



Residential Tenancies Bond Authority

Annual Report 2015-16

Authorised and published by the Victorian Government,
1 Treasury Place, Melbourne

October 2016

Printed by ACM Printing Pty Ltd, Melbourne
ISSN 2203-8426 (Print) ISSN 2203-8434 (Online)



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Hon Marlene Kairouz MP
Minister for Consumer Affairs, Gaming and Liquor Regulation
Level 26, 121 Exhibition Street
MELBOURNE VIC 3000

Dear Minister,

Annual Report 2015-16

I am pleased to present to you the Annual Report of the Residential Tenancies Bond Authority for the financial year ending 30 June 2016.

This report has been prepared in accordance with the requirements of the *Financial Management Act 1994*, for you to present to the Parliament of Victoria.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'S Cohen'.

Simon Cohen
Constituting Member
Residential Tenancies Bond Authority

Residential Tenancies Bond Authority

Annual Report for the financial year 1 July 2015 to 30 June 2016

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Charter and purpose

The Residential Tenancies Bond Authority (RTBA) is a statutory authority of the Government of Victoria, administered within the Department of Justice and Regulation.

The RTBA is established by the *Residential Tenancies Act 1997* (the Act) to hold all Victorian residential tenancy bonds, including those applying to long-term caravan and rooming house residents.

Section 429 of the Act establishes the RTBA as a body corporate constituted by the Director of Consumer Affairs Victoria (CAV). The RTBA has no other members and employs no staff.

The RTBA is managed and supported by staff from the Department of Justice and Regulation and CAV. Processing of bond transactions and maintenance of the RTBA Register is outsourced to an external provider of registry services. These costs are met by the RTBA.

The functions of the RTBA, as set out in section 431 of the Act, are as follows:

- (a) to collect and disburse bond money paid to the Authority under this Act;
- (b) to establish and administer –
 - (i) a Residential Bonds Account; and
 - (ii) a Residential Bonds Investment Income Account;
- (c) to invest money held in those Accounts in accordance with this Act;
- (ca) to collect the information contained in bond lodgment forms given to the Authority and other information kept by the Authority in relation to bonds held by the Authority;
- (cb) to disclose the information (other than persons' names) referred to in paragraph (ca), whether it was collected before, on or after the commencement of section 16 of the *Residential Tenancies (Amendment) Act 2003*, to the Director of Housing for the purpose of the use of that information by the Director of Housing in research, compiling statistics and public education;
- (d) to carry out any other function conferred on it by this Act.

Under section 432 of the Act, the RTBA has power to do anything necessary or convenient in connection with carrying out its functions.

The RTBA can only repay bonds as agreed by the landlord and tenant, or as directed by the Victorian Civil and Administrative Tribunal (VCAT) or a court.

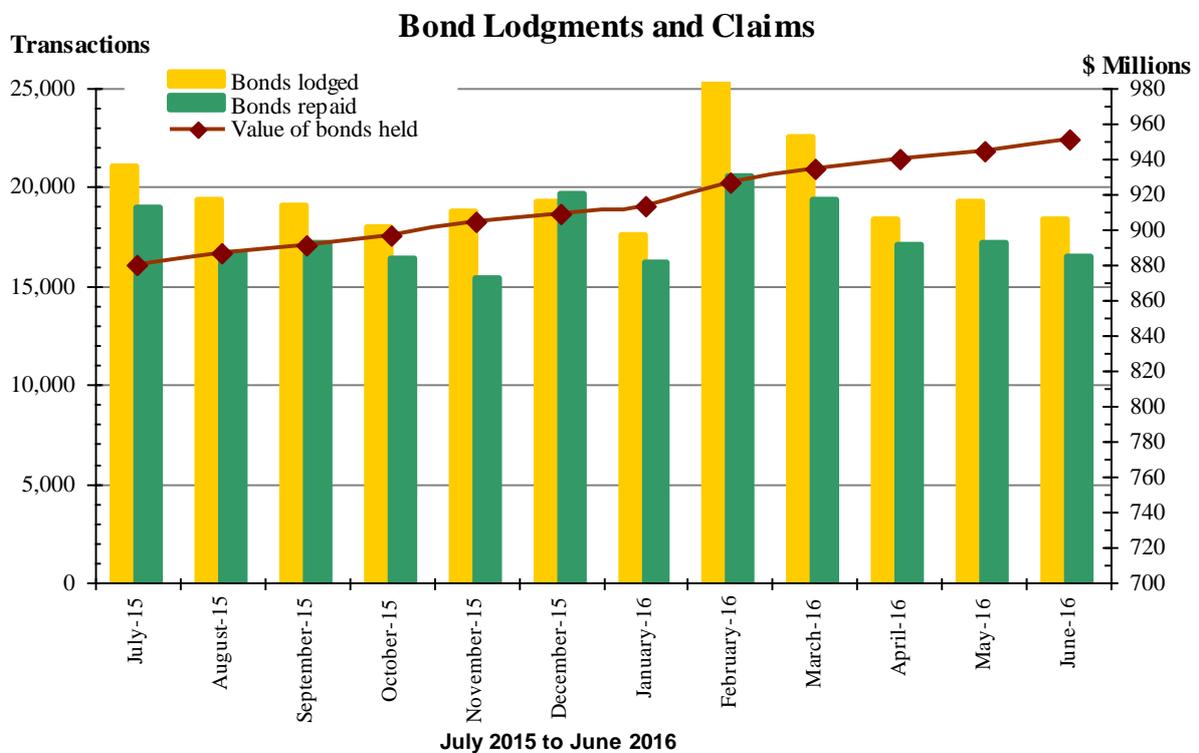
Year in review

At 30 June 2016, the RTBA held 593,558 bonds, valued at \$950.7 million. This represents an increase of 4.6 per cent in the number of bonds since 30 June 2015, and an increase of 8.8 per cent in value.

Bond money received by the RTBA is invested in the Residential Bonds Account.

As required by Section 436 of the Act, interest earned on the bonds is paid to the Residential Bonds Investment Income Account, where it is applied to the costs of administering the RTBA and to making contributions to the Residential Tenancies Fund. Transfers to the Residential Tenancies Fund during 2015-16 totalled \$10 million. This was the same value as the previous year.

The monthly lodgment and repayment of bonds over the past year is shown in the following chart:



Operations and service levels

The RTBA's operations and service levels are as follows:

- 99 per cent of all bond forms received by midday are processed on the same day;
- forms that cannot be processed are returned by the following business day; and
- bond repayments are made by a direct credit issued on the evening of the day of approval, or by a cheque mailed the next business day.

Key bond processes and achievements for the year are:

Bond lodgments

The RTBA registered 237,000 bond lodgments in 2015-16 (an average of 4,558 a week) compared with 228,900 in 2014-15 (an average of 4,402 a week).

Bond repayment claims

The RTBA repaid about 211,000 bonds (an average of 4,058 a week) compared with 203,600 in 2014-15 (an average of 3,915 a week).

94 per cent of bond claims were processed on agreement between the tenant and the landlord/agent, and 6 per cent were made at the direction of VCAT or a court. From all of the repayments, 64% of bonds had 100% returned to the tenants, 10% a combination of agent and landlord, and 26% a combination of both the tenant and agent/ landlord.

77 per cent of bond repayment claims were received through the RTBA's Fax Facility, available to approved users. Fax transmissions received by this facility are stored and managed as electronic images.

Most repayments (89%) were issued as a direct credit to the payee's bank account on the same day as the repayment was approved. 8% of repayments were issued by cheque, and a further 3% were retained by the RTBA due to the lack of a valid bank account number or a forwarding address (a retained repayment).

The combination of receiving repayment claims by fax and making repayments by direct credit allows most bond repayments to be received by the payee within 24 hours of the tenant and a managing agent agreeing to the distribution of the bond.

