Real Estate Agents Authority

Annual Report

For the period ended 30 June 2013

Contents

Foreword from the Board Chair

The 2012/13 year has been another successful year for the Real Estate Agents Authority. The Authority has continued to promote a high standard of ethical behaviour in the real estate industry and ensure that the interest of buyers and sellers of property are appropriately protected in accordance with the underlying purpose of the Real Estate Agents Act 2008.

Kristy McDonald QC, the Authority's first Chair, completed her term with the Board in August 2013. Kristy's outstanding leadership over the past four years has ensured that the Authority has well established policies and procedures leading to efficient and effective workflows.

The year has seen many highlights including the completion of the first continuing education annual programme. All licensees are now required to complete 20 hours of continuing education, of which 10 hours are on subjects that are prescribed by the Authority. It is pleasing to report that, out of the 10,500 licensees required to complete continuing education in 2012, only 11 licences were cancelled for non-completion.

Also during the year, the Authority published the Real Estate Agents Handbook. This provides invaluable guidance for the industry on their obligations under the Act. We also published a revised Code of Conduct, which sets out the minimum standards of conduct and client care that licensees are required to meet when carrying out real estate agency work. The revised Code raises the conduct and professional behaviour expectations of licensees and thereby provides greater protection for consumers. A new online guide for consumers about what they should know about buying and selling real estate was also published during the year, and an improved website was launched in February 2013.

Our new case management system went live in December 2012. The system improves our ability to store information and documentation, and we plan to use the extra information to be more proactive in our work to further reduce non-compliance by real estate agents. Over the coming year, we also expect to realise the benefits of the new system by improving our efficiency and effectiveness.

I am proud of the fact that, while we have been developing and introducing new initiatives and innovations, we have successfully delivered on our existing initiatives and obligations.

I would like to thank the Real Estate Agents Authority Board and staff for their continuing commitment, hard work and passion. Peter McDermott retired from the Board in May 2013. I thank him for his work as a strong contributor not only to the Board's deliberations but also to the Complaints Assessment Committees.

I am pleased to submit this Annual Report for the year ended 30 June 2013.

John Auld

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, 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)
- 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 collaborate with a number of other government, industry and consumer bodies.

Output	Who we work with	In order to:
Inform and advise consumers and licensees	• Industry advisory groups • New Zealand Law Society • Home Owners and Buyers Association of New Zealand • Consumer NZ • Citizens Advice Bureau • Community Law	Develop guidance and information
	• Consumers and licensees	Provide specific information and advice

Output	Who we work with	In order to:
License individuals and companies	• Police • Our international equivalent bodies • Ministry of Business, Innovation and Employment	Ensure only 'fit and proper' individuals and companies are licensed and remain in the industry
	• Education providers	Provide continuing education services for licensees
Monitor the industry and take enforcement action when needed	• Real Estate Institute of New Zealand • Royal Institution of Chartered Surveyors • Industry representatives	Assist licensees to comply
	• Ministry of Business, Innovation and Employment • Commerce Commission • Financial Markets Authority • Inland Revenue	Detect and monitor industry non-compliance
	• Complaints Assessment Committees • Real Estate Agents Disciplinary Tribunal (the Tribunal) • District and High Courts • Ministry of Justice	Take action against licensees who don't comply

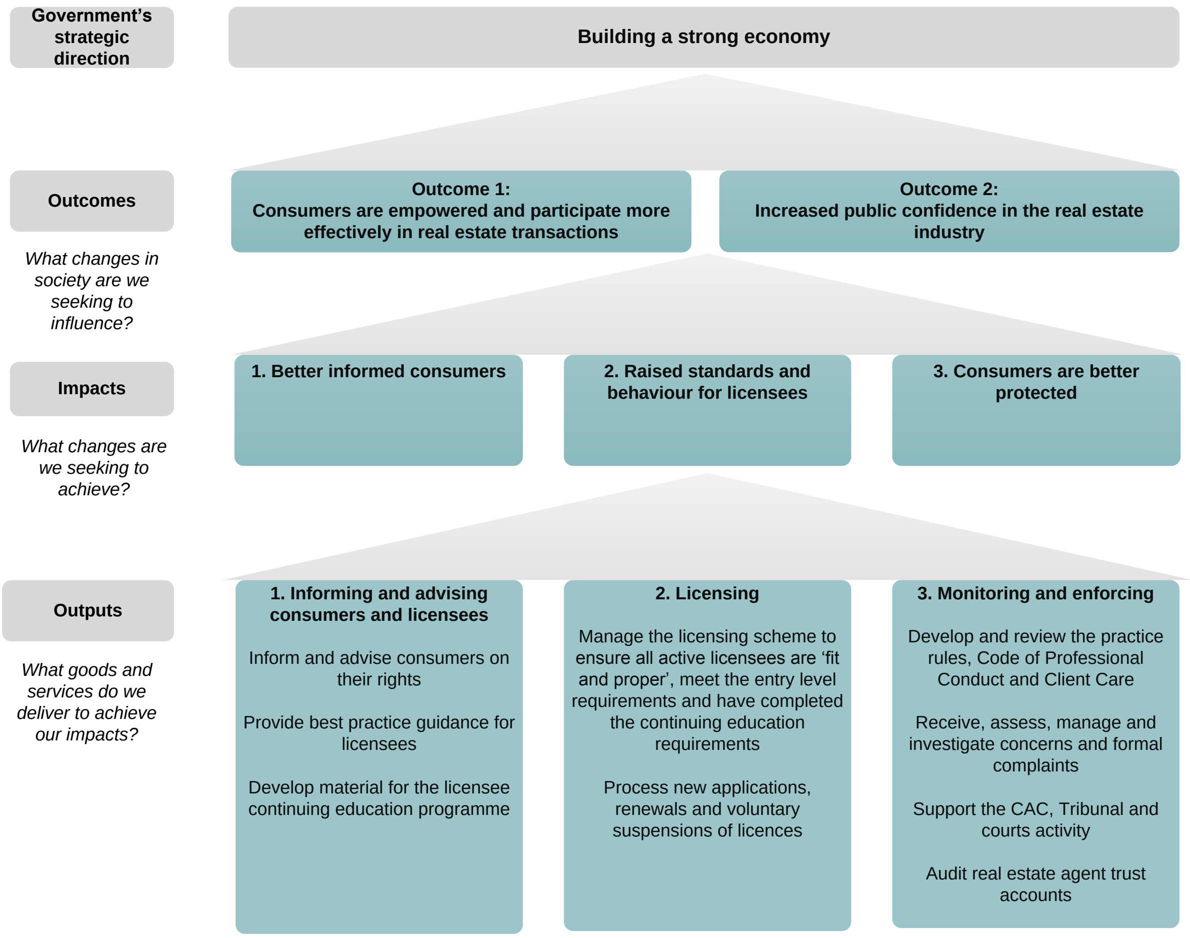
PART TWO

Performance against our 2012–2015 Statement of Intent

Our outcomes framework

Our outcomes framework (Figure 1) sets out our strategic direction for 2012/13 and illustrates how we contribute towards the government's objective to build a 'strong economy'.

Figure 1: Our outcomes framework 2012/13



Progress towards achieving 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. During 2012/13, we have worked towards raising consumers' knowledge through developing information programmes and guidance material that clearly explains consumers' rights and the process for redress.

Outcome indicator	2011/12	Target 2012/13	2012/13
Percentage of consumers that consider themselves empowered and are able to participate effectively in real estate transactions increases	87%	No target set	92%

Outcome 2: Increased public confidence in the real estate industry

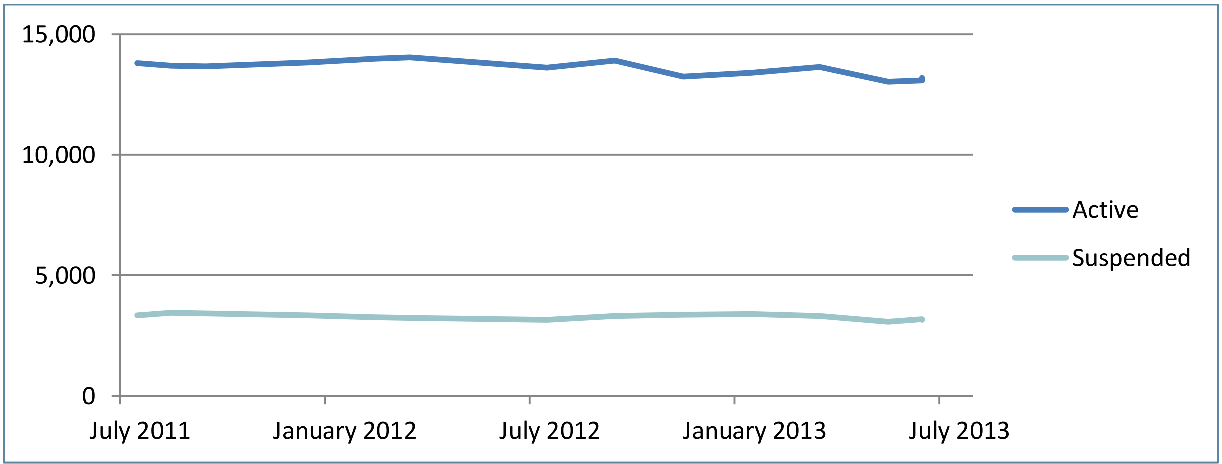
A well-regulated real estate industry made up of professional, competent licensees, and with effective processes for redress, will increase public confidence in the industry.

As at 30 June 2013 there were 13,179 active licences and 3,164 voluntarily suspended licences.

