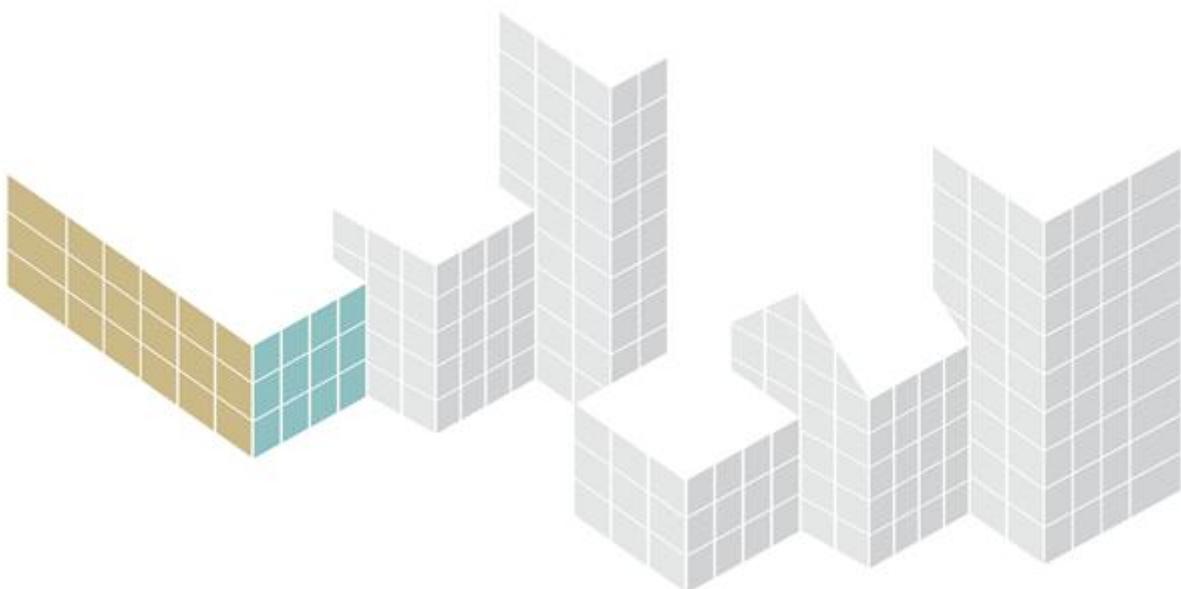


# Real Estate Agents Authority

## Statement of Intent

### 2012/13 – 2014/15





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## Introduction from the Board Chair

This is the fourth statement of intent for the Authority and shows a change as we mature. Over the past year we have actively tried to raise standards and protect consumers and we have streamlined the management of consumer enquiries.

We are upgrading our computer systems for greater efficiency which will allow us to capture more reliable information than before, and subsequently direct our resources more appropriately. The move to online licensing for 2013 will save considerable time as we process about 17,000 new licences, renewals and suspension applications each year.

We are also reviewing our website and other communications to ensure they meet the needs of consumers, licensees and the industry. We will begin an annual survey of consumers and licensees to gain a better understanding of issues and to identify any improvements to the way we interact with these stakeholders.

From January 2012 all active licensees are required to undertake 20 hours of targeted education as a prerequisite for licence renewal. We have developed training material for real estate professionals to understand their rights and obligations. This material has been developed in conjunction with industry groups including ETITO, the representative training organisation for the industry.

The continuing education topic for the 2012 calendar year is the Professional Conduct and Client Care Rules 2009. A key focus is on licensees' disclosure obligations, which is one of the aspects of real estate agency work with significant risks to consumers and substantial potential liability for licensees. The topics for 2013 and beyond are currently being discussed. The Authority is working with the industry to ensure continuing education will help lift industry standards and improve protection for consumers.

The Authority seeks to be efficient. It affirms its commitment in the 2011–2014 Statement of Intent to maintain the levy at the current level until 30 June 2015. It will continue to evaluate its activities to ensure services are delivered in a cost-effective manner.

The year ahead will see the Authority continue to build on the sound work undertaken since our establishment, embed new systems and processes, and make the best use of all available information. I look forward to reporting on our progress in the Annual Report.



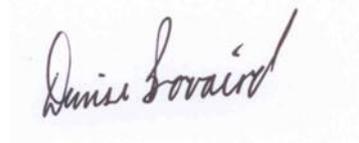
**Kristy McDonald, QC**

## Statement of Responsibility

This Statement of Intent 2012/13 – 2014/15 represents the intentions and objectives of the Real Estate Agents Authority. It is presented in accordance with sections 138 to 148 of the Crown Entities Act 2004.



Kristy McDonald, QC  
Board Chair  
14 May 2012



Denise Bovaird  
Board member  
14 May 2012

## Our role

We work to promote and protect the interests of consumers in real estate transactions, and to promote public confidence in the performance of real estate agency work. Our functions and responsibilities include:

- informing, educating, advising and influencing consumers and licensees to support the integrity of real estate transactions
- establishing, monitoring and developing entry, continuing education, and professional conduct and client care standards for the real estate industry
- licensing real estate agents, branch managers and salespersons (referred to collectively as licensees) and maintaining a public register of licensees ([www.reaa.govt.nz/registry/search](http://www.reaa.govt.nz/registry/search))
- responding to enquiries and complaints, investigating problems in the real estate market and ensuring appropriate action is taken to sanction any unsatisfactory conduct, misconduct or illegal behaviour.

## Who we work with

To carry out our work effectively we work collaboratively with a number of other government, industry and consumer bodies.

### Consumers

We work closely with consumer representative groups such as the Law Society and the Home Owners and Buyers Association of New Zealand to raise knowledge on consumers' rights in relation to property transactions. This work helps inform our guidance and information programmes for consumers.

### Industry

We interact directly with licensees by providing information and advice on licensing and compliance matters. To build on and continually improve our knowledge of current and emerging industry practice we organise and attend industry forums and maintain effective working relationships with industry participants and representative groups. This contact informs work such as evaluating the Act and developing the Code of Professional Conduct and Client Care.

We also work closely with industry groups such as the Real Estate Institute of New Zealand and ETITO, the industry training organisation for the licensees, in developing the continuing education programme for the industry. We work with approved education providers to deliver the programmes.

### **Government agencies**

The Ministry of Justice (the Ministry) is responsible for administering the Real Estate Agents Act 2008 (the Act). We work closely with the Ministry to review and evaluate the Act. When investigating licensees and approving new licence applications we also work with the Police, Commerce Commission, Financial Markets Authority and the Ministry of Consumer Affairs. We also share learnings with other agencies carrying out comparable regulatory roles that help inform improvements to the way we carry out our work.

### **Real Estate Agents Disciplinary Tribunal**

The Real Estate Agents Disciplinary Tribunal (the Tribunal) is an independent body that is administered by the Ministry of Justice. The Tribunal considers any charges laid before it either directly by the Authority or by a Complaints Assessment Committee (CAC) along with appeals against decisions made by a CAC and the Registrar.

