



Fair  
Trading

# Rental Bond Board

Annual Report 2014-15



# Rental Bond Board

## Annual Report 2014-15

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## Overview

The Rental Bond 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.

The powers and functions of the Board are set out in the *Residential Tenancies Act 2010* (the Act) and its associated regulation. Prior to the establishment of the Board, landlords in New South Wales held rental bonds in trust. The Act was introduced to address concerns that tenants often had difficulties in contesting the refund of their bond at the end of the tenancy.

The Board 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 resolved effectively and cheaply through the NSW Civil and Administrative Tribunal. Meanwhile the Board retains custody of the funds pending resolution of the matter.

In performing its role, the Board is subject to the control and direction of the Minister responsible for Fair Trading. The Board is a self-funding corporation - deriving its income from the investment of rental bond trust funds and from retained earnings prior to distribution.

Although the Board is a statutory authority in its own right, the Act allows it to employ the facilities or services of any government authority to perform its functions.

NSW Fair Trading serves the Rental Bond Board by undertaking the rental bond lodgement, custody and refund functions, as well as providing tenancy and bond information to customers.

Fair Trading also provides policy and legislative support while the broader umbrella organisation of the Office of Finance and Services provides financial administration, corporate and general business support. Information on the management, human resources, business systems and financial administration of the board is found in the NSW Office of Finance and Services Annual Report 2014-15.

A vital secondary role for the Board is the financial support it provides to other programs which encourage a fair tenancy marketplace in NSW.

Funding for the community-based Tenants' Advice and Advocacy Program (TAAP), the Government's own tenancy information and dispute resolution services and for the tenancy functions of the NSW Civil and Administrative Tribunal, was also at a record level this year.

The Board also contributes to the funding of Fair Trading's grants programs for credit counselling and the No Interest Loans Scheme, and is the sole funding source for The Seniors' Rights Service.

## Access

The Rental Bond Board is the independent custodian of rental bonds paid by tenants to landlords for residential tenancies. Landlords must lodge tenants' bond money with the Board. Fair Trading's Rental Bonds Branch administers the day to day functions of the Board, providing rental bond lodgements, custody, refunds and information services.

People can access the Rental Bond Board and its services via Service NSW Centres, by phoning the Fair Trading Contact Centre on 13 32 20 or via the Fair Trading website.

Rental Bonds  
Locked Bag 9000  
GRAFTON NSW 2460  
Phone: 13 32 20

Secretariat functions of the Board are carried out by NSW Fair Trading at:

Level 9, 2-24 Rawson Place  
SYDNEY NSW 2000  
PO Box 972  
PARRAMATTA NSW 2124

Email: [Secretariat@finance.nsw.gov.au](mailto:Secretariat@finance.nsw.gov.au)  
Fax: (02) 9338 8970

## Annual Report production costs

No external costs have been incurred in the writing, preparation or printing of this annual report. Printing of minimal quantities has been accomplished by laser printing and photocopying as required.

Electronic copies are available through the NSW Fair Trading website.

## Board Membership

The Board is comprised of the Commissioner for Fair Trading (as Chairperson), representatives of the Chief Executive of Housing NSW and the Secretary of the Treasury, and two persons with experience in real estate or tenancy matters appointed by the Minister responsible for Fair Trading.

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
<b>Mr Rod Stowe, Chairperson</b>	Commissioner for Fair Trading	Ex officio	3
<b>Mr Ranit Ram</b>	Nominee for NSW Treasury	Ex officio	3
<b>Mr Mark Bayly in place of Ms Lucy Barron</b>	Nominee for Family and Community Services	Ex officio	2
<b>Ms Charmaine Jones</b>	Tenants' Union of NSW	Ministerial appointment	3
<b>Mr Miles Felstead</b>	Real Estate Institute of NSW	Ministerial appointment	3

## Highlights

- Record 754,423 residential rental bonds valued at \$1.202 billion were held in custody by the Board at 30 June 2015.
- The Rental Bond Board provided \$4.87 million to the Tenants' Advice and Advocacy Program (TAAP), a program which is jointly funded by the Board and Fair Trading.
- Use of the Rental Bond Internet Service (RBIS) continues to grow with the online rental bond self-service channel for real estate property managers now handling 19% of refund claims and 56% of rental bond enquiries.

## Snapshot

Performance measures	Target*	2011-12	2012-13	2013-14	2014-15
Rental bond lodgements receipted and banked within GoS	90%	95%	98%	97%	98%
Agreed direct deposit refunds banked within GoS	90%	98%	97%	98%	96%
Agreed mail refund cheques posted within GoS	90%	98%	97%	98%	99%
Notices of Claim issued to one party - paid within GoS	90%	97%	95%	95%	99%
RBB investment returns**	≥M	E	U	E	E
Financial statements ( <i>Unqualified or Qualified</i> )	U	U	U	U	U

\* Percentage of rental bond services meeting published Guarantee of Service (GoS) standards.

\*\* M: matches industry benchmark | E: exceeds industry benchmark; or | U: under industry benchmark

## Service arrangements

NSW Fair Trading operates within the Office of Finance and Services, which provides a wide range of government services.

The Office provides an annual report to the Minister for Finance and Services. Information on the management, human resources, business systems and financial administration of NSW Fair Trading's custodial role is found in the NSW Office of Finance and Services Annual Report 2014-15.

## Rental bond custodial service

### **Objective: Community access to independent custodial function for rental bonds**

This is the first of the two high-level Rental Bond Board programs that contribute to the development and maintenance of a fair marketplace in the area of residential tenancy.

A rental bond is money paid by the tenant as security for the landlord against breaches of the tenancy agreement, and 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 existence of arrangements to hold bond monies independently of both parties ensures tenants can be certain their bond is available for refund, while allowing landlords to recover funds where appropriate.

### **Comment / interpretation**

*The independent custodial function requires arrangements to accept and invest bond monies paid by tenants, and refund them at the end of a tenancy. The lodgement/refund service is provided by Fair Trading. Rental bonds are invested primarily in fixed interest securities with a proportion in cash.*

*The Board has discretion on investment management and currently outsources this function to the NSW Treasury Corporation (TCorp), where the majority of funds are directly managed in a fixed interest portfolio (the Rental Bond Board Facility). The balance is held in TCorp's Cash Facility.*

*The performance measures relate to: prompt refunds (an important aspect of quality customer service), prompt banking (this affects the interest earned, impacting both customers and funds management), return on investment and the achievement of unqualified financial statements.*

## Rental bond custody

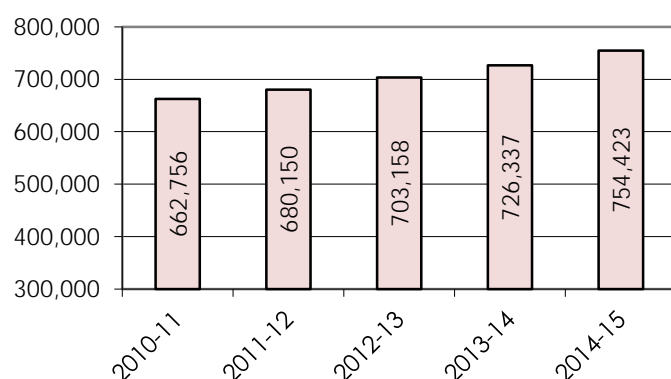
At 30 June 2015 the Board held 754,423 residential rental bonds in trust. These were valued at \$1.202 billion which, on average, amounted to \$1,593 for each rental bond. The total number of bonds held increased by 3.9% over the number held at 30 June 2014.

During the year, 295,052 new residential rental bonds were lodged with the Board – an increase of 3.6% from the previous financial year. The number of bonds refunded increased this year by 2.0% to 266,856.

Interest accrues on bonds held by the Board and is paid to customers with their bond refund. Interest is credited to the bond amount each month - based on the minimum balance held during the month. The interest is compounded each June and December.

The rate of interest payable on residential rental bonds is prescribed in the Residential Tenancies Regulation 2010 and is equivalent to the rate payable by the Commonwealth Bank of Australia on an Everyday Access Account balance of \$1,000.00.

