

Real Estate and Business Agents Supervisory Board

Annual Report 2004-05



**Real Estate and Business Agents Supervisory Board
Annual Report 2004-2005**

TABLE OF CONTENTS

<u>Statement of Compliance</u>	3
<u>Report from the Chair</u>	4
<u>SECTION ONE: About REBA</u>	
<u>Our Organisation</u>	7
<u>Who we are</u>	7
<u>Our Goal</u>	8
<u>Our Business</u>	9
<u>Board Structure</u>	10
<u>REBA Members</u>	11
<u>Our People</u>	13
<u>Corporate Governance</u>	14
<u>Summary of 2004-2005</u>	16
<u>SECTION TWO: Reporting on Outputs</u>	
<u>Output One: Licensing</u>	22
<u>Strategic Objectives</u>	22
<u>Performance</u>	22
<u>Overview</u>	22
<u>Output Two: Compliance</u>	24
<u>Strategic Objectives</u>	24
<u>Performance</u>	24
<u>Overview</u>	24
<u>Output Three: Education and Awareness</u>	26
<u>Strategic Objectives</u>	26
<u>Performance</u>	26
<u>Overview</u>	26
<u>Output Four: Fidelity Guarantee Fund</u>	29
<u>Strategic Objectives</u>	29
<u>Performance</u>	29
<u>Overview</u>	29
<u>Output Five: Home Buyers Assistance Fund</u>	30
<u>Strategic Objectives</u>	30
<u>Performance</u>	30
<u>Overview</u>	30
<u>SECTION THREE: Performance Indicators</u>	
<u>Auditor General's Opinion</u>	33
<u>Certification of Performance Indicators</u>	34
<u>Performance Indicators</u>	35
<u>SECTION FOUR: Financial Statements</u>	
<u>Auditor General's Opinion</u>	41
<u>Certification of Performance Indicators</u>	42
<u>Financial Statements</u>	43
<u>Contact Details</u>	64

Statement of Compliance

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 2005.

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



Mark Cuomo
Chair



Ken Bradley
Member

Dated: 26 August 2005

Report from the Chair

As the new Chair of the Real Estate and Business Agents Supervisory Board I am pleased to present its annual report for the year ended 30 June 2005. I took over this role in January 2005, after my predecessor, Judy Eckert, was appointed a Judge of the District Court and Deputy President of the State Administrative Tribunal.

Judge Eckert served as the Chair of the Board for three years between December 2001 and December 2004. Her achievements as Chair included a significant improvement in the relationship between the Board and the principal industry body, the Real Estate Institute of WA ("REIWA"). The Board is pleased that this relationship continues to be a positive one, with informal meetings being held from time to time, and the Registrar of the Board being a guest speaker at various REIWA branch breakfast meetings. I have also been very appreciative of the assistance given to me by REIWA, especially from its President, Mr Greg Rossen, and its Chief Executive Officer Mrs Anne Arnold.

The last 12 months have seen a major change for all regulatory bodies, with the State Administrative Tribunal coming into operation on 1 January 2005. There was a six-month transition period, during which the Board continued to determine disciplinary matters that commenced before 1 January 2005 but were not completed. That period is now finished. The Board continues to investigate complaints against agents and sales representatives and, where appropriate, institutes and maintains disciplinary proceedings before the SAT. Now the SAT has exclusive jurisdiction to determine disciplinary matters regarding agents and sales representatives. It also has power to review certain Board decisions. The Board has had to adapt to the changed regulatory environment brought about by the creation of an external body determining disciplinary matters. This is a continuing process as the Board adjusts to the new procedures introduced by the SAT.

This year the Board has engaged in extensive industry consultation regarding two significant issues for industry participants: compulsory continuing professional development ("CPD"); and compulsory professional indemnity insurance. First, the Board followed up the response to a discussion paper it had earlier published on CPD. There was support for the introduction of CPD, although there was no common view of an appropriate model. Devising a model which would be generally accepted, and administered with the available resources, is both a large task and a difficult one. The Board successfully facilitated a workshop with interested industry members and training providers. The Board is currently preparing a draft model to be distributed for further comment.

A discussion paper on compulsory professional indemnity insurance was issued during the year. A majority of respondents to this discussion paper supported the concept, but there were quite divergent views. The Board is considering the submissions received, and will consult further with the industry in the next financial year.

A third issue of considerable importance to the industry and the public is seller disclosure. Analysis of the responses received to the Board's seller disclosure discussion paper confirmed general support for the principle that buyers should be better informed. However, most of the information that was identified as being of benefit to buyers, is already covered in the *Joint Form of General Conditions for the Sale of Land* - the most commonly used pro forma document for the sale of land in WA. There are also difficulties with making seller disclosure statements mandatory. The *Real Estate and Business Agents Act 1978* ("the Act") regulates the conduct of real estate agents and sales representatives. There is no power under the Act to require disclosure by a seller. The *Strata Titles Act 1985* gives some protection to buyers through the disclosure requirements in forms prescribed under that Act, but is limited to strata

titled properties. The *Sale of Land Act 1970* appears to be the most appropriate legislation under which seller disclosure statements can be made mandatory.

Until there is legislative amendment, however, the Board is of the view that public education may provide some protection to the seller, the buyer and the seller's representative. One measure that may help is if buyers are assisted to obtain more information themselves. The Board currently publishes information sheets for buyers, and is looking at publishing a new one, which will tell buyers about the kinds of information they should obtain, and where and how they can get it.

Where appropriate, the Board prefers to take a proactive approach to its obligations under the Act. The most significant achievement in this respect is its proactive compliance program, which is a joint initiative with the Settlement Agents Supervisory Board and has now been running for five years. This year the Board conducted an external functional review of the program to check its relevance and effectiveness in the current market. The Board is pleased to report that the review found the program to be well received by the industry, and remains worthwhile. Several very useful recommendations for improvement were made, which the Board will look at implementing as soon as possible.

The Board continues to run educational seminars for industry members and the public. These seminars are consistently successful. They would not be as successful without the substantial time devoted to them by the elective member, Mr Bill Goddard, the Board Registrar, Mr Bob Rossi, and the Principal Proactive Compliance Officer, Ms Sharon Officer and her team. Proactive visits to agencies were again increased this year, with 270 agencies across regional and metropolitan Western Australia visited.

During the year the Board remained occupied with ongoing matters arising from the closure of Glenn Low First National, Morton & Wright – Century 21, and DRE Property Management. These agencies have all had supervisors appointed, and the Board has been kept busy dealing with the associated issues, including Fidelity Guarantee Fund claims. These types of cases are exceptionally challenging and require extensive financial and human resources to meet the demands.

In closing I acknowledge the continued assistance provided by all Board Members and their deputies, Board Officers, and staff of the Real Estate Branch of the Department of Consumer and Employment Protection. I also acknowledge the valuable contribution made by two members who retired during the year. Ms Anne Templeman-Jones retired as the commercial member, and Mr Paul Druitt retired as the deputy elective member. The Board welcomed Mr Kenneth Bradley and Mr Oscar D'Souza as their respective replacements. Special mention must also be made of the re-election of Mr Bill Goddard for his fifth consecutive term. His enduring dedication and contribution to the industry and the Board is greatly valued.

The year, like others, has had its share of problems. The achievements of the Board have only been possible due to the consistently reliable service provided by everyone involved.



Mark Cuomo

Chair

26 August 2005

SECTION ONE

About REBA

Our Organisation

Who we are

The Real Estate and Business Agents Supervisory Board (“REBA”) is an independent statutory authority established under the *Real Estate and Business Agents Act 1978* (“the Act”), to regulate people who conduct real estate transactions and certain business transactions in Western Australia. REBA administers the Act, its Regulations and the *Code of Conduct for Agents and Sales Representatives* (“the Code of Conduct”).

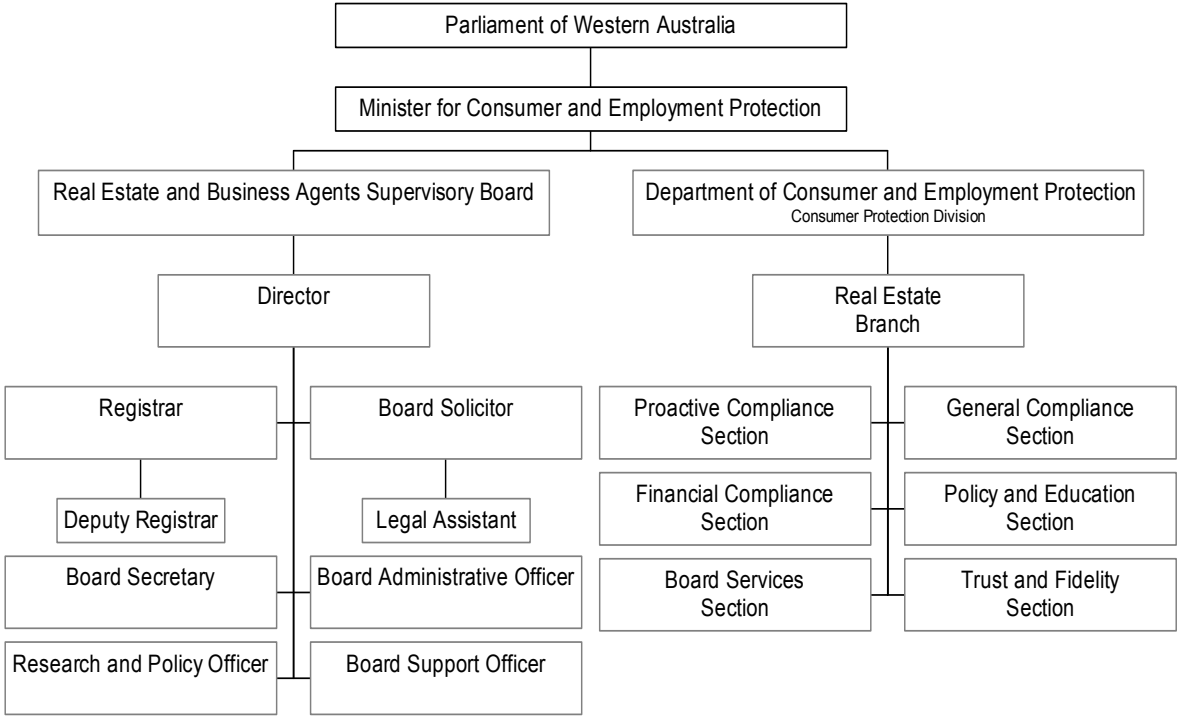
Section 6 of the Act states:

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

The Board –

- (a) shall be a body corporate with perpetual succession and a common seal;*
- (b) shall be the licensing and supervisory authority for the purposes of this Act; and*
- (c) shall have the powers, duties, and functions, conferred, imposed, or prescribed by or under this Act.*

REBA Organisational Chart



Our Goal

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

REBA seeks to achieve this desired goal:

[t]hrough discharging its statutory function of regulating the real estate and business broking industry, by providing a consistently efficient and effective service.

