



Settlement Agents Supervisory Board

Annual Report 2003-2004

**Settlement Agents Supervisory Board
Annual Report
2003-2004**

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Statement of Compliance

HON JOHN KOBELKE MLA
MINISTER FOR CONSUMER AND EMPLOYMENT PROTECTION

In accordance with section 66 of the *Financial Administration and Audit Act 1985*, we hereby submit for your information and presentation to Parliament the Annual Report of the Settlement Agents Supervisory Board for the year ending 30 June 2004.

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



David Taylor
Chair



Eva Skira
Member

Dated: 24 August 2004

Report from the Chair

In my role as the Chair of the Settlement Agents Supervisory Board, I present SASB's annual report for 2003-2004.

A significant event for the settlement industry during 2003-2004, was a review, conducted by SASB, into the maximum level of fees which settlement agents may charge their clients. The review was a comprehensive process involving extensive consultation with stakeholders and the engagement of an independent consultant. The outcome from the review was a recommendation to the Minister for Consumer and Employment Protection that the ceiling on the schedule of fees be increased to ensure the State's settlement industry remains viable. The resultant schedule of fees is a reflection of the true costs of conducting settlements in today's competitive market. The new fee structure came into effect on 5 April 2004.

Apart from the fee increases, during 2003-2004 settlement agents have had to keep pace with extensive amendments to the *Stamp Act 1921* and the increased legal standing of electronic information and transactions. These changes have posed substantial challenges for settlement agents.

SASB anticipates significant issues arising out of changes to its role upon commencement of the proposed State Administrative Tribunal (SAT). Under SAT, SASB will no longer be responsible for the holding of disciplinary Inquiries. That function will be devolved to SAT. SASB will retain its role as investigator, educator and advisor. The lengthy delays in the establishment of SAT have had an adverse effect on SASB's ability to make strategic long term plans. Notwithstanding the level of uncertainty about the progress of SAT, SASB continues to perform its current role with dedication.

In the 2003-2004 year, SASB maintained its support for public education seminars of which three were held for persons buying a home. The seminars provided practical information on the settlement components of real estate transactions. Feedback from these seminars indicated that they were a valuable service to the public. SASB will continue to support these types of educational seminars into 2004-2005.

SASB is also committed to being involved in education seminars for members of the settlement industry. In 2003-2004, SASB conducted seven industry seminars covering a range of topics including agents' managing their exposure to risk and their legal obligations. Another part of SASB's education strategy is the visits carried out on settlement agents by its Proactive Compliance Officers. The officers visited more than 90 settlement agencies in 2003-2004 providing guidance and assistance to agents and their staff.

One of the functions of SASB is to protect the interests of members of the public when they retain the services of a settlement agent. In cases where a settlement agent has acted in breach of the *Settlement Agents Act 1981* or the *Settlement Agents Code of Conduct 1982* SASB may decide that the matter warrants disciplinary action. The 2003-2004 year saw SASB make a number of disciplinary decisions against agents, with penalties ranging from nominal fines to disqualification from working in the industry for 5 years. A settlement agent has a fiduciary duty to his or her client, and SASB takes a firm stance in cases where this duty has been neglected.

In closing, I would like to thank my fellow members of SASB, Board staff and the staff of the Real Estate Branch of the Department of Consumer and Employment Protection for their dedication and hard work in helping SASB to achieve its goals in 2003-2004.



David Taylor

Chair

Dated: 24 August 2004

SECTION 1

ABOUT SASB

Our Organisation

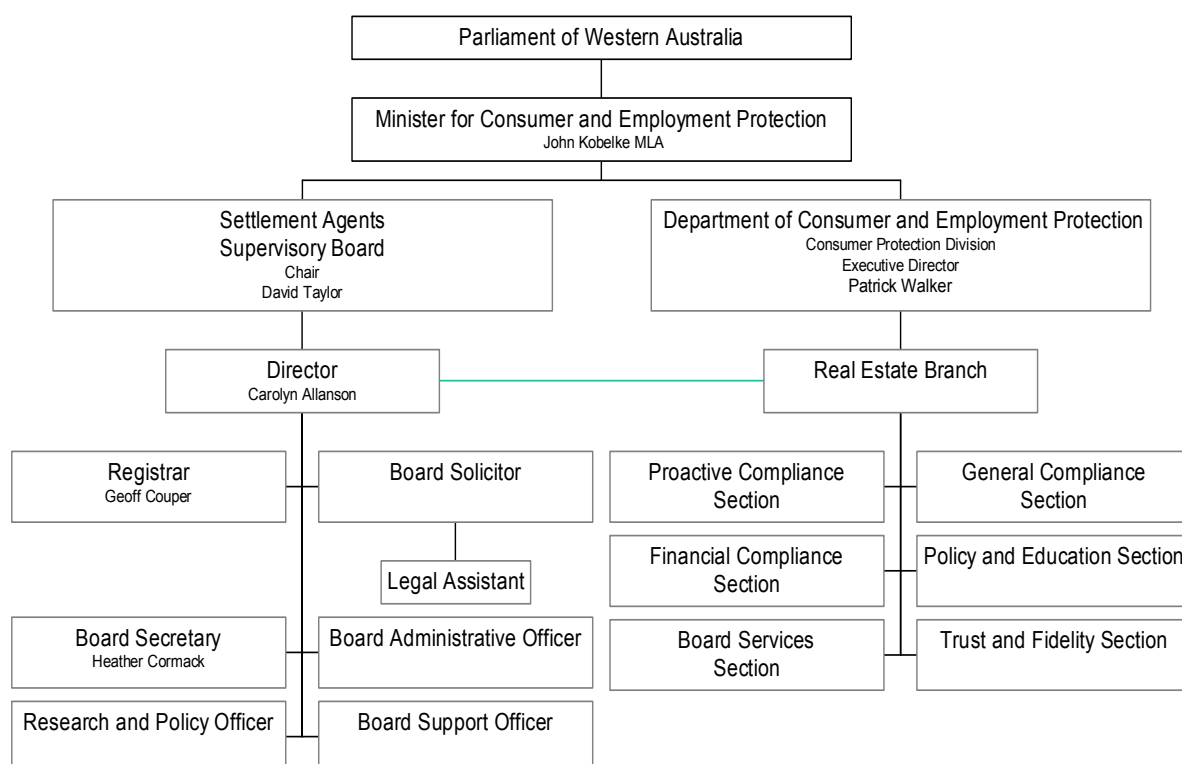
Who we are

The Settlement Agents Supervisory Board (SASB) is an independent statutory authority established under the *Settlement Agents Act 1981* (the Act) to regulate people who conduct settlement transactions. SASB administers the Act, its Regulations and the *Settlement Agents' Code of Conduct 1982* (the Code of Conduct).

