



**Irish Fiscal
Advisory Council**

ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED
31 DECEMBER 2015

**IRISH FISCAL ADVISORY COUNCIL
ANNUAL REPORT AND ACCOUNTS FOR THE
YEAR ENDED 31 DECEMBER 2015**

CONTENTS:

CHAIRPERSON'S STATEMENT	3
INTRODUCTION AND BACKGROUND TO THE COUNCIL.....	4
MEMBERSHIP OF THE COUNCIL AND ITS STAFF	6
ACTIVITIES IN 2015	8
MEETINGS OF THE COUNCIL	12
INTERNAL AUDIT, GOVERNANCE, FEES AND STAFFING	13
STRATEGIC OBJECTIVES	16
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015	17

CHAIRPERSON'S STATEMENT

This is the Council's third 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.

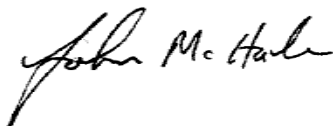
Since its establishment, the Council has sought to ensure that we fulfil our mandate as effectively as possible. In 2015, the Council continued to develop its analytical capacity so that statements included in our *Fiscal Assessment Reports* are well-founded. We have endeavoured to present our analytical 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 and through presentations by Council and Secretariat members at public conferences and events. The Council also participated in the first *National Economic Dialogue* held in July 2015.

In line with IFAC's Strategic Plan 2014-2016, an independent evaluation of IFAC was completed and published in mid-2015 to assess the functioning of the Council with respect to its mandate under the *Fiscal Responsibility Act 2012* (FRA). The Council prepared an implementation plan on foot of the Peer Review Report and is working to ensure its recommendations are enacted.

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

During 2015, in conjunction with its Audit Committee, 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 since the Council's establishment. For example, a Freedom of Information Publication Scheme was developed and a fixed assets policy was adopted. The Council's internal auditors carried out two audits in 2015.

The primary outputs of the Council are our bi-annual *Fiscal Assessment Reports* which were published in June and November 2015, after the annual Budget and Stability Programme. In September 2015, the Council published its second *Pre-Budget Statement* in addition to its two Assessment reports. These reports continue to attract considerable attention and that has helped to ensure that the views of the Council feature in debates on fiscal issues. Detailed responses were provided by the Minister for Finance following the publication of each Fiscal Assessment Report in 2015.



Professor John McHale
Chair

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 six-member, full-time Secretariat, headed by a Chief Economist / Head of Secretariat. In September 2015 the Council hired a second Research Assistant bringing the Secretariat complement to six from five in 2014. To facilitate a smooth transition, there was an overlap between a departing Council employee and his replacement in December 2015. This resulted in there temporarily being 7 staff on the payroll for December 2015 only.

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 also 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*.

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>.

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.

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 the 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 revised EU requirements to have national medium-term fiscal plans and draft budgets based on independent macroeconomic forecasts, which means 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. The MoU is reviewed annually with the last review completed in January 2016.⁷

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.

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.

⁷ The MoU was subsequently revised in February 2015 and again in January 2016 and can be accessed here: http://www.fiscalcouncil.ie/wp-content/uploads/2011/07/20160224_IFAC_DoF_MoU_revised_Final.pdf

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 two such notes were released in 2015. The Council also published for the first time in 2014 a Pre-Budget Statement and the second such publication was released in September 2015 in advance of *Budget 2016*. The Council is required, when requested to do so, to account for its performance to a Committee of either House of the Oireachtas. It appeared before the Oireachtas in June and December 2015.

MEMBERSHIP OF THE COUNCIL AND ITS STAFF

The Council consists of five members including the Chair. The Council has an international dimension with two of the five members based outside of Ireland. Appointments are made by the Minister for Finance, following an open recruitment competition, on the basis of a range of criteria such as:

- significant experience with macroeconomic and/or budgetary forecasting;
- familiarity with domestic and/or European fiscal frameworks.

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 is four years. 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 ended in December 2014 and he was replaced by Íde Kearney in March 2015. During 2015, Alan Barrett resigned from the Council in May and his position was filled by Michael Tutty in September 2015. Róisín O'Sullivan's term on the Council expired on 31 December 2015 and Seamus Coffey was appointed effective from 01 January 2016.

The Council members in 2015 were:

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: Director of the Economic and Social Research Institute. Alan resigned from the Council in May 2015 following his appointment as Director of the ESRI.

