



**REAL ESTATE & BUSINESS AGENTS  
SUPERVISORY BOARD**

# Annual Report 2009>2010





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# Statement of compliance

For year ended 30 June 2010

HON BILL MARMION BE MBA MLA  
MINISTER FOR COMMERCE

In accordance with section 63 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 financial year ended 30 June 2010.

The Annual Report has been prepared in accordance with section 135 of the *Real Estate and Business Agents Act 1978* which applies the relevant provisions of the *Financial Management Act 2006* and the *Auditor General Act 2006*.



Mark Cuomo  
Chair

Dated: 1 September 2010



Glenn Cridland  
Member

Dated: 1 September 2010

## Contact details

### Postal

Locked Bag 14  
Cloisters Square PO  
PERTH WA 6850

### Street

Level 6  
219 St Georges Terrace  
PERTH WA 6000

### Electronic

Internet: [www.reba.wa.gov.au](http://www.reba.wa.gov.au)  
Email: [contactus@reba.wa.gov.au](mailto:contactus@reba.wa.gov.au)  
Telephone: 61 8 9282 0843  
Facsimile: 61 8 9282 0869

# Overview



# Executive summary

As the chair of the Real Estate and Business Agents Supervisory Board (the Board), it is with great pleasure that I present its Annual Report for the financial year ending 30 June 2010.

In 2009–10, the Board continued to direct its efforts to facilitating the professionalism of the real estate and business broking industries and ensuring that understanding of, and compliance with, real estate and business broking legislation maintained its growth. Moreover, the Board's confidence in the protection provided to consumers in Western Australia remained as buoyant as ever.

Without doubt, the most significant development in the reporting period was the announcement in January 2010 from the then-Minister for Commerce that the State Government would seek to abolish the Board by 1 July 2011.

On a purely functional level, its abolition has raised important questions about where the myriad services for which the Board presently takes responsibility will shift. At this early stage, many of those questions remain unanswered; what is clear, however, is that the improving professionalism of real estate and business broking agents, sales representatives and property managers and the great confidence consumers have in them will remain the benchmarks of a successful industry.

The foundations of the National Licensing System (NLS) continued to be laid and, in late 2009, the Board, in conjunction with the Department of Commerce, held a discussion forum following the release of the draft National Occupational Licensing Law Bill 2008. While still in its nascent stages, the Board remains committed to keeping the real estate and business broking industries apprised of the ongoing progress of the NLS and values the feedback it has received.

A return to busy market activity and increased interest rates in the reporting period saw housing affordability levels steadily decline. The flow on effect of this was felt most profoundly by first home buyers and resulted in a drop in applications for the Home Buyers Assistance Account. If, as predicted, house prices within Western Australia and national interest rates continue to rise, first home buyer activity can be expected to slow even further.

The Board's Compulsory Professional Development (CPD) program continued in the reporting period and, for sales representatives and property managers, the end of 2009 saw the close of what was a mostly-successful initial year. Though the Board is encouraged by robust attendance rates by licensed agents, concern remains for the low levels of compliance by sales representatives; however, this may be indicative of a high number of sales representatives who hold current registrations but are presently not working in the industry and do not intend to renew.

The Board's website underwent a substantial upgrade and its improved appearance is matched by the ease with which one can now access the wealth of information it contains. The Board has been heartened by extremely positive feedback concerning the upgrade and, together with the increased distribution of e-Bulletins, has kept the real estate and business broking industries informed of important developments.

The many useful publications which the Board produces were also routinely updated, ensuring that the information contained therein is accurate and reflects any legislative amendments or changes in practice. As always, these important publications continue to be an essential point of reference for both the real estate industry and consumers.

The 2009–2010 period saw the departure from the Board of Ms Karen Lang and Mr Ken Bradley. On behalf of the Board, I would like to extend my gratitude to them both for their many years of dedicated service. They have served the Board with distinction and it is with much admiration



# Executive summary

and respect that I reflect on their tireless efforts. With their retirement, however, came the opportunity to welcome Mr Glenn Cridland as the Legal Practitioner Member and Mr Paul Gabrielson as the Commercial Practice Member, and their contributions to the Board have already been greatly appreciated.

Mr Bill Goddard was re-elected as the Board's Industry Member during the reporting period, a position he has held since 1989. Mr Goddard's re-election speaks volumes for both the high regard in which he is held within the real estate industry and the recognition of his exemplary service to both the Board and industry.

In closing, I would like to take this opportunity to acknowledge the substantial efforts of my fellow Board members and their deputies, Board staff and the staff of the Real Estate Branch of the Department of Commerce. Without their tireless efforts and commitment to carrying out the Board's statutory functions, the Board's achievements would not have been realised. I look forward to a similarly productive and busy year in 2010–2011.

## Board and other proceedings

During the reporting period of 1 July 2009 to 30 June 2010 the Board:

- convened for 21 Board meetings;
- considered 68 Fidelity Guarantee Account claims over 16 meetings;
- conducted 77 interviews for licensing applications;
- commenced 10 disciplinary proceedings against agents or sales representatives in the State Administrative Tribunal (the SAT); and
- appeared before the SAT on 29 occasions.

## Achievements

In 2009–10, the Board achieved the following outcomes:

- 373 new licence applications processed;
- 1347 applications for new sales representative registrations processed;

- 1388 applications for triennial certificate renewals processed;
- 1558 applications for sales representative renewals processed;
- 137 conciliations commenced;
- 150 conciliations completed;
- 398 new general compliance investigations commenced;
- 319 new qualified audit investigations commenced;
- 319 new qualified audit investigations completed;
- 66 new trust fund investigations commenced;
- 5244 Home Buyer's Assistance Account grants approved were the highest to date totalling \$10,112,329.58;
- 485 proactive compliance visits of real estate agencies conducted, of which 54 were in regional Western Australia;
- received 7216 telephone enquiries to the Real Estate and Settlement Advice Line, of which 94 per cent were answered in 40 seconds;
- two industry seminars were conducted;
- 291 mandatory CPD seminars were conducted and funded by the Board and 125 distance learning packages were sent to remote participants;
- two elective CPD regional seminars were conducted by the Registrar;
- 22 claims lodged against the Fidelity Guarantee Account; and
- 65 claims completed against the Fidelity Guarantee Account.

Mark Cuomo

Chair

Dated: 1 September 2010

# Operational structure

## 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 in Western Australia.

The Board administers the Act, the Real Estate and Business Agents (General) Regulations 1979 (the Regulations) and the Code of Conduct for Agents and Sales Representatives (the Code of Conduct).

## Responsible minister

The Hon Bill Marmion BE MBA MLA, Minister for Commerce. Throughout the reporting period until 28 April 2010 the responsible minister was Mr Troy Buswell MLA.

## Mission

The Board's goal is that the people of Western Australia have confidence in the real estate and business broking industries.

The core values and conduct that will help the Board achieve this desired outcome are:

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

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

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

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

## Organisational structure

### Board structure

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

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

This money is used to fund the statutory functions of the Board to the real estate and business broking industries and the community of Western Australia. The statutory functions are provided by means of the following services:

**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 and that those who undertake unlicensed activity are stopped from doing so.

**Education and Awareness:** Aims to build confidence in the industry, encourage awareness of real estate and business broking 'best practice' through activities such as proactive compliance visits, the CPD program, seminars, publications, e-Bulletins, newsletters and through the Board's website.

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



# Operational structure

**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.

## Our people

The Board engages 10 staff. The Director, Board Solicitor, Legal Practitioner, 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 Employee and Chief Financial Officer of the Board and is responsible for providing advice and assistance to the Board in its day-to-day operations.

The Director ensures that the 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 Commerce.

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

### *Board Solicitor*

The Board Solicitor has responsibility for managing legal and policy 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 (the SAT), and the courts.

### *Registrar*

The Registrar assists in overseeing the operations of the Board and provides guidance and leadership to staff as well as conducts staff training sessions. The Registrar assists the Director on policy, legislative and operational issues that may impact on the Board's viability or their ability to meet legislative requirements.

It is the Registrar's duty to contribute 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 as directed.

The Registrar is also responsible for undertaking the statutory functions and determines how investigations are managed and finalised.

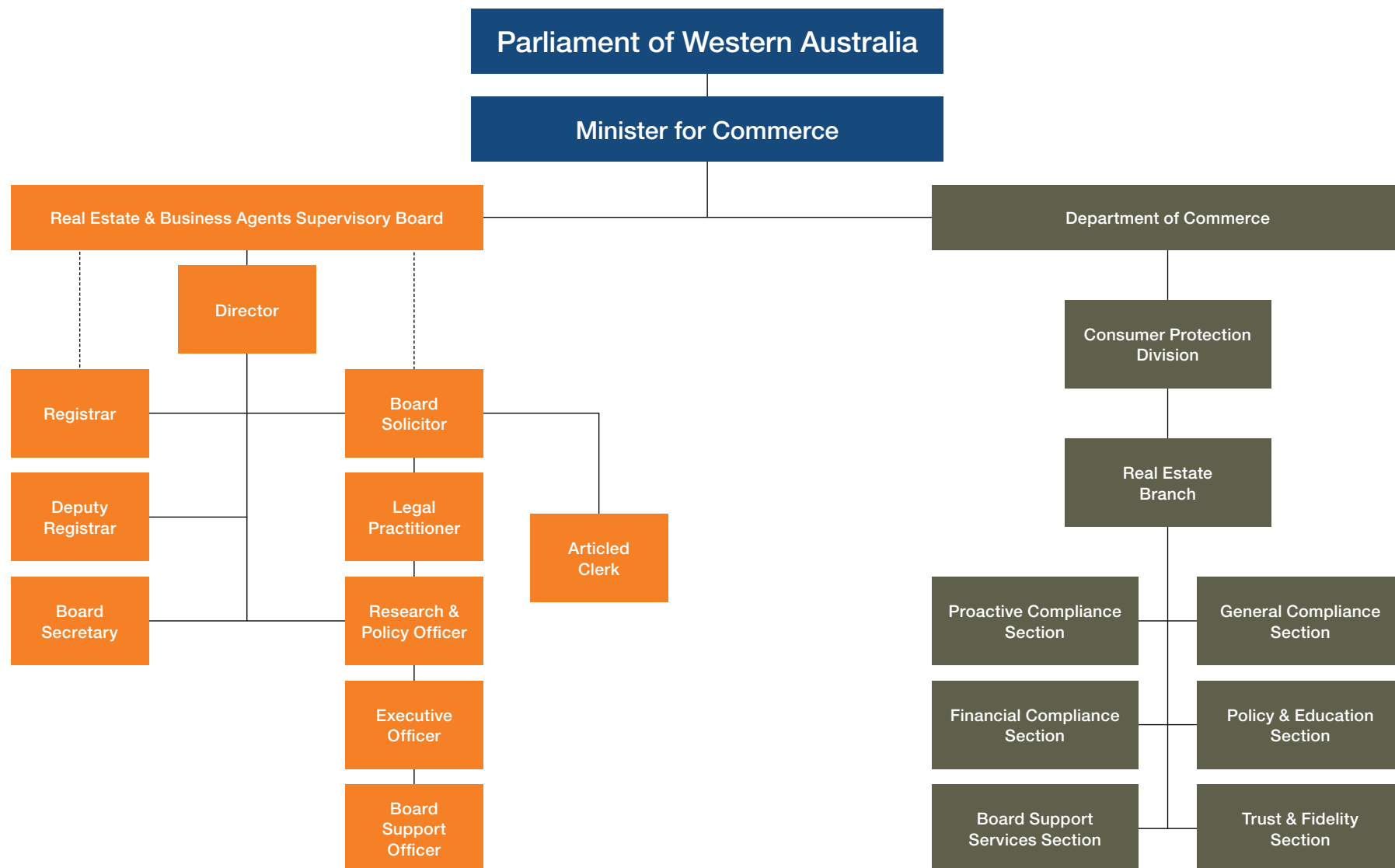
The Board Registrar also builds and maintains a cooperative and effective working relationship with the Minister's office, industry and consumer organisations while developing and maintaining contacts with similar regulatory authorities throughout Australia. The Registrar liaises with and represents the Board in dealings with the media as required as well as represents the Board at conferences, seminars, relevant committees, and working parties. It is the duty of the Registrar to promote the Board and advance its objectives.

