



Coimisiún an Chúlchiste Náisiunta Pinsean  
National Pensions Reserve Fund Commission

National Pensions  
Reserve Fund  
Commission

*Annual Report  
& Financial  
Statements*

2016



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# From the Commissioner



## Background

Following the commencement of the relevant provisions of the NTMA (Amendment) Act 2014, the NPRF's investment mandate ended on 22 December 2014 and the NPRF Commission ("Commission") thereafter consists of a single Commissioner, being the Chief Executive of the National Treasury Management Agency ("NTMA"). The Commission is statutorily required to do everything reasonably practicable to give effect to the transfer of any assets governed by foreign law from the National Pensions Reserve Fund ("NPRF") to Ireland Strategic Investment Fund ("ISIF").

## Transfer of assets

The NPRF Discretionary Portfolio was valued by the NTMA at €7.1 billion at 21 December 2014. All Irish assets transferred automatically, by operation of law, from the NPRF Commission to the NTMA (becoming assets of the ISIF) on 22 December 2014. The remainder of the NPRF Discretionary Portfolio comprised assets governed by foreign law.

As at 31 December 2016, all foreign assets, other than €439,000 of withholding tax reclaims, have transferred to the Ireland Strategic Investment Fund.

## Custody Arrangements

The Bank of New York Mellon acts as Custodian to the NPRF's remaining assets.

## Fees & Expenses

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

## Dissolution of the NPRF Commission

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

A handwritten signature in black ink, consisting of a large, stylized 'C' followed by a horizontal line that tapers to a point on the right.

Conor O'Kelly

Commissioner

25 May 2017



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**FINANCIAL STATEMENTS OF THE  
NATIONAL PENSIONS RESERVE FUND**  
**For the year ended 31 December 2016**

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**National Pensions Reserve Fund**

**For the year ended 31 December 2016**

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## **National Pensions Reserve Fund**

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

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#### **Commissioner**

Conor O'Kelly (ex-officio)

#### **Manager**

National Treasury Management Agency  
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

#### **Bankers**

Allied Irish Banks p.l.c.  
1 – 4 Lower Baggot Street  
Dublin 2  
D02 X342

#### **Auditor**

Office of the Comptroller and Auditor General  
3A Mayor Street Upper  
Dublin 1  
D01 WP44

## National Pensions Reserve Fund

### Statement of Commission's Responsibilities

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

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 Ireland Strategic Investment Fund 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 Ireland Strategic Investment Fund 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.

For the purposes of these financial statements, all remaining assets and liabilities of the NPRF at 31 December 2016 have been de-recognised. These assets and liabilities are being recognised and presented in the Ireland Strategic Investment Fund financial statements.



Conor O'Kelly, Commissioner  
National Pension Reserve Fund Commission

8 May 2017

## **National Pensions Reserve Fund**

### **Statement on Internal Financial Control**

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The National Treasury Management Agency (the "Agency") is the manager of the National Pensions Reserve Fund. The Agency's system of internal financial control is detailed below:

#### **Responsibility for the System of Internal Financial Control**

We acknowledge the responsibility for ensuring that an effective system of internal financial control is maintained and operated.

The system can 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 would be detected in a timely manner.

#### **Key Control Procedures**

We have taken steps to ensure an appropriate control environment by:

- establishing appropriate governance structures with clearly defined management responsibilities;
- establishing formal procedures for reporting significant control failures and ensuring appropriate corrective action;
- establishing an Audit and Risk Committee to advise us on discharging our responsibilities for the internal financial control system.

The Agency has established processes to identify and evaluate business risks by:

- identifying the nature, extent and financial implication of risks facing the organisation;
- assessing the likelihood of identified risks occurring;
- assessing the organisation's ability to manage and mitigate the risks that do occur;
- assessing the costs of operating particular controls relative to the benefit obtained.

The system of internal financial control is based on a framework of regular management information, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular it includes:

- a comprehensive budgeting system with an annual budget which is reviewed and approved by the Agency members and submitted to the Minister for Finance;
- regular reviews of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines;
- formal project management disciplines;
- adoption of an Anti-Fraud policy and the Reporting of 'Relevant Wrongdoing' and Protected Disclosures Policy (formerly the Good Faith Reporting Policy).