Transfers

Under the Act, the RTBA must be notified of changes in tenants or landlord/agent. In the year ending 30 June 2016, there were 79,300 transfers (an average of 1,525 a week) compared to 73,600 in 2014-15 (an average of 1,415 a week).

61 per cent of bond transfers were received through the RTBA Fax Facility.

Enquiries

The RTBA call centre that provides information and advice on bond matters is operated by CAV. The most frequent enquiries relate to the status of a bond repayment claim.

In 2015-16, the RTBA responded to 90,224 calls and 25,845 emails, compared to 99,325 calls and 23,850 emails in 2014-15.

The call centre's phone number (1300 137 164) is a local call service which ensures no RTBA client is disadvantaged because of their geographic location or financial circumstances. During 2015-16, the RTBA answered 92.6 per cent of calls received within the target time of five minutes.

SMS notifications

The RTBA uses SMS notifications to advise of issues with the processing of transactions or to remind landlords advertising properties of the requirement to lodge bonds.

SMS sent

| SMS type | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|--|---------|---------|---------|---------|---------|
| Alert that an Electronic Transaction has been initiated | 2,048 | 6,225 | 9,902 | 18,445 | 48,974 |
| Advice of rejection of a Bond Repayment Claim | 10,130 | 9,674 | 11,162 | 16,244 | 18,615 |
| Advice of rejection of a Tenant Transfer | 1,609 | 1,752 | 1,669 | 1,473 | 2,554 |
| Advice of rejection of a request to replace a previous repayment | 525 | 1,024 | 1,586 | 1,964 | 984 |
| Advice of the creation of a Retained Repayment (unpaid repayment) | 18 | 7 | 0 | 196 | 555 |
| Reminder to private landlords of the obligation to lodge bonds with the RTBA | 602 | 3,668 | 2,503 | 1,293 | 702 |
| Total | 14,971 | 22,396 | 26,863 | 39,615 | 72,384 |

The increased use of SMS was driven by more telephone numbers supplied by clients and the increased use of electronic transactions.

Receipts and periodic statements

When a bond is lodged with the RTBA, a receipt is sent to the tenant and to the property manager (landlord or agent). Property managers registered with the RTBA are also provided with access through RTBA Online to view a weekly statement of all bond lodgments, repayments and transfers registered against their name.

Outputs by email

During 2015-16 the RTBA introduced the delivery by email of receipts and other written outputs which had previously only been sent by post. For tenant and private landlords, these outputs are emailed whenever the RTBA has a valid email address for these parties. RTBA Agents are able to instruct the RTBA how the agent wants to receive the output to meet their operating requirements.

This change in how outputs are issued improves the timeliness of delivery, better meets clients expectations, and reduces the RTBA's cost of postage and stationery.

As an example of the success of the move to email, the RTBA's outwards post in June is one-third less than June 2015 despite a similar number of outputs. This saving is expected to grow as more email addresses are provided.

RTBA Online

RTBA Online provides online access to the RTBA Register. It provides:

- access at any time to bond information, including the status of a bond, and the lodgment, transfer, and claim history;
- the ability to “self serve”, allowing users to see all available information first-hand (this includes the print-out of proof that a bond is lodged with the RTBA, as is required for a bond related application to VCAT);
- speedier bond transactions, by allowing users to view and confirm the most up-to-date information held by the RTBA, avoiding return of bond forms due to avoidable errors;
- the ability of approved users to undertake Electronic Transactions;
- generation of forms for submitting lodgments, repayment claims, and transfers; and
- the ability to find an Retained Repayment held by the RTBA (when a bond is closed but a repayment cannot be made due to a lack of details, the RTBA holds the money as a retained repayment, which can be redeemed by the person to which it is owed).

RTBA Online operates in two modes:

Non Registered users: provides for access to the details for a single bond through a log-in based on a combination of the bond number and tenant name.

Registered users: property managers registered with the RTBA as managing a portfolio of bonds have access to all of their bonds via a password-protected log-in, and access to a wider range of functions, including:

- undertaking Electronic Transactions;
- searching across all bonds registered to the property manager in a number of different ways;
- more bond related information than in the non-registered module;
- images of forms processed by the RTBA since 2004;
- images of transaction rejection notices issued by the RTBA since November 2009;
- weekly agent statements, including access to back copies;
- a bond list showing all bonds registered to the property manager; and
- various pro forma RTBA documents in regular use by property managers.

Both modes of RTBA Online comply with the Privacy Principles of the *Privacy and Data Protection Act 2014* and the confidentiality requirements of the Act.

Without having to log into a bond, users can also:

- generate bond lodgment forms;
- find outstanding bond repayments (retained repayment);

- obtain their bond number;
- find information about accessing bond forms; and
- access general RTBA information, including frequently asked questions.

Use of RTBA Online has continued to increase as demonstrated in the table below.

RTBA Online Activity

| Online activity | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|---------------------------------------|---------|---------|-----------|-----------|-----------|-----------|
| Visitor sessions | N/A | 359,276 | 479,545 | 578,917 | 651,119 | 771,051 |
| Unique visitors | N/A | 95,986 | 132,323 | 150,815 | 175,254 | 189,072 |
| Enquiries by registered users | 174,871 | 224,381 | 284,020 | 380,218 | 411,599 | 696,989 |
| Enquiries by landlords | 19,528 | 19,393 | 20,900 | 23,486 | 25,052 | 24,621 |
| Enquiries by tenants | 58,972 | 66,741 | 82,664 | 95,605 | 134,929 | 88,796 |
| Lodgment forms created | 47,362 | 69,770 | 93,599 | 129,445 | 163,669 | 185,041 |
| Claim forms created | 75,403 | 97,773 | 127,329 | 167,625 | 202,645 | 197,505 |
| Tenant transfer forms created | 9,353 | 12,632 | 16,461 | 22,190 | 27,281 | 29,466 |
| Agent/landlord transfer forms created | 5,269 | 5,630 | 9,013 | 12,729 | 15,993 | 19,020 |
| Number of registered users | 2,850 | 3,497 | 4,147 | 2,488 | 3,718 | 5,416 |
| Document images viewed | 4,357 | 2,871 | 3,985 | 4,736 | 5,423 | 6,110 |
| Weekly agent statements accessed | 5,853 | 5,296 | 4,664 | 7,612 | 5,215 | 5,263 |
| Agent bond lists accessed | 6,209 | 6,661 | 7,232 | 9,926 | 10,753 | 11,105 |
| Total activity | 407,681 | 967,007 | 1,262,385 | 1,585,792 | 1,832,333 | 2,229,455 |

In 2015-16, online access to forms and reports generated by RTBA Online saved the RTBA 1.85 million sheets of paper (3,692 reams) in pre-printed forms and circulation of reports.

Service enhancements

The RTBA remains committed to improving service levels through its continuous improvement program.

During 2015-16, the RTBA continue to enhance its transactional website, RTBA Online. The improvements included:

- Introduced the 'Forgot your Bond Number' functionality. This allows users to be supplied with their bond number in the online environment instead of ringing the RTBA. When a matching record is found, the bond number is emailed using the email address held by the RTBA
- Resolving issues that arose where the user's pop up blocker prevented the generation of the form.

- Providing additional information to registered users of RTBA Online who undertake Electronic Transactions so they have a clearer view of transactions pending with them and tenants, and of successful and unsuccessful transactions.
- Refinements to the screen flows, making the process more user friendly.

Other activities

Other activities of the RTBA include:

Compliance

The bond lodging requirements of the Act are enforced by identifying non-complying landlords and agents, issuing advice and warnings and, if necessary, referrals to Consumer Affairs Victoria for investigation and enforcement.

Education

The RTBA educates estate agents, landlords and tenants, to help ensure they understand the RTBA and its procedures, and their rights and responsibilities. During 2015-16, education activities included seminar presentations, and advice to property managers on the changes to how receipts and other notices are issued.

