

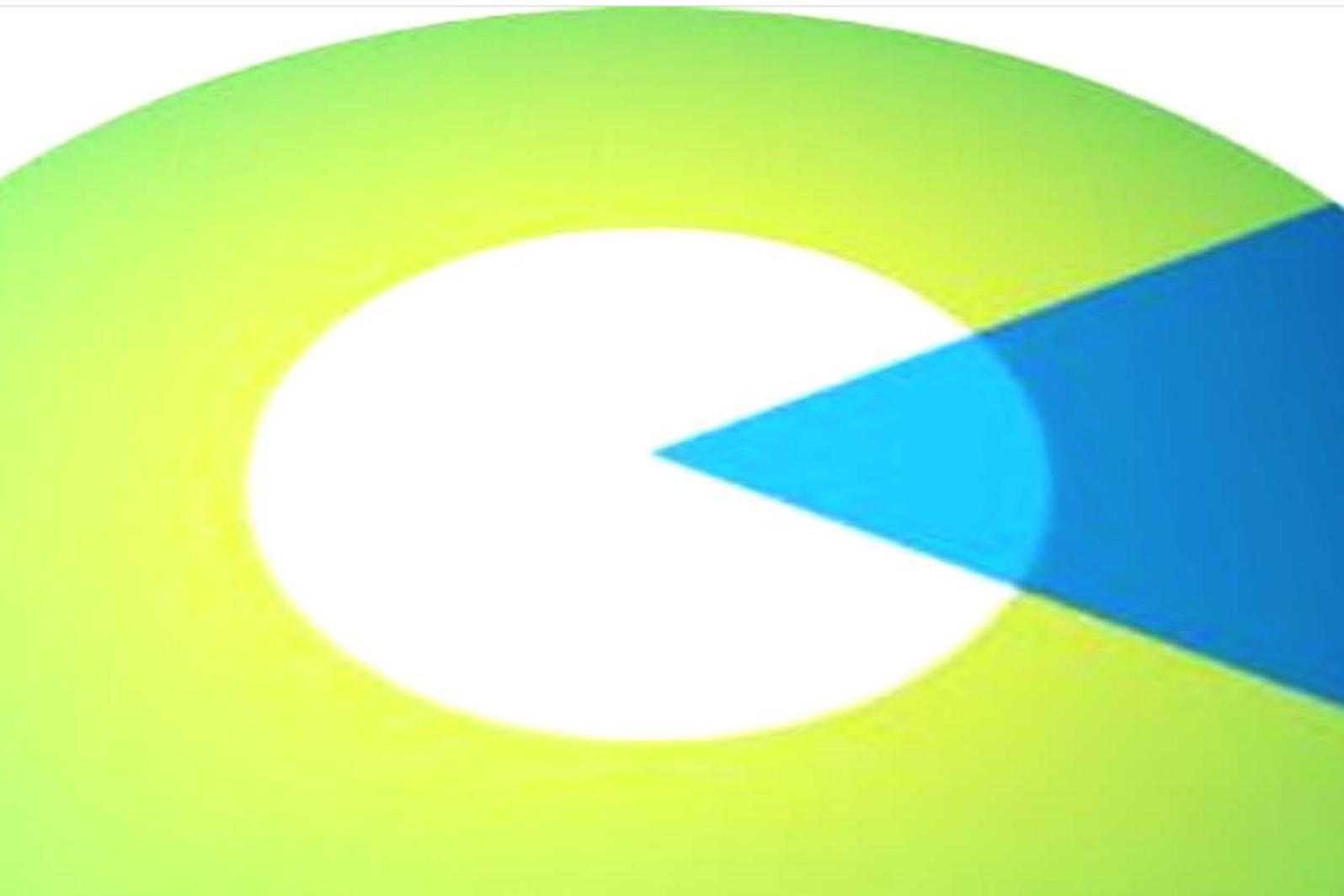


Comhairle Chomhairleach Bhuiséadach na hÉireann
Irish Fiscal Advisory Council

Annual Report and Accounts

for the year ended

31 December 2017



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Chairperson's Statement

This is the Council's fifth annual report as a statutory body. The Council's role 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 Update. 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 2017, the Council continued to develop our analytical capacity so that conclusions and recommendations 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. During the year, we have also engaged in public debate through, for example, our three appearances before the Oireachtas's Select Committee on Budgetary Oversight, and through presentations by Council and Secretariat members at public conferences and events. The Council also participated in the third National Economic Dialogue held in June 2017. In March 2017, the Council's first conference took place. The first in a series called "Path for the Public Finances", it focused on the theme of Fiscal Risks, with speakers from the IMF, the OECD, IFAC, AIReF (Spain's Independent Authority for Fiscal Responsibility), the National Treasury Management Agency, the UK's Office for Budget Responsibility, and University College Dublin. The Council also participated in the network of European Union Independent Fiscal Institutions, attended EU Commission meetings, and attended OECD meetings such as the OECD Network of Parliamentary Budget Officials and Independent Fiscal Institutions (PBO).

During 2017, along with its Audit and Risk Committee, the Council continued to adopt, review, 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, the Council approved new or revised policies on confidential disclosures, fraud, statutory obligations, fixed assets, Freedom of Information and record management, record retention, bring-your-own-device, banking, learning and development, business continuity and disaster recovery, procurement, as well as a charter for their Audit and Risk Committee. The Council's internal auditors carried out two audits in 2017: Internal Financial Controls and Information Security Governance. I can confirm that the appropriate requirements of the Department of Public Expenditure and Reform Public Spending Code are being complied with.

The Council's primary outputs are our bi-annual Fiscal Assessment Reports which were published in June and November 2017, after the annual Budget and Stability Programme.

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 2017. In September 2017, the Council published its fourth Pre-Budget Statement, for Budget 2018. In May 2017, the Council published its first assessment of compliance with the Domestic Budgetary Rule: an ex-post assessment of compliance with the Domestic Budgetary Rule in 2016. The Council also published a working paper entitled “Producing Short-Term Forecasts of the Irish Economy”.

A handwritten signature in blue ink that reads "Seamus Coffey". The signature is written in a cursive style with a horizontal line underneath the name.

Mr. Seamus Coffey,
Chairperson

Introduction

Background

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 and a six-member, full-time Secretariat, headed by a Chief Economist/Head of Secretariat. The Council’s mandate 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.

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/jfinancepublicservice/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.

Mandate

The Council has four legally mandated functions. The first three were assigned in the *Fiscal Responsibility Act 2012*⁶. The fourth function (endorsement) was assigned to the Council in July 2013.⁷

1. **To assess the official forecasts** produced by the Department of Finance and published in the Stability Programme and in the Budget.
2. **To assess the fiscal stance** of Government, and specifically whether it 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.**⁸
4. **To endorse the official macroeconomic forecasts** prepared by the Department of Finance in relation to each Budget and Stability Programme. This follows revised European 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 between the Council and the Department of Finance underpins the endorsement process.⁹

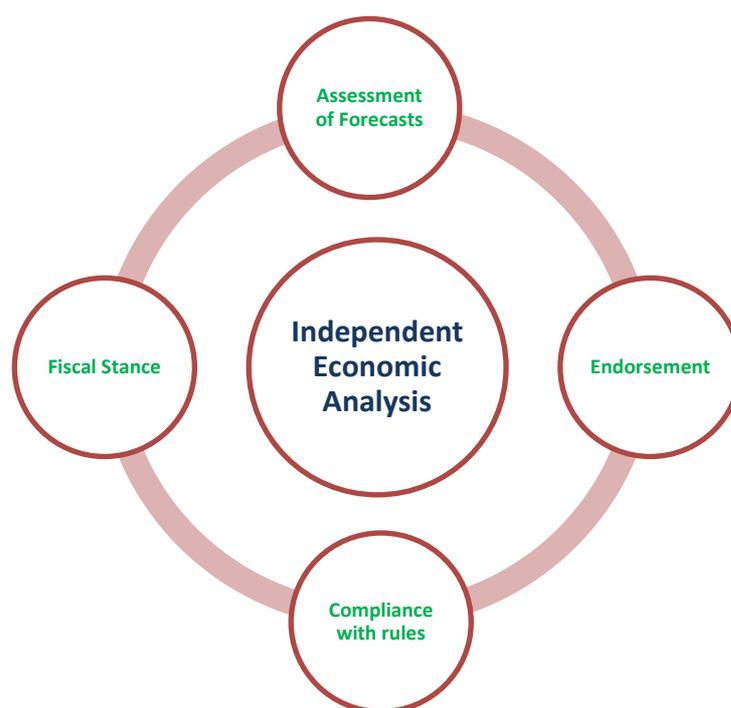
⁶ <http://www.irishstatutebook.ie/eli/2012/act/39/enacted/en/print.html>

⁷ See Ministers and Secretaries (Amendment) Act 2013: <http://www.irishstatutebook.ie/pdf/2013/en.act.2013.0029.pdf>

⁸ 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.

