

REAA Annual Report

2013/14

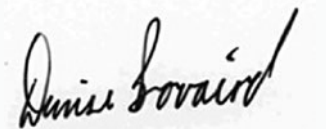


We are pleased to present to Parliament the Annual Report of the Real Estate Agents Authority, pursuant to the provisions of the Crown Entities Act 2004.

This report covers the period 1 July 2013 to 30 June 2014.



John Auld
Board Chair
21 October 2014



Denise Bovaird
Audit and Risk Subcommittee Chair
21 October 2014



Real Estate Agents Authority

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Message from the Chair

I am pleased to present the 2013/14 Annual Report for the Real Estate Agents Authority.

This report outlines a year of successful delivery against the milestones and the targets we set for our priority areas in our 2013/14–2015/16 Statement of Intent. In this Annual Report, we reflect on the progress the Authority has made towards achieving its principal objectives - first, consumers being able to participate more effectively in real estate transactions, and second, increased public confidence in the integrity of the real estate industry.

The Authority has a key role in ensuring that vendors and purchasers know what to expect when buying or selling real estate, how the process works and their rights and obligations. This year, we have continued our work to raise consumers' knowledge by developing information programmes and guidance material that clearly explains the critical steps in a sale and purchase transaction. In addition, we launched our social media presence, allowing us to interact more readily with our stakeholders.

Recent survey results have shown 93% of consumers consider themselves able to participate effectively in real estate transactions. We continue to look for ways to educate the wider community in relation to the conveyancing of property, recognising the desirability for consumers to understand the increasing complexity of land title, land use and building issues. The Authority will continue to encourage consumers to take appropriate professional advice before making binding contractual commitments.

Improving public confidence in the real estate industry is a key feature of our work. An important part of this is ensuring only 'fit and proper' licensees enter and remain in the industry. This year, we approved over 17,000 active and voluntarily suspended licence applications, including welcoming over 1,900 new licensees into the industry.

We use a range of initiatives to raise awareness of the professional behaviour that is expected of licensees. Now in its third year, the Authority's continuing education programme is used as an avenue to increase the knowledge and practising standards of licensees. The ability of a licensee to recognise, understand and appropriately deal with the multitude of legal issues involved in

every property transaction, including the fiduciary duties they owe to their vendor and the duties they owe to purchasers, is part of the on-going development of high professional standards of conduct for the industry.

Licensee feedback on the value they receive from the education programme has been very positive. A recent survey showed 84% of licensees have found the continuing education programme has improved their knowledge and understanding of the topic area and that they intend to make changes to their practice as a result of the training. This is a great endorsement of the practical use of the continuing education programme, and ultimately, the benefit of this training will flow through to consumers.

We realise that in order to maintain the integrity of the industry, we need to provide a fair, impartial and effective system for managing complaints. This year our independent Complaints Assessment Committees published 555 decisions, 36% more than last year. As complaint volumes have remained relatively steady, the increased volume of decisions published reflects a continued focus on improving the timeliness and efficiency of our complaints management process.

Our completion of another successful year is underpinned by a strong team. I recognise the contribution of my fellow Board members and Authority staff and thank them for their support.

The Authority looks forward to working with the real estate industry, consumers and the wider community over the coming year as we strive to improve standards of conduct and to further reduce the number of complaints. Ensuring high standards of behaviour by all professions and businesses that have a direct or indirect involvement in real estate transactions is fundamental to a modern and well regulated economy. The Authority will continue its support for improvement in the conduct of all activities associated with the business of real estate.



John Auld
Board Chair

About the Authority

Buying property is one of the largest investments consumers make. It is important that the regulatory framework governing property transactions is clear and that the system works well. The Real Estate Agents Authority has the responsibility to promote and protect the interests of consumers in real estate transactions and to promote public confidence in real estate agency work.

Nature of our activities

Our functions are defined by the Real Estate Agents Act 2008 and in summary comprise:

- licensing real estate agents, branch managers and salespersons (referred to collectively as licensees) and maintaining a public register of licensees
- informing and advising consumers so they can participate with confidence in real estate transactions
- establishing, developing and monitoring professional entry requirements for licensees, continuing education programmes and professional Code of Conduct standards for the real estate industry
- responding to enquiries and complaints, investigating problems in the real estate industry and ensuring appropriate action is taken to sanction any unsatisfactory conduct, misconduct or illegal behaviour.

Governance

We are governed by an independent Board that is 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 to:

- set our strategic direction
- ensure our legislative functions are carried out effectively
- monitor our performance.

The Board reports directly to the Minister of Justice.

Board as at 30 June 2014

Board Chair

John Auld

Board members

Aaron Bhatnagar
Barrie Barnes
David Russell
Denese Bates QC
Denise Bovaird
Joan Harnett-Kindley

Authority Leadership Team as at 30 June 2014

Chief Executive

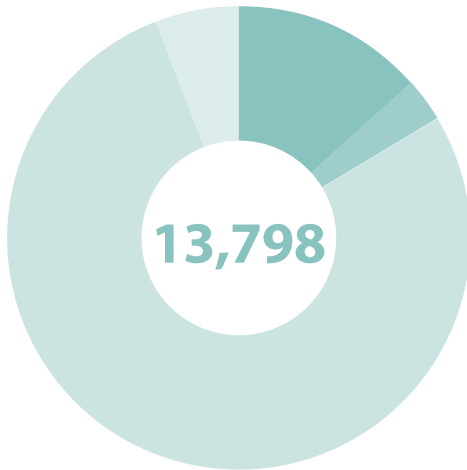
Kevin Lampen-Smith

Leadership Team

Margaret Steel
Martin Sawyers
Peter Nicholls



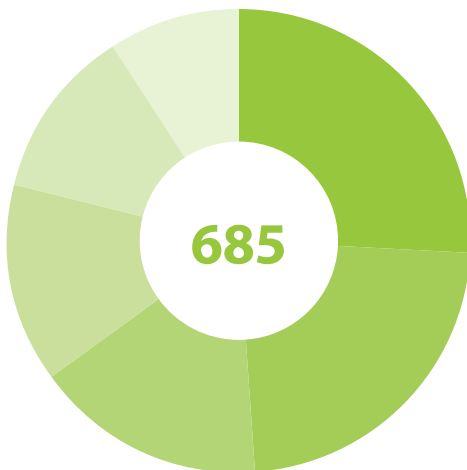
Key data at a glance



Licensing volumes

The number of active licences increased from 13,179 in June 2013 to **13,798** in June 2014. Types of licences are:

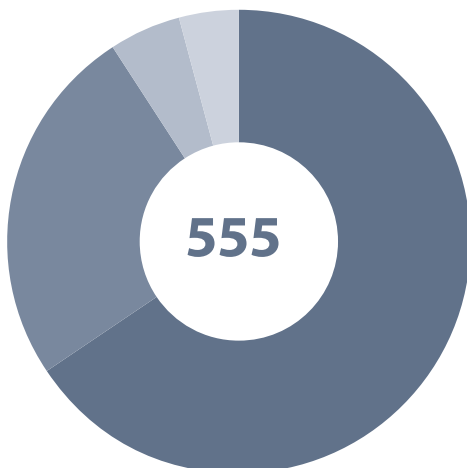
- Agent 1,858
- Branch manager 435
- Salesperson 10,706
- Company 799



Complaint volumes

We received **685** complaints in 2013/14. The majority of complaints were made by sellers and buyers.

- Sellers 26%
- Buyers 23%
- Prospective buyers 16%
- Licensees 14%
- Other 12%
- Consumers 9%



Complaints Assessment Committee decisions

CACs issued **555** decisions during 2013/14. The majority were decisions of no further action.

