
**Australian
Military Forces
Relief Trust Fund**

**Annual Report
2017 - 2018**

Australian Military Forces Relief Trust Fund

Trustees as of 30th June 2018

Brigadier L. WILTON (Chair of Trustees)

Major J. DENTON

Warrant Officer G. MCFARLANE

Warrant Officer Class One M. CLARKE

Lieutenant D. KHANENKOV

Mr T. HEENAN

Ms M. HANNAFORD

Secretary to the Trustees: Ms Y. KU

Operations Manager: Mrs S. IDE

Operations Officer: Mrs S. TURNER

AUSTRALIAN MILITARY FORCES RELIEF TRUST FUND
SEVENTIETH ANNUAL REPORT OF THE TRUSTEES
REPORT OF OPERATIONS

The Hon Darren Chester MP

Dear Minister

The Trustees of the Australian Military Forces Relief Trust Fund (AMFRTF), trading as the Army Relief Trust Fund (ARTF), have the honour to submit their report of operations for the year ended 30th June 2018 (the period). This report is accompanied by audited Financial Statements for the period and associated notes which are to be read as part of this report.

ENABLING LEGISLATION AND PURPOSE

The AMFRTF was established by the *Services Trust Funds Act 1947*. In accordance with the Act, the AMFRTF provides benefits for members of the Defence Forces who have served in, or in association with, the Army and to the dependants of such members.

Ministerial Directions and Finance Minister's Orders

There were no Ministerial Directions or Finance Minister's Orders issued to the AMFRTF during the period.

Public Governance, Performance and Accountability Act 2013

The AMFRTF also complies with the requirements of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) with respect to:

- reporting to Minister and Parliament;
- contents of Annual Reports;
- audit of the AMFRTF's Financial Statements by the Auditor-General;
- banking and investment powers of authorities;
- general policies of the Australian Government; and
- conduct of directors and officers, including the civil consequences of any breach of their duties by the directors and officers.

Statutory powers of direction

The AMFRTF operates within the Defence Portfolio, reporting to the Minister for Defence Personnel.

The Minister for Defence Personnel may, by instrument in writing published in the Gazette, authorise the Trustees to administer other property. This authority was not exercised during the year.

ORGANISATIONAL STRUCTURE

The AMFRTF is a corporate Commonwealth entity, and is managed by a Board of Trustees who are appointed by the Minister for Defence Personnel. The Fund's central secretariat is located in Canberra and is staffed by the Fund Secretary, Operations Manager and Operations Officer. All the necessary administration, investing and accounting activities are carried out by the Secretariat under the direction of the Trustees.

Significant non-compliance issues with finance law

Section 17AG and 17BE of the PGPA Rule require that Commonwealth entities' annual reports must include a statement of any significant non-compliance issues notified to the responsible Minister under paragraph 19(1)(e) of the *PGPA Act* during the reporting period. There were no non-compliance issues reported.

Significant activities and changes affecting the Fund

There have not been any significant activities or changes that have occurred during this reporting period that have significantly affected or may affect the Fund's operations.

Risk Management and Fraud Control

The Trustees have established a risk management plan in accordance with the requirement of the Commonwealth's endeavours to make risk management an integral part of everyday business practice. The AMFRTF adopts Commonwealth and Defence best practice for risk management and fraud control to meet obligations to members. The AMFRTF Risk Management and Fraud Control Plan was reviewed and updated in June 2018. The Fund participates in the Australian Institute of Criminology Annual Fraud against the Commonwealth survey.

Reviews by outside bodies

The AMFRTF Annual Reports are subject to review by the Senate Foreign Affairs, Defence and Trade Legislation Committee. The Committee has not provided any adverse comment in relation to the AMFRTF's annual reports.

The Fund's financial statements are audited annually, in accordance with the requirements of the *Services Trust Funds ACT 1947*, by the Australian National Audit Office.

Freedom of information procedures and initial contact points

Requests for access to documents of the Trustees of the AMFRTF should be directed to the Secretary of the AMFRTF, Department of Defence, R2-4-B088, Russell Offices, PO Box 7901 BC, Canberra BC ACT 2600.

Work Health and Safety (WHS)

Staff that support the operations of the AMFRTF are employed by the Department of Defence and fall within the policies and procedures of the Department (including undertaking mandatory WHS training) for WHS purposes.

Indemnities and insurance premiums for officers

The Fund has taken out insurance coverage with Comcover for directors and officers' liability, fraud and fidelity, general liability and personal accident. The premium for the 2017-18 was \$2,185 (GST exclusive).

Board of Trustees

The *Services Trust Funds Act 1947* provides for the establishment of the AMFRTF and the termination and appointment of Trustees by the responsible Minister. All Trustees are appointed by the Minister for Defence Personnel.

