

AUSTRALIA

Services Trust Funds Act 1947

**Royal Australian Navy
Relief Trust Fund**

**Annual Report by the Trustees for the period
1 July 2015 to 30 June 2016**

The Hon Dan Tehan, MP
Minister for Defence Personnel
Parliament House
Canberra ACT 2600

Dear Minister

1. The Trustees of the Royal Australian Navy Relief Trust Fund present the *Annual Report 2015–16* for the year ended 30 June 2016.

Yours sincerely



BS Wolski AM RAN
Rear Admiral
Chair of Trustees
Royal Australian Navy Relief Trust Fund

24 August 2016

**ROYAL AUSTRALIAN NAVY
ROYAL AUSTRALIAN NAVY RELIEF TRUST FUND**

ANNUAL REPORT FOR PERIOD 1 JULY 2015—30 JUNE 2016

INTRODUCTION

The Trustees, as the Accountable Authority, of the Royal Australian Navy Relief Trust Fund (the Fund) are responsible for the preparation, and providing a copy to the responsible Minister, of this Annual Report on the operations of the Fund for the period 1 July 2015 – 30 June 2016 (the period) under section 46 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The Trustees of the Royal Australian Navy Relief Trust Fund present the Annual Report for the period.

ENABLING LEGISLATION AND PURPOSE

The Fund was established by the *Services Trust Funds Act 1947* (STF Act). The STF Act provides that the Trustees shall apply the Fund to providing benefits for members of the Australian Defence Force (ADF) who have served in, or in association with, the Royal Australian Navy (RAN) and to the dependants of such members.

As part of enabling the Fund to provide a broader range of benefits, in 2013, the Trustees established the ‘Keeping Watch’ program within the Fund with the object of providing for the comfort, recreation or welfare of a person who is currently appointed or enlisted as a Permanent or Reserve member of the RAN. The Fund has received Deductible Gift Recipient status for the ‘Keeping Watch’ program.

ORGANISATIONAL STRUCTURE

Responsible Minister

The Fund operates within the Defence Portfolio and is responsible to the Minister for Defence Personnel. During the period under review, the Fund also reported to the Hon Stuart Robert MP, the Hon Darren Chester MP and the Hon Michael McCormack MP.

The Minister may, by instrument in writing published in the Gazette, authorise the Trustees to administer other property. The responsible Minister did not authorise the Trustees to administer other property during the period.

Ministerial directions and government policy orders

There were no Ministerial Directions made, or Government Policy Orders issued, to the Fund during the period.

The Accountable Authority

The Trustees of the Fund are the Accountable Authority and are appointed by the Minister. The Trustees are not employees of the Fund and the Fund does not provide the Trustees with any form of remuneration for their service to Fund. All Trustees are involved in the management and administration of the Fund and therefore considered executive members of the Accountable Authority. The Trustees of the Fund meet at least four times in each 12-month period.

Trustees at end of period

As at 30 June 2016 the Trustees of the Fund, their qualifications and experience, and meeting attendance are as follows:

Chair: Rear Admiral Brett Wolski, AM, RAN
 Experience / Qualifications: Bachelor of Arts and 30 years experience as a member of the RAN with extensive experience in personal and workforce management and governance
 Meeting Attendance: Attended all meetings during the period

Member/Secretary: Lieutenant Commander Susan Harris, RAN
 Experience / Qualifications: Masters of Business (Human Resources), Masters of Management (Governance), Bachelor of Arts, 22 years experience as a member of the RAN
 Meeting Attendance: Appointed 29 February 2016 - attended all meetings following appointment

Member: Captain Lisa Batchler, RAN
 Experience / Qualifications: Master of Management (Defence Studies), Bachelor of Science, Graduate Diploma of Management, Graduate Certificate in Maritime Studies, Fellow of the Chartered Institute of Transport and Logistics, Graduate of the Australian Institute of Company Directors, and 28 years experience as a member of the RAN
 Meeting Attendance: Attended three of the four meetings during the period

Member: Commander Leigh Kisnorbo, RAN
 Experience / Qualifications: Master of Military and Defence Studies, Master of Business, Bachelor of Science, Chartered Member of the Chartered Institute of Transport and Logistics, and 26 years experience as a member of the RAN
 Meeting Attendance: Attended three of the four meetings during the period

Member: Commander Alexander Gillett, RAN
 Experience / Qualifications: Bachelor of Arts and 20 years experience as a member of the RAN
 Meeting Attendance: Appointed 1 September 2015 - attended two of three meetings following appointment

Member: Lieutenant Commander Tristan Skousgaard, RAN
 Experience / Qualifications: Bachelor of Laws (Honours), Bachelor of Business (Human Resource Management), Graduate Diploma in Military Law, Graduate of the Australian Institute of Company Directors, five years experience as a private legal practitioner, 10 years experience as a member of the RAN
 Meeting Attendance: Attended three of the four meetings during the period