- No further action 65%
- Unsatisfactory conduct 25%
- Not to inquire 5%
- Refer to the Real Estate Agents Disciplinary Tribunal 4%

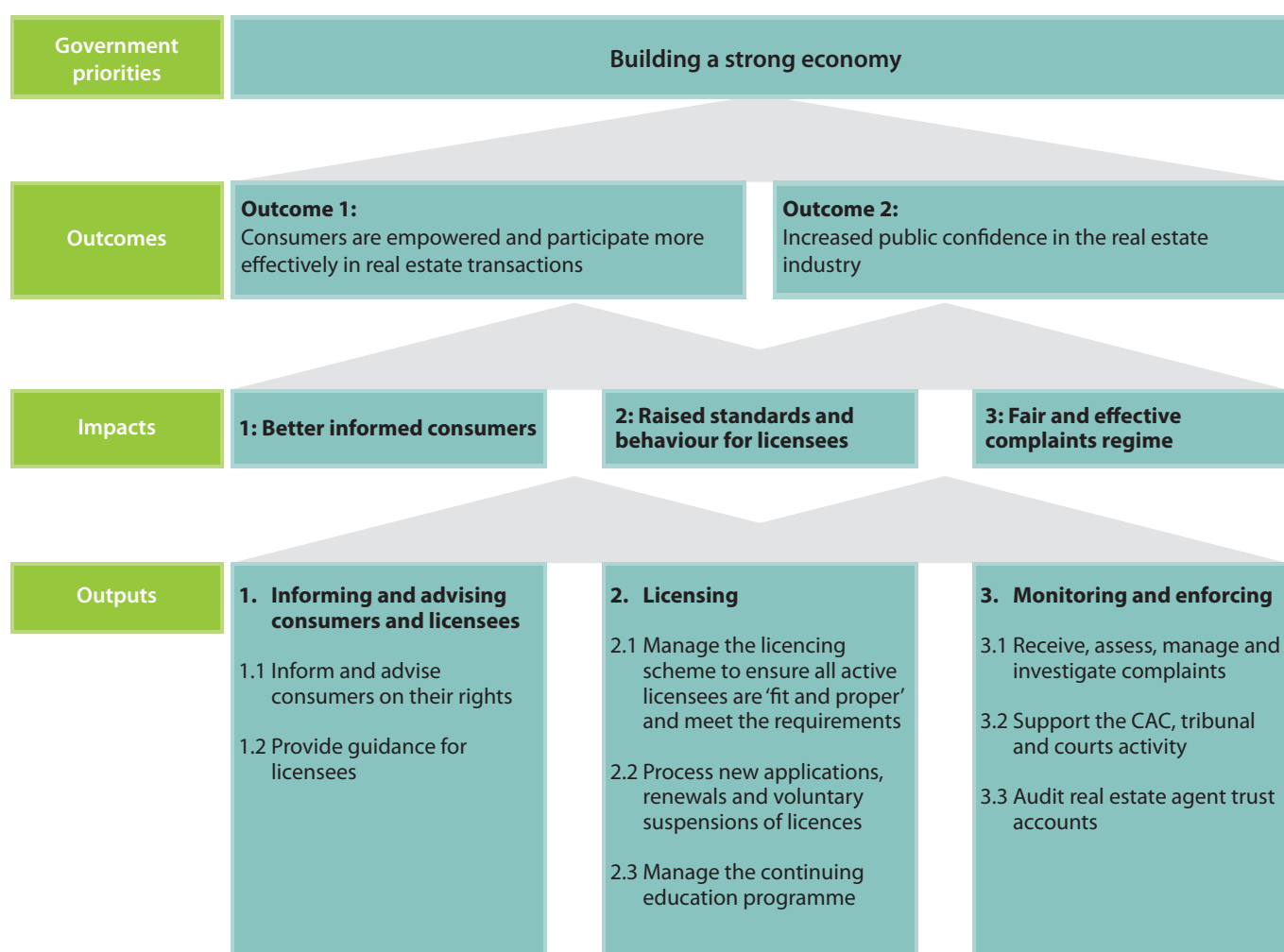
Progress against the Government's priority to build a more productive and competitive economy

The Government has a priority to build a more productive and competitive economy. Our contribution towards this priority and our response to opportunities and challenges arising in our environment are captured under two inter-related long-term outcomes that we are committed to delivering:

1. Consumers are empowered and participate more effectively in real estate transactions.
2. Increased public confidence in the real estate industry.

Our outcomes framework (Figure 1 below) summarises our services, the results and impacts they will deliver and how these contribute towards both of our outcomes as well as the outcomes of the Government.

Figure 1: Our outcomes framework



Measuring progress against our long-term outcomes

We monitor our progress towards our long-term outcomes through three indicators:

1. Percentage of consumers that consider themselves empowered and are able to participate effectively in real estate transactions.
2. Percentage of consumers that have confidence in the real estate industry.
3. UMR Mood of the Nation Survey—occupational respect rating of real estate agents.

Indicator 1: Percentage of consumers that consider themselves empowered and are able to participate effectively in real estate transactions

Consumers who understand the buying and selling process and who know their rights and the process for seeking redress if things go wrong can participate with greater confidence in real estate transactions. During 2013/14, we have been working towards raising consumers' knowledge through developing information programmes and guidance material that clearly explains consumer rights and the process for redress.

Each year, we undertake a survey of consumers to monitor the effectiveness of our interventions. As shown in Table 1 below, 93% of consumers consider themselves empowered and able to participate effectively in real estate transactions.

Table 1: Indicator 1

Indicator 1	Target 2015/16	Actual 2013/14	Actual 2012/13	Actual 2011/12
Percentage of consumers that consider themselves empowered and are able to participate effectively in real estate transactions	90%	93% ¹	93% ²	88% ²

¹Source: Real Estate Agents Authority (2014). *Annual Perceptions Research (June 2014)*. Prepared by Nielsen for the Real Estate Agents Authority. The result is expressed as a percentage of positive responses (i.e. excludes 'don't know' responses).

² Prior period results have been updated for comparability with the current year.

Indicator 2: Percentage of consumers that have confidence in the real estate industry

The public's confidence in the real estate industry will be enhanced if the industry is made up of professional and competent licensees and there are effective processes for redress when things go wrong. Throughout the year, we have been working to raise licensee standards and enhancing the interventions we use when we identify non-compliance.

We track public confidence in the real estate industry through an annual consumer survey. Each year, we ask consumers to what

extent they have confidence that the real estate industry in New Zealand is:

- professional
- well regulated
- fair
- well monitored.

As shown in Table 2, the findings of the 2014 survey show 70% of consumers have confidence in the real estate industry.

Table 2: Indicator 2

Indicator 2	Target 2015/16	Actual 2013/14	Actual 2012/13	Actual 2011/12
Percentage of consumers that have confidence in the real estate industry	65%	70% ³	72% ⁴	68% ⁴

³Source: Real Estate Agents Authority (2014). Annual Perceptions Research (June 2014). Prepared by Nielsen for the Real Estate Agents Authority. The result is expressed as a percentage of positive responses (i.e. excludes 'don't know' responses).

⁴Prior period results have been updated for comparability with the current year.

Indicator 3: UMR Mood of the Nation Survey – occupational respect rating of real estate agents

Every year, we track the occupational respect rating of real estate agents through the results of the UMR Annual Mood of the Nation survey. As shown in Table 3, since 2011/12, we have seen a small increase in the occupational respect rating of real estate agents. In the short term, we have set the target for this indicator at

4.5/10. However as we continue with our work to raise standards of professionalism across the industry, we expect to see the occupational respect rating of real estate agents increase further over time.

Table 3: Indicator 3

Indicator 3	Target 2015/16	Actual 2013/14	Actual 2012/13	Actual 2011/12
UMR Mood of the Nation Survey – occupational respect rating of real estate agents	4.5/10	4.5/10 ⁵	4.2/10	4.1/10

⁵ Source: UMR Research (2014). Annual Mood of the Nation (January 2014). Available from <http://umr.co.nz/updates/mood-nation-2014>



Measuring progress against the impacts we are seeking

We have been working towards our outcomes *Consumers are empowered and participate more effectively in real estate transactions* and *Increased public confidence in the real estate industry* by seeking to achieve three impacts:

- 1. Impact 1: Better informed consumers**
- 2. Impact 2: Raised standards and behaviour of licensees**
- 3. Impact 3: Fair and effective complaints regime**

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. We have contributed towards this impact through activities in *Output 1: Informing and advising consumers and licensees*.

During 2013/14 our focus has been on:

- providing targeted information to advise consumers of their rights
- raising awareness of the Authority.

We have used a variety of channels to inform buyers and sellers about their rights and in turn generate awareness of the Authority including:

- online advertising
- social media
- traditional media
- website content
- publishing a range of consumer-targeted publications.