Section 5 of the Act states:

- (1) *For the purposes of this Act there shall be a board to be known as the "Settlement Agents Supervisory Board".*
- (2) *The Board --*
 - (a) *shall be a body corporate with perpetual succession and a common seal;*
 - (b) *shall be the licensing and supervisory authority for the purposes of this Act; and*
 - (c) *shall have the powers, duties, and functions, conferred, imposed, or prescribed by or under this Act.*

Structure of SASB



Our Goal

That the people of Western Australia have confidence in the settlement industry.

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

“To achieve the efficient and effective regulation of the settlement industry through the discharge of its statutory functions.”

SASB provides four broad categories of services in pursuit of its goal:

Licensing

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

Compliance

Ensures that licensed settlement agents comply with the relevant legislation and financial reporting requirements.

Education and Awareness

Aims to encourage awareness of settlement ‘best practice’ through activities such as proactive visits, seminars and publications.

Fidelity Guarantee Fund

Centres on the assessment of compensation claims from consumers who have suffered financial loss when dealing with licensed settlement agents or their staff.

For more detail on these outputs, please refer to Section Two of this report. Section Three of the report provides information on the assessment of the outputs through to the performance reporting frameworks of quantity, quality, timeliness and cost.

Our Business

SASB is accountable to the Minister for Consumer and Employment Protection and has the following functions under the Act:

- administer the licensing scheme for settlement agents;
- conduct and promote education and advisory services;
- act as a disciplinary tribunal and conduct inquiries into allegations against settlement agents;
- administer the Fidelity Guarantee Fund, which can compensate people for financial loss due to the criminal or fraudulent behaviour of an agent;
- recommend amendments to the Act and Regulations; and
- advise the Minister for Consumer and Employment Protection on the administration of the Act.

Appointments and Induction

The five members of SASB are appointed by the Governor of Western Australia. Under section 6 of the Act, each member is appointed according to different criteria to ensure a variety of skills and experience are represented. The composition of SASB is as follows:

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

Member (1): must be a person who is not a licensed agent but who is a legal practitioner;

Member (2): must be a person who is not a licensed agent but is experienced in commercial practice; and

Member (3): must be a licensed agent who is elected by licensed agents to the position; and

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

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

SASB Members



Mr David Taylor - Chair

Mr Taylor specialises in commercial law, providing advice and litigation assistance in most areas of property, contract and business law. Mr Taylor operates his own law firm.



Ms Eva Skira (Member)

Ms Skira has acquired wide experience in the commercial, government and not-for-profit sectors over many years. She has served on a number of boards and executive committees and continues to do so. Ms Skira is a Fellow of both the Australian Institute of Company Directors and the Securities Institute of Australia.

Deputy: Mr Nicholas Hosking



Ms Mirina Muir (Member)

Ms Muir is a University of NSW law graduate. She has extensive experience not only as a lawyer but also as a past member of the Board of the Queen's Trust. She is currently working for the law firm, Blake Dawson Waldron.

Deputy: Mr Steven Phillips



Ms Valerie Haskins (Member)

Ms Haskins commenced work in the settlement profession in 1977 with Agency Settlements, an agency owned by Justin Seward Pty Ltd (now known as Knight Frank). She managed Agency Settlements for approximately three years before moving to Strand Settlements. In November 1986, Ms Haskins established her own settlement agency, Haskins Settlements.

Deputy: Mr Dominic Loiacono



Ms Judith Pinczuk (Member)

Judith is a licensed settlement agent elected by settlement agents as one of two settlement industry representatives on SASB.

Deputy: Ms Janice Urqhart

Our People

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

Functions of SASB staff

Director

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

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

Board Solicitor

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

Registrar

The Registrar undertakes various statutory roles set out in the Act. A primary function of the Registrar is managing the complaints process. This includes issuing directions for the investigation of complaints by SASB investigators and making decisions on outcomes of investigations. The Registrar also co-ordinates education programs and liaises with industry on behalf of SASB.

Number of Meetings, Inquiries and Hearings

In 2003-2004, SASB held 14 meetings and 13 hearings.

Service Delivery Agreement

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

- investigations;
- licensing;
- policy and education;
- fidelity guarantee fund; and
- corporate support.

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

Corporate Governance

Legislation and Statutory Reporting Compliance

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

- *Settlement Agents Act 1981;*
- *State Records Act 2000;*
- *Public Sector Management Act 1994;*
- *State Supply Commission Act 1991;*
- *Occupational Safety and Health Act 1984;*
- *Equal Opportunity Act 1984;*
- *Disabilities Services Act 1993*
- *Financial Administration and Audit Act 1985;*
- *Freedom of Information Act 1992;* and the
- *Public Interest Disclosure Act 2003.*

Expenditure incurred within Section 175ZE of the Electoral Act 1907

Under the *Electoral Act 1907*, government agencies are required to report annually on certain types of expenditure. This information relating to SASB is published in DOCEP's 2003-2004 annual report.

Public Sector Standards in Human Resource Management

SASB is required to comply with the *Public Sector Standards in Human Resource Management* and the *Western Australian Public Sector Code of Ethics* in its dealings with staff. During 2003-2004, SASB received no applications for breaches of the standards. In addition, SASB:

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

SASB has developed a *Code of Conduct for Members* based on the Government's *Corporate Governance Guidelines for Western Australian Public Sector Board Members*. SASB members are required to perform their duties impartially and not be influenced by vested interests of industry parties.

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

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

Disability Services Plan

SASB acknowledges and supports the principles applicable to people with disabilities stated in Schedule 1 of the *Disability Services Act 1993*. During 2003-2004, SASB updated its Disability Services Plan to ensure that people with disabilities, their families and carers can readily access its services. SASB's Disability Services Plan is linked to a strategy to make a positive difference to the lives of people with disabilities, their families and carers.

Freedom of Information Requests

The *Freedom of Information Act 1992* allows members of the public to lodge requests for copies of documents relating to SASB and its operations. SASB endeavours to make its operations transparent and accessible. In the year 2003-2004, SASB received one request for information under the freedom of information legislation.

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

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

Strategic Planning Framework – Obligatory Reporting Requirements

The 'Strategic Planning Framework' is a Western Australian Government initiative intended to improve the quality of life of all Western Australians. Agencies are required to address their contributions to the Strategic Planning Framework in their annual reports. The following strategic outcomes are relevant to SASB and are discussed in the appropriate parts of this report:

- A positive difference to the lives of people with disabilities, their families and carers. (Corporate Governance: Disability Services Plan – page 13)
- A trading system that protects consumers and encourages small business growth. (Output 2: Compliance – page 21)
- Fair pricing for regional residents and businesses. (Contact Details – page 54)
- Coordinated, integrated, high quality service delivery to the community. (Performance Indicators – page 31)
- An efficient Government sector that provides value for money service delivery. (Performance Indicators – page 31)
- Reduced 'red tape' and compliance costs. (Performance Indicators – page 31)

SASB is able to carry out its licensing and compliance functions using staff provided by DOCEP under the terms of a Service Delivery Agreement (see page 11). As DOCEP provides SASB with a range of administrative functions, some of which relate to obligatory reporting requirements, please refer to the DOCEP Annual Report 2003-2004 for information on cultural diversity and language services outcomes, youth outcomes, waste paper recycling and energy conservation. SASB's activities in meeting these obligatory reporting requirements are incorporated with those of DOCEP.

