



Property Services Regulatory Authority

Annual Report 2013

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Foreword by Geraldine Clarke, Chairperson of the Property Services Regulatory Authority.

I am pleased to present the second annual report of the Property Services Regulatory Authority in respect of the year ending 31st December 2013.

The legislation establishing the Authority was enacted in 2012 and during 2013 significant progress was made in delivering its statutory functions. We experienced for the first time, the operation of a comprehensive licensing system for service providers, the widespread introduction of written contracts, the enhancement of qualifications requirements in the industry, the establishment of a Compensation Fund, the setting up of a Public Register of licensed Property Services Providers and the Residential Property Prices Register. Towards the end of the year we had started work on a comprehensive system of investigation and adjudication of complaints against Property Services Providers.

Such milestones are testament to the diligence, dedication and sheer hard work of Thomas Lynch, the CEO of the Authority and it's dedicated staff. Their commitment has played a major role in making the year a success for the Authority.

The Property Services (Regulation) Act provides for one of the most comprehensive regulatory frameworks for the Property Services Industry anywhere in Europe and it is my aim, as Chairperson of the Authority, to ensure that it's potential is fully realised. We want to make Ireland an example of how regulation can contribute to raising standards in the Property Services Industry while at the same time providing strong protection for consumers.

Therefore, I am conscious that while much has been achieved in 2013, a considerable amount of work remains to be done to enable the Authority to give full

effect to the provisions of the Act. In particular I am conscious of the work which remains to be done to finalise and maintain a comprehensive investigation system and introduce compliance audits of licensees firms. These functions are at the heart of any system of robust regulation and the additional resources which are vital to their achievement must be provided as a matter of urgency to the Authority.

I would like to express my appreciation to the Minister for Justice and Equality for her continued support and her Department for their contribution to resourcing the work of the Authority.

Finally, I wish to pay tribute to my colleagues on the Authority and thank them for their commitment and support throughout the year.



Geraldine Clarke
1st October, 2014



Introduction by Tom Lynch, Chief Executive of the Property Services Regulatory Authority

This is the second annual report of the Property Services Regulatory Authority and our main objective for the year has been to consolidate the licensing process and embark on the investigation of complaints.

Our challenge in 2013 was to ensure that all applications for the licensing year 2012/2013 were finalised and that we were also in a position to undertake the renewal of licences for the licensing year 2013/2014.

While there were many difficulties encountered all were successfully overcome. Because the process was new to applicants many applications were incomplete and it took quite some time for all of the necessary documentation to be presented and evaluated. Nevertheless we did succeed in licensing all eligible applicants for the licensing year 2012/2013 and also the renewal of a substantial number of licences for the licensing year 2013/2014.

While difficulties were encountered it was heartening to see the improvement in the standard of application received when licences were being renewed. Clearly many had learned from their initial experience and their efforts in trying to ensure that their renewal applications were properly completed are very much appreciated. It helped the efficiency of the operation enormously.

What was also encouraging was that, even though it was late in the year, we were able to make a start on the investigation of complaints which is a very important element in the work of the Authority.

Our experience over the year has convinced us that there is genuinely strong support in the industry for the new licensing regime and indeed the representative bodies have also been very supportive. Their support we very much appreciate.

Because the licensing requirements under the old licensing system were not onerous I am not sure that there was a full appreciation of the significance of the licence. A licence granted by the State is a statement made by the State that the person to whom it is granted is trustworthy and qualified to provide a service which, in the case of the provision of property services, is of vital importance to all of our citizens. With all of the new requirements and standards which licensees have now to meet I believe there is a growing understanding of the significance of the licence.

For the staff working with the Authority it was a very busy year with a lot of new learning. As with any new start up enterprise, where there are few if any precedents to follow, long hours had to be spent analysing problems, finding solutions and testing the robustness of those solutions. I am indeed deeply grateful to staff for the long hours which they put in and for the dedication which they have shown.

While it was a difficult year it was also an exciting time for all concerned to be engaged in laying the foundations of the new regulatory regime.

Who We Are

The Property Services Regulatory Authority (PSRA) was established on 3rd April 2012 pursuant to the Property Services (Regulation) Act 2011 and is the statutory body with responsibility for licensing and regulating the property services industry in Ireland.

The PSRA Headquarters is based in Navan, Co Meath since the establishment of the Authority and a second office was opened at Bishops Square, Kevin St., Dublin in the latter half of 2013.

The Authority is independent in the exercise of its functions. The Authority is chaired by Ms. Geraldine Clarke, Solicitor, and its membership consists of the property services industry and consumer representatives.

In addition to the Chief Executive a total of 9 staff were assigned to the Authority on its establishment. Towards the end of 2013, the year under review, an additional 5 staff were assigned to enable the Authority to achieve one of the primary objectives of the legislation which is the investigation of complaints.

The legislation establishing the PSRA provides for the licensing of a number of categories of property services provider namely:

Auctioneers/Estate Agents

Persons engaged in the Auction of property other than land (Licence Type A) and those engaged in the sale of land by whatever means (Licence Type B)

Letting Agents

Persons engaged in the letting of land (Licence Type C)

Management Agents

Persons engaged in the provision of management Services on behalf of Management Bodies (Licence Type D).

Members of the Property Services Regulatory Authority

Under the Property Services (Regulation) Act 2011 the Minister, in appointing members to the Authority, must have regard to the desirability of their having knowledge or experience in consumer affairs, business, finance, management or administration or any other subject which would, in the Minister's opinion, be of assistance to the Authority in performing its functions under this Act.

However, the Act also prescribes that the membership must include:

- (a) not more than 3 persons who are representatives of persons who provide property services, and
- (b) not less than 3 persons who have knowledge of, or experience in, consumer affairs

The membership of the Authority is as follows:

Ms. Geraldine Clarke (Chairperson)
Ms. Carol Boate, Consumer Representative
Mr. Edward Carey, Industry Representative
Mr. Patrick Davitt, Industry Representative*
Mr. James Doorley, Consumer Representative
Ms. Deirdre Fox, Consumer Representative*
Mr. Martin Hanratty, Dublin Institute of Technology*
Ms Josephine Henry, Consumer Representative*
Mr. Paul Mooney, Industry Representative
Mr. Myles O' Reilly, Consumer Representative
Ms. Regina Terry, Department of Justice and Equality*.

Members of the Authority hold office for a period of four years. However, of the members appointed to the Authority on the establishment day five hold office for a period of three years from the date of their respective appointments. Those appointed for a period of three years are marked with an asterisk.

