



**Irish Fiscal
Advisory Council**

**ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED
31 DECEMBER 2014**

**IRISH FISCAL ADVISORY COUNCIL
ANNUAL REPORT AND ACCOUNTS FOR THE
YEAR ENDED 31 DECEMBER 2014**

CONTENTS:

CHAIRPERSON'S STATEMENT	3
INTRODUCTION AND BACKGROUND TO THE COUNCIL	4
MEMBERSHIP OF THE COUNCIL AND ITS STAFF.....	6
ACTIVITIES IN 2014.....	7
MEETINGS OF THE COUNCIL	11
STRATEGIC OBJECTIVES	15
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014.....	16

CHAIRPERSON'S STATEMENT

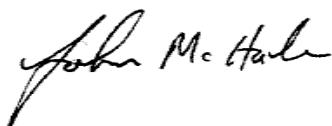
This is the Council's second annual report as a statutory body. The role of the Council is to independently assess, and comment publicly on, whether the Government is meeting its own stated budgetary targets and objectives. It is required to assess and endorse, as it considers appropriate, the official macroeconomic forecasts underpinning each Budget and stability programme. The Council also assesses the fiscal forecasts and the fiscal stance, and monitors compliance with legislated fiscal rules.

Since our establishment, the Council has sought to ensure that we fulfil our mandate as effectively as possible. In 2014, the Council continued to develop our analytical capacity so that statements included in our *Fiscal Assessment Reports* are well-founded. We have endeavoured to present our analytical work in a way that informs debate and discussion around fiscal policy issues. We have also engaged in public debate through, for example, our appearances before the Joint Oireachtas Committee on Finance, Public Expenditure and Reform. In line with IFAC's *Strategic Plan 2014-2016*, the Council initiated an independent evaluation in late 2014 to assess the functioning of the Council with respect to its mandate under the *Fiscal Responsibility Act 2012* (FRA). The evaluation was published in mid 2015.

With regard to analytical capacity, the Council continued to develop its forecasting models to assist in carrying out its endorsement function. The on-going development of these models will form part of the work-programme in the coming years. The Council also extended its analytical work in the areas of potential output and the assessment of budget tax forecasts and the results of some of this work were published in the Council's *Fiscal Assessment Reports* and new *Analytical Notes*.

During 2014, the Council continued to adopt and implement policies and procedures in line with the Code of Practice for the Governance of State Bodies, building on the work carried out in 2013. For example, Confidential Disclosures and Anti-Fraud Policies were adopted. The Council also tendered for and appointed a firm of internal auditors.

The primary outputs of the Council are our bi-annual *Fiscal Assessment Reports* which have typically been published after the annual Budget and Stability Programme. In 2014, the Council published a new *Pre-Budget 2015 Statement* in addition to its two Assessment reports. These reports have attracted considerable attention and that has helped to ensure that the views of the Council feature in debates on fiscal issues. Detailed responses are also now provided by the Minister for Finance following the publication of each *Fiscal Assessment Report*.



John McHale
Chairman
Date: 23 July 2015

INTRODUCTION AND BACKGROUND TO THE COUNCIL

The Irish Fiscal Advisory Council ('the Council') was established on an interim basis in July 2011 and on a statutory basis in December 2012 by the *Fiscal Responsibility Act 2012*. The Council is comprised of a five-member Council (details below) and a five-member, full-time Secretariat, headed by a Chief Economist / Head of Secretariat.

The Council's mandate (detailed below) is to provide independent assessments of official macroeconomic and budgetary forecasts, assessments of compliance with the statutory Budgetary Rule, assessments of the overall stance of fiscal policy, and endorsements (as appropriate) of the official macroeconomic forecasts prepared by the Department of Finance.¹

While the establishment of a fiscal council was a requirement of the *EU/IMF Programme of Financial Support for Ireland* (December 2010), it had been proposed domestically in the *National Recovery Plan 2011-2014* and by the Joint Committee on Finance and the Public Service in November 2010.^{2,3} The Programme for Government of the new Government, which took office in March 2011, committed to the establishment of a Fiscal Advisory Council. The policy changes in Ireland were part of more general moves at a European level to strengthen fiscal governance through reforms to the *Stability and Growth Pact* and the *Treaty on Stability, Coordination and Governance*.

The *Fiscal Responsibility Act 2012* (December) put the Council on a statutory footing.⁴ The Act provides for an annual financial ceiling of €800,000 for the Council.⁵ Within this ceiling, the amount incurred by the Council in performing its functions is met from the Central Fund.

¹ The endorsement function was assigned to the Council in mid-2013 following an amendment to the *Fiscal Responsibility Act 2012*. See: <http://www.irishstatutebook.ie/pdf/2013/en.act.2013.0029.pdf>.

² The Joint Oireachtas Committee report is available at: <http://www.oireachtas.ie/documents/committees30thdail/j-financepublicservice/reports/20101111.pdf>.