Website

The RTBA website (www.rtba.vic.gov.au) provides an overview of the RTBA, information on bond requirements and processes, access to a knowledge base with answers to the most frequently asked questions, and access to RTBA Online. This website is operated by Consumer Affairs Victoria and provides information about the RTBA in the context of all residential tenancy interactions between tenants and property managers.

Outsourced services

Since it was established in 1998, the RTBA has outsourced its registry services, including the receipt, registration, transfer and repayment of bonds. The present provider is IGATE Global Solutions Limited under a contract running to 30 June 2018.

During the year ended 30 June 2016, IGATE maintained the RTBA's target performance levels, including processing 99 per cent of transactions on the day of receipt.

Length of Tenancy

For bonds repaid in 2015-16, the mean average duration of the tenancy was 806 days, compared to 784 for 2014-15

Active bonds on 30 June 2016 had a mean average duration of 1,161 days, compared to 1,137 days at 30 June 2015

Other statistical information on residential tenancies is available in the Rental Report produced by the Director of Housing, available at <http://www.dhs.vic.gov.au/about-the-department/documents-and-resources/research,-data-and-statistics/current-rental-report>

This report includes information (other than persons names) supplied to the Director of Housing under section 431 of the Act.

Freedom of Information

The RTBA maintains documents and electronic records about the receipt, registration, transfer, and repayment of residential bonds. These documents are principally the forms completed by interested parties in undertaking a transaction, and any supporting attachments. The RTBA also maintains an electronic register with a summary of the transactions.

The RTBA scrutinises forms and supporting documentation to ensure sufficient evidence is provided to support requested transactions. The RTBA has no role in deciding disputes between parties to a tenancy. This role is undertaken by Victorian Civil and Administrative Tribunal or a court.

The RTBA Register, transaction forms and supporting documents are confidential, pursuant to section 499 of the Act and therefore not subject to Freedom of Information requests.

The *Freedom of Information Act 1982* allows the public a right of access to other documents held by the RTBA. In the 12 months ending 30 June 2016, the RTBA received no requests.

Making a request

Access to documents may be obtained through written request to the Freedom of Information Manager, as detailed in section 17 of the *Freedom of Information Act 1982*. In summary, requests should:

- be in writing;
- identify as clearly as possible which document is being requested; and
- be accompanied by the appropriate application fee (the fee may be waived in certain circumstances).

Requests for documents held by the RTBA should be addressed to:

Freedom of Information Officer
Residential Tenancies Bond Authority
17/121 Exhibition Street
Melbourne VIC 3000

Requests can also be lodged online at www.foi.vic.gov.au.

Access charges may also apply once documents have been processed and a decision on access is made, for example, photocopying, search and retrieval charges.

Further information about Freedom of Information can be found at www.foi.vic.gov.au.

Privacy

The RTBA is bound by the *Privacy and Data Protection Act 2014* in relation to the collection, use and disclosure of personal information it obtains. It will only disclose the information it holds when required or allowed by law.

Application of merit and equity principles

Staff from the Department of Justice and Regulation and CAV who undertake RTBA functions are covered by the Victorian Public Service Code of Conduct and by the Department's performance management system, which encourages and supports staff development and rewards merit.

Compliance with the *Building Act 1993*

The RTBA does not own or control any government buildings and, as such, is not required to notify its compliance with the building and maintenance provisions of the *Building Act 1993*.

Compliance with the Protected Disclosure Act 2012

The *Protected Disclosure Act 2012* (formerly the *Whistleblowers Protection Act 2001*) encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The *Protected Disclosure Act 2012* provides protection to people who make disclosures and establishes a system for the matters disclosed to be investigated, and rectifying action to be taken.

Staff from CAV and the Department of Justice and Regulation undertaking RTBA functions are covered by the Department's policy in relation to making disclosures and the protection offered to them.

Financial report and accompanying statements

RESIDENTIAL TENANCIES BOND AUTHORITY

Annual Financial Report

for the financial year ended 30 June 2016

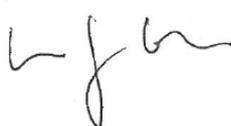
RESIDENTIAL TENANCIES BOND AUTHORITY**Statement by the Accountable Officer and
Chief Finance and Accounting Officer**

The attached financial statements for the Residential Tenancies Bond Authority (the Authority) have been prepared in accordance with Direction 4.2 of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2016 and financial position of the Authority as at 30 June 2016.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 11 October 2016.



Simon Cohen
Accountable Officer
Melbourne
11 October 2016



Mr Ian Thorn
Chief Finance and Accounting Officer
Melbourne
11 October 2016

The logo for the Victorian Auditor-General's Office (VAGO) consists of the letters 'VAGO' in a bold, blue, sans-serif font. The letters are spaced out, with 'V' and 'A' being larger than 'G', 'O', and 'O'. A thin horizontal line is positioned below the letters.

Victorian Auditor-General's Office

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Melbourne VIC 3000

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INDEPENDENT AUDITOR'S REPORT

To the Constituting Member, Residential Tenancies Bond Authority

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 of the Residential Tenancies Bond Authority which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the statement by the accountable officer and chief finance and accounting officer.

The Constituting Member's Responsibility for the Financial Report

The Constituting Member of the Residential Tenancies Bond Authority is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Constituting Member determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Constituting Member, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Auditing in the Public Interest

Independent Auditor's Report (continued)*Independence*

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, I and my staff and delegates have complied with the applicable independence requirements of the Australian Auditing Standards and relevant ethical pronouncements.

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Residential Tenancies Bond Authority as at 30 June 2016 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
11 October 2016


for Andrew Greaves
Auditor-General

RESIDENTIAL TENANCIES BOND AUTHORITY**Comprehensive Operating Statement**

for the financial year ended 30 June 2016

| | Note | 2016 \$ | 2015 \$ |
|---|-------|-------------------|-------------------|
| Income from transactions | | | |
| Interest income | | 20,236,879 | 21,782,200 |
| Other income | | – | 1,312 |
| Total Income from transactions | | 20,236,879 | 21,783,512 |
| Expenses from transactions | | | |
| Operating expenses | | | |
| Employee expenses | 3 (a) | 1,850,417 | 1,553,553 |
| Supplies and services | 3 (b) | 6,928,466 | 7,090,546 |
| Finance costs | 3 (c) | 16,166 | 33,916 |
| Other expenses | 3 (d) | 155,565 | 158,097 |
| Total Operating expenses | | 8,950,614 | 8,836,112 |
| Payment to the Residential Tenancies Fund | | 10,000,000 | 10,000,000 |
| Total Expenses from transactions | | 18,950,614 | 18,836,112 |
| Net result from transactions (net operating balance) | | 1,286,265 | 2,947,400 |
| Net gain/ (loss) on financial instruments | | 764,550 | – |
| Other economic flows included in net result | | 764,550 | – |
| Net Result | | 2,050,815 | 2,947,400 |
| Comprehensive result | | 2,050,815 | 2,947,400 |

The above comprehensive operating statement should be read in conjunction with the notes to the financial statements.

RESIDENTIAL TENANCIES BOND AUTHORITY**Balance Sheet**

as at 30 June 2016

| | Note | 2016 \$ | 2015 \$ |
|--|------|--------------------|--------------------|
| Assets | | | |
| Financial assets | | | |
| Cash and deposits | 11 | 932,798,808 | 877,658,671 |
| Receivables | 5 | 5,042,246 | 4,737,084 |
| Investments and other financial assets | 6 | 23,264,550 | – |
| Total financial assets | | 961,105,604 | 882,395,755 |
| Total assets | | 961,105,604 | 882,395,755 |
| Liabilities | | | |
| Payables | 7 | 885,023 | 977,844 |
| Bonds held on trust | 12 | 950,650,440 | 873,898,585 |
| Total liabilities | | 951,535,463 | 874,876,429 |
| Net assets | | 9,570,141 | 7,519,326 |
| Equity | | | |
| Accumulated surplus | | 9,570,141 | 7,519,326 |
| Net Worth | | 9,570,141 | 7,519,326 |
| Commitments for expenditure | 8 | | |
| Contingent liabilities | 9 | | |
| Contingent assets | 10 | | |

The balance sheet should be read in conjunction with the notes to the financial statements.

