



Real Estate and Business Agents Supervisory Board

Annual Report 2003-2004

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Real Estate and Business Agents Supervisory Board

Annual Report 2003-2004

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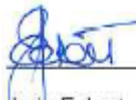
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Statement of Compliance

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 2004.

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



Judy Eckert
Chair

Karen Lang
Member

Dated: 13 August 2004

Report from the Chair

I am pleased to present the Annual Report of the Real Estate and Business Agents Supervisory Board (REBA) for the year ending 30 June 2004.

In 2003-2004 REBA continued to be vigilant in monitoring a number of developing trends in the real estate industry to ensure that appropriate consumer protection safeguards are in place, and that the industry continues to operate effectively within the regulatory umbrella.

An issue of concern for REBA is that some services provided to the public are arguably real estate transactions but are being performed by persons who are not licensed real estate agents or registered sales representatives. These services include strata management and provision of holiday accommodation which may involve large amounts of consumers' money. If there is a loss of funds through fraudulent conduct, the consumer has limited recourse to recoup their money from unlicensed operators. In comparison, consumers who use the services of licensed real estate agents and registered sale representatives may, under certain circumstances, be able to make a claim on the Fidelity Guarantee Fund. REBA is examining these issues to establish the extent of risk posed to consumers by unlicensed persons.

In a similar vein, REBA has grave reservations about the proliferation of unlicensed property investment promoters. Of particular concern are the high fees charged, the quality of the material presented and the potential for conflicts of interest with other parties such as real estate agents and property developers. In comparison, consumers are afforded significant protection if they deal with a property investment promoter who is a licensed real estate agent.

REBA is also concerned about the number of complaints against real estate agents where it is claimed by homebuyers they were not given essential information when purchasing a home. REBA is considering strategies to address this issue.

A future challenge for REBA will be adapting to its role when the proposed State Administrative Tribunal (SAT) is implemented. REBA welcomes SAT, and the changes it will bring, as REBA will no longer have to be the investigator, prosecutor and judge when dealing with complaints. However, continued delays in the implementation of SAT have put REBA in the difficult position of not being able to formulate long term strategic policy. REBA will be able to focus on its roles as administrator of the Fidelity Guarantee Fund, educator and advisor when its disciplinary functions are taken over by SAT.

A key function of REBA is to guide industry by providing education in the form of printed material. During the year REBA has produced a range of new publications and reference manuals to assist industry members. These include a new set of guidelines for auditors and an updated version of the trust account manual for agents, that provides guidance when establishing and maintaining a trust account. Both booklets were sent out to all current agents and auditors of real estate and business agents' trust accounts. Another publication which was distributed to agents is the *Guide to Investigations and Disciplinary Inquiries*. This brochure outlines how REBA's disciplinary process works, and explains how investigations and conciliations are conducted.

To supplement the printed educational material it produced throughout the year, REBA conducted 33 seminars for industry members and three for homebuyers. These seminars were held across the State and were well received. REBA sees these seminars as a useful strategy to increase the level of knowledge in targeted sectors of industry and among consumers seeking to buy a home.

A substantial amount of members' time was spent on REBA's disciplinary functions. Penalties imposed by REBA on respondents arising out of Inquiries, ranged from reprimands and fines, through to disqualification of licences or registration. The majority of complaints investigated by REBA were not deemed sufficiently serious to warrant an Inquiry. During the course of the year 409 complaints were lodged with REBA.

In some cases, REBA was required to act swiftly to safeguard consumer funds by appointing supervisors to agencies whose unsatisfactory business practices came to its notice. Subsequent investigations showed that REBA took the right action in each case limiting potential losses to consumers.

The demands placed on REBA during 2003-2004 were high. They tested the commitment of each REBA member. I acknowledge with gratitude the exceptional effort of all those involved with REBA in meeting the challenge. I would particularly like to thank Mr Gordon Bragg, who retired from his position of Deputy Chair this year. I feel very privileged to have worked closely with Gordon. In addition to his extensive legal experience he had served on REBA for 10 years and was a source of invaluable knowledge. Ms Karen Lang replaced Gordon on REBA and her ongoing support is much appreciated.

Another retiring member of REBA has been Ms Fay Francis. Fay has been a tireless supporter of REBA and I thank her for her contribution over the years. Deputy member Mr Craig James has also left us this year. Craig's assistance with the heavy workload of hearings went well beyond the expected contribution of a deputy member. His efforts are much appreciated.

I wish to thank all of my fellow members of REBA for their hard work and support. I also thank REBA's staff and the staff of the Real Estate Branch of the Department of Consumer and Employment Protection in helping REBA to achieve its goals for 2003-2004.


Judy Eckert
Chair

SECTION 1

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).

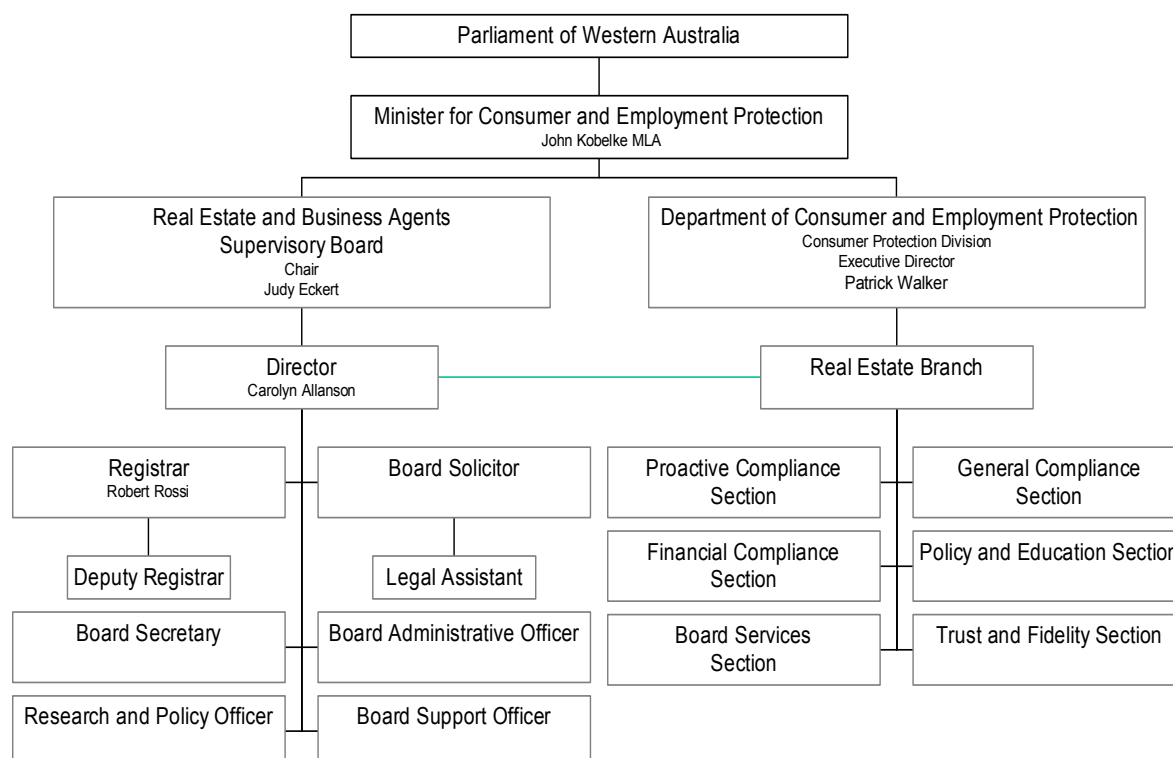
Section 6 of the Act states:

“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.”*

Structure of REBA



Our Goal

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

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

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

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

- 1. Licensing**

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

- 2. Compliance**

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

- 3. Education and Awareness**

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

- 4. Fidelity Guarantee Fund**

Centres on the assessment of compensation claims from consumers who have suffered financial loss when dealing with licensed real estate and business agents or their representatives.¹

- 5. Home Buyers Assistance Fund**

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

For more detail on these outputs, please refer to Section Two of this report. Section Three of the report provides information on the assessment of the outputs through to the performance reporting frameworks 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 persons 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;
- act as a disciplinary tribunal and conduct enquiries into allegations about real estate agents and sales representatives;
- provide conciliation services, through which consumers and agents in dispute can seek the advice of an independent “umpire”;
- administer the Fidelity Guarantee Fund, which can compensate people for financial loss due to the criminal or fraudulent behaviour of an agent or sales representative;
- administer the Home Buyers Assistance Fund, which provides first homebuyers with financial assistance;
- recommend amendments to Regulations and to the Act; and
- advise the Minister for Consumer and Employment Protection on the administration of the Act.

