

# Committee Reports

## Audit and Risk Committee Report

The Audit and Risk Committee assists the Agency in:

- the oversight of the quality and integrity of the financial statements, the review and monitoring of the effectiveness of the systems of internal control, the internal audit process, the compliance function, and the review and consideration of the outputs from the statutory auditor; and
- the oversight of the Agency's risk management framework including setting risk appetite, monitoring adherence to risk governance and ensuring risks are properly identified, assessed, managed and reported.

In addition, the Committee reviews and monitors the performance of the internal audit, compliance and risk management functions, which are managed on a day to day basis by the Head of Internal Audit, the Head of Compliance and the Head of Risk (Financial, Investment and Enterprise) respectively.

Under its Terms of Reference, the Committee is to comprise four members appointed by the Agency from among its members (excluding the Agency Chairperson and Chief Executive).

The current members of the Committee are:

- Gerardine Jones (Chairperson)
- Rachael Ingle
- Brian O'Kelly
- Susan Webb

The Committee met formally on nine occasions in 2021. It also held two separate additional working sessions to review the financial statements and operational Key Risk Indicators respectively.

## Financial Reporting

The Committee reviewed the draft 2021 financial statements and recommended them to the Agency for approval. The review focused on the consistency of approach across the financial statements, appropriate estimates and judgements, the clarity and completeness of disclosures in line with applicable accounting standards, and relevant provisions of the Code of Practice for the Governance of State Bodies (2016). The Committee also reviewed the Governance Statement and Agency Members' Report, and statements on risk management for inclusion in the Annual Report. As part of its review of the financial statements, the Committee met with representatives of the Office of the Comptroller and Auditor General (the statutory auditor) to discuss its Audit Findings Report.

## Internal Control

The Committee reviewed the effectiveness of the system of internal control. It also reviewed the Statement on Internal Control to be included in the 2021 financial statements and recommended it to the Agency. The review was informed by a report from management in relation to the assertions contained in the Statement and the Committee's detailed work programme, including regular reports from Internal Audit, Risk, Compliance and the Data Protection Officer (DPO).

## Internal Audit

The Committee received regular reports from the Head of Internal Audit (the Head of Internal Audit is supported by an external firm, currently KPMG). It reviewed the key findings from the individual internal audit reviews completed under the 2021 risk-based internal audit plan and monitored the implementation of audit recommendations. It approved the 2022 risk-based internal audit plan and the Internal Audit Charter. The Committee also reviewed the effectiveness of the Internal Audit function.

The Committee meets with the Head of Internal Audit without management at least annually.

## Statutory Audit

The NTMA's statutory auditor is the Comptroller and Auditor General. The Committee reviewed the external audit plan, the key areas of focus and the audit terms of engagement. It also reviewed management's responses to the external auditor's findings arising from the audit of the 2021 financial statements. The Committee meets with the external auditor without management at least annually.

## Risk

The Committee reviewed and recommended to the Agency updates to the Risk Management Policy and Framework and to the Risk Appetite Framework. It also approved updates to a number of specific risk policies as provided for under the Risk Management Policy and Framework. It monitored the NTMA's risk profile in relation to its defined risk appetites and approved updates to key risk indicators (KRIs). It also approved the annual Risk Management Plan and Terms of Reference of the Enterprise Risk Management Committee.

The Committee reviewed the principal risks faced by the NTMA based on a strategic risk assessment prior to the review by the Agency. It also reviewed the principal risks of the underlying Business Unit risk registers and a report under the NTMA's stress testing framework.

The Committee reviewed regular reports from the NTMA's Risk function in relation to financial, investment and enterprise risks. It reviewed the effectiveness of the Risk function. The Committee reviewed key findings and recommendations arising from an independent, external review of the (i) Risk Management Policy and Framework (RMPF) and Risk Appetite Framework (RAF); and (ii) Enterprise Risk Management Committee. The Committee noted the findings of the report and a number of recommended enhancements, noting that the report concluded that the NTMA's risk management framework and key executive governance structures were in line with the Code of Practice for the Governance of State Bodies and wider market practice.

The Committee carried out a number of other activities including consideration of a number of specific business issues from a risk perspective, including the risks arising from the geo-political situation in Ukraine, a review of the status of the Cyber Security of the NTMA, and a review of third party arrangements where a cyber-attack on that third party could materially impact the NTMA.

The Committee meets with the Head of Risk without management at least annually.

## Compliance

The Committee received regular reports from the Head of Compliance and Data Protection Officer (DPO) in relation to key compliance and data protection activities and monitoring activities. The Committee reviewed and approved the Financial Crime Risk Policy and updates to other compliance policies as provided for in the Compliance and DPO Framework.

The Committee reviewed a report on the Compliance and DPO Framework and on the service model of the NTMA's Compliance Unit conducted by an independent third party. The Committee also reviewed and approved the updated Compliance and DPO Framework which reflected the enhancements arising from the third party review. The Committee monitored progress against the 2021 Compliance Plan and approved the 2022 Compliance and DPO Plan. The Committee reviewed the effectiveness of the Compliance function.