We measure the overall success of our consumer interventions by tracking the percentage of consumers that consider themselves informed of their rights in relation to real estate transactions. As shown in Table 4, our objective for 2015/16 is for 60% of consumers to consider themselves informed of their rights in relation to real estate transactions.

Table 4: Impact 1 Indicator

Impact 1 Indicator	Target 2015/16	Actual 2013/14	Actual 2012/13	Actual 2011/12
Percentage of consumers that consider themselves informed of their rights in relation to real estate transactions	60%	59% ⁸	57% ⁹	59% ⁹

⁶92% of consumers who received a copy of the guide find the guide at least somewhat useful. The result is expressed as a percentage of positive responses (i.e. excludes 'don't know' responses). Source: Real Estate Agents Authority (2014). Annual Perceptions Research (June 2014). Prepared by Nielsen for the Real Estate Agents Authority. Guide available from <http://www.reaa.govt.nz/ForLicensees/YourObligations/Approved-guides>

⁷93% of consumers who received a copy of the guide find the guide at least somewhat useful. The result is expressed as a percentage of positive responses (i.e. excludes 'don't know' responses). Source: Real Estate Agents Authority (2014). Annual Perceptions Research (June 2014). Prepared by Nielsen for the Real Estate Agents Authority. Guide available from <http://www.reaa.govt.nz/ForLicensees/YourObligations/Approved-guides>

⁸ Source: Real Estate Agents Authority (2014). Annual Perceptions Research (June 2014). Prepared by Nielsen for the Real Estate Agents Authority. The result is expressed as a percentage of positive responses (i.e. excludes 'don't know' responses).

⁹ Prior period results have been updated for comparability with the current year.



Impact 2: Raised standards and behaviour of licensees

Throughout the year, we have been working to raise the standards and behaviour of licensees through activities across all three of our outputs. We work to ensure that only those licensees that are 'fit and proper' enter and remain in the industry.

We recognise that raising licensees awareness of the professional behaviour that is expected of them should make it easier for licensees to comply with the legislation and act as a deterrent to engage in behaviour that can lead to disciplinary action.

During 2013/14, we used a variety of mechanisms to increase licensee knowledge of the rules and regulations and enhance the skills and judgement of licensees. Key activities included:

- providing best-practice guidance to licensees via our website, newsletters and social media
- publishing information on upheld complaints
- providing face-to-face presentations to licensees on the key issues the Authority and the industry are facing - 2013/14 topics included:
 - the definition of the term 'Real Estate Agency Work'
 - disclosure obligations pursuant to the Code of Conduct
 - the skills an agent is expected to display pursuant to the Code of Conduct and serious negligence pursuant to section 73 of the Act
- setting the continuing education programme:
 - 2013 continuing education topic: *Licensees' obligations for disclosure in respect of the legal and physical description and representation of real estate*
 - 2014 continuing education topic: *The legal and physical representation of real estate – part two.*

87%¹⁰
of licensees find the
industry newsletters
informative

91%¹⁰
of licensees find the
Authority's guidance
material informative

84%¹⁰
of licensees believe the
continuing education
programme has improved
their knowledge

84%¹⁰
of licensees as a result of
continuing education,
plan to make changes
to their practice

We measure the overall success of our interventions by tracking the number of active licensees that, during the financial year, receive decisions of either unsatisfactory conduct or misconduct. During the year, the Authority focused on closing older complaints. As a result, we have issued a higher number of decisions than in previous years. In 2013/14, 184 determinations

of unsatisfactory conduct and 11 determinations of misconduct were issued (refer to Table 5). Over time, we expect raised awareness of appropriate behaviour will make it easier for licensees to comply and act as a deterrent to engage in the types of behaviour that can lead to disciplinary action.

Table 5: Impact 2 Indicator

Impact 2 Indicator	Target 2015/16	Actual 2013/14	Actual 2012/13	Actual 2011/12
Number per 1,000 active licensees that, during the financial year, receive decisions of either unsatisfactory conduct or misconduct	6	14	13	7

¹⁰Source: Real Estate Agents Authority (2014). Licensing Services Survey (June 2014).



Impact 3: Fair and effective complaints regime

We recognise that a well regulated industry, with effective systems and processes for monitoring and redress, will ensure consumers are better protected. We contribute to this impact through activities in all three of our outputs.

Our compliance model is based on a proportionate, risk-based approach. An overview of our complaints process is presented in Figure 2, and the regulatory tools and criteria we use to respond to complaints are set out in Figure 3.

Figure 2: Overview of the complaints process

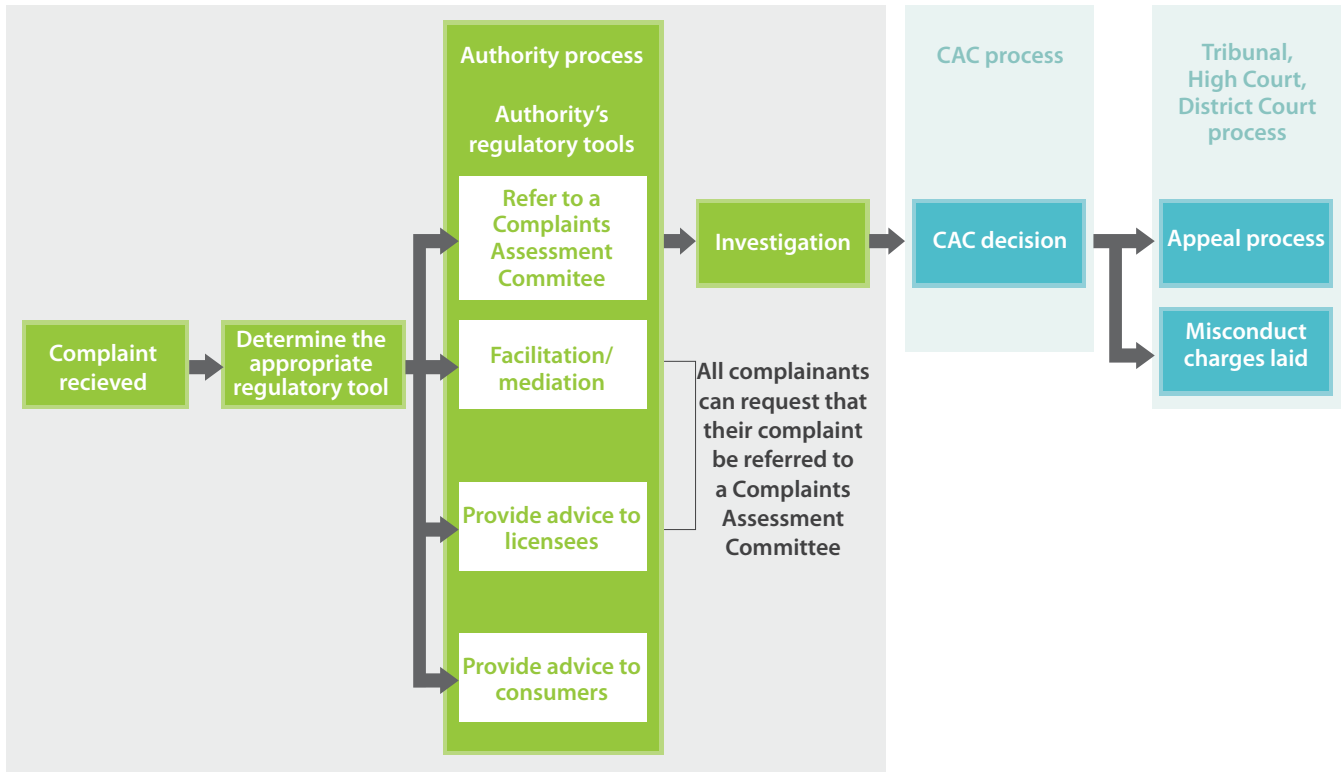
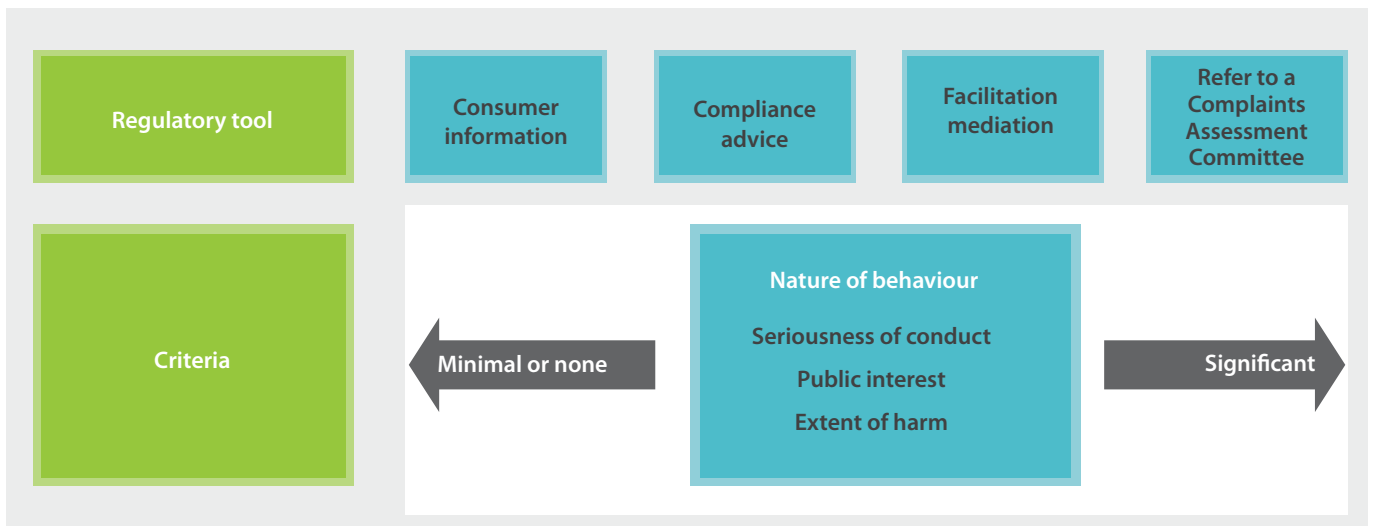


