



**AAF COMPANY**  
*(Trustee of the Army Amenities Fund and the Messes Trust Fund)*

# **CORPORATE PLAN**

## **2015-16**

R22657143

### **STATEMENT OF PREPARATION**

We, as the Accountable Authority of the AAF Company, present the Corporate Plan of the entity as required under paragraph 35(1)(a) of the *Public Governance, Performance and Accountability Act 2013* and the AAF Company Constitution. The Plan is prepared in accordance with Section 16E and 27A of the Public Governance, Performance and Accountability Rule 2014,

**This Plan is prepared for the FY 2015/2016**

**The Plan covers the period 2015/16 – 2019/20**

The Plan is accepted in accordance with a Resolution by the Accountable Authority (Board of Directors).

**PE DANIEL AM, CSC**  
Chair  
AAF Company

*27* July 2015

**KV RADCLIFFE**  
Chair  
Audit Committee

*29* July 2015

## **PURPOSE**

The AAF Company was incorporated on 17 July 1987. The Company is the Trustee of the Army Amenities Fund. The Board of Directors (Accountable Authority) are responsible for managing the Funds activities and ensuring it continues to be self-sustaining.

The purpose of the Fund is to provide amenity and related services to Soldiers and their families not normally provided at Departmental level. The Accountable Authority has set Goals and Objectives to continually achieve the purpose, over the current and subsequent years of the Plan.

<b>Operational Goals</b>	
<b>Amenities and Related Services</b>	The Fund's focus is the provision of amenity funding support to Army members, operating through a system of bids from unit commanders and associations for loans and grants to fund local amenity initiatives not provided at Departmental expense.
<b>Holiday Facilities</b>	To provide economically priced, quality holiday accommodation for use by eligible persons through the provision of Fund owned holiday properties, and promoting the use of other Service owned facilities at which members of the Army are eligible to stay.
<b>Administrative Goals</b>	
<b>Management</b>	Maintain and review management documentation and practices to meet current and future Fund operational goals. Promote the amenity benefits and holiday facilities through the web site and any other means available with resource constraints.
<b>Finances</b>	Administer the financial activities of the Fund to ensure there is sufficient capital to meet the operational goals of the Corporate Plan and to ensure the entity 'grows' and remains self-sustaining.

## **ENVIRONMENT**

Through the supply of holiday facilities the Fund operates within the hospitality environment. The Board, in accordance with its strategies, would review its continued operation in a location or in the sector altogether, if the commercial sector provided the holiday outcome in a more economical manner.

Grants will only be provided in cases where there is a need, which cannot be met from other sources, and the assessed benefits accruing to Army members are sufficient to justify the expenditure.

**Factors in which the Accountable Authority has full control:**

- Total ownership of the property holdings with the ability to buy and sell.
- Established to assist members of the Army and other eligible members.
- Board set criteria and review Amenity applications prior to approval.
- Board has control of the Funds Investment strategy

**Factors in which the Accountable Authority has partial control:**

- Holiday property rental rates are governed by the need to meet with the requirements of an Income Tax Exempt Charitable entity.
- Capital growth from property investments.
- Amenity loans repayments defaulting.
- Investment growth through taking sound advice from a financial advisor.

**Factors in which the Accountable Authority has no control:**

- Economic downturn or a change within Army (policy, culture, resources) would impact on holiday accommodation bookings.
- Current accommodation no longer meets the needs for the holiday experience.
- Accommodation increasing operational costs.
- Investments experience a drop in the share market like another GFC.
- Changes in legislation.

**Administrative factors:**

- The AAF Company operates within the Defence portfolio.
- The AAF Company is a Commonwealth Company within the General Government Sector and is managed by Directors who are appointed by the Chief of Army and the Chairman. It operates in accordance within the relevant legislations (Corporation ACT 2001 (Cth), PGPA Act 2013, Australian Charities and Not for Profits ACT, WH&S ACT, Australian Accounting Standards and AAF Company Constitution).

**Technological factors:**

- The Secretariat uses the Defence official filing system and MYOB for financial management.
- The web site management is outsourced to Cornerstone Digital.

