




RAAF
Welfare Recreational
Company

Annual Report

2020–21



THE

RAAF WELFARE RECREATIONAL COMPANY

Annual Report

For the period

1 July 2020 to 30 June 2021

ã Commonwealth of Australia 2014

ISSN 0728-6996

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The Secretary
RWRC
Fairbairn (F4-02-008)
PO Box 7933
Department of Defence
CANBERRA BC ACT 2610

Letter of transmittal

Letter of transmittal

The Hon Matt Keogh, MP

Minister for Defence Personnel

Parliament House

Canberra ACT 2600

Dear Minister

This report of operations by the Directors of the RAAF Welfare Recreational Company is for the year ended 30 June 2021. The report is accompanied by the Financial Statements for the period and other information which are to be read as part of this report.

Yours sincerely

A handwritten signature in black ink, appearing to read 'MJ Smith', is enclosed in a white rectangular box.

MJ Smith

Air Commodore

Chair of RWRC

30 November 2022

List of requirements

PGPA Rule Reference	Part of Report	Description	Requirement
28E	Contents of annual report		
28E(a)	Purpose	The purposes of the company as included in the company's corporate plan for the reporting period.	Mandatory
28E(aa)	Performance Statement 2020/21	The results of a measurement and assessment of the company's performance during the reporting period, including the results of a measurement and assessment of the company's performance against any performance measures and any targets included in the company's corporate plan for the reporting period.	Mandatory
28E(b)	Letter of Transmittal	The names of the persons holding the position of responsible Minister or responsible Ministers during the reporting period, and the titles of those responsible Ministers.	Mandatory
28E(c)	N/A	Any directions given to the entity by a Minister under the company's constitution, an Act or an instrument during the reporting period.	If applicable, mandatory
28E(d)	N/A	Any government policy order that applied in relation to the company during the reporting period under section 93 of the Act.	If applicable, mandatory
28E(e)	Compliance Reporting	Particulars of non-compliance with: (a) a direction given to the entity by the Minister under the company's constitution, an Act or instrument during the reporting period; or	If applicable, mandatory

		(b) a government policy order that applied in relation to the company during the reporting period under section 93 of the Act.	
28E(f)	Organisational Structure	Information on each director of the company during the reporting period.	Mandatory
28E(g)	Organisational Structure	An outline of the organisational structure of the company (including any subsidiaries of the company).	Mandatory
28E(ga)	Gender and Staff Location of Personnel	Statistics on the entity's employees on an ongoing and non-ongoing basis, including the following: (a) statistics on full-time employees; (b) statistics on part-time employees; (c) statistics on gender; (d) statistics on staff location.	Mandatory
28E(h)	Organisational Structure	An outline of the location (whether or not in Australia) of major activities or facilities of the company.	Mandatory
28E(i)	Compliance Reporting	Information in relation to the main corporate governance practices used by the company during the reporting period.	Mandatory
28E(j), 28E(k)	N/A	For transactions with a related Commonwealth entity or related company where the value of the transaction, or if there is more than one transaction, the aggregate of those transactions, is more than \$10,000 (inclusive of GST): (a) the decision making process undertaken by the directors of the company for making a decision to approve the company paying for a good or service from, or providing a grant to, the related Commonwealth entity or related company; and (b) the value of the transaction, or if there is more than one transaction, the number of transactions and the aggregate of value of the transactions.	If applicable, mandatory

28E(l)	COVID-19 Pandemic	Any significant activities or changes that affected the operations or structure of the company during the reporting period.	If applicable, mandatory
28E(m)	N/A	Particulars of judicial decisions or decisions of administrative tribunals that may have a significant effect on the operations of the company.	If applicable, mandatory
28E(n)	Compliance Reporting	Particulars of any reports on the company given by: (a) the Auditor-General, or (b) a Parliamentary Committee, or (c) the Commonwealth Ombudsman; or (d) the Office of the Australian Information Commissioner; or (e) the Australian Securities and Investments Commission.	If applicable, mandatory
28E(o)	N/A	An explanation of information not obtained from a subsidiary of the company and the effect of not having the information on the annual report.	If applicable, mandatory
28E(oa)	Key Management Personnel Remuneration	Information about executive remuneration.	Mandatory
28E(ob)	Audit Committee	The following information about the audit committee for the company: (a) a direct electronic address of the charter determining the functions of the audit committee; (b) the name of each member of the audit committee; (c) the qualifications, knowledge, skills or experience of each member of the audit committee; (d) information about each member's attendance at meetings of the audit committee; (e) the remuneration of each member of the audit committee.	Mandatory

28F(1)(a)(i)	N/A	An assessment of significant changes in the company's overall financial structure and financial conditions.	If applicable, mandatory
28F(1)(a)(ii)	N/A	An assessment of any events or risks that could cause financial information that is reported not to be indicative of future operations or financial condition.	If applicable, mandatory
28F(1)(b)	N/A	Information on dividends paid or recommended.	If applicable, mandatory
28F(1)(c)	N/A	Details of any community service obligations the government business enterprise has including: (a) an outline of actions taken to fulfil those obligations; and (b) an assessment of the cost of fulfilling those obligations.	If applicable, mandatory
28F(2)	N/A	A statement regarding the exclusion of information on the grounds that the information is commercially sensitive and would be likely to result in unreasonable commercial prejudice to the government business enterprise.	If applicable, mandatory

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RAAF WELFARE RECREATIONAL COMPANY

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Report of Operations

Purpose

The purpose of the RAAF Welfare Recreational Company is to manage and promote recreational facilities for RAAF members, their families and other eligible persons and to provide financial support to, and assist in the provision of recreational amenities and services to RAAF members.

