



Rental Bond Board

Annual Report 2018-19

Rental Bond Board Annual Report 2018–19

ISSN:

Author

Department of Customer Service (DCS) formerly the Department of Finance, Services and Innovation (DFSI)

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1. Charter, aims and objectives

The Rental Bond Board (the Board) is a statutory body established in 1977 to act as an independent and impartial custodian of rental bonds on private residential tenancies in New South Wales. In performing its role, the Board is subject to the control and direction of the Minister responsible for NSW Fair Trading. The *Residential Tenancies Act 2010* (the Act) is the governing legislation. Prior to the establishment of the Board, landlords in NSW held rental bonds in trust. Legislation was introduced to address concerns that tenants often had difficulties in contesting the refund of their bond at the end of the tenancy. This service provides a fair and equitable system in which tenants and landlords have equal access to claiming the bond. Any dispute over the payment of bond money can be determined by the NSW Civil and Administrative Tribunal (the Tribunal). Meanwhile the Board retains custody of the funds pending resolution of the matter.

Bond monies are held in trust and invested with the NSW Government through TCorp. Interest earned from the investment funds the following payments.

- Costs or expenses incurred in administering the Act;
- Half the costs or expenses incurred in administering residential and social housing matters in the Consumer and Commercial Division of the NSW Civil and Administrative Tribunal (NCAT); and
- the provision of grants and loans for:
 - tenancy advisory services;
 - schemes for the provision of residential accommodation;
 - education about tenancy laws and the rights and obligations of landlords and tenants;
 - research into matters relevant to the relations of landlord and tenant; and
 - other activities of benefit of landlords and tenants.

NSW Fair Trading administers the day to day functions on behalf of the Board, providing rental bond lodgement, custody, refund and information services. The Department of Customer Service (DCS) formerly the Department of Finance, Services and Innovation (DFSI), within which NSW Fair Trading operates, provides policy and legislative support, financial administration, corporate and general business support. Information on the related management, human resources, business systems and financial administration is found in the DFSI Annual Report 2018-19.

DCS also provides policy and legislative support, financial administration, corporate and general business support.

The Board is self-funding, deriving its income from the investment of rental bond trust funds and from retained earnings prior to distribution. The Board does not have employees and management of the Board's functions are provided by DCS. In performing its role, the Board is subject to the control and direction of the Minister responsible for NSW Fair Trading.

2. Board membership, meetings and structure

2.1 Membership and meetings

The Board is comprised of the Deputy Secretary of Better Regulation Division and Commissioner for Fair Trading (as Chairperson), representatives of the Chief Executive of Family and Community Services and the Secretary of the Treasury, and two persons with experience in real estate or tenancy matters appointed by the Minister for Better Regulation and Innovation. The term of appointment is three years in accordance with Clause 2 of Schedule 1 of the *Residential Tenancies Act 2010*.

Principal officers			
The Board is responsible for providing advice to the Minister, defining policy, considering applications for funding and monitoring and reviewing the performance of the custodial services, investments and funded programs. The Board is required to meet at least once each quarter.			
Rental Bond Board members		Term of appointment	Meetings attended
Ms Rose Webb, Chairperson	Deputy Secretary of BRD and Commissioner for Fair Trading	Ex officio	4
Mr Peter Dunphy	Executive Director, Fair Trading Specialist Services	Ex officio	3
Mr Ranit Ram	Nominee for NSW Treasury	Ex officio	4
Mr Humair Ahmad	Nominee for Family and Community Services	Ex officio	4
Ms Charmaine Jones	Tenants' Union of NSW	Ministerial appointment	3
Mr Miles Felstead	Real Estate Institute of NSW	Ministerial appointment	4

3. Highlights and achievements 2018-19

The reporting year has seen continued progress against the NSW Government's key priorities and outcomes – services, innovation, regulation, finances and people. Key highlights and achievements for 2018 – 2019 demonstrate a continued commitment to deliver efficient and contemporary digital services and an accessible, regulated custodial bond service to the NSW public.

3.1 Digital Services

In the reporting year, 65 per cent of residential rental bonds were lodged and 75 percent of bonds were claimed using Rental Bonds Online, representing a 5 per cent and 9 per cent increase respectively from the previous reporting period. Use of the service within the property industry remains high with over 14,000 real estate agencies and property management offices registering since launch in October 2015. Exceptional uptake in registration of self-managing landlords was observed in this reporting period with registrations increasing from 5,637 to 12,660.

Overall satisfaction with the service remains high with 70 per cent of tenants promoting the service across over 4000 Net Promotor Score surveys sent since August 2018. Strong drivers of customer satisfaction are the accessibility, quality and value offering of the service.

3.2 Custodial Service

A record number of 888,009 residential rental bonds valued at \$1.62 billion was held in custody by the Board at 30 June 2019, representing an increase of approximately 6 per cent in new bonds lodged from the previous reporting period.

Custodial and transactional services to tenants in NSW have been expanded to include public housing and Aboriginal Housing Office bonds paid to Family and Community Services.

3.3 Customer Support

The Rental Bonds Online Security and Support team provides specialist support services to tenants, agents and self-managing landlords requiring assistance with online bond transactions and general account enquiries. In the reporting period the team assisted over 100,000 agents, landlords and tenants via phone and online enquires.

3.4 Community Grants

The Board contributed \$13.0 million to community grants programs. The largest contribution was \$5.76 million provided to the Tenants' Advice and Advocacy Program. Refer to the Board's financial statements for further details.

3.5 Open Data

The NSW Government's Open Data Policy promotes the release of data which supports a range of outcomes, including; social, enhanced service delivery, agency core business, economic opportunity, generates efficiencies or reduced costs, supports evidence-based research or policy. In the reporting period, rental bond data has contributed to programs including Their Futures Matter, a cross-government reform delivering whole-of-system changes to better support vulnerable children and families.

As part of the NSW Governments commitment to improve transparency and increase efficiency, NSW Fair Trading continues to publish deidentified rental bond data providing details of lodgements, refunds and total holdings on its website.

4. Rental bond custodial service

4.1 Community access to independent custodial function for rental bonds

A rental bond is money paid by the tenant as security for the landlord against breaches of the tenancy agreement. The bond is intended to be refunded to the tenant at the end of the tenancy, unless there is rent owing or damage to the property.

The custodial service enables bond monies to be held independently of both parties and ensures that tenants can be certain their bond is available for refund at the end of their tenancy, while allowing landlords to recover funds, where appropriate.

4.2 Investment management and interest payable

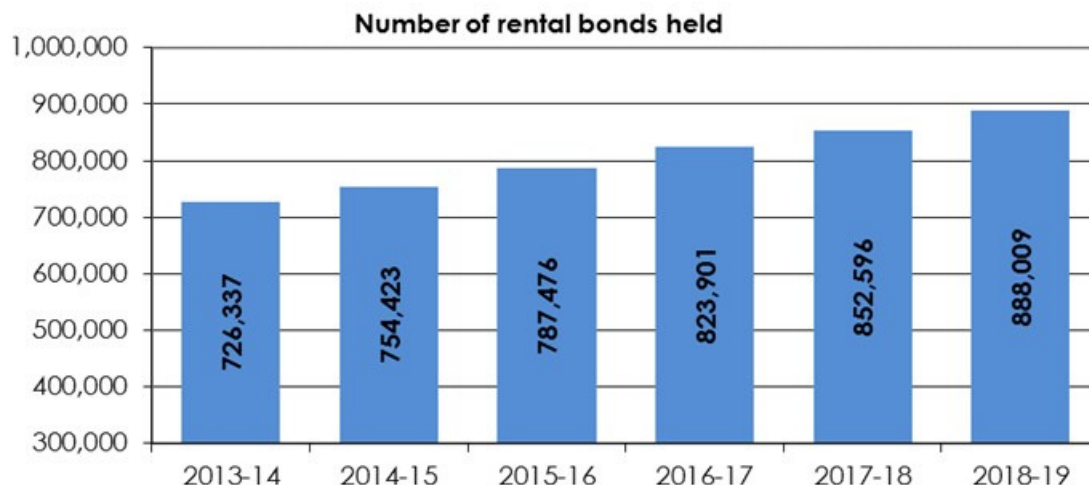
Rental bonds are invested primarily in fixed interest securities with a proportion in cash. The Board has discretion on investment management and currently invests through the NSW Treasury Corporation (TCorp), where funds are directly managed in a fixed interest portfolio (the Rental Bond Board Facility). The balance is held in TCorp's Cash Facility.

