



GOVERNMENT OF  
WESTERN AUSTRALIA



# Settlement Agents Supervisory Board

## Annual Report 2006-2007



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## Statement of compliance

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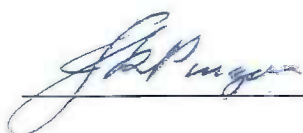
HON SHIELA MCHALE MLA  
MINISTER FOR CONSUMER PROTECTION

In accordance with section 61 of the *Financial Management Act 2006*, we hereby submit for your information and presentation to Parliament the Annual Report of the Settlement Agents Supervisory Board for the year ending 30 June 2007.

The Report has been prepared in accordance with the provisions of the *Financial Management Act 2006*.

A handwritten signature in blue ink, appearing to read 'DT', is positioned above a horizontal line.

David Taylor  
Chairman

A handwritten signature in blue ink, appearing to read 'John Pinger', is positioned above a horizontal line.

Member

28 August 2007

## Executive summary - Report from the Chair

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As Chair of the Settlement Agents Supervisory Board ("the Board") I am pleased to present the annual report for the year ended 30 June 2007.

The 2006-2007 financial period heralded another busy and successful year for the Board as it carried out its statutory functions. In particular, the Board continued to develop the Compulsory Professional Development ("CPD") program for settlement agents.

The Board approved the final CPD model for settlement agents on 26 June 2007 and proceeded with a recommendation to the Hon. Minister for Consumer Protection that the Regulations be amended to support the introduction of CPD from 1 January 2008. The Board would like to take this opportunity to thank the industry for their comments and support towards the introduction of the CPD initiative.

The end of this financial year also marked the beginning of a new set of educational qualifications for the licensing of settlement agents. The seven core competencies previously prescribed as pre-requisites to the grant of a licence were superseded. From 29 June 2007, a person who wishes to apply for a real estate or business settlement agents licence must obtain a Diploma of Financial Services (Conveyancing) and complete the units:

- Obtain and analyse information; and
- Negotiate to achieve goals and manage disputes.

An applicant for a new business settlements licence must undertake a business settlements module entitled Business Settlements. A two-year transitional period will allow those who have successfully completed or are in the progress of completing the seven core competencies to apply for a licence with those qualifications until 30 June 2009.

In keeping with the Board's Corporate Plan 2006 – 2007 and strategic priorities, a report reviewing the legislation regulating settlement agents was finalised and presented to Board for comment in June 2006. The discussion paper reviewed the Act, the Regulations and the Code of Conduct and presented proposals for amendment. The Board recognises that in order to effectively regulate the industry, the legislation must keep pace with and reflect changes in industry practice, technological developments and consumer requirements. The discussion paper will be presented to the industry for comment following Board review and approval.

In 2006 the Board was able to finalise all claims against the Fidelity Guarantee Account flowing from the unlawful withdrawal and misappropriation of clients' stamp duty payments by the licensee of Brulee Pty Ltd (trading as L.J.W. Settlements). The Board committed significant resources to identify and deal with the 158 claims lodged.

The Board continued to diligently monitor the activities of licensees with the suspension of the licensee of Sunset Coast Settlements. A supervisor was appointed to the business because of a lack of sufficient financial resources on the part of the licensee to continue to carry on business.

In June 2006, the Board wrote to all licensed settlement agents, the peak industry organisations and the consumers' associations advising that it had commenced a review of the scale of fees and seeking their submissions. The Board was concerned about the potential effects upon viability and service delivery in the settlement industry arising from discounting of fees and the growing administrative burden and risk involved in conducting settlement transactions. These imposts appeared to be especially significant for settlement transactions involving properties at the lower end of the *ad valorem* scale of fees.

The Board was concerned that a point may be reached where settlement agents will decline to carry out settlement transactions at the lower end of the scale because there is no value in conducting this work. The Board also considered the need to achieve appropriate remuneration for work involved in conducting settlement transactions is also relevant in promoting the viability of settlement agents operating in regional and rural areas. Following compilation of the submissions, the Board provided a proposal to the Hon. Minister for Consumer Protection in November 2006, for the 'Scale of Fees' for real estate settlements and business settlements to be amended to include a cumulative CPI (Perth All Groups) adjustment of 13.8% for the period June 2004 to June 2006.

The Board also provided the Hon. Minister with an alternative proposal which would see the lowest property value threshold in the Scale be raised from its present level of \$25,000 to \$100,000, with the associated maximum fees for a real estate settlement and a business settlement also being increased. However the Hon. Minister has declined the proposed changes at this time.

In closing, I would like to express my appreciation to my fellow members of the Board and their deputies for their efforts and dedication. I extend my thanks to Janice Urquhart who retired from the Board this year. Also, on behalf of the Board I wish to pay tribute to all the Board staff and officers of the Real Estate Branch of Consumer Protection and other officers of the Department of Consumer and Employment Protection. The Board could not function without their cooperation, dedication and commitment, and I congratulate each member, deputy member, staff member and officer for their professionalism and individual effort shown in facing up to the challenges presented in 2006-07.



David Taylor  
Chairman

27 August 2007

# **SECTION ONE**

## **About the Board**

**Our goal is that the people of Western  
Australia have confidence in the settlement  
industry.**



## Our organisation

### Who we are

The Board is the independent statutory authority established under the Act to regulate people who conduct settlement transactions. The Board administers the Act and the Code of Conduct.

The functions of the Board include:

- provision of advice to the Minister, including making recommendations and submitting proposals regarding the Act and Regulations;
- administration of the licensing scheme; and
- conducting and promoting education and providing advisory services for industry participants and members of the public.

Additionally, the Board can perform other functions conferred upon it by the Act, such as:

- compliance activities; and
- administration of the Fidelity Guarantee Account.

The Board is fully funded by industry and the community, in the form of:

- licensing revenue;
- interest earned on money held in trust accounts; and
- interest earned on retained funds.

This funding is used to deliver the statutory functions of the Board to the settlement industry and the community of Western Australia. The effective delivery of these statutory functions underpin the Board's aim to achieve the outcome that:

### **The people of Western Australia have confidence in the settlement industry.**

Core values and conduct that will help the Board achieve its desired outcome are:

*Accountability:* the Board serves the needs of the public through the government in a professional, responsible and accountable manner.

*Integrity:* the Board deals with its members and staff, with the industry and the public on the basis of trust, understanding and respect for differing views and interests. The Board undertakes to perform its functions in a fair and open manner.

*Professionalism:* the Board performs its services to the best of its ability with optimum use of resources and with a focus on continuously improving quality, productivity, and professional development.

*Responsiveness:* The Board endeavours to provide high quality information and services to the government, industry, and the public.

The statutory functions are provided by means of the following services.



*Licensing:* involves the quality control of people seeking to enter the settlement industry for the first time and of those already licensed in that industry.

*Compliance:* ensures that licensed settlement agents comply with the relevant legislation and financial reporting requirements.

*Education and Awareness:* aims to encourage awareness of settlement 'best practice' through activities such as proactive visits, seminars and publications.

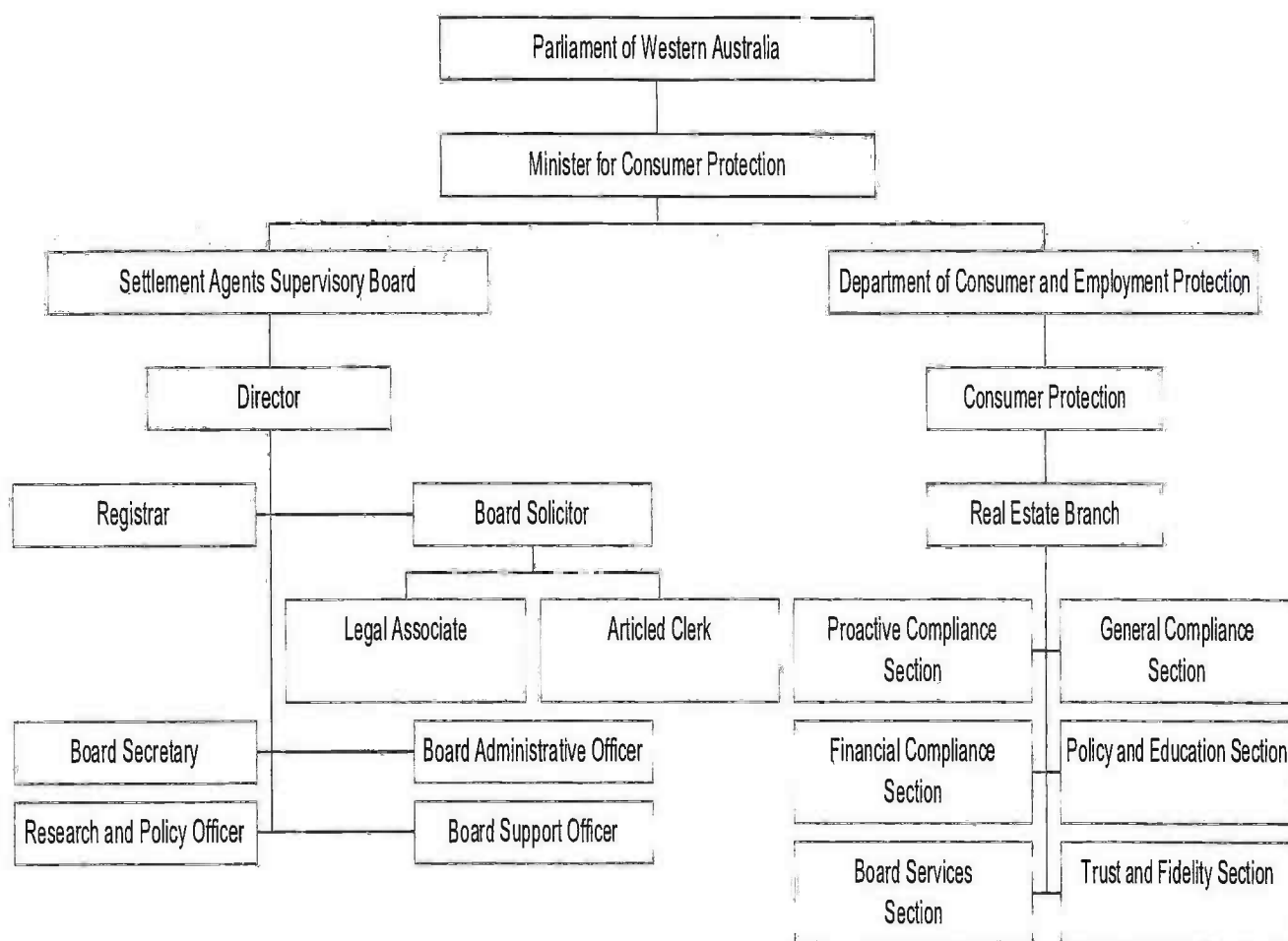
*Fidelity Guarantee Account:* centres on the assessment of reimbursement claims from consumers who have suffered financial loss during a settlement transaction due to the criminal or fraudulent conduct of a licensed settlement agent or their staff.

## Service Delivery Agreement

The Board contracts the Department of Consumer and Employment Protection ("DOCEP") to provide services under a Service Delivery Agreement ("SDA"). The services obtained from DOCEP enable the Board to carry out its functions. The SDA sets out the services and performance measures, which are in accordance with government output based management requirements.



## Board organisational chart



## Board structure

The composition of the Board is set out in section 6 of the Act. There are five members of the Board appointed by the Governor of Western Australia:

- one must be a person who is not a licensed agent who is also appointed Chairman;
- one must be a person who is a legal practitioner and not a licensed agent;
- one must be a person who is experienced in commercial practice and not a licensed agent; and
- two must be licensed agents elected by licensed agents to the position.

Members may hold office for up to four years and are eligible for re-election or reappointment. The Governor may appoint a deputy of a member.

## Members



### **Mr David Taylor (Chairperson)**

Mr Taylor is a legal practitioner and the principal of his own law firm. Mr Taylor has been Chair of the Board since March 2002.



### **Mr Steven Phillips (Legal Practitioner Member)**

Mr Phillips is a legal practitioner operating his own law firm. Mr Phillips has been the legal member since September 2005. He was previously, since March 2003, the deputy legal member.

**Deputy Member: Mr Francis Landels**



### **Mr Rod Lane (Commercial Member)**

Mr Rod Lane is a Fellow of the Australian Society of Practising Accountants, a Fellow of the Institute of Chartered Secretaries Australia, and an Associate Fellow of the Australian Institute of Management. He has been a member of the Board since October 2005. He operates his own private management company.