### Number of residential rental bonds held



### Rental statistical information

Of the 2.47 million private dwellings counted in New South Wales at the 2011 Census approximately 743,050 dwellings, or nearly 30% of the total, served as private rental accommodation (*Australian Bureau of Statistics: 2011 Basic Community Profiles New South Wales 21 June 2012*).

The requirement for landlords in NSW to lodge all residential rental bonds with the Board presents an excellent opportunity for the collection of accurate statistical information on the private rental market.

This has the advantage of providing the real estate industry and the public with comprehensive and accurate rental information.

The Rental Bond Lodgement form includes a statistical section requesting information on:

- dwelling type;
- number of bedrooms;
- weekly rent;
- date the tenancy commenced; and
- date the previous tenancy of the dwelling ended.

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

The collected rental data is collated and analysed, under agreement, by the Housing Analysis and Research Unit of Housing NSW. This information is available to the public in summary form in the Rent & Sales Report on the Housing website: [www.housing.nsw.gov.au](http://www.housing.nsw.gov.au).

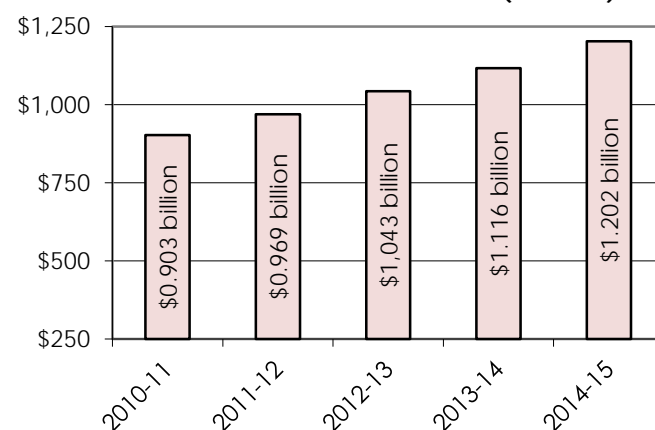
Summary tables of Bonds Held and Median Rentals are included in this Report.

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.

The Board's statistics indicate that in the 2014-15 financial year 92% of metropolitan bonds and 89% 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% over the years of the Board's operation.

### Value of residential rental bonds held (millions)



## Rental bond lodgements

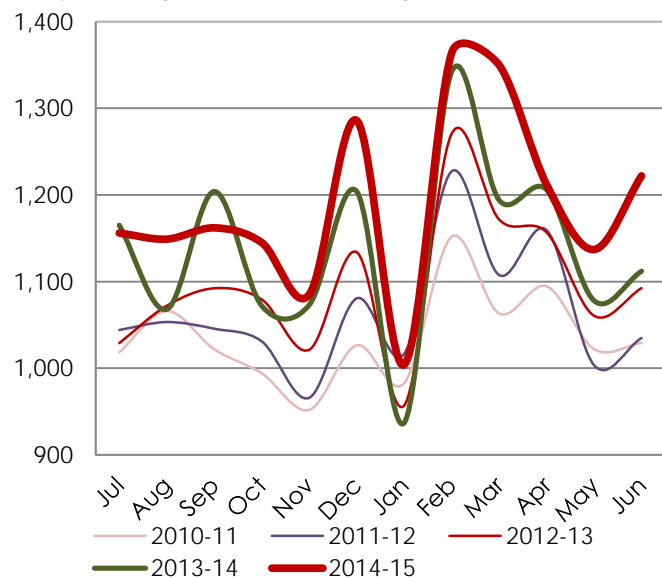
During the year 295,052 new rental bond lodgements and 15,160 additional bonds (where a bond is paid by instalments) were received by the Board.

This represented an average of 1,175 transactions processed by staff each working day.

As in previous years, the vast majority of bond lodgements, together with their accompanying cheque or money order, were received by post.

The total value of bonds received was \$581.1 million. 99% of all bond lodgements were received and banked the day they were received.

### Daily average rental bond lodgements



## Rental bond refunds

266,856 residential rental bonds were refunded in 2014-15 through 374,758 individual payments. This represented an average of 1,063 claims processed by staff each working day.

The year saw a continuation of the long term trend toward the use of electronic services by our customers in preference to the traditional mail and face-to-face services.

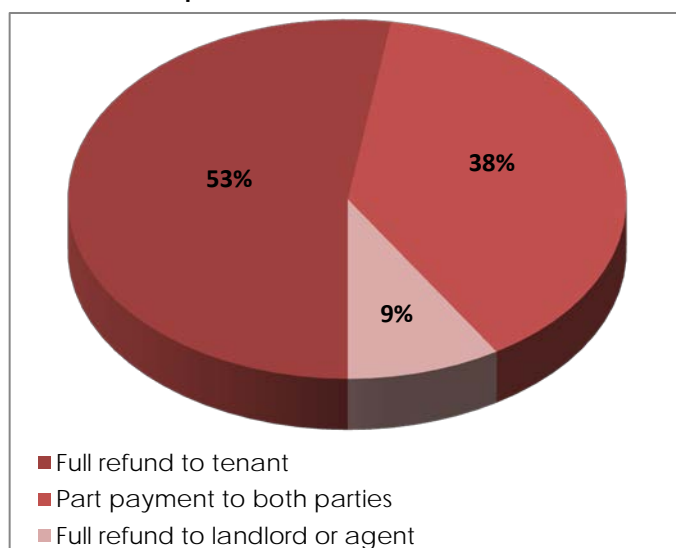
About 80% of bond refund claims from real estate agents, landlords and tenants were received by facsimile or email, compared with just over 2% by mail.

The Rental Bond Internet Service (RBIS) continued to grow in popularity with 52,181 claims submitted by real estate property managers in 2014-15. As a percentage of all refunds, RBIS claims represent 19% of all claims.

The proportion of customers requesting a direct credit of their bond refund into their bank or credit union account also continues to show a steady increase: up from 76% in 2012-13 and 80% in 2013-14 to 82% this year.

Claims for rental bond refunds are classified in two main categories in accordance with Part 8, Division 3 Release of rental bonds s.167 and s.168 of the *Residential Tenancies Act 2010*, being 'Agreed' claims where both parties have indicated their acceptance of the amount/s to be refunded to each party, and '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 NSW Civil and Administrative Tribunal if they wish to dispute the claim.

### Bond refunds paid to tenants and landlords



The size of the proportional split between parties - which may be expected to fluctuate slightly over time with the circumstances of individual tenancies - is less important than the fact that the split exists.

In many cases, tenants and landlords are able to agree on how the bond should be distributed, but in disputed cases NCAT resolves the matter.

The independence of the custodial function ensures the money is then readily available to be refunded to either party.

During 2014-15, 73.9% of all refunds were agreed by the parties while in 22.7% of cases a notice of claim was issued but no dispute proceeded to the Tribunal.

There is a minor drop from 1.7% last year, to 1.5% in 2014-15, where bond refunds were the result of an

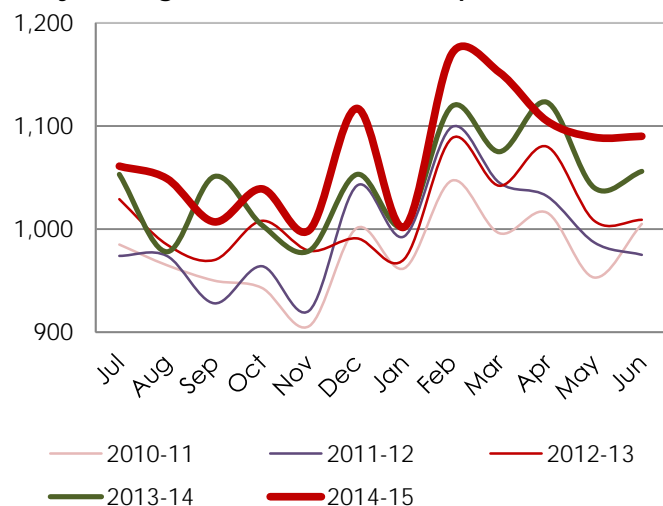


order by the Tribunal following a dispute over the bond refund.

A further 0.3% were refunded after a Tribunal application was withdrawn prior to hearing.