⁹ The Council's *Fiscal Assessment Report* (November 2013) detailed the process in the run up to *Budget 2014*. The Memorandum of Understanding was subsequently revised in February 2014 and can be accessed here: http://www.fiscalcouncil.ie/wp-content/uploads/2012/08/MoU_Feb2014.pdf

Figure 1: Mandate of the Council



The Council produces biannual Fiscal Assessment Reports, as well as an annual Pre-Budget Statement. Reports are submitted to the Minister for Finance and subsequently published within ten days. The Council lays its Annual Reports before each House of the Oireachtas. The Council chairperson may also be required to appear before the Oireachtas in relation to its activities.

In relation to the endorsement function, the Council is required to provide a formal letter to the Secretary General of the Department of Finance at least five working days before the Department publishes the Budget and Stability Programme.¹⁰ If the Council were to conclude that it had significant reservations about the preliminary or “provisional final” macroeconomic forecasts, it would immediately communicate these informally to the Department. If, following further discussions, the Council were still not in a position to endorse the macroeconomic forecasts underlying the Budget or Stability Programme Update (SPU), the Chair would write to the Secretary General explaining why this was the case, at least five working days before the Department publishes the Budget or SPU.

To support the Council’s delivery of its mandate, the Council also produces reports for specific purposes, including Analytical Notes, Working Papers and other analytical work on

¹⁰ The process of this function is outlined in the Memorandum of Understanding between IFAC and Department of Finance, 2017 and can be accessed here: http://www.fiscalcouncil.ie/wp-content/uploads/2011/07/IFAC_DoF_Forecasting_MoU_2017-FINAL.pdf

the Irish economy, macroeconomic forecasting, and fiscal policy, in addition to an annual *Ex-Post* Assessment of Compliance with the Domestic Budgetary Rule.

Membership of the council and staff members of the secretariat

The Minister for Finance appointed the Council's five members based on their experience and competence in domestic and international macroeconomic and fiscal matters. In 2017, the Council had a strong international dimension with three members based outside of Ireland.

Council members in 2017

- **Mr Seamus Coffey** (Chairperson): Lecturer in Economics in UCC. His term of appointment to the Council is four years, effective 1 January 2016. His appointment as Chairperson is effective from 1 January 2017.
- **Mr Sebastian Barnes**: Economic Counsellor to the Chief Economist of the OECD. His term of appointment to the Irish Fiscal Advisory Council was four years effective 31 December 2012. He has been reappointed for a further four-year term effective from 1 January 2017.
- **Dr Íde Kearney**: Senior Economist in the Research Division of the Dutch Central Bank (De Nederlandsche Bank). Her term of appointment to the Irish Fiscal Advisory Council is four years effective 11 March 2015.
- **Mr Michael G. Tutty**: Retired Commissioner for Energy Regulation. His appointment to the Irish Fiscal Advisory Council was effective 24 September 2015 and is followed by a second term of 4 years effective from 1 January 2016.
- **Dr Martina Lawless**: Associate Research Professor at the ESRI. Her term of appointment to the Irish Fiscal Advisory Council is four years effective 1 January 2017.

Secretariat staff members

The Secretariat's full complement of staff is a Chief Economist/Head of Secretariat (Eddie Casey), two Economists, two Research Assistants, and an Administrator. During 2017, the Council recruited four new members of staff.

Strategic Goals

Central Goal: Deliver on all Elements of our Mandate

Assessment of Fiscal Stance, Official Forecasts, and Compliance with Budgetary Rule

- The Council published two Fiscal Assessment Reports, as well as a Pre-Budget Statement, in 2017:
 - The “Fiscal Assessment Report, June 2017” published on 7 June 2017 (within eight weeks of the Stability Programme Update) assessed the macroeconomic and budgetary forecasts that the Government set out in the 2017 “Stability Programme Update”. It also assessed compliance with legislated fiscal rules and the appropriateness of the broader fiscal stance.
 - The “Fiscal Assessment Report, November 2017” published on 29 November 2017 (within six weeks of the Budget) assessed the fiscal stance that the Government set out in Budget 2018. It also assessed the macroeconomic and fiscal forecasts, and monitors compliance with legislated fiscal rules.
 - The “Pre-Budget 2018 Statement” published on 5 September 2017 reviewed the fiscal stance in advance of Budget 2018 in line with two aspects of the Council’s assessment: an economic analysis, which assesses the appropriateness of the fiscal stance in terms of the principles of sound economic and budgetary management, and an assessment of whether the Government’s fiscal plans are in line with the requirements of the budgetary framework.
- The Council reported systematically on official forecasts as part of these reports.
- The Council continued to develop its analytical approach to assessing the fiscal stance and compliance with the Domestic Budgetary Rule. On 23 May 2017, the Council published its “Ex-Post Assessment of Compliance with the Domestic Budgetary Rule in 2016”.
- After publishing each of its Fiscal Assessment Reports, the Council reviewed the report and documented changes/improvements for future reports.

Requests made to other public bodies in relation to this goal

Recommendation	Report	Page
<p>Develop Alternative Medium Term Forecasts of Potential</p> <ul style="list-style-type: none"> In order to support countercyclical policy, the Department of Finance should more fully develop and communicate its views on the cyclical position of the economy. Signs of overheating may be missed if it continues to overly rely on the EU Commonly Agreed Methodology (CAM) for supply-side estimates as it has limited applicability to a small open economy. The Council welcomes the Department's commitment to develop alternative supply-side estimates for medium-term forecasts in the coming 12 months, alongside continuing to produce the CAM estimates to meet legal requirements. 	<p>Fiscal Assessment Report June 2017</p>	<p>2</p>
<p>Publish Information on Compliance with the Fiscal Rules and One-Offs</p> <ul style="list-style-type: none"> To assess compliance with the fiscal rules, future budget and Stability Programme Update (SPU) documents should publish information on compliance outturns for previous years and information on one-offs removed from expenditure and revenue aggregates when assessing compliance. 	<p>Fiscal Assessment Report June 2017</p>	<p>4</p>
<p>Publish more details on the Rainy Day Fund</p> <ul style="list-style-type: none"> Further detail is expected from the Department with regard to the specification of the Rainy Day Fund. Details of how it is to operate should be published. 	<p>Fiscal Assessment Report June 2017</p>	<p>100</p>

Recommendation	Report	Page
<p>The Government Should Develop its Debt Targets</p> <ul style="list-style-type: none"> • The use of specified debt ratios as a tool for budgetary management can be a useful innovation in the Irish context, but a more constructive approach is needed to defining prudent debt ratios. <ul style="list-style-type: none"> - The target should be set relative to GNI* (Gross National Income, less retained earnings of re-domiciled PLCs and less depreciation of foreign-owned domestic capital) to achieve a prudent level of debt. - A clearer timeline and milestones for the proposed debt path (that is, years by which certain debt levels are to be attained) should be identified to enable an assessment of performance over time. - The specified debt ratios should be stated clearly as either targets (for example, a steady state position to be met on average) or as ceilings/limits. - A broader assessment of long-term expenditure pressures should be considered as part of the determination of debt targets. 	<p>Pre-Budget 2018 Statement</p>	<p>23–24</p>
<p>Return to Publishing Five-Year-Ahead Forecasts</p> <ul style="list-style-type: none"> • Although not formally required, the Department had established a practice of publishing five-year-ahead forecasts, which in this case would be out to 2022. As medium-term forecasts are key for setting the public finances on a sustainable path, the Council would welcome a return to forecasting on this horizon. 	<p>Fiscal Assessment Report November 2017</p>	<p>62–63</p>

Endorsement of Macroeconomic Forecasts

- The Council finalised the benchmark projections that the Secretariat prepared as an input in their endorsement considerations.
- Each Fiscal Assessment Report documented the Council’s approach to the corresponding endorsement exercise, including relevant meetings, data, and decisions.
- On 4 April 2017—more than five working days before the Stability Programme Update—the Council endorsed as within the range of appropriate forecasts the set of medium-term

macroeconomic projections prepared by the Department of Finance on which Stability Programme Update 2017 (SPU 2017) would be based. On 29 September 2017—more than five working days before the Budget—the Council endorsed as within the range of appropriate forecasts the set of macroeconomic projections prepared by the Department of Finance for Budget 2018 for the years 2017 and 2018.