REBA is fully funded through the interest paid on the balance of money held in the trust accounts of agents. Funding is used to provide services in five major areas:

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.

Compliance

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

Education and Awareness

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

Fidelity Guarantee Fund

Centres on the assessment of claims for reimbursement from consumers who have suffered financial loss during a real estate transaction due to the criminal or fraudulent conduct of a licensed real estate and business agent or their sales representative.¹

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.

Section Two of this report provides information about activities conducted within these areas. Section Three contains information on the assessment of these outputs on the basis of quantity, quality, timeliness and cost.

¹ Unless indicated otherwise, reference to agents throughout this report should be read to mean a person who is a real estate agent or a business agent, or both a real estate agent and a business agent. ‘Sales representatives’ describes those people who, on behalf of an agent, negotiate real estate or business broking transactions.

Our Business

REBA is accountable to the Minister for Consumer and Employment Protection, and 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;
- conduct investigations into complaints about the conduct of real estate agents and sales representatives;
- bring and maintain disciplinary proceedings against agents in the State Administrative Tribunal (“SAT”) in appropriate cases;
- provide conciliation services to seek resolution between consumers and agents in dispute;
- administer the Fidelity Guarantee Fund, from which people who have lost money due to the criminal or fraudulent behaviour of an agent or sales representative, during a real estate transaction, can be reimbursed;
- administer the Home Buyers Assistance Fund, which provides first home buyers 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.

Board Structure

The Governor of Western Australia appoints five members of REBA. 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 [section 7(1)(a)];
- Member (1):** must be a person who is not a licensed agent but is experienced in commercial practice [section 7(1)(b)];
- Member (2):** must be a person who is not a licensed agent but who is a legal practitioner [section 7(1)(c)];
- Member (3):** must be a licensed real estate agent who is nominated by the Real Estate Institute of Western Australia ("REIWA") [section 7(1)(d)];
and
- Member (4):** must be a licensed agent who is elected by licensed agents to this position [section 7(1)(e)].

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

REBA MEMBERS



Mr Mark Cuomo (Chairperson)

Mark Cuomo is a barrister. Mr Cuomo was previously the Director of Legal Services at the Aboriginal Legal Service of WA, and has held board appointments with the Building Disputes Tribunal and Veterans Review Board.



Mr Ken Bradley (Commercial Practice Member)

Mr Bradley is a fellow of the Australian Society of Certified Practising Accountants (“FCPA”) and was previously the Public Trustee for Western Australia. He is currently a sessional member of the SAT. He was a member of the working party for creation of the WA Community Foundation.

Deputy: Mr Ross Ledger



Ms Karen Lang (Legal Practitioner Member)

Karen Lang is a legal practitioner admitted in Western Australia, England and Wales. Ms Lang is a solicitor with Legal Aid Western Australia and formerly a senior associate with Dwyer Durack. Ms Lang has previously served on other consumer protection boards and is currently a member of the Perth Zoo Board, the Building Disputes Tribunal, and the SAT.

Deputy: Mr Chris Stevenson



Mr Michael Hoad (REIWA Representative Member)

Mr Hoad holds a Bachelor of Arts (Economics) degree from the University of Western Australia (1971) and a Certificate of Real Estate Management (1981). Mr Hoad worked as a real estate sales representative between 1976 and 1982 before commencing Paxton Hoad in Subiaco with JF Paxton in November 1982. With others, Mr Hoad commenced Paxton Hoad North in 1989 and Paxton Hoad West in 1990. Mr Hoad continues to work from Paxton Hoad's Subiaco office.

Deputy: Ms Renate Brown



Mr William Goddard (Elected Member)

Mr William (Bill) Goddard is a licensed real estate agent and was re-elected this year to serve a fifth term. Mr Goddard first gained his real estate and business agent's licence in 1969. Mr Goddard carries on business as Goddard & Goddard, and operates as a business broker, auctioneer and property manager. He is a REIWA accredited auctioneer and business broker and, in July 2003, he achieved the status of certified practicing broker with the Business Brokers Association (WA) Inc ("BBA"). Mr Goddard was elected President of BBA in October 2003. In March 2004, the Real Estate Institute of Australia ("REIA") awarded Mr Goddard the Fellow of REIA, in recognition of his service to the industry with distinction, credit, responsibility and competence.

Deputy: Mr Oscar D'Souza

REBA MEMBERS WHO RETIRED IN 2004-2005



Ms Judy Eckert

Ms Judy Eckert resigned as Chair of the Board when she was appointed a judge of the District Court and Deputy President of the SAT. Ms Eckert served as the Chair of REBA between December 2001 and December 2004.



Ms Anne Templeman-Jones

Ms Anne Templeman-Jones served as the commercial practice member between 1 December 2003 and 13 August 2004. Ms Templeman-Jones, a chartered accountant, is the State Director of ANZ Private Bank and was previously the Chief Executive Officer and Managing Director of Cell Aquaculture Ltd.



Mr Paul Druitt

Mr Druitt, a licensed real estate agent, was elected to the Board as the deputy to Mr William Goddard. He served between 1 May 2001 and 26 April 2005. He received the Kevin Sullivan Memorial Award for 2004 awarded by REIWA in recognition of excellence, achievement and professionalism in the real estate industry.

Our People

REBA employs nine staff directly. The Director, Board Solicitor, Legal Assistant, Board Administrative Officer and Board Support Officer are employed in a joint funding arrangement with the Settlement Agents Supervisory Board. The Registrar, Deputy Registrar, Research and Policy Officer, and Board Secretary are employed solely by REBA.

Role of Key Staff

Director

As Chief Officer of the Board, the Director is responsible for providing advice to it on its day-to-day operations, and for ensuring policies and strategies for regulating the real estate industry are implemented and monitored.

The Director manages the financial and human resources, oversees legal services, assists with planning and strategic issues, represents the Board in negotiating, monitoring, and reporting on contracts with external providers, including the Service Delivery Agreement (“SDA”) with the Department of Consumer and Employment Protection (“DOCEP”).

The Director assists the Board to comply with all legislation relevant to its statutory obligations.

Board Solicitor

The Board Solicitor has responsibility for managing legal services for REBA. This includes providing advice to the Board, and investigations, on the interpretation and application of legislation administered by the Board and relevant to Board matters, the conduct of proceedings before the Board, the SAT, and Courts.

The Board Solicitor also briefs external counsel to provide advice in legal representations where necessary.

Registrar

The Registrar may of his own motion, or at the direction of the Board, make any investigation or inquiry considered necessary or expedient for the purpose of determining any application or other matter before the Board.

The Registrar may grant or renew a certificate of registration. The Registrar also conducts and promotes education, and provides an advisory service to industry members and the general public on behalf of the Board.

Service Delivery Agreement

REBA contracts DOCEP to provide services under a SDA. The services provided under the SDA enable REBA to carry out its functions. The SDA sets out the services and performance measures, which are in accordance with government output based management requirements.

Corporate Governance

Legislation and Statutory Reporting Compliance

In performing its functions, REBA complies with the following statutes:

- *Real Estate and Business Agents Act 1978*;
- *State Records Act 2000*;
- *Public Sector Management Act 1994*;
- *State Supply Commission Act 1991*;
- *Occupational Safety and Health Act 1984*;
- *Equal Opportunity Act 1984*;
- *Disabilities Services Act 1993*;
- *Financial Administration and Audit Act 1985*;
- *Freedom of Information Act 1992*;
- *Public Interest Disclosure Act 2003*; and the
- *Electoral Act 1907*.

Expenditure incurred within Section 175ZE of the Electoral Act 1907

Under the *Electoral Act 1907*, government agencies are required to report annually on certain types of expenditure. This information relating to REBA is published in DOCEP's 2004-2005 Annual Report.

Public Sector Standards in Human Resource Management

REBA is required to comply with the *Public Sector Standards in Human Resource Management* and the *Western Australian Public Sector Code of Ethics* in its dealings with staff. During 2004-2005, REBA received no applications for breaches of the standards. In addition, REBA:

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

REBA has developed a *Code of Conduct for Members* based on the Government's guidelines for people holding board positions in the public sector. REBA members are required to perform their duties impartially and not be influenced by vested interests of industry parties.

REBA notes that the *Financial Administration and Audit Act 1985* places a responsibility on its members to ensure efficient and effective operations, to maintain confidentiality and ensure compliance with statutory and legal requirements.

The *Code of Conduct for Members* states that REBA will prepare and retain minutes of meetings and ensure proper procedures are observed for the documentation of decisions. Members and officers of REBA are required to maintain confidentiality and not divulge information that is confidential or sensitive, or make public statements about REBA matters unless authorised.

Disability Services Plan

REBA acknowledges and supports the principles applicable to people with disabilities stated in Schedule One of the *Disability Services Act 1993*. REBA's Disability Services Plan aims to ensure that people with disabilities, their families and carers can readily access its services.

Freedom of Information Requests

The *Freedom of Information Act 1992* allows members of the public to lodge requests for copies of documents relating to REBA and its operations. REBA endeavours to make its operations transparent and accessible. In the year 2004-2005, REBA received seven requests for information under the freedom of information legislation.

People wishing to lodge a Freedom of Information application with REBA are advised to contact DOCEP's Freedom of Information Coordinator on 9282 0777. DOCEP provides an administrative function to REBA in relation to Freedom of Information matters. All requests for information under the *Freedom of Information Act 1992* must be submitted in writing and addressed to:

Freedom of Information Coordinator
Department of Consumer and Employment Protection
Locked Bag 14
Cloisters Square
Perth WA 6850

Better Planning: Better Services

Better Planning: Better Services ("BPBS") is a Western Australian Government initiative intended to improve the quality of life of all Western Australians. Agencies are required to address their contributions to this planning framework in their annual reports. The following strategic outcomes are relevant to REBA and are discussed in the appropriate parts of this report:

- A positive difference to the lives of people with disabilities, their families and carers. (Corporate Governance: Disability Services Plan, page 15)
- A trading system that protects consumers and encourages small business growth. (Output 2: Compliance, page 24)
- Fair pricing for regional residents and businesses. (Contact Details, page 39)
- Coordinated, integrated, high quality service delivery to the community. (Performance Indicators, page 35)
- An efficient Government sector that provides value for money service delivery. (Performance Indicators, page 35)
- Reduced 'red tape' and compliance costs. (Performance Indicators, page 35)

REBA carries out its licensing and compliance functions using services and resources provided by DOCEP under the terms of a SDA (see page 13). DOCEP provides REBA with a range of services, some of which come under the obligatory reporting requirements. Please refer to DOCEP's 2004-2005 Annual Report for information relating to cultural diversity and language services outcomes, youth outcomes, waste paper recycling, energy conservation, sustainability, and corruption prevention.