**Deputy Member: Mr Brian Darling**



### **Ms Judith Pinczuk (Elected Member)**

Ms Pinczuk is one of two members elected for appointment by licensed settlement agents. She is a licensed real estate settlement agent with more than 20 years experience in the industry, and has operated her own agency for nine years. Ms Pinczuk has been a member of the Board since June 2003.

**Deputy Member: POSITION VACANT**



**Ms Valerie Haskins (Elected Member)**

Ms Haskins is one of two members elected for appointment by licensed settlement agents. She is a licensed real estate settlement agent with 30 years experience in the industry, and has operated her own agency for over 20 years. Ms Haskins has been a member of the Board since July 1995.

**Deputy Member: Mr Dominic Loiacono**

**Retired member**



**Ms Janice Urquhart**

Ms Urquhart was the elected member of the Board until 1 November 2006.

## **Our people**

The Board engages eight staff. The Director, Board Solicitor, Legal Associate, Board Administrative Officer and Board Support Officer are employed in a joint funding arrangement with the Real Estate and Business Agents Supervisory Board. The Registrar, Board Secretary and Policy Officer are employed directly by the Board.

### **Role of key staff**

#### **Director**

The Director is the Chief Officer of the Board and is responsible for providing it with advice and assistance in its day-to-day operations. The Director is also responsible for ensuring that Board's policies and strategies, for regulating the settlement industry, are implemented and monitored.

The Director manages the financial and human resources; oversees legal services, assists with planning and strategic issues, represents the Board in negotiating, monitoring, and reporting on contracts with external providers, including the SDA with DOCEP.

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

#### **Board Solicitor**

The Board Solicitor has responsibility for managing legal services for the Board. This includes providing advice to the Board, and its investigators, on the interpretation and application of legislation administered by the Board. The Board solicitor also provides advice on matters relevant to the Board, such as the conduct of proceedings before the Board, the SAT and the courts.

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

#### **Registrar**

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

The Registrar also conducts and promotes education, and provides an advisory service to industry members and the general public on behalf of the Board.



## Corporate governance

### Legislation and statutory reporting compliance

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

- *Settlement Agents Act 1981*;
- *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 Management Act 2006*;
- *Freedom of Information Act 1992*;
- *Public Interest Disclosure Act 2003*; and the
- *Electoral Act 1907*.

### Performance Management Framework

Better Planning: Better Services is a Western Australian Government initiative intended to improve the quality of life of all Western Australians. DOCEP provides the Board with a range of services, some of which come under the obligatory reporting requirements. Please refer to these activities in DOCEP's 2006-2007 Annual Report for information relating to people and communities, the environment, and governance.

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

### Reporting requirements of section 175ZE of the *Electoral Act 1907*

Under section 175ZE of the *Electoral Act 1907*, the Board is required to report on expenditure incurred using the following types of bodies to promote or market its services:

- advertising agencies;
- market research organisations;
- polling organisations;
- direct mail organisations; and
- media organisations.

The Board did not incur any such expenditure in the reporting period.

## Public sector standards in human resource management

The Board 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 2006-2007, the Board received no applications for breaches of the standards. In addition, the Board:

- received one workers compensation claim;
- did not re-deploy any of its staff;
- has not terminated any positions; and
- was not involved in any industrial disputes.

Board members and staff are required to comply with the Board's *Code of Conduct for Board Members and Officers 2007*, which was reviewed and updated during the year. The Code of Conduct includes details about the Board's operational requirements and expected behaviour of its members and staff as they carry out their day-to-day work. It provides guidance and practical assistance on what to do when faced with an ethical issue.

When performing their duties on the Board, members are required to act in accordance with their own independent views and experiences, in light of the role and purpose of the Board. Members should not perform their duties in a manner that represents or protects the interests of any particular organisation with which they are associated.

## Freedom of Information requests

The *Freedom of Information Act 1992* allows members of the public to lodge requests for copies of documents relating to the Board and its operations. The Board endeavours to make its operations transparent and accessible. In the year 2006-2007, the Board received no requests for information under the freedom of information legislation.

DOCEP provides an administrative function to the Board in relation to Freedom of Information matters. People wishing to lodge a Freedom of Information application with the Board are advised to contact the Freedom of Information Coordinator on 9282 0777. 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

## Summary of 2006-2007

### Board and other proceedings

- the Board did not convene for any hearings into claims against the Fidelity Guarantee Account;
- the Board convened for 18 licensing hearings;
- no licensing application interviews were conducted during the reporting period;
- the Board convened for 12 board meetings; and
- the Board commenced four disciplinary proceedings in the SAT against agents.

### Achievements

In 2006-2007 the Board was able to achieve the following outcomes:

- 50 applications for new licences processed;
- 266 applications for triennial certificate renewal processed;
- 80 new investigations commenced;
- 25 trust fund investigations completed;
- 51 investigations into qualified audits completed;
- 9 new claims against the Fidelity Guarantee Account lodged;
- 117 proactive compliance visits on settlement agencies conducted;
- 12 education seminars conducted for agents on various topics covering different requirements of the Act and the Code of Conduct; and
- four Homebuyer Seminars conducted for the general public, (jointly produced with the Real Estate and Business Agents Supervisory Board).

### Industry seminars

The Board conducted 12 education seminars for settlement agents focusing on legislation and compliance issues. Feedback from these seminars was positive, with participants commenting on the usefulness of the information presented. The seminars were conducted in Perth and Bunbury with 597 people attending, and topics covered included:

- risk management;
- principles of trust accounting including trust account reconciliation;
- joint form of general conditions, offer and acceptance, new REIWA finance clause and penalty interests; and
- common non-compliances found in the trust accounts.

## **Homebuyers seminars**

In a joint initiative with the Real Estate and Business Agents Supervisory Board, the Board delivered four homebuyer seminars free of charge to members of the public. The seminars were conducted in Perth, Kalgoorlie and Geraldton, with a total of 60 people attending. The topics covered at the seminars included: property valuation, obtaining finance, types of grants available for first home buyers, offer and acceptance contracts, and an explanation of the settlement process.

## **Significant compliance issues**

### **Sunset Coast Settlements**

In April 2007 the Board appointed a supervisor to the settlement agency business of Katherine Marie Annette Paridis trading as Sunset Coast Settlements in Osborne Park. The Board obtained orders in the State Administrative Tribunal suspending Ms Paridis from conducting the settlement agency business and authorising the appointment of a supervisor to the business. This was necessary because there were reasonable grounds for believing that Ms Paridis was incapable of properly conducting her business due to not having sufficient material and financial resources available to her to enable her to comply with the requirements of the Act.

The supervisor temporarily assumed control of the settlement agency for the purpose of concluding and disposing of matters commenced but not concluded on behalf of its clients.

## **Trends and issues in 2006-2007**

### **Compulsory Professional Development for settlement agents**

During the reporting period, the Education Committee continued to develop the Compulsory Professional Development (CPD) model following feedback received from the release of a discussion paper in June 2005 to settlement agents and key industry stakeholders.

The CPD model outlines:

- the number of points each participant must acquire each year;
- a set of requirements of training providers;
- an exemption policy; and
- a means of monitoring compliance.

The CPD program will form part of the licensing framework. Agents will be required to undertake approved ongoing training before being able to renew their triennial certificate. The Board believes the CPD program will increase consumer confidence in the industry.

In June 2007, the Education Committee submitted a finalised draft CPD model to the Board. The Board approved the CPD Guide, and this will be forwarded to the Minister for consideration and approval of drafting the amendments to the Regulations to allow CPD to proceed from 1 January 2008.



## **Financial reporting requirements**

The new policy on financial reporting in relation to licensing, aimed at improving the quality and meaningfulness of the financial information received from settlement agents, came into effect during the reporting period.

The policy – *Guidelines for analysing financial statements of settlement agents* (“Guidelines”) – sets out the financial information that a settlement agent must provide when applying for a licence, and when applying to renew their triennial certificate. The Guidelines also outline the performance indicators and financial data that are analysed as part of the licence application process.

More information is available on the SASB website under ‘For Agents’. This section of the website includes a link to the Guidelines, a summary of what financial data is required and provides financial statement templates for a sole trader, partnership, company or trust. Visit [www.sasb.wa.gov.au](http://www.sasb.wa.gov.au) to view.

## **Goods and Services Tax**

A significant issue the Board addressed during the reporting period was settlement agents dealing with GST. The Board published two articles in its *Settlement Agents News* regarding GST: GST on disbursements; and an in-depth article on settlements agents dealing with GST.

## **Conflict of interest**

Complaints lodged with the Board during the year indicated that conflict of interest continues to be an ongoing issue for agents. The Board issued a further reminder to industry about acting for both parties in a settlement transaction. While an agent may carry out a settlement for a buyer and a seller, the agent must obtain the consent of both parties. This consent must be given in writing, prior to the agent commencing the settlement. The Board restated the relevant provisions of the Act and Code of Conduct that must be adhered to when acting on behalf of both the seller and buyer in a settlement.

A conflict of interest may arise when a party seeks to withdraw from the contract, or challenges a condition of the contract. Given the potential for problems to arise out of such arrangements, the Board advised agents to carefully consider the level of risk before agreeing to act for both parties.

The Board highlighted the issue with a detailed article published in the Autumn issue of the *Settlement Agents News*.

## **Unlicensed settlement activity**

Section 26 of the Act provides that in order to carry on a settlement business, a person must be licensed and hold a current triennial certificate. The Board continues to be concerned, and remains on the alert, about the number of real estate transactions that are being settled by unlicensed people on behalf of other people.

## **Reward for referrals**

The Board remains vigilant to eliminate the practice of settlement agents rewarding real estate agents for referring business to them; what is commonly referred to as a “kickback”. Section 44 of the Act, and in particular subsection (8), provides that a licensee shall not, whether directly or indirectly, pay or give any reward to any person referring to the licensee any business involving the performance of the functions of a settlement agent. In simple terms, it prohibits the payment of a kickback for referral of work to a settlement agent.



The Board has over the years issued warnings to the industry about rewards for referral and will continue to investigate matters where agent's conduct is of concern. The Board brought disciplinary proceedings against Strand Settlements, which were heard by the State Administrative Tribunal, with written reasons published in July 2006. In that matter the SAT considered the conduct to be a serious breach and imposed a heavy fine.

Furthermore, real estate agents who receive a reward for referring work to settlement agents breach section 44(7) of the Act and may also be subject to a maximum fine of \$20,000.

## **SECTION TWO**

# **Report on services**

**The Board outlines yearly objectives and aims to deliver effectively and consistently on all its services.**

## Service 1 Licensing

### Strategic objectives

The Board's 2006-2007 reporting period objectives are:

- administer the scheme of licensing in accordance with the Act;
- assess the fitness<sup>1</sup> of people entering the industry and of those applying to renew their triennial certificates; and
- audit the computer databases to ensure the information recorded is accurate.

### Performance

In 2006-2007 the Board was able to achieve the following outcomes:

- 50 applications for new settlement agent licences processed;
- 266 applications for triennial certificate renewal processed;
- 100 per cent of applications acknowledged within five days of receipt;
- 100 per cent of new licence applicants advised of the outcome of their application within eight days of a Board decision; and
- 100 per cent of agents applying to renew their triennial certificate advised of the outcome of their application within five days of a Board decision.

### Overview

All settlement agents require a licence as well as a current triennial certificate in order to carry on business in Western Australia. The licence issued by the Board is continuous, while the triennial certificate must be renewed every three years.

The Board assesses licence applications to ensure that only suitably qualified people enter the industry as settlement agents. To create high standards of practice and behaviour in the industry, uniform minimum standards of competency apply.

### Current settlement agent fees

The fee for a new licence application for an individual, including a \$150 payment to the Fidelity Guarantee Account, totals \$580. The fee for a new licence application for a partnership, firm or body corporate, including a \$150 payment to the Fidelity Guarantee Account, is \$760.

The fee for renewal of a triennial certificate is \$375 for individuals, partnerships and corporate bodies. At the end of the reporting period, there were 636 active real estate settlement agents and 50 active business settlement agents who hold a licence and current triennial certificate.

<sup>1</sup> The Act stipulates that to hold an agents licence [section 27(1)(b)] the successful applicant must be "...a person of good character and repute and a fit and proper person" to be involved with the business of any agency. The Board considers a number of factors in reviewing the character, repute and suitability of an applicant.

## **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 \$190. This puts their licence on hold for a period of three years. At the end of the reporting period, 50 real estate settlement agents and six business settlement agents had their licence on hold.

