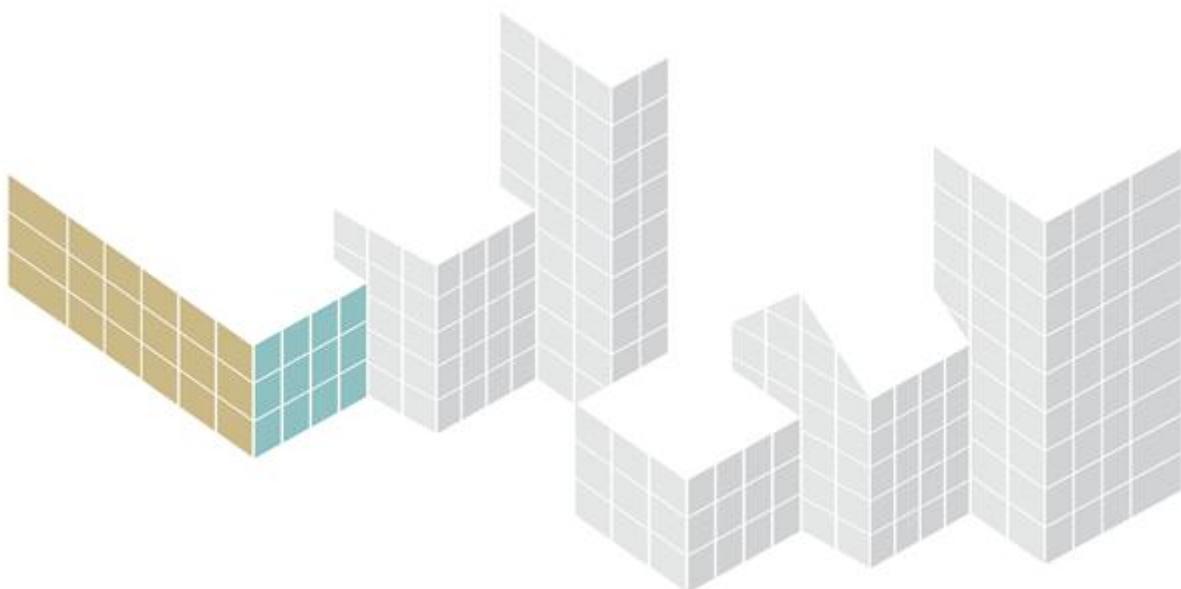


# Real Estate Agents Authority

## Statement of Intent

### 2013/14 – 2015/16





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## Introduction from the Board Chair

Over the last year the Authority has continued to build its regulatory capability, streamline the management of complaints and improve our internal systems.

In 2011/12 we set out on the path of developing proportionate responses to the complaints we receive. This approach introduced a range of regulatory tools that we use to resolve less serious complaints more quickly and effectively through lower level interventions while continuing to refer more serious complaints to complaints assessment committees for investigation.

In 2012/13 we continued this work becoming more focused in our communications with buyers, sellers and licensees. We also upgraded our information technology systems to help us capture and analyse information about the industry so we can use our resources more economically.

In 2013/14 and through to 2015/16 the Authority will develop its intelligence and risk assessment capabilities. These are important components for a modern regulator and will help us identify problems and challenges affecting both the industry and consumers.

The Authority continues to engage with the industry in a comprehensive, responsive and open manner. We have formed advisory groups to provide us with views directly from residential, rural and commercial agents and from business brokers. This important relationship will help the Authority engage directly with licensees to hear the challenges that the different sectors of the industry are facing.

In line with the Government's expectations of the Authority, we are committed to providing efficient, effective value-for-money public services. The Authority affirms its commitment to maintain the industry levy at the current level through to 30 June 2015.

In the year ahead, the Authority will continue to focus on gathering and using all available information in order to identify and address issues as they arise. I look forward to reporting on our progress in the Annual Report.



**Kristy McDonald, QC**

## Statement of Responsibility

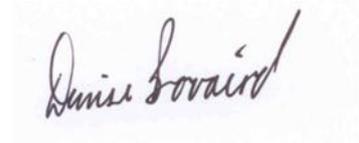
This Statement of Intent 2013/14 – 2015/16 represents the intentions and objectives of the Real Estate Agents Authority. It is presented in accordance with sections 138 to 148 of the Crown Entities Act 2004.



Kristy McDonald, QC

Board Chair

6 May 2013



Denise Bovaird

Board Member

6 May 2013

## PART ONE: Our role

The Real Estate Agents Authority was established in November 2009, by the Real Estate Agents Act 2008 (the Act), to respond to the identified need for independent oversight of the real estate industry. Before our establishment, the Real Estate Institute of New Zealand (REINZ) operated a self-regulatory regime, established under the Real Estate Agents Act 1976.

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 and advising 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  
<http://www.reaa.govt.nz/Pages/PublicRegisterSearch.aspx>
- 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.

### 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.

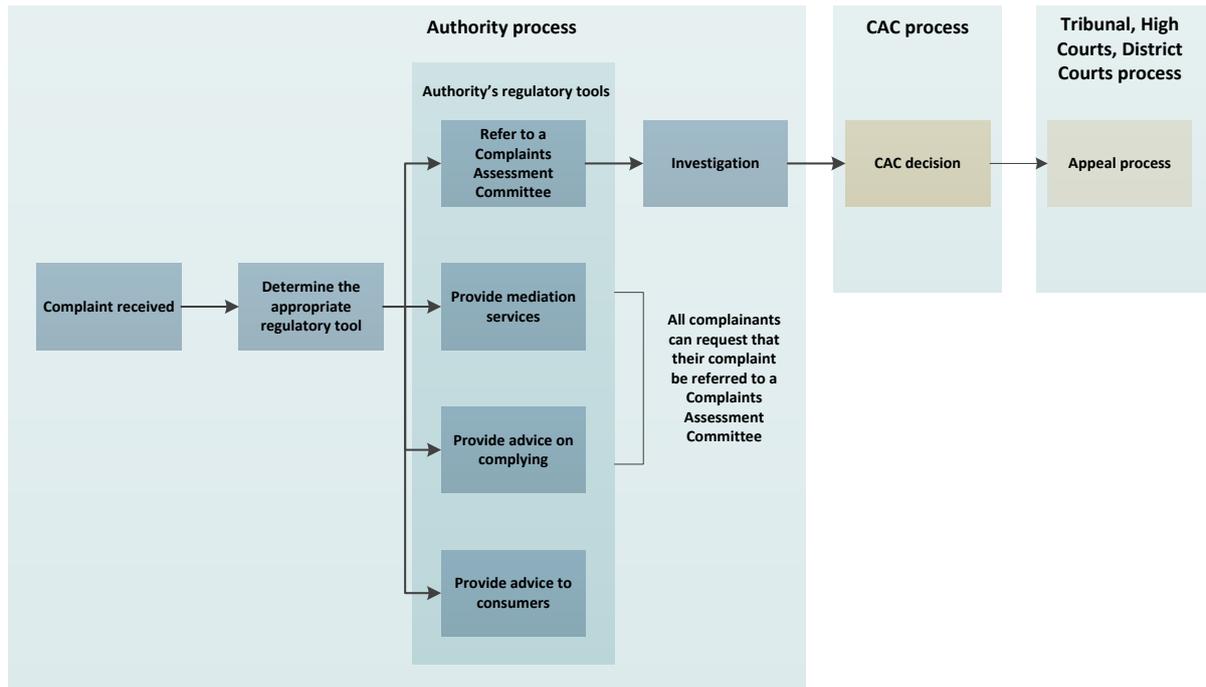
Our Board members are:

