



**Irish Fiscal
Advisory Council**

Annual Report and Accounts

for the year ended
31st December 2020

Contents

Contents	2
Chairperson's Statement.....	3
Introduction.....	5
Membership of the Council and the Secretariat	9
Strategic Goals.....	11
Achieving Our Goals	19
Governance	21
Appendix: Statement on System of Internal Controls in a State Body.....	23
Financial Statements for the year ended 31 December 2020.....	1

Chairperson's Statement

This is the Irish Fiscal Advisory Council's eighth 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 it fulfils its mandate as effectively as possible. In 2020, the Council continued to develop its analytical capacity so that conclusions and recommendations included in its Fiscal Assessment Reports are well-founded. It has endeavoured to present its analytical work in a way that informs debate and discussion around fiscal policy issues. During the year, the Council has also engaged in public debate through, for example, its one appearance before the Oireachtas Special Committee on Covid-19 Response, its two appearances before the Oireachtas Select Committee on Budgetary Oversight, and through presentations by Council and Secretariat members at conferences and events. In February 2020, the Council's fourth annual "Path for the Public Finances" conference took place. It focused on the theme of Budgeting for Climate Change exploring the potential impacts of climate change and how we can estimate associated impacts on the economy and the public finances. The key note address was delivered by Professor Elena Verdolini, University of Brescia and RFF-CMCC European Institute on Economics and the Environment with speakers from the Central Bank of Ireland, the CPB Netherlands, the European Commission (DG ECFIN), the OECD, University College Cork, the Irish Government Economic and Evaluation Service, the Economic and Social Research Institute, the Irish Climate Change Advisory Council and the Department of Public Expenditure and Reform. 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.

During 2020, 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 Business Continuity and Disaster Recovery Plan, Information Security Policy and Procedures, Learning and Development Strategy, Process

for Setting Strategy, and Remote Working Policy, as well as an Internal Audit Activity Charter and the Audit and Risk Committee Charter. The Council's internal auditors carried out two audits in 2020: a joint audit of the review of the System of Internal Control and a review of Internal Financial Controls & Internal Control; and a High Level Procurement Compliance Review. 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 its bi-annual Fiscal Assessment Reports which were published in May and December 2020, 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. A detailed response was provided by the Minister for Finance following the publication of both Fiscal Assessment Reports. In September 2020, the Council published its seventh Pre-Budget Statement, for Budget 2021. In May 2020, the Council published its fourth assessment of compliance with the Domestic Budgetary Rule: an ex-post assessment of compliance with the Domestic Budgetary Rule in 2019. In July 2020 the Council published its first Long-Term Sustainability Report which looks at public finances over the coming decades to 2050, as the population ages and the economy continues to grow. The Council also published a working paper "Forecasting Ireland's Macroeconomy: A Large Bayesian VAR Approach".



Mr Sebastian Barnes,
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 2010.²³ 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 for the Council initially set at €800,000.⁵ 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/financepublicservice/reports/20101111.pdf>.

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

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

⁵ This is subject to adjustment in line with inflation in the Harmonised Index of Consumer Prices published by the Central Statistics Office.

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

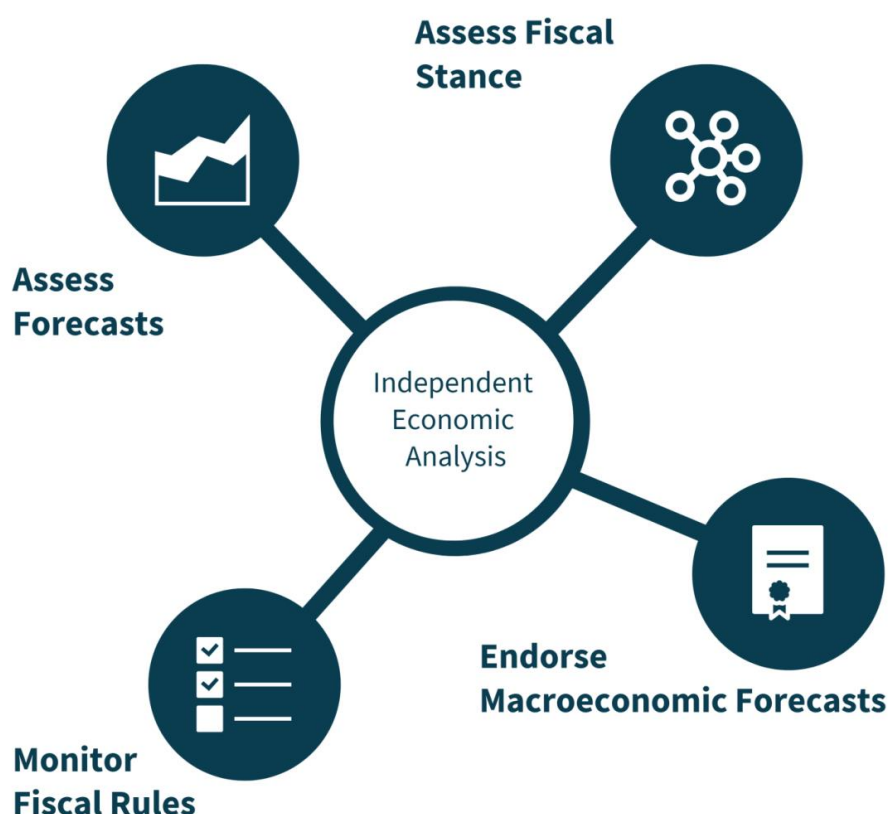
⁶ <http://www.irishstatutebook.ie/eli/2012/act/39/enacted/en/print.html>

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's Annual Reports are laid 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

¹⁰ The process of this function is outlined in the Memorandum of Understanding between the Fiscal council 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

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 delivery of its mandate, the Council also produces reports for specific purposes, including Analytical Notes, Working Papers and other analytical work on 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 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 2020, the Council had a strong international dimension with three members based outside of Ireland.