## **Licensing kit**

The Board produces a licensing kit that provides information for new licence holders. The kit contains information on setting up a trust account, auditing processes, and an agent's obligation to notify the Board when changing their details. Information is also provided on how agents may obtain additional training to update their skills and knowledge. The licensing kit provides information for agents in other states and territories of Australia who are seeking a Western Australian licence under the *Mutual Recognition (Western Australia) Act 2001* and the *Mutual Recognition Act 1992 (Cth)*.

## Service 2 Compliance

### Strategic objectives

In 2006-2007, the Board strived to meet the following objectives:

- that agents comply with the requirements of the Act and the Code of Conduct;
- delivery of ethical and professional services by the settlement industry;
- that complaints are investigated promptly and dealt with by the Board in a timely manner;
- that audit reports are received on time and not qualified;
- prompt action taken against agents who fail to comply with the requirements of the Act and the Code of Conduct; and
- that in appropriate cases the Board commence proceedings before the SAT or other appropriate court or tribunal.

### Performance

In 2006-2007 the Board was able to achieve the following outcomes:

#### General compliance

- 79 investigations initiated;
- 57 investigations completed (on average 131.4 days);
- 100 per cent of investigations acknowledged within five days (on average 1.7 days);
- 82.3 per cent of investigations commenced within 14 days (on average 10.7 days);

#### Financial compliance

- 52 qualified audit investigations were initiated;
- 51 investigations into qualified audits completed (on average 74.9 days);
- 100 per cent of qualified audit investigations commenced within 14 days (on average 0.7 days);
- 28 trust account investigations initiated;
- 25 trust account investigations completed (on average 64.8 days); and
- 96.4 per cent of trust account investigations commenced within 14 days (on average 2.9 days).



## General Compliance

The Board's inspectors have powers of investigation, which they may exercise for the purpose of determining whether a settlement agent is complying with the requirements of the Act, the Code of Conduct and any conditions of their licence. These powers of investigation may also be used to determine whether any other cause exists to render an agent unfit to hold a licence.

When the Board receives a complaint, or the matter is otherwise brought to its attention, the Registrar will determine whether it requires investigation. If the preliminary assessment identifies sufficient cause for concern, then the Registrar may issue a direction for a formal investigation to proceed.

Where the Registrar directs a formal investigation into a complaint, an inspector will seek further information from the agent concerned, and any other relevant person. At the conclusion of an investigation the Board may take one or more of a range of actions.

This year there was a significant increase in the number of new investigations commenced into the conduct of agents. In 2006-2007 the Board commenced 80 investigations, compared to 51 in the previous reporting period.

Where an investigation or inquiry reveals evidence of non-compliance with the Act or Code of Conduct, the result will not always be disciplinary proceedings. Depending on the circumstances, the Registrar may decide to issue an educational letter or an administrative warning. In 2006-2007, the Registrar issued 12 administrative warning letters and 11 educational letters.

If there is sufficient evidence of a breach, and it is in the public interest, the Registrar will recommend that the Board commence proceedings against the agent in the SAT or Magistrates Court. Factors such as, the nature of the conduct, prior history of compliance with the Act, and the strength of the evidence available will be taken into consideration. In this reporting period, the Board commenced four proceedings in the SAT. Two matters commenced in the previous reporting period of 2005-06 were completed during the year.

Two of the proceedings commenced by the Board in this reporting period remain outstanding and have been carried over to be finalised during the next reporting period.

## 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 the Board, by 30 September each year, an audit report of the agent's trust accounts. The Board treats all qualified audit reports as a priority issue.

Apart from qualified audit reports being received from auditors, there are three main ways that non-compliance with the trust account provisions can come to the attention of the Board:

- during an investigation into general compliance issues the investigator may identify potential breaches relating to the trust accounts;
- complaints may be received directly relating to an agent's operation of their trust account;
- financial institutions notifying the Board when a trust account becomes overdrawn.

During 2006-2007, the Board initiated 52 investigations into qualified audit reports compared to 34 from the previous reporting period. Although the Board is concerned about the number of audits that are qualified, it believes that to some extent this is a consequence of auditors becoming increasingly aware of the expectations of the Board regarding auditing agents trust accounts. This has resulted in audits being qualified for matters that are not considered significant, such as: clerical or titling errors so that the agent's triennial certificate number or trading name have not been included; reconciliations completed but some done a few days late or not signed and dated; or trust accounts overdrawn by very small amounts such as a few cents or dollars. This increased awareness can be attributed to the education program and industry seminars run by the Board, and the publication of the Trust Account Manual for Auditors.

There were also 28 trust account investigations initiated in 2006-2007 compared to 23 from the previous reporting period.

## Service 3 Education and awareness

### Strategic objectives

The Board endeavoured to meet the following education and awareness objectives in 2006-2007:

- conduct visits to settlement agencies that have not received a visit for three years;
- provide education seminars to assist agents to comply with the Act and the Code of Conduct;
- provide a counter information service to members of the public and industry;
- provide a telephone information service to members of the public and industry;
- conduct four home buyers seminars;
- support and fund education programs for members of the public and for the professional development of agents; and
- develop educational material, including brochures and guides, for distribution to members of the public and industry.

### Performance

In 2006-2007 the Board was able to achieve the following outcomes:

- 117 proactive compliance visits of settlement agencies across Western Australia;
- 13 education seminars delivered for agents on various topics covering different requirements of the Act and the Code of Conduct; and
- four homebuyer seminars conducted jointly with the Real Estate and Business Agents Supervisory Board.

### Overview

#### Proactive compliance

The Board 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 the settlement industry. The Board's proactive compliance officers visit agencies to provide advice and examine the level of adherence to legislative requirements. Participation by agents is voluntary. This financial year, the Board conducted 117 proactive visits to agencies, a 27 per cent decrease from the 162 agencies visited in 2005-2006. This is due to all agents having received multiple proactive visits in the past eight years. Focus is now on new agents and those considered of higher risk (eg having received a qualified audit report). The proactive visit checklist has been extended and more files are reviewed at each visit.

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

- employment records and comparing these with the Board Register;
- stamp duty remittance on transactions where an agent undertakes self-assessment of stamp duty;
- whether correspondence and documents conform to the Act;
- whether agents are exercising control over the issue and signing of trust cheques;
- the correct timing of the drawing of the agent's fees;
- the agency has up-to-date copies of legislative requirements; and
- the agent in *bona fide* control is proficient in performing bank reconciliations.

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

### **Changes to educational qualification**

During 2006/2007 the Board undertook a review of the education qualifications for the grant of a settlement agents licence.

The existing qualifications were based on seven core competencies from the National competency based Diploma of Conveyancing and the Advanced Diploma of Conveyancing courses. After consultation with the peak industry bodies the Board resolved that all new applicants for a licence would be required to complete the full Diploma of Conveyancing and the additional 2 competencies from the Advanced Diploma of Conveyancing. Transitional arrangements were put in place to allow those people who had completed the seven core competencies to gain the required 2 years practical experience before applying for a licence.

The Board believes that the new educational qualifications for grant of a licence will afford greater confidence to consumers dealing with settlement agents. It will also ensure that settlement agents are better informed about modern business practices.

### **Trust account training for new licensees**

The Board has a requirement that new settlement agents attend a trust account seminar within six months of their licence being granted.

### **Information services**

Under the Service Delivery Agreement with DOCEP, the Board obtains advice line services through DOCEP. In 2006-2007, the Advice Line received 6596 telephone enquiries from the public seeking information on settlement matters. Of the telephone enquiries received, 79.6 per cent were answered within 90 seconds. Main areas of enquiry relate to matters such as settlement delay, fees, disbursements and utilities, and conflict of interest.

In addition, the Board's counter service in 2006-2007 received 32 enquiries on settlement matters. Of these enquiries, 98.5 per cent were handled within ten minutes.



## Education Advisory Committee

The role of the Board's Education Advisory Committee is to advise it on education initiatives and priorities. The Committee is comprised of the following members:

- Ms Valerie Haskins – Board member;
- Mr Geoff Couper – Board Registrar;
- Ms Jill Nelson-Coulon - Australian Institute of Conveyancers WA Division Inc; and
- Ms Liz Reiss - Independent Settlement Agents Association.

In 2006-2007, the Committee met 10 times and considered the following matters:

- the development of the Compulsory Professional Development program for settlement agents;
- educational funding;
- change in qualifications for grant of a licence;
- Office of State Revenue best practice guidelines; and
- GST.

The most significant issue for the Education Advisory Committee was the development of the Compulsory Professional Development model for the settlement industry. The draft model was finalised and submitted to the last Board meeting of the reporting period. The Board approved the draft CPD model and will proceed with a request to the Minister that the Regulations be amended to support the introduction of CPD from 1 January 2008.

## Settlement Agents News

To provide information to settlement industry members and other people who have expressed an interest in receiving information, the Board produces a quarterly newsletter, the *Settlement Agents News*. The newsletter includes information on industry practice issues, case studies from the Board's disciplinary proceedings and legislative amendments. It is mailed to all licensees, auditors and those people who have requested a copy, and can also be downloaded from the Board's website.

## Website

The Board's website at [www.sasb.wa.gov.au](http://www.sasb.wa.gov.au) is a significant resource, and assists it to carry out its statutory functions. The website contains a range of information for industry and members of the public. It provides downloadable copies of all the Board's publications, decisions arising out of disciplinary proceedings, information on services available through the Board, and access to electronic copies of settlement legislation.

New material continues to be added to the website on a regular basis. The website has a searchable *Index of Articles* from the *Settlement Agent News*, which lists topics, descriptions, references to Acts, and links to published articles. The index has proved to be a useful resource for anyone seeking information on a particular topic.

The website is integral to the Board's commitment to conduct and promote education and provide advisory service for industry members, and the public.



## **Complaint handling guidelines**

As part of a proactive strategy to improve the awareness of effective complaint handling procedures, the Board produces a publication titled *Complaint handling guidelines for the settlement and real estate industries*. This publication is produced jointly with the Real Estate and Business Agents Supervisory Board.

The publication presents general recommendations that are considered essential for the agencies managing complaints made directly to them about their services. The publication provides guidance to agencies developing or reviewing their internal complaint handling procedures. It sets out the steps required to implement a complaint handling procedure that ensures complainants are dealt with fairly and courteously.

## **Conveyancing Guide**

The Board continues to produce the *Conveyancing guide: A guide for licensed settlement agents in Western Australia*. This is a joint educational initiative with the Australian Institute of Conveyancers (WA Division Inc). The Guide encourages best practice in the settlement industry, and is currently being reviewed and updated.

## **Publications**

The Board produces three fact sheets, which provide important information to both industry and members of the public on topical issues relevant to real estate property settlement transactions. These publications are:

- *Property settlement;*
- *Choosing a settlement agent; and*
- *Licensing of settlement agents.*

## Service 4 Fidelity Guarantee Account

### Strategic objectives

The purpose of the Fidelity Guarantee Account ("Fidelity Account") is to provide financial reimbursement to people who suffer pecuniary loss or loss of property through the criminal or fraudulent actions of a licensed real estate settlement agent or business settlement agent in the course of a settlement transaction. This also applies to the actions of an agent's employees.

### Performance

In 2006-2007 the Board was able to achieve the following outcomes:

- 9 claims lodged against the Fidelity Account;
- 36 claims finalised;
- 100 per cent of claims acknowledged within five days; and
- 100 per cent of claim assessments commenced within 14 days.

### Overview

The Fidelity Account is financed through contributions from agents, interest on agents' trust accounts, and interest generated on the Fidelity Account. The Fidelity Account is kept at Treasury, forming part of the Trust Fund constituted under section 8 of the *Financial Management Act 2006*. Money standing to the credit of the Fidelity Account is invested with Treasury, and income derived from this is credited to the Fidelity Account.

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 a licensed settlement agent or their employee;
- the agent is licensed; and
- the loss occurred in relation to a settlement transaction.

## Fidelity Account claims lodged

| Financial year   | 2002-2003 | 2003-2004 | 2004-2005 | 2005-2006 | 2006-2007 |
|------------------|-----------|-----------|-----------|-----------|-----------|
| Number of claims | 1         | 1         | 155       | 19        | 9         |

There were 9 claims lodged against the Fidelity Account in 2006-2007, which is a decrease from claims lodged in the previous reporting period. The majority of claims lodged in 2006-2007, as for the previous reporting period, were in relation to the Brulee Pty Ltd matter.

The Board publishes an information bulletin/guide designed to assist claimants in completing the form. The bulletin was updated in April 2007. It is available on the SASB website [www.sasb.wa.gov.au](http://www.sasb.wa.gov.au) and contains information about the Fidelity Account, who is eligible to make a claim and what the claim process is.

