



Real Estate and Business Agents Supervisory Board

*Annual Report*

2002-2003

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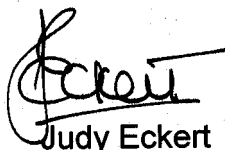
## Statement of Compliance

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HON JOHN KOBELKE MLA  
MINISTER FOR CONSUMER AND EMPLOYMENT PROTECTION

In accordance with section 66 of the *Financial Administration and Audit Act 1985*, we hereby submit for your information and presentation to Parliament the Annual Report of the Real Estate and Business Agents Supervisory Board for the year ending 30 June 2003.

The Report has been prepared in accordance with the provisions of the *Financial Administration and Audit Act 1985*.



Judy Eckert  
Chair



Gordon Bragg  
Member

29 August 2003

## Report from the Chair

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I am pleased to present for tabling the Annual Report of the Real Estate and Business Agents Supervisory Board for the year ending 30 June 2003. After a year and a half as the Chair of REBA, I feel I can look back with some limited satisfaction at the achievements of the Board over the past 12 months. There are, of course, always so many more things we aim to achieve, but which we are not able to as a part time Board. I described the role of the Board in my first six months as stimulating, frustrating, time consuming and challenging. It has continued to be all of those things over the past year, and I acknowledge with gratitude the exceptional effort of all those involved with the Board in meeting the challenge.

The achievements of the Board have only been possible due to the outstanding and unflinching service provided by the Board Members and their deputies, Board support staff, and Real Estate Branch staff of the Department of Consumer & Employment Protection. I would particularly like to pay tribute to Mr Stuart Cowie, who as Board Director helped steer the Board in the direction it has taken and who provided leadership to the staff and wise counsel to me. Stuart left the Board in late April on secondment to the Department of Environmental Protection. Ms Carolyn Marmion stepped in to Stuart's shoes and has proved herself most able in that difficult role. I would also like to acknowledge the dedication of our Registrar, Mr Bob Rossi, whose formidable knowledge ensures our efficiency and whose admirable sense of ethics serves as a reminder of the need to ensure that the real estate industry meets the needs of consumers honestly and openly.

The Board continues to take a proactive approach to its role as regulator of the real estate and business broking industry. Over the past 12 months the proactive compliance program and educational seminars for industry members and the public have been tremendously successful. Proactive visits to real estate agencies were increased, with visits being made to 262 agencies across regional and metropolitan Western Australia. The public homebuyers seminars which were successfully developed last year continued into 2002-2003. Six were conducted this year, three each in metropolitan and regional centres. Fourteen industry seminars in metropolitan Perth, and a further 14 in regional centres, have been very successful. I would particularly like to thank Mr Bill Goddard, the industry elected member of the Board, who drives the education campaign. Bill devotes substantial time to the seminars and regularly visits regional centres with the Registrar and the Principal Compliance Officer, Mr Sath Moodley or members of his team. The seminars would not be the success that they are without the tireless efforts of Bill and we owe him a debt of gratitude for laying the long term foundations of a comprehensive education program.

The appointment, finally, in December 2002 of the Real Estate Institute of Western Australia nominated member, Mr Michael Hoad, helped relieve some of the pressure on the Board which had developed through operating with depleted numbers. I would like to express my gratitude once again to all Board members and their deputies for picking up the commitments of the 'missing member' and sitting extra days so that we could meet our obligations. Michael has made a very valuable contribution to the Board and I am grateful for his input in meetings and hearings. He has extensive knowledge and understanding of the real estate industry which he has readily shared with the Board. I look forward to Michael's continued participation on the Board.

During the year the Board remained occupied with matters arising from the closure of Want & Co. There were also two other agencies which required the appointment of supervisors. The Board has been kept busy dealing with issues concerning the role and functions of those supervisors, and with associated Fidelity Guarantee Fund claims. A record 164 claims were lodged, more than double the number in the previous year. The accounts of the agencies have in some cases been kept in such an appalling state that they had to be reconstructed, requiring time consuming and expensive accountancy work. The process for claiming against the Fidelity Guarantee Fund has also been amended in light of District and Supreme Court decisions and is now more time consuming and work intensive. These matters have highlighted the need for the distribution of the Board's new publication *Real Estate Trust Accounting – A Reference Manual*.

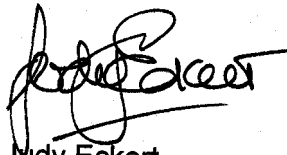
Over the past 12 months the Board convened an unprecedented 149 formal hearing sessions. In these proceedings the Board continues to use the members of the panel for the provision of legal services which it established following a tender process in the previous financial year. The Board has been very pleased with the quality and timeliness of the legal services provided by these private firms and members of the independent bar. It has certainly made a difference to the quality of hearings before the Board and therefore ultimately the protection of the rights of both consumers and industry members. The Board takes its role as a 'model litigant' very seriously and through the panel has been able to develop a standardised approach to many matters and aspects of hearings. The increased number of hearings does not reflect an increase in the number of complaints that can be substantiated against agents and sales representatives. Rather, it is the result of the Board's determination to deal with aged complaints and to bring the list of outstanding complaints up to date within a reasonable time frame from receipt of complaint to hearing.

Over the year, the Board has been subject to the development of changes to its jurisdiction and fundamental structures by policies outside of its control. There are two developments of particular interest. The first is the introduction of legislation to establish the State Administrative Tribunal (SAT), which will result in the Board no longer undertaking the disciplinary function. The Board has been supportive of the transfer of this function to SAT and sees it as appropriate, so that it will no longer be the investigator, prosecutor and judge of complaints before it.

However, the future role of the Board remains uncertain, following the Minister's Review of Boards and Committees. In this regard, the Board has been very disappointed with the lack of real consultation with it and what seems to have been scant attention paid to its submissions. It appears that the consequential amendments to the *Real Estate and Business Agents Act 1978* will result in the transfer of significant responsibilities from the Board to the Department of Consumer and Employment Protection. It is difficult to fully predict how these changes will affect the Board, its members and its support staff, the industry and the rights of consumers. The Board remains of the view that it is necessary to maintain independence from the Department, a position supported by the findings of the Gunning Inquiry. In particular, the Board believes that it is vital that it retains the right to employ its key staff, such as the Director and the Registrar. Not doing so places those people in an invidious conflict position which we believe will ultimately be untenable and will not serve the best interests of the public or industry. Those Board members who served on the Board before it became self funded have expressed serious concerns that regulation of the real estate and business broking industries will return to the unacceptable standard that previously existed. The Board will continue to take the initiative wherever possible to maintain its vigour in regulating the industry and protecting consumers.

Remuneration of Board members and their deputies has again not been increased despite representations made to the Minister demonstrating the need for an increase in line with the current heavy work load of members and their deputies. The record number of Fidelity Guarantee Fund claims and the unprecedented number of formal hearings, with their associated materials, has resulted in the Board remaining of the view that the current remuneration of members and deputies is inadequate. The Board remains hopeful that this situation will be remedied.

In closing I would like to acknowledge the continued assistance given to me by the Deputy Chair, Mr Gordon Bragg who has served on the Board for 10 years. I feel very privileged to have worked closely with Gordon. I have relied, perhaps a little too freely, on his willingness to help. His knowledge and sharp intellect are valuable assets which we certainly use to the fullest. Gordon's attitude to the Board and its many tasks is reflective of all Board members and their deputies and I believe we are very lucky to have their dedication for so little reward.

A handwritten signature in black ink, appearing to read 'Judy Eckert', written in a cursive style.

Judy Eckert  
Chair

# **SECTION 1**

## **About REBA**



## **Summary of 2002-2003**

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### **Submission to Review of Boards and Committees**

The Real Estate and Business Agents Supervisory Board (REBA) made a submission in 2002-2003 expressing disquiet and concern at the recommendations of the Department of Consumer and Employment Protection's (DOCEP) review of the boards and committees that fall under the Consumer Protection Minister's portfolio. REBA firmly maintains that a strong and independent statutory board responsible for regulating the real estate industry offers the best protection for consumers while balancing the interests of industry. REBA continues to lobby DOCEP and the Government in this regard.

### **Investigations**

The total number of complaints against real estate agencies lodged with REBA in 2002-2003 (637) was similar to the previous period (649). This is pleasing given the high level of activity in the market during the year. However, significantly more of these complaints (479) were dealt with by way of a formal investigation than by way of conciliation than in the previous period (394).

During 2002-2003, 163 investigations into qualified audit reports were commenced compared to 138 from the previous period. In addition, 101 trust account investigations were commenced in 2002-2003 compared to 99 from the previous period.

### **Inquiries**

REBA conducted 72 disciplinary inquiries in 2002-2003 compared to 43 in the previous period. These were held over 114 sessions compared to 68 in the previous period. In addition, a total of 34 hearing sessions into licensing and Fidelity Guarantee Fund matters were held in 2002-2003.

### **Fidelity Guarantee Fund**

The number of Fidelity Guarantee Fund claims lodged with REBA during 2002-2003 more than doubled when compared to the previous period, to 164. This was due to claims arising out of Want & Co., Derby Real Estate and Morton and Wright (Century 21).

### **Appointment of Supervisors**

During 2002-2003, REBA successfully applied to the District Court to have supervisors appointed to Glenn Low First National Real Estate and Morton and Wright (Century 21), following the identification of concerns with those agencies. The quick action of REBA ensured that losses of consumer funds were minimised.

### **Proactive Compliance Visits**

REBA conducted 262 proactive compliance visits to real estate agencies in 2002-2003. This is 64 more than in the previous period. REBA's increased presence in the industry through such visits is an important tool in educating agents and correcting problems before they become serious.

## **Homebuyers Seminars**

The Homebuyers Seminars continue to be a great success. In 2002-2003, three seminars were conducted in the metropolitan area and three in regional centres. These seminars provide consumers with valuable information on buying a home, such as making an offer on a property, arranging finance, obtaining a valuation and the settlement process.

## **Industry Seminars**

During 2002-2003, REBA held 14 industry seminars within the metropolitan area and 14 seminars in regional areas. These included discussions on various topics such as property management and the new Joint Form of General Conditions 2002. The seminars were well attended and feedback from industry has been very positive.

## **Training for Compliance Officers**

In 2002-2003, a total of 18 REBA investigators successfully completed the *Certificate IV in Government Statutory Investigations and Enforcement*. This accredited training course, tailored to the needs of real estate officers, is part of REBA's commitment to ensuring that its investigators meet national standards of investigations procedure and practice.

## **Release of the REBA publication Real Estate Trust Accounting -A Reference Manual**

A new publication entitled *Real Estate Trust Accounting-A Reference Manual* was distributed to all agencies during the year. This publication was developed to assist real estate agents in establishing and maintaining a trust account recording system that complies with the Act and the Regulations. Feedback received from agents on the format and content of this publication has been very positive.

## **Real Estate and Settlement Hotline**

An extended hours telephone information service known as the Real Estate and Settlement Hotline was piloted for a six-month period during 2002-2003, in partnership with the Settlement Agents Supervisory Board. After the pilot period expired, a decision was made to discontinue the service outside of business hours due to insufficient demand by consumers. The Real Estate and Settlement Call Centre (1300 30 40 64) continues to provide a telephone advice service on real estate and settlement issues during business hours.

## Outlook for 2003-2004

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The 2003-2004 financial year will be one of the most significant for REBA with it undergoing more change than at any other time since its creation in 1978. The proposed introduction of the State Administrative Tribunal (SAT) and the outcome of the Review of Boards and Committees with its consequential amendments to the *Real Estate and Business Agents Act 1978* will result in substantial changes to the role and responsibilities of REBA.

SAT is intended to be established in early 2004 and will assume REBA's role in hearing disciplinary matters. The implementation of SAT will help to reduce the increasingly heavy workload of REBA. Under current proposals, REBA will endorse the referral of matters to be heard by SAT and will receive reports about the outcome of SAT hearings and provide disciplinary advice. REBA will continue its current disciplinary role into 2003-2004 until SAT is established.

The changes recommended by the Review of Boards and Committees are yet to be formalised into legislative proposals, so the likely practical impact of changes on REBA's future operations are not known at this stage. REBA will continue to voice its disquiet and concerns at current proposals in the hope that a more satisfactory outcome is achieved. When the proposed changes are finalised, REBA will move to adopt a transition strategy as soon as possible. Until that time, the Board will continue with its core responsibilities. REBA remains concerned, however, that the proposals will result in a loss of control of its funding, which may impact on its ability to perform its core functions and ensure that those funds are directed to real estate activities.

REBA is required each year to submit a Corporate Plan to the Minister for Consumer and Employment Protection. REBA has renewed its commitment to its outcome statement, which is to ensure that the community of Western Australia has confidence in the real estate and business broking industries.

Despite impending changes to its structure and functions, REBA believes it is seeing the benefit of its proactive approach over recent years. REBA is confident that by delivering on its commitment to provide further education and advice to consumers and the industry, there will be a reduction in the number of complaints made against the industry. Therefore, during the interim period REBA will continue moving away from a reactive compliance based system of regulation to a more proactive and educative approach.

REBA has also identified the following priorities to examine the feasibility of for 2003-2004:

1. Compulsory Professional Development.
2. Compulsory Professional Indemnity Insurance in a market in which it continues to be difficult to obtain such insurance.

Some key issues to be addressed are:

- ensuring only suitably qualified and experienced people enter the industry;
- ensuring that industry participants comply with ethical and professional standards;
- monitoring agents' trust accounts; and
- continuing with proactive education such as providing consumers and industry with information and education on a range of real estate matters in the metropolitan area and in regional Western Australia.

