

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD ■ ANNUAL REPORT 2007-2008



REAL ESTATE & BUSINESS AGENTS ■ SUPERVISORY BOARD ■

Annual Report
2007 - 2008

REBA

Real Estate & Business Agents Supervisory Board

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Statement of compliance

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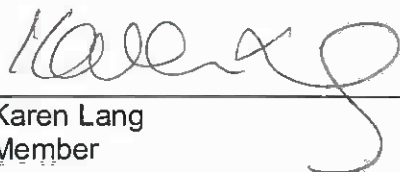
TREASURER; MINISTER FOR COMMERCE; SCIENCE AND INNOVATION; HOUSING AND WORKS

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 Real Estate and Business Agents Supervisory Board for the year ending 30 June 2008.

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



Mark Cuomo
Chair



Karen Lang
Member

Dated: 19 September 2008

SECTION ONE

Overview

Our goal is that the people of Western Australia have confidence in the real estate and business broking industry.



Executive summary - Report from the Chair

As the Chair of the Real Estate and Business Agents Supervisory Board ("the Board"), I am pleased to present the Annual Report of the Board for the year ended on 30 June 2008.

The 2007-08 financial period heralded another busy and successful year for the Board and the real estate industry. The Board continually planned for and responded to various regulatory challenges presented by the changing economic environment in Western Australia, including several rises in interest rates which signalled a significant turning point for the market and underlined the importance of the Board continuing with the Compulsory Professional Development ("CPD") Program and maintaining a strong regulatory presence.

The CPD program for licensed Real Estate and Business Agents was initially implemented on 1 January 2007 and forms part of the licensing framework for Real Estate and Business Agents. From 1 July to 31 December 2007, the Board and Real Estate Branch staff provided the CPD mandatory activities while the Board continued to approve elective activities. From 1 January 2008, the Board outsourced the development and delivery of mandatory CPD activities to suitably qualified external training providers, but continued to monitor and approve both the mandatory and elective activities. The Board is committed to ensuring the delivery of high quality seminars for the industry. The Board believes CPD will enable agents to further develop their industry knowledge and skills while also raising professionalism and standards within the real estate industry.

The Board intends to continue the CPD program in 2009 and will be extending it to include all sales representatives. The Board would like to take this opportunity to extend its appreciation to the industry for their comments and support towards the introduction and ongoing development of the CPD initiative.

Throughout the year the Board sought to maintain public confidence in the real estate industry by actively encouraging the review and reform of its current licensing services and assisted a significant number of first home buyers to meet the costs associated with the financing and purchase of their first home. It processed over 4,000 applications for a grant under the Home Buyers Assistance Account, of which 4,165 were approved. A total of \$8,180,158 was paid out of the Home Buyers Assistance Account. In the previous year the Board also increased the maximum purchase price threshold to \$400,000. The Board intends to reconvene the First Home Buyers Account Committee to review the current thresholds and make new recommendations to the Minister for Consumer Protection, to more accurately reflect the median house price in Western Australia.

The Board continued to diligently monitor the activities of licensees and act accordingly as the regulatory authority, to uphold industry standards and protect the public interest. During the year, the Board obtained supervision orders against Elloise Pty Ltd trading as Re/Max

Preferred, and the agent's trust accounts were frozen and the business was concluded. The Board has received and in many cases processed a number of claims from the Fidelity Guarantee Account by consumers affected by the defalcation of agents where supervision orders were obtained during the previous financial year.

During the reporting period, further developments were made to the Board's website, which continued to be a significant resource, and assisted the Board to carry out its statutory functions. The website remains integral in keeping with the Board's commitment to conduct and promote education and provide an advisory service for industry members and the public. The Board has developed and dedicated a section of its website to coincide with the ongoing development of the CPD Program for industry. New material continues to be added to the CPD section on a regular basis. It currently provides downloadable copies of the recently updated CPD Guide, frequently asked questions and information on CPD topics and seminars.

In line with the government's regional focus, all Board members and its senior officers travelled to Broome and Bunbury. During each visit the Board held an industry seminar followed by an informal function to meet with local industry members, conducted proactive compliance visits, and held its end of month meeting. Travelling to the regional centres proved rewarding for both the Board and industry members, and the Board hopes to continue this initiative next year.

In closing, I would like to express my appreciation to my fellow members of the Board and their deputies for their efforts and dedication. Also, on behalf of the Board, I wish to pay tribute to all the Board staff and officers of the Real Estate Branch of the Department of Consumer and Employment Protection ("DOCEP") and other officers of DOCEP. The Board could not function without their dedication, commitment and cooperation, and I congratulate each member, deputy member, staff member and officer for their professionalism and efforts shown in facing up to the challenges presented in 2007-08.



Mark Cuomo
Chair

19 September 2008

Highlights for 2007-2008

Board and other proceedings

During the reporting period of 1 July 2007 to 30 June 2008 the Board:

- convened for 19 board meetings;
- conducted 60 interviews for licensing applications;
- convened for five formal hearings of Fidelity Guarantee Account claims;
- commenced 25 disciplinary proceedings against agents or sales representatives in the State Administrative Tribunal ("SAT");
- made an application for authorisation to appoint a supervisor in the SAT; and
- commenced a prosecution proceeding in the Magistrates Court.

Achievements

In 2007–08, the Board achieved the following outcomes:

- 275 new licence applications were processed;
- 1,249 applications for new sales representative registrations were processed;
- 981 applications for real estate licence renewals were processed;
- 128 conciliations were commenced;
- 122 conciliations were completed;
- 411 new general compliance investigations were commenced;
- 387 new qualified audit investigations were commenced;
- 470 qualified audit investigations were completed;
- 64 new trust account investigations were commenced;
- 4,166 Home Buyer's Assistance Account grants were approved, totalling \$8,180,157.91;
- 278 proactive compliance visits of real estate agencies were conducted, of which 72 were in regional Western Australia;
- received 27,982 telephone enquiries to the real estate advice line, of which 88 per cent were answered in 40 seconds.
- Eight industry educational seminars for agents were conducted;

- 16 mandatory CPD seminars were conducted by the Board and Real Estate Branch staff;
- Two Home buyer seminars were conducted for the general public (jointly produced with the Settlement Agents Supervisory Board);
- 84 educational and 20 closure letters were issued by the Registrar to agents or sales representatives;
- 160 new claims were lodged against the Fidelity Guarantee Account; and
- 55 claims were finalised against the Fidelity Guarantee Account.

Industry seminars

The Board conducted eight education seminars in Metropolitan Perth for real estate and business agents focusing on legislation and compliance issues. Feedback from these seminars was positive, with participants commenting on the usefulness of the information presented.

Topics covered by the seminars included:

- theory and practice of reconciling trust accounts;
- compliance issues for property managers;
- reconciling trust accounts;
- guidelines on the Offer and Acceptance Contract and Joint Form of General Conditions;
- transition from sale to settlement;
- trust account auditing guidelines; and
- trust account case studies.

Home buyer seminars

In a joint initiative with the Settlement Agents Supervisory Board, the Board delivered two home buyer seminars free of charge to members of the public in 2007-08. The seminars were conducted in Perth and Kalgoorlie. The topics covered at the seminars included property valuation, obtaining finance, types of grants available, and offer and acceptance contracts. The Board has commissioned a project to produce a kit that first homebuyers can download from the website or obtain in hardcopy. The kit will be designed to provide easy to read information on the above topics and provide assistance to people looking to purchase their first home to live in.

Significant compliance issues

Elloise Pty Ltd

In February 2008, the Board closed the real estate business of Elloise Pty Ltd, formerly trading as Re/Max Preferred, following allegations of unauthorised use of trust funds by the person in *bona fide* control, Ms Loma Campbell Gladwin. The Board obtained orders in the SAT cancelling the licence of Elloise Pty Ltd and Ms Gladwin previously. In March 2008, the Board obtained orders in the SAT suspending Elloise Pty Ltd from conducting a real estate business

and authorising the appointment of a supervisor to take control of the trust accounts and wind up the business. In April 2008, the Board appointed a forensic auditor to investigate and gather evidence on the unauthorised use of trust funds. It is estimated that the Board may receive claims against the Fidelity Guarantee Account of approximately \$19,000 in relation to misappropriated trust monies.

Charles Parrella & Associates

In March 2007, the Board closed the real estate business of Carmelo (Charles) Parrella, formerly trading as Charles Parrella & Associates, due to allegations of misappropriation of substantial sums from the agency's trust accounts. The Board obtained orders in the SAT suspending Mr Parrella's licence and authorising the appointment of a supervisor to take control of the trust accounts and wind up the business. The Board also appointed a forensic auditor to investigate and gather evidence on the misappropriation.

In February 2008, the Board resolved that there was evidence of defalcation by Mr Parrella of approximately \$668,000. A special project team was established to manage the anticipated significant number of claims against the Fidelity Guarantee Account. This team sent claim packages to more than 500 owners and tenants advising them of their opportunity to seek reimbursement of their losses through the Account. The Fidelity Guarantee Account administered by the Board may provide reimbursement for consumers who have suffered a loss of money or property as a result of any defalcation by a licensee. Approximately 260 claims have been received so far and the Board is progressing these as quickly as possible. The Board also initiated disciplinary proceedings against Mr Parrella in the SAT. In April 2008 the SAT ordered that Carmello Charles Parella be permanently disqualified from holding a licence or a triennial certificate and pay costs of \$1,000 to the Board. In May 2008 the Major Fraud Squad charged Mr Parrella with 29 counts of stealing. The total sum of money alleged to have been stolen by Mr Parrella is \$668,104.92.

T.M. Moylan Nominees Pty Ltd

In May 2007, the Board closed the real estate business of T.M. Moylan Nominees Pty Ltd, formerly trading as Moylan Real Estate. The Board took this action following allegations of trust account irregularities by the person in *bona fide* control and because neither T.M. Moylan Nominees Pty Ltd nor Mr Paul William Moylan held a current triennial certificate. The Board obtained orders in the SAT suspending both T.M. Moylan Nominees Pty Ltd and Mr Moylan from conducting a real estate business and authorising the appointment of a supervisor. In September 2007, the Board appointed a forensic auditor to investigate and gather evidence on the irregularities.

Late audit reports

During the year the Board placed significant emphasis on annual audit reports to ensure that agents maintain their trust accounts in accordance with the statutory requirements. Since 2001-02 the Board has maintained a 'no tolerance' policy towards agents who fail to comply with the trust account auditing provisions of the Act. Where appropriate, the Board will commence proceedings before the SAT alleging that there is proper cause for disciplinary action regarding an agent's conduct of failure to cause trust accounts to be audited or deliver a statutory declaration within the prescribed time period. Where it is found that there is proper cause for disciplinary action against the agent, sanctions may be imposed which include a

reprimand, a fine, or the suspension or cancellation of the agent's licence and/or triennial certificate. The Board may also commence proceedings in the Magistrates Court where an auditor fails to deliver an audit report to the Board within the prescribed time period.

