



Oifig an Ard-Reachtaire Cuntas agus Ciste Office of the Comptroller and Auditor General

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8 January 2015

Ms Finola Flanagan
Commissioner
Law Reform Commission

Dear Ms Flanagan,

The audit of the Law Reform Commission, year ending 31 December 2013 has been completed.

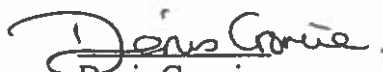
Please find enclosed for your information a copy of

- The Certificate of the Comptroller and Auditor General
- The annual financial statements of Law Reform Commission for the year ended 31 December 2013

I don't propose to issue a Management letter following the 2013 Audit.

I would like to express my appreciation for the co-operation afforded to members of the audit team by your staff throughout the course of the audit.

Yours sincerely


Denis Cromie
Senior Auditor



Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Law Reform Commission

I have audited the financial statements of the Law Reform Commission for the year ended 31 December 2013 under the Law Reform Commission Act 1975. 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 statement of total recognised gains and losses, the balance sheet and the related notes. The financial statements have been prepared under Section 9 of the Act, and in accordance with generally accepted accounting practice in Ireland.

Responsibilities of the Commission

The Commission is responsible for the preparation of the financial statements, for ensuring that they give a true and fair view of the state of the Commission's affairs and of its income and expenditure, 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 to the Commission's circumstances, 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 the Commission'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 Commission. 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 statement on internal financial control does not reflect the Commission'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.

Non-effective expenditure

I draw attention to Note 7 of the financial statements which discloses that non-effective expenditure of €531,000 has been incurred by the Law Reform Commission on rent and associated costs related to unoccupied office space since the beginning of 2011. €103,000 of this expenditure relates to 2013.


Seamus McCarthy
Comptroller and Auditor General
23 December 2014

The Law Reform Commission

Financial Statements

Year Ended 31 December 2013

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STATEMENT OF RESPONSIBILITIES OF THE COMMISSION

General

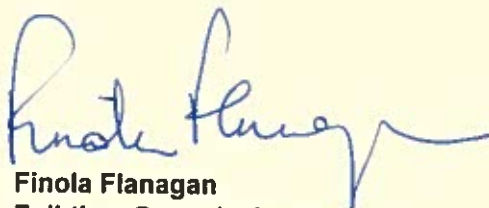
The Law Reform Commission was established in 1975 in accordance with the provisions of the Law Reform Commission Act, 1975.

The Commission's main functions are to keep the law under review, undertake examinations and conduct research with a view to reforming the law and formulate proposals for law reform.

Section 9(1) of the Law Reform Commission Act, 1975 requires the Commission to prepare financial statements in such form as may be approved by the Minister for Public Expenditure Reform. In preparing those financial statements, the Commission is required to:

- Select suitable accounting policies and then 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 Commission will continue in operation.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Commission is responsible for keeping proper books of account which disclose with reasonable accuracy at any time its financial position and which enable it to ensure that the financial statements comply with section 9(1) of the Act. The Commission is also responsible for safeguarding its assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Finola Flanagan
Full-time Commissioner

Date 12 December 2014

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

STATEMENT ON INTERNAL FINANCIAL CONTROL

Responsibility for the system of internal financial control

On behalf of the Commissioners of the Law Reform Commission, I acknowledge the 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 assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely period.

Key control procedures

The system of internal financial control is based on a framework of regular management information, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular it includes:

- clearly defined management responsibilities;
- comprehensive budgeting system with an annual budget which is reviewed and agreed by the Commission;
- regular reviews by the Commission of periodic and annual financial reports which indicate financial performance against forecasts;

The Commission's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the Attorney General's Internal Auditor, the Audit Committee (based in the Office of the Attorney General), the Commission's Management Committee and comments made by the Comptroller and Auditor General in any management letter or other reports. The Commission monitors the financial reports on a monthly basis.

The appropriate internal audit function for the Law Reform Commission resides within the Office of The Attorney General.

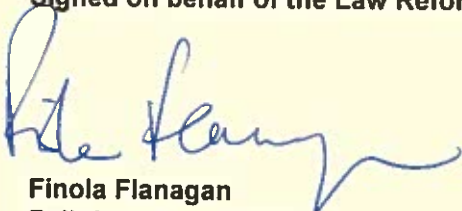
Risk management policy

The Commission's risk register is up to date and is regularly reviewed.

Annual review of controls

A review of internal financial controls at the Commission was carried out in respect of 2013.

Signed on behalf of the Law Reform Commission



Finola Flanagan
Full-time Commissioner

Date

12 December 2014

STATEMENT OF ACCOUNTING POLICIES

Basis of accounting

These financial statements are prepared in accordance with section 9 of the Law Reform Commission Act, 1975 under the accruals method of accounting, except as indicated below, and in accordance with the accounting policies of the Law Reform Commission, under the historical cost convention.

Income

Oireachtas grant-in-aid is accounted for on a cash receipts basis.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated, using the straight line method, at the following annual rates:

Fixtures and fittings	10%
Office equipment	20%
Leasehold land and buildings	10%

Fixed asset additions are accounted for on a payments basis.

Capital grant

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

Pensions

The Commission operates two non-contributory defined benefit pension schemes under sections 11 and 12 of the Law Reform Commission Act, 1975 and corresponding contributory spouses' and children's schemes under administrative arrangements.

The Commission is funded annually on a pay as you go basis from monies provided by the Minister of Public Expenditure and Reform, through the Office of the Attorney General.

Pension costs reflect pension benefits earned by employees in the period and are shown net of staff pension contributions which are deducted by the Commission and remitted to the Office of the Attorney General. An amount corresponding to the pension charge is recognised as income to the extent that it is recoverable, and offset by grants received in the year to discharge pension payments.

Actuarial gains or losses arising on scheme liabilities are reflected in the Statement of Total Recognised Gains and Losses and a corresponding adjustment is recognised in the amount recoverable from the Department of Public Expenditure and Reform via the Office of the Attorney General.

Pension liabilities represent the present value of future pension payments earned by staff to date. Deferred pension funding represents the corresponding asset which will be recovered in future periods from the Department of Public Expenditure and Reform via the Office of the Attorney General.

INCOME AND EXPENDITURE ACCOUNT
Year Ended 31 December 2013

	Notes	2013 €	2012 €
Income			
Oireachtas grant-in-aid	1	1,895,647	2,138,036
Sale of publications		1,205	2,072
Other Income & Dept of Social Protection		9,506	4,450
Net deferred funding for pensions	8(c)	345,000	87,000
		<u>2,251,358</u>	<u>2,231,558</u>
Transfer from capital account		49,781	98,646
		<u>2,301,139</u>	<u>2,330,204</u>
Expenditure			
Salaries	2	1,019,285	1,079,248
Pensions	8(a)	406,495	284,917
IT		72,461	103,995
Rent and service charges	7	512,643	504,113
Telephones		11,468	16,104
Stationery and office management		19,861	9,064
Seminars		481	642
Library		89,734	75,970
Travel and subsistence		14,764	2,918
Cleaning		11,585	21,931
Printing		14,950	2,443
Insurance		3,788	5,824
Postage		2,187	4,296
Depreciation		62,300	104,657
Sundry		704	6,442
Audit fees		7,200	8,460
Training		13,936	21,638
Corporate Support		23,262	23,331
Professional Fees		3,381	0
Annual conference		0	4,211
Repairs and maintenance		6,655	3,234
		<u>2,297,140</u>	<u>2,283,438</u>
Surplus for the year		<u>3,999</u>	<u>46,766</u>

The statement of accounting policies together with notes 1 to 12 form part of these financial statements.


Finola Flanagan
Full-time Commissioner

Date *12 December 2014*

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year Ended 31 December 2013

	Note	2013 €	2012 €
Surplus for the year		<u>3,999</u>	<u>46,766</u>
Experience losses/(gains) on pension scheme liabilities		<u>(2,345,000)</u>	<u>2,213,000</u>
Changes in assumptions underlying the present value of pension scheme liabilities		0	0
Actuarial losses/(gains) on pension liability		<u>(2,345,000)</u>	<u>2,213,000</u>
Adjustment to deferred pension funding		<u>2,345,000</u>	<u>(2,213,000)</u>
Total recognised losses/(gains) for the year		<u>3,999</u>	<u>46,766</u>

The statement of accounting policies together with notes 1 to 12 form part of these financial statements.



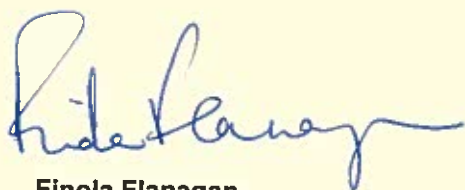
Finola Flanagan
Full-time Commissioner

Date 12 December 2014

BALANCE SHEET
As at 31 December 2013

	Notes	2013 €	2012 €
Fixed assets	3	<u>235,745</u>	<u>285,526</u>
Current assets			
Cash on hand and at bank		114,577	187,953
Debtors and prepayments	4	<u>179,479</u>	<u>147,771</u>
		294,056	335,724
Current liabilities			
Creditors and accruals	5	<u>(52,744)</u>	<u>(98,411)</u>
Net current assets		<u>241,312</u>	<u>237,313</u>
Total assets less current liabilities		<u>477,057</u>	<u>522,839</u>
Deferred pension funding	8(c)	2,400,300	4,400,300
Pension (liability)	8(c)	<u>(2,400,300)</u>	<u>(4,400,300)</u>
Net assets		<u>477,057</u>	<u>522,839</u>
Financed by:			
Capital account	6	235,745	285,526
Accumulated Reserves	9	<u>241,312</u>	<u>237,313</u>
		<u>477,057</u>	<u>522,839</u>

The statement of accounting policies together with notes 1 to 12 form part of these financial statements.



Finola Flanagan
Full-time Commissioner

Date 12 December 2014

Notes to the Financial Statements

1 Grant in aid	2013 €	2012 €
Current purposes		
Office of the Attorney General	<u>1,895,647</u>	<u>2,138,036</u>
2 Salaries	2013 €	2012 €
President salary	48,000	21,032
Commissioner's Salaries	204,666	210,870
Staff salaries	<u>766,619</u>	<u>847,346</u>
	<u>1,019,285</u>	<u>1,079,248</u>

The average number of employees during 2013 was 18 (2012: 19).

The above figures include Commissioner's Fees and President's Remuneration as follows;

Commissioner Name	Number of Meetings Attended	Fees €	Expenses €
President			
The Hon Mr Justice John Quirk	10	48,000	1,091
Full Time Commissioner			
Finola Flanagan	10	183,506	4,509
Part-Time Commissioners			
Marie Baker	8	21,160	1,406
Tom O'Malley	7	0	1,829
Donncha O'Connell	10	0	3,169

No Bonus payments were paid to the President or the Commissioners during 2013.(2012: nil)

2.1 The President received salary payments of €48,000 in 2013 (€ 21,032 in 2012). Payments in 2013 are in respect of a full year's service. 2012 covers from appointment on 24th July 2012.

€ 54,402 was deducted from staff by way of pension levy and was paid over to the Office of the Attorney General.

Notes to the Financial Statements

3 Fixed assets	Leasehold land and buildings €	Fixtures and fittings €	Office equipment €	Total €
Cost				
At 1 January 2013	366,386	594,200	869,555	1,830,141
Additions		2,149	10,370	12,519
At 31 December 2013	<u>366,386</u>	<u>596,349</u>	<u>879,925</u>	<u>1,842,660</u>
Accumulated depreciation				
At 1 January 2013	176,678	532,039	835,897	1,544,614
Charge for year	36,638	16,737	8,926	62,300
At 31 December 2013	<u>213,316</u>	<u>548,776</u>	<u>844,822</u>	<u>1,606,914</u>
Net book value				
At 31 December 2013	153,070	47,573	35,102	235,745
At 31 December 2012	<u>189,708</u>	<u>62,161</u>	<u>33,658</u>	<u>285,527</u>

4. Debtors	2013 €	2012 €
Prepayments	179,479	147,505
Other Debtors	<u>0</u>	<u>266</u>
	<u>179,479</u>	<u>147,771</u>

5. Creditors and accruals	2013 €	2012 €
Creditors and accruals	<u>52,744</u>	<u>98,411</u>
Included in creditors and accruals are amounts relating to taxation, as follows:		
PAYE/PRSI	26,439	33,206
PSWT	1,357	955
VAT	<u>6,787</u>	<u>547</u>
	<u>34,583</u>	<u>34,708</u>

6 Capital account	2013 €	2013 €	2012 €	2012 €
Balance at 31 December	285,526			384,171
Transfer from income and expenditure account:				
Funds applied for the purchase of fixed assets	12,519		6,012	
Amortisation in line with asset depreciation	<u>(62,300)</u>		<u>(104,657)</u>	
Balance at 31 December		<u>(49,781)</u>		<u>(98,645)</u>
		<u>235,745</u>		<u>285,526</u>

Notes to the Financial Statements

7 Operating lease

The Commission has annual commitments under non-cancellable operating leases as follows:

The Commission occupies premises at 35-39 Shelbourne Road Ballsbridge, Dublin 4. The lease is due to expire at the end of 2017 and the annual rent is €430,000. Expenditure of €512,643 was incurred in relation to rent and service charges during 2013. During 2013, space in the building was occupied by the Commission and the Magdalene Laundries Redress Scheme who did not make any payments to the Commission. A portion of the building was unoccupied. The associated costs are set out below.

Status of building space	Expenditure
Occupied by the Commission	359,000
Occupied by the Magdalene laundries Redress Scheme.	51,000
Unoccupied	102,643
Total	512,643

In March 2014 the Commission entered into a sub-lease with Rebo (the Credit Unions Restructuring Board) in relation to the unoccupied space. The sub-lease is for two years with an option to extend for a further year and the annual rent and service charge payable to the Commission is €121,600.

	Cumulative	2013	2012	2011
Total rent and service charges		512,643	504,113	566,342
Ineffective expenditure	531,000	103,000	208,000	220,000
Underoccupancy %		20%	41.26%	38.84%

Operating leases which expire

Within one year

In second to fifth years (inclusive)

Over five years

Lands and buildings

-
- 430,000

The Commission has commitments of €430,000 (rent) and €90,000 service charge to pay during 2014 in respect of this operating lease, of this €121,600 will be offset by rent & service charge received from Rebo. The head lease will expire on 31 December 2017.

Notes to the Financial Statements

8 Pension cost	2013 €	2012 €
(a) Analysis of total pension costs charged to expenditure		
Current service cost	170,000	170,000
Past service cost		-
Interest on pension scheme liabilities	240,000	120,000
Employee contributions	<u>(3,505)</u>	<u>(5,083)</u>
	<u>406,495</u>	<u>284,917</u>
 (b) Movement in net pension liability during the financial year		
Net pension liability at 1 January	4,400,300	2,100,300
Current service cost	170,000	170,000
Past service cost		-
Interest cost	240,000	120,000
Actuarial losses/ (gains)	(2,345,000)	2,213,000
Pensions paid in the year	<u>(65,000)</u>	<u>(203,000)</u>
Net pension liability at 31 December	<u>2,400,300</u>	<u>4,400,300</u>

In 2012 (and in previous years), the pension liability included the cost of civil servants who are members of the main Civil Service Schemes. However, it has since been confirmed that these pensions will be paid from the Superannuation Vote and not by the Commission. As a result, the liability has been reduced. This is included in the actuarial gain of €2,345,000 in the year.

(c) Deferred funding for pensions

The Commission recognises amounts from the state for the unfunded deferred liability for pensions on the basis of a number of past events. These events include the statutory backing for superannuation scheme and the policy and practice in relation to funding public service pensions including contributions by employees and the annual estimates process. While there is no formal agreement and therefore no guarantee regarding these specific amounts with the Department of Finance, the Commission has no evidence that this funding policy will not continue to progressively meet this amount in accordance with current practice.

The Net Deferred Funding for Pensions recognised in the profit and loss was as follows:

	2013 €	2012 €
Net deferred funding for pensions in year		
Funding recoverable in respect of current year pension costs	410,000	290,000
State grant applied to pay pensioners	<u>(65,000)</u>	<u>(203,000)</u>
	<u>345,000</u>	<u>87,000</u>

The deferred funding asset for pensions as at 31 December 2013 amounted to €2,400,300 (2012:€4,400,300).

	2013 €	2012 €	2011 €	2010 €
(d) History of defined benefit obligations				
Defined benefit obligations	2,400,300	4,400,300	2,100,300	1,800,300
Experience (gains)/losses on scheme liabilities				

Notes to the Financial Statements

Amount	(2,345,000)	2,213,000	87,000	140,000
Percentage of the present value of scheme liabilities	(98%)	50%	4%	8%

The cumulative actual (gains) and losses recognised in the Statement of Total Recognised Gains and Losses amounts to € 24,900 as at 31st December 2013 and: (2012: € 2,369,900.)

(e) General description of the Scheme

The Commission operates two non-contributory defined benefit pension schemes under Section 12 of the Law Reform Commission Act, 1975 and corresponding contributory spouses' and children's schemes. Both schemes are unfunded.

The valuation used for FRS17 Disclosures has been based on a full actuarial valuation at each date performed by an independent qualified actuary to take account of the requirements of FRS17 in order to assess the scheme liabilities at 31 December 2013.

The principal actuarial assumptions were as follows:

Assumptions	2013	2012
Rate of expected salary increase	4.0%	4.0%
Rate of increase in pension payment	4.0%	4.0%
Discount rate	5.5%	5.5%
Inflation	2.0%	2.0%

The mortality rates adopted allows for improvements in the life expectancy over time, so that life expectancy at retirement will depend on the year in which a member attains retirement age (age 65). The table below shows the life expectancy for members attaining age 65 in 2013 and 2012.

Year of attaining age 65	2013	2012
Life expectancy – male	22	22
Life expectancy – female	25	25

9 Accumulated reserves	2013	2012
	€	€
Opening reserves	237,313	190,547
Surplus for year	<u>3,999</u>	<u>46,766</u>
Closing reserves	<u>241,312</u>	<u>237,313</u>

10 Capital commitments

The Law Reform Commission had no outstanding capital commitments as at the balance sheet date.

Notes to the Financial Statements

11 Commissioners - disclosure of transactions

The Commission adopted procedures in accordance with the Code of Practice for the governance of State Bodies in relation to the disclosure of interests by Commission Members and these procedures have been adhered to in the year. There were no transactions in the year in relation to the Commission's activities in which members had any beneficial interest.

12 Approval of Accounts

The Commission approved the financial statements on 12 December 2014.