# Our Organisation

## Who we are

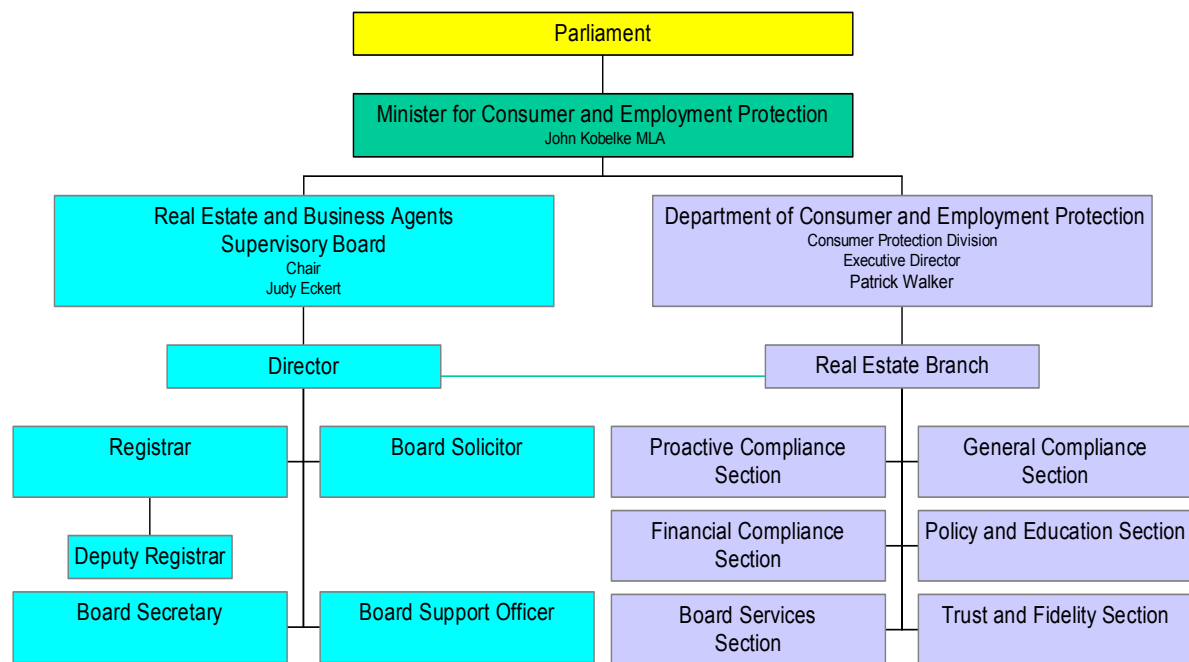
The Real Estate and Business Agents Supervisory Board (REBA) is an independent statutory authority responsible for the regulation of people who conduct real estate and business broking transactions.

REBA is established by section 6 of the *Real Estate and Business Agents Act 1978* (the Act), which states:

*“For the purposes of this Act there shall be a board to be known as the Real Estate and Business Agents Supervisory Board.”*

REBA administers the Act, the *Real Estate and Business Agents Regulations* and the *Code of Conduct for Agents and Sales Representatives* (the Code of Conduct).

## Structure



## Our Goal

**That the people of Western Australia have confidence in the real estate and business broking industries.**

To achieve the above goal, REBA has a single output:

*“to achieve the **efficient** and **effective** regulation of the real estate and business broking industries through the discharge of its statutory functions.”*

REBA provides five broad categories of services in the pursuit of its goal:

**1. Licensing**

*Involves the quality control of people seeking to enter the real estate and business broking industries and those already registered or licensed in those industries.*

**2. Compliance**

*Ensures that licensed real estate and business agents and their representatives comply with the relevant legislation and financial reporting requirements.*

**3. Education and Awareness**

*Aims to encourage awareness of real estate “best practice” through activities such as proactive visits, seminars and publications.*

**4. Fidelity Guarantee Fund**

*Centres on the assessment of compensation claims from consumers who have suffered financial loss when dealing with licensed real estate and business agents or their representatives.*

**5. Home Buyers Assistance Fund**

*Works to ensure that people who lodge a claim against the Fund satisfy the necessary requirements and receive funding in a timely manner.*

For more detail on these outputs, please refer to Section Two of this report. For more information concerning the assessment of the outputs through the performance reporting frameworks of quantity, quality, timeliness and cost, please refer to Section Three.

## **Our Business**

Accountable to the Minister for Consumer and Employment Protection, REBA has the following functions under the Act:

- administer the licensing system for real estate and business agents and the registration system for sales representatives;
- conduct and promote education and advisory services;
- act as a disciplinary tribunal and conduct enquiries into allegations about real estate agents and sales representatives;
- provide conciliation services, through which consumers and agents in dispute can seek the advice of an independent “umpire”;
- administer the Fidelity Guarantee Fund, which can compensate people for financial loss due to the criminal or fraudulent behaviour of an agent or sales representative;
- administer the Home Buyers Assistance Fund, which provides first homebuyers with financial assistance;
- recommend amendments to Regulations and to the Act; and
- advise the Minister for Consumer and Employment Protection on the administration of the Act.

## **Ministerial Advice**

REBA administers real estate regulatory legislation and policy in Western Australia. DOCEP is primarily responsible for the development of new legislation for the regulation of the real estate industry. However, due to its position as regulator and through the legal, real estate and financial expertise of its members, REBA provides key input into any recommendations for legislative change that are presented to the State Government.

During 2002-2003, REBA made no recommendations to the Minister in relation to the administration of the Act.

## **Number of Meetings, Inquiries and Hearings**

In 2002-2003, REBA held:

- 29 meetings;
- 114 Inquiry sessions;
- 10 Formal Hearing sessions for licensing matters; and
- 24 Formal Hearing sessions for Fidelity Guarantee Fund claims.

## REBA Members

<b>Chair</b>	<p><b>Ms Judy Eckert</b></p> <p>Ms Eckert is a barrister practising from Francis Burt Chambers. She was a Senior Assistant Crown Solicitor and is a former president of the Law Society of Western Australia.</p>
<b>Member</b>	<p><b>Mr Gordon Bragg</b></p> <p>Mr Bragg is a legal practitioner and partner in Godfrey Virtue and Co. Barristers and Solicitors and a member of the Law Society of WA.</p>
<b>Deputy</b>	<p><b>Mr Craig James</b></p> <p>Mr James is a partner in Gibson and Gibson Barristers and Solicitors.</p>
<b>Member</b>	<p><b>Mr William Goddard</b></p> <p>Mr Goddard is a licensed real estate agent elected for appointment by all licensed agents. He first gained his real estate and business agents licence in 1969. He operates the real estate business Goddard and Goddard in Nedlands. Mr Goddard is a Real Estate Institute of WA (REIWA) accredited Auctioneer and Business Broker.</p>
<b>Deputy</b>	<p><b>Mr Paul Druitt</b></p> <p>Mr Druitt was formerly a principal of Druitt First National and is a past President of REIWA.</p>
<b>Member</b>	<p><b>Ms Fay Francis</b></p> <p>Ms Francis is a qualified accountant and a Fellow of the CPA Australia. Ms Francis was the principal of accounting practice F.V. Ireland &amp; Co.</p>
<b>Deputy</b>	<p><b>Mr Ross Ledger</b></p> <p>Mr Ledger is a chartered accountant and is the principal of RE Ledger Pty Ltd</p>
<b>Member</b>	<p><b>Mr Michael Hoad (from 21 Jan 2003)</b></p> <p>Mr Hoad is the REIWA nominated member. With others, Mr Hoad commenced Paxton Hoad North in 1982 and Paxton Hoad West in 1990. Mr Hoad continues to work from the Paxton Hoad Subiaco office and is also a REIWA councillor.</p>
<b>Deputy</b>	<p><b>Mr Jeremy Hughes</b></p> <p>Mr Hughes is a previous member of REBA and is a Fellow of the Real Estate Institute of Australia.</p>

## Remuneration of Board Members

Chair	\$53,900 per annum
Member (who can act as deputy Chair)	\$26,550 per annum
Members	\$18,400 per annum
Deputy Member (when acting as Chair)	\$399/day and \$263/half day
Deputy Members	\$266/day and \$176/half day

## Appointments and Induction

The five members of REBA are appointed by the Governor. Under section 7 of the Act, each member is appointed according to different criteria to ensure a variety of skills and experience are represented. The composition of REBA is as follows:

**Chair:** must be a person who is not a licensed agent;

**Member (1):** must be a person who is not a licensed agent but is experienced in commercial practice;

**Member (2):** must be a person who is not a licensed agent but who is a legal practitioner;

**Member (3):** must be a licensed real estate agent who is nominated by the Real Estate Institute of Western Australia; and

**Member (4):** must be a licensed agent who is elected by licensed agents to this position.

Members may hold office for up to four years and are eligible for re-election (if elective members) and reappointment. The Minister appoints a returning officer each election of an elective member. The Governor may appoint as deputy of a member someone who has the prescribed qualifications of that member.



## Board members



Standing: (L-R) Mr William Goddard (Elective Member), Ms Fay Francis (Member) and Mr Lionel Michael Hoad (REIWA Representative Member)

Seated: Mr Gordon Bragg (Legal Practitioner Member) and Ms Judy Eckert (Chairperson)

## Our People

REBA employs seven staff directly. The Director, Board Solicitor, Board Administration Officer and Board Support Officer are employed in a joint funding arrangement with the Settlement Agents Supervisory Board.

Title	Name	Public Service Level
Director	Stuart Cowie (until 28 April 2003) Carolyn Marmion (23 May 2002 until 30 June 2003)	8
Board Solicitor	Leslie McPherson	8
Registrar	Robert Rossi	7
Deputy registrar	Andrea Hallson (1 July 2002 to 22 Nov 2002) Melinda Paterson (29 Nov 2002 to 30 June 2003)	5
Board Secretary	Melinda Paterson (1 July 2002 to 28 Nov 2002) Ivo Da Silva (11 Dec 2002 to 30 June 2003)	3
Board Administration Officer	Emma Stevens	3
Board Support Officer	Michele Holmes	

## Staff Photo



Standing (L-R) Emma Stevens, Michele Holmes, Les McPherson and Ivo Da Silva  
Seated Melinda Paterson, Bob Rossi and Carolyn Marmion

## Functions of REBA staff

### Director

The Director manages REBA's financial and human resources and assists it in planning and strategic issues. Such planning aims to provide focus and maximise the effectiveness of REBA. The major strategic planning tool utilised by REBA is its *Corporate Plan*.

The Director acts as REBA's representative in negotiating and monitoring the Service Delivery Agreement with DOCEP for the delivery of services. The Director also liaises with REBA and the Minister for Consumer and Employment Protection regarding operational matters.

### Board Solicitor

The Board Solicitor coordinates the provision of legal services for REBA and liaises with legal counsel as required, provides legal advice to REBA and manages legal services.

### Registrar

The Registrar undertakes various statutory roles set out by the Act. One of the Registrar's primary functions is the management of the complaints process, which includes the issuing of directions for the investigation of complaints to REBA investigators and the making of decisions on outcomes of investigations. The Registrar has a role in the administration of licensing under delegated powers and assists in co-ordinating education programs. The Registrar also liaises with industry members and stakeholder groups on key issues.

# Corporate Governance

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## Ethical Standards

REBA has developed a *Code of Conduct for Members* based on the State Government's *Corporate Governance Guidelines for Western Australian Public Sector Board Members*.

An essential requirement of the performance of REBA member duties is objectivity. Members are appointed on the basis of their individual expertise and experience as outlined under "Appointments and Induction" in Section One of this report. REBA members are required to perform their duties in a manner that does not represent or protect the interests of any particular organisation they are associated with.

Accountability is also essential. It is noted that the *Financial Administration and Audit Act 1985* places a responsibility on board members to ensure efficient and effective operations, to maintain confidentiality and ensure compliance with statutory and legal requirements.

REBA members must also comply with other relevant legislation such as the *Freedom of Information Act 1992*, the *Public Sector Management Act 1994* and the *Statutory Corporations (Liability of Directors) Act 1996*. The *Code of Conduct for Members* notes that REBA will prepare and retain minutes of meetings and ensure proper procedures are observed for the documenting of decisions.

Secrecy and confidentiality legislative requirements are outlined in the *Code of Conduct for Members*. Members and officers are required to maintain confidentiality and must not divulge information that is confidential or sensitive, or make public statements about board matters unless authorised to do so.

## Service Delivery Agreement

REBA contracts DOCEP to perform many of its functions under a Service Delivery Agreement.

The services REBA purchases from DOCEP include:

- Investigations
- Conciliation
- Licensing
- Policy and Education
- Home Buyers Assistance Fund
- Fidelity Guarantee Fund
- Corporate Support

The Service Delivery Agreement describes the required services, in output terms consistent with Treasury and Auditor General standards, as well as defined performance measures to be reported by DOCEP to REBA in terms of cost, timeliness, quality and quantity.

REBA's monthly review of performance measures of services provided by DOCEP has found that, on the whole, the services provided in 2002-2003 have met the performance measures.

## **Legislation and Statutory Reporting Compliance**

In performing its functions, REBA complies with the *Real Estate and Business Agents Act 1978*, as well as several other written laws, including: the *State Records Act 2000*, the *Public Sector Management Act 1994*, the *State Supply Commission Act 1991* and the *Occupational Health and Safety Act 1984*. A list of laws governing the operation of REBA also include:

- *Disabilities Services Act 1993*
- *Equal Opportunity Act 1984*
- *Financial Administration and Audit Act 1985*
- *Freedom of Information Act 1992*

## **Freedom of Information Requests**

### **Information Statement**

- The *Freedom of Information Act 1992* gives members of the public the general right of access to REBA documents in most circumstances. REBA endeavours to make its operations as transparent and accessible as possible.

