



## Financial Statements for year ended 31 December, 2001

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# Commission for Aviation Regulation

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# Commission for Aviation Regulation

## Report of the Commission for the period ended 31 December 2001

I have pleasure in presenting the audited financial statements of the Commission for Aviation Regulation for the period ended 31<sup>st</sup> December 2001.

### Financial Year

The accounting period consists of the period from 27<sup>th</sup> February 2001 to 31<sup>st</sup> December 2001.

### Principal Activities

The principal functions of the Commission are the regulation of airport charges at Dublin, Shannon and Cork Airports, and the regulation of aviation terminal services charges levied by the Irish Aviation Authority. The Commission is also responsible for licensing/bonding of tour operators and travel agents in Ireland, the implementation of Ireland's obligations under EU slot allocation legislation, oversight of schedule coordination procedures at Dublin Airport, licensing of Irish air carriers and the approval of ground handling service providers.

### Results

Details of the financial results of the Commission for the period are set out in the Financial Statements and in the related notes.

### Prompt Payment of Accounts Act, 1997

The Commission for Aviation Regulation came under the remit of the Prompt Payments Act, 1997 with effect from 7<sup>th</sup> August, 2002. The Commission complies with the requirements of the Act and has done so since the date of its establishment of 27<sup>th</sup> February, 2001.

### Auditors and Accounts

Section 26 of the Aviation Regulation Act, 2001 obliges the Commission for Aviation Regulation to keep, in such form as may be approved by the Minister for Public Enterprise with the concurrence of the Minister for Finance, all proper and usual accounts of all monies received or expended by it, including an income and expenditure account and balance sheet. The Commission is also required to submit those accounts to the Comptroller and Auditor General for audit and those accounts when so audited, together with the report thereon, shall be presented to the Minister for Public Enterprise.

**William Prasifka**  
Commissioner

## Commission for Aviation Regulation

### Statement of Commission's Responsibilities

Section 26(a) of the Aviation Regulation Act, 2001 requires the Commission to prepare financial statements in such form as may be approved by the Minister for Public Enterprise with the concurrence of the Minister for Finance and to submit them for audit to the Comptroller and Auditor General. In preparing these financial statements, the Commission is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis, unless that basis is inappropriate
- disclose and explain any material departures from applicable accounting standards

The Commission is responsible for keeping proper books of account, which disclose with reasonable accuracy at any time the financial position of the Commission and which enable it to ensure that the financial statements comply with Section 26 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.

**William Prasifka**  
Commissioner

## COMMISSION FOR AVIATION REGULATION

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

I have audited the financial statements on pages 5 to 12 under Section 26(b) of the Aviation Regulation Act, 2001.

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

The accounting responsibilities of the Commission are set out in the Statement of Commission's Responsibilities on page 3. It is my responsibility, based on my audit, to form an independent opinion on the financial statements presented to me by the Commission and to report on them.

#### **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 auditing standards 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 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 Commission'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 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.

#### **Pension costs**

Without qualifying my opinion, I draw attention to note 9 to the financial statements which explains why the Commission was unable to comply with the disclosure requirements of Financial Reporting Standard 17.

#### **Opinion**

In my opinion, proper books of account have been kept by the Commission and the financial statements, which are in agreement with them, give a true and fair view of the state of affairs of the Commission for Aviation Regulation at 31 December 2001 and of its income and expenditure and cash flow for the year then ended.

**John Purcell**  
**Comptroller and Auditor General**  
27 November 2003

# Commission for Aviation Regulation

## Statement of Accounting Policies

### 1. Basis of Accounts

The financial statements are prepared under the accruals method of accounting, except as stated below and in accordance with generally accepted accounting principles under the historical cost convention. Financial Reporting Standards recommended by the accountancy bodies are adopted, as they become operative.

### 2. Income Recognition

Aviation Levy income is brought to account over the period to which it relates. Licence fee income from travel trade operations is brought to account in the year in which the licence is issued.

### 3. Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated in order to write off the cost of fixed assets on a straight-line basis over the estimated useful lives at the following rates:

Furniture and Fittings	20%	per annum
Office Equipment	10%	per annum
Computer Equipment	33 1/3%	per annum

### 4. Travel Trade Bonds and the Travellers' Protection Fund

Responsibility for administering the licensing of travel agents and tour operators in accordance with the Transport (Tour Operators and Travel Agents) Act, 1982 as amended, was transferred from the Department of Public Enterprise to the Commission on its establishment day.