As Trustee, the RAAF Welfare Recreational Company achieves the purpose through the effective management of the RAAF Central Welfare Trust Fund.

Enabling Legislation and Responsible Minister

The RAAF Welfare Recreational Company (RWRC) was incorporated on 25 October 1972 to administer the assets of the RAAF Central Welfare Trust Fund (RCWTF) and is subject to the *Corporations Act 2001*. The RWRC operates within the Defence Portfolio reporting to the Minister for Defence Personnel. The Hon Darren Chester, MP was the Responsible Minister for the period of this report.

The initial seed funding for the Trust came from the profits of canteens operating during WW11 and subsequently disbanded.

Public Governance, Performance and Accountability Act 2013 and Australian Charities and Not-for-profits Commission Act 2012

The RWRC also complies with the requirements of the *Public Governance, Performance and Accountability Act 2013 (PGPA)* and the *Australian Charities and Not-for-profits Commission Act 2012* with respect to:

- Reporting to Ministers and Parliament;
- Contents of Annual Report;
- Audit of the RWRC'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.

Accountable Authority

The following persons formed the Accountable Authority (Board) of the RAAF Welfare Recreational Company during or since the end of the financial year:

Air Commodore Philip Theodor Tammen, AM – Director General Air and Space Surveillance and Control, Acquisition and Sustainment Group. Director since 25 January 2017. Resigned 23 November 2020.

Air Commodore Martin John Smith – RAAF Reserve Officer. Director since 26 October 2020. Appointed Chair since 23 November 2020.

Group Captain Debbie Richardson – Director Corporate Governance and Information Management – Air Force. Director since 21 August 2017.

Wing Commander Owen Alexander Gardner – Staff Officer – Air Force Head Quarters. Director since 17 May 2019. Resigned 23 February 2021.

Wing Commander Susan Lee Liddy – Project Officer - Capability Acquisition and Sustainment Group. Director since 27 February 2020. Resigned 14 March 2021.

Warrant Officer Ann Larsen – Personnel Capability Specialist – Australian Defence Head Quarters. Director since 21 May 2018.

Warrant Officer Jason Roberts - Warrant Officer - Combat Support Group. Director since 12 March 2021.

All members of the Board are appointed by the Chief of Air Force. The Board comprises serving and ex-serving members of the RAAF.

During 2020/2021 the RWRC Board met eight times (including the Annual General Meeting). These meetings were held virtually on GovTEAMS.

Board Member Attendance at Meetings

Name	Special Responsibilities	Number of Possible Attendances	Number Actually Attended
Air Commodore PT Tammen	Chair	4	3*
Air Commodore MJ Smith	Chair	5	5
Group Captain D Richardson	Director	8	8
Wing Commander OA Gardner	Director	5	2*
Wing Commander SL Liddy	Director	5	2*
Warrant Officer A Larsen	Director	8	8
Warrant Officer J Roberts	Director	2	1*

- Absences due to work commitments in Air Force primary duties or illness.

Current Board Qualifications

Name	App't	Qualifications
Air Commodore Martin Smith Non-Executive Director	Chairman	<ul style="list-style-type: none"> • Bachelor of Business (Dist) • Graduate Diploma Supply Chain Management • Master of Business (Project Management) • Doctor of Business (Honorary) • Graduate of Australian Institute of Company Directors.
Group Captain Debbie Richardson Non-Executive Director	Director	<ul style="list-style-type: none"> • Bachelor of Arts (Hons) • Master of Business Administration • Doctor of Business Administration • Graduate of Australian Institute of Company Directors
Warrant Officer Ann Larsen Non-Executive Director	Director	<ul style="list-style-type: none"> • Diploma of Administration, Business and Management
Warrant Officer Jason Roberts Non-Executive Director	Director	<ul style="list-style-type: none"> • Graduate of Australian Institute of Company Directors

Organisational Structure

The RAAF Welfare Recreational Company is a Commonwealth company within the General Government Sector and is managed by Directors who are appointed by the Chief of Air Force.

The RWRC owns a property on the Gold Coast in Queensland. Head Office is located in Canberra ACT.

RWRC is subject to the following general policies

The following policies were notified to RWRC by the responsible Minister prior to the commencement of the financial year and remain in force:

- National Code of Practice for the Construction Industry; and
- Foreign Exchange Risk Management Policy.

