



Coimisiún an Chúlchiste Náisiunta Pinsean
National Pensions Reserve Fund Commission

National Pensions
Reserve Fund
Commission

*Annual Report
& Financial
Statements*

2019

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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 National Pensions Reserve Fund Act 2000 (“the Act”). The NTMA Governance Statement and Agency Members’ Report is published in the NTMA Annual Report 2019.

The Fund’s Discretionary Portfolio was valued by the NTMA at €7.1 billion at 21 December 2014. All transferable 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 2019, all foreign assets, other than €51,000 of withholding tax reclaims, have transferred to the ISIF. The Bank of New York Mellon and BNY Mellon SA/NV act as Global Custodian to the Fund’s remaining assets.

Once all assets have been transferred to the ISIF, it is envisaged that the Commission will be dissolved.

Fees & Expenses

The Fund’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 Fund insofar as its requirements are relevant to the management of the Fund.

Statement of Commission’s Responsibilities

The Commission is required by the Act to prepare annual financial statements of the Fund.

Statement of Commission's Responsibilities (continued)

In preparing those statements the Commission:

- selects suitable accounting policies and applies them consistently;
- makes judgements and estimates that are reasonable and prudent;
- prepares the financial statements on a going concern basis unless it is inappropriate to do so;
- states whether the financial statements have been prepared in accordance with applicable accounting standards, identifies those standards, and notes 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 ("the 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 this date pursuant to Section 38(2) of the NTMA Act 2014, with the exception of certain foreign assets and foreign liabilities.

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 2019 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
2 June 2020



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

For the year ended 31 December 2019

National Pensions Reserve Fund

For the year ended 31 December 2019

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National Pensions Reserve Fund

NPRF Commission and other information

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Conor O’Kelly (ex-officio)

Manager

National Treasury Management Agency
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Dublin 1
D01 A9T8

Global Custodian

Bank of New York Mellon
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Manhattan
New York
U.S.A.

BNY Mellon SA/NV
Rue Montoyer 46,
1000 Bruxelles,
Belgium

Auditor

Comptroller and Auditor General
3A Mayor Street Upper
Dublin 1
D01 PF72

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 set out below.

Scope of Responsibility

On behalf of the National Treasury Management Agency (“the 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 Agency for the year ended 31 December 2019 and up to the date of approval of the financial statements.

Capacity to Handle Risk

The Agency has a formal risk management and governance framework in place, designed to support the proactive management of risk. The Agency’s Risk Management Policy and Framework and Risk Appetite Framework, together set out its risk appetite, its risk management processes and details the roles and responsibilities of staff in relation to risk. The Agency has ultimate oversight and accountability in relation to risk management and provides direction by approving the Risk Management Policy and Framework and the Risk Appetite Framework. Thereafter the Agency assures itself on an on-going basis that executive management is responding appropriately to risks and it is assisted in this regard by the Audit and Risk Committee (ARC), which monitors adherence to risk governance and risk appetite and ensure risks are properly identified, assessed, managed and reported.

In 2019, the ARC comprised three Agency members, with financial and audit expertise, one of whom is the Chair. The Committee met seven times in 2019.

An executive-level Enterprise Risk Management Committee (ERMC) oversees the implementation of the Agency’s overall risk appetite and senior management’s establishment of appropriate systems to ensure enterprise risks are effectively identified, measured, monitored, controlled and reported.

The Risk Management Policy and Framework and Risk Appetite Framework which were updated in 2019 were published and communicated to all staff who are expected to comply with the requirements therein. The embedding of risk management was supported by a programme of risk training and awareness in the reporting period.

Risk and Control Framework

The Agency’s Risk Management Policy and Framework, supported by the Risk Appetite Framework, provides the methodology and processes, by which key risks are identified, assessed, managed, monitored and reported and are supported by a suite of risk management policies.

Individual business units and corporate functions maintain risk registers in which their key risks and controls are recorded and responsibility for operation of the controls assigned. These registers are reviewed twice yearly by the respective businesses units and corporate functions and the controls therein are attested by the control owners. Risk registers were reviewed by the appropriate risk committees during the reporting period.

The ARC also conducted two reviews of the Agency’s principal risks in the reporting period, based on a top-down risk assessments exercise conducted by the ERMC.

