



Our ref: A20/173

5 November 2020

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Mr D Soulio  
Commissioner for Consumer Affairs  
Consumer and Business Services  
GPO Box 1719  
ADELADIE SA 5001

Dear Mr Soulio

## **Audit of Residential Tenancies Fund for the year to 30 June 2020**

We have completed the audit of your accounts for the year ended 30 June 2020. Two key outcomes from the audit are the:

- 1 Independent Auditor's Report on your agency's financial report
- 2 audit management letter recommending you address identified weaknesses.

### **1 Independent Auditor's Report**

We are returning the financial statements for the Residential Tenancies Fund, with the Independent Auditor's Report. This report is unmodified. The *Public Finance and Audit Act 1987* allows me to publish documents on the Auditor-General's Department website. The enclosed Independent Auditor's Report and accompanying financial statements will be published on that website on Tuesday, 17 November 2020.

### **2 Audit management letter**

During the year, we sent you an audit management letter detailing the weaknesses we noted and improvements we considered you need to make.

Significant matters related to:

- lack of segregation of duties in access granted to the Bond Management System (BMS)
- bonds lodged and manually refunded within 31 days of lodgement were not independently reviewed
- Residential Tenancies Fund bank reconciliation reconciling items not cleared promptly



- no procedure to manage and reduce the unclaimed bonds liability
- the bonds refund EFT payments file was not restricted.

We have received responses to our letter and will follow these up in the 2020-21 audit.

**What the audit covered**

Our audits meet statutory audit responsibilities under the *Public Finance and Audit Act 1987* and the Australian Auditing Standards.

Our audit covered the principal areas of the agency's financial operations and included test reviews of systems, processes, internal controls and financial transactions. Some notable areas were:

- bond lodgements
- bond refunds
- interest and investment revenues
- expenditure
- cash and investments.

I would like to thank the staff and management of your agency for their assistance during this year's audit.

Yours sincerely



Andrew Richardson

**Auditor-General**

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## To the Commissioner for Consumer Affairs Consumer and Business Services, Attorney-General's Department

### Opinion

I have audited the financial report of the Residential Tenancies Fund for the financial year ended 30 June 2020.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Residential Tenancies Fund as at 30 June 2020, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2020
- a Statement of Financial Position as at 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Commissioner for Consumer Affairs, the Executive Director, Finance, People and Performance and the General Manager, Corporate Services.

### Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Residential Tenancies Fund. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* have been met.

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



## **Responsibilities of the Commissioner for Consumer Affairs for the financial report**

The Commissioner for Consumer Affairs is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 102(2) of the *Residential Tenancies Act 1995*, I have audited the financial report of the Residential Tenancies Fund for the financial year ended 30 June 2020.

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Residential Tenancies Fund's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioner for Consumer Affairs
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.



My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Commissioner for Consumer Affairs about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

**Auditor-General**

05 November 2020



# **Residential Tenancies Fund**

## **Financial Statements**

For the year ended 30 June 2020

**Residential Tenancies Fund**  
**Certification of the Financial Statements**  
*for the year ended 30 June 2020*

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We certify that the attached draft general purpose financial statements for the Residential Tenancies Fund:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards
- are in accordance with the accounts and records of the Residential Tenancies Fund
- present a true and fair view of the financial position of the Residential Tenancies Fund as at 30 June 2020 and the results of its operations and cash flows for the financial year.

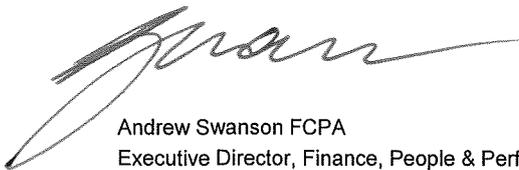
We certify that the internal controls employed by the Residential Tenancies Fund for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Dini Soulio  
Commissioner  
Consumer and Business Services  
2 November 2020



Eleni Labadas  
General Manager, Corporate Services  
Consumer and Business Services  
2 November 2020



Andrew Swanson FCPA  
Executive Director, Finance, People & Performance  
Attorney-General's Department  
2 November 2020