RWRC has complied with the above-mentioned policies as appropriate.

Compliance Reporting

The *Corporations Act 2001* and sections 17AG and 17BE of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule) require that Commonwealth Entities' Annual Reports must include a statement of any non-compliance issues notified to the responsible Minister under paragraph 19[1][e] of the *Public Governance, Performance and Accountability Act 2013* during the reporting period.

RWRC was assessed as not meeting five disclosure requirements for ANAO's Interim Report on Key Financial Controls of Major Entities for Financial Year 2019/2020, on the basis that RWRC's Audit Committee membership was reported as two members instead of the required three.

Review of Operations and Future Prospects

Operations were in accordance with the RWRC's statutory obligations under the Trust Deed, that is, to facilitate and manage the provision of discounted recreational accommodation for RAAF members, their families and other eligible persons and to provide financial support to, and assist in the provision of, recreational facilities and services to RAAF members.

COVID-19 Pandemic

Due to COVID-19 travel restrictions and announcements by the Prime Minister and Queensland Premier, the Board of the RAAF Welfare Recreational Company were obliged to cancel current and future bookings for three months from July to September 2020 inclusive.

The impacts of COVID-19 Pandemic is ongoing and it is not practical to estimate the impact that it will have on the RAAF Welfare Recreational Company. The situation will continue to develop and is dependent on measures imposed by the Federal and State Governments such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Reviews by Outside Bodies

RWRC Annual Reports are subject to review by the Senate Foreign Affairs, Defence and Trade Legislation Committee. The financial statements are lodged with the Australian Charities and Not-for-profits Commission every year.

The RWRC financial statements are subject to audit by the Australian National Audit Office.

Audit Committee

The RWRC has established an audit committee for the Trust it administers in accordance with the PGPA Act. The primary objectives of the Audit Committee are:

- improving the effectiveness and efficiency of RWRC's internal control framework for managing the Trust;
- ensuring that RWRC has appropriate risk identification and management practices in place;
- improving the objectivity and reliability of financial reporting;
- ensuring that RWRC has adequate procedures on matters of audit independence; and
- assist the Board to comply with all governance and other obligations in their role as Trustee.

The Audit Committee reports to the Board results of internal reviews of various aspects of Trust management and operations conducted during the period under review. The Audit Committee Charter may be found at <https://www.airforceholidays.com.au/wp-content/uploads/2021/03/AuditCommitteeCharter10231.docx>

Membership

Membership. Members of the Audit Committee serve on a voluntary basis.

Member Name	Qualifications, knowledge, skills and experience.	Meetings attended / total number of meetings	Remuneration
Mr Keith Pepper	Mr Pepper, during a career spanning 32 years of Defence service, gained broad experience in business practices and processes, governance and utilising complex accounting and corporate governance systems. Mr Pepper possesses a Diploma of Business (Accounting) a Diploma of Business (Frontline Management) and a Certificate in Administration. He is currently employed as Secretary of the Royal Australian Air Force Welfare Trust Fund.	2/2	\$0
Wing Commander Bruce Perry	Wing Commander Perry has held a number of management and finance related positions during his extensive career in Air Force, including policy development in financial management and governance. He has served as Secretary and as a Board member of the Royal Australian Air Force Welfare Recreational Company and has	2/2	\$0

	completed training with the Australian Institute of Company Directors and holds a Graduate Certificate Professional Management – Finance.		
Squadron Leader Peter Alomes	<p>Squadron Leader Alomes during his career with Defence completed numerous internal management and accounting courses. Additionally, he has served as the Alternate Other Rank member on the Board of Trustees of the Military Superannuation and Benefits Scheme, has managed Army and Air Force business entities being appointed as Secretary and Chief Finance Officer and has completed training with the Australian Institute of Company Directors.</p> <p>Squadron Leader Alomes brings to the Committee extensive administrative and accounting experience as applies to the uniqueness of Defence Portfolio business entities generally, and in this case, with the RAAF Welfare Trust Fund.</p>	1/2	\$0

Freedom of Information Procedures and Initial Contact Points

Requests for access to RWRC documents should be directed to the Secretary of the RAAF Welfare Recreational Company, F4 02-008 Fairbairn, Department of Defence, CANBERRA BC, ACT, 2610.

Indemnities and Insurance Premiums for Officers

The RWRC has taken out insurance coverage with Comcover for Association Liability Insurance. Where applicable, the insurance cover is provided for all Directors, staff and contractors.

Commonwealth Disability Strategy

Given the nature of the RWRC's size and activities, the Directors consider that the current organisational and operating procedures meet the requirements of the Commonwealth Disability Strategy.

Work Health and Safety

Directors of the RWRC are full time and Reservist staff employed by the Commonwealth (Department of Defence) and, as such, fall within the policies and procedures of the Department of Defence for WHS purposes. Those who are contracted, fall within State provisions. There were no notifiable incidents during the period, nor were there any investigations conducted by Comcare with the RWRC.