The *Residential Tenancies Regulation 2010* states that the rate of interest to be paid when a bond is refunded is set at a level equivalent to interest payable on a Commonwealth Bank of Australia Everyday Access Account balance of \$1,000. As at the date of this report, the interest rate was zero.

4.3 Rental bonds held

At 30 June 2019, the Board held 888,009 residential rental bonds in trust. These were valued at \$1.619 billion. The total number of bonds held increased by 6.5 per cent over the number held at 30 June 2018.

During the year, 340,334 new residential rental bonds were lodged with the Board – an increase of 5.5 per cent from the previous financial year. The number of bonds refunded also increased this year by 3.8 per cent to 304,971.



4.4 Rental bond statistical information

Rental bond lodgement details include a statistical section requesting information on:

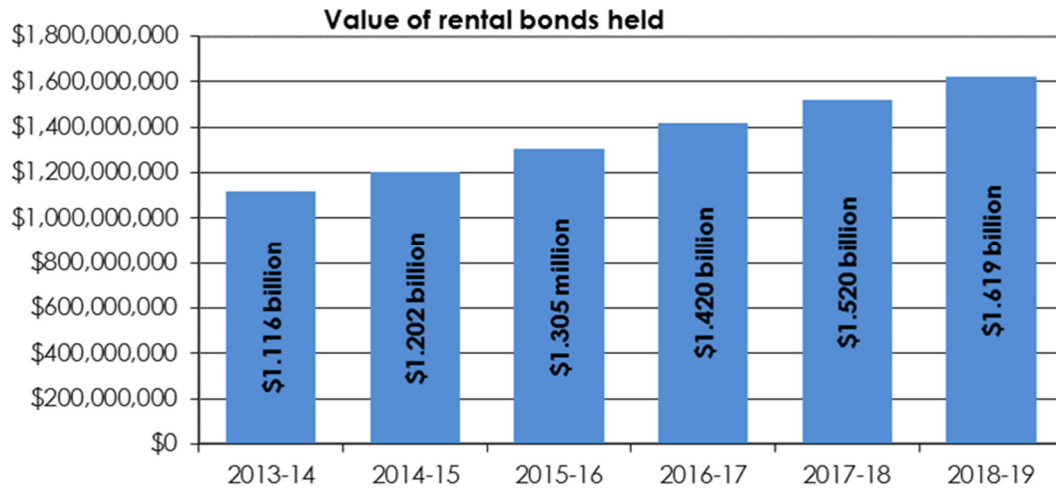
- a) dwelling type;
- b) number of bedrooms;
- c) weekly rent;
- d) date the tenancy commenced; and
- e) date the previous tenancy of the dwelling ended.

Although provision of the statistical information is voluntary, the completion rate is high. The question on weekly rent is answered by landlords or their agents in about 98 per cent of lodgements.

For some years, the collected rental data has been collated and analysed, under agreement, by the Housing Analysis and Research Unit of Family and Community Services. This information is available to the public in summary form in the Rent and Sales Report on the website: www.facs.nsw.gov.au. Summary tables of bonds held and median rentals are included in this report.

In 2018-19, this data was also made available publicly as part of the NSW Government's commitment to improve transparency and increase efficiency. Fair Trading publishes deidentified rental bond data providing details of lodgements, refunds, and total holdings on its website.

It should be noted that, in accordance with NSW privacy legislation, no information on individual rental bonds or tenancies, or individual rented premises is released to members of the public who are not a party to the rental bond, unless required and permitted by law to do so.



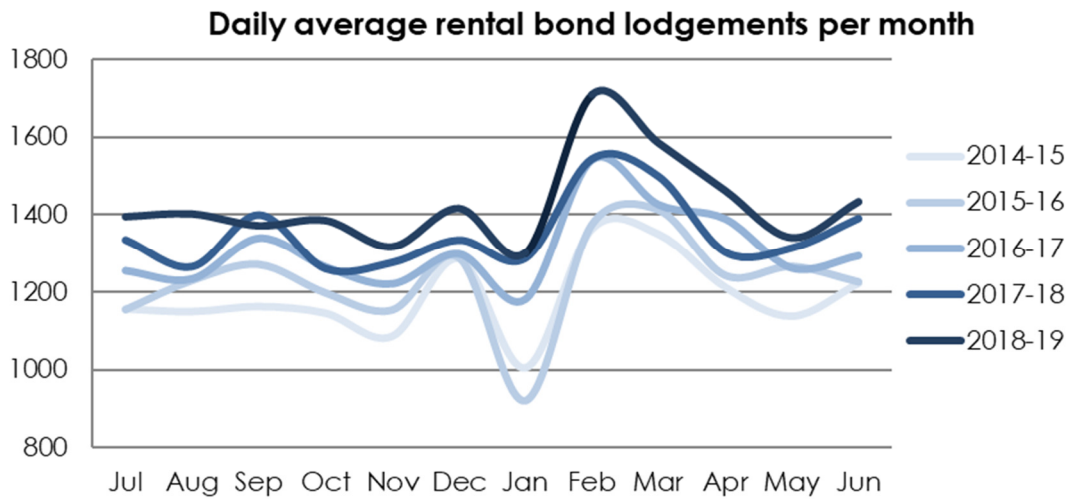
4.5 Rental bond lodgements

During the year, 340,334 new rental bond lodgements and 13,826 additional bonds (where a bond is paid by instalments) were received by the Board.

The total value of bonds receipted was \$703.6 million. Ninety-nine per cent of all bond lodgements were receipted and banked the day they were received.

Rental Bonds Online (RBO) allows agents and private landlords to lodge bonds over the internet. An agent or landlord with their tenant completes the lodgement in RBO enabling tenants to pay their bond directly to the Board by card payment or BPAY. As at end June 2019, 65 per cent of bonds lodged daily were lodged online.

The Board's statistics indicate that in the 2018-19 financial year, 92 per cent of metropolitan bonds and 89 per cent of outer metropolitan and regional bonds were lodged by professional real estate agents, or self-managing landlords owning 10 or more rental properties. This level of professional management has remained fairly constant, varying by only 2-3 per cent over the years of the Board's operation.

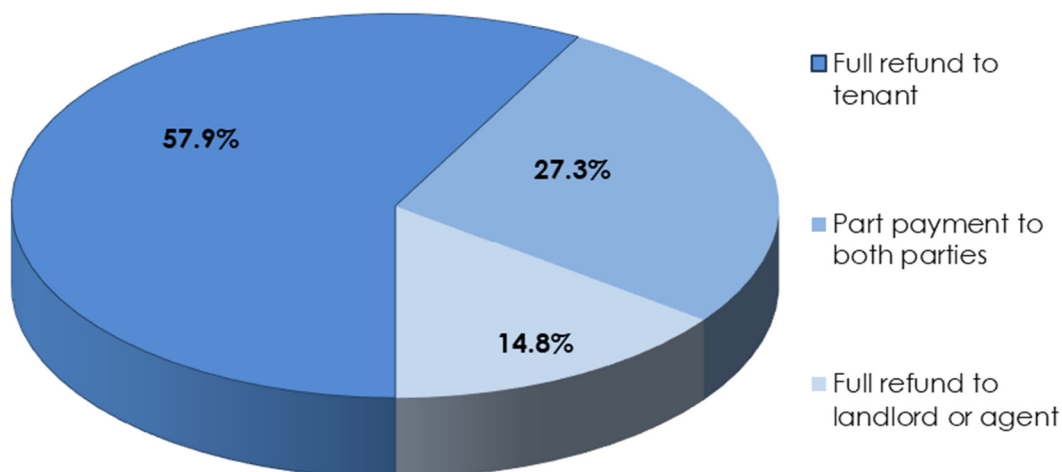


4.6 Rental bond refunds

In 2018-19, 304,971 residential rental bonds were refunded through 388,063 individual payments. RBO also allows agents to submit online claims for bonds previously lodged by forms. As at the end of June 2019, 65 per cent of claims lodged each day were submitted online.