Trustees attendances at Board meetings

Name	Position	Meetings Eligible to Attend	Meetings Attended	Remarks
BRIG L. WILTON	Chair of Trustees	4	4	Appointed 28 Jan 2016
Mr T. HEENAN	Trustee	4	3	Appointed 02 Jun 2011
MAJ J. DENTON	Chair Audit Committee	4	4	Appointed 31 Jul 2014
WO G. MCFARLANE	Trustee	4	1	Resigned 21 Jun 2018
WO1 M. CLARKE	Trustee	2	2	Resigned 25 Jan 2018
LT D. KHANENKOV	Trustee	4	3	Appointed 1 Jun 2017
Ms M. HANNAFORD	Trustee	4	4	Appointed 1 Jun 2017

Board members during 2017-18

Brigadier L. Wilton

Brigadier Leigh Wilton graduated from the Royal Military College, Duntroon, to the Royal Australian Army Ordnance Corps (RAAOC) in 1991. Her early appointments included regimental and staff positions as a supply officer, and as a project manager involved in the enhancement of the Standard Defence Supply System.

Brigadier Wilton's command experience includes a posting as the Officer Commanding Supply Company, 7th Combat Service Support Battalion and, being appointed as the inaugural Commanding Officer/Chief Instructor of the Army School of Ordnance.

Brigadier Wilton has held a range of staff appointments at both Lieutenant Colonel and Colonel. She has held positions as the Senior Officer Manager within the Career Management Agency, Directing Staff at both the Australian Command and Staff College (ACSC) and the Centre for Defence and Strategic Studies (CDSS), and as the Chief of Staff for Headquarters 633 – Afghanistan, and Chief of Staff for Army Headquarters.

Brigadier Wilton is a graduate of ACSC and CDSS. She holds a Master of Arts in Strategic Studies, a Masters of Management, a Bachelor of Business and a Graduate Diploma in Information Systems. Brigadier Wilton has also completed the Australian Institute of Company Directors Course.

Brigadier Wilton was appointed as the Director General Personnel – Army in 2016. In this role she also holds the appointment as Deputy Head Army People, and was recently recognised for her work by being awarded the Member of the Order of Australia (AM) on the Queen's Birthday 2018.

Mr T. Heenan

Tim Heenan is currently the Director Special Programs within Defence's Joint Counter Improvised Threat Task Force (JCIT TF).

Tim graduated from the Officer Cadet School Portsea in December 1978 into the Royal Australian Infantry. He served a variety of regimental and non-corps postings with 5/7 RAR and various training and headquarters units. In 1990 he undertook Technical Staff Officer training at the Royal Military College of Science, Shrivenham UK, and in 1993 he attended the Army Command and Staff Course at Queenscliff.

During his later tenure with the ADF he served in Force Development (Land) within Headquarters ADF, and from 1997-1999 served as Project Manager of the Ground Surveillance Radar program within Project NINOX.

Tim left the Army in March 2000 to join the Defence Materiel Organisation (DMO), initially to coordinate DMO input into the ongoing review of the Capability Life Cycle Management Handbook and then to coordinate development of the Naval Shipbuilding and Repair Sector Strategic Plan submitted to Government in mid 2002.

In August 2002, Tim took up a three year exchange posting within the Office of the US Under Secretary of Defence (Acquisition, Technology & Logistics) located within the Pentagon.

In April 2006 Tim was seconded to the ADF's Counter Improvised Threat Task Force, precursor to his current position within the JCIT TF. In this role he has been responsible for developing and implementing Defence's bilateral and multilateral Improvised Threat information sharing framework and related strategic policy documentation. In this capacity he continues to maintain close linkages with Defence military personnel deployed on operations.

Major J. Denton

Major Denton enlisted in the Army Reserve in 1990 as a Private in the Royal Australian Pay Corps. She trained as a Unit Pay Representative and was posted to a variety of HQ 2 Division Units. Major Denton undertook continuous full time service from 1998 to 1999 and was commissioned during that time.

Major Denton has worked in a variety of roles as a member of the Australian Public Service including service in the Directorate of Business Management - HQJOC. Other civilian employment included contract accounting roles with the NSW State Government, various emergency services roles and, more recently, working as an Entitlements Advisor with ex-members assisting with their Department of Veterans Affairs claims.

Major Denton is a Certified Practising Accountant with CPA Australia and has been awarded a Bachelor of Commerce (Accounting) from the University of Wollongong as well as several post graduate qualifications. During her service with Army, Major Denton has deployed to the USA on Talisman Saber 2009 as the Blue Force Assistant Financial Advisor.

Major Denton is currently on a fixed period of service and her current posting is as Staff Officer Grade 2 Workforce Supply (ARA) in Army HQ.

Warrant Officer G. McFarlane

Warrant Officer Grant McFarlane enlisted in the Australian Regular Army on 26 February 1980. His first posting was to the 3rd Battalion, The Royal Australian Regiment, in Woodside SA.

After six years with the 3rd Battalion in a number of Regimental appointments, he was posted to the School of Infantry, as an instructor at Depot Company.

In January 2003 Warrant Officer McFarlane was promoted to Warrant Officer Class One and appointed the Regimental Sergeant Major of the 10th/27th Battalion. In 2004 he was appointed the Regimental Sergeant Major of the 3rd Battalion, The Royal Australian Regiment. He again deployed to East Timor on Operation Astute in May 2006. He was awarded the Order of Australia (OAM) in the 2007 Queen's Birthday Day honours list.