## Service Delivery Agreement

The Board contracts the Department of Commerce (the Department) to provide services under a Service Delivery Agreement (SDA). These services assist the Board to carry out its functions. The SDA sets out the services and performance measures between the Board and the Department, in accordance with government output based management requirements.

# Operational structure

Organisational chart



# Operational structure

## Members of the Board

The composition of the Board is set out in section 7 of the *Real Estate and Business Agents Act 1978* (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 Chair;
- 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 reappointment. The Governor may appoint a deputy of a member.



### Mr Mark Cuomo (Chair)

Mr Mark Cuomo is a legal practitioner practising as a barrister. Mr Cuomo has been Chair of the Board since January 2005.



### Mr Paul Gabrielson (Commercial Practice Member)

Mr Paul Gabrielson is an Associate Member of the Institute of Chartered Accountants, a registered tax agent and is a principal in a public accounting practice. He was appointed to the Board in December 2009.

Deputy: Ms Michelle Jenkins



### Mr Glenn Cridland (Legal Practitioner Member)

Mr Glenn Cridland is a legal practitioner practising as a barrister. Mr Cridland was the Registrar of Fisheries and prior to that appointment the Chief Legal Adviser to the United Nations Peace Keeping Force in East Timor. He was appointed to the Board in December 2009.

Deputy: Dr John Hockley

# Operational structure



## **Mrs Renate Brown (REIWA Nominated Member)**

Mrs Renate Brown is the member nominated for appointment by the Real Estate Institute of WA. She has been in the industry since 1986 and a licensed real estate agent since 1989. Mrs Brown has operated her own real estate agency since 1990, and combined this with 15 years as industry trainer for various franchises

and REIWA. She also served six years on the REIWA Council, including the portfolios of Hon Treasurer and Vice President. She has been a deputy member of the Board since 2003.

Deputy: Ms Jennie Bryant



## **Mr William Goddard (Elective Member)**

Mr William (Bill) Goddard is the member elected for appointment by licensed agents. Mr Goddard commenced his real estate career in 1965 with the St George's Terrace based firm, Kempe Hutchison. He then joined a franchise company and became a franchisee operating their Kardinya office and the company's Chief Auctioneer. In 1982 he commenced

his own business, which continues today, trading as Goddard and Goddard in Nedlands. The firm is commercial real estate orientated. Mr Goddard is also a Certified Practising Business Broker and member of the Business Brokers Association (WA) of which he is president. In 2004 he was awarded Fellowship of the Real Estate Institute of Australia for his service to the industry. In September 2009 he won REIWA's Kevin Sullivan Award for outstanding contribution to the industry over an extended period. The award is the highest honour that can be bestowed by the Institute. At the same meeting he was made a life member of the Real Estate Institute of Western Australia. Mr Goddard is the longest serving member of the Board.

Deputy: Mr Oscar D'Souza.

## **Other key legislation impacting on the Board**

In the performance of its functions, the Board complies with the following relevant written laws:

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

- *Auditor General Act 2006;*
- *Criminal Code Act Compilation Act 1913*
- *Disability Services Act 1993;*
- *Electoral Act 1907;*
- *Equal Opportunity Act 1984;*
- *Fair Trading Act 1987;*
- *Financial Management Act 2006;*
- *Freedom of Information Act 1992;*
- *Legal Practitioners Act 2008;*
- *Magistrates Court Act 2004;*
- *Mutual Recognition (Western Australia) Act 2001;*
- *Mutual Recognition Act 1992 (Cwlth);*
- *Occupational Safety and Health Act 1984;*
- *Public Interest Disclosure Act 2003;*
- *Public Sector Management Act 1994;*
- *State Administrative Tribunal Act 2004;*
- *State Records Act 2000;*
- *State Supply Commission Act 1991; and*
- *Supreme Court Act 1935.*

# Performance management framework

## Outcome Based Management framework

The key service of the Board is to regulate the real estate and business broking industries. This is achieved through the discharge of its statutory functions: licensing, compliance, education and awareness, and the administration of Fidelity Guarantee Account, and the Home Buyers Assistance Account. The effective regulation of the industry enables the Board to achieve its desired outcome that people can have confidence in the industry. This ultimately contributes to meeting the Government's goal of achieving results for the benefit of all Western Australians.

Government goal	Board's desired outcome	Service
<b>Outcomes Based Service Delivery</b> Greater focus on achieving results in key service delivery areas for the benefit of all Western Australians.	The people of Western Australia have confidence in the real estate and business broking industries.	Regulation of the real estate and business broking industries through the discharge of the Board's statutory functions.

## Changes to Outcome Based Management framework

The Board's Outcome Based Management framework did not change during 2009–10.

## Shared responsibilities with other agencies

The Board did not share any responsibilities with other agencies in 2009–10.

# Performance





# Report on operations

## Service one: Licensing

### Strategic objectives

For the 2009–2010 reporting period the Board objectives are to:

- assist people seeking to obtain a licence, obtain or renew a triennial certificate or certificate of registration, and to process such applications in accordance with the *Real Estate and Business Agents Act 1978* (the Act);
- assess the fitness<sup>1</sup> of people entering the industry, and of those remaining in the industry; and
- audit the computer databases of the Department to ensure the information recorded is accurate.

### Performance

In 2009–10, the Board achieved the following outcomes:

- 373 applications for new real estate and business agent licences processed;
- 1388 applications for real estate and business agent triennial certificate renewal processed;
- 100 per cent of new real estate and business agent licence applicants advised of the outcome of their application within eight days of the Board's decision;
- 1347 new applications for a sales representative's certificate of registration processed;
- 1558 renewal applications for a sales representative's certificate of registration processed;
- 138 advisory and 14 breach non-compliance closure letters were issued by the Registrar to agents or sales representatives and others;

<sup>1</sup> The Act stipulates that to be granted and hold an agent 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". The Board is required by the Act to take into account a number of factors when considering the suitability of an applicant. The factors may vary depending if the person is an agent or sales representative.

- 99 per cent of renewal applications referred to the Board for decision within seven days; and
- 96.66 per cent accuracy of database.

### Overview

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

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

In 2009–10, the Board received 373 applications for real estate and business licences. This figure represents an increase of 166 over that reported for 2008–09. The Board dealt with 1347 applications from people seeking registration as sales representatives. This represented an increase of 488 above that in 2008–09. During the reporting period the Board conducted 58 recorded licensing interviews.

### Fees – real estate and business agents

The fees charged by the Board in 2009–10 in accordance with the Real Estate and Business Agents (General) Regulations 1979 for real estate and business agent licensing applications and real estate and/or business sales representative registration applications were as follows:

License New Applications:

Individual \$866.50

Firm or Partnership/Body Corporate \$ \$1,068.50

*Note: These fees are inclusive of a once off Fidelity Guarantee Account payment of \$150*

# Report on operations

Triennial Renewal Applications: \$421

Sales Representative New Applications: \$213.80

*Note: This fee is inclusive of a once off Fidelity Guarantee Account payment of \$45*

Sales Representative Renewal Applications: \$138

The Board conducted its annual review of the fees in accordance with the *Financial Management Act 2006*. This review was in line with the State Government's policy that any increases in fees are to be on a cost recovery basis. The Board's recommendation that the fees be increased by the agreed Consumer Price Index of 4.2 per cent was approved by the Minister for Commerce and was submitted for formal approval and amendments to the relevant regulations. The fee increase was formally approved and was effective from 1 July 2010.

## Holding fee

Agents who wish to continue remain a licensee without holding a triennial certificate must do so by paying a holding fee of \$198 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 399 agents were on hold. Of these 264 were placed on hold during the reporting period.

## Licensing kit

The Board produces a licensing kit that provides current information for new licence holders. It includes information on setting up trust accounts, auditing processes, the

CPD program, the Home Buyers Assistance Account and an agent's obligation to notify the Board when there are changes in their personal or their agency's details.

It provides information for agents in other states and territories of Australia who have obtained a Western Australian licence under the *Mutual Recognition (Western Australia) Act 2001* and the *Mutual Recognition Act 1992 (Cwlth)*. Board publications are included for reference. The licensing kit is provided to new agents and sales representatives and can also be downloaded from the Board's website at [www.reba.wa.gov.au](http://www.reba.wa.gov.au).

## Service two: Compliance

### Strategic objectives

In 2009—10, the Board strived to meet the following objectives:

- real estate agents, business agents and sales representatives comply with the requirements of the Act, the Regulations and the Code of Conduct;
- in appropriate cases, the Board commence proceedings before the State Administrative Tribunal (the 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 Magistrates 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.

# Report on operations

## Performance

In 2009—10, the Board achieved the following outcomes:

### *General compliance*

- 398 investigations commenced;
- 425 investigations completed;
- 138 advisory and 14 breach non-compliance closure letters were issued by the Registrar to agents or sales representatives and others;
- 100 per cent of complaints acknowledged within seven calendar days; and
- 96.7 per cent of investigations commenced within 14 days.

### *Financial compliance*

- 319 qualified audit investigations commenced;
- 319 qualified audit investigations completed;
- 98.4 per cent of investigations into qualified audit reports commencing within 14 days of lodgement;
- 66 trust account investigations commenced;
- 71 trust account investigations completed; and
- 92.4 per cent of trust account investigations commencing within 14 days.

### *Conciliation*

- 137 conciliations commenced;
- 150 conciliations completed;
- 98.5 per cent of conciliations acknowledged within seven days;
- 95.6 per cent of conciliations commenced within 14 days; and
- 100 per cent of conciliations completed within three months.

## General Compliance

The Board, its inspectors and Registrar have powers of investigation, which may be exercised to determine whether agents and sales representatives and others are complying with the requirements of the Act, the Regulations, Code of Conduct and any conditions of their licence and/or 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 or other person 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 Board or Registrar may decide to issue an advisory letter or breach for non-compliance, or otherwise close the matter.

Alternatively, the Registrar may recommend that the Board commence proceedings against the agent and/or sales representative or other person.

# Report on operations

Factors such as, the nature of the conduct, the person acknowledging the breach or non-compliance, actions taken to prevent future occurrence, age of the matter, and the strength of the evidence available will be taken into consideration. In this reporting period, seven proceedings were commenced in the SAT, and seven were completed. No proceedings in the Magistrates Court were commenced.

The total number of new investigations commenced into the conduct of agents increased from 379 in 2008—09 to 398 in this reporting period.

## Financial compliance

The Act sets out how trust account records are to be maintained by agents. Agents are required to appoint an auditor of their trust accounts at the time of applying for 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, they are:

- through a complaint;
- during an investigation; and
- financial institutions notifying the Board when a trust account becomes overdrawn.

During 2009—10, the Board commenced 319 investigations into qualified audit reports compared to 348 from the previous reporting period. It is believed this decrease is a result of a combination of Compulsory Professional Development, the Pro-active compliance program and stricter interpretations by the audit team on what should constitute a qualified audit report. This has seen an improvement in compliance with the Act by agents as a whole with these provisions. It is hoped that a similar reduction is witnessed in the 2010—11 financial year.

In addition, 66 trust account investigations were commenced in 2009—10 in comparison to 48 recorded in the previous reporting period.