In accordance with Fair Trading's Guarantee of Service to its customers, Rental Bonds Branch processed 99% of all direct credit refunds into customers' bank accounts within two days of receiving an agreed rental bond claim.

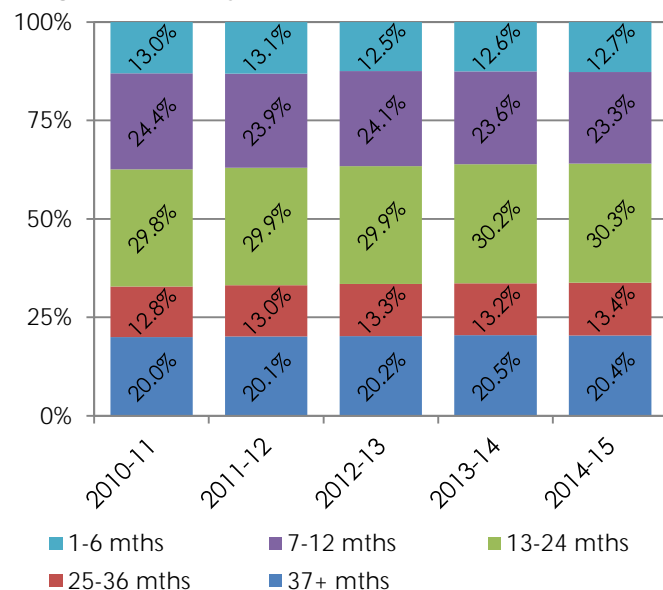
### Daily average rental bond refunds per month



### Length of tenancy

An analysis of the current financial year indicates that 64% of all bonds refunded during 2014-15 had been held by the Board for more than 12 months at the time of refund, with 36% of all bonds refunded being held for tenancies of greater than two years' duration.

### Length of tenancy for refunded bonds



### Information services

Fair Trading continued to provide the Board with a responsive rental bond customer information service in 2014-15 via the Fair Trading Contact Centre (FTCC), a network of Service NSW Centres and Fair Trading Centres located throughout NSW and the Rental Bond Internet Service (RBIS).

FTCC provides a single point of contact for customer telephone enquiries from across NSW on a broad range of fair trading issues.

The technology employed by FTCC provides greater customer service flexibility and allows Fair Trading to respond quickly to issues that arise in the marketplace, answering almost 97.5% of the 198,188 telephone enquiries on rental bonds which were received during 2014-15.

During 2014-15 agents made 272,261 individual bond enquiries via RBIS – representing 58% of total bond enquiries. The use of this customer self-service option by the real estate industry for access to basic bond information allows Fair Trading to concentrate its staff resources on responding to the more complex rental bond and tenancy enquiries.

### Rental Bond Internet Service

The Rental Bond Internet Service (RBIS) provides direct access to detailed information, claim for refund and reporting facilities on rental bonds, through the convenience of the Internet - 24 hours a day, 7 days a week.

Using RBIS, property managers can authorise the payment of rental bond monies to their tenants by interfacing directly with Fair Trading's core rental bond business systems.

RBIS is a highly secure system which enables property managers to access only those rental bond records for tenancies managed by their agency.

The real estate industry continued to provide strong support for RBIS with a further 185 property managers joining up to the Service during the year. The number of rental bond claims submitted via RBIS increased by 11.5% this year.

Property managers also used the Service to access a range of financial reports on rental bonds managed by their agencies. With an increase in the total number of rental bonds managed by Fair Trading since the inception of RBIS, the Service has proven to be a cost-effective self-service delivery channel which has enabled Fair Trading to manage increasing transaction volumes.

## Tenancy services

The Rental Bond Board funds the provision of government tenancy information services through the Fair Trading Contact Centre (FTCC) in accordance with Part 8, Rental bonds Division 6, s.186(2) of the *Residential Tenancies Act 2010*.

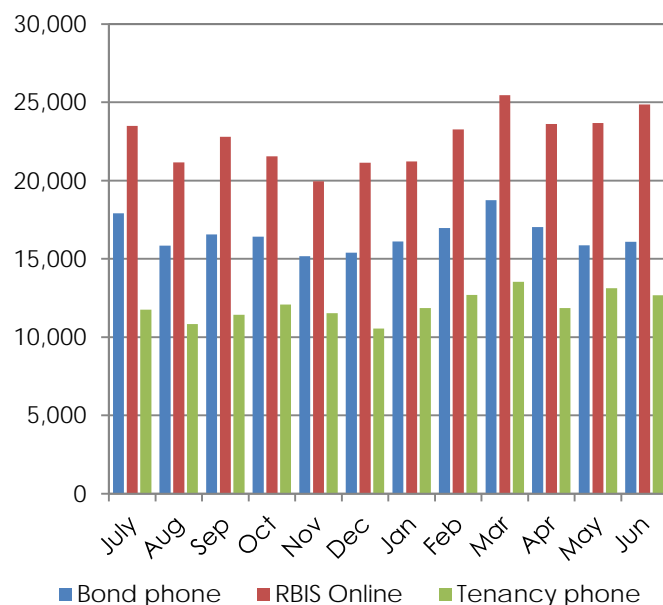
Fair Trading staff answered 95.5% of the 149,512 tenancy related telephone enquiries received during 2014-15. Tenancy enquiry volumes have increased by 8.8% this year compared to enquiries received in 2013-14.

Customer information and electronic versions of our publications are available on Fair Trading's website. The use of the internet for information self-service by customers continues to grow.

The Fair Trading Contact Centre (FTCC) is one of Fair Trading's main front line services, dealing with over 900,000 customer telephone enquiries each year, across a range of Fair Trading matters.

FTCC takes an active role in promoting the available self-service options to its customers and also provides information which assists them in resolving their issues.

### Rental bond enquiries – monthly averages



## Tenancy dispute resolution service

A simple, fast and free tenancy complaint service was officially launched on Friday 1 August, 2014 which was implemented to assist with a range of tenancy issues.

Property managers, landlords and tenants can access Fair Trading's 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.

As at 30 June 2015, 4,045 tenancy complaints had been received, with 95% resolved without the need for higher cost resolution options.

Fair Trading also launched a new YouTube video titled "*Help with Tenancy problems*" to show how the tenancy complaint service works.

## Business Support

A dedicated Business Support Unit within Fair Trading supports the specialised computer environment which makes up the Rental Bond System, which includes the rental bond financial database, document images and the Rental Bond Internet Service (RBIS).

The unit manages the maintenance and on-going system development of the applications which enable the processing of rental bonds by both internal staff and by property managers using the Rental Bond Internet Service.

The Rental Bond System is designed to provide high availability, confidentiality and integrity; and performance levels required to meet the business needs of a high volume processing environment. The system has been fully available to users for over 99% of the time in the year to 30 June 2015.

## Internal control

The rental bond custodial service is a high volume financial operation. The Board has therefore 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.

In order to monitor the effectiveness of internal control and the quality of rental bond processing, the Business Development Unit, which supports the rental bond operational activities, undertakes an ongoing systems review program.

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 the operational reviews did not identify any significant issues with an impact on the Board's service to our customers or the integrity of financial operations.



## Rental Bonds Online

Fair Trading is finalising delivery of Rental Bonds Online (RBO), a new online application for all parties to a NSW private residential rental bond, including private landlords, managing agents and tenants.

The scope of online services includes bond lodgements, bond refunds, bond enquiries and a range of bond maintenance services. The service uses strong security measures to protect both parties' details and access to the service.

RBO introduces a new and innovative business model for the Rental Bonds business unit and will transition operations from a paper-based financial processing environment to a business focussed on online service delivery and support.

Fair Trading recently signed on its first RBO users and the feedback to date has been extremely positive. An RBO Security and Support Team are now available to assist tenants, managing agents and private landlords to register and use their RBO account.

The RBO Security and Support Team will also transition agents from the Rental Bond Internet Service (RBIS) to RBO, which has successfully delivered secure online rental bond services to managing agents for over a decade. Secondary paper-based processes will be retained for customers who cannot access or use the internet.

## Relocation of Rental Bonds Branch

The Grafton Rental Bonds office commenced operations in early July 2014 and was officially opened by the then Minister for Fair Trading, the Hon Matthew Mason-Cox on 31 July 2014.