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

Michael Tutty: is a retired Commissioner for Energy Regulation. He was Vice President of the European Investment Bank from 2000 to 2004, immediately prior to which he served as Second Secretary General in the Department of Finance. Michael's term started in September 2015.

Róisín O'Sullivan: Associate Professor of Economics, Smith College, Massachusetts. Róisín's term ended in December 2015.

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 2015 the Council recruited one Economist (Niall Conroy) and one Research Assistant (Andrew Kennedy).

ACTIVITIES IN 2015

During 2015 the Council published two *Fiscal Assessment Reports* (April and November), a *Pre-Budget 2016 Statement* and two *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 presented at external conferences and meetings. In July John McHale provided a Witness Statement to the Joint Committee of Inquiry into the Banking Crisis. Also in 2015, the Council appointed an independent peer review group to provide an evaluation of the Council's outputs in line with IFAC's Strategic Plan 2014-2016.

FISCAL ASSESSMENT REPORT, JUNE 2015

In June, the Council published a Fiscal Assessment Report providing an assessment and analysis of the fiscal stance in *Stability Programme Update 2015*. The Government provided a response to the report in a letter to the Council on 24 July 2015.

FISCAL ASSESSMENT REPORT, NOVEMBER 2015

The *Fiscal Assessment Report, November 2015* was published following *Budget 2016* in October. The report assessed the macroeconomic and budgetary forecasts contained in *Budget 2016* and assessed compliance with the fiscal rules. The report discussed the Council's endorsement of the *Budget 2016* macroeconomic forecasts. The Government provided a response to the report in a letter to the Council on 27 January 2016.

PRE-BUDGET 2016 STATEMENT

In September 2015, the Council published its second Pre-Budget 2015 Statement in advance of the Budget. The report set out the macroeconomic and fiscal context in which *Budget 2016* would be framed.

ANALYTICAL NOTES

The Council published two Analytical Notes during 2015. 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 2015 were as follows:

- Note 7: The EU Expenditure Benchmark: Operational Issues for Ireland in 2016
- Note 8: Analytical Note 8: Controlling the health budget: Annual budget implementation in the public health area

ENDORSEMENT EXERCISE FOR *SPU 2016* AND *BUDGET 2016*

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 macroeconomic forecasts produced or endorsed by an independent body.⁸ 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 Jan 2015 and again in January 2016. The revised MoU is published on the websites of the Council and the Department of Finance.

The Council 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 2015 in advance of both the *Stability Programme Update 2015* and *Budget 2016*. The Endorsement process was documented in each case in the subsequent *Fiscal Assessment Reports* published in June and November 2015.

PEER REVIEW

In 2015, the Irish Fiscal Advisory Council (IFAC) appointed an independent Peer Review Group to provide an evaluation of the Council’s outputs in line with IFAC’s *Strategic Plan 2014-2016*. The final report of the Peer Review Group was published in June 2015 entitled “How is the Irish Fiscal Advisory Council Performing? An Independent Evaluation of the First Years of IFAC.”

⁸ 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.

The members of the panel were:

- Professor Lars Jonung (Chair)
- Professor Iain Begg and
- Mr. Michael G. Tutty (this was prior to his appointment to IFAC in September 2015)

The report focused on five major aspects of the activities of IFAC:

1. the institutional setting and mandate of IFAC,
2. the human and financial resources of IFAC,
3. the output of IFAC,
4. the impact of IFAC and its communication strategy, and
5. IFAC and the EU system of fiscal governance.

The Independent Evaluation Report concluded as follows:

“Our overall assessment of IFAC is a positive one. IFAC has fulfilled all the tasks that are expected from an independent fiscal institution: it has been independent, credible and non-partisan; it has created a good brand-name; its outputs are well-regarded; and it has been visible in public debate, increasing transparency and public knowledge about fiscal matters. IFAC is well integrated in the EU framework for fiscal surveillance. These achievements augur well for the future, but there is also scope for enhancing the output and impact of the Council.”