Member: Warrant Officer Scott Brown
 Experience / Qualifications: Graduate Certificate in Maritime Studies, and 38 years experience as a member of the RAN
 Meeting Attendance: Appointed 1 September 2015 - attended two of three meetings following appointment

Previous Trustees during the period

During the period, three Trustees resigned. The details of these Trustees of the Fund, their qualifications and experience, and meeting attendance are as follows:

Member/Secretary: Captain Jennifer Wittwer, CSM, RAN
 Experience / Qualifications: Graduate Diploma of Resource Management, Graduate Certificate in Management, Studies and Graduate Certificate in Administration, Fellow of Australian Human Resources Institute Chartered Member of the Institute of Logistics and Transport, 35 years experience as a member of the RAN
 Meeting Attendance: Resigned 31 March 2016 - attended three of three meetings prior to resignation

Member: Commander Jayne Craig, CSM, RAN
 Experience / Qualifications: Masters of Business Administration, Bachelor of Arts (Honours in Management), Graduate Diploma in Secondary Education, Chartered Member Australian Human Resources Institute, and 29 years experience as a member of the RAN
 Meeting Attendance: Resigned 1 September 2015 - attended one of one meeting prior to resignation

Member: Warrant Officer David Devlin
 Experience / Qualifications: Advanced Diploma of Government (Investigations), Advanced Diploma of Public Safety and Policing; Diploma Frontline Management, and 34 years experience as a member of the RAN
 Meeting Attendance: Resigned 1 September 2015 - attended one of one meeting prior to resignation

Administrative support, structure and locations

The Fund's Principal Office is located in Canberra in the Australian Capital Territory. The Principal Office is staffed with two full-time personnel (one Australian Public Servant (APS) and one RAN permanent member). A member of the RAN in each Ship and Establishment wherever located is appointed as a representative of the Fund. The Fund's representative at the Ship and Establishment, having received the application, forwards it the Principal Office for processing and decision by the Trustees or their delegated representative at the Principal Office.

PERFORMANCE

Overview of the Funds Operations

The Trustees, utilising using the Fund's general-purpose assets, provide benefits for eligible persons through the provisions of general purpose interest-free loans of up to \$6,000, special interest-free loans of up to \$5,000, and, in some situations, cash grants for members experiencing unexpected financial hardships or bereavements. A principle-based system is applied in deciding if a member is permitted to borrow money from the Fund for general purpose loans and special loans. The Fund is economically viable for loans and grants; however, the Fund relies on periodic contributions from the RAN Central Canteens Fund (RANCCF) to continue to maintain the level of grants and interest-free loans.

In addition, the Trustees utilise the assets donated to the Keeping Watch program to provide grants for the comfort, recreation or welfare of a person who is currently appointed or enlisted as a Permanent or Reserve member of the RAN. The Trustees are working to ensure the long-term viability of the Keeping Watch program by seeking to grow the assets base, while ensuring the assets are appropriately used.

Overall Financial Position

A comparison of the assets and liabilities for the Fund for the years ended 30 June 2016 and 30 June 2015 is as follows:

<i>The Fund's Assets</i>	<i>At 30 June 2016</i> \$	<i>At 30 June 2015</i> \$
Invested and Working Capital	1,139,717	1,116,592
Loans and Other Receivables	3,801,324	3,706,678
Total Assets	4,941,041	4,823,270
Net Assets	4,941,041	4,823,270

The independent Audit Report is at Appendix A and Fund's Financial Statements is at Appendix B.

Summary of Benefits Provided

The following benefits were provided by the Fund during the period:

Loans

During the period 2,491 loans were made compared to 3,060 in the previous period (1 July 2014 – 30 June 2015) although the total amount of the loans increased from \$8.47m in the previous period to \$9.4m.

The breakdown of loans made in the year ended 30 June 2016 and 30 June 2015 is as follows:

<i>Nature</i>	<i>Loans Made</i>		<i>Percentage of Cases</i>	
	Year ended 30 Jun 16	Year ended 30 Jun 15	Year ended 30 Jun 16	Year ended 30 Jun 15
General Purpose Loans	1931	1814	77.52	59.28
Trainee Loans	15	19	0.60	0.62
Special Loans	15	11	0.60	0.36
Christmas Loans	530	1216	21.28	39.74
TOTALS	2491	3060	100.00	100.00

Expenditure on loans in the years ended 30 June 2016 and 30 June 2015 was as follows:

<i>Nature</i>	<i>Year</i>	
	Year ended 30 Jun 16	Year ended 30 Jun 15
	\$	\$
General Purpose Loans	8,822,951	7,216,174
Other Loans	53,443	37,380
Christmas Loans	530,000	1,216,000
TOTALS	9,406,394	8,469,554

Grants

During the period 19 grants (14 from funds held in Keeping Watch and five from other funds held by the Fund) totalling \$41,489.00 were made to assist serving members and their dependants.