**Residential Tenancies Fund**  
**Statement of Comprehensive Income**  
*for the year ended 30 June 2020*

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	Note	2020 \$'000	2019 \$'000
<b>Income</b>			
Interest and investment	2.1	4 435	8 167
Other income	2.2	818	729
Gain on revaluation of investments	2.3	-	294
<b>Total income</b>		<b>5 253</b>	<b>9 190</b>
<b>Expenses</b>			
Compliance and administration	4.1	6 556	6 480
Loss on revaluation of investments	2.3	3 848	-
Amortisation	4.2	45	207
Other expenses	4.3	50	35
<b>Total expenses</b>		<b>10 499</b>	<b>6 722</b>
<b>Net result</b>		<b>(5 246)</b>	<b>2 468</b>
<b>Total comprehensive result</b>		<b>(5 246)</b>	<b>2 468</b>

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

**Residential Tenancies Fund**  
**Statement of Financial Position**  
*as at 30 June 2020*

	Note	2020 \$'000	2019 \$'000
<b>Current assets</b>			
Cash and cash equivalents	6.1	6 950	3 046
Investments	6.2	137 800	131 554
Receivables	6.3	1 961	2 926
<b>Total current assets</b>		<b>146 711</b>	<b>137 526</b>
<b>Non-current assets</b>			
Intangible assets	5.1	238	218
Investments	6.2	128 090	126 597
<b>Total non-current assets</b>		<b>128 328</b>	<b>126 815</b>
<b>Total assets</b>		<b>275 039</b>	<b>264 341</b>
<b>Current liabilities</b>			
Security bonds lodged	7.1	94 407	93 708
Payables	7.2	4 262	1 016
<b>Total current liabilities</b>		<b>98 669</b>	<b>94 724</b>
<b>Non-current liabilities</b>			
Security bonds lodged	7.1	125 057	114 606
Other	7.3	10 993	9 445
<b>Total non-current liabilities</b>		<b>136 050</b>	<b>124 051</b>
<b>Total liabilities</b>		<b>234 719</b>	<b>218 775</b>
<b>Net assets</b>		<b>40 320</b>	<b>45 566</b>
<b>Equity</b>			
Retained earnings		40 320	45 566
<b>Total equity</b>		<b>40 320</b>	<b>45 566</b>

The accompanying notes form part of these financial statements. The total equity is attributable to the SA Government as owner.

**Residential Tenancies Fund**  
**Statement of Changes in Equity**  
*for the year ended 30 June 2020*

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	Investments market value reserve	Retained earnings	Total equity
	\$'000	\$'000	\$'000
Balance at 1 July 2018	10 171	32 927	43 098
Changes in accounting policy on adoption of AASB 9	(10 171)	10 171	-
<b>Restated balance at 1 July 2018</b>	<b>-</b>	<b>43 098</b>	<b>43 098</b>
Net result for 2018-19	-	2 468	2 468
<b>Total comprehensive result for 2018-19</b>	<b>-</b>	<b>2 468</b>	<b>2 468</b>
<b>Balance at 30 June 2019</b>	<b>-</b>	<b>45 566</b>	<b>45 566</b>
Net result for 2019-20	-	(5 246)	(5 246)
<b>Total comprehensive result for 2019-20</b>	<b>-</b>	<b>(5 246)</b>	<b>(5 246)</b>
<b>Balance at 30 June 2020</b>	<b>-</b>	<b>40 320</b>	<b>40 320</b>

The accompanying notes form part of these financial statements. All changes in equity are attributable to the SA Government as owner.