Risk Management and Fraud Control

The Directors have established a risk management and fraud control plan in line with the Commonwealth's endeavours to make risk management an integral part of everyday business practice. The RWRC does not receive any funding from the Commonwealth and therefore does not need to apply the promulgated *Commonwealth Fraud Control Guidelines* (Guidelines). However, the Directors have adopted the Guidelines as best practice standards for fraud control and have implemented fraud control arrangements commensurate with the RWRC's activities. The RWRC's risk management and fraud control plan was reviewed and updated in April 2019.

Related Party/Entity Transactions

There were no related entity transactions during the financial year. Directors who utilised holiday accommodation declared such use and paid the rates applicable to all other eligible users.

Protective Security

The Directors consider that an appropriate protective security environment is fundamental to good business and management practice. Accordingly, the Directors have developed and implemented a security plan that is appropriate to the RWRC's functions and the security risks it faces. The RWRC's protective security plan was reviewed and updated in November 2019.

Auditors Independence Declaration

A copy of the Auditor's Independence Declaration is required under s.307C of the *Corporations Act 2001* and is included within this Report.

Appreciation

The Directors wish to express appreciation to all persons who assisted the RWRC during the period of this report. The efforts of the holiday facility managers have given RAAF members the confidence that the RWRC can provide high quality affordable accommodation.

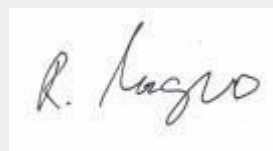
Signed in accordance with a resolution of the Directors.



MJ Smith

Air Commodore
Chair of RWRC

30 November 2022



R Magno

Group Captain
Director of RWRC

30 November 2022

Auditor's Independence Declaration



Air Commodore Martin Smith
Chair of the Board
RAAF Welfare Recreational Company
C/O Department of Defence
Fairbairn (F4-02-008)
CANBERRA ACT 2610

**RAAF WELFARE RECREATIONAL COMPANY
FINANCIAL STATEMENTS 2020–21
AUDITOR'S INDEPENDENCE DECLARATION**

In relation to my audit of the financial statements of the RAAF Welfare Recreational Company for the year ended 30 June 2021, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (b) no contravention of any applicable code of professional conduct.

Australian National Audit Office

Jennifer Carter
Audit Principal
Delegate of the Auditor-General

Canberra
30 November 2022

Performance Statement

Performance Statement 2020/2021

We, as members of, and on behalf of the Accountable Authority of the RAAF Welfare Recreational Company (trustee of the RAAF Central Welfare Trust Fund), have elected to present a 2020/2021 Performance Statement for the Company as designated under section 39(1)(a) of the Public Governance, Performance and Accountability Act 2013 (PGPA Act).

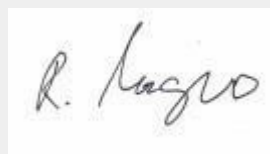
In our opinion the Performance Statement is based on properly maintained records, accurately reflects the performance of the entity, complies with subsection 39(2) of the PGPA Act and is signed in accordance with a Resolution of the Directors.

The purpose of the RAAF Welfare Recreational Company is to provide amenity and related services to Air Force members and their families not normally provided at Departmental level.

**MJ Smith**

Air Commodore
Chair of RWRC

30 November 2022

**R Magno**

Group Captain
Director of RWRC

30 November 2022

The RAAF Welfare Recreational Company achieves the purpose through the effective management of the RAAF Central Welfare Trust Fund through which the purpose is achieved and reported upon in this statement.

Recreational Facilities

Performance Measure 1	Achievement	Analysis
<p>Achieve target occupancy levels:</p> <p><i>Ambassador – 65% (Gold Coast)</i></p>	<p>Ambassador: 35% occupancy achieved</p>	<p>Overall occupancy was impacted by the closure of the apartments from 1 March to 30 September 2020 due to the COVID-19 pandemic. Additionally, State border closures and quarantine restrictions, at various stages during the remainder of the financial year, also impacted on occupancy levels.</p>
Performance Measure 2	Achievement	Analysis
<p>Achieve a cash neutral operational outcome for recreational facilities</p>	<p>Ambassador: The facility recorded an operating loss of \$0.062m.</p>	<p>Cash generated through occupancies dropped for two reasons; closure associated with the pandemic and lower occupancy rates following the re-opening of the apartments. Operating expenses remained similar to the previous financial year which saw a slight increase of 2.23%.</p>
Performance Measure 3	Achievement	Analysis
<p>Demonstrate majority occupancy of Air Force personnel</p>	<p>The percentage of guest stays by Air Force personnel decreased slightly from 44% during 19/20 to 43% for 20/21. The cohort continued to be the highest user group.</p>	<p>Air Force members remained the highest user group at 43% of guest stays. The other user group cohorts remained relatively consistent in terms of guest stays, except Ex Members showed an increase from 23% to 37%.</p>

Recreational Amenities and Welfare Activities

Given operational outcomes of the business entity over recent years, funding to support activities has been withdrawn and will remain that way until an operating model is developed that allows it to pursue the provision of additional recreational amenities to a greater percentage of eligible members.