Summary of 2003-2004

Achievements

The 2003-2004 year has been one of significant achievements for SASB. In that period SASB achieved the following:

- the scale of fees was reviewed;
- 43 new licences were issued;
- 271 settlement triennial certificates were renewed;
- 73 new complaints were investigated;
- 33 trust fund investigations were completed;
- 30 investigations into qualified audits were completed;
- 93 proactive compliance audits were made to settlement agencies across WA;
- 5 education seminars were conducted for agents on various topics covering different requirements of the Act and the Code of Conduct; and
- 3 Homebuyers Seminars for the general public were conducted, in collaboration with REBA.

Increase in the schedule of fees for settlement agents

The maximum fee that a settlement agent can receive for conducting a settlement is fixed by way of a prescribed scale. In May 2003, SASB engaged independent consultants to assess the remuneration payable to settlement agents for the performance of their functions. All licensed settlement agents and industry stakeholders were contacted and invited to make written submissions to the review. A schedule of fees was developed and endorsed by the Minister for Consumer and Employment Protection.

On 5 April 2004, the new schedule of fees came into effect. The schedule will enable settlement agents to charge fees that more closely reflect the actual costs of conducting settlements, while allowing some margin for competition. The schedule of fees for business settlements was also considered and changed. SASB believes these changes better reflect the time and cost involved in conducting business settlements and will encourage more settlement agents to consider operating in this particular market.

Industry Seminars

SASB conducted five education seminars for settlement agents focusing on legislation and compliance issues. Feedback from these seminars indicated their usefulness to participants. Topics covered by the seminars include:

- risk management;
- trust account reconciliation; and
- conflicts of interest.

Homebuyers Seminars for the general public

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

Trends and Issues

State Administrative Tribunal

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

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

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

Master policy for professional indemnity and fidelity insurance

The Act requires agents who carry on business to hold both professional indemnity and fidelity insurance. This is to protect consumers from suffering financial loss caused by the negligent conduct of settlement agents, or theft or fraudulent conduct by an employee of the settlement agent.

The Act enables SASB to appoint an insurer and enter into a Master Policy Agreement for the provision of fidelity insurance and professional indemnity insurance for all settlement agents who carry on business. The Act also provides that SASB can determine the terms and conditions of the insurance, ensuring consistency. During 2003-2004, following a competitive tendering process, Jardine Lloyd Thompson Pty Ltd was appointed as the new broker.

Changes to the Stamp Act 1921

During the course of the year a significant number of changes were made to the *Stamp Act 1921* that impacted on the way that settlement agents conduct their duties on behalf of their clients. Changes which are particularly relevant to settlement agents include:

- reduction of duty for first home owners;
- concessions on transfers carried out to correct previous errors of a conveyance;
- a relief on duties where substituted purchasers are party to a contract;
- changes to the transference of chattels;
- refund of duties where a contingent event does not eventuate within five years of the execution of the instrument;
- changes that effect simultaneous put and call options over a property;
- changes to duties payable on business assets when a business is bought or sold;
- changes to duties payable on goodwill when a business is bought or sold;
- abolishment of stamp duty on the rental component of leases;
- changes to the circumstances under which time extensions to pay stamp duty may be granted; and
- reductions to stamp duty when contracts are changed or cancelled.

Further changes to the *Stamp Act 1921* are proposed in the future, such as changes to stamp duty for "off-the-plan" property transactions and property syndicates. The rapid pace of these changes ensures that the settlement industry remains a challenging environment.

Legal status of electronic transactions

The introduction of the *Electronic Transactions Act 2003* (the *ET Act*) enables electronic transactions to have the same legal status as those recorded on paper. This enables contractual dealings, including offer and acceptances and transfer of land, to be conducted electronically. The ET Act also allows people to use an electronic signature to satisfy any legal requirement to provide a signature. This change brings Western Australia in line with the other states in regards to the legal status of electronic transactions.

SECTION 2

Report on Outputs

Output 1 Licensing

Strategic Objectives

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

- administer the scheme of licensing established under the Act;
- assess the fitness of persons entering the industry and of those applying to renew their triennial certificates;
- ensure that settlement agents are aware of their duties and obligations; and
- audit the computer databases to ensure the accuracy of the information that is recorded.

Performance

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

- 43 new settlement agent licences were processed;
- 271 settlement triennial certificates renewed; and
- 100% of applicants for a new licence were advised of the outcome of their application within 8 days of the relevant Board decision.

Overview

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

SASB reviews licence applications to ensure that suitably qualified people enter the industry as settlement agents. Uniform minimum standards of competency are set that aim to create high standards of practice and behaviour in the industry.

Fees – Settlement Agent

The fee for a new licence application includes a once only contribution to the Fidelity Guarantee Fund of \$483. The fee for renewal of a triennial certificate is \$447 for individuals, partnerships and corporate bodies.

Holding Fee

Agents who wish to continue to hold a licence but do not want to carry on business may do so by paying a holding fee of \$150 (for three years). At the end of the financial year 41 settlement agents had put their licence on hold.

Licensing Kit

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

Output 2 Compliance

Strategic Objectives

In 2003-2004, SASB strived to meet the following compliance objectives effectively and consistently:

- the settlement industry provides ethical and professional services;
- settlement agents comply with the requirements of the Act and the Code of Conduct;
- action is taken against settlement agents who fail to comply with the requirements of the Act and the Code of Conduct;
- alleged breaches are investigated;
- where warranted, disciplinary inquiries into the conduct of agents are held; and
- audit reports are received on time and all qualified reports are investigated.

Performance

The performance of SASB in 2003-2004 resulted in:

- 73 new complaints being investigated;
- 82% of applications being acknowledged within 8 days;
- 88% of investigations commenced within 14 days;
- 30 investigations into qualified audit reports were completed;
- 95% of investigations into qualified audit reports were commenced within 14 days of lodgement;
- 33 trust accounts were investigated; and
- 100% of trust account investigations were commenced within 14 days.

Overview

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

SASB's Registrar directs each investigation process and where appropriate, makes recommendations as to whether an Inquiry is warranted. SASB may hold an inquiry into the conduct of any settlement agent to determine whether there is proper cause for disciplinary action. It may impose penalties on any agent who has acted in breach of their licence, the requirements of the Act, or of the Code of Conduct.

The total number of complaints against settlement agents lodged with SASB in 2003-2004 was 73 compared to 87 in the previous period. This substantial decrease is a pleasing result.