## Conciliation

The Act has provision for assistance to be given to parties in a transaction to resolve a dispute. The assistance takes the form of a conciliation process.

Conciliators will arrange informal discussions between the parties to help in the conduct of those discussions, and if possible, assist 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 conjunctual 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.

Conciliation is not usually appropriate 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 2009—10, 39 cases resulted in the parties reaching agreement. In 6 cases referred to conciliation, no action was required other than clarifying the facts for the parties. In two cases the parties were unable to resolve the issue.

# Report on operations

Of cases referred to conciliation, none were outside of the jurisdiction of the Board where the parties would have had to seek assistance elsewhere. There were eight cases where complaints were not justified. The average time taken to complete a conciliation matter was 33.5 days.

The Board produces *A guide to investigations and disciplinary proceedings* which provides information on complaints, warrants, confidentiality, and the conciliation process. The publication is available on the Board's website at [www.reba.wa.gov.au](http://www.reba.wa.gov.au).

## Service three: Education and awareness

### Strategic objectives

The Board endeavoured to meet the following education and awareness objectives in 2009—10:

- conduct proactive visits to agencies;
- provide industry seminars to assist agents and sales representatives to comply with the Act and the Code of Conduct;
- provide a counter information service to members of the public and industry;
- provide a telephone information service to members of the public and industry;
- 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;
- publish frequent e-Bulletins and further progress the e-Bulletin project; and

- provide the most up to date information on the Board's website and make further improvements for industry and members of the public.

### Performance

In 2009—10, the Board achieved the following outcomes:

- 485 proactive compliance visits to agencies, which includes 54 visits to agencies outside of the metropolitan area;
- Four issues of *REBA News* were published and distributed to licensees, sales representatives, auditors and members of the public who made requests for copies; and
- 13 e-Bulletins were distributed to approximately 9000 licensees, sales representatives, and auditors.

### Overview

#### *Compulsory Professional Development*

The Board's Compulsory Professional Development (CPD) program continued in the second half of 2009 for all individual licensed real estate and business agents and all sales representatives. During this period, the feedback regarding mandatory activities indicated that participants derived great benefit from the program and remained supportive of the Board's initiative. In these six months, 68 mandatory sessions were conducted on behalf of the Board by Real Estate Institute of Western Australia (REIWA), West Coast Property Training (WCPT) and Kaplan Professional.

During this period, development work also continued on the upgrade to the CPD Online system; the aim of this upgrade was to incorporate a bulk-upload function, allowing approved CPD training providers to enter the details of attendees to courses in a fast and simple manner. Additionally, amendments to the CPD reporting functions in the Complaints and Licensing System were realised, resulting in more accurate monitoring of CPD compliance across the entire real estate industry.

# Report on operations

On the whole, the Board was pleased with the compliance rates for the second half of 2009 but the number of registered sales representatives who failed to comply was a matter of some concern. The Board ensured that the real estate and business broking industries was made aware of the requirements of the CPD program and the repercussions for non-compliance through CPD articles in both its quarterly publication *REBA News* and regular e-Bulletins.

The Board resolved to extend the contracts awarded to REIWA, WCPT and Kaplan to deliver the mandatory component of CPD in 2010. The contracts to develop the mandatory activity material and produce the distance learning packages for 2010 were again awarded to WCPT.

In the beginning of 2010, the upgrade of the CPD Online system was completed and deployed. The feedback from approved CPD training providers has been, so far, very positive; specifically, users have commented on the improved speed of the system and the ease with which the details of attendees to courses can now be entered.

The Board continued to receive and assess elective activity submissions from training providers and approve those it believed would add educational benefit to the real estate and business broking industries. Currently, there are 89 elective course providers offering a total of 868 activities from which participants can choose to complete their CPD requirements.

With the CPD program in its fourth year for licensed agents and second for all registered sales representatives the Board is confident that the awareness of the program and its requirements are now fully understood throughout the real estate industry. Further encouraged by positive feedback in 2010, the Board remains assured that the fundamental aims of the CPD program are being met.

## *Information services*

Under the Service Delivery Agreement (SDA) the Board obtains advice line services through the Department of Commerce. In 2009—10, the Real Estate and Settlement Advice Line answered 7216 telephone enquiries from the public seeking information on real estate matters. Of the telephone enquiries received, 94 per cent were answered within 40 seconds.

## *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 485 proactive visits to agencies. Of those visits, 54 were carried out in regional areas and 130 were new agents. Mandurah and surrounding suburbs are considered Perth metropolitan.

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, the Regulations, and the Code of Conduct;
- potential conflict of interest;
- appointment to act;
- CPD compliance;
- sale files; and
- property management files.



# Report on operations

Where non-compliance in any area is identified, practical advice and guidance is given on how the agency may correct the problem, and comply with the requirements of the Act, the Regulations, and the Code of Conduct. The visit is stopped for very serious breaches. The majority of feedback obtained from agents who have participated in the program, indicates that the proactive compliance visits are helpful and informative. This program, along with Compulsory Professional Development, 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. Funding was used 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.

As of 1 January 2010 the education funding was awarded to the three training providers of the Compulsory Professional Development (CPD) program. The three successful tenders for CPD were submitted by REIWA, West Coast Property Training, and KAPLAN Professional.

## *REBA News*

The Board produces a quarterly newsletter *REBA News*, to provide information to industry members and relevant stakeholders. *REBA News* is a relevant resource for real estate and business agents, sales representatives and auditors. The newsletter provides updates on industry practice issues, case studies from the Board's disciplinary proceedings, legislative amendments and any other relevant, topical issues such as the Compulsory Professional Development (CPD) program and CPD course dates. *REBA News* is mailed to all licensees and auditors and can also

be distributed to the public upon request, free of charge. All recent and archived editions can also be downloaded from the Board's website.

The newsletter is issued to approximately 12,500 industry members each quarter.

## *Complaint handling guidelines*

As part of a proactive strategy to improve the awareness of effective complaint handling procedures, the Board continues to produce 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 and 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*

REBA currently produces publications targeted at both consumers and industry members with the aim of providing important information on a broad range of topics concerning the real estate and business broking industries in WA. These publications are:

- *A guide to auditing real estate and business agents trust accounts;*
- *A guide to investigations and disciplinary proceedings;*
- *A guide to the Compulsory Professional Development program;*
- *Buying a home through an agent;*
- *Buying vacant land;*
- *Complaint handling guidelines for the settlement and real estate industries;*

# Report on operations

- *Home buyers assistance account;*
- *Information for complainants – Real estate and business broking industries;*
- *Licensing of real estate and business agents – Registration of real estate and business sales representatives*
- *Obligations of property developers;*
- *Real estate auctions;*
- *Real estate fees – negotiating with an agent;*
- *Real estate trust accounting – A reference manual;*
- *Sale by offer and acceptance;*
- *Timber pest inspections and reports – A guide for home buyers; and*
- *You and your property manager.*

The Board, in conjunction with the Department of Commerce, also produced a new publication *Managing a residential property*. This guide is aimed at property managers looking for a 'best practice' approach.

The Board is continually updating and improving these publications and in the last financial year has seen numerous fact sheets and booklets reviewed including; A guide to auditing real estate and business agents trust accounts, A guide to the Compulsory Professional Development program, Buying vacant land, Home buyers assistance account, Real estate auctions, Real estate fees – negotiating with an agent, and Real estate trust accounting – A reference manual.

## *REBA e-Bulletins*

The e-Bulletins have proven to be a convenient way for the industry to receive the latest information on issues relevant to the real estate industry in Western Australia. The e-Bulletins are distributed once a month and more frequently if required. The e-Bulletins have provided the Board with the opportunity to notify industry of any urgent information such as exemption from the Deposit Guarantee Scheme and CPD updates.

In 2009—10 13 issues were published and sent to approximately 9000 agents and representatives.

## *Website*

In February 2010 the Board announced the launch of its new-look website. The redevelopment of the existing website followed a period of consultation with industry members and the public, making the website more user-friendly and easy to navigate. It also allowed the Board to provide an improved search function.

The Board's website—[www.reba.wa.gov.au](http://www.reba.wa.gov.au)—is an integral tool in assisting the Board to conduct and promote education and provide advisory services to industry participants and the public. It allows industry participants to access important information regarding licensing and registration requirements, compliance, the CPD program and how to lodge a complaint.

Visitors to the website can view electronic versions of industry publications, lists of current license and registration holders and past editions of REBA News and the REBA e-Bulletin.

It also provides valuable information for first homebuyers, people wishing to sell a property, tenants, landlords, auditors and members of the public wanting to know more about the real estate and business broking industries in Western Australia.

Some of the features of the new layout include the introduction of a 'latest announcements' box on the home page and a prominent welcome message that communicates the Board's role. The new website features a modern design, a more streamlined, appealing appearance and has improved graphics contributing to its new look.

The content of the website continues to be reviewed and updated on a regular basis, ensuring that the information available remains user friendly and current.

# Report on operations

## 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 licensee (during a period when holding a current triennial certificate), in the course of business. The Act extends such action to have been caused by an employee of the licensee.

### Performance

In 2009—10 the Board was able to achieve the following outcomes:

- 22 claims lodged against the Fidelity Account;
- 65 Fidelity Account claims completed;
- 100 per cent of claims acknowledged within eight days; and
- 95.7 per cent of claim assessments commenced within 14 days.

### Overview

#### Mr Charles Parrella trading as Charles Parrella & Associates

In March 2007 the Board closed the agent's business following allegations of substantial misappropriation from the trust accounts. In May 2008 the Major Fraud Squad charged Mr Parrella with 29 counts of stealing \$668,104.92. In August 2009 Mr Parrella pleaded guilty to the charges and received a 40 month custodial sentence. To 30 June 2010 the Board paid 359 claims totalling \$503,503.99.

#### T.M. Moylan Nominees Pty Ltd and P.W Moylan

In May 2007 the Board closed both the agents' businesses following allegations of trust account irregularities by the person in bona fide control, Mr Paul William Moylan. In September 2007 the Board appointed a supervisor and forensic auditor. In October 2008 the forensic auditor

supplied his report to the Board. In November 2009 the Board resolved there was evidence of defalcation against TM Moylan nominees. To 30 June 2010 the Board paid 21 claims totalling \$60,545.20.

#### Morgan Realty Pty Ltd

A number of claims have been received in relation to real estate transactions conducted by Morgan Realty Pty Ltd. To 30 June 2010 the Board has received notice of 45 claims totalling \$2,439,500.

## 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 2009—10, the Board endeavoured to meet these objectives by ensuring first home buyers are made aware of the Home Buyers Assistance Account, and by providing a grant of up to \$2,000 to off-set expenses 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 2009—10 the Board was able to achieve the following outcomes:

- \$10,112,329.58 paid out of the account;
- 4995 applications received;
- 5244 grants approved; and
- 99.96 per cent of cheques issued within eight days of approval.

# Report on operations

## 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 and business 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

	2005/06	2006/07	2007/08	2008/09	2009/10
No of applications	966	1,812	4,381	5,895	4995
No of approvals	902	1,543	4,165	4,949	5244
Total amount paid	\$1,719,119	\$3,048,698	\$8,180,158	\$9,711,402	\$10,112,329.58

## Number of applications and grants

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

## Home Buyers Assistance Account 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.

# Actual results versus budget targets

## Financial targets

	2009–10 Target <sup>1</sup>	2009–10 Actual	Variation <sup>2</sup>
<b>Total cost of services (expense limit)</b>	\$22,199,856	\$19,854,539	\$2,345,317
<b>Net cost of services</b>	\$11,054,899	\$4,439,798	\$6,615,101
Approved full time equivalent (FTE) staff level	10	10	0

## Summary of Key Performance Indicators

	2009–10 Target <sup>1</sup>	2009–10 Actual	Variation <sup>3</sup>
<b>Board's desired outcome:</b> The people of Western Australia have confidence in the real estate and business broking industries.  <b>Key effectiveness indicator:</b> The extent to which real estate and business agents comply with the requirements of the <i>Real Estate and Business Agents Act 1978</i> in relation to the management of their trust accounts.	86 per cent	86.74 per cent	.74 per cent
<b>Service:</b> Regulation of the real estate and business broking industries through the discharge of the Board's statutory functions.  <b>Key efficiency indicator:</b> The average cost per licensed agent, of regulating the real estate and business broking industries.	\$4,993.37	\$4,357.47	\$635.90

1 As specified in the budget statements for the year in question.

2 Explanations for the variations between target and actual results are presented in the 'Explanatory statement' in the section 'Notes to the financial statements'.

3 Explanations for the variations between target and actual results are presented in the 'Notes to the indicator' in the section 'Detailed information in support of Key Performance Indicators'.

# Significant issues





# Current and emerging issues and trends

- Increasing interest rates and declining housing affordability levels, coupled with reductions in the First Home Buyers grant, led to a drop in the number of applications granted from the Home Buyers Assistance Account. Statistics show that the monthly home repayment on a typical first-home mortgage increased by approximately 20% during the reporting period; this is irrefutable evidence that the favourable economic conditions which first home buyers experienced in the previous reporting period have now receded.
- Issues with property management remained the leading cause for complaints in the reporting period. The majority of these complaints are referred to conciliation and not investigated; those cases which are pursued more vigorously include instances of possible rent income misappropriation and agents acting without a management authority in place.

A report published by the Equal Opportunity Commission provided evidence of discrimination in the private rental housing market. The Board has taken note of this publication and its recommendations and is keen to help address this. One step the Board has taken is to include equal opportunity as a mandatory CPD activity for property managers in 2011.

- The impending move to the National Licensing System (NLS) will have a profound impact on the real estate industry in Western Australia and the Board has been mindful of ensuring those affected by its introduction have been kept abreast of developments. The Board and Department of Commerce collaborated to hold a discussion forum for the real estate industry on 1 December 2009, which was a successful medium for communicating important information. It also gave attendees the opportunity to seek answers to any specific questions they had.

While the specific legislative and procedural implications of the NLS have yet to be finalised, the Board is ensuring it is regularly updated by the Department of Commerce's representative on the Property Agents Interim Advisory Committee. This allows the Board to communicate any important developments to the real estate industry in a timely manner and ensure that its best interests are known.

## Changes in written law

There were no changes in any written law that affected the Board during the financial year.

## Likely developments

On 27 January 2010 the former Minister for Commerce Mr Troy Buswell announced that legislation to abolish the Board by 1 July 2011 is likely to be introduced into State Parliament by the end of 2010. This follows Premier Colin Barnett's announcement in March 2009 of the State Government's intention to reduce the number of existing boards and committees.

Under the proposed regime, the licensing and regulatory functions of the Board, the Settlement Agents Supervisory Board and the Land Valuers Licensing Board would be managed by the Commissioner of Consumer Protection. The employing authority and financial responsibility of these boards would be handled by the Director General of the Department of Commerce. A smaller committee of property industry and consumer representatives would be formed for input to Government.

During the reporting period senior staff from the Board and the Department of Commerce met to discuss the implications of the inevitable handover of duties.

It is the Government's hope that this reform will better position the local property industry for the national harmonisation of licensing, standards and regulatory arrangements of property agents under the National Occupational Licensing system which is expected to begin on 1 July 2012.

# Disclosures and legal compliance



# 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 2010**

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 Statement of Financial Position as at 30 June 2010, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows 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 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.

Page 1 of 2

4<sup>th</sup> Floor Dumas House 2 Havelock Street West Perth 6005 Western Australia Tel: 08 9222 7500 Fax: 08 9322 5664

# Auditor General's opinion

## **Real Estate and Business Agents Supervisory Board Financial Statements and Key Performance Indicators for the year ended 30 June 2010**

### **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. This document is available on the OAG website under "How We Audit".

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.

### **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 2010 and its financial performance and cash flows for the year ended on that date. They are in accordance with Australian Accounting Standards 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 2010.



COLIN MURPHY  
AUDITOR GENERAL  
16 September 2010

# Financial statements

## Certification of financial statements

### For the year ended 30 June 2010

The accompanying financial statements of the Board have been prepared in compliance with the provisions of the Financial Management Act 2006 from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2010 and the financial position as at 30 June 2010.

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

Dated: 1 September 2010



Paul Gabrielson

Member

Dated: 1 September 2010



Tim Banfield

A/Director REBA

Chief Finance Officer

Dated: 1 September 2010





# Statement of Comprehensive Income For the year ended 30 June 2010

	Note	2010 \$	2009 \$
<b>INCOME</b>			
<i>Revenue</i>			
Agents trust account income		10,785,478	15,025,308
Licence income	4.	1,052,028	1,009,956
Contributions to the Fidelity Guarantee Account		109,213	87,750
Fines and costs		79,926	87,075
Interest revenue	5.	3,338,724	4,684,325
Other revenue	6.	49,372	58,619
<b>TOTAL INCOME</b>		<u>15,414,741</u>	<u>20,953,033</u>
<b>EXPENSES</b>			
Employee benefits expense	7.	935,721	922,280
Board fees		156,854	159,508
Supplies and services	8.	7,434,778	6,384,905
Depreciation and amortisation expense	9.	5,316	1,961
Accommodation expenses	10.	16,058	10,597
Grants	11.	11,180,565	10,470,966
Fidelity payments		97,392	372,277
Other expenses	12.	27,855	36,044
<b>TOTAL EXPENSES</b>		<u>19,854,539</u>	<u>18,358,538</u>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<u>(4,439,798)</u>	<u>2,594,495</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income		<u>—</u>	<u>—</u>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		<u>(4,439,798)</u>	<u>2,594,495</u>

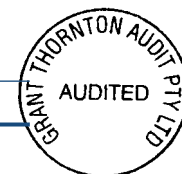
The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.



# Statement of Financial Position As at 30 June 2010

	Note	2010 \$	2009 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	19.	31,717,376	32,531,482
Restricted cash and cash equivalents	19.	50,889,361	54,567,315
Receivables	13.	1,956,628	1,856,546
<b>Total Current Assets</b>		<u>84,563,365</u>	<u>88,955,343</u>
<b>Non-Current Assets</b>			
Plant and equipment	14.	34,463	12,190
<b>Total Non-Current Assets</b>		<u>34,463</u>	<u>12,190</u>
<b>TOTAL ASSETS</b>		<u>84,597,828</u>	<u>88,967,533</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	16.	761,006	843,758
Provisions	17.	159,001	146,342
Licence revenue received in advance	4.	909,332	832,470
Other current liabilities	18.	4,694	4,879
<b>Total Current Liabilities</b>		<u>1,834,033</u>	<u>1,827,449</u>
<b>Non-Current Liabilities</b>			
Licence revenue received in advance	4.	741,260	686,227
Provisions	17.	83,920	75,444
<b>Total Non-Current Liabilities</b>		<u>825,180</u>	<u>761,671</u>
<b>TOTAL LIABILITIES</b>		<u>2,659,213</u>	<u>2,589,120</u>
<b>NET ASSETS</b>		<u>81,938,615</u>	<u>86,378,413</u>
<b>EQUITY</b>			
Retained earnings		81,938,615	86,378,413
<b>TOTAL EQUITY</b>		<u>81,938,615</u>	<u>86,378,413</u>

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



# Statement of Changes in Equity For the year ended 30 June 2010

	Note	2010 \$	2009 \$
<b>Balance of equity at start of year</b>		<u>86,378,413</u>	<u>83,783,918</u>
<b>RETAINED EARNINGS</b>			
Balance at start of year		86,378,413	83,783,918
Total comprehensive income for the year		<u>(4,439,798)</u>	<u>2,594,495</u>
Balance at end of year		<u>81,938,615</u>	<u>86,378,413</u>
<b>Balance of equity at end of year</b>		<u>81,938,615</u>	<u>86,378,413</u>
Total income and expense for the period <sup>(a)</sup>		<u>(4,439,798)</u>	<u>2,594,495</u>

<sup>(a)</sup> The aggregate net amount attributed to each category of equity is: loss \$4,439,798 (2009: surplus \$2,594,495).

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



# Statement of Cash Flows For the year ended 30 June 2010

	Note	2010 \$	2009 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Agents trust account interest received		10,495,336	15,966,539
Bank and investment interest received		3,128,216	5,528,281
Licence receipts		1,183,923	1,115,059
Contributions paid into the Fidelity Guarantee Account		109,213	87,750
GST receipts on sales		–	342
GST receipts from taxation authority		192,079	140,293
Other receipts		529,866	169,424
<b>Payments</b>			
Employee benefits		(914,586)	(864,236)
Supplies and services		(7,804,856)	(7,059,064)
GST payments on purchases		(203,097)	(159,732)
Grants		(11,180,565)	(10,470,966)
<b>NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES</b>	19.	<u>(4,464,471)</u>	<u>4,453,690</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of non-current physical assets <sup>(a)</sup>		<u>(27,589)</u>	<u>(5,760)</u>
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>		<u>(27,589)</u>	<u>(5,760)</u>
Net increase/(decrease) in cash and cash equivalents		(4,492,060)	4,447,930
Cash and cash equivalents at the beginning of period		87,098,797	82,650,867
<b>CASH AND CASH EQUIVALENT ASSETS AT THE END OF PERIOD</b>	19.	<u>82,606,737</u>	<u>87,098,797</u>

<sup>(a)</sup> Due to the change in capitalisation threshold where assets below \$5,000 are to be expensed, the cash flows under investing activities represents the extent to which expenditure has been made for resources that are initially recognised as an asset in the Statement of Financial Position. Therefore, expenditure on items below \$5,000 is classified as an operating activity.

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



# Notes to the Financial Statements For the year ended 30 June 2010

## 1. Australian Accounting Standards

### General

The Board's financial statements for the year ended 30 June 2010 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' refers to Standards and Interpretations issued by the Australian Accounting Standard Board (AASB).

The Board has adopted any applicable, new and revised Australian Accounting Standards from their operative dates.

### Early adoption of standards

The Board cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. No Australian Accounting Standards that have been issued or amended but not operative have been early adopted by the Board for the annual reporting period ended 30 June 2010.

## 2. Summary of significant accounting policies

### (a) General Statement

The financial statements constitute general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB 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 Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

Where modification is required and has had 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 statements are 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.



# Notes to the Financial Statements For the year ended 30 June 2010

## **(d) Income**

### **Revenue Recognition**

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

- a) Proceeds from triennial licensing fees are allocated over 36 months from the month of receipt. The portion of licensing fees which relate to the current year is recognised as revenue. The remainder of the proceeds is recognised as revenue received in advance.
- b) 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) Plant and Equipment**

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

Items of plant and equipment costing \$5,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of plant and equipment costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

### **Initial recognition and measurement**

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

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

### **Subsequent measurement**

After recognition as an asset the Board uses the cost model with all items of 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 is calculated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

Computer Hardware	3 years
Office and other equipment	5 to 10 years





# Notes to the Financial Statements For the year ended 30 June 2010

## **(f) Impairment of Assets**

Plant and equipment and intangible assets are tested for any indication of impairment at the end of each reporting period. 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 considered impaired and 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 reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

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 the end of each reporting period.

Refer to note 15 'Impairment of assets' for the outcome of impairment reviews and testing.

## **(g) Leases**

The Board holds a number of operating leases for motor vehicles. Lease payments are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased motor vehicles.

## **(h) Financial instruments**

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

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

Financial instruments have been disaggregated into the following classes:

Financial Assets

- Cash and cash equivalents
- Receivables

Financial Liabilities

- Payables

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value.



# Notes to the Financial Statements For the year ended 30 June 2010

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.

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

For the purpose of the Statement of Cash Flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise 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.

## **(j) Receivables**

Receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts (i.e. impairment). 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 the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

Refer to note 2(h) 'Financial Instruments' and note 13 'Receivables'.

## **(k) Payables**

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

Refer to note 2(h) 'Financial Instruments' and note 16 'Payables'.

## **(l) Provisions**

Provisions are liabilities of uncertain timing or 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 the end of each reporting period.

### **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 reporting period 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 reporting period 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 end of the reporting period.

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.



# Notes to the Financial Statements For the year ended 30 June 2010

The expected future payments are discounted using market yields at the end of the reporting period 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 reporting period.

## *Superannuation*

The Government Employees Superannuation Board (GESB) in accordance with legislative requirements administers public sector superannuation arrangements in Western Australia.

Employees may contribute to the Pension Scheme, a defined benefit pension scheme now closed to new members or to the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme also closed to new members.

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension or the GSS became non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). Both of these schemes are accumulation schemes. The Board makes concurrent contributions to GESB on behalf of employees in compliance with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. These contributions extinguish the liability for superannuation charges in respect of the WSS and GESBS.

The Pension Scheme and the pre-transfer benefit for employees who transferred to the GSS are defined benefit schemes. These benefits are wholly unfunded and the liabilities for future payments are provided for at the end of the reporting period. The liabilities under these schemes have been calculated separately for each scheme annually by PricewaterhouseCoopers using the projected unit credit method.

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

The GSS, the WSS and the GESBS, 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, the WSS and the GESBS are extinguished by the concurrent payment of employer contributions to the GESB.

The GSS is a defined benefit scheme for the purposes of employees and whole-of-government reporting. However, from the Board's perspective, apart from the transfer benefits, it is a defined contribution plan under AASB 119.

## *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 included as part of 'Other expenses' and are not included as part of the Board's 'Employee benefits expense'. The related liability is included in 'Employment on-costs provision'.



# Notes to the Financial Statements For the year ended 30 June 2010

## **(m) 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 Statement of Comprehensive Income.

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

Refer to note 2(l) 'Provisions – Employee benefits' under Superannuation.

## **(n) Accrued Salaries**

Accrued salaries (refer to note 16 'Payables') represent the amount due to staff but unpaid at the end of the financial year, as the pay date for the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Board considers the carrying amount of accrued salaries to be equivalent to its net fair value.

## **(o) Comparative Figures**

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

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

### ***Initial application of an Australian Accounting Standard***

The Board has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2009 that impacted on the Board.

AASB 101	<b>Presentation of Financial Statements (September 2007).</b> This Standard has been revised and introduces a number of terminology changes as well as changes to the structure of the Statement of Changes in Equity and the Statement of Comprehensive Income. It is now a requirement that owner changes in equity be presented separately from non-owner changes in equity. There is no financial impact resulting from the application of this revised Standard.
AASB 2007-10	<b>Further Amendments to Australian Accounting Standards arising from AASB 101.</b> This Standard changes the term 'general purpose financial report' to 'general purpose financial statements', where appropriate in Australian Accounting Standards and the <i>Framework</i> to better align with IFRS terminology. There is no financial impact resulting from the application of this Standard.
AASB 2008-13	<b>Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners [AASB 5 &amp; AASB 110].</b> This Standard amends AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> in respect of the classification, presentation and measurement of non-current assets held for distribution to owners in their capacity as owners. This may impact on the presentation and classification of Crown land held by the Board where the Crown land is to be sold by the Department of Regional Development and Lands (formerly Department for Planning and Infrastructure). The Board does not expect any financial impact when the Standard is first applied prospectively.



# Notes to the Financial Statements For the year ended 30 June 2010

AASB 2009-2 **Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments AASB 4, AASB 7, AASB 1023 & AASB 1038.** This Standard amends AASB 7 *Financial Instruments: Disclosures* and will require enhanced disclosures about fair value measurements and liquidity risk with respect to financial instruments. There is no financial impact resulting from the application of this Standard.

## Changes in accounting estimates

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

## Future impact of Australian Accounting Standards not yet operative

The Board cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. Consequently, the Board has not applied early any of the following Australian Accounting Standards that have been issued that may impact the Board. Where applicable, the Board plans to apply these Australian Accounting Standards from their application date.

		Operative for reporting periods beginning on/after
AASB 2009-11	<i>Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 &amp; 1038 and Interpretations 10 &amp; 12].</i> The amendment to AASB 7 <i>Financial Instruments: Disclosures</i> requires modification to the disclosure of categories of financial assets. The Board does not expect any financial impact when the Standard is first applied. The disclosure of categories of financial assets in the notes will change.	1 Jan 2013
AASB 1053	<i>Application of Tiers of Australian Accounting Standards.</i> This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. The Standard does not have any financial impact on the Board. However it may effect disclosures in the financial statements of the Board if the reduced disclosure requirements apply. DTF has not yet determined the application or the potential impact of the new Standard for agencies.	1 Jul 2013
AASB 2010-2	<i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.</i> This Standard makes amendments to many Australian Accounting Standards, including Interpretations, to introduce reduced disclosure requirements into these pronouncements for application by certain types of entities. The Standard is not expected to have any financial impact on the Board. However this Standard may reduce some note disclosures in financial statements of the Board. DTF has not yet determined the application or the potential impact of the amendments to these Standards for agencies.	1 Jul 2013



# Notes to the Financial Statements For the year ended 30 June 2010

## 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.

	2010 \$	2009 \$
Analysis of the fees is as follows:		
Revenue received in advance 1 July balance (current)	832,470	810,112
Revenue received in advance 1 July balance (non current)	686,227	603,482
Cash received during the year	1,183,923	1,115,059
<b>Total receipts received</b>	<b>2,702,620</b>	<b>2,528,653</b>
Revenue recognised during the year	1,052,028	1,009,956
<b>Revenue received in advance</b>	<b>1,650,592</b>	<b>1,518,697</b>
<b>Held in</b>		
Revenue received in advance account (current)	909,332	832,470
Revenue received in advance account (non current)	741,260	686,227
<b>Total</b>	<b>1,650,592</b>	<b>1,518,697</b>

## 5. Interest Revenue

Interest revenue received from:

Interest from on call bank accounts

Interest from Investment accounts

**Total**

134,161	239,065
3,204,563	4,445,260
<b>3,338,724</b>	<b>4,684,325</b>





# Notes to the Financial Statements For the year ended 30 June 2010

## 6. Other revenue

Other revenue consists of:

	2010 \$	2009 \$
Advertisement fees	19,238	14,103
Contribution to vehicle use	2,642	2,563
Licence copies	2,280	–
Late Fees	18,054	22,893
Miscellaneous revenue	7,158	19,060
	<u>49,372</u>	<u>58,619</u>

## 7. Employee benefits expense

The Board procures services from the Department of Commerce 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.

Wages and salaries	731,298	684,506
Change in Annual Leave Provisions <sup>(a)</sup>	266	(2,550)
Change in Long Service Leave Provisions <sup>(a)</sup>	20,218	57,443
Superannuation Expense	91,786	79,980
Other staff related expenses <sup>(b)</sup>	92,153	102,901
<b>Total Staff costs</b>	<u>935,721</u>	<u>922,280</u>

<sup>(a)</sup> Includes a superannuation contribution component

<sup>(b)</sup> 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 17 'Provisions'.



# Notes to the Financial Statements For the year ended 30 June 2010

## 8. Supplies and services

	2010 \$	2009 \$
Advertising	5,125	27,982
Bank charges	4,718	5,446
Communications	7,211	6,348
Consultants and contractors fees	436,545	104,435
Consumables	17,730	13,274
Hire charges	2,406	988
Insurance	20,108	14,089
Legal	282,225	184,939
Miscellaneous	4,278	2,848
Printing	55,138	52,396
Professional services	85,925	84,546
Repair and maintenance	142	177
Service Delivery Agreement	6,476,462	5,831,200
Software < \$5,000 & Software Licences	608	2,887
Stationery	5,393	9,468
Sundry assets costing under \$5,000	30,054	43,882
Website subscription	710	–
	<u>7,434,778</u>	<u>6,384,905</u>

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



# Notes to the Financial Statements For the year ended 30 June 2010

## 9. Depreciation and amortisation expense

	2010 \$	2009 \$
Depreciation		
Computer hardware	–	–
Office & other equipment	5,316	1,961
Furniture and fittings	–	–
<b>Total depreciation</b>	<b>5,316</b>	<b>1,961</b>
<b>Total depreciation and amortisation</b>	<b>5,316</b>	<b>1,961</b>

## 10. Accommodation expenses

Occupancy costs and parking	16,058	10,597
-----------------------------	--------	--------

## 11. Grants

Education grants and funding for education		
Kaplan Education	28,709	–
Central TAFE	–	67,290
Kaplan Professional	16,642	30,732
REIWA	522,929	278,115
West Coast Property Training	483,217	381,916
Other grants	1,933	–
Total education grants	1,053,430	758,053
First home buyers grants	10,127,135	9,712,913
Total grants	11,180,565	10,470,966

A total of 5,244 First Home Buyers grants totalling \$10,127,135 at an average of \$1,931 were made during the year. In 2008/09 4,945 grants totalling \$9,712,913 at an average of \$1,964 were made.



# Notes to the Financial Statements For the year ended 30 June 2010

## 12. Other expenses

	2010 \$	2009 \$
Audit fees	28,500	28,500
Employment on costs <sup>(a)</sup>	(645)	7,544
	<u>27,855</u>	<u>36,044</u>

<sup>(a)</sup> Includes workers' compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liability is included at note 17 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

## 13. Receivables

### Current

Accounts Receivable	3,670	395,818
Accrued agents trust account interest	1,058,199	768,057
Accrued investment interest	883,741	673,233
GST recoverable	11,018	19,438
Total	<u>1,956,628</u>	<u>1,856,546</u>

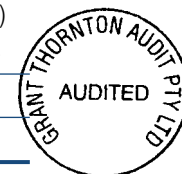
## 14. Plant and equipment

### Computer Hardware

At cost Computer Hardware	5,574	5,574
Accumulated Depreciation	(5,574)	(5,574)
Accumulated Impairment Losses	<u>—</u>	<u>—</u>

### Office & Other Equipment

At cost	49,996	22,408
Accumulated Depreciation	(15,533)	(10,218)
Accumulated Impairment Losses	<u>—</u>	<u>—</u>
	<u>34,463</u>	<u>12,190</u>
Total Plant & Equipment	<u>34,463</u>	<u>12,190</u>



# Notes to the Financial Statements For the year ended 30 June 2010

## 14. Plant and equipment (continued)

Reconciliations of the carrying amount of plant and equipment at the beginning and end of the reporting period are set out below.

	2010 \$	2009 \$
<b>Office Equipment</b>		
Carrying amount at start of year	12,190	8,391
Additions	27,589	5,760
Disposals	–	–
Accumulated depreciation on disposals	–	–
Depreciation	(5,316)	(1,961)
Change in accounting policy	–	–
Carrying amount at end of year	34,463	12,190
<b>Total Plant and equipment</b>	34,463	12,190

## 15. Impairment of assets

There were no indications of impairment to plant and equipment and intangible assets at 30 June 2010.

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

There were no surplus assets at 30 June 2010 held for sale or write-off.

## 16. Payables

### Current

Accrued expenses		
Trade payables	712,703	800,765
Other payables	4,661	3,382
Accrued expenses	28,500	28,500
Accrued salaries and superannuation	15,142	11,111
<b>Total</b>	761,006	843,758



# Notes to the Financial Statements For the year ended 30 June 2010

## 17. Provisions

### Current

#### Employee Benefits Provisions

Annual leave <sup>(a)</sup>

Long service leave <sup>(b)</sup>

Superannuation

#### Other provisions

Employment on costs <sup>(c)</sup>

#### Total

### Non Current

#### Employee Benefits Provisions

Long service leave <sup>(b)</sup>

Superannuation

#### Other provisions

Employment on costs <sup>(c)</sup>

#### Total

<sup>(a)</sup> Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the reporting period. Assessments indicate that actual settlement of the liabilities will occur as follows:

Within 12 months of the end of the reporting period  
More than 12 months after the reporting period

2010  
\$

2009  
\$

39,777

39,511

100,803

88,755

11,527

10,538

152,107

138,804

6,894

7,538

159,001

146,342

78,143

69,973

5,410

4,785

83,553

74,758

367

686

83,920

75,444

2010  
\$

2009  
\$

23,425

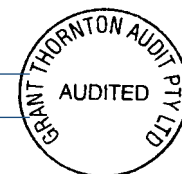
23,596

16,352

15,915

39,777

39,511





# Notes to the Financial Statements For the year ended 30 June 2010

## 17. Provisions (continued)

	2010 \$	2009 \$
<sup>(b)</sup> Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the reporting period. Assessments indicate that actual settlement of the liabilities will occur as follows:		
Within 12 months of the end of the reporting period	70,039	60,110
More than 12 months after the reporting period	108,907	98,618
	<u>178,946</u>	<u>158,728</u>

<sup>(c)</sup> The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is 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'.

### Movements in Other Provisions

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

#### Employment on-cost provision

Carrying amount at start of year	8,224	7,750
Additional provisions recognised	(963)	474
<b>Carrying amount at end of year</b>	<u>7,261</u>	<u>8,224</u>

## 18. Other current liabilities

### Current

Unclaimed monies	4,694	4,879
<b>Total</b>	<u>4,694</u>	<u>4,879</u>



# Notes to the Financial Statements For the year ended 30 June 2010

## 19. Notes to the Statement of Cash Flows

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 Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2010 \$	2009 \$
<b>Cash and cash equivalents at bank</b>		
Education and General Purpose Account	1,161,568	975,674
Fidelity Guarantee Account (Restricted cash)	235,782	289,264
Home Buyers Assistance Account (Restricted cash)	2,413,004	1,437,476
Board Interest Account	500	500
Petty Cash	300	300
	<u>3,811,154</u>	<u>2,703,214</u>
<b>Cash and cash equivalents held with Treasury</b>		
Education and General Purpose Account	30,555,008	31,555,008
Fidelity Guarantee Account (Restricted cash)	38,855,575	36,955,575
Home Buyers Assistance Account (Restricted cash)	9,385,000	15,885,000
	<u>78,795,583</u>	<u>84,395,583</u>
	<u>82,606,737</u>	<u>87,098,797</u>
Cash and cash equivalents	31,717,376	32,531,482
Restricted cash and cash equivalents	50,889,361	54,567,315
<b>Total cash and cash equivalents</b>	<u>82,606,737</u>	<u>87,098,797</u>



# Notes to the Financial Statements For the year ended 30 June 2010

## 19. Notes to the Statement of Cash Flows (continued)

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

	2010 \$	2009 \$
Profit/(loss)	(4,439,798)	2,594,495
<b>Non-cash items:</b>		
Depreciation and amortisation expense	5,316	1,961
Net (gain)/loss on sale of plant & equipment	–	–
<b>(Increase)/decrease in assets:</b>		
Current receivables <sup>(c)</sup>	(100,082)	1,413,144
<b>Increase/(decrease) in liabilities</b>		
Current Payables <sup>(c)</sup>	(82,752)	280,944
Current Provisions	12,659	27,379
Revenue received in advance, current liabilities	76,862	22,358
Other current liabilities	(185)	–
Non current provisions	8,476	30,665
Revenue received in advance, non current liabilities	55,033	82,744
Net GST receipts/(payments) <sup>(a)</sup>	8,420	23,625
Change in GST in receivables/payables <sup>(b)</sup>	(8,420)	(23,625)
<b>Net cash provided by/(used in) operating activities</b>	<b>(4,464,471)</b>	<b>4,453,690</b>

<sup>(a)</sup> This is the net GST paid/received, ie cash transactions

<sup>(b)</sup> This reverses out the GST in receivables and payables

<sup>(c)</sup> Note that the Australian Taxation Office (ATO) receivable/payable in respect of GST and the receivable/payable in respect of the sale/purchase of non-current assets are not included in these items as they do not form part of the reconciling items.



# Notes to the Financial Statements For the year ended 30 June 2010

## 20. Contingent Liabilities and Contingent Assets

### Contingent Liabilities

In addition to the liabilities included in the financial statements the Board is aware of 48 claims (2009:47) against the Fidelity Guarantee Account totalling \$4,681,000 (2009: \$2,407,000) 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.

## 21. 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, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are:

	2010	2009
\$0 – \$10,000	4	2
\$10,001 – \$20,000	4	2
\$20,001 – \$30,000	2	2
\$30,001 – \$40,000	–	1
\$60,001 – \$70,000	1	1
The total remuneration of members of the Board:	<u>173,395</u>	<u>178,972</u>

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

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

### Remuneration of Senior Officers

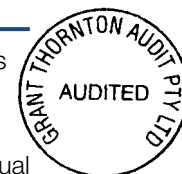
The number of senior officers, other than senior officers reported as members of the Board, whose total of fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, falls within the following bands are:

	2010	2009
\$70,001 – \$80,000	–	1
\$100,001 – \$110,000	1	–
The total remuneration of senior officers:	<u>102,731</u>	<u>84,627</u>

Total remuneration includes 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 Department of Commerce. The number of senior officers providing these services are included in the annual report of the Department.



# Notes to the Financial Statements For the year ended 30 June 2010

## 22. Remuneration of Auditor

Remuneration to the Auditor General in respect to the audit for the current financial year is as follows;

	2010 \$	2009 \$
Auditing the accounts, financial statements and performance indicators	28,500	28,500

## 23. 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.

## 24. Supplementary financial information

### Write-offs

The Board approve write-offs totalling \$nil (2009: \$1,972) during the financial year.

## 25. Commitments

### Lease commitments

Commitments in relation to leases contracted for at the end of the reporting period but not recognised in the financial statements are payable as follows:

	2010 \$	2009 \$
Within 1 year	28,395	5,691
Later than 1 year and not later than 5 years	23,900	–
Later than 5 years	–	–
	<u>52,295</u>	<u>5,691</u>
Representing:		
Non-cancellable operating leases	<u>52,295</u>	<u>5,691</u>

These commitments are inclusive of GST for vehicle leases paid monthly in arrears. The lease terms are 12 to 36 months and are with StateFleet.

The Board does not have any capital or finance lease commitments contracted for at the end of the reporting period not recognised as liabilities.



# Notes to the Financial Statements For the year ended 30 June 2010

## 26. 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.

	2010 \$	2009 \$
Balance at the start of the year	66,589	17,861
Receipts	177,383	48,728
Payments	—	—
<b>Balance at the end of the year</b>	<b>243,972</b>	<b>66,589</b>

## 27. Events occurring after the balance sheet date

The Board is not aware of any events occurring after the end of the reporting period that materially affect these financial statements.





# Notes to the Financial Statements For the year ended 30 June 2010

## 28. Explanatory statement

This statement provides detail of any significant variations between estimates and actual results for income and expenses as presented in the Statement of Comprehensive Income are shown below.

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

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

	2010 Estimate \$	2010 Actual \$	Variance \$
<b>Income</b>			
Agents trust account interest	7,634,100	10,785,478	3,151,378
Fines and costs	6,000	79,926	73,926
Interest revenue	2,434,700	3,338,724	904,024
<b>Expenses</b>			
Fidelity payments	2,790,000	97,392	(2,692,608)

#### Agents trust account interest

The estimated income from agents trust account interest was prepared when interest rates were at historical lows and market indications were that they would remain at those levels for some time. However, interest rates increased resulting in a higher level income than was anticipated.

#### Fines and costs

The quantum of fines and hearing costs recovery cannot be controlled by and may vary considerably from year to year and as such budgets are prepared on a conservative basis. As such significant variations from the estimate is not unexpected.

#### 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.

#### Interest revenue

The variation to the estimate result for interest revenue is the result of two factors:

- 1) higher rates of interest than anticipated and;
- 2) higher levels of retained revenue than anticipated due to a better than expected financial result for the year.



# Notes to the Financial Statements For the year ended 30 June 2010

## 28. Explanatory statement (continued)

### *b) Significant variations between actual results for actual and prior year actual*

	2010 \$	2009 \$	Variance \$
<b>Income</b>			
Agents trust account interest	10,785,478	15,025,308	(4,239,830)
Interest revenue	3,338,724	4,684,325	(1,345,601)
<b>Expenses</b>			
Supplies and services	7,434,778	6,384,905	1,049,873
Fidelity payments	97,392	372,277	(274,885)

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

Income from Agents Trust Accounts is lower than the previous year due to lower interest rates during the 2009/10 financial year compared to the 2008/09 year.

#### **Interest revenue**

Income from interest is lower than the previous year due to lower interest rates.

#### **Supplies and services**

Expenditure on supplies and services were higher than the previous year due to:

- 1) development costs related to licence processing via Australia Post and
- 2) higher costs associated with the service delivery agreement with the Department of Commerce.

#### **Fidelity payments**

Payments for fidelity grants were lower than the previous year due to fewer claims being processed during the current year.



# Notes to the Financial Statements For the year ended 30 June 2010

## 29. Financial instruments

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

Financial instruments held by the Board are cash and cash equivalents, restricted 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 maximum exposure to credit risk at the end of the reporting period 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 29(c) 'Financial Instruments Disclosures' and in note 13 'Receivables'.

The Board trades only with recognised, creditworthy third parties. The Board has policies in place to ensure that services are rendered 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. At the end of the reporting period, there were no significant concentrations of credit risk.

#### Liquidity risk

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

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

#### Market risk

Market risk is the risk that changes in the market prices such as foreign exchange rates and interest rates will affect the Board's income or the value of its holdings of financial instruments.

The Board has no borrowings and 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.

Other than as detailed in the interest rate sensitivity analysis table at Note 29(c), the Board has limited exposure to interest rate risk.



# Notes to the Financial Statements For the year ended 30 June 2010

## 29. Financial instruments (continued)

### (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 end of the reporting period are as follows.

	2010 \$	2009 \$
<b>Financial Assets</b>		
Cash and cash equivalents	31,717,376	32,531,482
Restricted cash and cash equivalents	50,889,361	54,567,315
Receivables <sup>(a)</sup>	1,956,628	1,856,546
<b>Financial Liabilities</b>		
Financial liabilities measured at amortised cost	2,416,292	2,367,334

<sup>(a)</sup> The amount of receivables excludes GST recoverable from the ATO (Statutory receivable).

### (c) Financial Instruments Disclosures

#### Credit Risk and Interest Rate Risk Exposure

The following table discloses the Board's maximum exposure to credit risk and interest rate exposures of financial assets. The Board's maximum exposure to credit risk at the end of the financial reporting period is the carrying amount of the financial assets as shown below.

All financial assets and liabilities as at the end of the reporting period had a maturity date less than 3 months. For this reason a maturity analysis has not been provided in the tables.

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.



