



RESIDENTIAL TENANCIES BOND AUTHORITY ANNUAL REPORT 2020-21

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Residential Tenancies Bond Authority
GPO Box 123
MELBOURNE VIC 3001
AUSTRALIA

Telephone 1300 137 164

e-mail rtba@justice.vic.gov.au

Internet www.rtba.vic.gov.au



Department of Justice and Community Safety

Residential Tenancies Bond Authority

GPO Box 123
Melbourne VIC 3001
Telephone 1300 137 164
Facsimile 03 8684 6299
Email rtba@justice.vic.gov.au

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

Dear Minister,

Annual Report 2020-21

In accordance with the *Financial Management Act 1994*, I am pleased to present the Residential Tenancies Bond Authority Annual Report for the year ended 30 June 2021.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'N. Rich'.

Nicole Rich
Constituting Member
Residential Tenancies Bond Authority

14 October 2021

Report of Operations

Introduction	5
1. Residential Tenancies Bond Authority Vision.....	5
2. Performance measures.....	5
3. Operations and service levels objectives.....	6
3.1 Key bond processes and achievements for the year are:	6
3.2 Transaction types.....	7
3.3 Transfers.....	7
3.4 Enquiries	7
3.5 SMS notifications	8
3.6 Receipts and periodic statements.....	8
3.7 RTBA Online	8
4. Service enhancements.....	10
5. Audit Committee membership and roles	11
6. Other activities	11
6.1 Compliance	11
6.2 Education	11
6.3 Website.....	11
6.4 Outsourced services.....	12
6.5 Authority's new registry system	11
7. Length of Tenancy	12
8. Freedom of Information	12
8.1 Making a request.....	12
9. Operation of the Residential Tenancies Bond Authority	13
10. Compliance information	14
10.1 Compliance with the Building Act 1993.....	14
10.2 Privacy and Data Protection Act 2014	14
10.3 Application of merit and equity principles.....	14
10.4 Compliance with the Public Interest Disclosures Act 2012.....	14
11. Attestation for financial management compliance with Standing Direction 5.1.4.....	15
12. Financial Statements - Report Structure	16

Introduction

The report of operations complements the information presented in the financial statements by providing explanation and analysis of the Residential Tenancies Bond Authority (the Authority), performance measures, compliance requirements and other activities.

In 2020-21 two significant matters impacted the operations of the Authority. The first was the ongoing impact of the coronavirus (COVID-19) pandemic on the Victorian rental market. The second was the introduction of major reforms to Victoria’s rental laws from 29 March 2021.

1. Residential Tenancies Bond Authority Vision

The Authority 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.

2. Performance measures

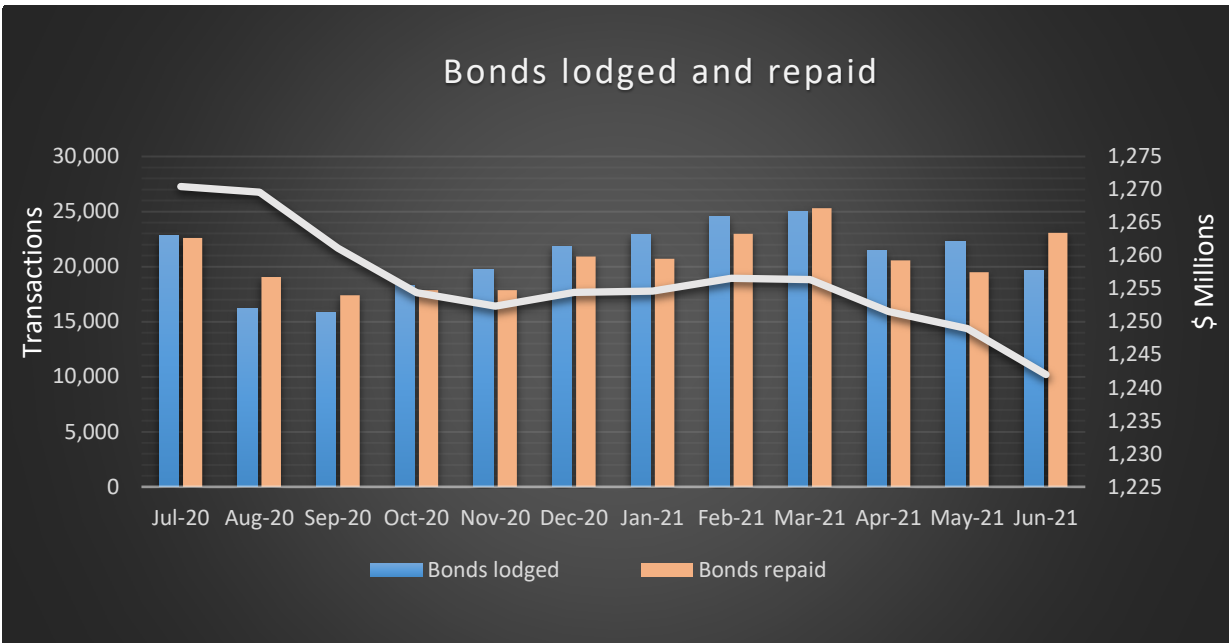
At 30 June 2021, the Authority held 686,167 bonds, valued at \$1,242 million. This represents an increase of 0.3 per cent in the number of bonds since 30 June 2020, and a decrease of 1.9 per cent in value.

Bond money received by the Authority is held 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 Authority and to making contributions to the Residential Tenancies Fund. Transfers to the Residential Tenancies Fund during 2020-21 totalled \$8.40 million (compared to \$15.00 million in 2019-20).

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

Figure 1: Monthly Lodgment and repayment of bonds



3. Operations and service levels objectives

The Authority's operations and service levels objectives are as follows:

- ninety-nine 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.

3.1 Key bond processes and achievements for the year are:

Bond lodgments

The Authority registered 250,170 bond lodgments in 2020-21 (an average of 4,811 a week), compared with 253,650 in 2019-20 (an average of 4,878 a week).

During 2020-21 there was an increased use of electronic transactions to make lodgments, rising to 95 per cent in the last week of June 2021.

Bond repayment claims

The Authority repaid 248,166 bonds (an average of 4,772 a week) compared with 239,175 in 2019-20 (an average of 4,600 a week).

Ninety-nine per cent of bond claims were processed on agreement between the renter and the rental provider, and one per cent were made at the direction of the Victorian Civil and Administrative Tribunal (VCAT) or a court. From all of the repayments, 68 per cent of bonds were returned in full to the renters and eight per cent in full to the rental provider, and 24 per cent of repayments were shared between the renter and rental provider.

From 29 March 2021 (when the Act was amended to allow renters to directly claim for their bond to the Authority, as one of the over 130 changes to Victoria's rental laws) to the end of June 2021, 1524 claims were initiated by renters and 72 per cent of these were repaid without objection or cancellation.

During 2020-21 there was an increased use of electronic transactions to make repayment claims, rising to 91 per cent in the last week of June 2021. Almost two per cent of bond repayment claims were received through the Authority's Electronic Fax Facility, available to approved users. Fax transmissions received by this facility are stored and managed as electronic images.

Most repayments (98 per cent) were issued as a direct credit to the payee's bank account on the same day as the repayment was approved. One per cent of repayments were issued by cheque, and a further one per cent were retained by the Authority due to the lack of a valid bank account number or a forwarding address (a retained repayment).

The combination of electronic transactions or 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 renter and the rental provider agreeing to the distribution of the bond.

Coronavirus (COVID-19)

COVID-19 continued to have a significant impact on the number and the value of bonds held, as can be seen in Figure 1 above. All operations and service level objectives continued to be met except for the number of calls answered (Refer to 3.4 below).