Advertising practices

The Board continued to receive complaints from consumers about improper advertising practices of some industry members during the reporting period. The Board was concerned about two types of advertising that it considered misleading.

The first involved agents advertising properties without authorisation from the seller. In particular, there were occasions where agents advertised properties as having been 'SOLD', implying they had sold them, when the property had not been listed with that agency. During the year the Board held a series of seminars to educate agents against this style of marketing, which it considered to be misleading. The Registrar reminded agents that to advertise a property they must obtain a valid authority from the owner of the property. Failure to obtain a valid authority is a breach of Article (3) and 4(1) of the *Code of Conduct for Agents and Sales Representatives* ("Code of Conduct").

The second type of advertising of concern to the Board was the practice of advertising a property as being located in the wrong locality. The Board considers that incorrectly describing the location of a property in an advertisement to be misleading and a breach of Article 5(1) or 5(2) of the Code of Conduct. In addition, the Board considers that it may also amount to misleading or deceptive conduct under the *Fair Trading Act 1987*.

Other issues

Compulsory Professional Development

A major initiative of the Board in the previous financial year was the implementation of the Compulsory Professional Development ("CPD") program for real estate and business broking industries.

The CPD program is designed to increase the knowledge, skills and professionalism of individual licensed real estate and business broking agents. The CPD program forms part of the licensing framework. All individual real estate and business broking agents who hold a current triennial certificate are required to acquire ten points of approved professional development activity each calendar year, with 3 points from mandatory and 7 points from elective CPD activities. Through the CPD program agents will also receive ongoing training and professional development related to their legislative obligations under the Act and the Code of Conduct.

During this year, the CPD program continued to be beneficial to the industry and it will continue to be an area of attention for the Board in the coming year. From 1 July to 31 December 2007 the Board provided a total of 33 mandatory CPD seminars. Of these, 16 were conducted by the Board's Registrar and the Branch's Proactive Compliance staff, and the other 17 seminars by the qualified training providers approved by the Board.

During the latter part of 2007, the Board conducted a tender process for the provision of CPD mandatory training to be provided by suitably qualified external training providers to licensed real estate and business agents. The development and delivery of the mandatory seminars

was awarded to West Coast Property Training, Kaplan and Central TAFE. The Board continued to approve the delivery of elective seminars also provided to the industry by suitably qualified providers. On 28 December 2007, the Board gazetted the amendments to the *Real Estate and Business Agents (General) Regulations 1979* to include CPD. The Board has evaluated the CPD program and will extend it to include all sales representatives from 1 January 2009. The Board intends to ensure continuity of its educational efforts in the coming years.

A dedicated section of the REBA website has been developed for agents so that they are able to access up to date information about CPD and the courses available. It contains an overview of the CPD program, details of mandatory seminars and approved elective activities, training providers' contact details, a seminar evaluation form, a frequently asked questions section, and a guide to the CPD program.

The Board believes this initiative will continue to promote professionalism and consumer confidence in the real estate industry. The Board expects that by raising participants' level of understanding of their legislative obligations, CPD will result in voluntary compliance by agents and sales representatives.

Staff training on real estate agency practices

To ensure that Board and Real Estate Branch staff continue to provide high quality information and services to Government, industry members and the public, a number of in-house training sessions were conducted during 2007-08. With the assistance of the Proactive Compliance Section, and the Board's Registrar and Solicitor, 17 training sessions were conducted during the year which covered the following topics:

- Settlement process;
- Transition from sale to settlement;
- Guidelines on the Offer and Acceptance and Joint Form of General Conditions;
- Valid appointment to act;
- Report writing skills;
- Trust accounting;
- Proactive case studies;
- Trust account reconciliation;
- Responsibilities in a real estate and settlement transaction;
- Culture of compliance;
- Trust accounting and Code of Conduct;
- Joint exclusive appointments to act;
- s.15 powers and certification of documents; and
- Closure of investigations.

SECTION TWO

Organisational structure and profile



Organisational profile

Enabling legislation

The Real Estate and Business Agents Supervisory Board is an independent statutory authority established under the *Real Estate and Business Agents Act 1978* ("the Act") to regulate the real estate and business broking industries. The Board administers the Act, *the Real Estate and Business Agents (General) Regulations 1979* ("the Regulations") and the *Code of Conduct of Real Estate Agents and Sales Representatives* ("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 the Regulations;
- administration of the applicable licensing and registration schemes; and
- conducting and promoting education and providing advisory services for industry participants and members of the public.

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

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

The Board is fully funded by the industry, 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 real estate industry and the community of Western Australia. The effective delivery of these statutory functions underpin the Board's goal that:

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

Core values and conduct

The 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 transparent 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.

1	2	3	4	5
Licensing	Compliance	Education & Awareness	Fidelity Guarantee Account	Home Buyers Assistance Account

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

Compliance: Ensuring that licensed real estate and business agents, their sales representatives and all employees comply with the relevant legislation and financial reporting requirements.

Education and Awareness: Aims to encourage awareness of real estate 'best practice' through activities such as proactive visits, CPD program, seminars and publications, and through the REBA website.

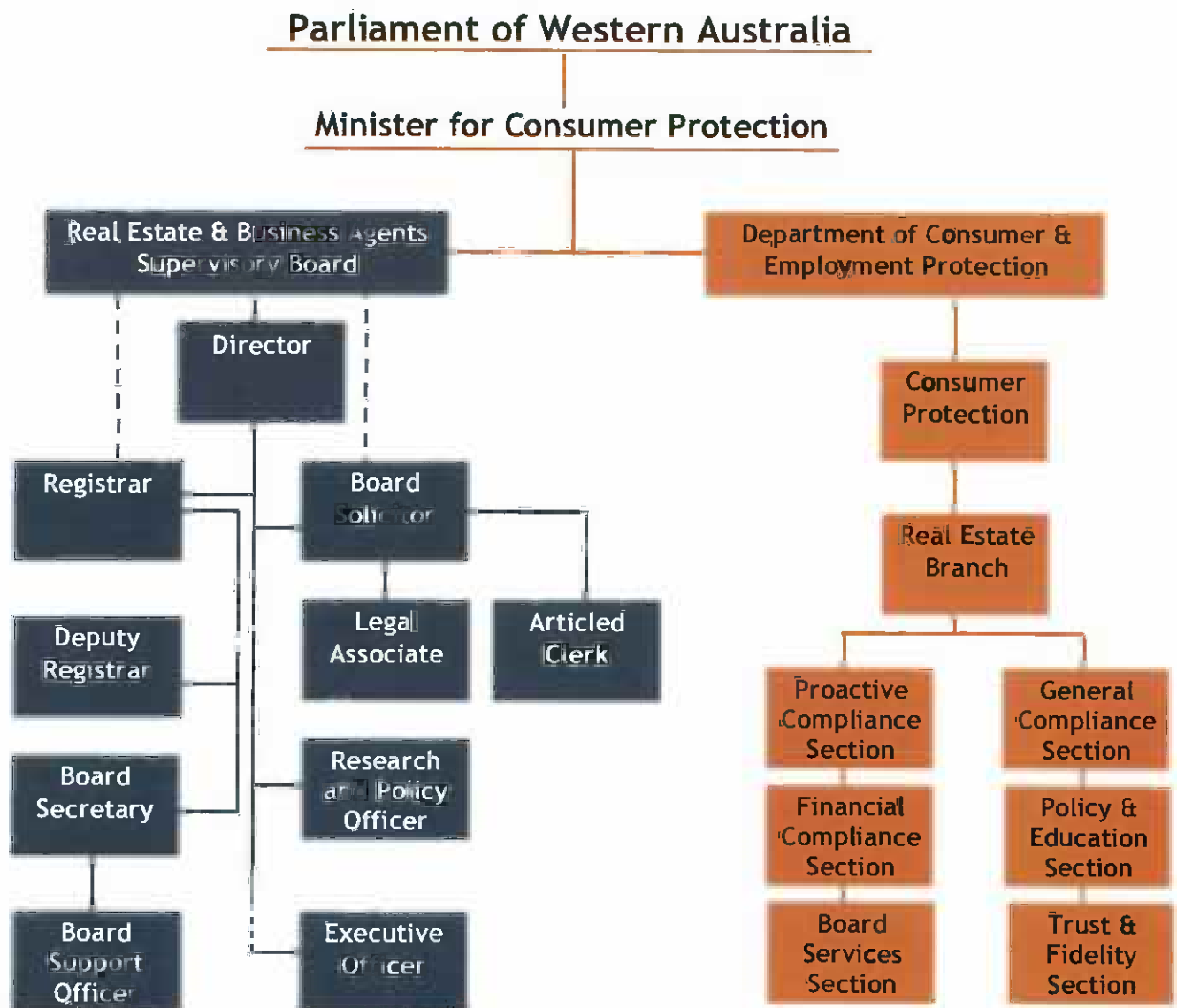
Fidelity Guarantee Account: The assessment of claims for reimbursement from consumers who have suffered financial loss during a real estate transaction conducted by a licensed real estate agency that holds a triennial certificate due to the criminal or fraudulent conduct of that agency or its employees.

Home Buyers Assistance Account: Works to ensure that people who lodge a claim against the Account satisfy the necessary requirements and receive funding in a timely manner.

Service Delivery Agreement

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

Board organisational chart



Board members



MR MARK CUOMO

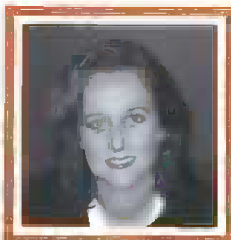
Mr Mark Cuomo is a legal practitioner practising as a barrister. Mr Cuomo has been Chair of the Board since January 2005. He is also the Chair of the Builder's Registration Board, the Building Disputes Tribunal, and the Painter's Registration Board.



MR KEN BRADLEY

Mr Ken Bradley is a fellow of the Australian Society of Certified Practising Accountants (FCPA). He has been a member of the Board since August 2004. He is a Director of Workability, treasurer of the Stop the Toad Foundation, and a senior sessional member of the State Administrative Tribunal.

DEPUTY: DR DIANA NEWMAN



MS KAREN LANG

Ms Karen Lang is a legal practitioner. She has been a member of the Board since November 2003. Ms Lang is a member of the Liquor Commission of Western Australia, the Building Disputes Tribunal, and a sessional member of the State Administrative Tribunal.

DEPUTY: DR JOHN HOCKLEY



MR MICHAEL HOAD

Mr Michael Hoad is the member nominated for appointment by the Real Estate Institute of WA. He is a licensed real estate agent with 30 years experience in the industry, and has operated his own agency for 24 years. Mr Hoad has been a member of the Board since January 2003.