Finances

Performance Measure 1	Achievement	Analysis
<p><i>Financial statements indicate operating surplus</i></p>	<p>The impact of the Pandemic on operating outcomes of the holiday operation saw a down turn of \$0.058 from the previous financial year however, the investment portfolio performance was \$0.283m.</p> <p>The operational profit for 20/21 was \$0.197m.</p>	<p>Closure of holiday operations from July to the end of September and the reduction in occupancy rates after re-opening in October led to the down turn in accommodation takings.</p> <p>Fair value movement on investments was \$0.283 and investment income was \$0.127m.</p>
<p>Performance Measure 2</p> <p><i>Property valuations are accurate</i></p>	<p>The value of the apartments remain unchanged from the last valuation in June 2020. The value of the land is \$2.300m and the buildings \$2.185m.</p>	<p>Analysis</p> <p>The Board agrees that the current book value of the asset is fair and accurate.</p>
<p>Performance Measure 3</p> <p><i>Returns on investments reflect growth against CPI.</i></p> <p><i>CPI for the eight capital cities averaged 3.8% for June Qtr 2020 to June Qtr 2021</i></p>	<p>Cash returns on property were negative.</p> <p>The worth of the Colonial investment portfolio achieved a compound return of 12.59%</p>	<p>Analysis</p> <p>Property. Holiday facilities recorded a downturn in takings from the previous financial year of \$0.058m</p> <p>Investment. The return of investment from the investment portfolio of 12.59% is an increase from last year's performance of a negative 3.57%.</p>

Trust Administration

Performance Measure 1	Achievement	Analysis
<i>Annual Information Statement is lodged with the Australian Charities and Not for profits Commission by 31 January of the following calendar year.</i>	The 2020/2021 Annual Information Statement will be lodged within time frames.	The entity will comply with provisions that require the Annual Information Statement to be lodged with the Commission by 31 January of the following calendar year.
Performance Measure 2	Achievement	Analysis
<i>Board changes are processed in accordance with mandated timeframes</i>	All new appointments were processed within mandatory timeframes however, some resignations were processed outside of the mandatory timeframes.	Resignations processed outside of the mandatory timeframes incurred a processing fee.

Summary

As expected, the three-month closure of the apartments due to COVID-19, combined with the threat of State border closures and quarantine restrictions has significantly impacted on accommodation takings for the 2020-2021 financial year. By contrast, the Colonial investment portfolio has shown a significant increase in its performance of 12.59% compared to a negative 3.57% return for the previous 12 months.

Air Force members continue to be the majority of users at recreational facilities however, as with the other Services, the challenge still remains to improve occupancy levels outside of the peak periods.

The Board continues to investigate alternate business models with the view of providing additional recreational amenities to a greater percentage of eligible members.



INDEPENDENT AUDITOR'S REPORT

To the members of RAAF Welfare Recreational Company

Opinion

In my opinion, the financial statements of the RAAF Welfare Recreational Company (the Company) for the year ended 30 June 2021 are in accordance with the *Corporations Act 2001* and Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2021 and of its performance for the year then ended; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements, the *Corporations Regulations 2001* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The financial statements of the Company, which I have audited, comprise the following as at 30 June 2021 and for the year then ended:

- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information; and
- Directors' Declaration.

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 Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the relevant ethical requirements for financial statements 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 (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code.

I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Emphasis of Matter – Events After the 30 June 2021 Reporting Period

I draw your attention to the *Overview* in the financial statements which discloses *Events After the Reporting Period* in relation to financial statements that were signed by the Directors on 6 October 2021. The 2020–21 financial statements dated 6 October 2021 have been withdrawn and replaced by the financial statements dated 30 November 2022. The auditor’s report dated 29 September 2021 should not be relied upon. My opinion is not modified in respect of this matter.

Directors’ responsibility for the financial statements

The directors of the Company are responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, the *Corporations Act 2001* and the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal control the directors determine is necessary to enable the preparation of the financial statements that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors’ 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 Company’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify 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 Company to cease to continue as a going concern.

- 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 the directors 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.

I also provide the directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Australian National Audit Office



Jennifer Carter

Audit Principal

Delegate of the Auditor-General

Canberra

30 November 2022

Directors' Declaration

RAAF WELFARE RECREATIONAL COMPANY

DIRECTOR'S DECLARATION

The Directors of the Company declare that:

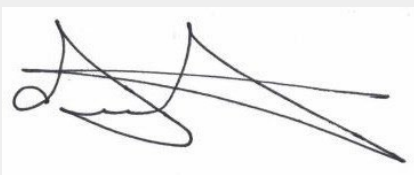
1. The attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*:
 - (a) comply with Australian Accounting Standards - Reduced Disclosure Requirements, Corporations Regulations 2001;
 - (b) comply with Australian Charities and Not-for-profits Commission Act 2012 (Cth); and
 - (c) give a true and fair view of the financial position of the Company as at 30 June 2021 and of its performance for the year ended on that date.