The relocation of rental bond operations from Sydney to Grafton supports the Government's Decade of Decentralisation Policy and has created 26 full-time and 8 temporary regional jobs.

Since operations commenced, the Grafton Rental Bonds office has consistently met performance measures for the lodgement and payment of rental bonds. Integral to this achievement has been the continued support of the Sydney Rental Bonds office.

## Funded programs

### **Objective: Information and consumer help in the area of residential tenancy, accessible to the community**

This is the second of two objectives that contribute to a fair and equitable marketplace in the area of residential tenancy.

The independent custody of residential rental bonds ensures that the rights of both tenants and landlords are protected in accessing bond monies at the end of a tenancy.

A fair tenancy marketplace also requires that tenants and landlords can access information on their rights and obligations, and that tenants who are having difficulty acting on their rights should be able to get help.

Fair Trading conducts information sessions, talks and seminars covering a range of topics for real estate and property agents, self-managing landlords and tenants.

The sessions include information regarding rights and responsibilities as agents and property managers within the *Residential Tenancies Act 2010*, anti-discrimination issues covering residential tenancies and obligations of staff, smoke alarm laws, information on the Tribunal process at the NSW Civil and Administrative Tribunal (NCAT) and the most common issues that are referred to the Tribunal.

The information is provided in conjunction with the Tribunal, NSW Fire and Rescue, and the Anti-Discrimination Board.

Tenancy, real estate and property management issues can be quite complex. Fair Trading provides information and negotiates between parties in dispute.

While negotiating these disputes, where officers detect any breaches of legislation, these breaches are referred for further investigation.

## Grants programs

In accordance with Part 8, Rental Bonds Division 6, s.186 (3) of the *Residential Tenancies Act 2010* the Director-General may make a grant or loan, on the recommendation of the Board and with the approval of the Minister, from the Rental Bond Interest Account for the following purposes:

- establishing and administering 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 relationship of landlord and tenant; and
- other activities for the benefit of landlords and tenants.

The Office of Finance and Services Annual Report 2014-15 contains information on all recipients and budget paper program information on the Rental Bond Board Grants Programs.

### **Programs funded by the Rental Bond Board**

#### **Tenants' Advice and Advocacy Program**

The Rental Bond Board provides 50% of the total funding towards the Tenants' Advice and Advocacy Program. In 2014-15 the Board's contribution to the Program was approximately \$4.87 million.

#### **Credit Counselling Program**

The Rental Bond Board contributes 70% of the total value of the Credit Counselling Program. The Board's contribution toward the Program for 2014-15 was approximately \$4.94 million.

#### **No Interest Loans Scheme**

The Rental Bond Board contributes 90% of the total value of the No Interest Loans Scheme Program. The Board's contribution toward the Program for 2014-15 was approximately \$2.17 million.

#### **Aged Care Supported Accommodation Services Program**

The Rental Bond Board contributes 100% of the total value of The Seniors' Rights Service. The Board's contribution toward the Program for 2014-15 was approximately \$0.484 million.

## NSW Civil and Administrative Tribunal - Tenancy Functions

The NSW Civil and Administrative Tribunal (NCAT) is an independent body which provides prompt, accessible, economical and efficient dispute resolution services.

NCAT's four divisions (the Administrative and Equal Opportunity Division, the Consumer and Commercial Division, the Guardianship Division, and the Occupational Divisions) deal with a broad and diverse jurisdiction.

Disputes previously taken to the former Consumer, Trader and Tenancy Tribunal (CTTT), including residential tenancy and bond disputes, are now dealt with in the Consumer and Commercial Division of NCAT. The Tribunal's other three Divisions deal with matters ranging from guardianship to the administrative review of government decisions.

There are six NCAT registries in metropolitan and regional NSW, and hearings are held in up to 70 locations around the State. Information about NCAT services is also available from Service NSW Centres and the NCAT website at [www.ncat.nsw.gov.au](http://www.ncat.nsw.gov.au).

For the 12 months to 30 June 2015, NCAT received a total of 71,449 applications across its four divisions. The Consumer and Commercial Division of NCAT received 58,360 applications for the period. The Tenancy list continued to dominate the Division's workload, accounting for 29,180 lodgements, or 50% of all applications received by the Division over the 12-month period.

The number of Social Housing list applications lodged was 15,713 or 27% of total applications. A further 2,864 applications (4.9% of the total) related to residential park, strata and community scheme, or retirement village issues.

Online lodgement of applications in the Consumer and Commercial Division via *NCAT Online* accounted for 67.7% of applications. Applicants with tenancy disputes were the highest users of this online service.

The Rental Bond Board provided \$14.215 million in funding toward the residential tenancy functions of NCAT in 2014-15, which were jointly funded by NSW Fair Trading and the Board.

NCAT continues to invest in innovative technology to aid its considerable workload. New technology initiatives and incremental enhancements to existing technology are driven by customers, Members and staff feedback.

The range of eServices used by NCAT to increase access to Tribunal services and to streamline its service delivery includes the following:

**NCAT Online:** a 24 hour online service that enables people to complete and lodge most Consumer and Commercial Division applications online. Most applications lodged online are automatically listed and a notice of hearing dispatched by return email. Parties can also track progress of their application online at any time.

**InCourt:** a system that enables NCAT Members to produce Tribunal orders by typing them directly into the case management system at the conclusion of the hearing so that orders can be made available.

**eConnect:** an online service which allows people to receive Notices of Hearing, and other Tribunal correspondence by email.

The NCAT website is the primary source of information for the public and users of the Tribunal's services.

In the 2014-15 year, the website received more than 2.2 million views. NCAT is also building its social media presence with steady growth in followers of NCAT via Facebook and Twitter.

More information about these and other innovations is included in the NCAT annual report which can be downloaded from the Tribunal's website at [www.ncat.nsw.gov.au](http://www.ncat.nsw.gov.au).

## Residential rental bonds held by the Board at 30 June 2015

Region	Post Code Grouping	Bonds Held at 30/06/2014	Bonds Held at 30/06/2015	Variation
Inner Sydney	2000 - 2014	34,175	35,414	1,239
South Sydney	2015 - 2020	13,382	15,954	2,572
Eastern Suburbs	2021 - 2036	50,960	51,684	724
Inner West	2037 - 2059	32,253	33,290	1,037
Lower North Shore	2060 - 2069	25,137	26,261	1,124
Upper North Shore	2070 - 2087	12,981	13,438	457
Mosman / Cremorne	2088 - 2091	10,984	10,971	-13
Manly / Warringah	2092 - 2109	22,622	22,956	334
North Western	2110 - 2126	23,138	24,550	1,412
Western Suburbs	2127 - 2145	43,639	45,998	2,359
Parramatta / Hills	2146 - 2159	28,053	29,967	1,914
Fairfield / Liverpool	2160 - 2189	37,551	39,401	1,850
Canterbury / Bankstown	2190 - 2200	22,675	23,777	1,102
St George	2201 - 2223	37,509	39,858	2,349
Cronulla / Sutherland	2224 - 2249	14,805	15,018	213
<b>Metropolitan Total</b>		<b>409,864</b>	<b>428,537</b>	<b>18,673</b>
Central Coast	2250 - 2263	29,567	30,168	601
Greater Newcastle	2264 - 2319	36,567	37,408	841
Hunter Valley	2320 - 2339	19,032	20,151	1,119
New England	2340 - 2419	17,649	18,003	354
North Coast	2420 - 2499	56,231	56,786	555
Greater Wollongong	2500 - 2530	22,555	23,114	559
South Coast	2531 - 2551	15,090	15,305	215
Campbelltown	2552 - 2570	13,674	14,956	1,282
Southern Division	2571 - 2639	16,679	17,105	426
Riverina	2640 - 2739	23,511	24,006	495
Penrith / Windsor	2740 - 2772	34,171	36,546	2,375
Blue Mountains	2773 - 2786	5,371	5,434	63
Orange/Bathurst	2787 - 2819	11,641	11,973	332
Dubbo & North West	2820 - 2842	7,390	7,588	198