RESIDENTIAL TENANCIES BOND AUTHORITY**Statement of Changes in Equity**

for the financial year ended 30 June 2016

| | Accumulated Surplus | Total |
|--------------------------------|----------------------------|------------------|
| Balance at 1 July 2014 | 4,571,926 | 4,571,926 |
| Net Result for the Year | 2,947,400 | 2,947,400 |
| Balance at 30 June 2015 | 7,519,326 | 7,519,326 |
| Net Result for the Year | 2,050,815 | 2,050,815 |
| Balance at 30 June 2016 | 9,570,141 | 9,570,141 |

The statement of changes in equity should be read in conjunction with the notes to the financial statements.

RESIDENTIAL TENANCIES BOND AUTHORITY**Cash Flow Statement**

for the financial year ended 30 June 2016

| | Notes | 2016 \$ | 2015 \$ |
|---|--------|---------------------|---------------------|
| Cash flows from operating activities | | | |
| <i>Receipts</i> | | | |
| Interest received | | 19,931,717 | 22,331,535 |
| Other receipts | | – | 1,312 |
| Total Receipts | | 19,931,717 | 22,332,847 |
| <i>Payments</i> | | | |
| Payments to suppliers and employees | | (9,043,435) | (8,612,017) |
| Payments to the Residential Tenancies Fund | | (10,000,000) | (10,000,000) |
| Total Payments | | (19,043,435) | (18,612,017) |
| Net cash provided by / (used in) operating activities | 11 (b) | 888,282 | 3,720,830 |
| Cash flows from investing activities | | | |
| Payment for investments. | 13 (f) | (22,500,000) | – |
| Net cash provided by / (used in) investing activities | | (22,500,000) | – |
| Cash flows from financing activities | | | |
| Bonds received | 12 | 425,984,581 | 395,495,144 |
| Bonds repaid | 12 | (349,232,726) | (328,009,362) |
| Net cash provided by / (used in) financing activities | | 76,751,855 | 67,485,782 |
| Net increase/(decrease) in cash held | | 55,140,137 | 71,206,612 |
| Cash and cash equivalents at the beginning of the financial year | | 877,658,671 | 806,452,059 |
| Cash and cash equivalents at the end of the financial year | 11 (a) | 932,798,808 | 877,658,671 |

The cash flow statement should be read in conjunction with the notes to the financial statements.

RESIDENTIAL TENANCIES BOND AUTHORITY**Notes to the financial statements**

for the year ended 30 June 2016

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RESIDENTIAL TENANCIES BOND AUTHORITY**Notes to the financial statements**

for the financial year ended 30 June 2016

1 Operation of the Residential Tenancies Bond Authority

These financial statements cover the Residential Tenancies Bond Authority (the Authority) as an individual reporting entity. The Authority is a statutory body of the State of Victoria, established by Section 429 of the *Residential Tenancies Act 1997*.

The Authority's principal address is:

Residential Tenancies Bond Authority
Level 17, 121 Exhibition Street
Melbourne VIC 3000

The role of the Authority is to hold all bonds paid on Victorian residential premises in a neutral capacity as trustee for landlords and tenants. The bond is held by the Authority for the duration of the tenancy and is repaid either as agreed by the parties to the bond, or as directed by the Victorian Civil and Administrative Tribunal or a court.

Section 429 of the *Residential Tenancies Act 1997* establishes the Authority as a body corporate constituted by the Director of Consumer Affairs Victoria. The Authority has no other members and employs no staff. The Authority is reliant on the staff and resources of the Department of Justice and Regulation, Consumer Affairs Victoria, and contracted services, with the cost of these inputs being met by the Authority's Residential Bonds Investment Income Account.

The bond monies held on trust by the Authority are invested in the Residential Bonds Account (See Note 12). This account is managed separate from the Department of Justice and Regulation. The majority of the bond monies are invested with the Treasury Corporation of Victoria (TCV).

The Authority's own funds are held in the Residential Bonds Investment Income Account, with this account being operated as a sub-entity of the Department of Justice and Regulation except for reporting purposes, and subject to the same policies and procedures as other accounts of the Department.

All interest earned is paid to the Residential Bonds Investment Income Account where it is applied to meet the costs of the Authority with any surplus capable of being paid to the Residential Tenancies Fund.

The Residential Tenancies Fund is administered by the Department of Justice and Regulation independently of the Authority.

2 Summary of accounting policies

(A) Statement of Compliance

The annual financial statements represent the audited general purpose financial statements for the Authority for the period ended 30 June 2016. The purpose of the report is to provide users with information about the Authority's stewardship of resources entrusted to it.

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* (FMA) and applicable Australian Accounting Standards (AAS) which include interpretations, issued by the Australian Accounting Standards Board (AASB), and the *Residential Tenancies Act 1997*. In particular, they are presented in a manner consistent with the requirements of the AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

To gain a better understanding of the terminology used in this report, a glossary of terms and style conventions can be found in Note 16.

These annual financial statements were authorised for issue by the Authority on 11 October 2016.

(B) Basis of accounting preparation and measurement

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

These financial statements are presented in Australian dollars, and prepared in accordance with the historical cost convention except for managed investment schemes after initial recognition, which are measured at fair value with changes reflected in the comprehensive operating statement (fair value through profit and loss).

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2016 and the comparative information presented for the year ended 30 June 2015.

(C) Scope and presentation of financial statements

Comprehensive Operating Statement

The comprehensive operating statement comprises three components, being 'net result from transactions' (or termed as 'net operating balance'), 'other economic flows included in

net result', as well as 'other economic flows - other comprehensive income'. The sum of the first two represents the net result.

The net result is equivalent to profit or loss derived in accordance with AAS.

This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of Financial Statements*.

Balance sheet

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial assets.

Current and non current assets and liabilities (non current being those assets or liabilities expected to be recovered or settled more than 12 months after the reporting period) are disclosed in the notes, where relevant.

Cash flow statement

Cash flows are classified according to whether or not they arise from operating, investing or financing activities. This classification is consistent with the requirements under AASB 107 *Statement of Cash Flows*.

Statement of changes in equity

The statement of changes in equity presents reconciliations of non owner and owner changes in equity from opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately that changes due to amounts recognised in the 'Comprehensive result' are related to 'Transactions with owner in its capacity as owner'.

(D) Income from transactions

Income is recognised to the extent that it is probable that the economic benefits will flow to the entity and the income can be reliably measured at fair value.

Interest Income

The Authority earns its income from the interest earned on the investment of the Residential Bonds Account and the Residential Bonds Investment Income Account.

All income received by the Authority is required by the *Residential Tenancies Act 1997* to be paid into the Residential Bonds Investment Income Account.

(E) Expenses from transactions

Expenses from transactions are recognised as an expense in the reporting period in which they are incurred.

Employee benefits

The Authority reimburses the Department of Justice and Regulation for employee benefits expenses incurred on those employees working at the Authority.

Superannuation

The amount recognised in the comprehensive operating statement is the employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period.

The Department of Treasury and Finance (DTF) in their annual financial statements, disclose on behalf of the State as the sponsoring employer, the net defined benefit cost related to the members of these plans as an administered liability. Refer to DTF's Annual Financial Statements for more detailed disclosures in relation to these plans.

The Authority employs no staff but reimburses the Department of Justice and Regulation on a time and cost basis for the staff inputs provided to the Authority. Under this arrangement, the Department reports outstanding superannuation information in its financial statements.

Other Operating Expenses

Other operating expenses generally represent the day to day running costs incurred in normal operations.

