

## **Chapter 41 National Treasury Management Agency**

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### **NTMA Functions and Performance**



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41.1 The National Treasury Management Agency (the Agency) borrows moneys on behalf of the Exchequer and manages Ireland's National Debt. It carries out these functions under the control and general superintendence of the Minister for Finance. In recent years it has also been given a range of other functions, the principal ones being to

- act as the Manager of the National Pensions Reserve Fund
- manage compensation claims on behalf of State agencies
- discharge the functions of the National Development Finance Agency
- purchase carbon credits required to meet Ireland's climate change obligations
- provide central treasury services for government departments and all non-commercial State bodies.

### Audit of the Agency

41.2 Under the provisions of the National Treasury Management Agency Act 1990, I am required to audit the accounts of the Agency and, when making my statutory Annual Report on the Appropriation Accounts, to also make a report to Dáil Éireann regarding the correctness of the sums brought to account by the Agency in the year.

41.3 The Agency's accounts for 2008 have been audited and the accounts, including an administration account and accounts relating to the National Debt, have been presented to the Minister who has laid copies of them before both Houses of the Oireachtas.

### Additional Advisory Services

41.4 Included in the Agency's administration costs for 2008 is €2.4 million in respect of consultancy services provided by the Agency on foot of a request from the Minister for Finance for advice in relation to structural issues in the financial markets. The contract was agreed by the Agency in September 2008 with an international firm of financial consultants. The consultants were asked to provide financial advice which would have regard to the position of the financial institutions in the credit markets and the outlook for liquidity options and also financial advisory services in connection with any transaction in which the Agency or the State acquired directly or indirectly any of the share capital, assets, revenues, income or business of any bank. The contract was initially agreed to the end of 2008 and this was subsequently extended.

41.5 A further payment of €4.9 million was made in 2009 on foot of advice given regarding the investment of the National Pensions Reserve Fund moneys by way of preference shares in financial institutions.

#### **Audit Concern**

I sought an explanation from the Accounting Officer as to the circumstances and rationale for the Agency entering into the contract and an explanation as to why a tender process was not conducted.

41.6 In response the Accounting Officer informed me that the Agency was directed by the Minister for Finance to enter these arrangements under section 4 of the National Treasury

Management Agency Act 1990. He went on to state that the deterioration in the international banking environment during September 2008 and especially the funding problems experienced by the Irish banks following the collapse of Lehman Brothers and AIG led the Government, through the Minister for Finance, to request the Agency to secure investment banking advisors who were not conflicted. Time constraints did not permit a full tender process, as there were only a limited number of potential advisors and these were also being sought by the Irish banks. The Agency, on the instruction of the Minister appointed Merrill Lynch as exclusive advisors to the Government. The contract expired on 30 June 2009 and the total all-in cost is estimated at €7.3 million including VAT and out of pocket expenses.

## **Conclusions**

I am satisfied that the accounts properly present the transactions of the Agency for 2008 and its balances at year end.

Included in the accounts is €2.4 million paid to consultants for advice relating to structural issues in financial markets. Ultimately, up to 30 June 2009 when the contract expired €7.3 million had accrued. The contract was awarded without competition in the circumstances outlined by the Accounting Officer.