Table 1: Licensing volumes as at 30 June 2013

	Company agent	Individual agent	Individual branch manager	Individual sales person	**Total**
Active	794	1,885	453	10,047	**13,179**
Suspended	96	305	79	2,684	**3,164**
Total	**890**	**2,190**	**532**	**12,731**	**16,343**

Figure 2: Licensing volumes



We have worked towards raising standards of professionalism across the industry through a number of interventions focused on increasing the knowledge and skills of licensees, and ensuring that effective monitoring and sanctions are in place.

A recent consumer survey showed a 2.4% increase in the percentage of consumers who have confidence in the real estate industry. In addition, the result of the 2012 UMR Mood of the Nation Survey has shown a slight increase, from the 2011 results, in the occupational respect ratings of real estate agents. The results from the last four years of the UMR Mood of the Nation Survey are as follows:

Year	**2009**	**2010**	**2011**	**2012**
Result	4.1/10	4.5/10	4.1/10	4.2/10

Outcome indicators	**2011/12**	**Target 2012/13**	**2012/13**
Percentage of consumers that have confidence in the real estate industry increases	61%	No target set	64%
UMR Mood of the Nation Survey – occupational respect	4.1/10	An increase in the occupational respect rating	4.2/10

We contribute to achieving our outcomes through three key channels:

- Impact 1: Better informed consumers
- Impact 2: Raised standards and behaviour for licensees
- Impact 3: Consumers are better protected

Impact 1: Better informed consumers

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. During 2012/13 we have focused on providing proactive and targeted information for consumers and have utilised TradeMe advertisements to direct consumers to our website.

Impact measure	2011/12	Target 2012/13	2012/13
Percentage of consumers that consider themselves informed of their rights in relation to real estate transactions increases	55%	No target set	54%

Impact 2: Raised standards and behaviour for licensees

During 2012/13, we undertook a range of activities aimed at raising the behaviour and practice of licensees including: embedding continuing education requirements, publishing a new Code of Conduct and providing information and guidance to assist licensees.

As part of the licensing renewal process, licensees are now required to complete 10 hours of continuing education through a provider approved by the Authority, and a further 10 hours of structured training. Continuing education has been widely supported by the industry, and the anecdotal feedback received has been very good. Of the 10,500 licensees required to complete continuing education in 2012,[1] only 11 licences were cancelled due to non-compliance.

We expect raised awareness of appropriate behaviour will 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. In 2012/13, there were 26 fewer determinations of either unsatisfactory conduct or serious misconduct than during the 2011/12 period.

Impact measure	2011/12	Target 2012/13	2012/13
Percentage of all active licensees with determinations of either unsatisfactory conduct or serious misconduct decreases	1.29%	Same or less than 2011/12	1.08%

Impact 3: Consumers are better protected

We recognise that a well regulated industry, with effective systems and processes for monitoring and redress will ensure consumers are better protected. During 2012/13 we have continued to run independent, transparent and fair processes for dealing with complaints about the behaviour of licensees. An overview of our complaints process is presented in Figure 3, and the regulatory tools and criteria we use to respond to the complaints are set out in Figure 4.

[1] If a licensee completed one of the National Certificates, or the National Diploma in Real Estate they are exempt from continuing education in the year they complete the qualification and the following calendar year.

Figure 3: Overview of the complaints process

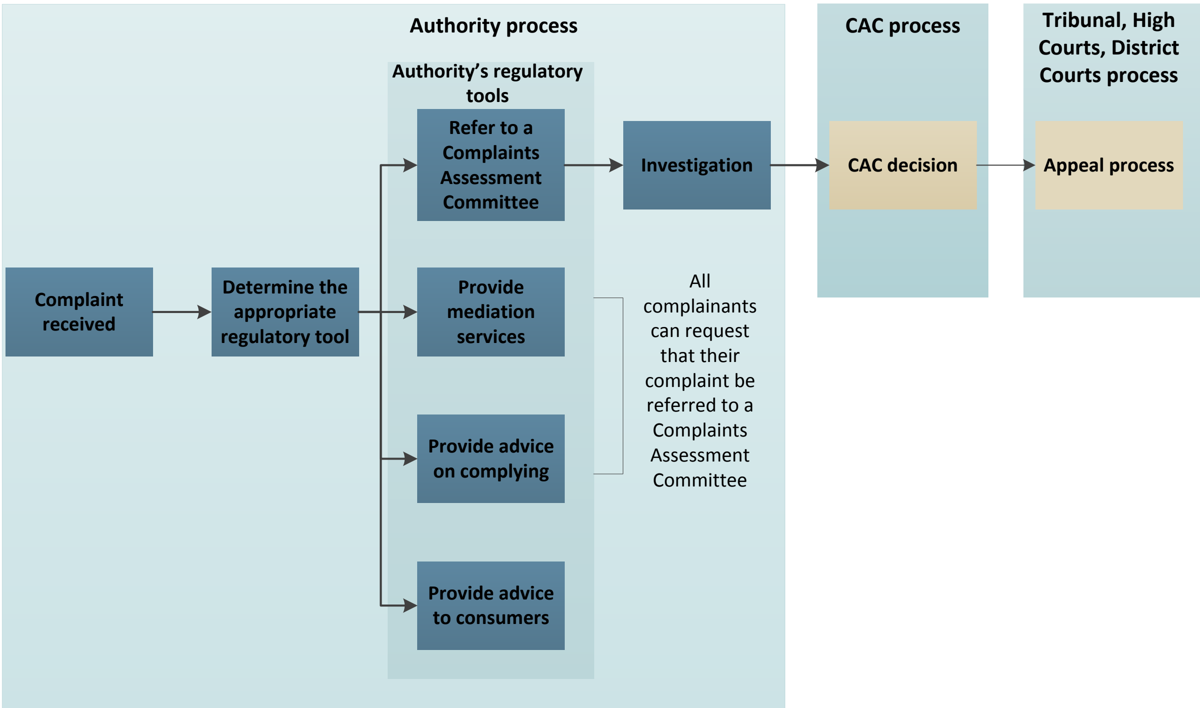
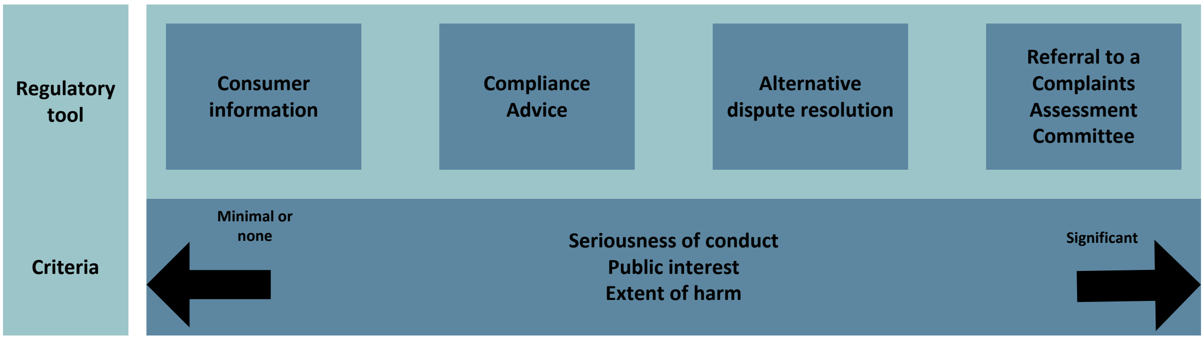
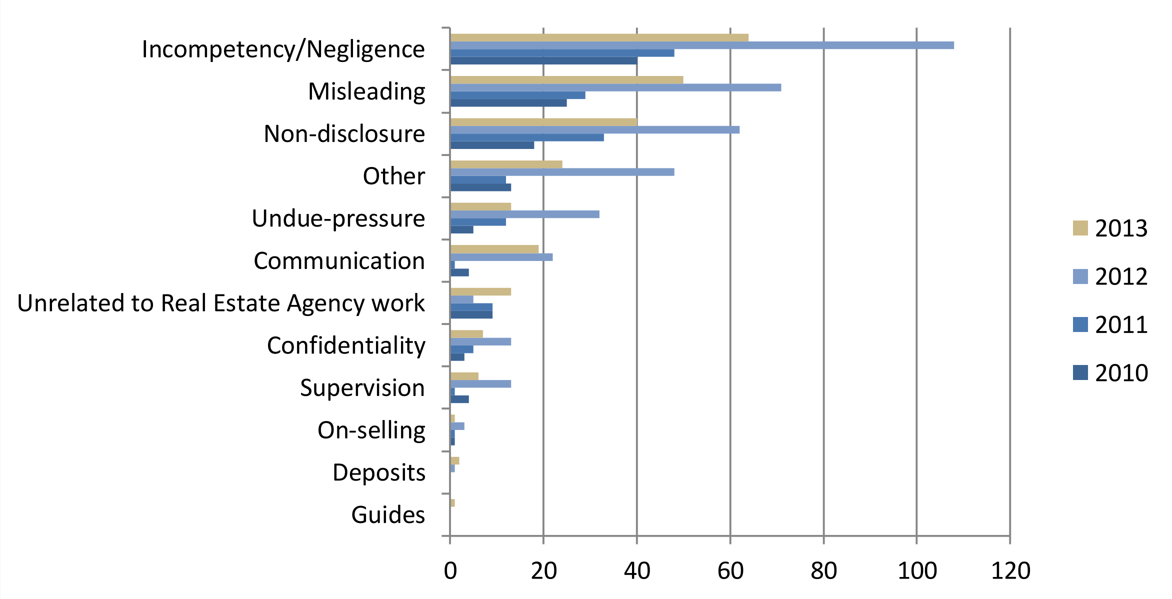


