



Fiona Gallagher, Rochford Gallagher & Co Solicitors LLP, Sligo

Financial

Compensation
Fund Reports
and Financial
Statements for the
financial year ended
31 December 2023

LAW SOCIETY OF IRELAND COMPENSATION FUND

RESPONSIBILITIES OF THE REGULATION OF PRACTICE COMMITTEE

The Regulation of Practice Committee is required to prepare financial statements for each financial year. The Regulation of Practice Committee have elected to prepare the financial statements in accordance with FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland (“relevant financial reporting framework”). The Regulation of Practice Committee must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Compensation Fund as at the financial year end date and of the Compensation Fund’s surplus or deficit for the financial year. In preparing those financial statements The Regulation of Practice Committee is required to:

- select suitable accounting policies for the Compensation Fund financial statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis.

The Regulation of Practice Committee is responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Compensation Fund. The Regulation of Practice Committee is also responsible for safeguarding the assets of the Compensation Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LAW SOCIETY OF IRELAND COMPENSATION FUND

Opinion on the financial statements of the Law Society of Ireland Compensation Fund (the 'Compensation Fund')

In our opinion the Compensation Fund's financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Compensation Fund as at 31 December 2023 and of the surplus of the Compensation Fund for the year then ended; and
- have been prepared in accordance with the applicable financial reporting framework.

The financial statements we have audited comprise:

- Statement of Income and Retained Earnings;
- the Balance Sheet;
- the Statement of Cash Flows and
- the related notes 1 to 15, including a summary of significant accounting policies as set out in note 1.

The relevant financial reporting framework that has been applied in the preparation of the financial statements is FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" issued by the Financial Reporting Council ("the relevant financial reporting framework").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)). Our responsibilities under those standards are described below in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Compensation Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Regulation of Practice Committee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Society's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Regulation of Practice Committee with respect to going concern are described in the relevant sections of this report.

Other information

The Regulation of Practice Committee are responsible for the other information. The other information comprises the information included in the Reports and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LAW SOCIETY OF IRELAND COMPENSATION FUND

Responsibilities of the Regulation of Practice Committee

As explained more fully in the Statement of Responsibilities of the Regulation of Practice Committee, the Regulation of Practice Committee are responsible for the preparation of the financial statements that give a true and fair view, and for such internal control as the Regulation of Practice Committee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Regulation of Practice Committee are responsible for assessing the Compensation Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Regulation of Practice Committee either intend to liquidate the Compensation Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Compensation Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Regulation of Practice Committee.
- Conclude on the appropriateness of the Regulation of Practice Committee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Compensation Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Compensation Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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Auditor’s responsibilities for the audit of the financial statements (continued)

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

This report is made solely to the Compensation Fund’s members, as a body. Our audit work has been undertaken so that we might state to the Compensation Fund’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Compensation Fund and the Compensation Fund’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Stewart Dunne
For and on behalf of
BDO
Dublin
Statutory Audit Firm

Date: 27 June 2024

LAW SOCIETY OF IRELAND COMPENSATION FUND

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	<i>Notes</i>	2023	2022
		€	€
INCOME			
Contributions receivable		8,143,610	7,462,589
Income and returns on investments	5	749,165	353,461
Recoveries from defaulting solicitors	6	1,419,576	84,370
Disciplinary fines and investigation levies		30,712	12,288
Sundry Income		-	50
Interest Received		2,422	856
		10,345,485	7,913,614
EXPENDITURE			
Provision for claims	7	3,278,456	920,758
Insurance		930,286	930,675
Overheads allocated from the Law Society of Ireland		1,667,723	1,655,546
Financial regulation direct administration costs		2,776,674	2,734,360
Practice closure direct administration costs		762,954	776,596
Legal and other professional fees		103,026	138,318
Other expenditure		815	179,774
		9,519,934	7,336,027
Surplus/(deficit) for financial year before revaluations		825,551	577,587
Fair value movements arising on revaluation of Investments		1,298,610	(3,909,137)
SURPLUS BEFORE TAXATION		2,124,161	(3,331,550)
Taxation		-	(99,637)
SURPLUS AFTER TAXATION		2,124,161	(3,431,187)
Retained earnings at beginning of financial year		24,779,668	28,210,855
RETAINED EARNINGS AT END OF FINANCIAL YEAR		26,903,829	24,779,668

All recognised gains and losses arose from continuing activities.

LAW SOCIETY OF IRELAND COMPENSATION FUND**BALANCE SHEET
AS AT 31 DECEMBER 2023**

	<i>Notes</i>	2023	2022
		€	€
Fixed Assets			
Financial assets	9	20,469,088	18,418,901
Current Assets			
Debtors	10	5,167,543	9,163,904
Cash at bank and in hand		10,696,842	4,572,444
		15,864,385	13,736,348
Creditors: Amounts falling due within one year	11	(4,267,833)	(3,815,122)
Net Current Assets		11,569,552	9,921,226
Total assets less current liabilities		32,065,640	28,340,127
Provisions for liabilities		(5,161,811)	(3,560,459)
NET ASSETS		26,903,829	24,779,668
Revenue reserves		26,903,829	24,779,668

The financial statements were approved by the Regulation of Practice Committee on 26/06/2024.

