



Our ref: A21/173

15 November 2021

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Mr D Soulio
Commissioner for Consumer Affairs
Consumer and Business Services
Chesser House
95 Grenfell Street
ADELAIDE SA 5000

Dear Mr Soulio

Audit of the Residential Tenancies Fund for the year to 30 June 2021

We have completed the audit of your accounts for the year ended 30 June 2021. 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, 23 November 2021.

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:

- the bonds refund EFT payments file was not restricted
- customer bank account details entered into the Bonds Management System (BMS) were not independently reviewed
- Residential Parks bonds bank reconciliation reconciling items were not cleared promptly

- no procedure to manage and reduce the unclaimed bonds liability
- BMS user access reviews were not performed and we found users with inappropriate access
- non-compliance with applying the maximum bond amount per the Residential *Tenancies Act 1995*.

We have received responses to our letter and will follow these up in the 2021-22 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:

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

3 Opportunities for improvement

An explanation for the variances between the two financial years would assist audit to identify focus areas and was requested in my letter dated 15 June 2021, Annual reporting 2020-21 – Provision of financial statements and relevant information. No variance analysis was provided this year.

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 Residential Tenancies Fund for the financial year ended 30 June 2021.

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 2021, 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 2021
- a Statement of Financial Position as at 30 June 2021
- a Statement of Changes in Equity for the year ended 30 June 2021
- a Statement of Cash Flows for the year ended 30 June 2021
- 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 Commission 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.

In preparing the financial report, the Commissioner for Consumer Affairs is responsible for assessing the entity's ability to continue as a going concern, taking into account any policy or funding decisions the government has made which affect the continued existence of the entity. The Commissioner for Consumer Affairs is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

The Commissioner for Consumer Affairs are responsible for overseeing the entity's financial reporting process.

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 2021.

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 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
- conclude on the appropriateness of the Commissioner for Consumer Affairs' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

15 November 2021

OFFICIAL

Residential Tenancies Fund

Financial Statements

For the year ended 30 June 2021

**Residential Tenancies Fund
Certification of the Financial
for the year ended 30 June 2021**

**OFFICIAL
Statements**


We certify that the:

- financial statements of the Residential Tenancies Fund :
 - are in accordance with the accounts and records of the department;
 - comply with relevant Treasurer's Instructions;
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the department at the end of the financial year and the result of its operation and cash flows for the financial year.

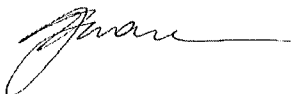
- internal controls employed by the Residential Tenancies Fund for the financial year over its financial reporting and its preparation of financial statements have been effective.



Dini Soulio
Commissioner
Consumer and Business Services
10 November 2021



Eleni Labadas
General Manager, Corporate Services
Consumer and Business Services
10 November 2021



Andrew Swanson FCPA
Executive Director, Finance, People & Performance
Attorney-General's Department
10 November 2021

Residential Tenancies Fund
Statement of Comprehensive Income
for the year ended 30 June 2021

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	Note	2021 \$'000	2020 \$'000
Income			
Interest and investment revenue	2.1	6 990	4 435
Net gain on revaluation of investments	2.3	5 990	-
Other income	2.2	702	818
Total income		13 682	5 253
Expenses			
Compliance and administration	4.1	6 695	6 556
Amortisation	4.2	58	45
Net loss on revaluation of investments	2.3	-	3 848
Other expenses	4.3	43	50
Total expenses		6 796	10 499
Net result		6 886	(5 246)
Total comprehensive result		6 886	(5 246)

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 2021

OFFICIAL

	Note	2021 \$'000	2020 \$'000
Current assets			
Cash and cash equivalents	6.1	9 243	6 950
Investments	6.2	137 707	137 800
Receivables	6.3	4 640	1 961
Total current assets		151 590	146 711
Non-current assets			
Intangible assets	5.1	180	238
Investments	6.2	138 879	128 090
Total non-current assets		139 059	128 328
Total assets		290 649	275 039
Current liabilities			
Security bonds lodged	7.1	95 302	94 407
Payables	7.2	599	4 262
Total current liabilities		95 901	98 669
Non-current liabilities			
Security bonds lodged	7.1	135 077	125 057
Other liabilities	7.3	12 465	10 993
Total non-current liabilities		147 542	136 050
Total liabilities		243 443	234 719
Net assets		47 206	40 320
Equity			
Retained earnings		47 206	40 320
Total equity		47 206	40 320

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 2021

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	Retained earnings	Total equity
	\$'000	\$'000
Balance at 1 July 2019	45 566	45 566
Net result for 2019-20	(5 246)	(5 246)
Total comprehensive result for 2019-20	(5 246)	(5 246)
Balance at 30 June 2020	40 320	40 320
Net result for 2020-21	6 886	6 886
Total comprehensive result for 2020-21	6 886	6 886
Balance at 30 June 2021	47 206	47 206