# Auditor General's opinion



## AUDITOR GENERAL

### INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

### SETTLEMENT AGENTS SUPERVISORY BOARD FINANCIAL STATEMENTS AND KEY PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2007

I have audited the accounts, financial statements, controls and key performance indicators of the Settlement Agents Supervisory Board.

The financial statements comprise the Balance Sheet as at 30 June 2007, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, a summary of significant accounting policies and other explanatory Notes.

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

#### Board's Responsibility for the Financial Statements and Key Performance Indicators

The Board is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions, and the key performance indicators. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and key performance indicators that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances; and complying with the Financial Management Act 2006 and other relevant written law.

#### Summary of my Role

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements, controls and key performance indicators based on my audit. This was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. Further information on my audit approach is provided in my audit practice statement. Refer "<http://www.audit.wa.gov.au/pubs/Audit-Practice-Statement.pdf>".

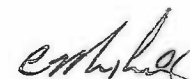
An audit does not guarantee that every amount and disclosure in the financial statements and key performance indicators is error free. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions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

**Settlement Agents Supervisory Board**  
**Financial Statements and Key Performance Indicators for the year ended 30 June 2007**

**Audit Opinion**

In my opinion,

- (i) the financial statements are based on proper accounts and present fairly the financial position of the Settlement Agents Supervisory Board at 30 June 2007 and its financial performance and cash flows for the year ended on that date. They are in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions;
- (ii) the controls exercised by the Board provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (iii) the key performance indicators of the Board are relevant and appropriate to help users assess the Board's performance and fairly represent the indicated performance for the year ended 30 June 2007.

  
COLIN MURPHY  
AUDITOR GENERAL  
23 August 2007



# **SECTION THREE**

## **Performance indicators**

## Certification of performance indicators

### PERFORMANCE INDICATORS 2006/2007 CERTIFICATION

We hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Settlement Agents Supervisory Board's performance, and fairly represent the performance of the Settlement Agents Supervisory Board for the financial year ended 30 June 2007.



David Taylor  
Chairman



Rod Lane  
Member



Carolyn Allanson  
Chief Finance Officer

Dated: 16 August 2007

## Performance indicators

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### Statutory role of the Board

The Board acts in the public interest as the supervisory authority for settlement agents in Western Australia. The statutory function required of the Board is to regulate the manner in which settlement agents conduct themselves when entering into or assisting in settlement transactions.

### Outcome

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

**The people of Western Australia, both the industry and the public, have confidence in the settlement industry.**

### Effectiveness indicator

*The extent to which settlement agents comply with the requirements of the Settlement Agents Act 1981 in relation to the management of their trust accounts.*

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

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

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

### Measure

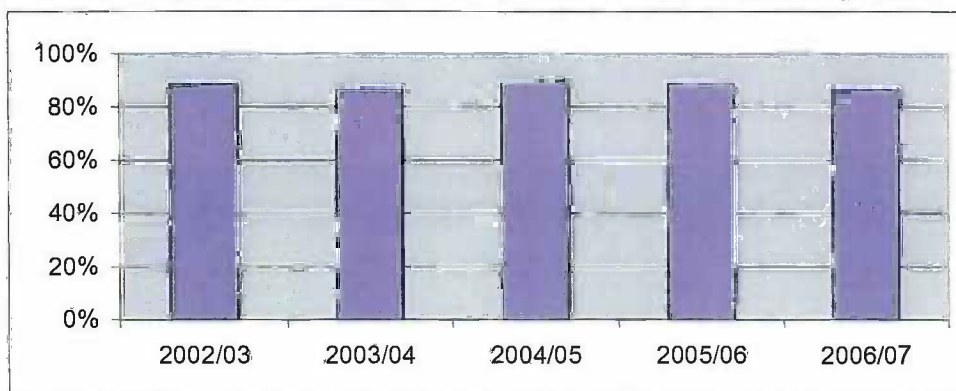
The proportion of settlement agents that submit an unqualified audit or a statutory declaration.

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

## Data

|  | 2002/03 | 2003/04 | 2004/05 | 2005/06 | 2006/07 |
|--|---------|---------|---------|---------|---------|
| <b>Audit Reports - Not Qualified</b>                                     | 231     | 229     | 240     | 256     | 242     |
| <b>Audit Reports - Qualified</b>   | 39      | 45      | 38      | 39      | 54      |
| <b>Statutory Declarations</b>  | 96      | 100     | 90      | 100     | 111     |
| <b>No Report</b>   | 3       | 4       | 0       | 5       | 0       |
| <b>Total agents</b>  | 369     | 378     | 368     | 400     | 407     |
| <b>% of agents submitting unqualified audit or statutory declaration</b> | 88.62%  | 87.04%  | 89.67%  | 89%     | 86.73%  |

**Percent of agents submitting an unqualified audit or statutory declaration**



### Notes to the indicator

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

The Board places significant reliance on audit reports to ensure that agents maintain their trust accounts in accordance with the statutory requirements. Since 2001-2002 the Board has maintained a 'no tolerance' policy towards agents who fail to comply with the trust account auditing provisions of the Act. Where appropriate, the Board will commence proceedings before the State Administrative Tribunal alleging that there is proper cause for disciplinary action regarding an agent's conduct. Where it is found that there is proper cause for disciplinary action against the agent then sanctions may be imposed, which include a reprimand, a fine, suspension or cancellation of the agent's licence.

This year there are 7 more active agents than last year, with 13 less unqualified audits and 15 more qualified audits. The proportion of settlement agents submitting unqualified audits or statutory declarations has decreased this year with a 2.27% shift, from 89% to 86.73%.

Although the Board is concerned about the number of audits that are qualified, it believes that to some extent this is a consequence of auditors becoming increasingly aware of the expectations of the Board regarding auditing agents trust accounts. This has resulted in audits being qualified for matters that are not considered significant, such as: clerical or titling errors so that the agent's triennial certificate number or trading name have not been included; reconciliations completed but done a few days late or not signed and dated; or trust accounts overdrawn by very small amounts such as a few cents or dollars.

This increased awareness can be attributed to the education program and industry seminars run by the Board, and the publication of the Trust Account Manual for Auditors.

## Key service

The key service provided by the Board is **regulation** of the settlement industry through the discharge of the Board's statutory functions.

The Board undertakes a range of activities to ensure both agents and the public are aware of their rights and responsibilities, licences settlement agents, takes action to ensure compliance with the Act, and administers the Fidelity Guarantee Account.

## Efficiency indicator

*The average cost per licensed agent, of regulating the settlement industry.*

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

## Measure

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

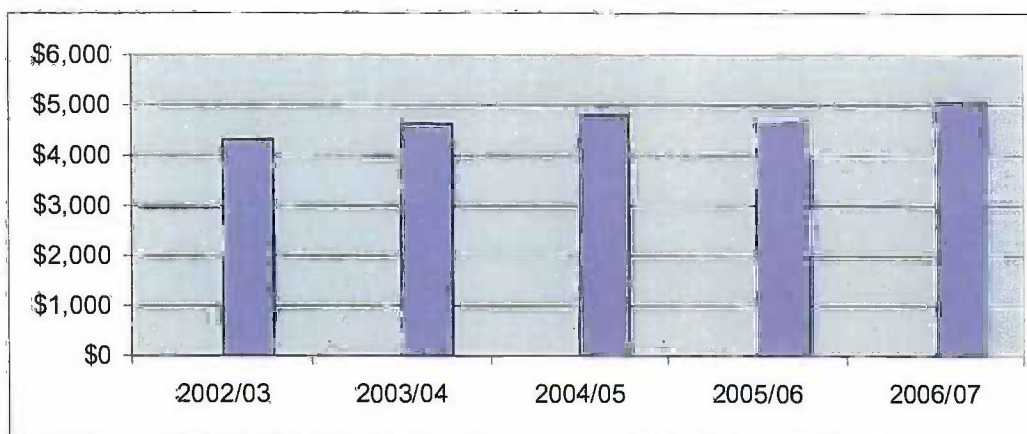
## Data

|                              | 2002/03     | 2003/04     | 2004/05     | 2005/06     | 2006/07     |
|------------------------------|-------------|-------------|-------------|-------------|-------------|
| Annual cost*                 | \$1 593 368 | \$1 752 982 | \$1 767 611 | \$1 879 515 | \$2 060 772 |
| Active licensed agents       | 369         | 378         | 368         | 400         | 407         |
| Cost paid per agent per year | \$4318.07   | \$4637.51   | \$4803.29   | \$4698.79   | \$5063.32   |

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



### Average cost per licensed agent of regulating the settlement industry



### Notes to the indicator

The efficiency indicator is based on the cost of delivering the service per each active licensed settlement agent. In the 2006-2007 financial year a total of \$2,060,772 was expended on regulating an industry with 407 active licensed agents.

This year has seen the average cost of regulating the settlement industry for each licensed agent increase marginally. Although the annual cost of services has increased, attributable to the whole of government increase in salaries impacting on the cost of the service delivery agreement, the cost per licensed agent has increased only marginally. The Board has expended greater funds, through an education funding tender, for educating industry participants.

The Board remains committed to ensuring the community of Western Australia has confidence in the settlement industry, and will allocate sufficient resources to meet the expectations and demands of the community.

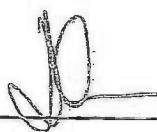
# **SECTION FOUR**

## **Financial statements**

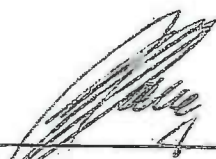
## Certification of financial statements

The accompanying financial statements of the Settlement Agents Supervisory Board have been prepared in accordance with the provisions of the *Financial Management Act 2006* from proper accounts and records and to present fairly the financial transactions for the year ending 30 June 2007 and the financial position at 30 June 2007.

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.

A handwritten signature in black ink, appearing to be 'DT', is written over a horizontal line.

David Taylor  
Chairman

A handwritten signature in black ink, appearing to be 'Rod Lane', is written over a horizontal line.

Rod Lane  
Member

A handwritten signature in black ink, appearing to be 'Carolyn Allanson', is written over a horizontal line.

Carolyn Allanson  
Chief Finance Officer

Dated: 16 August 2007

# Financial statements

## SETTLEMENT AGENTS SUPERVISORY BOARD

### INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

|   | Note | 2007<br>\$       | 2006<br>\$       |
|---|------|------------------|------------------|
| <b>INCOME</b>                                   |      |                  |                  |
| <i>Revenue</i>                                  |      |                  |                  |
| Agents trust account interest                   |      | 6,421,651        | 5,727,273        |
| Licence revenue                                 | 4.   | 84,262           | 73,378           |
| Contributions to the Fidelity Guarantee Account |      | 41,100           | 31,395           |
| Fines and costs                                 |      | 44,609           | 22,131           |
| Interest revenue                                |      | 1,697,480        | 1,262,388        |
| Other revenues                                  | 5.   | 6,786            | 2,287            |
| <i>Gains</i>                                    |      |                  |                  |
| Gains on disposal of non-current assets         | 6.   | 0                | 9                |
| <b>Total Income</b>                             |      | <b>8,295,888</b> | <b>7,118,861</b> |
| <b>EXPENSES</b>                                 |      |                  |                  |
| <i>Expenses</i>                                 |      |                  |                  |
| Employee benefits expense                       | 7.   | 386,580          | 326,088          |
| Board fees                                      |      | 41,813           | 46,309           |
| Supplies and services                           | 8.   | 1,526,350        | 1,416,717        |
| Depreciation and amortisation expense           | 9.   | 19,196           | 29,152           |
| Accommodation expenses                          | 10.  | 2,272            | 0                |
| Grants  | 11.  | 55,283           | 35,236           |
| Fidelity payments                               |      | 22,444           | 1,063,701        |
| Other expenses                                  | 12.  | 29,278           | 26,013           |
| <b>Total Expenses</b>                           |      | <b>2,083,216</b> | <b>2,943,216</b> |
| <b>Profit for the period</b>                    |      | <b>6,212,672</b> | <b>4,175,645</b> |

The Income Statement should be read in conjunction with the accompanying notes.