Council members 31 December 2020

- **Mr Sebastian Barnes:** is a Head of Division at the OECD Economics Department and former Counsellor to the Chief Economist. 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. Mr Barnes served as acting Chairperson from 1 January 2020, was appointed as the Chairperson effective from 22 July 2020 and re-appointed to this role on 17 December 2020.
- **Dr Martina Lawless:** Research Professor at the ESRI. Her term of appointment to the Irish Fiscal Advisory Council was four years effective 1 January 2017 and ends on 31 December 2020.
- **Dr Michael McMahon:** Professor of Macroeconomics at the University of Oxford and Tutorial Fellow of St Hugh's College. His term of appointment to the Irish Fiscal Advisory Council is 4 years effective 18 April 2019.
- **Ms Dawn Holland:** Visiting Fellow, National Institute of Economic and Social Research. Her term of appointment to the Irish Fiscal Advisory Council is four years effective 1 January 2020.

There was one vacancy on the Council throughout 2020.

Gender balance in the Council Membership

Council Member appointments and terms are defined in the Fiscal Responsibility Act 2012. The members are appointed by the Minister for Finance. Appointments comply with the Public Appointments Service (PAS) process set out in the Guidelines on Appointments to State Boards.

As at 31 December 2020, the Council has two (50%) male and two (50%) female members, with one position vacant. The Council membership meets the Government target of a minimum of 40% representation of each gender in the Membership of State Boards as at 31 December 2020.

Secretariat

The Secretariat's full complement of staff is a Chief Economist/Head of Secretariat (Dr Eddie Casey), two Economists, three Research Assistants, and an Administrator.

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 2020:
 - The “Fiscal Assessment Report, May 2020” published on 27 May 2020 (within eight weeks of the Stability Programme Update) assessed the macroeconomic and budgetary forecasts that the Government set out in the 2020 “Stability Programme Update”, prepared against the backdrop of the Covid-19 global pandemic. It also assessed compliance with legislated fiscal rules and the appropriateness of the broader fiscal stance.
 - The “Fiscal Assessment Report, December 2020” published on 1 December 2020 assessed the fiscal stance that the Government set out in Budget 2021. It also assessed the macroeconomic and fiscal forecasts, and monitors compliance with legislated fiscal rules.
 - The “Pre-Budget 2021 Statement” published on 17 September 2020 reviewed the fiscal stance in advance of Budget 2021. The Council’s assessment focused on 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 systematically reported on official forecasts as part of its reports.
- The Council continued to develop its analytical approach to assessing the fiscal stance and compliance with the Domestic Budgetary Rule. In May 2020, the Council published its “Ex-Post Assessment of Compliance with the Domestic Budgetary Rule in 2019”.
- After publishing each of its Fiscal Assessment Reports, the Council reviewed the report and documented changes/improvements for future reports.

Council's assessment of actions required by other public bodies to support prudent economic and budgetary management

Council's Recommendation	Report	Page
<p>The next Government should reinforce Ireland's fiscal framework with three reforms: (1) meaningful debt ratio targets; (2) saving temporary receipts through the Rainy Day Fund and a Prudence Account; and (3) guiding policy with sustainable growth rates by using alternative estimates of potential output growth like those developed by the Department of Finance and the Fiscal Council as an anchor for setting spending limits.</p>	Fiscal Assessment Report May 2020	56-57
<p>Incorporate contingencies in Budget 2021. As in Budget 2020, an appropriately-sized contingency should be put in place to cover the costs of a failure to reach a trade agreement between the EU and UK. This should also cover Covid-19- related contingencies including support schemes beyond next March and additional stimulus measures should economic damages associated with Covid-19 prove more severe.</p>	Pre-Budget 2021 Statement	6-7
<p>Provide more detail on costings for large policy measures including the underlying assumptions used to generate such estimates. The costs of measures introduced since SPU 2020 were difficult to interpret due to limited information being published by the Government. Many measures introduced lacked detail on specific spending areas impacted or how costs were estimated. Key assumptions, such as the number of individuals assumed to claim income support schemes were not published with estimates. It was also unclear whether costs were on a gross basis or if savings elsewhere were netted off against the estimated costs published. This makes it difficult to estimate the likely cost implications should these schemes be extended further again.</p>	Pre-Budget 2021 Statement	27
<p>More transparency is needed in spending areas outside the Exchequer. To improve transparency on how budgetary information is presented, budgetary documents should show gross spending and gross revenues attributed to (1) local government (including approved housing bodies), (2) non-commercial semi-state bodies (like Irish Rail, Irish Water, RTÉ, Solas, Tusla, the aggregate institutes of technology, etc), and (3) Extra Budgetary Funds (such as the Irish Strategic Investment Fund) for all years considered in budgetary documentation. Ideally, these would be broken down more so that the reasons for year-to-year changes could be identified.</p>	Fiscal Assessment Report December 2020	38
<p>The Government should develop the annual spending reviews into a more comprehensive spending review process with clearer direction on what adjustments could be made to various areas of spending. The reviews currently produced by the Department of Public Expenditure and Reform do not consistently provide clear conclusions, instead often focusing on recent spending trends, with no clear direction as to what adjustments might be made or if these are necessary at all. Typically, spending reviews would seek to (a) examine how savings might be made by altering how certain public services can continue to be delivered, or (b) assess whether or not certain public services are still relevant, with a view to generating savings.</p>	Fiscal Assessment Report December 2020	54-55
<p>The Government's medium-term plan should seek to cover the following six objectives: (1) detailed, five-year-ahead, medium-term expenditure projections; (2) medium-term, five-year-ahead revenue projections; (3) transparent costings of major changes in policy; (4) Medium-term fiscal objectives and compliance with domestic and EU fiscal rules; (5) An indication of how plans would be modified if revenue falls short of expectations; (6) An indication of how the Rainy Day Fund and other measures to strengthen the fiscal framework are to be used.</p>	Fiscal Assessment Report December 2020	56

