 2014. The assets and liabilities of the Fund became assets and liabilities of the Ireland Strategic Investment Fund on the commencement of Section 38(2) of the NTMA Act 2014, with the exception of certain foreign assets and foreign liabilities.

All assets governed by Irish law transferred automatically from the Commission to the NTMA (becoming assets of the ISIF on 22 December 2014). From this date the Commission consists of a single commissioner (the Chief Executive, NTMA) who is required by the NTMA Act 2014 to do everything that is reasonably practicable to give effect to the transfer of any remaining assets governed by foreign law.

### **Statement of Commission's Responsibilities (continued)**

For the purposes of the Fund's financial statements, all remaining assets and liabilities of the Fund at 31 December 2017 have been de-recognised. These assets and liabilities are being recognised and presented in the ISIF financial statements.

A handwritten signature in dark ink, consisting of a large, stylized 'C' followed by a horizontal line and a sweeping flourish underneath.

**Conor O'Kelly**  
Commissioner  
29 May 2018



---

**FINANCIAL STATEMENTS OF THE  
NATIONAL PENSIONS RESERVE FUND**

**For the year ended 31 December 2017**

---

# **National Pensions Reserve Fund**

**For the year ended 31 December 2017**

---

## **Contents**

	<b>Page</b>
NPRF Commission and Other Information	3
Statement on Internal Control	4
Report of the Comptroller and Auditor General	6
Fund Account	8

## **National Pensions Reserve Fund**

### **NPRF Commission and Other Information**

---

#### **Commissioner**

Conor O'Kelly (ex-officio)

#### **Manager**

National Treasury Management Agency ("NTMA")

Treasury Building

Grand Canal Street

Dublin 2

D02 XN96

#### **Global Custodian**

The Bank of New York Mellon ("BNYM")

One Canada Square

London E14 5AL

United Kingdom

#### **Auditor**

Office of the Comptroller and Auditor General

3A Mayor Street Upper

Dublin 1

D01 WP44



## National Pensions Reserve Fund

### Statement on Internal Control

---

The National Treasury Management Agency (the “Agency”) is the manager of the National Pensions Reserve Fund. The Agency’s system of internal control is detailed below:

#### Statement on Internal Control

##### *Scope of Responsibility*

On behalf of the National Treasury Management Agency we acknowledge the Agency’s responsibility for ensuring that an effective system of internal control is maintained and operated. This responsibility takes account of the requirements of the Code of Practice for the Governance of State Bodies (2016).

##### *Purpose of the System of Internal Control*

The system of internal control is designed to manage risk to a tolerable level rather than to eliminate it. The system can therefore only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or detected in a timely way.

The system of internal control, which accords with guidance issued by the Department of Public Expenditure and Reform has been in place in the National Treasury Management Agency for the year ended 31 December 2017 and up to the date of approval of the financial statements.

##### *Capacity to Handle Risk*

The National Treasury Management Agency has an Audit and Risk Committee (ARC) comprising four Agency members, with financial and audit expertise, one of whom is the Chair. The ARC met six times in 2017.

The National Treasury Management Agency has also established an internal audit function which is adequately resourced and conducts a programme of work agreed with the ARC.

The Agency has developed a Risk Management Policy and Framework which sets out its risk appetite, the risk management processes in place and details the roles and responsibilities of staff in relation to risk. The policy has been issued to all staff who are expected to work within the National Treasury Management Agency’s risk management policies, to alert management on emerging risks and control weaknesses and assume responsibility for risks and controls within their own area of work.

##### *Risk and Control Framework*

The National Treasury Management Agency has implemented a risk management system which identifies and reports key risks and the management actions being taken to address and, to the extent possible, to mitigate those risks.

Risk registers are in place which identify the key risks facing the National Treasury Management Agency and these have been identified, evaluated and graded according to their significance. The Business Unit risk registers are reviewed by the ARC on an annual basis. The outcome of these assessments is used to plan and allocate resources to ensure risks are managed to an acceptable level.

The risk registers detail the controls and actions needed to mitigate risks and responsibility for operation of controls assigned to specific staff. We confirm that a control environment containing the following elements is in place:

- ☐ procedures for all key business processes have been documented,
- ☐ financial responsibilities have been assigned at management level with corresponding accountability,
- ☐ there is an appropriate budgeting system with an annual budget which is kept under review by senior management,

## National Pensions Reserve Fund

### Statement on Internal Control (continued)

---

- ☐ there are systems aimed at ensuring the security of the information and communication technology systems, and
- ☐ there are systems in place to safeguard the assets.

#### ***Ongoing Monitoring and Review***

Formal procedures have been established for monitoring control processes and control deficiencies are communicated to those responsible for taking corrective action and to management and the Agency, where relevant, in a timely way. We confirm that the following ongoing monitoring systems are in place:

- ☐ key risks and related controls have been identified and processes have been put in place to monitor the operation of those key controls and report any identified deficiencies,
- ☐ reporting arrangements have been established at all levels where responsibility for financial management has been assigned, and
- ☐ there are regular reviews by senior management of periodic and annual performance and financial reports which indicate performance against budgets/forecasts.