During 2002-2003 there was one Freedom of Information request compared with 4 in 2001-2002. This request was partially granted.

The freedom of information matters reported relate only to requests on those matters where REBA has a direct involvement. Requests in relation to investigations carried out by DOCEP on behalf of REBA, but not referred to REBA for action, are reported in DOCEP's annual report.

All Freedom of Information Requests are made in writing and addressed to:

Freedom of Information Coordinator  
Locked Bag 14  
Cloisters Square  
Perth  
WA 6850

A Freedom of Information application form is required to be filled in when making a request. The Freedom of Information Coordinator may be contacted on 9282 0777 to provide further information.

### **Expenditure incurred within Section 175ZE of the *Electoral Act 1907***

The *Electoral Act 1907* requires government agencies to report on expenditure incurred by the agency in relation to the payment of advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising organisations.

In 2002-2003, \$67,664.88 was spent on advertising to promote the Real Estate and Settlement Hotline. Northside Distributors were also paid \$7,433.40 during this period to mail four quarterly newsletters to licensed agents and sales representatives.

## **Public Sector Standards in Human Resource Management**

In the management of its staff, REBA has complied with the Public Sector Standards in Human Resource Management and the Western Australian Public Sector Code of Ethics.

During 2002-2003, REBA received no applications for breaches of standards. In addition REBA:

- received no workers' compensation claims;
- did not re-deploy any of its staff;
- has not terminated any positions; and
- is not aware of any industrial disputes.

## Regulatory Reviews

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### **Review of Consumer Protection Boards and Committees and the establishment of the State Administrative Tribunal**

In the previous reporting period, DOCEP commenced a review of the structure and functions of the boards and committees in the Consumer and Employment Protection portfolio. This review was undertaken in response to various government initiatives, including the Machinery of Government reform program and the proposal to establish a State Administrative Tribunal (SAT). The review also took into account recommendations arising out of the Gunning Committee of Inquiry into Fair Trading Boards and Committees, and the findings of the Temby Royal Commission into the Finance Broking Industry.

In December 2002, a report was released that proposed a model for DOCEP boards and committees. Under the recommended model, the board involved in the regulation of the real estate industry would be responsible for:

- the licensing of real estate agents, business agents and real estate representatives;
- making decisions about licensing and qualification requirements for real estate agents, business agents and real estate sales representatives;
- endorsing the referral of disciplinary matters to the SAT;
- providing advice to the Minister about compliance and education policies and programs and other industry issues; and
- making determinations regarding payments to the Fidelity Guarantee Funds.

The proposed model also recommended changes to REBA's funding arrangements. At present, REBA is funded from interest earned on real estate agent trust accounts, enabling it operate as an independent board. Proposals currently under consideration would require REBA to negotiate a Resource Agreement with the Minister.

REBA strongly disapproves of the proposed changes. REBA believes the proposed changes will lead to confusion as to who is responsible for doing what and will ultimately lead to a diminution of regulation of this important industry. REBA has successfully regulated the real estate and business broking industries for a number of years and believes the interests of consumers in Western Australia is best served by a strong and independent board.

A cabinet submission proposing the drafting of legislative amendments to implement the recommendations of the review were under consideration at the time of writing this report. REBA has and will continue to voice its concerns until a more satisfactory solution is found.

### **Inquiry into Strata Managers**

In November 2002, REBA made a submission to the Legislative Assembly's Economics and Industry Standing Committee "Inquiry into the Western Australian Strata Management Industry".

The inquiry was initiated by a request from Minister Kobelke and the Minister for Planning and Infrastructure, Alannah MacTiernan MLA, to conduct an inquiry into the regulation of Western Australia's strata management industry, following identification of some areas of significant consumer risk.

REBA's submission to the review indicated that if strata managers are to be regulated, there may be some benefits in regulating them within the framework used by REBA to regulate the real estate industry, especially given the similarity of functions and the overlap of the participants in the two industries.

The Standing Committee presented its report to Parliament on 27 February 2003. At the time of writing this report, the report is under consideration by the Government.

# **SECTION 2**

## **Report on Outputs**



# Output 1 Licensing

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## Strategic Objectives

REBA aims to deliver effectively and consistently on the following licensing objectives:

- assist persons seeking to obtain or renew a licence, triennial certificate or certificate of registration, and to process applications in accordance with the Act;
- assess the fitness of persons entering the industry and of those applying to renew their triennial certificates and certificates of registration;
- ensure that real estate and business agents and sales representatives are aware of their duties and obligations; and
- undertake system audit checks on the computer databases to ensure the accuracy of the information that is recorded.

## Performance

The following figures illustrate the number of licence and registration applications processed during the year, as well as the level of timeliness achieved:

- 253 new real estate licences were processed.
- 815 real estate triennial certificates were renewed.
- 98% of applicants were advised of the outcome of their real estate licence application within 8 days of the application being approved.
- 94% of licence renewal applications were processed within 10 days of the required information being lodged.
- 1,750 new applications for sales representative registrations were processed.
- 3,599 renewal applications for sales representative registrations were processed.
- 94% of sales representative registration renewals were processed within 8 days of receipt.

## Overview

All real estate and business agents require a licence as well as a current triennial certificate in order to practice. The licence issued by REBA is continuous while the triennial certificate must be renewed every three years. The licence and triennial certificate enables agents to act in relation to both real estate and business transactions (unless REBA imposes a condition to the contrary). Sales representatives are also required to be registered and hold a registration certificate.

REBA reviews licence/registration applications to ensure that only persons with good character records, as well as suitable qualifications and experience, enter the real estate industry. REBA holds monthly meetings to review all licence applications and contested registration applications from prospective sales representatives. During 2002-2003, REBA conducted a total of 63 licensing interviews to determine whether the applicants were fit and proper to hold a licence.

In situations where the Registrar, a member of the public, or an industry member, raises an objection to the granting or renewal of a triennial certificate or certificate of registration, a formal hearing may be convened. In 2002-2003, REBA held 10 hearings into such matters.

The Act requires that sales representatives work under the supervision of a licensed agent at all times. In 2002-2003, 2,308 sales representatives did not renew their registrations when they fell due, indicating a high level of turnover within the industry. The large number of new applications received in 2002-2003 (1,750) may be attributable to a continuing boom in the real estate industry.

### **Fees – Real Estate and Business Agent**

The fee for a new licence application includes a once only contribution of \$150 to the Fidelity Guarantee Fund. The fees charged are as follows:

- Individual licence       \$538
- Partnership               \$705
- Body corporate         \$705

The fees for renewal of a triennial certificate are \$333 for individuals, partnerships and corporate bodies.

### **Fees – Sales Representative**

- The fee for a new registration application is \$177 and includes a once only contribution of \$45 to the Fidelity Guarantee Fund.

### **Holding Fee**

Agents who wish to continue to hold a licence but do not want to carry on business as an agent may do so by paying a holding fee of \$150 (for three years). At the end of the financial year, 289 agents had put their licence on hold. Agents who later decide to renew their triennial certificate and re-enter the industry before the three-year holding period has expired can receive a partial refund for each year that the holding fee has not expired.

### **Mutual Recognition**

The *Mutual Recognition (WA) Act 2001* provides for REBA to licence agents and register sales representatives who are already licensed or registered in other Australian States and Territories. During the year, REBA approved 13 licence applications and five registration applications under mutual recognition legislation.

REBA continues to have concerns about the operation of mutual recognition legislation in respect of the real estate industry, as it compels REBA to approve applicants from other States who may not be aware of key differences in Western Australian contracts and legislation. To address this situation, REBA provides educational material to mutual recognition applicants to ensure they are aware of these key differences, and provides them with contact details of training organisations to further update their skills and knowledge. REBA also imposes conditions on licences of interstate applicants to ensure they only operate in areas of practice in Western Australia to which their interstate licence applied.

### **REMIS System**

The Real Estate Management Information System was further modified and enhanced during 2002-2003 to better monitor REBA's performance, to provide vital statistical information, as well as to automatically generate renewal applications.

## Output 2 Compliance

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### Strategic Objectives

REBA aims to deliver effectively and consistently on the following compliance objectives:

- real estate and business agents and sales representatives comply with the requirements of the Act and the Code of Conduct;
- alleged breaches of the Act and Code of Conduct are promptly investigated and disciplinary inquiries held;
- advice is given to consumers promptly; and
- audit reports are received on time and all qualified reports are investigated.

### Performance

The following figures indicate the number of investigations lodged in 2002-2003 and the time periods taken to deal with them.

#### General Investigations

- 479 new investigations commenced.
- 78% of applications were acknowledged within 8 days.
- 82% of investigations were commenced within 14 days.

#### Conciliations

- 158 new conciliations commenced.
- 78% of conciliations were acknowledged within 8 days.
- 86% of conciliations were commenced within 14 days.

#### Qualified audit reports

- 163 new investigations into qualified audit reports commenced.
- 96% of investigations into qualified audit reports were commenced within 14 days of lodgement.

#### Trust account investigations

- 101 new trust account investigations were commenced.
- 86% of trust account investigations were commenced within 14 days.

### Overview

The Act and the Code of Conduct together both prohibit and prescribe certain behaviour by agents and their sales representatives. Compliance by agents and sales representatives with those behavioural standards ensures the delivery of ethical and professional services.

All complaints are considered by the Registrar and referred for investigation or conciliation. Where an investigation reveals a breach of the legislation, the Registrar may issue an educational letter or refer the matter to a formal Inquiry before REBA.

In an Inquiry, REBA may impose fines of up to \$10,000 on agents and \$3,000 on sales representatives, order legal costs to be paid, as well as suspend or cancel the licence/certificate of registration (as appropriate). Where fees charged are deemed to be unjust, REBA may order the agent to repay the fees charged.

### **Real Estate Compliance and Conciliation Statistics**

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003
Complaints investigated	351	485	352	394	<b>479</b>
Complaints conciliated	53	116	252	255	<b>158</b>
<b>Totals</b>	404	601	604	649	<b>637</b>

### **General compliance**

In 2002-2003, the following key initiatives have been implemented to improve the complaint assessment process and investigation procedures:

- An initial assessment procedure has been introduced for the handling of complaints to ensure a consistent and timely response.
- The *Real Estate Complaint Form* has been revised to make it easier for the consumer to use and to highlight the key issues of the complaint.
- The *Real Estate Branch Compliance Manual* has undergone a major revision to reflect recent changes in procedures.
- Complainants and traders are now provided with a comprehensive letter that explains the investigations procedure and findings of the complaint.

### **Case Study: General Compliance**

Two directors of a body corporate decided to sell fourteen of twenty-eight sub-divided rural blocks of land for two-thirds the valuation price plus \$2,000 to finance the remaining subdivision. The decision was made on the advice of a real estate sales representative who was working for a Perth agent. Subsequently, the two directors of the body corporate entered into an Exclusive Selling Agency agreement through the sales representative to sell the fourteen blocks at the agreed lower than valuation price, and a commission of \$16,000.

A short time later, the sales representative presented 12 offers to purchase the various parcels of land that were for sale. A \$17,000 shortfall existed in relation to the sale of some of the blocks contrary to the sellers' instructions to sell the land for two-thirds the valuation price. The sellers also wanted to insert a special condition into the sales contract to prevent the potential buyers from on-selling the land in the short-term because they were concerned that doing so would create direct competition between them and the new owners. The sales representative, however, assured the sellers that all the potential buyers were long-term investors who would not consider on-selling the blocks of land in the short-term. Hence, no special condition was inserted into the sales contract and the sellers accepted all the offers to buy the various blocks of land.

Having finalised the contract, the sales representative recommended to the sellers a settlement agency that was owned and run by his daughter.

However, the sales representative did not inform the sellers of the fact that he was related to the owner of the settlement agency. The sellers agreed to engage the services of the recommended settlement agency. The sales representative also failed to inform the sellers that all the potential buyers were either directly or indirectly related to him. For example, one of the buyers was one of his daughters, another was his own family's trust, another was a local community group of which he was a member, and the other buyers were senior members of that community group. In addition, the sales representative failed to inform the sellers that they did not have to pay a selling commission on those blocks of land purchased by himself or his family members.

Within two years of the blocks of land being sold, three of the new owners (one of which was the sales representative's family trust) on-sold their land for amounts considerably more than the amounts they paid for the land.

The Code of Conduct requires real estate and business agents and the sales representatives they employ to behave honestly and fairly in undertaking work for their clients, to declare any relationship they may have with a settlement agency, and to obtain prior written approval of their client to purchase property or receive a commission in relation to property they have been engaged by the client to sell.

At the REBA Inquiry that followed, the sales representative admitted to six counts of having a direct or indirect conflict of interest in the real estate transactions, and eight counts of recommending a settlement agent to a seller without disclosing to the seller that a significant relationship existed between himself and the settlement agent. The real estate agent also admitted to failing to adequately supervise the work of the sales representative.

After considering all the relevant facts, REBA ordered the sales representative to pay a fine of \$3,000, of which \$2,000 was payable within thirty days of the hearing and the payment of the remaining \$1,000 was dischargeable provided the sales representative satisfactorily completed an "Ethics in Real Estate" course. The sales representative was also ordered to pay \$10,000 within one year of the hearing to the body corporate that sold the land to satisfy the original selling agreement, and to pay costs of \$1,250. The real estate agency was ordered to pay a fine of \$1,500 and costs of \$325. The licensee in *bona fide* control of the real estate agency was also ordered to pay a fine of \$1,500 and costs of \$325.