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

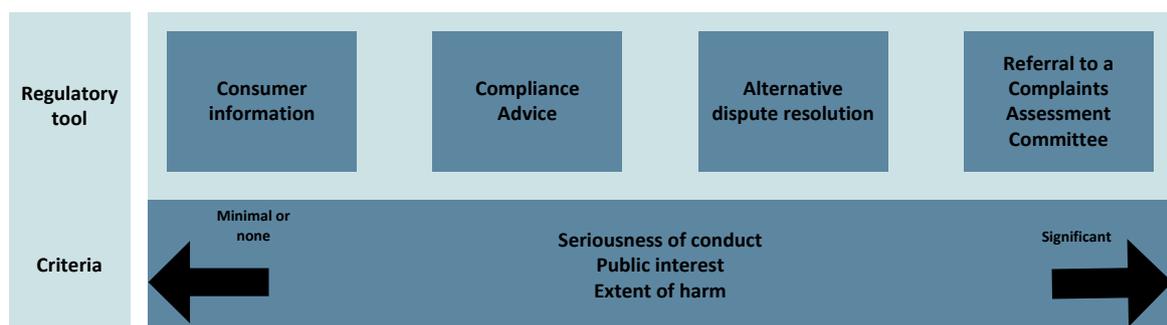
## Our complaints process

We receive on average 700 complaints per year. Of these, approximately half are referred to a Complaints Assessment Committee (CAC) for consideration. The remaining half are resolved through lower level interventions including mediation, providing advice to licensees on complying or by providing information to consumers on their rights. An overview of the complaints process is presented in Figure 1 and the regulatory tools and criteria we use to respond to complaints is set out in Figure 2.

**Figure 1: Overview of complaints process**



**Figure 2: Regulatory tools and criteria**

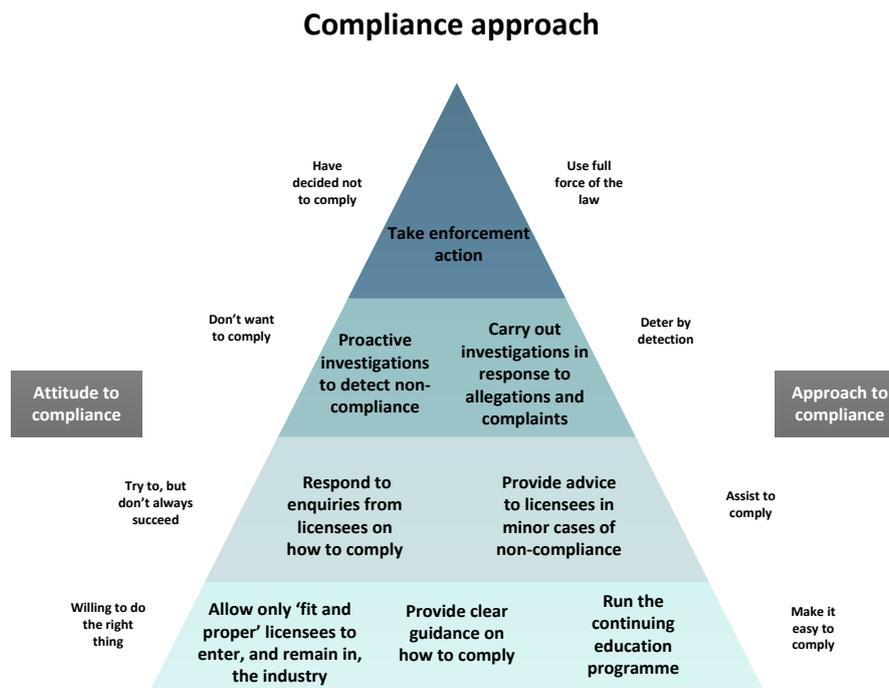


Although we cannot control the volume of complaints that come in we can determine the way we respond to these complaints. Responding to less serious complaints through lower level interventions means they are resolved more quickly and cost less. This approach enables us to use more resources on more serious complaints and proactive activities, such as getting information to buyers and sellers to ensure they are well-informed and prepared for the property transaction process.

## Our compliance model

Our compliance model is based on a proportionate, risk-based approach. As set out below, we attempt to focus the majority of our resources on less costly interventions, based on the assumption that the majority of licensees are willing and able to comply. However, we do not hesitate to take stronger enforcement action where necessary.

**Figure 3: Compliance approach<sup>1</sup>**



## Role of the Complaints Assessment Committees

Complaints Assessment Committees (CACs) are independent judicial panels that make decisions on complaints. The Authority provides administrative, investigative and advisory services to CACs to support them in their decision-making. This support involves carrying out investigations into complaints at the request of the CAC, coordinating meetings and writing up meeting notes. CACs have three members of which one must be a lawyer with at least seven years' experience. Serious complaints, where the CAC considers the action may have involved misconduct, are heard and decided by the Real Estate Agents Disciplinary Tribunal, administered by the Ministry of Justice.

## Role of the Real Estate Agents Disciplinary Tribunal, District Court and High Court

If a complainant or respondent is not satisfied with the decision of a CAC they can appeal the decision to the Real Estate Agents Disciplinary Tribunal (the Tribunal). An appeal to the District or High Courts provides further opportunity to appeal a decision issued by the Tribunal.

<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.