Summary of 2004-2005

Board and Other Proceedings

- REBA sat on 21 matters (directions hearings, full hearings, or hearings for penalties and costs);
- REBA convened for 12 Fidelity Guarantee Fund claims;
- REBA convened for 15 Fit and Proper licensing hearings;
- 26 interviews for licensing interviews were conducted in the board room between 1 July 2004 and 31 December 2004,
- 33 interviews (recorded) for licensing applications were conducted in the hearing room between 1 January 2005 and 30 June 2005;
- REBA convened for 21 board meetings;
- 3 matters were transferred from REBA to SAT;
- REBA resolved to allege 5 new SAT applications;
- REBA appeared before the SAT on 20 occasions (directions hearings, full hearings or conferences);
- REBA appeared before the District Court on 11 occasions (directions hearings, full hearings or conferences); and
- REBA appeared before the Supreme Court on 3 occasions (directions hearings, full hearings or conferences).

On 1 January 2005, the SAT came into operation. The introduction of SAT resulted in changes to REBA's role in relation to disciplinary proceedings. (See page 18 for further information on the function of SAT and the changes to REBA's role.)

Achievements

In 2004-2005 REBA was able to achieve the following outcomes:

- 215 new licence applications processed;
- 1582 applications for new sales representative registrations processed;
- 154 conciliations conducted;
- 462 new investigations commenced;
- 237 new qualified audit investigations conducted;
- 76 new trust fund investigations commenced;
- 721 Home Buyer's Assistance Fund grants approved;
- 270 proactive compliance visits of real estate agencies conducted;
- 25 education seminars for agents conducted;
- 3 Homebuyer Seminars conducted for the general public in collaboration with the Settlement Agents Supervisory Board;
- 66 claims lodged against the Fidelity Guarantee Fund; and
- 12 claims finalised against the Fidelity Guarantee Fund.

Industry Seminars

REBA conducted 25 education seminars for real estate agents focusing on legislation and compliance issues. Feedback from attendees at these seminars indicated that they were considered informative and worthwhile. The seminars were conducted in Perth, Albany and Geraldton. Topics covered in the seminars included:

- real estate contracts;
- appointment to act;
- risk management;
- developing a compliance system;
- property management;
- trust account reconciliation;
- conjunctional dealings;
- conflicts of interest;
- obligations under the Code of Conduct;
- compliance strategies for managing trust accounts;
- the employment of personal assistants;
- offer and acceptance; and
- transition from sale to settlement.

Homebuyer Seminars

In a joint initiative with the Settlement Agents Supervisory Board, REBA delivered three Homebuyer Seminars free of charge for consumers. The seminars were conducted in Perth, Geraldton and Albany, with a total of 265 people attending. Each seminar provided an overview of the processes of buying real estate. The topics covered at the seminars included: property valuation, obtaining finance, types of grants available, and offer and acceptance contracts.

Significant Compliance Issues

Of the matters investigated by REBA in 2004-2005, three consumed a significant proportion of its resources. All three matters continue from previous years.

Glenn Low First National Real Estate

REBA held a disciplinary inquiry on 7 August 2003 and found that the corporate licensee had breached the Act in relation to the administration of its trust accounts. The agency's licence and triennial certificate were cancelled and the agency was fined \$5,000 and ordered to pay costs of \$1,200.

REBA had also rescheduled a disciplinary inquiry into the conduct of Mr Glenn Low, a licensed agent and director of the agency. It is alleged that money has been misappropriated from the trust account of the agency. The inquiry was originally scheduled for November 2004, however, after a number of adjournments, the matter is now proceeding before the SAT.

Peet & Fletcher

Peet & Fletcher ceased trading in December 2001. The agency, the directors and person in *bona fide* control, Mr David Reynolds, were the subject of a disciplinary inquiry on 20 September 2001, before REBA for failure to cause an audit of the agency's trust accounts for the year ending 31 December 2000.

The agency and Mr Reynolds admitted the allegations, and surrendered their licences. REBA ordered an independent audit. The findings of this audit resulted in REBA holding a disciplinary inquiry on 10 June 2004 into the conduct of the agency's strata manager, Mr Garry Collins. At inquiry, REBA found that Mr Collins had misappropriated trust funds, and cancelled his sales representative certificate, and also fined him \$2,000.

The matter was also referred to the Western Australia Police Service. Mr Collins has since been charged with stealing as a servant.

DRE Property Management

On 25 March 2004, at the disciplinary hearing into alleged misappropriation of agency trust money, the company and the licensee/director and person in control of the agency, Mr Leslie Patton, admitted the allegations. On 7 May 2004, REBA cancelled the licences of the company and of Mr Patton, who was also fined \$5,000. Since then REBA has been working to reconcile the agency accounts with bank records and the claims of money having been misappropriated. There have been 68 claims, amounting to \$74,746.68, lodged against the Fidelity Guarantee Fund.

On 27 May 2005, REBA determined that there was sufficient evidence to establish a defalcation in relation to the trust money. The claims against the Fidelity Guarantee Fund can now be considered by the Board to determine whether they should be approved.

Other Issues

The State Administrative Tribunal

The SAT commenced operation 1 January 2005, and has jurisdiction to review certain REBA decisions, and to determine disciplinary matters regarding agents. There was a six-month transition period during which REBA continued to determine disciplinary matters that had commenced before 1 January 2005 but had not been completed.

REBA has had to adapt to the changed regulatory environment brought about by the creation of an external body determining disciplinary matters. It has developed and updated policies and procedures relating to bringing disciplinary proceedings before the SAT. This is a continuing process. In particular, the SAT requires REBA to attend compulsory conferences and mediation of proceedings, including disciplinary matters.

Mandatory Professional Indemnity Insurance

In February 2005, a discussion paper was released seeking opinion on whether all real estate agents and business brokers licensed in Western Australia should be covered by professional indemnity insurance as a condition on their licence. Other questions raised in the paper included: what form the insurance should take; the amount of cover that may be required; and whether agents should be compelled to disclose to clients whether or not they hold professional indemnity insurance.

The discussion paper generated 52 responses. A diverse range of views was expressed, with strong views both for and against making professional indemnity insurance mandatory. The majority of the responses favoured mandatory professional indemnity insurance in some form, but many qualified their support in various ways. REBA intends to examine this issue further in 2005-2006.

Seller Disclosure

A continuing cause of many queries from home buyers is the lack of information, or the quality of information provided by sellers or their agents. Sometimes this results in a formal complaint to REBA. In September 2003, REBA issued a public discussion paper to determine whether there was widespread support for mandatory seller disclosure statements. There were 23 responses to the discussion paper, and 19 of these supported the use of seller disclosure statements. Although the responses identified numerous types of information, the disclosure of which would benefit buyers, most of these are already covered in clause 9 of the Joint Form of General Conditions for Sale of Land ("General Conditions").

There are difficulties with making seller disclosure statements mandatory. The Act administered by REBA regulates the conduct of agents, but does not regulate the conduct of sellers. There is no power under the Act to require disclosure by a seller, and regulation of sellers is outside the scope of the Act. The *Strata Titles Act 1985* gives some protection to buyers through the disclosure requirements in Forms 28 and 29, but is limited to strata titled properties. REBA has advised the Minister that if the Government is in favour of mandatory seller disclosure, then this may best be done by amending the *Sale of Land Act 1970*.

Without some legislative amendment, or as an interim measure, REBA is considering publishing an information sheet to inform buyers in general terms about relevant information, and where to obtain it themselves. Most buyers are not represented by an agent, and the seller's representative has a primary obligation to their principal (the seller). Advising buyers about the information they can obtain themselves will afford some protection to the buyer, the seller, and the seller's representative. It would alleviate the expectation of a buyer that the seller's representative should be providing all relevant information. As a consequence, the risk that the seller's representative would be placed in a potential conflict of interest with their principal is reduced. REBA plans to discuss this issue with REIWA in the next financial year.

Review of Proactive Compliance Program

REBA and the Settlement Agents Supervisory Board jointly engaged a consultant to review the Proactive Compliance Program, which has been running since 1999. The review was conducted during December 2004 to April 2005.

The review concluded that while the program is operating effectively in accordance with the way it was originally established, a number of areas could be improved. These included developing a more risk assessment based approach so that higher risk agents are visited more frequently, using technology more to improve efficiency, increasing the level of education on Board policies, and encouraging agents to review their own practices through self-assessment. REBA will consider implementing recommendations where appropriate.

Home Buyers Assistance Fund Scheme

The Home Buyers Assistance Fund is established under the Act to provide first home buyers with financial support. The scheme provides a grant of up to \$2,000 for the incidental expenses of first home buyers upon the purchase of an established or partially built home through a licensed real estate agent.

In 2004-2005, REBA convened a meeting of the Home Buyers Assistance Advisory Committee to consider what changes, if any, should be made to the eligibility criteria of the fund. It is anticipated that REBA will approve a recommendation from the HBAAC to increase the eligibility price thresholds and seek approval from the Minister to do so in 2005-2006.

Continuing Professional Development

People applying for a real estate agent's licence or sales representative's certificate of registration must first demonstrate to REBA that they meet certain educational qualifications. However, there is no requirement for them to continue their professional development.

REBA would like to see the current reactive compliance based system of regulation change to a more proactive one with a focus on education. Compulsory and continuing professional development ("CPD") that is linked to the renewal of a triennial certificate or certificate of registration is one way of achieving this goal.

The merits of introducing CPD are being considered by REBA, and it released a discussion paper in July 2003 to assess the level of support. This was followed by a half-day workshop, and REBA is currently arranging for further consultation with the industry and training providers to develop a preferred model for consideration.

SECTION TWO

Report on Outputs

Output 1 Licensing

Strategic Objectives

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

- assist people seeking to obtain or renew a licence, triennial certificate or certificate of registration, and to process applications in accordance with the Act;
- assess the fitness² of people entering the industry, and of those remaining in the industry applying to renew their triennial certificates and certificates of registration; and
- undertake system audit checks on the computer databases to ensure the accuracy of the information that is recorded.