## **Financial compliance**

A central protection for consumers is the requirement that agents establish trust accounts for clients' funds. The Act and Regulations require the strict maintenance of a formal set of trust account records that show at any time the state of an agent's trust account. REBA monitors agents' trust accounts by investigating complaints about trust account breaches. Investigations by compliance staff arising from general complaints can also lead to the identification of trust account problems. Financial institutions are also required under the Act to notify REBA when trust accounts become overdrawn.

Agents must appoint an auditor at the time of obtaining their licence. Auditors are responsible for submitting an audit report relating to their agent's trust accounts to REBA by 31 March each year. REBA conducts an analysis of all audit reports received and any qualified reports are promptly investigated.

### **Case Study: Financial Compliance**

In a case heard in 2002-2003, REBA took action against an agent who failed to keep full and accurate records of all trust monies received or held by him. This was a breach of section 68(6)(a) of the Act. REBA also found that the agent had not kept his accounts in such a manner that they could be conveniently and properly audited, making it difficult for the auditor to conduct a bank reconciliation. This was a contravention of section 68(6)(c) of the Act. REBA fined the agent \$250 for the breach to section 68(6)(a) and \$500 for the breach to section 68(6)(c) of the Act.

In addition to the above breaches, REBA found that over a period of two years, the same agent had failed to pay as soon as practicable into a trust account approximately \$340,000 received by him on behalf of clients. The agent's conduct put the public at risk.

REBA found this conduct unacceptable and imposed a fine of \$2,000 on the agent for breaching section 68(1) of the Act.

### **Appointment of supervisors**

The year 2002-2003 was significant for REBA in terms of the continual development of its proactive approach towards the industry. This is evident in the cases of Glenn Low First National Real Estate and M.W. Group Pty Ltd trading as Morton and Wright (Century 21).

In both cases, REBA sought permission from the District Court to have "supervisors" appointed. This was done to stop the respective businesses from trading until all irregularities were investigated. Developments since then have shown that REBA's decision to seek the appointment of supervisors to the two businesses was well founded.

Section 93 of the Act allows REBA to seek the appointment of a supervisor to a real estate or business broking business if it believes that an agent is for any reason incapable of properly conducting his/her business, or is not conducting it in accordance with the Act. This provision was first used to good effect in April 2002 in the case of Wanlee Holdings trading as Want & Co., when extensive misappropriations of trust money became apparent.

REBA sees the power of the District Court to allow it to appoint supervisors as an important regulatory tool. In the three cases mentioned, the supervisors appointed played an integral role in limiting the impact of the agents' business and trust accounting practices on their clients.

From its experience with the appointment of supervisors in these three cases, REBA takes the view that it should make more use of its powers under section 93 of the Act. These powers will be exercised not just when there is evidence of a major defalcation but also when REBA has a reasonable belief that consumer funds are in jeopardy.

### **Conciliation**

Complaints that involve minor breaches of the Act or Code of Conduct, or where the complainant is seeking financial restitution, are referred to conciliation. Conciliation involves bringing complainants and agents together to resolve disputes and provides a means whereby complainants may seek reimbursement or compensation from agents. Conciliation often provides a better outcome for both parties than investigation or private legal action. The resolution of disputes through conciliation also enables REBA to concentrate its investigation resources on more serious matters.

The most common disputes referred for conciliation are matters involving property management. Property management disputes generally involve the landlord seeking small amounts of restitution or reimbursement for poor service from the agent.

The conciliation process is separate to the investigation process. However, if during the course of conciliation more serious breaches are identified, then the matter is referred for investigation.

In 42% of cases conciliated in 2002-2003, an agreement was reached. For a further 26%, the matter was assessed and after clarifying the facts with the parties involved, no further action was required to be taken. In only 8% of cases, when sufficient evidence was available, were parties unable to reach a resolution. The average time taken to complete a conciliation case was 2.1 months.

### **Case Study: Conciliation**

A case involving a landlord, a property manager and a tenant was one of a number of complaints successfully conciliated by REBA in 2002-2003.

In this particular case, the "authority to manage" agreement between the landlord and the agency included a provision that the agency was required to ensure that the property was adequately insured at all times.

The tenant in the property was required to work away from time to time and during his absence, a fire started in the property resulting in considerable damage. The property had not been insured at the time of the fire as the agent had failed to take out building insurance on the property. The landlord was able to recover some of the costs of repairs to the building by claiming against the agent's indemnity insurance.

The tenant submitted a complaint to REBA as the fire had also ruined a number of his personal belongings to an estimated value of \$3,000. The tenant advised REBA that he had been unable to obtain contents insurance as the property had inadequate locks. The issue of inadequate security had been discussed at the time the property was leased, however, the property manager had failed to advise the tenant that he may be unable to obtain contents insurance. The issue of installing locks should have been resolved with the landlord prior to the tenant signing the lease agreement.

During the conciliation process the agency agreed to pay the tenant a sum of \$3,000 to cover his personal loss.

## Output 3 Education and Awareness

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### Strategic Objectives

REBA aims to deliver effectively and consistently on the following education and awareness objectives:

- conduct visits to real estate agencies and provide education seminars to assist agents to comply with the Act;
- provide a counter and telephone information service to consumers and industry;
- conduct Homebuyers Seminars to empower consumers;
- support and fund education programs for the professional development of agents and sales representatives, and education programs for consumers; and
- develop and maintain educational material, including brochures and guides, for distribution to the public and industry.

### Performance

- Completion of 262 proactive compliance visits of real estate agencies including 20 visits to country agencies.
- Delivery of 28 education seminars for agents and sales representatives on various topics covering different requirements of the Act and the Code of Conduct.
- Completion of six Homebuyers Seminars for the general public (in collaboration with the Settlement Agents Supervisory Board).

### Overview

Consumers and industry are provided with information and education on a range of real estate matters that are covered by the legislation that REBA administers. This information is provided through a variety of formats including:

- proactive compliance visits to real estate agencies;
- free Homebuyer Seminars tailored for potential homebuyers;
- education seminars conducted for real estate agents and sales representatives;
- a telephone and counter information service during business hours;
- quarterly publication of the REBA News;
- consumer fact sheets and other publications;
- maintenance and update of the REBA website; and
- the subsidisation of training providers to deliver professional development courses for agents and sales representatives.

The aim of these initiatives is to ensure that real estate information is accessible to consumers and industry members and that, when required, they can clarify information or seek advice on dealing with problems. These education approaches are complemented by a continuing emphasis on ensuring general and trust accounting compliance through the investigation process.



## Proactive Compliance

### Agency visits

REBA continued its successful proactive compliance program in 2002-2003 and visited 64 more agencies than it did in the previous period. REBA officers visit agencies to conduct, in essence, an audit of their business practices. Where deficiencies are identified, practical advice and guidance is given as to how the agency may correct the problem. The aim of this program is to detect and correct problems with agencies before they become serious and before complaints are generated.

Proactive compliance visits are carried out in accordance with a standard checklist that covers a range of matters, including whether:

- employees are licensed and registered with REBA;
- trust account receipts conform to the Act;
- the agency has up to date copies of legislative requirements; and
- the agent in bona fide control is proficient in performing a bank reconciliation.

REBA has renewed its commitment to providing effective support and information to agents in regional areas by conducting 20 visits to agencies in regional areas in 2002-2003.

### Case study

A routine proactive compliance visit to an agency identified a number of problems with the agency's practice, including:

- the agent's triennial certificate was not current;
- the agent was not displaying his agent licence;
- the agent was reconciling the cashbooks at the date of the most recent bank statement rather than at the end of each month as the Act requires;
- the letter of appointment used by the agent did not constitute a valid *Appointment to Act*; and
- the agent was failing to promptly obtain a copy of the Certificate of Title after receiving instructions to offer real estate for sale.

The agency was advised that the above practices may constitute breaches of the Act or the Code of Conduct and could lead to problems with its customers. The agent was provided with on-the-spot advice on how to correct the problems identified. A formal letter advising the agent of the issues identified and corrective action required was also sent.

The problems detected in this case study were the result of a routine visit and not from investigation into a complaint. This case study is just one of many examples where REBA's routine proactive visits can detect problems before they lead to complaints. The case study also highlights that proactive visits are primarily a means to educate agents to assist them in complying with the law. Another visit by a REBA officer was scheduled for a later date to verify that all the compliance issues identified had been addressed.

### Industry seminars

Proactive compliance staff conducted a number of seminars for industry on a variety of real estate agency practice topics. Staff received positive responses from agents and also noted ways of improving future visits. Some of the seminar topics included:

- The impact of the *Residential Tenancies Act 1987* on property management;
- Negotiating the pitfalls of property management; and
- From sale to settlement - procedures to observe.

### **Homebuyer seminars**

The Homebuyer seminars that commenced in March 2002 continued into 2002-2003. These seminars provide consumers with valuable information on buying a home and the settlement process. Support for the seminars from homebuyers has been strong with over 200 people attending most of the metropolitan seminars. It is anticipated that in 2003-2004 the seminars will be held at regular intervals in the metropolitan area and in key regional centres.

## **Information Services**

### **Real Estate and Settlement Hotline**

An extended hours telephone information service known as the Real Estate and Settlement Hotline was piloted for a six-month period in 2002-2003. The service was undertaken by REBA in partnership with the Settlement Agents Supervisory Board and provided information on real estate and settlement matters both during business hours and after hours. During the pilot period, the Hotline was open from 8:30am to 8:00pm Monday to Friday, 9:00am until 5:00pm on Saturday and 12:00 noon until 4:00pm on Sundays.

At the completion of the pilot period, a decision was made to discontinue the service outside of business hours due to insufficient use by consumers. The Real Estate and Settlement Call Centre (1300 30 40 64) continues to provide a telephone advice service on real estate and settlement issues during business hours.

In 2002-2003, there were 16,006 telephone inquiries on real estate matters, a 25% decrease on 2001-2002. This decrease in telephone inquiries may reflect a move by consumers to accessing the REBA website to obtain information on real estate matters.

### **Counter service**

A counter service is available to provide advice on real estate matters during business hours. In 2002-2003, there were 317 counter inquiries on real estate matters, a 35% increase on 2001-2002. 94% of counter enquiries were attended to within 10 minutes.

### **Website**

The REBA website [www.reba.wa.gov.au](http://www.reba.wa.gov.au) was expanded and updated in 2002-2003. It includes a range of information for both consumers and industry members. All consumer fact sheets are available in PDF format on the website along with REBA annual reports, the REBA Corporate Plan and issues of the *REBA News*. In 2002-2003, a decision was made by REBA to publish all Inquiry decisions on the website. Information on upcoming Inquiries and consumer seminars is also available.

The number of people accessing the website has increased significantly in the past 12 months as indicated by the graph below. The number of visitors per month to the website increased from 1,670 in July 2002 to 3,220 in June 2003.



### **Industry Publications *REBA News***

The *REBA News* is a quarterly newsletter produced by REBA to provide information to real estate industry members and stakeholders. Approximately 13,500 copies of each issue are mailed out. The *REBA News* includes information on industry practice issues, case studies from REBA Inquiries and legislative amendments.

### ***Real Estate Trust Accounting – A Reference Manual***

A manual was distributed to agents in April 2003 to provide them with practical advice in establishing and maintaining a trust account recording system that complies with the legislation and best accounting practices. The guide provides a handy reference for new as well as established real estate and business agents as to their trust accounting obligations.

### ***Licensing Kit***

REBA produces a *Licensing Kit* that provides information for new licence holders. It includes information on setting up a trust account, auditing guidelines and REBA's requirements for notification of such matters as a change of address. Additional information is also provided for agents obtaining a licence under mutual recognition outlining the specific differences in Western Australian real estate legislation and market practices, and how agents may go about obtaining additional training to update their skills and knowledge.

### **Consumer Publications**

REBA funds the production of the following fact sheets to provide important information to both consumers and industry members on issues relevant to real estate transactions.

- *Real Estate Auctions*
- *Sale by Offer and Acceptance*
- *Buying Vacant Land*
- *Real Estate Agents Fees and Services*

- *Buying a Home through an Agent*
- *Timber Pest Inspections and Reports*
- *You and Your Property Manager*
- *Home Buyers Assistance Fund*
- *Fidelity Guarantee Fund*

### **Education Advisory Committee (EAC)**

The REBA Education Advisory Committee was established to advise REBA on education initiatives and priorities. In 2002-2003, the EAC played an important part in reviewing the applications for educational funding and providing recommendations to REBA.

On 25 October 2002, the EAC was abolished and a decision made by REBA to review all educational issues directly.

### **Education funding**

Each financial year, REBA provides education funding to registered-training providers to encourage people operating in the industry to improve their skills and knowledge by attending professional development courses. In 2002-2003, funding was provided to REIWA and Central Metropolitan College of TAFE. Some examples of REIWA courses subsidised by REBA in 2002-2003 include:

- Residential Property Management
- Your Obligations Under the Privacy Act
- Managing Risk and Compliance
- Selling Strata Titled Property

REBA supports the provision of courses in regional areas by providing additional funding for extra costs incurred.

In 2002-2003, the process for providing education funding was examined by REBA and legal advice sought as to its options. As a result, a decision was made by REBA to implement a tender process in 2003-2004 for allocating education funding to ensure greater accountability and transparency. REBA intends to invite interested parties to request funding for the various professional development courses they consider appropriate for the industry, in accordance with the broad parameters of REBA's role in providing funding for industry education. REBA will then determine the courses it considers appropriate to fund and enter into formal contractual arrangements with the successful applicants.