Region	Post Code Grouping	Bonds Held at 30/06/2014	Bonds Held at 30/06/2015	Variation
Mudgee District	2843 - 2863	2,740	2,693	-47
Western Division	2864 - 2880	4,388	4,428	40
<b>Country Total</b>		<b>316,256</b>	<b>325,664</b>	<b>9,415</b>
Miscellaneous		217	224	7
<b>NSW Total</b>		<b>726,337</b>	<b>754,425</b>	<b>28,088</b>

## Median rents for new lettings during June quarter by postcode groupings

Region	Post Code Grouping	Median rent at 30/06/2014	Median rent at 30/06/2015	Variation
Inner Sydney	2000 - 2014	600	590	-10
South Sydney	2015 - 2020	600	600	0
Eastern Suburbs	2021 - 2036	610	625	15
Inner West	2037 - 2059	575	600	25
Lower North Shore	2060 - 2069	580	585	5
Upper North Shore	2070 - 2087	580	600	20
Mosman / Cremorne	2088 - 2091	590	590	0
Manly / Warringah	2092 - 2109	580	600	20
North Western	2110 - 2126	500	540	40
Western Suburbs	2127 - 2145	470	480	10
Parramatta / Hills	2146 - 2159	450	450	0
Fairfield / Liverpool	2160 - 2189	400	410	10
Canterbury / Bankstown	2190 - 2200	400	410	10
St George	2201 - 2223	480	500	20
Cronulla / Sutherland	2224 - 2249	480	500	20
<b>Metropolitan Total</b>		<b>510</b>	<b>525</b>	<b>15</b>
Central Coast	2250 - 2263	360	380	20
Greater Newcastle	2264 - 2319	365	370	5
Hunter Valley	2320 - 2339	310	300	-10
New England	2340 - 2419	265	270	5
North Coast	2420 - 2499	320	335	15
Greater Wollongong	2500 - 2530	360	390	30
South Coast	2531 - 2551	300	315	15

Region	Post Code Grouping	Median rent at 30/06/2014	Median rent at 30/06/2015	Variation
Campbelltown	2552 - 2570	400	400	0
Southern Division	2571 - 2639	328	325	-3
Riverina	2640 - 2739	240	250	10
Penrith / Windsor	2740 - 2772	390	400	10
Blue Mountains	2773 - 2786	370	380	10
Orange/Bathurst	2787 - 2819	280	280	0
Dubbo & North West	2820 - 2842	250	260	10
Mudgee District	2843 - 2863	300	287	-13
Western Division	2864 - 2880	220	235	15
<b>Country Total</b>		<b>330</b>	<b>340</b>	<b>10</b>
Miscellaneous*		253	270	17
<b>NSW Total</b>		<b>410</b>	<b>430</b>	<b>20</b>

\* Miscellaneous includes those not covered by any of the above postcode groupings



**Internal Audit and Risk Management Statement for the 2014-2015 Financial Year for the Rental Bond Board**

I, Rod Stowe, Commissioner for NSW Fair Trading, am of the opinion that the Rental Bond Board has internal audit and risk management processes in operation that are, excluding the exceptions described below, compliant with the core requirements set out in Treasury Circular NSW TC 09/08 *Internal Audit and Risk Management Policy*.

I, Rod Stowe, am of the opinion that the internal audit and risk management processes for the Rental Bond Board depart from the following core requirements set out in Treasury Circular NSW TC 09/08 and that (a) the circumstances giving rise to these departures have been determined by the Minister for Finance & Services and (b) the Rental Bond Board has implemented the following practicable alternative measures that will achieve a level of assurance equivalent to the requirement:

Ministerially Determined Departure	Reason for Departure and Description of Practicable Alternative Measures Implemented
<ul style="list-style-type: none"> <li>Core Requirement 2: An Audit &amp; Risk Committee has been established.</li> </ul>	<ul style="list-style-type: none"> <li>TPP 12-04 <i>Guidance on Shared Arrangements and Subcommittees for Audit and Risk Committees</i> states in section 1 'Guidance on Shared Arrangements', sub section 1.1 'Determining eligibility to participate in a Shared Arrangement' on page 6 that: 'Subcommittees should only be established within a legal entity. Subcommittees should not be established to create capacity for an ARC to provide oversight over other legal entities within a cluster.' This precludes the NSW Government Telecommunications Authority and the State Records Authority from forming a subcommittee as they are both separate legal entities. Both Telco Authority and SRA agreed to form a subcommittee as full compliance to TPP 09-05 would impose an unreasonable administrative and cost burden.</li> <li>A review of the former Department of Finance &amp; Services cluster arrangements for Audit &amp; Risk Committees was conducted to ensure that smaller related entities were relieved of the cost burdens of supporting their own Audit &amp; Risk Committees and to provide an equivalent coverage of their obligations under TPP 09-05 through sharing of the Department's resources.</li> </ul>

*The determination by the Minister for Finance & Services in respect of these departures, dated 15 July 2013, is appended to this attestation statement.*

I, Rod Stowe, am of the opinion that the Office of Finance and Services (OFS) Audit and Risk Committee is constituted and operates in accordance with the independence and governance requirements of Treasury Circular NSW TC 09/08. The Chair and Members of the OFS Audit and Risk Committee are:

- Carolyn Burlew, Independent Chair (period of appointment from 14 October 2011 to 14 October 2015)
- Ralph Kelly, Independent Member (period of appointment from 1 September 2011 to 1 September 2014)
- Elizabeth Crouch, Independent Member (period of appointment from 13 October 2011 to 13 October 2014)
- Christine Feldmanis, Independent Member (period of appointment from 18 November 2013 to 18 November 2016)

Treasury approval for the shared arrangements for this Audit and Risk Committee has been endorsed by the Minister for Finance and Services as part of the exception process and Treasury approval for the shared arrangements is pending at the time of attestation. The shared arrangement is proposed for the following departments/statutory bodies:

- Fair Trading Administration Corporation
- Rental Bond Board
- NSW Telecommunications Authority
- State Records Authority

These processes, including the practicable alternative measures implemented, provide a level of assurance that enables the senior management of the Rental Bond Board to understand, manage and satisfactorily control risk exposures.

As required by the policy, I have submitted an Attestation Statement outlining compliance with exceptions with the policy to the Treasury on behalf of the Treasurer.



Rod Stowe  
Commissioner for NSW Fair Trading

Date: 27/8/15

## 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 and performance of the Board as at 30 June 2015 and transactions for the year ended 30 June 2015;
- (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* 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.



**Rod Stowe, Chairperson**

**22 September 2015**

## RENTAL BOND BOARD

### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Actual 2015 \$'000	Budget 2015 \$'000	Actual 2014 \$'000
<b>Expenses excluding losses</b>				
Administrative services	2(a)	24,483	24,975	25,460
Grants and subsidies	2(b)	27,076	28,326	28,315
Other operating expenses	2(c)	3,687	2,146	2,836
Interest on rental bonds (Finance Costs)	1(f)	223	136	151
<b>TOTAL EXPENSES EXCLUDING LOSSES</b>		<b>55,469</b>	<b>55,583</b>	<b>56,762</b>
<b>Revenue</b>				
Investment revenue	3(a)	58,475	57,600	58,206
Other	3(b)	-	-	67
<b>Total Revenue</b>		<b>58,475</b>	<b>57,600</b>	<b>58,273</b>
<b>Net result</b>		<b>3,006</b>	<b>2,017</b>	<b>1,511</b>
<b>Other comprehensive income</b>		-	-	-
<b>Total Other Comprehensive Income</b>		-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>3,006</b>	<b>2,017</b>	<b>1,511</b>

The accompanying notes form part of these statements.