Actions in response to previous assessments (from 2019 Annual Report)

Previous Recommendation	Outcome
<p>Allocate unexpected corporation tax receipts to a Prudence Account. To stem the increasing reliance on corporation tax receipts, any additional unexpected receipts should be allocated to a Prudence Account within year and then to the Rainy Day Fund or elsewhere.</p>	<p>The Rainy Day Fund and Prudence Account remain undeveloped as tools to save further unexpected receipts.</p>
<p>The Government needs to develop a credible medium-term strategy. This would have four elements: (1) a clear statement of the sustainable growth rate that net policy spending can grow at; (2) multiyear departmental expenditure ceilings framed in the context of this upper limit and more realistic forecasts for spending; (3) a debt ratio target restated as a % of modified GNI* with a clear timeframe; clarifying whether this is a steady-state target or a ceiling; clear staging posts; and a lower than 60% ratio to reflect Ireland's volatile growth rates; and (4) gradually reducing the reliance on corporation tax receipts.</p>	<p>Little substantive progress has been made on achieving these four elements.</p>
<p>Incorporate the Christmas bonus in estimates. The Government's budget estimates should account for the payment of the Christmas bonus unless it genuinely does not intend to pay it.</p>	<p>The Christmas bonus is still not incorporated prior to Budget day.</p>
<p>Develop a more credible medium-term plan in time for Budget 2020. The Government's medium-term plans rely on technical assumptions that entail implausibly low spending growth in later years. The Minister noted some of these issues would be explored by the Department with recommendations to be put to the Government in autumn.</p>	<p>Budget 2020 spending forecasts were more realistic but still relied on arbitrary technical assumptions rather than Government plans or assessments of demographic and inflationary pressures and no public sector pay agreement was allowed for beyond 2020.</p>
<p>The Department of Finance should provide more clarity on policy decisions embedded in any changes to budgetary forecasts. On the face of it, the <i>Summer Economic Statement 2019</i> contained tax cuts for 2020 €300 million larger than outlined in April's <i>SPU 2019</i>. The Council queried this with the Department of Finance, which maintained that the difference was only presentational, though it was unable to reconcile the two sets of figures.</p>	<p>The Department has provided more information on the impact that policy decisions have on changes to budgetary forecasts in the meantime.</p>
<p>More transparency is needed in spending areas outside the Exchequer. Upward spending revisions outside the Exchequer meant that general government spending was forecast to expand more rapidly than previously planned for 2020. To improve budgetary planning and oversight, the Department needs to publish more information and comprehensive projections on a general government basis to include a comprehensive "walk" of all items from Exchequer to general government in gross terms.</p>	<p>Some marginal progress was made in Budget 2021, when estimates of local government income and expenditure for 2021 in € millions was provided.</p>
<p>The Government should develop and implement proposals set out in the Department's "Fiscal Vulnerabilities Scoping Paper". To reinforce its budgetary framework, the Government should develop and implement the Department's scoping paper proposals.</p>	<p>No substantive progress has been made on this.</p>
<p>Use the Rainy Day Fund as a countercyclical tool. The Council argued for use of the Rainy Day Fund as a countercyclical tool to mitigate risks that temporary revenues from the economic recovery and surges in corporation tax are used to fund long-lasting spending increases. This means saving temporary revenues associated with good times in the economic cycle rather than spending them so that they can, instead, be used in bad times to help avoid the need for forced austerity as in the past. The reforms to the Rainy Day Fund that are (1) it should operate in a countercyclical manner; (2) it should not be capped nor should amounts allocated be pre-determined as this undermines countercyclical objectives; and (3) its scope to be used in downturns should be clarified in the context of the EU fiscal rules through greater engagement with the European Commission.</p>	<p>The Rainy Day Fund has not been developed along these lines</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 10 April 2020—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 2020 (SPU 2020) would be based. On 30 September 2020—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 2021 for the years 2020 and 2021.
- The Council continued to develop and refine its short- and medium-term forecasting models. On 15 July 2020 the Council published its first “Long-Term Sustainability Report”. This Report looks at public finances over the coming decades to 2050, as the population ages and the economy continues to grow. On 30 September 2020 the Council also published a working paper “Forecasting Ireland's Macroeconomy: A Large Bayesian VAR Approach”. This paper develops a forecasting model of the Irish macroeconomy using a large Bayesian Vector Auto-Regression (VAR) model and shows that large Bayesian VARs can be a useful tool in forecasting Ireland's macroeconomy.
- The Council continued to review on an annual basis 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 10 March 2020, 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 25 September 2020, the Council published its Annual Report and Accounts for the year ended 31 December 2019. 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 2020, the Council implemented 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 Council meetings.
- The Council published all formal interactions with Government in 2020.
- 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 2020, a peer review of the Fiscal Council was conducted by an expert team led by the OECD. The project was funded by the European Union, and implemented by the OECD in cooperation with the European Commission's Directorate General for Structural Reform Support (DG REFORM). The review was informed by virtual visits for stakeholder interviews in summer 2020 and the final report was published in February 2021.