The Committee meets with the Head of Compliance without management at least annually.

## Other

The Committee reviewed its Terms of Reference and recommended a number of minor amendments which were approved by the Agency. As part of the Agency's 2021 performance evaluation conducted by an external specialist board consultancy and advisory practice, Committee members were interviewed and provided feedback in relation to the operation of the Committee. The report furnished to the Agency confirmed that the Committee was working well and operating effectively.

The Committee's priorities in respect of 2022 were agreed as part of its Work Programme 2022.

## Investment Committee Report

The Investment Committee is a statutory committee provided for by the *National Treasury Management Agency Act, 1990* (as amended).

The Committee assists the Agency in the control and management of the Ireland Strategic Investment Fund by making decisions about the acquisition and disposal of assets within such parameters as may be set by the Agency, advising the Agency on the investment strategy for the Fund and overseeing the implementation of the investment strategy.

The Committee is required to comprise two appointed members of the Agency and not more than five persons who are not members of the Agency but who have acquired substantial relevant expertise and experience and who are appointed by the Agency with the consent of the Minister for Finance (external members). The Agency has decided that the Committee should have three external members.

The current members of the Committee are:

- Susan Webb, Chairperson (Agency member)
- Martin Murphy (Agency member)
- Richard Leonard (external member) *Company Director and former Partner, Grant Thornton Ireland*
- Mark Ryan (external member) *Company Director and former Managing Director, Accenture Ireland*

- Julie Sinnamon (external member) *Company Director and former CEO, Enterprise Ireland.*

The Committee met on 15 occasions in 2021. Its main activities consisted of considering detailed investment proposals (including disposal of investments) from ISIF management and overseeing and monitoring the ISIF Irish Portfolio.

Decisions on investment proposals for ISIF Irish Portfolio investments of up to €150m have been delegated to the Committee by the Agency. Where the Committee supports an investment proposal in excess of €150m, it makes a recommendation on the matter to the Agency. Matters considered at Committee meetings in 2021 included:

- Review of the ISIF's Investment Strategy including an outline of proposed changes in the management and resourcing of the ISIF.
- The Committee approved 32 new investments, comprising cumulative capital of c. €1bn, across the Stabilisation and Recovery phases of the Pandemic Stabilisation and Recovery Fund (PSRF), a sub-fund within the ISIF. €670m was committed by ISIF to 25 separate investments during 2021 (average investment size of €27m) – more details can be found on page 27.
- Climate was a significant area of focus for the Committee in 2021, noting the ISIF's ambition to target €1bn in Climate Action projects over the next five years. To this end, the Committee approved a number of Climate related investments over the course of the year. The Committee also reviewed the ISIF's first annual Climate Report following a commitment to same in the ISIF's Sustainability and Responsible Investment Strategy.
- The Committee approved the extension of the ISIF's Exclusion Policy to incorporate the exclusion of direct investment in companies that have been verified as involved in the manufacture and testing of nuclear weapons or critical component parts of such weapons.
- The Committee actively monitored the near-term PSRF investment pipeline in order to provide timely feedback to ISIF management on potential investment opportunities. The Committee also reviewed the PSRF decline process and investment declines.
- The Committee reviewed the ISIF's investment realisation process, including key considerations and typical areas of focus.
- The Committee formally reviewed and monitored the ISIF's Irish Portfolio and the ISIF Global Portfolio Strategy on a quarterly basis and the Portfolio Diversification Framework and Sustainability and Responsible Investment Strategy on a semi-annual basis.
- Overall ISIF investment performances, capital deployment and activity were reviewed at each scheduled Committee meeting. These reviews included assessment of annual and semi-annual Economic Impact results, an update on the ISIF Irish Portfolio's quoted equities exposure and an overview of the ISIF's housing investment programme and wider market conditions.

## Committee Reports (continued)

- The Committee received a number of external expert briefings to keep itself informed of recent developments and best practice in a number of relevant areas.

Information on the ISIF PSRF Strategy and the Fund's investments, performance and Economic Impact in 2021 is set out in the ISIF Section of this Report.

The Committee reviewed its Terms of Reference and recommended a number of minor amendments, primarily to reflect the importance of Climate Change considerations in the Committee's assessment of ISIF investment proposals, to the Agency for approval. As part of the Agency's 2021 performance evaluation conducted by an external specialist board consultancy and advisory practice, Committee members were interviewed and provided feedback in relation to the operation of the Committee. The report furnished to the Agency confirmed that the Committee was working well and operating effectively.

The Committee's priorities in respect of 2022 were approved as part of its Work Programme 2022.

### Remuneration Committee Report

The Remuneration Committee supports the Agency through the review and approval of the NTMA's overall remuneration policy, the review and approval of any performance-related pay schemes operated by the NTMA and approval of the total annual payments to be made under any such schemes. It also makes recommendations to the Agency on the remuneration and other key terms of the Chief Executive.

Under its Terms of Reference, the Committee is to comprise up to four members appointed by the Agency from among its members including the Agency Chairperson.