# SETTLEMENT AGENTS SUPERVISORY BOARD

## BALANCE SHEET AS AT 30 JUNE 2007

|                                       | Note | 2007<br>\$        | 2006<br>\$        |
|---------------------------------------|------|-------------------|-------------------|
| <b>ASSETS</b>                         |      |                   |                   |
| <b>Current Assets</b>                 |      |                   |                   |
| Cash and cash equivalents             | 20.  | 15,037,281        | 11,762,396        |
| Restricted cash and cash equivalents  | 20.  | 15,942,765        | 13,105,236        |
| Accrued agents trust account interest |      | 587,734           | 566,128           |
| Accrued investment interest           |      | 454,611           | 319,298           |
| Receivables                           | 13.  | 3,009             | 5,125             |
| <b>Total Current Assets</b>           |      | <u>32,025,400</u> | <u>25,758,183</u> |
| <b>Non Current Assets</b>             |      |                   |                   |
| Property, plant and equipment         | 14.  | 49,562            | 20,883            |
| Intangible Assets                     | 15.  | 0                 | 0                 |
| <b>Total Non-Current Assets</b>       |      | <u>49,562</u>     | <u>20,883</u>     |
| <b>TOTAL ASSETS</b>                   |      | <u>32,074,962</u> | <u>25,779,066</u> |
| <b>LIABILITIES</b>                    |      |                   |                   |
| <b>Current Liabilities</b>            |      |                   |                   |
| Payables                              | 17.  | 156,309           | 37,261            |
| Provisions                            | 18.  | 45,148            | 34,432            |
| Licence revenue received in advance   | 4.   | 79,445            | 60,338            |
| Other current liabilities             | 19.  | 35,087            | 134,354           |
| <b>Total Current Liabilities</b>      |      | <u>315,989</u>    | <u>266,385</u>    |
| <b>Non Current Liabilities</b>        |      |                   |                   |
| Licence revenue received in advance   | 4.   | 72,527            | 48,815            |
| Provisions                            | 18.  | 25,583            | 15,675            |
| <b>Total Non Current Liabilities</b>  |      | <u>98,110</u>     | <u>64,490</u>     |
| <b>Total Liabilities</b>              |      | <u>414,099</u>    | <u>330,875</u>    |
| <b>NET ASSETS</b>                     |      | <u>31,660,863</u> | <u>25,448,191</u> |
| <b>EQUITY</b>                         |      |                   |                   |
| Retained earnings                     |      | 31,660,863        | 25,448,191        |
| <b>TOTAL EQUITY</b>                   |      | <u>31,660,863</u> | <u>25,448,191</u> |

The Balance Sheet should be read in conjunction with the accompanying notes.





# SETTLEMENT AGENTS SUPERVISORY BOARD

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2007

|  | Note | 2007<br>\$        | 2006<br>\$        |
|--|------|-------------------|-------------------|
| <b>Balance of equity at start of period</b>            |      | <u>25,448,191</u> | <u>21,272,546</u> |
| <b>RETAINED EARNINGS</b>                               |      |                   |                   |
| Balance at start of period                             |      | 25,448,191        | 21,272,546        |
| Profit for the period                                  |      | 6,212,672         | 4,175,645         |
| Balance at end of period                               |      | <u>31,660,863</u> | <u>25,448,191</u> |
| <b>Balance of equity at end of period</b>              |      | <u>31,660,863</u> | <u>25,448,191</u> |
|  |      |                   |                   |
| Total income and expense for the period <sup>(a)</sup> |      | 6,212,672         | 4,175,645         |

(a) The aggregate net amount attributed to each category of equity is: surplus \$6,212,672 (2006: surplus \$4,175,645).

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.



# SETTLEMENT AGENTS SUPERVISORY BOARD

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

|   | Note       | 2007<br>\$               | 2006<br>\$               |
|---|------------|--------------------------|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |            |                          |                          |
| <b>Receipts</b>   |            |                          |                          |
| Agents trust account interest received                          |            | 6,400,046                | 5,588,173                |
| Bank and investment interest received                           |            | 1,562,167                | 1,031,869                |
| Licence receipts  |            | 127,080                  | 76,803                   |
| Contributions paid into the Fidelity Guarantee Account          |            | 41,100                   | 31,395                   |
| GST receipts on sales   |            | 976                      | 158                      |
| GST receipts from ATO   |            | 34,186                   | 18,180                   |
| Other receipts  |            | 51,395                   | 123,323                  |
| <b>Payments</b>   |            |                          |                          |
| Employee benefits   |            | (365,956)                | (327,642)                |
| Supplies and services   |            | (1,597,251)              | (2,531,480)              |
| GST payments on purchases                                       |            | (38,171)                 | (20,188)                 |
| Grants  |            | (55,283)                 | (35,236)                 |
| <b>Net cash provided by operating activities</b>                | <b>20.</b> | <u>6,160,289</u>         | <u>3,955,355</u>         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |            |                          |                          |
| Proceeds from sale of non current physical assets               |            | 0                        | 9                        |
| Purchase of non current physical assets                         |            | (47,876)                 | (9,220)                  |
| <b>Net cash (used in) investing activities</b>                  |            | <u>(47,876)</u>          | <u>(9,211)</u>           |
| <b>Net increase in cash and cash equivalents</b>                |            | 6,112,413                | 3,946,144                |
| Cash and cash equivalents at the beginning of period            |            | 24,867,633               | 20,921,489               |
| <b>CASH AND CASH EQUIVALENT ASSETS<br/>AT THE END OF PERIOD</b> | <b>20.</b> | <u><u>30,980,046</u></u> | <u><u>24,867,633</u></u> |

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



# SETTLEMENT AGENTS SUPERVISORY BOARD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

### **1. Australian equivalents to International Financial Reporting Standards**

#### **General**

The Board's financial statements for the year ending 30 June 2007 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprises a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Interpretations).

In preparing these financial statements the Board has adopted, where relevant to its operations, new and revised Standards and Interpretations from their operative dates as issued by the AASB and formerly the Urgent Issues Group (UIG).

#### **Early adoption of standards**

The Board cannot early adopt an Australian Accounting Standard or Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. No Standards and Interpretations that have been issued or amended but are not yet effective have been early adopted by the Board for the annual reporting period ending 30 June 2007.

### **2. Summary of significant accounting policies**

#### ***(a) General Statement***

The financial statements constitute a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording.

The Financial Management Act and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Where modification is required and has a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

#### ***(b) Basis of Preparation***

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

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar (unless otherwise stated).

There have been no judgements made in the process of applying the Board's accounting policies that have significant effect on the amounts recognised in the financial statements.

#### ***(c) Reporting Entity***

The reporting entity comprises only the Board and there are no related bodies.



## SETTLEMENT AGENTS SUPERVISORY BOARD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

#### **(d) Income**

##### **Revenue Recognition**

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised for major business activities as follows:

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

Interest revenue is recognised as the interest accrues.

#### **Gains**

Gains may be realised or unrealised and are usually recognised on a net basis. These include gains arising on the disposal of non current assets.

#### **(e) Property, Plant and Equipment**

##### **Capitalisation/Expensing of assets**

Items of property, plant and equipment costing \$1,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment costing less than \$1,000 are expensed direct to the Income Statement (other than where they form part of a group of similar items which are significant in total).

##### **Initial recognition and measurement**

All items of property, plant and equipment are initially recognised at cost.

For items of property, plant and equipment acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

##### **Subsequent measurement**

After recognition as an asset the Board uses the cost model with all items of property, plant and equipment carried at cost less accumulated depreciation and accumulated impairment losses.

##### **Depreciation**

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

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

|                         |         |
|-------------------------|---------|
| Computers and equipment | 3 years |
|-------------------------|---------|

#### **(f) Intangible Assets**

##### **Capitalisation/Expensing of assets**

Acquisitions of intangible assets costing \$1,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful life. Costs incurred of less than \$1,000 are immediately expensed directly to the Income Statement.

All intangible assets are initially measured at cost. For assets acquired at no cost or for nominal cost, cost is their fair value at the date of acquisition.



## SETTLEMENT AGENTS SUPERVISORY BOARD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life) on the straight line basis using rates which are reviewed annually. All intangible assets controlled by the Board have a finite useful life and zero residual value. The expected useful lives for each class of intangible asset are:

|                |              |
|----------------|--------------|
| REMIS software | 5 years      |
| Software       | 3 to 5 years |

#### *Computer Software*

Software that is an integral part of the related hardware is treated as property, plant and equipment. Software that is not an integral part of the related hardware is treated as an intangible asset. Software costing less than \$1,000 is expensed in the year of acquisition.

#### *Web site costs*

Web site costs are charged as expenses when they are incurred unless they relate to the acquisition or development of an asset when they may be capitalised and amortised. Generally, costs in relation to feasibility studies during the planning phase of a web site, and ongoing costs of maintenance during the operating phase are expensed. Costs incurred in building or enhancing a web site, to the extent that they represent probable future economic benefits that can be reliably measured, are capitalised.

#### **(g) Impairment of Assets**

Property, plant and equipment and intangible assets are tested for any indication of impairment at each balance sheet date. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is written down to the recoverable amount and an impairment loss is recognised. As the Board is a not for profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at each balance sheet date irrespective of whether there is any indication of impairment.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at each balance sheet date.

See note 16. 'Impairment of assets' for the outcome of impairment reviews and testing.





# SETTLEMENT AGENTS SUPERVISORY BOARD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

### **(h) Leases**

The Board has entered into a number of operating lease arrangements for the rent of vehicles where the lessor effectively retains all of the risks and benefits incidental to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the Income Statement over the lease term as this is representative of the pattern of benefits to be derived from the use of these.

### **(i) Financial instruments**

The Board has two categories of financial instrument:

- Receivables (cash and cash equivalents, receivables); and
- Non-trading financial liabilities (payables).

Initial recognition and measurement is at fair value. The transaction cost or the face value is equivalent to the fair value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

### **(j) Cash and cash equivalents**

For the purpose of the Cash Flow Statement, cash and cash equivalents includes restricted cash and cash equivalents. These include cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

### **(k) Receivables**

Receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Board will not be able to collect its debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

### **(l) Payables**

Payables are recognised when the Board becomes obliged to make future payments as a result of a purchase of assets or services at the amounts payable. The carrying amount is equivalent to fair value, as they are generally settled within 30 days.

### **(m) Provisions**

Provisions are liabilities of uncertain timing and amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date.

#### **(i) Provisions - Employee Benefits**

##### ***Annual Leave and Long Service Leave***

The liability for annual and long service leave expected to be settled within 12 months after the end of the balance sheet date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Annual and long service leave expected to be settled more than 12 months after the end of the balance sheet date is measured at the present value of amounts expected to be paid when the liabilities are settled. Leave liabilities are in respect of services provided by employees up to the balance sheet date.



# SETTLEMENT AGENTS SUPERVISORY BOARD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

When assessing expected future payments consideration is given to expected future wage and salary levels including non salary components such as employer superannuation contributions. In addition, the long service leave liability also considers the experience of employee departures and periods of service.

The expected future payments are discounted to present value using market yields at the balance sheet date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

All annual leave and unconditional long service leave provisions are classified as current liabilities as the Board does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### *Superannuation*

The Government Employees Superannuation Board (GESB) administers the following superannuation schemes.

Employees may contribute to the Pension Scheme, a defined benefit pension scheme now closed to new members, or to the Gold State Superannuation (GSS) Scheme, a defined benefit lump sum scheme also closed to new members. Employees commencing employment prior to 16 April 2007 who are not members of the Pension or the GSS schemes became non contributory members of the West State Superannuation (WSS) Scheme. Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). Both of these schemes are accumulation schemes. The Board makes concurrent contributions to GESB on behalf of employees in compliance with the with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. These contributions extinguish the liability for superannuation charges in respect of the WSS and GESB Schemes.

The Pension Scheme and the pre-transfer benefit for employees who transferred to the GSS Scheme are defined benefit schemes. These benefits are wholly unfunded and the liabilities for future payments are provided for at balance sheet date. The liabilities under these schemes have been calculated separately for each scheme annually by Price Waterhouse Coopers using the projected unit credit method.

The expected future payments are discounted to present value using market yields at the balance sheet date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The GSS Scheme, the WSS Scheme and the GESBS Scheme, where the current service superannuation charge is paid by the Board to the GESB, are defined contribution schemes. The liabilities for current service superannuation charges under the GSS Scheme, WSS Scheme and the GESBS Scheme are extinguished by the concurrent payment of employer contributions to the GESB.

The Gold State Superannuation Scheme is a defined benefit scheme for the purposes of employees and whole-of-government reporting. However, from the Boards perspective, apart from the transfer benefits, it is a defined contribution plan under AASB 119.

### **(ii) Provisions - Other** **Employment On Costs**

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are not included as part of the Board's 'Employee benefits expense' and the related liability is included in Employment on-costs provision.