**RENTAL BOND BOARD**

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2015**

	Notes	Actual 2015 \$'000	Budget 2015 \$'000	Actual 2014 \$'000
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	4	52,229	58,604	46,429
Receivables	5	19,038	11,413	19,346
<b>Total Current Assets</b>		<b>71,267</b>	<b>70,017</b>	<b>65,775</b>
<b>TOTAL ASSETS</b>		<b>71,267</b>	<b>70,017</b>	<b>65,775</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	6	4,730	4,552	2,244
<b>Total Current Liabilities</b>		<b>4,730</b>	<b>4,552</b>	<b>2,244</b>
<b>TOTAL LIABILITIES</b>		<b>4,730</b>	<b>4,552</b>	<b>2,244</b>
<b>NET ASSETS</b>		<b>66,537</b>	<b>65,465</b>	<b>63,531</b>
<b>EQUITY</b>				
Accumulated Funds		66,537	65,465	63,531
<b>TOTAL EQUITY</b>		<b>66,537</b>	<b>65,465</b>	<b>63,531</b>

The accompanying notes form part of these statements.

## RENTAL BOND BOARD

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

	Accumulated Funds	Total
	\$'000	\$'000
Balance as at 1 July 2014	63,531	63,531
<b>Net result for the year</b>	<b>3,006</b>	<b>3,006</b>
<b>Other comprehensive income:</b>		
<b>Total other comprehensive income</b>	-	-
<b>Total comprehensive income for the year</b>	<b>3,006</b>	<b>3,006</b>
Transactions with owners in their capacity as owners	-	-
<b>Balance as at 30 June 2015</b>	<b>66,537</b>	<b>66,537</b>

	Accumulated Funds	Total
	\$'000	\$'000
Balance as at 1 July 2013	62,020	62,020
<b>Net result for the year</b>	<b>1,511</b>	<b>1,511</b>
<b>Other comprehensive income:</b>		
<b>Total other comprehensive income</b>	-	-
<b>Total comprehensive income for the year</b>	<b>1,511</b>	<b>1,511</b>
Transactions with owners in their capacity as owners	-	-
<b>Balance as at 30 June 2014</b>	<b>63,531</b>	<b>63,531</b>



**RENTAL BOND BOARD**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	Notes	Actual 2015 \$'000	Budget 2015 \$'000	Actual 2014 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Payments</b>				
Grants and subsidies		(29,231)	(28,326)	(28,961)
Payment of interest on bonds		(223)	(136)	(151)
Payments of Suppliers		(22,912)	(27,120)	(29,922)
<b>Total Payments</b>		<b>(52,366)</b>	<b>(55,582)</b>	<b>(59,035)</b>
<b>Receipts</b>				
Interest received		58,166	57,599	50,333
Other		-	-	26
<b>Total Receipts</b>		<b>58,166</b>	<b>57,599</b>	<b>50,359</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	10	<b>5,800</b>	<b>2,017</b>	<b>(8,675)</b>
<b>NET (DECREASE)/INCREASE IN CASH</b>		5,800	2,017	(8,675)
Opening cash and cash equivalents		46,429	56,587	55,104
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	4	<b>52,229</b>	<b>58,604</b>	<b>46,429</b>

The accompanying notes form part of these statements.

**RENTAL BOND BOARD**  
**FOR THE YEAR ENDED 30 JUNE 2015**  
**NOTES TO THE FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Reporting Entity**

The Rental Bond 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 reporting entity comprises all the activities under its control.

The administrative functions for the Board are performed by the Office of Finance and Services 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 2015 has been authorised for issue by the Chairperson of the Board 22 September 2015.

**(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 published in the financial reporting code for NSW General Government Sector Entities or issued by the Treasurer.

Financial assets at "fair value through profit or loss" and available for sale are measured at fair value. Other financial statements items are prepared in accordance with the historical cost convention.

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. Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

**(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) Grant Recognition**

The Board has applied the requirements in AASB 1004 *Contributions* regarding contributions of assets (including grants) and forgiveness of liabilities.

**(h) 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, usually based on the transaction cost, or face value. 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.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

**(i) Investments**

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs. 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.

- *Fair value through profit or loss* - The Board subsequently measures investments classified as “held for trading” or designated upon initial recognition “at fair value through profit or loss” at fair value. Financial assets are classified as “held for trading” if they are acquired for the purpose of selling in the near term.

The Hour-Glass Investment Facilities are designated at fair value through profit or loss using the second leg of the fair value option under AASB 139.9(b)(ii); ie these financial assets are managed and their performance is evaluated on a fair value basis and information about these assets is provided internally on that basis to the Board’s key management personnel.

The movement in the fair value of the Hour-Glass Investment Facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item “investment revenue”.

- *Held to maturity investments* - Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Board has the positive intention and ability to hold to maturity are classified as “held to maturity”. These investments are measured at amortised cost using the effective interest method. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.
- *Available for sale investments* - Any residual investments that do not fall into any other category are accounted for as available for sale investments and measured at fair value in other comprehensive income until disposed or impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the net result for the year. However, interest calculated using the effective interest method and dividends are recognised in the net result for the year.

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 ie 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.

#### **(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. 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.

When an available for sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the net result for the year, based on the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously 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. However, reversals of impairment losses on an investment in an equity instrument classified as “available for sale” must be made through the revaluation surplus.

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 substantially all the risks and rewards, if the Board has not retained 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 12. 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 recognised initially at fair value, usually based on the transaction cost or face value. 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**

A number of the Board’s accounting policies and disclosures require the measurement of fair values for financial assets. 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, 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 and non-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 9.

**(q) Changes in accounting policy, including new or revised Australian Accounting Standards**

**(i) Effective for the first time in 2014-15**

The accounting policies applied in 2014-15 are consistent with those of the previous financial year except as a result of the following new or revised Australian Accounting Standards that have been applied for the first time in 2014-15. There is no impact to the financial statements of these Standards in the period of initial application includes.

**Accounting Standard/Interpretation**

- AASB 127 Separate Financial Statements (applicable to not-for-profit entities for annual financial periods beginning on or after 1 January 2014)
- AASB 1031 Materiality
- AASB 1055 Budgetary Reporting
- AASB 2012-3 regarding offsetting financial assets and financial liabilities
- AASB 2013-1 regarding amendments to AASB 1049 – relocation of budgetary reporting requirements
- AASB 2013-6 regarding amendments to AASB 136 arising from Reduced Disclosure Requirements
- AASB 2013-8 regarding consolidated financial statements and Australian implementation guidance for not-for-profit entities (control and structured entities)
- AASB 2013-9 Part B regarding materiality
- AASB 2014-1 Parts A, B and C regarding employee benefits and materiality
- AASB 2014-2 regarding amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 disclosure requirements



**(ii) Issued but not yet effective**

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise.

The following new Accounting Standards have not been applied and are not yet effective:

**Accounting Standard/Interpretation**

- AASB 9, AASB 2010-7, AASB 2013-9 (Part C), AASB 2014-1 (Part E), AASB 2014-7 and AASB 2014-8 regarding financial instruments
- AASB 2014-9 regarding equity method in separate financial statements
- AASB 2015-1 regarding annual improvements to Australian Accounting Standards 2012-2014 cycle
- AASB 2015-2 regarding amendments to AASB 101 disclosure initiatives
- AASB 2015-3 regarding materiality

It is considered that the implementation of these Standards will not have any material impact on the Board's financial statements.

**(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 Office of Finance and Services 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) Administrative Services**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Administrative Service Charge	22,579	22,025
Capital Expenditure Service Charge	1,904	3,435
	<u>24,483</u>	<u>25,460</u>

**(b) Grants and Subsidies**

Tenancy Services	(i)	176	540
Credit Counselling Program	(ii)	3,146	3,451
No Interest Loans Scheme	(iii)	2,179	2,108
Tenants' Advice and Advocacy Program	(iv)	4,860	5,348
Tenancy Functions of the NSW Civil and Administrative Tribunal	(v)	14,215	14,368
National Rental Affordability Scheme	(vi)	2,500	2,500
		<u>27,076</u>	<u>28,315</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 also training of persons in financial counselling and for education in financial management. This program is supplementary to the Credit Counselling Program within the Office of Finance and Services.

**(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 also 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 Office of Finance and Services 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 Office of Finance and Services 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.