Members of the Committee in 2021 were:

- Martin Murphy (Chairperson)
- Maeve Carton
- Rachael Ingle
- Robert Watt (to 19 April 2021)<sup>22</sup>

There are currently three members of the Committee.

The Committee met on four occasions in 2021. Matters considered at Committee meetings in 2021 included:

- The Committee reviewed the aggregate value of 2021 base salary awards which, taking account of prevailing economic conditions, were limited in scope and amount.
- The Committee reviewed the Remuneration assumptions in respect of 2022.
- The Committee undertook its biennial review of, and approved the updated NTMA Remuneration Policy.

- The Committee, having considered the Chief Executive recruitment process, made a recommendation to the Agency on the remuneration and proposed terms and conditions of the incoming Chief Executive.

- The Committee reviewed the Succession Planning arrangements in place in respect of senior management.

- The Committee reviewed the NTMA's Pension Scheme arrangements.

- The Committee reviewed its Terms of Reference and recommended minor amendments to the Agency.

- The Committee carried out its review of the Chief Executive's 2020 performance and recommended his 2021 Objectives to the Agency for approval.

The Committee also conducted its self-assessment evaluation in respect of 2019/2020 in early 2021. The Committee members were satisfied that the Committee was working well and agreed a small number of enhancements to its processes. As part of the Agency's 2021 performance evaluation conducted by an external specialist board consultancy and advisory practice between November 2021 and February 2022, Committee members were interviewed and provided feedback in relation to the operation of the Committee. The report furnished to the Agency confirmed that the Committee was working well and operating effectively.

### SCA Strategy Committee Report

The State Claims Agency Strategy Committee assists the Agency in the performance of its State Claims Agency ("SCA") functions by providing advice and guidance on strategic, policy and certain operational issues. The Committee currently comprises eight members: two members of the Agency, the Director, SCA and five persons who are not members of the Agency but who have acquired substantial relevant expertise and experience and who are appointed by the Agency with the consent of the Minister for Finance (external members). There is currently one vacancy on the State Claims Agency Strategy Committee arising from Derek Moran's retirement as Secretary General of the Department of Finance and resultant cessation of his (ex officio) membership of the Agency.

Members of the Committee in 2021 were:

- Martin Murphy, Chairperson (Agency member)<sup>23</sup>
- Derek Moran (Agency member)<sup>24</sup>
- David Moloney (Agency member) *Secretary General Department of Public Expenditure and Reform*
- Ciarán Breen (Director, SCA)
- Professor Sir Sabaratnam Arulkumaran (external member) *Professor Emeritus of Obstetrics and Gynaecology at St. George's University of London*

<sup>22</sup> Following his formal appointment as Secretary General of the Department of Health in April 2021, Robert Watt ceased to be an ex officio member of the Agency and a member of the Remuneration Committee.

<sup>23</sup> Appointed as Committee Chairperson with effect from 28 January 2020.

<sup>24</sup> Following the cessation of his term of appointment as Secretary General of the Department of Finance, Derek Moran is no longer an ex officio member of the Agency.

- Tom Beegan (external member) *Risk Consultant and former CEO of the Health and Safety Authority*
- Donogh Crowley (external member) *Solicitor, Former Partner Arthur Cox*
- Kerry McConnell (external member) *Chartered Accountant, former CFO RSA Insurance Ireland DAC, currently CFO IPL Global*
- Julie O'Neill (external member) *Independent Non-Executive Director, Former Executive Vice President, Alexion Pharmaceuticals Inc.*

The Committee met formally six times in 2021.

At each scheduled meeting, the Committee reviewed detailed reports from management on active claims, mass actions, sensitive claims, significant cases or judgments and other current issues. Other matters considered at Committee meetings included:

- The Committee reviewed the cash flow projections for the SCA's indemnity schemes from mid-2021 to year-end 2023, prepared by the SCA's actuaries, Lane Clark & Peacock.
- The Committee reviewed the SCA's response to COVID-19. It focused particularly on claims management and the provision of incident analysis and reporting and risk and indemnity advice to the Department of Health, HSE and other State authorities.
- The Committee reviewed the legal strategy approach taken by the SCA in respect of a number of significant mass actions against the State.
- The Committee reviewed the SCA's clinical and enterprise risk management plans in respect of 2021 and progress against these plans.
- The Committee reviewed and recommended to the Agency the SCA component of the NTMA Budget and the SCA's business goals and Key Performance Indicators and monitored performance against same.
- The Committee received a number of external expert briefings to keep itself informed of recent developments and best practice in a number of areas.

Further to an action arising from the Committee's self-assessment review in respect of 2020, an externally facilitated Strategy Workshop was held in May 2021.

As part of the Agency's 2021 performance evaluation conducted by an external specialist board consultancy and advisory practice, Committee members were interviewed and provided feedback in relation to the operation of the Committee. The report furnished to the Agency confirmed that the Committee was working well and operating effectively, with a small number of enhancements for implementation during the year.

The Committee's priorities in respect of 2022 were set out as part of its Work Programme 2022.