### **Other organisations**

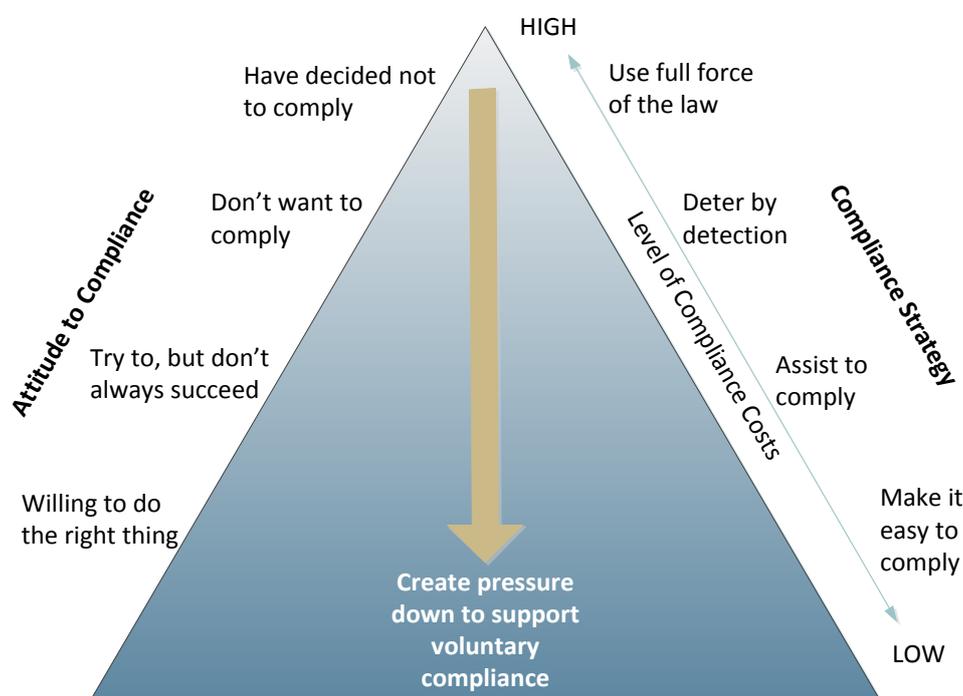
We have effective working relationships with a number of organisations involved in capturing real estate data and trend information to support us in our intelligence-led approach. This will enable us to better target our resources to where they will have the most effect.

To better coordinate our approach to industry research we are also working with ETITO and Waikato University to identify topics for research that will support us in developing targeted interventions.

## Our compliance model

On 1 July 2011 we introduced a new compliance model to improve our approach to managing concerns raised about licensee behaviour. Before 1 July 2011, all concerns received were referred to a CAC for consideration. Although thorough, this approach resulted in significant time and resources being invested in resolving matters of less significance that could be dealt with more appropriately through informing and advising, rather than through more formal enforcement procedures. Under the new compliance model we introduced a range of tools and interventions to assist and respond to concerns. These include informing and advising in less serious cases, and referring more serious cases to a CAC. While we prefer to focus the majority of our resources at the lower end of the compliance model, we take stronger enforcement action as needed.

Figure 1: Compliance model<sup>1</sup>



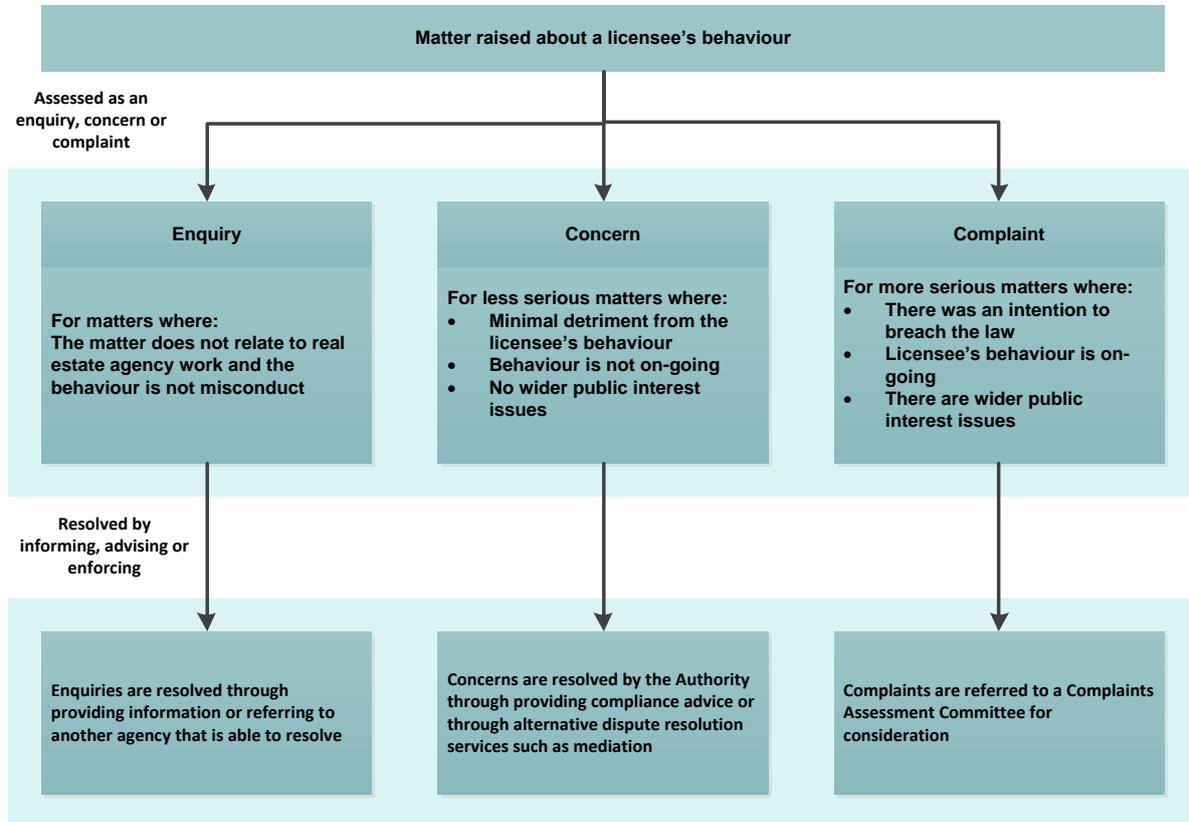
Key features of this approach include:

- Focusing on proactive information-based interventions such as information campaigns for consumers and continuing education programmes for licensees.
- Screening of enquiries. This is the ability to act quickly where appropriate, resolving less detrimental or significant matters with less cost and more efficiency.
- Supporting Complaints Assessment Committees (CACs) to address the most serious matters quickly and thoroughly.
- Investigating to take action on offences under the Act as needed.

<sup>1</sup> This compliance model is widely used in compliance agencies in New Zealand and internationally. The compliance model shows that intervention costs increase with greater use of force and that less costly interventions can influence the majority of people in an industry.

Our process for screening matters raised about licensees' behaviour is set out below.

**Figure 2: Assessment and resolution process**



## Our operating environment

Consultation and research undertaken by the Ministry of Justice before the development of the Real Estate Agents Act 2008 indicated a need for independent oversight of the real estate industry. At that time, the Real Estate Institute of New Zealand (REINZ) operated a self-regulatory regime, established under the Real Estate Agents Act 1976.

The consultation and research identified a need to raise the practicing standards of licensees to promote confidence in the industry. It also indicated that consumers needed more information to make more informed decisions when buying or selling property. The consultation also showed that consumers expected an independent and transparent complaints process, accessible to all. To take on this role, the Authority was established in November 2009 as a Crown Entity with a consumer protection focus, independent from the real estate industry.