2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

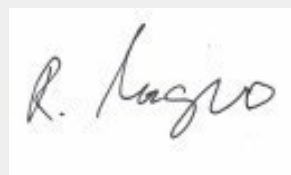
This declaration is made in accordance with a resolution of the Board of Directors.

Dated at Canberra this 30th day of November 2022.

On behalf of the Directors



MJ Smith
Chair of the Board



R Magno
Director

Financial Statements

RAAF WELFARE RECREATIONAL COMPANY

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	2021	2020
	\$	\$
NET COST OF SERVICES		
Expenses	<u>0</u>	<u>0</u>
Total expenses	<u>0</u>	<u>0</u>
Own-Source Income		
	<u>0</u>	<u>0</u>
Total own-source revenue	<u>0</u>	<u>0</u>
Net (cost of)/contribution by services	<u>0</u>	<u>0</u>
Total Comprehensive income	<u><u>0</u></u>	<u><u>0</u></u>

The above Statement is to be read in conjunction with the accompanying notes

RAAF WELFA RE RECREATIONAL COMPANY

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	2021	2020
	\$	\$
ASSETS		
Financial assets		
Receivables	0	0
Total financial assets	0	0
Total assets	0	0
LIABILITIES		
Payables		
Payables	0	0
Provisions	0	0
Total payables	0	0
Total liabilities	0	0
Net assets	0	0
EQUITY		
Total equity	0	0

The above Statement is to be read in conjunction with the accompanying notes

RAAF WELFARE RECREATIONAL COMPANY**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021**

	2021 \$	2020 \$
Opening balance as at 1 July 2020	<u>0</u>	<u>0</u>
Closing balance as at 30 June 2021	<u><u>0</u></u>	<u><u>0</u></u>

The above Statement is to be read in conjunction with the accompanying notes

RAAF WELFARE RECREATIONAL COMPANY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	2021	2020
	\$	\$
OPERATING ACTIVITIES		
Cash received/(used)	0	0
Net cash flows from/(used in) operating activities	0	0
INVESTING ACTIVITIES		
Cash Received/(Used)	0	0
Net cash from/(used by) investing activities	0	0
Net increase/(decrease) in cash held	0	0
Cash and cash equivalents at the beginning of the reporting period	0	0
Cash and cash equivalents at the end of the reporting period	0	0

The above Statement is to be read in conjunction with the accompanying notes

Notes to and forming part of the Accounts For the Year Ended 30 June 2021

Overview

The financial report is for the entity RAAF Welfare Recreational Company (the Company) as an individual entity. The Company is a company limited by guarantee, incorporated and domiciled in Australia and is registered as a charity with the Australian Charities and Not-for-profits Commission.

The objective of the Company is to provide access to discounted accommodation and to manage and promote owned recreational facilities for RAAF members, their families and other eligible persons, and provide financial support to, and assist in the provision of, recreational facilities and services to RAAF members. The sole activity of the Company is to act as the trustee for the RAAF Central Welfare Trust Fund (the Trust), a charitable trust registered with the Australian Charities and Not-for-profits Commission.

Basis of Preparation

The Company is a Commonwealth company as defined in the *Public Governance, Performance and Accountability Act 2013* and is subject to the *Corporations Act 2001*. The Company applied the Australian Accounting Standards - Reduced Disclosure Requirements, including the Australian Accounting Interpretations.

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, *Australian Charities and Not-for-profits Commission Act 2012*, Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board. The Company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial report has been prepared on an accruals basis and is based on 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 financial position. The financial statements are presented in Australian dollars.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The financial statements were authorised for issue by Circulating Resolution dated 25 November 2022.

Trust Liabilities and Right of Indemnity

The Company acts solely as trustee of the Trust and liabilities have been incurred on behalf of that Trust in the Company's capacity as corporate trustee.

Liabilities incurred on behalf of the Trust are not recognised in the financial statements if it is not probable that the Company will have to meet any of the Trust liabilities from its own resources. If the Company becomes obliged to meet Trust liabilities, the trustee has a right to be indemnified from Trust assets. If it is probable that there will be a deficiency in Trust assets, a liability is recognised by the Company to the extent of that deficiency. Details of the Trust liabilities, the offsetting right of indemnity and any deficiency in the right of indemnity are disclosed by way of notes to the financial statements.

The RAAF Welfare Recreational Company, as Trustee for the RAAF Central Welfare Trust Fund, has a right of indemnity from the Fund's assets. Liabilities of the Trust not recorded in the financial statements of the company were:

FOR THE YEAR ENDED 30 JUNE 2021	2021	2020
	\$	\$
ASSETS		
Financial Assets		
Cash and Cash Equivalents	294,904	434,528
Trade and Other Receivables	8,336	21,268
Other Investment	3,963,148	3,563,024
Total financial assets	4,266,388	4,018,820
Non-financial assets		
Land	2,300,000	2,300,000
Buildings	2,141,300	2,185,000
Plant and Equipment	39,011	45,699
Other Non-Financial assets	30,130	30,256
Total non-financial assets	4,510,441	4,560,955
	8,776,829	8,579,775

LIABILITIES		
Current liabilities		
Trade Payables	3,454	3,754
Other Payables	1,710	1,500
GST Payable	-	-
Total current liabilities	5,164	5,254
Non-current liabilities		
Provisions		
Other Provisions	1,874	1,874
Total Non-current liabilities	1,874	1,874
Total liabilities	7,038	7,128

The net assets of the Trust totaling \$8,769,791 which lie behind the right of indemnity, are not directly available to meet any liabilities of the company acting in its own right. The assets of the trust were sufficient to discharge all liabilities of the trust at 30 June 2021 and 30 June 2020.

