
**Australian
Military Forces
Relief Trust Fund**

**Annual Report
2016 - 2017**

Australian Military Forces Relief Trust Fund

Trustees as at 30th June 2017

Brigadier L. WILTON (Chair of Trustees)

Major J. DENTON

Warrant Officer Class One G. MCFARLANE

Warrant Officer Class One M. CLARKE

Lieutenant D. KHANENKOV

Mr T. HEENAN

Ms M. HANNAFORD

Secretary to the Trustees: Ms L. JOHNSTONE
Acting Operations Manager: Miss D. CHALKER
Operations Officer: Mrs S. TURNER

AUSTRALIAN MILITARY FORCES RELIEF TRUST FUND

SIXTY NINTH ANNUAL REPORT OF THE TRUSTEES

REPORT ON OPERATIONS

Minister for Defence Personnel,

The Trustees of the Australian Military Forces Relief Trust Fund, trading as the Army Relief Trust Fund, have the honour to submit their report of operations for the year ended 30 June 2017. This report is accompanied by audited financial statements and associated notes for the period, that are an integral part of the report.

Enabling legislation and responsible Minister

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

The AMFRTF operates within the Defence Portfolio, reporting to the Minister for Defence Personnel (the Minister), The Hon Dan Tehan MP, as at the date of this report.

Ministerial Directions and Other Statutory

There were no Ministerial directions issued to the AMFRTF during the period under review.

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 Ministers and Parliament;
- Contents of Annual Report;
- 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 Minister 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 Responsible Minister. 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 Fund 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 have been no non-compliance issues this reporting period.

Significant activities and changes affecting the entity

The Fund's operations over the review period were in accordance with its statutory objectives and consisted of the continued provision of benefits to members of the Defence Force who have served in, or in association with, the Army and to the dependants of such members.

There have been no significant changes to the Fund's state of affairs or principal activities during the financial year. In the opinion of the Trustees, there has not been any matter or circumstance that has arisen since the end of the year that has significantly affected or may affect the Fund's operations, the result of those operations, or the Fund's state of affairs in financial years following the period under review.

Risk Management and Fraud Control

The Trustees have developed and established a risk management plan in accordance with the requirement of the Commonwealth that Departments and Agencies develop and implement appropriate risk management strategies for their particular operations. The Fund's insurers, Comcover, have indicated that the plan is appropriate for a small agency such as the AMFRTF. This plan was reviewed in March 2017. The Fund participates in the Australian Institute of Criminology Annual Fraud against the Commonwealth survey.

Reviews by outside bodies

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 AMF Relief Trust Fund, Department of Defence, R1-3-A082, Russell Offices, PO Box 7901 BC, Canberra BC ACT 2600.

Work Health and Safety

Staff that support the operations of the AMFRTF are employed by the Commonwealth (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 2016-2017 was \$1,964.86 (GST exc).

AMFRTF Board of Trustees

All Trustees are appointed by the Minister.

Trustee attendances at Board meetings

Name of Trustee	Position	Meetings Eligible to Attend	Meetings Attended	Remarks
BRIG L. WILTON	Chair	4	4	Appointed 28 Jan 2016
COL M. ZANATTA	Trustee	2	1	Resigned 5 Dec 2016
Mr G.TYE	Trustee	0	0	Resigned 26 July 2016
Mr T. HEENAN	Trustee	4	4	Appointed 02 Jun 2011
MAJ J. DENTON	Trustee	4	2	Appointed 31 Jul 2014
WO1 G. MCFARLANE	Trustee	2	3	Appointed 28 Jan 2016
Ms K. RADCLIFFE	Trustee	2	0*	Resigned 14 Feb 2017
WO1 M. CLARKE	Trustee	1	1	Appointed 1 Jun 2017
LT D. KHANENKOV	Trustee	1	1	Appointed 1 Jun 2017
Ms M. HANNAFORD	Trustee	1	0	Appointed 1 Jun 2017

* Absence due to illness.

Board members during 2016-17

Brigadier L. Wilton

Brigadier 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 Master 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.

Colonel M. Zanatta

Colonel Maree Zanatta transferred to the Australian Army in July 2002, following an auditing career with the Australian Taxation Office and the Queensland Police Service.

Colonel Zanatta is a Certified Practicing Accountant with CPA Australia, and has been awarded with: Bachelor of Business (Accounting); Postgraduate Diploma of Advanced Accounting;

Master of Commerce (Information Technology); Master of Business (Human Resource Management); and a Chief Finance Officer Commendation.