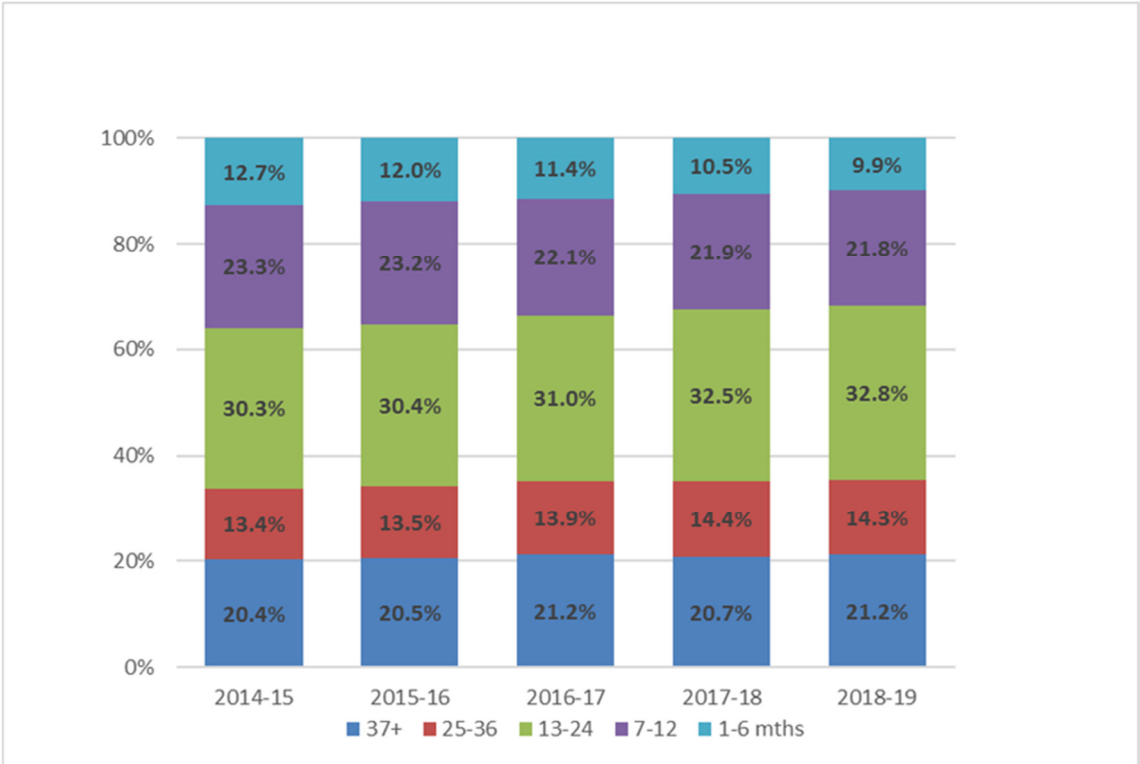
Claims for rental bond refunds are classified in two main categories in accordance with the Act (Part 8, Division 3 Release of rental bonds sections 167 and 168). The first is 'Agreed' claims where both parties have indicated their acceptance of the amount/s to be refunded to each party. The second is 'Notice' claims where one of the parties has not given consent to the refund and a statutory notice of claim is issued, allowing them 14 days to apply to the Tribunal if they wish to dispute the claim.

4.7 Bond refunds paid to tenants and landlords



During 2018-19, 70 per cent of all refunds were agreed by the parties while, in 27 per cent of cases, a notice of claim was issued but no dispute proceeded to the Tribunal. 1.9 per cent of bond refunds were the result of an order by the Tribunal following a dispute over the bond refund. A further 0.5 per cent were refunded after a Tribunal application was withdrawn prior to hearing.

In accordance with Fair Trading’s Guarantee of Service to its customers, 93 per cent of all direct credit refunds were sent to the customers’ bank account within two days of receiving an agreed rental bond claim.



4.8 Length of tenancy

During 2018-19, 68 per cent of all bonds refunded had been held by the Board for more than 12 months at the time of refund, with 35 per cent of all bonds refunded being held for tenancies of greater than two years’ duration.

5. Tenancy Services

In 2018-2019, NSW Fair Trading:

- responded to 112,736 telephone enquiries from tenants, landlords and agents enquiring about their rights and responsibilities under the Act;
- managed 2,980 residential tenancy complaints lodged by tenants, landlords or agents;
- undertook a legislative review of the Act and Regulation;
- provided information resources for tenants, landlords and agents (including fact sheets in 21 community languages);
- delivered community and industry education seminars, e-newsletters and social media campaigns to raise awareness and understanding of the rights and responsibilities of landlords and tenants.

5.1 Tenancy dispute resolution services

Property managers, landlords and tenants can access Fair Trading's free tenancy complaint service and speak to experienced staff who will talk through the issues and contact the other party on their behalf to help negotiate an agreement.

6. Grants programs

On the recommendation of the Board, and the approval of the Minister, the Commissioner for Fair Trading may make a grant or loan from the Rental Bond Interest Account for the following purposes:

- to establish and administer tenancy advisory services;
- to establish schemes for the provision of residential accommodation;
- to educate about tenancy laws and the rights and obligations of landlords and tenants;
- to research into matters relevant to the relationship of landlord and tenant; and
- other activities for the benefit of landlords and tenants.

6.1 Programs funded by the Board to Non-Government Community Organisations

Tenants' Advice and Advocacy Program

In 2018-19, the Board's contribution to the program was \$5.76 million.

The below table outlines total client contacts and cases handled by the Program service providers:

	Total Clients	Total Cases
July 2018-June 2019	79,428	24,315

Credit Counselling Program

The Board's contribution toward the program was \$4.08 million.

The below table outlines total client contacts and cases handled by the Financial Counselling Services Program which utilises the funding provided under the Credit Counselling Program:

	Total Clients	Total Cases
July 2018-June 2019	23,890	9,498

No Interest Loan Scheme

The Board's contribution toward the program was \$2.50 million. The No Interest Loan Scheme is operated nationally by Good Shepherd Microfinance and the contribution enables the employment of community workers to deliver No Interest Loans in NSW.

Data on clients and loans provided is published by Good Shepherd Microfinance

Aged Care Supported Accommodation Services Program

The Board supports the Aged Care Supported Accommodation Service Program which is delivered by the Seniors Rights Service. The Board's contribution toward the program was \$554,358.

	Total Clients	Total Cases
July 2018-June 2019	599	731

National Rental Affordability Scheme (NRAS)

The National Rental Affordability Scheme was jointly supported by the Federal Government and the NSW State Government. The Board's contribution was \$2.5 million.

6.2 Mascot Towers Assistance Package

In June 2019 the NSW Government announced a temporary accommodation assistance package for residents affected by the evacuation of Mascot Towers. The package was formulated to assist tenants and owner occupiers pay for alternative accommodation costs for up to three months whilst apartments were unsafe to occupy. Funding for the package, up to an amount of \$3 million drawn from the Rental Bond Board Interest Account, was approved by the Board on 26 June 2019. As at the date of this report the assistance package will cease in March 2020.