DEPUTY: MS RENATE BROWN



MR WILLIAM GODDARD

Mr William Goddard is the member elected for appointment by licensed agents. He is a licensed real estate agent, and a certified practising business broker, auctioneer and property manager. Mr Goddard has over 40 years experience in the industry, and operates his own agency in Nedlands. He was first elected to the Board as the deputy elective member in 1985, and has been the elective member since 1989.

DEPUTY: MR OSCAR D'SOUZA

Board structure

The composition of the Board is set out in section 7 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 experienced in commercial practice and not a licensed agent;
- one must be a person who is a legal practitioner and not a licensed agent;
- one must be a licensed real estate agent who is nominated by the Real Estate Institute of Western Australia; and
- one must be a licensed agent who is elected by licensed agents.

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

Our people

The Board engages ten staff. The Director, Board Solicitor, Legal Associate, Board Executive Officer, Articled Clerk, and Board Support Officer are employed in a joint funding arrangement with the Settlement Agents Supervisory Board. The Registrar, Deputy Registrar, Research and Policy Officer, and Board Secretary are employed directly by the Board.

Role of key staff

Director

The Director is the Chief Officer of the Board and is responsible for providing advice and assistance to the Board in its day-to-day operations. The Director is also responsible for ensuring that Board's policies and strategies, for regulating the real estate and business broking industries, are implemented and monitored.

The Director oversees the financial and human resources, legal services, assists with planning and strategic issues, and negotiating, monitoring, and reporting on contracts with external providers, including the Service Delivery Agreement with the Department of Consumer and Employment Protection.

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 officers and inspectors, 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 State Administrative Tribunal ("SAT") and the courts.

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

Registrar

The Registrar ensures the overall efficient operation of the Board and staff in the administration of the Act, the Code of Conduct, and the Regulations; assists in overseeing the operations of the Board, provides guidance and leadership to staff, and conducts staff training sessions; reports to the Board on policy, legislative and operational issues that may impact on the Board's viability or their ability to meet legislative requirements; responsible for the efficient operation of the Home Buyers Assistance Account; contributes as a member of a number of Board sub-committees to assist in the management, development, implementation and evaluation of Board objectives and policies; and manage Board projects including CPD tenders, as directed.

The Registrar is also responsible for undertaking the statutory functions as Registrar of the Board, act as counsel assisting the Board in formal licensing hearings; briefs and directs the Board Solicitor on operational issues under delegated authority from the Board; determines which investigations are recommended to the Board for the Board to allege to SAT disciplinary action; and authorises closure of investigations.

He also builds and maintains a cooperative and effective working relationship with the Minister's office, industry and consumer organisations; develops and maintains contacts with similar regulatory authorities throughout Australia; liaises with and represents the Board in dealings with the media as required; represents the Board at conferences, seminars and relevant committees, and working parties; and promotes the Board and advances its objectives.

Corporate governance

Legislation and statutory reporting compliance

The Board complies with the following statutes in performing its functions:

- *Real Estate and Business Agents Act 1978;*
- *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 Administration and Audit Act 1985*
- *Financial Management Act 2006;*
- *Freedom of Information Act 1992;*
- *Public Interest Disclosure Act 2003;*
- *Electoral Act 1907;*
- *Criminal Code Act Compilation Act 1913*
- *Fair Trading Act 1987*
- *Mutual Recognition (Western Australia) Act 2001;*
- *Mutual Recognition Act 1992 (Cwlth);*
- *State Administrative Tribunal Act 2004;*
- *Magistrates Court Act 2004; and*
- *Supreme Court Act 1935.*

SECTION THREE

Performance management framework



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 and the Service Delivery Agreement. Please refer to these activities in DOCEP's 2007-08 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 reports that it did not incur any such expenditure in the reporting period 2007-08.

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 2007–08, the Board did not receive any applications for breaches of the standards. In addition, the Board:

- received no workers compensation claims;
- did not re-deploy any of its staff;
- did not terminate 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 2004. The Code of Conduct sets standards concerning the Board's operational requirements and expected behaviour of its members and staff as they carry out

their day-to-day work. It also provides guidance and practical assistance on what to do when faced with an ethical issue.

When the Board is in session, members are required to act in accordance with their own independent views and experiences, in the 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 2007-08, the Board received six requests for information under the *Freedom of Information Act 1992*.

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

SECTION FOUR

Performance report on services



Service One: Licensing

Strategic objectives

The Board's objectives for the 2007-08 reporting period are:

- assist people seeking to obtain or renew a licence, triennial certificate or certificate of registration, and to process applications in accordance with the *Real Estate and Business Agents Act 1978* ("the Act");
- assess the fitness¹ of people entering the industry, and of those remaining in the industry; and
- audit the computer databases of DOCEP to ensure the information recorded is accurate.

Performance

In 2007-08, the Board achieved the following outcomes:

- 275 applications for new real estate licences were processed;
- 981 applications for real estate licence renewal were processed;
- 99.6 per cent of new real estate licence applications were acknowledged within eight days;
- 98 per cent of new real estate licence applicants were advised of the outcome of their application within eight days of the Board's decision;
- 99.7 per cent of renewal real estate licence applications were finalised within eight days;
- 1,249 new applications for a sales representative's certificate of registration were processed;
- 1,475 renewal applications for a sales representative's certificate of registration were processed; and
- 99.7 per cent of renewal applications for a sales representative's certificate of registration were finalised within eight days.

¹ The Act stipulates that to hold an agent's licence (section 27(1)(b) of the Act) or certificate of registration (section 47(1)(b) of the Act) 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 takes into account a number of factors when considering the character, repute and suitability of an applicant.

Overview

All real estate and business 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 agents. To create high standards of practice and behaviour in the industry, uniform minimum standards of competency apply.

The Board received and processed 275 applications for real estate licences during the reporting period. This represents a decrease of 13.2 per cent over the same period for 2006–07. The Board dealt with 1,249 applications from people seeking registration as sales representatives. This represented a decrease of 12.8 per cent compared to 2006–07. During the reporting period the Board conducted 60 recorded licensing interviews.

Current fees - Real estate and business agent

The fees charged for new applications are as follows:

- | | |
|---|----------|
| ▪ individual licence | \$785.00 |
| ▪ firm / partnership / body corporate licence | \$965.00 |

The fee for a new licence application includes a once only contribution of \$150 to the Fidelity Guarantee Account. The fee for renewal of a triennial certificate is \$375 for individuals, partnerships and corporate bodies.

Holding fee

Agents who wish to continue to hold a licence, but do not want to carry on business must do so by paying a holding fee of \$170 within the specified time frame. This puts the licence on hold for a period of three years. At the end of the reporting period, licences of 370 agents were on hold.

Current fees - Sales representative

The fee for a new registration application for sales representatives is \$195 and includes a once only contribution of \$45 to the Fidelity Guarantee Account. Renewing a certificate of registration incurs a fee of \$132. Certificates of registration are renewable.

Licensing kit

The Board produces a licensing kit that provides information for new licence holders. The licensing kit consists of information on setting up a trust account, auditing processes, the CPD Guide, several fact sheets including *Licensing of real estate and business agents*, and an agent's obligation to notify the Board when changing their details. The licensing kit also 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 (Cwlth)*. The licensing kit can also be downloaded from the Board's website at www.reba.wa.gov.au.

Service Two: Compliance

Strategic objectives

In 2007-08, the Board strived to meet the following objectives:

- real estate agents, business agents and sales representatives comply with the requirements of the **Act** and the Code of Conduct;
- in appropriate cases, the Board commence proceedings before the State Administrative Tribunal ("SAT") alleging that there is a proper cause for disciplinary action against an agent or sales representative, direct the Registrar to bring prosecutions in the Magistrate Court against agents, sales representatives and other persons where there is evidence of an offence against the Act and the Code of Conduct or other legislation including the Criminal Code;
- complaints investigated promptly and dealt with by the Board in a timely manner;
- prompt accurate advice is given to industry members and the public; and
- audit reports are received on time and all qualified reports are investigated.

Performance

In 2007-08, the Board achieved the following outcomes:

General compliance

- 411 investigations were initiated;
- 470 investigations were completed;
- 97.1 per cent of written complaints were acknowledged within eight days; and
- 95.2 per cent of investigations were commenced within 14 days.

Financial Compliance

- 387 qualified audit investigations were initiated;
- 470 qualified audit investigations were completed;
- 97.9 per cent of investigations into qualified audit reports were commenced within 14 days of lodgement;
- 64 trust account investigations were initiated;
- 55 trust account investigations were completed; and
- 90.2 per cent of trust account investigations were commenced within 14 days.

Conciliation

- 128 conciliations were commenced;
- 122 conciliations were completed;
- 89.3 per cent conciliations were acknowledged within four days;
- 88.3 per cent of conciliations were commenced within ten days; and
- 98 per cent of conciliations were completed within 12 weeks.

General Compliance

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

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 or sales representative concerned, and any other relevant person. At the conclusion of an investigation the Registrar may take one or more of a range of actions.

Where an investigation or inquiry reveals evidence of non-compliance with the Act and/or Code of Conduct, the result will not always be an application to the State Administrative Tribunal ("SAT") for disciplinary proceedings or prosecution in the Magistrates Court. Depending on the circumstances, the Registrar may decide to issue an educational letter or otherwise close the matter.

If there is sufficient evidence of a breach, the Registrar will recommend that the Board commence proceedings against the agent and/or sales representative. Factors such as, the nature of the conduct, the agent or sales representative acknowledging the breach or non-compliance actions taken to prevent future occurrence, and the strength of the evidence available will be taken into consideration. In this reporting period, 25 proceedings were commenced in the SAT, and 17 were completed. One proceeding in the Magistrates Court was commenced, which was in progress at the end of the reporting period.

The total number of new investigations commenced into the conduct of agents decreased from 425 in 2006-07 to 411 in this reporting period.

Property Management

With the real estate market appearing to have plateaued in the latter half of the financial year, an increasing number of complaints were received on property management issues. Generally, these relate to the professionalism of the agents, sales representatives and property managers, or their personal behaviour, as opposed to a breach of the Act or the Code of Conduct.

However, on an issue that did proceed to SAT, an agent, upon termination of the Management Authority, directed funds from the trust account held for the principal of the agency, claiming repayment of loans made by the agency on behalf of the principal in relation to payment of a water consumption charge. The principal denied the existence of any loan arrangement and also alleged that the agency did not attend to repairs that resulted in the water consumption charge, and claimed he had said to them that he would “take care of it.”

The actions of the agent, who was the person in *bona fide* control of the agency, raised issues with respect to section 68(4) of the Act which sets out that monies shall not be withdrawn from a trust account except for the purpose of the transaction or as authorised by the persons entitled to the money.

The SAT ordered the agency to deposit to the trust account \$1,900.40 that had been inappropriately withdrawn, and the agency and its person in *bona fide* control to pay a fine of \$1,000 and costs of \$500.

Licence lending

In March 2008, the SAT handed down a decision on a “licence lending arrangement” between a licensee and a sales representative after the Board had commenced disciplinary proceedings.