Performance

In 2004-2005, REBA was able to achieve the following outcomes:

- 215 applications for new real estate licences processed;
- 828 applications for real estate licence renewal processed;
- 100% of new real estate licence applications acknowledged within eight days;
- 98% of new real estate licence applicants advised of the outcome of their application within eight days of REBA's decision;
- 99% of renewal real estate licence applications finalised with ten days;
- 1582 new applications for a sales representative's certificate of registration processed;
- 1211 renewal applications for a sales representative's certificate of registration processed; and
- 96% of applications for a sales representative's certificate of registration finalised within eight days.

Overview

During the 2004-2005 financial year, REBA conducted 26 licensing interviews in the board room, and 33 recorded licensing interviews in the hearing room. During the first half of the 2004-2005 financial year, details of licensing interviews were not taped. Following a judicial comment, the Board improved the process by now conducting interviews in the hearing room, where interviews are recorded on audio tape.

The number of applications for new real estate licences has decreased by approximately 12% from the previous financial year. The number of new sales representatives has decreased marginally, down 3% from the previous financial year. Both figures represent a fairly consistent number of real estate licence holders and sales representatives entering the industry.

² The Act stipulates that to hold an agents licence (section 27(1)(b)) or certificate of registration (section 47(1)(b)) the successful applicant must be "...a person of good character and repute and a fit and proper person" to be involved with the business of any agency. REBA considers a number of factors in reviewing the character, repute and suitability of an applicant.

Real Estate and Business Agent Fees

The fees charged for new applications are as follows:

- individual licence \$538
- partnership licence \$705
- body corporate licence \$705

The fee for a new licence application includes a once only contribution of \$150 to the Fidelity Guarantee Fund. There are no licence renewal fees. However, the fee for renewal of a triennial certificate is \$333 for individuals, partnerships and corporate bodies.

Sales Representative Fees

The fee for a new registration application is \$177 and incorporates a once only contribution of \$45 to the Fidelity Guarantee Fund. Renewing a certificate of registration as a sales representative is \$132, and is payable once every three years.

Holding Fee

Agents who wish to continue to hold a licence but do not want to carry on business may do so by paying a holding fee of \$150 (for three years). At the end of the financial year 369 agents had their licence on hold.

Increase in Fees

REBA approved increases in licence and registration fees and endorsed the Regulations being amended accordingly. This has been forwarded to DOCEP to seek approval from the Minister. REBA will conduct an annual review of licence and registration fees, and in accordance with government policy, set the fee over the next three years to achieve full cost recovery.

Licensing Kit

REBA produces a licensing kit that provides information for new licence holders. The kit contains information on setting up a trust account, auditing guidelines and an agent's obligation to notify REBA of particular changes, such as a change of address. Information is also provided on how agents may obtain additional training to update their skills and knowledge. The licensing kit also provides information for agents from other states and territories of Australia who are seeking a Western Australian licence under the *Mutual Recognition (Western Australia) Act 2001*.

Output 2 Compliance

Strategic Objectives

In 2004-2005, REBA strived to meet the following compliance objectives effectively and consistently:

- real estate agents and business agents and sales representatives comply with the requirements of the Act and the Code of Conduct;
- where there is sufficient evidence, REBA may bring an allegation before the SAT alleging that there is a proper cause for disciplining action against an agent or sales representative;
- advice is given to consumers promptly; and
- audit reports are received on time and all qualified reports are investigated.

Performance

In 2004-2005, REBA was able to achieve the following outcomes:

- 462 investigations initiated;
- 493 investigations completed (on average 14.8 weeks);
- 93% of written complaints acknowledged within eight days (on average 2.9 days);
- 89% of investigations commenced within 14 days (on average 7.5 days);
- 136 conciliations initiated;
- 154 conciliations completed;
- 94% conciliations acknowledged within eight days (on average 3.1 days)
- 97% of conciliations commencing within 14 days (on average 5.1 days);
- 94% of conciliations completed within three months (on average 1.7 months);
- 231 qualified audit investigations initiated;
- 320 qualified audit investigations completed (on average 18.8 weeks);
- 100% of investigations into qualified audit reports commencing within 14 days of lodgement (on average 2.3 days);
- 73 trust account investigations initiated;
- 89 trust account investigations completed (on average 28.5 days); and
- 100% of trust account investigations commencing within 14 days (on average 1.5 days).

Overview

General Compliance

REBA inspectors have powers of investigation, which they may exercise for the purpose of determining whether an agent or sales representative is complying with the requirements of the Act, the Code of Conduct and any conditions of their licence or registration. These powers of investigation may also be used to determine whether any other cause exists that REBA might consider makes an agent unfit to hold a licence, or a sales representative unfit to hold a certificate of registration.

REBA's Registrar directs each investigation process. Where there is sufficient evidence, the Registrar makes recommendations to the Board that a matter be brought before the SAT alleging that there is proper cause for disciplinary action.

Financial Compliance

The Act sets out how agents are to maintain their trust account records. Agents are required to appoint an auditor of their trust accounts at the time of obtaining their licence. The Act requires the auditor to submit to REBA, by 31 March each year, an audit report of the agent's trust accounts. REBA treats all qualified audit reports as a priority issue.

There are four ways for non-compliance with the trust account provisions to come to the attention of REBA, besides a qualified audit, and an investigation commenced. First, during an investigation into general compliance issues the investigator may identify potential breaches relating to the trust accounts. Second, complaints may be received directly relating to an agent's operation of their trust account. Third, from a proactive visit. Fourth, financial institutions are required under the Act to notify REBA when a trust account becomes overdrawn. This financial year 48 notifications were received, which is 22 less than last year.

Conciliation

REBA provides a conciliation service for the resolution of minor breaches of the Act or Code of Conduct, or where complainants are seeking financial restitution from another party to a real estate transaction. REBA may assist parties to resolve a dispute by arranging informal discussions between them, helping in the conduct of those discussions, and, if possible, assisting the parties to reach an agreement. The conciliation service has proven to be an effective method of resolving minor complaints.

In the cases conciliated in 2004-2005, 45% resulted in the parties reaching agreement. In 29% of cases referred to conciliation, no action was required other than clarifying the facts for the parties. Parties were unable to resolve the issue in only 12% of cases. Of cases referred to conciliation, 8% were outside of the jurisdiction of REBA and the parties had to seek assistance elsewhere. Finally, 6% of cases involved complaints that were not justified. The average time taken to complete a conciliation matter was 1.7 months.

Output 3 Education and Awareness

Strategic Objectives

In 2004-2005, REBA endeavoured to meet the following education and awareness objectives effectively and consistently:

- visit agencies and provide education seminars to assist agents to comply with the Act;
- conduct seminars for home buyers;
- provide a counter and telephone information service to consumers and industry;
- support and fund education programs for the professional development of agents and sales representatives; and
- produce and review written educational material for distribution to consumers and industry.

Performance

In 2004-2005 REBA was able to achieve the following outcome:

- 270 proactive compliance visits to agencies, which includes 27 visits to agencies outside of the metropolitan area;
- 25 training seminars for agents and sales representatives on various topics covering the requirements of the Act and the Code of Conduct; and
- 3 homebuyer seminars conducted in collaboration with the Settlement Agents Supervisory Board.

Overview

Information Services

DOCEP provides REBA with the services of a call centre. In 2004-2005, the Call Centre received 17 524 telephone enquiries from the public seeking information on real estate matters. This figure is 8% higher than the number of calls received in 2003-2004. Of the telephone enquiries received, 80% were answered within 40 seconds.

REBA's counter service in 2004-2005 received 220 enquiries on real estate matters. This compares with a similar number of counter enquires received in the previous reporting period, indicating a consistent use of the service. The majority of counter enquiries (84%) were dealt with in six minutes.

Proactive Compliance

REBA conducts a Proactive Compliance Program that is unique in Australia. The purpose of the program is to promote and improve the level of compliance and ethical standards in real estate and business broking industries. REBA's proactive compliance officers visit agencies to provide advice and examine the level of adherence to legislative requirements. Participation by agents is voluntary. This financial year, REBA conducted 270 proactive visits to agencies. Of those visits, 20% were carried out in regional areas.

Proactive compliance visits are carried out in accordance with a standard process, which includes looking at:

- trust account reconciliation;
- strata company management;
- trust account receipts conform to the Act
- potential conflict of interest;
- appointment to act;
- settled sale files; and
- property management files.

Where deficiencies are identified, practical advice and guidance is given on how the agency may correct the problem, and comply with the requirements of the Act. The majority of feedback obtained from agents who have participated in the program indicates that the proactive compliance visits were helpful and informative.

REBA has recently completed a functional review of its Proactive Compliance Program. This review was conducted by an external consultant and will be used to ensure that it continues to meet the educational needs of the industry, and is being delivered in accordance with board policies and objectives appropriate to the current market. (For further information on this review, see page 20.)

Education Funding

REBA uses a prescribed portion of the interest earned from agents' trust accounts to provide financial support to external training providers to support its education objectives. In 2004, REBA introduced an annual tender process where training providers propose courses they consider necessary and appropriate for the real estate and business brokering industry. This process complies with the latest standards in government procurement processes and provides for greater efficiencies in the way that training courses are selected for funding. The successful tenders this year were REIWA, Curtin University of Technology, and BBA.

Continuing Professional Development

Currently, there is no requirement for real estate agents or sales representatives to continue their professional development, once they have been granted a licence or certificate of registration.

A proposed CPD model, which will link compulsory and continuing professional development, will be released to industry and training providers for comment in the new financial year. (For further information on CPD industry consultation, see page 20.)

REBA News

Four editions of the *REBA News* were produced in 2004-2005. The newsletter is used to provide new and topical information to industry participants. Approximately 13,500 copies of each issue were mailed out to agents and sales representatives. The *REBA News* contains information on industry practice, REBA's policies, outcomes of significant disciplinary proceedings and updates on any amendments to the Act, Code of Conduct or other relevant legislation. The newsletter can also be downloaded from REBA's website (www.reba.wa.gov.au).

Complaint Handling Guidelines

As part of a proactive strategy to improve the awareness of effective complaint handling procedures, REBA produces a publication, in conjunction with the Settlement Agents Supervisory Board, titled *Complaint Handling Guidelines for the Settlement and Real Estate Industries*.

This publication was revised in April 2005 and presents general recommendations that are considered essential for the internal management of complaints. The publication provides guidance to agencies developing or reviewing their internal complaint handling procedures. It sets out the steps required to implement a complaint handling procedure to ensure complainants are dealt with in a fair and courteous manner.