3.2 Transaction types

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

- 'Electronic Transactions' are paperless transactions undertaken through the Authority's transaction website, RTBA Online. A rental provider registered with the Authority initiates the transaction by entering the transaction details. The system then sends an email to each renter, with a link to the transaction. Using this link, a renter can enter their response to the proposed transaction and provide 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 Authority's Register. Web forms need to have the signatures of all parties, and bond lodgments need to be accompanied by a cheque or money order.
- Blank pre-printed paper forms are being phased out but are available upon request for those that do not have or cannot get internet access. These pre-printed forms are more likely to be rejected by the Authority as a result of poor legibility.

Most Authority clients use RTBA Online, with around 99 per cent of all transactions being created online.

3.3 Transfers

Under the Act, the Authority must be notified if renters or a rental provider changes. In the year ended 30 June 2021, there were 75,172 bond transfers (an average of 1,446 a week) compared to 83,305 in 2019-20 (an average of 1,602 a week).

Ninety percent of all bond transfers were received electronically, a significant increase from fifty-four percent in 2019-20. Ten per cent of bond transfers were received through the RTBA Fax Facility.

3.4 Enquiries

The Authority's contact centre providing information and advice on bond matters is operated by Consumer Affairs Victoria (CAV), a part of the Department of Justice and Community Safety (the Department). The most frequent enquiries relate to the status of a bond repayment claim.

In 2020-21, the Authority received 35,039 calls and 30,941 emails, compared to 57,272 calls and 36,380 emails in 2019-20. There were 31,233 calls answered in 2020-21, compared to 55,225 in 2019-20. The decrease in phone calls to the Authority's contact centre during the year was due to the impact of COVID-19 on the contact centre operations between 23 March 2020 and 4 December 2020. The Authority increased its focus to online services when the Authority's contact centre services were impacted by the need for contact centre staff to work from home.

The contact centre's phone number (1300 137 164) is a local call service which ensures no Authority client is disadvantaged because of their geographic location or financial circumstances.

3.5 SMS notifications

The Authority uses SMS notifications to advise on the progress of the processing of transactions.

SMS sent

SMS type	2016-17	2017-18	2018-19	2019-20	2020-21
Alert that an Electronic Transaction has been initiated	78,047	112,045	330,737	1,096,526	1,372,912
Advice of rejection of a Bond Repayment Claim	14,218	17,635	23,131	17,077	14,488
Advice of rejection of a Renter Transfer	1,698	1,624	2,236	1,814	903
Advice of rejection of a request to replace a previous repayment	810	1,091	1,754	1,649	549
Advice of the creation of a Retained Repayment (unpaid repayment)	4,660	5,194	5,270	6,985	2,726
Total	99,434	137,589	363,128	1,124,151	1,391,578

The increased use of SMS was driven by more telephone numbers supplied by clients and the increased use of electronic transactions. Additional SMS notifications were approved by the Minister and made by CAV during the year to advise renters and rental providers of the availability of COVID-19 emergency rental measures under the *COVID-19 Omnibus (Emergency Measures) Act 2020* and of the commencement of the rental reforms under the Act.

3.6 Receipts and periodic statements

When a bond is lodged with the Authority, a receipt is sent to the renter and to the rental provider. For renters and rental providers, receipts are emailed whenever the Authority has a valid email address for them. Rental providers registered with the Authority are able to instruct the Authority how they want to receive their outputs to best meet their operating requirements. Registered rental providers may also choose to not receive receipts.

Through RTBA Online, registered rental providers are also provided with access to a weekly statement of all bond lodgments, repayments and transfers registered to their organisation, and a complete listing of their bonds.

3.7 RTBA Online

RTBA Online provides online access to the Authority's Register including:

- access at any time to bond information such as 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 (for example, the ability to print-out proof that a bond is lodged with the Authority, such as for a bond related application to the VCAT);
- speedier bond transactions, by allowing users to view and confirm the most up-to-date information held by the Authority, 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 Authority (when a bond is closed but a repayment cannot be made due to a lack of details, the Authority holds the money as a retained repayment, which can be redeemed by the person to whom it is owed).

All users of RTBA Online can:

- generate bond lodgment forms;
- find outstanding bond repayments (retained repayments);
- obtain their bond number;
- find information about accessing bond forms; and
- access general Authority information, including frequently asked questions.

Non Registered users can access the details for a single bond through access based on a combination of the bond number and renter name.

Registered users (rental providers/agents registered with the Authority as managing a portfolio of bonds) have access to all their bonds via a password-protected sign-in, and access to a wider range of functions, including:

- undertaking electronic transactions;
- searching across all bonds registered to the rental provider in a number of different ways;
- more bond related information than in the non-registered module;
- images of forms processed by the Authority;
- images of transaction rejection notices issued by the Authority;
- weekly statements, including access to back copies;
- a bond list showing all bonds registered to the rental provider; and
- various pro forma Authority documents in regular use by rental providers.

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

RTBA Online Activity has continued to increase as demonstrated in the following table.

Online activity	2016-17	2017-18	2018-19	2019-20	2020-21
Visitor sessions	856,293	1,084,205	1,466,316	2,450,445	2,767,600
Unique visitors	200,271	263,383	409,474	916,035	1,147,357
Enquiries by registered users	716,055	834,462	1,014,586	1,688,256	1,888,951
Enquiries by rental providers	25,276	26,535	30,147	31,569	31,794
Enquiries by renters	440,765	105,873	116,321	138,321	150,777
Lodgment forms created	227,728	251,230	276,365	289,677	281,228
Claim forms created	226,312	263,098	333,321	531,618	652,493
Renter transfer forms created	33,447	39,187	45,271	46,695	37,134
Rental provider transfer forms created	24,846	28,207	32,801	33,399	32,685
Number of registered users	4,261	6,526	11,305	15,785	14,616
Document images viewed	21,079	22,361	23,561	19,283	12,242
Weekly rental provider statements accessed	5,650	5,621	6,455	9,191	7,485

Online activity	2016-17	2017-18	2018-19	2019-20	2020-21
Rental provider bond lists accessed	10,416	18,153	18,438	19,085	18,543
Total activity	2,792,339	2,984,841	3,784,361	6,189,359	7,042,905

In 2020-21, online access to forms and reports generated by RTBA Online saved the Authority 4.04 million sheets of paper (8,088 reams) in pre-printed forms and circulation of reports.

4. Service enhancements

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

During 2020-21, the Authority has continued to promote the use of electronic transactions and continued to enhance its transactional website. Uptake of the electronic transactions has been very strong as described in the earlier sections.

During the year these improvements included implementation of the rental reforms under the Act, which commenced on 29 March 2021:

- Electronic bond claims initiated by renters.
Renters can now apply directly to the Authority to have all or part of the bond released, without the rental provider's agreement. The Authority issues a written notice to the rental provider alerting them to the renter's claim and giving them the opportunity to dispute it.
- Making modification bonds in rental properties.
A rental provider can seek payment of additional bond money of \$500 or more to cover the cost of reversing any modifications made to the rental property by the renter. The lodgement of a modification bond can be undertaken electronically using RTBA Online.
- Adjusting terminology for 'renters' and 'rental providers'.
- Adjusting instructions to cater for the maximum bond value.

The Government provided a grant of \$1.858 million to the RTBA during the 2020-21 year to fund the cost of these rental reform changes. See the Financial Statements for more information.

Other improvements included:

- Claiming a bond with a VCAT Order. Users can now submit a bond claim with a VCAT order electronically, using RTBA Online, avoiding the need to attach a hard copy to a bond claim form and post it in the mail.
- Improving the security and speed of the Authority's systems.
- Enhancing bond related functionality and reports for rental providers.
- Enhancing the payment interface with banks.
- Introducing alerts when the VCAT system is unavailable.
- Removing the fax facility and promoting the use of electronic transactions.
- Targeted communications to all rental providers assisting them to maximise the functionality available on RTBA Online.

