



# **Residential Tenancies Bond Authority**

## **Annual Report 2016-17**

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## Department of Justice and Regulation

### Residential Tenancies Bond Authority

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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 2016-17**

I am pleased to present to you the Annual Report of the Residential Tenancies Bond Authority for the financial year ending 30 June 2017.

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 2016 to 30 June 2017

## Contents

Charter and purpose .....	5
Year in review .....	6
Operations and service levels .....	7
Bond lodgments.....	7
Bond repayment claims .....	7
Transaction types .....	7
Transfers .....	8
Enquiries .....	8
SMS notifications .....	8
Receipts and periodic statements .....	9
RTBA Online.....	9
Service enhancements .....	10
Other activities .....	11
Compliance .....	11
Education .....	11
Website.....	11
Outsourced services .....	11
Length of Tenancy .....	12
Freedom of Information.....	12
Making a request .....	12
Compliance with the <i>Building Act 1993</i> .....	13
Privacy .....	13
Application of merit and equity principles.....	13
Compliance with the Protected Disclosure Act 2012.....	13
Attestation for compliance with Ministerial Standing Direction 3.7.1 .....	14
Financial report and accompanying statements.....	15
Statement by the Accountable Officer and Chief Finance and Accounting Officer .....	16
Victorian Auditor-General's Report.....	16
Comprehensive Operating Statement.....	19
Balance Sheet .....	20
Cash Flow Statement .....	21
Statement of Changes in Equity .....	22
Notes to the financial statements .....	23

## 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.

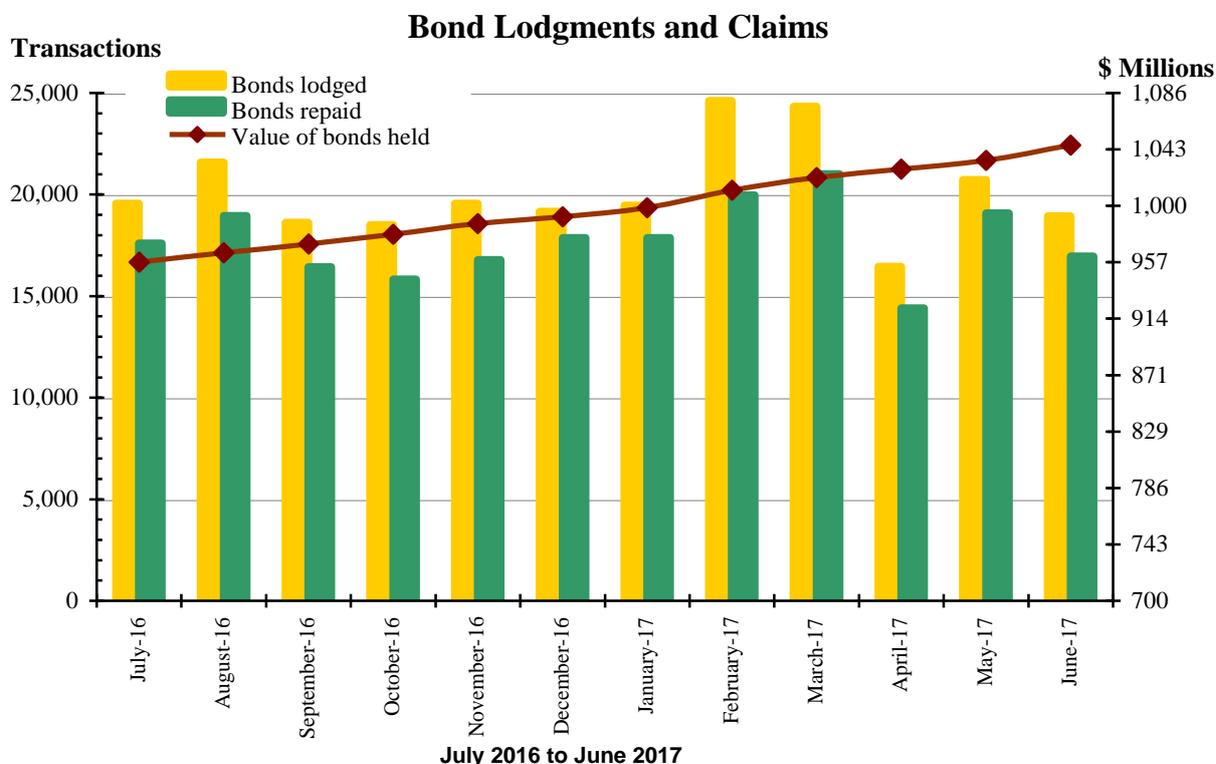
## Year in review

At 30 June 2017, the RTBA held 622,298 bonds, valued at \$1,041.3 million. This represents an increase of 4.8 per cent in the number of bonds since 30 June 2016, and an increase of 9.5 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 2016-17 totalled \$10.5 million, being \$0.5 million more than 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 241,500 bond lodgments in 2016-17 (an average of 4,644 a week) compared with 237,000 in 2015-16 (an average of 4,558 a week).