³ The initial Department of Finance proposal was set out in detail in the discussion document *Reforming Ireland's Budgetary Framework: A Discussion Document*, March 2011 available at: <http://www.finance.gov.ie/sites/default/files/budgetref.pdf>.

⁴ Prior to the publication of the Act, the Council published a report *Strengthening Ireland's Fiscal Institutions* (January 2012), outlining our views on the design of a new fiscal framework for Ireland that encompassed both fiscal rules and a permanent independent fiscal council.

⁵ This is subject to adjustment in line with inflation.

The Council has four legally mandated functions. The first three were assigned in the *Fiscal Responsibility Act 2012*. The fourth function (endorsement) was assigned to the Council in July 2013. These functions are as follows:

1. **To provide an assessment of the official macroeconomic and fiscal forecasts** produced by the Department of Finance and published in the *Stability Programme* and in the *Budget*.
2. **To provide an assessment of whether or not the fiscal stance** of Government (as set out in each *Budget* and *Stability Programme*) is conducive to prudent economic and budgetary management, with reference to the EU Stability and Growth Pact.
3. **To monitor and assess compliance with the Budgetary Rule** as set out in the *Fiscal Responsibility Act*.⁶
4. **To endorse the official macroeconomic forecasts** prepared by the Department of Finance in relation to each *Budget* and *Stability Programme*. This follows EU requirements to have national medium-term fiscal plans and draft budgets based on independent macroeconomic forecasts, which means having macroeconomic forecasts produced or endorsed by an independent body. A joint Memorandum of Understanding (MoU) between the Council and the Department of Finance underpins the endorsement process and was formulated and agreed in mid-2013. This MoU was last updated in late 2014. The Council publishes bi-annual *Fiscal Assessment Reports* in line with its mandate and submits them to the *Minister for Finance*. These reports are then published within ten days. The Council from time to time publishes analytical notes and six such notes were released in 2014. In 2014 the Council also published for the first time a Pre-Budget Statement. The Council is required, on request, to account for its performance to a Committee of either House of the Oireachtas; it appeared before the Oireachtas in June and December 2014.

⁶ The budgetary rule requires that the budgetary position of the general government is in balance or in surplus, or is moving at a satisfactory pace towards that position. The Council must also assess whether any non-compliance is a result of 'exceptional circumstances'. This could mean a severe economic downturn and/or an unusual event outside the control of Government which may have a major impact on the budgetary position.

MEMBERSHIP OF THE COUNCIL AND ITS STAFF

The Council consists of five members including the Chair. The Council has a strong international dimension with three members based outside of Ireland. Appointments are made by the Minister for Finance on the basis of a range of criteria such as:

- competence and expertise in domestic or international macroeconomic or fiscal matters, and
- ensuring an appropriate balance between men and women in the membership of the Council, where practicable.

Council members were appointed upon the establishment of the Council in 2011. Appointments were made on a staggered basis with terms ranging from two to four years. Thereafter a standard term of four years applies. Appointments were reset following the establishment of the Council on a statutory basis at end-2012. Existing (and future) Council Members will be eligible for one additional term. Donal Donovan's term on the Council expired on the 31 December 2014, he was replaced by Dr Íde Kearney who was appointed for a term of four years.

The Council members are:

John McHale (Chair): Established Professor of Economics, National University of Ireland, Galway.

Sebastian Barnes: Economic Counsellor to the Chief Economist, Organisation for Economic Co-operation and Development (OECD), Paris.

Alan Barrett: Research Professor and Head of the Economic Analysis Division, Economic and Social Research Institute (ESRI), Dublin (resigned 25 May 2015).

Donal Donovan: formerly a Deputy Director at the International Monetary Fund (IMF), Washington. Currently Adjunct Professor, University of Limerick and Visiting Lecturer, Trinity College Dublin (term ended 31 December 2014).

Íde Kearney: Senior Economist in the Research Division of the Dutch Central Bank (De Nederlandsche Bank).

Róisín O'Sullivan: Associate Professor of Economics, Smith College, Massachusetts.

Council members can be removed from office by the Minister only under specific circumstances, which are set out in detail in the legislation underpinning the Council. Furthermore, such a decision requires a resolution of Dáil Éireann.

The Council has the power to appoint staff members to the Council's Secretariat. These appointments require prior consent by the Minister for Finance (following consultation with the Minister for Public Expenditure and

Reform). During 2014 the Council recruited one economist (Eddie Casey) and one Research Assistant (Andrew Hannon).

ACTIVITIES IN 2014

In 2014, the Council published its first *Annual Report and Accounts*, two *Fiscal Assessment Reports* (April and November), a *Pre-Budget 2015 Statement* and six *Analytical Notes*. The Council and Secretariat also appeared before the Oireachtas Committee on Finance and Public Expenditure and Reform on two occasions. Members of the Council and Secretariat also made presentations at external conferences and meetings.