In December 1998, the licensee entered into an agreement with the sales representative and her husband, whereby they paid the licensee the sum of \$80,000 for the use of his licence or triennial certificate. The agreement was set out on a standard for sale and purchase of business form. The licensee and the sales representative alleged that the payment was for advanced payment of the income stream from the real estate business for a period of eight years. The Board alleged the agreement was a sale of business.

There was no evidence that the sales person was an employee, despite the consistent evidence of the respondents that she was an employee, the licensee did not pay any salary, workers compensation, PAYG deductions, superannuation or other benefit of employment at any time for the sales representative and nor did they address at any time how the \$80,000 would be dealt with for taxation purposes.

The SAT found, on the evidence that it accepted that this was a classic situation of a licensee lending his licence to enable the sales representative to carry on the business. The work that the licensee did with respect to the real estate business was the absolute minimum necessary to maintain his licence. In all other respects, the sales person was the operator of the real estate business.

In March 2008, the SAT found there was cause for disciplinary action against both the licensee and the sales representative. The SAT ordered the cancellation of the licence and the triennial certificate of the licensee for three years. It also ordered fines of \$ 8,000 and \$4,000, and costs of \$2,500 and \$1,500 for the licensee and the sales representative respectively.

Unlicensed Activity

In a matter commenced in the SAT concerning unlicensed activity, it was alleged that between September 2004 and May 2006 the first respondent held itself out as a business agent in Western Australia when it had an unissued licence, contrary to section 26 of the Act. Between October and December 2004, the second respondent held himself out as a business sales representative when he was not so registered, contrary to section 45(2) of the Act.

The first respondent held itself out as a business agent in Western Australia by entering into agreements to sell Western Australian businesses, and operated a serviced office in Western Australia as part of its business broking business. Furthermore, it advertised to Western Australian businesses that it could sell such businesses and allowed its representatives to have business owners in Western Australia to sign contracts for the sale of businesses.

The second respondent held himself out as a business sales representative in Western Australia in that he met with potential clients of the first respondent in Western Australia as its representative, assessed businesses and recommended a sale price to potential clients of the first respondent while meeting with them in WA. He represented that he was qualified and registered to work in the business broking industry to potential clients of the first respondent in Western Australia and presented a document titled "Appointment to Act as Broker to Sell Business" for the sale of Western Australian businesses where the status of the first respondent was stated to be broker or agent.

The respondents admitted the contraventions and the SAT, being satisfied by reason of the admissions, ordered in January 2008 that the first respondent was to pay a fine of \$4,500 and costs of \$1,000 and the second respondent was to pay a fine of \$1,200 and costs of \$500.

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 31 March 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;
- through a complaint received directly relating to an agent's operation of the trust account; and
- financial institutions notifying the Board when a trust account becomes overdrawn.

During 2007-08, the Board initiated 387 investigations into qualified audit reports compared to 336 from the previous reporting period. While the increase in qualified audit reports is of concern to the Board, it believes that this is a consequence of auditors becoming increasingly more aware of the 'zero tolerance' expectations of the Board regarding auditing agents trust accounts. This has resulted in more audits being qualified for matters that are technical in nature and not considered significant. This increased awareness can be attributed to the independence of the audit policy and the education program and an industry seminar for auditors run by the Board at the West Centre in West Perth. This seminar was well attended with attendees providing many appreciative comments. In addition, 64 trust account investigations were initiated in 2007-08, compared to 61 from the previous reporting period.

Conciliation

The Board may assist parties to resolve a dispute by arranging informal discussions between them, helping in the conduct of those discussions, and if possible, assisting the parties to reach an agreement. Generally, conciliation of a dispute may be offered where:

- no serious breach of the Act or Code of Conduct is identified;
- the dispute is about fees charged by an agent;
- the complaint is lodged by an agent against another agent regarding conjunctional dealings or agency practice of a minor nature;
- the complaint is from a property owner about the conduct of their agent as a property manager; or
- the breach is of a minor nature and the main concern of the complainant is to receive reimbursement.

The Board will not offer conciliation if the issues raised involve allegations of:

- dishonesty on the part of the agent or sales representative;
- significant financial loss to the other party; or
- a serious breach of the Act or Code of Conduct.

The conciliation service has proven to be an effective method of resolving minor complaints. In the cases conciliated in 2007–08, 48 cases resulted in the parties reaching agreement. In 33 cases referred to conciliation, no action was required other than clarifying the facts for the parties. In 19 cases the parties were unable to resolve the issue. Of cases referred to conciliation, two were outside of the jurisdiction of the Board and the parties had to seek assistance elsewhere. There were 20 cases where complaints were not justified. The average time taken to complete a conciliation matter was 30 days.

Service Three: Education and awareness

Strategic objectives

The Board endeavoured to meet the following education and awareness objectives in 2007-08:

- conduct proactive visits to agencies;
- provide education seminars to assist agents to comply with the Act and the Code of Conduct;
- conduct seminars for homebuyers;
- provide a counter information service to members of the public and industry;
- provide a telephone information service to members of the public and industry;
- support and fund education programs for the professional development of agents and sales representatives;
- develop educational material, including brochures and guides, for distribution to industry and members of the public
- publish the quarterly newsletter, *REBA News*, for distribution to licensees, sales representatives, auditors and members of the public who wish to receive a copy; and
- develop and maintain the most up to date information on the Board's website for industry and members of the public.

Performance

In 2007-08, the Board achieved the following outcome:

- 278 proactive compliance visits were made to agencies, which includes 72 visits to agencies outside of the metropolitan area;
- Ten training seminars were conducted for agents and sales representatives on various topics covering the requirements of the Act and the Code of Conduct;
- Two Homebuyer seminars were conducted jointly with the Settlement Agents Supervisory Board; and
- Four issues of *REBA News* were published and distributed to licensees, sales representatives, auditors and members of the public who wish to receive a copy.

Overview

Information services

Under the SDA the Board offers advice line services through DOCEP to the public. In 2007-08, the Advice Line received 27,982 telephone enquiries from the public seeking information on real

estate matters. Of the telephone enquiries received, 88 per cent were answered within 40 seconds.

In addition, the Board's counter service received 164 enquiries on real estate matters in 2007-08. Of these enquiries, 92 per cent were answered within six minutes.

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 voluntary compliance and ethical standards in real estate and business broking industries. 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 278 proactive visits to agencies. Of those visits, 72 were carried out in regional areas.

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

- trust account reconciliation;
- correspondence and documents including trust account receipts to ensure they conform to the Act and the Code of Conduct;
- potential conflict of interest;
- appointment to act;
- sale files; and
- property management files.

Where non-compliance is identified, practical advice and guidance were given on how the agency may correct the problem, and comply with the requirements of the Act and the Code of Conduct. The majority of feedback obtained from agents, who have participated in the program, indicates that the proactive compliance visits were helpful and informative. This program, along with CPD has been well received by the industry, and is likely to have assisted in reducing the number of complaints lodged during the reporting period.

Education funding

The Board provides financial support to promote its education objectives. The Board uses a prescribed proportion of the interest earned from real estate and business agents trust accounts for this purpose. This contract was expected to provide a total of \$235,372 funding to support the delivery of necessary and appropriate training courses to assist in the professional development of industry participants; namely, registered real estate and business agents, and sales representatives.

Under the resulting contract, the successful tenderer(s) are required to provide necessary and appropriate training courses to assist in the professional development of participants in the real estate and business broking industries (ie courses that reinforce the compliance requirements of the Act and the Code of Conduct, and improve and update the knowledge and skills of industry participants). Courses may only be provided to people who are registered as real estate and business agents, and sales representatives. The successful tenderer was the Real Estate Institute of Western Australia.

REBA News

To provide information to industry members and stakeholders, the Board produces a quarterly newsletter, the *REBA News*. The newsletter includes information on industry practice issues, case studies from the Board's disciplinary and other proceedings and legislative amendments. It is mailed to all licensees, sales representatives, auditors and stakeholders, and can also be downloaded from the Board's website.

During the year the Board initiated a consultation process with the industry regarding phasing out the hard copy version of the *REBA News* and replacing it with a *REBA e-bulletin* (electronic version). The majority of feedback received has been positive, with many readers supplying an email address for subscription to the *REBA e-bulletin*. The Board plans to progress this proposal and hopes the *e-bulletin* initiative will be a convenient way for the industry to receive the latest information about issues in the real estate industry in WA.

Complaint handling guidelines

As part of a 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 Settlement Agents Supervisory Board.

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

REBA Publications

The Board considers that it is important to improve the knowledge and ability of members of the public to protect their own interests in real estate transactions. The Board produces various publications, which provide important information to both industry and members of the public on topical issues relevant to real estate. These publications are:

- Real estate auctions;
- Sale by offer and acceptance;
- Buying vacant land;
- Fidelity guarantee account;
- Real estate fees – negotiating with an agent;
- Buying a home through an agent;
- Timber pest inspections and reports: A guide to homebuyers;
- You and your property manager;
- Home buyers assistance scheme;
- Obligations of property developers;
- Licensing of real estate and business agents;

- A guide to auditing real estate and business agents trust accounts;
- A guide to investigations and disciplinary inquiries;
- Real estate trust accounting: A reference manual; and
- Information for complainants – Real estate and business broking industries.

Website

The Board's website at www.reba.wa.gov.au is a significant resource, and assists it to carry out its statutory functions in providing a range of information for the industry and educating the public. It provides downloadable copies of all the Board's publications, services available through the Board, and access to electronic copies of real estate legislation, and licensing and fidelity hearings. The website also provides decisions arising out of disciplinary proceedings for years 2001 to 2005. The decisions and orders of the SAT are available from its website www.sat@justice.wa.gov.au, accessible through a link on the Board's website.

There is also a dedicated section of the website specifically for the CPD program. New material such as updates on CPD continues to be added to the website on a regular basis. The website has a searchable index of articles from the *REBA 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 the Government, industry members, and the public.

Service Four: Fidelity Guarantee Account

Strategic objective

The purpose of the Fidelity Guarantee 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 agent or business broker, who holds a triennial certificate, in the course of a real estate or business broking transaction. This also applies to the actions of an agent's employees.

Performance

In 2007-08 the Board achieved the following outcomes:

- 160 claims were lodged against the Fidelity Guarantee Account;
- 55 Fidelity Guarantee Account claims were finalised;
- 100 per cent of claims were acknowledged within eight days; and
- 100 per cent of claim assessments were commenced within 14 days.

Overview

The Fidelity Guarantee Account is financed through contributions from agents, interest on agents' trust accounts, and interest generated on the Fidelity Guarantee Account. The Fidelity Guarantee Account is kept at Treasury, forming part of the Trust Fund constituted under section 10 of the *Financial Management Act 2006*. Money standing to the credit of the Fidelity Guarantee Account is invested with Treasury, and income derived from this is credited to the Fidelity Guarantee 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 licensed real estate and business agents or their employees;
- the agent is licensed and hold a triennial certificate; and
- the loss occurred in relation to a real estate or business broking transaction.