Figure 4: Regulatory tools and criteria



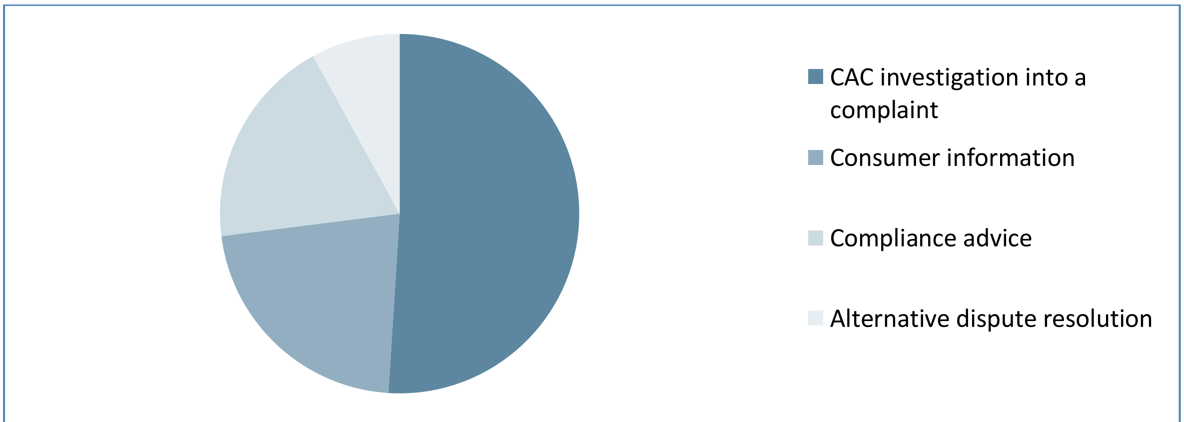
In 2012/13, we received a total of 778 new complaints. This is an increase of 4% on the complaints received in 2011/12. Complaints normally relate to more than one category of behaviour. For this reason, the total sum of complaints does not equal the total number of complaints by type. As with previous years, the majority of complaints received in 2012 and 2013 fall into the categories of incompetency/negligence, misleading and non-disclosure (Figure 5).

Figure 5: Categories of complaints



Of the 778 complaints received during 2012/13, 51% were referred to a Complaints Assessment Committee for consideration. The remaining 49% were resolved through lower-level interventions including mediation, providing advice to licensees on complying or providing information to consumers on their rights (Figure 6).

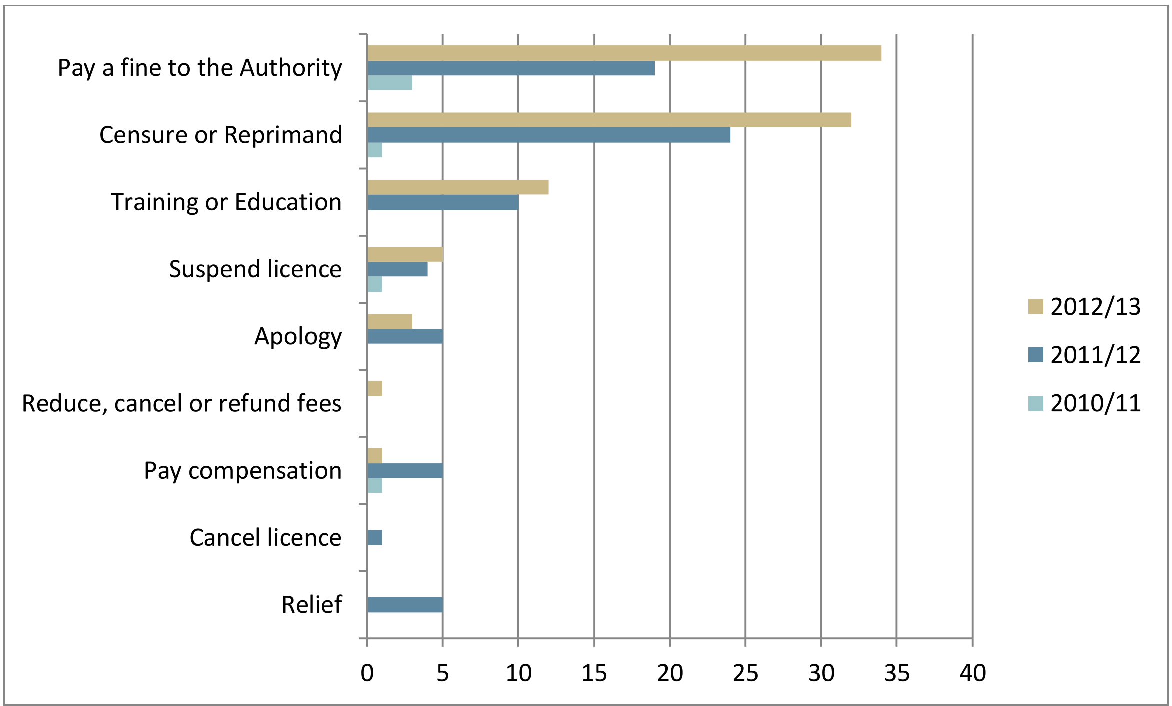
Figure 6: Responses to complaints received in 2012/13



During 2012/13, there were 124 determinations of unsatisfactory conduct and 16 determinations of serious misconduct. Figure 7 outlines the penalties ordered by Complaints Assessment Committees and the Real Estate Agents Disciplinary Tribunal.

Impact measure	2011/12	Target 2012/13	2012/13
Determinations of unsatisfactory conduct	152	90	124
Determinations of serious misconduct	14	6	16

Figure 7: Penalties



A recent survey of complainants has shown 30% of respondents consider the complaints process to be independent, fair and transparent. The low score from complainants could be impacted by the number of Complaints Assessment Committee decisions that return a decision of no further action. In these cases, the licensees were judged to not have contravened the Act or the Code of Conduct. This happens in about 65% of cases that are heard by a Complaints Assessment Committee. It therefore may not be unexpected that only 30% of complainants agree with the fairness of the complaint process. During 2013/14, we aim to better communicate with complainants about what may happen to their complaint so that clearer expectations can be set at the beginning of the complaint process for all involved.

Impact measure	2011/12	Target 2012/13	2012/13
Percentage of complainants that consider the complaints process independent, fair and transparent increases	45.4%	70%	30%

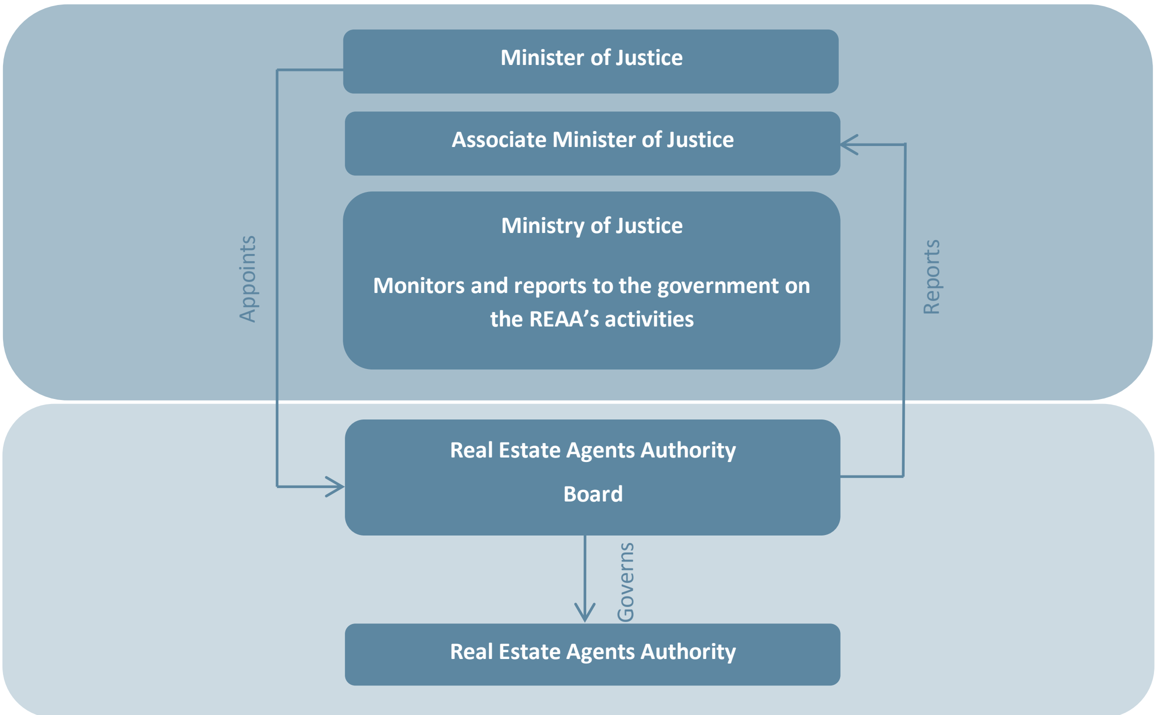
PART THREE

Our organisation and capability

Governance

As a Crown entity, we are governed by an independent Board appointed by the Minister of Justice. With a diverse membership that reflects experience in law, real estate, risk management, finance and consumer rights, the Board works together to set our strategic direction and monitor our performance. Our Board reports directly to the Associate Minister of Justice.