(c) **Other Operating Expenses include the following:**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Auditor's remuneration	100	75
Bank charges	50	39
Investment Management Fee	791	871
Renting Services Relocation to Grafton	-	1,800
Fair Trading Tenancy dispute mediation Unit	2,719	0
Other	27	51
	<u>3,687</u>	<u>2,836</u>

**3. REVENUE**

(a) **Investment Revenue**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest from Rental Bond Account Investments	61,351	60,744
Amortisation of (Premium)/Discounts on Rental Bond Account Investments	(2,876)	(2,538)
	<u>58,475</u>	<u>58,206</u>

Investment revenue is derived from a number of sources including interest on bank accounts, TCorp Hourglass Cash, Cash Plus and Bond Market Facility Trusts, Private Shared Equity Scheme and interest on loans.

(b) **Other Revenue**

Other Revenue	-	67
	<u>-</u>	<u>67</u>

**4. CURRENT ASSETS - CASH AND CASH EQUIVALENTS**

Cash at Bank	52,198	101
Hour-Glass Cash Facility	31	36,602
Hour-Glass Strategic Cash Facility	-	9,726
	<u>52,229</u>	<u>46,429</u>

TCorp interest for Hour-Glass Cash Facility was 2.15% (2.88% in 2013/14). Hour-Glass Strategic Cash Facility was 2.26% (3.12% in 2013/14)

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes money deposited with banks, TCorp Hourglass 'Cash' Facility and cash on hand.

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)	<u>52,229</u>	<u>46,429</u>
Closing cash and cash equivalents (per statement of cash flows)	<u>52,229</u>	<u>46,429</u>

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

**5. CURRENT ASSETS - RECEIVABLES**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Items classified as receivables are as follows:		
Cash owed to the Board from Rental Bond Account	18,713	19,313
Debtors	325	33
	<u>19,038</u>	<u>19,346</u>

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

**6. CURRENT LIABILITIES - PAYABLES**

Accrued Administration Charges		-
Accrued Grants	-	2,154
Other Accrued Charges	4,730	90
	<u>4,730</u>	<u>2,244</u>

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

**7. COMMITMENTS FOR EXPENDITURE**

There are no commitments for capital or other expenditure or commitments for leases at balance date (Nil - 30 June 2014).

**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. BUDGET REVIEW**

**Statement of Comprehensive Income**

The budget disclosed in the statement of comprehensive income has been realigned from the budget papers due to differences in mapping expenditure as follows:

<b>Budget paper 03</b>		<b>Budget as per statement of comprehensive income</b>	
Grants and subsidies	28,326	Grants and subsidies	28,326
Operating expenses	26,341	Administrative services	24,975
Finance costs	916	Interest on rental bonds	136
		Other operating expenses	2146
<b>Total</b>	<b>55,583</b>	<b>Total</b>	<b>55,583</b>

Variance of total comprehensive income to budget of \$989,000 was mainly due to interest income being greater than budgeted.

**Statement of Financial Position**

Variance in net assets to budget of \$1.1 million was mainly due to additional interest income earned resulting in increased cash.

**Statement of Cash Flows**

Variance in cash inflows to budget of \$3.8 million as a result of interest income earned by the Trust in prior years but payable to the Board that was transferred in the current year.

**10. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET RESULT**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Net Result	3,006	1,511
Increase/(Decrease) in Payables	2,486	(2,313)
Decrease/(Increase) in Receivables	308	(7,873)
Net Cash from Operating Activities	<u>5,800</u>	<u>(8,675)</u>

**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 into 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 Rental Bond Board’s financial instruments include cash, receivables, investments and payables.



(a) **Financial Instrument Categories**

<b>Financial Assets</b>	<b>Note</b>	<b>Category</b>	<b>2015 \$'000 Carrying Amount</b>	<b>2014 \$'000 Carrying Amount</b>
Class: Cash and cash equivalents	4	Not applicable	52,229	46,429
Receivables*	5	Loans and receivable (at amortised cost)	19,023	19,341
<b>Financial Liabilities</b> Class: Payables**	6	Financial liabilities measured at amortised cost	4,715	2,244

\* Excludes statutory receivables and prepayments (ie not within scope of AASB 7)

\*\* Excludes statutory payables and unearned revenue (ie 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 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. Authority deposits held with TCorp are guaranteed by the State.

**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 NSW Treasury Corporation (TCorp) 11am unofficial cash rate, adjusted for a management fee to NSW Treasury. The TCorp Hour Glass cash facility is discussed in paragraph (e) below.

**Receivables**

All trade debtors are recognised as amounts receivable at balance date. 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. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. 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 loans payable. 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 not 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 2015 total liabilities amounted to \$4.73 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 exposures to market risk are primarily through other price risks associated with the movement in the unit price of the Hour Glass Investment Facilities. 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 and other price 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 (ie 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 2014. The analysis assumes that all other variables remain constant.

**Interest Rate Risk**

Exposure to interest rate risk arises primarily through the Board's interest bearing investments held with NSW TCorp. The Board does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale.

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.

2015 Financial assets*	\$'000				
	Carrying Amount	Profit -1%	Equity -1%	Profit +1%	Equity +1%
Cash and cash equivalents	52,229	(522)	(522)	522	522
Receivables	19,038	(190)	(190)	190	190

2014 Financial assets*	\$'000				
	Carrying Amount	Profit -1%	Equity -1%	Profit +1%	Equity +1%
Cash and cash equivalents	46,429	(464)	(464)	464	464
Receivables	19,346	(193)	(193)	193	193

\* Payables are excluded as the Board deems there exists no interest exposure.

#### Other Price Risk - TCorp Hour-Glass Facilities

Exposure to "other price risk" primarily arises through the investment in the TCorp Hour-Glass Investment Facilities, which are held for strategic rather than trading purposes. The Board has no direct equity investments. The Board holds units in the following Hour-Glass investment trusts:

Facility	Investment Sectors	Investment Horizon	2015 \$'000	2014 \$'000
Cash facility	Cash, money market instruments	Up to 1.5 years	31	36,602
Strategic cash facility	Cash and money market instruments	1.5 years to 3 years	-	9,726

The unit price of each facility is equal to the total fair value of the net assets held by the facility divided by the number of units on issue for that facility. Unit prices are calculated and published daily.

NSW TCorp is trustee for each of the above facilities and is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. TCorp has also leveraged off internal expertise to manage certain fixed income assets for the Hour-Glass facilities. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the Hour-Glass facilities limits the Board's exposure to risk, as it allows diversification across a pool of funds with different investment horizons and a mix of investments.

NSW TCorp provides sensitivity analysis information for each of the investment facilities, using historically based volatility information collected over a ten-year period, quoted at two standard deviations (ie 95% probability). The TCorp Hour-Glass Investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity). A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year for each facility (balance from Hour-Glass statement).

	Impact on Profit/Loss		
	Change in Unit Price	2015 \$'000	2014 \$'000
Hour-Glass - Cash Facility	+/- 1.0%	-	366
Hour-Glass Strategic Cash Facility	+/- 1.0%	-	97

**(e) Fair value measurement**

**(i) Fair value compared to carrying amount**

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass facilities, which are measured at fair value. As discussed, the value of the Hour-Glass Investments is based on the Board's share of the value of the underlying assets of the facility, based on the market value. All of the Hour-Glass facilities are valued using "redemption" pricing.

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:

**(ii) Fair Value Recognised in the Statement of Financial Position**

2015 Financial assets at fair value	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2015 Total \$'000
TCorp Hour Glass Cash Facility	-	31	-	31
TCorp Hour Glass Strategic Cash Facility	-	-	-	-
	-	31	-	31

2014 Financial assets at fair value	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2014 Total \$'000
TCorp Hour Glass Cash Facility	-	36,602	-	36,602
TCorp Hour Glass Strategic Cash Facility	-	9,726	-	9,726
	-	46,328	-	46,328

The table above only includes financial assets as no financial liabilities were measured at fair value in the statement of financial position.

There were no transfers between level 1 and 2 during the period ended 30 June 2015.