The Agency has an established control environment, as part of which:

- Authority and financial responsibilities are delegated by the Agency Chief Executive to Agency management and staff through the use of delegated authorities which define their authority and financial responsibilities to act on behalf of the Agency.
- It has developed policies and procedures in respect of the management of the key aspects of its activities. These policies and procedures are reviewed by their business owners and updated to align with business processes.
- It has an appropriate financial and budget management system, incorporating accounts payable controls as well as regular reporting of the Agency’s costs and monitoring of costs against budget to the Executive Management Team.
- It has an established financial reporting framework to support its external and statutory reporting obligations in respect of its businesses.
- It has established systems, procedures and controls in place to manage and safeguard its business assets including property, equipment and vehicle assets.

Risk and Control Framework (continued)

- It takes all reasonable measures considered necessary to protect information and systems including the confidentiality, integrity and authenticity of the information stored on Agency systems and to minimise so far as practicable the risk of unauthorised access to information from both internal and external sources. This protection is achieved through the application of recognised standards, policies and controls.
- It has an established Cyber Security Framework to facilitate identification, assessment and management of the cyber risks that the Agency may be exposed to. Regular Staff Awareness Training on cyber risks is also in place for all Agency staff.
- It has a business continuity framework with a view to ensuring the Agency is able to manage disruptive scenarios, provide contingency premises, recover key systems and maintain as far as possible the continuity of critical operations, and resume normal business operations in a timely manner.

On-going Monitoring and Review

The Agency has established processes for the on-going monitoring and review of the effectiveness of controls which are carried out through its three lines of-defence model which includes:

- The first line, comprising the Agency's business units and corporate functions, own the risks associated with business activities and are primarily responsible for managing those risks on a day-to-day basis. This includes implementing and monitoring adherence to the Agency's risk management policies and risk appetite, conducting risk and control self-assessments, managing operational events and implementing appropriate responses. They provide reports for the Agency's Risk Governance Committees on their risks and controls and operational events.
- The second line comprises the Agency's Risk and Compliance functions and is independent of the first line management and operations. The Risk function oversees compliance with risk management policies across the Agency, provides independent review and challenge to the first line, and provides risk reports and information to the various risk governance committees. The Compliance Function and Data Protection Officer promote compliance and personal data protection awareness through training, codes of conduct and relevant policies. They provide compliance and personal data protection support, advice and independent challenge to first line management and submit regular reports to the ERM and ARC.
- Internal Audit is a third line of defence, providing independent risk-based assurance to key stakeholders on the robustness of the Agency's governance, risk management system and the design and operating effectiveness of the internal control environment under a planned programme of work approved by the ARC. The internal auditor provides regular reporting to the ARC on the status of the internal control environment in the context of reviews undertaken and the status of internal audit issues raised previously.

Procurement

The Agency has an established Procurement Policy (published on its website) and a Procurement Procedure. The Agency's procurement practices are in accordance with the aforementioned documents. A corporate procurement plan, based on the template published in the Office of Government Procurement Policy framework document, is in place and is being implemented. The corporate procurement plan is updated annually.

The Agency's Procurement Policy and Procurement Procedure remain under review on an on-going basis.

Annual Review of Effectiveness

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 2019.

No weaknesses in internal control in respect of the Fund were identified in relation to 2019 that require disclosure in the financial statements.


Maeve Carton

Chairperson
National Treasury Management Agency


Gerardine Jones

Chairperson, Audit & Risk Committee
National Treasury Management Agency

5 May 2020



Ard Reachtair Cuntas agus Ciste **Comptroller and Auditor General**

Report for presentation to the Houses of the Oireachtas

National Pension Reserve Fund

Opinion on the 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 ended 31 December 2019 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 2019.

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

13 May 2020

Appendix to the report

Responsibilities of the National Pensions Reserve Fund Commission

As detailed in the statement of responsibilities, the Commission is responsible 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 2019
- 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 I identify 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 I identify 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 2019

	Year Ended 31 December 2019 €m	Year Ended 31 December 2018 €m
Opening balance at 1 January	-	-
Movements	-	-
Closing balance at 31 December	-	-

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 2019.

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 2019 as follows:

	Year Ended 31 December 2019 €000	Year Ended 31 December 2018 €000
Total assets legally held in the NPRF	51	50

The assets remaining in the NPRF as at 31 December 2019 relate to withholding tax reclaims.

The market value of assets remaining to be legally transferred to the Ireland Strategic Investment Fund at 31 December 2019 was €51k. Once all assets have been legally transferred to the Ireland Strategic Investment Fund it is envisaged that the NPRF Commission will be dissolved.



Conor O'Kelly, Commissioner
National Pension Reserve Fund Commission

5 May 2020