Figure 8: Governance structure



Members of our Board as at 30 June 2013

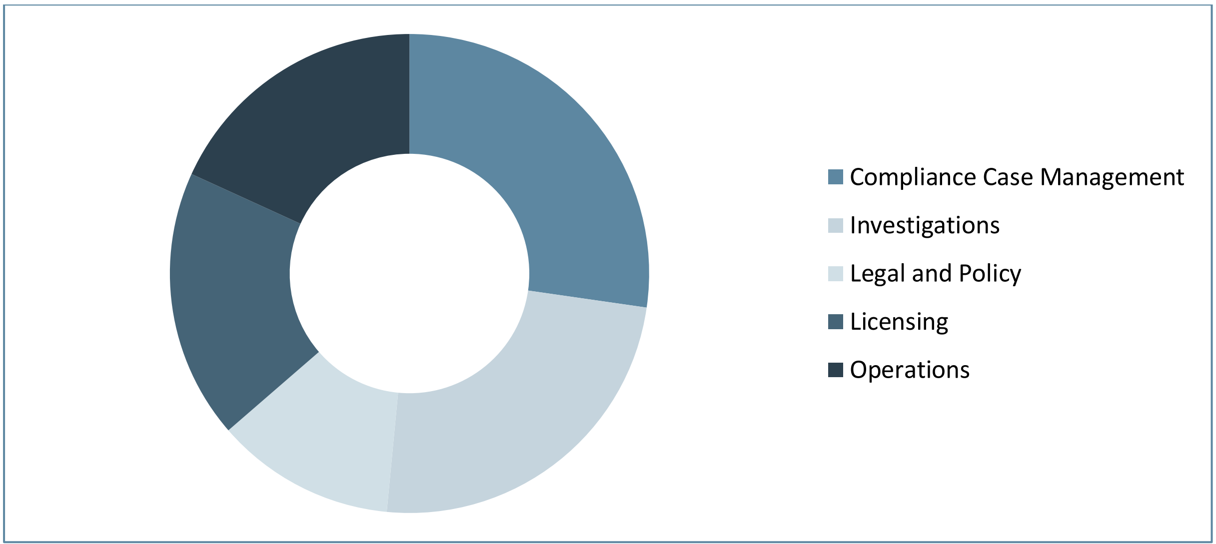
- Kristy McDonald QC (Chair)
- John Auld
- Barrie Barnes
- Aaron Bhatnagar
- Denise Bovaird
- Joan Harnett-Kindley
- David Russell

Note: On 6 August 2013, John Auld replaced Kristy McDonald QC, as the Board Chair at the end of her term.

Our workforce

Our staff support the Board to carry out its statutory functions. As at 30 June 2013, we had 35 full-time equivalent staff on permanent or fixed-term contracts. A breakdown of our workforce by business group is shown in Figure 9.

Figure 9: A breakdown of our workforce by business group



We are a small organisation and so do not report our staff profile in a statistical format. We do have a slightly higher proportion of women than men, and our staff fit within a range of ages and identify with a number of ethnicities. No staff have identified as having a disability.

Equal opportunity employer

We promote equal employment opportunities and focus on attracting, retaining and developing an engaged and high-performing workforce. Central to this is our commitment to being a good employer. During the 2012/13 year we have focused on:

- ensuring we have appropriate levels of staffing
- keeping staff engaged in their roles and the organisation
- retaining high performing and key staff
- ensuring the core systems used by staff are available and are performing correctly

Over the past 12 months, we have completed a number of activities in each of the seven key elements of being a good employer.

Table 2: Good employer activities

Good employer element	Activities undertaken by the Real Estate Agents Authority
Leadership, accountability and culture	• Provided opportunities for staff to provide feedback on organisational policy changes • Held regular meetings for all staff, led by the Senior Leadership Team, to facilitate discussion on organisational priorities, changes and developments • Conducted our first staff engagement survey–the survey results have allowed us to better understand the levels of engagement across our organisation and identify areas where improvement is required
Recruitment, selection and induction	• Conducted open, fair and transparent recruitment and selection processes • Provided tailored induction sessions for new staff
Employee development, promotion and exit processes	• Completed personal development plans for all staff • Reviewed staff performance on a regular basis • Provided study assistance and professional development support • Conducted exit interviews
Flexibility and work design	• Offered flexible work practices, including flexible working hours • Provided tailored options and responded to individual requests to support work/life balance
Remuneration, recognition and conditions	• Ran annual pay reviews and provided for performance recognition, where appropriate • Recognised individual employee achievements
Harassment and bullying prevention	• Ensured the anti-harassment policy remained accessible, promoted and enforced
Safe and healthy environment	• Offered a range of support services to promote health and wellbeing, including an employee assistance programme, workstation assessments, health and safety policies and an active social committee

PART FOUR

Statement of responsibility and independent auditor's report

In the year ended 30 June 2013, the Board and management of the Real Estate Agents Authority were responsible for:

- the preparation of the annual financial statements and the Statement of Service Performance and for the judgements made in them
- establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of the Authority's financial reporting.

In the opinion of the Board and management of the Real Estate Agents Authority, the financial statements and the Statement of Service Performance for the year ended 30 June 2013 fairly reflect the financial position result of operations and cash flows of the Authority.

John Auld
Board Chair
Real Estate Agents Authority

1 October 2013

Denise Bovaird
Audit and Risk Sub-committee Chair
Real Estate Agents Authority

1 October 2013

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF REAL ESTATE AGENTS AUTHORITY'S FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

The Auditor-General is the auditor of Real Estate Agents Authority (the Authority). The Auditor-General has appointed me, Mark Bewley, using the staff and resources of the Authority, to carry out the audit of the financial statements and statement of service performance of the Authority on her behalf.

We have audited:

- the financial statements of the Authority on pages 28 to 57, that comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
  - the statement of service performance of the Authority on pages 22 to 27.

Opinion

In our opinion:

- the financial statements of the Authority on pages 28 to 57:
- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Authority's:
  - financial position as at 30 June 2013; and
  - financial performance and cash flows for the year ended on that date.

- the statement of service performance of the Authority on pages 22 to 27:
- complies with generally accepted accounting practice in New Zealand; and
- fairly reflects, for each class of outputs for the year ended 30 June 2013, the Authority's
  - service performance compared with the forecasts in the statement of forecast service performance for the financial year; and
  - actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Our audit was completed on 1 October 2013. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Authority's financial statements and statement of service performance that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board;
- the appropriateness of the reported non-financial performance information within the Authority's framework for reporting performance;
- the adequacy of all disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board

The Board is responsible for preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- fairly reflect the Authority's financial position, financial performance and cash flows; and
- fairly reflect its service performance.

The Board is also responsible for such internal control as is determined necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error.

The Board's responsibilities arise from the Crown Entities Act 2004 and Real Estate Agents Act 2008.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the Authority.

Mark Bewley
BDO Wellington
On behalf of the Auditor-General
Wellington, New Zealand

Matters relating to the electronic presentation of the audited financial statements and statement of service performance

This audit report relates to the financial statements and statement of service performance of the Real Estate Agents Authority for the year ended 30 June 2013 included on Real Estate Agents Authority's website. The Real Estate Agents Authority's Board is responsible for the maintenance and integrity of Real Estate Agents Authority's website. We have not been engaged to report on the integrity of Real Estate Agents Authority's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of service performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance as well as the related audit report dated 1 October 2013 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

PART FIVE

Statement of service performance

This section summarises our performance against the output performance measures set out in the 2012–2015 Statement of Intent.

Output class: Operate the Real Estate Agents Authority

We have one output class: Operate the Real Estate Agents Authority. This output class covers all of our work and contains three outputs: Informing and advising consumers and licensees; Licensing; and Monitoring and enforcing. For each of these outputs, we have developed performance measures. Where possible, we have included performance measures from previous years to enable comparisons to be made on performance across years. However, where there are new performance measures and no data was previously collected, this has been noted. The prior period actuals have not been audited.

Table 3: Output class revenue and expenditure

Revenue and expenditure	2012/13 Actual ($000)	2012/13 Budget ($000)
Total revenue	**10,148**	**10,911**
Output expenditure		
Output 1: Informing and advising consumers and licensees	929	843
Output 2: Licensing	1,753	1,718
Output 3: Monitoring and enforcing	5,825	6,329
Total expenditure	**8,507**	**8,890**
Total comprehensive income	**1,641**	**2,021**

The output definitions have changed from the previous year, and reflect those stated within the 2012–2015 Statement of Intent.

Output 1: Informing and advising consumers and licensees.

This output covers the provision of information to consumers and licensees and includes work to:

- inform and advise consumers of their rights
- provide best practice guidance for licensees
- develop material for the licensee education programme.

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

Quantity (demand-driven)	Actual 2011/12	Estimate 2012/13	Actual 2012/13
Number of responses to enquiries from consumers	8,000	8,000	5,765
Number of responses to enquires from licensees	10,600	11,000	14,383 *Refer to variance commentary*

Note: These volumes are based on incoming calls to our complaints and licensing 0800 numbers. These measures are demand-driven and are outside of our control.

Variance commentary: Responses to enquiries from licensees

The number of responses to enquiries from licensees is higher than the estimate for 2012/13. This is due to a higher than anticipated volume of enquiries from licensees on the new continuing education requirements that were introduced in 2012.