## Output 4 Fidelity Guarantee Fund

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### Strategic Objectives

The Fidelity Guarantee Fund provides compensation for people who have lost funds through the criminal or fraudulent actions of real estate agents or their employees in the course of a real estate transaction. The criteria for making a claim are:

- the applicant has suffered financial loss or loss of property;
- the loss was due to the defalcation (which includes criminal or fraudulent conduct) of licensed real estate and business agents or their employees;
- the agent is licensed; and
- the loss occurred in relation to a real estate transaction.

### Performance

- 164 claims were lodged.
- 82% of claims were acknowledged within eight days.
- 10 claims were finalised at a Formal Hearing.
- Rapid processing of remaining claims related to Want & Co

### Overview

The money for the Fidelity Guarantee Fund is derived from interest earned on trust accounts and a once-only payment by real estate and business agents and sales representatives at the time they are first licensed or registered. The Fidelity Guarantee Fund contribution is \$150 for agents and \$45 for sales representatives. The fund is managed by the Department of Treasury and Finance.

In 2002-2003, a total of 155 claims were allowed, two claims were disallowed and 11 claims were withdrawn. A total of 86 claims remain unresolved at the end of the 2002-2003 financial year.

#### Fidelity Guarantee Fund claims lodged

Financial Year	2000-2001	2001-2002	2002-2003
Number of Claims	14	79	164

A total of 164 claims against the Fidelity Guarantee Fund were lodged with REBA during 2002-2003. This was more than double that received in the previous period (79). The increase was due to claims arising out of problems associated with Want & Co. and Derby Real Estate that occurred in previous periods, as well as claims associated with Morton and Wright (Century 21) arising in this current period.

### **Case Study: Fidelity Guarantee Fund**

The applicant had been the proprietor of a sub-contract in the nature of a franchise from (known as “XYZ” for this case study). The applicant and XYZ had a disagreement and the applicant wished to sell the business.

A registered business sales representative was appointed by the applicant by written authority to sell the business. An offer to purchase the business was received shortly after this and a date for settlement set.

Meanwhile, another proprietor wanted to sell his sub-contract business and XYZ wanted that sale to be given higher priority than the applicant’s. XYZ told the business sales representative that the purchaser would not be given any business unless the purchaser bought the other business instead. The business sales representative told the applicant that the purchaser was not acceptable to XYZ and settlement fell through. However, at the same time, the business sales representative arranged the sale of XYZ’s preferred seller to the purchaser.

Shortly after this, XYZ went into liquidation and the applicant was unable to sell the business. However, the applicant became aware that the purchaser was working with XYZ and reported the matter to REBA.

Following an investigation, REBA held a disciplinary Inquiry into the matter. It was found that the business sales representative had breached his duties under the Code of Conduct and “was not fair and honest in his conduct towards the applicant” and ordered his registration be suspended.

According to the Act, applicants must establish that a “defalcation” has occurred before REBA can pay compensation out of the Fidelity Guarantee Fund. In previous years, the term defalcation was understood to be limited to situations where a “diminution of a fund” (ie where funds go missing) has occurred through the criminal or fraudulent actions of licensed agents and their employees. However, recent cases decided in the District and Supreme Courts of Western Australia have made it clear that there does not need to be a diminution of fund for a defalcation to have occurred.

At the Fidelity Fund Hearing, REBA found that while the business sales representative in the matter at hand had not obtained any of the applicant’s money, his fraudulent conduct led to pecuniary loss to the applicant, who was unable to sell the business. On this basis, REBA agreed that a defalcation had occurred and agreed to pay the applicant \$38,000 out of the Fidelity Guarantee Fund.

## Output 5 Home Buyers Assistance Fund

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### Strategic Objectives

The Home Buyers Assistance Fund (HBAF) was established to provide first home buyers with financial support toward the incidental expenses incurred when purchasing an established or partially built home through a licensed real estate agent.

REBA aims to deliver effectively and consistently on the following homebuyers assistance objectives:

- to ensure first homebuyers are aware of assistance available; and
- to ensure eligible first homebuyers receive financial assistance to cover expenses associated with purchasing a home through a licensed real estate agent.

### Performance

- 1,194 Home Buyers Assistance Fund applications were received.
- 1,193 Home Buyers Assistance Fund grants were approved.
- \$2,148,147 in Home Buyers Assistance Fund grants was paid.
- 100% of cheques were issued within 8 days of approval.

### Overview

The HBAF is funded from interest paid on real estate agents trust accounts. The grant can be used for stamp duty, registration fees, solicitor and/or conveyancing fees, valuation fees, inspection fees, establishment fees, mortgage insurance premiums and lending institution fees associated with lodging the application or loan.

The current criteria for funding are:

- the applicant must be buying his/her first home, which is established or partially built (not vacant land, a plan, or a "house and land" package);
- the applicant, spouse or partner of the applicant must not own or have owned any property in the state of Western Australia previously;
- the applicant must live in the home for at least the first 12 months;
- the applicant must purchase the home through a licensed real estate agent;
- the application must be lodged with the Registrar of REBA no more than 90 days after the date that the offer to buy the home is accepted;
- the home loan must be financed through an authorised lending institution (such as bank, building society or credit union); and
- the purchase price of the property must be within the limit for the home's location.

• Metro and country areas:	\$95,000
• Remote areas	\$140,000
• North West and Kimberley	\$160,000

During 2002-2003, financial institutions and the Office of State Revenue (who administer the Commonwealth Government's first home buyer grant) were contacted in order to increase awareness of the HBAF. An article promoting the HBAF was also published in the *Settlement Agents News*, a publication directed at the settlement industry. The fund is also publicised and information brochures distributed at the Homebuyer Seminars conducted by REBA.

### Number of applicants

A comparison of the number of grant applications and approvals processed between the current and previous financial years is provided in the table below:

#### Number of HBAF Applications and Grants

	1999 - 2000		2000 - 2001		2001 - 2002		2002-2003	
		Average per Month		Average per Month		Average per Month		Average per Month
<b>No of Applications</b>	1,524	127	1,342	112	1,427	119	<b>1,194</b>	99.5
<b>No of Approvals</b>	1,347	112	1,204	100	1,329	111	<b>1,193</b>	99.4
<b>Total Amount Paid</b>	<b>\$2,400,506</b>		<b>\$2,113,411</b>		<b>\$2,403,206</b>		<b>\$2,148,147</b>	

### Home Buyers Assistance Fund Advisory Committee

The Home Buyers Assistance Fund Advisory Committee is a statutory sub-committee of REBA with the following primary functions:

- to consider any proposals, matters or questions referred to it by REBA in relation to the HBAF and to advise REBA on these matters; and
- to make recommendations to REBA on the formulation of criteria under which REBA approves grants to applicants.

The Home Buyers Assistance Fund Advisory Committee met once in 2002-2003.



# **SECTION 3**

## **Performance Indicators**



## AUDITOR GENERAL

### INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

### REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD PERFORMANCE INDICATORS FOR THE YEAR ENDED JUNE 30, 2003

#### **Audit Opinion**

In my opinion, the key effectiveness and efficiency performance indicators of the Real Estate and Business Agents Supervisory Board are relevant and appropriate to help users assess the Board's performance and fairly represent the indicated performance for the year ended June 30, 2003.

#### **Scope**

##### *The Board's Role*

The Board is responsible for developing and maintaining proper records and systems for preparing performance indicators.

The performance indicators consist of key indicators of effectiveness and efficiency.

##### *Summary of my Role*

As required by the Financial Administration and Audit Act 1985, I have independently audited the performance indicators to express an opinion on them. This was done by looking at a sample of the evidence.

An audit does not guarantee that every amount and disclosure in the performance indicators is error free, nor does it examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the performance indicators.

A handwritten signature in black ink, appearing to read 'D D R Pearson'.

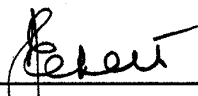
D D R PEARSON  
AUDITOR GENERAL  
November 4, 2003

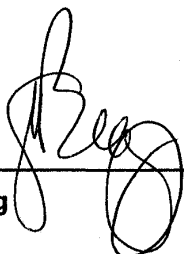
## Certification of Performance Indicators

# PERFORMANCE INDICATORS 2002/03

## CERTIFICATION

We hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Real Estate and Business Agents Supervisory Board's performance, and fairly represent the performance of the Real Estate and Business Agents Supervisory Board for the period ended 30 June 2003.

  
\_\_\_\_\_  
Judy Eckert  
Chair

  
\_\_\_\_\_  
Gordon Bragg  
Member

Dated 27 October 2003

## Performance Indicators 2002/03

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### STATUTORY ROLE OF THE BOARD

The Board acts in the public interest as the supervisory authority for real estate and business agents and real estate and business sales representatives in Western Australia. The statutory function required of the Board is to regulate the behaviour of agents and sales representatives in terms of the manner in which they conduct themselves when entering into or assisting in real estate transactions.

### OUTCOME

At the highest level, the outcome of the Board is:

**The people of Western Australia have confidence in the real estate industry.**

### EFFECTIVENESS INDICATOR

*The extent to which real estate agents comply with the requirements of the Real Estate and Business Agents Act 1978 in relation to the management of their trust accounts.*

The management of trust accounts by agents is a key indicator of their performance in general and provides a reliable indication of the extent to which real estate agents comply with the requirements of the *Real Estate and Business Agents Act 1978*. There is an independent audit of agents' performance in trust account management. Therefore trust account management is considered a suitable effectiveness indicator.

### Measure

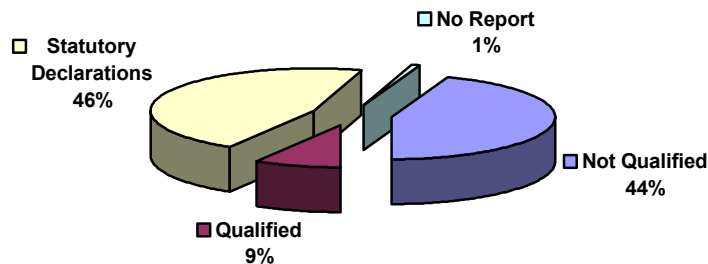
The proportion of real estate agents that submit an unqualified audit or a statutory declaration.

897 agents submitted audit report (not qualified) + 935 agents submitted statutory declaration  
Total no. of agents : 2022

### Data

	1998/99	1999/00	2000/01	2001/02	2002/03
<b>Not Qualified</b>	934	922	864	876	897
<b>Qualified</b>	107	104	154	140	175
<b>Statutory Declarations</b>	886	926	987	980	935
<b>No report</b>	66	20	3	10	15
<b>Total agents</b>	1993	1972	2008	2006	2022

<b>2002/03</b>	90.6%
2001/02	92.5%
2000/01	92.2%
1999/00	93.7%
1998/99	91.3%



### Notes to the indicator

Agents are required by the Act to conduct financial transactions on behalf of their principals (clients) through a trust account. Those trusts accounts must be audited annually for the year ending 31 December.

If a licensed agent (individual) conducts no transactions (a licensed agent may work for a company and it is the company's trust accounts which are then audited), then the agent must submit a statutory declaration confirming this.

The effectiveness of compliance activities of the Board, in positively influencing the behaviour of industry participants, is measured by the level of agents' compliance with the requirements of the Board and the Act. This compliance is demonstrated by the submission of an audit report that is not qualified or submission of a statutory declaration.

In order to influence the behaviour of the industry the Board attempts to ensure that industry practices, about which industry customers complain, are properly examined to identify illegal or unprofessional practices. The Board is concerned about the number of agents who either receive a qualified audit or who fail to submit an audit report. In 2001/02 the Board implemented a 'no tolerance' policy towards agents who fail to comply with trust account auditing provisions. This no tolerance policy resulted in many agents receiving fines, suspensions or cancellations of their licences. The Board has maintained the no tolerance policy throughout 2002/03.

The proportion of real estate agents submitting unqualified audits or statutory declarations has decreased marginally this year from 92.5% to 90.6%. Although the Board is concerned with the number of audits which are qualified this can be seen as being a result of the independence of auditor policy and the production of the Trust Account Reference Manual. The Board is concerned that 15 agents failed to submit an audit report or statutory declaration. Although this is up on 2001/02 (10) it is still far less than in 1998/99 (66) and 1999/00 (20).

Since 1 July 1998 any audit report containing details of practices found to be unsatisfactory by the auditor has been classified as qualified. The current criterion removes the subjectivity of the previous measure, which was trust account matters proceeding to a formal inquiry.

The Board places significant reliance on the audit report to ensure that the agent has maintained their trust account/s in accordance with statutory requirements. The credibility of the audit report is impacted by both the actual and perceived independence of the auditor. During the 2001/02 financial year the Board expressed concern over the apparent conflict of interest of auditors in disciplinary cases heard before the Board.

In these cases the Board was of the view that the audit may have been prejudiced because the auditor was also providing non-audit services. The Board has concerns that fees earned by auditors through non-audit services or the existence of a close relationship by blood or marriage, may result in a conflict of interest. Therefore the policy to disqualify an auditor who has non-audit business dealings or a close relationship with the agent from auditing an agents trust account has been kept in force since its introduction in the 2001/02 financial year.

The introduction of the auditor independence policy required some agents to change their nominated auditor. The Board therefore resolved that any disqualification would apply from the audit period 1 January 2002 to 31 December 2002. A consequence of the policy, as anticipated, that the Board experienced an increase in qualified audits for the 2002/03 financial year. The Board anticipates that the introduction of this policy will enhance the actual and perceived independence of a statutory audit.