Supplies and services

Supplies and services expenses are recognised as an expense in the reporting period in which they are incurred.

Transfers to the Residential Tenancies Fund

Under section 437 of the *Residential Tenancies Act 1997*, the Authority may transfer from the Residential Bonds Investment Income Account into the Residential Tenancies Fund any amount which the Authority determines. The Residential Tenancies Fund is administered by the Department of Justice and Regulation. The transfer is recognised when the cash is transferred.

(F) Financial Assets

Cash and deposits

Cash and deposits recognised on the balance sheet comprise cash on hand and cash at bank, deposits at call and those highly liquid investments (with an original maturity of three months or less), which are held for the purpose of meeting short term cash commitments rather than for investment purposes, and are readily convertible to known amounts of cash with an insignificant risk of changes in value.

Receivables

Receivables consist predominately of accrued investment income. Receivables are recorded at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

Investments and other financial assets

The Authority classified its managed investment at fair value on initial recognition. Subsequently, any changes in fair value are recognised in the net result as other economic flows. Any dividend or interest on a financial asset is recognised in the net result from transactions.

(G) Non Financial Assets***Other assets***

Other non financial assets consist of prepayments paid to the Department of Justice and Regulation in anticipation of future costs.

(H) Liabilities***Payables***

Payables consist predominantly of accounts payable and other sundry liabilities. Accounts payable represent liabilities for goods and services provided to the Authority prior to the end of the financial year that are unpaid, and arise when the Authority becomes obliged to make future payments in respect of the purchase of those goods and services.

Bonds held on trust

Residential tenancy bonds received by the Authority are paid into the Residential Bonds Account. As these bonds are received on trust for tenants and landlords, they are not treated as income to the Authority.

Employee benefits

The Authority's functions are undertaken by staff from the Department of Justice and Regulation and Consumer Affairs Victoria, with the employee benefits provisions being held by the Department.

(I) Equity***Contributions by owners***

No parliamentary appropriation funding is provided to the Authority, and therefore the Authority is not subject to the requirements of AASB1004 *Contributions*. Accordingly no part of the Authority's accumulated surplus has been treated as contributed capital.

(J) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 8 Commitments for expenditure) at their nominal value and exclusive of the goods and services tax (GST) payable.

(K) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Notes 9 and 10) and, if quantifiable, are measured at

nominal value. Contingent assets and liabilities are presented exclusive of GST receivable or payable respectively.

(L) Accounting for the goods and services tax

Income, expenses and assets are recognised net of the amount of associated GST, except where the GST incurred is not recoverable from the taxation authority. In this case, the GST payable is recognised as part of the cost of acquisition of the asset or as part of the expense.

The Department of Justice and Regulation manages the GST transactions on behalf of the Authority and the net amount of GST recoverable from or payable to the Australian Taxation Office is recognised in the financial statements of the Department of Justice and Regulation.

(M) Rounding of amounts

Amounts in the financial statement have been rounded to the nearest dollar.

(N) Events after the reporting period

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the Authority and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period. Adjustments are made to amounts recognised in the financial statements for events which occur between the end of the reporting period and the date when the financial statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate conditions which arose after the end of the reporting period that are considered to be of material interest.

(O) AAS issued that are not yet effective

Certain new AAS have been published that are not mandatory for the 30 June 2016 reporting period. The Department of Treasury and Finance assesses the impact of all these new standards and advises the Authority of their applicability and early adoption where applicable.

As at 30 June 2016, the following AAS have been issued by the AASB but not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as follows:

| Standard / Interpretation | Summary | Applicable for annual reporting periods beginning on | Impact on the Authority's financial statements |
|-------------------------------------|--|---|--|
| <i>AASB 9 Financial Instruments</i> | The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the | 1 Jan 2018 | The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss. While the preliminary |

| Standard / Interpretation | Summary | Applicable for annual reporting periods beginning on | Impact on the Authority's financial statements |
|---|---|--|---|
| | current approach that recognises impairment only when incurred. | | assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed. |
| AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB9</i> (December 2010) | <p>The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows:</p> <ul style="list-style-type: none"> • The change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and • Other fair value changes are presented in profit and loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. | 1 Jan 2018 | <p>The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals.</p> <p>Changes in own credit risk in respect of liabilities designated at fair value through profit and loss will now be presented within other comprehensive income (OCI).</p> <p>Hedge accounting will be more closely aligned with common risk management practices making it easier to have an effective hedge.</p> <p>For entities with significant lending activities, an overhaul of related systems and processes may be needed.</p> |
| AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i> | <p>Amends the measurement of trade receivables and the recognition of dividends. Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition.</p> <p>Dividends are recognised in the profit and loss only when:</p> <ul style="list-style-type: none"> • the entity's right to receive payment of the dividend is established; • it is probable that the economic benefits associated with the dividend will flow to the entity; and | 1 Jan 2017, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018 | The assessment has indicated that there will be no significant impact for the public sector. |

| Standard / Interpretation | Summary | Applicable for annual reporting periods beginning on | Impact on the Authority's financial statements |
|---|--|---|--|
| | <ul style="list-style-type: none"> the amount can be measured reliably. | | |
| AASB 2015-8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i> | This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018. | 1 Jan 2018 | This amending standard will defer the application period of AASB 15 to the 2018-19 reporting period in accordance with the transition requirements. |
| AASB 14 <i>Regulatory Deferral Accounts</i> ² | AASB 14 permits first-time adopters of Australian Accounting Standards who conduct rate-regulated activities to continue to account for amounts related to rate regulation in accordance with their previous GAAP. | 1 Jan 2016 | The assessment has indicated that there is no expected impact, as those that conduct rate-regulated activities have already adopted Australian Accounting Standards. |

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2015-16 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting.

- *AASB 1057 Application of Australian Accounting Standards*
- *AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]*
- *AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]*
- *AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*

3 Operating expenses

| | 2016 | 2015 |
|--|------------------|------------------|
| | \$ | \$ |
| (a) Employee expenses | | |
| Salaries, wages and overtime | 1,588,874 | 1,345,298 |
| Superannuation | 146,930 | 119,491 |
| Targeted separation payment | – | 1,738 |
| Other on-costs (fringe benefits tax, payroll tax and workcover levy) | 91,323 | 78,382 |
| Staff training | 23,290 | 8,644 |
| | 1,850,417 | 1,553,553 |
| (b) Supplies and services | | |
| Outsourced registry services | 5,666,522 | 6,006,750 |
| Consultants and professional services | 258,675 | 62,047 |
| Other outsourced services | 273,828 | 305,921 |
| Accommodation and property services | 97,902 | 116,474 |
| Printing, stationery and other office expenses | 571,870 | 545,885 |
| Technology Services Costs | 59,669 | 53,469 |
| | 6,928,466 | 7,090,546 |
| (c) Finance costs | | |
| Bank Charges | 16,166 | 33,916 |
| | 16,166 | 33,916 |
| (d) Other expenses | | |
| Other operating expenses | 155,565 | 158,097 |
| | 155,565 | 158,097 |
| Total Operating expenses | 8,950,614 | 8,836,112 |

4 Remuneration of auditors

| | 2016 | 2015 |
|--|---------------|---------------|
| | \$ | \$ |
| Victorian Auditor-General's Office Audit of the financial report | 14,000 | 12,850 |
| The external audit fee is included in Note 3(d) Other Expenses. | | |
| | 14,000 | 12,850 |

5 Receivables

| | 2016 | 2015 |
|--|------------------|------------------|
| | \$ | \$ |
| Current | | |
| Accrued Investment Income – TCV Investment | 5,042,246 | 4,737,084 |
| | 5,042,246 | 4,737,084 |

- (a) Ageing analysis of receivables
Please refer to Table 13.3 in Note 13 for ageing analysis of contractual receivables.
- (b) Nature and extent of risk arising from Receivables.
Please refer to Note 13 for the nature and extent of risk arising from contractual receivables.