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

Performance measure	Actual 2011/12	Target 2012/13	Actual 2012/13
Quantity			
Number of compliance information sheets published for licensees	6	3	1
Number of industry newsletters published for licensees	9	9	8
Quality (See Note 1 below)			
Percentage of consumers who consider the approved guides useful or very useful	81.5%	Baseline volumes will be captured and reported in the 2012/13 Annual Report	80%
Percentage of licensees who consider the best practice guides useful or very useful	Not measured	Baseline volumes will be captured and reported in the 2012/13 Annual Report	Not measured *Refer to variance commentary*
Percentage of licensees who find the newsletters informative	82.6%	Baseline volumes will be captured and reported in the 2012/13 Annual Report	85%
Quality requirements for policy advice[2] are met in the development of practice rules for licensees	Met	Met	Met
Timeliness			
Queries from consumers responded to within three working days	Not measured	95%	93%
Queries from licensees responded to within three working days	Not measured	95%	95% (See Note 2 below)

Note 1: At the time of publishing the 2012–2015 Statement of Intent, baseline data for the first three quality performance measures outlined above was not available. Surveys completed during July 2012 provided the Authority with initial baseline data for two of the three quality performance measures that enabled targets to be set for the 2013–2016 Statement of Intent.

Note 2: Following the introduction the Authority's new CRM system in December 2012, we have been unable to capture the data required to report against this measure. The 95% figure is for the period 1 July 2012 to 10 December 2012 and reflects the percentage of queries from licensees responded to within 5 working days.

Variance commentary: *Best practice guides*

We had planned for best practice guides to be issued to coincide with the launch of the Code of Code of Conduct 2012. Subsequently we decided to use other communication channels to provide information about the Code of Conduct provisions. Accordingly, it was agreed there was no longer a need for best practice guides.

[2] 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 covers the management and administration of the licensing regime. This includes work to:

- manage the licensing scheme to ensure all active licensees are 'fit and proper' and meet the required professional stands to work in the industry
- process new applications, renewals and voluntary suspensions of licences.

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

Quantity (demand-driven) measure	Actual 2010/11	Actual 2011/12	Estimate 2012/13	Actual 2012/13
New applications processed (approved)	1,281	1,111	1,000	1,624
Renewal applications processed (approved)	11,812	12,628	13,000	11,555
Voluntary suspensions processed (approved)	2,662	3,584	3,850	3,132

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

Table 7: Performance measures for Output 2: Licensing

Performance measure	Actual 2010/11	Actual 2011/12	Target 2012/13	Actual 2012/13
Quality				
Percentage of licensees that consider the information on the licensing process is clear	Not measured	80%	Target to be set once base-line established	89%
Percentage of new applications approved where licensees are 'fit and proper' and meet the required professional standards	100%	100%	100%	100%
Timeliness				
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%	92%
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%	79% *Refer to variance commentary*

Variance commentary: Processing of renewal applications

Processing of renewal applications has taken longer than expected. This was a result of temporary staff being taken on later than planned, which meant we did not keep up with the inflow of applications during the March renewal period when the majority of the 11,555 renewal applications were received.

Output 3: Monitoring and enforcing

This output covers the work we undertake to monitor the industry and take action against non-compliance. This includes:

- receiving, assessing, managing and investigating complaints
- developing and reviewing the Professional Conduct and Client Care Practice Rules
- supporting the Complaints Assessment Committee
- auditing real estate trust accounts.

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

Quantity (demand-driven) measure	Actual 2011/12	Estimate 2012/13	Actual 2012/13
New complaints[3] received	749	650	768
Compliance advice issued	114	150	135
Completed investigations[4]	328	300	411
Completed mediations	28	80	20
Number of appeals lodged with the Real Estate Agents Disciplinary Tribunal	83	90	96

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

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

Performance measure	Actual 2011/12	Target 2012/13	Actual 2012/13
Quality			
Judicial criticism received	None	None	None
Percentage of default or irregularity notifications from trust account auditors[5] investigated	100%	100%	100%

[3] The term 'concerns' was used in the 2012–2015 Statement of Intent. This has now been replaced by 'complaints'. In previous years the term 'complaints' had been used to include only those complaints considered by a Complaints Assessment Committee (CAC). The term 'complaints' now includes all complaints received by the Authority.

[4] This includes CAC-directed investigation.

[5] No default or irregularity notifications from trust account auditors were investigated during the 2012/13 period.

Performance measure	Actual 2011/12	Target 2012/13	Actual 2012/13
Percentage of approved guides provided to consumers by licensees	68.5%	95%	80.5%
Percentage of appeals upheld by the Real Estate Agents Disciplinary Tribunal	20%	10%	30% *Refer to variance commentary*
Timeliness			
Percentage of complaints completed within 23 weeks	Revised measure [40% achieved with 32 weeks]	75%	55% *Refer to variance commentary*
Percentage of trust account audits acknowledged within 10 working days	100%	100%	100%

Variance commentary: Percentage of appeals upheld by the Real Estate Agents Disciplinary Tribunal

The volume of appeals upheld by the Tribunal is higher than the target of 10% but is consistent with the percentage range of appeals upheld for the previous two years. Each Complaints Assessment Committee decision that is overturned by the Tribunal is reviewed carefully to assess any insights or improvements that may be required. Often, decisions are overturned as new evidence is presented to the Tribunal or as result of direct cross examination of participants.

Variance commentary: Percentage of complaints completed within 23 weeks

The percentage of complaints completed within 23 weeks is below the annual target. This is partly attributed to the focus in the last quarter of the 2012/13 period on closing older cases.

In 2012/13, 413 cases were completed by Complaints Assessment Committees. This is a 20% increase on the 329 Complaints Assessment Committee decisions completed in 2011/12. Although part of the increase will be attributable to decisions now being counted for each licensee rather than for each complaint, as in previous years, this still represents an encouraging increase in throughput for the Authority and Complaints Assessment Committees.

PART SIX

Financial statements

Statement of Comprehensive Income

For the year ended 30 June

	Note	Actual 2013 $000	Budget 2013 $000	Actual 2012 $000
Revenue				
Operating levy received	1	8,661	10,069	8,740
Application and suspension fees	2	797	358	650
Other income	3	690	484	624
Total revenue		**10,148**	**10,911**	**10,014**
Expenditure				
Audit fee		51	45	54
Personnel costs	4	3,426	3,455	3,545
Finance costs	5, 17	509	467	939
Depreciation	13	70	93	116
Amortisation	14	326	282	473
Specialist services	6	1,185	1,082	1,143
Legal fees		1,109	1,431	995
Board fees	7, 24	160	160	138
Complaints Assessment Committee fees		263	360	314
Miscellaneous expenses		19	23	40
Computer and telecommunications		689	688	601
Printing, stationery and postage		212	202	157
Travel, meetings and entertainment		151	316	160
Occupancy		337	286	324
Total expenditure		**8,507**	**8,890**	**8,999**
Total comprehensive income		**1,641**	**2,021**	**1,015**

Explanations of significant variances against budget are detailed in Note 29 on pages 56 - 57.

The Statement of Accounting Policies and Notes to the Financial Statements form an integral part of these Financial Statements.

Statement of Financial Position

As at 30 June

	Note	Actual 2013 $000	Budget 2013 $000	Actual 2012 $000
Current Assets				
Cash and cash equivalents	8	6,376	8,276	5,950
Investments	9	3,046	-	3,082
Debtors and other receivables	10	62	-	117
Prepayments	11	55	122	88
GST receivable		-	102	11
Approved guide stock	12	16	22	34
Total current assets		**9,555**	**8,522**	**9,282**
Non-Current Assets				
Property, plant and equipment	13	91	125	215
Intangible assets	14	571	1,183	230
Total non-current assets		**662**	**1,308**	**445**
Total assets		**10,217**	**9,830**	**9,727**
Current Liabilities				
Trade creditors and accruals	15	532	742	691
Employee entitlements		130	87	117
Deferred operating levy	16	5,998	5,742	5,965
Establishment funding from Crown	17	1,261	1,057	1,261
Total current liabilities		**7,921**	**7,627**	**8,034**
Term Liabilities				
Rent rebate		-	-	45
Establishment funding from Crown	17	2,008	2.356	3,001
Total term liabilities		**2,008**	**2,356**	**3,046**
Total liabilities		**9,929**	**9,983**	**11,080**
Net assets		**288**	**(153)**	**(1,353)**
Public Equity				
Crown funding		2,078	2,078	2,078
Retained earnings		(2,040)	(2,481)	(3,681)
Litigation reserve		250	250	250
Total public equity	18	**288**	**(153)**	**(1,353)**

Explanations of significant variances against budget are detailed in Note 29 on pages 56 - 57.

The Statement of Accounting Policies and Notes to the Financial Statements form an integral part of these Financial Statements.