Both the Authority and the Real Estate Agents Disciplinary Tribunal are fully funded by the real estate industry through annual levies and fees. As such, events that impact licensee numbers will have a carry-on effect on our revenue<sup>2</sup>. As at 30 April 2012, there were 12,841 active licences<sup>3</sup> and 3,533 suspended licences<sup>4</sup>. These figures are comparable to those at the same time in the preceding two years. However, fewer property transactions as a result of the continued economic downturn and stricter entry requirements to become licensed have coincided with a reduction in the number of licence renewals and new applications since the commencement of the Act. We have carried out financial analysis to better understand the potential impacts on our revenue and to ensure we can continue to deliver high-quality services even if our revenue fluctuates.

New Zealand's housing is changing. Properties with unit titles, body corporates or occupational right agreements are becoming more common and may increase the complexity of property transactions. We will monitor these areas to identify whether there are any trends in issues raised with these types of property transactions and target our interventions accordingly.

The way in which New Zealanders buy and sell real estate is also changing. With increased access to the internet, it may be easier for private individuals to market their property, which could lead to a rise in the number of home owners choosing to sell privately and outside the regulated environment. We will need to make it clear to consumers that if they do choose to buy a property through a private sale, they are outside the protection of the Authority and will not have access to our processes for redress.

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<sup>2</sup> The industry levy on licensees is \$690 (GST exclusive) per annum.

<sup>3</sup> There are three main types of real estate licences: Agent (authorised to carry out real estate agency work on their own account, whether in partnership or otherwise), Branch Manager (authorised to carry out real estate agency work for or on behalf of an Agent) and salesperson (authorised to carry out real estate agency work under the proper supervision and management of an Agent or Branch Manager).

<sup>4</sup> For a nominal fee, licensees may put their license on hold for a specified period provided they do not carry out any real estate agency work during the period.

We will continue to analyse the nature and types of concerns raised about licensees' behaviour to ensure our communication and guidance is meeting the needs of these groups, and make changes where necessary. We will also carry out an annual survey of both consumers and licensees to ensure we understand any issues and to identify any improvements to the way we interact with these groups.

Our compliance model, described on page 7, has created efficiencies in the way we manage concerns about licensee behaviour. This has enabled us to focus on more proactive activities while continuing to respond to each concern in the most appropriate manner. As our knowledge of and data on the industry and the participants within it grows we will be able to further focus our interventions and resources, targeting particular issues or types of behaviour prevalent in the industry.

We expect the severity and frequency of breaches to the Act to decrease over time as both consumers and licensees become more aware of their rights and obligations, although this trend may take a number of years to be evident. For the year ended 30 June 2011 an average of approximately 1% of New Zealand's 54,905 residential property transactions led to a complaint being laid with the Authority. In August 2011 research undertaken by the University of Waikato found that since the introduction of the Act, there has been successively less non-compliance each year.<sup>5</sup> Because of the relatively short period since the establishment of the Authority, identifying the definitive reasons for this is not possible. A significant reduction in property transactions and licensee numbers has also occurred since the establishment of the Authority, both of which may have an impact on the number of concerns raised about licensees' behaviour. However, the research indicated the reduction in non-compliance could be attributed to licensees becoming more accustomed to the Act; or those licensees who found the compliance a challenge have left the industry; or the continuing education being provided is having a positive impact<sup>6</sup>.

Utilising available technology will enable us to carry out our role more efficiently. We are exploring options to increase the range of services available online such as applying for a real estate licence. We are also investing in our information systems to ensure we are capturing the right sort of information to support us in our intelligence-led approach.

Over the coming year we will develop our five-year strategic framework that will encompass the strategies we have in place for our regulatory framework, communications, and information management activities. The following pages describe the linkages between the activities we carry out, the services we provide, the impacts we aim to achieve and how these contribute to achieving our outcomes.

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<sup>5</sup> In August 2011 Jenny Gibb and Stephan Billinger of the University of Waikato analysed the Authority's data on non-compliance by licensees.

<sup>6</sup> It could be speculated that following the establishment of the Authority there was a flood of complaints which subsequently subsided. The average number of complaints received fell from approximately 20 per week shortly after the Authority started receiving complaints, to 12.5 complaints per week for the year ended 30 June 2011.

## Strategic direction

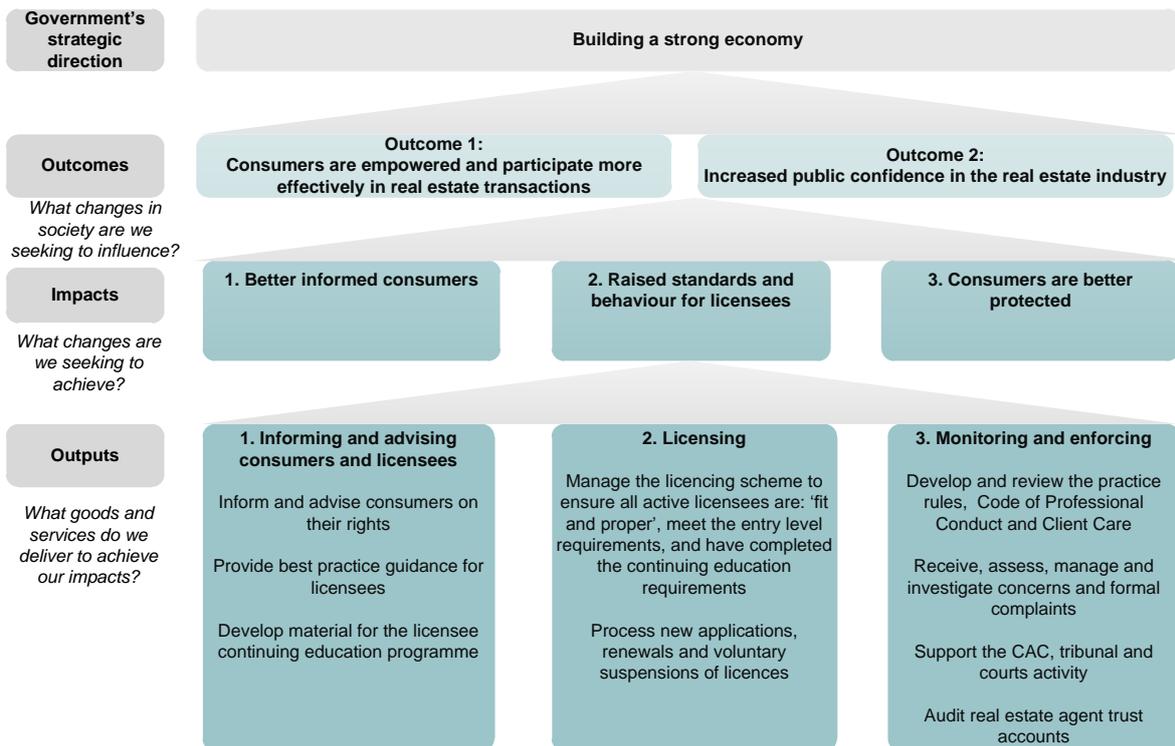
The outcomes framework (Figure 3) illustrates that a mixture of activities are required to achieve our impacts and outcomes. These impacts and outcomes, along with indicators to understand the effectiveness of these interventions better, are described on the following pages.

A well-functioning real estate market is an important part of a strong economy. Building trust and confidence in the real estate market is a key driver to achieving this. Our work to raise standards and ensure consumers are well-informed and have effective means for redress will lead to more empowered consumers who have greater confidence in the real estate market.

Our priority work programmes for this period to support us in achieving our strategic direction are:

- proactive interventions to raise consumers' awareness of their rights in relation to property transactions
- developing material for the continuing education programme for licensees
- continual review of the nature and type of enquires and concerns received about licensee behaviour to focus our interventions and resources to target particular issues or types of behaviour prevalent in the industry.