### Bond repayment claims

The RTBA repaid 212,700 bonds (an average of 4,090 a week) compared with 211,000 in 2015-16 (an average of 4,058 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, 65% of bonds had 100% returned to the tenants, 9% to the agent/landlord, and 26% across both the tenant and agent/ landlord.

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

Most repayments (91%) were issued as a direct credit to the payee's bank account on the same day as the repayment was approved. 6% 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 the agent/landlord agreeing to the distribution of the bond.

### Transaction types

Bond transactions can be submitted to the RTBA in various ways:

- 'Electronic Transactions' are paperless transactions undertaken through RTBA Online. A property manager registered with the RTBA initiates the transaction by entering the transaction details. The system then sends an email to each tenant, with a link to the transaction. Using this link, a tenant can enter their response to the proposed transaction and also enter other inputs like the bank account details for bond repayments.

Electronic Transactions operate like online banking, with no paper forms, no signatures to collect, and no need to provide a cheque or money order as bond payments are collected through electronic funds transfer.

- RTBA Online can also be used to generate a paper form (web form) containing all the information required to complete the transaction. Data entry is minimised by re-using all the information already available in the RTBA Register. Web forms need to have the signatures of all parties, and bond lodgments need to be accompanied by a cheque or money order.
- For those that do not have internet access, blank pre-printed paper forms are also available. These pre-printed forms are more likely to be rejected by the RTBA as a result of poor legibility.

Most RTBA clients use RTBA Online, with around 80% of all transactions being created online.

## Transfers

Under the Act, the RTBA must be notified of changes in tenants or landlord/agent. In the year ending 30 June 2017, there were 61,300 bond transfers (an average of 1,179 a week) compared to 54,300 in 2015-16 (an average of 1,044 a week).

62 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 2016-17, the RTBA responded to 77,847 calls and 27,450 emails, compared to 90,224 calls and 25,845 emails in 2015-16.

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 2016-17, the RTBA answered 95.8 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.

### SMS sent

SMS type	2012-13	2013-14	2014-15	2015-16	2016-17
Alert that an Electronic Transaction has been initiated	6,225	9,902	18,445	48,974	78,048
Advice of rejection of a Bond Repayment Claim	9,674	11,162	16,244	18,615	14,218
Advice of rejection of a Tenant Transfer	1,752	1,669	1,473	2,554	1,698
Advice of rejection of a request to replace a previous repayment	1,024	1,586	1,964	984	810
Advice of the creation of a Retained Repayment (unpaid repayment)	7	0	196	555	4,660
<b>Total</b>	<b>18,675</b>	<b>24,319</b>	<b>38,322</b>	<b>71,682</b>	<b>99,434</b>

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). For tenant and private landlords, receipts are emailed whenever the RTBA has a valid email address for them. Property managers registered with the RTBA are able to instruct the RTBA how they want to receive their outputs to meet their operating requirements.

Registered property managers are also provided with access through RTBA Online to a weekly statement of all bond lodgments, repayments and transfers registered against their name, and a complete listing of all their bonds.

## 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 a 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 whom 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 repayments);
- 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	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Visitor sessions	359,276	479,545	578,917	651,119	771,051	856,293
Unique visitors	95,986	132,323	150,815	175,254	189,072	200,271
Enquiries by registered users	224,381	284,020	380,218	411,599	696,989	716,055
Enquiries by landlords	19,393	20,900	23,486	25,052	24,621	25,276
Enquiries by tenants	66,741	82,664	95,605	134,929	88,796	440,765
Lodgment forms created	69,770	93,599	129,445	163,669	188,440	227,728
Claim forms created	97,773	127,329	167,625	202,645	208,052	226,312
Tenant transfer forms created	12,632	16,461	22,190	27,281	29,535	33,447
Agent/landlord transfer forms created	5,630	9,013	12,729	15,993	18,886	24,846
Number of registered users	3,497	4,147	2,488	3,718	5,416	4,261
Document images viewed	2,871	3,985	4,736	5,423	6,110	21,079
Weekly agent statements accessed	5,296	4,664	7,612	5,215	5,263	5,650
Agent bond lists accessed	6,661	7,232	9,926	10,753	11,105	10,416
Total activity	967,007	1,262,385	1,585,792	1,832,333	2,243,336	2,792,399

In 2016-17, online access to forms and reports generated by RTBA Online saved the RTBA 2.06 million sheets of paper (4,125 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 2016-17, the RTBA continue to enhance its transactional website, RTBA Online. The improvements included:

- A new module was added to RTBA Online to allow agents and landlords to register with the RTBA as a property manager. New registrants are automatically authorised to undertake electronic transactions and can move seamlessly to lodging a bond, with the bond payment collected by electronic funds transfer. This online process replaced five paper forms.
- A further module was added to RTBA Online to allows the property manager's online administrator to update their registration details.
- Enhancements to internet and bond security to guard against unauthorised transactions and to protect private information.