The Role of the Authority

The Authority's key role is to ensure that the objectives of the establishing legislation are fully realized so as to ensure that those licensed to provide Property Services meet the highest standards in service provision and that consumers are fully protected through the rigorous application of the provisions of the Act

The key functions of the authority are as follows:

<ul style="list-style-type: none">• To control, supervise and regulate Property Services Providers (i.e. Auctioneers/Estate Agents, Letting Agents and Management Agents);
<ul style="list-style-type: none">• To operate a comprehensive licensing system covering all Property Services Providers;
<ul style="list-style-type: none">• To specify and enforce:-<ul style="list-style-type: none">○ standards for the granting of licences to Property Services Providers (e.g. educational/training standards; levels of professional indemnity insurance), and;○ standards to be observed in the provision of property services by Property Services Providers (e.g. technical standards; appropriate ethical standards);
<ul style="list-style-type: none">• To establish and administer a system of investigation of standards in the provision of Property Services;
<ul style="list-style-type: none">• To establish and administer a system of investigation and adjudication of complaints against Property Services Providers;

<ul style="list-style-type: none">• To impose sanctions on Property Services Providers for improper conduct (including fines up to €250,000 and the revocation of a licence);
<ul style="list-style-type: none">• To promote increased consumer protection and public awareness of property services in general;
<ul style="list-style-type: none">• To establish, maintain and administer a Compensation Fund to compensate parties who lose money as a direct consequence of the dishonesty of a Property Services Provider;
<ul style="list-style-type: none">• To develop Codes of Practice for Property Services Providers;
<ul style="list-style-type: none">• To establish and maintain a Public Register of Property Sales Prices;
<ul style="list-style-type: none">• To act as State Competent Authority for Money Laundering;
<ul style="list-style-type: none">• To undertake or commission research projects;
<ul style="list-style-type: none">• To advise the Minister for Justice, Equality and Law Reform on any matters relating to the above functions and keep the Minister informed of developments that would assist in developing policy.

Licensing

The Authority is responsible for the licensing of all property services providers in Ireland. It issues four different licence types, namely:

- ***Licence to Auction Property other than land (Licence Type A).***

This licence allows for the auction of a wide variety of property ranging from the auction of antiques, fine arts, goods and chattels, livestock, etc. As a consequence, the persons covered under this licence include such disparate entities as antiques and art dealers, second hand car dealers to livestock marts.

- ***Licence to sell land by whatever mean (Licence Type B)***

This licence permits the sale of land by either auction, private treaty or tender. The definition of land is that provided for in the Land and Conveyancing Law Reform Act 2009 and includes any estate or interest in or over land, mines and minerals and buildings or structures of any kind on land.

- ***Licence to let land (Licence Type C)***

This licence permits the letting of land on behalf of a third party. Any person holding such a licence may also manage the letting (i.e. provide maintenance services, cleaning services, rent collection services, etc. for the landlord). It is not necessary for a person holding a letting licence to also hold a Licence to provide Letting Management Services where the management type services is only being provided on the landlord's behalf.

- ***Licence to provide Property Management Services (Licence Type D)***

This licence permits the management of Multi-Unit Developments (e.g. apartment blocks) on behalf of a management body such as an Owner's Management Company. It covers all aspects of the management of such developments.

Any person may apply for one or more of the foregoing licences.

The year 2013 was the first full year of operation of the Authority. On its establishment in 2012 one of its first functions was to introduce a new licensing system and take over the licensing from the Courts and Revenue Commissioners. A licence is issued for a period of twelve months and under the licensing system which existed prior to the introduction of the 2011 Act the licensing year ran from 6th July to 5th July each year. When the Authority established the new licensing system it was necessary for it to accommodate existing licence holders. Consequently, for the vast majority of licensees their licensing year will continue to operate mid-year to mid year.

Because generally licences will operate over two separate reporting years it is necessary, in the initial stages of the development of the Authority, to present the licensing statistics over a period longer than the reporting period in order to properly explain them. In the period from 6th July 2012 to the end of 2013 a total of 6,243 licence applications were received. While the majority of these applications were received prior to December 2012 only 1,123 licences had been granted up to the end of 2012. The processing of licence applications for that licensing year was not completed until May 2013.

The reason for the delay in the processing of the licences can be attributed to a number of factors. Firstly, under the new system applicants were required, for the first time, to provide:

- an Accountant's Report that they had appropriate accounting procedures in place for the protection of client's money,
- evidence of their qualification to hold a licence,
- evidence that they were tax compliant and
- evidence that they had the appropriate level of Professional Indemnity Insurance.

The most significant difficulty encountered by applicants was providing evidence of their qualifications to hold a licence. In this regard it is important to note that when all of the licence applications for the licensing year 2012/2013 had been finalised over 80% of licensees had relied on their previous experience in the provision of the

property service for which they were seeking a licence rather than academic qualifications.

Because the majority of applicants had not previously engaged in such a process, many failed, in their initial application, to submit the required information/evidence in support of their applications. This resulted in the Authority having to refer back to applicants for additional information/evidence in the majority of cases (over 90%). Eventually by the end of May 2013 all of the 2012/2013 licence applications had been processed.

A second factor which contributed to the delay in processing was the fact that the data in respect of the 6,243 applicants, which is quite significant, was being captured for the first time.

A third factor contributing to the delay in processing was the limited staff resources available to the Authority. A total of only nine staff was assigned to the Authority on its establishment in 2012. No additional staff was assigned to the Authority until November 2013 when 5 new staff were engaged.

Because of these delays it was May 2013 before all of the applications for the licence year 2012/2013 were processed by which time their renewal for the licence year 2013/2014 was falling due. As a consequence licensing became the single most important activity of the Authority for 2013.

The main difficulty experienced by applicants with their original applications centred on providing evidence of their qualifications. However, unexpected difficulties, centred on the Accountant's Report required to be submitted with the applications for renewal of a licences, were experienced.

The Accountant's Report required to be submitted with a first application involves a declaration by the applicant that certain systems and procedures, as specified in the Client Account Regulations (S.I. 181 of 2012), will be in place for the protection of client moneys. However, the report to be submitted with an application for renewal requires the accountant to have carried out an examination of the transactions on the

accounts and sign a declaration that the applicant was during the “accounting period” fully compliant with his/her obligations under the regulations. There were considerable delays experienced in the furnishing of such reports with the result that, in some cases, applications for renewal could not be progressed for quite lengthy periods.

Notwithstanding the various delays encountered the Authority had fully processed some 4,706 applications for the renewal of licences before the end of 2013: The following are the details of the licences processed in 2013.

Licences Processed January to December 2013
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New Licences	
Applications July 2012 to Dec 2013	6,243
Licences Granted 2012	1,123
Licences Granted 2013	4,259
Licences Refused 2013	573
Ceased Trading	288

Renewals - 2013	
Renewal Licences Issued	4,202
Renewals Awaiting Information	439
Proposal To refuse	65

The distribution of licences issued up to the end of 2013 as between employers and employees is as follows:

Licensee Category	No Licences
Company	909
Partnership	80
Sole Trader	315
Independent Contractor	561
Employee	3517
Total	5382

Of the 5,382 licences granted between July 2012 and December 2013 some were in respect of a single licence type while others were for all four licence types. The breakdown of such licences is as follows:

Licences Issued by Licence Types	
Type of Licence Issued	Licences Issued
A	208
A,B	65
A,B,C	2358
A,B,C,D	732
A,B,D	6
A,C	14
A,C,D	2
A,D	6
B	162
B,C	579
B,C,D	267
B,D	1
C	259
C,D	192
D	531
Total	5382

Overall, in so far as the appreciation by licensees of the new regulatory framework is concerned, the response of licensees to the new requirements necessary to obtain a licence has shown a marked improvement. In particular this is evidenced by the more positive response of applicants in the licence renewal process than to the initial licence application process.

While there has been a marked improvement there are still far too many who do not yet appear to fully understand the implications for them of their failure to fully comply with their obligations.

2013 has for the most part involved the staff of the Authority in consolidating the licensing process. However, as the licensing system becomes less burdensome the focus of the staff of the Authority can turn more to the implementation of the Authority's other important regulatory functions such as the carrying out of compliance audits and the investigation of complaints.