**Figure 3: Our outcomes framework**



## Our operating intentions

This section describes the activities we have underway to achieve our impacts, and how these will support us in contributing to our outcomes.

### Outcome 1: Consumers are empowered and participate more effectively in real estate transactions

Consumers who know their rights, and the processes for seeking redress if things go wrong, can participate with greater confidence in real estate transactions. We are working towards raising consumers' knowledge through developing information programmes and guidance material that clearly explains their rights and the processes for redress.

### Outcome 2: Increased public confidence in the real estate industry

A well-regulated real estate industry made up of professional, competent licensees, and with effective processes for redress, will increase public confidence in the industry. We are working towards raising standards of professionalism across the industry through a number of interventions focused on raising the knowledge and skills of licensees, and ensuring that effective monitoring and sanctions are in place. Licensees who are well-informed about their obligations and are able to meet these obligations will be less likely to engage in inappropriate behaviour. Monitoring and sanctions that are effective, fair, and transparent will act as a further deterrent for licensees to engage in inappropriate behaviour.

#### Impact 1: Better informed consumers

We provide a range of information for consumers including approved guides explaining the property transaction process that licensees must provide to buyers and sellers. For buyers and sellers, this information helps guide them through the buying and selling process so that they can feel confident, empowered and informed when dealing with the licensee. We recognise that a positive buying and selling experience is more likely to happen if consumers know what to expect, how the process works and what their rights are.

**This impact is achieved through the activities in Output 1: Informing and advising consumers and licensees**

## **Impact 2: Raised standards and behaviour for licensees**

We increase the standards and behaviour for licensees in a variety of ways. To raise standards, we have introduced minimum requirements to enter the industry and, from 2012, a continuing education programme that all licensees will need to show they have completed in order to renew their licence. Continuing education will improve licensees' knowledge of the law, rules and regulations and enhance their skills and judgement in real estate transactions.

We work to raise behaviour and practice across industry through publishing factsheets, guidance material, and approved guides to make it easy for licensees to comply. Raised awareness of appropriate behaviour should make it easier for licensees to comply with the legislation and act as a deterrent to engage in the types of behaviour that can lead to disciplinary action.

**This impact is achieved through the activities in Output 1: Informing and advising licensees and consumers and Output 2: Licensing**

## **Impact 3: Consumers are better protected**

A well-regulated industry, with effective systems and processes for monitoring and redress will ensure consumers are better protected. We run independent, transparent and fair processes for dealing with concerns about the behaviour of licensees. Anyone can lodge a complaint about the behaviour of a current or former licensee at no cost. Complaints against licensees are considered by the CACs, who may make a decision, or lay charges with the Real Estate Agents Disciplinary Tribunal. Maintaining fair, impartial systems for managing complaints against licensees ensures the integrity of the system and public confidence in the industry.

We also undertake our own monitoring of the industry, assisted by the industry itself raising matters regarding potential licensee misconduct, and run proactive investigations to identify those individuals engaging in real estate transactions without a licence. Effective monitoring of the industry will ensure we are able to take action where necessary and should act as a deterrent for licensees and unlicensed traders engaging in inappropriate behaviour.

**This impact is achieved through the activities in Output 2: Licensing and Output 3: Monitoring and enforcing**

## How we will measure the success of our interventions

For each of our outcomes and impacts we have developed indicators and measures to help us evaluate the effectiveness of our interventions. A number of other organisations and environmental factors will influence outcomes. However, these measures will provide us with an indication of the impact of our work over time.

We were established in November 2009 and before this date data on complaints is not available. From 1 July 2011 we commenced a new compliance model, which introduced new interventions for managing minor matters raised by consumers. For these reasons, comparative information for many of the measures and indicators before July 2011 is not available. Similarly, as there is no baseline data available for some new measures and indicators, this means developing meaningful targets for future years has not yet been possible. Where this is the case, it has been noted in the text. Baseline data will become available over the coming year as we undertake our consumer and licensee surveys. We will report on this in our 2011/12 Annual Report and use this baseline data in our 2013/14 – 2015/16 Statement of Intent.

**Table 1: Outcome indicators and impact measures**

Outcomes	Indicator	Actual 2010/11	Estimated 2011/12	Estimated 2012/13	Estimated 2013/14	Estimated 2014/15
<b>1. Consumers are empowered and participate more effectively in real estate transactions</b>	Percentage of consumers that consider themselves empowered and are able to participate effectively in real estate transactions increases	Not measured	New baseline data to be established	Target to be set once baseline established	Target to be set once baseline established	Target to be set once baseline established
<b>2. Increased public confidence in the real estate industry</b>	Percentage of consumers that have confidence in the real estate industry increases	Not measured	New baseline data to be established	Target to be set once baseline established	Target to be set once baseline established	Target to be set once baseline established
	UMR Mood of the Nation Survey - occupational respect <sup>7</sup>	4.5/10	4.1/10	Increases	Increases	Increases
Impacts	Measure	Actual 2010/11	Estimated 2011/12	Target 2012/13	Target 2013/14	Target 2014/15
<b>1. Better informed consumers</b>	Percentage of consumers that consider themselves informed of their rights in relation to real estate transactions increases	Not measured	New baseline data to be established	Target to be set once baseline established	Target to be set once baseline established	Target to be set once baseline established
<b>2. Raised standards of behaviour for licensees</b>	Percentage of all active licensees with determinations of either unsatisfactory conduct or serious misconduct decreases	0.47%	0.68%	Same or less than 2011/12 <sup>8</sup>	Same or less than 2012/13	Same or less than 2013/14
<b>3. Consumers are better protected</b>	Percentage of complainants that consider the complaints process independent, fair and transparent increases	72% <sup>9</sup>	57% <sup>10</sup>	70% <sup>11</sup>	75%	80%
	Determinations of unsatisfactory conduct	60	90	90	85	80
	Determinations of serious misconduct	6	6	6	6	5

7 UMR undertake an annual 'Mood of the Nation' survey. Survey respondents are asked to rate occupations on a scale of 1 – 10 where 1 means no respect for the occupation and 10 means an enormous amount of respect for the occupation. The surveys are undertaken on a calendar year. 2010/11 refers to the result of the 2010 year and 2011/12 to the result of the 2011 year.

8 Although the estimated achieved result for 2011/12 is higher than in 2010/11, as a result of our work programmes such as the continuing education for licensees and consumer awareness campaigns implemented during 2011/12, we expect this to decrease over the next three-year period.

9 This result is based on asking complainants whether they were treated fairly rather than whether they considered the complaints process fair, independent and transparent.

10 The survey is undertaken at the end of the financial year. This is the result from the 2011 calendar year.

11 Although the result from 2010/11 is higher than in 2011/12 the results are based on slightly different survey questions. The target for 2012/13 has been based on the result of 2011/12 and on having implemented process improvements as a result of findings from the survey.

## Major evaluative activities planned

We have developed a three-year research and evaluation plan to test the effectiveness of our work. The plan sets out each area of our influence and provides an approach to measuring our effectiveness in each area. An overview of the planned activities is set out below.

### Consumer satisfaction

This year we intend to commence an annual consumer survey that will aim to evaluate:

- how effective our interventions have been in increasing public confidence in the real estate industry
- how effective our interventions have been in empowering consumers to participate more effectively in real estate transactions
- how effective our information and guidance material has been in contributing to consumers being more informed of their rights
- how aware consumers are of the Authority, and the role we have in providing redress.