Statement of Changes in Equity

For the year ended 30 June

	Note	Capital Funding From Crown	Retained Earnings	Litigation Reserve	Total Public Equity
Actual 2013					
Public Equity at beginning of year		2,078	(3,681)	250	(1,353)
Total comprehensive income		-	1,641	-	1,641
Public Equity at end of year	**18**	**2,078**	**(2,040)**	**250**	**288**
Budget 2013					
Public Equity at beginning of year		2,078	(4,502)	250	(2,174)
Total comprehensive income		-	2,021	-	2,021
Public Equity at end of year		**2,078**	**(2,481)**	**250**	**(153)**
Actual 2012					
Public Equity at beginning of year		2,078	(4,696)	250	(2,368)
Total comprehensive income		-	1,015	-	1,015
Public Equity at end of year		**2,078**	**(3,681)**	**250**	**(1,353)**

Statement of Cash Flows

For the year ended 30 June

	Note	Actual 2013 $000	Budget 2013 $000	Actual 2012 $000
Cash Flows from Operating Activities				
Cash was provided from:				
Receipts from licensees		9,244	9,955	9,234
Receipts from sale of publications		266	180	235
Interest income		268	366	252
Suspension fees		306	63	321
Refunded Withholding Tax		-	-	57
Receipts from fines		74	50	116
		10,158	**10,614**	**10,215**
Cash was applied to:				
Payments to suppliers		(4,425)	(5,356)	(4,213)
Payments to employees		(3,289)	(3,224)	(3,203)
Interest		(166)	(166)	(166)
Net GST (paid)/received		53	(2)	109
		(7,827)	**(8,748)**	**(7,473)**
Net cash flows from operating activities	**19**	**2,331**	**1,866**	**2,742**
Cash Flows from Investing Activities				
Cash was provided from:				
Cash received from investments		2,036	3,000	2,700
		2,036	**3,000**	**2,700**
Cash was applied to:				
Purchase of property, plant and equipment		(13)	(97)	(17)
Purchase of intangible assets		(667)	(1,125)	(8)
Investment in term deposits		(2,000)	-	(1,082)
		(2,680)	**(1,222)**	**(1,107)**
Total cash flows from investing activities		**(644)**	**1,778**	**1,593**
Cash Flows from Financing Activities				
Cash was applied to:				
Repayment of establishment funding to Crown		(1,261)	(1,261)	(1,261)
Total cash flows from financing activities		**(1,261)**	**(1,261)**	**(1,261)**
Net increase in cash and cash equivalents		**426**	**2,383**	**3,074**
Cash and cash equivalents at the beginning of the year		**5,950**	**5,893**	**2,876**
Cash and cash equivalents at the end of the year	**8**	**6,376**	**8,276**	**5,950**

Notes to the Statement of Cash Flows The GST (net) component of operating activities reflects the net GST paid to and received by the Inland Revenue Department (IRD). The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

Statement of Accounting Policies

For the year ended 30 June 2013

Reporting entity

These are the 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 include; administering the licensing regime for licensees, setting professional standards, and providing services in relation to complaints' determinations.

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

The financial statements for the Authority are for the year ended 30 June 2013 and were approved on 1 October 2013 by the Board.

Basis of preparation

Statement of compliance

The financial statements of the Authority have been prepared in accordance with the 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 basis

The financial statements have been prepared on a historical cost basis except for the establishment funding from the Crown, which has been measured at fair value on inception.

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.

New and amended financial reporting standards (not adopted early by the Authority)

At the date of authorisation of the Authority's financial statements for the year ended 30 June 2013, the only standard and interpretation in issue but not yet effective was NZ IFRS 9 Financial Instruments (effective for annual periods commencing on or after January 2015).[6]

[6] All standards and interpretations will be adopted at their effective date (except for those standards and interpretations not applicable to the entity).

NZ IFRS 9 Financial instruments

The Authority will adopt NZ IFRS 9 for the first time for the year ending 30 June 2016. This standard reduces the number of categories of financial assets from four to two categories. All financial assets will either be measured at amortised cost or at fair value. The classification is based on the Authority's business model for managing the financial asset and contractual cash flow characteristics. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is required to be adopted for the year ended 3 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

New Accounting Standards Framework

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Authority will be eligible to apply the reduced disclosure regime (Tier 2 reporting entity) of the public sector Public Benefit Entity Accounting Standards. The effective date for the new standards for public sector entities is for reporting periods beginning on or after 1 July 2014. Therefore, the Authority will transition to the new standards in preparing its 30 June 2015 financial statements. The Authority has not assessed the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standards Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

Significant accounting policies

The following accounting policies that materially affect the measurement of profit and loss 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.

Operational Levy revenue is recognised on a daily basis from the start date of the licence. Previously, revenue was recognised in the month the levy was received. The change in revenue recognition resulted in an $116,000 decrease in operating levy revenue and corresponding increase in income in advance. Prior period has not been restated because it is not considered material.

The annual charge to real estate licensees has two components: an operational levy to cover the on-going service provision of the Authority, which is treated as revenue, and a disciplinary levy that is transferred to the Ministry of Justice to provide funding for the Disciplinary Tribunal, which is not recognised as revenue. In addition, an application fee is charged to recover the additional costs for new licence applications. The Authority also charges a fee for suspending a licence. The suspended licence is valid for 12 months, after which it needs to be reactivated, re-suspended or cancelled.

Most licences expire on 31 March, and the licence renewal is payable at this time, therefore the Authority generally recognises 30% of revenue from renewed licences in the financial year the operating levy is received. The remaining 70% of the operational levy collected is deferred to the following financial year.

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

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 goods is recognised when the significant risks and rewards of ownership of the goods have passed to the licensee, usually on receipt of the funds.

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 $2.078 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 rate 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 and accrued interest, 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 impairment 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 impairment 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 surplus or deficit 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 it is 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

Capital work in progress

Capital work in progress consists of expenditure on assets that has not yet been completed. This expenditure will not be amortised until the asset is in a workable condition.

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 consultants' 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	2-4 years	25%-50%	straight line

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 ending April 2016. This is initially recognised at fair value in the Statement of Financial Position and subsequently measured at amortised cost using the effective interest rate method. Any interest expense is recognised in the profit or loss in accordance with the associated effective interest rate. The establishment funding was previously classified as financial liabilities at fair value through profit or loss. The correct classification is financial liabilities measured at amortised cost. This reclassification only has an impact on financial instruments category disclosure in Note 22.

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.

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, other transactions relating to changes in borrowings and equity of the Authority.

Budget figures

The Budget figures shown are derived from 2012–2015 Statement of Intent approved by the Board at the beginning of the financial year. The Budget figures have been prepared in accordance with NZ IFRS, using accounting policies consistent with those adopted by the Authority for the preparation of the financial statements. The Budget figures have not been audited.

Equity

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 policies

There have been no changes in accounting policies during the financial year. The accounting policies have been consistently applied throughout the periods in the financial statements.

Critical judgements in applying the Authority’s accounting policies

In the application of NZ IFRS, management is required to make judgements, 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 judgements. 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.

Judgements 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 relevant notes to the financial statements.

Notes to the financial statements

For the year ended 30 June 2013

1. Operating levy received	Actual 2013 $000	Actual 2012 $000
New applications	938	583
Renewals	7,723	8,157
Total operating levy received	**8,661**	**8,740**

During the year to 30 June 2013, the Authority processed 11,555 licence renewals, along with 1,624 new licence applications. Total active licences were 13,179 (2012:12,862). This is an overall increase of 317 licences from the previous year.

2. Application and suspension fees	Actual 2013 $000	Actual 2012 $000
New application fees	491	329
Suspension fees	306	321
Total application and suspension fees	**797**	**650**

During the year to 30 June 2013 the Authority processed 1,624 new licence applications, and 3,132 voluntary suspensions.

3. Other income	Actual 2013 $000	Actual 2012 $000
Interest	267	273
Sale of publications	266	235
Fair value Establishment Funding correction	74	-
Fines	83	116
Total other income	**690**	**624**

Interest earnings incorporate accrued interest on term deposit investments held with approved institutions, along with the interest received on call account and operating account balances.

Section 127 of the Real Estate Agents Act 2008 requires licensees to provide a copy of an approved guide to their clients. These guides are provided to licensees on a cost-recovery basis by the Authority and recorded as sale of publications.

The Authority has corrected a misstatement of the original establishment funding giving a net fair value correction of $74,000. Refer to Note 17 for the reconciliation of the establishment funding.

4. Personnel costs	Actual 2013 $000	Actual 2012 $000
Salaries and wages	2,868	3,205
Other personnel costs	503	269
Employer contributions to KiwiSaver	35	49
Termination payments	5	-
Employee entitlements	15	22
Total personnel costs	**3,426**	**3,545**

Other personnel costs include temporary staff for permanent roles, additional resources for temporary roles, recruitment costs, employer ACC levies, allowances and training.

One staff member was made redundant in the period ending 30 June 2013.

Employee entitlements represent the movement in annual leave balances between 30 June 2012 and 30 June 2013.

5. Finance costs	Actual 2013 $000	Actual 2012 $000
Fair-value imputed loan interest adjustment on Crown establishment funding	-	285
Imputed interest expense	342	488
Interest on capital funding from Crown	167	166
Total finance costs	**509**	**939**

The Authority has corrected a $99,000 misstatement of the original establishment funding. This has resulted in a decreased fair-value interest expense recognised in the current financial year. Refer to Note 17 for the reconciliation of the establishment funding.

6. Specialist services	Actual 2013 $000	Actual 2012 $000
Investigations support	211	277
ICT research and development	362	185
Bank, merchant service and payroll processing fees	142	120
Advertising and publicity	109	78
Approved guide management	82	69
Accounting support services	37	53
Media and communications	20	41
Alternative disputes resolution services	58	38
Other specialist services	164	282
Total specialist services	**1,185**	**1,143**

7. Board remuneration	Actual 2013 Board Fees $000	CAC Fees $000	TOTAL $000	Actual 2012 Board Fees $000	CAC Fees $000	TOTAL $000
Kristy McDonald Q.C. (Chair)	40	-	**40**	30	-	**30**
John Auld	20	4	**24**	18	7	**25**
Barrie Barnes	20	6	**26**	18	6	**24**
Aaron Bhatnagar	2	-	**2**	-	-	**-**
Denise Bovaird	20	6	**26**	18	11	**29**
Joan Harnett-Kindley	20	11	**31**	18	13	**31**
Peter McDermott	18	9	**27**	18	15	**33**
David Russell	20	5	**25**	18	6	**24**
Total board remuneration	**160**	**41**	**201**	**138**	**58**	**196**

The table above represents the total value of remuneration paid to Board members during the year. No Board members received compensation or other benefits in relation to cessation. Board members receive a set fee of $20,000 per year, with the Chair receiving $40,000. Aaron Bhatnagar was appointed as a Board member from May 2013, replacing Peter McDermott.