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 2021

OFFICIAL

		2021	2020
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
Cash flows from operating activities			
Cash inflows			
Bond lodgements		106 942	106 540
Interest receipts		301	540
Bond guarantee receipts		4 574	6 635
Other receipts		6	91
Cash generated from operating activities		111 823	113 806
Cash outflows			
Bond refunds		(94 914)	(94 374)
Compliance and administration		(10 412)	(3 386)
Bond guarantee payments		(4 162)	(6 037)
Other payments		(42)	(40)
Cash used in operating activities		(109 530)	(103 837)
Net cash provided by / (used in) operating activities	8.1	2 293	9 969
Cash flows from investing activities			
Cash outflows			
Purchase of intangible assets		-	(65)
Purchases for investments		-	(6 000)
Cash used in investing activities		-	(6 065)
Net cash provided by / (used in) investing activities		-	(6 065)
Net increase / (decrease) in cash and cash equivalents		2 293	3 904
Cash and cash equivalents at the beginning of the reporting period		6 950	3 046
Cash and cash equivalents at the end of the reporting period	6.1	9 243	6 950

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

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1 About the Residential Tenancies Fund

The Residential Tenancies Fund (the RTF) 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 RTF 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.

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

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

1.3. Impact of COVID-19 pandemic on the RTF

There has been no material impact on the operations of the RTF due to the COVID-19 pandemic.

1.4. Significant transactions with government related entities

There were no additional purchase of investments with the Public Trustee in 2020-21 (2020: \$6 million).

2. Income

2.1. Interest and investment revenue

	2021	2020
	\$'000	\$'000
Distribution on Investments held with Public Trustee	6 671	2 377
Interest from Public Trustee investments	196	1 361
Interest on bond guarantees with Housing SA	123	662
Interest on deposits with the Treasurer	-	35
Total interest and investment revenues	6 990	4 435

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

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

2.2. Other income

	2021	2020
	\$'000	\$'000
Management fee recovery	696	727
Sundry recoveries	6	91
Total other income	702	818

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

	2021	2020
	\$'000	\$'000
Net gain/(loss) on revaluation of investments	5 990	(3 848)
Total Net gain/(loss) on revaluation of investments	5 990	(3 848)

3. Board, committees and employees

3.1. Key management personnel

Key management personnel of the RTF include the Minister and the Commissioner for Consumer Affairs. The compensation received by the Commissioner is included in the controlled financial statements of AGD.

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

The RTF did not enter into any transactions with key management personnel or their close family during the reporting period.

4. Expense

4.1. Compliance and administration

	2021	2020
	\$'000	\$'000
South Australian Civil and Administrative Tribunal	3 162	3 085
Consumer and Business Services	3 533	3 471
Total compliance and administration	6 695	6 556

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

The RTF 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.

4.2. Amortisation

	2021	2020
	\$'000	\$'000
Intangible assets	58	45
Total amortisation	58	45

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

	2021	2020
	\$'000	\$'000
Audit fees	43	50
Total other expenses	43	50

Audit fees paid/payable to the Auditor-General's Department related to work performed under the *Public Finance and Audit Act 1987* were \$43 000 (2020: \$50 000). No other services were provided by the Auditor-General's Department.

5. Non-financial assets

5.1. Intangible assets

	2021	2020
	\$'000	\$'000
Computer software		
Internally developed computer software	1 286	1 286
Accumulated amortisation	(1 106)	(1 048)
Total computer software	<u>180</u>	<u>238</u>
Total intangible assets	<u>180</u>	<u>238</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 RTF's Bonds Management System with a remaining useful life of 2 years and 11 months.

Reconciliation 2020-21

	Internally developed computer software	Total
	\$'000	\$'000
Carrying amount at 1 July 2020	238	238
Amortisation	(58)	(58)
Carrying amount at 30 June 2021	<u>180</u>	<u>180</u>

Reconciliation 2019-20

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

6. Financial assets

6.1. Cash and cash equivalents

	2021	2020
	\$'000	\$'000
Deposits with the Treasurer	9 243	6 950
Total cash and cash equivalents	9 243	6 950

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

	2021	2020
	\$'000	\$'000
Current		
Investments at Fair Value through Profit and Loss	137 707	137 800
Total current investments	137 707	137 800
Non-current		
Investments at Fair Value through Profit and Loss	138 879	128 090
Total non-current investments	138 879	128 090
Total investments	276 586	265 890

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 2021 the RTF held investments in common funds in the following:

Capital Stable	20% (2020:20%)
Balanced	30% (2020:28%)
Cash	50% (2020:52%)

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 10.2.

6.3. Receivables

	2021	2020
	\$'000	\$'000
Accrued interest and distributions	4 463	1 606
Other	177	355
Total receivables	<u>4 640</u>	<u>1 961</u>

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 10.2 for further information on risk management.