Settlement Compliance Statistics

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Number of general complaints	76	115	58	89	87	73

As can be seen from the table above, the number of general complaints against settlement agents has reduced significantly compared to the number received in the previous year.

Financial compliance

The Act sets out how agents are to maintain their trust account records. Agents are required to appoint an auditor of their trust accounts at the time of obtaining their licence. The Act requires the auditor to submit to SASB, by 30 September each year, an audit report of the agent's trust accounts. SASB treats all qualified audit reports as a priority issue.

During 2003-2004, SASB commenced 30 investigations into qualified audit reports compared to 29 from the previous period. In addition, 33 trust account investigations were commenced in 2003-2004 compared to 15 from the previous period. This significant increase can be attributed to a recent change in policy, where all overdrawn accounts were investigated even when very small sums of money were involved.

As well as annual checking of qualified audits reports, there are a number of other mechanisms by which SASB may come to investigate the maintenance of trust accounts. Compliance staff may identify trust account problems when conducting general investigations. Staff also investigate complaints into trust account breaches. A further safeguard is that financial institutions are required under the Act to notify SASB when trust accounts become overdrawn.

Output 3 Education and Awareness

Strategic Objectives

In 2003-2004, SASB endeavoured to meet the following education and awareness objectives effectively and consistently:

- conduct visits to settlement agencies and provide education seminars to assist agents to comply with the Act;
- provide a counter and telephone information service to consumers and industry;
- conduct Homebuyers Seminars for consumers;
- support and fund education programs for consumers and for the professional development of agents; and
- develop educational material, including brochures and guides, for distribution to the public and industry.

Performance

The performance of SASB in 2003-2004 resulted in:

- completion of 93 proactive compliance audits of settlement agencies across Western Australia;
- delivery of 7 education seminars for agents on various topics covering different requirements of the Act and the Code of Conduct; and
- completion of 3 Homebuyers Seminars in the metropolitan area for the general public in collaboration with the REBA.

Overview

Consumers and industry are provided with information and education on a range of settlement matters. This information is provided through a variety of formats, including:

- proactive compliance visits to settlement agencies;
- free Homebuyer Seminars tailored for potential homebuyers;
- industry education seminars;
- a telephone and counter information service during business hours;
- quarterly publication of the Settlement Agents News;
- consumer fact sheets and other publications; and
- maintenance of the SASB website.

The aim of these initiatives is to ensure that settlement information is accessible to consumers and industry members and that, when required, they can clarify information or seek advice on dealing with problems. These educational approaches are complemented by a continuing emphasis on ensuring general and trust accounting compliance through the investigation process.

Proactive Compliance

SASB conducts a Proactive Compliance Program that is unique in Australia. The purpose of the program is to promote and improve the level of compliance and ethical standards in the settlement industry. SASB's Proactive Compliance Officers visit agencies to provide advice and examine the level of adherence to legislative requirements. In 2003-2004, SASB conducted 93 proactive visits to agencies.

Proactive compliance visits are carried out in accordance with a checklist that ensures visits are standardised. The checklist includes that:

- employees are licensed with SASB;
- trust account receipts conform to the Act;
- the agency has up to date copies of legislative requirements; and
- the agent in bona fide control is proficient in performing a bank reconciliation.

SASB's presence in the industry through such visits is an important tool in educating agents and correcting problems before they become serious.

Information Services

DOCEP provides SASB with the services of a Call Centre. In 2003-2004, the Call Centre received 4,287 telephone enquiries from the public seeking information on settlement matters.

SASB's counter service in 2003-2004 received 46 enquiries on settlement matters. Most enquires (88%) were processed within 8 minutes.

Conveyancing Guide for business settlements

In 2000, SASB produced the *Conveyancing Guide: A Guide for Licensed Settlement Agents in Western Australia*, in a joint educational initiative with the Australian Institute of Conveyancers Western Australia (AICWA). This Guide encourages practices in the settlement industry which foster compliance with the legislative requirements and reduces consumer complaints about settlement transactions. This guide was such a success that in 2004-2005 SASB is seeking a further joint educational initiative with AICWA to develop a conveyancing guide which is specifically aimed at business settlements.

Recognised prior learning

People wishing to be settlement agents must complete an approved conveyancing course. This previously required completion of all units of the course before an application for a settlement agent's licence would be considered.

During the year, SASB updated its recognised prior learning policy to allow people with more than five years fulltime work experience in a settlement agency to apply for exemptions from settlement related units of study.

Education Advisory Committee

The SASB Education Advisory Committee was established to advise SASB on education initiatives and priorities. The Committee is comprised of the following members:

- Ms Valerie Haskins (SASB Member);
- Mr Geoff Couper (SASB Registrar);
- Mr John Jasiak (TAFE representative);
- Ms Koo Lloyd-Kane (Australian Institute of Conveyancers representative); and
- Ms Janet Griffiths (Independent Settlement Agents Association representative).

In 2003-2004, the Education Advisory Committee met on two occasions and provided advice to SASB concerning the review of qualification requirements for settlement agents. The Committee is working towards updating the educational qualifications required to obtain a settlement agent's licence. This includes implementing a competency-based model of training.

Industry Publications

Settlement Agents News

To provide information to settlement industry members and stakeholders, SASB produces a quarterly newsletter, the *Settlement Agents News*. The *Settlement Agents News* includes information on industry practice issues, case studies from SASB inquiries and legislative amendments. It is mailed to all licensees and stakeholders.

Settlement Agents Supervisory Board Trust Account Handbook

SASB has produced this booklet to assist agents to establish and maintain a trust account recording system that complies with the Act and the Regulations. This booklet also makes a number of recommendations that, while not prescribed by the Act or the Regulations, are considered by SASB to be best practice in maintaining trust accounts.

Audit Guidelines

These guidelines are aimed at auditors who audit settlement agents' trust accounts. They outline the bookkeeping and other requirements of the Act. Settlement agents will also find them a useful overview of the trust account requirements under the Act and the Regulations.

Complaint Handling Guidelines for the Settlement and Real Estate Industries

As part of SASB's proactive strategy to assist industry and consumers it produced a new publication entitled *Complaint Handling Guidelines for the Settlement and Real Estate Industries*. This was a joint initiative with REBA.

This publication gives general recommendations about how an agent should best deal with a complaint made against them. The publication provides guidance to agencies developing or reviewing their internal complaint handling procedures. It sets out the steps required to implement a complaint handling procedure, and provides practical tips for dealing with aggrieved customers face to face.

Consumer Publications

SASB funds the production of two fact sheets which provide important information to both consumers and industry members on topical issues relevant to real estate property settlement transactions. To ensure that all information is current, these fact sheets have both been revised in 2003-2004. These publications are

- Choosing a Settlement Agent
- Property Settlement

Website

SASB's website at www.sasb.wa.gov.au is a significant resource, assisting it to carry out its statutory functions. The website contains a range of information for consumers and industry stakeholders. It provides downloadable copies of all SASB publications, copies of decisions arising out of disciplinary inquiries, information on services available through SASB and access to electronic copies of settlement legislation. New material is added to the website regularly.

