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COMPLETING PROPERTY SERVICES REGULATORY AUTHORITY’S ACCOUNTANT’S REPORTS: THE REGULATOR’S PERSPECTIVE

The Property Services Regulatory Authority (PSRA) writes:
The Property Services Regulatory Authority (PSRA) licences and regulates Auctioneers, Estate Agents, Management Agents and Letting Agents (licensees). The PSRA works to protect the interests of the public by ensuring that high standards are maintained in the delivery of property services by licensees. The PSRA considers the opinion of the Reporting Accountant, and the work leading to that opinion, on whether client moneys are managed in accordance with PSRA Client Moneys Regulations by a licensee as paramount in their assessment of licence renewal applications. In this regard, a licence renewal application must be accompanied by a signed accountant’s report relevant to the licence(s) held. The PSRA acknowledges the vital work undertaken by accountants in completing these reports effectively.

Accountants are required to review the books of account and records of the licensee and give an opinion on whether the licence holder has complied with the PSRA Client Moneys Regulations and to report where breaches of the Regulations have occurred. While the vast majority of reports received do not require the PSRA to request additional information, in some instances the PSRA is required to query the licensee’s application, including the content of the accountant’s report.
By way of information, common issues encountered by the PSRA while reviewing licensees’ applications and accountant’s reports include:

• The most recent updated specified accountant’s report is not completed.

• Accountants fail to complete Section 4 of Part I of the relevant renewal accountant’s report expressing an opinion as to whether the regulations have been complied with by the licensee.

• Incorrect calculation of the balance on the Balancing Statement.

• The name of the Client Account(s) does not match exactly with the name on the relevant bank statement. A client account must be in the name of the licensee and contain the word “client” in the title.

Issues of greater concern to PSRA identified in 2018 include:

• Liabilities to clients reduced on the balancing statement (Appendix 3A of PSRA/S35 – Renewal ABC) by deducting moneys owed in, which were intended for clients, but had not yet been received or placed in the client account. An example includes: where a licensee pays money out of the client account to a landlord in advance of receipt of rent by the licensee from the tenant. In a small number of instances this transaction is not shown as a liability on the client account by the licensee when completing the balancing statement. Before giving an opinion, the accountant should be satisfied in respect of the statement in section 3.3 of the report, namely “I have obtained the client account balancing statement(s) prepared by the Licensee as set out in Appendix 3A and checked that the information therein is in agreement with the books of account and records of the Licensee”.

• Liabilities to clients are not reported on the balancing statement (Appendix 3A of PSRA/S35 – Renewal ABC). Before giving an opinion, the accountant should be satisfied in respect of the statement in section 3.3 of the report as noted above.

• Licensee using one account for all client and business transactions. This is a breach of the Client Moneys Regulations and is required to be included by the accountant at Appendix 2 of the accountant’s report.

• Instances where a deficit/surplus on the client account has been identified but not addressed by the licensee, despite confirmation in Appendix 3B that funds have been paid into/withdrawn from (as appropriate) the client account by the licensee and the signed accountant’s report being submitted as part of the licence renewal application. In these instances, the PSRA has by way of follow up confirmed that in such cases outstanding monies owed have not been repaid to the client account.

The PSRA encourages that you consider whether there is evidence of any of the above issues arising when completing the accountant’s reports on behalf of licensees.

The PSRA acknowledges the engagement of accountants with licensees and the cooperation extended to the PSRA in addressing queries. More information regarding accountant’s reports and the PSRA in general can be found on [www.psr.ie](http://www.psr.ie). The PSRA may be contacted on 046 9033800 or by email at info@psr.ie in relation to any query you may have when completing PSRA Accountant’s Reports.

Members should refer to Technical Release (TR) 02/2018 ‘Licence applications under the Property Services (Regulation) Act 2011 and the Property Services (Regulation) Act (Client Moneys) Regulations 2012’ issued in June 2018.

UPDATING ON AUDIT REGISTRATION ISSUES ASSOCIATED WITH BREXIT

The Professional Standards Department (PSD) writes:

Communications from the Institute to members in recent months have advised of the possibility of certain firms becoming ineligible to audit Irish entities in the event of a ‘no-deal’ Brexit and so facing removal from the Irish audit register on Brexit day. This advice is based on summaries of opinions from Ireland’s Office of the Attorney General (‘the AG’). The Institute has continued to engage with the relevant Irish and UK authorities on these matters.

The Institute is currently considering legal advice which we have recently received on the interpretations of the Companies Act 2014 regarding the continuing eligibility of statutory audit firms in light of the assertions of the AG’s office. The Institute intends to discuss this with IAASA in the coming days and will keep members advised of developments as soon as possible and through the normal channels of communication.

The above reflects current events at the time of going to print.
Brexit implications for accounting and filing

We would like to draw your attention to an article by Mark Kenny and Barbara McCormack from the Institute’s RTP team in this month’s edition of Accountancy Ireland, which may be of interest to Practice Matters readers. The article looks at some Brexit implications for accounting and filing and discusses:

• Brexit uncertainty – some specific accounting matters/considerations, such as judgement and estimation, events after the balance sheet date, going concern considerations, etc.;
• Brexit implications for certain accounting and filing requirements in Ireland and the UK, such as some of those arising from references to ‘EU’ and ‘EEA’ in company law; and
• The primary financial reporting frameworks in Ireland and the UK following Brexit. The article also makes reference to other sources of information, including recent communications from the Financial Reporting Council.

Brexit for UK auditors and accountants

The Financial Reporting Council (FRC) and the Department for Business, Energy and Industrial Strategy have published letters for auditors and accountants to share information in case there is no deal for leaving the EU by Friday 29 March 2019. The letters have been posted on Gov.uk and can be accessed from the FRC’s website at https://www.frc.org.uk/the-impact-of-eu-exit.

Going Concern consultation by the FRC

In a recently issued Exposure Draft the FRC proposes to increase the work required of auditors when assessing whether an entity is a going concern. The FRC notes that this consultation on important revisions to International Standard on Auditing (ISA) (UK) 570 ‘Going Concern’ follows concerns about the quality and rigour of audit, and well-publicised corporate failures where the auditor’s report failed to highlight concerns about the prospects of entities which collapsed shortly after, as well as findings from recent FRC Enforcement cases. In proposing these revisions, requirements on UK auditors will be significantly stronger than those required by international standards. The FRC proposes changes in the auditing standard to require:

• auditors make greater effort to more robustly challenge management’s assessment of going concern, thoroughly test the adequacy of the supporting evidence, evaluate the risk of management bias, and make greater use of the viability statement;
• improved transparency, with a new reporting requirement for the auditor to provide a conclusion on whether management’s assessment is appropriate, and to set out the work they have done in this respect; and
• a ‘stand back’ assessment to consider all of the evidence obtained, whether corroborative or contradictory, when the auditor draws their conclusions on going concern.

The consultation period closes at 5pm on Friday 14 June 2019. The Exposure Draft can be accessed on the FRC website at https://www.frc.org.uk/consultation-list.

In acknowledging the above consultation, IAASA noted that the Auditing Framework for Ireland is based on the FRC’s Auditing Framework. IAASA’s policy is to have minimal amendments to the UK regime. Amendments will be considered where there is a conflict with Irish or EU law or where there are clear, distinct differences between the Irish and UK markets, which impact upon the applicability of standards. Any proposed significant changes to the Auditing Framework in Ireland will be subject to a consultation process prior to the issuing of a revised International Standard on Auditing (Ireland). IAASA has not formally requested comments at this stage.

FRC Post Implementation Review Audit & Ethical Standards

The FRC recently conducted a consultation on the 2016 Ethical and Auditing standards. The key points raised in the Institute’s response to the FRC included:

• Concern over the proposed timing of the issue of new standards, given the importance of updating methodology and training staff before their effective date.
• Disagreement with the proposed application of the FRC audit independence rules to all audits within international groups.
• The view that further restrictions to the range of permitted non-audit services is not required as there has already been a significant decrease in the level of non-audit services provided and furthermore the full impact of the 2016 restrictions has not yet taken effect.
• Concern over the possible divergence of the FRC standards from the International Standards.

The response can be accessed on our website at https://www.charteredaccountants.ie/Member/Technical/Representations/2019 with other representations made by the institute.
TAX MATTERS
The Chartered Accountants Ireland Tax Department writes:

REPUBLIC OF IRELAND TAX DEVELOPMENTS

RCT compliance letters from Revenue

Revenue is in the process of issuing approximately 200 reminder letters to principal contractors outlining their obligation to correctly operate RCT. The letter will be accompanied by a summary sheet of RCT obligations for principal contractors and is targeted at principal contractors who have had 10 or more unreported payments in the last 12 months. Revenue carries out a Bulk Rate Review (BRR) of all subcontractors in the eRCT system every April. The BRR and Manual Rate Review will now take a taxpayer’s outstanding VAT Return of Trading Details into account when determining the RCT withholding tax rate. Revenue intends to write to approximately 400 contractors, who will be affected by this change, in advance of the April BRR.

Collector General launches new Debt Management system

A new Debt Management system will be launched by the Collector General on 24 March. The new system aims to increase case coverage, facilitate consistency in the phase payment application process and introduce a more systematic application of interest for late payment of tax.

The system includes a new customer interface and provides a facility for taxpayers to apply for a Phased Payment Arrangement to repay tax arrears via ROS. The new system includes functions which allow the taxpayer to make changes to debt repayment dates or apply for a payment deferral but interest will be adjusted accordingly.

Taxpayers wishing to apply for a Phased Payment Arrangement must be registered for ROS and hold a current digital certificate. Taxpayers who have a Phased Payment Arrangement at present have been advised in a Revenue letter to register for ROS in order to manage and view the arrangement from 25 March onwards. Agents acting on behalf of a client in relation to a Phased Payment Arrangement must complete an authorisation form to access the online system. The agent will be prompted to upload the authorisation via the Online Phased Payment link in ROS and thereafter will receive notifications in relation to the arrangement. This authorisation process will apply to both existing and new Phased Payment Arrangements from 25 March 2019. The Agent’s Guide to the Collector-General’s Division has been updated to reflect the new system and is available on www.revenue.ie.

At a recent meeting of Main TALC, Chartered Accountants Ireland under the auspices of the CCAB-I noted the continued importance of good quality direct access to case workers in the Collector General’s office as part of the process of negotiating phased payment arrangements for tax arrears. Online correspondence is a poor substitute for direct communication with case workers particularly when negotiating phased payment arrangements and Revenue gave assurances that a case worker will be available for telephone contact should the taxpayer or agent feel it necessary to make direct contact.

NORTHERN IRELAND TAX DEVELOPMENTS

Making Tax Digital is here

Making Tax Digital (“MTD”) commences on 1 April 2019. This edition’s update looks at some details of the “soft landing” announced by HMRC in recent weeks, MTD publications and guidance and recent HMRC research.

The Financial Secretary recently gave an upbeat statement on digitalisation of the tax system to Parliament. However, HMRC research worryingly indicated that although 81% of VAT mandated businesses were aware of the new requirements and a similar proportion started to prepare for the changes in advance, only 45% planned to sign up to the MTD pilot before the April deadline.

During the “soft landing” period only (i.e. the first year from either 1 April 2019 or 1 October 2019), where a digital link has not been established between software programs, HMRC will accept the use of cut and paste as being a digital link for these VAT periods. Cut and paste will not be acceptable after this period has elapsed. VAT Notice 700/22: Making Tax Digital for VAT sets out this and the “soft landing” in more detail.

VAT Notice 700/22 has also been updated to cover exemptions from MTD for VAT and includes an outline of the process for application. The relevant part of the Notice is Section 3. The notice also includes some examples of businesses that, according to HMRC, are exempt.

In February 2019 HMRC opened up the MTD for VAT pilot to all businesses other than those based overseas.
HMRC have also recently published the following documents relevant to MTD:—

- Updated Making Tax Digital for Business - stakeholder communications pack
- Two new guides for agents:— Making Tax Digital for VAT as an agent: step by step and Check when a business must follow the rules for Making Tax Digital for VAT
- An updated MTD policy paper
- A new Business Step by Step Guide

Changes have also been made to HMRC’s pages on GOV.UK that provide information on MTD-compatible software.

Firstly, to ensure taxpayers have access to information relating to the correct MTD service for them, the original page has been separated into two separate pages covering VAT and Income Tax respectively.

Secondly, HMRC have launched the first iteration of the VAT software choices viewer with a filter function, allowing the user to filter products according to criteria such as:

- Whether the product is for a business and/or agent;
- What features the products has (such view VAT returns, check what VAT you owe);
- Whether it’s bridging software or full digital record keeping.

**CPD COURSES FOR MEMBERS IN PRACTICE**

Look out for the following courses over the coming months designed with small and medium-sized practitioners in mind, all of which can be booked online through the Professional Development area of our website:

<table>
<thead>
<tr>
<th>Date</th>
<th>Course</th>
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<td>21 May (a.m.)</td>
<td>GDPR</td>
<td>Dublin</td>
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<tr>
<td>19 June (all day)</td>
<td>Going into Practice</td>
<td>Dublin</td>
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<tr>
<td>4 September (p.m.)</td>
<td>Auditing and accounting for Charities</td>
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<tr>
<td>19 September (all day)</td>
<td>Accounting/ Audit and Tax for smaller Practice</td>
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<td>New Practitioners Forum</td>
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**INFLUENCE, LEADERSHIP CONFERENCE 2019**

Thursday 9th May, Lyrath Estate Kilkenny 2pm-6pm

*Practitioners’ Forum*

The Seven Deadly Sins, According to Revenue
Using Technology to Win Clients and Transform How You Work
Stay Out of Trouble – Technical and Regulatory Tips
Developing Your Practice: From Attracting and Retaining Staff to Branding and Marketing
7pm BBQ & entertainment at the Lyrath Estate

Friday 10th May Lyrath Estate Kilkenny 9am-4:30pm

*Influence, Leadership Conference 2019*

For full conference agenda, visit our website [https://www.charteredaccountants.ie/influence](https://www.charteredaccountants.ie/influence)

Influence is a new, one-day leadership conference that will see hundreds of leaders and change-makers like you gather to answer the question; what next?

To book on- line visit [https://www.charteredaccountants.ie/influence](https://www.charteredaccountants.ie/influence) or for more information contact linda.mcgee@charteredaccountants.ie or influence@charteredaccountants.ie

Event partners: Bank of Ireland, Confirmation

Networking event sponsor: Brightwater

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Queries, comments and suggestions are welcomed. The opinions expressed are solely those of the writers and not to be construed as those of the Institute. The purpose of technical articles is solely to draw the attention of the reader to issues, and these should never be construed as guidance or relied on. To the fullest extent permitted by law, no liability is accepted by the Institute or the authors for persons acting or failing to act as a result of anything contained in this publication. © Copyright, Chartered Accountants Ireland.
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WARNING: If you do not meet the repayments on your credit facility agreement, your account will go into arrears. This may affect your credit rating, which may limit your ability to access credit in the future.

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