Figure 3: Regulatory tools and criteria



We aim to provide an independent, transparent and fair process for dealing with complaints about the behaviour of licensees. Anyone can lodge a complaint about the behaviour of a licensee at no cost. We measure the success of our interventions by monitoring the percentage of complainants and respondents that consider the complaints process fair (refer Table 6).

Table 6: Impact 3 Indicator

Impact 3 Indicator	Target 2015/16	Actual 2013/14	Actual 2012/13	Actual 2011/12
Percentage of complainants and respondents that consider the complaints process fair	65%	49% ¹¹	43%	56%

¹¹Source: Real Estate Agents Authority (2014). Complaints Process Survey: Complainants (June 2014) and Complaints Process Survey: Licensees (June 2014). The result is expressed as a combined percentage of positive responses (i.e. excludes 'not applicable' responses) from the Complaints Process Survey: Complainants (37%) and Complaints Process Survey: Licensees (61%).

As shown in Figure 4, we have a range of interventions we use to resolve complaints. For matters where there has been little or no detriment resulting from the licensee's behaviour, the behaviour is not on-going and there are no other wider public interest issues, we send licensees a compliance advice letter or, if more appropriate, provide alternative dispute resolution/mediation services. If the matter is serious, or at a complainants request, the complaint will be dealt with by a Complaints Assessment Committee. Complaints Assessment Committees are independent judicial panels that make decisions on complaints.

During 2013/14, we received 685 complaints. As shown in Figure 4, during 2013/14, 51% of complaints considered were referred to a Complaints Assessment Committee for consideration, with the remaining 49% of complaints resolved through lower-level interventions such as consumer information, compliance advice and mediation.

During 2013/14, our complaint closure times were tracking significantly below target. This prompted a review of our complaints management process. In October 2013, we commenced a trial changing the way we manage less serious complaints and implemented an early intervention facilitation programme. Under this approach, we use skilled facilitators to talk with all parties to clarify the issues being complained about. Facilitators work with the parties to ensure that complaints not within the Authority's jurisdiction or that include unrelated matters, are dealt with in some other way or are referred to another appropriate body. When a complaint does need to go to a Complaints Assessment Committee, we are then able to provide them with clear and concise information to help with their decision making. Feedback from the trial was overwhelmingly positive, and the approach has now become integrated into our standard complaints management process.

Figure 4: Regulatory tools and criteria

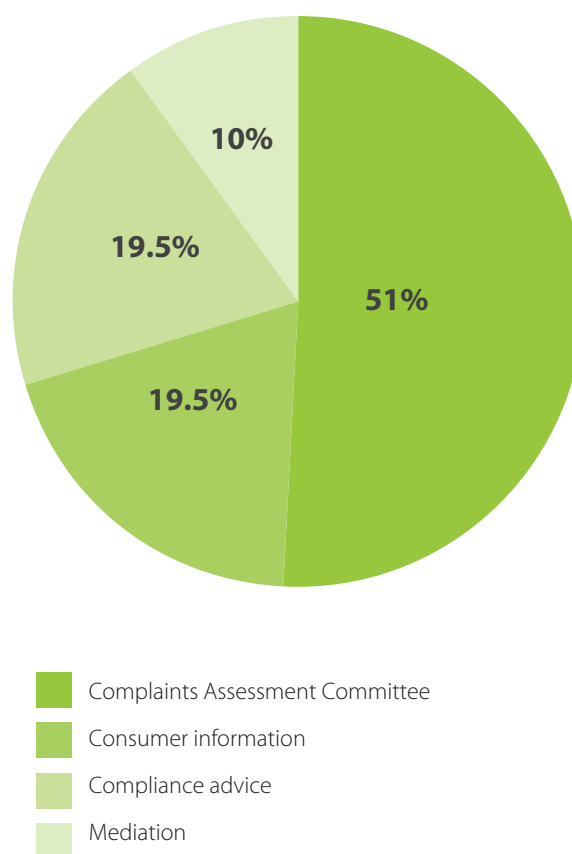
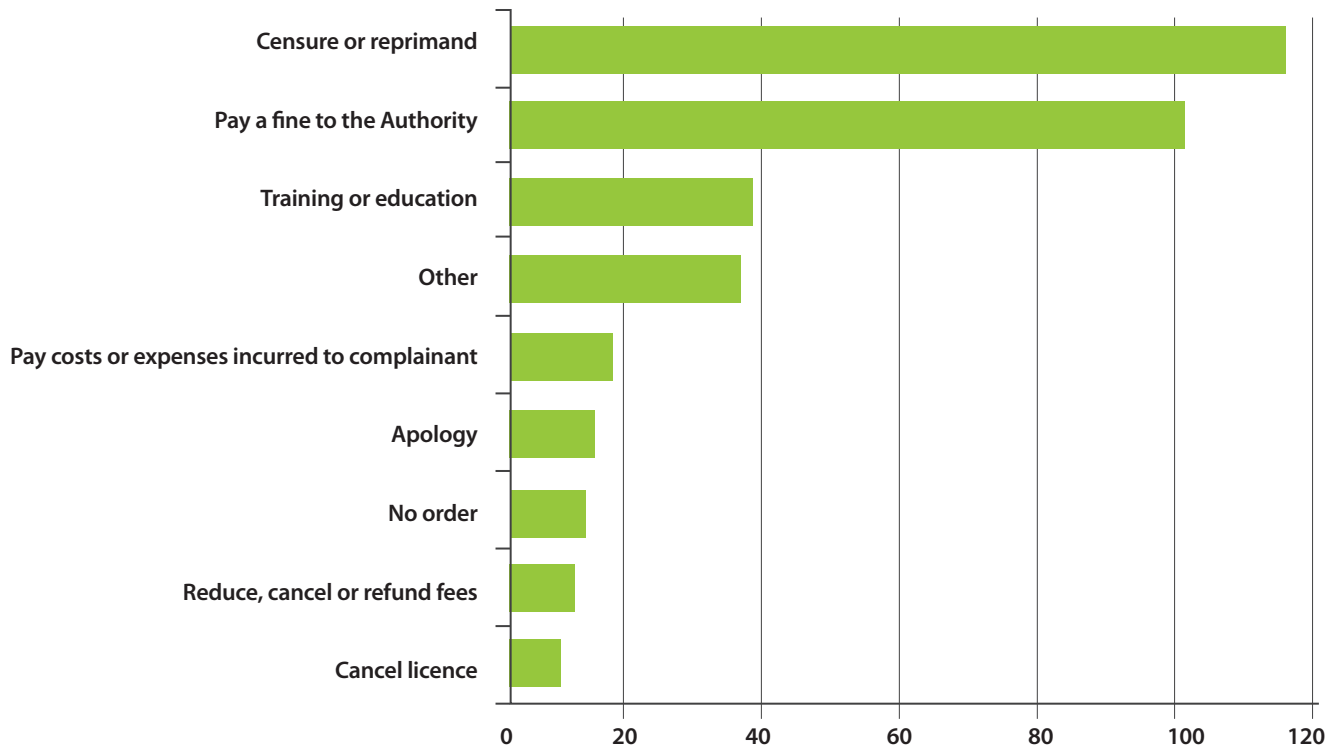