Output 4 Fidelity Guarantee Fund

Strategic Objectives

The Fidelity Guarantee Fund (FGF) provides compensation for parties who have suffered financial loss, or loss of property, through the criminal or fraudulent actions of licensed settlement agents or their employees, in the course of a settlement transaction.

Performance

- 100% of Fidelity Guarantee Fund claims assessments were commenced within 14 days.

Overview

The money in the FGF is comprised of interest earned on settlement agents' trust accounts, and money from a once-only payment made by agents at the time they are first licensed. The fund is held by the Department of Treasury and Finance and administered by SASB.

The criteria for making a claim are:

- the applicant has suffered financial loss or loss of property;
- the loss was due to the defalcation (which includes criminal or fraudulent conduct) of a licensed settlement agent or their employee;
- the agent is licensed; and
- the loss occurred in relation to a settlement transaction.

Fidelity Guarantee Fund claims lodged

Financial Year	2000-2001	2001-2002	2002-2003	2003-2004
Number of Claims	5	1	1	1

The single claim lodged on the Fidelity Guarantee Fund for 2003-2004 was disallowed. There are a total of 4 outstanding matters. Of these:

- 2 are only notifications and are not formal claims at this stage;
- 1 is awaiting completion of the formal investigation; and
- 1 is awaiting a response from a claimant regarding whether they will be proceeding with their claim.

SECTION 3

Performance Indicators



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

SETTLEMENT AGENTS SUPERVISORY BOARD PERFORMANCE INDICATORS FOR THE YEAR ENDED JUNE 30, 2004

Audit Opinion

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

Scope

The Board's Role

The Board is responsible for developing and maintaining proper records and systems for preparing performance indicators.

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

Summary of my Role

As required by the Financial Administration and Audit Act 1985, I have independently audited the performance indicators to express an opinion on them. This was done by looking at a sample of the evidence.

An audit does not guarantee that every amount and disclosure in the performance indicators is error free, nor does it examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the performance indicators.

D D R PEARSON
AUDITOR GENERAL
August 27, 2004

Certification of Performance Indicators

We hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Settlement Agents Supervisory Board's performance, and fairly represent the performance of the Settlement Agents Supervisory Board for the financial year ended 30 June 2004.



David Taylor
Chair



Eva Skira
Member

Dated: 24 August 2004

Performance Indicators

STATUTORY ROLE OF SASB

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

OUTCOME

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

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

EFFECTIVENESS INDICATOR

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

The effectiveness of compliance activities of the Board, in positively influencing the behaviour of industry participants, is measured by the level of agents' compliance with the requirements of the Board and the Act. The Board attempts to ensure that industry practices comply with the Act by properly investigating complaints to identify conduct that is in breach of the Act. The management of trust accounts by agents is a key indicator of their performance in general and is accepted as providing a reliable indication of the extent to which settlement agents comply with the requirements of the *Settlement Agents Act 1981*. There is an independent audit of agents' performance in trust account management. Therefore, trust account management is considered a suitable effectiveness indicator.

Measure

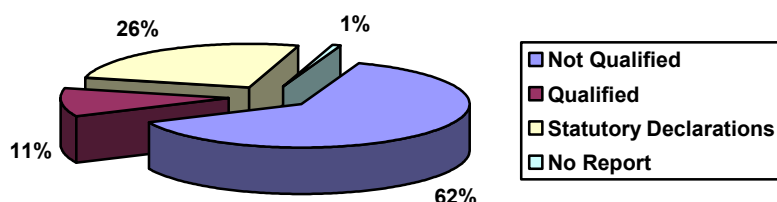
The proportion of settlement agents that submit an unqualified audit or a statutory declaration.

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

Data

	1999/00	2000/01	2001/02	2002/03	2003/04
Audit Reports - Not Qualified	247	208	229	231	229
Audit Reports - Qualified	37	34	45	39	45
Statutory Declarations	98	112	114	96	100
No Report		5	2	3	4
Total agents	382	359	390	369	378
% of agents submitting unqualified audit or statutory declaration	90.3%	89.1%	87.95%	88.62%	87.04%

Note: Trusts accounts must be audited annually for the year ending 30 June and submitted to the Board by 30 September of that year. Consequently this indicator is reporting on agents performance in the 2002/03 financial year.



Notes to the Indicator

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

Since 2001/02 the Board has maintained a 'no tolerance' policy towards agents who fail to comply with the trust account auditing provisions of the Act. Where appropriate, the Board will hold an inquiry into an agents' conduct. Where it is found on inquiry that there is proper cause for disciplinary action against the agent sanctions may be imposed, and these include a fine, suspension or cancellation of the agents' licence.

The Board places significant reliance on audit reports to ensure that agents maintain their trust accounts in accordance with the statutory requirements. This year there are an extra nine active agents, with two less unqualified audits and an increase of six qualified audits. The proportion of settlement agents submitting unqualified audits or statutory declarations has decreased marginally this year from 88.62% to 87.04%.

Although the Board is concerned about the number of audits which are qualified, it believes that to some extent this is a result of auditors becoming increasingly aware of the expectations of the Board regarding auditing agents trust accounts and more audits are being qualified for minor matters. This increased awareness can be attributed to the education program and industry seminars run by the Board, and the publication of the Trust Account Manual for Auditors.

KEY OUTPUT

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

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

Efficiency Indicator

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

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

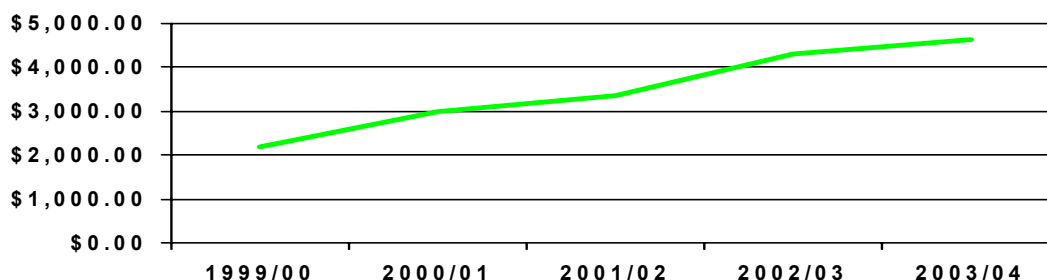
Measure

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

Data

	1999/00	2000/01	2001/02	2002/03	2003/04
Annual Cost*	\$836 208	\$1 078 368	\$1 313 865	\$1 593 368	\$1 752 982
Active Licensed Agents	382	359	390	369	378
	\$2189.03	\$3003.81	\$3368.88	\$4318.07	\$4637.51

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



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

Notes to the indicator

The efficiency indicator is based on the cost of delivering the output per each active licensed settlement agent. In the 2003/04 financial year a total of \$1 752 982 was expended on regulating an industry with 378 active licensed agents.