## KEY OUTPUT

The 'output' or service provided by the Board is **regulation** of the real estate and business broking industry through the discharge of the Board's statutory functions.

The Board undertakes a range of activities to ensure both agents and the public are aware of their rights and responsibilities, licences estate agents and sales representatives, takes action to ensure compliance with the Act, hears complaints and administers the Fidelity Guarantee Fund and the First Homebuyers Assistance Fund.

## EFFICIENCY INDICATOR

*The average cost per licensed agent, of regulating the real estate and business broking industry.*

The Board provides a range of services/outputs aimed to ensure that real estate agents comply with the requirements of the Act. This indicator measures the efficiency with which the Board achieves this.

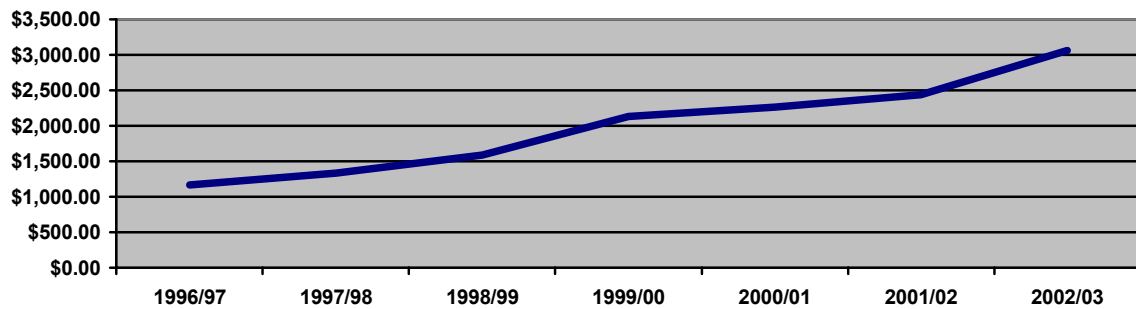
### Measure

The total cost of regulating the industry divided by the number of active licensed agents in Western Australia.

### Data

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Annual Cost*	\$2 608 200	\$3 172 683	\$4 202 299	\$4 550 212	\$4 844 535	\$6 189 136
Active Licensed Agents	1950	1993	1971	2008	2006	2022
	\$1337.54	\$1591.91	\$2132.06	\$2266.04	\$2415.02	\$3060.89

### The average cost per licensed agent, of regulating the real estate and business broking industry



\* Note: The annual cost of regulating the real estate and business broking industry has been calculated using the total annual expenditure of the Board less Fidelity Guarantee Fund payments and First Home Buyers Grants made in that financial year. Fidelity Guarantee Fund payments have been excluded as these payments relate to the reimbursement of losses that were incurred by the defalcation of a licensed real estate agent in previous financial years and therefore do not reflect on the true annual cost of regulating the real estate and business broking industry. First Home Buyers Grants have been excluded as they do not impact on the cost of regulating the real estate and business broking industry.

#### Notes to the indicator

The efficiency indicator is based on the cost of delivering the output per each active licensed real estate agent. In the 2002/03 financial year a total of \$6 189 136 was expended on regulating an industry with 2022 active licensed agents.

The average cost per licensed agent of regulating the real estate and business broking industry continues to steadily rise to meet the increasing demands for the Board's services. The Board remains committed to ensuring the community of Western Australia has confidence in the real estate and business broking industry and will allocate sufficient resources to meet the expectations and demands of the community.

# **SECTION 4**

## **Financial Statements**





## AUDITOR GENERAL

### INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

#### REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2003

##### Audit Opinion

In my opinion,

- (i) the controls exercised by the Real Estate and Business Agents Supervisory Board provide reasonable assurance that the receipt, expenditure and investment of moneys, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions, the financial position of the Board at June 30, 2003 and its financial performance and cash flows for the year ended on that date.

##### Scope

###### *The Board's Role*

The Board is responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing the financial statements, and complying with the Financial Administration and Audit Act 1985 (the Act) and other relevant written law.

The financial statements consist of the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and the Notes to the Financial Statements.

###### *Summary of my Role*

As required by the Act, I have independently audited the accounts and financial statements to express an opinion on the controls and financial statements. This was done by looking at a sample of the evidence.

An audit does not guarantee that every amount and disclosure in the financial statements is error free. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements.

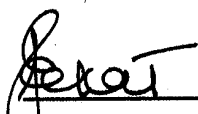
D D R PEARSON  
AUDITOR GENERAL  
November 4, 2003

## Certification of Financial Statements

### **CERTIFICATION**

The accompanying financial statements of the Real Estate and Business Agents Supervisory Board have been prepared in compliance with the provisions of the *Financial Administration and Audit Act 1985* from proper accounts and records to present fairly the financial transactions for the financial year ending 30 June 2003 and the financial position as at 30 June 2003.

At the date of signing we are not aware of any circumstances which would render any particulars included in the financial statements misleading or inaccurate.



Judy Eckert  
Chair



Anne Templeman-Jones  
Deputy Member



Carolyn Allanson  
Principal Accounting Officer

Dated 30 October 2003

**REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD**  
**Statement of Financial Performance for the year ended 30 June 2003**

REVENUE	Note	2002/03 \$	2001/02 \$
<b>Revenue from Ordinary Activities</b>			
<i>Revenue from operating activities</i>			
Agents trust account interest income		6,965,659	5,745,661
Licence income	3	792,734	776,200
Contributions to the Fidelity Guarantee Fund		123,922	94,350
Fines and costs		134,027	75,967
Other revenues	4	218,162	90,083
 <i>Revenue from non operating activities</i>			
Bank and investment interest	2	2,152,334	1,991,308
Other revenues from ordinary activities	4	4,544	3,127
 Total Revenues From Ordinary Activities		10,391,382	8,776,696
 <b>EXPENSES</b>			
<b>Expenses from Ordinary Activities</b>			
Employee expenses	5	536,849	461,387
Communications costs		48,322	2,981
Legal fees		896,292	514,447
Board fees and expenses		140,622	139,361
Services and contracts	6	341,229	346,362
Consumables and maintenance	7	31,396	19,850
Service Delivery Agreement	8	3,863,724	3,142,571
Depreciation	9	127,623	123,120
Carrying amount of disposed assets	10	0	70
Refund overpaid trust account interest		4,292	0
 Total Expenses from Ordinary Activities Before Grants		5,990,349	4,750,149
 Grants			
Educational grants	11	198,787	94,386
First home buyers grants	12	2,146,888	2,403,207
Fidelity Guarantee Payments	13	1,924,527	83,900
 Total Expenses from Ordinary Activities		10,260,551	7,331,642
 <b>NET PROFIT</b>		<b>130,831</b>	<b>1,445,054</b>

The Statement of Financial Performance should be read in conjunction with the accompanying notes. For details of the Statement of Financial Performance split between the various funds operated by the Real Estate and Business Agents Supervisory Board see Note 30.

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

### Statement of Financial Position as at 30 June 2003

<b>Current Assets</b>	<b>Note</b>	<b>2002/03</b>	<b>2001/02</b>
		<b>\$</b>	<b>\$</b>
Cash assets	16	12,585,210	12,629,788
Restricted cash assets	16	31,551,540	31,198,741
Accrued agents trust account interest income		698,582	552,567
Accrued investment interest		173,701	162,483
Receivables	17	115,785	31,075
Prepayments	18	0	978
<b>Total Current Assets</b>		<b>45,124,818</b>	<b>44,575,632</b>
<b>Non-Current Assets</b>			
Computers	22	50,133	88,389
REMIS Software	22	191,505	258,394
Office Equipment	22	48,494	23,985
Furniture and Fittings	22	1,809	2,174
<b>Total Non-Current Assets</b>		<b>291,941</b>	<b>372,942</b>
<b>Total Assets</b>		<b>45,416,759</b>	<b>44,948,574</b>
<b>Current Liabilities</b>			
Payables	19	809,225	781,819
Provisions	23	90,097	69,198
Revenue received in advance	3	668,443	603,352
Monies held in trust		0	7,448
Unclaimed money		7,867	409
<b>Total Current Liabilities</b>		<b>1,575,632</b>	<b>1,462,226</b>
<b>Non Current Liabilities</b>			
Revenue received in advance	3	622,822	413,448
Provisions	23	51,802	37,228
<b>Total Non Current Liabilities</b>		<b>674,624</b>	<b>450,676</b>
<b>Total Liabilities</b>		<b>2,250,256</b>	<b>1,912,902</b>
<b>NET ASSETS</b>		<b>43,166,503</b>	<b>43,035,672</b>
<b>Equity</b>			
Retained profits	27	43,166,503	43,035,672
<b>TOTAL EQUITY</b>		<b>43,166,503</b>	<b>43,035,672</b>

The Statement of Financial Position should be read in conjunction with the accompanying notes.

For details of the Statement of Financial Position split between the various funds operated by the Real Estate and Business Agents Supervisory Board see Note 30.

**REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD**  
**Statement of Cash Flows for the year ended 30 June 2003**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>Note</b>	<b>2002/03</b>	<b>2001/02</b>
		<b>\$</b>	<b>\$</b>
<b>Receipts</b>			
Interest received		8,960,759	8,272,215
Receipt from clients		1,196,486	708,429
Contributions paid into the Fidelity Guarantee Fund		123,922	94,350
GST receipts on sales		1,856	277
GST receipts from ATO		140,890	75,702
<b>Payments</b>			
Payments to suppliers of goods and services		(5,677,819)	(4,082,375)
GST payments on purchases		(121,050)	(75,978)
<b>Grants</b>			
For education programs		(198,787)	(94,386)
For First Home Buyers		(2,146,888)	(2,403,207)
From Fidelity Guarantee Fund		(1,924,527)	(83,900)
<b>Net Cash Provided by/(used in) Operating Activities</b>	<b>20</b>	<b>354,842</b>	<b>2,411,127</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for non current assets		(46,621)	(20,859)
<b>Net Cash Provided by/(used in) Investing Activities</b>		<b>(46,621)</b>	<b>(20,859)</b>
<b>Net Increase (Decrease) in Cash Held</b>		<b>308,221</b>	<b>2,390,268</b>
Cash assets at the beginning of the financial year		43,828,529	41,438,261
<b>Cash assets at the end of the financial year</b>	<b>16</b>	<b>44,136,750</b>	<b>43,828,529</b>

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

# REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

## Notes to the Financial Statements for the year ended 30 June 2003

### 1. Significant Accounting Policies

The following accounting policies have been adopted in the preparation of the financial statements. Unless otherwise stated, these policies are consistent with those adopted in the preceding year.

#### (a) General Statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with Accounting Standards, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board, and Urgent Issues Group (UIG) Consensus Views as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary the application, disclosure, format and wording. The Financial Administration and Audit Act and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over Accounting Standards, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board, and UIG Consensus Views. The modifications are intended to fulfil the requirements of general application to the public sector, together with the need for greater disclosure and also to satisfy accountability requirements.

If any such modification has a material or significant financial effect upon the reported results, details of that modification and where practicable, the resulting financial effect is disclosed in individual notes to these financial statements.

The statements have been prepared on the accrual basis of accounting using the historical cost convention.

#### (b) Revenue Recognition

Revenue from the sale of goods and disposal of other assets and the rendering of services, is recognised when control of the goods or other assets or delivery of the services has passed to the customer.

#### (c) Acquisition of assets

The cost method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

#### (d) Depreciation of non-current assets

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner, which reflects the consumption of their future economic benefits.

Depreciation is calculated on the straight line basis, using rates, which are reviewed annually. Expected useful lives for each class of depreciable asset are:

Computers	3 years
REMIS software	5 years
Office equipment	5 to 10 years
Furniture and fittings	10 years

All assets are stated at cost.

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

### Notes to the Financial Statements for the year ended 30 June 2003

(e) **Cash**

For the purpose of the Statement of Cash Flows, cash included cash assets and restricted cash assets. These include short term deposits that are readily convertible to cash on hand and are subject to insignificant risk of changes in value.

(f) **Receivables**

Receivables are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

(g) **Investments**

Investments are brought to account at the lower of cost and recoverable amount. Interest revenues are recognised as they are accrued.

(h) **Software**

Significant costs associated with the acquisition or development of computer software are capitalised and amortised on a straight line basis over the periods of the expected benefit. At present, this only applies to REMIS which is being amortised over five years. Costs in relation to the Boards web site are charged to expenses in the period in which they are settled.

(i) **Employee benefits**

Annual leave

This benefit is recognised at the reporting date in respect to employee's services up to that date and is measured at the nominal amounts expected to be paid when the liabilities are settled.

Long service leave

Leave benefits are calculated at current remuneration rates. A Liability for long service leave is recognised after an officer has completed four years of service. Leave benefits for staff services procured from the Dept of Consumer & Employment Protection by the Board under a service delivery agreement are carried in the Department's accounts.

This method of measurement of the liability is consistent with the requirements of Australian Accounting Standard AASB 1028, "Employee Benefits".

Superannuation

Staff may contribute to the Pension Scheme, a defined benefits pension scheme now closed to new members, or to the Gold State Superannuation Scheme, a defined benefit lump sum scheme now also closed to new members. All staff who do not contribute to either of these schemes become non-contributory members of the West State Superannuation Scheme, an accumulation fund complying with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. All of these schemes are administered by the Government Employees Superannuation Board(GESB).

The liabilities for superannuation charges under the Gold State Superannuation Scheme and West State Superannuation Scheme are extinguished by payment of employer contributions to the GESB.