In December 2008 he was posted to 3 Brigade as the Regimental Sergeant Major. From November 2011 through to February 2012 he was the Regimental Sergeant Major of Combined Team Uruzgan in Afghanistan. In March 2012 he took up the appointment as the Regimental Sergeant Major of the 2nd Division.

In 2016 Warrant Officer McFarlane took up the appointment as the Regimental Sergeant Major of Career Management- Army.

Warrant Officer Class One M. Clarke

Warrant Officer Michael Clarke enlisted in the Australian Regular Army on 17 June 1987 and on completion of Recruit Training, was allocated to the Royal Australian Army Medical Corps. He has completed numerous postings across a broad range of units including Australian Regular Army, Reserve, and Training Schools.

In 1997 and 1998, Warrant Officer Clarke deployed to Iraq as part of the United Nations Special Commission, and in 2005 he deployed to Timor as part of the Australian Resuscitation Team Dili.

Warrant Officer Clarke has held a number of regimental appointments which include the Regimental Sergeant Major of the 3rd Health Support Battalion, Regimental Sergeant Major of the Army School of Health and the Regimental Sergeant Major of the Royal Australian Army Medical Corps. In 2016, he was deployed as the Australian Contingent Regimental Sergeant Major for the Multi-National Force and Observers, Sinai, Egypt.

Warrant Officer Clarke has completed a Bachelor of Administrative Leadership from the University of New England. He also holds a Master of Business and Master of Project Management from the University of New South Wales.

Warrant Officer Clarke was appointed as the Regimental Sergeant Major Ceremonial – Army in 2017.

Lieutenant D. Khanenkov

Lieutenant Dmitry Khanenkov was born in Volgograd, Russia, on 16 May 1986. He migrated to Australia on 13 September 2008, and subsequently acquired Australian citizenship on 17 July 2014.

Lieutenant Khanenkov enlisted in the Australian Regular Army on 30 June 2015 and was posted to Headquarters Army Financial Services Unit. He completed his Special Service Officer First Appointment Course at Royal Military College – Duntroon in September 2015 and the Finance Officer Basic Course in November 2015 where he was awarded Student of Merit. Lieutenant Khanenkov also completed the Logistic Officer Basic Course in September 2016. On completion of the course he was moved into the Operations Cell of the newly combined Army Compliance and Assurance Unit. In June 2018 Lieutenant Khanenkov completed All Corps Captain Course.

Lieutenant Khanenkov is a member of the Audit Committee of Army Relief Trust Fund. He also provides regular Resource Management Support to Director General – Personnel Directorate of Recruitment and Retention on a weekly basis.

Lieutenant Khanenkov has a Bachelor of Economics and Graduate Diploma of Accounting; and also holds associate membership with CPA. He is currently studying a Masters of Strategic People Management at the Australian Defence Force Academy.

Ms M. Hannaford

Michelle Hannaford commenced with the Department of Defence as a public servant in 2007, and has held various finance and specialist human resource roles across Army. Michelle is currently the Staff Officer Cultural Renewal – Army.

Michelle has worked across a wide range of Army's personnel areas including the Directorate of Officer Career Management, Directorate of Reserve Career Management, and the Career Management Executive. In 2012, Michelle transferred to Director General Personnel – Army to undertake specialist Human Resources functions in the field of organisational change as the Staff Officer Diversity – Army and most recently as the Staff Officer Cultural Renewal – Army. In 2015, Michelle also spent time on secondment to Defence People Group in the Organisational Development Unit as the Assistant Director – Pathway to Change. Prior to her career in Defence, Michelle gained qualifications as an embalmer completing ten years in the funeral industry across a range of operational and managerial roles.

Michelle holds a Bachelor of Business with Distinction and a Masters of Terrorism and Security.

Corporate Governance

The Fund operates in accordance with the *Services Trust Funds Act 1947* and as a corporate Commonwealth entity. It is managed and administered under the provisions of the *PGPA Act*.

Audit Committee

In accordance with the requirements of the *PGPA Act* the Fund has established an Audit Committee. The Committee is chaired by Major J. Denton, it meets prior to the quarterly Board meetings. The Audit Committee provides advice to the Trustees and its main objectives are:

- review internal controls and ensure adequate procedures are in place;
- review risk management and fraud control practices;
- improve the objectivity and reliability of financial reporting, and
- ensure the Board complies with all governance and other obligations.

Trustees have tightened requirements in relation to recovery action for members who discharge but fail to meet their obligation to the Fund by repaying their outstanding liability. A Privacy Act clause has been proposed and will be included in the Loan Agreement which ultimately may lead to a member being 'listed' if they fail to meet their agreed obligation to the Fund and thus limit their ability to access credit. If a member seeks credit they will appear on a default listing that alerts the potential lender that the member has defaulted on their debt to the Fund and thus present as a credit risk.