# Notes to the Financial Statements For the year ended 30 June 2010

## 29. Financial instruments (continued)

	Weighted Avge Effective Int Rate %	Interest rate exposures of financial assets		
		Carrying Amount \$	Variable Interest Rate \$	Non Interest Bearing \$
<b>Financial Assets</b>				
<b>2010</b>				
Cash and cash equivalents	4.5%	31,717,376	31,717,376	–
Restricted cash and cash equivalents	4.5%	50,889,361	50,889,361	–
Receivables <sup>(a)</sup>		3,670	–	3,670
		<u>82,610,407</u>	<u>82,606,737</u>	<u>3,670</u>
<b>2009</b>				
Cash and cash equivalents	3.2%	32,531,482	32,531,482	–
Restricted cash and cash equivalents	3.2%	54,567,315	54,567,315	–
Receivables <sup>(a)</sup>		395,818	–	395,818
		<u>87,494,615</u>	<u>87,098,797</u>	<u>395,818</u>

<sup>(a)</sup> The amount of receivables excludes the GST recoverable from the ATO (statutory receivable)

The Board does not have any past due or impaired financial assets.



# Notes to the Financial Statements For the year ended 30 June 2010

## 29. Financial instruments (continued)

### Liquidity Risk

The following table details the contractual maturity analysis for financial liabilities. The contractual maturity amounts are representative of the undiscounted amounts at the end of the reporting period. The table includes interest and principal cash flows. An adjustment has been made where material.

	Interest rate exposures of financial liabilities					
	Weighted Avge Effective Int Rate %	Interest Rate Exposure		Maturity Date		
		Carrying Amount \$	Non Interest Bearing \$	Up to 12 months \$	1 – 5 years \$	More than 5 years \$
Financial Liabilities						
2010						
Payables		756,345	756,345	756,345	–	–
Licence revenue received in advance		1,650,592	1,650,592	909,332	741,260	–
		<u>2,406,937</u>	<u>2,406,937</u>	<u>1,665,677</u>	<u>741,260</u>	<u>–</u>
2009						
Payables		843,758	843,758	843,758	–	–
Licence revenue received in advance		1,518,697	1,518,697	832,470	686,227	–
		<u>2,362,455</u>	<u>2,362,455</u>	<u>1,676,228</u>	<u>686,227</u>	<u>–</u>

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



# Notes to the Financial Statements For the year ended 30 June 2010

## 29. Financial instruments (continued)

### 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 end of the reporting period on the surplus for the period and equity for a 100 basis point change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

		+ 100 Basis Points change		- 100 Basis Points change	
2010	Carrying Amount \$	Profit \$	Equity \$	Profit \$	Equity \$
<b>Financial Assets</b>					
Cash and cash equivalents	31,717,376	(317,174)	(317,174)	317,174	317,174
Restricted cash and cash equivalents	50,889,361	(508,894)	(508,894)	508,894	508,894
<b>Financial Liabilities</b>					
The Board does not have any Financial Liabilities subject to interest rate sensitivity.					
Total Increase/(Decrease)		(826,068)	(826,068)	826,068	826,068
		+ 100 Basis Points change		- 100 Basis Points change	
2009	Carrying Amount \$	Profit \$	Equity \$	Profit \$	Equity \$
<b>Financial Assets</b>					
Cash assets and cash equivalents	32,531,482	(325,315)	(325,315)	325,315	325,315
Restricted cash and cash equivalents	54,567,315	(545,673)	(545,673)	545,673	545,673
<b>Financial Liabilities</b>					
The Board does not have any Financial Liabilities subject to interest rate sensitivity.					
Total Increase/(Decrease)		(870,988)	(870,988)	870,988	870,988

### Fair Values

All financial assets and liabilities recognised in the statement of financial position, 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.





# Additional Key Performance Indicator information

## Certification of Key Performance Indicators

We hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Board's performance, and fairly represent the performance of the Board for the financial year ended 30 June 2010.



Mark Cuomo

Chair

Dated: 1 September 2010



Glenn Cridland

Member

Dated: 1 September 2010



# Additional Key Performance Indicator information

## Detailed information in support of Key Performance Indicators

### 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.

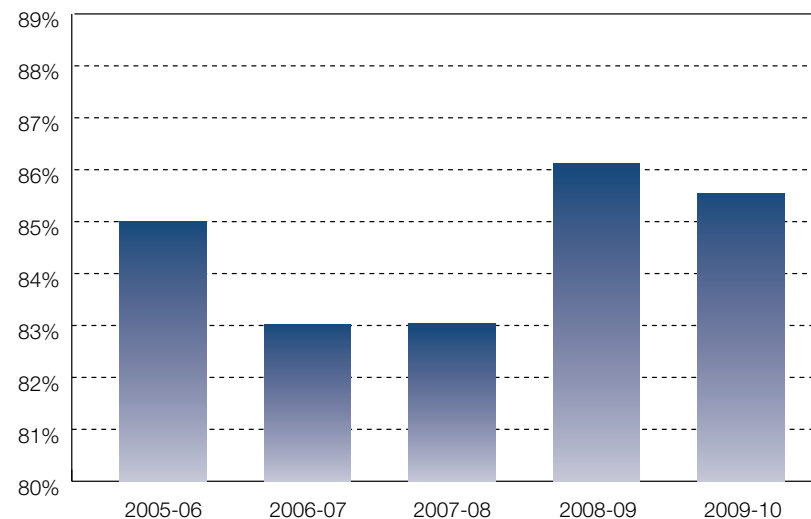


### Measure

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

	2005/06	2006/07	2007/08	2008/09	2009/10
Unqualified audit reports	804	773	778	800	831
Qualified audit reports	286	313	355	307	311
Statutory Declarations	1,012	1,028	1,147	1,200	1,060
No Audit reports	22	56	38	17	8
Total number of agents	2,124	2,170	2,318	2,324	2,210
% of agents submitting an unqualified audit or Statutory Declaration	85.50	83	83.05	86.06	85.57

Per cent of agents submitting an unqualified audit or Statutory Declaration



# Additional Key Performance Indicator information

## Notes to the indicator

The Act requires agents to manage monies received for or on behalf of their principals (clients) through a trust account. If a licensed agent does not receive or hold any money on behalf of a person in the reporting period then they must submit a statutory declaration confirming this to be deemed compliant. 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 or auditor'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, cancellation of the agent's licence and triennial certificate, and temporary or permanent disqualification.

This year the number of agents has decreased by 114. There are 31 more unqualified audits and four more qualified audits. The proportion of auditors delivering unqualified audit reports and agents submitting statutory declarations has decreased this year, from 86.06 to 85.57 per cent.

The Board believes that the increase in the number of unqualified reports is due to agents better understanding their responsibilities with regards to trust accounts. This increase in education and awareness is due to improved systems for proactive compliance visits and the Compulsory Professional Development program, as well as through articles in REBA News and the revision and promotion of the publication *Real estate trust accounting – A reference manual*.

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 or a statutory declaration decreased by nine. 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.

## 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.

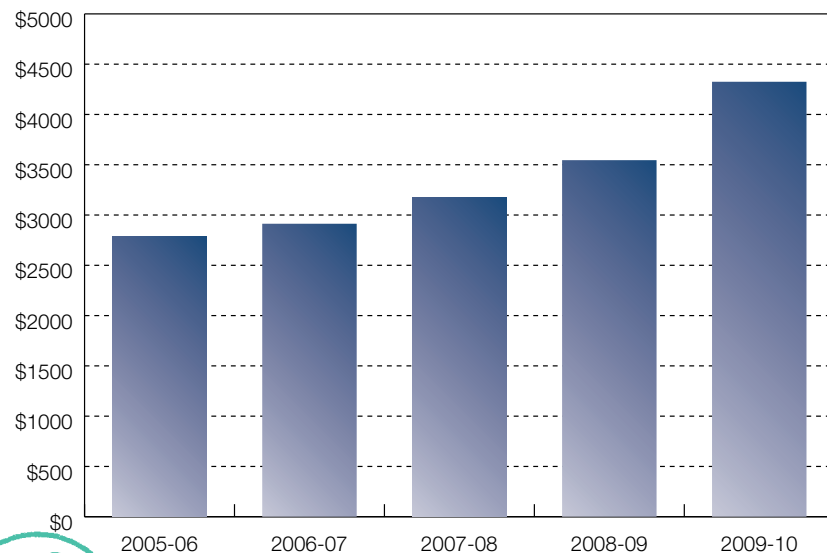


# Additional Key Performance Indicator information

	2005/06	2006/07	2007/08	2008/09	2009/10
Annual cost*	\$5,190,171	\$6,132,312	\$7,350,544	\$8,239,771	\$9,630,012
Active licensed agents	2,124	2,170	2,318	2,324	2,210
Cost per active licensed agent	\$2,782.57	\$2,913.39	\$3,171.07	\$3,545.51	\$4,357.47

\* 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.

Cost per licensed agent 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 2009—10 financial year a total of \$9,630,012 was expended on regulating an industry with 2,210 active licensed agents.

The average cost of regulating the real estate and business broking industry for each licensed agent increased from \$3,545.51 in 2008—09 to \$4,357.47 this year. This increase was due to the extra expense incurred by the Board in relation to the Australia Post licensing project, the CPD Online project, rises in the Service Delivery Agreement Salary costs and a rise in CPD course payments.

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.



# Ministerial directives

The Chair of the Board was advised, by letter received 21 April 2009, to take into account the Minister's review of boards within the Consumer Protection portfolio when considering future planning. The Minister expressed his belief that "it would be inappropriate to make significant changes to the operation of (the) Board over the next 6-12 months".

Although this directive (delivered in the context of the Premier's announcement in March 2009 of the State Government's intention to reduce the number of existing boards and committees) was conveyed to the Board prior to the reporting period, for the first half of the financial year it served as a precursor to the Minister's later announcement (on 27 January 2010) that legislation would be introduced in Parliament to abolish the Board by 1 July 2011.

While the Board's abolition is not yet an absolute certainty, discussion between the Board and the Department of Commerce commenced in the second half of the reporting period regarding what is considered an inevitable handover of duties.

# Other financial disclosures

## Pricing policies of services provided

The Board conducted its annual review of its licensing fees in accordance with the *Financial Management Act 2006*. This review was in line with the State Government's policy that any increases in fees are to be on a cost recovery basis. The Board's recommendation that the fees be increased by the agreed Consumer Price Index of 2.1 per cent was approved by the Minister for Commerce and was submitted for formal approval and amendments to the relevant regulations. The fee increase was formally approved and was effective from 1 July 2010.

## Capital Works

### Capital projects completed

Project Title	Estimated Cost	Project Cost*
Australia Post Interface Project (2006)	\$340,000	\$396,039
Compulsory Professional Development Online Project	\$317,616	\$297,044.32

\* Total cost of projects has been split 50/50 with the Settlement Agents Supervisory Board.

## Employment and Industrial Relations

Employee category	2008–09	2009–10
Full-time permanent	8	8
Full-time contract	2	2
Part-time measured on a FTE basis	0	0
On secondment	0	0

## Staffing policies

To ensure that the Board, its staff 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 2009–10.

With the assistance of the Proactive Compliance Section, and the Board's Registrar and Solicitor, three training sessions were conducted during the year which covered the following topics:

- Interstate agents
- Presentation of offers and associated documentation
- Articles 8(1) & 8 (2) material Facts.

## Industrial relations

The Board was not involved in any industrial disputes.

## Workers' compensation

The Board was not involved in any workers' compensations claims. The Board was also not involved in any cases in 2008–09.

# Governance disclosures

## Contracts with senior officers

At the date of reporting, other than normal contracts of employment of service, no senior officers, or firms of which senior officers are members, or entities in which senior officers have substantial interests, had any interests in existing or proposed contracts with the Board and senior officers.