NSW Fair Trading is administering the program and funds are held in a Fair Trading account. The operating costs of the program are incurred by Fair Trading from within its existing operating budget. Individual recipients agree to repay the assistance if they later receive compensation, damages, or other financial recompense for accommodation costs. Fair Trading has entered into an agreement with the owners corporation for reimbursement of any assistance it receives.

7. Statutory reporting requirements

7.1 Workforce diversity

Diversity reporting for the Board is covered in the DFSI Annual Report 2018-19.

7.2 Multicultural policies and services program

The DFSI *Diversity and Inclusion Strategy 2015-2019* covers the Board and is reported in the DFSI Annual Report 2018-19.

7.3 Payment of accounts

Payment of accounts is covered in the DFSI Annual Report 2018-19.

7.4 Internal Controls

The rental bond custodial service is a high-volume financial operation. The Board has instituted a number of systems and procedures to support the integrity of, and accountability for, its business activities. A key feature of these systems is the segregation of duties.

Review findings are discussed by the Rental Bonds Systems Review Committee, and may result in recommendations to management, additional staff training or procedural change to meet the Board's high-quality performance requirements.

During the year, operational reviews did not identify any significant issues that impacted on the Board's service to our customers, or the integrity of financial operations.

7.5 Investment Performance

The Board's investment portfolio is managed by NSW Government TCorp. Please refer to the Financial Report for details relating to performance.

7.6 Government Information (Public Access) Act 2009 (GIPA)

Applications made under the Government Information (Public Access) Act 2009 involving the Board were coordinated centrally within DFSI. Please refer to the DFSI Annual Report for 2018-19 for details on any access applications concerning the Board received during the year.

7.7 Privacy and Personal Information Protection Act 1998 (PPIPA)

The Board has adopted DFSI's privacy management plan during the year. Please refer to the DFSI 2018-19 Annual Report for detail on actions taken to comply with the *Privacy and Personal Information Protection Act 1998* during the year.

There were no reviews conducted by or on behalf of the Board under Part 5 of the PPIPA during the reporting period.

7.8 Public Interest Disclosures

As staff were employees of DFSI, the Board adopted the Department's Public Interest Disclosures Reporting Policy and Procedure during the reporting period. Please refer to the DFSI 2018-19 Annual Report for details on actions taken to ensure staff awareness of responsibilities under section 6E (1)(b) of the *Public Interest Disclosures Act 1994*.

No public officials made a Public Interest Disclosure to the Board during the reporting period. The Board did not receive or finalise any Public Interest Disclosures during the year.

7.9 Nil or NA to report

The Board had nil or NA to report on the following statutory requirements during the year:

- Promotion
- Disclosure of Controlled Entities
- Disclosure of Subsidiaries
- Agreements with Multicultural NSW
- Numbers and remuneration of senior executives
- Implementation of Price Determination
- Liability management performance
- No consultants were contracted during this period
- No events occurred after the end of the reporting period
- No major works
- No research and development
- No land disposal.

As staff were all employed by DFSI, please refer to the DFSI 2018-19 Annual Report for information on regarding:

- Disability Inclusion Action Plan
- Multicultural policies and services program
- Work Health and Safety (WHS).

7.10 Events after the reporting period

There were no events after the reporting period to be disclosed.

Appendix 1 - Digital information security policy attestation

Cyber Security Annual Attestation Statement for the 2018-2019 Financial Year for the Department of Customer Service.

I, Glenn King, Secretary of the Department of Customer Service (DCS), formerly DFSI, am of the opinion that the public sector agencies, or part thereof, (listed below) since the publication of the NSW Government Cyber Security Policy (CSP) on 1 February 2019, have:

- i) managed cyber security risks in a manner consistent with the mandatory requirements set out in the CSP;
- ii) assessed and managed risks to information and systems;
- iii) ensured governance is in place to manage the cyber-security maturity and initiatives;
- iv) a cyber incident response plan which has been exercised during the reporting period, and;
- v) undertaken independent reviews, audits and ISMS certifications or effectiveness of controls or reporting against the mandatory requirements of the CSP which was found to be adequate.

I, Glenn King, am of the opinion that GovConnect NSW's service providers, GovDC, Revenue NSW, Service NSW and Spatial Services had certified compliance with ISO/IEC 27001 for the reporting period.

I, Glenn King, am of the opinion that Department of Customer Service, Better Regulation Division, Data Analytics Centre, GovConnect NSW, Government Technology Platforms, Long Service Corporation, NSW Telco Authority, Property NSW, Service NSW and State Insurance Regulatory Authority had an independent audit of cyber security controls.

I, Glenn King, am of the opinion that Births Deaths and Marriages, Liquor, Gaming and Racing Bodies, Information and Privacy Commission, having moved under the Department of Customer Service on 1 July 2019 are submitting CSP maturity reporting and attestation to their respective former clusters for FY 18-19.

I, Glenn King, am of the opinion that Independent Pricing and Regulatory Tribunal and NSW Architects Registration Board are submitting CSP maturity reporting and attestation to their respective Ministers for FY 18-19.

The entities included for the purposes of this attestation are:

- The Department of Customer Service
- Better Regulation Division
- Data Analytics Centre
- GovConnect NSW
- Government Technology Platforms
- Long Service Corporation
- NSW Telco Authority
- Revenue NSW
- Property NSW
- Spatial Services
- State Insurance Regulatory Authority

Enhancements are in progress to appropriately manage the cyber security maturity and initiatives of DCS entities to meet the requirements of this policy.

Yours sincerely



Glenn King
Secretary

18 September 2019

Cyber Security Attestation & Maturity Report of Better Regulation Division (BRD incl. LSC)


Issue BRD department is required to submit their Cyber Security Policy (CSP) Maturity Report and Attestation to DCS for inclusion in the Cluster Submission.

Analysis The NSW Cyber Security Policy (the policy) replaces the NSW Digital Information Security Policy 2015 and is part of the action plan outlined in the 2018 NSW Cyber Security Strategy. By 31st August each year, all agencies are required to submit their assessments. In order for DCS to meet this deadline, DCS have requested all agencies to provide their reporting before deadline for consolidation and sign-off. Shearwater (vendor) was selected to complete BRD CSP attestation from 22-Jul-19 to 31-Jul-19. Final report completed on 31-Jul-19 evening and is attached in TAB C with this BN.

Recommendations and Actions

- 1 Approve, sign and date the inclusion of the attached BRD attestation statement (**TAB A**)
- 2 Approve inclusion of the attached compliance cover letter (**TAB B**)
- 3 Approve inclusion of the attached BRD CSP attestation maturity report (**TAB C**) for FY19
- 4 Approve inclusion of **TAB D** BRD Crown Jewels
- 5 Approve inclusion of **TAB E** LSC Crown Jewels

Rose Webb

Dep Sec BRD / Fair Trading Commissioner signature:  Date: 8 August 2019

Key reasons

Independent Review supports Compliance

Shearwater Solutions Pty Ltd was engaged to provide an independent review and verified BRD's (incl LSC) level of maturity against the *NSW Government Cyber Security Policy* (CSP).

Shearwater Solutions Pty Ltd are the existing provider (vendor) of information security penetration testing and have provided a cover letter (**TAB B**) and report (**TAB C**) as evidence that BRD had an Information Security Management System in place during the 2018-2019 financial year that is consistent with the Core Requirements set out in the CSP. The independent review also provided recommendations to further improve the maturity of its information security controls over the next twelve months.

Enhance effective cyber security policies

BRD will be able to enhance its effective cyber security policies and procedures and embed cyber security into risk management practices and assurance processes. This CSP attestation for BRD will underpin its resilience as entity who know its risks, will be able to

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make informed decisions in managing those risks, identify opportunities and continuously improve. This will be reinforced with meaningful training, communications and support across all levels of BRD.