Loans assistance provided

The Fund has provided loan assistance totalling \$73,827,103 to serving members since its inception. Loan assistance provided by the Fund in the last 10 years is as follows:

Reporting periods	Amounts loaned \$	Loan numbers
1 July 2008 to 30 June 2009	2,375,072	456
1 July 2009 to 30 June 2010	2,980,905	584
1 July 2010 to 30 June 2011	2,873,960	549
1 July 2011 to 30 June 2012	3,097,400	586
1 July 2012 to 30 June 2013	2,971,664	640
1 July 2013 to 30 June 2014	3,530,420	791
1 July 2014 to 30 June 2015	3,476,200	757
1 July 2015 to 30 June 2016	3,633,050	797
1 July 2016 to 30 June 2017	3,752,000	818
1 July 2017 to 30 June 2018	4,146,350	899

Grants assistance provided

The Fund has provided grant assistance totalling \$103,752 to eligible members and persons since its inception. This includes an approximate total of 1,901 individuals who were determined to be in needy or necessitous circumstances. These circumstances have varied from bushfire and flood relief to the purchase of medical equipment to helping with general living expenses.

The Fund has also made a practice of converting outstanding loan balances owing by deceased members to grants. In this reporting period, no loans were converted to a grant.

Three hardship grants to the value of \$16,600 were provided to support member's dependents. Two loans belonging ex-members to the value of \$5,819, were converted to grants during the reporting period.

Conclusion

The Trustees are responsible, under the *PGPA Act*, for the preparation and content of the report of operations in accordance with the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*. This report of operations is made in accordance with a resolution of the Trustees and is signed for and on behalf of the Trustees.



L. WILTON
Brigadier
Chair of Trustees

22 August 2018



J. DENTON
Major
Chair Audit Committee

22 August 2018

ANNUAL PERFORMANCE STATEMENT 2017-18

Introductory statement

We, the Board of Trustees of the Australian Military Forces Relief Trust Fund (AMFRTF), as the accountable authority of the Fund present the AMFRTF 2017-18 Annual Performance Statement as required under section 39 (1) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

In our opinion, this Annual Performance Statement is based on properly maintained records, accurately reflects the performance of the AMFRTF and complies with the requirement under section 39(2) of the PGPA Act.

Purpose

The purpose of the AMFRTF is to provide benefits for members of the Australian Army, in particular members who have served in, or in association with, the Australian Army and for the dependants of such members. This accords with the objectives as defined in the *Services Trust Funds Act 1947*.

The AMFRTF achieves this purpose through member's loans, hardship grants and the provision of sound financial management and investment practice.

Results

Performance criterion				
Provide financial assistance to members of the Army through the provision of low cost and affordable loans.				
Criterion source				
Corporate Plan 2017-18 Activity 1				
Results against performance criterion				
1. Loan funds have been disbursed in accordance with Trustees' guidance as published. For 2017-18 the Trustees increased the guideline budget from \$3.640m to \$4.160m (average \$160,000 per fortnight) to accommodate an increase in applications. This budget was underachieved by \$13,650. The total loan income was \$45,382 more than loans payments, but this was anticipated due to the increased budget. The average funding per pay was \$159,475 (FY2016-17 was \$144,307 and FY2015-16 was \$134,557)				
2. The number and type of loans were in scope; this included \$167,500 or 34 loans for Relief and the balance for General Purpose loans. See below report on types of loans funded during the reporting period:-				
Types of loan	Numbers of loans		Amounts	
	No.	%	\$	%
Debt consolidation	222	24.69	1,049,100	25.30
Dental	15	1.67	70,000	1.69
Education	31	3.45	143,100	3.45
Funeral expenses	4	0.44	13,500	0.33
Furniture / household needs	136	15.13	641,300	15.47
Housing purchase / repair / moving	87	9.68	405,400	9.78
Legal	36	4.00	157,300	3.79
Medical	37	4.12	164,500	3.97
Other - multi types	95	10.57	417,100	10.06
Travel	26	2.89	113,050	2.72
Vehicle repair / purchase	173	19.24	793,500	19.14
Wedding / engagement	37	4.12	178,500	4.30
Total	899	100.00	4,146,350	100.00

3. The target of greater than 75% of loans issued to junior ranks - sergeant and below was met. The following table provides information on loans approved for the reporting period by rank, with 85.65% of loans directed to the junior ranks of the Australian Army. This result is similar to 85.33% for 2016-17 and 85.96% for 2015-16.

Ranks of applicants	Number of loans		Amounts	
	No.	%	\$	%
Private	410	45.61	1,903,100	45.90
Lance Corporal	76	8.45	345,550	8.33
Corporal	194	21.58	898,500	21.67
Sergeant	90	10.01	406,600	9.81
Warrant Officer	56	6.23	255,200	6.16
Lieutenant	20	2.23	96,200	2.32
Captain	35	3.89	157,200	3.79
Major	16	1.78	76,000	1.83
Lieutenant Colonel	2	0.22	8,000	0.19
Total	899	100.00	4,146,350	100.00

Performance criterion

Provide financial assistance to former members or dependants in financial and necessitous circumstances through hardship grants.