The full report can be accessed at http://www.fiscalcouncil.ie/wp-content/uploads/2012/01/PeerReview_Formatted_23062015.pdf

OIREACHTAS APPEARANCES

In 2015, the Council appeared twice before the Oireachtas Committee on Finance, Public Expenditure and Reform (on 11 June and on 3 December). These appearances followed the publication of the *Fiscal Assessment Reports*. Transcripts of the appearances can be found on the Oireachtas website. In July 2015 John McHale provided a Witness Statement to the Joint Committee of Inquiry into the Banking Crisis, as part of its Nexus Phase. It can be accessed at <https://inquiries.oireachtas.ie/banking/wp-content/uploads/2015/09/John-McHale-WSW.pdf>

OTHER ACTIVITIES BY THE COUNCIL IN 2015

During 2015, the Council participated in a number of meetings, seminars and presentations.⁹

- The Council met with the Department of Finance on seven occasions.
- The Council met with the Troika on two occasions.
- The Council appeared before the Joint Oireachtas Committee on Finance, Public Expenditure and Reform on two occasions.
- The Secretariat met with delegations from Vietnam (National Financial Supervisory Commission) and Scotland (Finance Committee of the Scottish Parliament) regarding the operation of the Council and its role as an independent fiscal institution.

SAMPLE OF PRESENTATIONS AND MEETINGS IN 2015

April 2015

John McHale presented to the Annual Meeting of OECD Parliamentary Budget Officials and Independent Fiscal Institutions in Vienna on “Medium Term Budgetary Frameworks”.

July 2015

John McHale made a presentation at the National Economic Dialogue, in Dublin Castle on Fiscal Rules and the Context for Budget 2016.

October 2015

John McHale gave a presentation to Presentation at the *Debating Austerity* Conference, Royal Irish Academy, Dublin.

Thomas Conefrey and Andrew Kennedy presented to Vietnam’s National Financial Supervisory Commission (NFSC).

⁹ References to the Council here refer to meetings in which at least one member of the Council was present.

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.

December 2015

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

MEETINGS OF THE COUNCIL

In 2015, the Council held eleven 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 2015.

Table 1: Council Meetings in 2015

	John McHale	Sebastian Barnes	Alan Barrett* **	Íde Kearney*	Róisín O’Sullivan	Michael G Tutty*
Council Meeting	11/11	11/11	5*/5	07/09	11/11	2/3
23 January	Y	Y	Y		Y	
13 February	Y	Y	Y		Y	
30/31 March	Y	Y	Y	Y	Y	
29 April	Y	Y	Y	Y	Y	
25 May	Y	Y	Y**		Y	
11 June	Y	Y		Y	Y	
23 July	Y	Y		Y	Y	
26 August	Y	Y			Y	
1/2 October	Y	Y		Y	Y	
10 November	Y	Y		Y	Y	Y
3/4 December	Y	Y		Y	Y	Y

*Also members of the Council’s Audit 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 2015. It comprises of two Council members¹⁰ and one external member. In 2015, Íde Kearney was appointed to replace Donal Donovan (as Donal Donovan's Council term had expired) and, following the resignation of Alan Barrett from the Council in May, Michael Tutty was appointed as Chair in September 2015. In January 2016, Seamus Coffey was appointed to replace Íde Kearney. John Buckley's term on the Audit committee expired in December 2015 and he was replaced in February 2016 by Mr Michael Kelly.

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.

A risk register was prepared by the Council in 2014 and updated in 2015 and reviewed again in early 2016.

In late 2014 IFAC appointed Mazars as internal auditors. IFAC now has a 3 year audit plan. Mazars carried out three audits in 2015. The first Audit on internal financial controls was completed in early 2015 and, in October, Mazars commenced the field work for a mini-internal financial controls audit and travel and subsistence audit. A tax compliance audit was carried out in October 2015.

The Committee oversaw the implementation of the internal financial controls audit reports' recommendations during the course of 2015. 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 2015. The Chair of the Committee reported to the Council on the actions undertaken on foot of the C&AG letter.

¹⁰ The members are Michael G. Tutty (Chair of the Committee) and Seamus Coffey.

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 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 third 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, the newly appointed internal auditor carried out 3 audits. The Chair of the audit committee presented a Publication Scheme to the Council under the Freedom of Information Act 2014 and it is available on IFAC's website. IFAC also introduced a Records Retention policy and a policy relating to Gifts and Hospitality. Further work will be undertaken in 2016 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 2015 totalled €35,729 (2014: €35,940).