6 Investments and other financial assets

| | 2016 | 2015 |
|-------------------------------|-------------------|----------|
| | \$ | \$ |
| Current | | |
| Managed investment scheme (c) | 23,264,550 | – |
| | 23,264,550 | – |

- (a) Ageing analysis of receivables
Please refer to Table 13.3 in Note 13 for ageing analysis of investments and other financial investments.
- (b) Nature and extent of risk arising from Receivables.
Please refer to Note 13 for the nature and extent of risk arising from investments and other financial investments.
- (c) The Authority's funds are invested with the Victorian Funds Management Corporation (VFMC).

7 Payables

| | 2016 | 2015 |
|----------------|----------------|----------------|
| | \$ | \$ |
| Current | | |
| Payables | 855,023 | 977,844 |
| | 855,023 | 977,844 |

- (a) Maturing analysis of payables
Please refer to Table 13.4 in Note 13 for maturing analysis of contractual payables.
- (b) Nature and extent of risk arising from payables.
Please refer to Note 13 for the nature and extent of risk arising from contractual payables.

8 Commitments for expenditure

| | 2016 | 2015 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Outsourcing commitments | | |
| Commitments for outsourced services (GST Exclusive) | | |
| A contract commenced on 10 January 2008 for the development and maintenance of the registry system and provision of services to the Authority relating to the receipt, registration, repayment, and transfer of residential bonds until 30 June 2018. The commitment disclosed represents the unspent portion of the contract. | 19,713,086 | 25,379,608 |
| Payable: | | |
| Not longer than one year | 6,793,000 | 5,677,403 |
| Longer than one year and not longer than five years | 12,920,086 | 19,702,205 |
| Longer than five years | – | – |
| Total commitments (GST Exclusive) | 19,713,086 | 25,379,608 |

- (a) The current estimate of services to be provided is based on the expected transaction volumes and system enhancements anticipated to take place in the 2016-17 financial year.
- (b) Any of the approved remaining unspent at the end of the contract represents a lesser transaction volume than anticipated and unspent allowance for contingencies.

9 Contingent liabilities

There were no contingent liabilities at balance date. (2015: Nil)

10 Contingent assets

There were no contingent assets at balance date. (2015: Nil)

11 Notes to Cash Flow Statement

(a) Reconciliation of Cash

For the purposes of the Cash Flow Statement, cash includes cash on hand and in banks and investments in term deposits of less than 3 months, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the balance sheet as follows:

| | 2016 | 2015 |
|--|--------------------|--------------------|
| | \$ | \$ |
| Cash and Cash Equivalents | | |
| Cash at Bank | 21,798,808 | 4,658,671 |
| TCV Investment | 911,000,000 | 873,000,000 |
| Total Cash and Cash Equivalents | 932,798,808 | 877,658,671 |
| Restriction on use of cash | | |
| Bonds Held on Trust | 950,650,440 | 873,898,585 |

(a) In addition to the cash and cash equivalents, the Authority has investments of \$23.3 million (2015: Nil).

(b) Reconciliation of net result for the period to net cash flows from operating activities

| | 2016 | 2015 |
|--|------------------|------------------|
| | \$ | \$ |
| Net Result for the period | 2,050,815 | 2,947,400 |
| Non-cash movements: | | |
| Net (gain)/loss on financial instruments | (764,550) | – |
| Movements assets and liabilities | | |
| Increase/(Decrease) in payables | (92,821) | 224,095 |
| (Increase)/Decrease in receivables | (305,162) | 549,335 |
| Net cash from/ (used in) operating activities | 888,282 | 3,720,830 |

12 Bonds held on trust

The *Residential Tenancies Act 1997* requires the bonds received by the Authority to be held on trust in the Residential Bonds Account.

The value and movements in the Residential Bonds Account are as follows:

| | 2016 | 2015 |
|--|--------------------|--------------------|
| | \$ | \$ |
| Bonds brought forward | 873,898,585 | 806,412,803 |
| Bonds received | 425,984,581 | 395,495,144 |
| Bonds repaid | (349,232,726) | (328,009,362) |
| Total Residential Bonds Account | 950,650,440 | 873,898,585 |

13 Financial Instruments

The Authority's principle financial instruments comprise:

- TCV Investment;
- VFMC Investment;
- Cash at Bank;
- Receivables;
- Payables; and
- Bonds Held on Trust.

(a) Significant Accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument above are disclosed in Note 2 to the financial statements.

The main purpose in holding financial instruments is to prudentially manage the Authority's financial risks within the government policy parameters.

The Authority's main financial risks include credit risk, liquidity risk, interest rate risk and equity price risk. The Authority manages these financial risks in accordance with the financial risk management requirements of Ministerial Directions issued by the Minister of Finance and the Department of Justice and Regulation.

The Authority uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the Trust Funds Governance Committee of Consumer Affairs Victoria and the Departmental staff engaged in the administration of the Authority.

(b) Categorisation of financial instruments

Table 13.1: Categorisation of financial instruments

| | | | Carrying Amount 2016 \$ | Carrying Amount 2015 \$ |
|--|------|---|----------------------------------|----------------------------------|
| | Note | Category | | |
| Contractual Financial Assets | | | | |
| Cash at Bank | | Contractual financial assets - loans & receivables | 21,798,808 | 4,658,671 |
| TCV Investment | | Contractual financial assets - loans & receivables | 911,000,000 | 873,000,000 |
| Total cash and deposits | 11 | | 932,798,808 | 877,658,671 |
| Receivables | 5 | Contractual financial assets - loans & receivables | 5,042,246 | 4,737,084 |
| VFMC Investment | 6 | Contractual financial assets - loans & receivables | 23,264,550 | - |
| Contractual Financial Liabilities | | | | |
| Payables | 7 | Contractual financial liabilities amortised at cost | 885,023 | 977,844 |
| Bonds Held on Trust | 12 | Contractual financial liabilities amortised at cost | 950,650,440 | 873,898,585 |

(c) Credit Risk

Credit risk arises from the financial assets of the Authority, which comprise cash and deposits, and receivables.

The Authority's exposure to credit risk arises from the potential default of a counterparty on their contractual obligations resulting in financial loss to the Authority. Credit risk is measured at fair value and is monitored on a regular basis.

Credit Risk associated with the Authority's financial assets is minimal because all financial assets are held by TCV (AAA credit rating), Westpac Banking Corporation Limited (AA- credit rating) and VFMC (implied AAA credit rating as they are an authorised centralised agency which has a credit rating equal to the State of Victoria)

Credit risk associated with receivables has been assessed as minimal, because all of the receivables are related to accrued interest from TCV, Westpac Banking Corporation Limited and VFMC.

As at the reporting date there is no event to indicate that any of the financial assets were impaired.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

Interest rate exposure and aging analysis of financial assets are detailed in the following tables:

Table 13.2 : Credit quality of contractual financial assets that are neither past due nor impaired

| | Note | Government Agencies \$ | Financial Institutions \$ | Total \$ |
|---|------|------------------------------|---------------------------------|--------------------|
| 2016 | | | | |
| Financial assets | | | | |
| Cash and deposits | 11 | 911,000,000 | 21,798,808 | 932,798,808 |
| VFMC Investment | 6 | 23,264,550 | – | 23,264,550 |
| Receivables (i) | 5 | 5,042,246 | – | 5,042,246 |
| Total contractual financial assets | | 939,306,796 | 21,798,808 | 961,105,604 |
| 2015 | | | | |
| Financial assets | | | | |
| Cash and deposits | 11 | 873,000,000 | 4,658,671 | 877,658,671 |
| VFMC Investment | 6 | – | – | – |
| Receivables (i) | 5 | 4,737,084 | – | 4,737,084 |
| Total contractual financial assets | | 877,737,084 | 4,658,671 | 882,395,755 |

(i) The total amounts disclosed here exclude statutory amounts (e.g. GST input tax credit recoverable).