5. Audit Committee membership and roles

The responsibilities of the audit committee are described in the Standing Directions under the *Financial Management Act 1994*, including to:

- oversee the internal audit function;
- review and approve the internal audit charter;
- review and approve the strategic internal audit plan prepared under Direction 3.2.2.2(b);
- review and approve the annual audit work program under Direction 3.2.2.2(c);
- review the effectiveness and efficiency of the internal audit function;
- advise the Authority on the appointment and performance of the internal auditors; and
- meet privately with internal auditors if necessary.

Through 2020-21, the Audit Committee consisted of the following members:

- Chair (independent member) - John Ireson (1 July 2020 to 30 June 2021)
- Independent member - Anna Higgs (Department of Justice and Community Safety 1 July 2020 to 1 February 2021, Labour Hire Authority 2 February 2021 to 30 June 2021)
- CAV/Authority representative, Department of Justice and Community Safety – Melissah Broadbent (1 July 2020 to 30 June 2021).

6. Other activities

Other activities of the Authority in 2020-21 included:

6.1 Compliance

The bond lodging requirements of the Act are enforced by identifying non-complying rental providers. Advice and warning notices were issued and referrals to CAV for investigation and enforcement were made.

6.2 Education

The Authority educated rental providers and renters, to help ensure they understood their rights and responsibilities, and the Authority and its procedures. During 2020-21, education activities included seminar presentations and written advice to rental providers on the RTBA Online enhancements. The Minister also approved access for the Department to use rental providers and renters' contact details to advise of the availability of COVID-19 emergency rental measures under the *COVID-19 Omnibus (Emergency Measures) Act 2020* and of the commencement of the rental reforms under the Act.

6.3 Website

The Authority's website (www.rtba.vic.gov.au) provides an overview of the Authority, 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 CAV and provides information about the Authority in the context of all residential tenancy interactions between renters and rental providers. The Authority reviewed all of the website content in 2020-21.

6.4 Outsourced services

Since it was established in 1998, the Authority has outsourced its registry services, including the receipt, registration, transfer and repayment of bonds. The present provider is Capgemini Australia Pty Ltd.

During the year ended 30 June 2021, 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 one year to end on 30 June 2022 with an option of up to another year till 30 June 2023. This extension allowed time for the RTBA to implement the reforms required by the amendments to the Act, which commenced on 29 March 2021.

The extension also allows time for the RTBA to procure, design and develop a new registry system.

6.5 Authority's new registry system

The Authority has begun a project to establish a new registry system. The Project aims to modernise its systems used to manage all bonds and associated records. The Authority is working with users such as rental providers, renters and other stakeholders to define business needs. The new registry system is planned to be available before mid-2023.

7. Length of Tenancy

For bonds repaid in 2020-21, the median duration of the tenancy was 592 days, compared to 565 for 2019-20.

Active bonds on 30 June 2021 had a median duration of tenancy of 658 days, compared to 655 days at 30 June 2020.

Other statistical information on residential tenancies is available in the Rental Report produced by the Director of Housing, available at <https://dhhs.vic.gov.au/publications/rental-report>. This report includes information (other than persons' names) supplied to the Director of Housing under section 431 of the Act.

8. Freedom of Information

The Authority maintains documents and electronic records about the receipt, registration, transfer, and repayment of residential bonds.

The Authority's 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 Authority. In the 12 months ended 30 June 2021, the Authority did not receive any Freedom of Information requests from the general public.

8.1 Making a request

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

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

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

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

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

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

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

9. Operation of the Residential Tenancies Bond Authority

The financial statements in this report cover the Authority as an individual reporting entity. The Authority is a statutory body of the State of Victoria, established by section 429 of the Act.

The role of the Authority is to hold all bonds paid on Victorian residential premises in a neutral capacity as stakeholder for rental providers and renters. 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 VCAT or a court.

Section 429 of the Act 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 Community Safety (the Department) via CAV, and contracted services, with the cost of these inputs being met from the Authority's Residential Bonds Investment Income Account.

The bond monies held by the Authority on behalf of rental providers and renters are invested in the Residential Bonds Account (See Note 4). This account is managed separate from the Department. Bond monies are invested with major Australian banks and the Victorian Funds Management Corporation (VFMC).

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 except for reporting purposes, and subject to the same policies and procedures as other accounts of the Department.

All investment earnings are paid to the Residential Bonds Investment Income Account, where they are applied to meet the costs of the Authority. Any surplus earnings may be paid to the Residential Tenancies Fund.

The Residential Tenancies Fund is administered by the Department (via CAV) independently of the Authority and recorded in the accounts of the Department.

10. Compliance information

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards including Interpretations, issued by the Australian Accounting Standards Board. In particular, they are presented in a manner consistent with the requirements of AASB 1049 Whole of Government and General Government Sector Financial Reporting.

10.1 Compliance with the Building Act 1993

The Authority 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*.

10.2 Privacy and Data Protection Act 2014

The Authority 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.

10.3 Application of merit and equity principles

Staff from the Department who undertake Authority 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.

10.4 Compliance with the Public Interest Disclosures Act 2012

The *Public Interest Disclosures Act 2012* (PIDA) encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The PIDA provides protection to people who make disclosures in accordance with the PIDA and establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

Staff from the Department undertaking the Authority's functions are covered by the Department's policy in relation to making disclosures and the protection offered to them.

11. Attestation for financial management compliance with Standing Direction 5.1.4

I, Nicole Rich, on behalf of the Responsible Body, certify that the Residential Tenancies Bond Authority has no material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.



Nicole Rich
Constituting Member
Residential Tenancies Bond Authority

Financial Statements

Report Structure

The Residential Tenancies Bond Authority (the Authority) has presented its audited general purpose financial statements for the financial year ended 30 June 2021 in the following structure to provide users with the information about the Authority's stewardship of resources entrusted to it.

Declaration in financial statement	17
Independent Auditor's Report	18
Comprehensive Operating Statement	21
Balance Sheet	22
Cash Flow Statement	23
Statement of Changes in Equity	24
Notes to the financial statements	25
1. About this report.....	25
2. Funding delivery of our services.....	26
3. The cost of delivering services.....	29
4. Key assets available to support output delivery.....	32
5. Other assets and liabilities.....	34
6. How we financed our operations.....	36
7. Risk, contingencies and valuation judgements.....	39
8. Other disclosures.....	51

Declaration in financial statement

The attached financial statements for the Residential Tenancies Bond Authority have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer 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, cash flow statement, statement of changes in equity, and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2021 and financial position of the Authority as at 30 June 2021.

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 8 October 2021.



Nicole Rich

Accountable Officer
Residential Tenancies Bond Authority

Melbourne
8 October 2021



Dees Naidoo

Chief Finance and Accounting Officer
Residential Tenancies Bond Authority

Melbourne
8 October 2021

Independent Auditor's Report

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Independent Auditor's Report

To the Constituting Member of the Residential Tenancies Bond Authority

Opinion	<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">• balance sheet as at 30 June 2021• comprehensive operating statement for the year then ended• statement of changes in equity for the year then ended• cash flow statement for the year then ended• notes to the financial statements, including significant accounting policies• declaration in the financial statements. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the Authority as at 30 June 2021 and its 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>
Basis for opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards 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 <i>APES 110 Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. 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>
Other information – report of operations	<p>The Constituting Member is responsible for the "other information" included in authority's report of operations for the year ended 30 June 2021. The report of operations does not include the financial report and my auditor's report thereon, which together with the report of operations forms the authority's annual report.</p> <p>My opinion on the financial report does not cover the other information included in the report of operations and accordingly I do not express any form of assurance conclusion thereon.</p> <p>In connection with my audit of the financial report, my responsibility is to read the report of operations when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>If, based on the work I have performed, I conclude that there is a materially misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.</p>

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The Constituting Member's responsibilities for the financial report	<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, disclosing, as applicable, matters related to 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	<p>As required by the <i>Audit Act 1994</i>, 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.</p> <p>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:</p> <ul style="list-style-type: none">• 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 my 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.

