

COMPENSATION FUND
FINANCIAL STATEMENTS
YEAR ENDED 31ST JANUARY 2019

COMPENSATION FUND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JANUARY 2019

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INDEPENDENT AUDITORS' REPORT
TO THE COUNCIL OF
THE LAW ASSOCIATION OF TRINIDAD AND TOBAGO

Report on the Financial Statements

We have audited the financial statements of the Compensation Fund ("the Fund"), in respect of which the Members of the Council of the Law Association of Trinidad and Tobago are the Trustees, which said financial statements comprise the statement of financial position as at 31st January 2019, statement of comprehensive income, statement of changes in accumulated fund, statement of cash flows for the year then ended, and incorporating summary of significant accounting policies and other explanatory notes, as stated on pages 5 to 12.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31st January 2019 and the results of its operations and cash flows for the year then ended, in accordance with International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS for SMEs, and for such internal control as the Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditors' 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 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, we exercise professional judgment and maintain professional skepticism 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of Council'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 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 our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

Auditors' 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 we identify during our audit.

A handwritten signature in blue ink that reads 'Maharaj Mohammed & Co.'.

Maharaj Mohammed & Co.
Chartered Accountants
Trinidad & Tobago

22nd February 2019

COMPENSATION FUND

STATEMENT OF FINANCIAL POSITION
AS AT 31ST JANUARY 2019

	Notes	2019 \$	2018 \$
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	4	9,249,764	8,257,388
Accounts receivable and prepayments	5	<u>9,600</u>	<u>19,318</u>
		<u>9,259,364</u>	<u>8,276,706</u>
Non-current assets			
Property, plant and equipment	8	<u>953</u>	<u>9,427</u>
Total Assets		<u>9,260,317</u>	<u>8,286,133</u>
<u>ACCUMULATED FUND AND LIABILITIES</u>			
Accumulated Fund		<u>9,235,136</u>	<u>8,245,788</u>
Current liabilities			
Accounts payable and accruals	6	<u>25,181</u>	<u>40,345</u>
Total Liabilities		<u>25,181</u>	<u>40,345</u>
Total Liabilities and Accumulated Fund		<u>9,260,317</u>	<u>8,286,133</u>

The accompanying notes on pages 9 to 12 form an integral part of these financial statements.

:President

:Treasurer

COMPENSATION FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST JANUARY 2019

	2019 \$	2018 \$
Revenue		
Contributions	1,187,350	1,112,200
Fines	22,500	26,000
Interest income	<u>35,260</u>	<u>32,602</u>
	<u>1,245,110</u>	<u>1,170,802</u>
Expenditure		
<i>(I) Administration of the Fund</i>		
Audit fees	31,400	35,000
Bank charges	491	407
<i>(II) Operating expenses of the Disciplinary Committee</i>		
Cleaning services	21,780	24,250
Depreciation	8,474	8,518
Equipment rental	14,783	3,939
Office expenses	23,647	28,840
Printing, postage and stationery	3,341	1,506
Professional fees	28,125	3,755
Repairs and maintenance	900	-
Salaries and benefits	114,331	86,553
Utilities	<u>8,490</u>	<u>10,838</u>
	<u>255,762</u>	<u>203,606</u>
Surplus for the year	<u>989,348</u>	<u>967,196</u>

The accompanying notes on pages 9 to 12 form an integral part of these financial statements.

COMPENSATION FUND

STATEMENT OF CHANGES IN ACCUMULATED FUND FOR THE YEAR ENDED 31ST JANUARY 2019

	Accumulated Fund \$
Balance at 1 st February 2017	7,278,592
Surplus for the year	<u>967,196</u>
Balance at 31 st January 2018	<u>8,245,788</u>
Balance at 1 st February 2018	8,245,788
Surplus for the year	<u>989,348</u>
Balance at 31 st January 2019	<u>9,235,136</u>

The accompanying notes on pages 9 to 12 form an integral part of these financial statements.

COMPENSATION FUND

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST JANUARY 2019

	Note	2019 \$	2018 \$
Operating Activities			
Operating surplus for the year		989,348	967,196
Adjustments for:			
Depreciation of property, plant and equipment		<u>8,474</u>	<u>8,518</u>
		997,822	975,714
Movements in working capital			
Decrease/(increase) in accounts receivable and prepayments		9,718	(14,939)
(Decrease)/increase in accounts payable and accruals		<u>(15,164)</u>	<u>36,800</u>
Cash generated from operating activities		<u>992,376</u>	<u>997,575</u>
 Net increase in cash and cash equivalents		 992,376	 997,575
Cash and cash equivalents at the beginning of year		<u>8,257,388</u>	<u>7,259,813</u>
 Cash and cash equivalents at the end of year		 <u>9,249,764</u>	 <u>8,257,388</u>
 Cash and cash equivalents represented by:			
Cash and cash equivalents		6,885,545	5,922,312
Short-term investments		<u>2,364,219</u>	<u>2,335,076</u>
		<u>9,249,764</u>	<u>8,257,388</u>

The accompanying notes on pages 9 to 12 form an integral part of these financial statements.

COMPENSATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JANUARY 2019

1. **Incorporation and principal activities**

The Compensation Fund (the “Fund”) was established under s. 54(1) of the Legal Profession Act Ch. 90:03 (the “Act”) and the Council is designated the Trustee as provided by s. 54(2) of the Act. The primary purpose of the Fund is to provide compensation for loss sustained to any person as a consequence of:

- i) Dishonesty on the part of an Attorney-at-Law, clerk or servant of an Attorney-at-Law or
- ii) In cases where an Attorney-at-Law has failed to account for money due to a person in connection with his practice or any trust of which he, the Attorney-at-Law, is a trustee and the person has suffered or likely to suffer hardship.

Applications for grants from the Fund are made pursuant to s. 57 and 58 of the Act and all such applications are considered and determined by the Council, in accordance with the procedure prescribed by the Compensation Fund Rules.

The establishment and operations of the Fund are prescribed by the Act, in particular Part VI and the Sixth Schedule of the Act.

In addition, by virtue of s. 36(4) of the Act, expenses incurred by the Disciplinary Committee, established to deal with complaints against Attorneys-at-Law in the discharge of its functions, shall be met from the Fund.

These financial statements were authorized for issue by the Council on 19th March 2019.

2. **Significant Accounting Policies**

(a) Basis of preparation

These financial statements are expressed in Trinidad and Tobago dollars and have been prepared under the historical cost convention in conformity with International Financial Reporting Standards for SMEs.

(b) Use of estimates

The preparation of financial statements, in conformity with International Financial Reporting Standards for SMEs, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank balances and short-term investments that are readily convertible to known amounts of cash which are subject to insignificant risk of change in value.

COMPENSATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JANUARY 2019

2. Significant Accounting Policies (Continued)

(d) Revenue

Revenue is derived from the receipt of members' contributions and fines collected. These are recorded on a cash basis.

Interest income is recognized and recorded on the accrual basis.

(e) Property, plant and equipment

Property, plant and equipment purchased are stated at historical cost and depreciation is conducted on the straight-line basis at the following rates:

Office equipment	25%
Furniture and fixtures	25%
Computer software	20%

(f) Accounts payable

Liabilities for expenses and other amounts payable which are normally settled on 30-90 day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not said goods and services have been invoiced.

(g) Accounts receivable

Accounts receivable consist mainly of interest accrued on short-term investments. Due to the short-term nature, their carrying amount is considered to be the same as their fair value.

(h) Taxation

No provision has been made for taxation in these financial statements.

3. Subsequent event

In March 2019, the Council was made aware of an ongoing investigation by the Internal Audit Department of the Judiciary relative to the collection of practising fees and contributions to the Compensation Fund. Due to the premature stage of this investigation, the quantum or allocation of these transactions have not been determined.

COMPENSATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JANUARY 2019

4. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and short-term investments. Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	2019	2018
	\$	\$
Petty cash	1,000	500
Cash at bank	6,884,545	5,921,812
Short-term investments (Note i)	<u>2,364,219</u>	<u>2,335,076</u>
	<u>9,249,764</u>	<u>8,257,388</u>

i) The short-term investment earns an average rate of interest of 1.23%.

5. Accounts receivable and prepayments

	2019	2018
	\$	\$
Interest accrued	4,800	4,818
Other receivables and prepayments	<u>4,800</u>	<u>14,500</u>
	<u>9,600</u>	<u>19,318</u>

6. Accounts payable and accruals

	2019	2018
	\$	\$
Trade payables	-	1,800
Accruals and other	<u>25,181</u>	<u>38,545</u>
	<u>25,181</u>	<u>40,345</u>

7. Operating Lease Rental

The Fund has entered into a 3 year non-cancellable operating lease on equipment, for the period October 2017 to September 2020.

During the year, the balance of \$14,783 (2018: \$3,939) was recognized in the Revenue and Expenditure Account, with respect to operating lease rentals.

	2019	2018
	\$	\$
Lease rental payable		
Less than one year	14,783	14,783
One to five years	<u>11,086</u>	<u>25,869</u>
	<u>25,869</u>	<u>40,652</u>

COMPENSATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JANUARY 2019

8. Property, plant and equipment

	Office Equipment	Furniture & Fixtures	Computer Software	Total
	\$	\$	\$	\$
Cost/Valuation				
Beginning of the year	84,603	33,897	1,100	119,600
Additions	-	-	-	-
Disposals	-	-	-	-
End of the year	84,603	33,897	1,100	119,600
Accumulated Depreciation				
Beginning of the year	84,603	24,470	1,100	110,173
Charge for the year	-	8,474	-	8,474
Disposals	-	-	-	-
End of the year	84,603	32,944	1,100	118,647
Net Book Value 2018	-	9,427	-	9,427
Net Book Value 2019	-	953	-	953

9. Financial instruments

The principal financial instruments for the purpose of the Fund's operations are cash and bank balances and short-term investments. Financial instruments arising directly from the Fund's operations are accounts receivable and prepayments, accounts payable and accruals. The main risk arising from the Fund's financial instruments is interest rate risk.

Interest rate risk

The Fund's exposure to market risk for changes to interest rates relates primarily to the short-term investment. At year end the Fund's investments earn at an average interest rate of 1.23%.

Fair values

The fair values of cash and bank balances, receivables and payables approximate their carrying amounts due to the short-term nature of these instruments.