8. Cash and cash equivalents	Actual 2013 $000	Actual 2012 $000
Cash at bank and on hand	687	598
Funds held on call	5,689	5,352
Total cash and cash equivalents	**6,376**	**5,950**

The carrying value of cash and cash equivalents approximates their fair value. The weighted average effective interest rate for cash at bank is 1.65% (2012 1.65%) and funds held on call is 2.75%. (2012:3.10%)

9. Investments	Actual 2013 $000	Actual 2012 $000
Term deposits	3,046	3,082
Total investments	**3,046**	**3,082**

The Authority has invested $3,046 million in two separate term deposits of 12 months or less duration. The carrying value of the investments approximates their fair value. The weighted average effective interest rate for term deposits is 4.12% (2012:4.45%).

10. Debtors and other receivables	Actual 2013 $000	Actual 2012 $000
Trade debtors	21	75
Accrued interest	41	42
Total debtors and other receivables	**62**	**117**

Trade debtors represent the value of unpaid fines and guide purchases by licensees. The carrying value of receivables approximates their fair value. As at 30 June 2013 all overdue receivables have been assessed for impairment and $nil (2012:$nil) were assessed as impaired.

11. Prepayments	Actual 2013 $000	Actual 2012 $000
Prepaid salaries	41	58
Other prepaid creditors	2	22
Prepaid insurance	12	8
Total prepayments	**55**	**88**

12. Approved guide stock

The Authority produces three types of guides that are provided to licensees:

1. Code of Professional Conduct and Client Care
2. New Zealand Residential Property Agency Agreement Guide
3. New Zealand Residential property Sale and Purchase Agreement Guide

The costs of guide production, distribution and management are recovered directly from licensees at the point of sale. Approved guide stock held at year end is recorded on the Statement of Financial Position as a current asset, with the cost of goods sold recognised as an expense in the statement of comprehensive income.

Approved guides	Actual 2013 $000	**Actual 2012 $000**
Approved guide stock at beginning of year	34	29
Plus: Guide stock purchased during the year	51	38
Less: Guide stock cost of sales	(69)	(33)
Approved guide stock at end of year	**16**	**34**

13. Property, Plant and Equipment

	Computer equipment $000	Furniture and fittings $000	Leasehold improvements $000	Capital work in progress $000	Total $000
Cost or valuation					
Balance at 1 July 2011	266	116	8	-	390
Additions	3	8	6	103	120
Sales/transfers	0	-	-	-	-
Balance at 30 June 2012	**269**	**124**	**14**	**103**	**510**
Balance at 1 July 2012	269	124	14	103	510
Additions	13	-	-	576	589
Sales/transfers	-	-	-	(643)	(643)
Balance at 30 June 2013	**282**	**124**	**14**	**36**	**456**
Accumulated depreciation					
Balance at 1 July 2011	137	39	3	-	179
Depreciation expense	89	24	3	-	116
Sales/transfers	-	-	-	-	-
Balance at 30 June 2012	**226**	**63**	**6**	**-**	**295**
Balance at 1 July 2012	226	63	6	-	295
Depreciation expense	43	25	2	-	70
Sales/transfers	-	-	-	-	-
Balance at 30 June 2013	**269**	**88**	**8**	**-**	**365**
Net carrying amounts					
At 1 July 2011	129	77	5	-	211
At June and 1 July 2012	43	61	8	103	215
At 30 June 2013	**13**	**36**	**6**	**36**	**91**

14. Intangible assets

	Actual 2013 $000	Actual 2012 $000
Cost or valuation		
Opening Balance	**1,875**	**1,866**
Additions	7	9
Transfer from capital work in progress	643	-
Sales/transfers	17	-
Closing Balance	**2,542**	**1,875**
Accumulated amortisation		
Opening Balance	**1,645**	**1,172**
Amortisation expense	326	473
Closing Balance	**1,971**	**1,645**
Net carrying amount		
At 1 July 2011	**-**	**-**
At 30 June and 1 July 2012	**-**	**230**
At 30 June 2013	**571**	**-**

Included within intangibles is the Authority's core business systems upgrade capitalised in December 2012. As at 30 June 2013 the carrying amount was $564,000 (2012:$nil) and the remaining amortisation period is 3.5 years (2012:nil years). Other intangible assets include software licences and security access software.

15. Trade creditors and accruals

	Actual 2013 $000	Actual 2012 $000
Accrued expenses	157	550
Trade creditors	358	105
Other payables	2	25
Disciplinary levy payable to Ministry of Justice	15	11
Total trade creditors and accruals	**532**	**691**

Creditors and accruals are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of creditors and accruals approximates their fair value.

16. Deferred operating levy	Actual 2013 $000	Actual 2012 $000
From license renewals	5,498	5,618
From new applications	500	347
Total deferred operating levy	**5,998**	**5,965**

17. Establishment funding from Crown	Actual 2013 $000	Actual 2012 $000
Opening balance	**4,262**	**4,750**
Fair value adjustment	-	285
Adjusted balance	**4,262**	**5,035**
Fair value loan correction	(74)	-
Current year interest recognised	342	488
Less: repayments to the Crown	(1,261)	(1,261)
Closing balance	**3,269**	**4,262**
Represented by:		
Current portion of loan	1,261	1,261
Non-current portion of loan	2,008	3,001
Closing balance	**3,269**	**4,262**

The Authority has corrected a $99,000 misstatement of the original establishment funding. As a result, there has been a $25,000 amendment to the fair-value interest expense previously recognised, giving a net fair value correction of $74,000.

The establishment funding is non interest bearing. The Authority has applied the same interest rate as the Crown capital funding (8%), (2012:8%) to calculate the imputed interest.

The carrying value of the establishment funding approximates the fair value. The key assumptions in determining the fair value on initial recognition and subsequent value at amortised cost is the discount rate and repayment plan. If the discount rate had decreased by 1% with all other variables remaining constant, the carrying value would increase by $40,000 (2012: increase by $86,000).

The Crown expects the Authority to repay the full value of the Disciplinary Tribunal and the Authority's establishment funding over a five-year period. The total value of funding advanced was $6.207 million.

The terms of repayment agreed with the Ministry of Justice are as follows:

- Annual repayments of $1.261 million will be made in April of 2014, 2015 and a final payment of $1.163 million in April 2016.
- Payments are subject to the Authority making an annual surplus, having a positive cash position and having the ability to continue as a going-concern.
- The Ministry of Justice will not request an accelerated repayment programme without first agreeing new terms with the Authority.

18. Public equity

The Authority has a positive equity balance of $0.288 million, compared with a negative equity balance of $1.353 million in 2012. The negative equity arose due to the significant setup costs when the Authority was first established in 2009/10. Set-up of the Authority was funded by a loan from the Crown and Crown capital funding.

19. Net cash flows from operating activities

Reconciliation of Statement of Comprehensive Income surplus with net cash flow from operating activities.

	Actual 2013 $000	Actual 2012 $000
Net surplus for the period	**1,641**	**1,015**
Non-cash items:		
Depreciation	70	116
Amortisation	326	473
Fair value Establishment Funding correction	(74)	-
Imputed loan interest	342	488
Fair value adjustment	-	285
	664	**1,362**
Movements in working capital items		
Trade debtors, other receivables and prepayments	88	455
Movements in inventory	18	(5)
GST receivable	11	31
Rent rebate received	(45)	(46)
Trade creditors, other payables and provisions	(92)	94
Deferred operating revenue	33	(200)
Employee entitlements	13	36
	26	**365**
Net cash flows from operating activities	**2,331**	**2,742**

20. Financial risk management objectives

The Authority does not enter into or trade financial instruments for speculative purposes. The Authority's activities expose it primarily to the financial risks of interest rates.

Interest rate risk

Fair-value interest rate risk is the risk the value of a financial instrument will fluctuate due to changes in market interest rates. Cash flow interest rate risk is the risk that cash flows from a financial instrument will fluctuate because of changes in market interest rates. The Authority is exposed to cash flow interest rate risk as it has cash on call at floating interest rates. The Authority manages its interest risk by investing in on-call and short term deposits of less than one year with financial organisations in accordance with s161 of the Crown Entities Act 2004. The Authority's interest rate risk is limited as the interest rate on investments is fixed and investment terms are less than one year.

Credit risk management

Credit risk is the risk a third party will default on its obligation to the Authority, causing the Authority to incur a loss. Financial instruments that potentially subject the entity to credit risk principally consist of bank balances. The Authority very rarely extends credit, and deposits its cash with Westpac. Westpac and UDC are both rated as AA institutions under Standard & Poor's investment grading criteria.

Maximum exposures to credit risk at reporting date are:

Maximum exposures to credit risk	Actual 2013 $000	**Actual 2012 $000**
Cash and cash equivalents	6,376	5,950
Investments - term deposits	3,046	3,081
Debtors	62	117
Total	**9,484**	**9,148**

No collateral is held on the above amount. There is no maturity date on the current bank balances as these represent cash held in transactional and cash management accounts. Term deposits classed as cash and cash equivalents have a maturity date of less than three months.

Fair value of financial instruments

The Authority considers the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

Liquidity risk

Liquidity risk is the risk the Authority will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Authority aims to maintain flexibility in funding by keeping committed credit lines available.