Colonel Zanatta has been posted to various positions within Army and Joint Operations Command and assumed command as the Commanding Officer, Army Financial Services Unit during 2007 to 2009. While on the AMFRTF she was posted as the Director Financial Management, Joint Operations Command.

Colonel Zanatta has deployed to Operations CITADEL, CATALYST and SLIPPER.

Mr G. Tye

Glen Tye served as a member of the Australian Public Service for 35 years resigning at age 55 in June 2007 as Director Personnel Support and Amenities (PS&A) in the Department of Defence, Canberra where he had responsibility for the provision of support to the Australian Military Forces Relief Trust Fund, Army Amenities Fund Company, Army for Messes Trust Fund and the RAAF Welfare Recreational Company. As Director PS&A, Glen was responsible for the formation and implementation of the ADF Financial Services Consumer Council in 2006.

Glen Tye has been a Trustee of the AMFRTF since 28 August 2005 and was formally recognised by the Chief of Army in 2007 for his enthusiastic and professional support for and innovation in facilitating the 'Operation Diamond' project for the AMFRTF.

Glen is a graduate of the Centre for Defence and Strategic Studies, Australian Defence College; a member of the Australian Institute of Company Directors and provides a wide range of experience and knowledge of Defence to the AMFRTF.

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 co-ordinate 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.

Tim is married to Anne, has two teenage daughters and maintains a keen interest in watching sport, reading military history and monitoring current affairs.

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 Class One G. McFarlane

Warrant Officer Grant McFarlane enlisted in the Australian Regular Army on 26 February 1980. 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 Queens 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.

Ms K. Radcliffe

Kate Radcliffe worked for the Department of Defence as an Australian Public Servant in various finance and commercial management roles over an 18 year period from 1997 to 2015. Kate then took up work as a consultant for Synergy Group Australia.

Kate was the Director of Budget Management for the Army Group from 2011 to 2014 for which she received a Gold Commendation from the Chief of Army. She also undertook the role of Finance Business Partner for Estate Services Division from 2014 to 2015 and was the Project Director of various business process improvement projects within the Chief Finance Officer Group between 2005 and 2011. Prior to these roles, Kate was the Commercial Manager for Communications Branch within the then Defence Materiel Organisation and undertook various other finance related roles within the organisation.

Kate served as a Director and Member of the AAF Company between 2012 and 2015. During this period Kate also undertook the role of Audit Committee Chair.

Kate has a Bachelor of Science from the Australian National University with a double major in Psychology, a Masters of Professional Accounting from the University of Canberra and is a member of CPA Australia.

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 (Canberra). He completed his Special Service Officer First Appointment Course at Royal Military College (Duntroon) in September 2015. Lieutenant Khanenkov also completed the Finance Officer Basic Course in November 2015 and was awarded Student of Merit.

Lieutenant Khanenkov completed an Australian Regular Army Logistic Officer Basic Course in September 2016. On completion he was moved into the Operations Cell of the newly combined Army Compliance and Assurance Unit.

Lieutenant Khanenkov has a Bachelor of Economics and Graduate Diploma of Accounting. He also holds associate membership with CPA Australia.

Lieutenant Khanenkov is well travelled and enjoys running and keeping fit.

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's 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 Justine Denton, and normally 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;
- ensure the Board comply 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 Trust by repaying their outstanding liability. A Privacy Act clause has been included in the Loan Agreement which ultimately may lead to a member being 'listed' if they fail to meet their agreed obligation to the Trust 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 Trust and thus present as a credit risk.

Loans assistance provided

The Fund has provided loan assistance totalling \$69,680,753 to serving members since its inception. Loan assistance provided by the Fund in recent years is as follows:

Reporting periods	Amounts loaned \$	Loan numbers
1 July 2007 to 30 June 2008	3,123,200	616
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

Grants assistance provided

The Fund has provided grant assistance totalling \$81,333 to eligible members and persons since its inception. This includes an approximate total of 1,896 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. This reporting period one loan was converted to a grant for \$2,100.

A Hardship Grant to the value of \$2,500 was provided to a member's dependent family 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 Finance Minister's Orders. This report 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

30 August 2017



M. CLARKE
Warrant Officer Class One
Trustee

30 August 2017

ANNUAL PERFORMANCE STATEMENT 2016-17

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 2016-17 Annual Performance Statement as required under paragraph 39 (1)(a) 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 Trust Fund and complies with the requirement under 39(2) of the PGPA Act.