**Residential Tenancies Fund**  
**Statement of Cash Flows**  
*for the year ended 30 June 2020*

		2020 (Outflows) Inflows \$'000	2019 (Outflows) Inflows \$'000
<b>Cash flows from operating activities</b>	<b>Note</b>		
<b>Cash inflows</b>			
Bond lodgements		106 540	105 634
Bond guarantee receipts		6 635	7 476
Interest receipts		540	1 224
Other receipts		91	47
<b>Cash generated from operations</b>		<u>113 806</u>	<u>114 381</u>
<b>Cash outflows</b>			
Bond refunds		(94 374)	(93 722)
Bond guarantee payments		(6 037)	(7 033)
Compliance and administration		(3 386)	(9 713)
Other payments		(40)	(35)
<b>Cash used in operations</b>		<u>(103 837)</u>	<u>(110 503)</u>
<b>Net cash provided by / (used in) operating activities</b>	<b>8.1</b>	<u>9 969</u>	<u>3 878</u>
<b>Cash flows from investing activities</b>			
<b>Cash outflows</b>			
Purchases for investments		(6 000)	(6 000)
Purchase of intangible assets		(65)	(225)
<b>Cash used in investing activities</b>		<u>(6 065)</u>	<u>(6 225)</u>
<b>Net cash provided by / (used in) investing activities</b>		<u>(6 065)</u>	<u>(6 225)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<u>3 904</u>	<u>(2 347)</u>
Cash and cash equivalents at the beginning of the period		3 046	5 393
<b>Cash and cash equivalents at the end of the period</b>	<b>6.1</b>	<u>6 950</u>	<u>3 046</u>

The accompanying notes form part of these financial statements. All changes in equity are attributable to the SA Government as owner.

**Residential Tenancies Fund**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**Residential Tenancies Fund**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**1 About the Residential Tenancies Fund**

The Residential Tenancies Fund (the Fund) is established under the *Residential Tenancies Act 1995* (the Act) and is a not-for-profit entity. The financial statements are required by section 102(1) of the Act and include income, expenses, assets and liabilities which the Commissioner for Consumer Affairs administers on behalf of the SA Government. The Fund does not control any other entity and has no interest in unconsolidated structured entities.

**1.1. Basis of preparation**

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards.

For the 2019-20 financial statements the Fund adopted *AASB 15 – Revenue from Contracts with Customers* and *AASB 1058 – Income of Not-for-Profit Entities*. Further information is provided in note 9.

The financial statements are prepared based on a 12 month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

The Commissioner for Consumer Affairs is liable for goods and services tax (GST). GST collections and payments are carried out by the Attorney-General's Department (AGD) on behalf of the Fund. GST in relation to the Fund is reported in the AGD Controlled Financial Statements.

Income, expenses, receivables, payables and assets are recognised net of the amount of GST.

Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the Fund has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

**1.2. Objectives of the Residential Tenancies Fund**

The Fund is kept and administered by the Commissioner for Consumer Affairs. The Fund consists of amounts received by the Commissioner by way of security bonds and other amounts paid into the Fund under the Act. The Commissioner will make repayments in respect of security bonds from the Fund. Income derived from investment of the Fund is applied towards the costs of administering the Fund and enforcing the Act, education of landlords and tenants about their statutory and contractual rights and obligations, and operations of the Fund.

The Fund's main source of income is from interest derived from the investment of Fund assets in accordance with section 100(4) of the Act. Fund assets mainly represent the investment of security bonds received in accordance with section 62 of the Act.

**Residential Tenancies Fund**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**1.3. Impact of COVID-19 pandemic on the Fund**

The COVID-19 pandemic has impacted on the operations of the Fund and the impacts are included under the relevant disclosure notes. The key impacts in 2019-20 were:

- A \$3.732m reduction in investment income and a loss on revaluation of investment of \$3.848m compared to the 2018-19 financial year due to the performance of financial markets.
- The Parliament passed legislation that ensured that a Residential Tenancies Agreement cannot be terminated solely on the grounds of unpaid rent where the tenant is suffering financial hardship as a result of COVID-19.
- CBS received increased volumes of calls for advice in relation to Residential Tenancies Agreements and associated Bonds.

**1.4. Significant transactions with government related entities**

During the year the Fund invested \$6 million with Public Trustee (2019: \$6 million).

**Residential Tenancies Fund**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**2. Income**

**2.1. Interest and investment revenue**

	2020	2019
	\$'000	\$'000
Distribution on Investments held with Public Trustee	2 377	4 563
Interest from Public Trustee investments	1 361	2 418
Interest on bond guarantees with Housing SA	662	1 092
Interest on deposits with the Treasurer	35	94
<b>Total interest and investment revenues</b>	<b>4 435</b>	<b>8 167</b>

Investment revenue includes income earned on the Fund's accounts held with the Public Trustee. Interest includes interest earned on the Fund's accounts held with the Treasurer and the Public Trustee.

Housing SA pays interest at an agreed market determined rate to the Fund based on the daily balance of bond guarantees held.