Appointments and Induction

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

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

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

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

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

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

Members may hold office for up to four years and are eligible for re-election (if an elective member) and 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



Ms Judy Eckert (Chairperson)

Ms Eckert is a barrister practising from Francis Burt Chambers. Before this she was a Senior Assistant Crown Solicitor and is a former president of the Law Society of Western Australia. She has previously served as a member of REBA, as well as a member of the Settlement Agents Supervisory Board.



Ms Karen Lang (Legal Practitioner Member)

Karen Lang is a legal practitioner admitted in Western Australia, England and Wales. She is a solicitor with Legal Aid Western Australia and was formerly a senior associate with Dwyer Durack. She has previously served on other Consumer Protection Boards and is currently a member of Perth Zoo Board.

Deputy: Mr Chris Stevenson



Ms Anne Templeman-Jones (Commercial Practice Member)

Ms Anne Templeman-Jones is the State Director of ANZ Private Bank. She is a Chartered Accountant and the immediate past Chief Executive Officer and Managing Director of Cell Aquaculture Ltd. She is an Associate Member of the Australian Institute of Chartered Accountants and a member of the Australian Institute of Company Directors.

Deputy: Mr Ross Ledger



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 and is also a REIWA councillor.

Deputy: Mr Jeremy Hughes (until 27 May 2004)



Mr William Goddard (Elected Member)

Mr Goddard is a licensed real estate agent elected for appointment by licensed agents. He 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 Western Australian Business Brokers Association (WABBA). Mr Goddard was elected President of WABBA in October 2003. In March 2004, the Real Estate Institute of Australia (REIA) awarded Mr Goddard with the Fellow of REIA, in recognition of his service to the industry with distinction, credit, responsibility and competence.

Deputy: Mr Paul Druitt

MEMBERS OF REBA WHO RETIRED IN 2003-2004



Mr Gordon Bragg

Mr Bragg joined REBA in 1993, and served as a member for a period of 10 years. Mr Bragg has extensive experience as a legal practitioner and is a partner in Godfrey Virtue and Co. Barristers and Solicitors.



Ms Fay Francis

Ms Francis was appointed to REBA in 2000 as the member experienced in commercial practice. She served for a period of three years. Ms Francis is a qualified accountant and a Fellow of the CPA Australia. Ms Francis was the principal of the accounting firm F.V. Ireland & Co.



Mr Craig James

Mr James joined REBA as an experienced legal practitioner, and served as a deputy for 10 years. Mr James is a partner in Gibson and Gibson Barristers and Solicitors.

Our People

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

Director

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

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

Board Solicitor

The Board Solicitor provides legal services for REBA and liaises with legal counsel as required.

Registrar

The Registrar undertakes various statutory roles set out in the Act. A primary function of the Registrar is managing the complaints process. This includes issuing directions for the investigation of complaints by REBA investigators and making decisions on outcomes of investigations. The Registrar also co-ordinates education programs and liaises with industry on behalf of REBA. The power to approve applications for sales representatives registrations has been delegated to the Registrar.

Number of Meetings, Inquiries and Hearings

In 2003-2004, REBA held 22 meetings. REBA also convened on 55 separate days, hearing 47 separate matters.

Service Delivery Agreement

REBA contracts DOCEP to provide services under a Service Delivery Agreement (SDA). The SDA enables REBA to carry out its functions in the areas of:

- investigation;
- conciliation;
- licensing;
- policy and education;
- Home Buyers Assistance Fund;
- Fidelity Guarantee Fund; and
- corporate support.

The SDA describes the required services in output terms consistent with standards set by the Department of Treasury and Finance and the Office of the Auditor General. The SDA also defines DOCEP's performance measures in terms of cost, timeliness, quality and quantity.

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; and*
- *Public Interest Disclosure Act 2003.*

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 2003-2004 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 2003-2004, 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 *Corporate Governance Guidelines for Western Australian Public Sector Board Members*. 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 1 of the *Disability Services Act 1993*. During 2003-2004, REBA updated its Disability Services Plan to ensure that people with disabilities, their families and carers can readily access its services. REBA's Disability Services Plan is linked to a strategy to make a positive difference to the lives of people with disabilities, their families and carers.

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 2003-2004, REBA received no requests for information under the freedom of information legislation.

Persons wishing to lodge a Freedom of Information application with REBA are advised to first 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

Strategic Planning Framework - Obligatory Reporting Requirements

The 'Strategic Planning Framework' 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 the Strategic 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 14)
- A trading system that protects consumers and encourages small business growth. (Output 2: Compliance – page 23)
- Fair pricing for regional residents and businesses. (Contact Details – page 64)
- Coordinated, integrated, high quality service delivery to the community. (Performance Indicators – page 36)
- An efficient Government sector that provides value for money service delivery. (Performance Indicators – page 36)
- Reduced 'red tape' and compliance costs. (Performance Indicators – page 36)

REBA is able to carry out its licensing and compliance functions using staff provided by DOCEP under the terms of a Service Delivery Agreement (see page 13). As DOCEP provides REBA with a range of administrative functions, some of which relate to obligatory reporting requirements, please refer to the DOCEP Annual Report 2003-2004 for information on cultural diversity and language services outcomes, youth outcomes, waste paper recycling and energy conservation. REBA's activities in meeting these obligatory reporting requirements are incorporated with those of DOCEP.

Summary of 2003-2004

Achievements

The 2003-2004 year has been one of significant achievements for REBA. In that period:

- 244 new licences were issued;
- 1,150 triennial certificates were renewed;
- 2,816 sales representative registrations were processed;
- 176 conciliations were assessed and acknowledged;
- 409 new investigations were commenced;
- 235 new investigations into qualified audit reports were conducted;
- 141 new trust account investigations were commenced;
- 772 applications for Home Buyer's Assistance Fund grants were approved;
- 261 proactive compliance audits of real estate agencies were conducted;
- 33 education seminars for agents were conducted on various topics covering different requirements of the Act and the Code of Conduct;
- 3 homebuyers seminars for the general public conducted in collaboration with SASB; and
- 130 Fidelity Guarantee Fund claims were finalised from the previous financial year with 95 new claims being lodged in 2003-2004.

Australasian Real Property Regulators

REBA is a participant of the Australasian Real Property Regulators (ARPR) which is a forum where representatives from state and territory real estate regulators meet to discuss issues of mutual interest. Members of ARPR agreed to raise the profile of the body by having its status formalised. REBA volunteered to assist this process by drafting ARPR's Terms of Reference following consultation with its member states and territories.

Industry Seminars

REBA conducted 33 education seminars for real estate agents focusing on legislation and compliance issues. Feedback from these seminars indicated their usefulness to participants. The seminars were conducted across the State in Perth, Albany, Broome, Bunbury, Esperance, Kalgoorlie, Mandurah, Margaret River and Northam. Topics covered by the seminars include:

- real estate contracts;
- valid authority to act;
- risk management;
- developing a compliance system;
- property management;
- trust account reconciliation;
- conjunctional dealings;
- conflicts of interest; and
- obligations under the Code of Conduct .