## National Pensions Reserve Fund

### Statement on Internal Financial Control (continued)

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The Agency has an Audit and Risk Committee which operates in accordance with the principles in the Code of Practice for the Governance of State Bodies. The Agency's internal audit function is overseen by this Audit and Risk Committee. The work of the internal audit function is informed by an analysis of the risks to which the Agency is exposed, and annual internal audit plans are based on this analysis. These risk-based internal audit plans are agreed with the Chief Executive and management of the Agency and approved by the Agency's Audit and Risk Committee. On a regular basis, the internal audit function provides the management of the Agency and the Agency's Audit and Risk Committee with reports of internal audit activity. These reports outline any findings and recommendations in relation to internal controls that have been reviewed. Progress against recommendations is monitored and reported to the Audit and Risk Committee.

The Agency has a Code of Practice on Confidentiality and Professional Conduct which sets out the agreed standards of principles and practice in relation to confidentiality, conflicts of interest, insider dealing, market manipulation and personal account transactions.

The Agency has put in place an appropriate framework to ensure that it complies with the Data Protection Acts. As part of this framework, the Agency has implemented systems and controls to restrict the access to confidential data. Under the framework, where the Agency becomes aware of breaches or alleged breaches of confidential data, these are fully investigated and where necessary reported to the appropriate authorities.

The Agency's monitoring and review of the effectiveness of the system of internal financial control is informed by the management within the Agency who have responsibility for the development and maintenance of the financial control framework, the findings from the work of the internal audit function and comments made by the Office of the Comptroller and Auditor General in management letters or other reports.

#### Annual Review of Controls

I confirm that, in respect of the year ended 31 December 2016, the Commission, having taken advice from the Agency's Audit and Risk Committee, conducted a review of the effectiveness of the system of internal financial control.



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

8 May 2017



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



## Comptroller and Auditor General

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

#### National Pensions Reserve Fund

I have audited the financial statements of the National Pensions Reserve Fund for the year ended 31 December 2016 under the National Pensions Reserve Fund Act 2000. The financial statements comprise the fund account. The financial statements have been prepared in the form prescribed under section 26 of the National Pensions Reserve Fund Act 2000.

#### Responsibilities of the Commission

The National Pensions Reserve Fund Commission is responsible for the preparation of the financial statements in the specified format and for ensuring the regularity of transactions.

#### Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and report on them in accordance with applicable law.

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation.

My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

#### Scope of audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the Fund's circumstances, and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made in the preparation of the financial statements, and
- the overall presentation of the financial statements.

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

In addition, I read the Commission's annual report to identify if there are any material inconsistencies with the audited financial statements and to identify if there is any

information that is apparently materially incorrect or inconsistent based on the knowledge acquired by me in the course of performing my audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

#### Opinion on the financial statements

In my opinion, the financial statements, which have been properly prepared in accordance with the National Pensions Reserve Fund Act 2000 in the form approved by the Minister for Finance, properly present the state of the Fund's affairs at 31 December 2016 and its transactions for 2016.

In my opinion, the accounting records of the Commission were sufficient to permit the financial statements to be readily and properly audited. The financial statements are in agreement with the accounting records.

#### Matters on which I report by exception

I report by exception if I have not received all the information and explanations I required for my audit, or if I find

- any material instance where public money has not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information in the Commission's annual report is not consistent with the related financial statements or with the knowledge acquired by me in the course of performing the audit, or
- the statement on internal financial control does not reflect the Commission's compliance with the Code of Practice for the Governance of State Bodies, or
- there are other material matters relating to the manner in which public business has been conducted.

I have nothing to report in regard to those matters on which reporting is by exception.



Seamus McCarthy  
Comptroller and Auditor General  
12 May 2017

## National Pensions Reserve Fund

### Fund Account

For the year ended 31 December 2016

	Year Ended 31 December 2016 €m	Year Ended 31 December 2015 €m
Opening balance at 1 January 2016	-	-
Movements	-	-
<b>Closing balance at 31 December 2016</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 2016.

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 2016 as follows:

	Year Ended 31 December 2016 €000	Year Ended 31 December 2015 €000
Total assets legally held in the NPRF	439	1,072

The assets remaining in the NPRF as at 31 December 2016 relate to withholding tax reclaims.

The market value of assets remaining to be legally transferred to the Ireland Strategic Investment Fund at 31 December 2016 was €439k. 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

8 May 2017