FISCAL ASSESSMENT REPORT, JUNE 2014

In June, the Council published a Fiscal Assessment Report providing an assessment and analysis of the fiscal stance in *Stability Programme Update 2014*. The Government provided a response to the report in a letter to the Council on 22 July 2014.

PRE-BUDGET 2015 STATEMENT

In September 2014, the Council published its first Pre-Budget 2015 Statement in advance of the Budget. The report set out the macroeconomic and fiscal context in which *Budget 2015* would be framed. Subsequent to the announcement of *Budget 2015*, the Minister for Finance announced a Dáil debate on the Statement. This was held on 21 October 2014.

FISCAL ASSESSMENT REPORT, NOVEMBER 2014

The *Fiscal Assessment Report, November 2014* was published following *Budget 2015* in October. The report assessed the macroeconomic and budgetary forecasts contained in *Budget 2015* and assessed compliance with the fiscal rules. The report discussed the Council's endorsement of the *Budget 2015* macroeconomic forecasts. The Government provided a response to the report in a letter to the Council on 09 January 2015.

ANALYTICAL NOTES

The Council published six Analytical Notes during 2014. The purpose of these notes is to examine in detail specific economic and fiscal issues of relevance under the Council's mandate. In many cases, the work in the *Analytical Notes* feeds into the analysis in the *Fiscal Assessment Reports*. The *Analytical Notes* published in 2014 were as follows:

Analytical Note No. 1: House Price Risks

Analytical Note No. 2: Sensitivity Analysis of the Department of Finance Approach to Potential Output Estimation under the EC Methodology

Analytical Note No. 3: Tax Forecasting Error Decomposition

Analytical Note No. 4: DIRT Forecast Methodology

Analytical Note No. 5: Future Implications of the Debt Rule

Analytical Note No. 6: Adoption of New International Standards for National Accounts and Balance of Payments

ENDORSEMENT EXERCISE FOR SPU 2015 AND BUDGET 2015

Following the agreement at the Euro Area level Ireland is now required to have its national medium-term fiscal plans and draft budgets based on independent macroeconomic forecasts, which means having macroeconomic forecasts produced or endorsed by an independent body.⁷ This endorsement function was assigned to the Council following an amendment to the *Fiscal Responsibility Act* in July 2013. The Council is required to “endorse, as it considers appropriate, the macroeconomic forecasts prepared by the Department of Finance on which the Budget and stability programme will be based”.

A joint Memorandum of Understanding (MoU) was drawn up between the Department of Finance and the Council to facilitate endorsement. This MoU was reviewed and updated in late 2014. This revised MoU is published on the websites of the Council and the Department of Finance.

The Council has developed its own forecasting methods and analytical capacity to support the endorsement function. Endorsement by the Council is based on whether the Department of Finance’s forecasts are within an “endorseable range” of appropriate forecasts, taking into account the methodology and the plausibility of the judgements involved. This range is also informed by benchmark projections prepared by the Council’s Secretariat, past macroeconomic forecast errors and other information available at the time of the endorsement exercise.

This endorsement function was carried out for the first time by the Council for *Budget 2014* in autumn 2013. The Council carried out the Endorsement function twice in 2014 in advance of both the *Stability Programme Update 2014* and *Budget 2015*. The Endorsement process was documented in each case in the subsequent *Fiscal Assessment Reports* published in June and November 2014.

⁷ EU Regulation No 473/2013 - regulation on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the Euro Area.

OIREACHTAS APPEARANCES

In 2014, the Council appeared twice before the Oireachtas Committee on Finance, Public Expenditure and Reform (on 19 June and on 4 December). These appearances followed the publication of the *Fiscal Assessment Reports*.

OTHER ACTIVITIES BY THE COUNCIL IN 2014

During 2014, the Council participated in a number of meetings, seminars and presentations.⁸

- The Council/Secretariat met with the Department of Finance on eight occasions.
- The Council met with the Troika on two occasions.

SAMPLE OF PRESENTATIONS AND MEETINGS IN 2014

January 2014

John McHale presented to the Conference on the Future Directions for the Irish Economy European Commission/Trinity College Dublin on “Comments on George Kopits, “Ireland’s Fiscal Framework: Options for the Future””

March 2014

John McHale presented to a Conference organised by the European Commission Representation in Ireland in conjunction with the Dublin Chamber of Commerce, Aviva Stadium Conference Centre on “Post-Troika: What’s Next for Ireland The Future of Ireland’s Economic Governance”

Sebastian Barnes made a presentation entitled “Searching for more robust measures of trend output” to the OECD Parliamentary Budget Offices and Fiscal Councils Network in Jerusalem.

⁸ References to the Council here refer to meetings in which at least one member of the Council was present.