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**Auditor's
responsibilities
for the audit of
the financial
report
(continued)**

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
13 October 2021



Janaka Kumara
as delegate for the Auditor-General of Victoria

Comprehensive Operating Statement

For the financial year ended 30 June 2021

	Note	2021 \$	2020 \$
Income from transactions			
Interest income	2.1.1	18,160,639	23,630,634
Grants income	2.1.3	1,858,000	-
Other income	2.1.2	5,217,425	4,543,458
Total Income from transactions		25,236,064	28,174,092
Expenses from transactions			
Operating expenses			
Employee expenses	3.2.1	2,074,226	2,379,055
Other operating expenses	3.3.1	6,794,908	7,161,826
Finance costs		2,972	5,518
Total operating expenses		8,872,106	9,546,399
Payment to the Residential Tenancies Fund	3.4	8,400,000	15,000,000
Total Expenses from transactions		17,272,106	24,546,399
Net result from transactions (net operating balance)		7,963,958	3,627,693
Other economic flows included in net result			
Net gain/ (loss) on financial instruments	7.4.2	20,205,692	(4,674,792)
Net result		28,169,650	(1,047,099)
Comprehensive result		28,169,650	(1,047,099)

The accompanying notes form part of these financial statements:

- (a) The above comprehensive operating statement should be read in conjunction with the notes to the financial statements.
- (b) Net gain/(loss) on financial instruments includes bad and doubtful debts from other economic flows, unrealised and realised gains/(losses) from revaluations, impairments and reversals of impairment, and gains/(losses) from disposals of financial instruments, except when these are taken through the financial assets at fair value through other comprehensive income revaluation surplus.

Balance Sheet

As at 30 June 2021

	Notes	2021 \$	2020 \$
Assets			
Financial assets			
Cash and deposits	4.1	23,015,831	20,463,631
Receivables	5.1	2,620,161	3,414,569
Investments and other financial assets	4.2	1,277,779,458	1,277,391,401
Total financial assets		1,303,415,450	1,301,269,601
Total assets		1,303,415,450	1,301,269,601
Liabilities			
Payables	5.2	466,532	578,496
Bonds held for rental providers and renters	6.1	1,241,473,085	1,267,384,922
Total liabilities		1,241,939,617	1,267,963,418
Net assets		61,475,833	33,306,183
Equity			
Accumulated surplus		61,475,833	33,306,183
Net worth		61,475,833	33,306,183
Commitments for expenditure	6.3		
Contingent liabilities	7.3		
Contingent assets	7.3		

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

Cash Flow Statement

For the financial year ended 30 June 2021

	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Receipts			
Interest received		18,955,047	24,838,738
Receipts from government		1,858,000	-
Other receipts		35,060	13,829
Total receipts		20,848,107	24,852,567
Payments			
Payments to suppliers and employees		(8,984,070)	(9,863,644)
Payments to the Residential Tenancies Fund		(8,400,000)	(15,000,000)
Total payments		(17,384,070)	(24,863,644)
Net cash provided by / (used in) operating activities	6.2.2	3,464,037	(11,077)
Cash flow from investing activities			
Receipts/(payments) for investments		25,000,000	(64,300,000)
Net cash provided by / (used in) investing activities		25,000,000	(64,300,000)
Cash flow from financing activities			
Bonds received	6.1	486,276,093	522,001,501
Bonds repaid	6.1	(512,187,930)	(472,852,483)
Net cash provided by / (used in) financing activities		(25,911,837)	49,149,018
Net increase/(decrease) in cash held		2,552,200	(15,162,059)
Cash and cash equivalents at the beginning of the financial year		20,463,631	35,625,690
Cash and cash equivalents at the end of the financial year	6.2	23,015,831	20,463,631

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

Statement of Changes in Equity

For the financial year ended 30 June 2021

	Accumulated Surplus	Total
	\$	\$
Balance at 1 July 2019	34,353,282	34,353,282
Net Result for the Year	(1,047,099)	(1,047,099)
Balance at 30 June 2020	33,306,183	33,306,183
Net Result for the Year	28,169,650	28,169,650
Balance at 30 June 2021	61,475,833	61,475,833

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

Notes to the financial statements

1. About this report

The Residential Tenancies Bond Authority (the Authority) is a statutory body of the State of Victoria, established by section 429 of the Residential Tenancies Act 1997.

A description of the nature of its operations and its principal activities is included in the **Report of Operations**, which does not form part of these financial statements.

The Authority's principal address is:

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

Basis of preparation

These financial statements are in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

The accrual basis of accounting has been applied in preparing 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 financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. 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.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in applying Australian Accounting Standards that have significant effects on the financial statements and estimates are disclosed in the notes under the heading: 'Significant judgement or estimates'.

These financial statements cover the Residential Tenancies Bond Authority as an individual reporting entity.

All amounts in the financial statements have been rounded to the nearest \$1 unless otherwise stated.

Compliance information

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

2. Funding delivery of our services

Introduction

The functions of the Authority, as set out in section 431 of the *Residential Tenancies Act 1997* (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 and bond substitution forms given to the Authority and other information kept by the Authority in relation to bonds (including substitute bonds under section 410B) 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 Authority has the power to do anything necessary or convenient in connection with carrying out its functions.

The Authority can only repay bonds as agreed by the rental provider and renter, or as directed by the Victorian Civil and Administrative Tribunal or a court.

The Authority's overall objective is to hold all Victorian residential tenancy bonds, including those applying to long-term caravan and rooming house residents.

To enable the Authority to fulfil its objective and provide outputs, it receives income from earnings on its investments. During the 2020-21 year however the RTBA did receive a once off government grant for \$1.858 million.

Structure	Page
2.1 Income from transactions	27

Revenue and income that fund delivery of the Authority’s services are accounted for consistently with the requirements of the relevant accounting standards disclosed in the following notes.

2.1 Income from transactions

	Notes	2021 \$	2020 \$
Interest income	2.1.1	18,160,639	23,630,634
Grants income	2.1.3	1,858,000	-
Other income	2.1.2	5,217,425	4,543,458
Total income from transactions		25,236,064	28,174,092

2.1.1 Interest Income

Interest income includes interest received on bank term deposits and other investments.

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.

Interest income is recognised using the effective interest method, which allocates the interest over the relevant period.

Net realised and unrealised gains and losses on the revaluation of investments do not form part of income from transactions, but are reported either as part of income from other economic flows in the net result.

2.1.2 Other Income

Other income includes amounts of unclaimed money less than \$20 and distributions from the VFMC Growth Fund of \$5.18 million which were reinvested in the fund (2020: \$4.53 million).

Distribution income is recognised when the right to receive payment is established. Distributions represent the income arising from the Authority’s investments in financial assets.

2.1.3 Grants Income

The authority has determined that the grant income included above has been earned under arrangements that are either not enforceable and/or linked to sufficiently specific performance obligations.

Income from grants without any sufficiently specific performance obligations, or that are not enforceable, is recognised when the Authority has an unconditional right to receive cash which usually coincides with receipt of cash. On initial recognition of the asset, the Authority recognises any related contributions by owners, increases in liabilities, decreases in assets, and revenue (‘related amounts’) in accordance with other Australian Accounting Standards. Related amounts may take the form of:

- contributions by owners, in accordance with AASB 1004;

- revenue or a contract liability arising from a contract with a customer, in accordance with AASB 15;
- a lease liability in accordance with AASB 16;
- a financial instrument, in accordance with AASB 9; or
- a provision, in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

3. The cost of delivering services

Introduction

This section provides an account of the expenses incurred by the Authority in delivering services and outputs. In Section 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded.