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 2021 Statement”.
- The Council responded to queries on its reports in a timely manner.

Analytical Notes and Working Papers

- On 15 July 2020 the Council published its first “Long-Term Sustainability Report”. This Report looks at public finances over the coming decades to 2050, as the population ages and the economy continues to grow. On 30 September 2020 the Council also published a working paper “Forecasting Ireland’s Macroeconomy: A Large Bayesian VAR Approach”. This paper develops a forecasting model of the Irish macroeconomy using a large Bayesian Vector Auto-Regression (VAR) model and shows that large Bayesian VARs can be a useful tool in forecasting Ireland’s macroeconomy.
- The Council presented its work at relevant conferences/seminars:
 - Eddie Casey presented on ‘Accessing Fiscal Risks from Climate Change’ at the Council’s “Path for the Public Finances, 2020: ‘Budgeting for Climate Change” conference in Dublin on 28 February 2020.
 - Sebastian Barnes presented on ‘A State-Contingent Approach to Fiscal Policy for Today, Tomorrow and the Future: The Irish Case’ at the virtual meetings of Councils on Economic Policy on 9th June 2020.
- The Council raises 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 Special Committee on Covid-19 Response when invited on 16 June 2020.
- The Council appeared before the Oireachtas Select Committee on Budgetary Oversight when invited (6 October 2020, and 8 December 2020).
- 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 fourth in the series of its annual “Path for the Public Finances” conferences on 28 February 2020. The conference focused on the theme of Budgeting for Climate Change exploring the potential impacts of climate change and how we can estimate associated impacts on the economy and the public finances. The key note address was delivered by Professor Elena Verdolini, University of Brescia and RFF-CMCC European Institute on Economics and the Environment with speakers from the Central Bank of Ireland, the CPB Netherlands, the European Commission (DG ECFIN), the OECD, University College Cork, the Irish Government Economic and Evaluation Service, the Economic and Social Research Institute, the Irish Climate Change Advisory Council and the Department of Expenditure and Reform.
- The Council and Secretariat participated in relevant domestic and international conferences and seminars, including:
 - European Commission workshop on Fiscal rules in Europe: Design and Enforcement, Brussels (28 January 2020);
 - EU Network of Independent Fiscal Institutions (EUNIFI) meeting, Brussels (29 January 2020);
 - EU IFI Network meeting, Brussels (29 January 2020);
 - European Fiscal Boards Conference 2020, Brussels (28 February 2020);
 - Joint workshop of the ESCB and IFIs, Frankfurt (2 March 2020)
 - International conference of councils on economic policy, (9 June 2020).

- EU IFI Network meeting, (2 July 2020);
- OECD Network of Parliamentary Budget Officials and Independent Fiscal Institutions meeting (10 September 2020);
- EU IFI Network meeting, (6 October 2020).

The Council responded in a timely manner to all queries on its activities.

- The Council made greater use of its website and social media accounts, to establish the Council as the authoritative source on fiscal policy and fiscal stance in Ireland. The Council continues to develop the website to make it more user friendly. 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.
- On 15 July 2020 the Council published its first “Long-term Sustainability Report”. This Report looks at public finances over the coming decades to 2050, as the population ages and the economy continues to grow.
- The Council published a Working Paper “Forecasting Ireland's Macroeconomy: A Large Bayesian VAR Approach” in September 2020. The paper develops a forecasting model of the Irish macroeconomy using a large Bayesian Vector Auto-Regression (VAR) model and shows that large Bayesian VARs can be a useful tool in forecasting Ireland's macroeconomy.

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.
- 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 2019” publication in May 2020.
- 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 Council provided ongoing training for Secretariat where appropriate.
- 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 2020.
- The Council liaised with service providers to ease the administrative burden on staff, and continued its annual review of its Shared Service Agreement with the ESRI (Economic and Social Research Institute).

Stakeholders

- During 2020, 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 2020, 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 2020, the Audit and Risk Committee's members were:

- Dr Martina Lawless (Chairperson)
- Dawn Holland (appointed in July 2020)
- Michael Kelly (external member appointed February 2016, re-appointed February 2019).

The Audit and Risk Committee met on four dates in 2020:

- 20 February
- 15 April
- 16 September
- 18 November

In 2014, the Fiscal Council appointed Mazars as internal auditors for 2015–2017. In June 2018, following a procurement process, the Fiscal Council re-appointed Mazars as internal auditors. In 2020, Mazars carried out a number internal audits:

- System of Internal Financial Controls (2019) & follow up review on 2018;
- High Level Review of the Procurement activities, controls, policies and procedures.