Criterion source

Corporate Plan 2017-18 Activity 2

Results against performance criterion

A total of \$22,419 was funded under hardship grants in this reporting period. These grants were within the approach to the strategic direction of the Board. Two former member loans valued at \$5,819 were converted to grants and three grants to the value of \$16,600 were paid to cover expenses on behalf of dependants of a serving member.

Performance criterion

Use sound financial management and investment practices in accordance with PGPA Act and Services Trust Funds Act 1947 and other relevant legislations and policies.

Criterion source

Corporate Plan 2017-18 Activity 3

Results against performance criterion

1. The Statement of Comprehensive Income demonstrates the AMFRTF continues to be self-sustaining with a profit of \$380,509 for the reporting period.
2. There are no non-compliant findings on governance and legislative requirements for the reporting period.
3. Interest income of \$43,119 has been reported for this period. The AMFRTF strategy of holding four term deposits with a minimum \$1.5m capital is to earn interest as a means to cover costs and ensure self-sustainment. The current value of the term deposits was increased in this reporting period by a donation. It stands at \$1,867,436 and earns interest between 2.35% -2.65% p.a.
4. Trustees approved \$24,372 of bad and doubtful debts to be written off. This was within the acceptable less than 1% range.

Analysis of performance against purpose

The purpose of providing benefits for members of the Australian Army through loans has been the primary activity for the AMFRTF. Trustees recognised that an increased demand for loans needed to be recognised and a new annual guidance budget was costed and set at \$4.160m (an increase of \$0.520m compared with the FY2016-17 guidance budget). This will not alter the self-sustainment capacity for the AMFRTF. Although the Trustees understood that the repayment income would not meet the loan expense instantly. This reporting period supported 899 loans, an increase of 81 loans from last reporting period.

The hardship grants remain a minor activity for the AMFRTF. Trustees agree that this is an important activity regardless of the low demand for grants. During the reporting period, a review of the criteria for approving an application has enabled more flexibility. In addition, Trustees agree if needed, under extenuating circumstance, to increase funding above the \$2,500 threshold per application. This will lead to enabling the AMFRTF to increase the benefit of its activity to former members and or their dependants, without impacting on the sustainability of the AMFRTF.

Other contributing factors that have enabled the performance of the AMFRTF to achieve its purpose are:-

- the strategic directions set by the Board;
- the fraud control and governance oversight by the Audit Committee;
- the fund's maintenance contribution fees of 2% on loans;
- interest income received from the financial investment;
- technology and human resource capability development.



L. WILTON
Brigadier
Chair of Trustees

22 August 2018



J. DENTON
Major
Chair Audit Committee

22 August 2018



INDEPENDENT AUDITOR'S REPORT

To the Minister for Defence Personnel

Opinion

In my opinion, the financial statements of the Australian Military Forces Relief Trust Fund for the year ended 30 June 2018:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Australian Military Forces Relief Trust Fund as at 30 June 2018 and its financial performance and cash flows for the year then ended.

The financial statements of the Australian Military Forces Relief Trust Fund, which I have audited, comprise the following statements as at 30 June 2018 and for the year then ended:

- Statement by the Trustees;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to the financial statements, comprising a Summary of Significant Accounting Policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Australian Military Forces Relief Trust Fund in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

The Accountable Authority is responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018 but does not include the financial statements and my auditor's report thereon.

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

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

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Australian Military Forces Relief Trust Fund the Trustees are responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under that Act. The Trustees are also responsible for such internal control as the Trustees determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Australian Military Forces Relief Trust Fund's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Trustees are 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.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office 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 the financial statements.

As part of an audit in accordance with the Australian National Audit Office 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 statements, 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 entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Garry Sutherland
Audit Principal
Delegate of the Auditor-General
Canberra
22 August 2018

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AUSTRALIAN MILITARY FORCES RELIEF TRUST FUND

STATEMENT BY TRUSTEES AND FUND SECRETARY

In our opinion, the attached financial statements for the year ended 30 June 2018 comply with subsection 42 (2) of the *Public Governance, Performance and Accountability (PGPA) Act 2013*, and are based on properly maintained financial records as per subsection 41(2) of the *PGPA Act 2013*.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Trust Fund will be able to pay its debts as and when they fall due.

This Statement is made in accordance with a resolution of the Trustees.



L. WILTON
Chair of Trustees

22 August 2018



J. DENTON
Trustee

22 August 2018



Y. KU
Secretary

22 August 2018

AUSTRALIAN MILITARY FORCES RELIEF TRUST FUND

Statement of Comprehensive Income as at 30 June 2018

	Notes	2018 \$	2017 \$
NET COST OF SERVICES			
Expenses			
Employee benefits	1.1A	143,273	128,831
Suppliers	1.1B	44,022	40,478
Grants	1.1C	22,419	4,600
Write-down and impairment of assets	1.1D	44,547	39,186
Loss from loan re-measurement	1.1E	423,432	378,924
Total expenses		677,693	592,019
Own-Source Income			
Own-source revenue			
Sale of goods and rendering of services	1.2A	192,498	161,605
Interest	1.2B	456,738	446,428
Resources received free of charge	1.2C	132,489	102,446
Other revenue	1.2D	276,477	325
Total own-source revenue		1,058,202	710,804
Net cost of services		380,509	118,785
Total comprehensive income		380,509	118,785

The above statement should be read in conjunction with the accompanying notes.