## Who we work with

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

<b>To:</b>	<b>We work with:</b>	<b>In order to:</b>
<b>Inform and advise consumers and licensees</b>	<ul style="list-style-type: none"> <li>• Industry Advisory Groups</li> <li>• New Zealand Law Society</li> <li>• Home Owners and Buyers Association of New Zealand</li> </ul>	Develop guidance and information
	<ul style="list-style-type: none"> <li>• Consumers and licensees</li> </ul>	Provide specific information and advice
<b>Licence individuals and companies</b>	<ul style="list-style-type: none"> <li>• Police</li> <li>• Our international equivalent bodies</li> <li>• Ministry of Business, Innovation and Employment</li> </ul>	Ensure only 'fit and proper' individuals and companies are licensed and remain in the industry
	<ul style="list-style-type: none"> <li>• Education providers</li> </ul>	Provide continuing education services for licensees
<b>Monitor the industry and take enforcement action when needed</b>	<ul style="list-style-type: none"> <li>• Real Estate Institute of New Zealand</li> <li>• Royal Institution of Chartered Surveyors</li> <li>• Industry representatives</li> </ul>	Assist licensees to comply
	<ul style="list-style-type: none"> <li>• Ministry of Business, Innovation and Employment</li> <li>• Commerce Commission</li> <li>• Financial Markets Authority</li> <li>• Inland Revenue</li> </ul>	Detect and monitor industry non-compliance
	<ul style="list-style-type: none"> <li>• Complaints Assessment Committees</li> <li>• Real Estate Agents Disciplinary Tribunal (the Tribunal)</li> <li>• District and High Courts</li> <li>• Ministry of Justice</li> </ul>	Take action against licensees who don't comply

## PART TWO: Our operating environment

What we do is influenced by a range of external factors. Changes in the economy and society across New Zealand are all factors that we need to consider.

The recent growth in the property market may attract more people to work in the real estate industry. Likewise, although it is too early in our operations to draw a correlation between property sales and complaints, an increase in property transactions increases opportunities for non-compliance and so may lead to more complaints.

In the last couple of years the number of active licensees has remained between 12,500 and 13,500. Overall, those licensees who do engage in non-compliant activity make up a very small minority of the total number of active licensees. In 2012 there were over 74,000 residential property transactions with sales of over \$32 billion. During the same period we received approximately 700 complaints and issued just under 100 disciplinary decisions. These represent less than 1 percent of property transactions resulting in a complaint being lodged with the Authority and less than 1 in 7 of these complaints resulting in a disciplinary decision. While the size of the problem is small the complaints can be very serious, and given the large value of property transactions, when things do go wrong they can pose a significant risk to consumers.

Regional differences in the property market can influence the volume and type of complaints we receive. For example, during 2012 nearly half of all property transactions occurred in the Auckland region and complaints from the Auckland region made up just over 45 percent of complaints. We will monitor activity in Canterbury as the potentially higher turnover of properties, including properties with defects, may increase opportunities for fraudulent activity and non-compliance.

Different sales methods are becoming increasingly popular. In particular, in cities where demand for properties is higher as in Auckland and Christchurch, auctions are becoming more common. Regardless of the method of sale we recommend that buyers should carry out all research on a property before submitting an offer. However, we have noticed increases in complaints where purchasers have not carried out appropriate or timely due diligence, and that has resulted in them purchasing houses with defects unknown to them. Our advice for consumers will continue to focus on what buyers and sellers need to know before engaging in a property transaction.

New Zealand's housing is changing. Properties with unit titles, body corporates or occupational rights 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 in relation to these types of property transactions and target our interventions accordingly.

The way in which New Zealanders buy and sell real estate is also changing. The greater preference for carrying out transactions online extends to real estate transactions. Online purchasing enables quicker, easier transactions to take place and allows for an electronic record of the transaction process. However, it also

increases the opportunity for fraud to take place. We will monitor this closely to ensure that consumers remain informed, protected and empowered in this changing environment.

With increased access to the internet, it may be easier for private individuals to market their properties, which could lead to a rise in the number of home owners choosing to sell privately and outside the regulated environment. Consumers need to be aware that if they do choose to buy a property through a private sale, they are outside the protection of the Act and will not have access to the Authority's processes for redress.

Using available technology will also enable us to carry out our role more efficiently. We are planning to increase the range of services available online such as applying for a real estate licence and lodging a complaint.

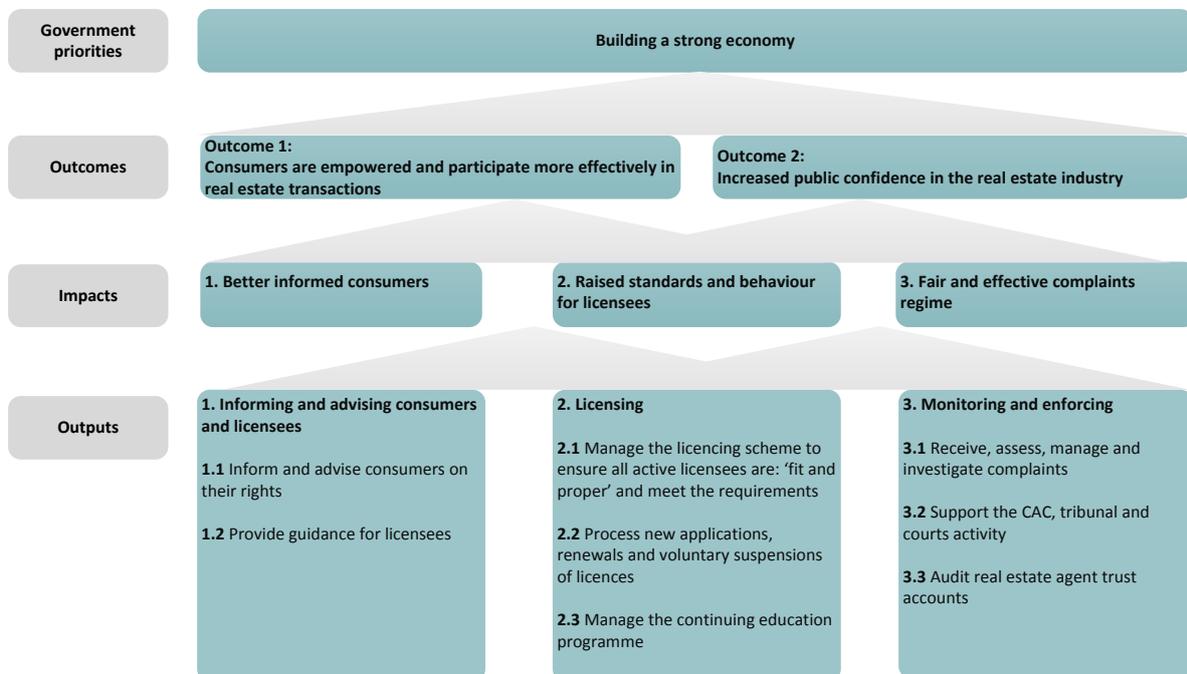
We will continue to analyse the nature and types of concerns raised about licensees' behaviour to ensure our advice and guidance is meeting the needs of both consumers and licensees, and make changes where necessary. Through our work we are aiming to achieve a reduction in the severity and frequency of breaches to the Real Estate Agents Act 2008 as both consumers and licensees become more aware of their rights and obligations, although we expect this trend may take a number of years to eventuate.