In February 2020, the Council approved the updated Charter of the Audit and Risk Committee, and in December 2020 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

The Council completed its annual self-assessment evaluations in 2020. 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 concluded its annual review of the effectiveness of internal control systems on 30 April 2021, to ensure that it had considered all aspects of risk management and internal control for 2020.
 - 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 2020.
 - 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; and 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 its risk register and updates as necessary.
- 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
 - a letter of assurance from the ESRI, who provide accounting and payroll services to the Fiscal Council as part of a shared service agreement, in respect of the operation of its systems of internal control. In addition, all processes and procedures carried out by the ESRI in relation to services provided to the Fiscal Council are subject to audit by the Fiscal Council's internal auditors during the annual SIC audit;
 - 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 concluded its annual review of the effectiveness of internal control systems on 30 April 2021.
 - 5) No weaknesses in internal control were identified in relation to 2020 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 2020

Governance Statement and Council Members' Report.....	2
Statement on Internal Control.....	8
Report of the Comptroller and Auditor General.....	11
Statement of Income and Expenditure for the year ended 31 December ..	13
Statement of Comprehensive Income for the year ended 31 December ...	14
Statement of Financial Position as at 31 December	15
Statement of Cash Flows for the year ended 31 December	16
Notes to and forming part of the Financial Statements for the year ended 31 December 2020	17

Governance Statement and Council Members' Report

Governance

The Irish Fiscal Advisory Council ("the Fiscal 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 Act"). The Fiscal Council is comprised of a five-member Council ("the Council") and a six-member, full-time Secretariat at full complement, headed by a Chief Economist/Head of Secretariat. The Fiscal 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 Fiscal Council's independence while making it accountable to the Minister for Finance. The Council is responsible for ensuring good governance of the organisation. It 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 Fiscal 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 staff.

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,
- minutes of the Audit and Risk Committee,
- performance reports,
- reserved matters,
- risk updates,
- IT Security,
- Freedom of Information, and
- Parliamentary Questions.

The Fiscal Responsibility Act 2012 requires the Fiscal 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 Fiscal 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 Fiscal 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 Fiscal 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 22 January 2021.

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 Fiscal Council at 31 December 2020.

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 members as of 31st December 2020:

Council member	Role	First appointed	Reappointed (ii)
Sebastian Barnes	Chairperson	31 December 2012	1 January 2017 1 January 2021
Dr Martina Lawless (i)	Ordinary Member	1 January 2017	
Prof Michael McMahon	Ordinary Member	18 April 2019	
Dawn Holland (i)	Ordinary Member	1 January 2020	

(i) Audit and Risk Committee member

(ii) Effective 16 December 2020 a Council Member can serve up to three consecutive terms.

There was one vacancy on the Council throughout 2020.

Key Personnel Changes

Dr Martina Lawless' four year term of appointment to the Council ended on 31 December 2020.

Prof Michael McMahon was appointed to the Council for a four year period effective 18 April 2019.

Ms Dawn Holland was appointed to the Council for a four year term effective on 1 January 2020.

Vice-Chairperson, Mr Sebastian Barnes took over as acting Chairperson from 1 January 2020. Mr Barnes acted in this position until his appointment by the Minister as Chairperson effective 22 July 2020. Mr Barnes was re-appointed as a Member and Chairperson of the Council for a four year term effective 1 January 2021.

Dr Adele Bergin was appointed to the Council for a four year term effective 1 January 2021.

Mr Alessandro Giustiniani was appointed to the Council for a four year term effective 1 January 2021.

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 in 2020 were Dr Martina Lawless (Chairperson), Dawn Holland and Michael Kelly. The Committee met four times in 2020.

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 2020 is set out below, including the fees and expenses incurred by each member:

	See Notes pages 20-21	Council meetings attended (total: 10)	Audit and Risk Committee meetings attended (total: 4)	Fees (2020) €	Travel and subsistence expenses (ii) (2020) €
Mr Sebastian Barnes (i)	4, 5	10	N/A	(i) 20,520	1,214
Dr Martina Lawless (i)	4, 5	10	4	(i) 11,970	–
Prof Michael McMahon		10	N/A	11,970	664
Ms Dawn Holland		10	2(2)	11,970	945
Total Council Members Fees and Expenses				56,430	2,823
Mr Michael Kelly (Audit and Risk Committee only)	6	N/A	4	1,815	–
Total				58,245	2,823

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

(ii) Travel and subsistence expenses are incurred with no benefit to the individual.

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	2020	2019
€60,000	€69,999	-	-
€70,000	€79,999	2	2
€80,000	€89,999	-	-
€90,000	€99,999	1	1

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 Fiscal Council had no consultancy costs in 2020.

Legal Costs and Settlements

The Fiscal Council had no legal costs or settlements in 2020.

Travel and Subsistence Expenditure

Travel and subsistence expenditure is categorised as follows:

	See Note page 20	2020 €	2019 €
Domestic			
Council	4	987	6,762
Employees		-	788
International			
Council	4	1,836	9,609
Employees		1,099	1,183
Total		3,922	18,342

Hospitality Expenditure

The Statement of Income and Expenditure includes hospitality expenditure in 2019 of €117 relating to a dinner for three speakers participating in the "Path for the Public Finances, 2019: 'Long-Term Fiscal Sustainability: Winter is Coming'" conference. No hospitality expenditure was incurred in 2020.