AUSTRALIAN MILITARY FORCES RELIEF TRUST FUND

Statement of Financial Position

as at 30 June 2018

	Notes	2018 \$	2017 \$
ASSETS			
Financial assets			
Cash and cash equivalents	2.1A	2,185,983	2,000,325
Trade and other receivables	2.1B	3,464,260	3,262,284
Total financial assets		5,650,243	5,262,609
Non-financial assets			
Prepayments	2.2A	885	885
Total non-financial assets		885	885
Total assets		5,651,128	5,263,494
LIABILITIES			
Payables			
Suppliers	2.3A	13,000	5,709
Other Payables	2.3B	0	168
Total Payables		13,000	5,877
Total Liabilities		13,000	5,877
Net assets		5,638,128	5,257,617
EQUITY			
Retained surplus		5,638,128	5,257,618
Total equity		5,638,128	5,257,618

The above statement should be read in conjunction with the accompanying notes.

AUSTRALIAN MILITARY FORCES RELIEF TRUST FUND

Statement of Changes in Equity as at 30 June 2018

	Retained earnings		Total equity	
	2018	2017	2018	2017
	\$	\$	\$	\$
Opening balance				
Balance carried forward from previous period	5,257,618	5,138,833	5,257,618	5,138,833
Adjusted opening balance	5,257,618	5,138,833	5,257,618	5,138,833
Comprehensive income				
Surplus for the period	380,510	118,785	380,510	118,785
Total comprehensive income	380,510	118,785	380,510	118,785
Closing balance as at 30 June	5,638,128	5,257,618	5,638,128	5,257,618

The above statement should be read in conjunction with the accompanying notes.

AUSTRALIAN MILITARY FORCES RELIEF TRUST FUND

Cash Flow Statement

as at 30 June 2018

	Notes	2018 \$	2017 \$
OPERATING ACTIVITIES			
Cash received			
Repayment of loans		3,654,998	3,358,767
Interest		448,833	438,474
Other		34,187	22,146
Total cash received		<u>4,138,018</u>	<u>3,819,387</u>
Cash used			
Issue of new loans		4,146,350	3,752,000
Grants		12,500	2,500
Suppliers		46,617	60,772
Refunds		21,206	12,002
Other		1,620	1,414
Total cash used		<u>4,228,293</u>	<u>3,828,688</u>
Net cash from / (used by) operating activities		<u>(90,275)</u>	<u>(9,301)</u>
FINANCING ACTIVITIES			
Cash received			
Donation		275,933	0
Total cash received		<u>275,933</u>	<u>0</u>
Net cash from / (used by) financing activities		<u>275,933</u>	<u>0</u>
Net increase / (decrease) in cash held		<u>185,658</u>	<u>(9,301)</u>
Cash and cash equivalents at the beginning of the reporting period		<u>2,000,325</u>	<u>2,009,626</u>
Cash and cash equivalents at the end of the reporting period	2.1A	<u>2,185,983</u>	<u>2,000,325</u>

The above statement should be read in conjunction with the accompanying notes

OVERVIEW

Objective of the Australian Military Forces Relief Trust Fund (AMFRTF)

The AMFRTF is a corporate Commonwealth entity. It is a not-for-profit entity. The AMFRTF was established by the *Services Trust Funds Act 1947*. The Act provides that the Trustees shall, subject to and in accordance with the regulations, apply the Fund in providing benefits for members of the Defence Forces who have served in, or in association with, the Australian Army and to the dependants of such members.

The AMFRTF does not receive nor is it reliant on the Australian Government for funding.

Basis of preparation

The Financial Statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

- a. Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 for reporting periods ending on or after 1 July 2015; and
- b. Australian Accounting Standards and Interpretations – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars.

New Accounting Standards

Adoption of New Australian Accounting Standard Requirements

No accounting standard has been adopted earlier than the application date as stated in the standard.

All new /revised/amending standards and/or interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect on the AMFRTF's financial statements.

Future Australian Accounting Standard Requirements

All new/revised/amending standards and/or interpretations that were issued prior to the sign-off date and are applicable to the future reporting period(s) are not expected to have a future material impact on the AMFRTF's financial statements.

Taxation

The AMFRTF is exempt from all forms of taxation except Fringe Benefits Tax and the Goods and Services Tax (GST). The Australian Taxation Office has advised that the AMFRTF is a 'financial supply provider', consequently GST is not charged on revenue. The AMFRTF has no entitlement to input tax credits. Expenses are GST inclusive.

Events after the reporting period

There was no subsequent event that had the potential to significantly affect the ongoing structure and financial activities of the AMFRTF.