- The Council continued to develop and refine its short- and medium- term forecasting models. On 17 May 2017, the Council published its “Producing Short-Term Forecasts of the Irish Economy” working paper. This paper describes the short-run forecasting models that the Secretariat use for producing its own Benchmark macroeconomic projections as part of the endorsement process and for the purposes of its ongoing monitoring and analysis of the Irish economy.
- The Council continued to review the “Memorandum of Understanding between the Irish Fiscal Advisory Council and the Department of Finance relating to the ‘Endorsement Function’ of the Council under the Fiscal Responsibility Acts 2012 and 2013”. On 30 January 2017, the Secretary General of the Department of Finance and the Chairperson of the Council signed the revised version.

Supporting Goal 1: Ensure Compliance with all Requirements for a Statutory Body

Publication of Annual Report and a set of financial accounts

- On 20 July 2017, the Council published its Annual Report and Accounts for the year ended 31 December 2016. This was within one month of the Comptroller and Auditor General completing its audit of the Council’s financial statements, but not within six months of the end of the financial year.
- In 2017, the Council implemented the recommendations from the previous audit by the Comptroller and Auditor General.
- The Council continued to review ongoing requirements for statutory bodies and updated its procedures as required.

Independence and transparency

- The Council published dates of all of Council meetings.
- The Council published all formal interactions with Government in 2017.
- The Council responded to all queries (including Parliamentary Questions) in relation to Council activities.

- The Council made sure that the website remained up to date and reflective of Council work including minutes of meetings, decisions, reports, and presentations.

External review of Council operations

- In 2017, the Council implemented, as appropriate, the recommendations of the 2015 external peer review group.

Supporting Goal 2: Promote Awareness of Fiscal Policy issues

Two Fiscal Assessment Reports and a Pre-Budget Statement every year

- The Council presented its reports in a clear manner to the highest possible professional standards, in print and on its website.
- To make sure that its reports contained non-technical summaries, the Council highlighted the “Summary Assessment” from both Fiscal Assessment Reports, and highlighted the key messages from its “Pre-Budget 2018 Statement”.
- The Council responded to queries on its reports in a timely manner.

Analytical Notes and Working Papers

- The Council published the key analytical work undertaken in 2017 in relation to its mandate outside of the biannual assessment reports: the “Producing Short-Term Forecasts of the Irish Economy” working paper.
- The Council presented its work at relevant conferences/seminars:
 - The Secretariat presented “Investment and the Fiscal Rules” at the NERI (Nevin Economic Research Institute) seminar in Dublin on 8 February 2017.
 - The Secretariat presented “An Approach to Assessing Fiscal Risks in Ireland” at the Council’s “Path for the Public Finances, 2017: ‘Fiscal Risks’” conference in Dublin on 30 March 2017.
 - The Secretariat presented “Producing short-term forecasts of the Irish economy: a suite of models approach” at the Irish Economics Association Annual Conference in Dublin on 4 May 2017.
- The Council Raise awareness on fiscal issues and activities of the Council outside of the Fiscal Assessment Report cycle.

External communications and awareness of the Council

- The Council appeared before the Oireachtas Select Committee on Budgetary Oversight when invited (20 June 2017, 13 September 2017, and 6 December).
- The Council hosted media briefings before publishing each Fiscal Assessment Report.
- The Council published a press release and presentation for each Fiscal Assessment Report.
- The Council held the first in a series of its annual “Path for the Public Finances” conferences on 30 March 2017. This conference focused on the theme of “Fiscal Risks”, and the challenges of knowing, quantifying, communicating and, finally, mitigating relevant risks when managing public finances. The conference included speakers from the IMF, the OECD, the Independent Authority for Fiscal Responsibility (AIReF) (Spain), the National Treasury Management Agency, the Office for Budget Responsibility (UK), and University College Dublin.
- The Council and Secretariat participated in relevant domestic and international conferences and seminars, including:
 - 9th Annual Meeting of the OECD (Organisation for Economic Co-operation and Development) Network of Parliamentary Budget Officials and Independent Fiscal Institutions, Scottish Parliament, Edinburgh, 6–7 April 2017;
 - 31st Annual Irish Economic Association Conference (4–5 May 2017);
 - Spanish Independent Authority for Fiscal Responsibility (AIReF) International Conference (9 June 2017);
 - National Economic Dialogue (28–29 June 2017);
 - CSO National Accounts Briefing (14 July 2017);
 - MacGill Summer School “Dublin Chamber of Commerce” session (18 July 2017);
 - Dublin Economics Workshop Annual Economic Policy Conference (22–23 September 2017);
 - Office of the Austrian Fiscal Advisory Council (Fiskalrat) Workshop on Fiscal Policy and Ageing (6 October 2017);
 - ESCB Joint Workshop with European Independent Fiscal Institutions (19 October 2017);
 - Meeting of the EU Network of Independent Fiscal Institutions (EUNIFI) (7 November 2017).
- The Council responded in a timely manner to all queries on its activities.

- The Council made greater use of the website and social media accounts, to establish the Council as the authoritative source on fiscal policy and fiscal stance in Ireland. The Council redeveloped the website to display properly on all devices, including mobile phones. The Council posted on its Twitter account about its publications, endorsements, and infographics, as well as topics such as corporation tax, Exchequer Returns and government debt.

Achieving Our Goals

Economic Forecasting: Short-term and medium-term forecasting; Long-term forecasting

- The Council further developed the Secretariat’s short-term (2 year) and medium-term (3–5-year) forecasting capabilities through training, recruitment, and reviewing Benchmark projections.
- The Council continued to document and publish its approaches to forecasting, including the “Producing Short-Term Forecasts of the Irish Economy” working paper.
- The Council considered ways to make key databases or links to data sources available on the Council’s website.
- The Council liaised with the ESRI (Economic and Social Research Institute) on its approach to modelling using COSMO (COre Structural MOdel for Ireland), with a view to agreeing a contract in 2018.

Public Finances and Fiscal Rules

- The Council continued to make sure that Secretariat staff members are appropriately trained and informed on all issues relating to the public finances and fiscal rules. Secretariat staff members attended as Fiscal Rules training in 2017.
- The Council documented clearly the Government’s compliance or non-compliance with the domestic Budgetary Rule, in its “Assessment of Compliance with the Domestic Budgetary Rule in 2016” publication in May 2017.
- The Council further developed its analysis of revisions to public finance projections relative to plans, its analysis of budgetary one-offs, and its understanding of key drivers of public expenditure forecasts.
- The Council continued to develop its work on producing long-term fiscal projections.

Full-time six-person Secretariat

The Secretariat recruited four new members of staff in 2017, maintaining a total of six members of staff.

- The Council provided ongoing training for Secretariat where appropriate. Training for staff members covered topics such as Fiscal Rules, employment law for Irish employers, corporate governance, and Freedom of Information legislation.
- The Council continued regularly reviewing the Secretariat’s output.

- The Council and Secretariat maintained a supportive work environment.
- The Council made sure that clear work plans and goals were in place for staff in 2017.
- The Council liaised with service providers to ease the administrative burden on staff, and continued its annual review of its Service Level Agreement with the ESRI (Economic and Social Research Institute).

Stakeholders

- During 2017, the Council and Secretariat met with their key stakeholders of the Council to hear their views on economic issues and work related to the Council. This included Committees to Houses of the Oireachtas, the Central Statistics Office, the Department of Finance, the Department of Public Expenditure and Reform, the ESRI, private economic forecasting agencies, and other international fiscal councils.
- During 2017, the Council participated in international fiscal council forums, attending meetings of the Network of EU Independent Fiscal Institutions (EUIFI), EU Network of Independent Fiscal Institutions (EUNIFI), and OECD Network of Parliamentary Budget Officials and Independent Fiscal Institutions.

Governance

Audit and Risk Committee

In 2017, the Audit and Risk Committee's members were:

- Michael G Tutty (Chairperson)
- Dr Martina Lawless (appointed in January 2017)
- Michael Kelly (external member appointed in February 2016).