The Board publishes an information bulletin/guide to assist claimants in order to lodge a claim against the Fidelity Guarantee Account. The information bulletin is available on the website (www.reba.wa.gov.au) and contains information about the Fidelity Guarantee Account, eligibility for making a claim and the claim process.

Service Five: Home Buyers Assistance Account

Strategic objective

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

In 2007-08, the Board endeavoured to meet the following objectives by:

- ensuring first home buyers are made aware of the Home Buyers Assistance Account; and
- providing a grant of up to \$2,000 for the incidental expenses of first home buyers such as registration fees, solicitor and/or conveyancing fees, valuation fees, inspection fees, establishment fees, mortgage insurance premiums and lending institution fees associated with lodging the application.

Performance

In 2007-08, the Board achieved the following outcomes:

- \$8,180,158 was paid out of the Home Buyers Assistance Account;
- 4,381 applications were received;
- 4,165 grants were approved; and
- 99.98 per cent of cheques were issued within eight days of approval.

Overview

The Home Buyers Assistance Account is an initiative of the Western Australian Government with grant money coming from the interest earned on money held in trust accounts of real estate agents and interest earned on retained funds.

Grants will only be given if:

- the applicant is buying their first home, which is established or partially built (not vacant land, a plan, or a "house and land" package);
- the applicant must not own or previously have owned a home in Western Australia. If the applicants partner in buying the home owns or has owned a home before in Western Australia then the applicant can apply for a partial grant based on the percentage of the applicants ownership of the home;
- the applicant lives in the home for the first 12 months;
- the applicant purchases the home through a licensed real estate agent;
- the application is lodged with the Registrar of the Board no more than 90 days after the date that the offer to buy the home is accepted;

- the home loan is financed through an authorised lending institution (such as bank, building society or credit union); and
- the purchase price of the property is no greater than \$400,000.

Number of applications and grants

The table below provides a comparison of the number of Home Buyers Assistance Account applications and approvals processed by the Board between the current and previous financial years.

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
No. of Applications	856	699	966	1,812	4,381
No. of Approvals	772	721	902	1,543	4,165
Total Amount Paid	\$1,410,636	\$1,346,500	\$1,719,119	\$3,048,698	\$8,180,158

Home Buyers Assistance Advisory Committee

Section 131H of the Act establishes the Home Buyers Assistance Advisory Committee. The functions of the Advisory Committee are to:

- issue guidelines to the Registrar under section 131M(1a);
- consider applications referred to the Advisory Committee under section 131M(1)(b) and to make recommendations to the Board thereon;
- make recommendations to the Board on the formulation of criteria under section 131O(2); and
- consider any proposals, matters or questions concerned with this Part that may be referred to the Advisory Committee by the Board and to advise the Board thereon.

In the 2007-08 reporting period, the Advisory Committee met three times to consider raising the eligibility criteria. The Advisory Committee recommended that the maximum purchase price threshold for the Home Buyers Assistance Scheme be increased from \$400,000 to \$500,000, and the grant be increased from \$2,000 to \$5,000, in response to the rising costs of housing in Western Australia. The Board approved the recommendation and forwarded it to the Minister for Consumer Protection for her consideration. Although the Minister has declined to approve the Board's recommendation in the first instance, the Board will again pursue the Minister's approval in the coming year.

Auditor General's opinion



Auditor General

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD FINANCIAL STATEMENTS AND KEY PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2008

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

The financial statements comprise the Balance Sheet as at 30 June 2008, 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.

Real Estate and Business Agents Supervisory Board
Financial Statements and Key Performance Indicators for the year ended 30 June 2008

Audit Opinion

In my opinion,

- (i) the financial statements are based on proper accounts and present fairly the financial position of the Real Estate and Business Agents Supervisory Board at 30 June 2008 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 2008.


COLIN MURPHY
AUDITOR GENERAL
17 September 2008

SECTION FIVE

Performance indicators

Certification of performance indicators

CERTIFICATION

We hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Real Estate and Business Agents Supervisory Board's performance, and fairly represent the performance of the Real Estate and Business Agents Supervisory Board for the financial year ended 30 June 2008.



Mark Cuomo
Chairman



Ken Bradley
Member



Tim Banfield
A/Director REBA
Chief Finance Officer

Dated: 12 September 2008



REBA ANNUAL REPORT 2007-2008



Performance indicators 2007 - 2008

Statutory role of the Board

The Board acts in the public interest as the supervisory authority for real estate and business agents and real estate and business sales representatives in Western Australia. The statutory function of the Board is to regulate the conduct of agents and sales representatives in the way they carry out real estate and business transactions.

Outcome

At the highest level, the combined outcome of all the Board activities is to ensure that:

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

Effectiveness indicator

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

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

The Board's experience is that the extent of compliance in respect to trust accounts is the best single test providing a reliable indication of the extent to which agents are generally complying with the requirements of the 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 to the Board in relation to the agents' management of their trust accounts. 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 auditors submit unqualified audit opinions is an indication of the degree of confidence that can be held in the industry.

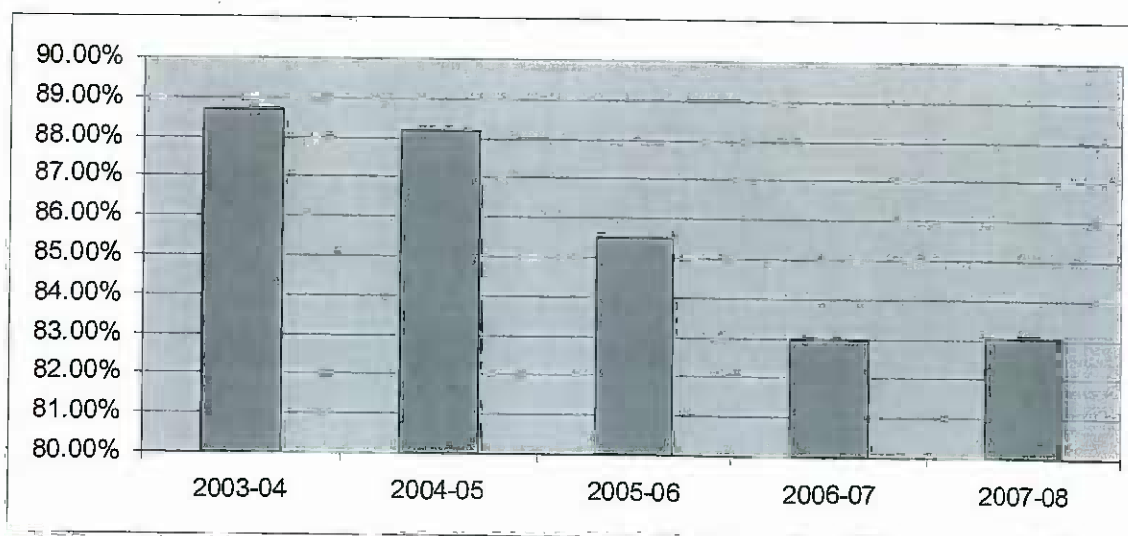
Measure

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

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

	2003-04	2004-05	2005-06	2006-07	2007-08
Unqualified Audit Reports	829	832	804	773	778
Qualified Audit Reports	228	239	286	313	355
Statutory Declarations	996	983	1012	1028	1147
No Audit Report	5	4	22	56	38
Total Agents	2058	2058	2124	2170	2318
% of Agents submitting an unqualified audit or statutory declaration	88.7	88.2	85.5	83	83.05

Per cent of agents submitting an unqualified audit or statutory declaration



Notes to the indicator

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



The Board places significant reliance on audit reports to ensure that agents maintain their trust accounts in accordance with the statutory requirements. Since 2001-02, the Board has maintained a 'no tolerance' policy towards agents who fail to comply with the trust account auditing provisions of the Act. Where appropriate, the Board will commence proceedings before the SAT 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 by SAT, which include a reprimand, a fine, suspension or cancellation of the agent's licence.

This year the number of active agents has increased by 148. There are five more unqualified audits and 42 more qualified audits. The proportion of auditors delivering unqualified audit reports and agents submitting statutory declarations has increased very slightly this year, from 83 to 83.05 per cent.

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 more aware of the expectations of the Board regarding auditing agents trust accounts. This has resulted in more audits being qualified for matters that are technical breaches and not considered significant. This increased awareness can be attributed to the education program and industry seminars run by the Board and its independence of auditor policy.

The qualifications raised by the auditors have been investigated, and most of them related to insignificant matters, such as clerical or titling errors by banks so that the agent's triennial certificate number or trading name have not been included on the trust account, reconciliations completed but done a few days late or not signed and dated, and trust accounts overdrawn by very small amounts from a few cents to a few dollars. Those of a significant nature related to month end reconciliation problems, particularly timing, failure to reconcile the primary trust accounts, and reconciliation of bonds with the Bond Administrator.

This year the number of auditors who failed to deliver an audit report and a statutory declaration decreased by 18. This was due to better follow up procedures being introduced in relation to late audit reports and statutory declarations. The Board may bring disciplinary proceedings against those agents and auditors who fail to comply with the Act. The Board will consider introducing Infringement Notices for breaches by both agents and auditors in the next financial year as a means to encourage compliance, and reduce the number of outstanding audits.

Efficiency indicator

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

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

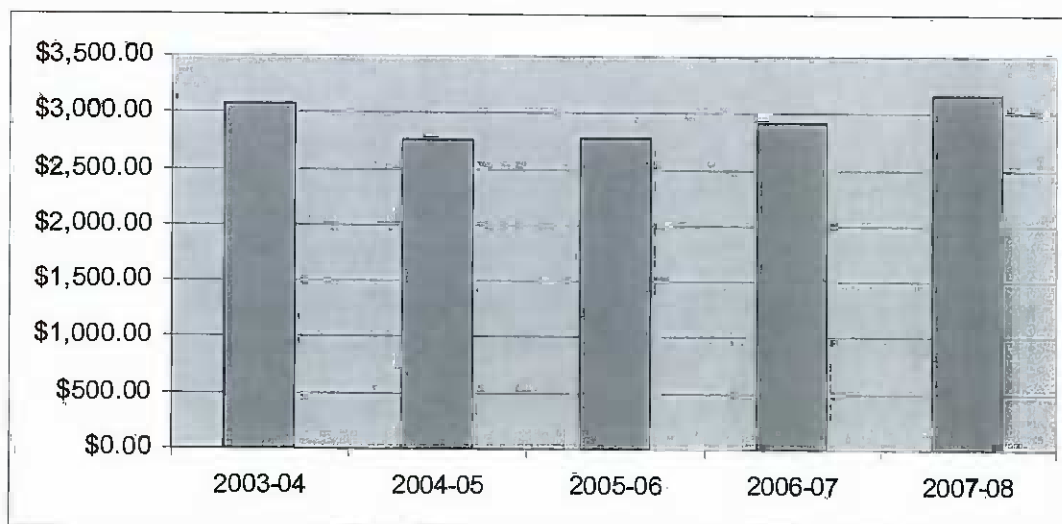
Measure

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



	2003-04	2004-05	2005-06	2006-07	2007-08
Annual Cost*	\$6,325,716	\$5,692,093	\$5,190,171	\$6,132,312	\$7,350,544
Active Licensed Agents	2,058	2,058	2,124	2,170	2,318
Cost per Active Licensed Agents	\$3,073.72	\$2,765.84	\$2,782.57	\$2,913.39	\$3,171.07

Cost per licensed agent of regulating the real estate and business broking industry



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

Notes to the indicator

The efficiency indicator is based on the cost of delivering the service for each active licensed agent. In the 2007-08 financial year a total of \$7,350,544 was expended on regulating an industry with 2,318 active licensed agents.