Supporting analysis

Compliance Attestation Requirements

Below agencies are in scope of CSP attestation report (TAB C):

- Better Regulation Division
- Safework NSW
- Fair Trading NSW
- Professional Standards Authority
- Subsidence Advisory NSW
- Long Service Corporation

BRD CSP attestation report (TAB C) has assessed maturity covering below major items:

- Agency has assessed its cyber security risks
- Cyber security is appropriately addressed at agency governance forums
- Agency has a cyber incident response plan, it is integrated with the security components of business continuity arrangements, and has been tested over the previous 12 months (involving senior business executives)
- Certification of the agency Information Security Management System (ISMS) is in place or an alternative independent review or audit has been undertaken.

Cyber security maturity ratings against each assessed criteria are listed in Appendix A of Tab C.

There are no residual risks reported of high / extreme rating.

Context

All agencies must provide a yearly report to Cyber Security NSW on their compliance with this policy in a format provided by Cyber Security NSW by 31 August each year. This is largely a maturity-based assessment on the items listed as mandatory requirements including the ACSC Essential 8. It is possible to have a response of "not applicable" with an appropriate explanation that is acceptable to BRD Agency.

The reports is summarised and will be provided to the relevant governance bodies including the Cyber Security Senior Officers Group (CSSOG) and the ICT and Digital Leadership Group (IDLG) and will be use to identify common themes and areas for improvement across NSW Government.



Approval

Prepared by: Mustansar Mumtaz, Compliance and Security PM, ICT – BRD and SIRA

Position	Signature	Date
Stephen Thompson Director, ICT – BRD		02 Aug 2019

Appendix 2 - Internal audit and risk management attestation statement for 2018-19

Internal Audit and Risk Management Attestation Statement for the 2018-2019 Financial Year for the Rental Bond Board

I, Rose Webb, Deputy Secretary and Chair, am of the opinion that the Rental Bond Board has internal audit and risk management processes in operation that are compliant with the eight (8) core requirements set out in the *Internal Audit and Risk Management Policy for the NSW Public Sector*, specifically:

Core Requirements	For each requirement, please specify whether compliant, non-compliant, or in transition
Risk Management Framework	
1.1 The agency head is ultimately responsible and accountable for risk management in the agency	Compliant
1.2 A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2009	Compliant
Internal Audit Function	
2.1 An internal audit function has been established and maintained	Compliant
2.2 The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing	Compliant
2.3 The agency has an Internal Audit Charter that is consistent with the content of the 'model charter'	Compliant
Audit and Risk Committee	
3.1 An independent Audit and Risk Committee with appropriate expertise has been established	Compliant
3.2 The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations	Compliant
3.3 The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'	Compliant

Membership

The chair and members of the Audit and Risk Committee are:

- Carol Holley, Independent Chair, from 2 December 2015 to 1 December 2020;
- Dianne Hill, Independent Member, from 1 February 2016 to 31 January 2021;
- Nirmal Hansra, Independent Member, from 20 December 2017 to 19 December 2020;
- Bruce Turner AM, Independent Member, from 22 January 2016 to 21 January 2021.

This Audit and Risk Committee has been established under a Treasury approved shared arrangement which includes the following departments/statutory bodies:

- Department of Finance, Services and Innovation
- Rental Bond Board
- Building Professionals Board
- NSW Government Telecommunications Authority



Rose Webb
Deputy Secretary & Chair
Rental Bond Board

Date: 28 August 2019

Agency Contact Officer
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Appendix 3 - Independent Auditors Report



INDEPENDENT AUDITOR'S REPORT

Rental Bond Board

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Rental Bond Board (the Board), which comprise the Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Summary of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Board as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Board in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

Other Information

The Board's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The members of the Board of the Board are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Member's Statement.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Board's Responsibilities for the Financial Statements

The members of the Board are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the members of the Board determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members of the Board are responsible for assessing the Board's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Board carried out its activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Min Lee
A/Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 September 2019
SYDNEY



Ms Rose Webb
Chairperson
Rental Bond Board
McKell Building
2–24 Rawson Place
SYDNEY NSW 2000

Contact: Min Lee
Phone no: (02) 9275 7151
Our ref: D1916121/0392

30 September 2019

Dear Ms Webb

STATUTORY AUDIT REPORT

for the year ended 30 June 2019

Rental Bond Board

I have audited the financial statements of the Rental Bond Board (the Board) as required by the *Public Finance and Audit Act 1983* (PF&A Act). This Statutory Audit Report outlines the results of my audit for the year ended 30 June 2019, and details matters I found during my audit that are relevant to you in your role as one of those charged with the governance of the Board. The PF&A Act requires me to send this report to the Board, the Minister and the Treasurer.

This report is not the Independent Auditor's Report, which expresses my opinion on the Board's financial statements. I enclose the Independent Auditor's Report, together with the Board's financial statements.

My audit is designed to obtain reasonable assurance the financial statements are free from material misstatement. It is not designed to identify and report all the matters you may find of governance interest. Therefore, other governance matters may exist that I have not reported to you.

My audit is continuous. If I identify new significant matters, I will report these to you immediately.

Audit result

I expressed an unmodified opinion on the Board's financial statements and I have not identified any significant matters since my previous Statutory Audit Report.

Misstatements in the financial statements

Misstatements (both monetary and disclosure deficiencies) are differences between what has been reported in the financial statements and what is required in accordance with the Board's financial reporting framework. Misstatements can arise from error or fraud.

I have certain obligations for reporting misstatements:

- the PF&A Act requires agencies to obtain the Auditor-General's approval for all changes to the financial statements originally submitted for audit. The more significant/material changes are reported in a Statutory Audit Report
- the Auditing Standards require matters of governance interest and significant misstatements identified during the audit to be communicated to those charged with governance
- statutory obligations require the Auditor-General to report misstatements resulting from or not detected because of failures in internal controls and/or systemic deficiencies which pose a significant risk to the Board.

Our audit procedures did not identify any monetary misstatements in the financial statements.

Corrected disclosure deficiencies

Management corrected the following disclosure deficiencies in the current year's financial statements. We agree with management's determination and confirm this treatment complies with Australian Accounting Standards.

AASB reference	Disclosure title	Description of disclosure deficiency
AASB 101	Note 14 Rental Bonds	The amounts relating to pending lodgements from tenants, landlords and real estate agents was understated by \$1.3 million.
Various	Various	Other minor changes to notes were identified through the audit process and corrected in the financial statements.

Based on my evaluation, none of the misstatements reported are due to fraud.

Compliance with legislative requirements

My audit procedures are targeted specifically towards forming an opinion on the Board's financial statements. This includes testing whether the Board has complied with legislative requirements that may materially impact the financial statements. The results of the audit are reported in this context. My testing did not identify any reportable instances of non-compliance with legislative requirements.

Auditor-General's Report to Parliament

The Auditor-General's Report to Parliament on Central Agencies will incorporate the results of the audit.

Publication of the Statutory Audit Report

I consider this Statutory Audit Report to fall within the definition of 'excluded information' contained in Schedule 2(2) of the *Government Information (Public Access) Act 2009*. Under Schedule 1(6) of this Act, please seek the Audit Office's consent before releasing this report publicly. Agencies are advised to also seek approval from the Minister(s) and the Treasurer before publishing this report.

Acknowledgment

I thank the Board's staff for their courtesy and assistance.

Yours sincerely

A handwritten signature in black ink, consisting of the letters 'M', 'L', and 'L' in a stylized, cursive font.

Min Lee
A/Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

Appendix 4 - Rental Bond Board Financial Statements

RENTAL BOND BOARD

MEMBERS' STATEMENT

Pursuant to Section 41C of the *Public Finance and Audit Act 1983* we declare, on behalf of the Board, that in our opinion:

- (1) the accompanying financial statements exhibit a true and fair view of the financial position of the Board as at 30 June 2019 and transactions for the year ended 30 June 2019;
- (2) the statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015*, Australian Accounting Standards and the Treasurer's Directions.