Bonds lodged by travel agents and tour operators as required under Section 13 of the Act are held in separate bank accounts under the control of the Commission. The Commission makes payments on foot of claims made on the bonds as they arise. Unspent balances on bond accounts as at 31 December 2001 are accounted for as creditors.

The Traveller's Protection Fund was established under Section 15 of the Transport (Tour Operators and Travel Agents) Act, 1982 to provide for any shortfall on the travel bonds in covering losses or liabilities incurred by customers of travel agents and tour operators. Moneys of the Fund are held partly in an investment account managed and controlled by the Minister for Finance and partly in a current account managed and controlled by the Commission. The balance on the latter account is treated as a creditor in these financial statements.

The bond accounts and the Fund are administered by the Commission whose expenses are reimbursed from the bonds or the Fund under the terms of the Act. Separate financial statements are prepared for the bond accounts and the Travellers' Protection Fund and are audited separately by the Comptroller and Auditor General.

## **5. Superannuation**

The Commission for Aviation Regulation operates a funded contributory defined benefit pension scheme under Sections 20 and 21 of the Aviation Regulation Act, 2001. Annual contributions are based on actuarial advice and are charged to the income and expenditure account in the year to which they relate.

## **6. Capital Account**

The Capital account represents the unamortised value of income used for capital purposes.

**Commission for Aviation Regulation**  
**Income & Expenditure Account for the period ended 31 December 2001**

	<i>Notes</i>	€	IR£
<b>Income</b>			
Levy Receipts	2	2,245,818	1,768,725
Licence Fees	2	392,372	309,019
<b>Gross Income</b>		<b>2,638,190</b>	<b>2,077,744</b>
Transfer from / (to) Capital Account	8	(11,113)	(8,753)
<b>Net Income</b>		<b>2,627,077</b>	<b>2,068,991</b>
<b>Expenditure</b>			
Salaries		850,469	669,799
Consultancy		766,819	603,919
Legal		478,376	376,753
Advertising & PR		183,379	144,422
Travel & Subsistence		71,990	56,697
Training		44,701	35,205
Audit		12,750	10,041
Web Maintenance		25,282	19,911
Rent		29,315	23,087
Electricity		4,083	3,215
Insurance		11,656	9,180
Interest due to DPE on Advances		16,642	13,107
Office Stationery		30,501	24,021
Postage & Carriage		7,047	5,550
Telephone		14,092	11,099
Other		97,239	76,582
		<b>2,644,341</b>	<b>2,082,588</b>
<b>Operating Deficit</b>		<b>(17,264)</b>	<b>(13,597)</b>

There are no recognised gains or losses other than those dealt with in the Income & Expenditure Account. The Statement of Accounting Policies and the Notes 1 to 14 form part of these Financial Statements.

William Prasifka  
Commissioner

Date



**Commission for Aviation Regulation**  
**Balance Sheet as at 31 December 2001**

	<i>Notes</i>	€	€	IR£	IR£
<b>Fixed Assets</b>					
Tangible Assets	4		11,113		8,753
<b>Current Assets</b>					
Bank Accounts	5	5,402,042		4,254,454	
Debtors and Prepayments	6	2,306,014		1,816,133	
		<b>7,708,056</b>		<b>6,070,587</b>	
<b>Creditors : Amounts falling due within one year</b>					
Cash Bond Accounts	5	5,248,080		4,133,199	
Creditors and Accruals	7	1,048,785		825,985	
Funding from the DPE	7	1,428,455		1,125,000	
		<b>7,725,320</b>		<b>6,084,184</b>	
<b>Net Current Assets/(Liabilities)</b>			<b>(17,264)</b>		<b>(13,597)</b>
<b>Net Assets</b>			<b>(6,151)</b>		<b>(4,844)</b>
<b>Financed By</b>					
Income & Expenditure Account (Deficit)			<b>(17,264)</b>		<b>(13,597)</b>
Capital Account	8		<b>11,113</b>		<b>8,753</b>
<b>Capital Employed</b>			<b>(6,151)</b>		<b>(4,844)</b>

The Statement of Accounting Policies and the Notes 1 to 14 form part of these Financial Statements.