Revenue, Expense and Cash Flows

The Company acted solely as trustee of the Trust and did not carry on any business activity on its own behalf during the current year or the preceding year. Therefore, there were no revenues, expenses or cash flows in relation to the Company during the current or preceding financial year. All movements in assets and liabilities relate to the Trust and are not cash flows of the Company.

Events after the Reporting Period

This Disclosure Statement is made with reference to the 2020-2021 Annual Report dated 06 October 2021 including Financial Statements of RAAF Welfare Recreational Company (RWRC), specifically relating to the Financial Statements within that Report.

On 27 September 2021, RWRC sent the Financial Statements for the year ending 30 June 2021 to the Australian National Audit Office (ANAO) for the purpose of auditing the Financial Statements for that financial year.

On 28 September 2021, the digitally signed Directors' Declaration dated 28 September 2021 and a representation letter were sent to ANAO.

On 29 September 2021, RWRC received the ANAO's Auditor's Independence Declaration and Independent Auditor's Report on behalf of the Auditor-General.

The report from the ANAO stated that there had been "no contraventions of the Auditor's Independence requirements of the Corporations Act 2001 and no contravention of any applicable code of professional conduct.

The independent Auditor's Report advised that the financial statements of the RWRC for the year ended 30 June 2021 were in accordance with the Corporations Act 2001 and Division 60 of the Australian Charities and Not-For-Profit Commission Act 2012 (ACNC Act).

On 06 October 2021, the Chair of RWRC approved the Financial Statements in the Annual Report after endorsement by each Director using the workflow in the Digital Annual Report Tool (DART).

In October 2022, in considering the RWRC Annual Report for 2021-2022, the ANAO identified that the published version of the 2020-2021 Financial Statements of RWRC contained in the 2021 Annual Report differed from the audited Financial Statements.

The published version dated 06 October 2021 of the 2020-2021 Financial Statements of RWRC contained a series of changes which were not available to the ANAO when conducting its audit and to which its audit report did not respond.

Section 301 of the Corporations Act 2001 states that "A Company, registered scheme or disclosing entity must have the financial report for the financial year audited in accordance with Division 3 and obtain an auditor's report". RWRC accepts that as a result of a series of changes made, RWRC has breached Section 301 of the Corporations Act as it failed to effectively obtain an auditor's report. As explained further below, RWRC has addressed that breach by withdrawing the previously published Financial Statements and submission of the Financial Statement herein to obtain a new audit opinion.

Section 19 of the Public Governance, Performance and Accountability Act 2013 (PGPA Act) requires an accountable authority of a Commonwealth entity to notify the responsible Minister as soon as practicable after the accountable authority becomes aware of any significant issue that has affected the entity or any of its subsidiaries.

RWRC has sought and obtained legal opinion as to whether RWRC has breached section 97 of the PGPA Act, and if so, whether RWRC's breach of section 97 is considered to be significant. Based on the legal opinion received, RWRC has determined that RWRC has committed incidences assessed as significant non-compliance with the PGPA Act, a matter of material misstatement, and four incidents that were errors that were not assessed as significant.

In particular, the significant non-compliance in the Director's Declaration in so far as the changes were:

- the date of the Directors' Declaration is 28 September 2021, not 6 October 2021;
- the signatory of the original Directors' Declaration dated 28 September 2021 was Warrant Officer Anne Larsen and not Group Captain Debbie Richardson;
- the Director's Declaration bearing the date 6 October 2021, made no reference to the financial statements complying with the ACNC Act;
- the Director's Declaration bearing the date 6 October 2021 made reference to complying with Australian Accounting Standards - Reduced Disclosure Requirements, Corporations Regulations 2001. That reference should have been made in respect of the Corporations Act 2001.

The matter of material misstatement in so far as changes was:

- under the heading of 'Accountable Authority' in which the Board was named, there was an incorrect inclusion of Wing Commander Belinda Johnson – Chief of Staff – Head of Military Strategic Commitments Division who was appointed director on 5 July 2021, following the end of the financial year for which the report was prepared. This appeared under the heading "The following persons formed the accountable authority (Board) of the RAAF Welfare Recreational Company during or since the end of the financial year.....". Further, on page 39 of the report, under the heading 'Key management personnel remuneration' no mention is made of Wing Commander Belinda Johnson.