November 2014

John McHale presented to the Second Meeting of the EU Network of Independent Fiscal Institutions on “Access to public and non-public information for IFIs: goodwill versus procedures”.

Thomas Conefrey presented on “Ireland’s fiscal outlook” at a conference organised by EOLAS “Economy Ireland 2014 towards a sustainable recovery”.

SAMPLE OF EXTERNAL MEETINGS ATTENDED

October

Thomas Conefrey and John Howlin attended a workshop on “EU IFIs and the New EU Fiscal Framework” organised on behalf of the IFIs by the Slovak Council for Budgetary Responsibility.

November 2014

John McHale attended the Second Meeting of the EU Network of Independent Fiscal Institutions.

MEETINGS OF THE COUNCIL

In 2014, the Council held thirteen meetings in Dublin. The dates of these meetings and the attendees are set out in Table 1. The Council also held a number of teleconferences in 2014.

Table 1: Council Meetings in 2014

	John McHale	Sebastian Barnes	Alan Barrett*	Donal Donovan*	Róisín O'Sullivan
Council Meeting Attendance	13/13	13/13	13/13	13/13	13/13
10 January	Y	Y	Y	Y	Y
14 February	Y	Y	Y	Y	Y
21 March	Y	Y	Y	Y	Y
03 April	Y	Y	Y	Y	Y
25 April	Y	Y	Y	Y	Y
26 May	Y	Y	Y	Y	Y
20 June	Y	Y	Y	Y**	Y
25 July	Y	Y	Y	Y	Y
12 September	Y	Y	Y	Y	Y
2/3 October	Y	Y	Y	Y	Y
07 November	Y	Y	Y	Y	Y
05 December	Y	Y	Y	Y	Y

*Also members of the Council's Audit and Risk Committee. **Part attendance.

INTERNAL AUDIT, GOVERNANCE, FEES AND STAFFING

AUDIT COMMITTEE

The Audit Committee of the Council was set up in 2013 and met four times in 2014. In 2014 it comprised of two Council members.⁹ In early 2014, the Committee felt there was a need to expand its membership to include a person with significant audit knowledge. In this context, Mr John Buckley (former Comptroller and Auditor General) joined the Committee.

The committee reports to the full Council on a periodic basis. The function of the committee is to:

- ensure the Council's compliance with its corporate governance obligations;
- provide oversight of key risks facing the Council.

The review of internal controls within the Council was finalised in February 2014. A risk register was prepared by the Council and was also finalised in March 2014. In early 2014 the Committee commissioned a questionnaire on IFAC's Internal Controls from a firm of internal auditors. The Committee oversaw the implementation of the report's recommendations during the course of 2014. The Chair of the Committee presented to the Council the measures taken to implement the recommendations of the report.

The Committee also oversaw the implementation of the recommendations of the C&AG's Management Letter from 2014. The Chair of the Committee reported to the Council on the actions undertaken on foot of the C&AG letter.

In the second half of 2014, the Council tendered for the provision of Internal Audit services, and Mazars were appointed for a three year period. In 2014 the Audit Committee brought a number of policies, including a Whistleblower (Confidential Disclosures) policy and an Anti-Fraud policy to Council for adoption.

⁹ The members are Alan Barrett (Chair of the Committee) and Donal Donovan.

DISCLOSURE OF INTERESTS

In accordance with the Code of Practice for the Governance of State Bodies, the Council has a Code of Business Conduct which includes guidance in relation to the disclosure of interests by Council Members. These procedures were complied with.

Council members are designated directors for the purposes of the *Ethics in Public Office Acts 1995 and 2003*, and have obligations in relation to disclosure of material interest and an annual statement of interest under the terms of the Acts.

CORPORATE GOVERNANCE

The Council carries out the statutory functions assigned to it under the *Fiscal Responsibility Acts 2012 and 2013*. Over the period of our operation on an administrative basis (July 2011 to December 2012), the Council began to put in place systems of internal control such as a travel policy and systems relating to the processing of transactions. In our second year of operation as a statutory body, our systems of governance, control and risk management have further evolved. For example, the Code of Business Conduct was reviewed and, as noted above, an Internal Auditor was appointed. Further work will be undertaken in 2015 so that our systems continue to evolve.

FEES AND EXPENSES OF COUNCIL MEMBERS

Council fees payable are sanctioned by the Minister for Finance and set by the Department of Public Expenditure and Reform - €20,520 for the Chair and €11,970 for Council members. Where members, including the Chair, are employed by a body within the Irish public sector, no fee is payable to the member concerned (see note 4). Fees incurred in 2014 totalled €35,910 (2013: €39,770).

Fees/time-buyouts are intended to allow time for Council members to work on Council business. They are not fees for attendance at Council meetings. The regular Council meetings are primarily working meetings of the Council members and the secretariat to undertake analysis in support of fulfilling the Council's mandate. A small part of any meeting may be used in relation to administrative matters and the obligations of Council members for its operation on a statutory basis.