7. Liabilities

7.1. Security bonds lodged

	2021	2020
	\$'000	\$'000
Current		
Bonds lodged	95 302	94 407
Total current security bonds lodged	<u>95 302</u>	<u>94 407</u>
Non-current		
Bonds lodged	135 077	125 057
Total non-current security bonds lodged	<u>135 077</u>	<u>125 057</u>
Total security bonds lodged	<u>230 379</u>	<u>219 464</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

	2021	2020
	\$'000	\$'000
Current payables		
Accrued expenses	43	42
Creditors	556	4 220
Total current payables	<u>599</u>	<u>4 262</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

	2021	2020
	\$'000	\$'000
Other liabilities	12 465	10 993
Total other liabilities	<u>12 465</u>	<u>10 993</u>

Other liabilities represent the balance of unclaimed monies related to security bond refunds that are more than 1 year old. The items remain in the 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.

8. Other disclosures

8.1. Cash flow reconciliation

	2021	2020
	\$'000	\$'000
Reconciliation of cash at the end of the reporting period:		
Cash and cash equivalents disclosed in the Statement of Financial Position	9 243	6 950
Balance as per the Statement of Cash Flows	9 243	6 950
Reconciliation of net cash provided by operating activities to net result		
Net cash provided by operating activities	2 293	9 969
Add / (less) non-cash items		
Gain/(loss) on revaluation of investments	5 990	(3 848)
Depreciation and amortisation	(58)	(45)
Interest from Public Trustee investments	196	1 361
Distributions from Public Trustee investments	6 671	2 377
Management fee recovery	696	727
Movement in assets and liabilities		
Increase/(decrease) in other receivables	(178)	157
(Increase)/decrease in payables	3 663	(3 246)
(Increase)/decrease in security bonds lodged	(10 915)	(11 150)
(Increase)/decrease in other liabilities	(1 472)	(1 548)
Net result	6 886	(5 246)

9. Outlook

9.1. 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 RTF. Housing SA then reimburses the RTF. The value of bond guarantees lodged at 30 June 2021 is \$55.6 million (2020: \$58.6 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 RTF 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 2021 is \$88 000 (2020: \$88 600).

9.2. Impact of standards and statements not yet effective

The RTF 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.

9.3. COVID-19 pandemic outlook for the RTF

The COVID-19 pandemic is not expected to have a material impact on the operations of the RTF in 2021-22.

9.4. Events after reporting period

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

10. Measurement and risk

10.1. 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.

10.2. Financial instruments

Financial risk management

RTF 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 RTF'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 RTF to investment risks, including market, credit, interest and currency risk. At reporting date funds totalling \$277 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 RTF has no significant concentration of credit risk.

The RTF 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 RTF 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.

10.2. 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.

Maturity analysis of financial instruments

Category of financial asset and financial liability	Note	Carrying amount / fair value \$'000	2021 Contractual maturities*	
			Less than 1 year \$'000	1-5 years \$'000
Financial assets				
Cash and cash equivalents				
Cash and cash equivalents	6.1	9 243	9 243	-
Fair value through profit and loss				
Investments	6.2	276 586	137 707	138 879
Financial assets at amortised cost				
Receivables**	6.3	4 640	4 640	-
Total financial assets		290 469	151 590	138 879
Financial liabilities				
Financial liabilities at amortised cost				
Security bonds lodged	7.1	230 379	95 302	135 077
Payables**	7.2	556	556	-
Other liabilities	7.3	12 465	-	12 465
Total financial liabilities		243 400	95 858	147 542

Category of financial asset and financial liability	Note	Carrying amount / fair value \$'000	2020 Contractual maturities*	
			Less than 1 year \$'000	1-5 years \$'000
Financial assets				
Cash and cash equivalents				
Cash and cash equivalents	6.1	6 950	6 950	-
Fair value through profit and loss				
Investments	6.2	265 890	137 800	128 090
Financial assets at amortised cost				
Receivables**	6.3	1 961	1 961	-
Total financial assets		274 801	146 711	128 090
Financial liabilities				
Financial liabilities at amortised cost				
Security bonds lodged	7.1	219 464	94 407	125 057
Payables**	7.2	4 220	4 220	-
Other liabilities	7.3	10 993	-	10 993
Total financial liabilities		234 677	98 627	136 050

10.2. Financial instruments (continued)

*Maturities analysis is presented using the undiscounted cash flows and therefore may not total to equal the carrying amount/fair value of the financial instrument.

** Total amounts disclosed here exclude statutory amounts.

Statutory receivables and payables

The receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. This includes Commonwealth, State and Local Government taxes and equivalents, fees and charges and Auditor-General's Department audit fees. In government, certain rights to receive or pay cash may not be contractual but have their source in legislation and therefore, in these situations, the disclosure requirements of AASB 7 will not apply. The standard defines contract as enforceable by law. All amounts recorded are carried at cost.