Significant Compliance Issues

Of the matters investigated by REBA in 2003-2004, five consumed a significant proportion of its resources. Some of these matters have been on-going from previous years and have led to disciplinary action being taken against licensees, claims being made against the Fidelity Guarantee Fund and orders being obtained from the District Court authorising REBA to appoint supervisors. Of particular note are the matters involving with Want and Co, Morton & Wright - Century 21, Glenn Low First National Real Estate and DRE Property Management. The first three matters were from previous years while the latter, is a significant matter arising in 2003-2004. A summary of these matters is given below.

Want and Co

This entity ceased to trade on 19 April 2002. REBA appointed a supervisor to the agency, owing to extensive misappropriation of trust moneys. Following a disciplinary inquiry conducted by REBA, it cancelled the licence of one director and the certificate of registration of another. The matter was also referred to the Western Australian Police Service.

Morton & Wright - Century 21

On 6 March 2003, REBA appointed a supervisor to the agency after it become aware that the agency was insolvent. The agency's director departed Perth for the United Kingdom. The supervisor reported that there was evidence of misappropriation of bond money relating to rental payments owed to property owners. REBA referred the matter to the Western Australian Police Service.

Glenn Low First National Real Estate

In March 2003, REBA received a number of calls from employees of the agency concerned about its solvency. REBA appointed a supervisor to the agency. The licensee agent had previously been investigated for breaches of the Act, in relation to failing to provide the required annual audit.

On 7 August 2003, REBA held a disciplinary Inquiry to determine if the agency had breached the Act in relation to the administration of its trust accounts. REBA found that breaches had occurred and cancelled the agency's licence and triennial certificate. The agency was also fined \$5,000 and ordered to pay costs of \$1,200. An inquiry into the conduct of the agent, Glenn Low, is scheduled for November 2004. It is alleged that money has been misappropriated from the trust accounts of the agency. REBA has engaged a consultant to reconcile the trust accounts of the agency, assist in identifying the potential claimants against the Fidelity Guarantee Fund, and assist in ascertaining the evidence in support of these claims.

DRE Property Management

On 25 March 2004, the licensee of the agency appeared before a REBA disciplinary inquiry to answer questions about allegations of money being illegally drawn from a trust account. The licensee pleaded guilty to being responsible for the missing monies, but wanted time to enter a plea in mitigation. The Board adjourned the case to 7 May 2004, so that the licensee could have time to prepare his plea.

On 26 March 2004, a draft auditors report for the 2003 calendar year was presented to REBA for trust money held by the licensee on behalf of a client. There was evidence of fictitious and altered invoices paid out of the client's trust account. On the same day the licensee went to the Philippines. On 2 April 2004, REBA appointed a supervisor to the agency. The agency was closed on Friday 23 April 2004. On 7 May 2004, at the hearing of the adjourned matter from 25 March 2004, REBA cancelled both the licensee and company's licence and triennial certificate. The licensee was also fined \$5,000.

Homebuyers Seminars

In addition to conducting education seminars for industry in 2003-2004, in conjunction with SASB, REBA also held three seminars for homebuyers. The seminars were well attended by consumers seeking information about purchasing a home. Each seminar provided an overview of the processes of buying real estate property. The topics covered at the seminar include: property valuation, obtaining finance, types of grants available and offer and acceptance contracts.

Trends and issues

REBA has identified the following major trends and issues throughout 2003-2004.

State Administrative Tribunal

Legislative change is being introduced which will enable the creation of the State Administrative Tribunal (SAT). The legislation that will allow for the establishment of SAT is currently before State Parliament. The Legislation Standing Committee of the Legislative Council is examining the legislation. It will report back to the Legislative Council in September 2004.

When implemented, one of the functions of SAT will be to hear disciplinary matters that are currently dealt with by statutory boards. This will mean the disciplinary functions carried out by REBA will be transferred to SAT. REBA will retain the following functions:

- processing licence and registration applications;
- determining qualification requirements for real estate agents and business agents;
- referring disciplinary matters to SAT;
- providing advice to the Government about industry issues, compliance and education policies and programs; and
- making determinations regarding claims against the Fidelity Guarantee Fund.

Holiday Accommodation

Section 26 of the *Real Estate and Business Agents Act 1978* requires that entities who carry on business as a real estate agent must be licensed. The term 'carrying on business' includes the collection of rents, or other payments for the use, or occupation, of property. This definition potentially captures the activities of those who coordinate short stays in holiday houses, such as tourist bureaus, managers of serviced apartments and individuals who act as caretakers of private properties. Functions performed by these entities include collecting money on behalf of the property owner, providing keys to guests, and organising maintenance and repairs on the property. Owner-operators are not required to be licensed.

There is some evidence that the practice of property management in the tourism industry without a licence is widespread. However, in most reported cases, it has not been to the detriment of consumers. REBA sees the need for the industry to operate with a degree of certainty and for this reason it is dealing with the issue on a case-by-case basis.

Stamp Duty

The 2004 State Budget provides for property stamp duty to be cut by 5%. Houses under \$220,000 are exempt from stamp duty for first homebuyers. REBA anticipates that the stamp duty relief for first homebuyers will lead to a review of the criteria for eligibility for grants made under the Home Buyers Assistance Fund.

Range Advertising

REBA is monitoring the practice of real estate agents advertising properties for sale with a price range. Allegations have been made that sometimes agents know that the seller would not accept offers made at the low end of the nominated price range. Consumers have lodged complaints with REBA concerning this practice. Advice suggests that such practices by agents may contravene provisions of the *Fair Trading Act 1987*.

Seller Disclosure

REBA receives many queries and complaints from homebuyers about the lack of information from sellers when purchasing a property. REBA is examining strategies to improve the disclosure of information to buyers. REBA distributed a public discussion paper seeking feedback on the issue and is considering the responses.

Strata Managers

An area of risk to consumers relates to the operations of unlicensed strata managers. These persons provide management services to strata companies. Strata managers are not regulated by REBA unless the strata manager is a licensed real estate agent. Key areas of risk to consumers by strata managers who are not licensed real estate agents are:

- theft or misappropriation of strata company funds;
- conflict of interest regarding investment of reserve funds;
- poor accounting practices; and
- unprofessional conduct of some strata managers (eg. not arranging insurance and repairs, not maintaining appropriate records, and displaying poor customer service).

Professional Indemnity Insurance

There is no legislative requirement for real estate agents or business agents in Western Australia to carry professional indemnity insurance. REBA is examining whether professional indemnity insurance should be a prerequisite for agents before their triennial certificate is granted or renewed.

Buyer Agents/Advocates

Real estate agents have traditionally acted on behalf of the seller of a property. A less frequent arrangement is for a buyer to engage an agent to act on their behalf. There is a growing interest among licensees to become 'buyer agents'. A key function of a 'buyer agent' is to search for suitable properties for their client and negotiate on their behalf. REBA is monitoring the practice of 'buyer agents' with the aim of ensuring the current legislative regime is adequate.

SECTION 2

Report on Outputs

Output 1 Licensing

Strategic Objectives

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

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

Performance

REBA is committed to achieving greater efficiencies with its resources. In 2003-2004:

- 244 new real estate licences were processed;
- 1,150 real estate triennial certificates were renewed;
- 100% of applicants for a real estate agent's licence were advised of the outcome of their application within eight days of REBA's decision;
- 96% of applications for a sales representatives registration were finalised within eight days; and
- 1,638 new sales representatives applications were processed.

Overview

During the 2003-2004 financial year, REBA conducted 72 licence interviews. An objection to the grant or renewal of a licence may be made by any person on the grounds that the applicant does not have the qualifications required. In 2003-2004, REBA held eight formal hearings where an objection was received. This compares to 10 hearings in the previous year.

The number of new real estate licenses has decreased by 4% from the previous financial year. This indicates that a fairly consistent number of agents entering the industry. Similarly, the number of new sales representatives has decreased by a small amount, down 7% from the previous financial year.

Fees – Real Estate and Business Agent

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.