#### ***Procurement***

We confirm that the National Treasury Management Agency has procedures in place to ensure compliance with current procurement rules and guidelines and that during 2017 the National Treasury Management Agency complied with those procedures in respect of the National Pensions Reserve Fund.

#### ***Review of Effectiveness in respect of the National Pensions Reserve Fund***

We confirm that the National Treasury Management Agency has procedures to monitor the effectiveness of its risk management and control procedures. The National Treasury Management Agency's monitoring and review of the effectiveness of the system of internal control is informed by the work of the internal and external auditors, the Audit and Risk Committee which oversees their work, and the senior management within the National Treasury Management Agency responsible for the development and maintenance of the internal financial control framework.

We confirm that the Agency conducted an annual review of the effectiveness of the internal controls for 2017.

#### ***Internal Control Issues***

No weaknesses in internal control were identified in respect of the National Pensions Reserve Fund in relation to 2017 that require disclosure in the financial statements.

#### **Annual Review of Controls**

I confirm that, in respect of the year ended 31 December 2017, the Commission, having taken advice from the Agency's Audit and Risk Committee, conducted a review of the effectiveness of the system of internal control.



**Conor O'Kelly, Commissioner**  
National Pension Reserve Fund Commission



**Martin Murphy, Chairperson, Audit Committee**  
National Treasury Management Agency

29 May 2018



## **Ard Reachtaire Cuntas agus Ciste** **Comptroller and Auditor General**

### **Report for presentation to the Houses of the Oireachtas**

#### **National Pension Reserve Fund**

##### **Opinion on financial statements**

I have audited the financial statements of the National Pension Reserve Fund (the Fund) prepared by the National Pension Reserve Fund Commission (the Commission) for the year ending 31 December 2017 as required under the provisions of section 26 of the National Pension Reserve Fund Act 2000. The financial statements comprise the fund account.

In my opinion, the financial statements properly present the balance of the Fund at 31 December 2017.

##### **Basis of opinion**

I conducted my audit of the financial statements 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 appendix to this report. I am independent of the 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 information other than the financial statements, and on other matters**

The Commission has presented certain other information together with the financial statements. This comprises the annual report including the statement of responsibilities and the statement on internal control. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.

**Seamus McCarthy**  
**Comptroller and Auditor General**

31 May 2018

## Appendix to the report

### Responsibilities of the National Pensions Reserve Fund Commission

The statement of responsibilities sets out the Commission's responsibilities for

- the preparation of financial statements in the form prescribed under section 26 of the National Pension Reserve Fund Act 2000
- ensuring that the financial statements properly present the balance of the Fund at 31 December 2017
- ensuring the regularity of transactions
- assessing whether the use of the going concern basis of accounting is appropriate, and
- such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Responsibilities of the Comptroller and Auditor General

I am required under section 26 of the National Pension Reserve Fund Act 2000 to audit the financial statements of the Fund and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty

exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Commission to cease to continue as a going concern.

- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

#### Statement on internal control

My opinion on the financial statements does not cover the statement on internal control presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the statement and, in doing so, consider whether the information therein is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this information, I am required to report that fact.

#### Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if there are material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if there is any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

I also report by exception if, in my opinion,

- I have not received all the information and explanations I required for my audit, or
- the accounting records were not sufficient to permit the financial statements to be readily and properly audited, or
- the financial statements are not in agreement with the accounting records.

## National Pensions Reserve Fund

### Fund Account

For the year ended 31 December 2017

	Year Ended 31 December 2017 €m	Year Ended 31 December 2016 €m
Opening balance at 1 January 2017	-	-
Movements	-	-
<b>Closing balance at 31 December 2017</b>	<b>-</b>	<b>-</b>

On commencement of Part 6 of the National Treasury Management Agency (Amendment) Act 2014 ("NTMA Act 2014"), which occurred on 22 December 2014, the assets and liabilities of the Fund became the assets and liabilities of the Ireland Strategic Investment Fund (subject to the provisions of Schedule 4 of the NTMA Act 2014 in the case of certain foreign assets and foreign liabilities). The transfer of foreign assets must be done in conjunction with the relevant counterparty. The process is largely complete, and a small number of foreign assets had not legally transferred from the Fund to the Ireland Strategic Investment Fund as at 31 December 2017.

All assets remaining in the Fund have been derecognised by the NPRF Commission and are recognised and presented within the Ireland Strategic Investment Fund financial statements. The legal transfer of foreign assets is complicated and some foreign assets remained in the Fund as at 31 December 2017 as follows:

	Year Ended 31 December 2017 €000	Year Ended 31 December 2016 €000
Total assets legally held in the NPRF	95	439

The assets remaining in the NPRF as at 31 December 2017 relate to withholding tax reclaims.

The market value of assets remaining to be legally transferred to the Ireland Strategic Investment Fund at 31 December 2017 was €95k. Once all assets have been legally transferred to the Ireland Strategic Investment Fund the NPRF Commission will be dissolved.



Conor O'Kelly, Commissioner  
National Pension Reserve Fund Commission

29 May 2018