Further, the Members of the Board are not aware of any circumstances that would render any particulars included in the financial statements to be misleading or inaccurate.

On behalf of the Board.



Peter Dunphy
Chairperson (Acting)
27 September 2019

RENTAL BOND BOARD				
STATEMENT OF COMPREHENSIVE INCOME				
FOR THE YEAR ENDED 30 JUNE 2019				
	Notes	Actual 2019 \$'000	Budget 2019 \$'000	Actual 2018 \$'000
Expenses excluding losses				
Other operating expenses	2(a)	31,650	30,625	26,546
Grants and subsidies	2(b)	27,390	26,330	26,056
Total Expenses excluding losses		59,040	56,955	52,602
Revenue				
Investment revenue	3(a)	57,451	57,602	55,881
Other revenue	3(b)	1,192	-	914
Total Revenue		58,643	57,602	56,795
Gain/(loss) on sale of asset	4	1,187	(25)	-
		1,187	(25)	-
NET RESULT		790	622	4,193
Other comprehensive income		-	-	-
Total other comprehensive income/(loss)		-	-	-
TOTAL COMPREHENSIVE INCOME/ (LOSS)		790	622	4,193

The accompanying notes form part of these statements.

RENTAL BOND BOARD				
STATEMENT OF FINANCIAL POSITION				
AS AT 30 JUNE 2019				
	Notes	Actual 2019 \$'000	Budget 2019 \$'000	Actual 2018 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents	5	62,633	62,158	54,833
Receivables	6	4,648	4,508	11,498
Total Current Assets		67,281	66,666	66,331
Total Assets		67,281	66,666	66,331
LIABILITIES				
Current Liabilities				
Accruals	7	819	2,781	659
Total Current Liabilities		819	2,781	659
Total Liabilities		819	2,781	659
Net Assets / (Liabilities)		66,462	63,885	65,672
EQUITY				
Accumulated funds		66,462	63,885	65,672
Total Equity		66,462	63,885	65,672

The accompanying notes form part of these statements.

RENTAL BOND BOARD			
STATEMENT OF CHANGES IN EQUITY			
FOR THE YEAR ENDED 30 JUNE 2019			
	Notes	Accumulated Funds \$'000	Total \$'000
Balance at 1 July 2018		65,672	65,672
Net Result for the year		790	790
Other comprehensive income		-	-
Total comprehensive income for the year		790	790
Balance at 30 June 2019		66,462	66,462
Balance at 1 July 2017		61,479	61,479
Net Result for the year		4,193	4,193
Other comprehensive income		-	-
Total comprehensive income for the year		4,193	4,193
Balance at 30 June 2018		65,672	65,672

The accompanying notes form part of these statements.

RENTAL BOND BOARD				
STATEMENT OF CASH FLOWS				
FOR THE YEAR ENDED 30 JUNE 2019				
	Notes	Actual 2019 \$'000	Budget 2019 \$'000	Actual 2018 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Grants and subsidies		(27,390)	(26,330)	(26,056)
Payments to suppliers		(31,742)	(30,625)	(27,022)
Total Payments		(59,132)	(56,955)	(53,078)
Receipts				
Interest received		64,310	57,602	54,670
Other Receipts		164	-	130
Other Income		1,271	-	914
Total Receipts		65,745	57,602	55,713
NET CASH FLOWS FROM OPERATING ACTIVITIES	9	6,613	647	2,635
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of assets		1,187	(25)	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		1,187	(25)	-
NET INCREASE/(DECREASE) IN CASH				
Opening cash and cash equivalents		7,800	622	2,635
		54,833	61,536	52,198
CLOSING CASH AND CASH EQUIVALENTS	5	62,633	62,158	54,833

The accompanying notes form part of these statements.

RENTAL BOND BOARD
FOR THE YEAR ENDED 30 JUNE 2019
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Rental Bond Board (the Board) is a NSW government entity. The Board is a not-for-profit entity (as profit is not its principle objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

The Rental Bond Board as a statutory authority and a reporting entity comprises all the activities under its control.

The administrative functions for the Board are performed by the Department of Finance, Services and Innovation and costs associated with these functions are paid for on an operational basis in relation to activities performed (Note 2).

These financial statements for the year ended 30 June 2019 have been authorised for issue by the Chairperson of the Board on 27 September 2019.

(b) Basis of Preparation

The Board's financial statements are general purpose financial statements, which have been prepared on an accrual basis and in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2015*; and
- the financial reporting directions mandated by the NSW Treasury.

Financial assets at "fair value through profit or loss" are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

Judgement, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(c) Statement of Compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

(d) Accounting for the Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of GST, except:

- the amount of GST incurred by the Board as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense, and
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the Statement of Cash Flows on a gross basis.

(e) Income Recognition

Income is measured at the fair value of the consideration or contribution received or receivable, to the extent it is probable that economic benefits will flow to the Board and the revenue can be measured reliably. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For financial assets that become credit impaired, the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses).

(f) Interest Received on Investments and Interest Paid on Rental Bonds

Interest received on investments is deposited into the Rental Bond Interest Account. This account is used to fund the Board's operations and grant payments to cover half of the operating costs of the tenancy functions of the NSW Civil and Administrative Tribunal (NCAT) and certain tenancy support programs (Refer to Note 2(b)). The Board pays interest on rental bonds at the time the bond is refunded. The interest rate paid is linked to the rate paid on a Streamline Account balance of \$1,000 by the Commonwealth Bank of Australia. The rate is cumulative six-monthly and paid from the Rental Bond Interest Account in accordance with *Section 173 of the Residential Tenancies Act 2010*.

(g) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value plus any directly attributable transaction costs. Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Subsequent measurement under AASB 9 (from 1 July 2018)

The Board holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Subsequent measurement under AASB 139 (for comparative period ended 30 June 2018)

Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

(h) Investments

Investments are classified at initial recognition, as subsequently measured at either fair value through profit or loss, or other comprehensive income. The Board determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

Financial assets at fair value through profit and loss include financial assets held for trading, financial assets designated through profit or loss, or financial assets mandatorily required to be measured at fair value under AASB9. A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss is recognised in net results.

The net amount of GST recoverable or payable to the taxation authority must be included as part of receivables or payables.

Purchases or sales of investments under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date i.e. the date the Board commits to purchase or sell the asset.

The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the Statement of Financial Position date.

(i) Insurance

The Board's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for Government entities. The expense (premium) is determined by the Fund Manager based on past claims experience

(j) Impairment of Financial Assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment.

Impairment under AASB 9 (from 1 July 2018)

The Board recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the Board expects to receive, discounted at the original effective interest rate. For trade receivables, the entity applies a simplified approach in calculating ECLs.

The Board recognises a loss allowance based on lifetime ECLs at each reporting date. The entity has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward looking factors specific to the receivable.

Impairment under AASB 139 (for comparative period ended 30 June 2018)

An allowance for impairment is established when there is objective evidence that the Board will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence, if objectively related to an event occurring after the impairment was recognised.

Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

(k) Derecognition of Financial Assets and Financial Liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire, or if the Board transfers the financial asset:

- where substantially all the risks and rewards have been transferred or
- where the Board has not transferred nor retained substantially all the risks and rewards of the assets but transferred control.

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

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

(l) Trust Funds

The Board receives monies in a trustee capacity as set out in Note 13. As the Board performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the Board's own objectives, these funds are not recognised in the financial statements.

(m) Liabilities

These amounts represent liabilities for goods and services provided to the Board and other amounts. Payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(n) Fair Value Hierarchy

AASB 13 defines fair value as 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under *AASB 13 Fair Value Measurements*, the Board categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 - quoted prices in active markets for identical assets / liabilities that the Board can access at the measurement date.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3 - inputs that are not based on observable market data (unobservable inputs).