**2.2. Other income**

	2020	2019
	\$'000	\$'000
Management fee recovery	727	682
Sundry recoveries	91	47
<b>Total other income</b>	<b>818</b>	<b>729</b>

**2.3. Net gain/(loss) on revaluation of investments**

	2020	2019
	\$'000	\$'000
Net gain/(loss) on revaluation of investments	(3 848)	294
<b>Total Net gain/(loss) on revaluation of investments</b>	<b>(3 848)</b>	<b>294</b>

**3. Board, committees and employees**

**3.1. Key management personnel**

Key management personnel of the Fund include the Minister and the Commissioner for Consumer Affairs. The compensation received by the Commissioner is included in the controlled financial statements of the Attorney-General's Department at note 3.1.

The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively, and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 of the *Parliamentary Remuneration Act 1990*.

**Transactions with key management personnel and other related parties**

There are no related party transactions.

**Residential Tenancies Fund**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**4. Expense**

**4.1. Compliance and administration**

	2020	2019
	\$'000	\$'000
Consumer and Business Services	3 471	3 470
South Australian Civil and Administrative Tribunal	3 085	3 010
<b>Total compliance and administration</b>	<b>6 556</b>	<b>6 480</b>

The Residential Tenancies Fund meets the costs incurred by Consumer and Business Services associated with managing residential tenancy bonds, including necessary ICT infrastructure, as well as costs related to providing tenancy advice to tenants and landlords.

The South Australian Civil and Administrative Tribunal (SACAT) helps resolve residential tenancies tribunal matters relating to the landlord and tenant relationships. The Fund pays a portion of SACAT expenses which are disclosed above.

**4.2. Amortisation**

	2020	2019
	\$'000	\$'000
<b>Amortisation</b>		
Intangible assets	45	207
<b>Total amortisation</b>	<b>45</b>	<b>207</b>

All non-current assets, having a limited useful life, are systematically amortised over their useful lives in a manner that reflects the consumption of their service potential.

**Review of accounting estimates**

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, on an annual basis. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

**Useful life**

Amortisation is calculated on a straight line basis over the estimated useful life as follows:

Class of asset	Useful life (years)
Intangible Assets	3-5

**4.3. Other expenses**

	2020	2019
	\$'000	\$'000
Audit fees *	50	35
<b>Total other expenses</b>	<b>50</b>	<b>35</b>

\* Audit fees paid/payable to the Auditor-General's Department related to work performed under the *Public Finance and Audit Act 1987* were \$50 000 (2019: \$35 000). No other services were provided by the Auditor-General's Department.

**Residential Tenancies Fund**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**5. Non-financial assets**

**5.1. Intangible assets**

	2020	2019
	\$'000	\$'000
<b>Computer software</b>		
Internally developed computer software	1 286	1 221
Accumulated amortisation	(1 048)	(1 003)
<b>Total computer software</b>	<u>238</u>	<u>218</u>
<b>Total intangible assets</b>	<u><u>238</u></u>	<u><u>218</u></u>

Intangible assets are initially measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition and recognition criteria and when the amount of expenditure is greater than or equal to \$10 000.

The internally developed computer software relates to the Fund's Bonds Management System with a remaining useful life of 3 years and 11 months and carrying amount of \$181 000.

**Reconciliation 2019-20**

	Internally developed computer software	Total
	\$'000	\$'000
Carrying amount at 1 July 2019	218	218
Additions	65	65
Amortisation	(45)	(45)
<b>Carrying amount at 30 June 2020</b>	<u>238</u>	<u>238</u>

**Reconciliation 2018-19**

	Internally developed computer software	Total
	\$'000	\$'000
Carrying amount at 1 July 2018	200	200
Additions	225	225
Amortisation	(207)	(207)
<b>Carrying amount at 30 June 2019</b>	<u>218</u>	<u>218</u>

**Residential Tenancies Fund**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**6. Financial assets**

**6.1. Cash and cash equivalents**

	2020	2019
	\$'000	\$'000
Deposits with the Treasurer	6 950	3 046
<b>Total cash and cash equivalents</b>	<b>6 950</b>	<b>3 046</b>

Cash is measured at nominal value. Deposits at call with the Treasurer earn a floating interest rate, based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