Annual Performance Statement

In the 2015/16 Corporate Plan for The Royal Australian Navy Relief Trust Fund the Trustees determined that the intended result of the Fund was to provide benefits to eligible persons in a timely, relevant, and meaningful manner.

Feedback from recipients of benefits, Commanding Officers, Personnel Officers and others who are involved in managing and/or administering recipients of Fund benefits indicates that the Fund is providing meaningful and relevant benefits to eligible personnel in a timely manner.

Furthermore, feedback indicates that the Fund could provide other or greater benefits to eligible persons by expanding the options for personnel to purchase items with loan funding. The Full Annual Performance Statement is at Appendix C.

Significant Activities and Changes Affecting the Fund during the period

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

Outlook for Future

The key objective for the Fund is to manage its financial operations in a manner that will provide a moderate cash growth in order to continue to provide relevant products to eligible personnel. The Trustees of the Fund review the products regularly to ensure that these meet the contemporary needs of RAN members. Achievement of this strategy will be by management of the administrative fees and cash flow of the Fund to ensure that sufficient cash reserves are available to service the demand for loan and grant products.

OTHER MATTERS

Main Corporate Governance Practices

The Principal Office staff manage the day-to-day operations of the Fund. In the first instance, applications for loans are checked by the Ship or Establishment representative of the Fund and forwarded to the Principal Office. The Principal Office staff then validate the application in accordance with the Business Rules and return for correction if not in accordance with the requirements. Special Loans require additional supporting documentation and are staffed by the Principal Office then referred to the Board of Trustees for consideration.

The Audit Committee conducts a quarterly Trustee Audit to validate the loan process and ensure that all relevant rules have been adhered to. In addition, the Ship or Establishment representative conducts a sample check of receipts to validate that the loans have been utilised for the intended and approved purchases.

On an as required basis, and most recently when the criteria for the General Purpose was broadened, a sample audit was conducted to validate that the loans were being used for the intended purpose. Ad hoc audit activities are undertaken based on an assessment of the likelihood of misuse and the monitoring of loan applications by the Principal Office and the Trustees.

The Trustees and Principal Office staff conduct briefings to courses for Ship and Establishment representatives and Commanding Officers to ensure that they are aware of their responsibilities in administering the activities of the Fund. In addition, the Trustees are available to answer queries and provide advice to Commanding Officers when dealing with unusual situations requiring assistance by way of a loan or grant.

Audit Committee

During the reporting period, the Audit Committee continued its audit function as required by the PGPA Act. Under the Audit Committee Charter, the RANRTF Audit Committee consists of not less than three and not more than four Trustees of the Fund and meets not less than four times per annum. The Audit Committee's main responsibilities include:

- a. Providing confidence in the credibility and reliability of financial statements and other financial information released to other interested and relevant parties; and
- b. Oversight of internal controls and risk assessment management to ensure the net assets of the Fund are protected, and the efficient and effective delivery of services to RAN personnel is maintained.

The Board of Trustees is seeking a suitably qualified person to act as an external member of the Audit Committee in order to satisfy PGPA Act regulations prescribing the minimum composition of audit committees.

Related Entity Transactions

In accordance with the STF Act, a person who is a Trustee or a dependant of a trustee of any fund shall not receive benefits from the Fund. During the period there were no related entity transactions.

Judicial Decisions and Reviews by Outside Bodies

There were no judicial or administrative tribunal decisions made during the period that have had, or may have, a significant effect on the operation of the Fund.

There were no reports on the Fund during the period from the Auditor-General (other than a report under section 43 of the PGPA Act), a committee of the Parliament, the Commonwealth Ombudsman or the Office of the Australian Information Commissioner.

Indemnities and Insurance Premiums

The Fund holds insurance with the Australian Government's self-managed insurance fund, COMCOVER for risks including Directors' and Officers' Liability, Fraud and Fidelity, General Liability and Personal Accident. The Trustees are not aware of any incident occurring, a claim being made, or any circumstances that are likely to give rise to a claim.

Environmental Performance

The *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) requires agencies to refer any action likely to have a significant impact on the environment. The Fund did not refer any action for formal consideration under the EPBC Act.

Work Health and Safety

The Trustees and all those who assist the Trustees are either members of the RAN or the APS, and undertake their duties as part of their service in the RAN or employment in the APS. The Fund utilises the Department of Defence work health and safety protocols, security, training, welfare, reporting and other systems to ensure the health and safety of the Trustees and those who assist the Trustees. The Trustees are not aware of any notifiable incidents that arose out of the operations of the Fund.



INDEPENDENT AUDITOR'S REPORT

To the Minister for Defence

I have audited the accompanying annual financial statements of the Royal Australian Navy Relief Trust Fund for the year ended 30 June 2016, which comprise:

- Statement by Trustees;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Statement of Cash Flows; and
- Notes to Financial Statements, including Accounting Policies and other explanatory information.