The Audit and Risk Committee met on four dates in 2017:

- 14 February
- 22 June
- 27 September
- 1 December.

In 2014, IFAC appointed Mazars as internal auditors for 2015–2017. In 2017, Mazars carried out two internal audits:

- System of Internal Financial Controls (2016)
- Information Security Governance.

In November 2017, the Council approved the updated Charter of the Audit and Risk Committee, and approved the Internal Audit Charter.

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.

Self-Assessment Evaluation

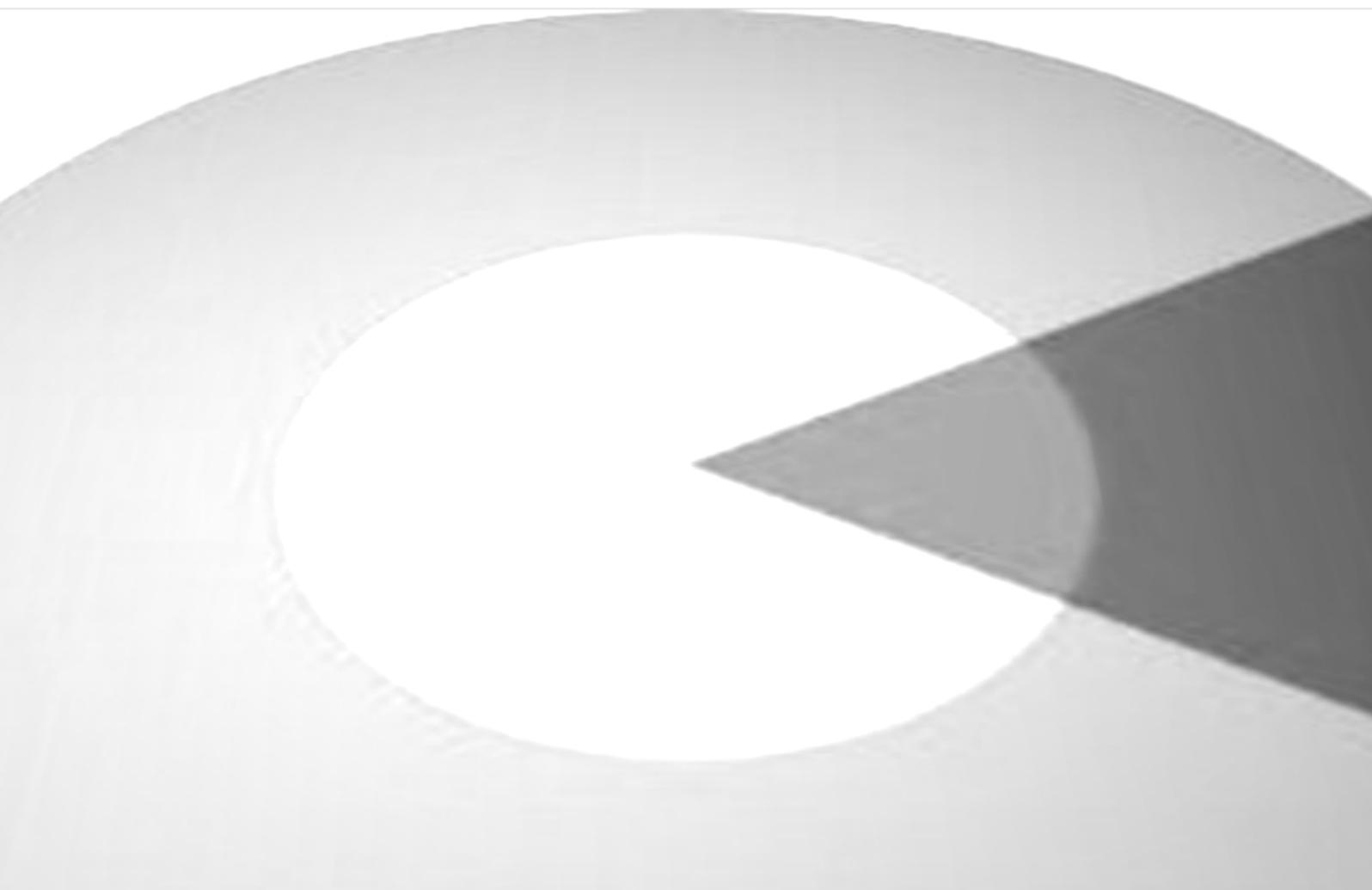
The Council completed its annual self-assessment evaluations at the end of 2017. Council members returned completed annual self-assessment evaluations to the Chairperson.

Appendix: Statement on System of Internal Controls in a State Body (from the Chairperson's Comprehensive Report to the Minister)

- 1) On behalf of the Irish Fiscal Advisory Council, I acknowledge the Council's responsibility for making sure that an effective system of internal control is maintained and operated. This responsibility takes account of the requirements of the Code of Practice for the Governance of State Bodies (2016).
- 2) The system of internal control is designed to manage risk to a tolerable level rather than to eliminate it. The system can therefore only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or detected in a timely way.
- 3) The key control procedures, tailored to reflect the size and complexity of the Council to provide a full understanding of the procedures, put in place by the Council to provide effective internal control include the following:
 - i. The Council conducted an annual review of the effectiveness of internal control systems on 29 March 2018, to ensure that they had considered all aspects of risk management and internal control for 2017.
 - ii. The Council had no instances where breaches in control occurred.
 - iii. The Council had no material losses or frauds.
 - iv. The Audit and Risk Committee and the Council reviewed the Statement on Internal Controls to ensure it accurately reflects the control system in operation during 2017.
 - v. The external auditors reviewed the Statement on Internal Controls to confirm that it reflects the audited body's compliance with the requirements of the Code of Practice and is consistent with the information of which they are aware from their audit work on the financial statements.
 - vi. I confirm that a control environment containing the following elements is in place: procedures for all key business processes have been documented; financial responsibilities assigned at management level with corresponding accountability; an appropriate budgeting system with an annual budget which is submitted to the Department of Finance; systems aimed at ensuring the security of the information and communication technology systems; systems in place to safeguard assets.

- vii. A risk register is in place which identifies the key risks facing the Irish Fiscal Advisory Council and these have been identified, evaluated and graded according to their significance. The Council systematically reviews and updates its risk register.
 - viii. There are regular reviews by senior management of periodic and annual performance and financial reports which indicate performance against budgets/forecasts.
 - ix. I confirm that the following ongoing monitoring systems are in place: key risks and related controls have been identified and processes have been put in place to monitor the operation of those key controls and report any identified deficiencies; reporting arrangements have been established at all levels where responsibility for financial management has been assigned; and there are regular reviews by senior management of periodic and annual performance and financial reports which indicate performance against budgets/forecasts.
 - x. The Irish Fiscal Advisory Council's monitoring and review of the effectiveness of the system of internal control is informed by the work of the internal and external auditors, the Audit and Risk Committee which oversees their work, and the senior management within the Irish Fiscal Advisory Council responsible for the development and maintenance of the internal financial control framework.
- 4) I confirm that the Council conducted an annual review of the effectiveness of internal control systems on 29 March 2018
- 5) No weaknesses in internal control were identified in relation to 2017 that require disclosure in the financial statements.
- 6) I confirm that the Council is in compliance with current procurement rules and guidelines as set out by the Office of Government Procurement.

Financial Statements for the year ended 31 December 2017



John DeGatty / Seline Scott 18/2310/MF



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Mr Pashcal Donohue TD
Minister for Finance
Department of Finance
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27 September 2018

Irish Fiscal Advisory Council's Financial Statements 2017

Dear Minister Donohue,

The audit of the Irish Fiscal Advisory Council's financial statements for the year ended 31 December 2017 has been completed.

In accordance with Section 10(3) of the Fiscal Responsibility Act 2012, please find enclosed for your information

- The Report of the Comptroller and Auditor General
- The Irish Fiscal Advisory Council's financial statements for the year ended 31 December 2017.

Yours sincerely,


Georgina O Mahony
Deputy Director of Audit



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

Report for presentation to the Houses of the Oireachtas

Irish Fiscal Advisory Council

Opinion on financial statements

I have audited the financial statements of the Irish Fiscal Advisory Council (the Council) for the year ending 31 December 2017 as required under the Fiscal Responsibility Act 2012. The financial statements comprise

- the statement of income and expenditure
- the statement of comprehensive income
- the statement of financial position
- the statement of cash flows and
- the related notes, including a summary of significant accounting policies.