The entity recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Refer Note 11 for further disclosures regarding the fair value measurements of financial assets.

(o) Equity

The category 'Accumulated Funds' includes all current and prior period retained funds.

(p) Budgeted Amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget (e.g. adjustment for transfer of functions between entities as a result of Administrative Arrangements Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 10.

(q) Changes in Accounting Policy, Including New or Revised Australian Accounting Standards

(i) Effective for the first time in 2018-19

Rental Bond Board has adopted AASB 9 *Financial Instruments* (AASB 9), which resulted in changes in accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments and impairment of financial assets.

AASB 9 also significantly amends other standards dealing with financial instruments such as the revised AASB 7 *Financial Instruments: Disclosures* (AASB 7R).

The adoption of AASB 9 has no material impact to the Rental Bond Board.

(ii) Issued but not yet effective

The following new Australian Accounting Standards have not been applied and are not yet effective. These new Standards will not have any direct impact on the financial performance or position of the Authority.

- AASB 15, AASB 2014-5, AASB 2015-8 and 2016-3 regarding Revenue from Contracts with Customers
- AASB 1058 Income for Not-for-profit Entities
- AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities
- AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Materiality

(r) Comparative Information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

2. EXPENSES EXCLUDING LOSSES

As mentioned in Note 1(a), the Department of Finance, Services and Innovation has applied an Administrative Assistance Charge for the recovery of expenses that it has incurred on behalf of the Board, associated employee related costs and other operating expenses.

(a) Other Operating Expenses

	2019	2018
	\$'000	\$'000
Administrative Service Charge	24,011	22,579
Auditor's Remuneration	107	105
Investment Management Fee	1,129	985
Fair Trading Dispute Mediation Unit	2,224	1,972
Other*	4,179	905
	<u>31,650</u>	<u>26,546</u>

*Other includes financial assistance costs of \$3.0 million relating to Mascot Tower incident.

(b) Grants and Subsidies

		2019	2018
		\$'000	\$'000
Tenancy Services	(i)	345	875
Credit Counselling Program	(ii)	4,083	3,201
No Interest Loans Scheme	(iii)	3,596	3,424
Tenants' Advice and Advocacy Program	(iv)	3,610	6,438
Tenancy Functions of the NSW Civil and Administrative Tribunal	(v)	10,756	9,618
National Rental Affordability Scheme	(vi)	5,000	2,500
		<u>27,390</u>	<u>26,056</u>

(i) Tenancy Services (TARS)

Within the framework of the *Residential Tenancies Act 2010* and the *Retirement Villages Act 1999*, the Tenancy Services provide impartial information, mediation and education services to tenants, village residents, landlords, their agents and village management about their rights and obligations under this legislation.

(ii) **Credit Counselling Program (CCP)**

Provides funding for the provision of financial counselling services to individuals most of whom are tenants and training of persons in financial counselling and for education in financial management. This program is supplementary to the Credit Counselling Program within the Department of Finance, Services and Innovation.

(iii) **No Interest Loan Scheme (NILS)**

A community based program that helps people on low income, most of whom are tenants, to buy essential household items. This program provides funding towards NILS administration costs and employment of a dedicated NILS Coordinator.

(iv) **Tenants' Advice and Advocacy Program (TAAP)**

The Tenants' Advice and Advocacy Program was implemented to provide advice, information and advocacy to public and private tenants, and where appropriate to people seeking to become tenants. The service also undertakes community education on the issues of tenants' rights.

The Program is jointly funded by the Department of Finance, Services and Innovation and the Rental Bond Board in accordance with the *Property, Stock and Business Agents Act 2002*, and the *Residential Tenancies Act 2010*.

(v) **Tenancy Functions of the NSW Civil and Administrative Tribunal (NCAT)**

The NSW Civil and Administrative Tribunal has the jurisdiction to determine matters under the *Residential Tenancies Act 2010* and the *Retirement Villages Act 1999*. These matters include requests to terminate tenancy agreements, payment of rental bonds on termination of tenancies, breaches relating to terms of the tenancy agreement and payment of compensation. This function is administered by the Department of Justice and is jointly funded by the Department of Finance, Services and Innovation and the Rental Bond Board.

(vi) **National Rental Affordability Scheme (NRAS)**

The National Rental Affordability Scheme was jointly supported by the Federal Government and the NSW State Government with the aim to increase the supply of affordable rental dwellings across New South Wales. The scheme will be available to very low to moderate income tenants across the state.

3. **REVENUE**

(a) **Investment Revenue**

	2019	2018
	\$'000	\$'000
Interest from Rental Bond Account Investments	59,471	57,743
Amortisation of (Premium)/Discounts on Rental Bond Account Investments	(2,020)	(1,862)
	<u>57,451</u>	<u>55,881</u>

Investment revenue is derived from a number of sources including interest on bank accounts and investments held with NSW TCorp.

(b) **Other Revenue**

	2019	2018
	\$'000	\$'000
Net Merchant Fees	1,192	914
	<u>1,192</u>	<u>914</u>

4. GAIN/ (LOSS) ON SALE OF ASSETS

	2019	2018
	\$'000	\$'000
Gain from sale of short term securities	1,187	-
	1,187	-

5. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2019	2018
	\$'000	\$'000
Cash at Bank	62,633	54,833
	62,633	54,833

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash at bank.

Cash and cash equivalent assets recognised in the Statement of Financial Position is reconciled at the end of the financial year to the Statement of Cash Flows as follows:

Cash and cash equivalents (per statement of financial position)	62,633	54,833
Closing cash and cash equivalents (per statement of cash flows)	62,633	54,833

Refer to Note 11 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

6. CURRENT ASSETS – RECEIVABLES

	2019	2018
	\$'000	\$'000
Rental Bond Trust Account	4,629	11,487
GST Receivable	19	11
	4,648	11,498

Details regarding credit risk, liquidity risk and market risk are disclosed in Note 11.

7. CURRENT LIABILITIES - ACCRUALS

	2019	2018
	\$'000	\$'000
Other Accrued Charges	819	659
	819	659

Details regarding credit risk, liquidity risk and market risk are disclosed in Note 11.

8. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Rental Bond Board is not aware of any contingent liabilities or contingent assets at the date of these financial statements.

9. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET RESULT

	2019	2018
	\$'000	\$'000
Net Cash from Operating activities	6,613	2,635
Net gain/(loss) on sale of assets	1,187	-
Increase/(Decrease) in Receivables	(6,840)	1,197
(increase)/Decrease in Payables	(170)	361
Net result	790	4,193

10. BUDGET REVIEW

Statement of Comprehensive Income

Actual net result of the Board for 2018-19 is a surplus of \$0.8m compared to the original budgeted surplus of \$0.6m, a favourable variance of \$0.2m. This is predominantly due to lower than budgeted interest paid to the bond holders.

Statement of Financial Position

The Board's net assets as at 30 June 2019 were \$66.5m compared to the budgeted net assets of \$63.9m. The \$2.6m increase is due to timely payments of invoices resulting lower accruals required as at 30 June 2019 against the budget assumptions.

Statement of Cashflows

Net increase in cash during the year is \$7.8m compared to the budgeted net increase of \$0.6m. The increase is largely relating to May 2018 interest payment received in financial year 2018-19 along with higher investment revenue due to increase of funds in investment pool.

11. FINANCIAL INSTRUMENTS

The Board's principal financial instruments are outlined below. These financial instruments arise directly from the Board's operations or are required to finance its operations. The Board does not enter or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board's main risks arising from financial instruments are outlined below, together with the Board's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Board has overall responsibility for the establishment and oversight of risk management and reviews and agrees on policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Board, to set limits and controls and to monitor risks. Compliance with policies is reviewed by the Board on a regular basis.