The four matters that were in error but not considered significant were:

- on page 38 of the report, under the heading "Contingent Liabilities" following the heading "Significant Remote Contingencies" the sentence that follows – "the company held no significant remote contingencies" should have had added "as at 30 June 2021 (2020: Nil)". This was a typographical error which occurred when transferring the audited documents to the DART;
- on page 34 of the report under the heading "Basis of Preparation" the reference to the Public Governance, Performance and Accountability Act 201 was a typographical error and should have made reference to the Public Governance, Performance and Accountability Act 2013. This was a typographical error which occurred when transferring the audited documents to the DART;
- a new heading on page 40 read: "Gender and Staff Location of Personnel". This was not contained in the previous audited Annual Report nor was it contained in the original template.
- under the heading "Auditors' remuneration" the words appear as: "Auditors' Remuneration paid from trust fund." The original report stated: "Auditors Remuneration is paid from trust funds."

RWRC has also determined that the differences between the 06 October 2021 published version of the Financial Statements and those that were previously audited by ANAO represented a material misstatement by RWRC, and resulted in the 06 Oct 2021 published version effectively being unaudited. In accordance with a Circulating Resolution dated 25 November 2022, the published version dated 06 October 2021 has been withdrawn from circulation, and replaced by the Financial Statements contained within this report.

Further, RWRC accepts its obligation to disclose the significant non-compliance to the responsible Minister.

Company Limited by Guarantee

The RAAF Welfare Recreational Company is a company limited by guarantee and by its Constitution, members' liability is restricted to \$10 per member. As at 30 June 2021, the Company had 4 members.

Contingent Liabilities

Quantifiable Contingencies

The Company held no quantifiable contingencies as at 30 June 2021 (2020: Nil).

Unquantifiable Contingencies

The Company held no unquantifiable contingencies as at 30 June 2021 (2020: Nil).

Significant Remote Contingencies

The Company held no significant remote contingencies as at 30 June 2021 (2020: Nil).

ACCOUNTING POLICY

Contingent Liabilities

Contingent liabilities are not recognised in the statement of financial position. They may arise from uncertainty as to the existence of a liability or represent liability in respect of which the amount cannot be reliably measured. Contingent liabilities are disclosed when settlement is greater than remote. The Trust has no contingent liabilities in either the current or preceding reporting period.



Key Management Personnel Remuneration

3

KEY MANAGEMENT PERSONNEL REMUNERATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity. The Company has determined the key management personnel to be the Directors of the Company, Chief of Air Force and the responsible Minister, the Minister for Defence Personnel.

The Directors of the RAAF Welfare Recreational Company during the financial year were as follows:

Name		Appointed	Resigned
AIR COMMODORE	Philip Theodor Tammen, AM	25 January 2017	23 November 2020
AIR COMMODORE	Martin John Smith	26 October 2020	
GROUP CAPTAIN	Debbie Richardson	21 August 2017	
WING COMMANDER	Susan Liddy	27 February 2020	14 March 2021
WING COMMANDER	Owen Alexander Gardner	17 May 2019	23 February 2021
WARRANT OFFICER	Ann Larsen	21 May 2018	
WARRANT OFFICER	Jason Roberts	12 March 2021	

Note: Air Commodore Smith was appointed Chair on 23 November 2020

Directors are employed by the RAAF in a voluntary capacity and are either from the Permanent Air Force or Air Force Reserves, therefore no income was received or due or receivable by any Director of the RAAF Welfare Recreational Company during the financial year 2020/21:

- a. from the RAAF Welfare Recreational Company or any related party in connection with the management of the RAAF Welfare Recreational Company, or
- b. from the RAAF Welfare Recreational Company in connection with the management of a related party.

Note: The Minister of Defence Personnel's remuneration and other benefits are set by the remuneration tribunal and are not paid by the Company

Related Party Relationships

The entity is an Australian Government controlled entity. Related parties to this entity are Directors, Key Management Personnel including the Minister for Defence Personnel and Chief of Air Force, the RAAF Central Welfare Trust Fund and other Australian Government entities.

Transactions with Related Parties

Directors who utilised holiday accommodation declared such use and paid the rates applicable to all other eligible users. During the year, the Chief of Air Force has authorised the appointment of new Directors and terminated the appointments of outgoing Directors. The Minister for Defence Personnel approved the tabling of the 19/20 Annual Report. The Chair conducted a site inspection of Ambassador Apartments (Gold Coast) on 08 February 2021. No accommodation fees were incurred and no allowances or expenses were claimed or paid by the Trust to Directors for the inspection visit.

The Company acts solely as trustee for the RAAF Central Welfare Trust Fund. Also refer to Overview a., b. and c.

Auditors' Remuneration

5. AUDITORS' REMUNERATION

	2021	2020
	\$	\$
Amounts received or due and receivable for:		
Audit of financial statements	6,000	6,000

Auditors' remuneration is paid from Trust funds.

RAAF Welfare Recreational Company Details

Department of Defence

Fairbairn (F4-02-008)

PO Box 7933

CANBERRA BC ACT 2610