## **REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD**

### **Notes to the Financial Statements for the year ended 30 June 2003**

The note disclosure required by paragraph 6.10 of AASB 1028 (being the employer's share of the difference between employees' accrued superannuation benefits and the attributable net market value of plan assets) has not been provided. State scheme deficiencies are recognised by the State in its whole of government reporting. The GESB's records are not structured to provide the information for the Board. Accordingly, deriving the information for the Board is impractical under current arrangements, and thus any benefits thereof would be exceeded by the cost of obtaining the information.

#### **Employee benefit on-costs**

Employee benefit on-costs are recognised and included in employee liabilities and costs when the employee benefits to which they relate are recognised as liabilities and expenses.

#### **Accrued Salaries**

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year. These are included as part of the payables (note 19). The Board considers the carrying amount approximates net fair value.

#### **(j) Revenue**

Proceeds from triennial licensing fees are allocated over 36 months from the month of receipt. The portion of licensing fees which are related to the current year are recognised as income. The remainder of the proceeds is recognised as Revenue received in advance.

Proceeds from other sources are recognised as revenue when received. Other revenue is fully described in the Statement of Financial Performance.

Interest revenues are recognised as they are accrued.

#### **(k) Payables**

Payables, including accruals not yet billed, are recognised when the Board becomes obliged to make future payments as the result of a purchase of assets or services. Payables are generally settled within 30 days.

#### **(l) Net fair value of financial assets and liabilities**

The carrying amount of financial assets and financial liabilities recorded in the financial statements are not materially different from their net fair values, determined in accordance with the accounting policies disclosed in these notes.

#### **(m) Comparative figures**

Comparative figures are, where appropriate, reclassified so as to be comparable with the figures in the current financial year.



**REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD**  
**Notes to the Financial Statements for the year ended 30 June 2003**

**2. Bank and investment income**

The interest income of the Board is comprised of:

	<b>2002/03</b>	<b>2001/02</b>
	<b>\$</b>	<b>\$</b>
Interest from Treasury	2,112,304	1,973,873
Interest on call account	40,030	17,435
	<u><b>2,152,334</b></u>	<u><b>1,991,308</b></u>

**3. Licence income**

Proceeds from triennial licensing fees are allocated over 36 months from the month of receipt. Proceeds relating to the current financial year are recognised as revenue. The balance of the proceeds is credited into the Revenue Received in Advance account. The analysis of the proceeds is as follows:

	<b>2002/03</b>	<b>2001/02</b>
	<b>\$</b>	<b>\$</b>
Revenue received in advance account (current) opening balance	603,352	669,379
Revenue received in advance account (non current) opening balance	413,448	500,943
Cash received during the year	1,067,198	622,678
<b>Total revenue received in advance</b>	<u><b>2,083,998</b></u>	<u><b>1,793,000</b></u>
Income recognised during the year	792,734	776,200
<b>Balance in revenue received in advance</b>	<u><b>1,291,264</b></u>	<u><b>1,016,800</b></u>
Held in		
Revenue received in advance account (current)	668,443	603,352
Revenue received in advance account (non current)	622,822	413,448
	<u><b>1,291,265</b></u>	<u><b>1,016,800</b></u>

**4. Other revenues**

Other income consists of:

	<b>2002/03</b>	<b>2001/02</b>
	<b>\$</b>	<b>\$</b>
Advertisement fees	13,750	9,350
Recovery of funds	181,938	71,573
Lecture Fees	0	1,479
Late Fees	22,474	7,681
Miscellaneous Income	4,544	3,127
<b>Total</b>	<u><b>222,706</b></u>	<u><b>93,210</b></u>

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2003

### 5. Employee expenses

The Board procures services from the Dept of Consumer & Employment Protection under a service delivery agreement. The current arrangements which started in the 1999/2000 financial year is for an all inclusive fixed fee. The salary figure below represents only the salary of employees directly employed by the Board.

	2002/03	2001/02
	\$	\$
Salary	358,206	287,707
Change in annual leave	29,135	7,218
Change in long service leave	6,337	21,915
Superannuation	44,973	36,403
Total staff salary costs	<u>438,651</u>	<u>353,243</u>
Staff related expenses	98,198	108,144
<b>Total Staff costs</b>	<b><u>536,849</u></b>	<b><u>461,387</u></b>

Staff related expenses include training & conferences, travel, workers compensation, vehicles and parking.

### 6. Services and contracts

Services contracts consists of:

	2002/03	2001/02
	\$	\$
Audit fees	13,000	9,500
Bank charges	3,084	2,250
Consultants and contractors fees	3,275	18,810
Hire charges	3,771	2,244
Insurance	10,700	8,940
Professional services	189,514	111,776
Advertising	68,465	20,662
Printing	46,825	48,569
Miscellaneous	1,220	5,029
Website subscription	541	946
REMIS Maintenance	834	117,636
<b>Total</b>	<b><u>341,229</u></b>	<b><u>346,362</u></b>

### 7. Consumables and maintenance

	2002/03	2001/02
	\$	\$
Library acquisition	1,332	1,865
Stationery	7,591	4,174
Consumables	12,980	12,043
Sundry assets costing under \$1000	1,866	616
Repair and maintenance	7,627	1,152
<b>Total</b>	<b><u>31,396</u></b>	<b><u>19,850</u></b>

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2003

### 8. Service Delivery Agreement

The Board procures services from the Dept of Consumer & Employment Protection under a service delivery agreement.

The current agreement is for a fixed fee which is reviewed annually.

### 9. Depreciation

Depreciation charges for the year consist of:

	2002/03	2001/02
	\$	\$
Computers	53,435	50,174
REMIS Software	66,892	66,890
Office Equipment	6,932	5,691
Furniture and Fittings	364	365
<b>Depreciation Total</b>	<b>127,623</b>	<b>123,120</b>

### 10. Net profit/(loss) on disposal of non current asset

	2002/03	2001/02
	\$	\$
Carrying amount of disposed assets		
Computers	0	70
Proceeds on disposal	0	0
<b>Net Loss on disposal of assets</b>	<b>0</b>	<b>(70)</b>

### 11. Educational Grants

	2002/03	2001/02
	\$	\$
Payments charged to the Statement of Financial Performance:		
Grants made to REIWA	124,207	92,410
Grants made to TAFE	74,580	1,976
<b>Total charged to the Statement of Financial Performance</b>	<b>198,787</b>	<b>94,386</b>

### 12. First Home Buyers Grants

A total of 1,136 grants totalling \$2,146,888 at an average of \$1,890 were made during the year. In 2001/02 1,381 grants totalling \$2,403,207 at an average of \$1,740 were made.

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

### Notes to the Financial Statements for the year ended 30 June 2003

#### 13. Fidelity guarantee payments.

A total of **\$1,924,527** was approved by the Board to be paid out from the fidelity guarantee payments during the year (\$83,900 in 2001/2002).

Outstanding claims against the fidelity guarantee fund are disclosed as contingent liabilities. (See note 14). See also note 27 for events occurring after reporting date.

#### 14. Contingent liabilities - Fidelity Guarantee Fund

In addition to the liabilities incorporated in the financial statements the Board is aware of 178 claims (88 as at 30/6/2002) against the Fidelity Guarantee Fund totalling \$5.3m (\$3.6m as at 30/6/2002) for which no liability has been admitted by the Board.

#### 15. Events Occurring After Reporting Date

At a hearing on the 3rd of July 2003 the Board made orders to pay claims against the fidelity fund of approximately \$484,000. These have been included in the contingent liabilities (note 14) and will be paid from retained profits.

#### 16. Cash

**Cash resources are held exclusively for use by the Real Estate and Business Agents Board under the provisions of the Real Estate and Business Agents Act 1978.**

As at balance date the cash resources balances in the various bank accounts administered by the Board are as follows:

	2002/03	2001/02
	\$	\$
Education and General Purpose Fund	169,702	74,081
Fidelity Guarantee Fund (Restricted cash)	179,872	74,624
Home Buyers Assistance Fund (Restricted cash)	31,093	183,542
Board Interest Account	160,200	500
Petty Cash	300	200
<b>Total cash at bank and on hand</b>	<b>541,167</b>	<b>332,947</b>
<b>Cash held with Treasury</b>		
Education and General Purpose Fund	12,255,008	12,555,007
Fidelity Guarantee Fund (Restricted cash)	24,555,575	25,055,575
Home Buyers Assistance Fund (Restricted cash)	6,785,000	5,885,000
<b>Total cash held in deposit</b>	<b>43,595,583</b>	<b>43,495,582</b>
<b>Total Cash</b>	<b>44,136,750</b>	<b>43,828,529</b>

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

### Notes to the Financial Statements for the year ended 30 June 2003

For the purpose of the Statement of Cash Flows, cash includes cash on hand, in banks and investments held with the State Government Treasury.

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:

	2002/03	2001/02
	\$	\$
Cash assets	12,585,210	12,629,788
Restricted cash assets	31,551,540	31,198,741
<b>Total Cash</b>	<b>44,136,750</b>	<b>43,828,529</b>

Cash resources held under the Fidelity Guarantee Fund and Home Buyers Assistance Fund are deemed restricted cash resources as the application of these are governed by the provisions of the Real Estate and Business Agents Act 1978.

#### 17. Receivables

	2002/03	2001/02
	\$	\$
Fines	24,600	4,800
Other	862	0
GST Recoverable	90,323	26,275
<b>Total</b>	<b>115,785</b>	<b>31,075</b>

#### 18. Prepayments

	2002/03	2001/02
	\$	\$
Membership fees	0	978

#### 19. Payables

	2002/03	2001/02
	\$	\$
Service delivery agreement with the Dept of Consumer & Employment Protection	321,977	261,881
Audit fees	13,000	9,500
Board fees	17,894	9,186
Legal fees	44,162	229,161
Reimbursement to Dept of Consumer & Employment Protection	12,035	28,300
Salaries	33,810	38,288
Professional services	66,403	35,845
Other goods and services	17,888	36,371
Overpaid trust account interest	194,204	133,287
Fidelity Guarantee Payments	21,645	0
Education grants	66,207	0
<b>Total</b>	<b>809,225</b>	<b>781,819</b>

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2003

### 20. Reconciliation of profit from ordinary activities to net cash flows provided/(used in) operating activities

	2002/03	2001/02
	\$	\$
Net Profit as per Statement of Financial Performance	130,831	1,445,054
<b>Movement in:</b>		
<b>Non-cash items</b>		
Depreciation	127,623	123,120
Profit/Loss on sale of assets	0	70
<b>(Increase)/decrease in assets</b>		
Receivables	(84,710)	(7,857)
Accrued interest/income	(157,234)	535,246
Prepayments	978	(978)
<b>Increase/(decrease) in liabilities</b>		
Payables	27,406	440,452
Revenue received in advance, current liabilities	65,091	(66,027)
Revenue received in advance, non current liabilities	209,374	(87,495)
Employee entitlements	35,473	29,133
Monies held in trust	(7,448)	0
Unclaimed monies	7,458	409
<b>Net cash provided by/(used in) operating activities</b>	<b>354,842</b>	<b>2,411,127</b>

### 21. Remuneration and Retirement Benefits of Board Members and Senior Officers

#### Remuneration of Board Members

The number of Board members whose total of fees, salaries, superannuation and other benefits received or due and receivable for the financial year, falls within the following bands:

	2002/03	2001/02
\$0 - \$10,000	4	5
\$10,001 - \$20,000	2	1
\$20,001 - \$30,000	0	3
\$30,001 - \$40,000	1	1
\$40,001 - \$50,000	1	0
Total remuneration (\$)	155,012	147,298

#### Remuneration of Senior Officers

The number of senior officers whose total of fees, salaries, superannuation and other benefits received or due and receivable for the financial year, falls within the following bands:

	2002/03	2001/02
\$0 - \$10,000	1	0
\$60,001 - \$70,000	1	0
\$70,001 - \$80,000	0	1
Total remuneration (\$)	69,327	70,182

The Board procures services from the Dept of Consumer & Employment Protection. The number of senior officers providing these services are included in the annual report of the Department.

**REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD**  
**Notes to the Financial Statements for the year ended 30 June 2003**

**22. Property Plant & Equipment**

	<b>2002/03</b>	<b>2001/02</b>
	<b>\$</b>	<b>\$</b>
Computers	204,763	198,224
Accumulated Depreciation	<u>(154,630)</u>	<u>(109,835)</u>
	50,133	88,389
REMIS Software	334,448	334,447
Accumulated Depreciation	<u>(142,943)</u>	<u>(76,053)</u>
	191,505	258,394
Office Equipment	75,242	43,801
Accumulated Depreciation	<u>(26,748)</u>	<u>(19,816)</u>
	48,494	23,985
Furniture and Fittings	3,650	3,650
Accumulated Depreciation	<u>(1,841)</u>	<u>(1,476)</u>
	1,809	2,174
<b>Total Non-Current Assets</b>	<b><u>291,941</u></b>	<b><u>372,942</u></b>

**Reconciliations**

Reconciliations of the carrying amount of property, plant and equipment at the beginning and end of the current and previous financial year are set out below.