## Strategic direction

The outcomes framework (Figure 4) illustrates that a mixture of activities are required to achieve our impacts and outcomes. These impacts and outcomes, along with indicators to understand better the effectiveness of these interventions, 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 a strong economy. 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.

**Figure 4: Our outcomes framework**



## **PART THREE: Our operating intentions**

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

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

Consumers who understand the basics of the real estate process, and 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**

### **Why this is important**

Buyers and sellers need information to help guide them through the buying and selling process so that they can feel confident, empowered and informed when dealing with a 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.

### **What we are doing**

Over the next three-year period we intend to focus on more proactive, targeted resources for consumers. This will allow us to allocate our resources to where they will have the most effect. For example, we have begun capturing more detailed information on complaints, such as sales method, which will help us to target more resources to buyers and sellers engaging in particular types of sales methods.

We will focus on ensuring the information we provide to consumers is clear and accessible. This has begun with an update on the information available for buyers and sellers on our website and a review of the information included in decisions on complaints to ensure it is more easily understood and written in plain English.

We also intend to use social media to engage with consumers and work closely with other organisations involved in the property transaction process to leverage those opportunities to inform consumers and ensure they have the right information they need to make informed decisions.

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

### **Why this is important**

Raised awareness of appropriate behaviour should make it easier for licensees to comply with the legislation and should act as a deterrent to engage in the types of behaviour that can lead to disciplinary action.

Increasing the overall standards of behaviour in the industry will mean consumers should have more positive interactions with licensees which will encourage greater confidence in the industry.

### **What we are doing**

Over the next three-year period we intend to focus on initiatives to encourage and assist licensees to comply. We have established industry advisory groups to ensure that the information and guidance we provide does assist licensees to comply with the legislation and to help us identify whether we could do this in other ways. For the 2013 calendar year the topic for the continuing education programme is 'The legal and physical description and representation of real estate'. Continuing education should improve licensees' knowledge of the law, rules and regulations and enhance their skills and judgement in real estate transactions.

### **Impact 3: Fair and effective complaints regime**

#### **Why this is important**

Maintaining fair, impartial systems for managing complaints against licensees ensures the integrity of the system and public confidence in the system. The work we do to identify and respond to non-compliant activity will ensure consumers are better protected when participating in one of the largest transactions that most will undertake during their lifetime.

#### **What we are doing**

We undertake our own monitoring of the industry, assisted by the industry itself raising matters regarding potential licensee misconduct. We want to target resources to this work over the coming three years to ensure that the areas with the greatest risk of non-compliant behaviour are identified and effectively monitored. We have recently made enhancements to the systems we use to capture our compliance and licensing information to allow us to more readily identify trends in this data and be more proactive in our response.

We realise to do this effectively we also need good relationships with the industry and with other regulatory agencies involved in the property transaction process so we can share information appropriately. Over the next year we intend to foster stronger relationships with the industry and these agencies to enable us to carry out our role more effectively.

## How we will measure the success of our interventions

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

**Table 1: Outcome and impact indicators**

Outcomes	Indicator	Actual 2011/12	Estimate 2012/13	Target 2015/16
<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	Survey not undertaken	86% (actual)	90%
<b>2. Increased public confidence in the real estate industry</b>	Percentage of consumers that have confidence in the real estate industry	Survey not undertaken	61% <sup>2</sup> (actual)	65%
	UMR Mood of the Nation Survey - occupational respect <sup>3</sup>	4.1/10	4.2/10	4.5/10
Impacts	Indicator	Actual 2011/12	Estimate 2012/13	Target 2015/16
<b>1. Better informed consumers</b>	Percentage of consumers that consider themselves informed of their rights in relation to real estate transactions increases	Survey not undertaken	55%	60%

Once every two years we undertake a survey of consumers' perceptions of, and experiences with, the real estate industry. We undertake this every two years rather than annually as the survey is costly to undertake and we don't anticipate significant change to occur on an annual basis. We will report the results of the consumer survey and in the years the consumer survey is not undertaken, we will make continual progress towards the target. The survey was first undertaken in July 2012. Several of our indicators relating to our work for consumers are derived from this survey. New Zealanders on average engage in a property transaction once every seven years. Therefore, we expect gradual change in the indicators for consumer empowerment, knowledge, and awareness, as the majority of participants in property transactions will be new to the process each year.

<sup>2</sup> In a survey commissioned by the Authority in July 2012, survey respondents were asked to rank their confidence in the real estate industry based on four criteria: professional, well-monitored, well-regulated and fair (with 1 being the lowest and 5 being the highest). On average across the four criteria, 61% of respondents ranked the industry a 3, being some confidence, 4 or 5, being a lot of confidence, out of 5. The survey respondents were individuals who had engaged in a property transaction through a real estate agent within the previous year.

<sup>3</sup> 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.

Impacts	Indicator	Actual 2011/12	Estimate 2012/13	Target 2015/16
<b>2. Raised standards of behaviour for licensees</b>	Number per 1,000 active licensees that during the financial year receive decisions of either unsatisfactory conduct or misconduct	7	8	6

With our work in relation to licensees we expect comparatively quicker improvements to our indicators. If our work to raise standards of behaviour and our gatekeeping role to ensure only 'fit and proper' licensees enter and remain in the industry are working effectively, then the proportion of licensees that receive determinations of unsatisfactory conduct or misconduct, should remain low. We have set a target that less than 6 per 1,000 licensees will receive a decision of unsatisfactory conduct or misconduct each year by 2015/16.