## 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 2016-17, education activities included seminar presentations and written advice to property managers on the RTBA Online enhancements.

### Website

The RTBA website ([www.rtba.vic.gov.au](http://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 Capgemini Australia Pty Ltd following the acquisition by Capgemini SA of the business operated by IGATE Global Solutions Limited. There was no impact on the RTBA from this change in ownership, with the staff involved in the delivery of RTBA services remaining unchanged.

During the year ended 30 June 2017, Capgemini maintained the RTBA's target performance levels, including processing 99 per cent of transactions on the day of receipt.

The contract with Capgemini has been extended by three years to now end 30 June 2021. This extension will allow the RTBA to respond to any changes to the Act, arising from the review currently being conducted by Consumer Affairs Victoria. Details on the review of the Act are available at: [www.engage.vic.gov.au/fairersaferhousing](http://www.engage.vic.gov.au/fairersaferhousing) .

## Length of Tenancy

For bonds repaid in 2016-17, the mean average duration of the tenancy was 823 days, compared to 806 for 2015-16.

Active bonds on 30 June 2017 had a mean average duration of 1,182 days, compared to 1,161 days at 30 June 2016.

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 the 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 2017, the RTBA received no Freedom of Information 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](http://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](http://www.foi.vic.gov.au).

## **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*.

## **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.

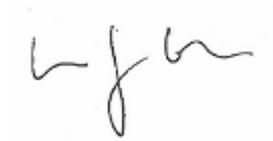
## **Compliance with the Protected Disclosure Act 2012**

The *Protected Disclosure Act 2012* (PDA) encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The PDA provides protection to people who make disclosures in accordance with the PDA 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.

**Attestation for compliance with Ministerial Standing Direction 3.7.1**

I, Simon Cohen certify that the Residential Tenancies Bond Authority has complied with the Ministerial Standing Direction 3.7.1– Risk management framework and processes. The internal audit committee of the Department of Justice and Regulation has verified this.



Simon Cohen  
Constituting Member  
Residential Tenancies Bond Authority

## **Financial report and accompanying statements**

# **RESIDENTIAL TENANCIES BOND AUTHORITY**

Annual Financial Report

for the financial year ended 30 June 2017

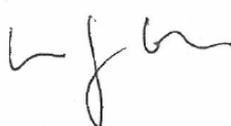
**RESIDENTIAL TENANCIES BOND AUTHORITY****Statement by the Accountable Officer and  
Chief Finance and Accounting Officer**

The attached financial statements for the Residential Tenancies Bond Authority (the Authority) have been prepared in accordance with Direction 5.2 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 2017 and financial position of the Authority as at 30 June 2017.

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 15 September 2017.



Simon Cohen  
Accountable Officer  
Melbourne  
15 September 2017



Mr Ian Thorn  
Chief Finance and Accounting Officer  
Melbourne  
15 September 2017



Victorian Auditor-General's Office

## Independent Auditor's Report

### To the Constituting Member of the Residential Tenancies Bond Authority

<b>Opinion</b>	<p>I have audited the financial report of the Residential Tenancies Bond Authority (the authority) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2017</li> <li>• comprehensive operating statement for the year then ended</li> <li>• cash flow statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• notes to the financial statements, including a summary of significant accounting policies</li> <li>• statement by the accountable officer and chief finance and accounting officer.</li> </ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the authority as at 30 June 2017 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the authority in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Constituting Member's responsibilities for the financial report</b>	<p>The Constituting Member of the authority is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Constituting Member determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Constituting Member is responsible for assessing the authority's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.</p>

**Auditor's responsibilities for the audit of the financial report**

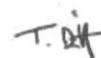
As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Constituting Member
- conclude on the appropriateness of the Constituting Member's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the authority to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Constituting Member regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE  
19 September 2017