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 Fiscal Council's particular governance framework and the statutory requirements of the Fiscal Responsibility Act 2012 and Regulation (EU) No 473/2013 of

the European Parliament and of the Council of 21 May 2013, including the requirement for the Fiscal 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 appropriate to the Fiscal Council's statutory requirements and it has agreed with the Department of Finance those provisions not relevant or to which the Fiscal Council will comply via an alternative principle. It also has an Oversight and Performance Delivery Agreement in place in this regard. Further details are provided in the following table:

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.
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.

Statement on Internal Control

Scope of Responsibility

On behalf of the Irish Fiscal Advisory Council (“the Fiscal 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 Fiscal Council for the year ended 31 December 2020 and up to the date of approval of the financial statements.

Capacity to Handle Risk

The Fiscal 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 2020. 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 Fiscal 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 Fiscal 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 Fiscal 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;
- the Fiscal Council has sought and received assurances from the ESRI that it has reviewed its systems of internal control in relation to the provision of accounting and payroll services as part of a shared service agreement to the Fiscal Council;
- 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 Fiscal 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 2020, the Irish Fiscal Advisory Council complied with these procedures.

Review of Effectiveness

I confirm that the Fiscal Council has procedures to monitor the effectiveness of its risk management and control procedures. The Fiscal Council's monitoring and review of the effectiveness of the system of internal control is informed by:

- a letter of assurance from the ESRI, who provide accounting and payroll services to the Fiscal Council as part of a shared service agreement, in respect of the operation of its systems of internal control (SIC). In addition, all processes and procedures carried out by the ESRI in relation to services provided to the Fiscal Council are subject to audit by the Fiscal Council's internal auditors during the annual SIC audit;
- the work of the internal and external auditors;
- the Audit and Risk Committee which oversees their work; and
- the senior management within the Fiscal Council, which are 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 2020.

Covid-19

The onset of the Covid-19 pandemic in early 2020 resulted in some changes to the working and control environment with remote and virtual working becoming the normal practice. The Council considered the impact of Covid-19 on the Fiscal Council's control environment, resulting in a number of procedural and control changes which have been documented and implemented and subjected routinely to internal audit review. The controls, both existing and those introduced in response to the Covid-19 pandemic, continue to be effective.

Internal Control Issues

No weaknesses in internal control were identified in relation to 2020 that require disclosure in the financial statements.



Sebastian Barnes

Chairperson

Date: 27/08/2021

Report of the Comptroller and Auditor General



Ard Reachtaire Cuntas agus Ciste Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas Irish Fiscal Advisory Council

Opinion on the financial statements

I have audited the financial statements of the Irish Fiscal Advisory Council (the Council) for the year ended 31 December 2020 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 2020 and of its income and expenditure for 2020 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.

Georgina O Mahony
For and on behalf of the
Comptroller and Auditor General

3 September 2021

Report of the Comptroller and Auditor General

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 FRS 102
- 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 I identify any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

I also report by exception if, in my opinion,

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

Statement of Income and Expenditure for the year ended 31 December

	Notes	2020 €	2019 €
Income			
State funding receivable	2	679,491	711,462
Deferred retirement benefit funding	17(c)	106,000	103,000
		785,491	814,462
Expenditure			
Salaries	3	437,550	434,361
Council members' fees	4	23,940	22,661
Council members' expenses	4	2,823	16,371
Payments to international and Irish public bodies	5	32,490	44,460
Administration expenses	6	203,087	213,160
Retirement benefit costs	17(a)	86,848	84,100
		786,738	815,113
Excess of Expenditure over Income before appropriations		(1,247)	(651)
Transfer from/(to) capital account		1,247	651
Net Income/Expenditure 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.



Sebastian Barnes
Chairperson
Date: 27/08/2021

Statement of Comprehensive Income for the year ended 31 December

	Notes	2020 €	2019 €
Surplus for the year		–	–
Actuarial (loss)/gain on retirement benefit obligations	17 (b)	(134,000)	(82,000)
Movement in deferred retirement benefit funding	17 (c)	134,000	82,000
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.



Sebastian Barnes

Chairperson

Date: 27/08/2021

Statement of Financial Position at 31 December

	Notes	2020 €	2019 €
Fixed Assets			
Tangible Assets	7	3,545	4,792
Current Assets			
Cash and Cash Equivalents	8	198,560	179,869
Debtors and prepayments	9	6,714	8,474
		205,274	188,343
Current Liabilities			
Sundry creditors and accrued expenses	10	112,209	127,625
Amount due to Central Fund	2	93,065	60,718
Total Current Liabilities		205,274	188,343
Net Assets before Retirement Benefits		3,545	4,792
Retirement Benefits			
Retirement Benefit Obligations	17 (b)	(725,000)	(485,000)
Deferred Retirement Benefit Asset	17(c)	725,000	485,000
		–	–
Net Assets after Retirement Benefits		3,545	4,792
Represented by			
Capital Account	14	3,545	4,792

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.



