



# **Residential Tenancies Bond Authority**

## **Annual Report 2014-15**

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## Department of Justice & Regulation

### Residential Tenancies Bond Authority

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Hon Jane Garrett MP  
Minister for Consumer Affairs, Gaming & Liquor Regulation  
Level 26, 121 Exhibition Street  
MELBOURNE VIC 3000

Dear Minister,

#### **Annual Report 2014-15**

I am pleased to present to you the Annual Report of the Residential Tenancies Bond Authority for the financial year ending 30 June 2015.

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,

**Simon Cohen**  
**Constituting Member**  
**Residential Tenancies Bond Authority**

**Residential Tenancies Bond Authority**  
**Annual Report for the financial year 1 July 2014 to 30 June 2015**

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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.

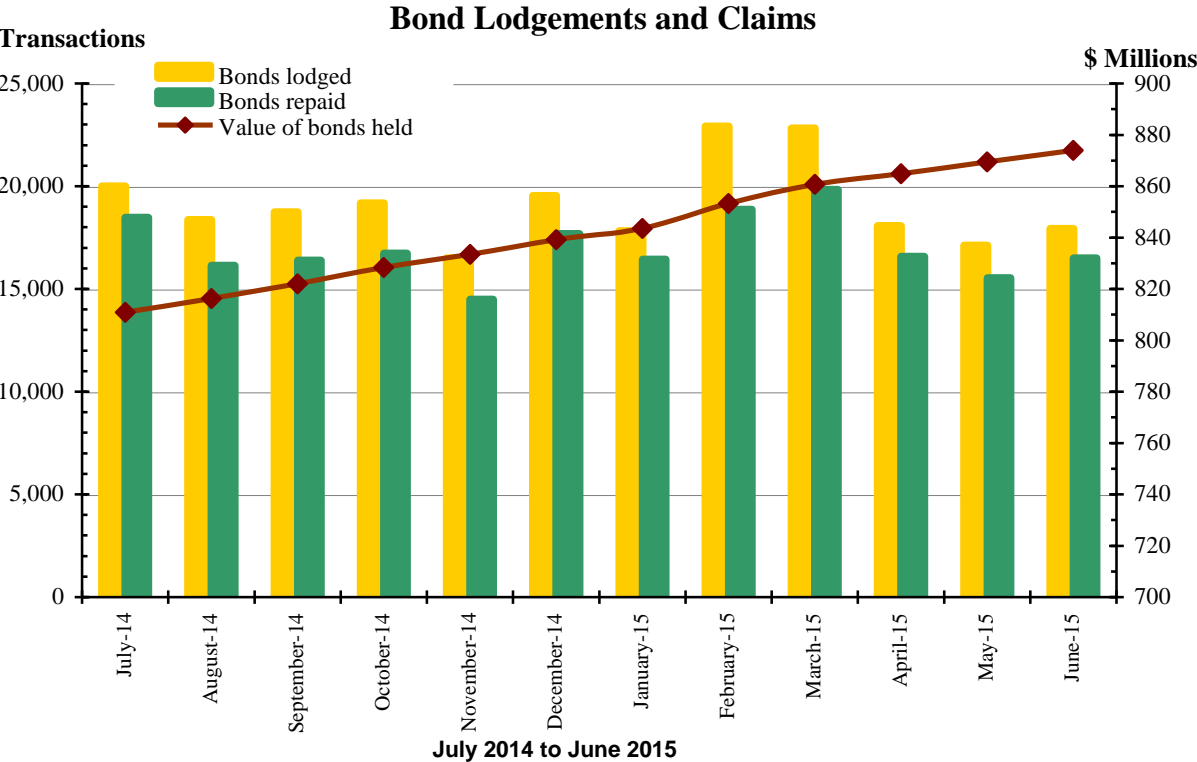
**Year in review**

At 30 June 2015, the RTBA held 567,550 bonds, valued at \$873.9 million. This represents an increase of 4.7 per cent in the number of bonds since 30 June 2014, and an increase of 8.4 per cent in value.