Opinion

In my opinion, the financial statements of the Royal Australian Navy Relief Trust Fund:

- (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 Royal Australian Navy Relief Trust Fund as at 30 June 2016 and its financial performance and cash flows for the year then ended.

Trustees Responsibility for the Financial Statements

The Trustees of the Royal Australian Navy Relief Trust Fund 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 and is 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the

financial statements 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. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, as well as evaluating the overall presentation of the financial statements.

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

Independence

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Australian National Audit Office

A handwritten signature in blue ink, appearing to read 'S. Benfield', is positioned above the typed name.

Sean Benfield
Audit Principal
Delegate of the Auditor-General
Canberra
24 August 2016

**APPENDIX B – FINANCIAL STATEMENTS OF THE ROYAL AUSTRALIAN NAVY
RELIEF TRUST FUND**

STATEMENT BY TRUSTEES

In our opinion, the attached financial statements for the year ended 30 June 2016 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 Fund will be able to pay its debts as and when they become due and payable.

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



BS Wolski AM RAN
Rear Admiral
Chair of Trustees
Royal Australian Navy Relief Trust Fund

24 August 2016



LJ Batchler RAN
Captain
Chair of Audit Committee
Royal Australian Navy Relief Trust Fund

24 August 2016

ROYAL AUSTRALIAN NAVY RELIEF TRUST FUND

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2016**

	Notes	2016 \$	2015 \$
EXPENSES			
Employee Benefits	1.1a	155,595	153,424
Supplier	1.1b	30,411	15,735
Grants	1.1c	41,489	52,915
Write-down and Impairment of Assets	1.1d	9,347	6,028
Losses from Loan Re-measurement	1.1e	554,918	456,025
Total expenses		791,760	684,127
LESS:			
OWN-SOURCE REVENUE			
Sale of Goods and Rendering of Services	1.2a	93,440	73,740
Interest	1.2b	533,613	417,037
Contributions and Other Sources	1.2c	126,883	135,991
Resources Received Free of Charge	1.2d	155,595	153,424
Total own-source revenue		909,531	780,192
Net contribution by services		117,771	96,065
Total Comprehensive Income		117,771	96,065

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

ROYAL AUSTRALIAN NAVY RELIEF TRUST FUND

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016**

	Notes	2016 \$	2015 \$
ASSETS			
Financial Assets			
Cash and cash equivalents	2.1a	1,139,717	1,116,592
Loans and other receivables	2.1b	3,801,324	3,706,678
Total financial assets		4,941,041	4,823,270
Total assets		4,941,041	4,823,270
Net assets		4,941,041	4,823,270
EQUITY			
Retained Surplus		4,941,041	4,823,270
Total equity		4,941,041	4,823,270

The above statement should be read in conjunction with accompanying notes

ROYAL AUSTRALIAN NAVY RELIEF TRUST FUND

**STATEMENT OF CHANGES IN EQUITY
FOR PERIOD ENDED 30 JUNE 2016**

	Note	Retained Earnings		Total Equity	
		2016 \$	2015 \$	2016 \$	2015 \$
Opening Balance					
Balance brought forward from previous period		4,823,270	4,727,205	4,823,270	4,727,205
Comprehensive Income					
Surplus for the year		117,771	96,065	117,771	96,065
Total Comprehensive Income		117,771	96,065	117,771	96,065
Closing Balance as at 30 June		4,941,041	4,823,270	4,941,041	4,823,270

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

ROYAL AUSTRALIAN NAVY RELIEF TRUST FUND

**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2016**

	Note	2016	2015
	s	\$	\$
OPERATING ACTIVITIES			
Cash received			
Repayments from members		9,249,566	7,217,676
Interest		533,613	417,037
Administration Fees		93,440	73,740
RANCCF Contribution		48,327	96,654
Donations		76,021	39,337
Bad debts Recovered		1,975	800
Other		12,273	-
Total cash received		10,015,215	7,845,244
Cash used			
Loans to members		9,920,191	8,844,511
Grants		41,489	52,915
Audit Fees		11,000	10,230
Other Expenses		19,410	5,505
Total cash used		9,992,090	8,913,161
Net Cash from (used by) Operating Activities		23,125	(1,067,917)
Net increase(decrease) in cash held	3	23,125	(1,067,917)
Cash and cash equivalents at the beginning of the reporting period		1,116,592	2,184,509
Cash and cash equivalents at the end of the reporting period	2.1a	1,139,717	1,116,592

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

NOTES TO FINANCIAL STATEMENT

Objective of the Royal Australian Navy Relief Trust Fund (RANRTF)

The RANRTF (the Fund) is a corporate Commonwealth entity established by the *Services Trust Funds Act 1947*. It is a not-for-profit entity. 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 Royal Australian Navy and to the dependants of such members.

The Fund does not receive nor is reliant on Government funding. The Fund has a single outcome, which is to provide benefits to eligible persons.