# SETTLEMENT AGENTS SUPERVISORY BOARD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

### **(n) Superannuation Expense**

The superannuation expense of the defined benefit plans is made up of the following elements:

- Current service cost;
- Interest cost (unwinding of the discount);
- Actuarial gains and losses; and
- Past service cost.

Actuarial gains and losses of the defined benefit plans are recognised immediately as income or expense in the income statement.

The superannuation expense of the defined contribution plans is recognised as and when the contributions fall due.

### **(o) 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. Accrued salaries are settled within a few days of the financial year end. The Board considers the carrying amount of accrued salaries to be equivalent to the net fair value.

### **(p) Comparative Figures**

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

## **3. Disclosure of changes in accounting policy and estimates**

The Board has applied the following Australian Accounting Standards and Australian Accounting Interpretations effective for annual reporting periods beginning on or after 1 July 2006:

- 1 AASB 2005-9 'Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132]' (Financial guarantee contracts). The amendment deals with the treatment of financial guarantee contracts, credit insurance contracts, letters of credit or credit derivative default contracts as either an "insurance contract" under AASB 4 'Insurance Contracts' or as a "financial guarantee contract" under AASB 139 'Financial Instruments: Recognition and Measurement'. The Board does not currently undertake these types of transactions, resulting in no financial impact in applying the Standard.
- 2 UIG Interpretation 4 'Determining whether an Arrangement Contains a Lease' as issued in June 2005. This Interpretation deals with arrangements that comprise a transaction or a series of linked transactions that may not involve a legal form of a lease but by their nature are deemed to be leases for the purposes of applying AASB 117 'Leases'. At balance sheet date, the Board has not entered into any arrangements as specified in the Interpretation, resulting in no impact in applying the Interpretation.
- 3 UIG Interpretation 9 'Reassessment of Embedded Derivatives'. This Interpretation requires an embedded derivative that has been combined with a non-derivative to be separated from the host contract and accounted for as a derivative in certain circumstances. At balance sheet date, the Board has not entered into any contracts as specified in the Interpretation, resulting in no impact in applying the Interpretation.



## SETTLEMENT AGENTS SUPERVISORY BOARD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

The following amendments are not applicable to the Board as they will have no impact:

| AASB<br>Amendment | Affected<br>Standards   |
|-------------------|---|
| 2005-1            | Amendments to Australian Accounting Standard' (AASB 139 - <i>Cash flow hedge accounting of forecast intragroup transactions</i> )   |
| 2005-5            | Amendments to Australian Accounting Standards [AASB 1 & AASB 139]   |
| 2006-1            | Amendments to Australian Accounting Standard [AASB 121]   |
| 2006-3            | Amendments to Australian Accounting Standard [AASB 1045]  |
| 2006-4            | Amendments to Australian Accounting Standard [AASB 134]   |
| 2007-2            | Amendments to Australian Accounting Standards arising from AASB Interpretation as [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139] - paragraph 9 |
| UIG 5             | 'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds'  |
| UIG 6             | 'Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment'   |
| UIG 7             | 'Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies'.  |
| UIG 8             | Scope of AASB 2   |

#### Future impact of Australian Accounting Standards not yet operative

The Board cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. Consequently, the Board has not applied the following Australian Accounting Standards and Australian Accounting Interpretations that have been issued but are not yet effective. These will be applied from their application date:

1. AASB 7 'Financial Instruments: Disclosures' (including consequential amendments in AASB 2005-10 'Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]'). This Standard requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Board's exposure to risks, enhanced disclosure regarding components of the Board's financial position and performance, and possible changes to the way of presenting certain items in the financial statements. The Board does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007.
2. AASB 2005-10 'Amendments to Australian Accounting Standards (AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023, & AASB 1038)'. The amendments are as a result of the issue of AASB 7 'Financial Instruments: Disclosures', which amends the financial instrument disclosure requirements in these standards. The Board does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007.





## SETTLEMENT AGENTS SUPERVISORY BOARD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

3. AASB 101 'Presentation of Financial Statements'. This Standard was revised and issued in October 2006 so that AASB 101 has the same requirements as IAS 1 'Presentation of Financial Statements' (as issued by the IASB) in respect of for-profit entities. The Board is a not-for-profit entity and consequently does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007.
4. AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments (AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038)'. This Standard introduces policy options and modifies disclosures. These amendments arise as a result of the AASB decision that, in principle, all options that currently exist under IFRSs should be included in the Australian equivalents to IFRSs and additional Australian disclosures should be eliminated, other than those now considered particularly relevant in the Australian reporting environment. The Department of Treasury and Finance has indicated that it will mandate to remove the policy options added by this amending Standard. This will result in no impact as a consequence of application of the Standard. The Standard is required to be applied to annual reporting periods beginning on or after 1 July 2007.
5. AASB 2007-5 'Amendment to Australian Accounting Standard – Inventories Held for Distribution by Not-for-Profit Entities (AASB 102)'. This amendment changes AASB 102 'Inventories' so that inventories held for distribution by notfor- profit entities are measured at cost, adjusted when applicable for any loss of service potential. The Authority does not have any inventories held for distribution so does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 July 2007.
6. AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]'. The revision of AASB 123 necessitates consequential amendments to the following pronouncements:
  - AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards,
  - AASB 101 Presentation of Financial Statements;
  - AASB 107 Cash Flow Statements;
  - AASB 111 Construction Contracts;
  - AASB 116 Property, Plant and Equipment;
  - AASB 138 Intangible Assets;
  - Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities; and
  - Interpretation 12 Service Concession Arrangements.

The amendments principally remove references to expensing borrowing costs on qualifying assets, as AASB 123 was revised to require such borrowing costs to be capitalised. The Board does not expect any financial impact when the Standards is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2009.





# SETTLEMENT AGENTS SUPERVISORY BOARD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

7. AASB Interpretation 4 'Determining whether an Arrangement Contains a Lease [revised]'. This Interpretation was revised and issued in February 2007 to specify that if a public-to-private service concession arrangement meets the scope requirements of AASB Interpretation 12 'Service Concession Arrangements' as issued in February 2007, it would not be within the scope of Interpretation 4. At balance sheet date, the Board has not entered into any arrangements as specified in the Interpretation or within the scope of Interpretation 12, resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2008.
8. AASB Interpretation 12 'Service Concession Arrangements'. This Interpretation was issued in February 2007 and gives guidance on the accounting by operators (usually a private sector entity) for public-to-private service concession arrangements. It does not address the accounting by grantors (usually a public sector entity). It is currently unclear as to the application of the Interpretation to the Board if and when public-to-private service concession arrangements are entered into in the future. At balance sheet date, the Board has not entered into any public-to-private service concession arrangements resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods.
9. AASB Interpretation 129 'Service Concession Arrangements: Disclosures [revised]'. This Interpretation was revised and issued in February 2007 to be consistent with the requirements in AASB Interpretation 12 'Service Concession Arrangements' as issued in February 2007. Specific disclosures about service concession arrangements entered into are required in the notes accompanying the financial statements, whether as a grantor or an operator. At balance sheet date, the Board has not entered into any public-to-private service concession arrangements resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2008.

The following Australian Accounting Standards and Interpretations are not applicable to the Board as they will have no impact or do not apply to not-for-profit entities:

### AASB Standards and Interpretations

|                   |  |
|-------------------|--|
| AASB 8            | Operating Segments   |
| AASB 1049         | Financial Reporting of General Government Sectors by Governments   |
| AASB 2007-1       | Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]   |
| AASB 2007-2       | 'Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]' – paragraphs 1 to 8  |
| AASB 2007-3       | Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]  |
| AASB 2007-7       | Amendments to Australian Accounting Standards following the issuance, in April 2007, of AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 and AASB 128] |
| Interpretation 10 | Financial Reporting and Impairment   |
| Interpretation 11 | AASB 2 – Group and Treasury Share Transactions   |

### Changes in accounting estimates

There were no changes in accounting estimates that will have an effect on the current reporting period.



# SETTLEMENT AGENTS SUPERVISORY BOARD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

### 4. Licence income

Proceeds from triennial licensing fees are allocated over 36 months from the month of receipt. Fees relating to the current financial year are recognised as revenue. The balance of the fees are credited into the Revenue received in advance accounts.

Analysis of the fees is as follows:

|  | 2007               | 2006               |
|--|--------------------|--------------------|
|  | \$                 | \$                 |
| Revenue received in advance 1 July balance (current)     | 60,338             | 59,507             |
| Revenue received in advance 1 July balance (non current) | 48,815             | 46,221             |
| Cash received during the year                            | 127,081            | 76,803             |
| <b>Total receipts received</b>                           | <b>236,234</b>     | <b>182,531</b>     |
| <br>Revenue recognised during the year                   | <br>84,262         | <br>73,378         |
| <br><b>Revenue received in advance</b>                   | <br><b>151,972</b> | <br><b>109,153</b> |
| <br><b>Held in</b>                                       |                    |                    |
| Revenue received in advance account (current)            | 79,445             | 60,338             |
| Revenue received in advance account (non current)        | 72,527             | 48,815             |
| <b>Total</b>   | <b>151,972</b>     | <b>109,153</b>     |

### 5. Other revenues

Other revenues consists of:

|                             | 2007         | 2006         |
|-----------------------------|--------------|--------------|
|                             | \$           | \$           |
| Copy of licence             | 176          | 70           |
| Contribution to vehicle use | 1,318        | 1,108        |
| Miscellaneous revenue       | 5,202        | 1,016        |
| Contribution to insurance   | 90           | 93           |
| <b>Total</b>                | <b>6,786</b> | <b>2,287</b> |

### 6. Net gain/(loss) on disposal of non current assets

|   | 2007     | 2006     |
|---|----------|----------|
|   | \$       | \$       |
| Costs of Disposal of Non-Current Assets:          |          |          |
| Computers and equipment                           | 0        | 0        |
| <br>Proceeds from Disposal of Non-Current Assets: |          |          |
| Computers and equipment                           | 0        | 9        |
| <b>Net gain/(loss)</b>                            | <b>0</b> | <b>9</b> |



## SETTLEMENT AGENTS SUPERVISORY BOARD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

#### 7. Employee benefits expense

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

|                          | 2007           | 2006           |
|--------------------------|----------------|----------------|
|                          | \$             | \$             |
| Wages and salaries       | 294,230        | 267,778        |
| Annual leave             | 10,936         | (3,973)        |
| Long service leave       | 6,026          | 4,778          |
| Superannuation           | 23,267         | 21,902         |
| Other related expenses   | 52,121         | 35,603         |
| <b>Total Staff costs</b> | <b>386,580</b> | <b>326,088</b> |

Other related expenses include training & conferences, travel, vehicles and FBT.

Employment on-costs such as workers' compensation insurance are included at note 12. 'Other expenses'. The employment on costs liability is included at note 18. 'Provisions'.