Figure 5 provides an overview of the penalties ordered by Complaints Assessment Committees and the Real Estate Agents Disciplinary Tribunal during 2013/14

Figure 5: Penalties ordered by Complaints Assessment Committees and Real Estate Agents Disciplinary Tribunal 2013/14



The Real Estate Agents Disciplinary Tribunal is separate to the Real Estate Agents Authority and is part of the Ministry of Justice. The Tribunal hears and decides cases against real estate agents where the Complaints Assessment Committee has laid charges of misconduct. It also hears appeals that have been made against

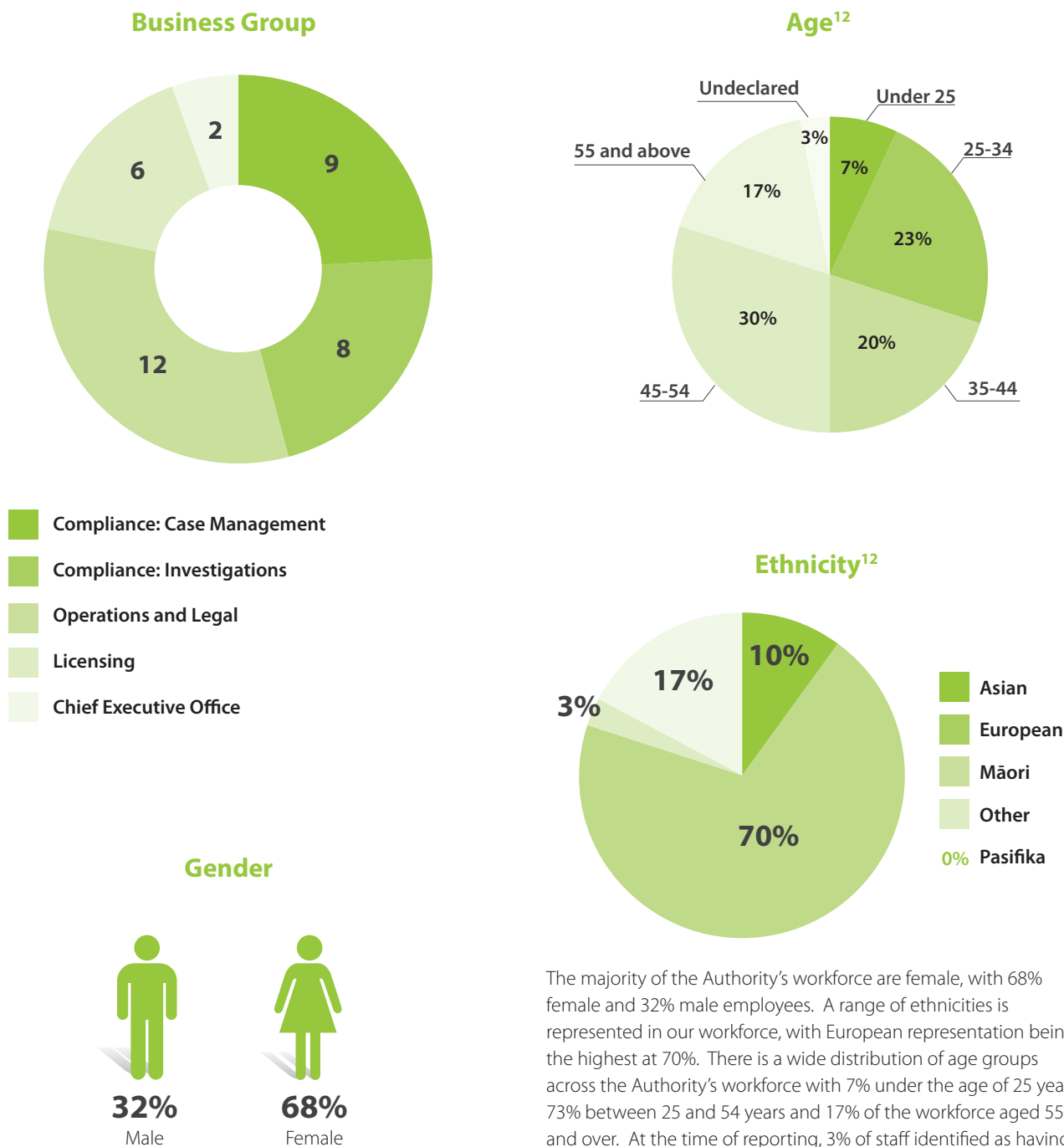
Complaints Assessment Committee decisions or the Authority's decision not to give an individual or a company a real estate licence. For the year ended 30 June 2014, 115 Complaints Assessment Committee decisions were appealed, and of these only 17 were successful.

Organisational health and capability

Our people

As at 30 June 2014, the Authority had 37 staff (permanent and fixed term), all based in Wellington. A breakdown of our workforce by business group is shown in Figure 6 below.

Figure 6: Our workforce



The majority of the Authority's workforce are female, with 68% female and 32% male employees. A range of ethnicities is represented in our workforce, with European representation being the highest at 70%. There is a wide distribution of age groups across the Authority's workforce with 7% under the age of 25 years, 73% between 25 and 54 years and 17% of the workforce aged 55 and over. At the time of reporting, 3% of staff identified as having a disability.

¹² Source: Real Estate Agents Authority (2014). Workforce Profile Survey (2014).



Equal employment opportunities

The Authority promotes equal employment opportunities to ensure that its people capability practices are in line with its obligations as a good employer. The Authority's activities and initiatives undertaken in 2013/14 that support the seven key good-employer criteria are summarised in Table 7.

Table 7: Good-employer activities

Element	In 2013/14, the Authority:
Safe and healthy environment	<ul style="list-style-type: none"> • offered a range of support services to promote health and well-being, including an employee assistance programme, workstation assessments, health and safety policies, procedures and training and an active social committee • maintained an active floor warden network and ensured that first aid training was up to date
Leadership, accountability and culture	<ul style="list-style-type: none"> • held regular meetings with all staff, led by the Senior Leadership Team, to facilitate discussion on organisational priorities, changes and developments • initiated an organisational values programme of work
Recruitment, selection and induction	<ul style="list-style-type: none"> • conducted open, fair and transparent recruitment and selection processes • welcomed staff through tailored orientation sessions provided by team managers
Employee development, promotion and exit	<ul style="list-style-type: none"> • completed personal development plans for staff • provided study assistance and professional development support • undertook exit interviews for departing staff
Flexibility and work design	<ul style="list-style-type: none"> • introduced a flexible work practices policy, including flexible working hours • provided tailored options and responded to individual requests to support work/life balance
Remuneration, recognition and conditions	<ul style="list-style-type: none"> • maintained transparent, equitable and gender-neutral job evaluation practices • recognised individual employee achievements
Harassment and bullying prevention	<ul style="list-style-type: none"> • continued accessibility, promotion and enforcement of the Code of Conduct • ensured the procedures for the management of workplace harassment and bullying were maintained.

Statement of responsibility

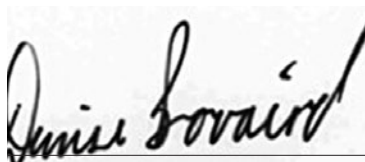
In the year ended 30 June 2014, the Board and management of the Real Estate Agents Authority were responsible for:

- 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 2014 fairly reflect the financial position result of operations and cash flows of the Authority.



John Auld
Board Chair
21 October 2014



Denise Bovaird
Audit and Risk Subcommittee Chair
21 October 2014



Independent auditor's report



TO THE READERS OF REAL ESTATE AGENTS AUTHORITY'S FINANCIAL STATEMENTS AND NON-FINANCIAL PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2014

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 BDO Wellington, to carry out the audit of the financial statements and non-financial performance information of the Authority on her behalf.

We have audited:

- the financial statements of the Authority on pages 20 to 39, that comprise the statement of financial position as at 30 June 2014, 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 non-financial performance information of the Authority that comprises the statement of service performance on pages 18 to 19 and the progress against outcomes on pages 6 to 7.

Opinion

In our opinion:

- the financial statements of the Authority on pages 20 to 39:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect the Authority's:
 - financial position as at 30 June 2014; and
 - financial performance and cash flows for the year ended on that date.
- the non-financial performance information of the Authority on pages 6 to 7 and pages 18 to 19
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects the Authority's service performance and outcomes for the year ended 30 June 2014, including for each class of outputs:
 - its service performance compared with forecasts in the statement of forecast service performance at the start of the financial year; and
 - its 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 21 October 2014. 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 non-financial performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and non-financial performance information. 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 non-financial performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and non-financial performance information, 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 non-financial performance information 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 non-financial performance information; and
- the overall presentation of the financial statements and non-financial performance information.



We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and non-financial performance information. Also we did not evaluate the security and controls over the electronic publication of the financial statements and non-financial performance information.

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 non-financial performance information 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 and outcomes.

The Board is also responsible for such internal control as is determined necessary to enable the preparation of financial statements and non-financial performance information that are free from material misstatement, whether due to fraud or error. The Board is also responsible for the publication of the financial statements and non-financial performance information, whether in printed or electronic form.

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 non-financial performance information 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 External Reporting Board.

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



Statement of service performance

This section summarises our performance against the outcome performance measures set out in the Real Estate Agents Authority Statement of Intent 2013/14 – 2015/16.

The Authority's outputs are grouped into three results areas:

- **Output 1: Informing and advising consumers and licensees**
- **Output 2: Licensing**
- **Output 3: Monitoring and enforcing**

The following pages describe what the Authority achieved against these outputs in 2013/14. Where possible, data from previous years has been included to enable comparisons to be made. However, where there are new performance measures or no data was previously collected, this has been noted.

Table 8: Output class revenue and expenditure

Revenue and expenditure	2013/14 Actual (\$000)	2012/13 Actual (\$000)
Total revenue	10,754	10,148
Output expenditure		
Output 1: Informing and advising consumers and licensees	809	929
Output 2: Licensing	2,045	1,753
Output 3: Monitoring and enforcing	6,284	5,825
Total expenditure	9,138	8,507
Total comprehensive income	1,616	1,641

Output 1: Informing and advising consumers and licensees

Consumers and licensees need quality, timely and relevant information. This output expense includes the provision of information and advice to consumers and licensees and includes work to:

- inform and advise consumers of their rights
- inform and advise licensees of their responsibilities
- raise awareness of the Authority
- provide best-practice guidance for licensees.

Table 9: Output 1

Performance measure	Achievement	2013/14 Actual	2013/14 Target	2012/13 Actual
Quantity				
1.1 Number of presentations at stakeholder events	Achieved	31	20	Not measured
1.2 Number of compliance information sheets published for licensees	Not achieved	3 ¹³	4	1
1.3 Number of industry newsletters published for licensees	Achieved	6 ¹⁴	6	8
Quality				
1.4 Percentage of licensees who consider the newsletters and guidance material informative	Achieved	89% ¹⁵	75%	82%
1.5 Visitors to our website are satisfied that they find the information they need to make informed property transactions	Achieved	80% ¹⁶	80%	Not measured

¹³ The Authority published three compliance information sheets in 2013/14, one short of the 2013/14 target. The Authority has utilised other communication channels (e.g. website content, newsletters and Twitter) to provide compliance information to licensees.

¹⁴ The frequency of industry newsletters changed to bimonthly in 2013/14.

¹⁵ Source: Real Estate Agents Authority (2014). *Licensing Services Survey (June 2014)*.

¹⁶ Source: Real Estate Agents Authority (2014). *Website Survey (June 2014)*.

Output 2: Licensing

Output 2: *Licensing* includes the management and administration of the licensing regime and during 2013/14 has included work to:

- manage the licensing scheme to ensure at the time of approval, all active licensees are 'fit and proper' and meet the required professional standards to work in the industry
- process new applications, renewals and voluntary suspension of licences
- maintain a current register of all approved licensees
- manage the continuing education programme, oversee development of continuing education material and monitor licensee compliance to annual requirements.

Table 10: Output 2

Performance measure	Achievement	2013/14 Actual	2013/14 Target	2012/13 Actual
Quantity				
2.1 Number per 10,000 new and renewed applications approved where licensees are 'fit and proper' and meet the required professional standards	Achieved	10,000	9,998	10,000
Quality				
2.2 Number of new applications for licences processed within 3 weeks	Achieved	97%	95%	92%
2.3 Number of renewal applications for licences processed within 2 weeks	Achieved	98%	95%	64% ¹⁷

¹⁷This figure has been amended to report the percentage of renewal applications processed within 2 weeks. Previously, this had been incorrectly reported as the percentage of renewal applications processed within 3 weeks (79%).

Output 3: Monitoring and enforcing

Output 3: *Monitoring and enforcing* funds the Authority's work to monitor the industry and take action against non-compliance. During 2013/14, activities in this area have included:

- receiving, assessing, managing, investigating and effecting resolution of complaints
- supporting Complaints Assessment Committee, Tribunal and court activities
- auditing real estate agency trust accounts.

Table 11 : Output 3

Performance measure	Achievement	2013/14 Actual	2013/14 Target	2012/13 Actual
Quantity				
3.1 Number of judicial criticisms on Complaints Assessment Committee decision-making process	Achieved	None	None	Not measured
3.2 Percentage of appeals upheld by the Real Estate Agents Disciplinary Tribunal	Achieved	15%	40%	30%
Quantity				
3.3 Percentage of complaints completed within one month	Not Achieved	32% ¹⁸	45%	23%
3.4 Percentage of complaints completed within six months	Not Achieved	50% ¹⁸	70%	48%
3.5 Percentage of complaints completed within one year	Not Achieved	76% ¹⁸	95%	73%

¹⁸The percentage of complaints closed during 1 month, 6 months and 1 year is below the annual targets. This is partly attributed to the Authority's focus on closing older cases, i.e. those that sit outside the 1 year reporting period. Following the implementation of a number of initiatives (as noted earlier), we expect to see continued improvement in the timeliness of complaints closed over the coming financial year.



Financial statements

Explanations of significant variances against budget are detailed in Note 29 on page 39. The Statement of Accounting Policies and Notes to the Financial Statements form an integral part of these Financial Statements.

Statement of Comprehensive Income

For the year ended 30 June

		Actual 2014 \$000	Budget 2014 \$000	Actual 2013 \$000
	Note			
Revenue				
Operating levy received	1	9,119	8,494	8,661
Application and suspension fees	2	874	584	797
Other income	3	761	548	690
Total revenue		10,754	9,626	10,148
Revenue				
Audit fee		61	56	51
Personnel costs	4	3,628	3,858	3,426
Finance costs	5, 17	397	404	509
Depreciation	13	40	70	70
Amortisation	14	163	294	326
Specialist services	6	1,488	1,297	1,185
Legal fees		1,236	1,280	1,109
Board fees	7, 24	149	160	160
Complaints Assessment Committee fees		385	273	263
Miscellaneous expenses		46	11	19
Computer and telecommunications		868	781	689
Printing, stationery and postage		148	235	212
Travel, meetings and entertainment		180	201	151
Occupancy		349	330	337
Total expenditure		9,138	9,249	8,507
Total comprehensive income		1,616	377	1,641

Statement of Financial Position

As at 30 June

	Note	Actual 2014 \$000	Budget 2014 \$000	Actual 2013 \$000
Current Assets				
Cash and cash equivalents	8	2,111	3,256	6,376
Investments	9	8,107	3,045	3,046
Debtors and other receivables	10	130	73	62
Prepayments	11	44	15	55
GST receivable		39	92	-
Approved guide stock	12	12	35	16
Total current assets		10,443	6,516	9,555
Non-Current Assets				
Property, plant and equipment	13	116	126	91
Intangible assets	14	408	1,274	571
Total non-current assets		524	1,400	662
Total assets		10,967	7,916	10,217
Current Liabilities				
Trade creditors and accruals	15	743	416	532
Employee entitlements		140	115	130
Deferred operating levy	16	5,940	5,498	5,998
Establishment funding from Crown	17	1,261	1,121	1,261
Total current liabilities		8,084	7,150	7,921
Term Liabilities				
Establishment funding from Crown	17	979	1,108	2,008
Total term liabilities		979	1,108	2,008
Total liabilities		9,063	8,258	9,929
Net assets		1,904	(342)	288
Public Equity				
Crown funding		2,078	2,078	2,078
Retained earnings		(424)	(2,670)	(2,040)
Litigation reserve		250	250	250
Total public equity	18	1,904	(342)	288



Statement of Changes in Equity

For the year ended 30 June

		Capital Funding From Crown \$000	Retained Earnings \$000	Litigation Reserve \$000	Total Public Equity \$000
	Note				
Actual 2014					
Public Equity at beginning of year		2,078	(2,040)	250	288
Total comprehensive income		-	1,616	-	1,616
Public Equity at end of year	18	2,078	(424)	250	1,904
Budget 2014					
Public Equity at beginning of year		2,078	(3,047)	250	(719)
Total comprehensive income		-	377	-	377
Public Equity at end of year		2,078	(2,670)	250	(342)
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		2,078	(2,040)	250	288

Statement of Cash Flows

For the year ended 30 June

		Actual 2014 \$000	Budget 2014 \$000	Actual 2013 \$000
	Note			
Cash Flows from Operating Activities				
Cash was provided from:				
Receipts from licensees		9,650	8,773	9,244
Receipts from sale of publications		265	277	266
Interest income		272	221	268
Suspension fees		315	171	306
Refunded withholding tax		-	-	-
Receipts from fines		146	50	74
		10,648	9,492	10,158
Cash was applied to:				
Payments to suppliers		(4,871)	(4,857)	(4,425)
Payments to employees		(3,466)	(3,703)	(3,289)
Interest		(166)	(166)	(166)
Net GST (paid)/received		(24)	(77)	53
		(8,527)	(8,803)	(7,827)
Net cash flows from operating activities	19	2,121	689	2,331
Cash Flows from Investing Activities				
Cash was provided from:				
Cash received from investments		-	-	2,036
		-	-	2,036
Cash was applied to:				
Purchase of property, plant and equipment		(29)	(120)	(13)
Purchase of intangible assets		(36)	(940)	(667)
Investment in term deposits		(5,060)	-	(2,000)
		(5,125)	(1,060)	(2,680)
Total cash flows from investing activities		(5,125)	(1,060)	(644)
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		(4,265)	(1,632)	426
Cash and cash equivalents at the beginning of the year		6,376	4,889	5,950
Cash and cash equivalents at the end of the year	8	2,112	3,256	6,376

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 2014

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 2014 and were approved on 21 October 2014 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)

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.

The Authority will move to the new Financial Reporting Framework for the next financial period. As such, there are no changes to

Financial Reporting Standards applicable in the preparation of these financial statements that will apply for the next financial period.

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.

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.

The annual charge to real estate licensees has two components: an operating 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 25% of revenue from renewed licences in the financial year the operating levy is received. The remaining 75% of the operating 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 3 months or less.

Investments

Investments include deposits held with banks with original maturities greater than 3 months but less than 1 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
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The above treatment has been adopted for all items of acquired and developed software.

Impairment of non-financial assets

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

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

Creditors and other payables

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

Provisions

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

Employee entitlements

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

Superannuation schemes

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

Establishment funding

The Crown has provided establishment funding to be repaid over a period of 5 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 the 2013–2016 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 2014

1. Operating levy received	Actual 2014 \$000	Actual 2013 \$000
New applications	1,125	938
Renewals	7,994	7,723
Total operating levy received	9,119	8,661

During the year to 30 June 2014, the Authority processed 11,983 licence renewals, along with 1,901 new licence applications. Total active licences were 13,884 (2013: 13,179). This is an overall increase of 705 licences from the previous year.

2. Application and suspension fees	Actual 2014 \$000	Actual 2013 \$000
New application fees	560	491
Suspension fees	314	306
Total application and suspension fees	874	797

During the year to 30 June 2014, the Authority processed 1,901 new licence applications, and 3,203 voluntary suspensions.

3. Other income	Actual 2014 \$000	Actual 2013 \$000
Interest	311	267
Sale of publications	265	266
Fair value Establishment Funding correction	-	74
Fines imposed by CACS/Tribunal	185	83
Total other income	761	690

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.

4. Personnel costs	Actual 2014 \$000	Actual 2013 \$000
Salaries and wages	3,182	2,868
Other personnel costs	370	503
Employer contributions to KiwiSaver	46	35
Termination payments	19	5
Employee entitlements	11	15
Total personnel costs	3,628	3,426

Other personnel costs include temporary staff for permanent roles, additional resources for temporary roles, recruitment costs, employer ACC levies, allowances and training. Employee entitlements represent the movement in annual leave balances between 30 June 2013 and 30 June 2014.

5. Finance costs	Actual 2014 \$000	Actual 2013 \$000
Imputed interest expense	231	342
Interest on capital funding from Crown	166	167
Total finance costs	397	509

6. Specialist services	Actual 2014 \$000	Actual 2013 \$000
Investigations support	168	211
ICT research and development	250	362
Bank, merchant service and payroll processing fees	165	142
Advertising and publicity	73	109
Approved guide management	75	82
Accounting support services	8	37
Media and communications	26	20
Alternative disputes resolution (ADR) services	268	58
Other specialist services	455	164
Total specialist services	1,488	1,185

ADR costs include one-off costs to fund the Facilitation Trial. Refer page 11.

7. Board remuneration	Actual 2014			Actual 2013		
	Board Fees \$000	CAC Fees \$000	TOTAL \$000	Board Fees \$000	CAC Fees \$000	TOTAL \$000
Denese Bates QC	5	-	5	-	-	-
Kristy McDonald QC	7	-	7	40	-	40
John Auld (Chair)	37	5	42	20	4	24
Barrie Barnes	20	3	23	20	6	26
Aaron Bhatnagar	20	-	20	2	-	2
Denise Bovaird	20	8	28	20	6	26
Joan Harnett-Kindley	20	13	33	20	11	31
Peter McDermott	-	-	-	18	9	27
David Russell	20	3	23	20	5	25
Total Board remuneration	149	32	181	160	41	201

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. John Auld was appointed as the new Chair from August 2013, replacing Kristy McDonald. Denese Bates QC joined the Board in April 2014. As of 1 December 2013, Board members no longer sit on Complaints Assessment Committees.



8. Cash and cash equivalents	Actual 2014 \$000	Actual 2013 \$000
Cash at bank and on hand	708	687
Funds held on call	1,403	5,689
Total cash and cash equivalents	2,111	6,376

The carrying value of cash and cash equivalents approximates their fair value. The weighted average effective interest rate for cash at bank is 1.95% (2013: 1.65%) and funds held on call is 3.15% (2013: 2.75%).

9. Investments	Actual 2014 \$000	Actual 2013 \$000
Term deposits	8,107	3,046
Total investments	8,107	3,046

The Authority has invested \$8,095 million in seven 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 4.10% (2013: 4.12%).

10. Debtors and other receivables	Actual 2014 \$000	Actual 2013 \$000
Trade debtors	50	21
Accrued interest	80	41
Total debtors and other receivables	130	62

Trade debtors represent the value of unpaid fines. The carrying value of receivables approximates their fair value. As at 30 June 2014 all overdue receivables have been assessed for impairment and \$nil (2013:\$nil) were assessed as impaired.

11. Prepayments	Actual 2014 \$000	Actual 2013 \$000
Prepaid salaries	32	41
Other prepaid creditors	-	2
Prepaid insurance	12	12
Total prepayments	44	55

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 2014 \$000	Actual 2013 \$000
Approved guide stock at beginning of year	16	34
Plus: Guide stock purchased during the year	52	51
Less: Guide stock cost of sales	(56)	(69)
Approved guide stock at end of year	12	16

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 2012	269	124	14	103	510
Additions	13	-	-	576	589
Sales/transfers	-	-	-	(643)	(643)
Balance at 30 June 2013	282	124	14	36	456
Balance at 1 July 2013	282	124	14	36	456
Additions	21	7	-	36	64
Sales/transfers	-	-	-	-	-
Balance at 30 June 2014	303	131	14	72	520
Accumulated depreciation					
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
Balance at 1 July 2013	269	88	8	-	365
Depreciation expense	12	26	2	-	40
Sales/transfers	-	-	-	-	-
Balance at 30 June 2014	281	114	10	-	405
Net carrying amounts					
At 1 July 2012	43	61	8	103	215
At 1 July 2013	13	36	6	36	91
At 30 June 2014	22	17	6	72	116



14. Intangible assets	Actual 2014 \$000	Actual 2013 \$000
Cost or valuation		
Opening balance	2,542	1,875
Additions	-	7
Transfer from capital work in progress	-	643
Disposals/Sales/transfers	1,691	17
Closing balance	851	2,542
Accumulated amortisation		
Opening balance	1,971	1,645
Amortisation expense	163	326
Disposals	1,691	-
Closing balance	443	1,971
Net carrying amount		
At 1 July 2012	-	-
At 1 July 2013	571	-
At 30 June 2014	408	571

Included within intangibles is the Authority's core business systems upgrade. As at 30 June 2014 the carrying amount was \$408,000 (2013: \$564,000) and the remaining amortisation period is 2.5 years (2013: 3.5 years). Other intangible assets include software licences and security access software.

15. Trade creditors and accruals	Actual 2014 \$000	Actual 2013 \$000
Accrued expenses	241	157
Trade creditors	465	358
Other payables	18	2
Disciplinary levy payable to Ministry of Justice	19	15
Total trade creditors and accruals	743	532

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 2014 \$000	Actual 2013 \$000
From licence renewals	5,330	5,498
From new applications	610	500
Total deferred operating levy	5,940	5,998

17. Establishment funding from Crown	Actual 2014 \$000	Actual 2013 \$000
Opening balance	3,269	4,262
Fair value adjustment	-	-
Adjusted balance	3,269	4,262
Fair value loan correction	-	(74)
Current year interest recognised	231	342
Less: repayments to the Crown	(1,261)	(1,261)
Closing balance	2,240	3,269
Represented by:		
Current portion of loan	1,261	1,261
Non-current portion of loan	979	2,008
Closing balance	2,240	3,269

The establishment funding is non-interest bearing. The Authority has applied the same interest rate as the Crown capital funding (8%) (2013: 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 \$16,000 (2013: increase by \$40,000).

The Crown expects the Authority to repay the full value of the Disciplinary Tribunal and the Authority's establishment funding over a 5 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 2015 and a final payment of \$1.164 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 an equity balance of \$1,904 million, compared with an equity balance of \$288,000 in 2013.



19. Net cash flows from operating activities

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

	Actual 2014 \$000	Actual 2013 \$000
Net surplus for the period	1,616	1,641
Non-cash items:		
Depreciation	40	70
Amortisation	163	326
Fair value establishment funding correction	-	(74)
Imputed loan interest	231	342
	434	664
Movements in working capital items		
Trade debtors, other receivables and prepayments	(57)	88
Movements in inventory	4	18
GST receivable	(39)	11
Rent rebate received	-	(45)
Trade creditors, other payables and provisions	211	(92)
Deferred operating revenue	(58)	33
Employee entitlements	11	13
	71	26
Net cash flows from operating activities	2,121	2,331

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 1 year with financial organisations in accordance with section 161 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 1 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 it 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:

	Actual 2014 \$000	Actual 2013 \$000
Maximum exposures to credit risk		
Non-cash items:		
Cash and cash equivalents	2,112	6,376
Investments—term deposits	8,107	3,046
Debtors	130	62
Total	10,349	9,484

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 3 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 6 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
2014					
Creditors and other payables	743	743	743	-	-
Establishment funding	2,240	2,240	-	1,261	979
Total	2,983	2,983	743	1,261	979
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

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 through 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
2014					
Current financial assets					
Cash and cash equivalents	2,112	-	-	2,112	2,112
Investments-term deposits	8,107	-	-	8,107	8,107
Debtors and other receivables	130	-	-	130	130
Total current financial assets	10,349	-	-	10,349	10,349
Total financial assets	10,349	-	-	10,349	10,349
Current financial liabilities					
Trade creditors and accruals	-	743	-	743	743
Total current financial liabilities	-	743	-	743	743
Term financial liabilities					
Establishment funding from Crown	-	-	2,240	2,240	2,240
Total term financial liabilities	-	-	2,240	2,983	2,983
Total financial liabilities	-	743	2,240	2,983	2,983
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

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 2014 is \$2.240 million and the details of the loan are included in Note 17.

The Authority paid \$166,000 (2013: \$166,000) of interest on capital funding from the Crown.

During the year, the Authority collected \$456,000 (2013: \$436,000) 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.

During the year Meredith Connell has provided legal services to the Authority of \$1,054,602 (2013: \$955,418) which includes \$101,548 billed but not paid at 30 June 2014 (2013: \$90,486). An additional \$26,980 was unbilled work in progress at balance date (2013: \$25,977). John Auld's son Ian Auld was employed by Meredith Connell during the year.

During the year the Authority has entered into a contract with InterGen Ltd for IT support and development. The Authority has paid InterGen Ltd \$10,000 this financial year and has committed to spend \$248,000 over the next three years. John Auld's son Christopher Auld is a director and shareholder of InterGen Ltd.

24. Key management personnel compensation

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

	Actual 2014 \$000	Actual 2013 \$000
Fees, salaries and other short-term benefits	386	378
Post-employment benefits	-	-
Total key management personnel compensation	386	378

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:

Remuneration range	Actual 2014 \$000	Actual 2013 \$000
\$100,000 - \$109,999	2	2
\$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
\$160,000 - \$169,999	-	-
\$170,000 - \$179,999	1	-
\$180,000 - \$189,999	-	-
\$190,000 - \$199,999	-	-
\$200,000 - \$209,999	-	-
\$210,000 - \$219,999	-	-
\$220,000 - \$229,999	-	-
\$230,000 - \$239,999	1	1
Total employees	8	8



26. Commitments

(i) Capital commitments

There are no capital commitments at reporting date (2013: nil).

(ii) Operating lease commitments

Commitments for non-cancellable operating leases are as follows:

	Actual 2014 \$000	Actual 2013 \$000
Less than 1 year	323	278
Later than 1 year and not later than 5 years	1,240	1,242
Later than 5 years	-	308
Total operating lease commitments	1,563	1,828

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 6 years. 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:

	Actual 2014 \$000	Actual 2013 \$000
Less than 1 year	85	358
Later than 1 year and not later than 5 years	163	-
Later than 5 years	-	-
Total operating lease commitments	248	358

The Authority has a 3 year contract with Interger Ltd for IT support services.

27. Contingent liabilities

There are no contingent liabilities at reporting date (2013: \$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 2014.

29. Significant budget variances

Budget values are sourced from the forecast financial statements shown in the Authority's 2013–2016 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 \$625,000 budget variance are an understatement of licence renewal volumes in the budget as well as the carry-over effect of actual 2012/13 deferral revenue being higher than that used for the Statement of Intent.

Application and suspension fees

The actual volumes of new applications and suspensions of licences at 30 June 2014 were 1,901 and 3,203 which is 501 and 1,403 more than budget. Accordingly, fee revenue from new applications and suspensions is \$290,000 more than the \$584,000 budget.

Other income

The term deposit investment is over budget by \$5 million, which results in the interest income exceeding budget assumptions by \$121,000. Fines have also exceeded budget assumptions by \$102,000.

Expenditure

Specialist services

The overspend in specialist services is mainly due to increased use of external investigation services as a result of vacancies in the investigation team.

Legal fees

The 2013/14 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 \$44,000.

Complaints Assessment Committee fees

The Complaints Assessment Committee fees are over budget. A key factor has been the increased number of investigations referred for Complaints Assessment Committee consideration resulting in 32% more decisions being issued compared with the previous year and thus requiring more Complaints Assessment Committee time.

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 portal system has been deferred.

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 \$442,000 over budget. This is predominantly due to a change in the Authority's method of recognising levy revenue from a monthly basis to a daily basis.

Establishment funding from Crown (current)/(term)

The current portion of the establishment funding is shown as the full amount repayable in April 2015. 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.





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