## 12. 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.

### Amounts owing to New South Wales Residential Bond Holders

	2015 \$'000	2014 \$'000
Liability at the beginning of the financial year	1,119,748	1,046,282
Add: Receipts	548,523	513,167
Less: Expenditure	(462,413)	(439,701)
Liability at the closing of the financial year	<u>1,205,858</u>	<u>1,119,748</u>

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

	2015 \$'000	2014 \$'000
NSW Treasury Corporation Hour-Glass Facility	-	20,261
Direct Fixed Interest Portfolio	1,223,942	1,122,271
Private Shared Equity Scheme	2,018	2,005
Westpac Banking Corporation	2,973	(2,683)
	<u>1,228,933</u>	<u>1,141,854</u>

### Market Valuation of Rental Bond Investments

NSW Treasury Corporation Hour-Glass Facility	-	20,261
Direct Fixed Interest Portfolio	1,292,798	1,186,038
Private Shared Equity Scheme	2,018	2,005
Westpac Banking Corporation	2,973	(2,683)
	<u>1,297,789</u>	<u>1,205,621</u>

Total liability to tenants as at 30 June 2015 is \$1,206 million compared to the market value of the Trust's investments of \$1,298 million, resulting in an excess of \$92 million (2013/14 excess \$86 million).

The Board monitors and reviews its investment strategy and performance on an on-going 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.

**13. AFTER BALANCE DATE EVENTS**

The Rental Bond Board is not aware of any circumstances that occurred after balance date that would render particulars included in the financial statements to be misleading.

**END OF AUDITED FINANCIAL STATEMENTS**





IM15/29756

The Hon. Dominic Perrottet, MP  
Minister for Finance, Services and Property  
52 Martin Place  
Sydney NSW 2000

Contact: David Nolan  
Phone no: 9275 7377  
Our ref: D1535944/0392



Dear Minister

## STATUTORY AUDIT REPORT

for the year ended 30 June 2015

### 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 2015, 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 that I 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.

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 matters you may find of governance interest. Therefore, other governance matters may exist, which have not been reported to you.

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

### Audit Result

While I expressed an unmodified opinion on the Board's financial statements, I identified the following significant matters.

### Significant Matters

The Board prepared the financial statements on the basis that it holds rental bonds of \$1.3 billion in trust and therefore does not account for them on balance sheet.

In 2013, the Crown Solicitor noted that the legislation should be reviewed and amended to remove any uncertainty concerning the treatment of the bonds.

In 2014, Deloitte recommended that the bonds be bought to account on the Board's balance sheet for the 2014-15 financial year.

In previous years we recommend that the Board review and amend its legislation as a matter of urgency to remove any doubt over how the bonds should be accounted for. This matter has not been actioned. We will be reporting further on this matter in the Auditor General's report to Parliament.

The Annual Reports legislation requires the Board to respond to this matter in its annual report.

## **Governance Matters**

### **Late submission of work papers**

The *Public Finance and Audit Act 1983* requires agencies to submit financial statements to the Audit Office for audit. NSW Treasury issued Treasury Circular TC15-11 which required the Board to prepare and submit financial statement and work papers to the Audit Office by 27 July 2015.

The Board submitted the financial statements but did not submit the supporting work papers by that date.

My team sent a Client Assistance Schedule to the Board on 3 March 2015 detailing our requirements for work papers.

Due to Treasury Circular TC15-11 being issued as a direction under section 9 of the *Public Finance and Audit Act 1983*, the matter represents non-compliance with the Act. The requirement to submit supporting work papers with the financial statements is a quality control measure to minimise the chance of errors and to assist me in carrying out an efficient audit.

The absence of supporting work papers being provided on a timely basis has delayed my audit and resulted in additional costs being incurred. After the finalisation of the audit I will review my costs and may bill additional fees to the Board.

I recommend that action be taken to ensure compliance with these requirements in future years.

### **Compliance Review – Financial Systems - Disaster Recovery Planning (DRP)**

The Board was one of 31 agencies selected to participate in a review of Disaster Recovery Planning. The review was designed to provide limited assurance over compliance with the requirements of NSW Government Treasury Directions – Section 744.05 'Disaster Recovery Plan' and the NSW Government Digital Information Security Policy, referencing the DRP elements of ISO 27001.

The review assessed whether the Board:

- had up-to-date DRPs aligned with business recovery requirements
- had tested its DRPs to ensure they were effective.

A limited assurance Independent Assurance Practitioner's Compliance Review Report will be provided to the Board.

The Report concluded that

- the DRP had not quantified any remaining loss of revenue during potential disasters and the recovery which cannot be prevented, as required by Treasurer's Direction 744.05 – (4).

The participating agencies' review results will be summarised and reported in the Auditor-General's Report to Parliament. A report will be sent to the Treasury summarising significant findings and recommendations arising from the review.



### **Cash Reconciling Items**

Last year we reported that there were long outstanding reconciling items in the bank reconciliation that should be cleared on a timely basis. This matter has not been addressed as we noted these items again.

### **Transactions processed outside the General Ledger**

We noted a number of transactions processed outside the General Ledger.

Adjustments outside the general ledger bypass the internal controls built into the general ledger system and increase the risk of misstatement and the risk that fraud may go undetected.

The financial statements do not agree to the general ledger as at 30 June 2015, without reference to these manual adjustments.

We recommend that all transactions be processed within the General Ledger

### **Misstatements in the Financial Statements**

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 will be reported in the Statutory Audit Report
- the Auditing Standards require me to bring matters of governance interest and significant misstatements identified during the audit to the attention of those charged with governance
- where misstatements resulted from, or were not detected because of failures in internal controls and/or systemic deficiencies which pose a significant risk to the Board, I will report these in accordance with my statutory obligations.

We noted a number of insignificant errors which are below the threshold where we would report them.

We noted a number of disclosure deficiencies which were subsequently corrected.

### **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 on the financial statements. The results of the audit are reported in this context. My testing identified the following instances of non-compliance:

- Please refer above to the issues concerning the late submission of work papers
- The Treasurer's Directions require the Board to submit unclaimed monies to NSW Treasury within three months, this matter was reported to the Board last year and has not been resolved.

### **Quality and Timeliness of Financial Reporting**

Treasury Circular TC 15/02 'Mandatory Early Close Procedures for 2014-15' required the Board to prepare certain aspects of the financial statements before year-end and provide the outcomes to the audit team. Treasury Circular TC 15/11 'Agency guidelines for the 2014-15 Mandatory Annual Returns to Treasury' required the Board to submit its year-end information to Treasury and its financial statements to the Audit Office on 27 July 2015.

The Board did not complete all mandatory early close procedures as it did not resolve the 'Accounting for Bonds' issue previously noted in this report. This constitutes a breach of the PF&A Act and will be reported in the Auditor-General's Report to Parliament.

The Board submitted its supporting working papers to the Audit Office after the due dates.

As the year-end reporting timetable is expected to shorten in future years, I recommend the Board urgently develop solutions to allow it to report earlier.

### **Auditor-General's Report to Parliament**

Comment on the Board's activities, financial operations, performance or compliance will appear in the Auditor-General's Report to Parliament. I will send the draft comment to the Board for review before the Report is tabled.

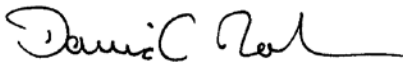
### **Management Letter**

In October 2015 I expect to send a Management Letter to the Chairperson detailing matters identified during the audit. I believe some of these matters are significant and have therefore mentioned them in this report. This letter will also include management's responses to the matters raised. Please contact Chairperson for a copy of the letter.

### **Acknowledgment**

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

Yours sincerely



David Nolan  
Director, Financial Audit Services



## INDEPENDENT AUDITOR'S REPORT

### Rental Bond Board

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Rental Bond Board (the Board), which comprise the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

### Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Board as at 30 June 2015, 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.

### The Board's Responsibility for the Financial Statements

The members of the Board are responsible for preparing financial statements that give a true and fair view 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 of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

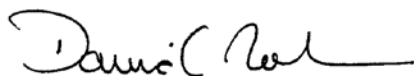
My opinion does *not* provide assurance:

- about the future viability of the Board
- that it carried out its activities effectively, efficiently and economically
- about the effectiveness of the internal control
- 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 other information which may have been hyperlinked to/from the financial statements.

### **Independence**

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence 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, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



David Nolan  
Director, Financial Audit Services

23 September 2015  
SYDNEY

## NSW Fair Trading

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A division of the **Department of Finance, Services and Innovation**

[www.fairtrading.nsw.gov.au](http://www.fairtrading.nsw.gov.au)

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