#### 8. Supplies and services

|                                    | 2007             | 2006             |
|------------------------------------|------------------|------------------|
|                                    | \$               | \$               |
| Advertising                        | 1,521            | 2,741            |
| Bank charges                       | 385              | 408              |
| Communications                     | 8,071            | 6,840            |
| Consultants and contractors fees   | 119              | 9,529            |
| Consumables                        | 11,359           | 3,155            |
| Hire charges                       | 3,888            | 4,293            |
| Insurance                          | 10,160           | 10,567           |
| Legal                              | 87,271           | 56,232           |
| Miscellaneous                      | 27               | 201              |
| Printing                           | 18,517           | 4,719            |
| Professional services              | 25,869           | 17,182           |
| Repair and maintenance             | 0                | 1,119            |
| Service Delivery Agreement         | 1,354,771        | 1,298,402        |
| Stationery                         | 2,599            | 782              |
| Sundry assets costing under \$1000 | 370              | 0                |
| Website subscription               | 1,423            | 547              |
| <b>Total</b>                       | <b>1,526,350</b> | <b>1,416,717</b> |

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



# SETTLEMENT AGENTS SUPERVISORY BOARD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

### 9. Depreciation and amortisation expense

|                                     | 2007<br>\$           | 2006<br>\$           |
|-------------------------------------|----------------------|----------------------|
| Depreciation                        |                      |                      |
| Computers and equipment             | 19,196               | 8,189                |
| Total depreciation                  | <u>19,196</u>        | <u>8,189</u>         |
| Amortisation                        |                      |                      |
| Intangible assets (REMIS software)  | 0                    | 20,963               |
| Total amortisation                  | <u>0</u>             | <u>20,963</u>        |
| Total depreciation and amortisation | <u><u>19,196</u></u> | <u><u>29,152</u></u> |

### 10. Accommodation expenses

|                             | 2007<br>\$ | 2006<br>\$ |
|-----------------------------|------------|------------|
| Occupancy costs and parking | 2,272      | 0          |

### 11. Grants

|                     | 2007<br>\$           | 2006<br>\$           |
|---------------------|----------------------|----------------------|
| Education grants    |                      |                      |
| AAMC Training Group | 15,663               | 0                    |
| TAFE WA             | 39,620               | 35,236               |
| Total               | <u>55,283</u>        | <u>35,236</u>        |
| Total grants        | <u><u>55,283</u></u> | <u><u>35,236</u></u> |

### 12. Other expenses

|                                    | 2007<br>\$    | 2006<br>\$    |
|------------------------------------|---------------|---------------|
| Audit fees                         | 20,200        | 19,000        |
| Employment on costs <sup>(a)</sup> | 9,078         | 7,013         |
|                                    | <u>29,278</u> | <u>26,013</u> |

<sup>(a)</sup> Includes workers' compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liability is included at note 18. 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

### 13. Receivables

|                         | 2007<br>\$          | 2006<br>\$          |
|-------------------------|---------------------|---------------------|
| Current GST Recoverable | 3,009               | 5,125               |
| Total                   | <u><u>3,009</u></u> | <u><u>5,125</u></u> |



# SETTLEMENT AGENTS SUPERVISORY BOARD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

### 14. Property, plant and equipment

|                                      | 2007              | 2006              |
|--------------------------------------|-------------------|-------------------|
|                                      | \$                | \$                |
| Computers and equipment at cost.     | 103,367           | 69,041            |
| Accumulated Depreciation             | (53,805)          | (48,158)          |
|                                      | <u>49,562</u>     | <u>20,883</u>     |
| <br>Total Property Plant & Equipment | <br><u>49,562</u> | <br><u>20,883</u> |

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.

|   | 2007              | 2006              |
|---|-------------------|-------------------|
|   | \$                | \$                |
| Computers and Equipment                 |                   |                   |
| Carrying amount at start of year        | 20,882            | 19,851            |
| Additions                               | 47,876            | 9,220             |
| Disposals                               | 0                 | (2,469)           |
| Accumulated depreciation on disposals.  | 0                 | 2,469             |
| Depreciation expense                    | (19,196)          | (8,189)           |
| Carrying amount at end of year          | <u>49,562</u>     | <u>20,882</u>     |
| <br>Total Property, plant and equipment | <br><u>49,562</u> | <br><u>20,882</u> |

### 15. Intangible assets

|                                       | 2007      | 2006      |
|---------------------------------------|-----------|-----------|
|                                       | \$        | \$        |
| REMIS Software at cost                | 121,838   | 121,838   |
| Accumulated amortisation              | (121,838) | (121,838) |
|                                       | <u>0</u>  | <u>0</u>  |
| <br>REMIS Software                    |           |           |
| Carrying amount at start of year      | 0         | 20,963    |
| Additions                             | 0         | 0         |
| Disposals                             | 0         | 0         |
| Accumulated amortisation on disposals | 0         | 0         |
| Amortisation expense                  | 0         | (20,963)  |
| Carrying amount at end of year        | <u>0</u>  | <u>0</u>  |

### 16. Impairment of assets

There were no indications of impairment of Property, plant and equipment and Intangible assets at 30 June 2007.

The Board held no goodwill or intangible assets with an indefinite useful life during the reporting period and at balance sheet date there were no intangible assets not yet available for use.

There were no surplus assets at 30 June 2007 held for sale or write off.





# SETTLEMENT AGENTS SUPERVISORY BOARD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

### 17. Payables

|   | 2007<br>\$     | 2006<br>\$    |
|---|----------------|---------------|
| Current   |                |               |
| Reimbursement to Dept of Consumer & Employment Protection | 143,892        | 37,121        |
| Miscellaneous creditors                                   | 12,417         | 140           |
| Total   | <u>156,309</u> | <u>37,261</u> |

### 18. Provisions

|                                    | 2007<br>\$    | 2006<br>\$    |
|------------------------------------|---------------|---------------|
| Current                            |               |               |
| Employee Benefits Provisions       |               |               |
| Annual leave <sup>(a)</sup>        | 17,202        | 6,266         |
| Long service leave <sup>(b)</sup>  | 21,595        | 24,768        |
| Superannuation                     | <u>3,325</u>  | <u>2,313</u>  |
|                                    | 42,122        | 33,347        |
| Other provisions                   |               |               |
| Employment on costs <sup>(c)</sup> | 3,026         | 1,085         |
| Total                              | <u>45,148</u> | <u>34,432</u> |

|                                    | 2007<br>\$    | 2006<br>\$    |
|------------------------------------|---------------|---------------|
| Non Current                        |               |               |
| Employee Benefits Provisions       |               |               |
| Long service leave <sup>(b)</sup>  | 23,846        | 14,647        |
| Superannuation                     | <u>1,582</u>  | <u>966</u>    |
|                                    | 25,428        | 15,613        |
| Other provisions:                  |               |               |
| Employment on costs <sup>(c)</sup> | 155           | 62            |
| Total                              | <u>25,583</u> | <u>15,675</u> |

(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after balance sheet date. Assessments indicate that actual settlement of the liabilities will occur as follows

|  | 2007<br>\$   | 2006<br>\$   |
|--|--------------|--------------|
| Within 12 months of balance sheet date       | 10,407       | 3,829        |
| More than 12 months after balance sheet date | <u>6,795</u> | <u>2,437</u> |
|  | 17,202       | 6,266        |



## SETTLEMENT AGENTS SUPERVISORY BOARD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

(b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after balance sheet date. Assessments indicate that actual settlement of the liabilities will occur as follows:

|  | 2007          | 2006          |
|--|---------------|---------------|
|  | \$            | \$            |
| Within 12 months of balance sheet date       | 15,632        | 13,756        |
| More than 12 months after balance sheet date | 29,809        | 25,659        |
|  | <u>45,441</u> | <u>39,415</u> |

(c) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation premiums. The provision is measured at the present value of expected future payments. The associated expense, apart from the unwinding of the discount (finance cost), is included at note 13. 'Other expenses'.

#### Movements in Other Provisions

Movements in each class of provisions during the financial year, other than employee benefits, are set out below.

|                                  | 2007         | 2006         |
|----------------------------------|--------------|--------------|
|                                  | \$           | \$           |
| Employment on-cost provision     |              |              |
| Carrying amount at start of year | 1,147        | 2,043        |
| Additional provisions recognised | 2,034        | (896)        |
| Carrying amount at end of year   | <u>3,181</u> | <u>1,147</u> |

#### 19. Other liabilities

|   | 2007          | 2006           |
|---|---------------|----------------|
|   | \$            | \$             |
| Current   |               |                |
| Accrued expenses                                    |               |                |
| Audit fees  | 20,200        | 19,000         |
| Salaries  | 1,407         | 5,424          |
| DOCEP (SDA escalation claims for pay and rent rise) | 0             | 19,487         |
| DOCEP (Outside SDA costs)                           | 0             | 3,031          |
| Fidelity claims                                     | 0             | 87,262         |
| Board Fees  | 13,330        | 0              |
| Unclaimed monies                                    | 150           | 150            |
| Total   | <u>35,087</u> | <u>134,354</u> |



# SETTLEMENT AGENTS SUPERVISORY BOARD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

### 20. Notes to the Cash Flow Statement

Cash resources are held exclusively for use by the Settlement Agents Supervisory Board under the provisions of the Settlement Agents Act 1981.

#### Reconciliation of cash

Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

|   | 2007<br>\$        | 2006<br>\$        |
|---|-------------------|-------------------|
| <b>Cash and cash equivalents at bank</b>            |                   |                   |
| Education and General Purpose Account               | 296,781           | 221,896           |
| Fidelity Guarantee Account (Restricted cash)        | 452,765           | 215,236           |
| Board Interest Account                              | 500               | 500               |
|   | <u>750,046</u>    | <u>437,632</u>    |
| <b>Cash and cash equivalents held with Treasury</b> |                   |                   |
| Education and General Purpose Account               | 14,740,000        | 11,540,000        |
| Fidelity Guarantee Account (Restricted cash)        | 15,490,000        | 12,890,000        |
|   | <u>30,230,000</u> | <u>24,430,000</u> |
|   | <u>30,980,046</u> | <u>24,867,632</u> |
| Cash and cash equivalents                           | 15,037,281        | 11,762,396        |
| Restricted cash and cash equivalents                | 15,942,765        | 13,105,236        |
| <b>Total cash and cash equivalents</b>              | <u>30,980,046</u> | <u>24,867,632</u> |

#### Reconciliation of profit to net cash flows provided by/(used in) operating activities

|  | 2007<br>\$       | 2006<br>\$       |
|--|------------------|------------------|
| Profit   | 6,212,672        | 4,175,645        |
| Non-cash items:  |                  |                  |
| Depreciation and amortisation expense                      | 19,196           | 29,152           |
| Net (gain)/loss on sale of property, plant & equipment     | 0                | (9)              |
| (Increase)/decrease in assets:                             |                  |                  |
| Current receivables  | 2,116            | (3,111)          |
| Accrued interest/income                                    | (156,919)        | (369,619)        |
| Increase/(decrease) in liabilities                         |                  |                  |
| Current Payables   | 119,048          | 1,072            |
| Current Provisions   | 10,716           | (4,038)          |
| Revenue received in advance, current liabilities           | 19,107           | 831              |
| Other current liabilities                                  | (99,267)         | 120,354          |
| Non current provisions                                     | 9,908            | 2,484            |
| Revenue received in advance, non current liabilities       | 23,712           | 2,594            |
| <b>Net cash provided by/(used in) operating activities</b> | <u>6,160,289</u> | <u>3,955,355</u> |



# SETTLEMENT AGENTS SUPERVISORY BOARD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

### 21. Contingent Liabilities and Contingent Assets

#### Contingent Liabilities

In addition to the liabilities incorporated in the financial statements the Board is aware of 2 claims (10 as at 30/6/2006) against the Fidelity Guarantee Account totalling \$1.6m (\$1.9m as at 30/6/2006) for which no liability has been admitted by the Board.

#### Contingent Assets

The Board does not have any contingent assets in addition to the assets included in the financial statements.

### 22. Remuneration of members of the Board and senior officers

#### Remuneration of members of the Board

The number of members of the Board whose total of fees, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are:

|  | 2007   | 2006   |
|--|--------|--------|
| \$0 - \$10,000                                 | 8      | 11     |
| \$10,001 - \$20,000                            | 0      | 1      |
| Total remuneration of members of the Board is: | 31,169 | 49,780 |

The total remuneration includes the superannuation expense incurred by the Board in respect of members of the Board.

No members of the Board are members of the Pension Scheme.

#### Remuneration of Senior Officers

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

|   | 2007   | 2006   |
|---|--------|--------|
| \$30,001 - \$40,000                       | 1      | 1      |
| Total remuneration of senior officers is: | 32,697 | 37,037 |

The superannuation included here represents the superannuation expense incurred by the Board in respect of senior officers other than senior officers reported as members of the Board.

No senior officers are members of the Pension Scheme.

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.

### 23. Remuneration of auditor

Remuneration to the Auditor General for the financial year is as follows;

|  | 2007   | 2006   |
|--|--------|--------|
|  | \$     | \$     |
| Auditing the accounts, financial statements and performance indicators | 20,200 | 19,000 |



## SETTLEMENT AGENTS SUPERVISORY BOARD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

#### 24. Segment (service) information

The service provided by the Board is '**Regulation**' or '**regulatory services**'.  
As there is only one service for the Board there is no separate reporting under services.

#### 25. Commitments

##### Lease commitments

Include commitments relating to arrangements containing "in-substance" leases under AASB 117 'Leases' for both operating and finance leases as appropriate.  
Commitments in relation to leases contracted for at the balance sheet date but not recognised in the financial statements as liabilities are payable as follows:

|  | 2007<br>\$ | 2006<br>\$   |
|--|------------|--------------|
| Within 1 year                                | 339        | 4,001        |
| Later than 1 year and not later than 5 years | 0          | 339          |
| Later than 5 years                           | 0          | 0            |
|  | <u>339</u> | <u>4,340</u> |
| Representing:                                |            |              |
| Non-cancellable operating leases             | <u>339</u> | <u>4,340</u> |

The Board does not have any capital or finance lease commitments contracted for at the balance sheet date not recognised as liabilities.