Expenses incurred by Council Members amounted to €28,120 (2013: €28,315) mainly reflecting travel and subsistence costs incurred by international and non-Dublin based members attending Council meetings in Dublin.

COMPENSATION FOR EMPLOYER COSTS INCURRED

Due to the time commitment necessary of Council members to fulfil the functions of the Council, a time buy-out is in place to compensate the full-time public sector employers of the Chairman and one Council Member for costs incurred due to their absence on IFAC business. In 2014, €19,750 was paid to the National University of Ireland, Galway and €11,970 to the ESRI.

STAFFING

The Council operated with a full time secretariat of three persons from 2011 to early 2014. In 2013, the Council ran three recruitment competitions and increased the staff numbers to five in early 2014. During 2014 the Council recruited one economist (Eddie Casey) and one research assistant (Andrew Hannon). Sarah Doyle replaced Rachel Joyce as administrator and Thomas Conefrey replaced Diarmuid Smyth as Chief Economist and Head of Secretariat. Along with economist John Howlin, this brought the secretariat to five. All recruitment competitions run by the Council followed prior sanction being granted from the Minister for Finance (following consultation with the Minister for Public Expenditure and Reform) in line with the legislation.

STRATEGIC OBJECTIVES

The Council's vision is for an economy with broadly based growth in incomes and employment founded on sustainable policies.

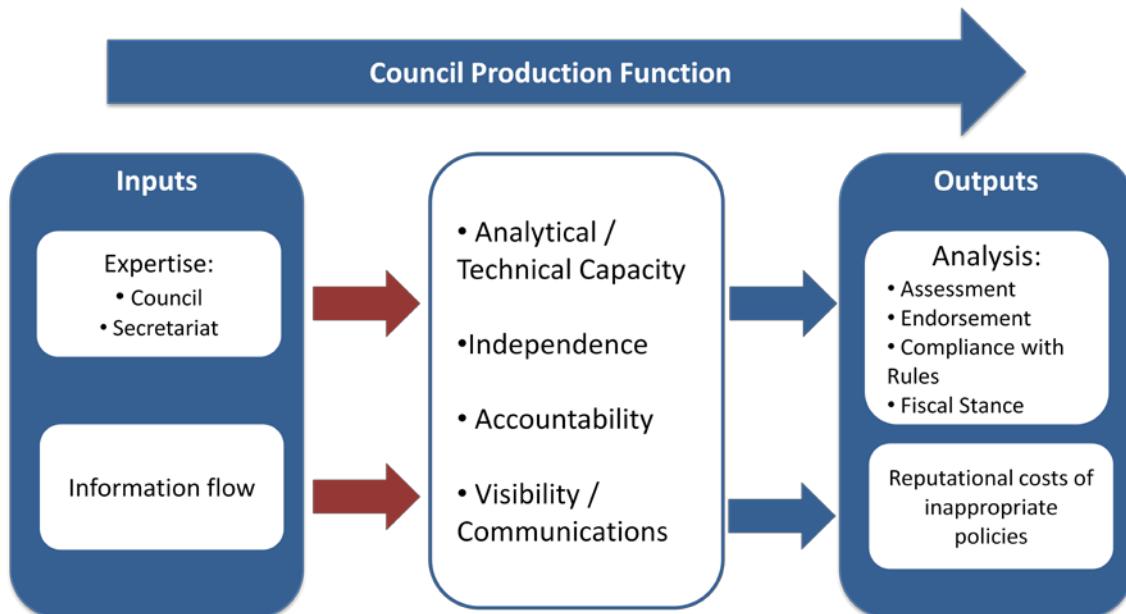
The Council's mission is to support the effectiveness of fiscal policy in the near and medium term through delivery on each element of its mandate as set out in the legislation underpinning the Council. To fulfil this mission, we have identified one central goal and three supporting goals. These are set out in detail in the Council's [Strategic Plan 2014-2016](#) (published March 2014) and are summarised here:

- **Central Goal.** Deliver on all elements of our **mandate**: assessment, endorsement and compliance.
- **Supporting Goal 1.** Ensure **compliance** with all requirements for a statutory body.
- **Supporting Goal 2.** Promote **awareness** of fiscal policy issues.
- **Supporting Goal 3.** Continuously improve **analytical capacity**.

The Council's intentions to deliver on these goals are encapsulated visually in Figure 1.

During 2014 the Council initiated a process of external evaluation. A "peer review" group was established and will report in 2015.

