



Financial Statements

Property Services Compensation Fund

For the year ended 31 December 2018



PROPERTY SERVICES COMPENSATION FUND

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PROPERTY SERVICES COMPENSATION FUND

STATEMENT OF AUTHORITY MEMBERS' RESPONSIBILITIES

Section 22.2 of the Property Services (Regulation) Act 2011 requires the Property Services Regulatory Authority to keep, in such form as may be approved by the Minister for Justice and Equality with consent of the Minister for Public Expenditure and Reform, all proper and usual accounts of money received and expended by it.

In preparing these financial statements, the Authority is required to:

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that it will continue in operation, and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Authority is responsible for keeping proper and usual accounts of all moneys paid into the Compensation Fund and disbursements from the Compensation Fund, including an income and expenditure account, a cash-flow statement and a balance sheet, in accordance with Schedule 6 (7) of the Property Services (Regulation) Act 2011. The Authority is also responsible for safeguarding its assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Property Services Regulatory Authority


Ms. Maeve Hogan, Chief Executive Officer:

Date: 11/9/19


Ms. Geraldine Clarke, Chairperson:

Date: 11/9/19.



PROPERTY SERVICES COMPENSATION FUND

STATEMENT OF INTERNAL CONTROL

Scope of Responsibility

On behalf of the Property Services Regulatory Authority, I acknowledge the Authority's responsibility for ensuring that an effective system of internal control is maintained and operated in the Authority. This responsibility takes account of the requirements of the Code of Practice for the Governance of State Bodies (2016).

Purpose of the Statement of Internal Control

The system of internal control is designed to manage risk to a tolerable level rather than to eliminate it. The system can therefore only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or detected in a timely way.

The system of internal control, which accords with guidance issued by the Department of Public Expenditure and Reform, has been in place in the Property Services Regulatory Authority for the year ended 31 December 2018 and up to the date of approval of the financial statements.

Internal Controls in Place

The Authority is satisfied that the systems, which it has in place, are reasonable and appropriate for the Authority's circumstances having regard to its size, level of expenditure, staff resources and the nature of its operations. However, the systems do not, and cannot, provide absolute assurance against material error.

The Property Services Regulatory Authority has adopted the Code of Practice for the Governance of State Bodies issued by the Department of Public Expenditure and Reform in 2016.

Capacity to Handle Risk

The Property Services Regulatory Authority has an Audit and Risk Committee (ARC) comprising two Authority members and two external members. The Committee first met on the 19th of April 2017. I, as Chairperson of the Authority, am satisfied that the ARC discharged its role effectively with five meetings in 2018.

The Authority has reviewed and agreed the risk management policy which sets out its risk appetite and the risk management processes.

The Property Service's Regulatory Authority's Internal Audit function is carried out by the Department of Justice and Equality (DJE) Internal Audit Unit under the oversight of the Audit Committee of Vote 24 (Justice and Equality). The role of DJE Internal Audit Unit is to provide independent assurance to the Accounting Officer on the effectiveness of the internal controls in place across the Vote.

The DJE's Internal Audit Unit carry out audits on financial and other controls in the Authority and carries out a programme of audits each year.



PROPERTY SERVICES COMPENSATION FUND

STATEMENT OF INTERNAL CONTROL

Risk and Control Framework

The Property Services Regulatory Authority has implemented a risk management system which identifies and reports key risks and the management actions being taken to address and, to the extent possible, to mitigate those risks.

A risk register is in place which identifies the key risks facing the Authority and these have been identified, evaluated and graded according to their significance. The register is reviewed and updated by the Audit and Risk Committee, in consultation with Senior Management. The outcome of these assessments is used to plan and allocate resources to ensure risks are managed to an acceptable level.

The risk register details the controls and actions needed to mitigate risks and responsibility for operation of controls assigned to specific staff. The Authority confirms that a control environment containing the following elements are in place:

- procedures for all key business processes have been documented,
- financial responsibilities have been assigned at management level with corresponding accountability,
- there is an appropriate budgeting system with an annual budget which is kept under review by senior management,
- there are systems aimed at ensuring the security of the information and communication technology systems. The ICT division of the Department of Justice and Equality provide the Property Services Regulatory Authority with ICT services. In April 2018 they provided an assurance statement outlining the control processes in place at that time. An online licence application system is provided by An Post through Licences.ie on behalf of the Property Services Regulatory Authority. An assurance document regarding the security and controls of the system in place during 2017 was received from An Post in December 2017. A service level agreement was put in place with An Post in 2018.
- there are systems in place to safeguard the Property Services Regulatory Authority's assets, and
- there are control procedures in place regarding assessment and payments from the compensation fund.

Compensation Fund

In order to address the risk that the compensation fund could be significantly reduced by a single significant claim, the Authority underwent a tender process to obtain insurance against such an event. The tender process was not successful in that no suitable tenders were received. As a result a broker was engaged to deal directly with underwriters to obtain the insurance required. This process ended in October 2017 with the fund now being insured as required from that date.



