

Audit Programme Guide

The following audit programme is a suggested guide that is designed to assist you in ensuring the minimum requirements of the Audit Regulations are met. You are not required to complete this guide or return it to the Authority with your final Audit Report, it contains the following sections;

- 1. Duties of agencies in relation to trust accounts**
- 2. Appointment of auditor**
- 3. Duties of agencies in relation to audits**
- 4. Duties of auditors**
- 5. Disclosure of information to and by auditor**
- 6. Inactive trust accounts**
- 7. Transitional provisions**

Duties of agencies in relation to trust accounts

Audit Requirement	Audit Work Performed	Findings
<p>Operation of Trust Accounts (Regulation 5)</p> <p>1.1 Each bank account into which trust account money received by the agency is deposited is a designated “trust account”¹.</p>		
<p>1.2 The bank has received written notice that all money standing to the credit of a trust account kept at the bank by the agency is held as trust account money, and</p>		
<p>1.2.1 The bank is not entitled to combine the trust account with any other account, or to exercise any right to set-off or counter claim against money in that trust account in respect of any sum owed to it on any other account, and</p>		
<p>1.2.2 Any interest payable in respect of the account balance must be credited to that trust account.</p>		
<p>1.3 The agent holds written confirmation from the bank that holds the trust account that they accept the terms of the notice provided under audit points 1.2 above.</p>		

¹ A designated Trust Account means a general or separate account kept by an agency at any bank carrying on business in NZ that is a designated trust account; or into which trust account money is deposited.

Duties of agencies in relation to trust accounts

Audit Requirement	Audit Work Performed	Findings
<p>Trust Account Records (Regulation 6)</p> <p>Every agency must—</p> <p>2.1 Keep trust account records in a manner that enables those records to be conveniently and properly audited.</p>		
<p>2.2 Ensure trust account records— are up to date; and clearly show the amount of trust account money held for each client; and are, as far as practicable, secure against retrospective alteration or deletion.</p>		
<p>2.3 All entries in the client ledger accounts, and in other records that are the source of those entries, must— (a) be dated; and (b) include references that identify their source or destination and enable them to be traced backward and forward.</p>		
<p>2.4 All entries in the journal must include sufficient detail to make their purpose evident.</p>		
<p>2.5 Trust account records relating to a client must be retained for a period of at least 7 years from the date of the last transaction recorded in them².</p>		

² Records may be retained after the first 3 years, in the form of imaging, or other similar technology; or (b) in the case of computer-generated trust account records originated by the agency, may be retained in the form of electronic storage, imaging, or similar technology.

Duties of agencies in relation to trust accounts

Audit Requirement	Audit Work Performed	Findings
<p>Receipt and Payment of Trust Account Money (Regulation 7)</p> <p>3.1 Every receipt, payment, transfer, and balance of trust account money must be recorded in a trust account ledger with a separate ledger account for each client and no ledger account may contain money of more than 1 client³.</p>		
<p>3.2 Any trust account money received by an agency must be recorded promptly and accurately in that agency's trust account receipt records and the relevant client ledger account each entry of the receipt of trust account money must state—</p> <p>(a) the amount, date, purpose, and source of the receipt; and</p> <p>(b) the client for whom the trust account money is to be held.</p>		
<p>3.3 Where trust account money is paid in cash to an agency, or the payer of the trust account money so requests, a receipt must be issued to the payer (trust receipt) and a copy of the trust receipt must be retained by the agency in electronic or paper form.</p>		

³ but a client's account may be subdivided into various matters.

³ A joint client must be treated as a single client.

Duties of agencies in relation to trust accounts

Audit Requirement	Audit Work Performed	Findings
<p>Form of trust receipts (Regulation 8)</p> <p>4.1 All trust receipts issued must be numbered sequentially and include the following :</p> <p>(a) the name of the agency:</p> <p>(b) the person from whom the trust account money is received:</p> <p>(c) the person to be credited with the trust account money:</p> <p>(d) a brief description of the purpose for which the trust account money is received:</p> <p>(e) the amount, in words and figures, of trust account money received:</p> <p>(f) the date of issue of the trust receipt:</p> <p>(g) the signature of the agent, cashier, or other person authorised by the agency to sign trust receipts:</p> <p>(h) the words “official receipt form for trust money”:</p> <p>(i) how the trust account money has been received by the agency, for example, by cheque, cash, or bank transfer.</p>		