Structure	Page
3.1 Expenses incurred in delivery of services.....	29
3.2 Employee expenses	29
3.3 Other operating expenses	30
3.4 Payments to the Residential Tenancies Fund.....	30

3.1 Expenses incurred in delivery of services

Table 3.1.1: Expenses incurred in delivery of services

	Notes	2021 \$	2020 \$
Employee expenses	3.2	2,074,226	2,379,055
Other operating expenses	3.3	6,794,908	7,161,826
Total expenses incurred in delivery of services		8,869,134	9,540,881

3.2 Employee expenses

Table 3.2.1: Employee expenses

	2021 \$	2020 \$
Salaries, wages and overtime	1,813,053	2,047,482
Superannuation	153,941	194,386
Other on-costs (fringe benefits tax, payroll tax and workcover levy)	98,053	128,096
Targeted Separation costs	5,979	-
Staff training	3,200	9,091
Total employee expenses	2,074,226	2,379,055

Employee expenses include all costs related to employment including wages and salaries, fringe benefit tax, leave entitlements, termination payments and WorkCover premiums.

The Authority reimburses the Department of Justice and Community Safety for employee benefits expenses incurred for those employees working for the Authority.

Superannuation Contribution

The amount recognised in the comprehensive operating statement in relation to superannuation is 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 Community Safety on a time and cost basis for the staff inputs provided to the Authority. Under this arrangement, the Department reports outstanding superannuation information.

Employee benefits in the balance sheet

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave (LSL) for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

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

3.3 Other operating expenses

Table 3.3.1: Other operating expenses

	2021	2020
	\$	\$
Supplies and services		
Outsourced registry services	6,139,868	5,560,685
Consultants and professional services	68,690	215,291
Other outsourced services	164,401	681,936
Accommodation and property services	21,942	21,279
Printing, stationery and other office expenses	80,846	134,333
Information Technology	88,750	51,672
Other expenses	230,411	496,630
Total operating expenses	6,794,908	7,161,826

Other operating expenses generally represent the day-to-day running costs incurred in normal operations. It also includes bad debts expense from transactions that are mutually agreed.

Supplies and services are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when the inventories are distributed.

3.4 Payments 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 Consumer Affairs Victoria and recorded in the accounts of the Department of Justice and Community Safety. Payment to the Residential Tenancies Fund is recognised as an expense when the cash is transferred.

4. Key assets available to support output delivery

Introduction

The Authority controls cash and other investments that are utilised in fulfilling its objectives and conducting its activities. They represent the resources that have been entrusted to the Authority to be utilised for delivery of those outputs.

Fair value measurement

Where the assets included in this section are carried at fair value, additional information is disclosed in Note 7.4 in connection with how those fair values were determined.

Structure	Page
4.1 Cash and deposits.....	32
4.2 Investments and other financial assets	32

4.1 Cash and deposits

Table 4.1.1 Cash and deposits

	2021	2020
Assets	\$	\$
Cash and deposits	23,015,831	20,463,631

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.

4.2 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. Refer to Notes 7.4 for the classification and measurement policies of other types of investments.

Table 4.2.1 Current investments and other financial assets

	2021	2020
	\$	\$
Current investments and other financial assets		
Managed investment scheme (a)	165,779,458	125,391,401
Australian dollar term deposits > 3 months (b):	-	-
Total current investments and other financial assets	165,779,458	125,391,401
Non-current investments and other financial assets		
Australian dollar term deposits > 12 months (b):		
National Australia Bank investments	551,500,000	551,500,000
Westpac Banking Corporation investments	540,500,000	580,500,000
Commonwealth Bank of Australia investments	-	-
Australia and New Zealand Banking Group investments	20,000,000	20,000,000
Total non-current investments and other financial assets	1,112,000,000	1,152,000,000
Total investments and other financial assets	1,277,779,458	1,277,391,401

Notes:

- (a) *The Authority's funds are invested with the Victorian Funds Management Corporation (VFMC). The Authority measures all its listed equities and managed investment schemes at fair value through net result. Unless such assets are part of a disposal group held for sale, all equities and managed investment schemes are classified as non-current.*
- (b) *Term deposits under 'investments and other financial assets' class include only term deposits with maturity greater than 90 days.*

5. Other Assets and Liabilities

Introduction

This section sets out those assets and liabilities that arise from the Authority's controlled operations.

Structure	Page
5.1 Receivables.....	34
5.2 Payables	34
5.3 Maturity analysis of contractual financial liabilities	35

5.1 Receivables

Table 5.1.1 Receivables

	2021	2020
	\$	\$
Contractual		
Accrued investment income – term deposits	2,152,947	2,711,311
Statutory		
Receivables	467,214	703,258
Total receivables	2,620,161	3,414,569

Contractual receivables are classified as financial instruments and categorised as 'financial assets at amortised costs'. They are initially recognised at fair value plus any directly attributable transaction costs. The Authority holds the contractual receivables with the objective to collect the contractual cash flows and therefore subsequently measured at amortised cost using the effective interest method, less any impairment.

5.2 Payables

Table 5.2.1 Payables

	2021	2020
	\$	\$
Contractual		
Other payables	466,532	578,496
Total payables	466,532	578,496

Contractual payables are classified as financial instruments and measured at amortised cost.

5.3 Maturity analysis of contractual payables

Table 5.3.1 Maturity analysis of contractual financial liabilities

	Carrying amount \$	Maturity Dates	
		Nominal amount \$	Less than 1 month \$
2021			
– Bonds held for rental providers and renters	1,241,473,085	1,241,473,985	-
– Other payables (a)	466,532	-	466,532
Total	1,241,939,617	1,241,473,985	466,532
2020			
– Bonds held for rental providers and renters	1,267,384,922	1,267,384,922	-
– Other payables (a)	578,496	-	578,496
Total	1,267,963,418	1,267,384,922	578,496

Note:

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

6. How we financed our operations

Introduction

This section provides information on the sources of finance utilised by the Authority during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of the Authority.

This section includes disclosures of balances that are financial instruments (such as bonds held for rental providers and renters and cash balances). Notes 7.1, 7.2 and 7.3 provide additional, specific financial instrument disclosures.

Structure	Page
6.1 Bonds held for rental providers and renters	36
6.2 Cash flow information and balances	36
6.3 Commitments for expenditure	37

6.1 Bonds held for rental providers and renters

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

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

Table 6.1.1 Bonds held for rental providers and renters

	2021	2020
	\$	\$
Bonds brought forward	1,267,384,922	1,218,235,904
Bonds received	486,276,093	522,001,501
Bonds repaid	(512,187,930)	(472,852,483)
Total Residential Bonds Account	1,241,473,085	1,267,384,922

6.2 Cash flow information and balances

Cash and deposits, including cash equivalents, 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 which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

For cash flow statement presentation purposes, 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:

Table 6.2.1 Cash and cash equivalents

	2021	2020
	\$	\$
Cash and cash equivalents (a)		
Cash at bank	23,015,831	20,463,631
Balance as per cash flow statement	23,015,831	20,463,631
Restriction on use of cash		
Bonds held for rental providers and renters	8,793,480	14,887,681

Note:

(a) In addition to the cash and cash equivalents, the Authority has investments of \$1,278 million (2020: \$1,277 million), refer note 4.2

Table 6.2.2 Reconciliation of net result for the period to cash flow from operating activities

	2021	2020
	\$	\$
Net result for the period	28,169,650	(1,047,099)
Non-cash movements:		
Net (gain)/loss on financial instruments	(20,205,692)	4,674,792
Distributions reinvested	(5,182,365)	(4,529,630)
Movements in assets and liabilities		
Increase/(decrease) in payables	(111,963)	(317,245)
(Increase)/decrease in receivables	794,407	1,208,105
Net cash flows from/ (used in) operating activities	3,464,037	(11,077)

6.3 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded at their nominal value and inclusive of GST. Where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

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. On 5 June 2020, the contract was further extended to 30 June 2022 with an option to extend one further year. The commitment disclosed represents the unspent portion of the contract.