**6.2. Investments**

	2020	2019
	\$'000	\$'000
<b>Current</b>		
Investments at Fair Value through Profit and Loss	137 800	131 554
<b>Total current investments</b>	<b>137 800</b>	<b>131 554</b>
<b>Non-current</b>		
Investments at Fair Value through Profit and Loss	128 090	126 597
<b>Total non-current investments</b>	<b>128 090</b>	<b>126 597</b>
<b>Total investments</b>	<b>265 890</b>	<b>258 151</b>

Investments represent funds deposited with the Public Trustee. These investments have been classified as financial assets held at fair value through profit and loss as they are held with the intention to dispose of the asset if required to ensure sufficient cash flow to meet bond repayments. Investments are made by way of notional unit holdings in a selection of common funds managed by the Public Trustee. The proportion of unit holdings is dependent upon the investment strategy adopted.

As at 30 June 2020 the Fund held investments in common funds in the following:

Capital Stable	20%
Balanced	28%
Cash	52%

Investments are measured at fair value in accordance with unit prices at balance date as advised by the Public Trustee.

Investments are classified as either current or non-current. The current investments are the Cash Investments Strategy and the non-current investments are the Balanced and Capital Stable Investments Strategy.

Revaluation increments and decrements are recognised at fair value through profit or loss. The fair value of assets traded in active markets are based on quoted market prices for identical assets at balance date.

For further information on risk management refer to note 11.2.

**Residential Tenancies Fund**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**6.3. Receivables**

	2020	2019
	\$'000	\$'000
Accrued interest and distributions	1 606	2 740
Other	355	186
<b>Total receivables</b>	<b>1 961</b>	<b>2 926</b>

Receivables and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

Refer to note 11.2 for further information on risk management.

**Residential Tenancies Fund**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**7. Liabilities**

**7.1. Security bonds lodged**

	2020	2019
	\$'000	\$'000
<b>Current</b>		
Bonds lodged	94 407	93 708
<b>Total current security bonds lodged</b>	<u>94 407</u>	<u>93 708</u>
<b>Non-current</b>		
Bonds lodged	125 057	114 606
<b>Total non-current security bonds lodged</b>	<u>125 057</u>	<u>114 606</u>
<b>Total security bonds lodged</b>	<u><u>219 464</u></u>	<u><u>208 314</u></u>

Security bonds are received to ensure a tenant on cessation of residential and parks leases comply with all statutory requirements under the Act. Bonds lodged are recognised as a liability on receipt.

**7.2. Payables**

	2020	2019
	\$'000	\$'000
<b>Current payables</b>		
Creditors	4 220	984
Accrued expenses	42	32
<b>Total current payables</b>	<u>4 262</u>	<u>1 016</u>
<b>Total payables</b>	<u><u>4 262</u></u>	<u><u>1 016</u></u>

Payables and accruals are raised for all amounts owing but unpaid. Sundry payables are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

**7.3. Other liabilities**

	2020	2019
	\$'000	\$'000
<b>Non-current</b>		
Other liabilities	10 993	9 445
<b>Total non-current other liabilities</b>	<u>10 993</u>	<u>9 445</u>
<b>Total other liabilities</b>	<u><u>10 993</u></u>	<u><u>9 445</u></u>

The other liability is a balance of unclaimed monies related to security bond refunds that are more than 1 year old. The items remain in Bonds Management System until a valid claim is lodged and the monies are refunded. Bonds are only considered unclaimed once there has been an unsuccessful attempt to refund the bond.

**Residential Tenancies Fund**  
**Notes to and forming part of the financial statements**  
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**8. Other disclosures**

**8.1. Cash flow reconciliation**

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

	2020	2019
	\$'000	\$'000
<b>Reconciliation of cash and cash equivalents at the end of the reporting period</b>		
Cash and cash equivalents disclosed in the Statement of Financial Position	6 950	3 046
<b>Balance as per the Statement of Cash Flows</b>	<b>6 950</b>	<b>3 046</b>
<b>Reconciliation of net cash provided by / (used in) operating activities to net result</b>		
Net cash provided by/(used in) operating activities	9 969	3 878
<b>Add / (less) non-cash Items</b>		
Depreciation and amortisation	(45)	(207)
Interest from Public Trustee investments	1 361	2 418
Distributions from Public Trustee investments	2 377	4 563
Management fee recovery	727	682
Gain/(loss) on revaluation of investments	(3 848)	294
<b>Movement in assets and liabilities</b>		
Increase/(decrease) in other receivables	157	(137)
(Increase)/decrease in payables	(3 246)	3 388
(Increase)/decrease in security bonds lodged	(11 150)	(11 646)
(Increase)/decrease in other liabilities	(1 548)	(765)
<b>Net result</b>	<b>(5 246)</b>	<b>2 468</b>