The 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:

- *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR)* for reporting periods ending on or after 1 July 2015; and
- Australian Accounting Standards and Interpretations 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 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, and are not expected to have a future material effect, on the Fund's financial statements.

Future Australian Accounting Standard Requirements

No new or revised pronouncements were issued by the Australian Accounting Standards Board prior to the finalisation of the financial statements which are expected to have a material financial impact on the Fund in future reporting periods.

AASB 9 Financial instruments (applicable from the year ending 30 June 2018) represents the first phase of a three-phase process to replace AASB 139 Financial Instruments: Recognition and Measurement. The standard reduces the four categories of financial asset to two: amortised cost and fair value. Given the make-up of the Fund's financial assets (amortised cost items such as loans, receivables, term deposits), the new standard is not expected to impact its treatment or valuation of these assets.

As a not-for-profit public sector entity, the Fund is currently exempt from the requirements of AASB 124 Related Party Disclosures. For reporting periods commencing on or after 1 July 2016, AASB 124 will be extended to apply to all not-for-profit public sector entities and the Fund will be required to disclose any related party transactions in accordance with the revised standard. Disclosure of comparative information is not required in the first year of application.

Other new standards, revised standards, interpretations or amending standards that were issued prior to the sign-off date and are applicable to future reporting periods are not expected to have a future material impact on the Fund's financial statements.

Taxation

The Fund 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 Fund is a 'financial supply provider', consequently GST is not charged on revenue. The Fund 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 Fund.

FINANCIAL PERFORMANCE

This section analyses the financial performance of the Fund for the year ended 2016.

1. Expenses	2016	2015
	\$	\$
1.1a. Employee Benefits		
Wages and Salaries received Free of Charge	155,595	153,424
Total: Employee Benefits	155,595	153,424
1.1b. Supplier		
Comcover	2,155	1,986
System Software Maintenance	9,636	840
Advertising	4,162	946
Bank Fees	2,211	936
Audit Fees	11,000	10,230
Debt Recovery Expenses	-	107
Miscellaneous	1,247	690
Total: Supplier Expenses	30,411	15,735
1.1c. Grants		
Grants to eligible members	11,739	14,015
Keeping Watch grants to eligible members	29,750	38,900
Total: Grants	41,489	52,915

1.1d. Write – Down and Impairment of Assets

	2016	2015
	\$	\$
Bad Debts Written Off	11,322	6,828
Bad Debts Recovered	(1,975)	(800)
Total: Write-down and Impairment of Assets	9,347	6,028

1.1e. Losses From Loan Re-measurement

Loss from initial recognition of loans and receivables at fair value.	554,918	456,025
Total Losses from Loan Re-measurement	554,918	456,025

Accounting PolicyCompetitive Neutrality

The Fund 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.

1.2 Own Source Revenue**1.2a. Sale of Goods and Rendering of Services**

Loan Administration Fees	93,440	73,740
Total: Sale of Goods and Rendering of Services	93,440	73,740

Accounting Policy

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer;
- the Fund retains no managerial involvement nor 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 days terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed as 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 Fund. These member contributions (loan administration fees) are recognised as income in the year the loan is made and form part of the outstanding loan amount.

1.2b. Interest

	2016 \$	2015 \$
Interest from Bank Accounts	19,816	40,053
Loan Interest	513,797	376,984
Total: Interest	533,613	417,037

Accounting Policy

Interest revenue is recognised using the effective interest method.

1.2c. Contributions and other Sources

RANCCF Contributions	48,327	96,654
Donations	76,021	39,337
Income from fundraising	2,535	-
Total: Contributions	126,883	135,991

1.2d. Resources Received Free of Charge

Salaries	155,595	153,424
Total: Resources Received Free of Charge	155,595	153,424

Accounting Policy*Resources Received Free of Charge*

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.

Financial Position

This section analyses the Fund's 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. Financial Assets**2.1a. Cash and Cash Equivalents**

Cash at Bank	340,759	4,548
Deposit Accounts	798,958	1,112,044
Total: Cash and Cash Equivalents	1,139,717	1,116,592

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. Loans and other Receivables

	2016 \$	2015 \$
Loans outstanding	3,795,334	3,696,9486
Administration fees receivable	5,990	9,730
Total loans and other receivables (gross)	3,801,324	3,706,678
Less impairment allowance	-	-
Total loans and other receivables (Net)	3,801,324	3,706,678
Receivables are aged as follows:		
Not overdue	3,801,324	3,706,678
Total trade and other receivables (Net)	3,801,324	3,706,678
Receivables are expected to be recovered in:		
No more than 12 months	3,801,324	3,706,678
Total trade and other receivables (Net)	3,801,324	3,706,678

Accounting Policy*Loans and Receivables*

Trade receivables, loans and other receivables that have fixed or determinable payments 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

Opening Balance	-	-
Amounts written off	11,322	6,828
Amounts recovered and reversed	(11,322)	(6,828)
Closing Balance	-	-

Accounting Policy

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

2.2. Non - Financial Assets**2.2a. Intangibles**

Website development	54,830	54,830
Accumulated Amortisation	(54,830)	(54,830)
Total: Intangibles	-	-

Accounting Policy

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements.