**PERFORMANCE**

**OPERATIONAL OBJECTIVES**

**AMENITIES AND RELATED SERVICES**

<b>Activity 1</b>	<b>Provide financial assistance to fund local amenity initiatives.</b>
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<b>Intended Result</b>	Funding to be available through a system of bids from unit commanders and associations for the provision of amenities and related services to bases, units and sporting bodies not available through Commonwealth expense.
<b>Delivery</b>	<p>Disburse funds in accordance with criteria set by, and at the discretion of the Board.</p> <p>Board meeting Minutes are to record approval of the disbursement of funds.</p> <p>Promote the availability of financial assistance to Army bases, units and sporting organisations and provide guidelines for applying for assistance.</p> <p>Set criteria to assess the worth of an application for funding assistance and review assessment criteria annually.</p>
<b>Resources</b>	As the Company is self-sustaining reviews are necessary each new financial year to determine the correctness of budgets. The Board will look into Army amenity needs/trends against set criteria for loans and grants as part of this process.
<b>Performance Indicators</b>	<ul style="list-style-type: none"> <li>• Requests align with available funds each financial year.</li> <li>• Sponsorship recognition requirement of assistance provided through Army Amenity Fund is met (i.e. plaque, publicity).</li> <li>• Funds disbursed for a variety of projects.</li> </ul>

### HOLIDAY FACILITIES

<b>Activity 2.1</b>	<b>Provide economically priced quality accommodation for occupation by eligible persons through Company holiday properties.</b>
<b>Intended Result</b>	<p>Portfolio of sustainable well maintained holiday accommodation properties.</p> <p>High proportion of Army's occupancy in holiday facilities compared to other Services usage.</p> <p>Ensure other Services holiday facilities are available to Army members.</p>
<b>Delivery</b>	<p>Ensure Army holiday web site is kept updated and has links to other Services holiday properties. Advertise and promote Company holiday properties within Defence</p> <p>Ensure property Management Agents are supplying the service required by the Company to a high standard and financial documentation promptly received by the Secretariat.</p> <p>Monthly analysis of occupancy statistics and annual review of tariff rates and structures, are presented at Board meetings.</p> <p>Survey and evaluate suggestions from tenants for improvements to holiday facilities and customer satisfaction levels.</p>

<b>Resources</b>	The Board are responsible for major decisions with the Secretariat responsible for the management and performance monitoring of the holiday properties. The Management Agents are employed for the day-to-day bookings, rent collection, cleaning and general maintenance.
<b>Performance Indicators</b>	<ul style="list-style-type: none"> <li>• Holiday accommodation properties continue to be self-sustaining and achieve at least a cash break even outcome as reported at EOFY.</li> <li>• Annual target occupancy levels are achieved. <ul style="list-style-type: none"> <li>○ Coogee – 65%</li> <li>○ Docklands – 60%</li> <li>○ Goolwa – 60%</li> <li>○ Kalbarri – 60%</li> </ul> </li> <li>• Army to have the highest user rate.</li> </ul>

<b>Activity 2.2</b>	<b>Maximise the holiday accommodation profile potential for Army.</b>
<b>Intended Result</b>	The Board to be in an informed position to make a decision on increasing or reducing the number of properties held by the Company.
<b>Delivery</b>	<p>Monitor possible sources of funding for provision of additional holiday accommodation.</p> <p>Monitor possible acquisition opportunities that will provide good quality, affordable holiday accommodation.</p> <p>Monitor shifts in economic, operational and service delivery parameters. Review holiday facilities and dispose of any underperforming facility.</p>
<b>Resources</b>	The Board is responsible for decisions in regards to the holiday facilities profile and will take those decisions in the context of the total investment construct.
<b>Performance Indicator:</b>	<p>Provision of holiday facilities profile that meets the Companies objectives.</p> <ul style="list-style-type: none"> <li>• Individual facilities achieve operational cash break even.</li> <li>• Portfolio properties are sold or purchased so the maximum potential is reached.</li> <li>• Book valuations reflect a sound property investment profile.</li> </ul>