Expenses incurred by Council Members amounted to €26,840 (2014: €28,120) 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 clarified that there was no requirement to charge PRSI (both employer and employee) on Council Members' fees. Employee PRSI of €1,915 in respect of amounts charged on fees in 2013 and 2014 was refunded directly to the Council

members concerned. Employer PRSI of €5,147 for the same period was refunded in June 2015. Council Members fees and expenses for 2015 of €57,422 is net of the Employer PRSI refund.

COMPENSATION FOR EMPLOYER COSTS INCURRED

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 2015, €19,750 was paid to the National University of Ireland, Galway and €4,722 to the ESRI.

STAFFING

The Council operated with a full time secretariat of five persons from February 2014 to September 2015. In 2015, the Council ran two recruitment competitions and increased the staff numbers to six in late 2015. The Council recruited one Research Assistant (Andrew Kennedy) in September 2015. Niall Conroy was employed in December 2015 to replace economist John Howlin, whose secondment from the Department of Public Expenditure and Reform ended in December. To facilitate a smooth transition, there was an overlap between a departing Council employee and his replacement in December 2015. This resulted in there temporarily being 7 staff on the payroll for December 2015 only. 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.

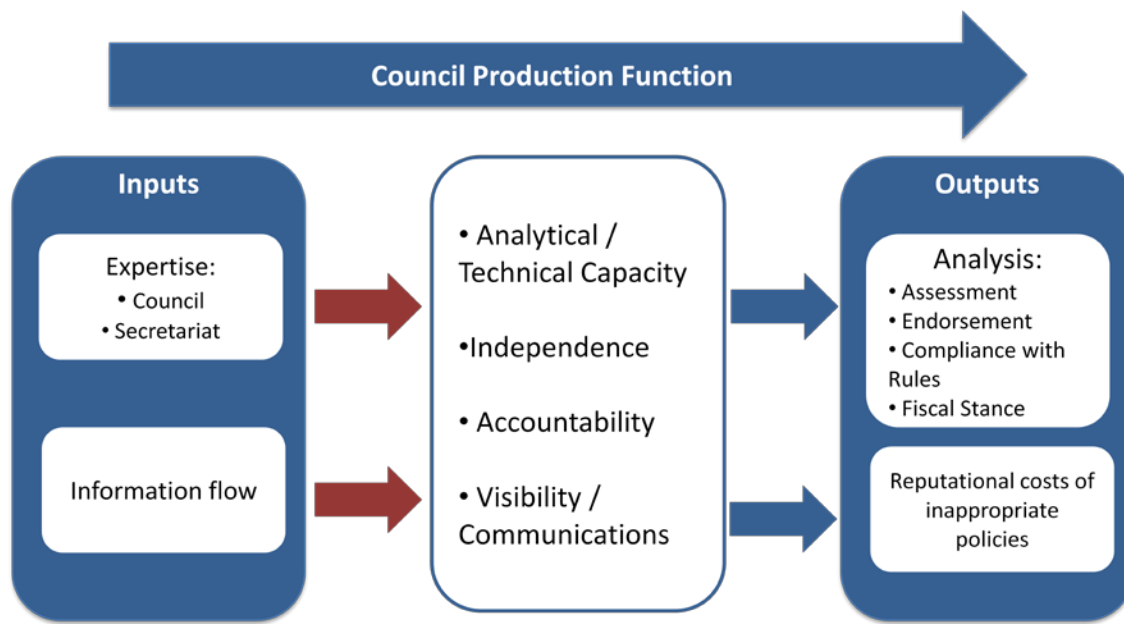
The Council's mission is to support the effectiveness of fiscal policy in the near- and medium-term through delivery on each element of its mandate as set out in the legislation underpinning the Council. To fulfil this mission, the Council has identified one central goal and three supporting goals. These 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.

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

FIGURE 1: COUNCIL PRODUCTION FUNCTION



IRISH FISCAL ADVISORY COUNCIL

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

CONTENTS

COUNCIL MEMBERS AND OTHER INFORMATION.....	18
STATEMENT OF COUNCIL RESPONSIBILITIES.....	19
STATEMENT OF INTERNAL FINANCIAL CONTROL.....	20
REPORT OF THE COMPTROLLER AND AUDITOR GENERAL.....	22
STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR END 31 DECEMBER 2015.....	23
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015.....	24
STATEMENT OF CASH FLOWS FOR YEAR ENDING 31 DECEMBER 2015.....	25
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015.....	26-33

COUNCIL MEMBERS AND OTHER INFORMATION

COUNCIL MEMBERS

John McHale (Chair)

Sebastian Barnes

Alan Barrett (Resigned 25 May 2015)

Seamus Coffeyⁱ (Appointed 1 January 2016)

Íde Kearneyⁱ (Appointed 11 March 2015)

Róisín O'Sullivan (Term ended 31 December 2015)

Michael G Tuttyⁱ (Appointed 25 September 2015)

ⁱAudit Committee Member

AUDITOR

The Comptroller and Auditor General
3A Mayor Street Upper
Dublin 1

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.