Australian Military Force Relief Trust Fund purpose

The purpose of the Trust Fund 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 Fund Act 1947.

The Trust Fund 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, affordable loans.				
Criterion source				
Corporate Plan 2016-17. Activity 1				
Results against performance criterion				
1. Loan funds have been disbursed in accordance with Trustee guidance as published.				
For 2016-17 the Trust experienced a high volume of applications and the budget guideline of \$3.780m (\$140,000 per pay) was overachieved by \$112,000 although the total loan income was \$11,339 more than loans paid. The average funding per pay increased to \$144,307; 7.25% higher than previous year (2015-16 \$134,557, 2014-15 \$132,729 and 2013-14 \$135,785).				
2. The number and type of loans were in scope; this included \$118,400 or 29 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	213	26.04	1,021,200	27.22
Dental	9	1.10	43,000	1.15
Education	27	3.30	117,100	3.12
Funeral expenses	7	0.86	30,000	0.80
Furniture / household needs	136	16.63	626,000	16.68
Housing purchase / repair / moving	61	7.46	282,900	7.54
Legal	36	4.40	153,900	4.10
Medical	39	4.77	154,600	4.12
Other – multi types	67	8.19	300,700	8.01
Travel	24	2.93	108,600	2.89
Vehicle repair / purchase	165	20.17	754,900	20.12
Wedding / engagement	34	4.15	159,100	4.25
Totals	818	100.00	3,752,000	100.00

<p>3. The target of >75% of loans issued to junior ranks (SGT and below) was met.</p> <p>The following table provides information on loans approved for the reporting period by rank, with 85.33% of loans directed to the junior ranks of the Australian Army. This result is similar to 85.96% for 2015-16 and 85.06% for 2014-15.</p>				
Ranks of Applicants	Number of loans		Amounts	
	No.	%	\$	%
Private soldier	368	44.99	1,697,200	45.23
Lance Corporal	57	6.97	248,300	6.62
Corporal	182	22.25	843,700	22.49
Sergeant	91	11.12	405,100	10.80
Warrant Officer	55	6.72	248,400	6.62
Lieutenant	21	2.57	101,400	2.70
Captain	29	3.55	136,900	3.65
Major	13	1.59	62,000	1.65
Lieutenant Colonel	2	0.24	9,000	0.24
Totals	818	100.00	3,752,000	100.00

Performance criterion

Provide financial assistance to members in financial and necessitous circumstances through Hardship Grants.

Criterion source

Corporate Plan 2016-17. Activity 2

Results against performance criterion

A total of \$4,600 was funded under Hardship Grants this reporting period. This is lower than the notional \$10,000 budget and was made up of a deceased members loan \$2,100 being converted to grant and \$2,500 grant to cover expenses for the dependant family of a serving member. The Secretary reported that a number of inquiries for assistance did not progress into applications, which has led to a decreased result for the reporting period.

Performance criterion

Use sound financial management and investment practices in accordance with PGPA Act and Services Trust Fund Act and other relevant instructions.

Criterion source

Corporate Plan 2016-17. Activity 3

Results against performance criterion

1. The Statement of Comprehensive Income demonstrates the Trust continues to be self-sustaining with a Profit of \$118,785 for the reporting period.
2. There are no non-compliant findings on governance and legislative requirements for the reporting period.
3. Investment income of \$45,982 has been reported for this period. The Trust strategy of holding three term deposits (min \$1.5m investment) is to earn interest as a means to cover costs and ensure self-sustainment. The current value of the Term Deposits is \$1,632,222 and the interest rates varied between 2.65% -3%, which is above Consumer Price Index.
4. Trustees approved \$27,403 of bad and doubtful debt to be written off. This was within the acceptable <1% range.

Analysis of performance against purpose

The contributing factors that have enabled the performance of the Trust to achieve its purpose as set out in its Corporate Plan 2016-17 are:-

- a. the delivery of its Activities through the Secretariat management of operations, using the strategic direction of the Board and oversight of the Audit Committee, ensured the intended results were achieved and performance indicators met.
- b. the Trust self-sustainment continues to be achieved by covering its costs from the Funds Maintenance Contribution (2% on loans) and Investments income from the term deposits.
- c. the environment that AMFRTF operates in has not experienced any significant changes.