Fees – Sales Representative

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 163 agents had put their licence on hold.

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 2003-2004, 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;
- alleged breaches of the Act and Code of Conduct are promptly investigated and disciplinary inquiries held;
- advice is given to consumers promptly; and
- audit reports are received on time and all qualified reports are investigated.

Performance

The performance of REBA in 2003-2004 resulted in:

- 409 new investigations being initiated;
- 456 investigations being closed;
- 78% of applications being acknowledged within eight days;
- 85% of investigations commencing within 14 days;
- 176 conciliations assessed and acknowledged;
- 78% of conciliations being acknowledged within eight days;
- 93% of conciliations commencing within 14 days;
- 180 conciliations being closed;
- 235 new investigations into qualified audit reports being initiated;
- 99% of investigations into qualified audit reports commencing within 14 days of lodgement;
- 141 new trust account investigations being initiated; and
- 89% of trust account investigations commencing within 14 days.

Overview

REBA inspectors have powers of investigation and Inquiry 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 and where appropriate, makes recommendations as to whether an Inquiry is warranted. REBA may hold an inquiry into the conduct of any agent or sales representative to determine whether there is proper cause for disciplinary action. It may impose penalties on any agent or sales representative who has acted in breach of their licence or registration, the requirements of the Act, or of the Code of Conduct.

The total number of complaints against real estate agents and sales representatives lodged with REBA in 2003-2004 was 409. This is a decrease on the 479 received in the previous year.

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.

During 2003-2004, REBA conducted 235 investigations of qualified audit reports. This represents a 28% increase from the previous financial year. During the year REBA substantially revised the publication *Auditing Real Estate and Business Agent Trust Accounts* and distributed it to all auditors and agents. Feedback received so far indicates that auditors may have used this guide to apply more stringent standards than they have in the past.

In addition to annual checking of qualified audits reports, there are a number of other mechanisms by which REBA may come to investigate the maintenance of trust accounts. Compliance staff may identify trust account problems when conducting general investigations. In addition, staff will investigate complaints into trust account breaches. A further safeguard is that financial institutions are required under the Act to notify REBA when trust accounts become overdrawn. During 2003-2004, more than 70 such notifications were received from financial institutions.

In 2003-2004, REBA completed 149 trust account investigations. This represents a 13% increase on the previous year, and is consistent with an upward trend in the number of completed trust account investigations over several years. This demonstrates REBA's commitment to very high standards of trust account maintenance.

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 2003-2004, REBA finalised 180 complaints using its conciliation service. The effectiveness of REBA's conciliation service is indicated by the 21% increase of cases dealt with by its conciliation officers, compared to the previous financial year.

In the cases conciliated in 2003-2004, 37% resulted in the parties reaching agreement. In 53% 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 7% of cases. The remaining 3% of cases referred to conciliation, were outside of the jurisdiction of REBA and the parties had to seek assistance elsewhere. The average time taken to complete a conciliation case was two months.

Output 3 Education and Awareness

Strategic Objectives

In 2003-2004, 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 homebuyers;
- 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

The performance of REBA in 2003-2004 resulted in:

- completion of 261 proactive compliance visits to agencies, which includes 27 visits to agencies outside of the metropolitan area;
- delivery of 33 training seminars for agents and sales representatives on various topics covering the requirements of the Act and the Code of Conduct; and
- delivery of three seminars for homebuyers in collaboration with SASB.

Overview

Information Services

DOCEP provides REBA with the services of a Call Centre. In 2003-2004, the Call Centre received 16,184 telephone enquiries from the public seeking information on real estate matters. This figure is 1% higher than the number of calls received in 2002-2003.

REBA's counter service in 2003-2004 received 219 enquiries on real estate matters. This figure is 30% fewer than the number of counter enquires received in 2003-2004. Most enquires (80%) were processed within 10 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. In 2003-2004, REBA conducted 261 proactive visits to agencies. Of those visits, 27 were carried out in regional areas.

Where deficiencies are identified, practical advice and guidance is given on how the agency may correct the problem. The aim of this program is to detect and correct problems with agencies before they become serious and result in complaints which require formal investigation.

REBA will be reviewing its Proactive Compliance Program to ensure that it is meeting the educational needs of industry. To date, the majority of feedback obtained from agents who have participated in the program indicates that the Proactive Compliance visits were helpful and informative.

Education funding

REBA helps fund training courses, provided by external training providers, for agents and sales representatives. The training providers must be registered with the Office of the Training Accreditation Council. Past recipients who benefited from REBA's educational funding include: TAFE WA, Curtin University, REIWA and the Western Australian Business Brokers' Association. The funding is a prescribed portion of the interest earned from agents' trust accounts.

In accordance with State Supply Commission procurement policies, REBA will be calling for tenders to provide courses for its education funding. On 23 June 2004, a tender for the provision of training to real estate industry participants was issued by the Department of Treasury and Finance on behalf of REBA. The funding is for the 2004-2005 financial year. During 2003-2004, requests for quotes were issued for each quarter. It is anticipated that the new annual tender arrangement will provide greater efficiencies in the way that training courses are selected for funding.

Continuing Professional Development

Persons seeking licences to carry out real estate or business broking activities are required to obtain prescribed educational qualifications. This also applies to persons seeking to be registered as a sales representative. Once licensed or registered, there is no requirement for such persons to obtain additional qualifications or undertake further study.

REBA recognises that there may be a place for Continuing Professional Development (CPD) in the current educational regime for agents and sales representatives. It is examining strategies to link CPD to the licensing and registration framework. This may lead to agents and sales representatives having to undertake some CPD in order to retain their licence or registration.

The major benefits of a CPD program are:

- assists industry members to be better informed about legislative and compliance matters;
- improves the level of customer service provided by participants of a CPD program;
- raises the public's level of confidence in the real estate and business broking industries; and
- increases the level of job satisfaction among agents and sales representatives.

REBA has circulated a discussion paper to the real estate industry and its training providers seeking views on a CPD program. A CPD workshop is being planned for industry stakeholders. REBA will host the workshop to gain feedback on a proposed CPD model. REBA does not intend to be a training provider of any CPD program. Training will be carried out by accredited training providers.

Industry Publications

The following publications are available from REBA.

REBA News

Two editions of the *Reba News* were produced in 2003-2004. The newsletter is used to provide new and topical information to industry stakeholders. Approximately 13,500 copies of each issue were mailed out. The *REBA News* contains information on industry practice, REBA's policies, outcomes of significant disciplinary inquiries and updates on any amendments to the Act, Code of Conduct or other relevant legislation.

Auditing Trust Accounts

REBA revised its publication titled *Auditing Real Estate and Business Agent Trust Accounts*. This publication is intended for auditors who audit real estate agents or business agents' trust accounts. This publication is designed to be read in conjunction with the *Australian Auditing Standards*. Copies of the publication were mailed to all real estate agencies, business broking businesses and to all auditors registered with ASIC.

Investigations and Disciplinary Inquiries Brochure

REBA has published a new brochure titled *A Guide to Investigations and Disciplinary Inquiries*. It explains how REBA's investigation and disciplinary process works. Topics covered include complaint, investigation and conciliation procedures and a full account of the Inquiry process.

Complaint Handling Guidelines

As part of REBA's proactive strategy to assist industry and consumers, it has produced a publication titled *Complaint Handling Guidelines for the Settlement and Real Estate Industries*. The publication was a joint initiative with SASB. It gives general advice to agents on how to deal with complaints lodged against them by consumers. The publication also provides guidance to agents developing or reviewing their internal complaint handling procedures.

Trust Account Reference Manual

REBA produced a publication titled *Real Estate Trust Accounting - A Reference Manual* to guide agents in the administration of their trust accounts and ensure compliance to the Act. The manual is not designed to be a comprehensive trust accounting text for agents. However, it is a useful resource which has been well received by agents.