Auditing Trust Accounts

REBA's publication titled, *Auditing Real Estate and Business Agent Trust Accounts*, is intended for auditors who audit real estate agents or business agents' trust accounts. This publication is to be used in conjunction with the *Australian Auditing Standards*.

Trust Account Reference Manual

REBA's publication titled, *Real Estate Trust Accounting - A Reference Manual*, is designed to assist agents establish and maintain a trust account recording system that complies with the Act. The manual is not designed to be a comprehensive trust accounting text, however, it is a useful resource well received by agents.

Consumer Publications

REBA produces various fact sheets used to provide information to consumers and industry members on topical issues relevant to real estate transactions.

Some of the fact sheets currently available include:

- Real Estate Auctions
- Sale by Offer and Acceptance
- Buying Vacant Land
- Fidelity Guarantee Fund
- Real Estate Fees - Negotiating with an Agent
- Licensing of Real Estate and Business Agents
- Buying a Home Through an Agent
- Obligations of Property Developers
- You and Your Property Manager
- Home Buyers Assistance Fund
- Timber Pest Inspections and Reports

Website

REBA's website at www.reba.wa.gov.au is a significant resource, assisting it to carry out its statutory functions. The website contains a range of information for consumers and industry participants, with new material being added on a regular basis. It provides downloadable copies of all REBA publications, copies of decisions arising out of previously held disciplinary inquiries, information on services available through REBA, and access to electronic copies of real estate legislation.

REBA will be engaging a consultant in the next financial year to review the website with the aim of improving its information content, speed and ease of use. New online features being considered include: lodgment of complaints, a listing of all licensed agents, and allowing agents to view their licensing details.

Output 4 Fidelity Guarantee Fund

Strategic Objectives

The Fidelity Guarantee Fund (“Fidelity Fund”) provides reimbursement for people who have suffered financial loss, or loss of property, through the criminal or fraudulent actions of licensed real estate agents and business agents, or their employees, in the course of a real estate transaction.

Performance

A total of 66 claims against the Fidelity Fund were lodged with REBA during 2004-2005. A total of 105 claims were pending at the end of 2004-2005.

Overview

The Fidelity Fund is administered by REBA. The money in the Fidelity Fund is comprised of interest earned on agents’ trust accounts, and money from a once-only payment made by agents and sales representatives at the time they are first licensed or registered. The Fidelity Fund is kept at Treasury, forming part of the Trust Fund constituted under section 9 of the *Financial and Administration Audit Act 1985*. Money standing to the credit of the Fidelity Fund is invested with Treasury, and income derived from this is credited to the Fidelity Fund.

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 or business broking transaction.

Of the 105 claims pending at the end of the reporting period, one matter (DRE Property Management) accounted for 74 claims. A consultant was appointed in 2004-2005 to reconcile the agency’s trust accounts. This process identified a further 58 claims from the previous reporting period. (For further details on this matter, see page 18.)

A new form and information bulletin has been introduced by the Board to assist potential claimants complete and lodge a claim against the Fidelity Fund. The form is designed to expedite the processing of claims due to the increased information now required by the Board from potential claimants. The information bulletin explains briefly what must be done when making a claim for reimbursement.

Output 5 Home Buyers Assistance Fund

Strategic Objectives

The Home Buyers Assistance Fund (“HBAF”) was established to assist first home buyers financially, towards meeting the incidental expenses incurred when purchasing an established or partially built home through a licensed real estate agent.

In 2004-2005, REBA endeavoured to meet the following objectives effectively and consistently by:

- ensuring first home buyers are made aware of the HBAF; and
- providing eligible first home buyers with financial assistance of up to \$2,000 to cover expenses such as such as settlement fees and establishment fees.

Performance

In 2004-2005 REBA was able to achieve the following outcomes:

- \$1,346,500 paid out of the fund;
- 699 HBAF applications received;
- 721 HBAF grants approved³; and
- 100% of cheques issued within eight days of approval.

Overview

The HBAF is an initiative of the Western Australian Government with grant money coming from the interest paid on trust accounts of real estate agents.

Grants will only be given if:

- the applicant is buying their 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 does not own, or has not previously owned, any property in Western Australia;
- the applicant lives in the home for the first 12 months;
- the applicant purchases the home through a licensed real estate agent;
- the application is 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 is financed through an authorised lending institution (such as bank, building society or credit union); and
- the purchase price of the property is within the prescribed eligibility price thresholds according to the following areas:

Metropolitan and Country areas:	\$125,000;
Remote areas	\$170,000; or
North West and Kimberley	\$190,000.

³ 22 applications received in 2003-2004 were approved in 2004-2005, therefore, the number of HBAF grants approved exceed the number of HBAF applications received in this reporting period.

Number of Applications and Grants

The table below provides a comparison of the number of HBAF applications and approvals processed by REBA between the current and previous financial years.

	2001-2002	2002-2003	2003-2004	2004-2005
No of Applications	1,427	1,194	856	699
No of Approvals	1,329	1,193	772	721
Total Amount Paid	\$2,403,206	\$2,148,147	\$1,410,636	\$1,346,500

Home Buyers Assistance Advisory Committee

Section 131H of the Act establishes the Home Buyers Assistance Advisory Committee (“the Committee”). The functions of the Committee are 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
- make recommendations to REBA on the formulation of criteria under which REBA approves grants to applicants.

In the 2004-2005 reporting period, the Committee convened to consider the effect of the new eligibility price thresholds approved in March 2004, and whether the thresholds should be increased again. The previous changes to the thresholds were granted by the Minister subject to continual monitoring of the effect of the new eligibility price thresholds both on the fund and the number of home buyers able to access the fund.

REBA has since provided the Minister with a preliminary report of the Committee’s findings that resulted from continual monitoring of the fund. Despite the new eligibility price thresholds introduced, there was no marked increase in HBAF applications. In the metropolitan and country areas, average property price far exceeded the eligibility price threshold.

The Committee will reconvene in July 2005 and make a recommendation to increase to the eligibility price thresholds. Subject to the Minister’s approval, any increases to the eligibility price thresholds should take effect in the next financial year.

SECTION THREE

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 30 JUNE 2005

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 30 June 2005.

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.

D D R PEARSON
AUDITOR GENERAL
31 August 2005

Certification of Performance Indicators

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 financial year ended 30 June 2005.



Mark Cuomo
Chair



Ken Bradley
Member

Dated: 26 August 2005

Performance Indicators 2004/05

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 of the Board is to regulate the conduct of agents and sales representatives in the way they carry out real estate and business transactions.

OUTCOME

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

The people of Western Australia have confidence in the real estate and business broking industry.

EFFECTIVENESS INDICATOR

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

The Board aims to positively influence the behaviour of industry participants through effective compliance activities. The extent to which the people of Western Australia can be confident that the real estate and business broking industry operates in accordance with regulatory requirements is assessed by the level of compliance relating to the management of trust accounts.

The Board's experience is that the extent of compliance in respect to trust accounts is the best single test providing a reliable indication of the extent to which agents are generally complying with the requirements of the *Real Estate and Business Agents Act 1978*. Breaches in relation to the management of trust accounts usually indicate other problems or breaches that may be occurring within an agency.

An independent auditor, who has conducted an examination of an agents trust account management, provides an audit opinion. An unqualified opinion is issued when the auditor feels the agent's trust accounts are, and have been during the period of the audit, kept in order. One aim of independent scrutiny is to provide a level of confidence regarding the management of the trust accounts. Therefore, the extent to which real estate and business agents submit unqualified audit opinions is an indication of the degree of confidence that can be held in the industry.

Measure

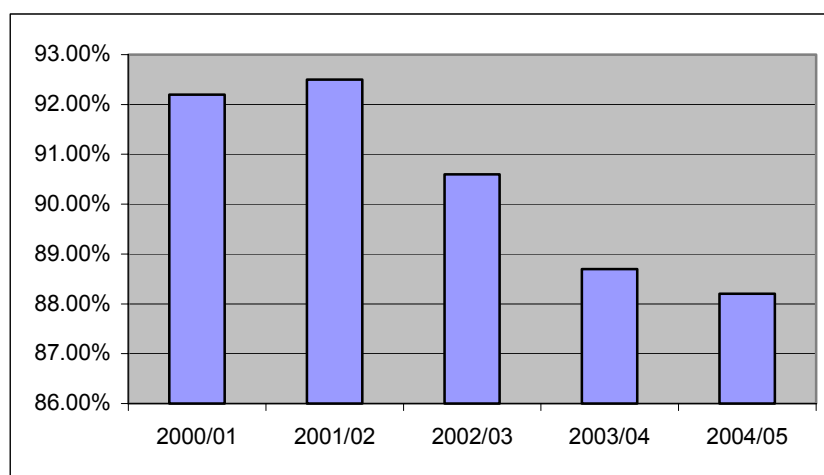
The proportion of real estate and business agents that submit an unqualified audit report or a statutory declaration.

No. of agents submitting an unqualified audit report + No. of agents submitting a statutory declaration
Total No. of agents

Data

	2000/01	2001/02	2002/03	2003/04	2004/05
Unqualified Audit Reports	864	876	897	829	832
Qualified Audit Reports	154	140	175	228	239
Statutory Declarations	987	980	935	996	983
No Audit report	3	10	15	5	4
Total agents	2008	2006	2022	2058	2058
% of agents submitting an unqualified audit or statutory declaration	92.2%	92.5%	90.6%	88.7%	88.2%
Note: Trust accounts must be audited annually for the year ending 31 December. Consequently this indicator is reporting on agents performance for the last six months of the 2003-04 financial year, and the first six months of the 2004-05 financial year.					

% of agents submitting an unqualified audit or statutory declaration



Notes to the indicator

Agents are required by the Act to conduct financial transactions on behalf of their principals (clients) through a trust account. If a licensed agent (individual) conducts no transactions then the agent must submit a statutory declaration confirming this. A licensed agent (individual) may work for a company and it is then the company's trust accounts that are audited.

The Board places significant reliance on audit reports to ensure that agents maintain their trust accounts in accordance with the statutory requirements. Since 2001/02 the Board has maintained a 'no tolerance' policy towards agents who fail to comply with the trust account auditing provisions of the Act. Where appropriate, the Board will commence proceedings before the State Administrative Tribunal alleging that there is proper cause for disciplinary action regarding an agent's conduct. Where it is found that there is proper cause for disciplinary action against the agent then sanctions may be imposed, which include a reprimand, a fine, suspension or cancellation of the agent's licence.