PROPERTY SERVICES COMPENSATION FUND

STATEMENT OF INTERNAL CONTROL

Procurement

The Property Services Regulatory Authority is in compliance with current procurement rules and guidelines as set out by the Office of Government Procurement.

Approval by the Authority

I confirm that the Property Services Regulatory Authority has procedures to monitor the effectiveness of its risk management and control procedures. The Property Services Regulatory Authority's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal and external auditors, the Audit and Risk Committee which oversees their work, and the senior management within the Property Services Regulatory Authority responsible for the development and maintenance of the internal financial control framework.

I confirm that the Authority conducted an annual review of the effectiveness of internal controls for 2018.

The Authority is reasonably assured that the systems of internal financial control instituted and implemented in the Property Services Regulatory Authority for the financial year ended 31st December 2018 are effective.

Internal Control Issues

No weaknesses in internal control were identified in relation to 2018 that require disclosure in the financial statements.

On behalf of the members of the Authority



Ms. Geraldine Clarke, Chairperson:

Date: 11/9/19



Ard Reachtaire Cuntas agus Ciste **Comptroller and Auditor General**

Report for presentation to the Houses of the Oireachtas **Property Services Compensation Fund**

Opinion on the financial statements

I have audited the financial statements of the Property Services Compensation Fund prepared by the Property Services Regulatory Authority for the year ended 31 December 2018 as required under the provisions of schedule 6 (8) of the Property Services (Regulation) Act 2011. The financial statements comprise

- the statement of income and expenditure
- the statement of financial position
- the statement of cash flows and
- the related notes, including a summary of significant accounting policies.

In my opinion, the financial statements properly present

- the transactions on the Property Services Compensation Fund for 2018, and
- the balance of the Fund at 31 December 2018.

Basis of opinion

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the Property Services Regulatory Authority and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Report on information other than the financial statements, and on other matters

The Property Services Regulatory Authority has presented certain other information together with the financial statements of the Fund. This comprises the statement of Authority members' responsibilities and the statement on internal control. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.

Seamus McCarthy
Comptroller and Auditor General

27 September 2019

Appendix to the report

Responsibilities of the Property Services Regulatory Authority

The statement of responsibilities sets out the Authority members' responsibilities. The Authority members are responsible for

- the preparation of financial statements in the form prescribed under schedule 6 (7) of the Act
- ensuring that the financial statements properly present the Property Services Compensation Fund's transactions for the year and the balance of the Fund at year-end
- ensuring the regularity of transactions, and
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Comptroller and Auditor General

I am required under schedule 6 (8) of the Act to audit the financial statements of the Fund and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Information other than the financial statements

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if I identify material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if I identify any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

I also report by exception if, in my opinion,

- I have not received all the information and explanations I required for my audit, or
- the accounting records were not sufficient to permit the financial statements to be readily and properly audited, or
- the financial statements are not in agreement with the accounting records.




PROPERTY SERVICES COMPENSATION FUND

STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 DECEMBER 2018

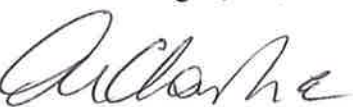
	Notes	2018 €	2017 €
Income			
Contributions to the Fund	2	577,400	573,950
Deposit Interest received		4,363	4,109
Other Income		7,500	5,000
Total Income		589,263	583,059
Expenditure			
DIRT		1,614	2,013
Insurance		173,365	35,743
Compensation awards	3	40,780	198,337
Total Expenditure		215,759	236,093
Surplus for the year		373,504	346,966
Balance brought forward at 1 January 2018		3,139,254	2,792,288
Balance carried forward at 31 December 2018		3,512,758	3,139,254

The Statement of Income and Expenditure and Retained Revenue Reserves includes all gains and losses recognised in the year. The Statement of Cash Flows and notes 1 to 7 form an integral part of these financial statements.

On behalf of the Property Services Regulatory Authority


Ms. Maeve Hogan, Chief Executive Officer:

Date: 11/9/19


Ms. Geraldine Clarke, Chairperson:

Date: 11/9/19




PROPERTY SERVICES COMPENSATION FUND

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

	Notes	2018 €	2017 €
Current Assets			
Cash and cash equivalents		3,421,169	3,104,987
Receivables and prepayments	4	101,430	60,507
		<u>3,522,599</u>	<u>3,165,494</u>
Current liabilities			
Payables and accruals	5	9,841	26,240
		<u>9,841</u>	<u>26,240</u>
Net Current Assets		3,512,758	3,139,254
Total Net Assets		<u>3,512,758</u>	<u>3,139,254</u>
 Representing			
Compensation Fund		3,512,758	3,139,254
		<u>3,512,758</u>	<u>3,139,254</u>

The Statement of Cash Flows and notes 1 to 7 form an integral part of these financial statements.

On behalf of the Property Services Regulatory Authority


 Ms. Maeve Hogan, Chief Executive Officer:

Date: 11/9/19


 Ms. Geraldine Clarke, Chairperson:

Date: 11/9/19



PROPERTY SERVICES COMPENSATION FUND

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

Net cash flows from operating activities	2018	2017
	€	€
Excess income over expenditure	373,504	346,966
(Increase)/ Decrease in receivables	(40,923)	(60,507)
(Decrease)/ Increase in payables	(16,399)	26,240
Net cash inflow from operating activities	316,182	312,699
Increase in cash and cash equivalents	316,182	312,699
Cash and cash equivalents at 1 January 2018	3,104,987	2,792,288
Cash and cash equivalents at 31 December 2018	3,421,169	3,104,987

Notes 1 to 7 form an integral part of these financial statements.

On behalf of the Property Services Regulatory Authority

Maeve Hogan
Ms. Maeve Hogan, Chief Executive Officer:

Date: 11/2/19

Geraldine Clarke
Ms. Geraldine Clarke, Chairperson:

Date: 11/9/19

**PROPERTY SERVICES COMPENSATION FUND****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018****1. Accounting Policies**

(a) The basis of accounting and significant accounting policies adopted by Property Services Compensation Fund are set out below. They have all been applied consistently throughout the year and for the preceding year.

(b) General Information

The Property Services Regulatory Authority was set up under the Property Services (Regulation) Act 2011, with a head office at Abbey Buildings, Abbey Road, Navan, Co. Meath, C15 K7PY.

The Property Services Regulatory Authority's primary objectives as set out in Section 11 of the Property Services (Regulation) Act 2011 are as follows:

- Issue and renew licences;
- Establish and maintain the Register;
- Specify and enforce qualifications requirements and other requirements;
- Specify and enforce standards including technical standards and appropriate ethical standards;
- Establish, maintain and administer the Fund;
- Establish and administer a system of investigation of licensees;
- Impose minor sanctions or major sanctions on licensees;
- Apply to the High Court for the confirmation of the imposition of major sanctions on licensees;
- Promote public awareness and disseminate information to the public in respect of property services;
- Promote and development and adoption of Codes of Practice;
- Keep the Minister informed of developments in respect of the provision of property services by licensees and assist the Minister in co-ordinating and developing policy in that regard;
- Maintain and publish particulars of residential property sales prices;
- Establish and maintain the Commercial Leases Database; and
- Perform any other functions conferred on it by any other provision of the Act or any other enactment or by regulations made under the Act or any other enactment.

The Property Services Regulatory Authority is a Public Benefit Entity (PBE). Section 77(1) of the Property Services (Regulation) Act 2011, requires the Authority to establish, administer and maintain a fund known as the Property Services Compensation Fund. Schedule 6 to the Act sets out the provisions of what shall be paid into and paid out of the Fund.



PROPERTY SERVICES COMPENSATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(c) Basis of preparation

The financial statements of the Property Services Compensation Fund have been prepared in accordance with the accounting policies set out below, and in the form approved by the Minister for Justice and Equality with the consent of the Minister for Public Expenditure and Reform.

(d) Income Recognition

Contributions to the Fund, interest received on the Fund and court awards to the Fund are reported on a cash received basis.

(e) Surplus on the Fund

The Fund is required, in accordance with Section 77(3) of the Act, to have a balance of not less than €2 million on and after the fourth anniversary of the date of its establishment.

(f) Expenditure Recognition

Compensation awards are recognised as expenditure when the Authority is satisfied that a client of a licensee suffers a loss as a result of dishonesty on the part of that licensee, or any persons acting on his/her behalf, arising from the provision of property services.

Dirt charges are reported on a cash basis.

All other expenditure is accounted for on an accrual basis.

2. Compensation Fund Income

	2018	2017
	€	€
Contributions to the Fund	577,400	573,950
Deposit interest received	4,363	4,109
Other Income	7,500	5,000
	<u>589,263</u>	<u>583,059</u>

The Property Services Regulatory Authority in exercise of the powers conferred on it by section 95 of the Property Services (Regulation) Act 2011 with the consent of the Minister for Justice and Equality made regulations which came into operation on 30 May 2012. The Property Services (Regulation) Act 2011 (Compensation Fund) Regulations 2012 sets out the contribution to be made to the Fund by a person making an application for a licence or the renewal of a licence: property services employer €200, independent contractor €200 and principal officer or employee €50.



PROPERTY SERVICES COMPENSATION FUND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

3. Compensation awards

Awards totalling €30,939 were made out of the Fund for the year ended 31 December 2018 (2017: €172,097) and there were unpaid outstanding grant awards at year end amounting to €9,841 in 2018 (2017: €26,240).

4. Receivables and prepayments

	2018	2017
	€	€
Prepayments	101,430	60,507

5. Payables and accruals

	2018	2017
	€	€
Accruals	9,841	26,240

6. Awards - Contingency

At 31 December 2018 the Authority was dealing with a number of compensation claims involving claims which may give rise to a future claim or claims against the Fund. This includes a case involving a decision of the Property Services Appeal Board (PSAB) dated 11 December 2018 which overturned a decision of the Authority not to make a grant from the Fund. The Authority is considering its legal position concerning the PSAB decision.

7. Approval of the financial statements

These financial statements were approved by the Authority of the Property Services Regulatory Authority on 11 September 2019.