**Residential Tenancies Fund**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**9. Changes in accounting policy**

**9.1. AASB 16 Leases**

The fund has no lease contracts and therefore is not required to adopt AASB16 from 1 July 2019.

**9.2. AASB 15 Revenue from Contracts with Customers**

AASB 15 *Revenue from Contracts with Customers* establishes a revenue recognition model for revenue arising from contracts with customers. It requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. AASB 15 supersedes AASB 111 *Construction contracts*, AASB 118 *Revenue* and related Interpretations and applies to all revenue arising from contracts with customers.

**Impact on retained earnings**

There is no impact of AASB 15 *Revenue from Contracts with Customers* on the Fund.

Significant accounting policies relating to the application of AASB 15 are disclosed under relevant notes.

**9.3. AASB 1058 Income of Not-for-Profit Entities**

AASB 1058 *Income of Not-for-Profit Entities* establishes new income recognition requirements for not-for-profit entities. Its requirements apply where the consideration to acquire an asset, including cash, is significantly less than fair value principally to the entity to further its objectives. AASB 1058 also contains requirements for the receipt of volunteer services. AASB 1058 supersedes income recognition requirements in AASB 1004 *Contributions*, AASB 118 *Revenue* and AASB 111 *Construction Contracts*. However, elements of AASB 1004 remain in place, primarily in relation to restructures of administrative arrangements and other contributions and distributions by owners.

**Accounting policies on transition**

On transition, there was no impact on retained earnings.

**Residential Tenancies Fund**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**9.4. Presentation of Financial Statements**

Treasurer's Instructions (Accounting Policy Statements) issued on 1 June 2020 removed the previous requirement for financial statements to be prepared using the net cost of services format. The net cost of services is the total cost of services less any revenue retained by public authorities involved in the provision of services but does not include items classified as revenues from and payments to the South Australian Government.

Presentation of the Statement of Comprehensive Income on an 'income and expense' basis allows information to be presented in such a way that eliminates potential confusion as to the source of funding for the department. As well as changes to the format of the Statement of Comprehensive Income, there are presentational changes to remove the net cost of services format from the Statement of Cash Flows. These statements now show income before expenses, and cash receipts before cash payments. Related disclosures also reflect this changed format.

**Residential Tenancies Fund**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**10. Outlook**

**10.1. Contingent assets and liabilities**

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

Under the Bond Guarantee Scheme a guarantee for the bond is given to the landlord by Housing SA. In the event of a claim by a landlord, a payment is made by the Fund. Housing SA then reimburses the Fund. The value of bond guarantees lodged at 30 June 2020 is \$58.6 million (2019: \$57.5 million).

Under the *Residential Tenancies Act 1995*, bonds lodged prior to 9 May 2015 accrue interest which is paid to tenants when a bond is repaid to them. Interest is not paid when a bond is paid to landlords or third parties such as the SA Housing Trust. All bonds lodged after 9 May 2015 (inclusive) will not accrue interest. The interest payable to tenants has not been recorded as a liability as the Fund does not have a present obligation until the tenant lodges a claim for the repayment of the bond.

It is estimated that the contingent interest liability as at 30 June 2020 is \$88 600 (2019: \$90 000).

**10.2. Impact of standards and statements not yet effective**

The Fund has assessed the impact of new and changed Australian Accounting Standard Board Standards and Interpretations not yet effective and has determined there will be no financial impact arising from them.

**10.3. COVID-19 pandemic outlook for the Fund**

The COVID-19 pandemic will continue to impact the operations of the Fund in 2020-21. The key expected impacts are:

- The Fund relies on investment income to offset operational expenses. While market risk is present in every financial year, it is possible that COVID-19 will continue to negatively impact the investment income and asset values of the Fund.