### Licensees and the industry

During 2011/12 we worked with Waikato University to analyse areas of non-compliance. In 2012/13 we intend to continue with this work, looking at different aspects of licensee behaviour and the impact our continuing education programme is having on raising standards across the industry.

### Cost-effectiveness of our interventions

We are exploring ways of better understanding the cost-effectiveness of our interventions. At a broad level, and where appropriate, we are managing more of the matters raised and allegations that we receive using lower level interventions such as compliance letters and mediation rather than referring all concerns to a Complaints Assessment Committee. Over the next three-year period we intend to undertake more detailed analysis to understand better the appropriateness and cost of each type of intervention in relation to the concerns and the matters raised.

## Our organisational health

To deliver our work programme effectively and efficiently we need to ensure our organisation has excellent leadership, people, culture, relationships, and processes in place. We are a small organisation, with significant peaks in the demand for our services at certain times during the year. We are continually looking for ways in which we can make better use of technology to ensure we provide our services cost-effectively and that they meet the needs of consumers and licensees.

### Our people

We acknowledge the important role our people have in delivering our work programme and in achieving our outcomes. We place importance on raising the skills and knowledge of our staff as we recognise the longer-term benefits this brings to both our staff and our organisation. For example, several of our staff are completing their real estate licensing qualifications. As well as up skilling our staff, their understanding of the industry's entry education requirements will increase. Some of our staff are also accessing qualifications developed as part of the Compliance Common Capability Programme. This is an all-of-government initiative to standardise and improve operational compliance work.

In 2012/13 we plan to start an annual survey of our staff to understand better their levels of engagement across our organisation and to identify any areas of improvement required. This will provide us with good feedback for assessing future progress.

### Being a good employer

We recognise the importance of being a good employer and of having fair and equal employment practices in place. To ensure we do this, we have reviewed our current status against the seven elements of being a good employer set out by the Human Rights Commission. We will report on our progress against the seven elements in our Annual Report.

### Our systems and processes

We are investing in our information, communication and technology systems to ensure we have robust information systems in place to capture the data we need on the industry, consumers and licensees so we can better target our services and interventions. We have a three year Information Systems Strategic Plan that sets out our goals and associated work programme in this area. Once implemented, the new systems will enable us to move to a more intelligence-led approach to our work and provide us with greater flexibility as our business continues to evolve over this period.

## Managing our risks

We have a risk management policy and framework in place. Our Audit and Risk sub-committee ensures that we have identified and evaluated the risks to achieving our stated objectives and that these risks are adequately managed to appropriate levels of exposure. Key strategic risks that we have identified, and the mitigation strategies we have in place to manage these, are described in the table below.

**Table 2: Strategic risks**

Strategic risks	Mitigation strategies
Failure to develop and maintain consumer confidence.	We will make changes to our consumer guidance and interventions where necessary through monitoring results from our consumer survey.
Inadequate information and communications technology (ICT) to support business needs and the Authority's strategic direction.	We are implementing our Information Systems Strategic Plan that sets out the most appropriate technology solutions to meet our business needs. We will monitor our progress against this to ensure it is fit-for-purpose.
A significant fluctuation in the number of active participants in the industry that directly impacts on the Authority's income.	Licensee numbers have remained comparable with 2011/12. We have undertaken modelling of various financial scenarios to ensure we are able to manage our finances with reduced revenue. Our goal is to keep the operating levy at its current level. We will seek to manage costs and increase the time to recover from a negative equity position and renegotiate the terms of repayment for the establishment funding rather than increase the levy.

## Reporting to the Minister

We will report every quarter to the Associate Minister of Justice on progress against this Statement of Intent, and yearly to the public in our Annual Report.

## Governance

We are governed by a Board that reports to the Associate Minister of Justice. Our Board is made up of experienced practitioners from many professional fields; bringing together expertise in law, real estate, risk management, finance and consumer rights. At least two members of our Board are required to be licensees or former licensees.

Our Board members are:

- Kristy McDonald, QC (Board Chair)
- John Auld
- Barrie Barnes
- Denise Bovaird
- Joan Harnett-Kindley
- Peter McDermott
- David Russell.

## Statement of forecast service performance

We have one output class through Vote Justice. This output class funds all of our work. In 2011/12 we reviewed the outputs that make up this output class to ensure that they are grouped appropriately and reflect the main goods and services we deliver to achieve our impacts and outcomes. There are three outputs in this output class: Informing and Advising Consumers and Licensees; Licensing; and Monitoring and Enforcing.

For each of these outputs we have developed performance measures that we expect will provide us with a meaningful assessment of performance. Where possible we have included performance measures from previous years to enable comparisons to be made on performance across years. However, where there have been new performance measures added, and no baseline data is available, this has been noted.

### Output Class: Operate the Real Estate Agents Authority

**Table 3: Output class revenue and expenditure**

Revenue and expenditure	2012/13 (\$000)
<b>Total revenue</b>	<b>10,911</b>
<b>Output expenditure:</b>	
Informing and advising consumers and licensees	843
Licensing	1,718
Monitoring and enforcing	6,329
<b>Total expenditure</b>	<b>8,890</b>
<b>Total comprehensive income</b>	<b>2,021</b>

## Output 1: Informing and advising consumers and licensees

This output funds the provision of information to consumers and licensees about their rights and obligations. We provide information and advice to consumers and licensees through a variety of channels, including online and published guidance material, as well as interacting directly with consumers and licensees by phone and email to respond to specific queries.

For consumers, we run information programmes and publish guidance material including approved guides on agency agreements and sale and purchase agreements to raise awareness of their rights in property transactions. Licensees are required to provide these guides to buyers and sellers before formalising these agreements. To better target our communications we review the nature and type of matters raised by consumers and run information programmes to increase awareness of particular trends that have been identified. We also use this information as part of our regular review and revision of the material.

For licensees we provide regular newsletters and fact sheets to raise awareness of appropriate behavioural practice across the industry, and to encourage voluntary compliance with the regulations.

Several new performance measures that baseline data is unavailable for are included in this output. These performance measures will be assessed through an annual survey for consumers and licensees. Baseline data will be captured during 2012/13 and used to inform targets for future years.

**Table 4: Quantity (demand-driven) measures for Output 1: Informing and advising consumers and licensees**

Quantity (demand-driven)	Actual achieved 2010/11	Estimate 2011/12	Estimate 2012/13
Number of responses to enquiries from consumers	8,000 <sup>12</sup>	8,000	8,000
Number of responses to enquires from licensees	16,000	10,600	11,000

**Note:** These measures are demand-driven and are outside our control.

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<sup>12</sup> The volumes for 2010/11 and 2011/12 are based on volumes of calls received through our complaints phone number and licensing phone number rather than from licensees and from consumers. We are updating the system we use to capture this information and for the 2012/13 financial year we will be able to differentiate between the enquiries received from licensees and enquiries received from consumers.

**Table 5: Performance measures for Output 1: Informing and advising consumers and licensees**

Performance measures	Actual achieved 2010/11	Estimate 2011/12	Target 2012/13
<b>Quantity</b>			
Number of compliance information sheets published for licensees	Not published	3	3
Number of industry newsletters published for licensees	8	9	9
<b>Quality</b>			
Percentage of consumers who consider the Approved Guides useful or very useful	Not measured	Not measured	Baseline volumes will be captured and reported in the 2012/13 Annual Report
Percentage of licensees who consider the best practice guides useful or very useful	Not measured	Not measured	Baseline volumes will be captured and reported in the 2012/13 Annual Report
Percentage of licensees who find the newsletters informative	Not measured	Not measured	Baseline volumes will be captured and reported in the 2012/13 Annual Report
Quality requirements for policy advice <sup>13</sup> are met in the development of practice rules for licensees	Not measured	Met	Met
<b>Timeliness</b>			
Queries from consumers responded to within 3 working days	Not measured	Not measured	95%
Queries from licensees responded to within 3 working days	Revised measure [89% of queries from licensees responded to within 5 working days]	Not measured	95%

<sup>13</sup> Quality dimensions include: Purpose, consistency, logic, options, consultation, practicality, presentation and impartiality. This is assessed by the Authority's Legal Counsel.

