

Chapter 7

Functions and Governance

NTMA Functions and Governance

7.1 The National Treasury Management Agency (the Agency) is a complex organisation with multiple functions that now extend beyond its original and core function of managing Ireland's national debt. It reports directly to the Minister for Finance.

Chapter Focus

This chapter outlines

- the principal functions of the Agency
- the arrangements for its governance
- the result of audit of its accounts.

Functions of the Agency

7.2 The Agency has the following functions

- It borrows moneys on behalf of the Exchequer and manages Ireland's national debt which at the end of 2010 was €3.4 billion after taking account of related assets.
- It acts as the Manager of the National Pensions Reserve Fund (NPRF) which held net assets of €2.7 billion at the end of 2010.
- It manages compensation claims on behalf of certain State authorities. Awards and associated costs of the State Claims Agency (SCA) in 2010 amounted to €6 million while the estimated cost of settling claims outstanding at 31 December 2010 was €85 million.
- It discharges the functions of the National Development Finance Agency (NDFA). Fees and expenses incurred by the Agency in the performance of its financing and advisory functions in relation to specific public investment projects amounted to €4.9 million in 2010.
- It purchases carbon credits required to meet Ireland's climate change obligations. The Carbon Fund held assets to a value of €7 million at the end of 2010.
- It provides central treasury services for government departments and non-commercial State bodies. Deposits held at year-end were €3.3 million and loans provided were €48.3 million.

7.3 During 2009 and 2010 a number of additional functions and services were added to the Agency's remit as follows

- the provision of support services for the National Asset Management Agency (NAMA)
- the operation of the Eligible Liabilities Guarantee Scheme
- certain banking system functions.

Support to NAMA

7.4 The NTMA assigned staff and provided services to NAMA during 2010 for which a cost of almost €15 million was incurred and charged to NAMA⁶⁹

- €10.3 million was incurred in respect of around 100 staff directly employed by the NTMA and assigned to NAMA (€9.2 million) and the cost of NTMA employees operating shared services including IT, Human Resources and Finance (€1.1 million)
- €4.6 million was incurred in respect of other costs incurred by the NTMA including rent, office services and consultancy costs.

Guarantee Scheme Administration

7.5 Under the Eligible Liabilities Guarantee Scheme (the Scheme), certain eligible liabilities, including deposits and debt securities of up to five years maturity in participating institutions are guaranteed by the State. The NTMA operates the Scheme on behalf of the Minister for Finance. Under State aid rules, the Scheme requires the approval of the EU Commission at six-monthly intervals. On 1 June 2011, the Commission approved the extension of the Scheme to 31 December 2011. There were 16 participating institutions at the end of 2010. While the scheme is administered by the Agency, accountability for fees collected under the scheme lies with the Accounting Officer of the Department of Finance.

Banking System Functions

7.6 In March 2010, the Government delegated certain banking system functions of the Minister for Finance to the NTMA. The delegation related, in particular, to management of the State's interest in the credit institutions covered by the banking guarantees, negotiation of capital support to those institutions and the sustainable development of the banking sector. The delegation was revoked in August 2011. Further information on these additional functions is set out in Chapter 4.

Governance of the Agency

7.7 The Agency is in the process of further enhancing its governance arrangements which will provide additional assurance and support to the Accounting Officer. By virtue of the terms of its legislation⁷⁰, the Agency does not have a Board and the management and business of the Agency are the responsibility of its Chief Executive. However, the legislation provides for an Advisory Committee to assist and advise the NTMA on such matters as are referred to that committee by the NTMA.

7.8 In regard to the core functions of the NTMA, including management of the national debt and the SCA, the NTMA Chief Executive is directly answerable to the Minister for Finance. The SCA has, in turn, a Policy Committee to provide advice on policy and procedures relating to the performance of its functions.

7.9 NAMA, the NDFA, and the NPRF each has a Board or Commission which are answerable to the Minister for Finance for their respective functions. The NTMA Chief Executive is an ex officio member of the NAMA Board and the NPRF Commission and is Chairman of the NDFA Board. The NTMA acts as the executive in respect of the NPRF and the NDFA. In the case of NAMA, it assigns staff to NAMA and also provides it with business and support services and systems.

7.10 In response to my enquiries in regard to the Agency's internal governance arrangements in the light of this complex range of functions, the CEO informed me that during 2010, the NTMA, in conjunction with the

⁶⁹ The total administrative costs of NAMA were €46 million in 2010.

⁷⁰ The NTMA is governed by the National Treasury Management Agency Act 1990.

Advisory Committee, reviewed the Code of Practice for the Governance of State Bodies (the Code of Practice) and how it could be applied in the context of the NTMA's governance structure. Following this review, the NTMA is implementing the Code of Practice, adapted to its specific circumstances, and the Advisory Committee now formally advises the NTMA Chief Executive on the following matters, on an ongoing basis

- Funding and Debt Management Policy
- Business Function Goals and Objectives
- Delegated Authority Levels
- Remuneration
- Senior Management Performance Appraisal and Succession Planning
- Significant Amendments to the Pension Benefits of Staff
- Corporate Policies and Plans
- Risk Management Policy
- System of Internal Financial Control
- NTMA Annual Report and Accounts
- Appointment of Internal Auditors
- Oversight of Audit Committee (including annual review of Committee terms of reference)
- Operating Budget, and
- Compliance by the NTMA with Statutory and Regulatory Requirements.

7.11 The Advisory Committee has established two sub-committees, an Audit Committee and a Remuneration Committee. The membership of these committees is external to the Agency and formal terms of references, which are subject to periodic review by the Advisory Committee, are in place. The Advisory Committee is also periodically updated by the NTMA on activities across all of its business functions.

7.12 The Agency's senior management team, which includes the heads of each business unit, meets to discuss operational issues on a weekly basis. The team also meets on a bimonthly basis to provide a forum where key strategic and common corporate issues can be addressed and organisational synergies can be realised.

7.13 In regard to the confidentiality of information, the Accounting Officer stated that employees of each business unit are obliged to use the information they receive in the course of their work only for the purposes for which it is obtained. Confidential information may only be communicated to other persons within the Agency on a 'need to know' basis in order for them to perform their duties. The Code of Practice on Confidentiality and Professional Conduct for employees of the Agency (the Code) informs employees of these obligations. Employees are required to sign an undertaking stating that they have read and understood the Code and will observe the requirements restricting the disclosure of information contained therein.

7.14 A separate Code of Practice – Conduct of Officers of NAMA applies to employees who are assigned to NAMA. This contains similar provisions in relation to confidential information and conflicts of interest and has been approved by the Minister for Finance. Additionally, the NDFA operates under a Code of Conduct for the Management of Conflicts of Interest, which has been approved by the Minister for Finance. These codes are supplemented by training undertaken by the Agency's Compliance Officer, which, *inter alia*, advises employees of their obligations in respect of confidentiality and conflicts of interest.

7.15 The Agency's corporate functions were reviewed by Accenture in 2010 and a number of other governance initiatives are being considered.

Accounts of the Agency

7.16 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 under Section 3 of the Comptroller and Auditor General (Amendment) Act 1993, to also make a report to Dáil Éireann on the correctness of the sums brought to account by the Agency in the year.

Conclusion

The Agency's accounts for 2010 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.

I am satisfied that the accounts properly present the transactions of the Agency for 2010 and its balances at year end.

The Agency is in the process of further enhancing its governance arrangements which will provide assurance and support to the Accounting Officer who is responsible for its management.

Chapter 2 outlines the outcome of the Agency's debt management activity in 2010 and the amount and composition of Ireland's national debt at 31 December 2010.