Sebastian Barnes
Chairperson
Date: 27/08/2021

Statement of Cash Flows

for the year ended 31 December

	2020 €	2019 €
Net Cash Flows from Operating Activities		
Excess of income over expenditure	31,100	39,507
Depreciation of fixed assets	4,790	4,203
Decrease in receivables	1,760	227
Increase/(Decrease) in payables	(15,416)	3,175
Net Cash Inflow from Operating Activities	22,234	47,112
Cash Flows from Investing Activities		
Payments to acquire property, plant & equipment	(3,543)	(3,552)
Net Cash Flows from investing activities	(3,543)	(3,552)
Net Increase in cash and cash equivalents	18,691	43,560
Cash and cash equivalents at 1 January	179,869	136,309
Cash and cash equivalents at 31 December	198,560	179,869



Sebastian Barnes

Chairperson

Date: 27/08/2021

Notes to and forming part of the Financial Statements for the year ended 31 December 2020

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 (“the Fiscal 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 2020 have been prepared in accordance with FRS 102, the financial reporting standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council (FRC).

c) Expenditure

The expenditure recognised in the Statement of Income and Expenditure represents the costs incurred by the Fiscal 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 Fiscal 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 Fiscal Council. The Fiscal Council operates the Single Public Services Pension Scheme ("Single Scheme") which is a defined benefit scheme for pensionable public servants appointed on or after 1 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 Fiscal 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 Fiscal Council. The Fiscal 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 2020 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 Fiscal 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 accrual basis. The table below sets out the reconciling items.

	2020 €	2019 €
Opening amount due to/(from) Central Fund	60,718	20,560
Received from Central Fund	730,990	770,520
Amount due to Central Fund at year end	(93,065)	(60,718)
Central Fund Receivable	698,643	730,362
Less: Employee contributions payable to DPER (Note 17(a))	(19,152)	(18,900)
State Funding Receivable for the year	679,491	711,462

3. Salaries

The number of persons employed (full-time equivalents (FTE)) in the financial year was 6.85 (2019:7.25).

Information on retirement benefits for staff directly employed by the Irish Fiscal Advisory Council are set out in [Note 17](#).

Remuneration

(a) Aggregate Employee Benefits and Termination Benefits

	2020 €	2019 €
Staff short-term benefits	395,224	393,278
Termination benefits	–	–
Employer's contribution to social welfare	42,326	41,083
	437,550	434,361
Retirement benefit costs- See Note 17	86,848	84,100
Total	524,398	518,461

The total number of staff employed (FTE) at year end was 6 (2019:7). The Fiscal Council employed nine individuals at different times over the course of 2020 (2019: 9). No termination benefits were paid in the year (2019: nil).

(b) Staff Short-Term Benefits

	2020 €	2019 €
Basic pay	395,224	393,278
Overtime	–	–
Allowances	–	–
Total	395,224	393,278

(c) Key Management Personnel

Key management personnel in the Fiscal Council consists 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

	2020 €	2019 €
Salary	98,573	92,914
Allowances	–	–
Termination benefits	–	–
Health insurance	–	–
Total	98,573	92,914

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 €26,763 (2019: €39,032). 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 2020; see [note 5](#).

4. Council Members' Fees and Expenses

Council members' fees payable are sanctioned by the Minister for Finance and are set by the Department of Public Expenditure and Reform: €20,520 for the Chair and €11,970 for other Council members. Fees incurred in 2020 totalled €56,430 (2019: €67,121).

Expenses incurred by Council Members amounted to €2,823 (2019: €16,371). These mainly reflect 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 2020 (€)	Travel Expenses 2020 (€)	Total 2020 (€)	Fees 2019 (€)	Travel Expenses 2019 (€)	Total 2019 (€)
Seamus Coffey (Chairperson 2017-19) ⁱ	–	–	–	See Note 5	8,565	8,565
Sebastian Barnes (Chairperson 2020) ⁱⁱ	See Note 5	1,214	1,214	See Note 5	5,239	5,239
Dawn Holland ****	11,970	945	12,915	–	–	–
Dr Íde Kearney *	–	–	–	2,263	754	3,017
Dr Martina Lawless ^{ij*****}	See Note 5	–	–	See Note 5	–	–
Prof Michael McMahon **	11,970	664	12,634	8,428	1,813	10,241
Michael G Tutty ***	–	–	–	11,970	–	11,970
Total	23,940	2,823	26,763	22,661	16,371	39,032

* Dr Kearney's term of office ended on 10 March 2019

** Prof McMahon was appointed effective on 18 April 2019

*** Michael Tutty's term of office ended on 31 December 2019

**** Dawn Holland was appointed effective on 1 January 2020

***** Dr Martina Lawless' term of office ended on 31 December 2020

ⁱ As per [Note 5](#) in 2019, fees payable to Mr Coffey were directed to his full-time employer, University College Cork (UCC), as compensation for time spent on Council's business. Mr Coffey's term of office ended on 31 December 2019.

ⁱⁱ Fees payable to Mr Barnes are directed to his full-time employer, the OECD, as compensation for time spent on Council's business. Fees payable to Dr Lawless are directed to her full-time employer, the ESRI, as compensation for time spent on Council's business.

While other members' travel expenses relate to meetings in Dublin, the Chairperson'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.

Dr Martina Lawless resides in Ireland; Sebastian Barnes resides in France and Dawn Holland and Dr Michael McMahon reside in the United Kingdom. The Revenue Commissioners have clarified that tax is not payable on expenses based on civil service rates paid to Council members.

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 2020, €20,520 was payable to OECD in respect of Mr Sebastian Barnes, €11,970 was payable to the ESRI in respect of Dr Martina Lawless.