In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

Intangibles

The Fund's intangibles comprise capitalised website costs relating to the development of the Loan Application Management System. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

The website costs are amortised on a straight-line basis over its anticipated useful life. The useful life of these website costs is three years.

All software assets were assessed for indications of impairment as at 30 June 2016.

Funding

This section identifies the Fund's funding structure.

3. Cash Flow Reconciliation

	2016 \$	2015 \$
Reconciliation of cash and cash equivalents as per Statement of financial position to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash Flow Statement	1,139,717	1,116,592
Balance Sheet	1,139,717	1,116,592
Discrepancy	<u>-</u>	<u>-</u>
Reconciliation of net cost of services to net cash from / (used by) operating activities:		
Operating Result	117,771	96,065
Change in Assets and Liabilities		
(Increase)/Decrease in Net Receivables	(94,646)	(1,163,982)
Net cash from / (used by) operating activities	<u>23,125</u>	<u>(1,067,917)</u>

Managing Uncertainties

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

4. Contingent Assets and Contingent Liabilities

The Fund 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.

Accounting Policy

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset or represent an 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.

5. Financial Instruments

	2016	2015
	\$	\$

5.1a. Categories of Financial Instruments**Financial Assets**

Loans and Receivables

Cash at bank

	1,139,717	1,116,592
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Loans and other receivables

	3,801,324	3,706,678
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Total financial assets

	4,941,041	4,823,270
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Accounting Policy**Financial Assets**

The Fund classifies its financial assets in the following categories:

- held-to-maturity investments; and
- 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 that are recognised 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.

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.

5.1b. Net Gains (Losses) on Financial Assets

	2016	2015
	\$	\$
Cash and cash equivalents		
Interest revenue from investments	19,816	40,053
Net gain from cash and cash equivalents	<u>19,816</u>	<u>40,053</u>
Loans and receivables		
Loan administration fees	93,440	73,740
Loan interest	513,797	376,984
Loss on initial recognition of loans and receivables at fair value	(554,918)	(456,025)
Net gain from loans and receivables	<u>52,319</u>	<u>(5,301)</u>
Net Gain from financial assets	<u>72,135</u>	<u>34,752</u>

5.1c. Credit Risk Exposure

The Fund's maximum exposures to credit risk at reporting date is the risk that arises from the potential default on members' loans.

The Fund has no significant exposures to concentrations of credit risk, except for \$1,139,717 held with the Australian Military Bank and members' loans outstanding of \$3,801,324.

5.1d. Liquidity Risk

The exposure to liquidity risk is based on the notion the Fund will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

5.1e. Market Risk

The Fund holds basic financial instruments that do not expose the Fund to certain market risks. The Fund is not exposed to 'currency risk', 'other price risk' or 'interest rate risk'.

OTHER INFORMATION
6.1 Reporting of outcomes

The Fund was established under the *Services Trust Funds Act 1947* to provide support to members of the Australian Defence Force who have served in the Royal Australian Navy and to the dependants of such members. The Fund has a single outcome which is the objective to provide benefits to eligible persons.

	2016 \$	2015 \$
Expenses		
Employee benefits	155,595	153,424
Suppliers	30,411	15,735
Grants	41,489	52,915
Loss from initial recognition of loans and receivables at fair value	554,918	456,025
Write-down and impairment of assets	11,322	6,828
Total expenses	793,735	684,927
Own source income		
Goods and Services	377,893	363,955
Bank Interest	19,816	40,053
Loan Interest	513,797	376,984
Total own source income	911,506	780,992
Net cost of outcome delivery	117,771	96,065
Assets		
Cash and cash equivalents	1,139,717	1,116,592
Loans and other receivables	3,801,324	3,706,678
Total assets	4,941,041	4,823,270

6.2 Insurance

The Fund has insured for risks through the Government's insurable risk managed fund, called 'Comcover'. Workers compensation is insured through the Government's Comcare Australia.

6.3 Losses from Loan Re-measurement

In accordance with AASB 139, the decision to provide a loan at no interest rate represents income foregone by the lender. The income foregone (or financial loss) should be recognised at the time of the decision to make the loan rather than over the life of the loan. Therefore the accounting standard requires that the loss be recognised at the time that the loan is made. After initial recognition, the loan should be treated consistent with a commercial loan (as represented by the recognition of interest revenue over the remaining life of the loan).

In accounting terms, AASB 139 requires that:

1. financial assets issued at less than a market interest rate are required to be discounted to their fair value, with the difference between the issue price and the fair value (i.e. the financial loss for interest foregone) being recognised as a loss in the statement of comprehensive income and as a reduction in the value of the loan receivable.
2. over the life of the loan, a notional interest income is recognised as interest revenue in the statement of comprehensive income and an increase in the loan receivable.