Travis Derricott  
*as delegate for the Auditor-General of Victoria*

## RESIDENTIAL TENANCIES BOND AUTHORITY

**Comprehensive Operating Statement**

for the financial year ended 30 June 2017

	Note	2017 \$	2016 \$
<b>Income from transactions</b>			
Interest income		24,697,498	20,236,879
Other income		1,576,947	–
<b>Total Income from transactions</b>		<b>26,274,445</b>	<b>20,236,879</b>
<b>Expenses from transactions</b>			
<b>Operating expenses</b>			
Employee expenses	3 (a)	1,915,856	1,850,417
Supplies and services	3 (b)	7,093,051	6,928,466
Finance costs	3 (c)	9,291	16,166
Other expenses	3 (d)	171,453	155,565
<b>Total Operating expenses</b>		<b>9,189,651</b>	<b>8,950,614</b>
<b>Payment to the Residential Tenancies Fund</b>		<b>10,500,000</b>	<b>10,000,000</b>
<b>Total Expenses from transactions</b>		<b>19,689,651</b>	<b>18,950,614</b>
<b>Net result from transactions (net operating balance)</b>		<b>6,584,794</b>	<b>1,286,265</b>
Net gain/ (loss) on financial instruments		2,131,588	764,550
<b>Other economic flows included in net result</b>		<b>2,131,588</b>	<b>764,550</b>
<b>Net Result</b>		<b>8,716,382</b>	<b>2,050,815</b>
<b>Comprehensive result</b>		<b>8,716,382</b>	<b>2,050,815</b>

*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 2017

	Note	2017 \$	2016 \$
<b>Assets</b>			
<b>Financial assets</b>			
Cash and deposits	11	56,660,098	932,798,808
Receivables	5	4,364,146	5,042,246
Investments and other financial assets	6	999,472,010	23,264,550
<b>Total financial assets</b>		<b>1,060,496,254</b>	<b>961,105,604</b>
<b>Total assets</b>		<b>1,060,496,254</b>	<b>961,105,604</b>
<b>Liabilities</b>			
Payables	7	957,217	885,023
Bonds held on trust	12	1,041,252,514	950,650,440
<b>Total liabilities</b>		<b>1,042,209,731</b>	<b>951,535,463</b>
<b>Net assets</b>		<b>18,286,523</b>	<b>9,570,141</b>
<b>Equity</b>			
Accumulated surplus		18,286,523	9,570,141
<b>Net Worth</b>		<b>18,286,523</b>	<b>9,570,141</b>
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****Cash Flow Statement**

for the financial year ended 30 June 2017

	Notes	2017 \$	2016 \$
<b>Cash flows from operating activities</b>			
<i>Receipts</i>			
Interest received		25,375,598	19,931,717
Other receipts		1,576,947	–
<b>Total Receipts</b>		<b>26,952,545</b>	<b>19,931,717</b>
<i>Payments</i>			
Payments to suppliers and employees		(9,117,457)	(9,043,435)
Payments to the Residential Tenancies Fund		(10,500,000)	(10,000,000)
<b>Total Payments</b>		<b>(19,617,457)</b>	<b>(19,043,435)</b>
<b>Net cash provided by / (used in) operating activities</b>	11 (b)	<b>7,335,088</b>	<b>888,282</b>
<b>Cash flows from investing activities</b>			
Payment for investments		(972,500,000)	(22,500,000)
Distribution from VFMC Growth Fund	13 (f)	(1,575,873)	–
<b>Net cash provided by / (used in) investing activities</b>		<b>(974,075,872)</b>	<b>(22,500,000)</b>
<b>Cash flows from financing activities</b>			
Bonds received	12	456,417,472	425,984,581
Bonds repaid	12	(365,815,398)	(349,232,726)
<b>Net cash provided by / (used in) financing activities</b>		<b>90,602,074</b>	<b>76,751,855</b>
Net increase/(decrease) in cash held		(876,138,710)	55,140,137
Cash and cash equivalents at the beginning of the financial year		932,798,808	877,658,671
<b>Cash and cash equivalents at the end of the financial year</b>	11 (a)	<b>56,660,098</b>	<b>932,798,808</b>

*The cash flow statement 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 2017

	<b>Accumulated Surplus</b>	<b>Total</b>
<b>Balance at 1 July 2015</b>	<b>7,519,326</b>	<b>7,519,326</b>
Net Result for the Year	2,050,815	2,050,815
<b>Balance at 30 June 2016</b>	<b>9,570,141</b>	<b>9,570,141</b>
Net Result for the Year	8,716,382	8,716,382
<b>Balance at 30 June 2017</b>	<b>18,286,523</b>	<b>18,286,523</b>

*The statement of changes in equity 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 2017

<b>Note number</b>	<b>Contents</b>	<b>Page</b>
1	Operation of the Residential Tenancies Bond Authority.....	24
2	Summary of accounting policies .....	25
3	Operating expenses .....	31
4	Remuneration of auditors.....	31
5	Receivables .....	32
6	Investments and other financial assets .....	32
7	Payables .....	33
8	Commitments for expenditure .....	33
9	Contingent liabilities .....	33
10	Contingent assets.....	33
11	Notes to Cash Flow Statement .....	34
12	Bonds held on trust.....	35
13	Financial Instruments.....	35
14	Responsible Persons .....	45
15	Related party transactions.....	46
16	Subsequent events.....	46
17	Glossary of terms and style conventions.....	47

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

for the financial year ended 30 June 2017

**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 major Australian banks and 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 2017. 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 17.