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

As required under 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 2014-15 totalled \$10 million. This was \$2.8 million less than the previous year, due to reduced earnings because of lower interest rates and a decision to increase the RTBA reserve.

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 on 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 228,900 bond lodgments in 2014-15 (an average of 4,402 a week) compared with 221,700 in 2013-14 (an average of 4,263 a week).

### **Bond repayment claims**

The RTBA repaid about 203,600 bonds (an average of 3,915 a week) compared with 197,500 in 2013-14 (an average of 3,798 a week).

93 per cent of bond claims were processed on agreement between the tenant and the landlord/agent, and 7 per cent were made at the direction of VCAT or a court.

78 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 (87%) 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 5% 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 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 2015, there were 73,600 transfers (an average of 1,415 a week) compared to 60,400 in 2012-13 (an average of 1,162 a week).

59 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 managed by CAV. The most frequent enquiries relate to the status of a bond repayment claim.

In 2014-15, the RTBA responded to 99,325 calls and 23,850 emails, compared to 97,309 calls and 21,540 emails in 2013-14.

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 2014-15, the RTBA answered 77 per cent of calls received within the target time of two minutes.

### SMS notifications

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

#### SMS sent

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

The increase 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 landlord/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.

### 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;
- generation of forms for submitting lodgments, repayment claims, and transfers;



- the ability to find an outstanding bond 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); and
- the ability of approved users to undertake Electronic Transactions.

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 agent 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;
- an agent bond list showing all bonds registered to the agent; and
- various pro forma RTBA documents in regular use by agents.

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;
- 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
Visitor sessions	N/A	359,276	479,545	578,917	651,119
Unique visitors	N/A	95,986	132,323	150,815	175,254
Enquiries by registered users	174,871	224,381	284,020	380,218	428,822
Enquiries by landlords	19,528	19,393	20,900	23,486	25,052
Enquiries by tenants	58,972	66,741	82,664	95,605	134,929
Lodgment forms created	47,362	69,770	93,599	129,445	163,669
Claim forms created	75,403	97,773	127,329	167,625	202,645
Tenant transfer forms created	9,353	12,632	16,461	22,190	27,281
Agent/landlord transfer forms created	5,269	5,630	9,013	12,729	15,993
Number of registered users	2,850	3,497	4,147	2,488	3,718
Document images viewed	4,357	2,871	3,985	4,736	5,423
Weekly agent statements accessed	5,853	5,296	4,664	7,612	5,215
Agent bond lists accessed	6,209	6,661	7,232	9,926	10,753
Total activity	407,681	967,007	1,262,385	1,585,792	1,847,991

In 2014-15, online access to forms and reports generated by RTBA Online saved the RTBA 1.95 million sheets of paper (3,901 reams) in pre-printed forms and circulation of reports compared to 1.7 million sheets saved (3,426 reams) in 2013-14.

### Service enhancements

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

During 2014-15, the RTBA launched a new version of RTBA Online. The improvements introduced in this new website included:

- A more modern look and feel, including a revised layout, and brighter colours; tabs and progress bars; and more meaningful terms
- Compatibility with mobile devices, with the screen layout automatically adjusting to the size of the desktop PC, tablet or smartphone in use
- Compatibility with the recent versions of the most commonly used browsers
- Compatibility with screen readers, allowing the visually impaired to have the information provided read to them

- Improved access security, allowing the removal of CAPTCHA code (the unfriendly squiggly presentation of characters to be entered by the user)
- A news panel which will provide rotating messages of interest to RTBA clients
- Inclusion in the bond summary of the reason why a transaction was rejected
- The ability to submit a request for corrections to errors in name and address
- Allowing the identification of up to 10 tenants and 2 landlords on forms generated online (the pre-printed forms allow only 1 landlord and 4 tenants)
- Collection of additional contact information for tenants and private landlords including email addresses and mobile phone numbers. (An enabler to moving to a digital first approach to communications)
- The use of email addresses as the registered user identifier, in line with modern practice.