At the start of the 2012/13 financial year the Authority had a high volume of open old complaints. The Authority focused more resources on resolving these older cases. As a result a high volume of decisions issued in 2012/13 were for complaints received in previous years. This resulted in a higher proportion of licensees with decisions of misconduct or unsatisfactory conduct than in the previous year. As we have responded to the backlog of complaints the figure in the forecasts for this indicator are based on the more regular annual volumes that we anticipate over the next three years.

Impacts	Indicator	Actual 2011/12	Estimate 2012/13	Target 2015/16
<b>3. Maintaining a fair and effective complaints regime</b>	Percentage of complainants and respondents that consider the complaints process fair	61%	61%	65%

This indicator is assessed through an annual survey sent to both complainants and respondents to complaints closed during the financial year. We acknowledge that the way survey respondents choose to answer this question is often framed by the outcome of their complaint. Because of this we do not expect significant changes to the result for 2011/12 that we use as the baseline for this measure. However, if this figure falls lower than the baseline it would indicate that there may be perceived issues with the fairness of our complaints process.

## Evaluative activities planned

Annually we undertake surveys to assess satisfaction with the services we deliver. These surveys focus on licensees' experiences with our services, and complainant and respondents' experiences with our complaints services. Biennially we undertake a consumer survey. This survey attempts to better understand consumer perceptions of the Authority and the industry, and their experiences with real estate professionals. Both sets of surveys enable us to effectively evaluate our performance both internally, in terms of the services we deliver, and externally, in terms of the impact our role has on the industry.

### Client satisfaction surveys

We use these surveys to inform where we might need to make improvements. For example, in our complainants survey complainants expressed that communication from the Authority on progress in relation to complaints was not frequent enough. As a result, changes have been made to our case management processes to ensure complainants and respondents are contacted at least monthly on the progress of their complaint.

We also use some of the results of this survey in our performance measure relating to licensee satisfaction with the resources we provide.

### Consumer survey

We undertook our first consumer survey in July 2012. We plan to run this survey biennially and use the results to help inform where we should focus our resources and evaluate how effective we are in carrying out our consumer interventions.

The survey highlighted good awareness of the Authority (70%), but fewer than one in ten New Zealanders have a reasonable understanding of what we do. Although the second figure is low, we are satisfied with this result as it reflects the approximate proportion of New Zealanders who would likely have been involved in a property transaction since our establishment. As there is good awareness of the Authority it also indicates that when New Zealanders do undertake a transaction they will know the organisation to contact if something does go wrong or who to talk to if they want advice.

Just over half of people surveyed (55%) say they have at least some knowledge of their rights and obligations with respect to real estate agents, and the majority (86%) feel at least somewhat empowered and able to participate effectively in the real estate transaction. We consider this to be a good baseline to start from, but acknowledge that there is still room for improvement. We intend to undertake the survey again in two years' time to assess changes.

## **PART FOUR: 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 to 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 qualifications. As well as up skilling our staff, their understanding of the industry's education requirements will increase.

In July 2012 we undertook a survey of our staff to understand their levels of engagement and to identify any areas of improvement required. The survey identified several areas we could improve in and we are working through these. We will undertake the survey again in July 2013.

### **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**

In December 2012 we implemented a new licencing and compliance system. This enables us to capture data we need on the industry, consumers and licensees so we can better target our services and interventions.

### **Reporting to the Minister**

We 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.

### **Managing our risks**

We have a risk management framework in place. The Board maintains an overview of the framework and reviews the risk register on an on-going basis. Our Audit and Risk Sub-Committee of the Board ensures we have identified and evaluated the risks to achieving our stated objectives and that these risks are adequately managed to appropriate levels of exposure.

## PART FIVE: Statement of forecast service performance

We have one output class through Vote Justice. This output class funds all of our work. 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 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, it has been noted where new performance measures have been added, and no baseline data is available.

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

**Table 2: Output class revenue and expenditure**

Revenue and expenditure	2013/14 (\$000)
<b>Total revenue</b>	<b>9,626</b>
<b>Output expenditure:</b>	
Informing and advising consumers and licensees	869
Licensing	2,203
Monitoring and enforcing	6,177
<b>Total expenditure</b>	<b>9,249</b>
<b>Total comprehensive income</b>	<b>377</b>

## Output 1: Informing and advising consumers and licensees

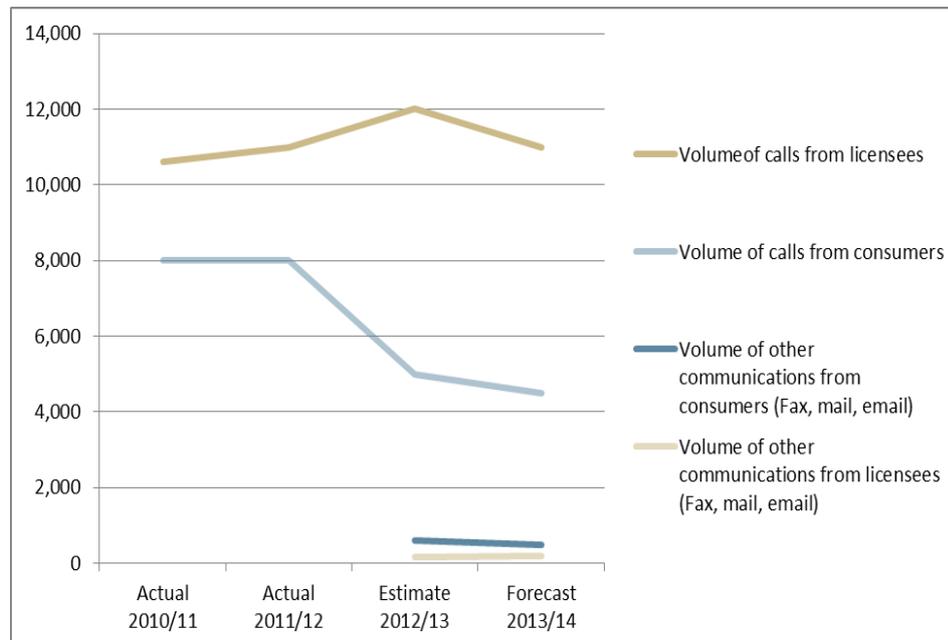
We provide information and advice to consumers and licensees through a variety of channels, including online and published guidance material, as well as interacting directly with consumers and licensees by phone and email to respond to specific queries. We resolve the majority of queries on the day we receive them. Social media channels will also be set up over the next year and will provide another means of interaction.