	<b>2002/03</b>
	<b>\$</b>
<b>Computers</b>	
Carrying amount at start of year	88,389
Additions	15,179
Disposals at cost	(8,640)
Accumulated depreciation on disposals	8,640
Depreciation expense	<u>(53,435)</u>
Carrying amount at end of year	<b>50,133</b>
<b>REMIS Software</b>	
Carrying amount at start of year	258,394
Additions	0
Disposals at cost	0
Accumulated depreciation on disposals	0
Depreciation expense	<u>(66,889)</u>
Carrying amount at end of year	<b>191,505</b>
<b>Office Equipment</b>	
Carrying amount at start of year	23,985
Additions	31,441
Disposals at cost	0
Accumulated depreciation on disposals	0
Depreciation expense	<u>(6,932)</u>
Carrying amount at end of year	<b>48,494</b>

**REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD**  
**Notes to the Financial Statements for the year ended 30 June 2003**

**Furniture and Fittings**

Carrying amount at start of year	2,174
Additions	0
Disposals at cost	0
Accumulated depreciation on disposals	0
Depreciation expense	(365)
Carrying amount at end of year	<u>1,809</u>

**Total Non-Current Assets**

291,941

**23. Provisions**

	<b>2002/03</b>	<b>2001/02</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Annual Leave	52,721	23,586
Long Service Leave	37,376	45,612
	<u>90,097</u>	<u>69,198</u>
<b>Non Current</b>		
Long Service Leave	51,802	37,228
<b>Total</b>	<u>141,899</u>	<u>106,426</u>

The settlement of annual and long service leave liabilities gives rise to the payment of employment on costs including superannuation and workers compensation premiums. The liability for such on costs is included here. The associated expense is included under employee expenses at note 6.

The Board considers the carrying amount of employee benefits approximates the net fair value.

**24. Remuneration of Auditor General**

The total of fees paid or due and payable to the auditors of the Board for the financial year is as follows:

	<b>2002/03</b>	<b>2001/02</b>
	<b>\$</b>	<b>\$</b>
Fees to the Auditor General:		
-for external audit	13,000	9,500

Apart from the audit the Board did not procure other services from the Office of the Auditor General of Western Australia.

**25. Write - Offs**

As a result of the annual stocktake two computers which were fully depreciated that could not be located were written off.



## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2003

### 26. Activity/Output Information

The 'output' or service provided by the Board is 'Regulation' or 'regulatory services'.

As there is only one output for the Board there is no separate reporting under outputs as required by Treasury Instruction 904 or reporting under industry segments for the purpose of AASB1005.

### 27. Retained Profits

	<b>2002/03</b>	<b>2001/02</b>
	<b>\$</b>	<b>\$</b>
Opening balance	43,035,672	41,590,618
Unappropriated surplus	130,831	1,445,054
Total Equity	<u><b>43,166,503</b></u>	<u><b>43,035,672</b></u>

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2003

### 28. Financial Instruments

#### (a) Interest Rate Risk Exposure

The Board exposure to interest rate risk and effective interest rates on financial instruments are:

	Weighted average effective rate		Floating interest		Fixed interest 1 year or less		Non interest bearing		Total as per the Statement of Financial Position	
	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>										
Cash assets	4.76%	4.54%	541	333	43,596	43,496			44,137	43,829
Accrued income	0%	0%					699	553	699	553
Accrued interest	0%	0%					174	162	174	162
Receivables	0%	0%					25	5	25	5
GST Recoverable	0%	0%					90	26	90	26
<b>Total financial assets</b>			<b>541</b>	<b>333</b>	<b>43,596</b>	<b>43,496</b>	<b>988</b>	<b>746</b>	<b>45,125</b>	<b>44,575</b>
<b>Financial Liabilities</b>										
Payables	0%	0%					809	782	809	782
Provisions	0%	0%					142	106	142	106
Revenue received in advance	0%	0%					1,291	1,017	1,291	1,017
<b>Total financial liabilities</b>							<b>2,242</b>	<b>1,905</b>	<b>2,242</b>	<b>1,905</b>
<b>Net financial assets</b>			<b>541</b>	<b>333</b>	<b>43,596</b>	<b>43,496</b>	<b>(1,254)</b>	<b>(1,159)</b>	<b>42,883</b>	<b>42,670</b>

#### (b) Credit Risk Exposure

All financial assets are unsecured. Financial assets comprise of money held in Commonwealth Bank cheque accounts and investments are placed with State Treasury.

#### (c) Net Fair Values

The carrying amount of financial assets and financial liabilities recorded in the financial statements are not materially different from their net fair values, determined in accordance with the accounting policies disclosed in note 1 to the financial statements.

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2003

### 29. Explanatory Statement

#### a) Significant variations between actual revenues and expenditures for the financial year and those for the immediately preceding financial year

Details and reasons for significant variations between actual results with the corresponding items of the preceding year are detailed below.

Significant variations are considered to be those greater than 10% and \$50,000.

	<b>2002/2003</b>	<b>2001/2002</b>	<b>Variation</b>
	<b>Actual</b>	<b>Actual</b>	<b>02/03 to 01/02</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>REVENUE</b>			
Agents trust account interest income	6,965,659	5,745,661	1,219,999
Fines and costs	134,027	75,967	58,060
Other revenues	218,162	90,083	128,080
<b>EXPENSES</b>			
Employee expenses	536,849	461,387	75,462
Legal fees	896,292	514,447	381,846
Service Delivery Agreement	3,863,724	3,142,571	721,153
First home buyers grants	2,146,888	2,403,207	(256,319)
Fidelity Guarantee Payments	1,924,527	83,900	1,840,628

#### **Agents trust account interest income**

Higher levels of activity and higher prices in the industry than the preceding year resulted in a higher level of trust account interest being received compared with the previous year.

#### **Fines and costs**

Revenue from fines increased as a result of additional resources being employed on compliance monitoring and reduction in hearing delays as a result of increased outsourced legal services.

#### **Other revenues**

Other revenue is higher than the preceding year due to the recovery of monies previously paid out from the Fidelity Guarantee Fund.

#### **Employee expenses**

Salary expenses for 2002/03 financial year were higher than the 2001/02 year due to the Board employing additional staff.

#### **Legal fees**

Legal costs were higher than the previous year to due to a significant increase in the number and complexity of inquiries. Outsourced legal services were used to cover this increased work load.

#### **Service Delivery Agreement**

The increase cost of the agreement between the Board and the Dept of Consumer and Employment Protection was due to increased staff being employed by the Dept in providing services for the Board.

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

### Notes to the Financial Statements for the year ended 30 June 2003

Note 29 continued

#### First home buyers grants

First home buyers grants were lower due to the effect of higher industry prices resulting in fewer applications due to the "Ceiling" placed on the purchase value of premises subject to the grants.

#### Fidelity Guarantee Payments

Fidelity Guarantee Payments increased due to higher level of claims being received, processed and finalised during the year.

#### b) Significant variations between estimates and actual results for the financial year

Details and reasons for significant variations between these estimates and actual results are detailed below. Significant variations are considered to be those greater than 10% and \$50,000.

	2002/2003 Actual \$	2002/2003 Budget \$	Variation 02/03 to budget \$
<b>REVENUE</b>			
Agents trust account interest income	6,965,659	6,014,500	951,159
Other revenues	222,706	16,800	205,906
<b>EXPENSES</b>			
Legal fees	896,292	650,000	246,292
Board fees and expenses	140,622	203,068	-62,446
Service Delivery Agreement	3,863,724	3,330,000	533,724
Educational grants	198,787	324,000	-125,213
First home buyers grants	2,146,888	3,000,000	-853,112
Fidelity Guarantee Payments	1,924,527	2,500,000	-575,473

#### Agents trust account interest income

A higher level of activity and higher prices in the industry than was anticipated resulted in higher level of trust account interest being received compared with the estimated amount.

#### Other revenues

Other revenue was above budget due to the recovery of monies previously paid out from the Fidelity Guarantee Fund.

#### Legal fees

Legal fees exceeded the estimate for the year due to a higher than anticipated number of Fidelity Guarantee Fund claims being received and processed.

#### Board fees and expenses

An increase in Board fees were allowed for in the budget however, they have not yet been granted. Savings were also achieved when the chairperson was seconded to assist with work associated with the proposed State Administrative Tribunal.

## **REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD**

### **Notes to the Financial Statements for the year ended 30 June 2003**

Note 29 continued

#### **Service Delivery Agreement**

The effects of increased staff numbers in providing services by the Dept of Consumer and Employment Protection to the Board was not anticipated at the time of the budget preparation.

#### **Education grants**

Training grants were below budget as course providers failed to run courses as predicted and undertake projects which funding was set aside for.

#### **First home buyers grants**

First home buyers grants were lower due than anticipated in the budget due to the effect of higher industry prices resulting in fewer applications due to the "Ceiling" placed on the purchase value of premises subject to the grants.

#### **Fidelity guarantee payments**

It is difficult to predict the quantum of fidelity claims. Although an estimate is made and included in the budget the Board does not admit liability until determinations are finalised. For 2002/2003 some of the claims included in the estimate were not finalised (see note 27, Events occurring after reporting date).

# REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2003

## 30. Statement of Financial Performance for the year ended 30 June 2003 separated under Funds operated by the Board

	Education and General Purpose	Fidelity Guarantee Fund	Home Buyers Assist Fund	Board Interest Account	Total
	\$	\$	\$	\$	\$
<b>REVENUE</b>					
<b>Revenue from Ordinary Activities</b>					
<i>Revenue from operating activities</i>					
Agents trust account interest income	3,857,786	304,562	2,605,697	197,614	6,965,659
Licence income	792,734				792,734
Contributions to the Fidelity Guarantee Fund		123,922			123,922
Fines and costs	134,027				134,027
Other revenues	36,224	181,938			218,162
<i>Revenue from non operating activities</i>					
Bank and investment interest	628,320	1,205,452	309,920	8,642	2,152,334
Other revenues from ordinary activities	4,544				4,544
<b>Total Revenue From Ordinary Activities</b>	<b>5,453,635</b>	<b>1,815,874</b>	<b>2,915,617</b>	<b>206,256</b>	<b>10,391,382</b>
<b>EXPENSES</b>					
<b>Expenses from Ordinary Activities</b>					
Employee expenses	536,849				536,849
Communications costs	48,322				48,322
Legal fees	631,857	264,435			896,292
Board fees and expenses	140,622				140,622
Services and contracts	318,848	21,043	973	365	341,229
Consumables and maintenance	31,396				31,396
Service Delivery Agreement	3,863,724				3,863,724
Depreciation	127,623				127,623
Refund overpaid trust account interest				4,292	4,292
<b>Total Expenses from Ordinary Activities Before Grants</b>	<b>5,699,241</b>	<b>285,478</b>	<b>973</b>	<b>4,657</b>	<b>5,990,349</b>
<b>Grants</b>					
Educational grants	198,787				198,787
First home buyers grants			2,146,888		2,146,888
Fidelity guarantee payments		1,924,527			1,924,527
<b>Total Expenses from Ordinary Activities</b>	<b>5,898,028</b>	<b>2,210,005</b>	<b>2,147,861</b>	<b>4,657</b>	<b>10,260,551</b>
<b>NET PROFIT</b>	<b>(444,393)</b>	<b>(394,131)</b>	<b>767,756</b>	<b>201,599</b>	<b>130,831</b>

## REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2003

### 30. Statement of Financial Position as at 30 June 2003 separated under the Funds operated by the Board

	Education and General Purpose	Fidelity Guarantee Fund	Home Buyers Assist Fund	Board Interest Account	Total
	\$	\$	\$	\$	\$
<b>Current Assets</b>					
Cash assets	12,425,010			160,200	12,585,210
Restricted cash assets		24,735,447	6,816,093		31,551,540
Accrued agents trust account interest income	263,612	20,812	178,054	236,105	698,582
Accrued investment interest	51,055	97,089	25,557		173,701
Receivables	103,101	12,685			115,785
<b>Total Current Assets</b>	<b>12,842,778</b>	<b>24,866,033</b>	<b>7,019,704</b>	<b>396,305</b>	<b>45,124,818</b>
<b>Non-Current Assets</b>					
Computers	50,133				50,133
REMIS Software	48,494				48,494
Office Equipment	1,809				1,809
Furniture and Fittings	191,505				191,505
<b>Total Non-Current Assets</b>	<b>291,941</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>291,941</b>
<b>Total Assets</b>	<b>13,134,719</b>	<b>24,866,033</b>	<b>7,019,704</b>	<b>396,305</b>	<b>45,416,759</b>
<b>Current Liabilities</b>					
Payables	593,376	21,645		194,204	809,225
Provisions	90,097				90,097
Revenue received in advance	668,443				668,443
Unclaimed money	374	7,493			7,867
<b>Total Current Liabilities</b>	<b>1,352,290</b>	<b>29,138</b>	<b>0</b>	<b>194,204</b>	<b>1,575,632</b>
<b>Non Current Liabilities</b>					
Revenue received in advance	622,822				622,822
Provisions	51,802				51,802
<b>Total Non-Current Liabilities</b>	<b>674,624</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>674,624</b>
<b>Total Liabilities</b>	<b>2,026,914</b>	<b>29,138</b>	<b>0</b>	<b>194,204</b>	<b>2,250,256</b>
<b>NET ASSETS</b>	<b>11,107,805</b>	<b>24,836,894</b>	<b>7,019,704</b>	<b>202,100</b>	<b>43,166,503</b>
<b>Equity</b>					
Opening balance	11,552,198	25,231,025	6,251,948	500	43,035,672
Unappropriated surplus	(444,393)	(394,131)	767,756	201,599	130,831
Retained profits	11,107,805	24,836,894	7,019,704	202,100	43,166,503
<b>TOTAL EQUITY</b>	<b>11,107,805</b>	<b>24,836,894</b>	<b>7,019,704</b>	<b>202,100</b>	<b>43,166,503</b>