Investigations

A central element of the Authority's regulatory powers is the investigation of Property Services Providers. There are two types of investigation which the Authority can undertake namely:

- the investigation of the standards in the provision of property services by service providers, and
- the investigation and adjudication of complaints made against service providers

The former type of investigation is in effect a form of compliance audit to ensure that service providers are fully compliant with their statutory obligations and that a high standard of service provision is maintained. The latter form of investigation is carried out on foot of a complaint of "improper conduct" made against a service provider.

However, before any such investigation can be carried out it is necessary for service providers to be licensed under the 2011 Act. As a consequence it was necessary to ensure that the licensing of service providers was fully implemented before one could embark on investigations. The protracted nature of the work involved in fully implementing the new licensing regime coupled with the limited staffing resources meant that work on the development of the necessary investigation procedures and undertaking investigations could not be commenced until the last quarter of 2013.

Nevertheless before the end of 2013 detailed procedures for carrying out investigations were prepared, a comprehensive complaints database was established, all complaints were logged recorded and analysed and work had commenced on the investigation of complaints.

In summary the basic legal framework and procedures for the investigation of complaints of "improper conduct" by a Licensed Property Service Provider are as follows:

- Any person may make a complaint to the Authority alleging that a Licensed Property Services Provider has engaged or is engaging in "improper conduct".

- The complaint must be in writing and include:
 - (i) Name, address and contact details of the complainant;
 - (ii) Name of the PSP against whom the complaint is being made (and address and contact details, if known);
 - (iii) Nature of the complaint, including any dealings with the PSP;
 - (iv) An indication of whether the complainant has already complained to the PSP (or any other body, such as a representative body) and the outcome;
 - (v) Relevant supporting documentation (e.g. letters, brochures, advertisements).
 - (vi) An indication of whether legal proceedings are in train or contemplated in relation to the matter complained of.

- All complaints must be signed and dated by the complainant or his/her representative.

- Only complaints which fall within the definition of “improper conduct” as provided for in the Act may be investigated. “Improper conduct” means the engagement by a service provider in any of the following:
 - (a) the commission by the service provider of an act which renders him/her no longer a fit and proper person to provide property services,
 - (b) the commission by the service provider of a contravention of the following sections of the Act—
section 28(1), 29(9), 31(5), 37(1), (2), (4), (5), (6) or (7), 41(1), 43(1), (2) or (3), 44, (2), 56(1), 57(1), 58(3), 59(1), 60(1), 61, or 81(1) or (2), or
 - (c) the commission by the service provider of a contravention of a provision of regulations made under section 46, 62 or 95 of the Act,
 - (d) the giving by the service provider of a statement of advised market value or advised letting value of land which is clearly unreasonable.

- The Authority must investigate all complaints where it is satisfied that the complaint:
 - is made in good faith, and

- is not frivolous or vexatious, and
 - is not without substance or foundation, and
 - is unlikely to be resolved by mediation or other informal means.
- Where the Authority decides that an investigation is not warranted it must write to the complainant and the service provider informing them of its decision and the reasons for it. It must also inform them that the decision may be appealed to the Property Services Appeal Board.
 - Where the Authority decides to investigate a complaint it must appoint an inspector to carry out the investigation and make a report to the Authority.
 - Where a complaint is withdrawn by a complainant, the Authority may proceed as if the complaint had not been withdrawn.
 - Where a person is found to have engaged in “improper conduct the Authority may impose either a minor or major sanction. Minor sanctions involve the issue of a caution, warning or reprimand and major sanctions involve the imposition of fines of up to €250,000 and the revocation of the service providers licence.
 - All correspondence between the Authority, the complainant and the service provider will be made available to all parties.
 - All correspondence between the inspector appointed by the Authority, the complainant and the service provider will be made available to all parties.
 - All Reports made by the inspector to the Authority will be made available to the complainant and the service provider who may make observations prior to the Authority making a determination on the complaint.
 - All determinations made by the Authority may be appealed either to the Property Services Appeals Board (minor sanctions only) or the High Court (major sanctions only).

Up to the end of 2013 a total of 348 complaints had been received. The nature of the complaints received covered a wide range of topics as follows:

Subject of Complaint	Number
Advertising	26
Advised Value	4
Client Account	17
Competence	5
Conduct of Auction	5
Confidentiality	3
Conflict of Interest	2
Contract with Client	5
Duty to Client	29
Duty to Customer	26
Ethical Conduct	33
Fees and/or Outlays	17
Indemnity Insurance	1
Information supplied to customer	3
Information supplied to public	3
No Letter of Agreement	7
Retention of Money	36
Service Provision	38
Unlicensed Operation	88
Total	348

Because of lack of staff it was not possible to assign any staff to deal with complaints until the last quarter of 2013. At the 31st December 2013 the status of all complaints received up to that date is as follows:

<u>Complaint Status</u>	
Initial Assessment Phase	201
Declined/Not Accepted	100
Outside Remit	9
Settled Agreed Between Parties	2
Withdrawn by Complainant	8
Inspection Phase	27
Appeal	1
Total	348

At the end of 2013 a total of 111 cases had been decided. The decision in most of these cases was to decline or not accept the complaint on the grounds that the subject matter of the complaint did not constitute improper conduct within the meaning of the Act or the matter complained of occurred before the coming into effect of the Act. A total of six investigators had been appointed and investigations were ongoing in 27 cases. A further 201 cases had been acknowledged but a determination as to whether or not to carry out an investigation had not yet been made. Findings of “improper conduct” had not issued in any case by the end of 2013.

Qualifications

Applicants for a Licence must meet certain “minimum qualification requirements” before a licence can be granted. A person must have either minimum academic qualifications or have appropriate experience in the provision of the property service for which the licence is sought.

On establishment of the Authority the minimum academic qualifications were set down and a person seeking a licence based on academic qualifications was required to have:

- a minimum of 120 European Credit Transfer and Accumulation System compatible higher education and training credits (ECTS) at, or equivalent to, levels 6 to 10 of the National Framework of Qualifications of the National Qualifications Authority of Ireland, or an equivalent framework of qualifications system in another jurisdiction, in specified subject areas and
- the credits had to have been awarded by a nationally recognised awarding body or bodies, or an equivalent body in another jurisdiction.

The specified subjects and number of credits necessary in each subject were as follows:

Subjects	No. ECTS
Valuations	7.5
Marketing/ Practice Knowledge	30
Economics	7.5
Law	30
Property Management	20
Building Construction/ Technical	7.5
Business Studies/Professional Development	7.5

In the course of 2013 it became apparent that while the subject areas were appropriate greater flexibility was necessary in relation to the level of ECTS required

in each subject. Accordingly, the Qualifications Sub-Committee of the Authority carried out a detailed review of the academic qualification requirements. Following its review the Sub-Committee recommended that:

- ❖ The core specified subject areas, which the Authority had previously approved, and which are set out in the Qualifications Regulations, should be maintained,
- ❖ Applicants must have been awarded 120 ECTS, compatible higher education and training credits, at levels 6 to 10 of the National Framework of Qualifications in the specified subject areas.
- ❖ Rather than the current requirement to attain a specific minimum level of ECTS in each of the specified subject areas the level of ECTS to be attained should be expressed as a range between a minimum and maximum value,
- ❖ The minimum value, across the full range of subjects, should not be less than 70 ECTS, and
- ❖ The ECTS applicable in respect of the individual subjects be amended as follows:

Subjects	No. ECTS	
	Min	Max
Valuations	10	20
Marketing/Practice Knowledge	15	30
Economics	5	20
Law	15	30
Property Management	10	20
Building Construction/Technical	10	20
Business Studies/Professional Development	5	20

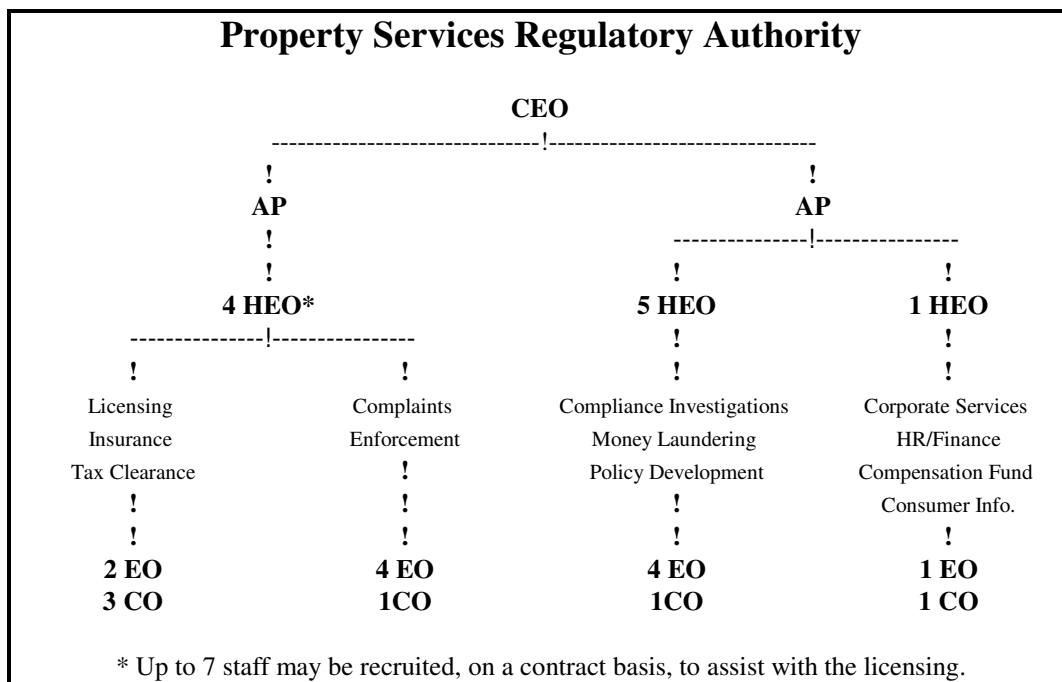
In addition the Sub-Committee recommended that persons holding a Masters qualification (90 ECTS), in the specified subject areas should be deemed to qualify to hold a licence.

The Authority accepted the recommendations of the Sub-Committee and decided that the new qualification criteria should be introduced.

Under the existing qualifications regulations the Authority may grant a licence to any person whom it considers has other qualifications which it deems appropriate. It was decided that in exercising its discretion under this provision the Authority would licence any person who met the new criteria.

Staffing Resources

Immediately preceding the establishment of the Authority a detailed submission was made to the Department of Justice and Equality setting out the organisational structure and staffing necessary to enable the Authority to carry out its functions. In addition to the CEO a total of 29 staff (2AP, 10HEO, 11EO and 6CO) were sought and the following organisational structure was proposed:



However, on the establishment of the Authority only 9 staff (3HEO, 3EO and 3CO) were assigned. For a period of 12 weeks from June to August 2013 a further 7 temporary clerical staff were assigned to assist with the licensing of Property services Providers.

In the course of 2013 extensive discussions were held with the Department of Justice and Equality regarding the staffing of the Authority. It was pointed out that the shortage of staff was hindering the Authority in the performance of its functions. In particular it was pointed out that the Authority would not be in a position to undertake the investigation of complaints or carry out compliance audits which were essential in ensuring that consumers were protected and that licensed property services providers complied fully with their statutory obligations.

The Department of Justice and Equality, having carefully examined the Authority's detailed submissions, accepted its proposals and sought sanction from the Department of Public Expenditure and Reform for the full complement of staff sought by the Authority. However, the Department of Public Expenditure and Reform stated that because of the difficult economic circumstances and Government policy on reducing public service numbers it was not in a position to sanction any additional staffing for the Authority. It stated that any additional staffing required by the Authority should be provided from within the existing resources of the Department of Justice and Equality.

Having carried out a full review of its own resources the Department of Justice and Equality indicated that, while it would be in a position to make a limited number of staff available to the Authority from within its own resources, it had encountered difficulties in getting staff who were prepared to be reassigned to the Authority's Headquarters in Navan, Co. Meath. The Authority indicated to the Department that, in order to accommodate the reassignment of additional staff, it was prepared to open an office in Dublin for the purpose of investigating complaints in Dublin and its environs. At the end of November 2013 the Authority opened an office in Dublin and 6 additional staff (2AP, 1 HEO, 2EO and 1CO) were assigned for the purpose of investigating complaints.

The Authority pointed out that even with the additional staff assigned it was still significantly understaffed. It indicated that while it would be possible to commence the investigation of complaints there was already a significant backlog in this area which would continue to grow.

At the end of 2013 the staffing compliment of the Authority was 2AP, 4HEO, 5EO and 4CO which represent a little over 50% of the Authority's minimum staffing requirement. The Authority indicated that with this level of staffing the Authority would not be in a position to investigate complaints in a timely manner and that arrears would continue to increase. In addition a vital element of the Authority's regulatory function, namely compliance audit, could not be undertaken.

It was proposed to the Department of Justice and Equality that if the Department of Public Expenditure and Reform was not in a position to sanction additional staff and if the Department itself was not in a position to provide additional staffing from within its own resources it would be necessary to consider outsourcing some of the complaints investigation and compliance audit work in order for the Authority to fully comply with its statutory obligations. The Department of Justice and Equality undertook to investigate this option with the Department of Public Expenditure and Reform.

Compensation Fund

Under the Act the Authority is required to establish a Compensation Fund. The purpose of the Fund is to compensate persons who sustain loss due to the dishonesty of a service provider. The Authority is required to ensure that the amount standing to the credit of the Fund is maintained at a minimum of €2M. and this must be achieved within 4 years of its establishment.

The level of contribution payable to the Fund by a Property Services Employer is €200 per annum while that for an employee is €50 per annum.

Compensation

The Authority, where it is satisfied that a client of a Property Services Provider has sustained a loss as a result of the dishonesty of the Property Services Provider must, subject to the conditions set out below, pay compensation from the Fund to the client.

The Authority has discretion to make or refuse compensation where it considers that—

- the Property Services Provider did not have a licence at the time the loss was sustained,
- the client's dishonesty/negligence contributed to the loss,
- the client contributed (including by omission) to improper conduct by the Property Services Provider.

The Authority, if satisfied that the financial stability of the Fund requires it, may postpone payment of any grant or any instalment of any grant and compensation may be paid either in a lump sum or in instalments.

The amount of compensation must be such as represents, in the opinion of the Authority, the reimbursement of the amount or value of the loss sustained by the client concerned and the reasonable costs incurred by the client in seeking to recover it with interest but excluding damages.

The Authority must, to the amount of the compensation paid, be subrogated:

- (a) to any rights or remedies to which the client was entitled on account of the loss against the Property Services Provider,
- (b) to any rights or remedies to which the Property Services Provider was entitled on account of the loss against any other person, and
- (c) to all other rights and remedies (if any) of that client in respect of the loss.

Management of the Fund

The Authority

- is deemed to hold on trust all moneys paid to the Fund and must deposit that money in an account that is separate from any other moneys.
- may invest moneys of the Fund in securities in which trustees are authorised by law to invest trust funds.
- may borrow for the Fund and, for the purpose of giving security with respect to such borrowing, may charge investments of the Fund.
- may insure against any risk relating to the Fund.

The following must be paid into the Fund—

- all appropriate contributions to the Fund,
- all interest, dividends and other income and accretions of capital arising from the investment of the Fund or any part of it,
- the proceeds of any realisation of any investments of the Fund,
- all moneys borrowed for the purposes of the Fund,
- all moneys received by the Authority under any insurance effected by the Authority,
- any other moneys which may belong to or accrue to the Fund or be received by the Authority in respect of it.

The following must be paid out of the Fund—

- costs, charges and expenses incurred in maintaining, protecting, administering and applying the Fund,
- premiums on any insurance effected by the Authority,
- repayments of moneys borrowed by the Authority for the Fund and payments of interest on such moneys,
- payments of any grants which the Authority may make,
- costs, charges and expenses incurred by the Authority in the administration of the Fund or investigation of claims,
- other sums properly payable out of the Fund.

At the 31st December 2013 the amount standing to the credit of the Fund was over €1M. On the basis of the number of licences granted up to the end of 2013 the requirement to have €2M in the Fund within 4 years of the establishment of the Authority can be achieved by maintaining the current level of contributions.

Up to the end of 2013 no compensation had been paid out of the Fund.

Public Registers

The Act requires that the Authority establish and maintain a number of Public Registers. In September 2012 the Authority established and published its first public register: the Residential Property Price Register. In 2013 it published a further two Public Registers namely the Register of Licensed Property Services Providers and the Register of Commercial Leases.

Residential Property Price Register

The Register includes information on residential properties purchased in Ireland since the 1st January 2010, as declared to the Revenue Commissioners for stamp duty purposes.

It contains the price paid for individual properties and contains details of all residential sales – both cash sales and sales with mortgage. The particulars published in the Register include the price, the date of sale and the address (including house number) of each residential property sold in Ireland since January 2010. The information is updated on a regular basis and the information is published within a month of the date of sale of the property.

The Register can be searched by reference to a number of criteria including all sales by county, city or town, individual property address and by year.

From its initial publication at the end of September to the end of December 2013 the site had over 2 million visits.

Register of Licensed Property Services Providers

The Authority is required under the Act to publish particulars of all Property Services Provider licensed by it. This Register was published in March 2013. It contains the following information on all persons licensed by the Authority:

- Name of Licensee
- Address of Licensee
- Category of Licensee (i.e. Company, Partnership, Sole Trader, Employee)

- Type of Licence held
- Licence Expiry Date

The Register is updated on a weekly basis.

Register of Commercial Leases

The establishment of a commercial leases database was recommended by the Working Group on Transparency in Commercial Rent Reviews, which reported in August 2010. The Working Group's membership was largely drawn from those active in the commercial property market.

The Group's recommendation was based on the absence of a readily available system for obtaining accurate information in order to determine the market rent payable in respect of any given set of commercial premises. Accurate information as to recent transactions in the relevant sector of the market was seen as being of importance, not only to rent reviews, but to the operation of the letting market itself.

The Authority established the Commercial Leases Register in October 2013. The register contains information on all leases entered into since 1 January 2010 of which there were over 25,000 entries up to end of December 2013.

The information which is included in respect of all such leases is as follows:

- The address of the leased commercial property;
- The date of the lease of the property;
- The term of years of the lease; and
- The rent payable in respect of the property.

All the above information is available free of charge.

With effect from the date of the establishment of the Authority on 3rd April 2012 there is a statutory obligation on tenants of commercial properties to furnish the following additional information to the Authority:

- The commencement date of the terms of the lease;
- The capital consideration (if any) to be paid by the tenant or landlord in respect of the commercial property the subject of the lease;
- The frequency of the rent review in respect of the property;
- The particulars relating to who is liable in respect of the rates, insurance, service charges and repairs in respect of the property;
- The net floor area, per each floor, of the property;
- The particulars (if any) relating to rent-free periods, fitting out time allowed, fit out allowances and capital contributions in respect of the property;
- The particulars relating to any break-in clause in the lease;
- The certificate identification number within the meaning of the Stamp Duty (E-stamping of Instruments) Regulations 2009.

This additional information may be purchased online from the PSRA for a fee of €10 per lease.

Tenants or their agents are required under the Act to furnish the relevant information to the PSRA within 30 days of receipt by them of the stamp certificate from the Revenue Commissioners. A person who fails to provide the relevant information to the Authority is guilty of an offence and liable to a fine of up to €5,000.

Between April 2012 and December 2013 over 9,000 commercial leases had been entered into. The Authority wrote to all of those concerned and reminded them of their statutory obligations. However, while the information may be furnished to the Authority on-line the response by tenants up to the end of December 2013 was very poor with just over 200 returns being made.

Financing the Authority

Each year the fees generated by the Authority are paid into the Exchequer and financial provision is then made by the Exchequer to the Authority.

In effect the cost of running the Authority is not borne by the Exchequer but by the fees which the Authority generates.

The Authority is required by law to be self financing. All of its costs, including staff costs, must be financed from the fees it generates.

Of particular relevance in this regard is the provision in section 25(3) of the Act which states:

“(3) The total amount of the fees charged annually under this Act shall, as nearly as may be, taking one year with another, be equal to the total expenditure incurred annually in the administration of this Act.”

The fees generated from licensing during 2013 totalled €2.1M.

All income earned by the Authority must be returned to the Exchequer and a grant is made annually from the Exchequer to fund the Authority. Since its establishment in April 2012 up to the 31st December 2013 the Authority returned €4.5M to the Exchequer. In that period the total amount of the grants made from the Exchequer to the Authority has only been €1.59M.

Appendix I
Financial Report



Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Property Services Regulatory Authority

I have audited the financial statements of the Property Services Regulatory Authority for the year ended 31 December 2013 under the Property Services (Regulation) Act 2011. The financial statements, which have been prepared under the accounting policies set out therein, comprise the statement of accounting policies, the income and expenditure account, the balance sheet, the cash flow statement and the related notes. The financial statements have been prepared in the form prescribed under Section 22 of the Act, and in accordance with generally accepted accounting practice in Ireland.

Responsibilities of the Property Services Regulatory Authority

The Authority is responsible for the preparation of the financial statements, for ensuring that they give a true and fair view of the transactions of the Authority and of the state of its affairs and for ensuring the regularity of transactions.

Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and report on them in accordance with applicable law.

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation.

My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made in the preparation of the financial statements, and
- the overall presentation of the financial statements.

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

In addition, I read the Authority's annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the financial statements

In my opinion, the financial statements which have been prepared in accordance with generally accepted accounting practice in Ireland, give a true and fair view, of the state of the Authority's affairs at 31 December 2013 and of its income and expenditure for 2013.

In my opinion, proper books of account have been kept by the Authority. The financial statements are in agreement with the books of account.

Matters on which I report by exception

I report by exception if

- I have not received all the information and explanations I required for my audit, or
- my audit noted any material instance where money has not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information given in the Authority's annual report is not consistent with the related financial statements, or
- the statement on internal financial control does not reflect the Authority's compliance with the Code of Practice for the Governance of State Bodies, or
- I find there are other material matters relating to the manner in which public business has been conducted.