Financial Performance

This section analyses the financial performance of AMFRTF for the year ended 2018

1.1: Expenses

	2018	2017
	\$	\$
1.1A: Employee Benefits		
Wages and salaries	<u>143,273</u>	<u>128,831</u>
Total employee benefits	<u>143,273</u>	<u>128,831</u>

Accounting Policy

AMFRTF receives resources free of charge - see revenue accounting policy note

1.1B: Suppliers

General expenses	865	890
Consultants expenses - website	15,166	14,280
Audit fees	21,591	20,039
Insurance expense	2,404	2,161
Printing	2,376	1,008
Computer expenses		561
Bank charges	1,620	1,414
Debt recovery fees		125
Total suppliers	<u>44,022</u>	<u>40,478</u>

1.1C: Grants

Grants	<u>22,419</u>	<u>4,600</u>
Total grants	<u>22,419</u>	<u>4,600</u>

1.1D: Write-Down and Impairment of Assets

Impairment of assets	<u>44,547</u>	<u>39,186</u>
Total write-down and impairment of assets	<u>44,547</u>	<u>39,186</u>

Accounting Policy

Competitive Neutrality

The AMFRTF was established to provide benefits to eligible persons and does not carry out Government business activities on a commercial basis nor operate in a competitive, or potentially competitive, environment. Therefore it is not required to make Australian Income Tax Equivalent payments to the Government.

Bad and Doubtful Debts

Bad debts are written off during the year in which they are identified.

1.1E: Losses from Loan Re-measurement

Losses from initial recognition of loans and receivables at fair value	<u>423,432</u>	<u>378,924</u>
Total losses from loan re-measurement	<u>423,432</u>	<u>378,924</u>

Accounting Policy

Financial assets are classified as financial assets at fair value through statement of comprehensive income where the financial assets are a part of an identified portfolio of financial instruments that the AMFRTF manages together and has a recent actual pattern of short-term profit taking.

1.2: Own-Source Revenue

	2018	2017
	\$	\$
Own-Source-Revenue		
1.2A: Sale of Goods and Rendering of Services		
Members fund maintenance contribution	141,781	129,515
Bad and doubtful debt recoveries	37,576	22,161
Military Army Shop contributions	13,141	9,929
Total sale of goods and rendering of services	192,498	161,605

Accounting Policy

Revenue from the sale of goods is recognised when:

- a) the risks and rewards of ownership have been transferred to the buyer;
- b) the AMFRTF retains no managerial involvement or effective control over the goods;

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

Other Types of revenue

A charge is recovered from loan applicants to help defray administrative expenses and to provide growth in the AMFRTF. These member contributions are recognised as income in the year the loan is made and form part of the outstanding loan amount.

1.2B: Interest

Investments	43,119	45,983
Loan interest	408,610	397,415
Bank accounts	5,009	3,030
Total interest	456,738	446,428

Accounting Policy

Interest revenue is recognised using the effective interest method.

1.2C: Resources Received Free of Charge

Salaries	132,489	102,446
Total resources received free of charge	132,489	102,446

Accounting Policy

Resources received free of charge are recognised as revenue when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature.

1.2D: Other Revenue

Donation	275,933	0
Miscellaneous	544	325
Total Other Revenue	276,477	325

Financial Position

This section analyses the AMFRTF assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.

2.1: Financial Assets

	2018	2017
	\$	\$
2.1A: Cash and Cash Equivalents		
Cash at bank and on hand	189,534	229,021
Cash management call account	129,013	139,082
Term deposits	<u>1,867,436</u>	<u>1,632,222</u>
Total cash and cash equivalents	<u>2,185,983</u>	<u>2,000,325</u>

Accounting Policy

Cash is recognised at its nominal amount. Cash and cash equivalents includes:

- a) cash on hand;
- b) demand deposits in bank accounts with an original maturity of 9 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

2.1B: Trade and Other Receivables

Loans outstanding	3,520,578	3,343,908
Accrued interest	<u>23,920</u>	<u>16,015</u>
Total trade and other receivables (gross)	3,544,498	3,359,923
Less: Impairment allowance	<u>(80,239)</u>	<u>(97,639)</u>
Total trade and other receivables (net)	<u>3,464,259</u>	<u>3,262,284</u>

Loans for Army members were made under contract for a period up to two years. No security is required. Interest of 2% is charged for a management fee on general loans.

Accounting Policy

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments and that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Reconciliation of the Impairment Allowance

Movements in relation to 2018

	Goods and services	Total
	\$	\$
As at 1 July 2017	(97,639)	(97,639)
Bad debts written off	24,372	24,372
Amounts recovered and reversed	37,575	37,575
Increase recognised in net surplus	<u>(44,547)</u>	<u>(44,547)</u>
Total as at 30 June 2018	<u>(80,239)</u>	<u>(80,239)</u>

Movements in relation to 2017

	Goods and services \$	Total \$
As at 1 July 2016	(108,019)	(108,019)
Bad debts written off	27,404	27,404
Amounts recovered and reversed	22,161	22,161
Increase recognised in net surplus	(39,185)	(39,185)
Total as at 30 June 2017	(97,639)	(97,639)

Accounting Policy

Financial assets are assessed for impairment at the end of each reporting period.