Figure 1: Council Production Function



IRISH FISCAL ADVISORY COUNCIL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

CONTENTS

COUNCIL MEMBERS AND OTHER INFORMATION	17
STATEMENT OF COUNCIL RESPONSIBILITIES.....	18
STATEMENT ON INTERNAL FINANCIAL CONTROL.....	19
REPORT OF THE COMPTROLLER AND AUDITOR GENERAL.....	20
STATEMENT OF ACCOUNTING POLICIES.....	21
INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014.....	22
BALANCE SHEET AS AT 31 DECEMBER 2014.....	23
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014.....	24

COUNCIL MEMBERS AND OTHER INFORMATION

COUNCIL MEMBERS

John McHale (Chair)

Sebastian Barnes

Alan Barrettⁱ (Resigned 25 May 2015)

Donal Donovanⁱ (Term ended 31 December 2014)

Íde Kearneyⁱ (Appointed 11 March 2015)

Róisín O'Sullivan

ⁱAudit Committee Members

AUDITOR

The Comptroller and Auditor General
Treasury Building
Dublin Castle
Dublin 2

BANKERS

Bank of Ireland
Lower Baggot Street
Dublin 2

STATEMENT OF COUNCIL RESPONSIBILITIES

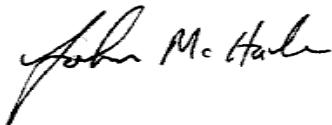
The Irish Fiscal Advisory Council (the Council) is required by the Fiscal Responsibility Act 2012 to prepare financial statements in respect of its operation for each financial year.

In preparing those statements, the Council:

- selects suitable accounting policies and then 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;
- discloses and explains any material departure from applicable accounting standards.

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

The Council 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.



Professor John McHale

Chairman

Date: 23 July 2015

STATEMENT ON INTERNAL FINANCIAL CONTROL

Responsibility for the System of Internal Financial Control

I acknowledge, on behalf of the Council, the Council's responsibility for ensuring that an effective system of internal financial control is maintained and operated. I also acknowledge the Council's responsibility to comply with the requirements of the Code of Practice for the Governance of State Bodies. The system of internal financial control instituted by the Council 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

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 the following:

- A comprehensive budgeting system with an annual budget which is submitted to the Department of Finance;
- Regular reviews of periodic and annual financial reports which indicate financial performance against forecasts;
- Oversight by the Audit Committee of the implementation of recommendations following internal and external audits.

In order to guide the establishment and maintenance of appropriate internal financial controls, the Council had its systems, procedures and practices reviewed under the internal audit function. That work has informed the development of systems of control appropriate to the size of the organisation. In addition the Council adopted a Code of Business Conduct and established a Risk Register. In 2014 the Council also introduced an Anti-Fraud Policy and a Confidential Disclosures Policy.

Throughout 2014, the Council continued to operate processes and policies to ensure that an appropriate control environment exists in the context of an on-going arrangement whereby the Economic and Social Research Institute provides accounting functions to IFAC under a service level agreement. These processes include:

- Procedures for authorising payments;
- A travel policy in line with public sector guidelines;
- Quarterly meetings of the Audit Committee.

The Council's monitoring and review of the effectiveness of the system of Internal Financial Control is informed by the work of the internal auditor, the Audit Committee (which oversees the work of the internal auditor) and the Head of Secretariat who in conjunction with the ESRI as external financial services provider have responsibility for the development and maintenance of the financial control framework, and comments made by the Comptroller and Auditor General in his management letter.

Annual Review of Controls

I confirm that in the year ended 31 December 2014 the Council conducted a review of the effectiveness of the system of internal financial control.



Professor John McHale
Chairman
Date 23 July 2015

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL



Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Irish Fiscal Advisory Council

I have audited the financial statements of the Irish Fiscal Advisory Council for the year ended 31 December 2014 under the Fiscal Responsibility Act 2012. The financial statements, which have been prepared under the accounting policies set out therein, comprise the statement of accounting policies, the income and expenditure account, the balance sheet and the related notes. The financial statements have been prepared in the form prescribed under section 10 of the Schedule to the Act, and in accordance with generally accepted accounting practice in Ireland.

Responsibilities of the Irish Fiscal Advisory Council (the Council)

The Council is responsible for the preparation of the financial statements, for ensuring that they give a true and fair view of the transactions of the Council and of its state of affairs 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 Council'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 Council's annual report to identify if there are any material inconsistencies with the audited financial statements. 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 generally accepted accounting practice in Ireland, give a true and fair view of the state of the Council's affairs at 31 December 2014 and of its income and expenditure for 2014.

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

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
- my audit noted 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 given in the Council's annual report is not consistent with the related financial statements, or
- the statement on internal financial control does not reflect the Council's compliance with the Code of Practice for the Governance of State Bodies, or
- I find 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 upon which reporting is by exception.

Seamus McCarthy
Seamus McCarthy
Comptroller and Auditor General

24 July 2015

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies adopted by the Council in determining the amounts included in the balance sheet and in reporting its transactions for the year are as follows:

1. Basis of accounting

These financial statements are prepared on an accruals basis under the historical cost convention and in accordance with generally accepted accounting practice. The unit currency is the euro.