The average cost per agent of regulating the settlement industry, like the average cost per capita, has increased steadily since July 1999. This increase can be attributed to the continued introduction of initiatives aimed at improving services and meeting the increasing demands and expectations of both consumers and the industry.

SECTION 4

Financial Statements



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

SETTLEMENT AGENTS SUPERVISORY BOARD FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004

Audit Opinion

In my opinion,

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

Scope

The Board's Role

The Board is responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing the financial statements, and complying with the Financial Administration and Audit Act 1985 (the Act) and other relevant written law.

The financial statements consist of the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and the Notes to the Financial Statements.

Summary of my Role

As required by the Act, I have independently audited the accounts and financial statements to express an opinion on the controls and financial statements. This was done by looking at a sample of the evidence.

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

D D R PEARSON
AUDITOR GENERAL
August 27, 2004

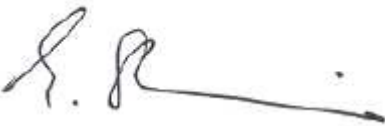
Certification of Financial Statements

The accompanying financial statements of the Settlement Agents Supervisory Board have been prepared in accordance with the provisions of the *Financial Administration and Audit Act 1985* from proper accounts and records and to present fairly the financial transactions for the year ending 30 June 2004 and the financial position at 30 June 2004.

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



David Taylor
Chair



Eva Skira
Member



Carolyn Allanson
Principal Accounting Officer

Dated: 24 August 2004

Financial Statements

SETTLEMENT AGENTS SUPERVISORY BOARD

Statement of Financial Performance for the year ended 30 June 2004

REVENUE	Note	2003/04 \$	2002/03 \$
Revenue from Ordinary Activities			
<i>Revenue from operating activities</i>			
Agents trust account interest income		3,674,665	2,805,370
Licence income	3	66,708	69,500
Contributions to the Fidelity Guarantee Fund		37,650	24,750
Fines and costs		34,990	27,000
Other revenues from ordinary activities	4	422	129
<i>Revenue from non operating activities</i>			
Bank and investment interest	2	811,172	677,015
Total Revenues from Ordinary Activities		<u>4,625,607</u>	<u>3,603,764</u>
EXPENSES			
Expenses from Ordinary Activities			
Employee expenses	5	374,848	222,142
Communications costs		4,200	11,842
Legal fees		134,690	159,359
Board fees		44,175	29,600
Services and contracts	6	73,238	59,238
Consumables and maintenance	7	10,068	4,502
Depreciation	8	31,886	35,234
Service Delivery Agreement	9	1,073,514	1,066,439
Total Expenses from Ordinary Activities Before Grants		<u>1,746,619</u>	<u>1,588,356</u>
Grants			
Education Grants	10	6,364	5,012
Total Expenses from Ordinary Activities		<u>1,752,983</u>	<u>1,593,368</u>
NET PROFIT		<u>2,872,624</u>	<u>2,010,396</u>

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

SETTLEMENT AGENTS SUPERVISORY BOARD

Statement of Financial Position as at 30 June 2004

Current Assets	Note	2003/04	2002/03
		\$	\$
Cash assets	13	6,904,306	5,075,799
Restricted cash assets	13	10,662,257	9,659,910
Accrued agents trust account interest income		329,675	334,250
Accrued investment interest		71,012	58,747
Receivables	14	7,250	16,081
Total Current Assets		17,974,500	15,144,787
Non-Current Assets			
Computers and Equipment	19	4,784	12,236
REMIS Software	19	45,327	69,761
Total Non-Current Assets		50,111	81,997
Total Assets		18,024,611	15,226,784
Current Liabilities			
Payables	15	98,166	205,949
Provisions for fidelity guarantee claims	11	13,110	14,882
Other liabilities (Revenue received in advance)	3	56,169	49,894
Provisions	20	31,331	23,698
Total Current Liabilities		198,776	294,423
Non Current Liabilities			
Other liabilities (Revenue received in advance)	3	45,674	36,855
Provisions	20	37,741	25,710
Total Non Current Liabilities		83,415	62,565
Total Liabilities		282,191	356,988
NET ASSETS		17,742,420	14,869,796
Equity			
Retained profits	22	17,742,420	14,869,796
TOTAL EQUITY		17,742,420	14,869,796

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

SETTLEMENT AGENTS SUPERVISORY BOARD

Statement of Cash Flows for the year ended 30 June 2004

CASH FLOWS FROM OPERATING ACTIVITIES	Note	2003/04	2002/03
		\$	\$
Receipts			
Interest received		4,478,147	3,382,535
Receipt from clients		105,348	49,634
Contributions paid into the Fidelity Guarantee Fund		37,650	24,750
GST receipts from ATO		20,697	25,694
Payments			
Payments to suppliers of goods and services		(1,781,863)	(1,515,945)
Payments for education programs		(6,364)	(5,012)
GST payments on purchases		(22,761)	(27,161)
Net Cash Provided by/(used in) Operating Activities	18	2,830,854	1,934,495
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for non current assets		0	(9,088)
Net Cash Provided by/(used in) Investing Activities		0	(9,088)
Net Increase in Cash Held		2,830,854	1,925,407
Cash assets at the beginning of the financial year		14,735,709	12,810,302
Cash assets at the end of the financial year	13	17,566,563	14,735,709

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

SETTLEMENT AGENTS SUPERVISORY BOARD

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

1. Significant Accounting Policies

The following accounting policies have been adopted in the preparation of the financial statements. Unless otherwise stated, these policies are consistent with those adopted in the preceding year.

(a) General statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with Accounting Standards, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board, and Urgent Issues Group (UIG) Consensus Views as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary the application, disclosure, format and wording. The Financial Administration and Audit Act and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over Accounting Standards, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board, and UIG Consensus Views. The modifications are intended to fulfil the requirements of general application to the public sector, together with the need for greater disclosure and also to satisfy accountability requirements.

If any such modification has a material or significant financial effect upon the reported results, details of that modification and where practicable, the resulting financial effect is disclosed in individual notes to these financial statements.

The statements have been prepared on the accrual basis of accounting using the historical cost convention, except for certain assets and liabilities, which as noted, are measured at fair value.

(b) Revenue Recognition

Revenue from the sale of goods and disposal of other assets and the rendering of services, is recognised when control of the goods or other assets or delivery of the services has passed to the customer.

(c) Acquisition of assets

The cost method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

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

SETTLEMENT AGENTS SUPERVISORY BOARD

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

(d) Depreciation of non-current assets

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

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

Computers & Equipment	3 years
REMIS Software	5 years
All assets are stated at cost.	

(e) Cash

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

(e) Software

Significant costs associated with the acquisition or development of computer software are capitalised and amortised on a straight line basis over the periods of the expected benefit. In the case of REMIS five years. Costs in relation to the Boards web site are charged to expenses in the period in which they are incurred.