These annual financial statements were authorised for issue by the Authority on 15 September 2017.

### (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 2017 and the comparative information presented for the year ended 30 June 2016.

### (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.

### ***Other Income***

Dividend income is recognised when the right to receive payment is established. Dividends represent the income arising from the Authority's investments in financial assets.

## **(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 Authority does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. Instead, the Department of Treasury and Finance (DTF) discloses in its annual financial statements the net defined benefit cost related to the members of these plans as an administered liability (on behalf of the State as the sponsoring employer).

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 as an expense 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 AASB 1004 *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 2017 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 2017, 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:

<b>Standard / Interpretation</b>	<b>Summary</b>	<b>Applicable for annual reporting periods beginning on</b>	<b>Impact on the Authority's financial statements</b>
AASB 9 <i>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 current approach that recognises impairment only when incurred.	1 Jan 2018	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. While there will be no significant impact arising from AASB 9, there will be a change to the way financial instruments are disclosed.
AASB 2014-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i>	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i>	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. Dividends are recognised in the profit and loss only when: <ul style="list-style-type: none"> <li>the entity's right to receive payment of the dividend is established;</li> <li>it is probable that the economic benefits associated with the dividend will flow to the entity; and</li> <li>the amount can be measured reliably.</li> </ul>	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.

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 2016-17 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 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107.
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-16 Cycle.

### 3 Operating expenses

	2017	2017
	\$	\$
<b>(a) Employee expenses</b>		
Salaries, wages and overtime	1,666,456	1,588,874
Superannuation	149,466	146,930
Other on-costs (fringe benefits tax, payroll tax and workcover levy)	93,141	91,323
Staff training	6,793	23,290
	<b>1,915,856</b>	<b>1,850,417</b>
<b>(b) Supplies and services</b>		
Outsourced registry services	6,188,152	5,666,522
Consultants and professional services	223,900	258,675
Other outsourced services	218,220	273,828
Accommodation and property services	55,664	97,902
Printing, stationery and other office expenses	353,080	571,870
Information Technology	54,035	59,669
	<b>7,093,051</b>	<b>6,928,466</b>
<b>(c) Finance costs</b>		
Bank Charges	9,291	16,166
	<b>9,291</b>	<b>16,166</b>
<b>(d) Other expenses</b>		
Other operating expenses	171,453	155,565
	<b>171,453</b>	<b>155,565</b>
<b>Total Operating expenses</b>	<b>9,189,651</b>	<b>8,950,614</b>

### 4 Remuneration of auditors

	2017	2016
	\$	\$
Victorian Auditor-General's Office Audit of the financial report	14,400	14,000
The external audit fee is included in Note 3(d) Other Expenses.		
	<b>14,400</b>	<b>14,000</b>

## 5 Receivables

	2017	2016
	\$	\$
<b>Current</b>		
Accrued Investment Income – TCV Investment and Term deposits	4,364,146	5,042,246
	<b>4,364,146</b>	<b>5,042,246</b>

(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

	2017	2016
	\$	\$
<b>Current</b>		
Managed investment scheme (c)	54,472,010	23,264,550
<b>Total Current Investments</b>	<b>54,472,010</b>	<b>23,264,550</b>
<b>Non Current</b>		
Term deposits greater than 12 months		
National Australia Bank investments	437,500,000	–
Westpac Banking Corporation investments	457,500,000	–
Commonwealth Bank investments	50,000,000	–
<b>Total Non Current Investments</b>	<b>945,000,000</b>	<b>–</b>
<b>Total investments and other financial assets</b>	<b>999,472,010</b>	<b>23,264,550</b>

(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

	2017	2016
	\$	\$
<b>Current</b>		
Payables	957,217	885,023
	<b>957,217</b>	<b>885,023</b>

(a) Maturing analysis of payables

Please refer to Table 13.4 in Note 13 for maturing analysis of contractual liabilities.

(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

	2017	2016
	\$	\$
<b>Outsourcing commitments</b>		
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. On 8 August 2017, the contract was extended to 30 June 2021. The commitment disclosed represents the unspent portion of the contract.	36,842,207	19,713,086
Payable:		
Not longer than one year	6,417,100	6,793,000
Longer than one year and not longer than five years	30,425,107	12,920,086
Longer than five years	–	–
<b>Total commitments (GST Exclusive)</b>	<b>36,842,207</b>	<b>19,713,086</b>

(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 2017-18 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.

(c) The contract was extended for a further three years to 30 June 2021. The value of the extension is \$23.32 Million GST exclusive.

## 9 Contingent liabilities

There were no contingent liabilities at balance date. (2016: Nil)

## 10 Contingent assets

There were no contingent assets at balance date. (2016: 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:

	2017	2016
	\$	\$
<b>Cash and Cash Equivalents</b>		
Cash at Bank	3,160,098	21,798,808
TCV Investment	53,500,000	911,000,000
<b>Total Cash and Cash Equivalents</b>	<b>56,660,098</b>	<b>932,798,808</b>
<b>Restriction on use of cash</b>		
<b>Bonds Held on Trust</b>	<b>1,041,252,514</b>	<b>950,650,440</b>

(a) In addition to the cash and cash equivalents, the Authority has investments of \$999.5 million (2016: \$23.3 Million).

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

	2017	2016
	\$	\$
<b>Net Result for the period</b>	<b>8,716,382</b>	<b>2,050,815</b>
<b>Non-cash movements:</b>		
Net (gain)/loss on financial instruments	(2,131,588)	(764,550)
<b>Movements assets and liabilities</b>		
Increase/(Decrease) in payables	72,194	(92,821)
(Increase)/Decrease in receivables	678,100	(305,162)
<b>Net cash from/ (used in) operating activities</b>	<b>7,335,088</b>	<b>888,282</b>

## 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:

	2017	2016
	\$	\$
Bonds brought forward	950,650,440	873,898,585
Bonds received	456,417,472	425,984,581
Bonds repaid	(365,815,398)	(349,232,726)
<b>Total Residential Bonds Account</b>	<b>1,041,252,514</b>	<b>950,650,440</b>

## 13 Financial Instruments

The Authority's principle financial instruments comprise:

- Term deposits held with banks;
- Treasury Corporation of Victoria (TCV) Investment;
- Victorian Funds Management Corporation (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) Financial instruments categorisation****Table 13.1: Financial instruments categorisation**

			Carrying Amount 2017 \$	Carrying Amount 2016 \$
	Note	Category		
<b>Contractual Financial Assets</b>				
Cash at Bank		Contractual financial assets - loans & receivables	3,160,098	21,798,808
TCV Investment		Contractual financial assets - loans & receivables	53,500,000	911,000,000
Total cash and deposits	11		56,660,098	932,798,808
Receivables	5	Contractual financial assets - loans & receivables	4,364,146	5,042,246
Managed investment scheme	6	Financial assets at fair value through net result	54,472,010	23,264,550
Term deposits	6	Contractual financial assets - loans & receivables	945,000,000	–
Total Contractual Financial Assets			1,060,496,254	961,105,604
<b>Contractual Financial Liabilities</b>				
Payables	7	Contractual financial liabilities amortised at cost	957,217	885,023
Bonds Held on Trust	12	Contractual financial liabilities amortised at cost	1,041,252,514	950,650,440
Total Contractual Financial Liabilities			1,042,209,731	951,535,463

**Loans and receivables** are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method (and for assets, less any impairment). The Authority recognises the following assets in this category:

- cash and deposits;
- receivables (excluding statutory receivables); and
- term deposits.

**Financial assets and liabilities at fair value through net result** are categorised as such at trade date, or if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through profit or loss on the basis that the financial assets form part of a group of financial assets that are managed based on their fair values and have their performance evaluated in accordance with

documented risk management and investment strategies. Financial instruments at fair value through net result are initially measured at fair value; attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other economic flows.

**Financial liabilities at amortised cost** are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability, using the effective interest rate method. The Authority recognises the following liabilities in this category:

- payables (excluding statutory payables).

### **(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), Commonwealth Bank of Australia (AA- credit rating), National Australia Bank (AA- 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, Commonwealth Bank of Australia, National Australia Bank, 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 \$
<b>2017</b>				
<b>Financial assets</b>				
Cash and deposits	11	53,500,000	3,160,098	56,660,098
Receivables (i)	5	4,364,146	–	4,364,146
Managed investment scheme	6	54,472,010	–	54,472,010
Term deposits	6	–	945,000,000	945,000,000
<b>Total contractual financial assets</b>		<b>112,336,156</b>	<b>948,160,098</b>	<b>1,060,496,254</b>
<b>2016</b>				
<b>Financial assets</b>				
Cash and deposits	11	911,000,000	21,798,808	932,798,808
Receivables (i)	5	5,042,246	–	5,042,246
Managed investment scheme	6	23,264,550	–	23,264,550
Term deposits	6	–	–	–
<b>Total contractual financial assets</b>		<b>939,306,796</b>	<b>21,798,808</b>	<b>961,105,604</b>

(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 and not impaired \$
<b>2017</b>			
<b>Financial Assets</b>			
– Cash and deposits	11	56,660,098	56,660,098
– Managed investment scheme	6	54,472,010	54,472,010
– Term deposits	6	945,000,000	945,000,000
– Receivables (i)	5	4,364,146	4,364,146
<b>Total</b>		<b>1,060,496,254</b>	<b>1,060,496,254</b>
<b>2016</b>			
<b>Financial Assets</b>			
– Cash and deposits	11	932,798,808	932,798,808
– Managed investment scheme	6	23,264,550	23,264,550
– Term deposits	6	–	–
– Receivables (i)	5	5,042,246	5,042,246
<b>Total</b>		<b>961,105,604</b>	<b>961,105,604</b>

(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 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 \$
<b>2017</b>				
<b>Financial Liabilities</b>				
– Bonds Held on Trust	12	1,041,252,514	1,041,252,514	–
– Payables (ii)	7	957,217	–	957,217
<b>Total</b>		<b>1,042,209,731</b>	<b>1,041,252,514</b>	<b>957,217</b>
<b>2016</b>				
<b>Financial Liabilities</b>				
– Bonds Held on Trust	12	950,650,440	950,650,440	–
– Payables (ii)	7	885,023	–	885,023
<b>Total</b>		<b>951,535,463</b>	<b>950,650,440</b>	<b>885,023</b>

(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 2016-17 the Authority invested a proportion of the Residential Bonds Account (bonds held) in the VFMC Growth Fund. The Authority managed market risk on this investment by limiting this investment to 5% of this Account.

#### **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.

**Table 13.5: Interest rate exposure of financial instruments**

	Note	Weighted average effective interest rate %	Carrying amount \$	Interest Rate Exposure		
				Variable Interest Rate \$	Fixed Interest Rate \$	Non- interest bearing \$
<b>2017</b>						
<b>Financial assets</b>						
Cash at bank		1.54%	3,160,098	3,160,098	–	–
TCV Investment		1.97%	53,500,000	53,500,000	–	–
Total cash and deposits	11		56,660,098	56,660,098	–	–
Receivables	5		4,364,146	–	–	4,364,146
Managed investment scheme	6		54,472,010	–	–	54,472,010
Term deposits	6	2.64%	945,000,000	171,000,000	774,000,000	–
<b>Total financial assets</b>			<b>1,060,496,254</b>	<b>227,660,098</b>	<b>774,000,000</b>	<b>58,836,156</b>
<b>Financial Liabilities</b>						
– Bonds Held on Trust	12		1,041,252,514	–	–	1,041,252,514
– Payables (i)	7		957,217	–	–	957,217
<b>Total Financial Liabilities</b>			<b>1,042,209,731</b>	<b>–</b>	<b>–</b>	<b>1,042,209,731</b>
<b>2016</b>						
<b>Financial assets</b>						
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 scheme	6		23,264,550	23,264,550	–	–
Term deposits	6		–	–	–	–
<b>Total financial assets</b>			<b>961,105,604</b>	<b>961,105,604</b>	<b>–</b>	<b>–</b>
<b>Financial Liabilities</b>						
– Bonds Held on Trust	12		950,650,440	–	–	950,650,440
– Payables (i)	7		885,023	–	–	885,023
<b>Total Financial Liabilities</b>			<b>951,535,463</b>	<b>–</b>	<b>–</b>	<b>951,535,463</b>

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

**Table 13.6: Interest rate risk sensitivity**

	Carrying amount	-100 basis points		+100 basis points	
		Net result	Available-for-sale revaluation surplus	Net result	Available-for-sale revaluation surplus
<b>2017</b>					
Contractual financial assets					
Cash at bank (i)	3,160,098	(31,601)	–	31,601	–
TCV investment (i)	53,500,000	(535,000)	–	535,000	–
Term deposits (i)	171,000,000	(1,710,000)	–	1,710,000	–
<b>Total impact</b>		<b>(2,276,601)</b>	<b>–</b>	<b>2,276,601</b>	<b>–</b>
<b>2016</b>					
Contractual financial assets					
Cash at bank (i)	21,798,808	(217,988)	–	217,988	–
TCV investment (i)	911,000,000	(9,110,000)	–	9,110,000	–
Term deposits (i)	–	–	–	–	–
<b>Total impact</b>		<b>(9,327,988)</b>	<b>–</b>	<b>9,327,988</b>	<b>–</b>

(i) The Cash at bank, the TCV investment and the variable component of the term deposits are exposed to floating rates movements

### 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 Trust Money Investment Policy 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 13.7: Other price risk sensitivity**

	Carrying amount	-15%		+15%	
		Net result	Available-for-sale revaluation surplus	Net result	Available-for-sale revaluation surplus
<b>2017</b>					
Contractual financial assets					
Managed investment scheme	54,472,010	–	(8,170,802)	–	8,170,802
<b>Total impact</b>		<b>–</b>	<b>(8,170,802)</b>	<b>–</b>	<b>8,170,802</b>
<b>2016</b>					
Contractual financial assets					
Managed investment scheme	23,264,550	–	(3,489,683)	–	3,489,683
<b>Total impact</b>		<b>–</b>	<b>(3,489,683)</b>	<b>–</b>	<b>3,489,683</b>

**(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.

These financial instruments include:

<i>Financial assets</i>	<i>Financial liabilities</i>
Cash and deposits Receivables: <ul style="list-style-type: none"> <li>• Accrued investment income Investments and other contractual financial assets.</li> <li>• Managed investment scheme</li> <li>• Term deposits</li> </ul>	Bonds Held on Trust Payables: <ul style="list-style-type: none"> <li>• For supplies and services</li> </ul>

### 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			
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Opening Balance</b>	23,264,550	–	23,264,550	–
Total gains or losses recognised in:				
- Net result	2,131,588	764,550	2,131,588	764,550
- Distributions	1,575,872	–	1,575,872	–
Purchases	27,500,000	22,500,000	27,500,000	22,500,000
Settlements	–	–	–	–
<b>Closing Balance</b>	54,472,010	23,264,550	54,472,010	23,264,550
Total gains or losses for the period included in profit or loss for assets held at the end of the period	2,131,588	764,550	2,131,588	764,550

## 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:

Minister for Consumer Affairs, Gaming & Liquor Regulation	The Hon. Marlene Kairouz, MP	1 July 2016 to 30 June 2017
Acting Minister for Consumer Affairs, Gaming & Liquor Regulation	The Hon. John Eren, MP	27 July 2016 to 31 July 2016
	The Hon. Martin Pakula MP	27 September 2016 to 7 October 2016
	The Hon. Liliana D'Ambrosio, MP	22 December to 9 January 2017
	The Hon. Lisa Neville, MP	10 January 2017 to 17 January 2017

### 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 2017 were:

Simon Cohen	1 July 2016 to 30 June 2017
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### Remuneration of Responsible Persons

Remuneration received, or due and receivable for:

Salary Range	2017 No.	2016 No.
Nil	1	1

The Minister's remuneration and allowances is set by the *Parliamentary Services and Superannuation Act 1968* and is reported within the Department of Parliamentary Services' Financial Report.

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.

## 15 Related party transactions

The Authority is a wholly owned entity of the State of Victoria.

No agencies have been consolidated into the Authority's financial statements.

Related parties of the Authority include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over);
- all cabinet ministers and their close family members; and
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

### Significant transactions with government-related entities

The Authority received no funding from and made no payments to the Consolidated Fund.

**Key management personnel** of the Authority includes the Portfolio Minister, the Hon. Marlene Kairouz, MP and the Director of Consumer Affairs Victoria who is the sole member of the Authority.

### Transactions and balances with key management personnel and other related parties

Given the breadth and depth of State government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the Public Administration Act 2004 and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements.

Outside of normal citizen type transactions with the Authority, there were no related party transactions that involved key management personnel, their close family members and their personal business interests other than those disclosed in the Annual Report of the Department of Justice and Regulation. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

## 16 Subsequent events

The current contract with Capgemini Australia for the supply of registry services was extended on 8 August 2017 for a further three years to 30 June 2021. Details of the expenditure commitment have been disclosed in Note 8.

## 17 Glossary of terms and style conventions

### Commitments

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

### Comprehensive result

Comprehensive result is the amount included in the operating statement representing total change in net worth other than transactions with owners as owners

### 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 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 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 operating balance or net result from transactions**

Net operating balance or net result from transactions is a key fiscal aggregate and is revenue 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**

Net worth is calculated as assets less liabilities, which is an economic 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. In simple terms, other economic flows are changes arising from market remeasurements. They include gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non-produced) from their use or removal.

## 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 2016-17 *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.

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

<b>Legislation</b>	<b>Requirement</b>
FRD 24C	Reporting of office based environmental impacts
FRD 25C	Victorian Industry Participation Policy disclosures
FRD 29B	Workforce Data disclosures
SD 5.2	Specific requirements under Standing Direction 5.2
<b>Compliance attestation and declaration</b>	
SD 3.7.1	Attestation for compliance with Ministerial Standing Directions
SD 5.2.3	Declaration in report of operations
Financial Statements	
<b>Declaration</b>	
SD 5.2.2	Declaration in financial statements
<b>Other requirements under Standing Directions 5.2</b>	
SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements
SD 5.2.1(a)	Compliance with Ministerial Directions
SD 5.2.1(b)	Compliance with Model Financial Report
<b>Other disclosures as required by FRDs in notes to the financial statements</b>	
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 21C	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*