6.4 Remuneration of auditors

The 2015/16 financial statements of the Fund have been audited by the Auditor General. The fair value of the services provided for 2015-2016 was \$13,700 exclusive of GST (2014/15: \$10,000). No other services were provided by the Auditor General.

6.5 Resources provided 'Free of Charge' to the Fund

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

- a. Office accommodation with computer, telephone and postage support; and
- b. Use of the ADF pay system to recover loan repayments from serving RAN members.

The above resources cannot be reliably measured and have not been recognised in the financial statements.

6.6 Investment of surplus money

Subparagraphs 59(1) (a) and (b) of the PGPA Act allows corporate Commonwealth entities to invest money that is not immediately required for the purposes of the entity.

The Fund's surplus moneys are on deposit with the Australian Military Bank.

6.7 Economic dependency

The Fund receives economic support from Department of Defence by way of provision of administrative support, computer, communication facilities and office accommodation for the Fund's Principal Office staff. The Trustees consider, however, that in the event that the support provided by the Department of Defence was fully or partly withdrawn, the Fund is in a position that it could continue to provide benefits, although likely at a reduced level, to eligible persons.

6.8 Segment reporting

The Fund operates across Australia and exists to provide support to members of the ADF who have served in, or in association with, the RAN and to the dependants of such members.

6.9 Trustees remuneration

Under Part 2, Section 11 (1) of the *Services Trust Funds 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 loans during the period.

6.10 Trustees of the Fund

The following persons were Trustees during the reporting period.

Rear Admiral BS Wolski, AM, RAN (Appointed 15 July 2014)

Captain LJ Batchler, RAN (Appointed: 25 March 2011)

Lieutenant Commander TPMS Skousgaard, RAN (Appointed 1 December 2011)

Lieutenant Commander SL Harris (Appointed: 29 February 2016)

Commander AB Gillett (Appointed: 01 September 2015)

Commander LV Kisnorbo (Appointed: 01 September 2015)

Warrant Officer SM Brown (Appointed: 01 September 2015)

Commander JV Craig, CSM, RAN (Appointed: 30 October 2010: Resigned 01 September 2015)

Captain JA Wittwer, CSM, RAN (Appointed 27 January 2012: Resigned 31 March 2016)

Warrant Officer DJA Devlin, (Appointed: 25 February 2011: Resigned 01 September 2015)

6.11 Average staffing levels

	2016	2015
The average staffing levels for the Fund during the year were	2.5	2.5

6.12 Disclosure of commitments

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

APPENDIX C – ANNUAL PERFORMANCE STATEMENT OF THE ROYAL AUSTRALIAN NAVY RELIEF TRUST FUND

The Trustees, as the Accountable Authority, of the Royal Australian Navy Relief Trust Fund (the Fund) present the 2015-2016 annual performance statement of the Fund, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In the Trustees opinion, this annual performance statement is based on properly maintained records, accurately reflect the performance of the Fund, and comply with subsection 39(2) of the PGPA Act.

Purpose of the Fund

The Fund was established by the *Services Trust Funds Act 1947* (the Act). The Act provides that the Trustees shall apply the Fund to providing benefits for members of the Australian Defence Force (ADF) who have served in, or in association with, the Royal Australian Navy (RAN) and to the dependants of such members.

Intended Results

In the 2015/16 Corporate Plan For The Royal Australian Navy Relief Trust Fund the Trustees determined that the intended result of the Fund was to provide benefits to eligible persons in a timely, relevant, and meaningful manner.

Performance Measurement Methodology

The Trustees determined that the Fund's performance in achieving its intended result would be measured through a survey of those who received benefits from the Fund, Commanding Officers, Personnel Officers and others who are involved in managing and/or administering recipients of Fund benefits. As part of this survey, eligible persons were asked to identify additional ways in which the Fund could provide other or greater benefits that are relevant and meaningful. The quarterly Trustee Audit report feedback was also used to provide a further mechanism to analyse the Fund's performance against the intended results.

Actual Results

Feedback from recipients of benefits, Commanding Officers, Personnel Officers and others who are involved in managing and/or administering recipients of Fund benefits indicates that the Fund is providing timely, relevant and meaningful benefits to eligible personnel.

Analysis of Results

Performance Criterion 1 – Timely

Source: Corporate Plan Page 3

Measurement methodology: Analysis of allocation of funds based on stated measures.

Results: In accordance with the RANRTF Rules and Procedures Manual, and as advertised to local agents, General Purpose Loans are processed and paid within three weeks of a correctly completed application being received in the Principal Office. In reality, many loan are paid in a shorter timeframe. Special Loans can generally be processed within two working days and, if the situation is urgent, can be processed and paid within the same day if the Trustees receive all necessary information upon which to make a decision. There were no negative comments from the survey regarding timeframes for payments of loans and no suggestions to improve this aspect of the Fund's business.