All of the Authority's commitments owing at balance date, comprising creditors and accruals, have a contractual maturity of less than six months. The Authority has sufficient cash on hand to meet these commitments as they fall due. Refer to Note 15 for the liquidity risk of trade creditors and accruals.

The table below analyses financial liabilities (excluding derivatives) into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

Contractual cash-flows from financial liabilities

Contractual cash-flows from financial liabilities	Carrying amount	Contractual cash flows	Less than 6 months	6-12 months	Later than 1 year
2013					
Creditors and other payables	530	530	530	-	-
Establishment funding	3,269	3,686	-	1,261	2,425
Total	**3,799**	**4,216**	**530**	**1,261**	**2,425**
2012					
Creditors and other payables	667	667	667	-	-
Establishment funding	4,262	5,046	-	1,261	3,785
Total	**4,929**	**5,713**	**667**	**1,261**	**3,785**

Currency risk

Currency risk is the risk the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Authority is not subject to currency risk as it does not participate in any such financial instruments.

21. Capital management

The Authority's capital is its equity comprised of accumulated funds and other reserves. Equity is represented by net assets.

The Authority is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives. The Authority manages its equity as a by-product of prudently managing income, expenses, assets, liabilities, investments, and general financial dealings to ensure the Authority effectively achieves its objectives and purpose, whilst remaining a going concern.

22. Categories of financial assets and liabilities

	Loans and receivables	Financial liabilities measured at amortised cost	Financial liabilities at fair-value through profit and loss	Total carrying amount	Fair value
	$000	$000	$000	$000	$000
2013					
Current financial assets					
Cash and cash equivalents	6,376	-	-	6,376	**6,376**
Investments - term deposits	3,046	-	-	3,046	3,046
Debtors and other receivables	62	-	-	62	**62**
Total current financial assets	**9,484**	**-**	**-**	**9,484**	**9,484**
Total financial assets	**9,484**	**-**	**-**	**9,484**	**9,484**
Current financial liabilities					
Trade creditors and accruals	-	530	-	530	530
Total current financial liabilities	**-**	**530**		**530**	**530**
Term financial liabilities					
Establishment funding from Crown	-	-	3,269	3,269	3,269
Total term financial liabilities	**-**	**-**	**3,269**	**3,269**	**3,269**
Total financial liabilities	**-**	**530**	**3,269**	**3,799**	**3,799**
2012					
Current financial assets					
Cash and cash equivalents	5,950	-	-	5,950	**5,950**
Investments - term deposits	3,082	-	-	3,082	**3,082**
Debtors and other receivables	117	-	-	117	**117**
Total current financial assets	**9,149**	**-**	**-**	**9,149**	**9,149**
Total financial assets	**9,149**	**-**	**-**	**9,149**	**9,149**
Current financial liabilities					
Trade creditors and accruals	-	667	-	667	**667**
Total current financial liabilities	**-**	**667**		**667**	**667**
Term financial liabilities					
Establishment funding from Crown	-	-	4,262	4,262	**4,262**
Total term financial liabilities	**-**	**-**	**4,262**	**4,262**	**4,262**
Total financial liabilities	**-**	**667**	**4,262**	**4,929**	**4,929**

23. Related party transactions

The Authority is a wholly-owned Crown entity. The Authority has entered into a number of transactions with government departments, Crown agencies and state-owned entities on an arm's length basis, and in the course of its normal dealings. Where those parties are acting in the course of their normal dealings with the Authority and the transactions are at arm's length, related party disclosures have not been made.

During the year ended 30 June 2010, the Authority received an interest free loan of $6,208 million from the Crown. The outstanding balance of this loan as at 30 June 2013 is $3,269 million and the details of the loan are included in Note 17.

The Authority paid $166,000 (2012: $166,000) of interest on capital funding from the Crown.

During the year the Authority collected $436,000 (2012:$423,000) of disciplinary tribunal levies on behalf of the Ministry of Justice. These levies are paid directly to the Ministry in the month following their collection.

24. Key management personnel compensation

The compensation of the Chief Executive/Registrar and the Board members is set out below:

	Actual 2013 $000	**Actual** **2012** **$000**
Fees, salaries and other short term benefits	378	377
Post-employment benefits	0	2
Total key management personnel compensation	**378**	**379**

Fees, salaries and other short term benefits include Board member fees, salaries and annual leave.

25. Employee remuneration

Remuneration and other benefits of $100,000 per annum or more, (excluding payments for compensation or other benefits in respect of employment cessation), received by employees in their capacity as employees were:

	Actual 2013 $000	Actual 2012 $000
Remuneration range		
$100,000 - $109,999	2	4
$110,000 - $119,999	3	3
$120,000 - $129,999	-	-
$130,000 - $139,999	1	1
$140,000 - $149,999	-	-
$150,000 - $159,999	1	2
$160,000 - $169,999	-	-
$170,000 - $179,999	-	-
$180,000 - $189,999	-	-
$190,000 - $199,999	-	-
$200,000 - $209,999	-	-
$210,000 - $219,999	1	-
Total employees	**8**	**10**

26. Commitments

(i) Capital commitments

There are no capital commitments at reporting date (2012:nil).

(ii) Operating lease commitments

Commitments for non-cancellable operating leases are as follows:

	Actual 2013 $000	Actual 2012 $000
Less than one year	278	311
Later than one year and not later than five years	1,242	15
Later than five years	308	-
Total operating lease commitments	**1,828**	**326**

The operating lease commitments are largely for the lease of Level 2 Deloitte House, 10 Brandon Street, Wellington. The Authority renewed its lease commencing 1 July 2013 for a term of six years. On renewal, the Authority received an incentive in the form of three months' rent free. This incentive will be amortised over the life of the lease. The Authority does not have the option to purchase the leased asset at the expiry of the lease period.

(iii) Other commitments

The Authority has made the following other commitments:

- An agreement with Datacom Ltd to provide support of the Authority's physical network and software systems. This agreement expires in June 2014 and is charged at $29,811 per month.

27. Contingent liabilities

There are no contingent liabilities at reporting date, (2012:$nil).

28. Subsequent events

There are no events subsequent to the reporting date the Authority is aware of that would have a material impact on the financial statements for the year ended 30 June 2013.

29. Significant budget variances

Budget values are sourced from the forecast financial statements shown in the Authority's 2012–2015 Statement of Intent.

Explanations of significant budget variances are provided as follows:

Statement of comprehensive income

Revenue

Operating levy received: The two main reasons for the $1,408,000 budget variance, are a 2011/12 financial year adjustment of $871,000 incorrectly included in the 2012/13 annual budget and an overstatement of licence renewal volumes that equated to $657,000.

Application and suspension fees: The actual volumes of new applications and suspensions of licences at 30 June 2013 was 1,624 and 3,132 which is 664 and 2,555 more than budget. Accordingly fee revenue from new applications and suspensions is $439,000 more than the $358,000 budget.

Other income: The uptake of the 2012 Code of Conduct publication was greater than anticipated. Accordingly the revenue from approved guide sales is $86,000 more than budget. Fines and interest revenue have also exceeded budget assumptions by $46,000.

Expenditure

Specialist services

At the time the 2012/13 budget was being prepared, it was anticipated that the Authority's Core Business System Upgrade Project would be completed by June 2012. Accordingly only $44,000 was provided for in the budget. Actual operating costs of the project were $362,000, a variance over budget of $318,000. Cost savings in other areas of specialist services have offset this over expenditure.

Legal fees

The 2012/13 budget for legal fees was based on an estimated number of prosecutions, appeals and reviews as well as making an allowance for any unusually complex cases. The actual number of prosecutions, appeals and reviews (and the associated fees) has been less than anticipated, resulting in a variance under budget of $322,000.

Complaints Assessment Committee fees

Complaints Assessment Committee (CAC) fees vary on the value of time charged by CAC members every month. Fewer hours have been charged by CAC members than anticipated throughout the year, resulting in a variance under budget of $101,000.

Travel, meetings and entertainment

Travel, meetings and entertainment expenses are under budget by $165,000. In-house investigator travel expenses are significantly less than budget due to the outsourcing of (older) case investigation work, thus saving travel expenses incurred by the Authority. A planned nationwide roadshow promoting the 2012 Code of Conduct was also cancelled, saving significant travel expenses.

Statement of financial position

Cash and cash equivalents, Investments

The cash and cash equivalents variance is due to surplus cash (as a result of deferring the Authority's new licensing and compliance system) being invested in bank short term-investments, as opposed to leaving the funds on call.

GST Receivable

Expenditure anticipated on the Authority's new licensing and compliance system in May and June 2013 has not occurred (refer to Note 14).

Property, plant and equipment, Intangible assets, Trade creditors and accruals

The project to deliver the Authority's new licensing and compliance database was originally expected to be complete by June 2012. This project has been rescheduled. Accordingly the impact on trade creditors and intangible assets to be created from it have been delayed.

Deferred operating levy

Deferred operating levy is $256,000 over budget. This is predominately due to a change in the Authority's method of recognising levy revenue from a monthly basis to a daily basis. This amounted to an adjustment of $116,000 to the deferred operating levy at 30 June 2013.

Establishment funding from Crown (current)/(term)

The current portion of the establishment funding is shown as the full amount repayable in April 2014. The offsetting variance is shown in the term portion.

Statement of cash flows

Cash Flows:

Net Cash flows from operating activities

Delayed spending on the Authority's rescheduled licensing and compliance system has offset the effect of fewer licence renewals in March.

Net Cash flows from investing activities

Surplus funds as a result of delayed spending on the Authority's rescheduled licensing and compliance system have been invested in term deposits.