The average cost of regulating the real estate and business broking industry for each licensed agent increased from \$2,913.39 in 2006-2007 to \$3,171.07 this year. This increase of 8.8 percent was due to the increase in the Service Delivery cost, legal expenses, and professional services associated with the appointment of administrators to agencies due to defalcation by the licensees.

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



SECTION SIX

Financial statements



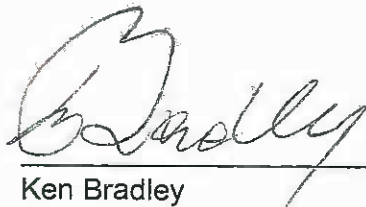
Certification of financial statements

The accompanying financial statements of the Real Estate and Business Agents Supervisory Board have been prepared in accordance with the provisions of the *Financial Management Act 2006* from proper accounts and records and to present fairly the financial transactions for the year ending 30 June 2008 and the financial position at 30 June 2008.

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



Mark Cuomo
Chair

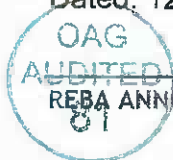


Ken Bradley
Member



Tim Banfield
A/Director REBA
Chief Finance Officer

Dated: 12 September 2008



REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 \$	2007 \$
INCOME			
<i>Revenue</i>			
Agents trust account interest		19,643,452	15,911,547
Licence revenue	4.	983,821	916,188
Contributions to the Fidelity Guarantee Account		98,250	111,570
Fines and costs		113,039	57,119
Interest revenue		5,423,669	4,083,451
Other revenues	5.	272,513	51,486
<i>Gains</i>			
Gains on disposal of non-current assets	6.	91	0
Total Income		<u>26,534,835</u>	<u>21,131,361</u>
EXPENSES			
<i>Expenses</i>			
Employee benefits expense	7.	709,445	679,268
Board fees and expenses		159,232	158,400
Supplies and services	8.	6,162,893	5,126,206
Depreciation and amortisation expense	9.	34,114	22,520
Accommodation expenses	10.	9,292	8,366
Grants	11.	8,414,050	3,147,523
Fidelity payments		170,631	158,758
Other expenses	12.	40,196	38,725
Total Expenses		<u>15,699,853</u>	<u>9,339,766</u>
Profit for the period		<u>10,834,982</u>	<u>11,791,595</u>

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



REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

BALANCE SHEET AS AT 30 JUNE 2008

	Note	2008 \$	2007 \$
ASSETS			
Current Assets			
Cash and cash equivalents	20.	28,504,793	21,788,312
Restricted cash and cash equivalents	20.	54,146,074	50,792,716
Receivables	13.	3,269,689	2,481,206
Total Current Assets		<u>85,920,556</u>	<u>75,062,234</u>
Non Current Assets			
Property, plant and equipment	14.	63,632	58,714
Intangible Assets	15.	0	0
Total Non-Current Assets		<u>63,632</u>	<u>58,714</u>
TOTAL ASSETS		<u>85,984,188</u>	<u>75,120,948</u>
LIABILITIES			
Current Liabilities			
Payables	17.	562,814	472,622
Provisions	18.	118,963	113,704
Licence revenue received in advance	4.	810,112	825,751
Other current liabilities	19.	4,879	2,360
Total Current Liabilities		<u>1,496,768</u>	<u>1,414,437</u>
Non Current Liabilities			
Licence revenue received in advance	4.	603,482	669,362
Provisions	18.	44,779	32,972
Total Non Current Liabilities		<u>648,261</u>	<u>702,334</u>
Total Liabilities		<u>2,145,029</u>	<u>2,116,771</u>
NET ASSETS		<u>83,839,159</u>	<u>73,004,177</u>
EQUITY			
Retained earnings		83,839,159	73,004,177
TOTAL EQUITY		<u>83,839,159</u>	<u>73,004,177</u>

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



REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 \$	2007 \$
Balance of equity at start of period		<u>73,004,177</u>	<u>61,212,582</u>
RETAINED EARNINGS			
Balance at start of period		73,004,177	61,212,582
Profit for the period		10,834,982	11,791,595
Balance at end of period		<u>83,839,159</u>	<u>73,004,177</u>
Balance of equity at end of period		<u>83,839,159</u>	<u>73,004,177</u>
Total income and expense for the period ^(a)		10,834,982	11,791,595

- (a) The aggregate net amount attributed to each category of equity is: surplus \$10,834,982 (2007: surplus \$11,791,595).

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



REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 \$	2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Agents trust account interest received		19,316,494	15,711,283
Bank and investment interest received		4,987,531	3,801,604
Licence receipts		902,302	1,031,506
Contributions paid into the Fidelity Guarantee Account		98,250	111,570
GST receipts on sales		926	805
GST receipts from ATO		98,553	71,244
Other receipts		260,686	108,605
Payments			
Employee benefits		(692,379)	(621,964)
Supplies and services		(6,334,164)	(5,173,663)
GST payments on purchases		(115,369)	(93,439)
Grants		(8,414,050)	(3,147,523)
Net cash provided by operating activities	20.	10,108,780	11,800,028
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of non current physical assets		91	0
Purchase of non current physical assets		(39,032)	(44,949)
Net cash (used in) investing activities		(38,941)	(44,949)
Net increase in cash and cash equivalents		10,069,839	11,755,079
Cash and cash equivalents at the beginning of period		72,581,028	60,825,949
CASH AND CASH EQUIVALENT ASSETS AT THE END OF PERIOD	20.	82,650,867	72,581,028

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



REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. First time adoption of Australian equivalents to International Financial Reporting Standards: General

The Board's financial statements for the year ending 30 June 2008 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 2008.

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.



REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

(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.

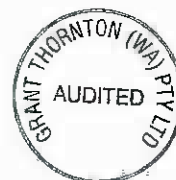
Depreciation on assets is calculated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

Computers	3 years
Office equipment	5 to 10 years
Furniture and fittings	10 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.



REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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.

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
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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.



REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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.

(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 vehicles.

(i) Financial instruments

In addition to cash the Board has two categories of financial instrument:

- Receivables; and
- Financial liabilities measured at amortised cost.

These have been disaggregated into the following classes:

Financial Assets

- Cash and cash equivalents
- Receivables

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 against the allowance account. 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.

(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.



REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

(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 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 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.

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 were 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 (GESB'S). Both of these schemes are accumulation schemes. The Board makes concurrent contributions to GESB on behalf of employees in compliance 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.



REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

The GSS Scheme, the WSS Scheme and the GESB'S 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 GESB'S 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.

(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.



REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

3. Disclosure of changes in accounting policy and estimates.

Initial application of an Australian Accounting Standard

The Board has applied the following Australian Accounting Standards and Australian Accounting Interpretations effective for annual reporting periods beginning on or after 1 July 2007 that impact on the Board:

- 1 AASB 7 'Financial Instruments: Disclosures' (including consequential amendments in AASB 2005-10 'Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]'). This Standard requires new disclosure in relation to financial instruments and while there is no financial impact, the changes have resulted in increased disclosures, both quantitative and qualitative, of the Board's exposure to risks, including enhanced disclosure regarding components of the Board's financial position and performance, and changes to the way of presenting certain items in the notes to the financial statements.

Changes in accounting estimates

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

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:

	2008	2007
	\$	\$
Revenue received in advance 1 July balance (current)	825,751	732,369
Revenue received in advance 1 July balance (non current)	669,362	647,425
Cash received during the year	902,302	1,031,507
Total receipts received	2,397,415	2,411,301
 Revenue recognised during the year	 983,821	 916,188
 Revenue received in advance	 1,413,594	 1,495,113
 Held in		
Revenue received in advance account (current)	810,112	825,751
Revenue received in advance account (non current)	603,482	669,362
Total	1,413,594	1,495,113



REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

5. Other revenues

Other revenues consists of:

	2008	2007
	\$	\$
Advertisement fees	13,365	17,070
Contribution to vehicle use	3,171	3,939
Recovery of funds	35,598	1,785
Late Fees	14,430	14,856
Refund by DOCEP	180,456	0
Miscellaneous revenue	25,493	13,836
Total	272,513	51,486

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

	2008	2007
	\$	\$
Costs of Disposal of Non-Current Assets:		
Computers	0	0
Proceeds from Disposal of Non-Current Assets:		
Computers	91	0
Net gain/(loss)	91	0

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.

	2008	2007
	\$	\$
Wages and salaries	512,563	468,053
Annual leave	(5,020)	31,143
Long service leave	17,898	29,567
Superannuation	64,721	59,628
Other related expenses	119,283	90,877
Total Staff costs	709,445	679,268

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'.



REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

8 Supplies and services

	2008	2007
	\$	\$
Advertising	8,951	184
Bank charges	4,413	3,454
Communications	5,448	18,818
Consultants and contractors fees	17,100	26,910
Consumables	18,213	24,831
Hire charges	17,127	14,204
Insurance	12,033	14,288
Legal	414,055	292,236
Miscellaneous	2,459	313
Printing	42,615	60,684
Professional services	335,208	126,325
Repair and maintenance	50	0
Service Delivery Agreement	5,260,608	4,527,633
Stationery	12,262	8,122
Sundry assets costing under \$1000	10,808	6,175
Website subscription	1,543	2,029
Total	<u>6,162,893</u>	<u>5,126,206</u>

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

9. Depreciation and amortisation expense

	2008	2007
	\$	\$
Depreciation		
Computers	27,919	16,078
Office equipment	5,193	5,761
Furniture and fittings	1,002	681
Total depreciation	<u>34,114</u>	<u>22,520</u>
Amortisation		
Intangible assets (REMIS software)	0	0
Total amortisation	<u>0</u>	<u>0</u>
Total depreciation and amortisation	<u>34,114</u>	<u>22,520</u>

10. Accommodation expenses

	2008	2007
	\$	\$
Occupancy costs and parking	9,292	8,366



REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

11. Grants

	2008 \$	2007 \$
Education grants and funding for education		
AAMC Training Group	6,804	0
Central TAFE	22,640	0
Kaplan Professional	2,635	0
REIWA	126,053	98,825
West Coast Property Training	77,240	0
Total	<u>235,372</u>	<u>98,825</u>
First Home Buyers grants	8,178,678	3,048,698
Total grants	<u>8,414,050</u>	<u>3,147,523</u>

A total of 4,166 First Home Buyers grants totalling \$8,178,678 at an average of \$1,963 were made during the year. In 2006/07 1,546 grants totalling \$3,048,698 at an average of \$1,972 were made.