This year the number of active agents remains the same as last year. There are three more unqualified audits, and an increase of 11 qualified audits. The proportion of real estate agents submitting unqualified audits or statutory declarations has decreased marginally again this year from 88.7% to 88.2%. This year the percentage of unqualified audits and statutory declarations has decreased by 0.5%.

Although the Board is concerned about the number of audits which are qualified, more audits are being qualified for minor matters. The Board believes that to some extent this is a continuing effect of auditors becoming increasingly aware of the expectations of the Board

regarding auditing agents trust accounts. This increased awareness can be attributed to the education program and industry seminars run by the Board, its independence of auditor policy, and the publication of the Trust Account Manual for Auditors.

The independence of an auditor affects the credibility of the audit report. 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 to the agent. 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 loss of objectivity. Therefore a policy to disqualify an auditor who has non-audit business dealings or a close relationship with the agent from auditing an agents trust account was introduced and has been in force since.

The policy on auditor independence requires some agents to change their nominated auditor. It was anticipated that a consequence of the policy would be an increase in qualified audits for the 2002/03 financial year. This occurred and was again the case in 2003/04, and also this year. As a positive consequence, the Board expects that the policy will continue to increase the actual and perceived independence of a statutory audit.

The Board is pleased to note that only 4 agents failed to submit an audit report or statutory declaration. This shows a continuing downward trend - in 2003/04 (5), 2002/03 (15), 2001/02 (11), 1999/00 (20) and in 1998/99 (66).

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.

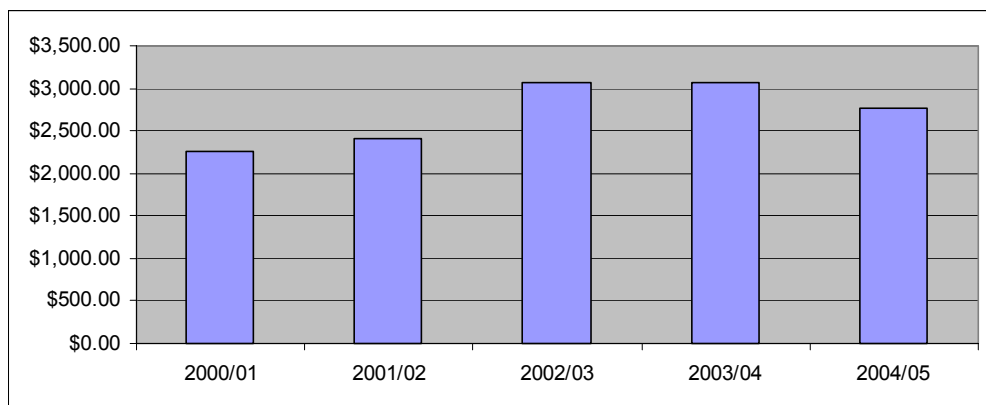
Measure

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

Data

	2000/01	2001/02	2002/03	2003/04	2004/05
Annual Cost*	\$4 550 212	\$4 844 535	\$6 189 136	\$6 325 716	\$5 692 093
Active Licensed Agents	2008	2006	2022	2058	2058
	\$2266.04	\$2415.02	\$3060.89	\$3073.72	\$2765.84

**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 for each active licensed real estate agent. In the 2004/05 financial year a total of \$5 692 093 was expended on regulating an industry with 2058 active licensed agents.

After steady rises to meet the increasing demands for the Board's services this year the average cost for each licensed agent of regulating the real estate and business broking industry has decreased. This financial year has seen a marginal decrease, which can be attributed to the considerable reduction in legal fees, and to a lesser degree the service delivery agreement costs. 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 FOUR

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 30 JUNE 2005**

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 30 June 2005 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
31 August 2005

Certification of Financial Statements

The accompanying financial statements of the Real Estate and Business Agents Supervisory Board have been prepared in accordance with the provisions of the *Financial Administration and Audit Act 1985* from proper accounts and records and to present fairly the financial transactions for the year ending 30 June 2005 and the financial position as at 30 June 2005.

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



Mark Cuomo
Chair



Ken Bradley
Member



Carolyn Allanson
Principal Accounting Officer

Dated: 26 August 2005

Financial Statements

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD Statement of Financial Performance for the year ended 30 June 2005

REVENUE	Note	2004/05 \$	2003/04 \$
Revenue from Ordinary Activities			
<i>Revenue from operating activities</i>			
Agents trust account interest income		9,474,148	8,136,568
Licence income	3	862,961	823,672
Contributions to the Fidelity Guarantee Fund		116,466	116,413
Fines and costs		70,734	59,564
Other revenues	4	100,200	177,718
<i>Revenue from non operating activities</i>			
Proceeds on disposal of non current assets	9	172	300
Bank and investment interest	2	2,656,222	2,295,517
Other revenues from ordinary activities	4	5,562	9,337
Total Revenues From Ordinary Activities		<u>13,286,465</u>	<u>11,619,089</u>
EXPENSES			
Expenses from Ordinary Activities			
Employee expenses	5	558,259	557,039
Communications costs		4,485	6,971
Legal fees		380,079	751,199
Board fees and expenses		161,476	164,211
Services and contracts	6	4,379,499	4,583,299
Consumables and maintenance	7	18,312	28,006
Depreciation	8	91,852	119,257
Carrying amount of non current assets disposed of	9	4,342	62
Expenses from Ordinary Activities Before Grants and Payments		<u>5,598,304</u>	<u>6,210,044</u>
Grants and payments			
Educational grants	10	93,789	115,672
First home buyers grants	11	1,346,500	1,408,718
Fidelity Guarantee Payments	12	30,305	766,833
Total Grants		1,470,594	2,291,223
Total Expenses from Ordinary Activities		<u>7,068,898</u>	<u>8,501,267</u>
NET PROFIT		<u>6,217,567</u>	<u>3,117,822</u>

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

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Statement of Financial Position as at 30 June 2005

Current Assets	Note	2004/05	2003/04
		\$	\$
Cash assets	14	13,393,823	12,713,078
Restricted cash assets	14	39,253,781	34,546,617
Accrued agents trust account interest income		896,368	776,263
Accrued investment interest		226,963	205,015
Receivables	15	54,065	30,975
Total Current Assets		53,825,000	48,271,948
Non-Current Assets			
Computers	19	9,686	15,509
REMIS Software	19	57,544	124,432
Office Equipment	19	19,076	35,641
Furniture and Fittings	19	2,043	2,526
Total Non-Current Assets		88,349	178,108
Total Assets		53,913,349	48,450,056
Current Liabilities			
Payables	16	88,785	693,260
Provisions	20	69,815	83,578
Revenue received in advance	3	691,913	736,704
Unclaimed money		2,588	8,940
Total Current Liabilities		853,101	1,522,482
Non Current Liabilities			
Revenue received in advance	3	488,629	570,765
Provisions	20	69,727	72,484
Total Non Current Liabilities		558,356	643,249
Total Liabilities		1,411,457	2,165,731
NET ASSETS		52,501,892	46,284,325
Equity			
Retained profits	24	52,501,892	46,284,325
TOTAL EQUITY		52,501,892	46,284,325

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

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Statement of Cash Flows for the year ended 30 June 2005

CASH FLOWS FROM OPERATING ACTIVITIES	Note	2004/05	2003/04
		\$	\$
Receipts			
Agents trust account interest received		9,354,043	8,058,888
Bank and investment interest received		2,634,274	2,264,203
Receipt from clients		829,612	987,325
Contributions paid into the Fidelity Guarantee Fund		116,466	116,413
GST receipts on sales		0	31
GST receipts from ATO		53,476	185,022
Payments			
Payments to suppliers of goods and services		(6,073,028)	(6,069,839)
GST payments on purchases		(50,077)	(122,688)
Grants			
For education programs		(93,789)	(115,672)
For First Home Buyers		(1,346,500)	(1,408,718)
From Fidelity Guarantee Fund		(30,305)	(766,833)
Net Cash Provided by/(used in) Operating Activities	17	5,394,172	3,128,132
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of non current assets		172	238
Payment for non current assets		(6,435)	(5,425)
Net Cash Provided by/(used in) Investing Activities		(6,263)	(5,187)
Net Increase (Decrease) in Cash Held		5,387,909	3,122,945
Cash assets at the beginning of the financial year		47,259,695	44,136,750
Cash assets at the end of the financial year	14	52,647,604	47,259,695

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 2005

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.

Assets costing less than \$1,000 are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

(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 2005

(e) Cash

For the purpose of the Statement of Cash Flows, cash includes 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) Computer 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

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provisions for employee benefits, and is measured at the nominal amounts expected to be paid when the liability is settled.

The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provisions for employee benefits and is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

Consideration is given, when assessing expected future payments, to expected future wage and salary levels including relevant on costs, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Leave benefits for staff services procured from the Dept of Consumer & Employment Protection by the Board under a service delivery agreement are recognised in the Department's financial statements.

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

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2005

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. The Board contributes to this accumulation fund in compliance 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.

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 16). 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 revenue. The remainder of the proceeds is recognised as Revenue received in advance.

Proceeds from other sources are recognised as revenue when received.

Bank and investment 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.

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2005

(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.

(n) Rounding of amounts

Unless otherwise shown amounts in the financial statements have been rounded to the nearest dollar.

2. Bank and investment income

The interest income of the Board is comprised of:

	2004/05	2003/04
	\$	\$
Interest from Treasury	2,564,929	2,235,997
Interest on call account	91,293	59,520
	<u>2,656,222</u>	<u>2,295,517</u>

3. Licence income

Proceeds from triennial licensing fees are allocated over 36 months from the month of receipt.

Fees relating to the current financial year are recognised as revenue. The balance of the fees are credited into the Revenue received in advance accounts.

Analysis of the fees is as follows:

	2004/05	2003/04
	\$	\$
Revenue received in advance opening balance (current)	736,704	668,443
Revenue received in advance opening balance (non current)	570,765	622,822
Cash received during the year	736,034	839,876
Total receipts received	2,043,503	2,131,141

Revenue recognised during the year	862,961	823,672
Revenue received in advance	1,180,542	1,307,469

Held in

Revenue received in advance account (current)	691,913	736,704
Revenue received in advance account (non current)	488,629	570,765
Total	1,180,542	1,307,469

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2005

4. Other revenues

Other revenues consists of:

	2004/05	2003/04
	\$	\$
Advertisement fees	10,890	12,562
Recovery of funds	75,432	152,555
Late Fees	13,878	12,601
Miscellaneous Income	5,562	9,337
Total	105,762	187,055

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.