Consumer Publications

REBA funds the production of various 'fact sheets' used to provide information to consumers and industry members on topical issues relevant to real estate transactions. Some titles 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*
- *Buying a Home Through an Agent*
- *Timber Pest Inspections and Reports*
- *You and Your Property Manager*
- *Home Buyers Assistance Fund*

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 stakeholders. It provides downloadable copies of all REBA publications, copies of decisions arising out of disciplinary inquiries, information on services available through REBA and access to electronic copies of real estate legislation. New material is added to the website regularly.

Output 4 Fidelity Guarantee Fund

Strategic Objectives

The Fidelity Guarantee Fund (FGF) provides compensation for parties 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 95 claims against the FGF were lodged with REBA during 2003-2004. REBA is still processing FGF claims for 2002-2003 owing to the record number lodged in that year. A total of 51 claims are pending at the end of 2003-2004. On average, claims were finalised in 38 weeks.

Overview

The money in the FGF 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 fund is held by the Department of Treasury and Finance and administered by REBA.

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.

REBA continues to process a record number of FGF claims in 2003-2004. Two matters dealt with by REBA are responsible for a significant proportion of the claims still pending. Of the number of claims pending (51) at the end of the reporting period, the matter of Glenn Low Properties Pty Ltd accounted for 24 claims while the matter of DRE Property Management accounted for 16 claims.

Output 5 Home Buyers Assistance Fund

Strategic Objectives

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

In 2003-2004, REBA endeavoured to meet the following objectives effectively and consistently by:

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

Performance

- More than \$1,410, 000 paid out of the fund;
- 856 HBAF applications were received;
- 772 HBAF grants were approved; and
- 96 % of cheques were issued within 8 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 limit for the home’s location, ie.
 - metro and country areas: \$125,000;
 - remote areas \$170,000; or
 - North West and Kimberley \$190,000.

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.

	2000-2001	2001-2002	2002-2003	2003-2004
No of Applications	1,342	1,427	1,194	856
No of Approvals	1,204	1,329	1,193	772
Total Amount Paid	\$2,113,411	\$2,403,206	\$2,148,147	\$1,410,636

Home Buyers Assistance Fund Advisory Committee

Section 131H of the Act establishes the Home Buyers Assistance Advisory Committee (HBAAC). The functions of the HBAAC 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.

The HBAAC did not meet in 2003-2004. However, in late 2002-2003, the Committee made a recommendation to REBA that the maximum purchase price criteria of the HBAF be increased.

Changes to Fund

In response to the rising costs of housing in Western Australia, REBA approved a recommendation from the HBAAC to increase the maximum purchase price criteria. The increases apply only to purchases where settlement occurs on or after 19 March 2004. This decision was made after consultation with stakeholders and with the approval of the Minister for Consumer and Employment Protection.

Consequently, the purchase price thresholds for grants paid to first homebuyers increased by 31% for properties purchased in the metropolitan and country areas and 21% for the purchase of properties in remote areas of the State. The smallest increase was for the purchase of properties in the State's North West and Kimberley region (19%). These increases apply only to purchases where settlement occurred on, or after, 19 March 2004.

SECTION 3

Performance Indicators



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD PERFORMANCE INDICATORS FOR THE YEAR ENDED JUNE 30, 2004

Audit Opinion

In my opinion, the key effectiveness and efficiency performance indicators of the Real Estate and Business Agents Supervisory Board are relevant and appropriate to help users assess the Board's performance and fairly represent the indicated performance for the year ended June 30, 2004.

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
August 27, 2004

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 2004.



Judy Eckert
Chair

Karen Lang
Member

Dated: 13 August 2004

Performance Indicators 2003/04

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

Measure

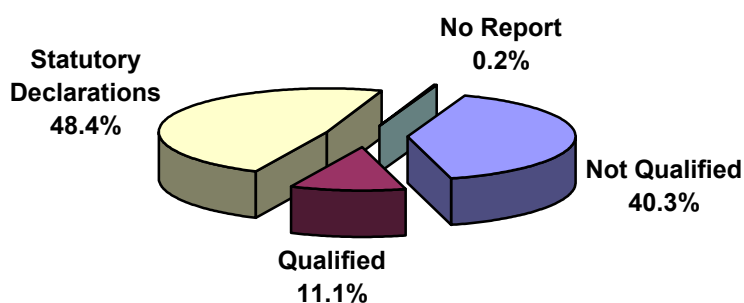
The proportion of real estate and business agents that submit an unqualified audit report or a statutory declaration.

$$\frac{\text{No. of agents submitting an unqualified audit report} + \text{No. of agents submitting a statutory declaration}}{\text{Total No. of agents}}$$

Data

	1999/00	2000/01	2001/02	2002/03	2003/04
Unqualified Audit Reports	922	864	876	897	829
Qualified Audit Reports	104	154	140	175	228
Statutory Declarations	926	987	980	935	996
No Audit report	20	3	10	15	5
Total agents	1972	2008	2006	2022	2058
% of agents submitting an unqualified audit or statutory declaration	93.7%	92.2%	92.5%	90.6%	88.7%

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 2002-03 financial year, and the first six months of the 2003-04 financial year.



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.

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 hold an inquiry into an agents' conduct. Where it is found on inquiry that there is proper cause for disciplinary action against the agent sanctions may be imposed, and these include a fine, suspension or cancellation of the agents' licence.

The Board places significant reliance on audit reports to ensure that agents maintain their trust accounts in accordance with the statutory requirements. This year there are an extra 37 active agents, with 68 less unqualified audits and an increase of 53 qualified audits. The proportion of real estate agents submitting unqualified audits or statutory declarations has decreased marginally again this year from 90.6% to 88.7%. The percentage of unqualified audits and statutory declarations has decreased by 2% for 2002-03 and 2003-04.

Although the Board is concerned about the number of audits which are qualified, it believes that to some extent this is a result of auditors becoming increasingly aware of the expectations of the Board regarding auditing agents trust accounts and more audits are being qualified for minor matters. 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 impacts on 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 conflict of interest. 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 has again been the case in 2003-04. 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 5 agents failed to submit an audit report or statutory declaration. This shows a continuing downward trend - in 2002-03 (15), 2001-02 (11) and 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.

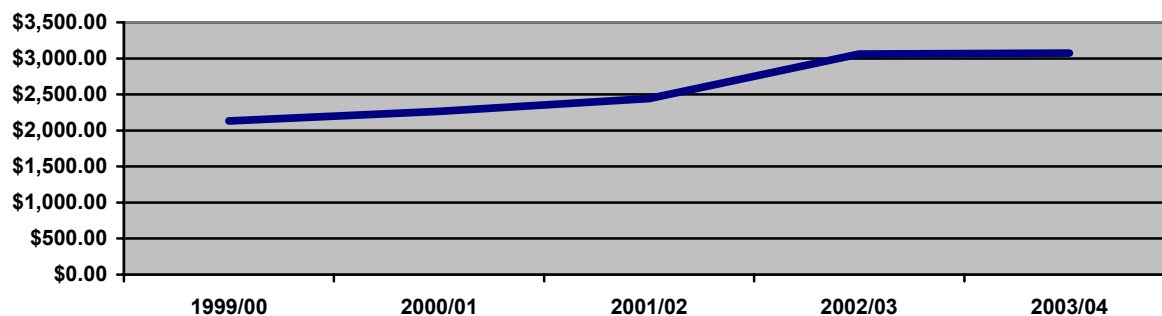
Measure

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

Data

	1999/00	2000/01	2001/02	2002/03	2003/04
Annual Cost*	\$4 202 299	\$4 550 212	\$4 844 535	\$6 189 136	\$6 325 716
Active Licensed Agents	1972	2008	2006	2022	2058
	\$2132.06	\$2266.04	\$2415.02	\$3060.89	\$3073.72

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



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

Notes to the indicator

The efficiency indicator is based on the cost of delivering the output per each active licensed real estate agent. In the 2003-04 financial year a total of \$6 325 716 was expended on regulating an industry with 2058 active licensed agents.