## **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 agents, landlords and tenants, to help ensure they understand the RTBA and its procedures, and their rights and responsibilities. During 2014-15, education activities included seminar presentations and an update to agents including information about the launch of the rebuilt RTBA Online.

### **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 landlords or agents.

## **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 2015, iGATE maintained the RTBA's target performance levels, including processing 99 per cent of transactions on the day of receipt.

## 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 VCAT 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. For the 12 months ending 30 June 2013, the RTBA received three such requests. Of the requests received, one was met and the other two did not progress due to the fee not being paid.

### Making a request

Access to documents may be obtained through written request to the Freedom of Information Manager, as detailed in s17 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).

## 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 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 exempt from notifying 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.

**RESIDENTIAL TENANCIES BOND AUTHORITY**  
**Annual Financial Report**  
**for the financial year ended 30 June 2015**

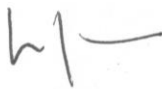
**RESIDENTIAL TENANCIES BOND AUTHORITY****Statement by the Accountable Officer and Chief Finance and Accounting Officer**

The attached financial statements for the Residential Tenancies Bond Authority (the Authority) have been prepared in accordance with Standing Directions 4.2 of 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 2015 and financial position of the Authority as at 30 June 2015.

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 1 October 2015.



Simon Cohen  
Accountable Officer  
Melbourne  
1 October 2015



Mr Ian Thorn  
Chief Finance and Accounting Officer  
Melbourne  
1 October 2015

**VAGO**

Victorian Auditor-General's Office

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## INDEPENDENT AUDITOR'S REPORT

### To the Accountable Officer, Residential Tenancies Bond Authority

#### *The Financial Report*

The accompanying financial report for the year ended 30 June 2015 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 has been audited.

#### *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*



**VAGO**

Victorian Auditor-General's Office

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Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

**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, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

*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 2015 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  
1 October 2015

*for* *T. DF*  
Dr Peter Frost  
Acting Auditor-General

**RESIDENTIAL TENANCIES BOND AUTHORITY****Comprehensive Operating Statement**  
for the financial year ended 30 June 2015

	Note	2015 \$	2014 \$
<b>Income from transactions</b>			
Interest income		21,782,200	20,734,607
Other income		1,312	1,024
<b>Total Income from transactions</b>		<b>21,783,512</b>	<b>20,735,631</b>
<b>Expenses from transactions</b>			
<b>Operating expenses</b>			
Employee expenses	3 (a)	1,553,553	1,433,653
Supplies and services	3 (b)	7,090,546	6,071,237
Finance costs	3 (c)	33,916	33,751
Other expenses	3 (d)	158,097	152,472
<b>Total Operating expenses</b>		<b>8,836,112</b>	<b>7,691,113</b>
<b>Payment to the Residential Tenancies Fund</b>		<b>10,000,000</b>	<b>12,300,000</b>
<b>Total Expenses from transactions</b>		<b>18,836,112</b>	<b>19,991,113</b>
<b>Net result from transactions (net operating balance)</b>		<b>2,947,400</b>	<b>744,518</b>
<b>Other economic flows included in net result</b>		-	-
<b>Net Result</b>		<b>2,947,400</b>	<b>744,518</b>
<b>Other economic flows - other non-owner changes in equity</b>		-	-
<b>Comprehensive result</b>		<b>2,947,400</b>	<b>744,518</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 2015

	Note	2015 \$	2014 \$
<b>Assets</b>			
<b>Financial assets</b>			
Cash and deposits	11	877,658,671	806,452,059
Receivables	5	4,737,084	5,286,419
<b>Total financial assets</b>		<b>882,395,755</b>	<b>811,738,478</b>
<b>Total assets</b>		<b>882,395,755</b>	<b>811,738,478</b>
<b>Liabilities</b>			
Payables	6	977,844	753,749
Bonds held on trust	11	873,898,585	806,412,803
<b>Total liabilities</b>		<b>874,876,429</b>	<b>807,166,552</b>
<b>Net assets</b>		<b>7,519,326</b>	<b>4,571,926</b>
<b>Equity</b>			
Accumulated surplus		7,519,326	4,571,926
<b>Net Worth</b>		<b>7,519,326</b>	<b>4,571,926</b>
Commitments for expenditure	7		
Contingent liabilities	8		
Contingent assets	9		