## Output 2: Licensing

This output funds the management and administration of the licensing regime, including ensuring all licensees are 'fit and proper' and meet the required professional standards to work in the industry. The required professional standards are criteria that licensees must meet to become licensed. The professional standards consider any previous criminal convictions, relevant education, and character of licensees. This output also funds the processing of new applications, renewals and voluntary suspensions, and maintaining a current register of all approved licensees.

During 2011/12 we made significant changes in the way we process licensee applications. For 2012/13 our target processing times have reduced from six weeks in 2011/12 for both new and renewal applications to 15 working days for new applications and 10 working days for renewal applications.

**Table 6: Quantity (demand-driven) measures for Output 2: Licensing**

Quantity (demand-driven)	Actual achieved 2010/11	Estimate 2011/12	Estimate 2012/13
New applications processed	1,281	1,050	1,000
Renewal applications processed	11,812	13,000	13,000
Voluntary suspensions processed	2,662	3,500	3,850

**Note:** These measures are demand-driven and are outside our control.

**Table 7: Performance measures for Output 2: Licensing**

Performance measures	Actual achieved 2010/11	Estimate 2011/12	Target 2012/13
<b>Quality</b>			
Percentage of licensees that consider the information on the licensing process is clear	Not measured	New baseline data to be established	Target to be set once baseline established
Percentage of new applications approved where licensees are 'fit and proper' and meet the required professional standards	100%	100%	100%
<b>Timeliness</b>			
Number of complete new applications for licences completed within 3 weeks	Revised measure [98% achieved within six weeks]	Revised measure [99% achieved within six weeks]	95%
Number of complete renewal applications for licences completed within 2 weeks	Revised measure [98% achieved within six weeks]	Revised measure [99% achieved within six weeks]	95%

### Output 3: Monitoring and enforcing

This output funds the work we do to monitor the industry and take action against non-compliance. Concerns about licensee behaviour can be raised in a number of ways, most often by consumers, but also from other licensees or anonymously. We have a range of ways in which we can work to resolve matters including: compliance and consumer advice letters, mediation, or consideration by a Complaints Assessment Committee (CAC).

For matters raised where there has been little or no detriment resulting from the licensee's behaviour, the behaviour is not on-going, and there are no other wider public interest issues, we send licensees a compliance advice letter or, if more appropriate, provide mediation services. If it is a serious matter it will be heard and dealt with by a CAC. An investigation will be carried out and the findings provided to a CAC to make a decision. Generally these are matters where there was an intention to breach the law or the relevant Rules and Regulations, the licensee has previously engaged in similar behaviour, or there is a wider public interest in having the behaviour being fully investigated and considered, or the consumer wishes to pursue the matter as a formal complaint.

Decisions of a CAC can be appealed to the Real Estate Agents Disciplinary Tribunal (the Tribunal) and decisions of the Tribunal can be appealed to the High Court.

As part of our monitoring role we receive audit reports for all real estate trust accounts to detect fraudulent activity in the industry. We investigate any defaults or irregularities identified in these audit reports and take action where necessary. We are also commencing more proactive investigations into unlicensed trading.

This output also covers the development and review of practice rules, and the Code of Professional Conduct and Client Care that together set a benchmark for professional behaviour and discipline.

**Table 8: Quantity (demand-driven) measures for Output 3: Monitoring and enforcing**

Quantity (demand-driven)	Actual volumes 2010/11	Estimate 2011/12	Estimate 2012/13
New concerns received	598	650	650
Compliance advice issued	Not applicable <sup>14</sup>	90	150
Completed investigations <sup>15</sup>	623	300	300
Completed mediations	Not applicable <sup>16</sup>	20	80
Number of appeals lodged with the Real Estate Agents Disciplinary Tribunal	87	90	90

**Note:** These measures are demand-driven and are outside our control.

**Table 9: Performance measures and targets for Output 3: Monitoring and enforcing**

Performance measures	Actual achieved 2010/11	Estimate 2011/12	Target 2012/13
<b>Quality</b>			
Judicial criticism received	None	None	None
Percentage of default or irregularity notifications from auditors investigated	100%	100%	100%
Percentage of approved guides provided to consumers by licensees	Not measured	Not measured	95%
Percentage of appeals upheld by the Real Estate Agents Disciplinary Tribunal	40%	10%	10%
<b>Timeliness</b>			
Percentage of complaints completed within 23 weeks	72%	60%	75%
Percentage of trust account audits acknowledged within 10 working days	100%	100%	100%

<sup>14</sup> Compliance advice was introduced as a method for resolving concerns from 1 July 2011.

<sup>15</sup> This includes Authority-led investigations and CAC directed investigation.

<sup>16</sup> Mediation was introduced as an alternative method for resolving concerns from 1 July 2011.

## Forecast financial statements

The Authority has made a number of assumptions to develop its forecast financial statements. The specific assumptions that impact the Authority's financial statements are detailed in the sections below. Items that the Authority feels require further explanation are also detailed in the additional information section below.

### Specific assumptions

The number of licences significantly affects projected income. For forecasting purposes it has been assumed that the Authority will maintain 13,000 active licensees for each year of the period 2012/13 – 2014/15.

### Income

The Forecast Statement of Comprehensive Income is based on the Authority's goal to maintain the industry levy at \$690<sup>17</sup> until 30 June 2015.

### Additional information

#### Retained earnings

By the end of 2013/14, the Authority forecasts returning to a positive equity position of \$734,000. Any surpluses generated in future years will be applied to recovering from the \$4.7 million operating loss incurred in 2009/10. A full recovery of this loss is expected to be made by 2014/15.

#### Capital expenditure

The Authority expects to complete the replacement of its core business systems in November 2012 with \$400,000 capital spend incurred in 2011/12 and a further \$800,000 in 2012/13.

#### Establishment funding

Repayments of the Authority's establishment funding to the Crown have been brought forward from April 2013 to April 2012. Annual repayments of \$1.2 million are planned over the next 5 years, subject to significant fluctuations to income or expenditure, until the total balance of \$6.3 million is fully repaid.

Total active licensees as at 30 June 2012 are expected to reach 13,000. The deferred income recognised in 2012/13 from these licensees is estimated to be \$6.2 million.

#### Personnel costs

Personnel costs include remuneration, leave, health and welfare, and training and development. Remuneration costs include salaries and wages of \$3.2 million.

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<sup>17</sup> This includes the Real Estate Agents Disciplinary Tribunal Levy of \$33 and excludes GST

### Specialist services (\$000)

The following table details the expected spend on specialist services in 2012/13.

Specialist services	2012/13
Advertising and publicity	227
Investigations support	220
Alternative disputes resolution services	192
Other specialist services	122
Bank, merchant service and payroll processing fees	100
Approved guide management	75
ICT and other systems consulting	44
Media and communications	37
Accounting support services	21
Transcription and translation services	17
Specialist services for hearings	9
Publication design services	8
Auditors - other services	5
Drivers licence and passport checks	3
Specialist human resources support	2
<b>Total specialist services</b>	<b>1,082</b>

### Legal fees (\$000)

The following table details the expected spend on legal fees in 2012/13.