In my opinion, the financial statements give a true and fair view of the assets, liabilities and financial position of the Council at 31 December 2017 and of its income and expenditure for 2017 in accordance with Financial Reporting Standard (FRS) 102 — *The Financial Reporting Standard applicable in the UK and the Republic of Ireland*.

Basis of opinion

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the Council and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Report on information other than the financial statements, and on other matters

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

I have nothing to report in that regard.

Seamus McCarthy
Comptroller and Auditor General

24 September 2018

Appendix to the report

Responsibilities of Council members

The governance statement and Council members' report sets out the Council members' responsibilities. The Council members are responsible for

- the preparation of financial statements in the form prescribed under paragraph 10 of the Schedule to the Fiscal Responsibility Act 2012
- ensuring that the financial statements give a true and fair view in accordance with FRS102
- ensuring the regularity of transactions
- assessing whether the use of the going concern basis of accounting is appropriate, and
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Comptroller and Auditor General

I am required under paragraph 10 of the Schedule to the Fiscal Responsibility Act 2012 to audit the financial statements of the Council and to report thereon to the Houses of the Oireachtas.

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

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

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

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

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

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

Information other than the financial statements

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

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

Reporting on other matters

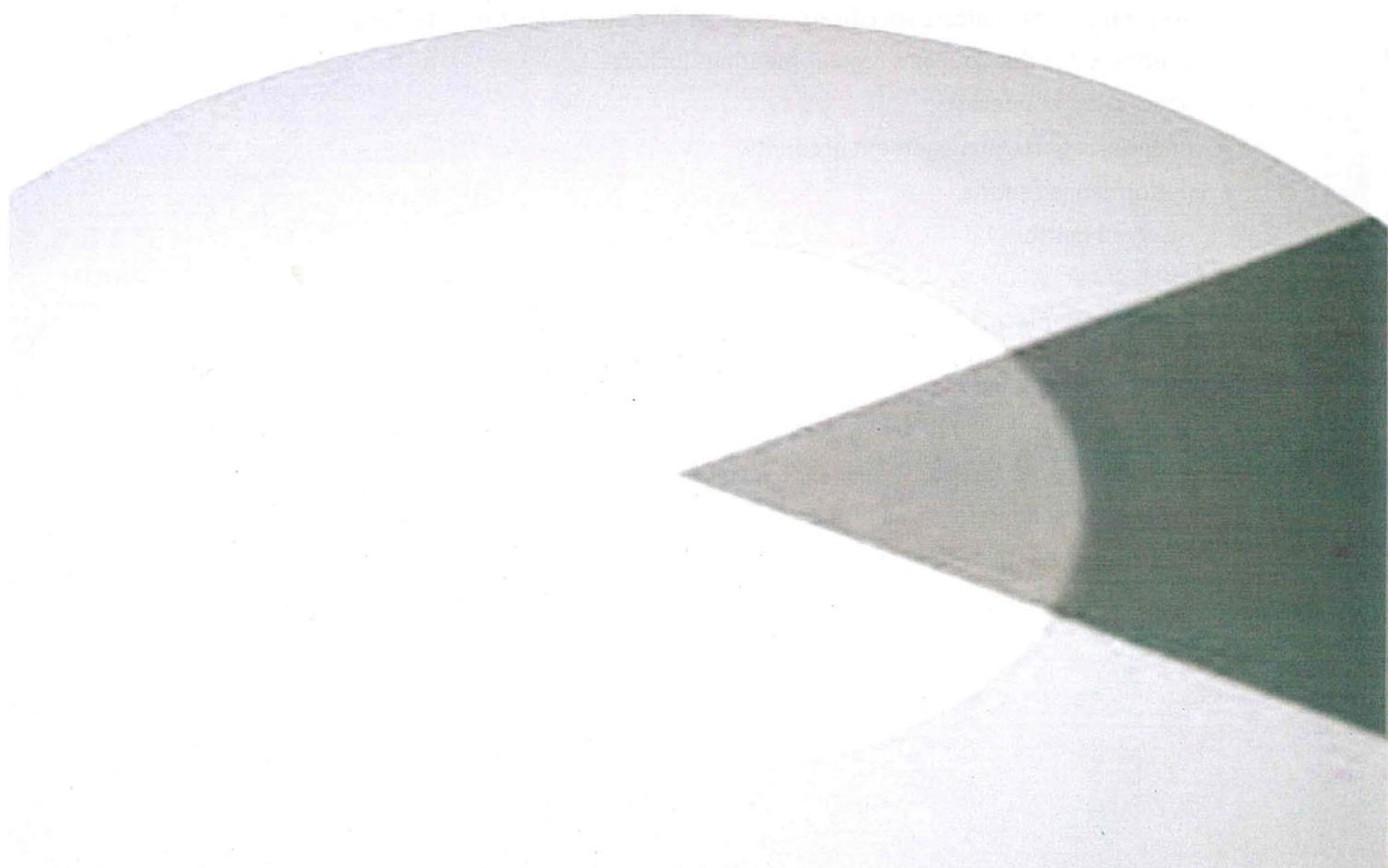
My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if there are material matters relating to the manner in which public business has been conducted.

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

I also report by exception if, in my opinion,

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

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Governance Statement and Council Members' Report

Governance

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 and a six-member, full-time Secretariat, headed by a Chief Economist/Head of Secretariat. The Council's mandate 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. The Act guarantees the Council's independence while making it accountable to the Minister for Finance. The Council is responsible for ensuring good governance of the organisation, and does this by setting strategic objectives and targets and taking strategic decisions on all key business issues. The regular day-to-day management, control and direction of the Irish Fiscal Advisory Council are the responsibility of the Chief Economist/Head of Secretariat, who must follow the broad strategic direction set by the Council, and must make sure that all Council members have a clear understanding of the key activities and decisions related to the Council, and of any significant risks likely to arise. The Chief Economist/Head of Secretariat acts as a direct liaison between the Council and management.

Council Responsibilities

The work and responsibilities of the Council are set out in the Schedule of Matters, which also contain the matters specifically reserved for Council decision. Standing items considered at the Council's regular meetings include:

- declaration of interests,
- financial reports/management accounts,
- performance reports,
- reserved matters,
- risk register,
- Freedom of Information, and
- Parliamentary Questions.

The Fiscal Responsibility Act 2012 requires the Council to keep, in such form as may be approved by the Minister for Finance with the consent of the Minister for Public Expenditure and Reform, all proper and usual accounts of money received and expended by it. In preparing these financial statements, the Council is required to:

- select suitable accounting policies and apply them consistently,

- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that it will continue in operation, and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Council is responsible for keeping adequate accounting records which disclose, with reasonable accuracy at any time, its financial position and enables it to make sure that the financial statements comply with the Fiscal Responsibility Act 2012. The maintenance and integrity of the corporate and financial information on the Council's website is the responsibility of the Council. The Council is responsible for approving the annual work plan and budget. An evaluation of the performance of the Council by reference to the annual plan and budget was carried out on 29 March 2018.

The Council is also responsible for safeguarding its assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Council considers that the financial statements give a true and fair view of the financial performance and the financial position of the Council at 31 December 2017.

The Council has approved a procurement policy that delegates authority for spending, under certain limits, to the Secretariat.

Council Structure

The Council consists of a Chairperson, Vice Chairperson, and three ordinary members, all of whom were appointed by the Minister for Finance. The members of the Council were appointed for a period of four years and meet on roughly a monthly basis. The table below details the appointment period for current members:

Council member	Role	First appointed	Reappointed
Seamus Coffey	Chairperson	1 January 2016 (as member); 1 January 2017 (as Chairperson)	
Sebastian Barnes	Vice Chairperson	31 December 2012	1 January 2017
Dr Íde Kearney	Ordinary Member	11 March 2015	
Michael G. Tutty (i)	Ordinary Member	24 September 2015	1 January 2016
Dr Martina Lawless (i)	Ordinary Member	1 January 2017	

(i) Audit and Risk Committee member

Key Personnel Changes

The term of the former Chairperson, Professor John McHale, ended on 31 December 2016. The Minister appointed Seamus Coffey (an existing member) as Chairperson, effective from 1 January 2017. The Minister re-appointed Sebastian Barnes, effective from 1 January 2017, following the end of his first term, and appointed Dr Martina Lawless for a four-year term, also effective from 1 January 2017.