12. Other expenses

	2008 \$	2007 \$
Audit fees	27,700	25,000
Employment on costs ^(a)	12,496	13,725
Refund of previous years agents trust interest	0	0
	<u>40,196</u>	<u>38,725</u>

^(a) 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

	2008 \$	2007 \$
Current		
Accounts Receivable	150	0
Accrued agents trust account interest	1,709,287	1,382,329
Accrued investment interest	1,517,189	1,081,051
GST Recoverable	43,063	17,826
Total	<u>3,269,689</u>	<u>2,481,206</u>



REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

14. Property, plant and equipment

	2008	2007
	\$	\$
Computers at cost	153,632	184,648
Accumulated Depreciation	(100,832)	(133,383)
	<u>52,800</u>	<u>51,265</u>
Office Equipment at cost	26,209	39,016
Accumulated Depreciation	(16,845)	(34,037)
	<u>9,364</u>	<u>4,979</u>
Furniture and Fittings at cost	6,440	6,440
Accumulated Depreciation	(4,972)	(3,970)
	<u>1,468</u>	<u>2,470</u>
Total Property Plant & Equipment	<u>63,632</u>	<u>58,714</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.

	2008	2007
	\$	\$
Computers		
Carrying amount at start of year	51,265	23,985
Additions	29,454	43,358
Disposals	(60,470)	(45,275)
Accumulated depreciation on disposals	60,470	45,275
Depreciation expense	(27,919)	(16,078)
Carrying amount at end of year	<u>52,800</u>	<u>51,265</u>
Office Equipment		
Carrying amount at start of year	4,979	10,740
Additions	9,578	0
Disposals	(22,385)	(8,064)
Accumulated depreciation on disposals	22,385	8,064
Depreciation expense	(5,193)	(5,761)
Carrying amount at end of year	<u>9,364</u>	<u>4,979</u>
Furniture and Fittings		
Carrying amount at start of year	2,470	1,558
Additions	0	1,593
Disposals	0	0
Accumulated depreciation on disposals	0	0
Depreciation expense	(1,002)	(681)
Carrying amount at end of year	<u>1,468</u>	<u>2,470</u>
Total Property, plant and equipment	<u>63,632</u>	<u>58,714</u>



REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

15. Intangible assets

	2008 \$	2007 \$
REMIS Software at cost	0	334,448
Accumulated amortisation	0	(334,448)
	<u>0</u>	<u>0</u>
REMIS Software		
Carrying amount at start of year	0	0
Additions	0	0
Disposals	334,448	0
Accumulated amortisation on disposals	(334,448)	0
Amortisation expense	0	0
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 2008.

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 2008 held for sale or write off.

17. Payables

	2008 \$	2007 \$
Current		
Accrued expenses		
Audit fees	27,700	25,000
Dept of Consumer & Employment Protection	504,403	432,368
Fidelity claims	0	8,536
GST Payable	69	0
Miscellaneous creditors	15,020	4,892
Salaries and superannuation	15,622	1,826
Total	<u>562,814</u>	<u>472,622</u>



REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

18. Provisions

	2008 \$	2007 \$
Current		
Employee Benefits Provisions		
Annual leave ^(a)	43,005	47,081
Long service leave ^(b)	59,826	52,654
Superannuation	8,591	7,037
	<u>111,422</u>	<u>106,772</u>
Other provisions		
Employment on costs ^(c)	7,541	6,932
Total	<u>118,963</u>	<u>113,704</u>
	2008 \$	2007 \$
Non Current		
Employee Benefits Provisions		
Long service leave ^(b)	41,832	30,733
Superannuation	2,738	2,039
	<u>44,570</u>	<u>32,772</u>
Other provisions		
Employment on costs ^(c)	209	200
Total	<u>44,779</u>	<u>32,972</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

	2008 \$	2007 \$
Within 12 months of balance sheet date	25,889	28,484
More than 12 months after balance sheet date	17,116	18,597
	<u>43,005</u>	<u>47,081</u>

(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:

	2008 \$	2007 \$
Within 12 months of balance sheet date	36,597	28,685
More than 12 months after balance sheet date	65,061	54,702
	<u>101,658</u>	<u>83,387</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 12. 'Other expenses'.



REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Movements in Other Provisions

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

	2008 \$	2007 \$
Employment on-cost provision	7,132	4,420
Additional provisions recognised	618	2,712
Carrying amount at end of year	<u>7,750</u>	<u>7,132</u>

19. Other liabilities

	2008 \$	2007 \$
Current		
Unclaimed monies	4,879	2,360
Total	<u>4,879</u>	<u>2,360</u>

20. Notes to the Cash Flow Statement

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

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:

	2008 \$	2007 \$
Cash and cash equivalents at bank		
Education and General Purpose Account	648,986	332,504
Fidelity Guarantee Account (Restricted cash)	179,221	180,613
Home Buyers Assistance Account (Restricted cash)	726,278	271,528
Board Interest Account	500	500
Petty Cash	300	300
	<u>1,555,285</u>	<u>785,445</u>
Cash and cash equivalents held with Treasury		
Education and General Purpose Account	27,855,007	21,455,008
Fidelity Guarantee Account (Restricted cash)	34,355,575	31,555,575
Home Buyers Assistance Account (Restricted cash)	18,885,000	18,785,000
	<u>81,095,582</u>	<u>71,795,583</u>
	<u>82,650,867</u>	<u>72,581,028</u>
Cash and cash equivalents	28,504,793	21,788,312
Restricted cash and cash equivalents	54,146,074	50,792,716
Total cash and cash equivalents	<u>82,650,867</u>	<u>72,581,028</u>



REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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

	2008 \$	2007 \$
Profit	10,834,982	11,791,595
Non-cash items:		
Depreciation and amortisation expense	34,114	22,520
Net (gain)/loss on sale of property, plant & equipment	(91)	0
(Increase)/decrease in assets:		
Current receivables	(788,484)	(489,985)
Increase/(decrease) in liabilities:		
Current Payables	90,192	302,843
Current Provisions	5,259	45,311
Revenue received in advance, current liabilities	(15,639)	93,383
Other current liabilities	2,519	432
Non current provisions	11,807	11,993
Revenue received in advance, non current liabilities	(65,879)	21,936
Net cash provided by/(used in) operating activities	<u>10,108,780</u>	<u>11,800,028</u>

21. Contingent Liabilities and Contingent Assets

Contingent Liabilities

In addition to the liabilities incorporated in the financial statements the Board is aware of 181 claims (108 as at 30/6/2007) against the Fidelity Guarantee Account totalling \$5.764m (\$6.158m as at 30/6/2007) 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:

	2008	2007
\$0 - \$10,000	4	2
\$10,001 - \$20,000	0	2
\$20,001 - \$30,000	3	3
\$30,001 - \$40,001	1	0
\$50,001 - \$60,000	0	1
\$60,001 - \$70,000	1	0
Total remuneration of members of the Board is:	172,316	168,520

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.



REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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:

	2008	2007
\$70,001 - \$80,000	1	1
Total remuneration of senior officers is:	77,667	76,293

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;

	2008	2007
	\$	\$
Auditing the accounts, financial statements and performance indicators	27,700	25,000

24. Special purpose accounts

Special Purpose Account [section 16(1)(c)] of FMA

The Real Estate and Business Agents Supervisory Board Treasury Trust Account

The purpose of the trust account is to hold moneys:

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

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

	2008	2007
	\$	\$
Opening balance	17,911	21,201
Receipts	0	0
Payments	(50)	(3,290)
Closing Balance	17,861	17,911



REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

25. Supplementary financial information

Write-offs

The Board did not approve any write-offs during the financial year

26. 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.

27. 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:

	2008 \$	2007 \$
Within 1 year	14,202	7,036
Later than 1 year and not later than 5 years	5,176	9,627
Later than 5 years	0	0
	<u>19,378</u>	<u>16,663</u>
Representing:		
Non-cancellable operating leases	<u>19,378</u>	<u>16,663</u>

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

28. 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.



REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

29. Explanatory statement

This statement provides detail of any significant variations between estimates and actual results for 2008, and between the actual results for 2007 and 2008. Significant variations are considered to be those greater than 10% and \$50,000.

Significant variations between estimate and actual results for the financial year

	2008 Estimate \$	2008 Actual \$	Variation \$
Income			
Agents trust account interest	15,925,000	19,643,452	3,718,452
Fines and costs	0	113,039	113,039
Interest revenue	4,368,800	5,423,669	1,054,869
Other revenues	40,200	272,513	232,313
Expenses			
Supplies and services	5,283,780	6,162,893	879,113
Grants	7,410,000	8,414,050	1,004,050
Fidelity payments	4,850,000	170,631	(4,679,369)

Agents trust account interest

The budget for Agents Trust Account Interest was prepared when income from this source was on a downward trend. This trend was built into the budget however, immediately after the budget was finalised the income from this source started to climb.

This was due to temporary increase in industry activity combined with an increase in interest rates which was not anticipated and not included in the budget.

Fines and costs

The issue of fines and awarding of costs is now within the jurisdiction of the State Administrative Tribunal. As such the quantum of revenue from this source is dependent on factors outside the control of the Board and not included in the budget.

Interest revenue

Income from interest on deposits with Treasury and in the operating account are higher due to higher levels of deposits and interest rates higher than expected.

Other revenues

Other revenues are higher due to revenue from the following that were not included in the budget:

- a fidelity payment recovery,
- a insurance refund from Riskcover and
- a refund from DOCEP associated with the 2006/07 Service Delivery Agreement.

Supplies and services

Expenditure on supplies and services were higher than expected due to:

- development/enhancement costs associated with the CALS system,
- supervisor/administrator costs associated with a number of agents and
- higher than expected costs associated with the service delivery agreement with DOCEP.

Grants

The number and value of home buyer assistance grants paid were higher than expected.

Fidelity payments

The Board allowed in the budget full payment of contingent liabilities for fidelity claims. Some of these claims were not allowed or have yet to be finalised.



REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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

	2008 \$	2007 \$	Variation \$
Income			
Agents trust account interest	19,643,452	15,911,547	3,731,905
Fines and costs	113,039	57,119	55,920
Interest revenue	5,423,669	4,083,451	1,340,218
Other revenues	272,513	51,486	221,027
Expenses			
Supplies and services	6,162,893	5,126,206	1,036,687
Grants	8,414,050	3,147,523	5,266,527

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.