(f) Employee benefits

Annual leave

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

Long service leave

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

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

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

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

SETTLEMENT AGENTS SUPERVISORY BOARD

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

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

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

Superannuation

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

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

The note disclosure required by paragraph 6.10 of AASB 1028 (being the employer's share of the difference between employees' accrued superannuation benefits and the attributable net market value of plan assets) has not been provided. State scheme deficiencies are recognised by the State in its whole of government reporting. The GESB's records are not structured to provide the information for the Board. Accordingly, deriving the information for the Board is impractical under current arrangements, and thus any benefits thereof would be exceeded by the cost of obtaining the information.

Employee benefit on-costs

Employee benefit on costs are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities and expenses.

Accrued Salaries

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year. These are included as part of the payables (note 16). The Board considers the carrying amount approximates net fair value.

(g) Revenue

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

Contributions from agents to the Fidelity Guarantee Fund are recognised as revenue in the year of receipt. These are levied by the Board if it is of the opinion funds are not sufficient to cover pecuniary loss of property by reason of any defalcation by a licensee.

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

Interest revenues are recognised as they are accrued.

SETTLEMENT AGENTS SUPERVISORY BOARD

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

(h) **Receivables**

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

(i) **Investments**

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

(j) **Accounts payable and accrued expenses**

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

(k) **Net fair value of financial assets and liabilities**

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

(l) **Comparative figures**

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

2. Bank and investment interest

The interest income of the Board is comprised of:

	2003/04	2002/03
	\$	\$
Interest from Treasury	776,767	663,295
Interest on call accounts	34,405	13,720
Total interest income	811,172	677,015

SETTLEMENT AGENTS SUPERVISORY BOARD

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

3. Licence income

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

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

The analysis of the proceeds is as follows:

	2003/04 \$	2002/03 \$
Total receipts received (Including prepayments held to account at the start of the year)	168,551	156,249
Less income recognised during the year	66,708	69,500
Revenue received in advance (Held to account at the end of the year)	101,843	86,749
Held in		
Revenue received in advance account (current)	56,169	49,894
Revenue received in advance account (non current)	45,674	36,855
Total	101,843	86,749

4. Other revenues from ordinary activities

Other income consists of:

	2003/04 \$	2002/03 \$
Copy of register	144	0
Copy of license	30	0
Miscellaneous income	170	129
Contribution to insurance	78	0
Total	422	129

SETTLEMENT AGENTS SUPERVISORY BOARD

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

5. Employee expenses

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

	2003/04	2002/03
	\$	\$
Salary	258,341	185,925
Change in annual leave	7,690	2,988
Change in long service leave	11,974	(4,220)
Superannuation	18,494	12,426
Total staff salary costs	296,499	197,119
Staff related expenses	78,349	25,023
Total staff costs	374,848	222,142

Staff related expenses include accommodation, training, workers compensation, vehicle, FBT and parking.

6. Services and contracts

Services contracts consists of:

	2003/04	2002/03
	\$	\$
Audit fees	13,000	10,000
Bank charges	698	701
Consultants and contractors fees	390	0
Board members insurance	9,978	7,955
Professional services	32,313	5,997
Advertising	1,414	22,030
Printing	9,930	10,112
Miscellaneous	4,937	1,747
Website subscription	578	541
REMIS maintenance	0	155
Total	73,238	59,238

7. Consumables and maintenance

	2003/04	2002/03
	\$	\$
Stationery	3,144	397
Sundry consumables	3,926	2,313
Sundry assets costing under \$1000	1,593	890
Repair and maintenance	1,405	902
Total	10,068	4,502

SETTLEMENT AGENTS SUPERVISORY BOARD

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

8. Depreciation

Depreciation charges for the year consist of:

	2003/04	2002/03
	\$	\$
Computers and equipment	7,452	10,866
REMIS	24,434	24,368
Software		
Total	31,886	35,234

9. Service Delivery Agreement

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

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

10. Educational grants

The Board made educational grants amounting to **\$6,364** during the year (\$5,012 for 2002/03).

Grants were made to the following for the provision of training courses:

	2003/04	2002/03
	\$	\$
Australian Institute of Conveyancers	4,546	5,012
TAFE WA	1,818	0
Total	6,364	5,012

11. Provisions for fidelity guarantee claims.

The position of the provision for fidelity guarantee account at the financial year end date is as follows:

	2003/04	2002/03
	\$	\$
Opening balance	14,882	14,882
Payment from provision account	(1,772)	0
Closing balance	13,110	14,882

The closing balance of the provision for fidelity claims is a residual balance of provisions left over from previous years. As at 30 June 2004 the Principal Financial Compliance Officer has not deemed any outstanding claims can be reliably assessed.

Outstanding claims against the Fidelity Guarantee Fund are disclosed as contingent liabilities.

SETTLEMENT AGENTS SUPERVISORY BOARD

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

12. Contingent liabilities

In addition to the liabilities incorporated in the financial statements the Board is aware of 5 claims (3 as at 30/6/2003) against the Fidelity Guarantee Fund totalling \$2.9m (\$1.7m as at 30/6/03) for which no liability has been admitted by the Board.

13. Cash assets

Cash resources held in the Fidelity Guarantee Fund are deemed to be restricted as the application of these resources are governed by the provisions of the Settlement Agents Act 1981.

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

	2003/04	2002/03
	\$	\$
Education and General Purpose Fund	163,806	267,759
Fidelity Guarantee Fund (Restricted)	72,257	69,910
Board Interest Account	500	68,040
Total cash at bank	236,563	405,709

	2003/04	2002/03
	\$	\$
Cash held at Treasury		
Education and General Purpose Fund	6,740,000	4,740,000
Fidelity Guarantee Fund (Restricted)	10,590,000	9,590,000
Total cash held in term deposit	17,330,000	14,330,000
Total Cash	17,566,563	14,735,709
Cash Assets	6,904,306	5,075,799
Restricted Cash Assets	10,662,257	9,659,910
Total Cash	17,566,563	14,735,709

14. Receivables

Accounts receivable represents monies due from:

	2003/04	2002/03
	\$	\$
Accounts Receivable	0	10,906
GST Recoverable	7,250	5,175
Total	7,250	16,081

SETTLEMENT AGENTS SUPERVISORY BOARD

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

15 Payables

	2003/04	2002/03
	\$	\$
Service delivery agreement with the Dept of Consumer & Employment Protection	7,075	88,869
Audit fees	13,000	10,000
Reimbursement to Dept of Consumer & Employment Protection	61,140	16,094
Salaries	3,418	4,804
Miscellaneous creditors	13,533	6,677
Overpaid trust account interest	0	79,505
Total	98,166	205,949

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

Remuneration of Board Members

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

	2003/04	2002/03
\$0 - \$10,000	9	9
\$10,001 - \$20,000	1	0
Total remuneration (\$)	49,869	32,068

Remuneration of Senior Officers

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

	2003/04	2002/03
\$0 - \$10,000	0	1
\$20,001 - \$30,000	1	1
\$30,001 - \$40,000	0	0
Total remuneration (\$)	26,801	29,020

The Board procures services from the Dept of Consumer & Employment Protection. The number of senior officers providing these services are included in the annual report of the Department.