Appointment of Auditor

Audit Requirement	Auditors Confirmation	Comments
<p>New agency must notify appointment of auditor before receiving money.</p> <p>(Regulation 12)</p> <p>5.1 Every agency must notify the Authority of the auditor who is appointed to audit the agency's trust accounts, before that agency receives any money in respect of their first transaction pursuant to that licence.</p>		
<p>5.2 Every agency that is a partnership formed on or after 17 November 2009, must notify the Authority of the auditor who is appointed to audit that agency's trust accounts, before any agent who is a member of that partnership receives any money in respect of a transaction undertaken as a member of that partnership.</p>		
<p>5.3 Every notice given under this regulation must—</p> <p>(a) specify the name and address of the auditor; and</p> <p>(b) specify the name and identifying bank account number of each trust account that the auditor will audit; and</p> <p>(c) be accompanied by written confirmation from the auditor that he or she—</p> <p>is a chartered accountant:</p> <p>holds a certificate of public practice:</p> <p>agrees to audit the trust accounts mentioned in</p>		

<p>paragraph (b):</p> <p>is not disqualified under the regulations from acting as an auditor.</p>		
<p>Every notice given under this regulation must be in writing and signed,—</p> <p>if the agency is an individual, by that individual; or</p> <p>if the agency is a partnership, by a member of that partnership; or</p> <p>if the agency is a company, by an officer of the company.</p>		

Duties of agencies in relation to audits

Audit Requirement	Audit Work Performed	Findings
<p>General duty to provide access, information and records (Regulation 14)</p> <p>6.1 For the purpose of every audit and audit report every agency must, as and when required,—</p> <p>(a) permit the auditor to perform an examination of the agency's trust accounts; and</p> <p>(b) produce to the auditor—</p> <p>a signed copy of the most recent audit report for those trust accounts:</p> <p>all trust account records, all bank statements, and any information relating to the trust account and trust account records that the auditor requires for the audit and audit report:</p> <p>All other accounting records and documents that relate to the agency's business as an agent; and</p> <p>provide any further information and explanations that the auditor thinks necessary for the performance of his or her duties as an auditor; and</p> <p>take all practicable steps to obtain from a client any information relating to trust account money required from that client by the auditor.</p>		

Duties of agencies in relation to audits

Audit Requirement	Audit Work Performed	Findings
<p>Duty to provide monthly list of balances and reconciliation statement (Regulation 15)</p> <p>7.1 Every agency must, at the end of each month, reconcile the balance of the agency's trust accounts to—</p> <p>(a) the balance of the agency's cash book; and</p> <p>(b) the total of the balances in the list of each client ledger account required under 7.3 below.</p>		
<p>7.2 Every agency must keep the reconciliation statements prepared above in the agency's cash book, or in any other appropriate manner.</p>		
<p>7.3 Unless 6.4 applies, every agency must, by 27 January and the 20th day of every other month, give to the agency's auditor—</p> <p>(a) a list of the balances in each client ledger account, and of the amount of money (if any) in each trust account, as at the end of the last preceding month or balance period; and</p> <p>(b) the reconciliation statement referred to in 7.1 above</p>		
<p>7.4 If there is no money in any of the agency's trust accounts at the end of any month, the agency must give to the auditor a "“nil”" return.</p>		

Duties of agencies in relation to audits

Audit Requirement	Audit Work Performed	Findings
<p>Duty to report in respect of each audit period</p> <p>(Regulation 16)</p> <p>8.1 Every agency must, on notification by the auditor of the last day of any audit period to which an examination relates, prepare a statement that includes the following information:</p> <p>(a) all money held on the last day of the audit period by the agency, in that agency's capacity as an agent, for or in trust for any other person:</p> <p>(b) the names of the bank accounts where the money has been deposited:</p> <p>(c) the balances of those accounts on the last day of the audit period and, if the bank balances differ from the cashbook balances, a statement reconciling those balances.</p>		
<p>8.2 The statement above (8.1) must be accompanied by a statutory declaration that the information contained in the statement is true and correct and that the auditor has been provided with all information necessary to undertake the examination.</p>		
<p>8.3 The statutory declaration referred to in sub clause (2) of the regulations must be made by—</p> <p>(a) the agency; or</p> <p>(b) a person authorised to act on behalf of the agency who has knowledge of the matters in 8.1</p>		

Duties of agencies in relation to audits

Audit Requirement	Audit Work Performed	Findings
<p>Duty to provide information for annual audit report. (Regulation 17)</p> <p>9.1 Every agency must provide to the auditor at the time of the final examination in each year a list of the trust accounts operated by the agency during that year.</p>		

Audit Requirement	Audit Work Performed	Findings
<p>Duty of agency ceasing to carry on business. (Regulation 18)</p> <p>This regulation only applies if—</p> <p>(a) an agency who is an individual ceases to carry on business; or</p> <p>(b) an agency that is a partnership is dissolved; or</p> <p>(c) an agency that is a company has been wound up.</p>		
<p>If this regulation applies:</p> <p>10.1 the agent (or person(s) specified in subclause 3 of the Regulations) must, within 20 working days after the event, ensure that the agency's auditor performs a final audit of the trust accounts kept in connection with the business and prepares a final audit report as if the closing date for the report were 31 March.</p>		

