

Chapter 13 National Treasury Management Agency

13.1 Audit Reporting

Annual Accounts

The National Treasury Management Agency has the statutory function of borrowing moneys on behalf of the Exchequer and managing the National Debt on behalf of and subject to the control and general superintendence of the Minister for Finance. During 2002 the Agency assumed certain administrative functions in relation to the National Pensions Reserve Fund and the State Claims Agency. Expenses incurred by the Agency in the performance of its functions are met from the Central Fund.

Under the provisions of section 12 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. The Agency's accounts for 2002 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 thereof before both Houses of the Oireachtas.

I am satisfied that the accounts properly present the transactions of the Agency in 2002 and its balances at year end.

Administration Expenses

The Agency's administration expenses were €13,678,899 (€9,735,098 in 2001). The greater portion of this increase relates to salaries and superannuation costs which increased to €8,740,576 in 2002 from €5,773,026 in 2001.

The charge for salaries and superannuation may be analysed as follows:

Table 13.1

	2002	2001
	€	€
Senior Management*		
Salary and other emoluments	2,576,991	1,683,364
Other Staff		
Salary and other emoluments	4,162,099	2,899,431
All Staff		
Pension and Employer PRSI	<u>2,001,486</u>	<u>1,190,231</u>
Total	<u>8,740,576</u>	<u>5,773,026</u>

*Senior Management comprised the Chief Executive Officer and five Directors. The Senior Management figures include salaries, non-pensionable allowances, bonuses, loan subsidies, payment of medical insurance premiums, but exclude the cost of pensions, employer PRSI and other non-cash benefits such as company cars.

The terms of the remuneration package of the CEO are sanctioned by the Minister for Finance on the advice of the Advisory Committee of the Agency. The remuneration of the senior management is set by the CEO who consults the Advisory Committee on the matter. In light of its assumption of additional functions in recent years, the NTMA commissioned a firm of consultants in 2001 to review the remuneration of senior management. The consultants evaluated the positions in the NTMA by reference to comparable positions in other Irish financial institutions. Their conclusions were accepted by the Advisory Committee of the Agency which agreed that substantial adjustments were needed to bring the

remuneration of senior management of the Agency into line with that available elsewhere in the Irish financial services sector.

The Accounting Officer pointed out that the large increases in senior management's remuneration had to be seen in the context of the substantial change in the scale and diversity of the Agency's remit in recent years e.g. activities connected with the National Pensions Reserve Fund, the State Claims Agency and the National Development Finance Agency.

The increase in remuneration costs for Other Staff is largely attributable to the employment of extra staff to meet the workload arising from the assumption of the additional functions. The number of Other Staff employed increased from 54 at the end of 2001 to 68 at the end of 2002.

National Debt

Table 13.2 shows the outturn for the National Debt in the five-year period 1998-2002.

Table 13.2 National Debt 1998 – 2002

	National Debt Outstanding €m	Debt Service Cost €m
1998	37,509	3,060
1999	39,849	2,800
2000	36,511	2,575
2001	36,183	2,379
2002	36,361	2,169

The composition of the National Debt⁸¹ at 31 December 2002 is shown in Table 13.3.

Table 13.3 Composition of National Debt as at 31 December 2002

	€m
Medium/Long term Debt	25,288
Short term Debt	8,653
National Savings Schemes	4,200
Less: Domestic Liquid Assets	(1,780)
National Debt	36,361

The Agency's performance in regard to its activities is independently measured by an international investment bank specifically engaged for that purpose. The rationale and basis of the performance measurement was agreed with the Department of Finance. The bank determined that, measured on a net present value basis against an independent benchmark portfolio, savings attributable to the Agency's management in the year amounted to €28.2m.

Savings Bank Fund

The audit of the Post Office Savings Bank is carried out on my behalf by the auditors of An Post subject to my right to carry out further audit tests which I consider necessary.

In 2003 they reported to me on their audit of the 2002 accounts. I accept their opinion that the accounts of the Post Office Savings Bank give a true and fair view of its transactions for that year-end and of its year-end balance.

⁸¹ The National Debt is stated on the basis of nominal amounts of principal originally borrowed.

National Treasury Management Agency

In addition to managing the National Debt, the National Treasury Management Agency is responsible for the investment and management of funds remitted to the Exchequer by the Post Office Savings Bank. The Exchequer is responsible for the repayment to the Bank of all such funds and for meeting interest charges thereon. The state of affairs of the fund at year-end is shown in Table 13.4.

Table 13.4 Post Office Savings Fund

	2002	2001
	€m	€m
Liability in respect of funds due to depositors and creditors	976	814
Value of related investments held by Post Office Savings Bank Fund (at cost prices) ⁸²	983	823
Surplus at 31 December	7	9

⁸² The market value of the investments held by the Fund was €2.1m more than their cost price.