## Freedom of Information requests

The *Freedom of Information Act 1992* is an Act to provide for public access to documents, and to enable the public to ensure that personal information in documents is accurate, complete, up to date and not misleading, and for related purposes. The objectives of this Act are achieved by creating a general right to apply for access to documents relating to the Board and its operations. The Board endeavours to make available as much information as possible outside the Freedom of Information process. In the year 2009–10, the Board received seven requests for information under the *Freedom of Information Act 1992*.

In accordance with section 96, an agency must publish an information statement providing details of its Freedom of Information policy.

The Board adopts the information statement of the Consumer Protection Division of the Department of Commerce.

This information statement is available from its website at [www.commerce.wa.gov.au](http://www.commerce.wa.gov.au)



# Other legal requirements

## Advertising

In accordance with section 175ZE of the *Electoral Act 1907*, the Board incurred expenditure in the reporting period 2009–10 totalling \$6875.

Organisation type	Name	Amount
Advertising agencies	Linkletters	\$6875.00
Market research organisations		\$0.00
Polling organisations		\$0.00
Direct mail organisations		\$0.00
Media advertising organisations		\$0.00

## Disability Access and Inclusion Plan

The Board is not a public authority for the purposes of Schedule 1 of the Disability Services Regulations 2004; however, it acknowledges and supports the principles applicable to people with disabilities stated in Schedule 1 of the *Disability Services Act 1993*. Its *Disability Access and Inclusion Plan 2007-2011* expresses the Board's commitment to ensuring that services are delivered effectively to its employees, customers and the wider community. A copy of this plan is available on the Board's website.

## Compliance with Public Sector Standards and ethical codes

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 2009–10, the Board did not receive any applications for breaches of the standards.

Board members and staff are required to comply with the Code of Conduct for Board Members and Officers 2007 (updated April 2009 REBA). The Code of Conduct for Board Members and Officers 2007 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. A current electronic version of this document is available on the Board's website.

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.

## Recordkeeping plan

The Board is required to have a recordkeeping plan as a government organisation for the purposes of Schedule 1 of the *State Records Act 2000*. As the Department of Commerce provides the Board with a range of services through a Service Delivery Agreement, the Board relies on the department's plan, in principle, for document storage and records management. Please refer to the section 'Recordkeeping plan' in the *Department of Commerce Annual Report 2009–10* for further information.

# Government policy requirements

## Substantive equality

The Department of Commerce provides the Board with a range of services through a Service Delivery Agreement and is required to report on the progress achieved in implementing the Policy Framework for Substantive Equality. Please refer to the section 'Substantive equality' in the *Department of Commerce Annual Report 2009–10* for further information.

## Occupational safety, health and injury management

In carrying out its statutory functions and in its role as an employer the Board is committed to providing a safe working environment and complies with the injury management requirements of the *Workers' Compensation and Injury Management Act 1981*. The Board complies with the Department of Commerce (the Department) injury management system which ensures that injury management intervention occurs quickly and properly, so that injured employees can remain at work or return to work at the earliest appropriate time.

The Department's occupational safety and health system and injury management system are available to employees on the department's intranet site and communicated as part of occupational safety and health training.

Under its Occupational Safety and Health Management Plan the Board commits to providing ongoing safety checks and basic first aid and occupational safety and health awareness training to its employees.

Board employees have the opportunity to elect an Occupational Safety and Health Representative in accordance with the *Occupational Safety and Health Act 1984*.

The Board Director is responsible for ensuring that Board employees comply with Occupational Safety and Health requirements. The Board Director and the Occupational Safety and Health Representative conduct regular workplace safety checks and regularly monitor developments in health and safety legislation and management systems.

Consultation with Board staff on OSH matters occurs at each of its monthly meetings.

Board employees have the opportunity to access the Employee Assistance Program in the form of confidential counselling services, which are provided free of charge.

An external accredited assessment (within previous three years) of occupational safety and health management systems has been completed that includes a summary of findings.

Report on annual OSH performance 2009–10:

Indicator	Target 2009–10	Result 2009–10
Number of fatalities	None	None (0)
Lost time injury/disease (LTI/D) incidence rate	None or 10 per cent reduction on previous year	None (0)
Lost time injury severity rate	None or 10 per cent improvement on previous year	None (0)
Percentage of injured workers returned to work within 28 weeks	Actual percentage result to be reported	None (0)
Percentage of managers trained in occupational safety, health and injury management responsibilities	Greater than or equal to 50 per cent	33.33 per cent

# Appendix

## Concluded State Administrative Tribunal Disciplinary Matters (1 July 2009 – 30 June 2010)

VR Number	Respondents	Findings	Penalty	Costs
VR 54 of 2009	Dennis Robert Didovich	<p>A. Dennis Robert Didovich:</p> <p>(a) failed to act fairly and honestly in relation to a transaction for the sale and purchase of a property in Carlisle by directing and receiving the sum of \$5,000.00 for his own purpose contrary to Article 5(1) of the Code of Conduct;</p> <p>(b) failed to act fairly and honestly in relation to a transaction for the sale and purchase of a property in East Morley by directing and receiving the sum of \$25,460.98 for his own purpose contrary to Article 5(1) of the Code of Conduct;</p> <p>(c) failed to act fairly and honestly in relation to a transaction for the sale and purchase of a property at Office 144 Equus Development by directing and receiving the sum of \$5,000.00 for his own purpose contrary to Article 5(1) of the Code of Conduct;</p> <p>(d) failed to act fairly and honestly in relation to a transaction for the sale and purchase of a property at Equus 580 Hay Street Perth by directing and receiving the sum of \$5,000.00 to a bank account of a third party not entitled to the money as a means to disguise misconduct in relation to monies owed to that third party contrary to Article 5(1) of the Code of Conduct;</p> <p>(e) failed to act fairly and honestly in relation to a transaction for the purchase and sale of a property at Equus Prime Office Suites by directing and receiving the sum of \$5,000.00 for his own purpose contrary to Article 5(1) of the Code of Conduct;</p> <p>B. There is proper cause for disciplinary action against Dennis Robert Didovich pursuant to section 103(4)(d) of the Act in that he is unfit to hold a certificate of registration.</p>	Cancellation of registration and disqualified from holding a registration for a period of ten years from the date of the order.	\$1,000 costs to be paid to the Board within 60 days of the date of the order.

# Appendix

VR Number	Respondents	Findings	Penalty	Costs
VR 115 of 2009	Sharon Maria Arasi and Peter John Arasi	Carrying on a business as a real estate agent either separately or as a partnership under the firm name ASAP ASSET Growth and have held themselves out as real estate agents when not licensed to do so contrary to section 26 of the Act.	\$6,500 fine paid within 28 days of the date of the order.	\$500 Costs to be paid within 28 days.
VR 55 of 2009	1st Respondent Meadowbank Enterprises Pty Ltd	Received valuable consideration for or in relation to the sale of Lot 52 on Deposited Plan 44031, contrary to section 64(4), in respect of which the third respondent, being an employee of the second respondent (the conjunction agent in the transaction) had an interest in contravention of section 64(1) of the Act.	\$5,000 paid in clear funds within 28 days of the date of the order failing which its licence will be suspended until payment is made.  If required by the vendor, the first respondent agreed to repay the whole of its part of the commission to the vendor, in the sum of \$14,262.	\$1,000 Costs to be paid within 28 days of the date of the order failing which its licence will be suspended until payment is made.
VR 55 of 2009	2nd Respondent Gavin Plows	The second respondent:  (a) received valuable consideration for or in relation to the sale of a property in respect of which a sales representative in his employment had an interest contrary to section 64(1) of the Act;  (b) failed to exercise skill, care and diligence in that he failed to obtain prior written consent from the principal before any offer was presented to the principal contrary to Article 7 of the Code	\$8,000 paid in clear funds within 90 days of the date of the order failing which his licence will be suspended until payment is made.  If required by the vendor, the second respondent agreed to repay the whole of his part of the commission to the vendor, in the sum of \$5,738.	\$1,500 Costs to be paid within 90 days of the date of the order failing which his licence will be suspended until payment is made.
VR 55 of 2009	3rd Respondent Stephen Drane	The third respondent has an interest, other than by virtue of his employment, in a transaction in which the first respondent and second respondent acted without written consent of the principal contrary to section 64(2) of the Act.	\$1,000 paid in clear funds within 28 days of the date of the order failing which his certificate will be suspended until payment is made.	No order as to costs.

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VR 55 of 2009	4th Respondent Lorraine Ashby	The fourth respondent did not exercise skill, care and diligence contrary to article 7 of the Code in that:  (a) she failed to verify the status of the purchaser and/or its nominee before presenting offers to the vendor;  (b) upon becoming aware of the conflict of interest of the third respondent, she failed to take the appropriate steps to fully inform the person in bona fide control of the first respondent or the vendor of the implications arising as a consequence of the conflict of interest.	\$1,000 paid in clear funds within 28 days of the date of the order failing which her certificate will be suspended until payment is made.	\$500 Costs to be paid within 28 days failing which her certificate will be suspended until payment is made.
VR 180 of 2009	1st Respondent Vitale Fine Properties Pty Ltd	The first respondent sought and retained reimbursement of expenses which was greater than the maximum amount agreed to by the Sellers contrary to Article 15(2).	\$500 paid in clear funds within 28 days of the date of the order failing which the licence will be suspended until payment is made.	\$500 Costs to be paid within 28 days failing which the licence will be suspended until payment is made.
VR 180 of 2009	2nd Respondent David Vincent Vitale	The second respondent failed to properly supervise the business of the first respondent contrary to Article 6(2).	\$500 paid in clear funds within 28 days of the date of the order failing which his licence will be suspended until payment is made.	\$500 Costs to be paid within 28 days failing which his licence will be suspended until payment is made.
VR 152 of 2009	Melanie Nissen	The respondent failed to act fairly and honestly contrary to Article 5(1) of the Code in that she:  (a) wrote a trust account cheque in the sum of \$648.00 payable to M.Nissen, applied a signature that appeared to be one of the two signatories to the trust account and deposited the cheque into a personal bank account;  (b) wrote a trust account cheque in the sum of \$1,320.00 payable to M.Nissen, applied a signature that appeared to be one of the two signatories to the trust account and deposited the cheque into a personal bank account.	Cancellation of registration and disqualified from holding a registration for a period of five years from the date of the order	\$500 Costs payable at the rate of \$50 per fortnight commencing 6 January 2010.

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VR Number	Respondents	Findings	Penalty	Costs
VR 19 of 2010	1st Respondent Dianna Pauline Western	The first respondent carried out the functions of a real estate sales representative whilst in the employ of the second respondent without holding a certificate of registration contrary to section 44(1) of the Act.	\$1,500 paid in clear funds within 28 days of the date of the order.	\$1,000 Costs to be paid within 28 days of the date of the order.
VR 19 of 2010	2nd Respondent Talaesha Holdings Pty Ltd	The second respondent permitted the first respondent to act or carry out the functions of a real estate sales representative when she was not a registered sales representative contrary to section 54(1) of the Act.	\$1,000 paid in clear funds within 28 days of the date of the order.	\$1,000 Costs to be paid within 28 days of the date of the order.
VR 19 of 2010	3rd Respondent Adrian Corker	The third respondent failed to properly supervise the business of the second respondent, and take reasonable steps to ensure that the first respondent held a certificate of registration to enable her to carry out the functions of a real estate sales representative on behalf of the second respondent for it to comply with the provisions of the Act contrary to Article 6(2) of the Code.	\$1,500 paid in clear funds within 28 days of the date of the order.	\$1,000 Costs to be paid within 28 days of the date of the order.