Garry Clarke
Chair of the Regulation of Practice Committee

Barry MacCarthy
President of Law Society of Ireland

LAW SOCIETY OF IRELAND COMPENSATION FUND

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

CASH FLOWS FROM OPERATING ACTIVITIES	<i>Notes</i>	2023	2022
		€	€
Surplus before taxation		2,124,161	(3,331,550)
Realised movement of investments		(749,165)	(353,461)
Fair value movement on investments		(1,298,610)	3,909,137
Decrease/(increase) in debtors		3,996,361	(617,175)
(Decrease)/increase in creditors		2,218,932	1,794,866
Income tax refunded/(paid)		(164,859)	(173,113)
Net cash flows from operating activities		6,126,820	1,228,704
Net cash flows from operating activities		6,126,820	1,228,704
Cash flows from investing activities			
Purchase of investments		(2,422)	(1,194)
Disposal of investments		-	1,999,745
Net cash flows from investing activities		(2,422)	1,998,551
Net increase/(decrease) in cash and cash equivalents		6,124,398	3,227,255
Cash and cash equivalents at beginning of financial year		4,572,444	1,345,189
Cash and cash equivalents at end of financial year		10,696,842	4,572,444

ANALYSIS OF NET DEBT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	At 1 January 2023	Cash Flows	At 31 December 2023
	€	€	€
Cash at bank and in hand	4,572,444	6,124,398	10,696,842

LAW SOCIETY OF IRELAND COMPENSATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

1. ACCOUNTING POLICIES

Basis of Preparation

The financial statements have been prepared in accordance with FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

General Information and Basis of Accounting

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the Law Society of Ireland Compensation Fund is considered to be euro because that is the currency of the primary economic environment in which the Fund operates.

The financial statements cover the activities of the Law Society of Ireland Compensation Fund. Separate financial statements are prepared in respect of the other activities of the Law Society of Ireland.

Financial instruments

Financial assets and financial liabilities are recognised when the Compensation Fund becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the entity, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(i) Investments

Investments are measured at fair value with changes in fair value recognised through the Statement of Income and Retained Earnings. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

(ii) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place.

LAW SOCIETY OF IRELAND COMPENSATION FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

1. ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Recoveries from defaulting solicitors, disciplinary fines and levies imposed on solicitors are recognised when received. Contribution income and all miscellaneous income is recognised on a receivable basis. Recoveries from stop loss insurance policies are recognised when notification of payment has been received.

Claims

Provisions are made in respect of notified claims and related expenses, where the Regulation of Practice Committee and the executive considers it likely that the Compensation Fund is liable for such claims and expenses.

Solicitors Funds

When the Society obtain a High Court Order to take up client funds from a solicitor's practice these funds, when received, by the Society are initially recognised as solicitors funds held. As the Fund discharges claims in relation to a solicitor recoveries are made from the funds held in relation to that solicitor.

Taxation

Current tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for, on a full provision basis, on all timing differences that have originated but have not reversed by the balance sheet date. Deferred tax assets are recognised to the extent that they are regarded as more likely than not to be recoverable.

Deferred tax is recognised on timing differences arising on revaluation of investments to the extent that the Compensation Fund has, at the balance sheet date, entered into a binding agreement to sell the revalued investments.

Pension Costs

The Society operates a multi-employer defined benefit pension scheme and a hybrid scheme. Contributions are charged in the income and expenditure account over the anticipated working lives of employee members currently in service.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Law Society of Ireland Compensation Fund's accounting policies, which are described in note 1, the Committee members are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Law Society of Ireland Compensation Fund's accounting policies

Provision for claims

The committee is of the view that an adequate allowance has been made to reflect the claims provisions in the financial statements. The estimate has been assessed by the Regulation of Practice Committee and/or the executive. The committee has reviewed the provision and consider it to be the best estimate of any liability due.

LAW SOCIETY OF IRELAND COMPENSATION FUND**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****3. GOING CONCERN**

The Compensation Fund incurred a profit before taxation for the financial year of €2,124,161 (2022: loss before taxation €3,331,550) which included a fair value profit on investments of €1,298,610. The surplus before revaluations for the year was €825,551 (2022: €577,587). The Compensation Fund had net current assets of €11,596,552 (2022: €9,921,226) at the balance sheet date.

The Compensation Fund had €20,469,088 (2022: €18,418,901) of financial assets at its disposal that are readily convertible to cash. Therefore, the Regulation of Practice Committee have formed the view that, taking appropriate actions, the Compensation Fund's reserves are sufficient to absorb the financial impact of the current economic situation and considers it appropriate to prepare the financial statements on a going concern basis.