Table 13.3: Ageing analysis of contractual financial assets

| | Note | Carrying amount \$ | Not past due but not impaired \$ |
|-------------------------|------|-----------------------|---|
| 2016 | | | |
| Financial Assets | | | |
| – Cash and deposits | 11 | 932,798,808 | 932,798,808 |
| – VFMC Investments | 6 | 23,264,550 | 23,264,550 |
| – Receivables (i) | 5 | 5,042,246 | 5,042,246 |
| Total | | 961,105,604 | 961,105,604 |
| 2015 | | | |
| Financial Assets | | | |
| – Cash and deposits | 11 | 877,658,671 | 877,658,671 |
| – VFMC Investments | 6 | – | – |
| – Receivables (i) | 5 | 4,737,084 | 4,737,084 |
| Total | | 882,395,755 | 882,395,755 |

(i) The total amounts disclosed here exclude statutory amounts (e.g. GST input tax credit recoverable).

(d) Liquidity Risk

Liquidity risk arises when the Authority is unable to meet its financial obligations as they fall due. The Authority operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, make payments within 30 days of resolution. It also continuously manages risk through monitoring future cash flows.

The Authority's exposure to liquidity risk is deemed insignificant based on data from prior periods and current assessment of risk.

The Authority manages its liquidity risk through its holdings of cash in the Westpac Banking Corporation Limited and TCV. The VFMC investment can also be liquidated upon request.

Table 13.4: Maturity analysis of contractual financial liabilities

| | Note | Carrying amount \$ | Maturity Dates | |
|------------------------------|------|--------------------------|----------------|----------------------------|
| | | | At Call \$ | Less than 1 month \$ |
| 2016 | | | | |
| Financial Liabilities | | | | |
| – Bonds Held on Trust | 12 | 950,650,440 | 950,650,440 | – |
| – Payables (ii) | 7 | 855,023 | – | 855,023 |
| Total | | 951,535,463 | 950,650,440 | 855,023 |
| 2015 | | | | |
| Financial Liabilities | | | | |
| – Bonds Held on Trust | 12 | 873,898,585 | 873,898,585 | – |
| – Payables (ii) | 7 | 977,844 | – | 977,844 |
| Total | | 874,876,429 | 873,898,585 | 977,844 |

(i) Maturity Analysis is presented using the contractual undiscounted cashflows.

(ii) The total amounts disclosed here exclude statutory amounts (e.g. GST payable).

(e) Market risk

The Authority's exposure to market risk mainly arises from interest rate risk. The Authority does not engage in financial trading. Through its VFMC investment the Authority has some exposure to foreign currency and other price risks.

During 2015-16 the Authority managed market risk arising from the VFMC investment by ensuring that this investment did not exceed 2.5% of the Authority's total financial assets.

Interest Rate Risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Authority does not hold any interest bearing financial instruments that are measured at fair value, other than a small exposure to fixed income securities through the VFMC investment, therefore the Authority has a minimal exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Authority has exposure to cash flow interest rate risks through its cash deposits and term deposits.

Where interest rates move this impacts the interest income earned.

Equity Price Risk

The Authority is exposed to equity price risk through its investments in a managed investment scheme. Such investments are allocated and traded to match the investment objectives appropriate for the Authority's liabilities. The Authority appointed the VFMC to manage its investment portfolio in accordance with the Investment Risk Management Plan approved by the Treasurer. The VFMC on behalf of the Authority closely monitors performance and manages the equity price risk through diversification of its investment portfolio. The Authority receives independent advice from its investment advisor.

Table 13.5 : Interest rate exposure of financial instruments

| | Note | Weighted average effective interest rate % | Carrying amount \$ | Interest Rate Exposure | |
|------------------------------------|------|--|--------------------------|------------------------------------|-----------------------------------|
| | | | | Variable Interest Rate \$ | Non- interest bearing \$ |
| 2016 | | | | | |
| Financial assets | | | | | |
| Cash at bank | | 1.94% | 21,798,808 | 21,798,808 | – |
| TCV Investment | | 2.23% | 911,000,000 | 911,000,000 | – |
| Total cash and deposits | 11 | | 932,798,808 | 932,798,808 | – |
| Receivables | 5 | | 5,042,246 | 5,042,246 | – |
| Managed Investment | 6 | | 23,264,550 | 23,264,550 | – |
| Total financial assets | | | 961,105,604 | 961,105,604 | – |
| Financial Liabilities | | | | | |
| – Bonds Held on Trust | 12 | | 950,650,440 | – | 950,650,440 |
| – Payables (i) | 7 | | 885,023 | – | 885,023 |
| Total Financial Liabilities | | | 951,535,463 | – | 951,535,463 |
| 2015 | | | | | |
| Financial assets | | | | | |
| Cash at bank | | 2.36% | 4,658,671 | 4,658,671 | – |
| TCV Investment | | 2.59% | 873,000,000 | 873,000,000 | – |
| Total cash and deposits | 11 | | 877,658,671 | 877,658,671 | – |
| Receivables | 5 | | 4,737,084 | 4,737,084 | – |
| Managed Investment | 6 | | – | – | – |
| Total financial assets | | | 882,395,755 | 882,395,755 | – |
| Financial Liabilities | | | | | |
| – Bonds Held on Trust | 12 | | 873,898,585 | – | 873,898,585 |
| – Payables (i) | 7 | | 977,844 | – | 977,844 |
| Total Financial Liabilities | | | 874,876,429 | – | 874,876,429 |

(i) The total amounts disclosed here exclude statutory amounts (e.g. GST payable).

(f) Fair Value

The fair values and net fair values of financial instrument assets and liabilities are determined as follows:

Level 1 – the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;

Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and

Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

The Authority considers that the carrying amount of financial assets and financial liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short term nature of the majority of the financial instruments and the expectation that they will be paid in full.

The financial assets are determined to be either at level 1 of the fair value hierarchy or level 2.

Managed investment scheme

The fair value of managed investment scheme is determined using inputs other than quoted prices that are observable either directly or indirectly and the Authority categorises these Investments as level 2.

Table 13.6 : Reconciliation of level 2 fair value movements

| | Available - for- sale | | Total | |
|--|---------------------------|------|------------|------|
| | Financial assets | | | |
| | Managed investment scheme | | | |
| | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ |
| Opening Balance | – | – | – | – |
| Total gains or losses recognised in: | | | | |
| - Net result | 764,550 | – | 764,550 | – |
| Purchases | 22,500,000 | – | 22,500,000 | – |
| Settlements | – | – | – | – |
| Closing Balance | 23,264,550 | – | 23,264,550 | – |
| Total gains or losses for the period included in profit or loss for assets held at the end of the period | 764,550 | – | 764,550 | – |

(i) The equity price exposure is based on the purchase price of the units and their declared value as at 30 June 2016. The purchase price was \$1.025868 and declared value at 30 June 2016 which was \$1.060727.