William Prasifka  
Commissioner

Date

**Commission for Aviation Regulation**  
**Cashflow Statement for the period ended 31 December 2001**

	2001 Euro	2001 IR£
<b>Reconciliation of operating surplus to net cash inflow/(outflow) from operating activities</b>		
Surplus/(Deficit) on Income and Expenditure	(17,264)	(13,597)
Depreciation	1,368	1,077
Bank Interest	-	-
Transfer (from) / to Capital Account	11,113	8,752
Increase in Debtors	(2,249,834)	(1,771,888)
Increase in Prepayments	(56,180)	(44,245)
Increase in Creditors	129,636	102,097
Increase in Accruals	919,148	723,888
<b>Net Cash Inflow / (Outflow) From Operating Activities</b>	<b>(1,262,013)</b>	<b>(993,916)</b>
 <b>Cash Flow Statement</b>		
Net Cash Inflow / (Outflow From Operating Activities)	(1,262,013)	(993,916)
Returns on Investments		
Bank Interest		
Capital Expenditure		
Purchase of fixed assets	(12,481)	(9,829)
Management of Liquid Resources		
Funding from DPE	1,428,455	1,125,000
Increase in Cash Bond Accounts & TPF	744,471	586,318
<b>Increase / (Decrease) in Cash Balances</b>	<b>898,432</b>	<b>707,573</b>
 <b>Reconciliation of net cash flow to movements in net funds</b>		
Increase / (Decrease) in cash in hand in the period	898,432	707,573
Cash Inflow/(Outflow)		
Opening Net Funds*	4,503,610	3,546,881
Closing Net Funds	<b>5,402,042</b>	<b>4,254,454</b>

\*Bond Accounts and TPF Account as at 27/02/01.

The Statement of Accounting Policies and the Notes 1 to 14 form part of these Financial Statements.

**William Prasifka**  
**Commissioner**

**Date**

**1 Establishment of the Commission**

The Commission for Aviation Regulation was established on 27 February 2001 under the provisions of the Aviation Regulation Act, 2001 (No.1 of 2001).

Under the Act, the Commission is responsible for the regulation of airport charges and aviation terminal service charges, the licensing of travel agents and tour operators in Ireland, licensing of Irish air carriers, licensing of ground handlers at Irish airports and the implementation of EU slot allocation procedures.

The Commission is funded from the proceeds of an annual Levy on the airport authority, the provider of aviation terminal services at the State airports, holders of an approval to supply ground handling services, air carriers which hold an operating licence, Irish-registered airlines and also from license fees from tour operators and travel agents.

**2 Income**

The Commission for Aviation Regulation receives income from two sources, travel trade licence fee income and levy income.

Under Section 23 of the Aviation Regulation Act, 2001 the Commission for Aviation Regulation is empowered to make regulations providing for the imposition of a Levy. The purpose of the Levy is to meet the costs and expenses of the Commission. For 2001, the Commission imposed a Levy as set out below.

	€	IR£
Licence Fees:		
Travel Agent Licence Fees	94,732	74,607
Tour Operator Licence Fees	235,963	185,837
Late Fees received from Agents & Operators	59,043	46,500
Amendment to Licence Fees	95	75
Air Carrier Licence Fees	2,539	2,000
	<u>392,372</u>	<u>309,019</u>
Levy Receipts:		
Airport Charges	2,084,492	1,641,671
Aviation Terminal Services Charges	127,215	100,190
Slot Coordination	20,963	16,510
Groundhandling	6,992	5,507
Air Carrier	6,156	4,848
	<u>2,245,818</u>	<u>1,768,726</u>
	<u>2,638,190</u>	<u>2,077,745</u>

**3 Staff numbers and costs**

The average number of persons employed by the Commission during the year, analysed by category, was as follows:

Commissioner	1
Administration	3
Economic/Legal/Accounts	4
Travel Trade	6
Total Average Full Time Equivalent Employees	<u>14</u>

The aggregate payroll costs of these persons were as follows;

	€	IR£
Salaries	746,639	588,026
National Insurance - on staff paid by the CAR	11,028	8,685
National Insurance - on staff paid by the DPE	77,840	61,304
Pension Costs	14,962	11,783
	<u>850,469</u>	<u>669,799</u>

