NSW GOVERNMENT | Fair Trading

Annual Report: 2012-13

Fair Trading Administration Corporation and Motor Vehicle Repair Industry Authority

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A division of the Department of **Finance & Services**

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Fair Trading Administration Corporation and Motor Vehicle Repair Industry Authority

Annual Report 2012-13

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Access

Consumers and traders seeking the service of the Motor Vehicle Repair Industry Authority or persons making home warranty insurance claims against either of the schemes managed by NSW Fair Trading can obtain access via any Fair Trading Centre, the Fair Trading website or the Fair Trading Information Centre on telephone number: 13 32 20.

The public access offices are located at 24 locations around NSW – including 18 in regional and rural areas and are open between 8:30am and 5:00pm.

NSW Fair Trading's head office is at:
1 Fitzwilliam Street (PO Box 972)
PARRAMATTA NSW 2124

Website: http://www.fairtrading.nsw.gov.au
Telephone: 13 32 20

Neither the Corporation nor the Authority exists as a discrete operational entity. Overall responsibility for their functions rests with the Commissioner for Fair Trading. The Corporation and the Authority are required to produce an annual report. In the interests of cost effectiveness and presenting an overview of each entity, the obligations of both are discharged in this single volume. Information on the management, human resources, business systems and financial administration of the Corporation and the Authority is found in the NSW Department of Finance and Services Annual Report 2012-13.

Annual Report production costs

No external costs have been incurred in the writing, preparation or printing of this annual report. Printing of minimal quantities has been accomplished by laser printing and photocopying as required. Non-printed copies are available through the NSW Fair Trading website.

Website availability

This annual report is available electronically through the NSW Fair Trading web site at: www.fairtrading.nsw.gov.au - From the home page, select Publications under the Quick Links section.

Overview

The Fair Trading Administration Corporation (FTAC) and Motor Vehicle Repair Industry Authority (MVRIA) are statutory bodies administered by the Department of Finance and Services (DFS). The services of the statutory bodies are managed by NSW Fair Trading, a division of the Department of Finance and Services.

Annual reporting information relevant to the Corporation and the Authority therefore appears in two forms:

- *in this volume* - separate financial reports and simple activity reports for the Corporation and the Authority; and
- *in the 2012-13 Annual Report of the Department of Finance and Services* - information on the management, human resources, business support and financial administration.

Fair Trading Administration Corporation

Charter, aims & objectives

Various government-run insurance schemes were in place in New South Wales to protect consumers from loss where a home builder performed faulty or incomplete work or became insolvent. The introduction of the private home warranty insurance scheme in May 1997 followed on from the integration of the Building Services Corporation (BSC) into the then Department of Fair Trading and the subsequent closure of the last such government-run insurance scheme.

Following the closure of the government-funded Comprehensive and Special Insurance Schemes in May 1997 the Government continued to be responsible for claims for general defects until May 2000 and for structural defects until 30 April 2004. These claims are administered by the Fair Trading Administration Corporation (FTAC). The Corporation is itself administered by NSW Fair Trading.

The FTAC scheme's assets have been exhausted and all claims are now being funded from the New South Wales Government's consolidated funds. While the Scheme closed on 30 April 2004, the *Home Building Act 1989* provided for the Commissioner for Fair Trading to exercise discretion to accept claims for an additional three years, i.e. up to the end of April 2007.

Apart from claims processing, within the scope of the respective parts of the Act, the Corporation is not intended to have any other role in relation to residential home building in NSW.

Management & structure

The Corporation's activities are managed by NSW Fair Trading, a division of the Department of Finance and Services.

Claims processing

The claims paid in 2012-13 covered losses primarily from work classified as major structural defects in houses and home units as shown below:

Statistics for the 2012-13 Financial Year	
New claims	0
Re-opened claims	1
Number of current claims as at 30 Jun 2013	1
Number of claims paid	2
Value of claims paid	$333,980
Release of unclaimed monies from NSW Treasury	0

INDEPENDENT AUDITOR'S REPORT

Fair Trading Administration Corporation

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Fair Trading Administration Corporation (the Corporation), which comprise the statement of financial position as at 30 June 2013, the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows, for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2013, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

My opinion should be read in conjunction with the rest of this report.

The Commissioner for Fair Trading's Responsibility for the Financial Statements

The Commissioner for Fair Trading is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Commissioner for Fair Trading determines is necessary to enable the preparation of financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Commissioner for Fair Trading, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

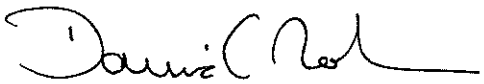
My opinion does *not* provide assurance:

- about the future viability of the Corporation
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



David Nolan
Director, Financial Services

23 September 2013
SYDNEY

t: 9275 7100
ref: D1327482/1055

Mr Rodney Stowe
Commissioner for Fair Trading
Department of Finance and Services
Level 9, McKell Building
2-24 Rawson Place
SYDNEY NSW 2000

23 September 2013

Dear Mr Stowe

STATUTORY AUDIT REPORT

for the year ended 30 June 2013

Fair Trading Administration Corporation

I have audited the financial statements of Fair Trading Administration Corporation (the Corporation) as required by the *Public Finance and Audit Act 1983* (the Act). This Statutory Audit Report outlines the results of my audit for the year ended 30 June 2013, and details matters I found during my audit **that are relevant to you in your role as one of those charged with the governance of the Corporation**. The Act requires that I send this report to the Corporation, the Minister and the Treasurer.

This report is not the Independent Auditor's Report, which expresses my opinion on the Corporation's financial statements. **I have enclosed the Independent Auditor's Report, together with the Corporation's financial statements.**

My audit is designed to obtain reasonable assurance the financial statements are free from material misstatement. It is not designed to identify and report all matters you may find of governance interest. Therefore, other governance matters may exist, which have not been reported to you.

My audit is continuous. If I identify further significant matters, I will report these to you immediately.

Audit Result

While I expressed an unmodified opinion on the Corporation's financial statements, I identified the following significant matters.

Significant Matters

Misstatements in the Financial Statements

The financial statements contained misstatements which are listed in the attached Appendix.

Compliance with Legislative Requirements

My audit procedures are targeted specifically towards forming an opinion on the Corporation's financial statements. This includes testing whether the Corporation has complied with legislative requirements that may materially impact on the financial statements. The results of the audit are reported in this context. My testing did not identify any instances of non-compliance with legislative requirements.

Quality and Timeliness of Financial Reporting

Treasury Circular TC 13/01 *Mandatory early close procedures for 2013* required the Corporation to prepare certain aspects of financial statements before year end and provide the outcomes to their audit teams. The Corporation was also required to submit its year-end information to Treasury and its financial statements for audit on 29 July 2013.

The Corporation completed the mandatory early close procedures set out in the Circular and supplied the outcomes to the Audit Office within the specified timeframe. The Corporation also submitted financial information to Treasury and the financial statements and supporting working papers to the Audit Office by the due dates. We endorse this activity and recommend the agency continue to identify ways to meet an earlier reporting timetable.

Auditor-General's Report to Parliament

If a comment on the Corporation appears in the Auditor-General's Report to Parliament I will send the draft comment to the Corporation for review before the Report is tabled.

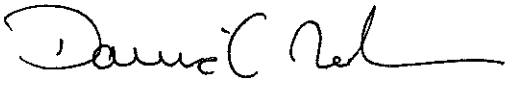
Management Letter

As no matters have come to my attention, I will not issue a Management Letter.

Acknowledgment

I thank the Corporation's staff for their courtesy and assistance.

Yours sincerely



David Nolan
Director, Financial Audit Services

Appendix

Misstatements in the Financial Statements

The following tables detail the effect of the misstatements in the financial statements originally submitted to me. Significant misstatements are reported individually. Trivial misstatements are reported in aggregate only.

The nature and quantity of the corrected and/or uncorrected misstatements reported below indicates weaknesses in controls over the financial statement preparation process. Management can avoid this in future by implementing additional review procedures.

Uncorrected Monetary Misstatements

I reported the following misstatements to management, which have not been corrected in the financial statements. I have received representation from Sajeev George (Chief Financial Officer) confirming management's belief the effect of not correcting these misstatements is immaterial, individually and in aggregate, to the financial statements taken as a whole. I agree with management's determination and do not consider the uncorrected misstatements significant enough to modify my opinion in the Independent Auditor's Report.

Description	Assets	Liabilities	Retained earnings/equity	Comprehensive income
Potential effect of entries to correct misstatements	**Increase/ (Decrease)**	**(Increase)/ Decrease**	**(Increase)/ Decrease**	**(Increase)/ Decrease**
Uncorrected misstatements identified in this period				
1) Factual misstatements				
Understatement: Payables		(14,916)		14,916
Subtotal		(14,916)		14,916
Total impact of all uncorrected misstatements		(14,916)		14,916

Uncorrected Disclosure Deficiencies

Several minor disclosure deficiencies were identified and corrected. I did not detect any significant uncorrected disclosure deficiencies in the financial statements.

FAIR TRADING ADMINISTRATION CORPORATION

COMMISSIONER'S STATEMENT

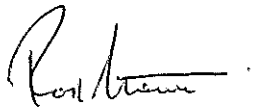
In accordance with section 41C of the Public Finance and Audit Act 1983 I state that, in my opinion:

(1) the accompanying financial statements and notes exhibit a true and fair view of the financial position of the Fair Trading Administration Corporation as at 30 June 2013 and transactions for the year then ended.

(2) the financial statements and notes thereto comply with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2010* and the Treasurer's Directions.

Further, I am not aware of any circumstances that would render any particulars included in the financial statements to be misleading or inaccurate.

On behalf of the Corporation



Rod Stowe
Commissioner for Fair Trading
Department of Finance and Services

20 September 2013

FAIR TRADING ADMINISTRATION CORPORATION

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Notes	Actual 2013 $'000	Actual 2012 $'000
Expenses			
Administrative services	1(a),2(a)	370	355
Other operating expenses	2(b)	91	57
Net insurance claims and provisions	2(c)	238	92
Total expenses		**699**	**504**
Revenue			
Interest income	1(e), 3(b)	445	628
Other revenue	3(c)	334	757
Total revenue		**779**	**1,385**
Net result		**80**	**881**
Other comprehensive income		**-**	**-**
TOTAL COMPREHENSIVE INCOME		**80**	**881**

The accompanying notes form part of these statements.

FAIR TRADING ADMINISTRATION CORPORATION

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Notes	Actual 2013 $'000	Actual 2012 $'000
ASSETS			
Current assets			
Cash and cash equivalents	4	13,742	12,905
Receivables	5	3,444	4,154
Total current assets		**17,186**	**17,059**
TOTAL ASSETS		**17,186**	**17,059**
LIABILITIES			
Current liabilities			
Payables	6	1,063	744
Provisions:			
Outstanding claims	7	2,457	2,729
Administration costs - outstanding claims	7	100	100
Total current liabilities		**3,620**	**3,573**
TOTAL LIABILITIES		**3,620**	**3,573**
NET ASSETS		**13,566**	**13,486**
EQUITY			
Accumulated surplus		13,566	13,486
TOTAL EQUITY		**13,566**	**13,486**

The accompanying notes form part of these statements.

FAIR TRADING ADMINISTRATION CORPORATION

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Accumulated Funds $'000	Total $'000
Balance at 1 July 2012	13,486	13,486
Net result for the year	**80**	**80**
Other comprehensive income	**-**	**-**
Total comprehensive income for the year	**80**	**80**
Transactions with owners in their capacity as owners	-	-
Balance at 30 June 2013	**13,566**	**13,566**

	Accumulated Funds $'000	Total $'000
Balance at 1 July 2011	12,605	12,605
Net result for the year	**881**	**881**
Other comprehensive income	**-**	**-**
Total comprehensive income for the year	**881**	**881**
Transactions with owners in their capacity as owners	-	-
Balance at 30 June 2012	**13,486**	**13,486**

The accompanying notes form part of these statements.

FAIR TRADING ADMINISTRATION CORPORATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Notes	Actual 2013 $'000	Actual 2012 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Operating and insurance claim payments		(793)	(797)
Total payments		**(793)**	**(797)**
Receipts			
Claim recoveries		227	-
Legal costs recovered		-	357
License fees, premiums and miscellaneous income		-	4
Interest received		530	672
Net Building Licence Fees collected on behalf of NSW Fair Trading		873	(614)
Total receipts		**1,630**	**419**
Net cash flows from operating activities	11	**837**	**(378)**
Net increase/(decrease) in cash		837	(378)
OPENING CASH AND CASH EQUIVALENTS		12,905	13,283
CLOSING CASH AND CASH EQUIVALENTS	4	**13,742**	**12,905**

The accompanying notes form part of these statements.

FAIR TRADING ADMINISTRATION CORPORATION

FOR THE YEAR ENDED 30 JUNE 2013

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Fair Trading Administration Corporation is a Reporting Entity established under the *Home Building Act 1989*. The Corporation is a not-for-profit entity with no cash generating units. The administrative functions for the Corporation are performed by the Department of Finance and Services and costs associated with these functions are paid for on an operational basis in relation to activities performed. The reporting entity is consolidated as part of the NSW total state sector accounts.

The Corporation was established in 1997 to administer claims on the Government's then statutory home warranty insurance scheme, which closed new policies when the private home warranty insurance scheme was introduced on 1 May 1997. The Corporation does not generate income and claims payments are funded by drawings from New South Wales Treasury.

These financial statements for the year ended 30 June 2013 have been authorised for issue by the Commissioner for Fair Trading of the Department of Finance and Services on 20 September 2013.

(b) Basis of Preparation

The financial statements are general purpose financial statements which have been prepared in accordance with:

- Applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of the *Public Finance and Audit Act 1983* and Regulation; and
- the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer.

Property, plant and equipment, investment property, assets (or disposal groups) held for sale and financial assets at "fair value through profit or loss" and available for sale are measured at fair value. Other financial statements items are prepared in accordance with the historical cost convention.

Judgement, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(c) Statement of Compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

(d) Accounting for the Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- the amount of GST incurred by the Corporation as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.
- insurance claim expenses (claims paid) which are represented in the statements gross of GST as the Corporation is not entitled to claim input tax credits due to no direct association with the original expense.
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the Statement of Cash Flows on a gross basis. However, the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

(e) Income Recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement.*

(f) Provisions

A provision for outstanding claims is recognised when the Corporation has a present obligation, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably. A receivable is recognised if it is virtually certain that recovery will be received from a third party and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. The provision is measured using the cashflows estimated to settle the present obligation.

(g) Liabilities

Payables

These amounts represent liabilities for goods and services provided to the Corporation and other amounts, including interest. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(h) New Australian Accounting Standards Issued But Not Effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise.

The following new Accounting Standards have not been applied and are not yet effective:

Accounting Standard/Interpretation

- AASB 9, AASB 2010-7 and AASB 2012-6 regarding financial instruments
- AASB 13, AASB 2011-8 and AASB 2012-1 regarding fair value measurement
- AASB 127 *Separate Financial Statements*
- AASB 2012-1 regarding fair value measurement – RDR requirements
- AASB 2012-2 regarding disclosures – offsetting financial assets and financial liabilities
- AASB 2012-3 regarding offsetting financial assets and financial liabilities
- AASB 2012-4 regarding government loans – first time adoption

It is considered that the implementation of these Standards will not have any material impact on the Board's financial results.

(i) Impairment Policy

At each reporting date, the Corporation reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is recognized in the net result for the year.

(j) Comparative Information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

2. EXPENSES

As mentioned in Note 1(a) Department of Finance and Services has applied an Administrative Service Charge for the recovery of those expenses it has incurred on behalf of the Fair Trading Administration Corporation.

(a) Administrative Services

	2013 $'000	2012 $'000
Administrative service charge	370	355
	370	**355**

(b) Other Operating Expenses

Auditor's remuneration	17	15
Appeals expense	74	8
Claims assessment expenses	-	34
	91	**57**

(c) Insurance Claims and Provisions

Claims paid		334	400
Less:	Claims subject to recovery	(334)	(400)
Add:	Increase/(Decrease) in provision for outstanding claims	62	(28)
	(Decrease)/Increase in allowance for doubtful debts	(30)	120
	Bad debts	206	-
		238	**92**

3. REVENUE

(a) Grants and Contributions

Grants are received from the Crown to provide for the payment of claims under the home insurance policies of insolvent insurers, and for the administrative costs of the Corporation. Additional grant was not sought from NSW Treasury during 2012/13 as the funds held by the Corporation are adequate to cover the outstanding claims.

(b) Interest Income

Interest earned on bank account	445	628
	445	**628**

(c) Other Revenue

Legal costs recovered	-	357
Debt raised for recoverable claim (see note 5)	334	400
	334	**757**

4. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2013 $'000	2012 $'000
Cash at bank	13,742	12,905
	13,742	**12,905**

For the purposes of the Statement of Cash Flows, cash includes money deposited with banks.

Cash assets recognised in the Statement of Financial Position are reconciled to cash at the end of the financial year as shown in the Statement of Cash Flows as follows:

Cash and cash equivalents (per Statement of Financial Position)	13,742	12,905
Closing Cash and Cash Equivalents (per Statement of Cash Flows)	**13,742**	**12,905**

Refer Note 12 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

5. CURRENT ASSETS – RECEIVABLES

Accrued Building Licence Fees	172	729
Accrued interest income	205	291
Accrued input tax credits	2	-
Claim recovery debtors (see note 3(c))	4,378	4,477
Less: allowance for impairment	(1,313)	(1,343)
	3,444	**4,154**

(a) Claim Recovery Debtors

Section 98 of the *Home Building Act 1989* provided that the Corporation may recover claims paid under the Corporation's various insurance schemes.

From 1 January 1994, the policy of the Corporation has been to seek recovery of all insurance claim payments, exceptions being where the claim did not arise from any fault on behalf of the contractor who carried out the work. Each insurance file is individually reviewed and assessed for recovery prospects at which time a decision is taken to either continue with recovery or alternatively write the debt off as irrecoverable as in the case of bankruptcies, liquidations etc.

As at 30 June 2013 the total of claim debtors which were subject to recovery action was $4.4 million (30 June 2012: $4.5 million).

(b) Doubtful Debts for Claim Recovery Debtors

Allowance for Doubtful Debts has been assessed at 30 percent (30 June 2012: 30%) of Claim Recovery Debtors. This assessment is based on recent experience in relation to claim recoveries.

	2013 $'000	2012 $'000
Claim recovery debtors - allowance for impairment		
Balance as at 1 July 2012	1,343	1,223
Increase/(decrease) in allowance recognised in profit or loss	(30)	120
Balance as at 30 June 2013	**1,313**	**1,343**

6. CURRENT LIABILITIES - PAYABLES

Payables - accrued Building License Fees owed to NSW Fair Trading	1,047	729
Other payable	16	15
	1,063	**744**

7. CURRENT LIABILITIES - PROVISIONS - OUTSTANDING CLAIMS

Current outstanding claims:		
Outstanding claims	2,457	2,729
Administration costs - outstanding claims	100	100
Total outstanding claims	**2,557**	**2,829**
Opening balance as at 1 July	2,829	3,257
Add: decrease/(increase) in provision recognised	62	(28)
Less: claims paid	(334)	(400)
Carrying amount as at 30 June	**2,557**	**2,829**

There was one outstanding claim with a total liability of $2.6 million as at 30 June 2013 (2012: $2.8 million).

On 16 November 1999, Department of Finance and Services received a "Letter of Comfort" from NSW Treasury in regard to the Fair Trading Administration Corporation. Treasury has issued a guarantee to fund any shortfall in respect of any payments associated with the Corporation's Statutory Insurance.

With the creation of the Fair Trading Administration Corporation on 1 May 1997, the insurance schemes were privatised and are now underwritten by private insurers. As a result, the Fair Trading Administration Corporation is only responsible for the finalisation of claims under the previous schemes.

8. CONTINGENT LIABILITIES

All outstanding claims and doubtful debts have been properly provided for and there is no contingent liability that can be raised against the Corporation.

9. CONTINGENT ASSETS

As at the date of this report there are no contingent assets.

10. COMMITMENTS FOR EXPENDITURE

There are no commitments for capital, other expenditure or lease commitments as balance date.

11. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET RESULT

	2013 $'000	2012 $'000
Net result	**80**	**881**
Changes in Assets and Liabilities:		
Decrease/(Increase) in receivables	740	(895)
(Decrease)/Increase in doubtful debt provision	(30)	120
(Decrease) in provision for outstanding claims	(272)	(428)
Increase/(Decrease) in payables	319	(56)
Net Cash Flows Provided by Operating Activities	**837**	**(378)**

12. FINANCIAL INSTRUMENTS

The Corporation's principal financial instruments are outlined below. These financial instruments arise directly from the Corporation's operations or are required to finance its operations. The Corporation does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Fair Trading Administration Corporation's financial instruments include cash, receivables and payables.

Financial Instrument Categories

Financial Assets	Note	Category	Carrying Amount 2013 $'000	Carrying Amount 2012 $'000
Class: Cash and cash equivalents	4	Not applicable	13,742	12,905
Receivables*	5	Loans and receivable (at amortised cost)	3,442	4,154
Class: Payables**	6	Financial liabilities measured (at amortised cost)	1,063	744

* Excludes statutory receivables (eg GST) and prepayments (ie not within scope of AASB 7)

** Excludes statutory payables (eg GST) and unearned revenue (ie not within scope of AASB 7)

(a) Credit Risk

Credit risk arises when there is the possibility of the Corporation's debtors defaulting on their contractual obligations, resulting in a financial loss to the Corporation. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of the Corporation, including cash, and receivables. Cash is held within the Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation 10am unofficial cash rate adjusted for a management fee to Treasury.

Receivables

The Corporation's debtors do not include trade debtors but rather arise out of claims payments.

(b) Liquidity Risk

Liquidity risk is the risk that the Corporation will be unable to meet its payment obligations when they fall due. The Corporation continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

During the current and prior years, there were no defaults on loans payable. No assets have been pledged as collateral. The Corporation's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment or risk.

The Corporation does not generate income and claims payments are funded by drawings from New South Wales Treasury. In 1999 the NSW Treasury issued a Letter of Comfort guarantee funding for the Corporation.

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Corporation has no exposure to foreign currency risk and does not enter into commodity contracts.

Interest Rate Risk - Cash Facility

Exposure to interest rate risk arises primarily through the investment in cash facilities. The Corporation has no direct equity investments. The Corporation holds units in the following facilities:

	$'000				
	Carrying Amount	**Profit -1%**	**Equity -1%**	**Profit 1%**	**Equity 1%**
2013 *Financial Assets* Cash and cash equivalents	13,742	(137)	(137)	137	137
2012 *Financial Assets* Cash and cash equivalents	12,905	(129)	(129)	129	129

(d) Fair Value Compared to Carrying Amount

Financial instruments are generally recognised at costs which are subsequently measured at fair value. The amortised cost of financial instruments recognised in the Statement of Financial Position approximates the fair value because of the short-term nature of many of the financial instruments.

13. AFTER BALANCE DATE EVENTS

There are no events subsequent to balance date, which would affect the financial statements.

END OF AUDITED FINANCIAL STATEMENTS

Motor Vehicle Repair Industry Authority

Charter, aims & objectives

The Motor Vehicle Repair Industry Authority is a statutory authority, established by the *Motor Vehicle Repairs Act 1980*. The Authority's functions include the licensing of motor vehicle repair businesses, the certification of tradespeople working in those businesses and the mediation of disputes between motor vehicle owners and repairers.

Legislation

- *Motor Vehicle Repairs Act 1980*
- *Motor Vehicle Repairs Regulation 1999*

Management & structure

The Motor Vehicle Repair Industry Authority's activities are managed by NSW Fair Trading, a division of the Department of Finance and Services. Licensing and certification services are also provided by NSW Fair Trading along with dispute resolution services and compliance activities.

Services to the public

Licensing of motor vehicle repair businesses

All motor vehicle repair businesses in New South Wales must hold a repairer's licence for the class or classes of repair work that they perform. To be granted a licence operators must be fit and proper, must have sufficient financial and material resources to carry on the business and must employ suitably qualified tradespeople to perform the repair work.

Certification of tradespeople

The Act requires motor vehicle repair businesses and commercial vehicle owners to employ tradespeople who are suitably qualified to perform the type of repair work carried out by the business. These tradespeople are required to hold tradespersons' certificates issued under the Act.

Provisional certificates are granted for a specific period of time and may also be subject to certain conditions or restrictions, such as limiting the range of work that can be performed, requiring the person to work under supervision, or requiring the person to gain further qualifications.

New Licences and Certificates issued	2008-09	2009-10	2010-11	2011-12	2012-13
Motor vehicle repairer licences issued	1,090	1,074	885	794	750
Tradesperson certificates issued	2,684	2,460	2,199	2462	2515

Telephone enquiries

Telephone information services are now handled by the Fair Trading Information Centre.

Dispute resolution

The dispute resolution function formerly offered by the Motor Vehicle Repair Industry Authority is now part of Fair Trading's Motor Vehicle Services Unit, in line with the integration of the Authority into NSW Fair Trading.

All complaints relating to an automotive dispute, including both motor vehicle repairers and motor dealers are dealt with under Fair Trading's dispute resolution process. Disputes that require specialist or technical intervention can be referred to the Motor Vehicle Services Unit. In these cases an automotive inspector will meet with the owner and repairer to assist the parties to reach a mutually agreed settlement.

This process is free of charge and is entirely voluntary. If a settlement can be reached, the terms of the settlement are recorded in writing and signed by the owner and repairer as evidence of their agreement. The settlement terms can then be referred to in evidence if the matter is taken to another forum such as a court or the Consumer, Trader and Tenancy Tribunal.

During the year 1,709 complaints about motor vehicle repairers and motor dealers were received by the Motor Vehicle Services Unit, with 1,531 of these being resolved successfully, settled without the need for any further action, withdrawn by the owner, lapsed waiting for further information or referred. In 177 cases the dispute was referred to the Consumer, Trader & Tenancy Tribunal.

Dispute handling	2008-09	2009-10	2010-11	2011-12	2012-13
Formal disputes handled per year	1,112	1,866	2,819	1,582	1,709

Motor vehicle industry grants program

Fair Trading provided funding under the Motor Vehicle Industry Grants Program for education, research and other programs or projects which assist in maintaining skilled tradespeople, improve industry standards and raise consumer awareness in the motor vehicle industry up to 30 June 2012.

NSW Fair Trading ceased grants under this Program from 1 July 2012.

Compliance

Disciplinary action against repairers

Disciplinary action can be taken against repairers and tradespeople due to the way they conduct their business or the repair work they perform. The most common grounds for disciplinary action is where the trade work of a repair business is below usual trade standard or where the business is being carried on in a dishonest or unfair manner.

Prosecution of offences

It is an offence under the Act to conduct a motor vehicle repair business without holding a licence for the class or classes of repair work performed or to employ uncertificated people to perform repair work.

During the year, 65 motor vehicle repairers were found to be in breach of the Act, resulting in 82 penalty notices being issued, totalling $68,420 in fines.

Prosecutions and disciplinary actions	2008-09	2009-10	2010-11	2011-12	2012-13
Number of prosecutions	4	2	2	0	1
Number of disciplinary actions	3	14	24	9	17

INDEPENDENT AUDITOR'S REPORT

Motor Vehicle Repair Industry Authority

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Motor Vehicle Repair Industry Authority (The Authority), which comprise the statement of financial position as at 30 June 2013, the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows, for the year then ended, notes comprising a summary of significant accounting policies.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 30 June 2013, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

My opinion should be read in conjunction with the rest of this report.

The Commissioner for Fair Trading's Responsibility for the Financial Statements

The Commissioner for Fair Trading is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Commissioner for Fair Trading determines is necessary to enable the preparation of financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Authority's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Commissioner for Fair Trading, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

- about the future viability of the Authority
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.

David Nolan
Director, Financial Audit Services

1 October 2013
SYDNEY

t: 9275 7100
ref: D1330832/0322

Mr Rod Stowe
Commissioner NSW Fair Trading
Department of Finance and Services
Level 9, McKell Building
2-24 Rawson Place
SYDNEY NSW 2000

1 October 2013

Dear Mr Stowe

STATUTORY AUDIT REPORT

for the Year Ended 30 June 2013

Motor Vehicle Repair Industry Authority

I have audited the financial statements of Motor Vehicle Repair Industry Authority (the Authority) as required by the *Public Finance and Audit Act 1983* (the Act). This Statutory Audit Report outlines the results of my audit for the year ended 30 June 2013, and details matters I found during my audit that are relevant to you in your role as one of those charged with the governance of the Authority. The Act requires that I send this report to the Authority, the Minister and the Treasurer.

This report is not the Independent Auditor's Report, which expresses my opinion on the Authority's financial statements. I have enclosed the Independent Auditor's Report, together with the Authority's financial statements.

My audit is designed to obtain reasonable assurance the financial statements are free from material misstatement. It is not designed to identify and report all matters you may find of governance interest. Therefore, other governance matters may exist, which have not been reported to you.

My audit is continuous. If I identify further significant matters, I will report these to you immediately.

Audit Result

I expressed an unmodified opinion on the Authority's financial statements and I have not identified any significant matters since my previous Statutory Audit Report.

Significant Matters

Misstatements in the Financial Statements

The financial statements did not contain any misstatements.

Compliance with Legislative Requirements

My audit procedures are targeted specifically towards forming an opinion on the Authority's financial statements. This includes testing whether the Authority has complied with legislative requirements that may materially impact on the financial statements. The results of the audit are reported in this context. My testing did not identify any instances of non-compliance.

Quality and Timeliness of Financial Reporting

Treasury Circular TC 13/01 *Mandatory early close procedures for 2013* required larger agencies to prepare certain aspects of the financial statements before year-end and provide the outcomes to the audit team. These agencies were also required to submit its year-end information to Treasury and its financial statements for audit at earlier dates.

The Authority was not identified in the Circular to perform early close procedures. As the year-end reporting timetable is expected to shorten in future years, we recommend the Authority to identify ways it can report earlier.

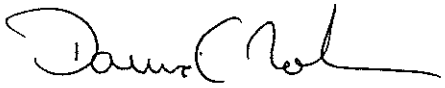
Auditor-General's Report to Parliament

If commentary on the Authority's financial operations appear in the Auditor-General's Report to Parliament, I will send the draft comment to the Authority for review before the Report is tabled.

Acknowledgment

I thank the Authority's staff for their courtesy and assistance.

Yours sincerely



David Nolan
Director, Financial Audit Services

MOTOR VEHICLE REPAIR INDUSTRY AUTHORITY

STATEMENT BY COMMISSIONER FOR FAIR TRADING

In accordance with Section 41C of the *Public Finance and Audit Act 1983*, I state that, in my opinion:

1. the accompanying financial statements and notes exhibit a true and fair view of the financial position of the Motor Vehicle Repair Industry Authority as at 30 June 2013 and the transactions for the year then ended.

2. the financial statements and notes thereto comply with Australian Accounting Standards (which include Australian Accounting Interpretations), the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2010* and the Treasurer's Directions.

Further, I am not aware of any circumstances that would render any particulars included in the financial statements to be misleading or inaccurate.

On behalf of the Authority

Rod Stowe
Commissioner for Fair Trading
Motor Vehicle Repair Industry Authority

1 October 2013

MOTOR VEHICLE REPAIR INDUSTRY AUTHORITY

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 $	2012 $
Expenses			
Administration Charge	2(a)	1,894,321	1,993,305
Audit Fees	2(b)	25,750	24,500
Education & Research Fund Expenditure	2(c)	12,420	99,820
Contingency Fund Expenditure	2(d)	2,760	85,777
Total expenses excluding losses		**1,935,251**	**2,203,402**
Less:			
Revenue			
Fees from Regulatory Activities	1(d)(i)	2,981,849	2,918,605
Interest on Investments	1(d)(ii)	201,670	236,519
Compensation Recoveries and Other Income		-	132
Total revenue		**3,183,519**	**3,155,256**
TOTAL COMPREHENSIVE INCOME		**1,248,268**	**951,854**

The accompanying notes form part of these financial statements.

MOTOR VEHICLE REPAIR INDUSTRY AUTHORITY

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Notes	2013 $	2012 $
ASSETS			
Current Assets			
Cash and Cash Equivalents	3	7,164,439	5,905,871
Receivables	4	18,096	72,971
Total Current Assets		**7,182,535**	**5,978,842**
TOTAL ASSETS		**7,182,535**	**5,978,842**
LIABILITIES			
Current Liabilities			
Creditors & Accruals	5	67,500	112,075
Total Current Liabilities		**67,500**	**112,075**
TOTAL LIABILITIES		**67,500**	**112,075**
NET ASSETS		**7,115,035**	**5,866,767**
EQUITY			
Accumulated funds		7,115,035	5,866,767
TOTAL EQUITY		**7,115,035**	**5,866,767**

The accompanying notes form part of these financial statements.

MOTOR VEHICLE REPAIR INDUSTRY AUTHORITY

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Accumulated Funds
	$
Balance at 1 July 2012	**5,866,767**
Net result for the year	1,248,268
Other comprehensive income	-
Total other comprehensive income	-
Balance at 30 June 2013	**7,115,035**
Balance as at 1 July 2011	**4,914,913**
Net result for the year	951,854
Other comprehensive income	-
Total other comprehensive income	-
Balance as at 30 June 2012	**5,866,767**

The accompanying notes form part of these statements.

MOTOR VEHICLE REPAIR INDUSTRY AUTHORITY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 $	2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Payments to suppliers		(1,979,826)	(2,137,470)
Total Payments		**(1,979,826)**	**(2,137,470)**
Receipts			
Regulatory Fees		3,034,274	2,854,739
Interest Received		201,670	236,519
Other		2,450	632
Total Receipts		**3,238,394**	**3,091,890**
NET CASH FLOWS FROM OPERATING ACTIVITIES	8	**1,258,568**	**954,420**
NET INCREASE IN CASH		**1,258,568**	**954,420**
Opening cash and cash equivalents		5,905,871	4,951,451
CLOSING CASH AND CASH EQUIVALENTS	3	**7,164,439**	**5,905,871**

The accompanying notes form part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Motor Vehicle Repair Industry Authority (the Authority) as a reporting entity comprises all activities under its control. The administrative functions of the Authority are performed by the Department of Finance and Services (DFS) and costs associated with these functions are paid for on an operational basis in relation to activities performed (Note 2).

The Authority is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. These financial statements for the year ended 30 June 2013 have been authorised for issue by the Commissioner for Fair Trading on 1 October 2013.

In May 2008, the Authority was fully integrated into NSW Fair Trading and the possibility of the Authority ceasing to operate as a separate entity was raised. Legislation, which will ultimately result in the Authority no longer being a statutory reporting entity, is proposed to be introduced into Parliament within 2013/14.

(b) Basis of Preparation

The financial statements are general purpose financial statements, which have been prepared in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of the *Public Finance and Audit Act 1983* and Regulation; and
- the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer.

(c) Statement of Compliance

The financial statements and notes comply with Australian Accounting Standards which include Australian Accounting Interpretations.

(d) Revenue Recognition Policy

All revenues arise from the Authority's operating activities, consistent with core operations. Income is measured at the fair value of the consideration or contribution received or receivable.

Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

i) Sale of Goods and Services

Revenue is derived mainly from the levying of annual licences and certifications. These charges are recognised as revenue when the Authority obtains control of the assets that result from them.

ii) Investment Income

Interest revenue is recognised using the effective interest method as set out in *AASB 139 Financial Instruments: Recognition and Measurement.*

The Hour-Glass Investment Facilities are designated at fair value through profit or loss using the second leg of the fair value option. These financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy. Information about these assets is provided internally on that basis to the agency's key management personnel.

(e) Accounting for the Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- the amount of GST incurred by the Authority as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

- receivables and payables are stated with the amount of GST included.

Cash flows are included in the Statement of Cash Flows on a gross basis. However, the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office is classified as operating cash flows.

(f) Impairment of Financial Assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

When an available for sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the net result for the year, based on the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence. However, reversals of impairment losses on an investment in an equity instrument classified as "available for sale" must be made through the revaluation surplus. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

(g) Liabilities

Payables

These amounts represent liabilities for goods and services provided to the Authority and other amounts, including interest. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(h) Equity Accumulated Funds

The category accumulated funds include all current and prior period retained funds.

(i) Comparative Information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

(j) New Australian Accounting Standards Issued But Not Effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise.

The following new Accounting Standards have not been applied and are not yet effective:

Accounting Standard/Interpretation

- AASB 9, AASB 2010-7 and AASB 2012-6 regarding financial instruments
- AASB 13, AASB 2011-8 and AASB 2012-1 regarding fair value measurement
- AASB 127 *Separate Financial Statements*
- AASB 2012-1 regarding fair value measurement – RDR requirements
- AASB 2012-2 regarding disclosures – offsetting financial assets and financial liabilities
- AASB 2012-3 regarding offsetting financial assets and financial liabilities
- AASB 2012-4 regarding government loans – first time adoption

It is considered that the implementation of these Standards will not have any material impact on the Motor Vehicle Repair Industry Authority's financial results.

2. EXPENSES

(a) Administration Charge

As mentioned in Note 1(a), DFS has applied an Administrative Services Charge for the recovery of those expenses it has incurred on behalf of the Motor Vehicle Repair Industry Authority.

	2013 $	2012 $
Personnel Services	1,123,063	1,181,746
Tribunal Costs	137,993	145,204
Administrative Costs	329,960	347,201
Service & Legal Expenses	229,255	241,234
Minister/Executive and Policy Expenses	74,050	77,920
	1,894,321	**1,993,305**

(b) Audit Fees

The Audit Office of NSW's fee for auditing the Authority's financial statements for 2012/13 was $25,750 ($24,500 in 2011/12).

(c) Education & Research Fund Expenditure

As prescribed by the *Motor Vehicle Repairs Act 1980*, the Authority may from time to time appropriate any part of the money in the Education and Research Fund for the payment of grants and subsidies to encourage apprenticeship, education or research in the motor vehicle repair industry. All proceeds received by the Authority in the form of fees and charges are remitted to the General Fund. Payments made from the Education and Research Fund are recovered from the General fund as per the table below:

	2013 $	2012 $
Opening Balance	54,692	54,692
Add: Contribution from General Fund	12,420	99,820
	67,382	154,512
Less:		
Expenditure	12,420	99,820
Total Expenditure for the Fund	12,420	99,820
Closing Balance	**54,692**	**54,692**
Represented by:		
Cash	54,692	54,692
Total Assets	54,692	54,692
Closing Balance	**54,692**	**54,692**

(d) Contingency Fund Expenditure

As prescribed by the *Motor Vehicle Repairs Act* 1980, the Contingency Fund shall pay out claims in respect to losses incurred in connection with the repair of a motor vehicle. The balance of the Contingency Fund as at 30 June 2013 is nil (nil in 2011/12) and as such, payments were made out of the General Fund. During the year the General Fund was used to pay compensation claims totalling $2,760 ($85,777 in 2011/12).

3. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2013 $	2012 $
Cash at Bank	2,263,599	1,179,088
TCorp Hour-Glass Cash Facility	4,900,840	4,726,783
Closing Cash and Cash Equivalents (as per Statement of Cash Flows)	**7,164,439**	**5,905,871**

Cash at bank is held with the Westpac Banking Corporation. Interest is earned on daily bank balances and calculated each month.

For the purposes of the Statement of Cash Flows, cash includes cash on hand, cash at bank, and deposits with the NSW Treasury Corporation (TCorp) Hour Glass-Cash Facility. Cash and cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as above.

4. CURRENT ASSETS - RECEIVABLES

Current	**2013**	**2012**
Accrued Income	18,096	70,521
Tax Credits	-	2,450
	18,096	**72,971**

5. CURRENT LIABILITIES

	2013	**2012**
Creditors and Accruals	60,150	109,625
Tax Payable	7,350	2,450
	67,500	**112,075**

6. COMMITMENTS FOR EXPENDITURE

There are no commitments for capital or other expenditure or commitments for leases at balance date.

7. CONTINGENT ASSETS AND LIABILITIES

The Authority and solicitors acting for the Authority are unaware of any matter or event that may give rise to future economic sacrifice or benefit.

8. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET RESULT FOR THE YEAR

	2013	**2012**
	$	**$**
Net result for the year	1,248,268	951,854
Changes in assets and liabilities		
(Decrease)/Increase in Creditors	(44,575)	65,932
Decrease/(Increase) in Receivables	54,875	(63,366)
Net Cash Flows from Operating Activities	**1,258,568**	**954,420**

9. FINANCIAL INSTRUMENTS

The Authority's principal financial instruments are outlined below. These financial instruments arise directly from the Authority's operations or are required to finance the Authority's operations. The Authority does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Authority's main risks arising from financial instruments are outlined below, together with the Authority's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Commissioner of the Authority has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Authority, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by the Authority on a regular basis.

(a) Financial Instrument Categories

Financial Assets	Note	Category	2013 $ Carrying Amount	2012 $ Carrying Amount
Class:				
Cash and cash equivalents	3	Not applicable	7,164,439	5,905,871
Receivables*	4	Loans and receivables (at amortised cost)	18,096	70,521
Class:				
Payables**	5	Financial liabilities measured at amortised cost	60,150	109,625

* Excludes statutory receivables and prepayments (ie not within scope of AASB 7)

** Excludes statutory payables and unearned revenue (ie not within scope of AASB 7)

(b) Credit Risk

Credit risk arises when there is the possibility of the Authority's debtors defaulting on their contractual obligations, resulting in a financial loss to the Authority. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of the Authority, including cash and receivables. No collateral is held by the Authority. The Authority has not granted any financial guarantees.

Credit risk associated with the Authority's financial assets, other than receivables, is managed through the selection of counter parties and establishment of minimum credit rating standards. Deposits held with NSW TCorp are guaranteed by the State.

Cash

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

Receivables - Trade Debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

(c) Liquidity Risk

Liquidity risk is the risk that the Authority will be unable to meet its payment obligations when they fall due. The Authority regularly manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

During the current and prior years, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. The Authority's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment or risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made no later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Head of an authority (or person appointed by the Head of an authority) may automatically pay the supplier simple interest. The rate of interest applied during the year was 11.4% (2012 - 12.7%).

(d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Authority has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Authority operates and the time frame for the assessment (ie until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis was performed on the same basis as for 2012. The analysis assumes that all other variables remain constant.

Interest Rate Risk

Exposure to interest rate risk arises primarily through the Authority's interest bearing deposits. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Authority's exposure to interest rate risk is set out on the following page.

	$				
	Carrying Amount	**Profit -1%**	**Equity -1%**	**Profit 1%**	**Equity 1%**
2013 *Financial Assets* Cash and cash equivalents	7,164,439	(71,644)	(71,644)	71,644	71,644
2012 *Financial Assets* Cash and cash equivalents	5,905,871	(59,059)	(59,059)	59,059	59,059

Other Price Risk - TCorp Hour-Glass Facilities

Exposure to "other price risk" primarily arises through the investment in the TCorp Hour-Glass Investment Facilities, which are held for strategic rather than trading purposes. The Authority has no direct equity investments. The Authority holds units in the following Hour-Glass investment trusts:

Facility	Investment Sectors	Investment Horizon	2013 $	2012 $
Cash Facility	Cash, money market instruments	Up to 1.5 years	4,900,840	4,726,783

The unit price of each facility is equal to the total fair value of the net assets held by the facility divided by the number of units on issue for that facility. Unit prices are calculated and published daily.

NSW TCorp is trustee for each of the above facilities and is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. However, TCorp acts as manager for part of the Cash Facility. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the Hour-Glass facilities limits the Authority's exposure to risk, as it allows diversification across a pool of funds with different investment horizons and a mix of investments.

NSW TCorp provides sensitivity analysis information for each of the investment facilities, using historically based volatility information collected over a ten year period, quoted at two standard deviations (ie 95% probability). The TCorp Hour-Glass Investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity). A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year for each facility (balance from Hour-Glass statement).

	Impact on Profit/Loss		
	Change in Unit Price	2013 $	2012 $
Hour-Glass Investment - Cash Facility	+1.0%	49,008	47,268
	-1.0%	(49,008)	(47,268)

(e) Fair Value Compared to Carrying Amount

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass facilities, which are measured at fair value. As discussed, the value of the Hour-Glass Investments is based on the Authority's share of the value of the underlying assets of the facility, based on the market value. All of the Hour-Glass facilities are valued using "redemption" pricing.

The amortised cost of financial instruments recognised in the Statement of Financial Position approximates the fair value, because of the short-term nature of many of the financial instruments.

(f) Fair Value Recognised in the Statement of Financial Position

The Authority uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique.

- Level 1 - Derived from quoted prices in active markets for identical assets/liabilities.
- Level 2 - Derived from inputs other than quoted prices that are observable directly or indirectly.
- Level 3 - Derived from valuation techniques that for the asset/liability not based on observable market data (unobservable inputs).

	Level 1 $	Level 2 $	Level 3 $	2013 Total $
TCorp Hour-Glass Investment Facility	-	4,900,840	-	4,900,840
	-	4,900,840	-	4,900,840

	Level 1 $	Level 2 $	Level 3 $	2012 Total $
TCorp Hour-Glass Investment Facility	-	4,726,783	-	4,726,783
	-	4,726,783	-	4,726,783

10. AFTER BALANCE DATE EVENTS

The Motor Vehicle Repair Industry Authority is not aware of any circumstances that occurred after balance date that would render particulars included in the financial statements to be misleading.

END OF AUDITED FINANCIAL STATEMENTS

This annual report has been prepared by NSW Fair Trading, a division of the Department of Finance & Services for the purposes of the *Annual Reports (Statutory Bodies) Act 1984* including tabling in Parliament and providing the public with access to copies.

Our annual report is available in electronic web-based format and can be downloaded from Fair Trading's website at http://www.fairtrading.nsw.gov.au/About_us/Publications/Annual_reports.html
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