Legal fees	2012/13
CAC Appeals to READT	504
READT prosecutions	276
High Court appeals	150
Legal advisory services	144
Licensing reviews	132
Legal contingency	130
Prosecution for offences	80
Trust account audits	15
<b>Total legal fees</b>	<b>1,431</b>

## Forecast Statement of Comprehensive Income

For the year ended 30 June

	2012/13 \$000	2013/14 \$000	2014/15 \$000
<b>Revenue</b>			
Operating levy received	10,069	9,198	9,198
Approved guide sales	180	180	180
Application and suspension fees	358	358	358
Other income	304	268	260
<b>Total revenue</b>	<b>10,911</b>	<b>10,004</b>	<b>9,996</b>
<b>Expenditure</b>			
Audit fee	45	47	50
Personnel costs	3,455	3,677	3,855
Finance costs	467	370	286
Depreciation	93	80	101
Amortisation	282	294	317
Specialist services	1,082	991	1,038
Legal fees	1,431	1,503	1,578
Board fees	160	160	160
Complaints Assessment Committee fees	360	360	360
Miscellaneous expenses	23	23	23
Computer and telecommunications	688	723	759
Printing, stationery and postage	202	204	206
Travel, meetings and entertainment	316	316	316
Occupancy	286	369	403
<b>Total expenditure</b>	<b>8,890</b>	<b>9,117</b>	<b>9,452</b>
<b>Total comprehensive income</b>	<b>2,021</b>	<b>887</b>	<b>544</b>

## Forecast Statement of Financial Position

As at 30 June

	2012/13	2013/14	2014/15
<b>Current assets</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Cash and cash equivalents	8,276	8,131	7,691
Prepayments	122	122	122
GST receivable	102	79	84
Approved guide stock	22	22	22
<b>Total current assets</b>	<b>8,522</b>	<b>8,354</b>	<b>7,919</b>
<b>Non-current assets</b>			
Property, plant and equipment	125	170	194
Intangible assets	1,183	1,039	872
<b>Total non-current assets</b>	<b>1,308</b>	<b>1,209</b>	<b>1,066</b>
<b>Total assets</b>	<b>9,830</b>	<b>9,563</b>	<b>8,985</b>
<b>Current liabilities</b>			
Trade creditors and accruals	734	637	656
Employee entitlements	87	87	87
Deferred operating levy	5,742	5,742	5,742
Establishment funding from Crown at fair value	1,057	1,141	1,215
Disciplinary levy payable	7	7	7
<b>Total current liabilities</b>	<b>7,627</b>	<b>7,614</b>	<b>7,707</b>
<b>Term liabilities</b>			
Establishment funding from Crown at fair value	2,356	1,215	-
<b>Total term liabilities</b>	<b>2,356</b>	<b>1,215</b>	<b>-</b>
<b>Total liabilities</b>	<b>9,983</b>	<b>8,829</b>	<b>7,707</b>
<b>Net assets</b>	<b>(153)</b>	<b>734</b>	<b>1,278</b>
<b>Public equity</b>			
Crown funding	2,078	2,078	2,078
Opening retained earnings	(4,502)	(2,481)	(1,594)
Litigation reserve	250	250	250
Total comprehensive income	2,021	887	544
<b>Total public equity</b>	<b>(153)</b>	<b>734</b>	<b>1,278</b>

## Forecast Statement of Cash Flows

For the year ended 30 June

	2012/13	2013/14	2014/15
<b>Cash flows from operating activities</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Cash was provided from:</b>			
Receipts from licensees	9,955	9,955	9,955
Receipts from sale of publications	180	180	180
Interest income	366	218	210
Suspension fees	63	63	63
Receipts from fines	50	50	50
	<b>10,614</b>	<b>10,466</b>	<b>10,458</b>
<b>Cash was applied to:</b>			
Payments to suppliers	(5,356)	(5,559)	(5,675)
Payments to employees	(3,224)	(3,385)	(3,554)
Interest	(166)	(166)	(166)
Net GST paid	(2)	48	33
	<b>(8,748)</b>	<b>(9,062)</b>	<b>(9,362)</b>
<b>Net cash flows from operating activities</b>	<b>1,866</b>	<b>1,404</b>	<b>1,096</b>
<b>Cash flows from investing activities</b>			
<b>Cash was provided from:</b>			
Cash received from investments	3,000	-	-
	<b>3,000</b>	<b>-</b>	<b>-</b>
<b>Cash was applied to:</b>			
Purchase of property, plant and equipment	(97)	(125)	(125)
Purchase of intangible assets	(1,125)	(163)	(150)
	<b>(1,222)</b>	<b>(288)</b>	<b>(275)</b>
<b>Total cash flows from investing activities</b>	<b>1,778</b>	<b>(288)</b>	<b>(275)</b>
<b>Cash Flows from financing activities</b>			
<b>Cash was applied to:</b>			
Repayment to Crown	(1,261)	(1,261)	(1,261)
<b>Total cash flows from financing activities</b>	<b>(1,261)</b>	<b>(1,261)</b>	<b>(1,261)</b>
<b>Net change in cash and cash equivalents</b>	<b>2,383</b>	<b>(145)</b>	<b>(440)</b>
Opening cash and cash equivalents	5,893	8,276	8,131
<b>Cash and cash equivalents at the end of the year</b>	<b>8,276</b>	<b>8,131</b>	<b>7,691</b>

## Forecast Statement of Changes in Equity

For the year ending 30 June

	2012/13 \$000	2013/14 \$000	2014/15 \$000
<b>Public equity</b>			
<b>Public equity at beginning of year</b>			
Capital funding from Crown	2,078	2,078	2,078
Retained earnings	(4,503)	(2,481)	(1,594)
Reserves	250	250	250
<b>Total Public Equity at 1 July</b>	<b>(2,175)</b>	<b>(153)</b>	<b>734</b>
<b>Recognised Income and Expenses</b>			
Total comprehensive income	2,021	887	544
<b>Public equity at end of year</b>			
Capital funding from Crown	2,078	2,078	2,078
Reserves	250	250	250
Retained earnings	(2,481)	(1,594)	(1,050)
<b>Total Public Equity at 30 June</b>	<b>(153)</b>	<b>734</b>	<b>1,278</b>

## Statement of Accounting Policies

### Reporting entity

These are the forecast financial statements of the Real Estate Agents Authority (the Authority), a Crown entity as defined by the Crown Entities Act 2004. The Authority is domiciled in New Zealand.

The Authority's functions are defined in the Real Estate Agents Act 2008 and are described on page 6 of this statement of intent.

The Authority is a public benefit entity for the purposes of New Zealand International Financial Reporting Standards (NZ IFRS).

### Basis of preparation

#### **Statement of compliance**

The financial statements of the Authority have been prepared in accordance with requirements of the Crown Entities Act 2004 including the requirement to comply with New Zealand generally accepted accounting practice.

The financial statements comply with NZ IFRS and other applicable financial reporting standards, as appropriate for public benefit entities.

#### **Measurement system**

The financial statements have been prepared on an historical cost basis except for the establishment funding from the Crown which is at fair value.

#### **Functional and presentation currency**

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000), unless otherwise specified. The functional currency of the Authority is New Zealand dollars.

### Significant accounting policies

The following accounting policies that materially affect the measurement of financial performance and financial position have been applied.

#### **Revenue**

The Authority derives revenue through: an annual charge to real estate licensees, the sale of publications, interest on investments, and the receipt of fees and fines.

The annual charge to real estate licensees has two components; an operational levy to cover the on-going service provision of the Authority, and a disciplinary levy transferred to the Ministry of Justice to

provide funding for the Disciplinary Tribunal. In addition, an application fee is charged to recover the additional costs of registration. The Authority also charges a fee for suspending a licence. The suspended licence is valid for 12 months, after which it is revived, re-suspended or cancelled.

Most licences expire on 31 March each year and the licence renewal is payable at this time, therefore the Authority generally recognises 25% of revenue from renewed licences in the financial year the operating levy is received. The remaining 75% of the operational levy collected is deferred to the following financial year.

Revenue is measured at the fair value of consideration received or receivable.

### **Levies**

#### *Operational levies*

Operational levies are recognised when earned and are reported in the period to which they relate.

#### *Disciplinary levies*

Disciplinary levies are paid on receipt to the Ministry of Justice and are not recognised as income.

### **Fees**

Application fees and suspension fees are recognised when due and received.

### **Fines**

Fines are recognised when due and receivable.

### **Sale of publications**

Revenue from the sale of publications is recognised when the sale is made.

### **Interest**

Interest is recognised using the effective interest rate method and recognised in the period to which it relates.

### **Capital charge**

A capital charge of 8.0% is applied to the \$2.08 million capital funding received from the Crown and is recognised as an expense in the period to which the charge relates.

### **Leases**

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the Authority are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis, over the term of the lease, in the Statement of Comprehensive Income.

### Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held on call with banks and other short-term, highly liquid investments with maturities of three months or less.

### Investments

Investments include deposits held with banks with original maturities greater than three months but less than one year. Investments in bank deposits are initially measured at fair value plus transaction costs.

After initial recognition investments in bank deposits are measured at amortised cost using the effective interest method, less any provision for impairment. Impairment is established when there is objective evidence the Authority will not be able to collect amounts due according to the original terms of the deposit. Significant financial difficulties of the bank, probability the bank will enter into receivership or liquidation, and default in payments are considered indicators the deposit is impaired.

### Debtors and other receivables

Debtors and other receivables, comprising trade debtors, accrued interest, and resident withholding tax recoverable from the Inland Revenue Department, are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment.

Impairment of a receivable is established when there is objective evidence that the Authority will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation, and default in payments are considered indicators that the debt is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written-off against the allowance account for receivables.

### Inventories

Inventories are valued at the lower of cost (using the First In, First Out method) and net realisable value.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in total comprehensive income in the period of the write-down.

## Property, plant and equipment

Property, plant and equipment consist of leasehold improvements, computer equipment, furniture and office equipment, and capital work in progress.

### **Additions**

The cost of an item of property, plant and equipment is recognised as an asset only when its probable future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably.

### **Disposals**

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the assets. Gains and losses on disposals are included in the Statement of Comprehensive Income.

### **Subsequent costs**

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably.

Costs of day to day servicing of property, plant and equipment are recognised in the Statement of Comprehensive Income as they are incurred.

### **Depreciation**

Property, plant and equipment are depreciated at rates that will write-off the cost of the assets to their estimated residual value over their useful life. The useful lives and associated depreciation rates used in the preparation of these statements are as follows:

Furniture and Office Equipment	5 years	20%	straight line
Computer Equipment	3 years	33%	straight line
Leasehold Improvements	4 years	25%	straight line

## Intangible assets

### **Software acquisition and development**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated directly with the development of software for the internal use of the Authority are recognised as an intangible asset. Direct costs include the software development and consultant's costs. Costs associated with maintaining computer software are recognised as an expense when incurred.

### **Amortisation**

The carrying value of software with a finite life is amortised on a straight-line basis over its useful life. Amortisation commences when the asset is available for use and ceases when the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Comprehensive Income.

The useful lives and associated rates have been estimated as follows:

Acquired and Developed Software	3-5 years	20%-33%	straight line
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The above treatment has been adopted for all items of acquired and developed software.

### **Impairment of non-financial assets**

Property, plant and equipment, and intangible assets that have a finite useful life, are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of an asset's fair value, less costs to sell and value in use. The value in use is the depreciated replacement cost.

### **Creditors and other payables**

Creditors and other payables are initially recognised at fair-value and subsequently measured at amortised cost.

### **Provisions**

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

### **Employee entitlements**

Provision is made in respect of liability for annual leave, which is expected to be settled within 12 months of balance date (or approval is gained to carry forward leave), and measured at undiscounted nominal values based on an actual entitlement basis at current rates of pay.

### **Superannuation schemes**

Obligations for contributions to Kiwisaver are accounted for as defined contribution superannuation schemes and recognised as an expense in the Statement of Comprehensive Income as incurred.

### **Establishment funding**

The Crown has provided establishment funding to be repaid over a period of five years. This is recorded as a liability at fair value on the Statement of Financial Position and subsequently measured at amortised cost in accordance with the effective interest rate method. The Authority plans to make the first repayment in April 2012.

### **Goods and services tax**

The financial statements are prepared on a GST exclusive basis, except accounts receivable and accounts payable, which are prepared on a GST inclusive basis.

The net amount of GST recoverable from, or payable to, the IRD is included as a receivable or payable in the Statement of Financial Position.

### **Taxation**

The Authority is a public authority in terms of the Income Tax Act 2007 and consequently is exempt from income tax.

### **Financial instruments**

The Authority is party to a variety of financial instruments as part of its normal operations. A financial instrument is any contract that gives rise to both a; (recognised or, unrecognised) financial asset of one entity and a (recognised or, unrecognised) financial liability of another entity, or is any contract that demonstrates residual interest in the assets of an entity after deducting all its liabilities. These financial instruments include bank accounts, short-term deposits, accounts payable and accounts receivable. All financial instruments are recognised in the Statement of Financial Position and all revenue and expenses in relation to financial instruments are recognised in the Statement of Comprehensive Income.

## Statement of Cash Flows

The Statement of Cash Flows is prepared exclusive of GST, which is consistent with the method used in the Statement of Comprehensive Income.

Cash flows are classified into three activities:

- operating activities include cash received from all income sources
- investing activities include cash received for sale, and cash payments made for the purchase of investments and any other non-current assets
- financing activities include capital contributions and other transactions relating to changes in equity of the Authority.

## Equity

The Equity is the Crown's investment in the Authority plus any surpluses/less any deficits incurred through operations, and a litigation reserve for extraordinary unanticipated legal expenses.

## Changes in accounting policy

The accounting policies are consistent with those used in the past-year except for the adoption of amendments to the NZ IFRS. None of these amendments have materially changed the financial statements.

## Critical judgements in applying the Authority's accounting policies

In the application of NZ IFRS, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities, not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors believed reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised:

- in the period the estimate is revised
- if the revision affects only that period, or in the period of the revision and future periods
- if the revision affects both current and future periods.

Judgments made by management in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the specific assumptions section on page 27.

## Contact details

### Real Estate Agents Authority

#### Physical address

Level 2  
Deloitte House  
10 Brandon Street  
Wellington

#### Postal address

PO Box 25 371  
Panama Street  
Wellington 6146

**Phone** +64 4 815 8478

**Fax** +64 4 815 8468

**Email** [info@reaa.govt.nz](mailto:info@reaa.govt.nz)

[www.reaa.govt.nz](http://www.reaa.govt.nz)