Duties of auditors

Audit Requirement	Auditors Confirmation	Comments
<p>General duty. (Regulation 20)</p> <p>11.1 Every auditor engaged to audit an agency's trust accounts must conduct that audit in the manner prescribed by the Real Estate Agents (Audit) Regulations 2009.</p>		
<p>11.2 During every examination made under regulation 21, an auditor must be satisfied that all trust account money is properly accounted for, based on the information available and that an auditor could reasonably be expected to request.</p>		
<p>11.3 On every examination of a trust account, the auditor must acknowledge receipt of the statement provided by the agency under regulation 16 and return it to the agency.</p>		

Audit Requirement	Auditors Confirmation	Comments
<p>Duty to perform at least 3 examinations each year. (Regulation 21)</p> <p>12.1 An auditor of any trust account must examine that account at least 3 times each year⁴.</p>	<p>Audit Examination 1 Balance Date Audit Completion Date</p> <p>Audit Examination 2 Balance Date Audit Completion Date</p> <p>Audit Examination 3 Balance Date Audit Completion Date</p>	

4 If an agency is not in business on the 1st day of April in any year, the auditor must examine each trust account for the periods specified in subclause (1) subsequent to the auditor's appointment

Disclosure of information to and by auditor

Audit Requirement	Auditors Confirmation	Comments
<p>Disclosure of information by bank to auditor</p> <p>(Regulation 27)</p> <p>13.1 Every bank must, on the request of the appointed auditor supply:</p> <p>(a) a list of the trust accounts operated by the agency; and</p> <p>(b) all information as to the trust account or trust accounts of the agency as may reasonably be required for the purposes of that audit.</p> <p>13.2 This information has been supplied directly to the auditor without reference to the agency.</p>		

Inactive Trust Accounts (Regulations 24 - 26)

Regulation 24.

This regulation applies to any agency that has an inactive trust account which is made inactive because-

the agency is an individual who previously operated a trust account, but who is now—

- employed by another agency; or
- is an officer of a company that is an agent; or
- is a member of a partnership that operates a partnership trust account; or
- the agency is no longer actively engaged in carrying on the business of an agent.

Audit Requirement	Audit Work Performed	Findings
<p>Where this Regulation Applies:</p> <p>14.1 The agency must give notice to the auditor in writing that the trust account is inactive and all money in the account has been paid to the persons entitled to it or in accordance with those persons' directions.</p>		
<p>14.2 Where an agency has given notice , the agency must —</p> <p>(a) give the auditor all unaudited trust account records, including unused trust receipts, forms, and cheques; and</p> <p>(b) where receipts are generated electronically, take appropriate steps to ensure no further trust receipts are generated.</p>		
<p>Auditors Duties when notified of inactive trust account (Regulation 25)</p> <p>14.3 If an auditor receives notice of an inactive trust account, the auditor must, if satisfied that all the trust account records for that inactive trust account are in his or her possession, advise the Authority in writing that—</p>		
Audit Requirement	Auditors Confirmation	Comments
(a) notice has been received		

<p>under regulation 24 that the agency's trust account is inactive; and</p> <p>(b) all relevant trust account records required to be audited under these regulations have been received, including all unused receipts and cheques, and an assurance has been provided by the agency that no further trust receipts are to be generated electronically; and</p> <p>(c) except for the reports that are required to be given to the Authority up to the date of the notice, the audit reports required under regulation 22 will not be given to the Authority until further notice.</p>		
Reactivation of inactive trust account (Regulation 26)		
<p>14.4 Before recommencing the operation of any inactive trust account, an agency must give notice to the appointed auditor in writing of the agency's intention to reactivate the account.</p> <p>14.5 On receipt of a notice of reactivation the auditor must return to the agency all trust account records, unused receipts, and cheques, and must promptly advise the Authority in writing that regulation 25(2) no longer applies in respect of that agency.</p>		

Transitional Provisions (Regulation 32)

This regulation applies to—

- (a) every agency that is an individual or a company that is deemed by [section 166](#) of the Act to hold an agent's licence; and
- (b) every agency that is a partnership that was formed before 17 November 2009.

Audit Requirement	Auditors Confirmation	Comments
<p>15.1 The Agency has notified the Real Estate Agents Authority before 17 December 2009 of the auditor who is appointed to audit the agency's trust account(s).</p>		
<p>If the nominated auditor does not meet the requirements of regulation 10</p> <p>15.2 That person may complete the audit of the agency's accounts for the year ended 31 March 2010.</p> <p>The agency must before 1 April 2010,—</p> <p>(a) appoint a replacement auditor to audit the agency's accounts for the year beginning 1 April 2010; and</p> <p>(b) notify the Authority of the replacement auditor in accordance with regulation 13.</p>		