2. Expenditure

The expenditure recognised in the Income and Expenditure Account represents the costs incurred by the Council in the year in the performance of its functions.

3. Income

The Income reported in the Income and Expenditure Account reflects the amounts receivable from the Central Fund in respect of the expenditure in the year in accordance with section 9 of the schedule to the Fiscal Responsibility Act 2012.

4. Fixed Assets and Depreciation

The fixed assets held by the Council at year end consisted of computer equipment which was depreciated at an annual rate of 33%. A full year's depreciation is charged in the year of acquisition.

5. Capital Account

The Capital Account represents the unamortised value of state funding used to purchase fixed assets.

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 €	2013 €
INCOME			
Amount Receivable from Central Fund	1	605,973	478,608
Transfer (to)/from Capital Account	13	(259)	<u>2,333</u>
		605,714	480,941
EXPENDITURE			
Salaries	2	360,827	237,649
Council Members Fees and Expenses	3	65,317	68,085
Payments to Public Bodies	4	31,720	31,720
Administration	5	<u>147,850</u>	<u>143,487</u>
		605,714	480,941
Surplus/Shortfall for the Year		-	-

STATEMENT OF GAINS AND LOSSES

There were no gains or losses in the year other than those recognised in the Income and Expenditure Account.

The statement of accounting policies and the attached notes numbered 1 to 15 form an integral part of these financial statements and should be read in conjunction therewith.



Professor John McHale
Chairman
Date: 23 July 2015

BALANCE SHEET AS AT 31 DECEMBER 2014

	<i>Notes</i>	2014 €	2013 €
FIXED ASSETS			
Tangible Assets	6	720	461
CURRENT ASSETS			
Cash at bank and on hand	7	124,219	281,301
Debtors and prepayments	8	<u>720</u>	<u>1,560</u>
		124,939	282,861
Total Assets		125,659	283,322
CURRENT LIABILITIES			
Sundry creditors and accrued expenses	9	97,313	261,063
Amount due to Central Fund	1	<u>27,626</u>	<u>21,798</u>
Total Liabilities		124,939	282,861
TOTAL ASSETS less CURRENT LIABILITIES		720	461
		====	====
Represented by			
Capital Account	13	720	461
		====	====

The statement of accounting policies and the attached notes numbered 1 to 15 form an integral part of these financial statements and should be read in conjunction therewith.



Professor John McHale
Chairman
Date: 23 July 2015

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2014**

1. Central Fund Income

The Irish Fiscal Advisory Council is funded from the Central Fund. Under section 9 of the schedule to the Fiscal Responsibility Act 2012 the amount chargeable to the Central Fund is the amount expended by the Council in carrying out its functions.

The Central Fund operates on a receipts and payments basis whereas these financial statements have been prepared on an accruals basis. The table below sets out the reconciling items.

	2014 €	2013 €
Opening amount due to/ (from) Central Fund	21,798	468
Received from Central Fund	611,801	499,938
Amount due (to)/from Central Fund at year end	<u>(27,626)</u>	<u>(21,798)</u>
Central Fund Receivable for the year	605,973	478,608

2. Staff Salaries

The number of persons employed (full-time equivalents) in the financial year was 5 (2013:3). This includes 3 staff seconded from other organisations (2013:3)

In relation to the two staff directly employed by the IFAC, the Council operates the Single Public Service Pension Scheme (Single Scheme) which is the defined benefit pension scheme for pensionable public servants appointed on or after 1 January 2013 in accordance with the Public Service Pension (Single Scheme and Other Provisions) Act 2012. The Scheme provides for a pension and retirement lump sum based on career-average pensionable remuneration and spouses' and children's pensions. The minimum retirement age is 66 years (rising in line with State pension age changes). It includes an actuarially-reduced early retirement facility from the age of 55. Pensions in payment increase in line with the consumer price index.

The Single Scheme is an unfunded defined benefit scheme which will be financed on a pay as you go basis. A standard vesting period of two years must be served before public servants become eligible for retirement benefits from the Scheme. As no directly employed Council staff has reached the two year eligibility threshold, no pension liability arising from the Single Scheme exists at 31 December 2014.

Single Scheme members' contributions are paid over to the Department of Public Expenditure and Reform.

Pension liabilities for the secondees are the responsibility of their parent employer.

3. Council Members Fees and Expenses

Council fees payable are sanctioned by the Minister for Finance and set by the Department of Public Expenditure and Reform - €20,520 for the Chair and €11,970 for Council members. Where members, including the Chair, are employed by a body within the Irish public sector, no fee is payable to the member concerned (see note 4). Fees incurred in 2014 totalled €37,197 (2013: €39,770) inclusive of Employer PRSI of €1,287.