14 Responsible Persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

Responsible Persons

The names of persons who were Responsible Persons of the Authority for the financial year are as follows:

| | | |
|---|------------------------------|-------------------------------------|
| | The Hon. Jane Garrett, MP | 1 July 2015 to 9 June 2016 |
| Minister for Consumer Affairs, Gaming & Liquor Regulation | The Hon. James Merlino, MP | 10 June 2016 to 19 June 2016 |
| | The Hon. Marlene Kairouz, MP | 20 June 2016 to 30 June 2016 |
| Acting Minister for Consumer Affairs, Gaming & Liquor Regulation | The Hon. Wade Noonan, MP | 1 July 2015 to 12 July 2015 |
| | The Hon. Lisa Neville, MP | 21 September 2015 to 2 October 2015 |
| | The Hon. Martin Pakula, MP | 25 March 2016 to 10 April 2016 |

Residential Tenancies Bond Authority

The Authority is constituted by the Director of Consumer Affairs Victoria under section 430 of the *Residential Tenancies Act 1997*. The persons holding this office in a substantive capacity during the year ended 30 June 2016 were:

| | |
|---------------------|---------------------------------|
| Mr Phil D'Adamo | 1 July 2015 to 3 August 2015 |
| Dr Elizabeth Lanyon | 4 August 2015 to 30 August 2015 |
| Simon Cohen | 31 August 2015 to 30 June 2016 |

Remuneration of Responsible Persons

Remuneration received, or due and receivable for:

| Salary Range | 2016 No. | 2015 No. |
|--------------|-------------|-------------|
| Nil | 0 | 0 |

Ministerial remuneration is disclosed in the Financial Statements of the Department of Premier and Cabinet. Amounts relating to ministers are reported in the financial statements of the Department of Premier and Cabinet. For information regarding related party transactions of ministers, the register of members' interests is publicly available from: www.parliament.vic.gov.au/publications/register-of-interests

The Director of Consumer Affairs Victoria receives no additional remuneration for constituting the Residential Tenancies Bond Authority, with remuneration for the position of Director being disclosed in the Financial Statements of the Department of Justice and Regulation.

Related Party Transactions

During the year, the Residential Tenancies Bond Authority was constituted by Mr Phil D'Adamo, and then by Dr Elizabeth Lanyon who are employed by the Department of Justice and Regulation. Mr Simon Cohen commenced on 31 August 2015 and took over the role on an ongoing basis. Mr Cohen is also employed by the Department of Justice and Regulation.

During the financial year, the Authority and the Department conducted business transactions at arms length and on normal commercial terms.

Other Transactions

Other related transactions and loans requiring disclosure under the Directions of the Minister for Finance have been considered and there are no matters to report.

15 Subsequent events

There have been no subsequent events to disclose.

16 Glossary of terms and style conventions

Comprehensive result

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other comprehensive income.

Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non cancellable contractual or statutory sources.

Employee benefits expenses

Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, defined benefits superannuation plans, and defined contribution superannuation plans.

Financial asset

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual or statutory right:
 - (i) to receive cash or another financial asset from another entity; or
 - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (d) a contract that will or may be settled in the entity's own equity instruments and is:
 - (i) a non derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or

- (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

Financial liability

A financial liability is any liability that is:

- (a) A contractual obligation:
 - (i) to deliver cash or another financial asset to another entity; or
 - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- (b) A contract that will or may be settled in the entity's own equity instruments and is:
 - (i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
 - (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Financial statements

A complete set of financial statements comprises:

- (a) A balance sheet as at the end of the period;
- (b) A comprehensive operating statement for the period;
- (c) A statement of changes in equity for the period;
- (d) A cash flow statement for the period;
- (e) Notes, comprising a summary of significant accounting policies and other explanatory information;
- (f) Comparative information in respect of the preceding period as specified in paragraphs 38 of AASB 101 *Presentation of Financial Statements*; and
- (g) A statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 41 of AASB 101

Interest income

Interest income includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other economic flows - other comprehensive income'.

Net result from transactions/net operating balance

Net result from transactions or net operating balance is a key fiscal aggregate and is income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

Net Worth

Assets less liabilities, which is a measure of wealth.

Other economic flows included in net result

Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. It includes:

- (a) gains and losses from disposals, revaluations and impairments of non financial physical and intangible assets; and
- (b) fair value changes of financial instruments.

Payables

Includes short and long term trade debt and accounts payable, grants, taxes and interest payable.

Receivables

Includes amounts owing from government through appropriation receivable, short and long term trade credit and accounts receivable, accrued investment income, grants, taxes and interest receivable.

Supplies and services

Supplies and services generally represent cost of goods sold and the day to day running costs, including maintenance costs, incurred in the normal operations of the Authority.

Transactions

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows in an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the government.

Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

.. zero, or rounded to zero

(xxx.x) negative numbers

200x year period

200x-0x year period

The financial statements and notes are presented based on the illustration for a government department in the 2015-16 *Model Report for Victorian Government Departments*. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the Authority's annual reports.

RESIDENTIAL TENANCIES BOND AUTHORITY

Disclosure Index

The annual report of the Authority is prepared in accordance with all relevant Victorian legislations and pronouncements. This index has been prepared to facilitate identification of the Authority's compliance with statutory disclosure requirements.

| Legislation | Requirement |
|--|--|
| Ministerial Direction | |
| | Report of operations – FRD Guidance |
| Charter and purpose | |
| FRD 22G | Manner of establishment and the relevant Ministers |
| FRD 22G | Purpose, functions, powers and duties |
| FRD 8D | Departmental objectives, indicators and outputs |
| FRD 22G | Initiatives and key achievements |
| FRD 22G | Nature and range of services provided |
| Management and structure | |
| FRD 22G | Organisational structure |
| Financial and other information | |
| FRD 8D | Performance against output performance measures |
| FRD 8D | Budget portfolio outcomes |
| FRD 10A | Disclosure index |
| FRD 12A | Disclosure of major contracts |
| FRD 15C | Executive officer disclosures |
| FRD 22G | Employment and conduct principles |
| FRD 22G | Occupational health and safety policy |
| FRD 22G | Summary of the financial results for the year |
| FRD 22G | Significant changes in financial position during the year |
| FRD 22G | Major changes or factors affecting performance |
| FRD 22G | Subsequent events |
| FRD 22G | Application and operation of Freedom of Information Act 1982 |
| FRD 22G | Compliance with building and maintenance provisions of Building Act 1993 |
| FRD 22G | Statement on National Competition Policy |
| FRD 22G | Application and operation of the Protected Disclosure 2012 |
| FRD 22G | Application and operation of the Carers Recognition Act 2012 |
| FRD 22G | Details of consultancies over \$10 000 |
| FRD 22G | Details of consultancies under \$10 000 |
| FRD 22G | Disclosure of government advertising expenditure |
| FRD 22G | Disclosure of ICT expenditure |
| FRD 22G | Statement of availability of other information |

| Legislation | Requirement |
|---|---|
| FRD 24C | Reporting of office based environmental impacts |
| FRD 25B | Victorian Industry Participation Policy disclosures |
| FRD 29A | Workforce Data disclosures |
| SD 4.5.5 | Attestation for compliance with <i>Ministerial Standing Directions 4.5.5</i> |
| SD 4.2(g) | Specific information requirements |
| SD 4.2(j) | Sign off requirements |
| Financial statements required under Part 7 of the FMA | |
| SD4.2(a) | Statement of changes in equity |
| SD4.2(b) | Operating statement |
| SD4.2(b) | Balance sheet |
| SD4.2(b) | Cash flow statement |
| Other requirements under Standing Directions 4.2 | |
| SD4.2(c) | Compliance with Australian accounting standards and other authoritative pronouncements |
| SD4.2(c) | Compliance with Ministerial Directions |
| SD4.2(d) | Rounding of amounts |
| SD4.2(c) | Accountable officer's declaration |
| SD4.2(f) | Compliance with Model Financial Report |
| Other disclosures as required by FRDs in notes to the financial statements | |
| FRD 9A | Departmental Disclosure of Administered Assets and Liabilities by Activity |
| FRD 11A | Disclosure of Ex gratia Expenses |
| FRD 13 | Disclosure of Parliamentary Appropriations |
| FRD 21B | Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report |
| FRD 103F | Non Financial Physical Assets |
| FRD 110 | Cash Flow Statements |
| FRD 112D | Defined Benefit Superannuation Obligations |

Legislation

Residential Tenancies Act 1997

Freedom of Information Act 1982

Building Act 1983

Protected Disclosure Act 2012

Carers Recognition Act 2012

Victorian Industry Participation Policy Act 2003

Financial Management Act 1994