The financial statements do not include any adjustments to the carrying amount and classification of assets and liabilities that may arise if the Compensation Fund was unable to continue as a going concern.

4. STAFF COSTS	2023	2022
	€	€
Salaries and wages	2,658,053	2,703,053
PRSI	291,849	282,343
Pension (Note 15)	366,762	310,708
	3,316,664	3,296,104
	2023	2022
	€	€
5. INCOME AND RETURN ON INVESTMENTS		
Realised movement of investments (Note 9)	749,165	353,461
	749,165	353,461
	2023	2022
	€	€
6. NET COST OF CLAIMS AFTER RECOVERIES		
Provision for claims (Note 12)	3,278,456	920,758
Recoveries from defaulting solicitors	(1,419,576)	(84,370)
Net cost of claims	1,858,880	836,388

The Compensation Fund has stop loss insurance policies in place which are subject to an excess of €5,000,000 in any financial year. No insurance recoveries apply in respect of the 2023 or 2022 claim years.

LAW SOCIETY OF IRELAND COMPENSATION FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

7. SURPLUS BEFORE TAXATION	2023	2022
	€	€
The surplus before taxation is stated after charging:		
Auditor's remuneration	6,000	5,000
Fair value movement in investments	1,298,610	(3,909,137)
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8. TAXATION	2023	2022
	€	€
The Compensation Fund is liable to income tax on investment income and gains		
Income Tax	-	99,637
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9. FINANCIAL ASSETS		
Listed investments – at fair value		€
Balance at 1 January 2023		18,418,901
Additions at cost		2,412
Disposals at cost		-
Unrealised fair value movements		1,298,610
Realised fair value movements		749,165
Balance at 31 December 2023		<hr/> 20,469,088 <hr/>

The investments are comprised of the following:

- (a) SSgA EMU Government Bond Index
- (b) SSgA EUR Liquidity Fund I Stable
- (c) SSgA Euro Aggregate Corporate Bond Index
- (d) Aberdeen/Standard Life Global Bond Strategy
- (e) State Street IUT Diversified Alternatives Fund – S40
- (f) State Street IUT World Developed Equity Index Fund – S20
- (g) State Street IUT Euro Government Bond Index Fund – S Gross
- (h) State Street IUT Euro Short Term Liquidity Fund – S Gross

All the investments noted above have a low risk profile.

LAW SOCIETY OF IRELAND COMPENSATION FUND**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

10. DEBTORS: Amounts falling due within one year	2023	2022
	€	€
Other debtors	72,503	72,503
Amounts due from the Law Society of Ireland	5,095,040	9,091,401
	5,167,543	9,163,904
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11. CREDITORS: Amounts falling due within one year	2023	2022
	€	€
Accruals and other creditors	82,790	106,344
Solicitors' funds held	4,284,680	3,643,556
Income Tax	(99,637)	65,222
	4,267,833	3,815,122
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12. PROVISIONS FOR LIABILITIES	2023	2022
	€	€
Provision for claims:		
At beginning of financial year	3,560,459	3,379,993
Provision made (Note 6)	3,278,456	920,758
Claims paid	(1,677,104)	(740,292)
At end of financial year	5,161,811	3,560,459
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13. FINANCIAL INSTRUMENTS	2023	2022
	€	€
The carrying value of the Fund, financial assets and liabilities are summarised by the category below:		
Financial assets		
<i>Measured at fair value through the income statement</i>		
Listed investments (see Note 9)	20,469,088	18,418,901
<i>Measured at undiscounted amounts receivable</i>		
Debtors and Prepayments (Note 10)	72,503	72,503
Amounts due from related undertakings (see Note 10)	5,095,040	9,091,401
	25,636,631	27,582,805
	<hr/> <hr/>	<hr/> <hr/>
Financial Liabilities		
Measured at undiscounted amounts payable		
Creditors (see Note 11)	4,267,833	3,815,122
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LAW SOCIETY OF IRELAND COMPENSATION FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

14. RELATED PARTY TRANSACTIONS

During the financial year the expenditure of the Compensation Fund included expenses and payroll costs totalling €5,153,746 (2022: €6,305,805), which were recharged to it by the Law Society of Ireland. The amount due from the Law Society of Ireland at the financial year end is shown at note 10.

The total remuneration for key management personnel which consists of the 3 Directors and 4 Section Heads/Managers (2.75 fulltime equivalents) for the financial year totalled €471,236 (2022: €575,460; 3 directors and 4 Section Heads/Managers – 2.75 full time equivalents).

15. PENSIONS

The Society and the Law Society of Ireland Compensation Fund are the participants in a multi-employer defined benefit pension scheme, operated by the Society. Under FRS 102, the Society as sponsoring employer of the schemes will recognise the entire net defined benefit cost and the relevant net defined benefit liability in its financial statements. Pension costs for the defined benefit scheme are assessed in accordance with the advice of an independent qualified actuary using the projected unit method.

The pension charge for the Compensation Fund for the financial year was €366,762 (2022: €310,708).