**10.4. Events after reporting period**

There are no known events after balance date that affect these financial statements.

**Residential Tenancies Fund**  
**Notes to and forming part of the financial statements**  
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**11. Measurement and risk**

**11.1. Fair value**

*AASB 13 Fair Value Measurement* defines fair value as the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

**Fair value hierarchy**

The Commissioner classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation.

- Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2: not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3: not traded in an active market and are derived from unobservable inputs.

Investments are held at level 2. There were no reclassifications during the year.

**11.2. Financial instruments**

**Financial risk management**

Fund risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The Fund's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

**Market and credit risk**

All cash balances are available at call. Investments held with the Public Trustee are classified as 'fair value through profit and loss' financial assets. Net gains or losses resulting from movements in the fair value of investments are recognised through profit or loss.

Investments represent funds held by the Public Trustee. The Public Trustee has invested in collective investment vehicles for the purpose of gaining exposure to Australian and international equities. The managers of such vehicles have invested in a variety of financial instruments which expose the Fund to investment risks, including market, credit, interest and currency risk. At reporting date funds totalling \$266 million were invested with the Public Trustee. Pooled investment funds are not rated for credit risk. The Public Trustee considers the credit risk of individual fund managers prior to investing funds and reviews these assessments quarterly.

Other than pooled investments, the Fund has no significant concentration of credit risk.

The Fund is exposed to price risk. Price risk represents the risk that the fair value of investments held with the Public Trustee will fluctuate due to changes in the market price for the underlying asset.

Cash is also subject to interest rate risk.

There have been no changes in risk exposure since the last reporting period.

**Impairment of financial assets**

The Fund considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and therefore the expected credit loss is nil.

The expected credit loss of government debtors is considered to be nil based on the external credit ratings and nature of the counterparties.

**Residential Tenancies Fund**  
**Notes to and forming part of the financial statements**  
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**11.2. Financial risk management / financial instruments (continued)**

**Categorisation of financial instruments**

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset and financial liability are disclosed in the respective financial asset/financial liability note.

**Classification of financial instruments**

Category of financial asset and financial liability	Note	Carrying amount / fair value \$'000	2020 Contractual maturities	
			Within 1 year \$'000	1-5 years \$'000
<b>Financial assets</b>				
<b>Cash and cash equivalents</b>				
Cash and cash equivalents	6.1	6 950	6 950	-
<b>Fair value through profit and loss</b>				
Investments	6.2	265 890	137 800	128 090
<b>Financial assets at amortised cost</b>				
Receivables	6.3	1 961	1 961	-
<b>Total financial assets</b>		<b>274 801</b>	<b>146 711</b>	<b>128 090</b>

<b>Financial liabilities</b>				
<b>Financial liabilities at amortised cost</b>				
Security bonds lodged	7.1	219 464	94 407	125 057
Payables	7.2	4 220	4 220	-
Other financial liabilities	7.3	10 993	-	10 993
<b>Total financial liabilities</b>		<b>234 677</b>	<b>98 627</b>	<b>136 050</b>

Category of financial asset and financial liability	Note	Carrying amount / fair value \$'000	2019 Contractual maturities	
			Within 1 year \$'000	1-5 years \$'000
<b>Financial assets</b>				
<b>Cash and cash equivalents</b>				
Cash and cash equivalents	6.1	3 046	3 046	-
<b>Fair value through profit and loss</b>				
Investments	6.2	258 151	131 554	126 597
<b>Financial liabilities at amortised cost</b>				
Receivables	6.3	2 926	2 926	-
<b>Total financial assets</b>		<b>264 123</b>	<b>137 526</b>	<b>126 597</b>

<b>Financial liabilities</b>				
<b>Financial liabilities at amortised cost</b>				
Security bonds lodged	7.1	208 314	93 708	114 606
Payables	7.2	984	984	-
Other financial liabilities	7.3	9 445	-	9 445
<b>Total financial liabilities</b>		<b>218 743</b>	<b>94 692</b>	<b>124 051</b>

**Residential Tenancies Fund**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2020*

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**11.2. Financial risk management / financial instruments (continued)**

**Receivables and payables**

The receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees). In government, certain rights to receive or pay cash may not be contractual and therefore, in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents, they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost.