

**PRIVATE RESIDENTIAL TENANCIES BOARD**

**Report and Financial Statements  
for the period 1 September 2004 (date of establishment)  
to 31 December 2004**

# PRIVATE RESIDENTIAL TENANCIES BOARD

## Report and Financial Statements

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# Private Residential Tenancies Board

## Information

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### MEMBERS OF THE PRIVATE RESIDENTIAL TENANCIES BOARD

Tom Dunne, Chairperson	Head of School of Real Estate and Construction Economics, Dublin Institute of Technology
James Bridgeman	Barrister-at-Law, Lecturer in Law, ITT Dublin
Anne Colley	Solicitor
Aideen Hayden	Solicitor and Chairperson of Threshold
Mary Heaslip	Auctioneer and Valuer
Sheila McMahon	Assistant Principal Officer, Department of the Environment, Heritage and Local Government
Fintan McNamara	Irish Property Owners' Association
Marjorie Murphy	Solicitor
Conn Murray	City Manager, Waterford City Council
Liam O'Donnell	Auctioneer and Valuer and CEO of the Institute of Professional Auctioneers and Valuers
Dr. Eoin O'Sullivan	Lecturer in Social Policy, School of Social Work and Social Policy, Trinity College Dublin
Dervla Quinn	Solicitor
Dr. Bairbre Redmond	Associate Dean, Department of Applied Social Science, University College Dublin
Pat Riney	Auctioneer and Valuer
Tony Taaffe	Solicitor

# **Private Residential Tenancies Board**

## **Report of the Comptroller and Auditor General**

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### **Report of the Comptroller and Auditor General for presentation to the Houses of the Oireachtas**

I have audited the financial statements of the Private Residential Tenancies Board for the period ended 31 December 2004 under the Residential Tenancies Act 2004.

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 and the related notes.

### **Respective Responsibilities of the Board and the Comptroller and Auditor General**

The Board is responsible for preparing the financial statements in accordance with the Residential Tenancies Act 2004 and for ensuring the regularity of transactions. The Board prepares the financial statements in accordance with Generally Accepted Accounting Practice in Ireland. The accounting responsibilities of the Members of the Board are set out in the Statement of Responsibilities of the Board.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report my opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland. I also report whether in my opinion proper books of account have been kept. In addition, I state whether the financial statements are in agreement with the books of account.

I report any material instance where moneys have not been applied for the purposes intended or where the transactions do not conform to the authorities governing them.

I also report if I have not obtained all the information and explanations necessary for the purposes of my audit.

I review whether the Statement on Internal Financial Control reflects the Board's compliance with the Code of Practice for the Governance of State Bodies and report any material instance where it does not do so, or if the statement is misleading or inconsistent with other information of which I am aware from my audit of the financial statements. I am not required to consider whether the Statement on Internal Financial Control covers all financial risks and controls, or to form an opinion on the effectiveness of the risk and control procedures.

# Private Residential Tenancies Board

## Report of the Comptroller and Auditor General

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### **Basis of Audit Opinion**

In the exercise of my function as Comptroller and Auditor General, I conducted my audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and by reference to the special considerations which attach to State bodies in relation to their management and operation. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations that I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Qualified Opinion on the appropriateness of the accounting policy for recognising income, and in relation to the keeping of proper books of account**

As outlined in Note 2 to the financial statements, during the Board's start-up phase in 2004 and 2005 its systems did not record the dates on which valid applications and fees were received. At 31 December 2004 an estimated 40,000 unprocessed applications were on hands together with the applicants' fees which were not recorded in the books of account. With the resources available to it at the time the Board only recorded income in respect of approximately 2,000 applications which had been processed and the monies lodged to the bank account before the year end. As a consequence, the Board has recognised fee income in the financial statements on the basis of when the related applications were processed and accepted. However, this accounting policy is not appropriate to the circumstances of the Board in that it ought to be able to determine its income on the basis of when valid applications are received. In future years the Board intends to recognise fees as income at the point at which a valid application is received.

In my opinion, except for the effect on the financial statements of the matter referred to in the previous paragraph, the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Board's affairs at 31 December 2004 and the transactions of the Board for the period then ended.

In my opinion proper books of account were not kept during the period in that the Board did not record the applications it received in the financial period and consequently was unable to adopt an appropriate accounting policy. The Board prepared its financial statements based on the amounts lodged to the bank. The financial statements are in agreement with the books of account.

# **Private Residential Tenancies Board**

## **Report of the Comptroller and Auditor General**

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### **Circumstances giving rise to a Qualified Opinion**

The Private Residential Tenancies Board was established as a statutory body under the Residential Tenancies Act 2004 and commenced operations on 1 September 2004 under an order made by the Minister for the Environment, Heritage and Local Government. It has a number of functions including the operation of a national registration system for all private residential tenancies and the operation of a disputes resolution service.

The order which brought the Board into operation also commenced a large portion of the legislation including tenancy terminations and notice period requirements, a requirement for landlords to register each tenancy with the Board, the new 4 year security of tenure measure and the repeal of the Housing (Registration of Rented Houses) Regulations 1996.

Since the introduction of the 1996 Regulations, landlords had been required to register tenancies in private rented residential dwellings with the relevant local authority. The Act replaced the regulations and a new system of registration was introduced which required landlords to register with the Board which, in turn, would supply local authorities with details of the rented properties registered in their area. The data would then be used by local authorities to perform their functions in relations to rent books and accommodation standards.

Upon the establishment of the Board all existing tenancies were required to be registered within a three month deadline. A registration fee of €70 was applicable to each individual tenancy. A composite fee applies in circumstances where the same landlord makes multiple registrations of tenancy dwellings within the same property. There are also provisions for late registration of tenancies and exemptions from fees where the tenancy had been registered in the 12 months before the commencement of the Board's operations. Failure to register a tenancy is an offence under the legislation and penalties are provided for upon conviction.

The number of tenancies registered with the Board from September 2004 to late 2005 amounted to over 80,000. The Board had expected far fewer registrations as only some 27,000 had registered with local authorities in the previous year. In the event, over 40,000 applications together with payments from landlords were received within the first four months of operation, the majority of which were received in December only allowing about 2,000 to be processed before the end of 2004.

The Board experienced a number of problems in its early operations in that

- there was an underestimation of the volume of applications and the resources required to process registrations promptly which left a substantial number of applications and fees unprocessed at the end of December 2004
- as the volume of unprocessed applications grew, monies were not lodged promptly to the bank

# **Private Residential Tenancies Board**

## **Report of the Comptroller and Auditor General**

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- it was unable to determine the number of applications it received in 2004 but which were not registered until 2005 and consequently could not determine the total value of fees received in the respective periods
- the computer system could not record the date on which the tenancy was registered and could not provide information on the number of applications which were received without fees, and the number which were submitted with a composite fee
- a substantial number of applications were returned to landlords due to inadequate completion of the form.

**John Purcell**  
**Comptroller and Auditor General**  
**February 2008**

# Private Residential Tenancies Board

## Statement of Responsibilities

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The Private Residential Tenancies Board was established on a statutory basis on 1 September 2004 by the Minister for the Environment, Heritage and Local Government under section 150 of the Residential Tenancies Act 2004.

Section 178 of the Residential Tenancies Act 2004, requires the Members of the Board, to prepare Financial Statements in such form as may be approved by the Minister for the Environment, Heritage and Local Government. In preparing those financial statements, the Director and the Board are required to:

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

The Director, under the direction of the Board is responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Board and which enable it to ensure that the financial statements comply with section 178 of the Act. The Board is responsible for ensuring that the business of the Board is conducted in a proper and regular manner and for safeguarding all assets under its operational control and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

\_\_\_\_\_  
**Director**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Chairperson**

\_\_\_\_\_  
**Date**



# **Private Residential Tenancies Board**

## **Statement on System of Internal Financial Control**

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### **Responsibility for the system of Internal Financial Control**

On behalf of the members of the Private Residential Tenancies Board, I acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated.

The system can only provide reasonable, and not absolute, assurance that the assets are safeguarded, transactions authorised and properly recorded, and that material error or other irregularities are either prevented or would be detected in a timely period.

### **Key control procedures**

The Private Residential Tenancies Board was established under the Residential Tenancies Act 2004 and commenced on 1<sup>st</sup> September, 2004. The accounting period relates to a start up position and internal control procedures were being considered at that time. The Board has taken initial steps to ensure an appropriate control environment by:

- ensuring the Board complies with its Financial obligations under the Act
- ensuring that assets and liabilities of the Board are properly accounted for
- clearly defining management responsibilities in a defined organisational structure with clear segregation of duties; and
- the establishment of appropriate sub-committees of the Board to give greater focus on specific areas;

The members of the Board have agreed that the Director and staff of the Board are responsible for operational matters.

The Board's monitoring and review of the effectiveness of the system of internal financial control is informed by the Director who has responsibility for the development and maintenance of the financial control framework.

The Private Residential Tenancies Board is dependant on the accounting and payroll systems of the Department of the Environment, Heritage and Local Government. In that respect, the PRTB is required to comply with control procedures operating within the Department.

Payments made by the Private Residential Tenancies Board were processed through the Department of the Environment, Heritage and Local Government's Oracle Financial Management System. During 2005 the segregation of duties, authorisation limits and the procedures for processing payments and receipts were documented.

During the latter half of 2005 detailed monthly financial reports for 2004 were provided to the Board for review and consideration.

# **Private Residential Tenancies Board**

## **Statement on System of Internal Financial Control**

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### **Annual Review of Controls**

In 2006 the Board appointed an audit committee, comprising 4 members, of which 2, including the Chair, are external. The role of the Committee will form part of the ongoing systematic review of the control environment and governance procedures within the Board, to oversee the internal audit function and advise the Board in relation to the operation and development of that function. The committee will also have a role in the oversight of the draft annual financial statements before submission to the Board for approval.

The Board commissioned external consultants in 2006 to carry out a risk review to identify the key risk areas and control weaknesses of the organisation. A risk assessment and an initial review of the accounting and internal controls within the PRTB, which was carried out in June 2006, identified the need for internal audit reviews in a number of key areas. Based on the findings of the risk assessment a three year Internal Audit Plan was agreed by the Board in early 2007. Implementation of the recommendations outlined in the audit plan are ongoing.

While a formal review of the effectiveness of internal controls was not carried out in 2004 the Board is currently carrying out this review in the context of the development of its Corporate Plan.

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**Chairperson**

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**Date**

# Private Residential Tenancies Board

## Statement of Accounting Policies

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The significant accounting policies adopted in these financial statements are as follows:

### 1. General

The general functions of the Board are: the operation of a national registration system for all private residential tenancies; the operation of a dispute resolution service; and the provision of information, carrying out of research and the provision of policy advice regarding the private rented sector.

The Board was established on a statutory basis on 1 September 2004. The Board's dispute resolution function came into operation on 6 December 2004.

### 2. Basis of Accounting

The financial statements have been prepared under the accruals basis of accounting in accordance with generally accepted accounting principles and under the historic cost convention. The statements are in a form approved by the Minister for the Environment, Heritage and Local Government. The accounts are stated in euro.

### 3. Income

#### *State Funding*

State funding represents expenditure incurred by the Department of the Environment, Heritage, and Local Government in respect of the administrative and operational expenses of the Board plus the cost of staff seconded to the Board by the Department for the period.

#### *Registration & Dispute Fees*

Fees in respect of registrations and disputes are recognised when the related application is accepted.

# Private Residential Tenancies Board

## Statement of Accounting Policies

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### 4. Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided on a straight line basis at rates which are estimated to write off the cost of the assets over their expected useful lives as follows:-

Furniture & fittings	10%	Straight Line
Office equipment	20%	Straight Line
Computer equipment	20%	Straight Line

### 5. Foreign Currencies

Transactions denominated in foreign currencies are translated into euro at the rates of exchange prevailing at the transaction date. Any difference arising on translation between transaction dates and payment dates are charged to the Income and Expenditure account.

### 6. Capital Account

The capital account represents the unamortised amount of income used to finance fixed assets.

# Private Residential Tenancies Board

## Income and Expenditure account for the period ended 31 December 2004

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	Notes	Period 1 September to 31 December 2004 €
<b>Income</b>		
State Funding	1	154,266
Registration Fees	2	152,730
Payments made by OPW on behalf of PRTB	8	98,406
		<hr/>
		405,402
Transfer to Capital Account	6	<u>(4,362)</u>
		401,040
<b>Expenditure</b>		
General Administration	3	(267,259)
Depreciation		<u>(1,090)</u>
		<u>(268,349)</u>
Excess of Income over Expenditure		<u>132,691</u>

The Statement of Accounting Policies and Notes 1 to 12 form part of these Financial Statements.

All income and expenditure for the period ended 31 December 2004 relate to continuing activities. The Board has no gains or losses in the financial period other than those dealt within the Income and Expenditure Account.

\_\_\_\_\_  
**Director**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Chairperson**

\_\_\_\_\_  
**Date**

# Private Residential Tenancies Board

## Balance Sheet as at 31 December 2004

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	Notes	31 December 2004 €
<b>FIXED ASSETS</b>		
Tangible assets	4	<u>4,362</u>
<b>CURRENT ASSETS</b>		
Cash at Bank		<u>152,730</u> 152,730
<b>CREDITORS</b>		
Amounts falling due within one year	5	<u>(20,039)</u> (20,039)
<b>NET CURRENT ASSETS</b>		<u>132,691</u>
<b>Total assets less current liabilities</b>		<u>137,053</u>
<b>FINANCED BY</b>		
Accumulated excess income/ (expenditure)	7	132,691
Capital Account	6	<u>4,362</u>
		<u>137,053</u>

The Statement of Accounting Policies and Notes 1 to 12 form part of these Financial Statements.

\_\_\_\_\_  
Director

\_\_\_\_\_  
Date

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Date

# Private Residential Tenancies Board

## Cashflow Statement for the period ended 31 December 2004

	Notes	Period 1 September to 31 December 2004 €
<b>Reconciliation of operating surplus to net Cash inflow from operating activities</b>		
Operating surplus / (deficit) for year		132,691
Depreciation	4	1,090
Transfer from / (to) Capital Account	6	4,362
Increase in debtors		0
Increase in creditors		20,039
Net cash inflow from operating activities		<u>158,182</u>
<b>Cashflow Statement</b>		
Net cash inflow from operating activities		158,182
<b>Returns on Investment and Servicing of Finance</b>		
Interest Earned		0
<b>Net Capital Expenditure</b>		
Payments to acquire tangible fixed assets	6	(5,452)
<b>Increase in cash</b>		<u><u>152,730</u></u>

### RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS

Net funds at 1 September 2004	0
Net funds at 31 December 2004	152,730
<b>Increase in cash</b>	<u><u>152,730</u></u>

The Statement of Accounting Policies and Notes 1 to 12 form part of these Financial Statements.

\_\_\_\_\_  
**Director**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Chairperson**

\_\_\_\_\_  
**Date**

# Private Residential Tenancies Board

## Notes (forming part of the financial statements)

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### 1. STATE FUNDING

State funding was provided through Vote 25 – Office of the Minister for the Environment, Heritage and Local Government and amounted to €154,266 for the period ended 31<sup>st</sup> December 2004.

### 2. REGISTRATION FEES INCOME

Fees which were received from landlords as payment for the registration of their tenancies amounted to €152,730. During its start-up phase in 2004 and 2005, the Board's systems did not record when valid applications and fees were received. In the circumstances it has recognised fee income during that period only as applications were accepted. In future the Board intends to recognise fees as income at the point at which a valid application is made.

### 3. ADMINISTRATIVE EXPENDITURE

	<b>Period 1 September to 31 December 2004</b>
	€
Agency Staff Fees	20,560
Board Members' expenses	1,383
Training of adjudicators and mediators	60,625
Adjudicators and Mediators fees	190
Meeting expenses	2,249
Advertising	32,237
Printing costs	23,492
Office supplies	13,055
Telephone expenses	527
Computer expenses and maintenance	1,936
Accommodation costs	98,406
Cleaning services	3,599
Audit fees	9,000
	<b><u>267,259</u></b>



# Private Residential Tenancies Board

## Notes (forming part of the financial statements)

### 4. TANGIBLE FIXED ASSETS

	Computer Equipment €	Fixtures & Fittings €	Office Equipment €	Total €
<i>Cost</i>				
Opening Balance	-	-	-	-
Additions during year	=	=	<u>5,452</u>	<u>5,452</u>
At 31 December 2004	=	=	<u>5,452</u>	<u>5,452</u>
<i>Depreciation</i>				
Opening Balance	-	-	-	-
Charge for year	-	=	<u>1,090</u>	<u>1,090</u>
At 31 December 2004	-	=	<u>1,090</u>	<u>1,090</u>
<i>Net Book Value</i>				
At 31 December 2004	=	=	<u>4,362</u>	<u>4,362</u>

The cost of fixed assets owned by the Department of the Environment, Heritage and Local Government but on loan to the Private Residential Tenancies Board at 1 September 2004 amounted to €254,886. The net book value of those assets at 31 December 2004 was €158,294 and they were transferred to the Private Residential Tenancies Board on 1 January 2005.

### 5. CREDITORS

#### Amounts falling due within one year

	31 December 2004 €
Accruals	20,039
	<u>20,039</u>

# Private Residential Tenancies Board

## Notes (forming part of the financial statements)

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### 6. CAPITAL ACCOUNT

31 December 2004

€

Opening Balance	<u>0</u>
Funding to acquire Assets	5,452
Amortisation in line with asset depreciation	<u>(1,090)</u>
Transfer to Capital Account	4,362
Closing Balance at 31 December	<u>4,362</u>

### 7. ACCUMULATED EXCESS INCOME OVER EXPENDITURE

31 December 2004

€

Opening Balance 1 September 2004	<u>0</u>
Excess of income over expenditure	132,691
Closing Balance at 31 December	<u>132,691</u>

### 8. STAFF COSTS, ACCOMMODATION AND OFFICE SERVICES

Agency Staff Fees consists of external agency staffing costs of €20,560.

Accommodation and other services (rent, heat, light and insurance) valued at €98,406 were provided by the Office of Public Works on a non-repayment basis. The cost of these services has been recorded in the accounts as both income and expenditure to properly reflect the nature of the transaction.

# **Private Residential Tenancies Board**

## **Notes (forming part of the financial statements)**

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### **9. SUPERANNUATION**

In 2004 the PRTB had no contractual employees; Staff at the PRTB are Civil Servants on temporary transfer from the Department and are covered by Civil Service pension arrangements. The Civil Service Superannuation Schemes are defined benefit schemes which are unfunded and administered by the Department of Finance. There is no charge in the financial statements for any liabilities which may arise in respect of these staff.

### **10. LATE PAYMENTS IN COMMERCIAL TRANSACTIONS**

The Board is aware of its responsibilities under the Late Payments in Commercial Transactions Regulation 2002 and is establishing appropriate procedures and processes to ensure that all payments are made in accordance with the Regulation. No late payment interest was paid by the Private Residential Tenancies Board during the year.

### **11. CONTINGENT LIABILITIES**

There are no contingent liabilities except as stated in these financial statements.

### **12. APPROVAL OF FINANCIAL STATEMENTS**

The Financial Statements were approved by the Board on 9<sup>th</sup> November 2007.