Table 6.3.1 Total commitments payable

Nominal amounts	Less than 1 year	1-5 years	5+ years	Total
2021				
Commitments for outsourced services	5,500,000		-	
Total commitments (inclusive of GST)	5,500,000	0		0
Less GST recoverable	500,000		-	
Total commitments (exclusive of GST)	5,000,000	0		0
2020				
Commitments for outsourced services	5,907,000	19,764,611	-	25,671,611
Total commitments (inclusive of GST)	5,907,000	19,764,611	-	25,671,611
Less GST recoverable from the Australian Tax Office	537,000	1,796,783	-	2,333,783
Total commitments (exclusive of GST)	5,370,000	17,967,828	-	23,337,828

7. Risk, Contingencies and Valuation Judgements

Introduction

The Authority is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the Authority related mainly to fair value determinations.

Structure	Page
7.1 Financial instruments specific disclosures	39
7.2 Finance risk management objectives and policies	42
7.3 Contingent assets and contingent liabilities	47
7.4 Fair value determination	48

7.1 Financial instruments specific disclosures

Introduction

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the Authority’s activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example taxes, fines and penalties). Such assets and liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*.

Categories of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised costs if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by the Authority to collect the contractual cash flows, and
- the assets’ contractual terms give rise to cash flows that are solely payments of principal and interests.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

The Authority recognises the following assets in this category:

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

Financial assets at fair value through net result

Equity instruments that are held for trading are classified as fair value through net result. Other financial assets are required to be measured at fair value through net result unless they are measured at amortised cost.

However, as an exception to those rules above, the Authority may, at initial recognition, irrevocably designate financial assets as measured at fair value through net result if doing so eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Categories of financial liabilities

Financial 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 net result 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 unless the changes in fair value relate to changes in the Authority's own credit risk. In this case, the portion of the change attributable to changes in the Authority's own credit risk is recognised in other comprehensive income with no subsequent recycling to net result when the financial liability is derecognised.

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).

Derecognition of financial assets: A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Authority retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Authority has transferred its rights to receive cash flows from the asset and either:
 - has transferred substantially all the risks and rewards of the asset; or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Authority has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Authority's continuing involvement in the asset.

Derecognition of financial liabilities: A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an 'other economic flow' in the comprehensive operating statement.

Table 7.1.1 Financial instruments: Categorisation

2021	Note	Cash and deposits	Financial assets/liabilities at fair value through profit/loss (FVTPL)	Financial assets amortised at cost (AC)	Financial liabilities amortised at cost (AC)	Total
Contractual financial assets						
Cash and deposits	4.1	23,015,831	-	-	-	23,015,831
Receivables						
Receivables (a)	5.1	-	-	2,152,947	-	2,152,947
Investments and other contractual financial assets						
Managed investment scheme	4.2	-	165,779,458	-	-	165,779,458
Term deposits	4.2	-	-	1,112,000,000	-	1,112,000,000
Total contractual financial assets		23,015,831	165,779,458	1,114,152,947	-	1,302,948,236
Contractual financial liabilities						
Payables						
Other payables	5.2	-	-	-	466,532	466,532
Bonds held						
Bonds held for rental providers and renters	6.1	-	-	-	1,241,473,085	1,241,473,085
Total contractual financial liabilities		-	-	-	1,241,939,617	1,241,939,617
2020	Note	Cash and deposits	Financial assets/liabilities at fair value through profit/loss (FVTPL)	Financial assets amortised at cost (AC)	Financial liabilities amortised at cost (AC)	Total
Contractual financial assets						
Cash and deposits	4.1	20,463,631	-	-	-	20,463,631
Receivables						
Accrued investment income	5.1	-	-	2,711,311	-	2,711,311
Investments and other contractual financial assets						
Managed investment scheme	4.2	-	125,391,401	-	-	125,391,401

Term deposits	4.2	-	-	1,152,000,000	-	1,152,000,000
Total contractual financial assets		20,463,631	125,391,401	1,154,711,311	-	1,300,566,343
Contractual financial liabilities						
Payables						
Other payables	5.2	-	-	-	578,496	578,496
Bonds held						
Bonds held for rental providers and renters	6.1	-	-	-	1,267,384,922	1,267,384,922
Total contractual financial liabilities		-	-	-	1,267,963,418	1,267,963,418

Note:

(a) Receivables disclosed here exclude statutory receivables of \$467,214.

7.2 Finance risk management objectives and policies

As a whole, the Authority's financial risk management program seeks to manage these risks and the associated volatility of its financial performance.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, with respect to each class of financial asset, financial liability and equity instrument above are disclosed in Notes 7.1 and 7.4 to the financial statements and the basis on which income is recognised is disclosed in Note 2.

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 its financial risk management policy.

The Authority's 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 Accountable Officer of the Authority.

Financial instruments: Credit risk

Credit risk refers to the possibility that a borrower will default on its financial obligations as and when they fall due. The Authority's exposure to credit risk arises from the potential default of a counter party 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 contractual financial assets is minimal because it is the Authority's policy to only deal with entities with high credit ratings of a minimum triple-B rating and to obtain sufficient collateral or credit enhancements, where appropriate. The Authority's financial assets are held by National Australia Bank (AA- credit rating), Westpac Banking Corporation Limited (AA- credit rating), ANZ Bank (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).

In addition, the Authority does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash and deposits, which are mainly cash at bank. As with the policy for debtors, the Authority's policy is to only deal with banks with high credit ratings.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that the Authority will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts that are more than 60 days overdue, and changes in debtor credit ratings.

Contract financial assets are written off against the carrying amount when there is no reasonable expectation of recovery. Bad debt written off by mutual consent is classified as a transaction expense. Bad debt written off following a unilateral decision is recognised as other economic flows in the net result.

Except as otherwise detailed in the following table, the carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents the Authority's maximum exposure to credit risk without taking account of the value of any collateral obtained.

There has been no material change to the Authority's credit risk profile in 2020-21.

Table 7.2.1 Credit quality of financial assets

	Notes	Financial institutions (AA-credit rating)	Government agencies (AAA credit rating)	Total
2021				
Financial assets				
Cash and deposits	4.1	23,015,831	-	23,015,831
Receivables (a)	5.1	2,152,947	-	2,152,947
Investments and other financial assets	4.2	1,112,000,000	165,779,458	1,277,779,458
Total financial assets		1,137,168,778	165,779,458	1,302,948,236
2020				
Financial assets				
Cash and deposits	4.1	20,463,631	-	20,463,631
Receivables (a)	5.1	2,711,311	-	2,711,311
Investments and other financial assets	4.2	1,152,000,000	125,391,401	1,277,391,401
Total financial assets		1,175,174,941	125,391,401	1,300,566,343

Note:

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

Impairment of financial assets under AASB 9

The Authority records the allowance for expected credit loss for the relevant financial instruments applying AASB 9's Expected Credit Loss approach. Subject to AASB 9 impairment assessment includes the Authority's contractual receivables.

Equity instruments are not subject to impairment under AASB 9. Other financial assets mandatorily measured or designated at fair value through net result are not subject to impairment assessment under AASB 9. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

Financial instruments: Liquidity risk

Liquidity risk arises from being unable to meet 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, making payments within 30 days from the date of resolution.

The Authority is exposed to liquidity risk mainly through the financial liabilities as disclosed in the face of the balance sheet. The Authority manages its liquidity risk by holding cash, deposits and investments that are readily liquidated upon request.

The Authority's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Cash for unexpected events is generally sourced from liquidation of available-for-sale financial investments.

Financial instruments: Market risk

The Authority's exposure to market risk mainly arises from interest rate risk, foreign currency risk and equity price 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 2020-21 the Authority continued to invest 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 15% of this Account.