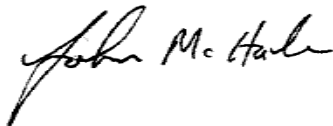
In preparing those statements, the Council:

- 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 adequate 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.

On behalf of the Council of IFAC:



Professor John McHale
Chair
Date: 30 June 2016

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 introduced a Fixed Asset Policy in 2015. It reviewed its Code of Business Conduct and updated its Risk Register. During 2015 the Council also reviewed its Anti-Fraud Policy and Confidential Disclosures Policy.

Throughout 2015, 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:

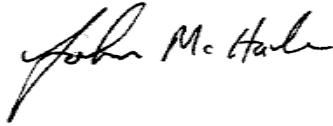
- Procedures for authorising payments and payroll
- Procedures for deducting Professional Services Withholding Tax (PSWT)
- The introduction of an integrated Finance system for the 2015 Accounts as recommended by IFAC's Internal Auditors
- A travel policy in line with public sector guidelines;
- Quarterly 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 in conjunction with the ESRI as external financial services provider who have responsibility for the development and maintenance of the financial control framework, and comments made by the Office of the Comptroller and Auditor General in its management letter.

Annual Review of Controls

I confirm that for the year ended 31 December 2015 the Council conducted a review of the effectiveness of the system of internal financial control.

On behalf of the Council of IFAC:

A handwritten signature in black ink, reading "John McHale". The signature is written in a cursive style with a large, sweeping initial 'J'.

Professor John McHale

Chair

Date: 30 June 2016

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 2015 under the Fiscal Responsibility Act 2012. The financial statements comprise the statement of income and expenditure, the statement of financial position, the statement of cash flows 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 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 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 the 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

- give a true and fair view of the assets, liabilities and financial position of the Council as at 31 December 2015 and of its income and expenditure for 2015, and
- have been properly prepared in accordance with generally accepted accounting practice.

In my opinion, the accounting records of the Council were sufficient to permit the financial statements to be readily and properly audited. 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 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 given in the Council'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 Council'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 upon which reporting is by exception.

Seamus McCarthy

Seamus McCarthy
Comptroller and Auditor General
30 June 2016

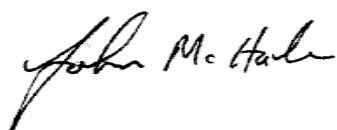
STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015	2014
		€	€
INCOME			
Amount Receivable from Central Fund	2	644,120	605,973
Transfer (to)/from Capital Account	14	<u>(893)</u>	<u>(259)</u>
		643,227	605,714
EXPENDITURE			
Salaries	3	400,539	360,827
Council Members Fees and Expenses	4	57,422	65,317
Payments to Irish Public Bodies	5	24,472	31,720
Administration	6	<u>160,794</u>	<u>147,850</u>
		643,227	605,714
Surplus/(Shortfall) for the Year		-	-

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

The Statement of Cash Flows and notes numbered 1 to 18 form an integral part of these financial statements and should be read in conjunction therewith.

On behalf of the Council of IFAC:



Professor John McHale
Chair
Date: 30 June 2016

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

		2015	2014
		€	€
	<i>Notes</i>		
FIXED ASSETS			
Tangible Assets	7	1,613	720
CURRENT ASSETS			
Cash and Cash Equivalents	8	140,715	124,219
Debtors and prepayments	9	<u>559</u>	<u>720</u>
		141,274	124,939
Total Assets		142,887	125,659
CURRENT LIABILITIES (amounts falling due within one year)			
Sundry creditors and accrued expenses	10	109,916	97,313
Amount due to Central Fund	2	<u>31,358</u>	<u>27,626</u>
Total Liabilities		141,274	124,939
TOTAL ASSETS less CURRENT LIABILITIES		1,613 ===	720 ===
Represented by			
Capital Account	14	1,613 ===	720 ===

The Statement of Cash Flows and notes numbered 1 to 18 form an integral part of these financial statements and should be read in conjunction therewith.