	2020 €	2019 €
OECD	20,520	11,970
ESRI	11,970	11,970
UCC	-	20,520
Total	32,490	44,460

6. Administration Expenses

	2020 €	2019 €
ESRI Administration fee ⁱ	131,696	136,116
Travel Costs of Staff	1,099	1,971
Professional Fees ⁱⁱ	17,318	25,672
Computer Software	20,493	21,997
Computer Hardware	662	206
Staff Training	3,265	756
Meeting Costs	110	811
Report Production	1,908	2,668
C&AG Audit Fee	9,600	9,600
Other Costs	12,146	9,160
Depreciation	4,790	4,203
Total	203,087	213,160

ⁱ The ESRI Administration fee includes a charge, on a pro rata basis, for support services provided by the ESRI which include Office Facilities, Accounts, IT, Reception and other corporate services.

ⁱⁱ Included in Professional Fees is an amount of €1,815 (2019: €1,845) 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 2020.

7. Tangible Assets

	Computer Equipment 2020 €	Computer Equipment 2019 €
Cost:		
At beginning of year	16,953	13,991
Additions	3,543	3,552
Disposals	–	(590)
At end of year	20,496	16,953
Accumulated Depreciation:		
At beginning of year	12,161	8,548
Provided in year	4,790	4,203
Disposals	–	(590)
At end of year	16,951	12,161
Net book value at end of year	3,545	4,792
Net book value at beginning of year	4,792	5,443

8. Cash and Cash Equivalents

	2020 €	2019 €
Current Accounts	198,560	179,869

At 31 December 2020, €112,209 (2019: €127,625) was due for payment to creditors of the Fiscal Council- See [Note 10](#).

9. Debtors and prepayments

	2020 €	2019 €
Debtors and pre-paid expenses	6,714	8,474

10. Sundry creditors and accrued expenses

	2020 €	2019 €
Payroll Taxes	2,806	11,636
Creditors	18,585	14,633
Withholding Tax	540	540
Accrued Expenses ^{i,ii}	90,278	100,816
Total Creditors	112,209	127,625

ⁱ Includes an amount of €30,751 (2019: €31,609) due to the ESRI in relation to services provided under a shared service agreement.

ⁱⁱ Includes an amount of €5,132 (2019: €3,790) in relation to the cost of annual leave untaken at 31 December 2020 as measured under FRS 102.

11. Taxation

The Fiscal 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

There were no capital commitments at the reporting date.

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

	2020 €	2019 €
Unamortised funding at 1 January	4,792	5,443
Income and Expenditure Account Transfers		
Funding to acquire fixed assets	3,543	3,552
Amortisation in year	(4,790)	(4,203)
Transfer (from)/to Capital Account	(1,247)	(651)
Balance at 31 December	3,545	4,792

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 Fiscal 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 €125,336 (2019: €131,946). For a breakdown of the fees and expenses paid to key management personnel, please refer to [Note 3 \(c\)](#).

The following amounts are included in creditors/accruals total of €112,209 ([Note 10](#)):

OECD re Sebastian Barnes Time buy out €20,520.

ESRI re Martina Lawless Time buy out €11,970.

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 office 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 a member of the Council from January 2017 to December 2020 and is an employee of the ESRI. Dr Adele Bergin was appointed as a Member of the Council from January 2021 and is an employee of the ESRI.

The following amounts are included in creditors/accruals total of €112,209 ([Note 10](#)): ESRI re Administration fee €30,751.

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 2020 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.

	2020 €	2019 €
Current Service cost	99,000	95,000
Interest cost	7,000	8,000
Less: Employee contributions	(19,152)	(18,900)
	86,848	84,100

Single Scheme members' contributions are paid over to the Department of Public Expenditure and Reform and totalled €15,200 in 2020 (2019: €15,180). Employee contributions under the model scheme amounted to €3,952 in the year and are retained pending approval of the scheme and are included in creditors at year-end. Total retained at 31 December 2020 €18,585 (2019: €14,633).

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

	2020 €	2019 €
Obligation at the beginning of the year	485,000	300,000
Current service cost	99,000	95,000
Interest cost	7,000	8,000
Actuarial loss/(gain)	134,000	82,000
Benefits paid in the year	0	0
Obligation at the end of the year	725,000	485,000

(c) Deferred retirement benefit funding

The Fiscal 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 for the year ended 31 December 2020 is €106,000 (2019: €103,000).

The movement for deferred funding recognised in the Statement of Comprehensive Income for the year ended 31 December 2020 is €134,000 (2019: €82,000).

The deferred funding asset for retirement benefits at 31 December 2020 amounts to €725,000 (2019: €485,000).

(d) History of defined retirement benefit obligations

	2020 €	2019 €
Defined retirement benefit obligations	725,000	485,000

(e) Description of Scheme and Actuarial Assumptions

The Fiscal 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. Five staff members have reached the two-year eligibility period threshold. Therefore, a retirement benefit liability arising from the Single Scheme exists at 31 December 2020.

One staff member is a member of a public service pension scheme that predates the Single Scheme. This 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 2020 amounted to €725,000 (2019: €485,000)

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	2020	2019
Discount rate	0.80% p.a.	1.20% p.a.
Rate of increase in salaries	2.50% p.a.	2.25% p.a.
Rate of increase in pensions	2.00% p.a.	2.25% p.a.
Inflation	1.75% p.a.	1.50% 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, rising in line with State pension age changes). The table below shows the average life expectancy for members attaining age 65 in 2020 and 2040.

Year of attaining age 65	2020	2040
Life expectancy – male	21.7 years	24.0 years
Life expectancy – female	24.1 years	26.1 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 27 August 2021.