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

SECTION 4

Financial Statements



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004

Audit Opinion

In my opinion,

- (i) the controls exercised by the Real Estate and Business Agents Supervisory Board provide reasonable assurance that the receipt, expenditure and investment of moneys, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions, the financial position of the Board at June 30, 2004 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
August 27, 2004

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 2004 and the financial position as at 30 June 2004.

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.

Signed:



Judy Eckert

Chair



Carolyn Allanson

Carolyn Allanson

Principal Accounting Officer

Dated: 13 August 2004

Financial Statements

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Statement of Financial Performance for the year ended 30 June 2004

REVENUE	Note	2003/04 \$	2002/03 \$
Revenue from Ordinary Activities			
<i>Revenue from operating activities</i>			
Agents trust account interest income		8,136,568	6,965,659
Licence income	3	823,672	792,734
Contributions to the Fidelity Guarantee Fund		116,413	123,922
Fines and costs		59,564	134,027
Proceeds on disposal of non current assets	10	300	0
Other revenues	4	177,718	218,162
<i>Revenue from non operating activities</i>			
Bank and investment interest	2	2,295,517	2,152,334
Other revenues from ordinary activities	4	9,337	4,544
Total Revenues From Ordinary Activities		11,619,089	10,391,382
EXPENSES			
Expenses from Ordinary Activities			
Employee expenses	5	557,039	536,849
Communications costs		6,971	48,322
Legal fees		751,199	896,292
Board fees and expenses		164,211	140,622
Services and contracts	6	195,936	341,229
Consumables and maintenance	7	28,006	31,396
Service Delivery Agreement	8	4,387,363	3,863,724
Depreciation	9	119,257	127,623
Cost of disposal of non current assets	10	62	0
Refund overpaid trust account interest		0	4,292
Total Expenses from Ordinary Activities Before Grants		6,210,044	5,990,349
Grants			
Educational grants	11	115,672	198,787
First home buyers grants	12	1,408,718	2,146,888
Fidelity Guarantee Payments	13	766,833	1,924,527
Total Expenses from Ordinary Activities		8,501,267	10,260,551
NET PROFIT		3,117,822	130,831

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

For details of the Statement of Financial Performance split between the various funds operated by the Real Estate and Business Agents Supervisory Board see Note 29.

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Statement of Financial Position as at 30 June 2004

Current Assets	Note	2003/04	2002/03
		\$	\$
Cash assets	15	12,713,078	12,585,210
Restricted cash assets	15	34,546,617	31,551,540
Accrued agents trust account interest income		776,263	698,582
Accrued investment interest		205,015	173,701
Receivables	16	30,975	115,785
Total Current Assets		48,271,948	45,124,818
Non-Current Assets			
Computers	20	15,509	50,133
REMIS Software	20	124,432	191,505
Office Equipment	20	35,641	48,494
Furniture and Fittings	20	2,526	1,809
Total Non-Current Assets		178,108	291,941
Total Assets		48,450,056	45,416,759
Current Liabilities			
Payables	17	693,260	809,225
Provisions	21	83,578	90,097
Revenue received in advance	3	736,704	668,443
Unclaimed money		8,940	7,867
Total Current Liabilities		1,522,482	1,575,632
Non Current Liabilities			
Revenue received in advance	3	570,765	622,822
Provisions	21	72,484	51,802
Total Non Current Liabilities		643,249	674,624
Total Liabilities		2,165,731	2,250,256
NET ASSETS		46,284,325	43,166,503
Equity			
Retained profits	25	46,284,325	43,166,503
TOTAL EQUITY		46,284,325	43,166,503

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

For details of the Statement of Financial Position split between the various funds operated by the Real Estate and Business Agents Supervisory Board see Note 29.

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Statement of Cash Flows for the year ended 30 June 2004

CASH FLOWS FROM OPERATING ACTIVITIES	Note	2003/04	2002/03
		\$	\$
Receipts			
Interest received		10,323,091	8,960,759
Receipt from clients		987,325	1,196,486
Contributions paid into the Fidelity Guarantee Fund		116,413	123,922
GST receipts on sales		31	1,856
GST receipts from ATO		185,022	140,890
Payments			
Payments to suppliers of goods and services		(6,069,839)	(5,677,819)
GST payments on purchases		(122,688)	(121,050)
Grants			
For education programs		(115,672)	(198,787)
For First Home Buyers		(1,408,718)	(2,146,888)
From Fidelity Guarantee Fund		(766,833)	(1,924,527)
Net Cash Provided by/(used in) Operating Activities	18	3,128,132	354,842
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of non current assets		238	0
Payment for non current assets		(5,425)	(46,621)
Net Cash Provided by/(used in) Investing Activities		(5,187)	(46,621)
Net Increase (Decrease) in Cash Held		3,122,945	308,221
Cash assets at the beginning of the financial year		44,136,750	43,828,529
Cash assets at the end of the financial year	15	47,259,695	44,136,750

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 2004

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 2004

(e) Cash

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

(f) Receivables

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

(g) Investments

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

(h) Software

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

(i) Employee benefits

Annual leave

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

Long service leave

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 carried in the Department's accounts.

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

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2004

Superannuation

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

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

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 17). The Board considers the carrying amount approximates net fair value.

(j) Revenue

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

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

Interest revenues are recognised as they are accrued.

(k) Payables

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

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2004

(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.

2. Bank and investment income

The interest income of the Board is comprised of:

	2003/04	2002/03
	\$	\$
Interest from Treasury	2,235,997	2,112,304
Interest on call account	59,520	40,030
	<u>2,295,517</u>	<u>2,152,334</u>

3. Licence income

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

Proceeds relating to the current financial year are recognised as revenue. The balance of the proceeds is credited into the revenue received in advance accounts.

The analysis of the proceeds is as follows:

	2003/04	2002/03
	\$	\$
Total receipts received	2,131,141	2,083,998
(Including prepayments held to account at the start of the year)		
Income recognised during the year	823,672	792,734
Revenue received in advance	1,307,469	1,291,264
(Held to account at the end of the year)		
Held in		
Revenue received in advance account (current)	736,704	668,443
Revenue received in advance account (non current)	570,765	622,822
Total	1,307,469	1,291,265

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2004

4. Other revenues

Other income consists of:

	2003/04	2002/03
	\$	\$
Advertisement fees	12,562	13,750
Recovery of funds	152,555	181,938
Late Fees	12,601	22,474
Miscellaneous Income	9,337	4,544
Total	187,055	222,706

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.

	2003/04	2002/03
	\$	\$
Salary	394,291	358,206
Change in annual leave	5,664	29,135
Change in long service leave	8,499	6,337
Superannuation	51,602	44,973
Total staff salary costs	460,056	438,651
Staff related expenses	96,983	98,198
Total Staff costs	557,039	536,849

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

6. Services and contracts

Services contracts consists of:

	2003/04	2002/03
	\$	\$
Audit fees	17,000	13,000
Bank charges	3,205	3,084
Consultants and contractors fees	1,055	3,275
Hire charges	11,637	3,771
Insurance	13,500	10,700
Professional services	119,914	189,514
Advertising	9,425	68,465
Printing	17,025	46,825
Miscellaneous	2,498	1,220
Website subscription	677	541
REMIS Maintenance	0	834
Total	195,936	341,229

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2004

7. Consumables and maintenance

	2003/04	2002/03
	\$	\$
Library acquisition	140	1,332
Stationery	3,310	7,591
Consumables	18,837	12,980
Sundry assets costing under \$1000	4,510	1,866
Repair and maintenance	1,209	7,627
Total	28,006	31,396

8. Service Delivery Agreement

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

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

9. Depreciation

Depreciation charges for the year consist of:

	2003/04	2002/03
	\$	\$
Computers	38,850	53,435
REMIS Software	67,073	66,892
Office Equipment	12,853	6,932
Furniture and Fittings	481	364
Depreciation Total	119,257	127,623

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

	2003/04	2002/03
	\$	\$
Profit on Disposal of Non Current Assets		
Computers	238	0

11. Educational Grants

	2003/04	2002/03
	\$	\$
Payments charged to the Statement of Financial Performance to:		
REIWA	101,797	124,207
WA Business Brokers Assn	2,511	0
Curtin Consultancy Services	11,364	0
TAFE	0	74,580
Total charged to the Statement of Financial Performance	115,672	198,787

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2004

12. First Home Buyers Grants

A total of 771 grants totalling \$1,408,718 at an average of \$1,827 were made during the year. In 2002/03 1,136 grants totalling \$2,146,888 at an average of \$1,890 were made.