On behalf of the Council of IFAC:



Professor John McHale
Chair
Date: 30 June 2016

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER
2015**

	2015	2014
	€	€
Net Cash Flows from Operating Activities		
Excess Income over expenditure	4,625	6,087
Depreciation and impairment of fixed assets	987	821
(Increase)/Decrease in receivables	161	840
Increase/(Decrease) in payables	<u>12,603</u>	<u>(163,750)</u>
Net Cash Inflow/(Outflow) from Operating Activities	18,376	(156,002)
Cash Flows from Investing Activities		
Payments to acquire property, plant & equipment	<u>(1,880)</u>	<u>(1,080)</u>
Net Cash Flows from investing activities	(1,880)	(1,080)
Net Increase/(Decrease) in cash and cash equivalents	16,496	(157,082)
Cash and cash equivalents at 1 January	<u>124,219</u>	<u>281,301</u>
Cash and cash equivalents at 31 December	140,715	124,219

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. Statement of Accounting Policies

The principal accounting policies adopted by the Council in determining the amounts included in the statement of financial position and in reporting its transactions for the year are as follows:

a) Basis of accounting

The Irish Fiscal Advisory Council was established with effect from 31 December 2012 under Section 7 of the Fiscal Responsibility Act 2012. Prior to that date it operated on a non statutory basis.

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.

b) Statement of Compliance

The financial statements of the Irish Fiscal Advisory Council for the year ended 31 December 2015 have been prepared in accordance with FRS 102, the financial reporting standard applicable in the UK and Ireland issued by the Financial Reporting Council (FRC), as promulgated by Chartered Accountants Ireland. These are the Council's first set of financial statements prepared in accordance with FRS 102. The date of transition to FRS 102 is 1 January 2014. The prior year financial statements were not re-stated as there was no material adjustment on adoption of FRS 102 in the current year.

c) Expenditure

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

d) Income

The Income reported in the Statement of Income and Expenditure 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.

e) 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.

f) Capital Account

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

2. 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.

	2015	2014
	€	€
Opening amount due to/(from) Central Fund	27,626	21,798
Received from Central Fund	647,852	611,801
Amount due (to)/from Central Fund at year end	<u>(31,358)</u>	<u>(27,626)</u>
Central Fund Receivable for the year	644,120	605,973

3. Staff Salaries

The number of persons employed (full-time equivalents) in the financial year was 6 (2014:5). This includes 3 staff seconded from other organisations (2014:3). To facilitate a smooth transition, there was an overlap between a departing Council employee and his replacement in December 2015. This resulted in there temporarily being 7 staff on the payroll for December 2015 only.

In relation to the staff directly employed by the Council, 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 have reached the two year eligibility threshold, no pension liability arising from the Single Scheme exists at 31 December 2015.

Single Scheme members' contributions are paid over to the Department of Public Expenditure and Reform. Payments in 2015 totalled €5,236 (2014: €4,493).

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

4. Council Members Fees and Expenses

Council members' 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 5). Fees incurred in 2015 totalled €35,729 (2014: €35,910).

Expenses incurred by Council Members amounted to €26,840 (2014: €28,120) 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 clarified that there was no requirement to charge PRSI (both employer and employee) on Council Members' fees. Employee PRSI of €1,915 in respect of amounts charged on fees in 2013 and 2014 was refunded directly to the Council members concerned. Employer PRSI of €5,147 for the same period was refunded in June 2015. Council Members fees and expenses for 2015 of €57,422 is net of the Employer PRSI refund.

Council Members' fees and travel expenses

Council Member	Fees 2015	Travel Expenses 2015	Total 2015		Fees 2014	Travel Expenses 2014	Total 2014
John McHale (Chair)	See Note 5	5,880	5,880		See Note 5	3,447	3,447
Alan Barrett	See Note 5	-	-		See Note 5	-	-
Sebastian Barnes ⁱⁱ	11,970	3,606	15,576		11,970	3,804	15,774
Donal Dovovan	-	-	-		11,970	9,905	21,875
Íde Kearney	9,625	2,504	12,129		-	-	-
Róisín O'Sullivan	11,970	14,745	26,715		11,970	10,964	22,934
Michael G Tutty	2,164	105	2,269		-	-	-
Sub-total	35,729	26,840	62,569		35,910	28,120	64,030
PRSI	(5,147)	-	(5,147)		1,287	-	1,287
Total	30,582	26,840	57,422		37,197	28,120	65,317

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

John McHale, Alan Barrett and Michael G Tutty reside in Ireland; Sebastian Barnes resides in France; Róisín O'Sullivan resides in the USA and Íde Kearney resides in the Netherlands. The Revenue Commissioners have clarified that tax is not payable on expenses based on civil service rates paid to Council members.