	2004/05	2003/04
	\$	\$
Salary	437,678	394,291
Change in annual leave	3,737	5,664
Change in long service leave	(20,257)	8,499
Superannuation	59,238	51,602
Total staff salary costs	480,396	460,056
Staff related expenses	77,863	96,983
Total Staff costs	558,259	557,039

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

6. Services and contracts

Services contracts consists of:

	2004/05	2003/04
	\$	\$
Audit fees	18,000	17,000
Bank charges	3,495	3,205
Consultants and contractors fees	189	1,055
Hire charges	8,113	11,637
Insurance	14,856	13,500
Professional services	105,985	119,914
Advertising	6,487	9,425
Printing	34,636	17,025
Miscellaneous	986	2,498
Website subscription	368	677
Service Delivery Agreement	4,186,384	4,387,363
Total	4,379,499	4,583,299

The Service delivery agreement costs cover the procurement of services from the Department of Consumer & Employment Protection. The current agreement is for a fixed fee which is reviewed annually.

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2005

7. Consumables and maintenance

	2004/05	2003/04
	\$	\$
Library acquisition	0	140
Stationery	3,301	3,310
Consumables	11,091	18,837
Sundry assets costing under \$1000	1,940	4,510
Repair and maintenance	1,980	1,209
Total	18,312	28,006

8. Depreciation

Depreciation charges for the year consist of:

	2004/05	2003/04
	\$	\$
Computers	12,257	38,850
REMIS Software	66,890	67,073
Office Equipment	12,221	12,853
Furniture and Fittings	484	481
Depreciation Total	91,852	119,257

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

	2004/05	2003/04
	\$	\$
Profit/(loss) on Disposal of Non Current Assets		
Computers	0	238
Office equipment	(4,170)	0

10. Educational Grants

	2004/05	2003/04
	\$	\$
Payments charged to the Statement of Financial Performance to:		
REIWA	90,236	101,797
WA Business Brokers Assn	3,553	2,511
Curtin Consultancy Services	0	11,364
Total charged to the Statement of Financial Performance	93,789	115,672

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2005

11. First Home Buyers Grants

A total of 721 grants totalling \$1,346,500 at an average of \$1,868 were made during the year. In 2003/04 771 grants totalling \$1,408,718 at an average of \$1,827 were made.

12. Fidelity guarantee payments.

A total of **\$30,305** was approved by the Board to be paid out from the fidelity guarantee payments during the year (\$766,833 in 2003/2004).

Outstanding claims against the fidelity guarantee fund are disclosed as contingent liabilities. (See note 13)

13. Contingent liabilities - Fidelity Guarantee Fund

In addition to the liabilities incorporated in the financial statements the Board is aware of 107 claims (42 as at 30/6/2004) against the Fidelity Guarantee Fund totalling \$5.1m (\$5.4m as at 30/6/2004) for which no liability has been admitted by the Board.

14. Cash

Cash resources are held exclusively for use by the Real Estate and Business Agents Supervisory 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:

	2004/05	2003/04
	\$	\$
Education and General Purpose Fund	238,041	457,270
Fidelity Guarantee Fund (Restricted cash)	337,029	416,919
Home Buyers Assistance Fund (Restricted cash)	76,177	189,123
Board Interest Account	474	500
Petty Cash	300	300
Total cash at bank and on hand	652,021	1,064,112
Cash held with Treasury		
Education and General Purpose Fund	13,155,008	12,255,008
Fidelity Guarantee Fund (Restricted cash)	27,255,575	25,255,575
Home Buyers Assistance Fund (Restricted cash)	11,585,000	8,685,000
Total cash held in deposit	51,995,583	46,195,583
Total Cash	52,647,604	47,259,695

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2005

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:

	2004/05	2003/04
	\$	\$
Cash assets	13,393,823	12,713,078
Restricted cash assets	39,253,781	34,546,617
Total Cash	52,647,604	47,259,695

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.

15. Receivables

	2004/05	2003/04
	\$	\$
Fines and Hearing Costs	45,640	21,548
Other	0	2,000
GST Recoverable	8,425	7,427
Total	54,065	30,975

16. Payables

	2004/05	2003/04
	\$	\$
Service delivery agreement with the Dept of Consumer & Employment Protection	0	523,639
Audit fees	18,000	17,000
Board fees	0	17,349
Legal fees	1,503	17,781
Reimbursement to Dept of Consumer & Employment Protection	69,282	66,259
Salaries	0	45,399
Professional services	0	647
Other goods and services	0	5,186
Total	88,785	693,260

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2005

17. Reconciliation of net profit to net cash flows provided/(used in) operating activities

	2004/05	2003/04
	\$	\$
Net Profit as per Statement of Financial Performance	6,217,567	3,117,822
Non-cash items		
Depreciation	91,852	119,257
(Profit)/Loss on sale of assets	4,170	(238)
(Increase)/decrease in assets		
Receivables	(23,090)	84,810
Accrued interest/income	(142,053)	(108,994)
Increase/(decrease) in liabilities		
Current Payables	(604,475)	(115,965)
Current Provisions		
Revenue received in advance, current liabilities	(44,791)	68,261
Non current provisions		
Revenue received in advance, non current liabilities	(82,136)	(52,057)
Employee benefits	(16,520)	14,163
Unclaimed monies	(6,352)	1,073
Net cash provided by/(used in) operating activities	5,394,172	3,128,132

18. Remuneration of Members of the Accountable Authority and Senior Officers

Remuneration of Members of the Accountable Authority

The number of members of the Accountable Authority whose total of fees, salaries, superannuation and other benefits for the financial year, fall within the following bands are:

	2004/05	2003/04
\$0 - \$10,000	5	4
\$10,001 - \$20,000	2	4
\$20,001 - \$30,000	3	2
\$30,001 - \$40,001	1	0
\$60,001 - \$70,000	0	1
Total remuneration of members of the accountable authority is:	169,927	169,148

Remuneration of Senior Officers

The number of senior officers other than senior officers reported as members of the Accountable Authority whose total of fees, salaries, superannuation and other benefits for the financial year, falls within the following bands are:

	2004/05	2003/04
\$60,001 - \$70,000	1	1
Total remuneration of senior officers is:	69,797	62,282

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 2005

19. Property Plant & Equipment

	2004/05	2003/04
	\$	\$
Computers at cost	197,203	190,769
Accumulated Depreciation	<u>(187,517)</u>	<u>(175,259)</u>
	9,686	15,509
REMIS Software at cost	334,448	334,448
Accumulated Depreciation	<u>(276,904)</u>	<u>(210,015)</u>
	57,544	124,432
Office Equipment at cost	47,080	75,242
Accumulated Depreciation	<u>(28,004)</u>	<u>(39,601)</u>
	19,076	35,641
Furniture and Fittings at cost	4,848	4,847
Accumulated Depreciation	<u>(2,805)</u>	<u>(2,321)</u>
	2,043	2,526
Total Property Plant & Equipment	<u>88,349</u>	<u>178,108</u>

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.

	2004/05
	\$
Computers	
Carrying amount at start of year	15,509
Additions	6,435
Disposals	0
Accumulated depreciation on disposals	0
Depreciation expense	<u>(12,258)</u>
Carrying amount at end of year	9,686
REMIS Software	
Carrying amount at start of year	124,432
Additions	0
Disposals	0
Accumulated depreciation on disposals	0
Depreciation expense	<u>(66,888)</u>
Carrying amount at end of year	57,544
Office Equipment	
Carrying amount at start of year	35,641
Additions	0
Disposals	(28,162)
Accumulated depreciation on disposals	23,820
Depreciation expense	<u>(12,223)</u>
Carrying amount at end of year	19,076

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2005

Furniture and Fittings

Carrying amount at start of year	2,526
Additions	0
Disposals	0
Accumulated depreciation on disposals	0
Depreciation expense	(483)
Carrying amount at end of year	<u>2,043</u>

Total Property Plant & Equipment

88,349

20. Provisions

Employee Benefits	2004/05	2003/04
	\$	\$
Current		
Annual Leave	48,247	35,801
Long Service Leave	7,189	35,204
Other employee benefits	14,379	12,573
	<u>69,815</u>	<u>83,578</u>
Non Current		
Annual Leave	0	10,020
Long Service Leave	65,159	55,381
Other employee benefits	4,568	7,083
	<u>69,727</u>	<u>72,484</u>
Total	<u>139,542</u>	<u>156,062</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 5.

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

21. 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:

	2004/05	2003/04
	\$	\$
Fees to the Auditor General:		
-for external audit	18,000	17,000

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

22. Write - Offs

An overpayment of \$300 made as part of a Home Buyers Assistance Fund grant was written off by the Board during the year.

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2005

23. Segment (Services) Information

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

As there is only one service for the Board there is no separate reporting under services as required by Treasurers Instruction 1101.

24. Retained Profits

	2004/05	2003/04
	\$	\$
Opening balance	46,284,325	43,166,503
Net Profit	6,217,567	3,117,822
Total Equity	<u>52,501,892</u>	<u>46,284,325</u>

25. Trust Accounts

The Real Estate and Business Agents Supervisory Board Treasury Trust Account

The purpose of the trust account is to hold moneys:

- 1) from Real Estate Agencies, Real Estate Agents, Business Agencies and Business Agents;
- 2) as a result of legal proceedings;
- 3) from a liquidator appointed to an agency
- 4) from a supervisory appointed to an agency following the end of that appointment; or
- 5) otherwise pending a direction from the Real Estate and Business Agents Supervisory Board.

The monies detailed below are not included in the Boards financial statements as they are being held in trust pending distribution and form no part of the financial operations of the Board.

	2004/05	2003/04
	\$	\$
Opening balance	0	0
Receipts	23,455	0
Payments	<u>(1)</u>	<u>0</u>
Closing Balance	23,454	0

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2005

26. The Impact of Adopting International Accounting Standards

Australia is adopting Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods beginning on or after 1 January 2005. The Board will adopt these standards for the first time for the year ending 30 June 2006.

AASB 1047 '*Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards*' requires disclosure of any known or reliable estimable information about the impacts on the financial statements had they been prepared using AIFRSs.

The information provided below discloses the main areas impacted due to the effects of adopting AIFRS. The Board has determined the quantitative impacts using the best estimates available at the time of preparing the 30 June 2005 financial statements.

These amounts may change in circumstances where the accounting standards and/or interpretations applicable to the first AIFRS financial statements are amended or revised.

(a) Reconciliation of total equity as presented under previous AGAAP to that under AIFRS.