I have nothing to report in regard to those matters upon which reporting is by exception.

Andrew Harkness

For and on behalf of the
Comptroller and Auditor General
August 2014

Financial Statements
Property Services Regulatory Authority
For the year ended 31 December 2013

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PROPERTY SERVICES REGULATORY AUTHORITY

STATEMENT OF AUTHORITY MEMBERS' RESPONSIBILITIES


Section 22 (2) of the Property Services (Regulation) Act 2011, requires the Authority to prepare financial statements in such forms and in respect of such accounting periods as may be approved by the Minister for Justice and Equality with the consent of the Minister for Public Expenditure and Reform. In preparing the financial statements, the Authority is required to:

- Select appropriate 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 the Authority will continue in operation.
- State where 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 books of account which disclose with reasonable accuracy at any time the financial position of the Authority and which enable it to ensure that the financial statements comply with Section 22(2) 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.


Mr. Tom Lynch, Chief Executive:

Date: 28/5/14


Ms. Geraldine Clarke, Chairperson:

Date: 28/5/14

PROPERTY SERVICES REGULATORY AUTHORITY

STATEMENT ON INTERNAL FINANCIAL CONTROL

On behalf of the Property Services Regulatory Authority, we hereby acknowledge our responsibility for ensuring that an appropriate system of internal financial control is in operation in the Authority.

We are satisfied that the systems, which the Authority 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 Finance.


The Chief Executive Officer reviews the account of expenditure recorded on a monthly basis together with income received.

The Authority takes the major strategic decisions and meets at regular intervals to monitor performance and plans. The executive management only act within the authority delegated to them by the Authority to give effect to the Authority's policy and decisions.


A detailed procedural manual has been prepared and put in place. Where possible, staff duties are appropriately divided taking account of the risks involved and the limited number of staff. The following specific procedures are in place in order to provide effective financial control.

1. Formal procedures are in place for the purchase of all goods and services, for approval of invoices in respect of goods and services and authorisation of payment in respect of goods and services. Procedures in this regard have been strengthened during the year through the implementation of recommendations emerging from internal audits.
2. Monthly management accounts are reviewed by the Chief Executive Officer.
3. The Authority's financial control procedures are subject to review by the Department of Justice and Equality internal audit division.
4. The Department of Justice Audit Committee reviews the work of internal audit.
5. The Authority is compliant with all relevant guidelines regarding procurement and is complying with all circulars relating to the mandatory use of framework agreements and contracts.

We confirm that the Board conducted a review of the effectiveness of the system of internal financial control in respect of the year ended 31 December 2013.


Mr. Tom Lynch, Chief Executive:

Date: 28/8/14


Ms. Geraldine Clarke, Chairperson:

Date: 28/8/14

PROPERTY SERVICES REGULATORY AUTHORITY

STATEMENT OF ACCOUNTING POLICIES

Basis of Accounts

The financial statements have been prepared under the accruals method of accounting, except where stated below, and in accordance with generally accepted accounting principles under the historical cost convention and in the form approved by the Minister for Justice and Equality with the consent of the Minister for the Department of Public Expenditure and Reform. Reporting standards, recommended by the recognised accountancy bodies, are adopted as they become operative.

Income Recognition

Grant income from the Department of Justice and Equality and licence fee income are reported on a cash receipts basis. Licence fee income is recognised upon receipt of an application for a licence. Licence fee income is remitted on a quarterly basis to the Department of Justice and Equality. It is recorded as appropriations-in-aid in the Department's accounts. The Authority retains a balance in its accounts for refunding of fees.

Section 77(1) of the Act requires the Authority to establish, administer and maintain a fund to be known as the Property Services Compensation Fund. The accounts of the Fund are prepared and audited separately in accordance with Schedule 6 of the Act.

Expenditure

Payroll is processed by the Department of Justice and Equality and recorded in the financial statements on a cash payments basis.

All of the Authority's staff have been seconded from the Department of Justice and Equality. Pension liabilities of such staff will be met out of Superannuation Vote 12 and no provision has been made in these financial statements in respect of these costs.

Tangible Fixed Assets

Fixed assets are shown at the net book value at date of transfer to the Authority.

Fixed assets are depreciated on a straight-line basis over their estimated useful life starting in the month the asset is placed in service.

Furniture	10% Straight Line
IT Hardware & Software	20% Straight Line
Office Equipment	20% Straight Line

Capital Account

The capital account represents the unamortised value of income applied for capital expenditure.

PROPERTY SERVICES REGULATORY AUTHORITY


**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013**

Income	Notes	2013	9 months to
		€	31/12/2012
		€	€
Oireachtas Grant	1	832,166	558,916
Income	2	2,107,200	2,355,812
Transfer from Capital Account	6	3,738	5,844
Total Income		2,943,104	2,920,572
Expenditure			
Staff costs	3	664,307	448,604
Administration	4	196,882	112,722
Audit fee		8,150	5,000
Depreciation	5	3,738	5,844
Total Expenditure		873,077	572,170
Net Income		2,070,027	2,348,402
Remittance to the Department of Justice and Equality		(2,350,000)	(2,000,000)
Operating (deficit)/surplus for the period		(279,973)	348,402
Surplus transferred from interim operation		-	42,703
Surplus at the beginning of the year		391,105	-
Surplus at the end of the year		111,132	391,105

The Statement of Accounting Policies and notes 1 to 13 form part of these financial statements.


Mr. Tom Lynch, Chief Executive:

Date: 28/8/14


Ms. Geraldine Clarke, Chairperson:

Date: 28/8/14

PROPERTY SERVICES REGULATORY AUTHORITY

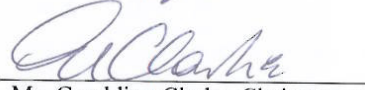
BALANCE SHEET AS AT 31 DECEMBER 2013

Fixed Assets	Notes	2013	9 months to 31/12/2012
		€	€
Tangible fixed assets	5	2,654	6,392
Current Assets			
Bank and cash		105,791	349,058
Stocks	7	21,968	35,359
Debtors and prepayments		25,733	35,482
		153,492	419,899
Current liabilities			
Creditors and accruals		42,360	28,794
		111,132	391,105
Net Current Assets		113,786	397,497
Total Assets Less Current Liabilities		113,786	397,497
Financed By			
Capital Account	6	2,654	6,392
Income and Expenditure Account		111,132	391,105
		113,786	397,497

The Statement of Accounting Policies and notes 1 to 13 form part of these financial statements.


 Mr. Tom Lynch, Chief Executive:

Date: 28/8/14


 Ms. Geraldine Clarke, Chairperson:

Date: 28/8/14

PROPERTY SERVICES REGULATORY AUTHORITY


CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

Reconciliation of operating surplus to net cash inflow/(outflow) from operating activities	2013	9 months to 31/12/2012
		€
Operating (deficit)/surplus for period	(279,973)	348,402
Depreciation of tangible assets	3,738	5,844
Transfer (from) capital account	(3,738)	(5,844)
Decrease/(Increase) in stock	13,391	11,068
Decrease/(Increase) in debtors and prepayments	9,749	(34,764)
(Decrease)/Increase in creditors and accruals	13,566	24,246
		<hr/>
Net cash inflow/(outflow) from operating activities	(243,267)	348,952
		<hr/>
Increase/(decrease) in cash	(243,267)	348,952
		<hr/>
Reconciliation of net cashflow to movement in net (debt)/funds		
Net funds at start of period	349,058	106
Net funds at end of period	105,791	349,058
		<hr/>
Increase/(decrease) in cash	(243,267)	348,952
		<hr/>

The Statement of Accounting Policies and notes 1 to 13 form part of these financial statements.


 Mr. Tom Lynch, Chief Executive:

Date: 28/8/14


 Ms. Geraldine Clarke, Chairperson:

Date: 28/8/14

PROPERTY SERVICES REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2013

1 Oireachtas Grant	2013	9 months to
	€	31/12/2012
	€	€
Vote 24 – Justice and Equality	832,166	558,916

Funding is provided by the Department of Justice and Equality which makes all payments on behalf of the Authority. The total grant matches the sum charged to the Appropriation Account of that Department.

2 Income	2013	9 months to
	€	31/12/2012
	€	€
Licence fee income received	2,327,420	2,348,950
Less refunds	<u>(221,100)</u>	2,106,320
Commercial property register access fees	880	-
Social Protection receipts	-	6,862
Total income	<u>2,107,200</u>	<u>2,355,812</u>

Auctioneers, Estate Agents, Letting Agents and Property Management Agents must be licensed and regulated by the Authority. Licence Fees are payable on an annual basis. The 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 in to operation on 30 May 2012. The Property Services (Regulation) Act 2011 (Licensing) Regulations 2012 sets out the fee for the issue or renewal of a licence: property services employer €1,000, independent contractor €1,000 and principal officer or employee €100.

3 Staff Costs	2013	9 months to
	€	31/12/2012
	€	€
Wages and salaries	657,353	439,578
Travel and subsistence	6,954	9,026
Total	<u>664,307</u>	<u>448,604</u>

The Authority employed 15.7 whole time equivalent permanent staff and 7 temporary staff in 2013.

4 Administration Costs

	2013	9 months to 31/12/2012
	€	€
Board member fees	50,872	38,155
Postage and telecommunications	61,034	8,527
Office machinery and other office supplies	58,025	28,407
Office cleaning and maintenance	6,622	16,238
Light & Heat	9,528	-
Legal fees	7,500	-
Bank fees	359	50
General expenses	2,942	21,345
	196,882	112,722

5 Fixed Assets

	IT	Office Equipment	Furniture	Total
	€	€	€	€
Cost				
At 1 January 2013 ¹	7,652	2,950	1,634	12,236
Additions	-	-	-	-
Disposals	-	-	-	-
At 31 December 2013	<u>7,652</u>	<u>2,950</u>	<u>1,634</u>	<u>12,236</u>
Accumulated Depreciation				
At 1 January 2013	2,822	2,322	700	5,844
Charged in the year ²	2,490	314	934	3,738
Disposals	-	-	-	-
At 31 December 2013	<u>5,312</u>	<u>2,636</u>	<u>1,634</u>	<u>9,582</u>
Net Book Value				
At 1 January 2013	<u>4,830</u>	<u>628</u>	<u>934</u>	<u>6,392</u>
At 31 December 2013	<u>2,340</u>	<u>314</u>	<u>-</u>	<u>2,654</u>

¹ Assets were transferred to the Authority at their net book value on 3 April 2012.

² Depreciation was charged in the year on the original purchase cost of the assets.

6 Capital Account

	2013	9 months to 31/12/2012
	€	€
Balance at 1 January 2013	6,392	12,236
Amortisation in line with depreciation	3,738	5,844
	<u>2,654</u>	<u>6,392</u>

7 Stock

	2013	9 months to 31/12/2012
	€	€
Stationery	11,379	17,342
Photocopying / IT	10,469	17,262
Miscellaneous	120	755
	21,968	35,359

8 Pension Levy

Salary costs included in this account are the gross costs to the Authority for the period. The Department of Justice and Equality pays salaries on behalf of the Authority. Pension levy deductions, as per Section 2(3) of the Financial Emergency Measures in the Public Interest Act 2009 (No. 5 of 2009), are made by the Department and are retained as Appropriations-in-Aid for that Department.

9 Premises

The Authority operates from accommodation at Main Street, Navan, Co Meath which is provided free of charge by the Office of Public Works. The Authority also occupies an office in Bishop's Square, Dublin 1 for the purpose of investigating complaints since December 2013.

10 Members Declaration of Interests

The Authority adopted procedures in accordance with guidelines issued by the Department of Public Expenditure and Reform in relation to the disclosure of interests by members and those procedures were adhered to in the period. There were no transactions in the period in relation to the Authority's activities in which members had any beneficial interest.

11 Chief Executive Remuneration

The Chief Executive's remuneration for the period was made up of an annual basic salary of €105,429. In addition the Chief Executive accrued approximately €3,500 in respect of travel and subsistence expenses for the period in accordance with civil service travel and subsistence rates. The Chief Executive's pension entitlements do not extend beyond the standard entitlements in the public sector defined benefit superannuation scheme. No performance related payments were made in 2013.

12 Board Member Fees

The Property Services Regulatory Authority Board was set up on 3 April 2012. Fees of €38,155 were paid to the Authority board members in 2012, with €50,872 paid in 2013 as follows;

Board Member	2013	9 months to
	€	31/12/2012 €
Geraldine Clarke (Chairperson)	8,977	6,732
Paul Mooney	5,985	4,489
Patrick Davitt	5,985	4,489
Myles O'Reilly	5,985	4,489
Josephine Henry	5,985	4,489
James Doorley	5,985	4,489
Edward Carey	5,985	4,489
Deirdre Fox	5,985	4,489
	50,872	38,155

13 Approval of financial statements

These accounts were approved by the Authority on 28 August 2014.



Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Property Services Compensation Fund

I have audited the financial statements of the Property Services Compensation Fund for the year ended 31 December 2013 under the Property Services (Regulation) Act 2011. The financial statements, which have been prepared under the accounting policies set out therein, comprise the statement of accounting policies, the income and expenditure account, the balance sheet, the cash flow statement and the related notes. The financial statements have been prepared in the form prescribed under schedule 6 of the Act, and in accordance with generally accepted accounting practice in Ireland.

Responsibilities of the Property Services Regulatory Authority

The Authority is responsible for the preparation of the financial statements, for ensuring that they give a true and fair view of the transactions of the Fund and of the state of its affairs and for ensuring the regularity of transactions.

Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and report on them in accordance with applicable law.

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation.

My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made in the preparation of the financial statements, and
- the overall presentation of the financial statements.

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

Opinion on the Financial Statements

In my opinion, the financial statements, which have been properly prepared in accordance with generally accepted accounting practice in Ireland, give a true and fair view of the state of affairs of the Fund for the year ended 31 December 2013 and of its transactions for 2013.

In my opinion, proper books of account have been kept by the Authority. The financial statements are in agreement with the books of account.

Matters on which I report by exception

I report by exception if

- I have not received all the information and explanations I required for my audit, or
- my audit noted any material instance where money has not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- I find there are other material matters relating to the manner in which public business has been conducted.

I have nothing to report in regard to those matters upon which reporting is by exception.

Andrew Harkness

For and on behalf of the
Comptroller and Auditor General

27 August 2014

Financial Statements

Property Services Compensation Fund

For the year ended 31 December 2013

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PROPERTY SERVICES COMPENSATION FUND

**STATEMENT OF PROPERTY SERVICES REGULATORY AUTHORITY
MEMBERS' RESPONSIBILITIES**


Section 22(2) of the Property Services (Regulation) Act 2011, requires the Authority to prepare financial statements in such forms and in respect of such accounting periods as may be approved by the Minister for Justice and Equality with the consent of the Minister for Public Expenditure and Reform. In preparing the financial statements, the Authority is required to:

- Select appropriate 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 the Authority will continue in operation.
- State where 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.