5. Payments to Irish 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 Council business. In 2015, €19,750 was paid to the National University of Ireland Galway (2014 €19,750) and €4,722 to the ESRI (2014 €11,970).

6. Administration Expenses

	2015	2014
	€	€
ESRI Administration fee ⁱⁱⁱ	101,045	101,045
Travel Costs of Staff	1,444	2,562
Consultancy	-	732
Professional Fees	9,157	8,275
Peer Review Costs ^{iv}	13,737	-
Computer Software	12,068	16,155
Staff Training	6,605	5,590
Meeting Costs	1,620	1,368
Report Production	1,795	2,368
Audit Fee	6,000	5,100
Other Costs	6,336	3,834
Depreciation	<u>987</u>	<u>821</u>
Total	<u>160,794</u>	<u>147,850</u>

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

^{iv} In 2015 the Council appointed an independent Peer Review Group to provide an evaluation of its outputs in line with the Council's Strategic Plan 2014-2016. The final report of the Peer Review Group was published in June 2015.

7. **Tangible Assets**

	<i>Computer Equipment 2015 €</i>	<i>Computer Equipment 2014 €</i>
Cost:		
At beginning of year	8,079	6,999
Additions	<u>1,880</u>	<u>1,080</u>
At end of year	9,959	8,079
 Accumulated Depreciation:		
At beginning of year	7,359	6,538
Provided in year	<u>987</u>	<u>821</u>
At end of year	8.346	7.359
 Net book value at end of year	 1,613	 720
Net book value at beginning of year	720	461

8. Cash and Cash Equivalents

	2015	2014
	€	€
Current Accounts	140,714	124,219

At 31 December 2015 €109,915 was due for payment to creditors of the Council.

9. Debtors and prepayments

	2015	2014
	€	€
Debtors and pre-paid expenses	559	720

10. Creditors and Accrued Expenses

	2015	2014
	€	€
Payroll Taxes	8,439	7,523
Accrued Expenses ^{v vi}	<u>101,477</u>	<u>89,790</u>
Total Creditors	109,915	97,313

^v Includes an amount of €27,434 (2014 €32,700) due to the ESRI under the service level agreement.

^{vi} Includes an amount of €6,285 in relation to the cost of annual leave untaken at 31/12/15 as measured under FRS 102.

11. Taxation

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

12. Commitments – Capital and Others

The Council has no capital commitments at the reporting date. The Council is committed to supporting a member of staff in a PhD programme until 2017. This committed expenditure of €6,000 at 31/12/15 is not provided for in the financial statements.

13. Contingent Liabilities

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

14. 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.

	2015	2014
	€	€
Unamortised funding at 1 January	720	461
Income and Expenditure account transfers		
- Funding to acquire fixed assets	1,880	
-Amortisation in year	<u>(987)</u>	<u>893</u>
Balance at 31 December	1,613	720

15. Council Members' Interests

The Council has 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.

16. Related Party Disclosures

Key Management Personnel

Key management personnel in the Irish Fiscal Advisory Council consist of the Chair and other members of the Council. Total compensation paid to key management personnel, including Council members' fees and expenses amounted to €62,569 (2014: €64,030). For a breakdown of the fees and expenses paid to key management personnel, please refer to Note 4.

Department of Finance

The Minister for Finance appoints the members of the Council in accordance with Section 7 of the Fiscal Responsibility Act 2012.

ESRI

The ESRI provides accommodation and building services on a pro rata basis and support services relating primarily to accounts, IT, and other corporate services. Alan Barrett was a member of the Council from 2011 until May 2015 and is currently Director of the ESRI.

17. Events after the Reporting date

There were no events after the reporting date that would require adjustment to or disclosure in the Financial Statements.

18. Approval of Financial Statements

The Financial Statements were approved by the Council on 30 June 2016.