Analysis: A deliberate decision was made by the Trustees to allow sufficient processing time to account for the workload of the Principal Office and the batching of the General Purpose Loans. Actual timeframes for payment are generally well inside the advertised times for most General Purpose loans and the fund is extremely responsive in staffing requests for Special Loans where there is an urgent requirement for the funds.

Performance Criterion 2 – Relevant

Source: Corporate Plan Page 3

Measurement methodology: A survey was forwarded to Commanding Officers, Personnel Officers and others who are involved in managing and/or administering recipients of Fund asking for their assessment of the relevance of the Fund to their personnel.

Results: Responses were received from 12 Commanding Officers and Personnel Officers. The responses were positive, with many providing statistics of the numbers of personnel within their ships and establishments who had accessed benefits from the Fund. Several Commanding Officers were surprised at the take up rate of the Fund's services, but were universally supportive of the Fund and its provision of relevant products to their personnel. The focus of the feedback was on the General Purpose Loan, as the main product provided by the Fund. The recent adoption of a principles based approach, which now enables personnel to borrow money for family holidays and other requirements that support the welfare or benefit of the member and their family has received positive feedback from survey respondents. Similarly, the increase in the General Purpose Loan to \$6000 has received favourable comment from a number of respondents.

Analysis: The fact that many Commanding Officers were not specifically aware of how the Fund assisted their personnel indicates that the system of applying for, and receiving, assistance from the Fund is working well. Most applications are processed in a routine manner with no requirement for involvement or engagement from the Commanding Officer.

The increase of the General Purpose Loan to \$6000 has been a successful change to this Fund product. This initially required careful cash management to ensure that the Fund could continue to provide for the expected number of loans. In addition, the 2015 Christmas Loan was restricted to personnel not already holding a General Purpose or Special Loan in order to reduce the demand on the Fund's limited cash reserves. The increased repayment rate for the \$6000 loan has now stabilised the Fund's cash flow as expected. The Trustees consider that the General Purpose Loan, as the Fun's primary product, should be the priority.

Performance Criterion 3 – Meaningful

Source: Corporate Plan Page 3

Measurement methodology: As part of the Principal Office’s internal checks, a quarterly Trustee Audit of a sample of loans is conducted to validate the loan process and seek feedback from the recipients.

Results: The following comments were made by recipients of the Fund’s products.

‘As most sailors we are all trying to budget and save what we can of a fortnightly pay after bills, living expenses and the interest free RANRTF loan this has allowed exactly that, I have managed to not loose track of my weekly goals for saving and there is no pressure of meeting deadlines for payments as I am in control of how much I would like to pay off my respective RANRTF loan. Knowing you aren't paying back more than you borrowed is just an added bonus and sense of comfort. It has also been great to be able to purchase my furniture at the perfect time for me and the process to receiving the loan was quick and simple. I would recommend this to anyone who is interested in the RANRTF loan’

‘This loan enabled me to buy new furniture without the stresses of a high interest rate loan from a bank or lender as well as having the money in my account quickly to avoid any delays in the purchases of my new furniture and appliances. With the RANRTF loan I was able to purchase multiple new furniture items including a bedroom ensemble and a living room package. Once being approved for the loan, the repayments have been no burden or issue as they are deducted from my pay before it is in my account I don't notice that I am even making the payments.’

‘I had no issues with using the application form for the RTF loan. I was kept up to date on where the application was at and the whole process was very quick. My only concern is now to access the webpage now from the new Navy Web Page.’

‘We used the funds for accommodation, meals and fuel so that the two older kids and I could easily transfer between Sydney and Nowra. It was such an incredible help and really took the load off. We had enough stress going on, the last thing we needed was the added stress and embarrassment of borrowing money off friends and family’.¹

Analysis: The positive feedback indicates that the products provided by the Fund are meaningful to the recipients. Feedback for this reporting period was received on General Purpose Loans and Keeping Watch Grants. Feedback on other Fund products will be specifically sought for the next reporting round.

Results indicate that the Fund is providing a timely, meaningful and relevant service to members. During the analysis of the survey and the quarterly Trustee audit, there were a number of areas for improvement identified. These generally relate to the communication of the Fund’s processes and procedures to the local agents in order to ensure that Fund recipients are fully aware of both the requirements of the application process, and the ability of the Fund to respond to unexpected situations. The Trustees and the Principal Office will review the communication processes for the Fund to improve the knowledge of the Fund’s agents and ensure consistency of advice to current and potential Fund recipients.

Feedback indicates that the Fund could provide other or greater benefits to eligible persons by enabling personnel to use loan for private purchases. This will be considered by the Trustees as the products are further refined. Most other feedback regarding the /fund was focussed on the

¹ Feedback from a Keeping Watch Grant recipient

administrative processes with some suggestions for improvements to application and processing. The Trustees and the Principal Office will consider these suggestions as part of the business review process.

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