13. Fidelity guarantee payments.

A total of **\$766,833** was approved by the Board to be paid out from the fidelity guarantee payments during the year (\$1,924,527 in 2002/2003).

Outstanding claims against the fidelity guarantee fund are disclosed as contingent liabilities. (See note 14)

14. Contingent liabilities - Fidelity Guarantee Fund

In addition to the liabilities incorporated in the financial statements the Board is aware of 42 claims (178 as at 30/6/2003) against the Fidelity Guarantee Fund totalling \$5.4m (\$5.3m as at 30/6/2003) for which no liability has been admitted by the Board.

15. Cash

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

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

	2003/04	2002/03
	\$	\$
Education and General Purpose Fund	457,270	169,702
Fidelity Guarantee Fund (Restricted cash)	416,919	179,872
Home Buyers Assistance Fund (Restricted cash)	189,123	31,093
Board Interest Account	500	160,200
Petty Cash	300	300
Total cash at bank and on hand	1,064,112	541,167

Cash held with Treasury

Education and General Purpose Fund	12,255,008	12,255,008
Fidelity Guarantee Fund (Restricted cash)	25,255,575	24,555,575
Home Buyers Assistance Fund (Restricted cash)	8,685,000	6,785,000
Total cash held in deposit	46,195,583	43,595,583
Total Cash	47,259,695	44,136,750

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2004

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:

	2003/04	2002/03
	\$	\$
Cash assets	12,713,078	12,585,210
Restricted cash assets	34,546,617	31,551,540
Total Cash	47,259,695	44,136,750

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.

16. Receivables

	2003/04	2002/03
	\$	\$
Fines	21,548	24,600
Other	2,000	862
GST Recoverable	7,427	90,323
Total	30,975	115,785

17. Payables

	2003/04	2002/03
	\$	\$
Service delivery agreement with the Dept of Consumer & Employment Protection	523,639	321,977
Audit fees	17,000	13,000
Board fees	17,349	17,894
Legal fees	17,781	44,162
Reimbursement to Dept of Consumer & Employment Protection	66,259	12,035
Salaries	45,399	33,810
Professional services	647	66,403
Other goods and services	5,186	17,888
Overpaid trust account interest	0	194,204
Fidelity Guarantee Payments	0	21,645
Education grants	0	66,207
Total	693,260	809,225

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2004

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

	2003/04	2002/03
	\$	\$
Net Profit as per Statement of Financial Performance	3,117,822	130,831
Movement in:		
Non-cash items		
Depreciation	119,257	127,623
Profit/Loss on sale of assets	(238)	0
(Increase)/decrease in assets		
Receivables	84,810	(84,710)
Accrued interest/income	(108,994)	(157,234)
Prepayments	0	978
Increase/(decrease) in liabilities		
Payables	(115,965)	27,406
Revenue received in advance, current liabilities	68,261	65,091
Revenue received in advance, non current liabilities	(52,057)	209,374
Employee entitlements	14,163	35,473
Monies held in trust	0	(7,448)
Unclaimed monies	1,073	7,458
Net cash provided by/(used in) operating activities	3,128,132	354,842

19. Remuneration and Retirement Benefits of Board Members and Senior Officers

Remuneration of Board Members

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

	2003/04	2002/03
\$0 - \$10,000	4	4
\$10,001 - \$20,000	4	2
\$20,001 - \$30,000	2	0
\$30,001 - \$40,000	0	1
\$40,001 - \$50,000	0	1
\$60,001 - \$70,000	1	0
Total remuneration (\$)	169,148	155,012

Remuneration of Senior Officers

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

	2003/04	2002/03
\$0 - \$10,000	0	1
\$60,001 - \$70,000	1	1
Total remuneration (\$)	62,282	69,327

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 2004

20. Property Plant & Equipment

	2003/04	2002/03
	\$	\$
Computers	190,769	204,763
Accumulated Depreciation	(175,259)	(154,630)
	<u>15,509</u>	<u>50,133</u>
REMIS Software	334,448	334,448
Accumulated Depreciation	(210,015)	(142,943)
	<u>124,432</u>	<u>191,505</u>
Office Equipment	75,242	75,242
Accumulated Depreciation	(39,601)	(26,748)
	<u>35,641</u>	<u>48,494</u>
Furniture and Fittings	4,847	3,650
Accumulated Depreciation	(2,321)	(1,841)
	<u>2,526</u>	<u>1,809</u>
Total Non-Current Assets	<u>178,108</u>	<u>291,941</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.

	2003/04
	\$
Computers	
Carrying amount at start of year	50,133
Additions	4,227
Disposals at cost	(18,222)
Accumulated depreciation on disposals	18,221
Depreciation expense	(38,850)
Carrying amount at end of year	<u>15,509</u>
REMIS Software	
Carrying amount at start of year	191,505
Additions	0
Disposals at cost	0
Accumulated depreciation on disposals	0
Depreciation expense	(67,073)
Carrying amount at end of year	<u>124,432</u>
Office Equipment	
Carrying amount at start of year	48,494
Additions	0
Disposals at cost	0
Accumulated depreciation on disposals	0
Depreciation expense	(12,853)
Carrying amount at end of year	<u>35,641</u>

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2004

Furniture and Fittings

Carrying amount at start of year	1,809
Additions	1,198
Disposals at cost	0
Accumulated depreciation on disposals	0
Depreciation expense	(481)
Carrying amount at end of year	<u>2,526</u>

Total Non-Current Assets	<u>178,108</u>
---------------------------------	-----------------------

21. Provisions

	2003/04	2002/03
	\$	\$
Current		
Annual Leave	45,618	52,721
Long Service Leave	<u>37,960</u>	<u>37,376</u>
	83,578	90,097
Non Current		
Long Service Leave	72,484	51,802
Total	<u>156,062</u>	<u>141,899</u>

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

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

22. 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:

	2003/04	2002/03
	\$	\$
Fees to the Auditor General:		
-for external audit	17,000	13,000

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

23. Write - Offs

There were no write-offs during the financial year.

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2004

24. Activity/Output Information

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

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

25. Retained Profits

	2003/04	2002/03
	\$	\$
Opening balance	43,166,503	43,035,672
Unappropriated surplus	3,117,822	130,831
Total Equity	<u>46,284,325</u>	<u>43,166,503</u>

26. The Impact of Adopting International Accounting Standards

The Australian Accounting Standards Board is adopting the Standards of the International Accounting Standards Board for application to reporting periods beginning on or after 1 January 2005.

Pending Accounting Standard AASB 1 '*First-time Adoption of Australian Equivalents to International Financial Reporting Standards*' prescribes transitional provisions for first-time adopters.

AASB 1047 '*Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards*' requires financial reports to disclose information about the impacts of any changes in accounting policies in the transition period leading up to the adoption date and will apply for June 2004 reporting.

Management of the transition to Australian equivalents to IFRS's

The finance and accounting functions for the Board are provided under a service delivery agreement with the Department of Consumer and Employment Protection. The Department has a team identifying, assessing and making plans to convert any policies, systems and processes necessary to account and report on the IFRS basis.

Key differences in accounting policies that are expected to arise from adopting Australian equivalents to IFRS

AASB 138 Intangible Assets. Requires computer software not integral to the operation of hardware be classified as intangible assets.