The Board's financial instruments include cash, receivables, investments and payable.

(a) **Financial Instrument Categories**

As at 30 June 2019 under AASB 9

Financial Assets	Note	Category	2019
			\$'000
			Carrying Amount
Class:			
Cash and cash equivalents	5	Not applicable	62,633
Receivables(i)	6	Amortised cost	4,629
Financial Liabilities	Note	Category	
Class:			
Payables(ii)	7	Financial liabilities measured at amortised cost	819

(i) Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7)

(ii) Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7)

As at 30 June 2018 under AASB 139(Comparative Period)

Financial Assets	Note	Category	2018
			\$'000
			Carrying Amount
Class:			
Cash and cash equivalents	5	Not applicable	54,833
Receivables(i)	6	Loans and receivables (at amortised cost)	11,487
Financial Liabilities	Note	Category	
Class:			
Payables(ii)	7	Financial liabilities measured at amortised cost	659

(i) Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7)

(ii) Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7)

(b) **Credit Risk**

Credit risk arises when there is the possibility of the Board's debtors defaulting on their contractual obligations, resulting in a financial loss to the Board. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for credit losses or allowance for impairment).

Credit risk arises from the financial assets of the Board, including cash and receivables. No collateral is held by the Board. The Board has not granted any financial guarantees.

Credit risk associated with the Board's financial assets, other than receivables, is managed through the selection of counter parties and establishment of minimum credit rating standards.

Cash

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average TCorp 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

Receivables

Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. The Board applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. There were no trade receivables as at balance date.

(c) Liquidity Risk

Liquidity risk is the risk that the Board will be unable to meet its payment obligations when they fall due. The Board continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

During the current and prior years, there were no defaults on any borrowings. No assets have been pledged as collateral. The Board's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12.

For small business suppliers, where terms are not specified, payment is made no later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Head of an authority (or a person appointed by the Head of an authority) may automatically pay the supplier simple interest. As at 30 June 2019 total liabilities amounted to \$0.8 million of which none are payable to small business suppliers or considered to be interest bearing.

(d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Board's exposure to market risk is primarily through interest rate risk on the Board's cash and cash equivalents. The Board has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below for interest rate risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Board operates and the time frame for the assessment (i.e. until the end of the next annual reporting period).

The sensitivity analysis is based on risk exposures in existence at the statement of financial position date. The analysis is performed on the same basis as for 2017-18. The analysis assumes that all other variables remain constant.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through interest rates on cash and cash equivalents. The Board does not account for any fixed rate financial instruments at fair value through profit or loss.

Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on

official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Board's exposure to interest rate risk is set out below.

	2019		2018	
	\$'000		\$'000	
	-1%	1%	-1%	1%
Net Result	(672)	672	(663)	663
Equity	(672)	672	(663)	663

(e) **Fair value measurement**

Fair value compared to carrying amount

Financial instruments are recognised at cost. The amortised cost of financial instruments recognised in the Statement of Financial Position approximates the fair value, because of the short-term nature of many of the financial instruments. There are no instances where there is a variance between the fair value and carrying amount.

12. RELATED PARTY DISCLOSURES

The Board's key management personnel compensation are as follows:

	2019	2018
	\$'000	\$'000
Short-term employee benefits:		
Salaries	8	8
Other long-term employee benefits	-	-
Total remuneration	8	8

During the year, the Board has not entered into any transactions on arm's length terms and conditions with key management personnel, their close family members and controlled or jointly controlled entities thereof.

During the year, the Board entered into transactions with other entities that are controlled by NSW Government. These transactions in aggregate are a significant portion of the Board's operating expenses and grants and subsidies expense. Please refer below for details of transactions entered with other agencies.

Other related party transactions- 2019	Transaction Value	Net Receivable/(Payable)
	\$'000	\$'000
Nature of transaction		
Administrative Service Charge - Fair Trading	(24,011)	-
Dispute Mediation Unit – Fair Trading	(2,224)	(602)
Tenancy Functions of the NSW Civil and Administrative Tribunal – Department of Justice	(10,756)	-
National Rental Affordability Scheme – NSW Land and Housing Corporation	(5,000)	-
Net Investment Return - TCorp	53,623	-
Asset Administrative Fee from TCorp	(1,129)	(94)
Audit Fee – NSW Audit Office	(107)	(63)
	10,396	(759)

Other related party transactions-2018	Transaction Value	Net Receivable/(Payable)
	\$'000	\$'000
Administrative Service Charge - Fair Trading	(22,579)	-
Dispute Mediation Unit – Fair Trading	(1,972)	-
Tenancy Functions of the NSW Civil and Administrative Tribunal – Department of Justice	(9,618)	-
National Rental Affordability Scheme – NSW Land and Housing Corporation	(2,500)	-
Net Investment Return - TCorp	52,968	-
Asset Administrative Fee from TCorp	(985)	(91)
Audit Fee – NSW Audit Office	(105)	(38)
	15,209	(129)

13. RENTAL BONDS

As the Board performs only a custodial role in respect of the trust monies and because the monies cannot be used to obtain benefits from its activities (other than the receipt of interest income as per the legislation), trust funds are not brought to account in the financial statements, but are shown in the notes for information purposes.

Effective 1 November 2018 the Board has taken up administration and management of residential bonds relating to public housing on behalf of the Family and Community Services (FACS).

Amounts owing to New South Wales Residential Bond Holders

	2019	2018
	\$'000	\$'000
Liability at the beginning of the financial year	1,523,402	1,423,706
Add: Receipts	703,654	661,469
Less: Expenditure	(604,377)	(561,773)
Liability at the closing of the financial year	1,622,679* ^	1,523,402

*Excludes \$11.35 million primarily relating to pending lodgements from tenants, landlords and real estate agents as at 30 June 2019.

^ This balance also includes \$0.008 million Public Housing Tenancy bonds and \$0.19 million Rent Start bonds managed on behalf of Department of Family and Community Services.

In accordance with Sections 162 & 185(1) of the *Residential Tenancies Act 2010*, bonds received by landlords or their agents must be deposited with the Board's Rental Bond Account within ten days of receipt. The Board invests funds from the Rental Bond Account in accordance with Section 185(2) of the *Residential Tenancies Act 2010* and the *Public Authorities (Financial Arrangements) Act 1987*. Interest received on investments is paid into the Rental Bond Interest Account. Funds awaiting disbursement are invested on the short-term money market in accordance with the Board's legislation for periods not exceeding 180 days.

Book Valuation of Rental Bond Account Investments

	2019	2018
	\$'000	\$'000
Direct Fixed Interest Portfolio	1,438,947	1,384,136
Private Shared Equity Scheme	1,914	1,881
Westpac Banking Corporation	200,301	162,106
	1,641,162	1,548,123

Market Valuation of Rental Bond Investments

	2019	2018
	\$'000	\$'000
Direct Fixed Interest Portfolio	1,555,720	1,435,687
Private Shared Equity Scheme	1,914	1,881
Westpac Banking Corporation	200,301	162,106
	1,757,935	1,599,674

Total liability to tenants as at 30 June 2019 is \$1,623 million compared to the market value of the Trust's investments of \$1,758 million, resulting in an excess of \$135 million (2017-18 excess \$77 million).

The Board monitors and reviews its investment strategy and performance on an ongoing basis to ensure that the gap between its total liability to bond holders and the market value of the Trust's investments is managed to minimise its risk exposure.

14. AFTER BALANCE DATE EVENTS

In accordance with the Administrative Arrangements (Administrative Changes – Public Services Agencies) Order 2019 under the *Constitution Act 1902* dated 2 April 2019, the administrative arrangement with DFSI will be referenced to the Department of Customer Services effective 1 July 2019. The Machinery of Government (MoG) changes announced on 2 April 2019 have no impact to the Rental Bond Board.

END OF AUDITED FINANCIAL STATEMENTS