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

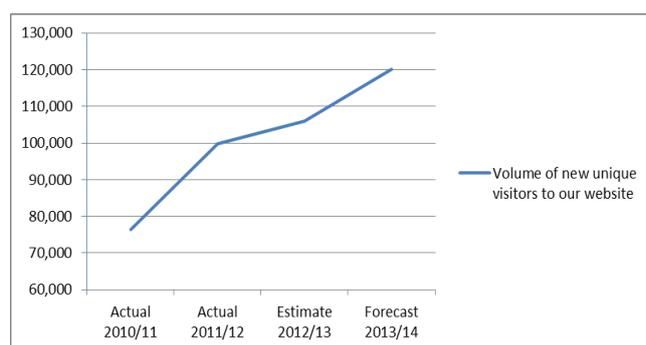
To better target our communications we review the nature and type of complaints raised by consumers and run information programmes to increase awareness of particular trends that have been identified. We also use this trend information in determining topics for guidance material and in the continuing education programme for licensees.

As depicted in Figure 5, we expect phone enquiries from consumers and licensees to decrease overtime and unique visits to our website, depicted in Figure 6, to increase. This reflects our approach to focus the majority of our resources on providing timely, accessible information through our website and guidance to a large audience but continuing to be available to answer specific questions from consumers and licensees where they need additional assistance.

**Figure 5: Volumes of contact from licensees and consumers**



**Figure 6: Volume of new unique visitors to the Authority's website**



Where targets have changed from previous years the explanation has been noted in the text below each measure.

**Table 3: Performance measures for Output 1: Informing and advising consumers and licensees**

Performance measures	Actual 2011/12	Estimate 2012/13	Target 2013/14
<b>Quantity</b>			
1.1 Number of presentations at stakeholder events	Not measured	20	20
1.2 Number of compliance information sheets published for licensees	3	3	4
1.3 Number of industry newsletters published for licensees	9	9	6

**1.3:** We have reviewed the e-newsletter we provide to licensees. We have decided to reduce the frequency to once every two months and provide more comprehensive content.

Performance measures	Actual 2011/12	Estimate 2012/13	Target 2013/14
<b>Quality</b>			
1.4 Percentage of licensees who consider the newsletters and guidance material informative <sup>4</sup>	75%	75%	75%
1.5 Visitors to our website are satisfied that they find the information they need to make informed property transactions <sup>5</sup>	Not measured	75%	80%

**1.5:** The estimate for 2012/13 is based on a similar question that was asked in the Consumer Survey the Authority commissioned in July 2012. As the content was very similar we have used the result of this survey to estimate what would be achieved for 2012/13. In February 2013 we launched our new website, which has an improved structure, content, and search functionality. Based on the result from the Consumer Survey and the improvements to our website we have increased the target for 2013/14. This will be measured through a survey of visitors to our website.

<sup>4</sup> This result is obtained through an annual survey of a sample of licensees. The average of two questions is used to obtain the result; ranking the usefulness of the newsletters and approved guides on a scale of 1 – 5. Survey respondents are considered satisfied if they ranked the usefulness of these documents as either a 3, 4 or 5.

<sup>5</sup> This result is obtained through an online survey on the Authority's website.

## Output 2: Licensing

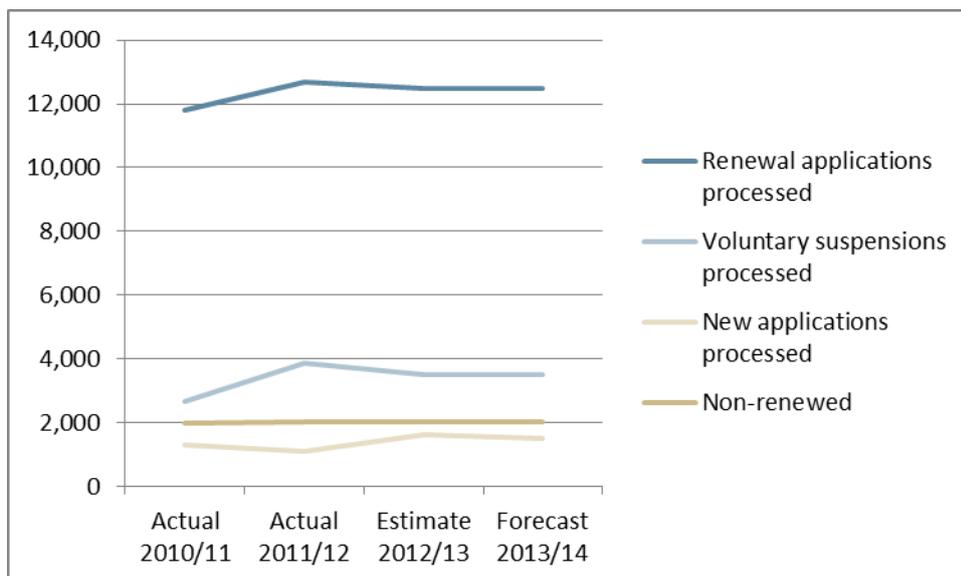
As part of our licencing work we act as a gatekeeper to the real estate industry to ensure only 'fit and proper' individuals that meet the required professional standards enter and remain in the industry.

Our work in administering the licencing scheme involves processing approximately 1,500 new, 12,500 renewal and 3,000 voluntary suspension applications each year. The actual volumes are outside of our control and are influenced by a number of factors, including changes in the property market increasing or decreasing the attractiveness of working in the industry.

We also maintain a current register of all approved licensees. This allows consumers to check the disciplinary history of their prospective licensee before using them.

As presented in Figure 7 below we anticipate similar volumes of new and renewal applications to previous years. Licensees can choose to renew or suspend their licence, or not renew their licence through the licence expiring, being surrendered or cancelled (the vast majority of licence cancellations are due to non-payment of fees or levies). The number of active licensees in the industry continues to remain between 12,500 and 13,500 as the number of new entrants to the industry is similar in volume to the number of licensees choosing to exit the industry. However, we expect fewer licensees to renew their suspended licences.

**Figure 7: Volume of licencing transactions**



Where targets have changed from previous years the explanation has been noted in the text below each measure.