	<u>30-Jun-2005</u>	<u>30-Jun-2004</u>
Total equity under previous AGAAP	52,501,892	46,284,325
Adjustments to retained profits		
Increase in provisions (1)	(3,554)	661
Total equity under AIFRS	<u>52,498,338</u>	<u>46,284,986</u>

Other Impacts

AASB 138 *Intangible Assets*. This standard requires computer software not integral to the operation of hardware be classified as intangible assets.

In this respect the carrying amount of the REMIS system which is currently held under property, plant and equipment (\$57,543) will be required to be reclassified as an intangible asset.

This is only a re-classification of an asset and has no impact of the financial position of the Board.

(b) Reconciliation of surplus for the period as presented under previous AGAAP to that under AIFRS.

	<u>30-Jun-2005</u>
Net profit for the period under previous AGAAP	6,217,567
Increase salary due to increase in provisions (1)	(3,554)
Net profit for the period under AIFRS	<u>6,214,013</u>

(1) AASB1028 *Employee Benefits*. This standard will be replaced by AAS119 *Employee Benefits* under the new standards.

Due to a slight change in methodology of calculating employee benefits under AASB119 the annual leave liability will increase by \$3,554.

This increase in liabilities will result in a corresponding increase in expenses for the period.

(c) Statement of Cash Flows

No material impacts are expected from adopting AIFRS with respect to the Statement of Cash Flows.

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2005

27. Financial Instruments

(a) Interest Rate Risk Exposure

The following table details the Boards exposure to interest rate risk as at the reporting date:

	Weighted average effective rate		Floating interest		Fixed interest 1 year or less		Non interest bearing		Total as per the Statement of Financial Position	
	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets										
Cash assets	5.48%	5.17%	13,394	12,713					13,394	12,713
Restricted cash assets	5.48%	5.17%	39,254	34,547					39,254	34,547
Accrued income							896	776	896	776
Accrued interest							227	205	227	205
Receivables							46	24	46	24
GST Recoverable							8	7	8	7
Total financial assets			52,648	47,260	0	0	1,177	1,012	53,825	48,272
Financial Liabilities										
Payables							89	693	89	693
Provisions							140	156	140	156
Revenue received in advance							1,180	1,308	1,180	1,308
Total financial liabilities							1,409	2,157	1,409	2,157
Net financial assets			52,648	47,260	0	0	(232)	(1,145)	52,416	46,115

(b) Credit Risk Exposure

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Authority's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

(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.

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2005

28. 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.

	2004/2005	2003/2004	Variation
	Actual	Actual	04/05 to 03/04
	\$	\$	\$
REVENUE			
Agents trust account interest income	9,474,148	8,136,568	1,337,580
Other revenues	100,200	177,718	(77,518)
Bank and investment interest	2,656,222	2,295,517	360,705
EXPENSES			
Legal fees	380,079	751,199	(371,120)
Fidelity guarantee payments	30,305	766,833	(736,528)

Agents trust account interest income

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

Other revenues

Other revenue is lower than the previous financial which was high due to the recovery of monies from agents which had previously been paid by the Board from the Fidelity Guarantee Fund. These recoveries cannot be predicted and can vary considerably from one year to the next.

Bank and investment interest

As a result of higher income and lower expenses the cash assets of the Board increased significantly during 2004/05. This, combined with higher interest rates, led to a significant increase in bank and investment income.

Legal fees

Legal costs were lower than 2003/04 which were high as a consequence of an increased effort in that year to reduce a back log of hearings.

Fidelity Guarantee Payments

It is difficult to predict the quantum and the process time of fidelity claims. Delays in a number of cases due to legal matters resulted in few claims been processed during 2004/05.

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2005

Note 28 continued

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.

	2004/2005 Actual \$	2004/2005 Budget \$	Variation 04/05 to budget \$
REVENUE			
Other revenues	100,200	24,000	76,200
EXPENSES			
Employee expenses	558,259	704,395	-146,136
Educational grants	93,789	249,000	-155,211
First home buyers grants	1,346,500	650,000	696,500
Fidelity Guarantee Payments	30,305	5,000,000	-4,969,695

Other revenues

Other revenue was above budget due to the recovery of monies previously paid out from the Fidelity Guarantee Fund. These recoveries cannot be predicted and hence are not allowed for in the budget.

Employee expenses

Employee expenses are below budget as a result of allowance being made in the budget to shift to larger accommodation, which did not occur, and accommodation charges being included in the new service delivery agreement with DOCEP.

Education grants

Difficulties with the tender process being used for the first time with education grants and successful tenderers not claiming to the full extent on the monies granted, resulted in lower than expected number of grants being paid.

First home buyers grants

The budget allowed for a larger decrease in grants, due to changes made by the government on stamp duty, than actual occurred. At the time the budget was prepared the impact was unknown and the result was a lower than anticipated.

Fidelity guarantee payments

It is difficult to predict the quantum and the process time of fidelity claims. Allowance was made in the budget for payment of a number of large claims which did not eventuate. Although an estimate is made and included in the budget, the Board does not admit liability until determinations are finalised.

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2005

29. Statement of Financial Performance for the year ended 30 June 2005 separated under Funds operated by the Board

	Education and General Purpose	Fidelity Guarantee Fund	Home Buyers Assist Fund	Board Interest Account	Total
	\$	\$	\$	\$	\$
REVENUE					
Revenue from Ordinary Activities					
<i>Revenue from operating activities</i>					
Agents trust account interest income	5,421,228	427,991	3,661,709	(36,780)	9,474,148
Licence income	862,961				862,961
Contributions to the Fidelity Guarantee Fund		116,466			116,466
Fines and costs	70,734				70,734
Other revenues	24,768	75,432			100,200
<i>Revenue from non operating activities</i>					
Proceeds on disposal on non current assets	172				172
Bank and investment interest	696,205	1,408,860	537,772	13,385	2,656,222
Other revenues from ordinary activities	5,562				5,562
Total Revenue From Ordinary Activities	7,081,630	2,028,749	4,199,481	(23,395)	13,286,465
EXPENSES					
Expenses from Ordinary Activities					
Employee expenses	558,259				558,259
Communications costs	4,485				4,485
Legal fees	325,083	54,996			380,079
Board fees and expenses	161,300		176		161,476
Services and contracts	4,377,388	1,149	570	392	4,379,499
Consumables and maintenance	18,312				18,312
Depreciation	91,852				91,852
Carrying amount of non current assets disposed of	4,342				4,342
Total Expenses from Ordinary Activities Before Grants	5,541,021	56,145	746	392	5,598,304
Grants					
Educational grants	93,789				93,789
First home buyers grants			1,346,500		1,346,500
Fidelity guarantee payments		30,305			30,305
Total Expenses from Ordinary Activities	5,634,810	86,450	1,347,246	392	7,068,898
NET PROFIT	1,446,820	1,942,299	2,852,235	(23,787)	6,217,567

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2005

29. Statement of Financial Position as at 30 June 2005 separated under the Funds operated by the Board

	Education and General Purpose	Fidelity Guarantee Fund	Home Buyers Assist Fund	Board Interest Account	Total
	\$	\$	\$	\$	\$
Current Assets					
Cash assets	13,393,349			474	13,393,823
Restricted cash assets		27,592,604	11,661,177		39,253,781
Accrued agents trust account interest income	510,929	40,337	345,102		896,368
Accrued investment interest	56,656	120,680	49,627		226,963
Receivables	53,691	374			54,065
Total Current Assets	14,014,625	27,753,995	12,055,906	474	53,825,000
Non-Current Assets					
Computers	9,686				9,686
REMIS Software	57,544				57,544
Office Equipment	19,076				19,076
Furniture and Fittings	2,043				2,043
Total Non-Current Assets	88,349	0	0	0	88,349
Total Assets	14,102,974	27,753,995	12,055,906	474	53,913,349
Current Liabilities					
Payables	88,785				88,785
Provisions	69,815				69,815
Revenue received in advance	691,913				691,913
Unclaimed money	1,444	1,144			2,588
Total Current Liabilities	851,957	1,144	0	0	853,101
Non Current Liabilities					
Revenue received in advance	488,629				488,629
Provisions	69,727				69,727
Total Non-Current Liabilities	558,356	0	0	0	558,356
Total Liabilities	1,410,313	1,144	0	0	1,411,457
NET ASSETS	12,692,661	27,752,851	12,055,906	474	52,501,892
Equity					
Opening balance	11,245,841	25,810,552	9,203,671	24,260	46,284,325
Unappropriated surplus	1,446,820	1,942,299	2,852,235	(23,787)	6,217,567
Retained profits	12,692,661	27,752,851	12,055,906	473	52,501,892
TOTAL EQUITY	12,692,661	27,752,851	12,055,906	474	52,501,892

Contact Details

REBA services can be accessed from any DOCEP office located in Perth, Albany, Bunbury, Geraldton, Kalgoorlie or Karratha.

The full contact details for REBA are:

METROPOLITAN OFFICES

Telephone: 1300 30 40 54

Fax: 9282 0850

Office Address: 219 St Georges Tce, PERTH WA 6000

Postal Address: Locked Bag 14, Cloisters Square, PERTH WA 6850

Email: contactus@reba.wa.gov.au

GREAT SOUTHERN REGION - ALBANY

Telephone: 9842 8366

Fax: 9842 8377

Office Address: Unit 2/129 Aberdeen St, ALBANY WA 6330

Postal Address: PO Box 832, ALBANY WA 6330

SOUTH WEST REGION - BUNBURY

Telephone: 9722 2888

Fax: 9791 8047

Office Address: 8th Floor, 61 Victoria St, BUNBURY WA 6230

Postal Address: PO Box 1747, BUNBURY WA 6231

MID WEST REGION - GERALDTON

Telephone: 9964 5644

Fax: 9964 5678

Office Address: Post Office Plaza, 50-52 Durlacher St, GERALDTON WA 6531

Postal Address: PO Box 1447, GERALDTON WA 6531

GOLDFIELDS/ESPERANCE REGION - KALGOORLIE

Telephone: 9021 5966

Fax: 9021 5977

Office Address: Viskovich House, 377 Hannan St, KALGOORLIE WA 6430

Postal Address: PO Box 10154, KALGOORLIE WA 6433

NORTH WEST REGION - KARRATHA

Telephone: 9185 0900

Fax: 9185 1234

Office Address: U/9 Karratha Village Shopping Centre, Sharpe Ave, KARRATHA WA 6714

Postal Address: PO Box 5, KARRATHA WA 6714