# SETTLEMENT AGENTS SUPERVISORY BOARD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

### 26. Events occurring after the balance sheet date

The Board is not aware of any events occurring after the balance sheet date that materially affect these financial statements.

### 27. Explanatory statement.

This statement provides detail of any significant variations between estimates and actual results for 2007 and between the actual results for 2006 and 2007.

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

#### Significant variations between estimate and actual results for the financial year

|                           | 2007<br>Estimate<br>\$ | 2007<br>Actual<br>\$ | Variation<br>\$ |
|---------------------------|------------------------|----------------------|-----------------|
| <b>Income</b>             |                        |                      |                 |
| Interest revenue          | 1,318,000              | 1,697,480            | 379,480         |
| <b>Expenses</b>           |                        |                      |                 |
| Employee benefits expense | 316,923                | 386,580              | 69,657          |
| Fidelity payments         | 450,000                | 22,444               | (427,556)       |

#### Interest revenue

Higher bank interest rates than anticipated and to a lesser extent higher than expected profit has resulted in a better than budgeted income from this source of income.

#### Employee benefits expense

These expenses are higher than budget due to the combination of the following:

- increased leave liability,
- costs associated with attending the national conference not included in the budget and
- additional staff not included in the budget.

#### Fidelity payments

Additional payments associated with a large case included in the budget did not eventuate with a result that actual payments were under budget estimate.



**SETTLEMENT AGENTS SUPERVISORY BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**Significant variations between actual results and prior year - revenues and expenditure**

|                               | <b>2007</b> | <b>2006</b> | <b>Variation</b> |
|-------------------------------|-------------|-------------|------------------|
|                               | <b>\$</b>   | <b>\$</b>   | <b>\$</b>        |
| <b>Income</b>                 |             |             |                  |
| Agents trust account interest | 6,421,651   | 5,727,273   | 694,379          |
| Interest revenue              | 1,697,480   | 1,262,388   | 435,091          |
| <b>Expenses</b>               |             |             |                  |
| Employee benefits expense     | 386,580     | 326,088     | 60,492           |
| Fidelity payments             | 22,444      | 1,063,701   | (1,041,257)      |

**Agents trust account interest**

Higher levels of activity and prices in the industry than the preceding year combined with higher interest rates has resulted in increased income from this source compared with the previous year.

**Interest revenue**

Higher interest rates and a higher levels of deposits held by the Board compared with last year has resulted in a significant increase in this source of income over the previous year.

**Employee benefits expense**

Expenditure under this item is higher than the previous year due to the combination of:

- increased leave liability,
- costs associated with attending the national conference and
- additional staff.

**Fidelity payments**

Fidelity payments made in 2005/06 were abnormally higher due a large number of payments associated with one case.



# SETTLEMENT AGENTS SUPERVISORY BOARD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

### 28. Financial instruments

#### (a) Financial Risk Management Objectives and Policies

Financial instruments held by the Board are cash and cash equivalents, receivables and payables. The Board has limited exposure to financial risks. The Board's overall risk management program focuses on managing the risks identified below.

##### *Credit risk*

The Board trades only with recognised, creditworthy third parties. The Board has policies in place to ensure that services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Board's exposure to bad debts is minimal. There are no significant concentrations of credit risk.

##### *Liquidity risk*

The Board has appropriate procedures to manage cash flows by monitoring cash flows to ensure that sufficient funds are available to meet its commitments.

##### *Cash flow interest rate risk*

The Board's exposure to market risk for changes in interest rates relate primarily to cash and cash equivalent holdings. Variations in interest rates have a direct impact on the Board's earnings however, movements in interest rates are beyond the Board's control.

#### (b) Financial instrument disclosure

##### (a) Interest rate exposure

The following table details the Board's exposure to interest rate risk as at the balance sheet date:

|                         | Weighted average effective interest rate |       | Floating interest |               | Non interest bearing |            | Total         |               |
|-------------------------|--|-------|-------------------|---------------|----------------------|------------|---------------|---------------|
|                         | 2007                                     | 2006  | 2007              | 2006          | 2007                 | 2006       | 2007          | 2006          |
|                         |  |       | \$'000            | \$'000        | \$'000               | \$'000     | \$'000        | \$'000        |
| <b>Financial Assets</b> |  |       |                   |               |                      |            |               |               |
| Cash assets             | 6.15%                                    | 5.51% | 15,037            | 11,762        |                      |            | 15,037        | 11,762        |
| Restricted cash assets  | 6.15%                                    | 5.51% | 15,943            | 13,105        |                      |            | 15,943        | 13,105        |
| Accrued income          |  |       |                   |               | 1,042                | 885        | 1,042         | 885           |
| Receivables             |  |       |                   |               | 3                    | 5          | 3             | 5             |
| <b>Total</b>            |  |       | <b>30,980</b>     | <b>24,867</b> | <b>1,045</b>         | <b>890</b> | <b>32,025</b> | <b>25,757</b> |



# SETTLEMENT AGENTS SUPERVISORY BOARD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

|                                | Weighted<br>average<br>effective<br>interest rate |      | Floating<br>interest |        | Non<br>interest<br>bearing |        | Total  |        |
|--------------------------------|---|------|----------------------|--------|----------------------------|--------|--------|--------|
|                                | 2007  | 2006 | 2007                 | 2006   | 2007                       | 2006   | 2007   | 2006   |
|                                |   |      | \$'000               | \$'000 | \$'000                     | \$'000 | \$'000 | \$'000 |
| <b>Financial Liabilities</b>   |   |      |                      |        |                            |        |        |        |
| Payables                       |   |      |                      |        | 156                        | 37     | 156    | 37     |
| Other liabilities              |   |      |                      |        | 35                         | 134    | 35     | 134    |
| Provisions                     |   |      |                      |        | 71                         | 50     | 71     | 50     |
| Revenue received in<br>advance |   |      |                      |        | 152                        | 109    | 152    | 109    |
| <b>Total</b>                   |   |      | 0                    | 0      | 414                        | 330    | 414    | 330    |

### Fair Values

All financial assets and liabilities recognised in the balance sheet, whether they are carried at cost or fair value, are recognised at amounts that represent reasonable approximation of fair value unless otherwise stated in the applicable notes.



## Appendix

The following table provides details and results of disciplinary matters finalised during 2006-2007 by the Board.

Concluded State Administrative Tribunal Disciplinary Matters (1 July 2006 – 30 June 2007)

| Name of Respondent  | Date of Outcome | Legislation  | Contravention of Act and/or code  | Fine  | Costs   |
|---|-----------------|--|---|---|---------|
| <b>VR 117 of 2006<br/>Jeunot Pty Ltd t/as Bradshaw Kulynycz Settlements</b> | 25 August 2006  | Settlement Agents Act 1981 (s84(1) & 46(3));<br>Settlement Agents Code of Conduct 1982 (Articles 7 & 11)   | Proper cause for disciplinary action; acted for the vendor and purchaser without prior written consent in circumstances where conflict arose; failed to recommend legal advice  | \$4,000   | \$1,500 |
| <b>VR 398 of 2005<br/>Katherine Paridis t/as Sunset Coast Settlements</b>   | 27 July 2006    | Settlement Agents Act 1981 (s84, 49(6)(d) & 46(2)(b));<br>Settlement Agents Code of Conduct 1982 (rule 15) | Proper cause for disciplinary action; failure to correctly balance the accounts at the end of each month certify that it has been done; dishonesty by effecting a settlement of leasehold property; dishonesty by acting for the vendors contrary to the purchaser's directions | Licence and triennial certificate suspended for 12 months | \$3,000 |



| Name of Respondent                            | Date of Outcome   | Legislation   | Contravention of Act and/or code  | Fine    | Costs   |
|---|-------------------|---|---|---------|---------|
| VR 163 of 2006<br>Leeuwin Corporation Pty Ltd | 21 September 2006 | Settlement Agents Act 1981 (s46(3)); Settlement Agents Code of Conduct 1982 (rules 7,11 & 19) | Failing to obtain purchaser's prior consent in writing to act for the vendor; failing to ascertain and communicate to the vendor all facts concerning notification of finance approval by the latest time under the contract; failing to notify the vendor to seek legal advice to notify financial approval; engaged in harsh or unconscionable conducted discreditable to the resident or bring settlement agent into disrepute | \$4,000 | \$1,000 |

| Name of Respondent   | Date of Outcome  | Legislation                            | Contravention of Act and/or code   | Fine  | Costs |
|--|------------------|--|--|---|-------|
| <b>VR 68 of 2007<br/>Katherine Paridis<br/>t/as Sunset Coast<br/>Settlements</b> | 27 April<br>2007 | Settlement<br>Agents Act<br>1981 (s74) | Not conducting business in<br>accordance with the Act;<br>not holding a triennial<br>certificate | The respondent<br>suspended from carrying<br>on business as a<br>licensed real estate<br>settlement agent until<br>further notice; the<br>respondent, her<br>employees and agents<br>restrained from dealing<br>with the bank accounts<br>of the business;<br>applicant authorised to<br>appoint a supervisor;<br>supervisor authorised to<br>withdraw money from<br>any bank account of the<br>business; applicant to<br>take possession of the<br>money constituting the<br>trust accounts of the<br>business and credit that<br>money to a separate<br>account held in its name<br>at the Treasury | \$500 |

## SASB 2006-2007 Annual Report - Questionnaire

The Board invites readers to provide feedback on the quality and usefulness of this annual report. The information obtained will be used when drafting the annual report for the next reporting year. Thank you for your time.

- 1. Overall, how informative did you find the annual report?** **2. Did the report meet your needs?**

Very informative  
Fairly informative  
Not very informative  
Not informative at all  
Unsure

Yes  
No  
Unsure

- 3. What is your overall impression of this report?**

| Language                | Volume of information | Design/Layout | Range of information |
|-------------------------|-----------------------|---------------|----------------------|
| Easy to understand      | Too much              | Good          | Good                 |
| Average                 | Suitable              | Average       | Average              |
| Difficult to understand | Too little            | Poor          | Poor                 |
| Unsure                  | Unsure                | Unsure        | Unsure               |

- 4. Are there any other types of information you would like to see included in future annual reports?**

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- 5. What was your reason for reading this report?**

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- 6. Are there any areas you think need to be covered more thoroughly?**

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- 7. Please give us your overall opinion of the report. Include any changes you believe need to be made or any suggestions you have.**

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**Your completed questionnaire can be either posted, faxed or hand delivered to SASB.**

**Its contact details are:**

**Fax:** 9282 0869

**Street Address:** 6<sup>th</sup> Floor, 219 St Georges Tce, Perth

**Postal Address:** Locked Bag 14, Cloisters Square, Perth WA 6850

## Contact details

The Board can be contacted at its office located in Perth.

Telephone: 1300 30 40 54 Fax: 9282 0850  
 Office Address: Level 6, 219 St Georges Tce, Perth  
 Postal Address: Locked Bag 14, Cloisters Square PERTH WA 6850  
[contactus@sasb.wa.gov.au](mailto:contactus@sasb.wa.gov.au)

It may also be contacted through the DOCEP offices in Albany, Bunbury, Geraldton, Kalgoorlie, Karratha or Kununurra.

### **GREAT SOUTHERN REGION**

#### **ALBANY**

Telephone: 9842 8366 Fax: 9842 8377  
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 Postal Address: PO Box 832 ALBANY WA 6330

### **SOUTH WEST REGION**

#### **BUNBURY**

Telephone: 9722 2888 Fax: 9791 8047  
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 Postal Address: PO Box 1747 BUNBURY WA 6231

### **MID WEST REGION**

#### **GERALDTON**

Telephone: 9964 5644 Fax: 9964 5678  
 Office Address: Post Office Plaza 50-52 Durlacher Street GERALDTON WA 6531  
 Postal Address: PO Box 1447 GERALDTON WA 6531

### **GOLDFIELDS/ESPERANCE REGION**

#### **KALGOORLIE**

Telephone: 9021 5966 Fax: 9021 5977  
 Office Address: Viskovich House 377 Hannan Street KALGOORLIE WA 6430  
 Postal Address: PO Box 10154 KALGOORLIE WA 6433

### **NORTH WEST REGION**

#### **KARRATHA**

Telephone: 9185 0900 Fax: 9185 1234  
 Office Address: U/9 Karratha Village Shopping Centre Sharpe Avenue  
 KARRATHA WA 6714  
 Postal Address: PO Box 5 KARRATHA WA 6714

### **KIMBERLEY**

#### **KUNUNURRA**

Telephone: 9169 2811 Fax: 08 9169 2844  
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 KUNUNURRA WA 6743  
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