**Table 4: Performance measures for Output 2: Licensing**

Performance measures	Actual 2011/12	Estimate 2012/13	Target 2013/14
<b>Quality</b>			
<b>2.1</b> Number per 10,000 new and renewal applications approved where licensees are 'fit and proper' and meet the required professional standards	Revised measure	Revised measure	9,998
<p><b>2.1:</b> For 2012/13 this performance measure was the <i>percentage of new applications approved where licensees are 'fit and proper' and meet the required professional standards</i> with a target of 100% that we estimate we will be met for 2012/13. The professional standards consider any previous criminal convictions, relevant education, and character of licensees. This performance measure has been revised to include both new and renewal applications. This measure helps us assess performance in terms of our 'gate keeper' role that involves processing approximately 14,000 new and renewal applications.</p>			
Performance measures	Actual 2011/12	Estimate 2012/13	Target 2013/14
<b>Timeliness</b>			
<b>2.2</b> Number of new applications for licences processed within 3 weeks	Revised measure [99% achieved within 6 weeks]	95%	95%
<b>2.3</b> Number of renewal applications for licences processed within 2 weeks	Revised measure [99% achieved within 6 weeks]	86%	95%

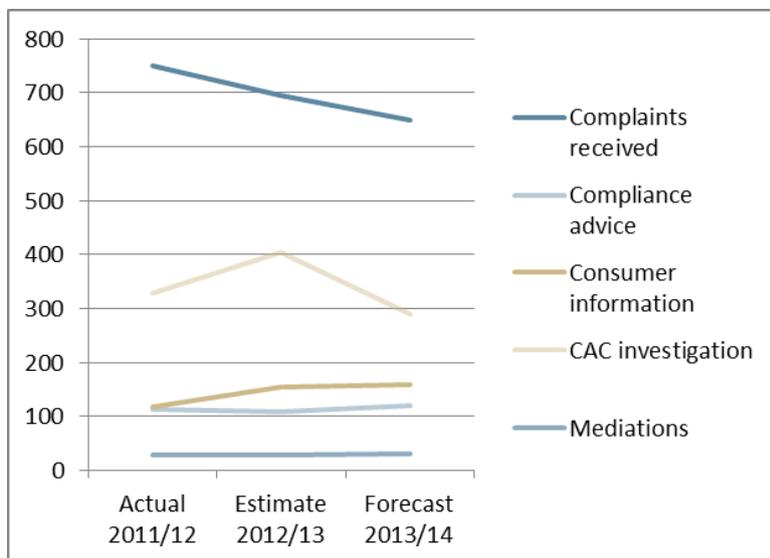
### Output 3: Monitoring and enforcing

We monitor the real estate industry and take action against non-compliance. We receive on average 700 complaints and allegations each year, most often from consumers, but also from other licensees or anonymously. Although we cannot control the volume of complaints we receive over the short term we have some discretion over on how we respond to these complaints.

As part of our enforcement role we have a range of ways in which we can work to resolve complaints. Less serious complaints are resolved through the lower level interventions of providing compliance advice, consumer information or through mediation while more serious complaints are referred to a CAC for consideration. We anticipate that the volume of complaints will decrease over the longer term and the proportion of complex complaints will increase as consumers grow more knowledgeable about their rights in relation to property transactions. Anecdotally buyers and sellers on average engage in a property transaction once every seven years. As a result, we expect gradual change as the majority of participants in property transactions will be new to the process each year.

As depicted in Figure 8 we forecast that the proportion of complaints resolved through lower-level interventions will increase from approximately 40 percent of complaints received in 2012/13 to just over half in 2013/14. As complaints resolved through lower level interventions take less time, we expect our average complaints processing time to reduce.

**Figure 8: Triage categorisation of complaints received<sup>6</sup>**



<sup>6</sup> In 1 July 2011 we introduced a new compliance model that introduced new interventions for responding to complaints. As a result, information for the 2009/10 and 2010/11 financial year is not able to be compared.

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.

Where targets have changed from previous years the explanation has been noted in the text below each measure.

**Table 5: Performance measures and targets for Output 3: Monitoring and enforcing**

Performance measures	Actual 2011/12	Estimate 2012/13	Target 2013/14
<b>Quality</b>			
<b>3.1</b> Number of judicial criticisms on Complaints Assessment Committee decision-making process	None	None	None
<b>3.2</b> Percentage of appeals upheld by the Real Estate Agents Disciplinary Tribunal	40%	43%	40%

**3.1** We have revised the quality measure on receipt of judicial criticisms to be more specific. Our main concern is receipt of criticism from the judiciary where it specifically comments on decision-making processes of CACs, as this is within our control.

**3.2** Although there are a limited number of appeal decisions to draw definite conclusions from, we expect the volume of upheld appeals to remain at approximately 40 percent. The key factors that contribute to CAC decisions being overturned by the Tribunal include: the Tribunal process is a full rehearing of the case held in person that provides the opportunity for cross examination of witnesses. In addition in that re-hearing new evidence may be presented that wasn't able to be presented to the CAC. However, if the volume of upheld appeals increases from this target it may indicate problems with CAC decision-making processes or the Authority's investigative services in which case these will be carefully scrutinised and addressed.

Performance measures	Actual 2011/12	Estimate 2012/13	Target 2013/14
<b>Timeliness</b>			
<b>3.3</b> Percentage of complaints completed within 1 month	33%	29%	45%
<b>3.4</b> Percentage of complaints completed within six months	63%	67%	70%
<b>3.5</b> Percentage of complaints completed within one year	95%	94%	95%

Our performance measure to assess complaints processing times have been revised from the previous year to include all complaints resolved through all methods available. These are described on the previous page. Previously our performance measures only assessed complaint completion times for complaints referred to CACs rather than overall complaints completion times. The Authority recognises the influence that a complaint has on both consumers and licensees while it remains unresolved and is focussed on improving the time it takes to resolve complaints. It is anticipated that the targets set for 2014/15 will be an improvement on what is set for 2013/14.

**3.3** The majority of complaints resolved through compliance advice and consumer information are closed within one month. We are making changes to our triage process and anticipate that the proportion of complaints resolved through these methods will increase for the 2013/14 year.

**3.4** The target for 2013/14 reflects anticipated process efficiencies taking effect and we also expect a lower volume of complaints requiring an inquiry by a Complaints Assessment Committee.

**3.5** While we expect the vast majority of complaints to be resolved within one year, we note that some highly complex complaints can take longer than this to investigate. As with the 2011/12 and 2012/13 years we expect for the 2013/14 that the proportion of complex complaints that take longer than one year to resolve to remain at approximately 5%.

## PART SIX: 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 2013/14 – 2015/16.

### **Income**

The Forecast Statement of Comprehensive Income is based on the Authority's goal to maintain the industry levy at \$690<sup>7</sup> until 30 June 2015.

## **Additional information**

### **Retained earnings**

By the end of 2014/15, the Authority forecasts returning to a positive equity position of \$11,000.

### **Capital expenditure**

The Authority completed Phase I of its core business systems upgrade project in December 2012 with \$600,000 capital spend incurred in 2012/13 and a further \$600,000 to be incurred on Phase II of the project in 2013/14.

### **Establishment funding**

Annual repayments of \$1.2 million were made in the 2011/12 and 2012/13 years. Further payments are planned over the next three years, subject to significant fluctuations to income or expenditure, until the total balance of \$6.2 million is fully repaid.

### **Revenue and Licensee Volumes**

Total active licensees as at 30 June 2013 are expected to reach 13,000. The deferred income recognised in 2013/14 from these licensees is estimated to be \$5.4 million.

### **Personnel costs**

Personnel costs include health and welfare, training and development, ACC Levy, recruitment and salaries and wages of \$3.4 million.

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<sup>7</sup> This includes the Real Estate Agents Disciplinary Tribunal Levy of \$33 and excludes GST

## Forecast Statement of Comprehensive Income

For the year ended 30 June

	2013/14 \$000	2014/15 \$000	2015/16 \$000
<b>Revenue</b>			
Operating levy received	8,494	8,541	8,541
Approved guide sales	277	276	276
Application and suspension fees	584	508	413
Other income	271	219	226
<b>Total revenue</b>	<b>9,626</b>	<b>9,544</b>	<b>9,456</b>
<b>Expenditure</b>			
Audit fee	55	55	55
Personnel costs	3,858	3,982	4,109
Finance costs	404	307	222
Depreciation	70	75	69
Amortisation	294	402	427
Specialist services	1,297	1,097	1,098
Legal fees	1,280	1,280	1,280
Board fees	160	160	160
Complaints Assessment Committee fees	273	273	273
Miscellaneous expenses	11	11	11
Computer and telecommunications	781	781	781
Printing, stationery and postage	235	235	235
Travel, meetings and entertainment	201	201	201
Occupancy	330	332	333
<b>Total expenditure</b>	<b>9,249</b>	<b>9,191</b>	<b>9,255</b>
<b>Total comprehensive income</b>	<b>377</b>	<b>353</b>	<b>201</b>

## Forecast Statement of Financial Position

As at 30 June

	2013/14	2014/15	2015/16
<b>Current Assets</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Cash and cash equivalents	3,256	2,976	2,434
Investments	3,045	3,045	3,045
Debtors and other receivables	73	73	73
Prepayments	15	15	17
GST receivable	92	62	64
Approved guide stock	35	35	35
<b>Total current assets</b>	<b>6,516</b>	<b>6,206</b>	<b>5,668</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	126	116	72
Intangible assets	1,274	972	646
<b>Total non-current assets</b>	<b>1,400</b>	<b>1,088</b>	<b>718</b>
<b>Total assets</b>	<b>7,916</b>	<b>7,294</b>	<b>6,386</b>
<b>Current Liabilities</b>			
Trade creditors and accruals	409	554	554
Employee entitlements	115	115	115
Deferred operating levy	5,498	5,498	5,498
Establishment funding from Crown at fair value	1,121	1,108	0
Disciplinary levy payable	7	8	8
<b>Total current liabilities</b>	<b>7,150</b>	<b>7,283</b>	<b>6,174</b>
<b>Term Liabilities</b>			
Rent rebate	0	0	0
Establishment funding from Crown at fair value	1,108	0	0
<b>Total term liabilities</b>	<b>1,108</b>	<b>0</b>	<b>0</b>
<b>Total liabilities</b>	<b>8,258</b>	<b>7,283</b>	<b>6,174</b>
<b>Net assets</b>	<b>(342)</b>	<b>11</b>	<b>212</b>
<b>Public Equity</b>			
Crown funding	2,078	2,078	2,078
Retained earnings	(3,047)	(2,670)	(2,317)
Litigation reserve	250	250	250
Total comprehensive income	377	353	201
<b>Total public equity</b>	<b>(342)</b>	<b>11</b>	<b>212</b>

## Forecast Statement of Cash Flows

For the year ended 30 June

	2013/14	2014/15	2015/16
<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	8,773	8,953	8,953
Receipts from sale of publications	277	276	276
Interest income	221	169	138
Suspension fees	171	95	38
Receipts from fines	50	50	50
	<b>9,492</b>	<b>9,543</b>	<b>9,454</b>
<b>Cash was applied to:</b>			
Payments to suppliers	(4,857)	(4,437)	(4,587)
Payments to employees	(3,703)	(3,825)	(3,951)
Interest	(166)	(166)	(166)
Net GST paid	(77)	30	(1)
	<b>(8,803)</b>	<b>(8,398)</b>	<b>(8,705)</b>
<b>Net cash flows from operating activities</b>	<b>689</b>	<b>1,145</b>	<b>749</b>
<b>Cash Flows from Investing Activities</b>			
<b>Cash was applied to:</b>			
Purchase of property, plant and equipment	(120)	(65)	(25)
Purchase of intangible assets	(940)	(100)	(100)
	<b>(1,060)</b>	<b>(165)</b>	<b>(125)</b>
<b>Total cash flows from investing activities</b>	<b>(1,060)</b>	<b>(165)</b>	<b>(125)</b>
<b>Cash Flows from Financing Activities</b>			
<b>Cash was applied to:</b>			
Repayment to Crown	(1,261)	(1,261)	(1,166)
<b>Total cash flows from financing activities</b>	<b>(1,261)</b>	<b>(1,261)</b>	<b>(1,166)</b>
<b>Net change in cash and cash equivalents</b>	<b>(1,632)</b>	<b>(281)</b>	<b>(542)</b>
Opening cash and cash equivalents	<b>4,889</b>	<b>3,256</b>	<b>2,976</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>3,256</b>	<b>2,976</b>	<b>2,434</b>

## Forecast Statement of Changes in Equity

For the year ending 30th June

	2013/14 \$000	2014/15 \$000	2015/16 \$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	(3,047)	(2,670)	(2,317)
Reserves	250	250	250
<b>Total Public Equity as Start of the Year</b>	<b>(719)</b>	<b>(342)</b>	<b>11</b>
<b>Recognised Income and Expenses</b>			
Total comprehensive income	377	353	201
<b>Public Equity at End of Year</b>			
Capital funding from Crown	2,078	2,078	2,078
Reserves	250	250	250
Retained earnings	(3,047)	(2,670)	(2,317)
<b>Total Public Equity at End of the Year</b>	<b>(342)</b>	<b>11</b>	<b>212</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 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 made its 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 29.

## Contact details

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