2.2: Non-Financial Assets

	2018 \$	2017 \$
Intangibles		
Web site at cost	67,000	67,000
Accumulated amortisation	(67,000)	(67,000)
Total intangibles	<u>-</u>	<u>-</u>

Accounting Policy

The AMFRTF's intangibles comprise an externally developed website. The asset is carried at cost less accumulated amortisation. Software is amortised on a straight-line basis over its anticipated useful life.

2.2A: Prepayments

Prepayments	885	885
Total prepayments	<u>885</u>	<u>885</u>

No indicators of impairment were found for other non-financial assets.

2.3: Payables

	2018 \$	2017 \$
2.3A: Suppliers		
Trade creditors and accruals	13,000	5,709
Total Suppliers	<u>13,000</u>	<u>5,709</u>
2.3B: Other Payables		
Casual labour cost	0	168
Total other payable	<u>0</u>	<u>168</u>

People and relationships

This section describes a range of employment and post employment benefits provided to our people and our relationships with other key people.

3.1: Resources Provided Free of Charge

During the period the following resources were provided free of charge by the Department of Defence:

- a. Salaried Australian Public Servants,
- b. Office accommodation with computer, telephone, postage and stationery support, and
- c. Use of the Australian Defence Force pay system to recover loan repayments from serving Australian Army members.

	2018	2017
The average staffing levels for the AMFRTF during the period	2	1.7

3.2: Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the AMFRTF directly or indirectly, including any Trustee (whether executive or otherwise) of the AMFRTF. AMFRTF has determined the key management personnel to be the Trustees.

Under Part 2, Section 11 (1) of the *Services Trust Funds Act 1947*, Trustees are not entitled to receive from the AMFRTF any remuneration for any work done by them in relation to the administration of the AMFRTF. Under Part 2, Section 14 of the *Services Trust Funds Act 1947*, a person who is a Trustee or a dependant of a Trustee shall not receive any benefits from the AMFRTF. The Trustees received no remuneration or benefits from the AMFRTF during the period.

The following persons were Trustees during the reporting period:

		<u>Appointed:</u>	<u>Ceased:</u>
Brigadier L. WILTON	Chair	28/01/2016	
Major J. DENTON	Trustee	31/07/2014	
Warrant Officer Class One G. MCFARLANE	Trustee	28/01/2016	21/06/2018
Warrant Officer Class One M. CLARKE	Trustee	01/06/2017	25/01/2018
Lieutenant D. KHANENKOV	Trustee	01/06/2017	
Mr T. HEENAN	Trustee	02/06/2011	
Ms M. HANNAFORD	Trustee	01/06/2017	

Key management personnel remunerations excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the AMFRTF.

3.3: Related Party Disclosures

Related party relationships:

The AMFRTF is an Australian Government controlled entity. Related parties to AMFRTF are Trustees, key management personnel including the executive, and other Australian Government entities.

Transactions with related parties:

Significant transactions with related parties can include:

- the payments of grants or loans;
- purchases of goods and services;
- asset purchases, sales transfers or leases;
- debts forgiven; and
- guarantees.

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by the AMFRTF, it has been determined that there are no related party transactions to be separately disclosed.

Managing uncertainties

This section analyses how the AMFRTF manages financial risks within its operating environment

4.1: Financial Instruments

	2018	2017
	\$	\$
4.1A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash at bank	2,185,983	2,000,325
Loans and receivables	<u>3,544,498</u>	<u>3,359,923</u>
Total financial assets	<u>5,730,481</u>	<u>5,360,248</u>

Accounting Policy

Financial Assets

The AMFRTF classifies its financial assets in the following categories:

- a. held-to-maturity investments; and
- b. loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

Effective Interest Method

Income is recognised on an effective interest rate basis except for financial assets at fair value through profit or loss.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period.

Financial assets held at amortised cost - if there is objective evidence that an impairment loss has been incurred for loans and receivables or held to maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

4.1: Financial Instruments continued

Financial assets held at cost – if there is objective evidence that an impairment loss has been incurred the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

	2018	2017
	\$	\$
4.1B: Net Gains and Losses from Financial Assets		
Loans and receivables		
Bank interest revenue	48,128	49,013
Members contributions on loans	141,781	129,515
Loan interest revenue	408,610	397,415
Loss on initial recognition of loans on receivables at fair value	<u>(423,432)</u>	<u>(378,924)</u>
Net gain on financial assets	<u>175,087</u>	<u>197,019</u>

4.2: Contingent Assets and Liabilities

Accounting Policy

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset or represent as asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

The AMFRTF has no contingencies in either the current or the immediately preceding reporting periods therefore a Schedule for such items has not been included in the financial statements.

Other information

5.1: Economic Dependency

The AMFRTF receives economic support from the Department of Defence by way of the provision of administrative support, computer and communication facilities, staff and office accommodation for the AMFRTF Secretariat. However, the Trustees consider that in the event that the support provided by the Department of Defence was withdrawn, the AMFRTF is in a position to be economically self sufficient.

5.2: Segment Reporting

The AMFRTF operates across Australia and exists to provide benefits to serving and ex-serving members of the Australian Army and their dependants.