**4 Tangible fixed assets**

<i>Cost</i>	Office Equipment €	IR£
at the beginning of the period	-	-
Additions in the period	12,481	9,830
Disposals in the period	-	-
<b>At the end of the period</b>	<b>12,481</b>	<b>9,830</b>
<i>Accumulated depreciation</i>		
at the beginning of the period	-	-
Charge for the period	1,368	1,077
Disposals in the period	-	-
<b>At the end of the period</b>	<b>1,368</b>	<b>1,077</b>
<b>Net Book Value as at 31 December 2001</b>	<b>11,113</b>	<b>8,753</b>

**5 Bank**

	€	IR£
Bank Accounts - Travel Trade Bond Accounts	5,188,596	4,086,352
Bank Account - Travellers Protection Fund	59,484	46,847
Bank Account - CAR Current A/C	153,962	121,255
	<b>5,402,042</b>	<b>4,254,454</b>

**6 Debtors & Prepayments**

	€	IR£
Debtors	2,245,818	1,768,725
Other Debtors	4,016	3,163
Insurance prepaid	56,180	44,245
<b>Balance at the 31st December 2001</b>	<b>2,306,014</b>	<b>1,816,133</b>

**7 Creditors & Accruals**

	€	IR£
Amount Due to the Dept of Public Enterprise (See note 11)	(1,428,455)	(1,125,000)
Interest due to the Department on Cash advances	(16,642)	(13,107)
Salaries paid by the Department	(648,656)	(510,858)
PRSI paid by the department	(77,840)	(61,304)
Legal & Consultancy Fees re Judicial Review	(163,260)	(128,578)
Audit Fee	(12,750)	(10,041)
Trade Creditors	(129,636)	(102,097)
<b>Balance at the 31st December 2001</b>	<b>(2,477,240)</b>	<b>(1,950,985)</b>

**8 Capital Account**

	€	IR£
Balance at 27 February 2001	-	-
Transfer to / (from) Income and Expenditure Account		
Funds allocated to acquire fixed assets	12,481	9,830
Amount amortised in line with asset depreciation	(1,368)	(1,077)
<b>Balance at the 31st December 2001</b>	<b>11,113</b>	<b>8,753</b>

**9 Pensions**

The Commission for Aviation Regulation operates a funded contributory defined benefit pension scheme under Sections 20 and 21 of the Aviation Regulation Act, 2001. Annual contributions are based on actuarial advice and are charged to the income and expenditure account in the year to which they relate.

For accounting periods ending on or after 22 June 2005, Financial Reporting Standard 17 will require financial statements to reflect at fair value the assets and liabilities arising from an employer's superannuation obligations and any related funding and to recognise the costs of providing superannuation benefits in the accounting periods in which they are earned by the employees. As a transitional measure the Standard requires that the present value of scheme liabilities be disclosed in the notes to the 2001 financial statements. In 2001, the Commission was not in a position to comply with the requirements of FRS 17, as it did not obtain an actuarial valuation of the scheme liabilities. The Commission has taken steps to ensure that it will be able to comply with the requirements of the Standard in future years.

**10 Interests of the Commissioner**

The Commission adopted procedures in accordance with guidelines issued by the Department of Finance in relation to the disclosure of interests by the Commissioner 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 the Commissioner had any beneficial interest.

**11 Advances by the Department of Public Enterprise**

In the period under review, the Department of Public Enterprise advanced €1,428,455 under Section 24 of the Act for the purposes of expenditure by the Commission in the performance of its functions.

These advances were temporary funding in respect of the initial expenses of the Commission and were repaid to the Department of Public Enterprise, in October 2002.

**12 Commitments-Capital and Others**

The Commission had no commitments, capital or otherwise, at the balance sheet date.

**13 Surplus/(Deficit)**

Under Section 23 of the Aviation Regulation Act, 2001, the Commission for Aviation Regulation is empowered to make regulations providing for the imposition of a Levy. The purpose of the Levy is to meet the costs and expenses of the Commission. Any surplus/(deficit) in any one year is carried forward and offset against the Levy of the following year.

**14 Approval of Financial Statements**

These financial statements were approved by the Commissioner on 13 November 2003.