Fines and costs

The quantum of fines and hearing costs cannot be controlled and may vary considerably from year to year.

Interest revenue

Higher account balances, especially in the deposits held with Treasury combined with higher interest rates has resulted in a significant increase in revenue from this source.

Other revenues

One off receipts from a fidelity payment recovery, an insurance rebate and refund from DOCEP has resulted in a higher level of income from this sources than the previous year.

Supplies and services

Costs associated with the service delivery agreement with DOCEP and supervisory/administrators for a number of agents resulted in these costs being higher than the previous year.

Grants

The increase in the home cost threshold for the payment of the first home buyer assistance grant has greatly increased the number and value of grants being made.

The introduction of continued professional development for agents and the subsidy of these costs by the Boards has resulted in an increase in the payments for education grants and funding for education.



REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

30. 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

Credit risk arises when there is the possibility of the Board's receivables defaulting on their contractual obligations resulting in financial loss to the Board. The Board measures credit risk on a fair value basis and monitors risk on a regular basis.

The maximum exposure to credit risk at balance sheet date in relation to each class of recognised financial assets is the gross carrying amount of these assets inclusive of any provisions for impairment, as shown in the table at Note 30c.

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.

Provisions for impairment of financial assets is calculated on past experience, and current and expected changes in client credit ratings. For financial assets that are either past due or impaired, refer to Note 13 'Receivables'.

Liquidity risk

The Board is exposed to liquidity risk through its trading in the normal course of business. Liquidity risk arises when the Board is unable to meet its financial obligations as they fall due.

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

Market risk

The Board does not trade in foreign currency and is not materially exposed to other price risks.

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.



REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

(b) Categories of Financial Instruments

In addition to cash the carrying amounts of each of the following categories of financial assets and financial liabilities at the balance sheet date are as follows.

	2008 \$	2007 \$
Financial Assets		
Cash assets	28,504,793	21,788,312
Restricted cash assets	54,146,074	50,792,716
Receivables	3,269,689	2,481,206
Financial Liabilities		
Financial liabilities measured at amortised cost ^(a)	1,981,288	1,970,095

(a) the amount of financial liabilities measured at amortised cost excludes GST payable to the ATO (statutory receivable/payable)

(c) Financial Instruments Disclosures

Credit Risk, Liquidity Risk and Interest Rate Risk Exposure

The following table details the exposure to liquidity risk and interest rate risk as at the balance sheet date. The Board's maximum exposure to credit risk at the balance sheet date is the carrying amount of the financial assets as shown on the following table.

The table is based on information provided to senior management of the Board. The contractual maturity amounts in the table are representative of the undiscounted amounts at the balance sheet date. An adjustment for discounting has been made where material.

The Board does not hold any collateral as security or other credit enhancements relating to the financial assets it holds.

The Board does not hold any financial assets that had to have their terms renegotiated that would have otherwise resulted in them being past due or impaired.



REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008	Weighted Avg Effective Int Rate %	Variable Interest \$	Non Interest \$	Total \$
<u>Financial Assets</u>				
Cash assets	7.6%	28,504,793	0	28,504,793
Restricted cash assets	7.6%	54,146,074	0	54,146,074
		<u>82,650,867</u>	<u>0</u>	<u>82,650,867</u>
<u>Financial Liabilities</u>				
Payables (a)		0	562,745	562,745
Licence revenue received in advance		0	1,413,594	1,413,594
		<u>0</u>	<u>1,976,339</u>	<u>1,976,339</u>

2007	Weighted Avg Effective Int Rate %	Variable Interest \$	Non Interest \$	Total \$
<u>Financial Assets</u>				
Cash assets	6.15%	21,788,312	0	21,788,312
Restricted cash assets	6.15%	50,792,716	0	50,792,716
		<u>72,581,028</u>	<u>0</u>	<u>72,581,028</u>
<u>Financial Liabilities</u>				
Payables (a)		0	472,622	472,622
Licence revenue received in advance		0	1,495,113	1,495,113
		<u>0</u>	<u>1,967,735</u>	<u>1,967,735</u>

(a) The amount of financial liabilities measured at amortised cost excludes GST payable to the ATO (statutory receivable/payable).

The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities.



REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Interest Rate Sensitivity Analysis

The following table represents a summary of the interest rate sensitivity of the Board's financial assets and liabilities at the balance sheet date on the surplus for the period and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

2008	Carrying Amount \$	-1% change		+1% change	
		Profit \$	Equity \$	Profit \$	Equity \$
<u>Financial Assets</u>					
Cash assets	28,504,793	(285,048)	(285,048)	285,048	285,048
Restricted cash assets	54,146,074	(541,461)	(541,461)	541,461	541,461

Financial Liabilities

The Board does not have any Financial Liabilities subject to interest rate sensitivity.

Total Increase/(Decrease)

(826,509)	(826,509)	826,509	826,509
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2007	Carrying Amount \$	-1% change		+1% change	
		Profit \$	Equity \$	Profit \$	Equity \$
<u>Financial Assets</u>					
Cash assets	21,788,312	(217,883)	(217,883)	217,883	217,883
Restricted cash assets	50,792,716	(507,927)	(507,927)	507,927	507,927

Financial Liabilities

The Board does not have any Financial Liabilities subject to interest rate sensitivity.

Total Increase/(Decrease)

(725,810)	(725,810)	725,810	725,810
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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.



REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

31. Income Statement for the year ended 30 June 2008 separated under Accounts operated by the Board

	Education and General Purpose	Fidelity Guarantee Account	Home Buyers Assist Account	Board Interest Account	Total
	\$	\$	\$	\$	\$
INCOME					
<i>Revenue</i>					
Agents trust account interest	11,207,107	884,771	7,569,711	(18,137)	19,643,452
Licence income	983,821				983,821
Contributions to the Fidelity Guarantee Account		98,250			98,250
Fines and costs	107,039	6,000			113,039
Interest revenue	1,760,875	2,298,777	1,345,680	18,337	5,423,669
Other revenues	236,915	35,598			272,513
<i>Gains</i>					
Gains on disposal of non-current assets	91				91
Total Income	14,295,848	3,323,396	8,915,391	200	26,534,835
EXPENSES					
<i>Expenses</i>					
Employee benefits expense	709,445				709,445
Board fees and expenses	159,232				159,232
Supplies and services	5,994,720	167,262	712	200	6,162,894
Depreciation and amortisation expense	34,114				34,114
Accommodation expenses	9,292				9,292
Grants	235,371	170,631	8,178,678		8,584,680
Other expenses	40,196				40,196
Total Expenses	7,182,370	337,893	8,179,390	200	15,699,853
Profit/(loss) for the period	7,113,478	2,985,503	736,001	0	10,834,982



REAL ESTATE AND BUSINESS AGENTS SUPERVISORY BOARD

32. Balance Sheet as at 30 June 2008 separated under the Accounts operated by the Board

	Education and General Purpose	Fidelity Guarantee Account	Home Buyers Assist Account	Board Interest Account	Total
	\$	\$	\$	\$	\$
ASSETS					
Current Assets					
Cash and cash equivalents	28,504,293			500	28,504,793
Restricted cash and cash equivalents		34,534,796	19,611,278		54,146,074
Receivables	1,534,765	722,921	1,012,003		3,269,689
Total Current Assets	<u>30,039,058</u>	<u>35,257,717</u>	<u>20,623,281</u>	<u>500</u>	<u>85,920,556</u>
Non Current Assets					
Property, plant and equipment	63,632				63,632
Intangible Assets	0				0
Total Non-Current Assets	<u>63,632</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>63,632</u>
TOTAL ASSETS	<u>30,102,690</u>	<u>35,257,717</u>	<u>20,623,281</u>	<u>500</u>	<u>85,984,188</u>
LIABILITIES					
Current Liabilities					
Payables	548,814		14,000		562,814
Provisions	118,963				118,963
Licence revenue received in advance	810,112				810,112
Other current liabilities	1,335	1,544	2,000		4,879
Total Current Liabilities	<u>1,479,224</u>	<u>1,544</u>	<u>16,000</u>	<u>0</u>	<u>1,496,768</u>
Non Current Liabilities					
Licence revenue received in advance	603,482				603,482
Provisions	44,779				44,779
Total Non Current Liabilities	<u>648,261</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>648,261</u>
Total Liabilities	<u>2,127,485</u>	<u>1,544</u>	<u>16,000</u>	<u>0</u>	<u>2,145,029</u>
NET ASSETS	<u>27,975,205</u>	<u>35,256,173</u>	<u>20,607,281</u>	<u>500</u>	<u>83,839,159</u>
EQUITY					
Retained earnings	27,975,205	35,256,173	20,607,281	500	83,839,159
TOTAL EQUITY	<u>27,975,205</u>	<u>35,256,173</u>	<u>20,607,281</u>	<u>500</u>	<u>83,839,159</u>



REBA 2007-2008 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?

- | | |
|---|---|
| <input type="checkbox"/> Very informative | <input type="checkbox"/> Not informative at all |
| <input type="checkbox"/> Fairly informative | <input type="checkbox"/> Unsure |
| <input type="checkbox"/> Not very informative | |

2. Did the report meet your needs?

- | | | |
|------------------------------|-----------------------------|---------------------------------|
| <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> Unsure |
|------------------------------|-----------------------------|---------------------------------|

3. What is your overall impression of this report?

Language

- | | | | |
|---|----------------------------------|--|---------------------------------|
| <input type="checkbox"/> Easy to understand | <input type="checkbox"/> Average | <input type="checkbox"/> Difficult to understand | <input type="checkbox"/> Unsure |
|---|----------------------------------|--|---------------------------------|

Volume of information

- | | | | |
|-----------------------------------|-----------------------------------|-------------------------------------|---------------------------------|
| <input type="checkbox"/> Too much | <input type="checkbox"/> Suitable | <input type="checkbox"/> Too little | <input type="checkbox"/> Unsure |
|-----------------------------------|-----------------------------------|-------------------------------------|---------------------------------|

Design/Layout

- | | | | |
|-------------------------------|----------------------------------|-------------------------------|---------------------------------|
| <input type="checkbox"/> Good | <input type="checkbox"/> Average | <input type="checkbox"/> Poor | <input type="checkbox"/> Unsure |
|-------------------------------|----------------------------------|-------------------------------|---------------------------------|

Range of information

- | | | | |
|-------------------------------|----------------------------------|-------------------------------|---------------------------------|
| <input type="checkbox"/> Good | <input type="checkbox"/> Average | <input type="checkbox"/> Poor | <input type="checkbox"/> Unsure |
|-------------------------------|----------------------------------|-------------------------------|---------------------------------|

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

5. What was your reason for reading this report?

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

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

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

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