In this respect the cost of the REMIS system which is currently held under property, plant and equipment will be required to be reclassified as an intangible asset.

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2004

27. Financial Instruments

(a) Interest Rate Risk Exposure

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

	Weighted average effective rate		Floating interest		Fixed interest 1 year or less		Non interest bearing		Total as per the Statement of Financial Position	
	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets										
Cash assets	5.17%	4.76%	1,064	541	46,196	43,596			47,260	44,137
Accrued income	0%	0%					776	699	776	699
Accrued interest	0%	0%					205	174	205	174
Receivables	0%	0%					24	25	24	25
GST Recoverable	0%	0%					7	90	7	90
Total financial assets			1,064	541	46,196	43,596	1,012	988	48,272	45,125
Financial Liabilities										
Payables	0%	0%					693	809	693	809
Provisions	0%	0%					156	142	156	142
Revenue received in advance	0%	0%					1,308	1,291	1,308	1,291
Total financial liabilities							2,157	2,242	2,157	2,242
Net financial assets			1,064	541	46,196	43,596	(1,145)	(1,254)	46,116	42,883

(b) Credit Risk Exposure

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

(c) Net Fair Values

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

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2004

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.

	2003/2004 Actual \$	2002/2003 Actual \$	Variation 03/04 to 02/03 \$
REVENUE			
Agents trust account interest income	8,136,568	6,965,659	1,170,908
Fines and costs	59,564	134,027	(74,463)
EXPENSES			
Legal fees	751,199	896,292	(145,093)
Services and contracts	195,936	341,229	(145,293)
Service Delivery Agreement	4,387,363	3,863,724	523,639
Educational grants	115,672	198,787	(83,115)
First home buyers grants	1,408,718	2,146,888	(738,170)
Fidelity Guarantee Payments	766,833	1,924,527	(1,157,694)

Agents trust account interest income

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

Fines and costs

Revenue from fines and costs were lower than the preceding year due to:

- the preceding year (2002/03) being abnormally high
- a number of Board inquiries which were not successful

Legal fees

Legal costs were lower than 2002/03 which was high due to a high level of effort in reducing a back log of hearings.

Services and contracts

Expenses for services and contracts were lower than the preceding year due to:

- high set up and advertising costs incurred in 2002/03 for the Hot Line service
- abnormally high costs in 2002/03 for supervisors appointed to administer a number of agency accounts

Service Delivery Agreement

The increase cost of the agreement between the Board and the Dept of Consumer and Employment Protection is the result of costing, by consultants, of the services provided by the Department.

Educational grants

Delays in letting contracts has resulted in expenditure on education grants being lower than the preceding year.

First home buyers grants

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

Fidelity Guarantee Payments

The value of payments for fidelity guarantee claims for the 2002/03 financial year was high as a result of a number of substantial claims. This has resulted in the current years payments appearing to be considerably less than the preceding year.

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2004

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.

	2003/2004 Actual \$	2003/2004 Budget \$	Variation 03/04 to budget \$
REVENUE			
Agents trust account interest income	8,136,568	6,336,500	1,800,068
Bank and investment interest	2,295,517	2,079,600	215,917
Other revenues	177,718	24,000	153,718
EXPENSES			
Service Delivery Agreement	4,387,363	3,999,700	387,663
Educational grants	115,672	240,000	-124,328
First home buyers grants	1,408,718	2,870,000	-1,461,282
Fidelity Guarantee Payments	766,833	2,700,000	-1,933,167

Agents trust account interest income

A higher level of activity combined with higher prices in the industry and slightly higher than anticipated interest rates resulted in higher level of trust account interest being received compared with the budgeted amount.

Bank and investment interest

As a result of higher income, primarily from agents trust account interest, and lower than expected expenses funds held in the Boards accounts where higher than anticipated. This situation combined with slightly higher interest rates resulted in higher than estimated bank and investment interest being received.

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 therefore not allowed for in the budget.

Service Delivery Agreement

The Service Delivery Agreement costs were higher than budgeted due to the costing carried out by consultants allocating a greater proportion of the Department of Consumer and Employment Protections corporate services to services provided to the Board.

Education grants

Training grants were below budget due to delays in letting of contracts for the provision of these services.

First home buyers grants

First home buyers grants were lower than expected due to the effect of higher industry prices resulting in fewer applications. This was in spite of the "Ceiling" placed on the purchase value of premises subject to the grants being raised during the year.

Fidelity guarantee payments

It is difficult to predict the quantum of fidelity claims. A number of claims predicted to be finalised during the year 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 2004

29. Statement of Financial Performance for the year ended 30 June 2004 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	4,748,194	374,857	3,207,114	(193,598)	8,136,568
Licence income	823,672				823,672
Contributions to the Fidelity Guarantee Fund		116,413			116,413
Fines and costs	59,564				59,564
Proceeds on disposal on non current assets	300				300
Other revenues	25,163	152,555			177,718
<i>Revenue from non operating activities</i>					
Bank and investment interest	636,995	1,256,212	386,129	16,180	2,295,517
Other revenues from ordinary activities	9,337				9,337
Total Revenue From Ordinary Activities	6,303,225	1,900,037	3,593,243	(177,418)	11,619,089
EXPENSES					
Expenses from Ordinary Activities					
Employee expenses	557,039				557,039
Communications costs	6,901	70			6,971
Legal fees	629,705	121,494			751,199
Board fees and expenses	164,211				164,211
Services and contracts	158,581	36,374	559	422	195,936
Consumables and maintenance	26,397	1,609			28,006
Service Delivery Agreement	4,387,363				4,387,363
Depreciation	119,257				119,257
Cost of disposal of non current assets	62				62
Total Expenses from Ordinary Activities Before Grants	6,049,516	159,547	559	422	6,210,044
Grants					
Educational grants	115,672				115,672
First home buyers grants			1,408,718		1,408,718
Fidelity guarantee payments		766,833			766,833
Total Expenses from Ordinary Activities	6,165,188	926,380	1,409,277	422	8,501,267
NET PROFIT	138,037	973,658	2,183,967	(177,840)	3,117,822

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

Notes to the Financial Statements for the year ended 30 June 2004

29. Statement of Financial Position as at 30 June 2004 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	12,712,578			500	12,713,078
Restricted cash assets		25,672,495	8,874,123		34,546,617
Accrued agents trust account interest income	433,298	34,208	292,666	16,090	776,263
Accrued investment interest	53,506	108,957	34,882	7,670	205,015
Receivables	26,280	2,695	2,000		30,975
Total Current Assets	13,225,662	25,818,355	9,203,671	24,260	48,271,948
Non-Current Assets					
Computers	15,509				15,509
REMIS Software	35,641				35,641
Office Equipment	2,526				2,526
Furniture and Fittings	124,432				124,432
Total Non-Current Assets	178,108	0	0	0	178,108
Total Assets	13,403,770	25,818,355	9,203,671	24,260	48,450,056
Current Liabilities					
Payables	693,260				693,260
Provisions	83,578				83,578
Revenue received in advance	736,704				736,704
Unclaimed money	1,138	7,802			8,940
Total Current Liabilities	1,514,680	7,802	0	0	1,522,482
Non Current Liabilities					
Revenue received in advance	570,765				570,765
Provisions	72,484				72,484
Total Non-Current Liabilities	643,249	0	0	0	643,249
Total Liabilities	2,157,929	7,802	0	0	2,165,731
NET ASSETS	11,245,841	25,810,552	9,203,671	24,260	46,284,325
Equity					
Opening balance	11,107,804	24,836,894	7,019,704	202,100	43,166,503
Unappropriated surplus	138,037	973,658	2,183,967	(177,840)	3,117,822
Retained profits	11,245,841	25,810,552	9,203,671	24,260	46,284,325
TOTAL EQUITY	11,245,841	25,810,552	9,203,671	24,260	46,284,325

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