L. WILTON
Brigadier
Chair of Trustees

30 August 2017



M. CLARKE
Warrant Officer Class One
Trustee

30 August 2017



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 2017:

- (a) comply with Australian Accounting Standards 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 2017 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 2017 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* to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). 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 2017 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 and the rules made under that Act. The Trustees are also responsible for such internal control as the Trustees determine 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 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 matters related to going concern as applicable 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

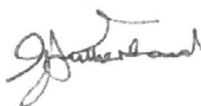
My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that 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
30 August 2017

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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 2017 comply with subsection 42 (2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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

30 August 2017



M. CLARKE
Trustee

30 August 2017



L. JOHNSTONE
Secretary

30 August 2017

AUSTRALIAN MILITARY FORCES RELIEF TRUST FUND

Statement of Comprehensive Income

as at 30 June 2017

	Notes	2017 \$	2016 \$
NET COST OF SERVICES			
Expenses			
Employee benefits	1.1A	128,831	92,954
Suppliers	1.1B	40,478	33,639
Grants	1.1C	4,600	11,298
Write-down and impairment of assets	1.1D	39,186	35,419
Loss from loan re-measurement	1.1E	378,924	377,192
Total expenses		592,019	550,502
Own-Source Income			
Own-source revenue			
Sale of goods and rendering of services	1.2A	161,605	154,555
Interest	1.2B	446,428	396,931
Resources received free of charge	1.2C	102,446	92,954
Other revenue	1.2D	325	696
Total own-source revenue		710,804	645,136
Net cost of services		118,785	94,634
Total comprehensive income		118,785	94,634

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 2017

	Notes	2017 \$	2016 \$
ASSETS			
Financial assets			
Cash and cash equivalents	2.1A	2,000,325	2,009,626
Trade and other receivables	2.1B	3,262,284	3,127,628
Total financial assets		5,262,609	5,137,254
Non-financial assets			
Prepayments	2.2A	885	1,578
Total non-financial assets		885	1,578
Total assets		5,263,494	5,138,832
LIABILITIES			
Payables			
Suppliers	2.3A	5,709	-
Other Payables	2.3B	168	-
Total Payables		5,877	-
Total Liabilities		5,877	-
Net assets		5,257,617	5,138,832
EQUITY			
Retained surplus		5,257,617	5,138,832
Total equity		5,257,617	5,138,832

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 2017

	Retained earnings		Total equity	
	2017	2016	2017	2016
	\$	\$	\$	\$
Opening balance				
Balance carried forward from previous period	5,138,832	5,044,198	5,138,832	5,044,198
Adjusted opening balance	5,138,832	5,044,198	5,138,832	5,044,198
Comprehensive income				
Surplus for the period	118,785	94,634	118,785	94,634
Total comprehensive income	118,785	94,634	118,785	94,634
Closing balance as at 30 June	5,257,617	5,138,832	5,257,617	5,138,832

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 2017

	Notes	2017 \$	2016 \$
OPERATING ACTIVITIES			
Cash received			
Repayment of loans		3,358,767	3,297,793
Interest		438,474	421,177
Other		22,146	22,504
Total cash received		3,819,387	3,741,474
Cash used			
Issue of new loans		3,752,000	3,633,050
Grants		2,500	1,976
Suppliers		60,772	43,614
Refunds		12,002	2,220
Other		1,414	1,419
Total cash used		3,828,688	3,682,279
Net cash from / (used by) operating activities		(9,301)	59,195
Net increase / (decrease) in cash held		(9,301)	59,195
Cash and cash equivalents at the beginning of the reporting period		2,009,626	1,950,431
Cash and cash equivalents at the end of the reporting period	2.1A	2,000,325	2,009,626

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 Government 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* (FRR) 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 (AASB) 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 (FBT) 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 2017

1.1: Expenses

	2017	2016
	\$	\$
1.1A: Employee Benefits		
Wages and salaries	128,831	92,954
Total employee benefits	128,831	92,954

Accounting Policy

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

1.1B: Suppliers

General expenses	890	805
Consultants expenses - website	14,280	17,143
Audit fees	20,039	9,900
Insurance expense	2,161	2,155
Printing	1,008	862
Computer expenses	561	-
Bank charges	1,414	1,419
Debt recovery fees	125	1,355
Total suppliers	40,478	33,639

1.1C: Grants

Grants	4,600	11,298
Total grants	4,600	11,298

1.1D: Write-Down and Impairment of Assets

Bad debts	27,404	18,560
Impairment of trade receivables	11,782	16,859
Total write-down and impairment of assets	39,186	35,419