Audit and Risk Committee

The Council has established an Audit and Risk Committee, which comprises two Council members and one independent member. The role of the Committee is to support the Council in relation to its responsibilities for issues of risk, control and governance and associated assurance. The Committee is independent from the financial management of the organisation. In particular the Committee ensures that the internal control systems including audit activities are monitored actively and independently. The Committee reports to the Council after each meeting, and formally in writing annually.

The members of the Audit and Risk Committee are Michael G. Tutty (Chairperson), Dr Martina Lawless, and Michael Kelly. The Committee met four times in 2017.

Other information

Auditor:

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

Bankers:

Bank of Ireland
Lower Baggot Street
Dublin 2

Schedule of Attendance, Fees and Expenses

A schedule of attendance at the Council and Committee meetings for 2017 is set out below, including the fees and expenses received by each member:

	Notes	Council meetings attended (total: 11)	Audit and Risk Committee meetings attended (total: 4)	Fees (2017) €	Travel and subsistence expenses (incurred with no benefit to the individual) (2017) €
Seamus Coffey	4, 5	11	N/A	20,520	10,029
Sebastian Barnes (i)	5	11	N/A	11,970	5,004
Dr Íde Kearney	4	10	N/A	11,970	2,079
Michael G. Tutty	4	11	4	11,970	–
Dr Martina Lawless (i)	4, 5	10	4	11,970	–
Michael Kelly	6	N/A	4	1,500	0
Total				69,900	17,112

(i) These fees were paid to the employers of the Council members, and not to the Council members themselves.

Disclosures Required by Code of Practice for the Governance of State Bodies (2016)

The Council is responsible for making sure that it has complied with the requirements of the Code of Practice for the Governance of State Bodies ("the Code"), which the Department of Public Expenditure and Reform published in August 2016. The following disclosures are required by the Code:

Employee Short-Term Benefits Breakdown

Employees' short-term benefits in excess of €60,000 are categorised into the following bands:

Range		Number of employees	
From	To	2017	2016
€60,000	€69,999	1	2
€70,000	€79,999	–	–
€80,000	€89,999	1	1
€90,000	€99,999	–	–
€100,000	€109,999	–	–

Note: For the purposes of this disclosure, short-term employee benefits in relation to services rendered during the reporting period include salary, overtime allowances and other payments made on behalf of the employee, but exclude employer's PRSI.

Consultancy Costs

The Council had no consultancy costs in 2017.

Legal Costs and Settlements

The Council had no legal costs or settlements in 2017.

Travel and Subsistence Expenditure

Travel and subsistence expenditure is categorised as follows:

	2017	2016
	€	€
Domestic		
Council	–	–
Employees	975	143
International		
Council	17,112	13,331
Employees	1,970	2,203
Total	20,057	15,677

Hospitality Expenditure

The Statement of Income and Expenditure includes hospitality expenditure of €253.13 relating to a speakers' dinner for the "Path for the Public Finances, 2017: 'Fiscal Risks'" conference. Two Council members and one member of staff also attended the dinner.

Statement of Compliance

The Council has adopted the Code of Practice for the Governance of State Bodies (2016), adapted in some instances to take account of the Council's particular governance framework and the statutory requirements of the Fiscal Responsibility Act 2012 and Regulation (EU) № 473/2013 of the European Parliament and of the Council of 21 May 2013, including the requirement for the Council to be independent. The Council has put procedures in place to ensure the application of relevant provisions of the Code of Practice. In that context, the Council has assessed each provision, and the Council is currently applying the provision, working to apply the provision, adopting the provision, or adapting the provision to take account of the Council's statutory requirements, as the following table explains:

What the Code provision requires	The Council's measures for achieving the objectives of the provision
1.15 ("Strategic Plan") requires the Council to prepare and adopt a strategic plan and to have a formal process for setting strategy.	The Council published its Strategic Plan 2017–2019 in August 2017 and so had no strategic plan in place for the first seven months of 2017. The Council intends to document a process for setting strategy.

What the Code provision requires	The Council's measures for achieving the objectives of the provision
1.18 ("Ministerial Views") requires the Council to send a copy of the draft strategic plan to the Minister for Finance before Council finalise and adopt the plan, and to consider the views of the Minister and the public interest.	The Council must maintain its independence and so does not seek the views of the Minister for Finance on its draft strategic plans. The Council does, however, consider the public interest when drafting its strategic plans.
8.4 Oversight Agreements	The Council has approved a draft Oversight Agreement. The Secretariat have discussed the draft in detail with the members of staff from the Department of Finance, and aim to have the agreement finalised in 2018.
10.1 ("Customer Charter"), 10.2 ("Customer Charter Cycle"), 10.3 ("Display and Content"), 10.4 ("Customer Action Plan"), and 10.5 ("Customer Charters and Customer Action Plans")	The Council does not provide services directly to the public, and so the Council has no Customer Charter and no Customer Action Plan.
1.4 ("Reporting Requirements") (from "Business and Financial Reporting Requirements") required the Council to send draft unaudited financial statements for the year ended 31 December 2017 to the Department of Finance by the end of February 2018.	Due to the time taken to adopt the Council requirements of the Code of Practice, the Council sent those draft unaudited financial statements to the Department of Finance on 26 March 2018.

Statement on Internal Control

Scope of Responsibility

On behalf of the Irish fiscal Advisory Council, I acknowledge the Council's responsibility for making sure that an effective system of internal control is maintained and operated. This responsibility takes account of the requirements of the Code of Practice for the Governance of State Bodies (2016).

Purpose of the System of Internal Control

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

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

Capacity to Handle Risk

The Irish Fiscal Advisory Council has an Audit and Risk Committee comprising two Council members, one of whom chairs the Committee, and one external member with financial and audit expertise. The Committee met four times in 2017. As per the Charter and Terms of Reference for the Audit and Risk Committee, the Committee oversees the internal audit function, with the Secretariat procuring third-party auditors as necessary to conduct a programme of work agreed with the Committee.

The Committee has developed a risk management policy which sets out its risk appetite, risk management processes, and roles and responsibilities of staff members in relation to risk. The Secretariat issued the policy to all staff members, who are expected to work within the Irish Fiscal Advisory Council's risk management policies, to alert management on emerging risks and control weaknesses, and to assume responsibility for risks and controls within their own area of work.

Risk and Control Framework

The Irish Fiscal Advisory Council has implemented a risk management system which identifies and reports key risks and the management actions being taken to address and, to the extent possible, to mitigate those risks.

A risk register is in place which identifies the key risks facing the Irish Fiscal Advisory Council and these have been identified, evaluated and graded according to their significance. The Council systematically reviews and updates its risk register. The outcome of these assessments is used to plan and allocate resources to ensure risks are managed to an acceptable level.

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

- procedures for all key business processes have been documented;
- financial responsibilities assigned at management level with corresponding accountability;
- an appropriate budgeting system with an annual budget which is submitted to the Department of Finance;
- systems aimed at ensuring the security of the information and communication technology systems;
- systems in place to safeguard assets.

Ongoing Monitoring and Review

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

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

Procurement

I confirm that the Irish Fiscal Advisory Council has procedures in place to ensure compliance with the applicable EU Directives and national laws relating to public procurement, and the Office of Government Procurement's "Public Procurement Guidelines for Goods and Services". During 2017, the Irish Fiscal Advisory Council complied with these procedures.

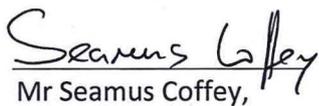
Review of Effectiveness

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

I confirm that the Council conducted an annual review of the effectiveness of the internal controls for 2017.

Internal Control Issues

No weaknesses in internal control were identified in relation to 2017 that require disclosure in the financial statements.


Mr Seamus Coffey,

Chairperson

Date: 19/09/2018

Report of the Comptroller and Auditor General

[To be added]

Statement of Income and Expenditure
for the year ended 31 December

	Notes	2017 €	2016 €
Income			
State funding receivable	2	565,263	601,029
Deferred retirement benefit funding	17(c)	42,000	31,000
Transfer from/(to) Capital Account	14	(561)	987
		<u>606,702</u>	<u>633,016</u>
Expenditure			
Salaries	3	335,077	378,420
Council Members' Fees	4	44,460	28,928
Council Members' Expenses	4	17,112	13,331
Payments to international and Irish public bodies	5	23,940	38,702
Administration Expenses	6	157,341	151,542
Retirement Benefit Costs	17(a)	28,772	22,093
		<u>606,702</u>	<u>633,016</u>
Surplus for the Year		-	-

The Statement of Cash Flows and notes numbered 1 to 19 form an integral part of these financial statements and should be read in conjunction therewith.

Seamus Coffey

Mr Seamus Coffey,

Chairperson

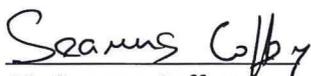
Date: 19/09/2018

Statement of Comprehensive Income

for the year ended 31 December

	Notes	2017	2016
		€	€
Surplus for the year		–	–
Actuarial (loss)/gain on retirement benefit obligations	17 (b)	(74,000)	(26,000)
Movement in deferred retirement benefit funding	17 (c)	74,000	26,000
Total comprehensive income for the year		–	–

The Statement of Cash Flows and notes numbered 1 to 19 form an integral part of these financial statements and should be read in conjunction therewith.


Mr Seamus Coffey,

Chairperson

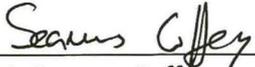
Date: 19/09/2018

Statement of Financial Position

as at 31 December

	Notes	2017 €	2016 €
Fixed Assets			
Tangible Assets	7	1,187	626
Current Assets			
Cash and Cash Equivalents	8	123,078	146,614
Debtors and prepayments	9	3,987	636
		127,065	147,250
		128,252	147,876
Current Liabilities			
Sundry creditors and accrued expenses	10	99,540	112,520
Amount due to Central Fund	2	27,525	34,730
Total Current Liabilities		127,065	147,250
Net Assets before Retirement Benefits		1,187	626
Retirement Benefits			
Retirement Benefit Obligations	17 (b)	(173,000)	(57,000)
Deferred Retirement Benefit Asset	17(c)	173,000	57,000
		-	-
Net Assets after Retirement Benefits		1,187	626
Represented by			
Capital Account	14	1,187	626

The Statement of Cash Flows and notes numbered 1 to 19 form an integral part of these financial statements and should be read in conjunction therewith.


Mr Seamus Coffey,
Chairperson

Date: 19/09/2018

Statement of Cash Flows

for the year ended 31 December

	2017	2016
	€	€
Net Cash Flows from Operating Activities		
Excess expenditure over income	(6,644)	2,385
Depreciation of fixed assets	1,221	987
(Increase)/Decrease in receivables	(3,351)	(77)
Increase/(Decrease) in payables	(12,980)	2,604
Net Cash Inflow/(Outflow) from Operating Activities	(21,754)	5,899
Cash Flows from Investing Activities		
Payments to acquire property, plant & equipment	(1,782)	–
Net Cash Flows from investing activities	(1,782)	–
Net Increase/(Decrease) in cash and cash equivalents	(23,536)	5,899
Cash and cash equivalents at 1 January	146,614	140,715
Cash and cash equivalents at 31 December	123,078	146,614

Seamus Coffey

Mr Seamus Coffey,

Chairperson

Date: 19/09/2018

Notes to and forming part of the Financial Statements for the year ended 31 December 2017

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 2017 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.

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.

g) Employee Benefits

Short- term Benefits

Short term benefits such as holiday pay are recognised as an expense in the year, and benefits that are accrued at year-end are included in the Sundry creditors and accrued expenses figure in the Statement of Financial Position.

Retirement Benefits

There are two superannuation schemes in operation within the Council. The Council operates the Single Public Services Pension Scheme ("Single Scheme") which is a defined benefit scheme for pensionable public servants appointed on or after 1st January 2013. All directly-paid employees are obliged to join the scheme. Employee contribution rates are 3% of Pensionable Remuneration and 3.5% of Net Pensionable Remuneration. There is no employer contribution. Single Scheme members' contributions are payable to the Department of Public Expenditure and Reform ([Note 17](#)). The Scheme is unfunded and will be financed on a pay-as-you-go basis from funds available to the Council.

Sanction has been received from the Department of Public Expenditure and Reform to operate the new model pension scheme on an administrative basis for the purpose of providing superannuation arrangements for staff not part of the Single Scheme, pending formal adoption of the model scheme by the Council. The Council is making the relevant deductions and pending formal approval of the scheme, the amounts are included in creditors at year-end.

Retirement benefit costs reflect pension benefits earned by employees and are shown net of staff pension contributions payable to DPER. Deferred funding for retirement benefits is recognised as an asset corresponding to the deferred liability for retirement benefit obligations.

Retirement benefit liabilities are measured on an actuarial basis using the projected unit method. In determining the value of liabilities, assumptions are made as to price inflation, pension increases, earnings growth and demographics. The assumptions underlying the 2017 liabilities and pension costs are set out in [Note 17](#).

Actuarial gains and losses arising from changes in actuarial assumptions and from experience are recognised in the Statement of Comprehensive Income in the year in which they occur.

2. State Funding

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.

	2017	2016
	€	€
Opening amount due to/(from) Central Fund	34,730	31,358
Received from Central Fund	571,286	613,308
Amount due (to)/from Central Fund at year end	(27,525)	(34,730)
Central Fund Receivable	578,491	609,936
Less: Employee contributions payable to DPER (Note 17(a))	(13,228)	(8,907)
State Funding Receivable for the year	565,263	601,029

3. Salaries

The number of persons employed (full-time equivalents) in the financial year was 5.33 (2016:6). This includes 1 staff member seconded from another organisation (2016:2).

Retirement benefit liabilities for the secondees are the responsibility of their parent employer.

Information on retirement benefits for staff directly employed by IFAC are set out in [Note 17](#).

Remuneration

(a) Aggregate Employee Benefits and Termination Benefits

	2017	2016
	€	€
Staff short-term benefits	303,830	344,240
Termination benefits	–	–
Retirement benefit costs	28,772	22,093
Employer's contribution to social welfare	31,247	34,180
Total	363,849	400,513

The total number of staff employed (WTE) at year end was 6 (2016:4). The Council employed six individuals over the course of 2016, and employed seven individuals at different times over the course of 2017. No termination benefits were paid in the year (2016: nil).

(b) Staff Short-Term Benefits

	2017	2016
	€	€
Basic pay	303,830	340,602
Overtime	–	–
Allowances	–	3,638
Total	303,830	344,240

(c) Key Management Personnel

Key management personnel in the Irish Fiscal Advisory Council consist of the Chief Economist/Head of Secretariat and the Chairperson and other members of the Council. The total value of employee benefits for key management personnel is set out below:

Chief Economist/Head of Secretariat

	2017	2016
	€	€
Salary	81,175	77,182
Allowances	–	3,638
Termination benefits	–	–
Health insurance	–	–
Total	81,175	80,820

The current Chief Economist/Head of Secretariat is a member of the Single Public Service Pension Scheme and their entitlements in that regard do not extend beyond the terms of that scheme.

Council Members

Fees and expenses incurred by the Council members amounted to €61,572 (2016: €42,259). For a breakdown of the fees and expenses paid to Council Members, please refer to [note 4](#).

Additionally, fees were paid to the employers of two Council members in 2017; see [note 5](#).

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 other Council members. Fees incurred in 2017 totalled €68,400 (2016: €67,630).

Expenses incurred by Council Members amounted to €17,112 (2016: €13,331) mainly reflecting travel and subsistence costs incurred by international and non-Dublin based members attending Council meetings in Dublin.

Council Members' fees and travel expenses

Council Member	Fees 2017 (€)	Travel Expenses 2017 (€)	Total 2017 (€)	Fees 2016 (€)	Travel Expenses 2016 (€)	Total 2016 (€)
Seamus Coffey (Chairperson) ⁱⁱ	20,520	10,029	30,549	4,988	3,669	8,657
Sebastian Barnes ⁱⁱⁱ	See Note 5	5,004	5,004	See Note 5	4,027	4,027
Dr Íde Kearney	11,970	2,079	14,049	11,970	2,869	14,839
Dr Martina Lawless	See Note 5	–	–	–	–	–
Michael G Tutty	11,970	–	11,970	11,970	109	12,079
Professor John McHale (Chairperson, 2010–2016)	–	–	–	See Note 5	2,657	2,657
Total	44,460	17,112	61,572	28,928	13,331	42,259

ⁱⁱAs per [Note 5](#) the fee for Mr Coffey was paid to his employers UCC for the period January–July 2016. Mr Coffey is currently on unpaid leave of absence from UCC and the fee for the period August–December 2016 (€4,988) and January–December 2017 (€20,520) is payable to him directly. While other members' travel expenses relate to meetings in Dublin, Mr Coffey's travel expenses relate to press conferences, government events such as the National Economic Dialogue, meetings of the European Commission, meetings of the Network of EU Independent Fiscal Institutions (EU IFIs), and meetings of the OECD Network of Parliamentary Budget Officials and Independent Fiscal Institutions.

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

Dr Martina Lawless, Professor John McHale and Michael G Tutty reside in Ireland; Sebastian Barnes resides in France and Dr Íde Kearney and Seamus Coffey reside in the Netherlands. The Revenue Commissioners have clarified that tax is not payable on expenses based on civil service rates paid to Council members.

The 2016 comparatives have been reclassified in line with the 2017 presentation.

5. Payments to International and Irish Public Bodies

Due to the time commitment necessary to fulfil the functions of the Council, Department of Finance-approved fees are paid to the employer where the Chairperson or other Council members are employed by public sector bodies or international bodies of which Ireland is a member.

In 2017, €11,970 was paid to the ESRI in respect of Dr Martina Lawless and €11,970 was paid to the OECD in respect of Mr Sebastian Barnes. In 2016, €19,750 was paid to the National University of Ireland Galway in respect of Professor John McHale, €6,982 was paid to University College Cork in respect of Seamus Coffey, and €11,970 was paid to the OECD in respect of Sebastian Barnes.

The 2016 comparatives have been reclassified in line with the 2017 presentation.

6. Administration Expenses

	2017	2016
	€	€
ESRI Administration fee ^{iv}	106,165	102,213
Travel Costs of Staff	2,945	2,346
Professional Fees	11,402	6,420
Computer Software	13,186	14,586
Computer Hardware	319	–
Staff Training	4,948	5,778
Meeting Costs	1,373	1,575
Report Production	3,006	3,533
C&AG Audit Fee	8,000	7,000
Other Costs	4,776	7,104
Depreciation	1,221	987
Total	157,341	151,542

^{iv}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.

Included in “Other Costs” above for 2017 and 2016, is an amount of €1,500 payable to the external member of the Audit and Risk Committee for his work on the committee. This fee was approved by the Council in February 2016.

7. Tangible Assets

	Computer Equipment 2017 €	Computer Equipment 2016 €
Cost:		
At beginning of year	9,959	9,959
Additions	1,782	–
At end of year	11,741	9,959
Accumulated Depreciation:		
At beginning of year	9,333	8,346
Provided in year	1,221	987
At end of year	10,554	9,333
Net book value at end of year	1,187	626
Net book value at beginning of year	626	1,613

8. Cash and Cash Equivalents

	2017 €	2016 €
Current Accounts	123,078	146,614

At 31 December 2017, €99,540 was due for payment to creditors of the Council.

9. Debtors and prepayments

	2017 €	2016 €
Debtors and pre-paid expenses	3,987	636

10. Sundry creditors and accrued expenses

	2017	2016
	€	€
Payroll Taxes	15,093	6,394
Creditors	2,666	–
Accrued Expenses ^{v vi}	81,781	106,126
Total Creditors	99,540	112,520

^v Includes an amount of €26,541 (2016: €25,553) due to the ESRI in relation to services provided under the service level agreement.

^{vi} Includes an amount of €4,070 (2016: €7,870) in relation to the cost of annual leave untaken at 31 December 2017 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 (as amended by subsequent Acts up to and including the Finance Act 2017).

12. Commitments — Capital and Others

The Council had committed to purchase of computer equipment to the value of €4,507 at the reporting date. This 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.

Capital Account

	2017	2016
	€	€
Unamortised funding at 1 January	626	1,613
Income and Expenditure Account Transfers		
Funding to acquire fixed assets	1,782	0
Amortisation in year	(1,221)	(987)
Transfer (from)/to Capital Account	561	(987)
Balance at 31 December	1,187	626

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. In cases where a conflict of interest has been declared, Council members do not participate in or attend Board discussions relating to the matters in question.

16. Related Party Disclosures

Key Management Personnel

Key Management personnel in the Irish Fiscal Advisory Council consist of the Chief Economist/Head of Secretariat and the Chairperson and other members of the Council. Total compensation paid to key management personnel, including Council members' fees and expenses amounted to €142,747 (2016: €123,079). For a breakdown of the fees and expenses paid to key management personnel, please refer to [Note 3 \(c\)](#).

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. Professor Alan

Barrett was a member of the Council from 2011 until May 2015 and is currently Director of the ESRI. Dr Martina Lawless was appointed as a Council member of IFAC on 1 January 2017 and is an employee of the ESRI.

17. Retirement Benefit Costs

The results set out below are based on an actuarial valuation of the retirement benefit liabilities in respect of Council staff as at 31 December 2017 carried out by a qualified independent actuary for the purpose of FRS 102. There are currently no retired members.

(a) Analysis of total retirement benefit costs charged to the Statement of Income and Expenditure

The retirement benefit costs for the year are set out below.

	2017	2016
	€	€
Current Service cost	40,000	30,000
Interest cost	2,000	1,000
Less: Employee contributions	(13,228)	(8,907)
	<u>28,772</u>	<u>22,093</u>

Single Scheme members' contributions are paid over to the Department of Public Expenditure and Reform, and totalled €8,195 in 2017 (2016: €8,907). Employee contributions under the model scheme amounted to €5,033 in the year and are retained pending approval of the scheme and are included in creditors at year-end.

The description of the scheme at (e) explains why a deferred retirement benefit liability has arisen in the year.

(b) Analysis of the movement in retirement benefit obligation during the financial year

	2017	2016
	€	€
Obligation at the beginning of the year	57,000	0
Current service cost	40,000	30,000
Interest cost	2,000	1,000
Actuarial loss/(gain)	74,000	26,000
Benefits paid in the year	0	0
Obligation at the end of the year	173,000	57,000

(c) Deferred retirement benefit funding

The Council recognises these amounts as an asset corresponding to the unfunded deferred liability for retirement benefits on the basis that these amounts will be received from the Central Fund as and when the pension liabilities fall due for payment.

The deferred funding for retirement benefits recognised in the Statement of Income and Expenditure end 2017 is €42,000 (2016: €31,000).

The movement for deferred funding recognised in the Statement of Comprehensive Income for the year ended 31 December 2017 is €74,000 (2016: €26,000).

The deferred funding asset for retirement benefits at 31 December 2017 amounts to €173,000 (2016: €57,000).

(d) History of defined retirement benefit obligations

	2017	2016
	€	€
Defined retirement benefit obligations	173,000	57,000

(e) Description of Scheme and Actuarial Assumptions

The Council operates within 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. Three staff members have reached the two-year eligibility period threshold therefore a retirement benefit liability arising from the Single Scheme exists at 31 December 2017. The pension liability for one staff member on secondment from a government department rests with that department.

Two staff members are members of public service pension schemes that predate the Single Scheme. One scheme is a defined-benefit final salary pension arrangement with benefits and contributions defined by reference to current "model" public sector scheme

regulations. The other scheme is a defined-benefit superannuation scheme established under section 8 of the National Treasury Management Agency Act, 1990. The retirement benefit liability at 31 December 2017 amounted to €173,000.

Liabilities shown are computed using the Projected Unit Credit method. The objective under this method is to expense each participant's benefits under the Scheme as they accrue; taking into consideration future salary increases and the Scheme's benefit allocation formula. Thus, the total pension, to which each participant is expected to become entitled, is broken down into units, each associated with a year of past or future credited service.

The main financial assumptions used are set out below:

Year of attaining age 65	2017	2016
Discount rate	2.00% p.a.	2.00% p.a.
Rate of increase in salaries	2.50% p.a.	2.50% p.a.
Rate of increase in pensions	2.50% p.a.	2.50% p.a.
Inflation	1.75% p.a.	1.75% p.a.

The mortality basis adopted allows for improvements in life expectancy over time, so that life expectancy at retirement will depend on the year in which a member attains retirement age (currently age 66). The table below shows the average life expectancy for members attaining age 65 in 2017 and 2037.

Year of attaining age 65	2017	2037
Life expectancy – male	21.2 years	23.7 years
Life expectancy – female	23.7 years	25.8 years

18. Events after the Reporting date

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

19. Approval of Financial Statements

The Financial Statements were approved by the Council on 19 July 2018.