

**Update on the implementation of previous recommendations made by the Committee of Public Accounts to the National Treasury Management Agency**

- [Committee of Public Accounts \(32nd Dáil\) - Periodic Report No. 7, April 2019 - July 2019](#)
- [Minute of the Minister for Finance and Public Expenditure and Reform, June 2020](#)

	<b>Recommendations from the Committee of Public Accounts</b>	<b>Minute of the Minister for Public Expenditure and Reform</b>	<b>Update on progress of implementing the Committee's recommendations</b>
1.	<p>It is concerning that the Ireland Apple Escrow Fund, as of 31 December 2018, had declined in value by €16m to €14.2 billion since its establishment in April 2018. The Committee recommends that the investment strategy between Apple and the State is reviewed on a regular basis to ensure the long-term value of the fund is maintained.</p>	<p>The Minister for Finance and Public Expenditure and Reform accepts this recommendation.</p> <p>The role of the Escrow Fund Investment Committee (comprising an equal number of NTMA and Apple representatives), includes responsibility for: -</p> <ul style="list-style-type: none"> <li>• monitoring the overall performance of the Escrow Fund; and</li> <li>• reviewing the Investment Policy periodically to consider inter alia market developments and to ensure the Investment Policy remains appropriate to achieve the investment objective of preserving capital to the greatest extent possible in light of prevailing market conditions.</li> </ul> <p>The performance of the Escrow Fund is determined by the prevailing interest rate environment and the asset credit quality over the duration of the escrow fund, with the duration of the fund currently unknown as it is related to the conclusion of the challenges to the EU Commission decision.</p>	<p>The investment strategy and the performance of the Ireland Apple Escrow Fund, continues to be monitored and reviewed on an on-going basis, to protect the long-term value of the fund.</p> <p>The Escrow Fund Investment Committee (comprising an equal number of NTMA and Apple representatives) last formally reviewed the Investment Policy at the 12 November 2020 Investment Committee meeting, agreeing that the Investment Policy remains appropriate to achieve the investment objective of preserving capital to the greatest extent possible in light of prevailing market conditions. The next formal Investment Policy review is scheduled for the November 2021 Investment Committee meeting.</p> <p>The performance of the Escrow Fund continues to be determined by the prevailing interest rate environment and the asset credit quality over the duration of the escrow fund. The duration of the fund is currently unknown as it is related to the final determination by the</p>

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		<p>Under the agreed investment policy, the Escrow Fund is to be invested predominantly in low risk Euro fixed income securities with a short duration. The decline in value of the Escrow Fund since inception reflects the current negative interest rate environment, as illustrated by the consistent negative official ECB overnight deposit rate (currently -0.50%), and negative yields on highly rated euro-sovereign and quasi-sovereign bonds in which the Escrow Fund is predominantly invested.</p>	<p>European Courts.</p> <p>Under the agreed investment policy, the Escrow Fund continues to be invested predominantly in low risk Euro fixed income securities with a short duration. The decline in value of the Escrow Fund since inception reflects the current negative interest rate environment, as illustrated by the consistent negative official ECB overnight deposit rate (currently -0.50%), and negative yields on highly rated euro-sovereign and quasi-sovereign bonds in which the Escrow Fund is predominantly invested.</p>
2.	<p>The Ireland Strategic Investment Fund lost €721,000 due to unintended currency exposure as a result of human error. The Committee recommends that the National Treasury Management Agency examines all operations on a regular basis to ensure human error does not result in a major financial loss to the Exchequer again.</p>	<p>The Minister for Finance and Public Expenditure and Reform accepts this recommendation.</p> <p>The error was identified by the National Treasury Management Agency (NTMA) in the course of its regular operations and highlighted to the Comptroller and Auditor General. The error was also referred to in the NTMA's Annual Report and Accounts 2018 and the Comptroller and Auditor General's (C&amp;AG) audit report on the Ireland Strategic Investment Fund (ISIF) financial statements also draws attention to the NTMA's statement.</p>	<p>The NTMA operates a three lines of defence model with regard to managing risk, and ensuring processes are up to date.</p> <p>The first line, namely the NTMA Business Units are responsible for ensuring that all processes are documented and risks identified and managed. First line business areas exercise judgement to ensure business activities are within the NTMA's risk appetite, and in line with its policies, procedures, controls and risk appetite. Procedures in place are subject to ongoing review to ensure</p>

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		<p>The NTMA immediately implemented additional safeguards and processes to prevent this from occurring again. As the committee have noted, the NTMA has introduced enhanced controls in that area with a view to preventing such a situation arising again.</p> <p>The NTMA has a culture of transparency so the identification, analysis of root cause and prompt reporting of this error within the organisation, is in line with its established processes.</p>	<p>the processes are up to date, operating efficiently and most importantly mitigate risks in the operation of the process. Additionally, controls are in place to ensure these objectives are met. The second line comprises NTMA's Risk and Compliance functions, and is independent of first line management and operations. Its role is to challenge decisions that affect the organisation's exposure to risk and to provide comprehensive and understandable information on risks, and to monitor and report on breaches of risk appetite.</p> <p>Finally, the third line of defence is the NTMA Internal Audit function, which carries out risk based audits across all areas of the NTMA to ensure that policies and procedures are in place and operating effectively.</p> <p>With regard to the specific item which occurred in 2018, controls were immediately enhanced to address this process gap at the time, and there has been no recurrence.</p>