17. Remuneration of Auditor

The amount payable to the Office of the Auditor General of Western Australia for auditing the accounts for the financial year is \$13,000 (\$10,000 for 2002/03).

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

SETTLEMENT AGENTS SUPERVISORY BOARD

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

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

	2003/04	2002/03
	\$	\$
Net Profit as per Statement of Finance Performance	2,872,624	2,010,396
Movement in		
Non-cash items		
Depreciation	31,886	35,234
(Increase)/decrease in assets		
Accrued interest	(7,690)	(99,850)
Accrued receivables	8,831	(12,372)
Increase/(decrease) in liabilities		
Payables	(107,783)	11,247
Fidelity claims	(1,772)	0
Employee entitlements	19,664	(1,232)
Revenue received in advance, current liabilities	6,275	(7,370)
Revenue received in advance, non current liabilities	8,819	(1,559)
Net cash provided by/(used in) operating activities	2,830,854	1,934,495

19. Property Plant & Equipment

	2003/04	2002/03
	\$	\$
Computers and Equipment at Cost	43,194	43,194
Accumulated Depreciation	(38,410)	(30,958)
	<u>4,784</u>	<u>12,236</u>
REMIS Software at Cost	121,838	121,838
Accumulated Depreciation	(76,511)	(52,077)
	<u>45,327</u>	<u>69,761</u>
Total Property, Plant & Equipment	<u>50,111</u>	<u>81,997</u>

Reconciliations

Reconciliations of the carrying amount of property, plant and equipment at the beginning and end of the current and previous financial year are set out below.

	2003/04
	\$
Computers and Equipment	
Carrying amount at start of year	12,236
Additions	0
Disposals	0
Accumulated depreciation on disposals	0
Depreciation expense	(7,452)
Carrying amount at end of year	<u>4,784</u>

SETTLEMENT AGENTS SUPERVISORY BOARD

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

Note 19 continued

REMIS Software

Carrying amount at start of year	69,761
Additions	0
Disposals	0
Accumulated depreciation on disposals	0
Depreciation expense	(24,434)
Carrying amount at end of year	<u>45,327</u>

Total Property, Plant & Equipment

50,111

20. Provisions

	2003/04	2002/03
	\$	\$
Current Liabilities		
Annual Leave	16,380	8,690
Long Service Leave	<u>14,951</u>	<u>15,008</u>
	31,331	23,698
Non Current Liabilities		
Long Service Leave	37,741	25,710

The settlement of annual and long service leave liabilities gives rise to the payment of employment on costs including superannuation and workers compensation premiums. The liability for such on costs is included here. The associated expense is included under employee expenses at note 5.

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

21. Activity/Output Information

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

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

22. Retained Profits

	2003/04	2002/03
	\$	\$
Opening balance	14,869,796	12,859,400
Unappropriated surplus	2,872,624	2,010,396
Total Equity	<u>17,742,420</u>	<u>14,869,796</u>

SETTLEMENT AGENTS SUPERVISORY BOARD

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

23. The Impact of Adopting International Accounting Standards

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

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

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

Management of the transition to Australian equivalents to IFRS's

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

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

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

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

SETTLEMENT AGENTS SUPERVISORY BOARD

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

24. Financial Instruments

(a) Interest Rate Risk Exposure

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

	Weighted average effective rate		Floating interest		Fixed interest 1 year or less		Non interest bearing		Total as per the Statement of Financial Position	
	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03
Financial Assets			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash assets	5.17%	4.53%	237	406	17,330	14,330			17,567	14,736
Accrued interest	0.00%	0.00%					401	393	401	393
Receivables	0.00%	0.00%					7	16	7	16
Total financial assets			237	406	17,330	14,330	408	409	17,975	15,145
Financial Liabilities										
Payables	0.00%	0.00%					98	206	98	206
Provisions	0.00%	0.00%					69	49	69	49
Revenue received in advance	0.00%	0.00%					102	87	102	87
Total financial liabilities			0	0	0	0	269	342	269	342
Net financial assets										
			237	406	17,330	14,330	139	67	17,706	14,803

(b) Credit Risk Exposure

All financial assets are unsecured. Financial assets comprise of money held in Commonwealth Bank cash accounts, investments placed with Treasury and monies owed to the Board by the Dept. of Consumer & Employment Protection.

(c) Net Fair Value

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

SETTLEMENT AGENTS SUPERVISORY BOARD

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

25. Explanatory Statement

a) Significant variations between actual revenues and expenditures for the financial year and those for the immediately preceding financial year

Details and reasons for significant variations between actual results with the corresponding items of the preceding year are detailed below. Significant variations are considered to be those greater than 10% and \$50,000.

	2003/2004 Actual \$	2002/2003 Actual \$	Variation 03/04 to 02/03 \$
Revenues			
Agents trust account interest income	3,674,665	2,805,370	869,295
Bank and investment interest	811,172	677,015	134,157
Expenses from Ordinary Activities			
Employee expenses	374,848	222,142	152,706

Agents trust account interest income

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

Bank and investment interest

An increase in trust account interest revenue resulted in higher levels of deposits with Treasury and the banks combined with higher interest rates has resulted in higher levels of income for this item.

Employee expenses

Employee expenses are higher than the preceding year due to the Boards employing additional staff during the current financial year.

b) Significant variations between estimates and actual results for the financial year

Details and reasons for significant variations between these estimates and actual results are detailed below. Significant variations are considered to be those greater than 10% and \$50,000.

	2003/2004 Actual \$	2003/2004 Budget \$	Variation 03/04 to budget \$
Revenues			
Agents trust account interest income	3,674,665	2,722,300	952,365
Bank and investment interest	811,172	715,850	95,322
Expenses from Ordinary Activities			
Fidelity Guarantee Payments	0	100,000	-100,000
Education Grants	6,364	75,000	-68,636

Agents trust account interest income

A much higher level of activity, higher interest rates and higher prices in the industry than was anticipated resulted in higher level of trust account interest being received compared with the estimated amount.

Bank and investment interest

As a result of higher income, primarily from agents trust account interest, funds held in the Boards accounts were higher than anticipated. This resulted in higher than estimated bank and investment interest being received.

Fidelity Guarantee Payments

Although an estimate was made and included in the budget the Board does not admit liability until determinations are finalised. For 2003/2004 no claims against the Fidelity Fund were paid out.

Education Grants

Training grants were below budget as course providers failed to run courses as predicted and undertake projects which funding was set aside for.

Full Contact Details

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

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SOUTH WEST REGION

BUNBURY

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