Mr. Tom Lynch, Chief Executive:

Date: 28/8/14


Ms. Geraldine Clarke, Chairperson:

Date: 28/8/14

PROPERTY SERVICES COMPENSATION FUND

STATEMENT ON INTERNAL FINANCIAL CONTROL

On behalf of the Property Services Regulatory Authority, we hereby acknowledge our responsibility for ensuring that an appropriate system of internal financial control is in operation in the Authority.

We are satisfied that the systems, which the Authority 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 Finance.

The Chief Executive Officer reviews the account of expenditure recorded on a monthly basis together with income received.

The Authority takes the major strategic decisions and meets at regular intervals to monitor performance and plans. The executive management only act within the authority delegated to them by the Authority to give effect to the Authority's policy and decisions.


A detailed procedural manual has been prepared and put in place. Where possible, staff duties are appropriately divided taking account of the risks involved and the limited number of staff. The following specific procedures are in place in order to provide effective financial control.

1. Formal procedures are in place for the purchase of all goods and services, for approval of invoices in respect of goods and services and authorisation of payment in respect of goods and services. Procedures in this regard have been strengthened during the year through the implementation of recommendations emerging from internal audits.
2. Monthly management accounts are reviewed by the Chief Executive Officer.
3. The Authority's financial control procedures are subject to review by the Department of Justice and Equality internal audit division.
4. The Department of Justice Audit Committee reviews the work of internal audit.
5. The Authority is compliant with all relevant guidelines regarding procurement and is complying with all circulars relating to the mandatory use of framework agreements and contracts.

We confirm that the Board conducted a review of the effectiveness of the system of internal financial control in respect of the year ended 31 December 2013.


Mr. Tom Lynch, Chief Executive:

Date: 28/8/14


Ms. Geraldine Clarke, Chairperson:

Date: 28/8/14

PROPERTY SERVICES COMPENSATION FUND

STATEMENT OF ACCOUNTING POLICIES

1. Basis of Accounts

The Property Services Regulatory Authority was established by statute on 3 April 2012. 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.

The financial statements have been prepared under the accruals method of accounting, except where stated below, and in accordance with generally accepted accounting principles under the historical cost convention and in the form approved by the Minister for Justice and Equality with the consent of the Department of Public Expenditure and Reform. Reporting Standards, recommended by the recognised accountancy bodies, are adopted as they become operative.

2. Income Recognition

Contributions to the Fund are reported on a cash received basis.

3. 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.

4. Awards

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.

PROPERTY SERVICES COMPENSATION FUND


**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	2013 €	9 months to 31/12/2012 €
Income			
Contributions to the Fund	1	902,540	167,800
Deposit Interest received	1	5,517	-
Total Income		<u>908,057</u>	<u>167,800</u>
Expenditure			
Administration		-	-
Total Expenditure		<u>-</u>	<u>-</u>
Surplus for the period		908,057	167,800
Surplus at the beginning of the year		167,800	-
Surplus at the end of the year		<u><u>1,075,857</u></u>	<u><u>167,800</u></u>

The Statement of Accounting Policies and notes 1 and 2 form part of these financial statements


Mr. Tom Lynch, Chief Executive:

Date: 28/8/14


Ms. Geraldine Clarke, Chairperson:

Date: 28/8/14

PROPERTY SERVICES COMPENSATION ACCOUNT

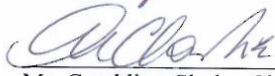
BALANCE SHEET AS AT 31 DECEMBER 2013

	2013	9 months to
	€	31/12/2012
		€
Current Assets		
Bank and cash	1,075,857	167,800
	<u>1,075,857</u>	<u>167,800</u>
Current liabilities		
Creditors and accruals	-	-
	<u>-</u>	<u>-</u>
Net Current Assets	<u>1,075,857</u>	<u>167,800</u>
Total Assets	<u>1,075,857</u>	<u>167,800</u>
Financed By		
Income and Expenditure Account	1,075,857	167,800
	<u>1,075,857</u>	<u>167,800</u>

The Statement of Accounting Policies and notes 1 and 2 form part of these financial statements.


Mr. Tom Lynch, Chief Executive:

Date: 28/8/14


Ms. Geraldine Clarke, Chairperson:

Date: 28/8/14

PROPERTY SERVICES COMPENSATION FUND CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

Reconciliation of operating surplus to net cash inflow/(outflow) from operating activities

	2013	9 months to 31/12/2012
	€	€
Increase/(decrease) in contributions to the Fund	908,057	167,800
Decrease/(increase) in Debtors and Prepayments	-	-
(Decrease)/increase in Creditors and Accruals	-	-
Net cash inflow/(outflow) from operating activities	908,057	167,800
Increase/(decrease) in cash	908,057	167,800


Reconciliation of net cashflow to movement in net (debt)/funds

	2013	9 months to 31/12/2012
	€	€
Net funds at 1 January	167,800	-
Net funds at 31 December 2013	1,075,857	167,800
Increase/(decrease) in Cash	908,057	167,800

The Statement of Accounting Policies and notes 1 and 2 form part of these financial statements.


Mr. Tom Lynch, Chief Executive:

Date: 28/8/14


Ms. Geraldine Clarke, Chairperson:

Date: 28/8/14

PROPERTY SERVICES COMPENSATION FUND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

1. Compensation Fund Income

	2013	9 months to 31/12/2012
	€	€
Contributions to the Fund	902,540	167,800
Deposit interest received	5,517	-
	908,057	167,800

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.

2. Commitments

No awards were made out of the Fund for the year ended 31 December 2013 and there are no outstanding commitments to grant awards at year end.

Appendix I I

List of Specified Letters of Engagement

LETTERS OF ENGAGEMENT

The Property Services (Regulation) Act 2011 requires all Licensees to issue a Letter of Engagement to Clients in the form specified by the Authority.

Only the Letters of Engagement set out hereunder may be used by Licensees.

Failure to use the specified Letters of Engagement is “Improper Conduct” within the meaning of the Act.

Licensees, which the Authority finds engaging in “Improper Conduct”, will be sanctioned by the Authority.

The sanctions which the Authority may impose include the following:

- * Caution, warn or reprimand the Licensee;
- * Direct Licensee to pay up to €50,000 to Fund;
- * Impose fines of up to €250,000 on Licensees;
- * Suspend or revoke the Licensee’s licence.

The following specified Letters of Engagement are available on the Authority’s website www.psr.ie

Auctions

Services Agreement for Auction of Property other than Land Sole Agency
Services Agreement for Auction of Land Sole Agency
Services Agreement for Auction of Livestock by Mart

Sale of Land Other Than by Auction

Services Agreement for Sale of Land Multiple Agency
Services Agreement for Sale of Land Sole Agency
Services Agreement for Sale of Land Joint Sole Agency

Letting of Land

Services Agreement for Letting of Land Joint Sole Agency
Services Agreement for Letting of Land in Conacre or for Agistment
Services Agreement for Letting of Land Sole Agency
Services Agreement for Letting of Land Multiple Agency

Purchase of Land

Services Agreement for Purchase of Land Sole Agency

Property Management

Services Agreement for the Provision of Property Management Services