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	378,924	377,192
Total losses from loan re-measurement	378,924	377,192

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

	2017	2016
	\$	\$
Own-Source-Revenue		
1.2A: Sale of Goods and Rendering of Services		
Members fund maintenance contribution	129,515	128,871
Bad and doubtful debt recoveries	22,161	15,480
Share - Army Shop disbursement	9,929	10,204
Total sale of goods and rendering of services	161,605	154,555

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	45,983	45,461
Loan interest	397,415	344,618
Bank accounts	3,030	6,852
Total interest	446,428	396,931

Accounting Policy

Interest revenue is recognised using the effective interest method.

1.2C: Resources Received Free of Charge

Salaries	102,446	92,954
Total resources received free of charge	102,446	92,954

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

Miscellaneous	325	696
Total Other Revenue	325	696

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	

	2017	2016
	\$	\$
2.1A: Cash and Cash Equivalents		
Cash at bank and on hand	229,021	209,370
Cash management call account	139,082	206,065
Term deposits	1,632,222	1,594,191
Total cash and cash equivalents	2,000,325	2,009,626

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 3 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	3,343,908	3,227,584
Accrued interest	16,015	8,063
Total trade and other receivables (gross)	3,359,923	3,235,647
Less: Impairment allowance account	(97,639)	(108,019)
Total trade and other receivables (net)	3,262,284	3,127,628

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
<u>Loans and Receivables</u>
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 2017

	Goods and services	Total
	\$	\$
As at 1 July 2016	(108,019)	(108,019)
Amounts recovered and reversed	22,161	22,161
Increase recognised in net surplus	(11,781)	(11,781)
Total as at 30 June 2017	(97,639)	(97,639)

Movements in relation to 2016

	Goods and services \$	Total \$
As at 1 July 2015	(106,640)	(106,640)
Amounts recovered and reversed	15,480	15,480
Increase recognised in net surplus	(16,859)	(16,859)
Total as at 30 June 2016	(108,019)	(108,019)

Accounting Policy

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

2.2: Non-Financial Assets

	2017 \$	2016 \$
Intangibles		
Web site at cost	67,000	67,000
Accumulated amortisation	(67,000)	(67,000)
Total intangibles	-	-

Accounting Policy

The entity's intangible comprise of 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	1,578
Total prepayments	885	1,578

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

2.3: Payables

	2017 \$	2016 \$
2.3A: Suppliers		
Trade creditors and accruals	5,709	-
Total Suppliers	5,709	-
2.3B: Other Payables		
Casual labour cost	168	-
Total other payable	168	-

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:

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

	2017	2016
The average staffing levels for the AMFRTF during the period	1.7	1.2

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 Fund directly or indirectly, including any Trustee (whether executive or otherwise) of that Fund. The entity has determined the key management personnel to be the Trustees.

Under Part 2, Section 11 (1) of the Services Trust Fund Act 1947, Trustees are not entitled to receive from the Fund any remuneration for any work done by them in relation to the administration of the Fund. 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 Fund. The Trustees received no remuneration or benefits from the Fund 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	
Colonel M. ZANATTA	Trustee	10/11/2008	05/12/2016
Major J. DENTON	Trustee	31/07/2014	
Warrant Officer Class One G. MCFARLANE	Trustee	28/01/2016	
Warrant Officer Class One M. CLARKE	Trustee	01/06/2017	
Lieutenant D. KHANENKOV	Trustee	01/06/2017	
Mr G. TYE	Trustee	28/08/2005	26/07/2016
Mr T. HEENAN	Trustee	02/06/2011	
Ms K. RADCLIFFE	Trustee	28/01/2016	14/02/2017
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 Fund.

3.3: Related Party Disclosures

Related party relationships;

The entity is an Australian Government controlled entity. Related parties to this entity 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 Fund, 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

	2017	2016
	\$	\$
4.1A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash at bank	2,000,325	2,009,626
Loans and receivables	3,359,923	3,235,647
Total financial assets	5,360,248	5,245,273

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.

4.1B: Net Gains and Losses from Financial Assets

Loans and receivables

Bank interest revenue	49,013	52,313
Members contributions on loans	129,515	128,871
Loan interest revenue	397,415	344,618
Loss on initial recognition of loans on receivables at fair value	(378,924)	(377,192)
Net gain on financial assets	197,019	148,610

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.