Objectives, policies and processes used to manage each of these risks are disclosed below.

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. Until existing term deposits roll over, the Authority has minimal exposure to cash flow interest rate risks through cash and deposits and term deposits that are at floating rate.

The Authority manages this risk by mainly undertaking fixed rate or non-interest bearing financial instruments with relatively even maturity profiles, with only insignificant amounts of financial instruments at floating rate. Management has concluded for cash at bank as a financial asset that can be left at floating rate without necessarily exposing the Authority to significant bad risk, management monitors movement in interest rates on a daily basis.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates and the Authority's sensitivity to interest rate risk are set out in the table that follows:

Table 7.2.2 Interest rate exposure of financial instruments

	Notes	Weighted average effective interest rate %	Carrying amount \$	Interest Rate Exposure		
				Variable Interest Rate \$	Fixed Interest Rate \$	Non- interest bearing \$
2021						
Financial assets						
Cash at bank		0.4%	23,015,831	23,015,831	-	-
Total cash and deposits	4.1		23,015,831	23,015,831	-	-
Receivables (a)	5.1		2,152,947	-	-	2,152,947
Managed investment scheme	4.2		165,779,458	-	-	165,779,458
Term deposits	4.2	1.6%	1,112,000,000	1,112,000,000	-	-
Total financial assets			1,302,948,238	23,015,831	1,112,000,000	167,932,405
Financial liabilities						
- Bonds held for rental providers and renters	6.1		1,241,473,085	-	-	1,241,473,085
- Payables (a)	5.2		466,532	-	-	466,532
Total financial liabilities			1,241,939,617	-	-	1,241,939,617
2020						
Financial assets						
Cash at bank		1.18%	20,463,631	20,463,631	-	-
Total cash and deposits	4.1		20,463,631	20,463,631	-	-
Receivables (a)	5.1		2,711,3119	-	-	2,711,311
Managed investment scheme	4.2		125,391,401	-	-	125,391,401
Term deposits	4.2	2.67%	1,152,000,000	-	1,152,000,000	-
Total financial assets			1,300,566,343	20,463,631	1,152,000,000	128,102,712
Financial liabilities						
- Bonds held for rental providers and renters	6.1		1,267,384,922	-	-	1,267,384,922
- Payables (a)	5.2		578,496	-	-	578,496
Total financial liabilities			1,267,963,418	-	-	1,267,963,418

Note:

(a) The carrying amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable).

Table 7.2.3 Interest rate risk sensitivity

	Carrying amount	-100 basis points		+100 basis points	
		Net result	Fair value through OCI revaluation reserve	Net result	Fair value through OCI revaluation reserve
2021					
Contractual financial assets					
Cash at bank (a)	23,015,831	(230,158)	-	230,158	-
Term deposits (a)			-		-
Total impact		(230,158)	-	230,158	-
2020					
Contractual financial assets					
Cash at bank (a)	20,463,631	(204,636)	-	204,636	-
Term deposits (a)	-	-	-	-	-
Total impact		(204,636)	-	204,636	-

Note:

(a) The Cash at bank and the variable component of the term deposits are exposed to floating rates movements.

Foreign currency risk

The Authority is exposed to foreign currency risk mainly through its investment in the VFMC Growth Fund. During 2019-20 the Authority continued to invest a proportion of the Residential Bonds Account (bonds held) in the VFMC Growth Fund. The Authority managed foreign currency risk on this investment by limiting this investment to a maximum of 15% of this Account.

Equity price risk

The Authority is exposed to equity price risk through its investments in the VFMC Growth Fund. 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 and the Governor-in-Council. The VFMC on behalf of the Authority closely monitors performance and manages the equity price risk through diversification of its investment portfolio. The Authority's sensitivity to other price risk is set out below.

Table 7.2.4 Other price risk sensitivity

	Carrying amount	-15%	Fair value through OCI	+15%	Fair value through OCI
		Net result	revaluation reserve	Net result	revaluation reserve
2021					
Contractual financial assets					
Managed investment scheme	165,779,458	(24,866,919)	-	24,866,919	-
Total impact		(24,866,919)	-	24,866,919	-
2020					
Contractual financial assets					
Managed investment scheme	125,391,401	(18,808,710)	-	18,808,710	-
Total impact		(18,808,710)	-	18,808,710	-

7.3 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

These are classified as either quantifiable, where the potential economic benefit is known, or non-quantifiable.

There were no contingent assets at balance date (2020: Nil).

Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- present obligations that arise from past events but are not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
 - the amount of the obligations cannot be measured with sufficient reliability.

Contingent liabilities are also classified as either quantifiable or non-quantifiable.

There were no contingent liabilities at balance date (2019: Nil).

7.4 Fair value determination

Significant judgement: Fair value measurements of assets and liabilities

Fair value determination requires judgement and the use of assumptions. This section discloses the most significant assumptions used in determining fair values. Changes to assumptions could have a material impact on the results and financial position of the Authority.

This section sets out information on how the Authority determined fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following asset and liabilities are carried at fair value:

- managed investments.

In addition, the fair values of other assets and liabilities that are carried at amortised cost, also need to be determined for disclosure purposes.

The Authority determines the policies and procedures for determining fair values for both financial and non-financial assets and liabilities as required.

7.4.1 Fair Value determination of financial assets and liabilities

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

- Level 1 – the fair value of financial instruments 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 currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts approximate to fair value, due to their short-term nature or with the expectation that they will be paid in full by the end of the 2020-21 reporting period.

These financial instruments include:

Financial assets	Financial liabilities
Cash and deposits	Bonds held for rental providers and renters
Receivables:	Payables:
<ul style="list-style-type: none">• Accrued investment income• Other receivables	<ul style="list-style-type: none">• For supplies and services
Investments and other contractual financial assets:	
<ul style="list-style-type: none">• Managed investment scheme• Term deposits	

Where the fair value of the financial instruments is different from the carrying amounts, the following information has been included to disclose the difference.

Table 7.4.1 Fair value of financial instruments

	Carrying amount 2021 \$	Fair value 2021 \$	Carrying amount 2020 \$	Fair value 2020 \$
Financial assets				
Cash at bank	23,015,831	23,015,831	20,463,631	20,463,631
<i>Receivables (a)</i>				
Receivables	2,620,161	2,620,161	3,414,569	3,414,569
Managed Investment scheme	165,779,458	165,779,458	125,391,401	125,391,401
Term deposits	1,112,000,000	1,112,000,000	1,152,000,000	1,152,000,000
Financial liabilities				
Bonds held for rental providers and renters	1,241,473,085	1,241,473,085	1,267,384,922	1,267,384,922
Payables	466,532	466,532	578,496	578,496

Note:

(a) Fair value of financial instruments measured at amortised cost.

There have been no transfers between levels during the period.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate fair value.

Managed investment schemes: The Authority invests in managed funds, which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock-up periods, redemption gates and side pockets. The Authority considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investment, to ensure they are reasonable and appropriate and therefore the net asset value (NAV) of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions and redemptions, future commitments and other specific factors of the fund. In measuring fair value, consideration is also paid to any transactions in the shares of the fund. The Authority classifies these funds as Level 2.