*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 2015

	<b>Accumulated Surplus</b>	<b>Total</b>
<b>Balance at 1 July 2013</b>	3,827,408	3,827,408
Net Result for the Year	744,518	744,518
<b>Balance at 30 June 2014</b>	<b>4,571,926</b>	<b>4,571,926</b>
Net Result for the Year	2,947,400	2,947,400
<b>Balance at 30 June 2015</b>	<b>7,519,326</b>	<b>7,519,326</b>

*The above Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.*

<b>RESIDENTIAL TENANCIES BOND AUTHORITY</b>			
<b>Cash Flow Statement</b>			
for the financial year ended 30 June 2015			
	Notes	2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
<i>Receipts</i>			
Interest received		22,331,535	21,203,228
Other receipts		1,312	1,024
<b>Total Receipts</b>		<b>22,332,847</b>	<b>21,204,252</b>
<i>Payments</i>			
Payments to suppliers and employees		(8,612,017)	(7,853,213)
Payments to the Residential Tenancies Fund		(10,000,000)	(14,700,000)
<b>Total Payments</b>		<b>(18,612,017)</b>	<b>(22,553,213)</b>
<b>Net cash provided by / (used in) operating activities</b>	10 (b)	<b>3,720,830</b>	<b>(1,348,961)</b>
<b>Cash flows from financing activities</b>			
Bonds received	11	395,495,144	368,989,509
Bonds repaid	11	(328,009,362)	(309,807,933)
<b>Net cash provided by / (used in) financing activities</b>		<b>67,485,782</b>	<b>59,181,576</b>
Net increase/(decrease) in cash held		71,206,612	57,832,615
Cash and cash equivalents at the beginning of the financial year		806,452,059	748,619,444
<b>Cash and cash equivalents at the end of the financial year</b>	10 (a)	<b>877,658,671</b>	<b>806,452,059</b>
<i>The above cash flow statement should be read in conjunction with the notes to the financial statements.</i>			

**RESIDENTIAL TENANCIES BOND AUTHORITY****Notes to the financial statements**  
for the year ended 30 June 2015

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**RESIDENTIAL TENANCIES BOND AUTHORITY****Notes to the financial statements**for the financial year ended 30 June 2015

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**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 11). 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.

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 2015. 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 15.

These annual financial statements were authorised for issue by the Authority on 1 October 2015.

## **(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.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2015 and the comparative information presented for the year ended 30 June 2014.

## **(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**

##### **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.

## **(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.

## **(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.

Payables are recognised when the Authority becomes obliged to make future payments resulting from the purchase of 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 *Interpretation 1038, Contributions by Owners Made to Wholly - Owned Public Sector Entities*. 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 7 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 8 and 9) 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 2015 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 2015, 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
AASB 9 Financial Instruments	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-18	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 assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.
AASB 14 Regulatory Deferral Accounts	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-16	The assessment has indicated that there is no expected impact, as those that conduct rate-regulated activities have already adopted Australian Accounting Standards.
AASB 2014-1 Amendments to Australian Accounting Standards [Part E Financial Instruments]	Amends various AAS to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1-Jan-18	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.

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 2014-15 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 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*.
- AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*
- AASB 2014-1 *Amendments to Australian Accounting Standards [PART D – Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts only]*
- AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]*
- AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*
- AASB 2014-6 *Amendments to Australian Accounting Standards – Agriculture: Bearer Plants [AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 & AASB 141]*
- AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*
- AASB 2014-8 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]*
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]*
- AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*
- AASB 2015-4 *Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent [AASB 127, AASB 128]*
- AASB 2015-5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12, AASB 128]*

**RESIDENTIAL TENANCIES BOND AUTHORITY**

**Notes to the financial statements**  
for the financial year ended 30 June 2015

	2015 \$	2014 \$
<b>3 Operating expenses</b>		
<b>(a) Employee expenses</b>		
Salaries, wages and overtime	1,345,298	1,235,293
Superannuation	119,491	108,339
Targeted separation payment	1,738	6,814
Other on-costs (fringe benefits tax, payroll tax and workcover levy)	78,382	73,548
Staff training	8,644	9,659
	<u>1,553,553</u>	<u>1,433,653</u>
<b>(b) Supplies and services</b>		
Outsourced registry services	6,006,750	5,208,627
Consultants and professional services	62,047	65,258
Other outsourced services	305,921	237,633
Accommodation and property services	116,474	96,571
Printing, stationery and other office expenses	545,885	445,022
Technology Services Costs	53,469	18,126
	<u>7,090,546</u>	<u>6,071,237</u>
<b>(c) Finance costs</b>		
Bank Charges	33,916	33,751
	<u>33,916</u>	<u>33,751</u>
<b>(d) Other expenses</b>		
Other operating expenses	158,097	152,472
	<u>158,097</u>	<u>152,472</u>
<b>Total Operating expenses</b>	<u><b>8,836,112</b></u>	<u><b>7,691,113</b></u>
<b>4 Remuneration of auditors</b>		
Victorian Auditor-General's Office Audit of the financial report The external audit fee is included in Note 3(d) Other Expenses.	12,850	12,500
	<u><b>12,850</b></u>	<u><b>12,500</b></u>

**RESIDENTIAL TENANCIES BOND AUTHORITY****Notes to the financial statements**  
for the financial year ended 30 June 2015

	2015 \$	2014 \$
<b>5 Receivables</b>		
<b>Current</b>		
Accrued Investment Income	4,737,084	5,286,419
	<u>4,737,084</u>	<u>5,286,419</u>
(a) Ageing Analysis of Receivables		
Please refer to Note 12 for ageing analysis of contractual receivables.		
(b) Nature and Extent of Risk Arising from Receivables.		
Please refer to Note 12 for the nature and extent of risk arising from contractual receivables.		
<b>6 Payables</b>		
<b>Current</b>		
Payables	977,844	753,749
	<u>977,844</u>	<u>753,749</u>
(a) Maturing Analysis of Payables		
Please refer to Note 12 for maturing analysis of contractual payables.		
(b) Nature and Extent of Risk Arising from Payables.		
Please refer to Note 12 for the nature and extent of risk arising from contractual payables.		
<b>7 Commitments for expenditure</b>		
<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.	25,379,608	31,386,358
Payable:		
Not longer than one year	5,677,403	5,989,921
Longer than one year and not longer than five years	19,702,205	25,396,437
Longer than five years	-	-
Total commitments (GST Exclusive)	<u>25,379,608</u>	<u>31,386,358</u>



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

for the financial year ended 30 June 2015

	2015	2014
	\$	\$
<b>8</b>		
<b>Contingent liabilities</b>		
There were no contingent liabilities at balance date. (2014: Nil)		
<b>9</b>		
<b>Contingent assets</b>		
There were no contingent assets at balance date. (2014: Nil)		
<b>10</b>		
<b>Notes to Cash Flow Statement</b>		
<b>(a)</b>		
<b>Reconciliation of Cash</b>		
For the purposes of the Cash Flow Statement, cash includes cash on hand and in banks and investments in money market instruments, 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:		
<b>Cash and Cash Equivalents</b>		
TCV Investment	873,000,000	805,000,000
Cash at Bank	4,658,671	1,452,059
<b>Total Cash and Cash Equivalents</b>	<b>877,658,671</b>	<b>806,452,059</b>
<b>Restriction on use of cash</b>		
Bonds Held on Trust	873,898,585	806,412,803
<b>(b)</b>		
<b>Reconciliation of net result for the period to net cash flows from operating activities</b>		
Net Result for the period	2,947,400	744,518
Movements assets and liabilities		
Increase/(Decrease) in payables	224,095	(2,614,352)
(Increase)/Decrease in prepayments	-	52,252
(Increase)/Decrease in receivables	549,335	468,621
<b>Net cash from/ (used in) operating activities</b>	<b>3,720,830</b>	<b>(1,348,961)</b>
<b>11</b>		
<b>Bonds held on trust</b>		
The <i>Residential Tenancies Act 1997</i> 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:		
Bonds brought forward	806,412,803	747,231,227
Bonds received	395,495,144	368,989,509
Bonds repaid	(328,009,362)	(309,807,933)
<b>Total Residential Bonds Account</b>	<b>873,898,585</b>	<b>806,412,803</b>

**RESIDENTIAL TENANCIES BOND AUTHORITY**

**Notes to the financial statements**  
for the year ended 30 June 2015

**12 Financial Instruments**

The Authority's principle financial instruments comprise:

- TCV 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 and interest rate 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 12.1: Categorisation of financial instruments**

<b>Contractual Financial Assets</b>	<b>Note</b>	<b>Category</b>	<b>Carrying Amount 2015</b>	<b>Carrying Amount 2014</b>
			\$	\$
TCV Investment		Contractual financial assets - loans & receivables	873,000,000	805,000,000
Cash at Bank		Contractual financial assets - loans & receivables	4,658,671	1,452,059
Total cash and deposits	10		877,658,671	806,452,059
Receivables	5	Contractual financial assets - loans & receivables	4,737,084	5,286,419
<b>Contractual Financial Liabilities</b>	<b>Note</b>	<b>Category</b>	<b>Carrying Amount 2015</b>	<b>Carrying Amount 2014</b>
			\$	\$
Payables	6	Contractual financial liabilities amortised at cost	977,844	753,749
Bonds Held on Trust	11	Contractual financial liabilities amortised at cost	873,898,585	806,412,803

**(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 most assets are held by Treasury Corporation of Victoria (AAA credit rating) and Westpac Banking Corporation Limited (AA- credit rating).

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

for the year ended 30 June 2015

**12 Financial Instruments****(c) Credit Risk cont.**

Credit risk associated with receivables has been assessed as minimal, because all of the balance is related to accrued interest from Treasury Corporation Victoria and Westpac Banking Corporation Limited.

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 12.2 : Credit quality of contractual financial assets that are neither past due nor impaired**

	Note	Government Agencies (AAA Credit Rating) \$	Financial Institutions (AA Credit Rating) \$	Total \$
<b>2015</b>				
<b>Financial assets</b>				
Cash at bank		-	4,658,671	4,658,671
TCV Investment		873,000,000	-	873,000,000
Total cash and deposits	10	873,000,000	4,658,671	877,658,671
Receivables (i)	5	4,737,084	-	4,737,084
<b>Total contractual financial assets</b>		<b>877,737,084</b>	<b>4,658,671</b>	<b>882,395,755</b>
<b>2014</b>				
<b>Financial assets</b>				
Cash at bank		-	1,452,059	1,452,059
TCV Investment		805,000,000	-	805,000,000
Total cash and deposits	10	805,000,000	1,452,059	806,452,059
Receivables (i)	5	5,286,419	-	5,286,419
<b>Total contractual financial assets</b>		<b>810,286,419</b>	<b>1,452,059</b>	<b>811,738,478</b>

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

**Table 12.3: Ageing analysis of contractual financial assets**

	Carrying amount	Not past due but not impaired Less than 1 month \$
<b>2015</b>		
<b>Financial Assets</b>		
- Cash and deposits	877,658,671	877,658,671
- Receivables (i)	4,737,084	4,737,084
<b>Total</b>	<b>882,395,755</b>	<b>882,395,755</b>
<b>2014</b>		
<b>Financial Assets</b>		
- Cash and deposits	806,452,059	806,452,059
- Receivables (i)	5,286,419	5,286,419
<b>Total</b>	<b>811,738,478</b>	<b>811,738,478</b>

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

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

for the year ended 30 June 2015

**12 Financial Instruments****(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 by holding its assets as cash in Treasury Corporation Victoria and Westpac Banking Corporation Limited.

**Table 12.4: Maturity analysis of contractual financial liabilities**

	Carrying amount \$	Maturity Dates	
		At Call \$	Less than 1 month \$
<b>2015</b>			
<b>Financial Liabilities</b>			
- Bonds Held on Trust	873,898,585	873,898,585	-
- Payables (ii)	977,844	-	977,844
<b>Total</b>	<b>874,876,429</b>	<b>873,898,585</b>	<b>977,844</b>
<b>2014</b>			
<b>Financial Liabilities</b>			
- Bonds Held on Trust	806,412,803	806,412,803	-
- Payables (ii)	753,749	-	753,749
<b>Total</b>	<b>807,166,552</b>	<b>806,412,803</b>	<b>753,749</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 only arises from interest rate risk. The Authority does not engage in financial trading and does not have exposure to foreign currency and other price risks.

**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, therefore the Authority has no 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 minimal exposure to cash flow interest rate risks through its cash deposits and term deposits.

Where interest rates move this impacts the interest income earned.

**RESIDENTIAL TENANCIES BOND AUTHORITY****Notes to the financial statements**  
for the year ended 30 June 2015**12 Financial Instruments****(e) Market risk cont.****Table 12.5 : Interest rate exposure of financial instruments**

	Note	Weighted average effective interest rate %	Carrying amount \$	Interest Rate Exposure	
				Variable Interest Rate \$	Non-interest bearing \$
<b>2015</b>					
<b>Financial assets</b>					
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	10		877,658,671	877,658,671	-
Receivables	5	N/A	4,737,084	4,737,084	-
<b>Total financial assets</b>			<b>882,395,755</b>	<b>882,395,755</b>	<b>-</b>
<b>Financial Liabilities</b>					
- Bonds Held on Trust	11	N/A	873,898,585	-	873,898,585
- Payables (i)	6	N/A	977,844	-	977,844
<b>Total Financial Liabilities</b>			<b>874,876,429</b>	<b>-</b>	<b>874,876,429</b>
<b>2014</b>					
<b>Financial assets</b>					
Cash at bank		2.52%	1,452,059	1,452,059	-
TCV Investment		2.66%	805,000,000	805,000,000	-
Total cash and deposits	10		806,452,059	806,452,059	-
Receivables	5	N/A	5,286,419	5,286,419	-
<b>Total financial assets</b>			<b>811,738,478</b>	<b>811,738,478</b>	<b>-</b>
<b>Financial Liabilities</b>					
- Bonds Held on Trust	11	N/A	806,412,803	-	806,412,803
- Payables (i)	6	N/A	753,749	-	753,749
<b>Total Financial Liabilities</b>			<b>807,166,552</b>	<b>-</b>	<b>807,166,552</b>

(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 financial instruments and the expectation that they will be paid in full.

The financial assets are determined at level 1 of the fair value hierarchy.

**RESIDENTIAL TENANCIES BOND AUTHORITY****Notes to the financial statements**  
for the year ended 30 June 2015**13 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 Residential Tenancies Bond Authority for the financial year are as follows:

Minister for Consumer Affairs	The Hon. Heidi Victoria, MP	1 July 2014 to 3 December 2014
Minister for Consumer Affairs, Gaming & Liquor Regulation	The Hon. Jane Garrett, MP	4 December 2014 to 30 June 2015
Acting Minister for Consumer Affairs, Gaming & Liquor Regulation	The Hon. Wade Noonan, MP The Hon. Wade Noonan, MP	3 April 2015 to 13 April 2015 26 June 2015 to 30 June 2015

**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 2015 were:

Dr Claire Noone	1 July 2014 to 27 March 2015
Dr Elizabeth Lanyon	28 March 2015 to 23 April 2015
Mr Phil D'Adamo	24 April 2015 to 24 May 2015
Dr Elizabeth Lanyon	25 May 2015 to 28 June 2015
Mr Phil D'Adamo	29 June 2015 to 30 June 2015

**Remuneration of Responsible Persons**

Remuneration received, or due and receivable for:

Salary Range	2015 No.	2014 No.
Nil	0	0

Ministerial remuneration is disclosed in the Financial Statements of the Department of Premier and Cabinet.

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 & Regulation.

**Related Party Transactions**

During the year, the Residential Tenancies Bond Authority was constituted by Dr. Claire Noone until her resignation on 27 March 2015, and then by Dr Elizabeth Lanyon and Mr Phil D'Adamo who are employed by the Department of Justice & 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.

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**RESIDENTIAL TENANCIES BOND AUTHORITY****Notes to the financial statements**  
for the year ended 30 June 2015

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**14 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; and
- (f) Comparative information in respect of the preceding period as specified in paragraphs 38 of AASB 101 *Presentation of Financial Statements*;

**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.



## 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 22F	Manner of establishment and the relevant Ministers
FRD 22F	Purpose, functions, powers and duties
FRD 8C	Departmental objectives, indicators and outputs
FRD 22F	Initiatives and key achievements
FRD 22F	Nature and range of services provided

**Management and structure**

FRD 22F	Organisational structure
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**Financial and other information**

FRD 8C, SD 4.2(k)	Performance against output performance measures
FRD 8C	Budget portfolio outcomes
FRD 10	Disclosure index
FRD 12A	Disclosure of major contracts
FRD 15B	Executive officer disclosures
FRD 22F	Employment and conduct principles
FRD 22F	Occupational health and safety policy
FRD 22F	Summary of the financial results for the year
FRD 22F	Significant changes in financial position during the year
FRD 22F	Major changes or factors affecting performance
FRD 22F	Subsequent events

**Financial Report**

FRD 22F	Application and operation of Freedom of Information Act 1982
FRD 22F	Compliance with building and maintenance provisions of Building Act 1993
FRD 22F	Statement on National Competition Policy
FRD 22F	Application and operation of the Protected Disclosure 2012
FRD 22F	Application and operation of the Carers Recognition Act 2012
FRD 22F	Details of consultancies over \$10 000
FRD 22F	Details of consultancies under \$10 000
FRD 22F	Statement of availability of other information
FRD 24C	Reporting of office based environmental impacts
FRD 25B	Victorian Industry Participation Policy disclosures
FRD 29A	Workforce Data disclosures
SD 4.5.5	Risk management compliance attestation
SD 4.5.5.1	Ministerial Standing Direction 4.5.5.1 compliance attestation
SD 4.2(g)	Specific information requirements
SD 4.2(j)	Sign off requirements

## RESIDENTIAL TENANCIES BOND AUTHORITY

Legislation	Requirement
<b>Ministerial Direction cont.</b>	
<i>Financial Report cont.</i>	
<b>Financial statements required under Part 7 of the FMA</b>	
SD4.2(a)	Statement of changes in equity
SD4.2(b)	Operating statement
SD4.2(b)	Balance sheet
SD4.2(b)	Cash flow statement
<b>Other requirements under Standing Directions 4.2</b>	
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
<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 21B	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report
FRD 102	Inventories
FRD 103E	Non Financial Physical Assets (Pending revision)
FRD 104	Foreign Currency
FRD 106	Impairment of Assets
FRD 109	Intangible Assets
FRD 107A	Investment Properties
FRD 110	Cash Flow Statements
FRD 112D	Defined Benefit Superannuation Obligations
FRD 113	Investments in Subsidiaries, Jointly Controlled Entities and Associates (Pending revision)
FRD 114A	Financial Instruments - General Government Entities and Public Non Financial Corporations
FRD 119A	Transfers through Contributed Capital
<b>Legislation</b>	
<i>Residential Tenancies Act 1997</i>	
<i>Freedom of Information Act 1982</i>	
<i>Building Act 1983</i>	
<i>Protected Disclosure Act 2012</i>	
<i>Carers Recognition Act 2012</i>	
<i>Victorian Industry Participation Policy Act 2003</i>	
<i>Financial Management Act 1994</i>	