Expenses incurred by Council Members amounted to €28,120 (2013: €28,315) mainly reflecting travel and subsistence costs incurred by international and non-Dublin based members attending Council meetings in Dublin.

Following engagement with the Department of Social Protection, the Council has clarified that there is no requirement to charge PRSI (Both employer and employee) on Council Members' fees. Employee PRSI of €1,915.20 in respect of amounts charged on fees in 2013 and 2014 will be refunded directly to the individuals concerned. Employer PRSI of €5,147.12 for the same period was refunded in June 2015.

These amounts are not reflected in the financial statements.

Council Members' fees and travel expenses incurred in 2014

Council Member	Fees	Travel Expenses	Total
John McHale (Chairman)	See Note 4	3,447	3447
Alan Barrett	See Note 4	-	-
Sebastian Barnes	11,970	3,804	15,774
Donal Donovan	11,970	9,905	21,875
Róisín O'Sullivan	11,970	10,964	22,934
Total	35,910	28,120	64,030

Fees payable to Mr Barnes are directed to his full-time employers, the OECD, as compensation for time spent on Council business

John McHale and Alan Barrett reside in Ireland. Sebastian Barnes resides in France and Donal Donovan and Róisín O'Sullivan reside in the USA. The Revenue Commissioners have clarified that tax is not payable on expenses based on civil service rates paid to members residing outside of Ireland.

4. Payments to Public Bodies

Due to the time commitment necessary to fulfil the functions of the Council, a time buy-out is in place to compensate the full-time public sector employers of the Chair and one Council Member for costs incurred due to their absence on IFAC business. In 2014, €19,750 was paid to the National University of Ireland, Galway and €11,970 to the ESRI.

5. Administration Expenses

	2014 €	2013 €
ESRI Administration fee	101,045	104,083
Travel Costs of Staff	2,562	456
Consultancy	732	7,095
Professional Fees	8,275	861
Computer Software	16,155	13,172
Staff Training	5,590	590
Meeting Costs	1,368	1,800
Report Production	2,368	3,622
Audit Fee	5,100	5,100
Other Costs	3,834	4,375
Depreciation	<u>821</u>	<u>2,333</u>
Total	<u>147,850</u>	<u>143,487</u>

The ESRI Administration fee includes a charge for accommodation and building services on a pro rate basis and support services relating primarily to accounts, IT, and other corporate services.

6. Tangible Assets

	<i>Computer Equipment</i> 2014 €	<i>Computer Equipment</i> 2013 €
Cost:		
At beginning of year	6,999	6,999
Additions	1,080	-
Disposals	<u>-</u>	<u>-</u>
At end of year	8,079	6,999
Accumulated Depreciation:		
At beginning of year	6,538	4,205
Provided in year	821	2,333
Disposals	<u>-</u>	<u>-</u>
At end of year	7,359	6,538
Net book value at end of year	720	461
Net book value at beginning of year	461	2,794

7. Bank and Cash

	2014 €	2013 €
Current Accounts	124,219	281,301

At 31 December 2014 €97,313 was due for payment to creditors of the Council.

8. Debtors and prepayments

	2014 €	2013 €
Debtors and pre-paid expenses	720	1,560

9. Creditors and Accrued Expenses

	2014 €	2013 €
Payroll Taxes	7,523	6,703
Value Added Tax	-	732
Accrued Expenses	89,790	52,780
ESRI	<u>—</u>	<u>200,848</u>
Total Creditors	97,313	261,063

The accrued expenses include an amount of €32,700 due to the ESRI in relation to the service level agreement.

While €200,848 was the balance due to the ESRI at 31 December 2013 on foot of payments made on behalf of the Council in 2013, all such costs had been discharged in 2014.

10. Taxation

The Council is exempted from liability to corporation tax under Section 227 Schedule 4 of the Taxes Consolidation Act 1997.

11. Commitments – Capital and Others

The Council has no capital commitments at the balance sheet date. The Council is committed to supporting a member of staff in a PhD programme until 2017. This committed expenditure is not provided for in the financial statements.

12. Contingent Liabilities

The Council Members were not aware of any material contingent liabilities at the balance sheet date.

13. Capital Account

The Capital Account represents the amount of funding used to purchase fixed assets reduced by the amount amortised in line with depreciation on the related assets.

	<i>2014</i>	<i>2013</i>
	€	€
Unamortised funding at 1 January	461	2,794
Income and Expenditure account transfers		
- Funding to acquire fixed assets	1,080	
- Amortisation in year	(821)	259
Balance at 31 December	720	(2,333)
		461

14. Council Members' Interests

The Council adopted procedures in accordance with the guidelines issued by the Department of Finance in relation to the disclosure of interests by Council Members and these procedures have been adhered to in the year. There were no transactions in the year in relation to the Council's activities in which the Council Members had an interest.

15. Approval of Financial Statements

The Financial Statements were approved by the Council on 23 July 2015