Table 7.4.2 Reconciliation of Level 2 fair value movements

	Financial assets at FVOCI		Total	
	Managed investment scheme			
	2021	2020	2021	2020
	\$	\$	\$	\$
Opening Balance	125,391,401	101,236,564	125,391,401	101,236,564
Total gains or losses recognised in:				
- Net result	20,205,692	(4,674,792)	20,205,692	(4,674,792)
- Distributions	5,182,365	4,529,629	5,182,365	4,529,629
Purchases	15,000,000	24,300,000	15,000,000	24,300,000
Settlements	-	-	-	-
Closing balance	165,779,458	125,391,401	165,779,458	125,391,401
Total gains or losses for the period included in profit or loss for assets held at the end of the period	20,205,692	(4,674,792)	20,205,692	(4,674,792)

8. Other Disclosures

Introduction

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

Structure	Page
8.1 Responsible persons.....	51
8.2 Related parties	52
8.3 Remuneration of auditors	53
8.4 Subsequent events	53
8.5 Australian Accounting Standards issued that are not yet effective.....	53
8.6 Glossary of terms	54
8.7 Style conventions	56
8.8 Disclosure index.....	57

8.1 Responsible persons

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

Responsible Persons

The persons who held the positions of Ministers and Responsible Persons of the Authority are as follows

Minister for Consumer Affairs, Gaming & Liquor Regulation	The Hon. Melissa Horne, MP	1 July 2020 – 30 June 2021
Acting Minister for Consumer Affairs, Gaming & Liquor Regulation	Ingrid Stitt, MP	5 March 2021 – 8 March 2021

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 2021 were:

Director of Consumer Affairs Victoria	Ms Michelle Osborne	1 July 2020 to 16 August 2020
	Ms Nicole Rich	17 August 2020 to 30 June 2021
Acting Director of Consumer Affairs Victoria	Mr David S Joyner	22 January 2021 to 29 January 2021
		14 May 2021 to 18 May 2021

Remuneration of Responsible persons

Remuneration received or receivable by responsible persons during the period:

Salary Range	2021 No.	2020 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 Community Safety.

8.2 Related parties

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 a \$1.858M grant in 2020-21. There were no payments made to the Consolidated Fund.

The Authority made discretionary transfers totalling \$8.4 million to the Residential Tenancies Fund managed by the Department of Justice and Community Safety.

Key management personnel of the Authority includes the Portfolio Minister, the Hon. Melissa Horne, 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 Community Safety. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

8.3 Remuneration of auditors

	2021	2020
	\$	\$
Victorian Auditor-General's Office audit of the financial statements (a)	18,300	16,000
Total remuneration of auditors	18,300	16,000

The external audit fee is included in Note 3.2 Other Expenses.

Note: (a) The Victorian Auditor-General's Office is prohibited from providing non-audit services.

8.4 Australian Accounting Standards issued that are not yet effective

New and revised accounting standards have been issued but are not effective for the 2020-21 reporting period. These accounting standards have not been applied to the Model Financial Statements. The State is reviewing its existing policies and assessing the potential implications of these accounting standards which includes:

- *AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current*

This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. It initially applied to annual reporting periods beginning on or after 1 January 2022 with earlier application permitted however the AASB has recently issued *AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date* to defer the application by one year to periods beginning on or after 1 January 2023. The Authority will not early adopt the Standard.

The Authority is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.

Several other amending standards and AASB interpretations have been issued that apply to future reporting periods, but are considered to have limited impact on the Authority's reporting.

- *AASB 17 Insurance Contracts.*
- *AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (Appendix C).*
- *AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities.*
- *AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments.*
- *AASB 2020-7 Amendments to Australian Accounting Standards – Covid-19-Rent Related Concessions: Tier 2 Disclosures.*
- *AASB 2020-8 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform – Phase 2.*
- *AASB 2020-9 Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendment.*

8.5 Glossary of technical terms

Amortisation

Amortisation is the expense that results from the consumption, extraction or use over time of a non-produced physical or intangible asset. This expense is classified as an 'other economic flow'.

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.

Effective interest method

Effective interest method is the method used to calculate 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.

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:

- (e) 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
- (f) 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:

- (g) balance sheet as at the end of the period;
- (h) a comprehensive operating statement for the period;
- (i) a statement of changes in equity for the period;
- (j) a cash flow statement for the period;
- (k) notes, comprising a summary of significant accounting policies and other explanatory information;
- (l) comparative information in respect of the preceding period as specified in paragraphs 38 of AASB 101 *Presentation of Financial Statements*; and
- (m) 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 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 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 non-owner movements in equity'.

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.

Operating result

Operating result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner movements in equity'. Refer also 'net result'.

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.

Other economic flows- other comprehensive income

Other economic flows – other comprehensive income comprises items (including reclassification adjustments) that are not recognised in net result as required or permitted by other Australian Accounting Standards. They include changes in physical asset revaluation surplus; share of net movement in revaluation surplus of associates and joint ventures; and gains and losses on remeasuring available-for-sale financial assets.

Payables

Payables include short and long-term trade debt and accounts payable, grants, taxes and interest payable.

Receivables

Receivables include 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.

8.6 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 2019-20 *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.

8.7 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	Page reference
Ministerial Direction & Financial Reporting Directions		
	Report of operations	Page 5
Charter and purpose		
FRD 22H	Manner of establishment and the relevant Ministers	Page 5, 51
FRD 22H	Purpose, functions, powers and duties	Page 26
FRD 8D	Departmental objectives, indicators and outputs	Page 5
FRD 22H	Initiatives and key achievements	Page 10
FRD 22H	Nature and range of services provided	Page 5
Management and structure		
FRD 22H	Organisational structure	Page 13
Financial and other information		
FRD 8D	Performance against output performance measures	N.A.
FRD 8D	Budget portfolio outcomes	N.A.
FRD 10A	Disclosure index	Page 57
FRD 12B	Disclosure of major contracts	N.A.
FRD 15E	Executive officer disclosures	Page 51
FRD 22H	Employment and conduct principles	Page 14
FRD 22H	Occupational health and safety policy	N.A.
FRD 22H	Summary of the financial results for the year	Page 21, 22
FRD 22H	Significant changes in financial position during the year	N.A.
FRD 22H	Major changes or factors affecting performance	N.A.
FRD 22H	Subsequent events	N.A.
FRD 22H	Application and operation of <i>Freedom of Information Act 1982</i>	Page 12
FRD 22H	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	Page 14
FRD 22H	Statement on Competitive Neutrality Policy	N.A.

Legislation	Requirement	Page reference
FRD 22H	Application and operation of the <i>Protected Disclosure 2012</i>	Page 14
FRD 22H	Application and operation of the <i>Carers Recognition Act 2012</i>	N.A.
FRD 22H	Details of consultancies over \$10 000	N.A.
FRD 22H	Details of consultancies under \$10 000	N.A.
FRD 22H	Disclosure of government advertising expenditure	N.A.
FRD 22H	Disclosure of ICT expenditure	Page 30
FRD 22H	Statement of availability of other information	N.A.
FRD 24D	Reporting of office based environmental impacts	N.A.
FRD 25C	Victorian Industry Participation Policy disclosures	N.A.
FRD 29C	Workforce Data disclosures	N.A.
SD 5.2	Specific requirements under Standing Direction 5.2	Page 15
Compliance attestation and declaration		
SD 5.1.4	Attestation for compliance with Ministerial Standing Directions	Page 3
SD 5.2.3	Declaration in report of operations	Page 3
Financial Statements		N.A.
Declaration		
SD 5.2.2	Declaration in financial statements	Page 17
Other requirements under Standing Directions 5.2		
SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	Page 15
SD 5.2.1(a)	Compliance with Ministerial Directions	Page 15
SD 5.2.1(b)	Compliance with Model Financial Report	Page 15
Other disclosures as required by FRDs in notes to the financial statements		
FRD 9B	Departmental Disclosure of Administered Assets and Liabilities by Activity	N.A.
FRD 11A	Disclosure of Ex gratia Expenses	N.A.
FRD 13	Disclosure of Parliamentary Appropriations	N.A.
FRD 21C	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	Page 51
FRD 103G	Non Financial Physical Assets	N.A.
FRD 110A	Cash Flow Statements	Page 23
FRD 112D	Defined Benefit Superannuation Obligations	Page 29-30

Legislation

Residential Tenancies Act 1997

Freedom of Information Act 1982

Building Act 1983

Public Interest Disclosures Act 2012

Financial Management Act 1994