## ADMINISTRATIVE OBJECTIVES

### MANAGEMENT

<b>Activity 3.1</b>	<b>Through the use of sound management practices conduct the business activities of the Fund to meet current and future operational objectives, including maintenance and periodic review of the documentation necessary to give effect to those management practices.</b>
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<b>Intended Result</b>	Management documentation and practices meet current and future Fund operational objectives.
<b>Delivery</b>	<p>Board - composition reflects the balanced skill sets required to best serve the interest of the entity, Army and broader ADO.</p> <p>Audit Committee - Lead on Governance and Risk Management through regular meeting and reviews.</p> <p>Secretariat - Implements the Strategic Direction and reports/manages day to day operational aspects.</p>
<b>Resources</b>	The Secretariat, Directors and Audit Committee participate in the management of the Fund.
<b>Performance Indicator:</b>	<ul style="list-style-type: none"> <li>Statutory lodgement timeframes are met for: Financial Statements, Annual Return and Changes in Board appointments. i.e. Annual Report provided to Minister by 15 October, Financial Statements lodged with ACNC by the end of a calendar year.</li> <li>Any other requirement under the Corporation ACT 2001 (Cth), PGPA Act 2013, WH&amp;S ACT, Australian Accounting Standards and AAF Constitution as well as The Australian Securities and Investments Commission and Australian Charities and Not for Profit Commission are met.</li> </ul>

<b>Activity 3.2</b>	<b>Develop a Risk Management and Fraud Control Plan.</b>
<b>Intended Result</b>	The Company has a current Risk Management and Fraud Control Plan.
<b>Delivery</b>	<p>The Secretariat will draft a Plan which identify risks to the Company's structure and operations. Then analyse the consequences and devise and implement controls to ensure company objectives are met.</p> <p>The Audit Committee will review the Plan prior to Board endorsement.</p> <p>The Plan is to be reviewed annually.</p>
<b>Resources</b>	The Secretariat, Audit Committee and the Board participate in the development of the Plan.
<b>Performance Indicator:</b>	A Board endorsed Risk Management and Fraud Control Plan.

**FINANCES**

<p><b>Activity 4.1</b></p>	<p><b>Conduct the financial activities of the Fund, using sound financial management practices in accordance with Australian Accounting Standard.</b></p>
<p><b>Intended Result</b></p>	<p>The Fund remains self-sufficient through sound financial management.</p> <p>Financial reports that are produced monthly and the EOFY Statements meet the Board and audit requirements.</p> <p>Appropriate property valuations reflected in the books of account and insurance coverage is current.</p>
<p><b>Delivery</b></p>	<p>The Secretariat to manage day to day operational activities, prepare monthly financial reports. Table at Board meetings a suite of financial reports demonstrating the financial integrity of the Fund.</p> <p>The Audit Committee will meet and review the financial management on a regular basis.</p> <p>The Secretariat will annually complete business cases to review holiday rental tariffs and to verify tariffs are below 75% of like commercial accommodation (GST implications).</p> <p>Property movements in book values are measured against an appropriate benchmark value for the locality of the holiday facility.</p> <ol style="list-style-type: none"> <li>a. If there is a material move in property markets - initiate a valuation.</li> <li>b. If there is no material movement in property values - ensure full valuations are conducted at least every two years.</li> </ol> <p>Adequate insurance cover for all risks: including public risk and Director Liability as well as property coverage is maintained.</p>
<p><b>Resources</b></p>	<p>The Secretariat, Directors and Audit Committee participate in the financial management of the Company.</p> <p>The financial system used by the Fund is MYOB.</p>
<p><b>Performance Indicators:</b></p>	<ul style="list-style-type: none"> <li>• EOFY Annual Report and Financial statements indicate achievement of operational budget and self-sustainment</li> <li>• Tariffs are below 75% of like commercial accommodation (no GST implications).</li> <li>• All insurance covers are up to date as deemed required by the Board.</li> <li>• Unmodified Audit Reports</li> </ul>

<b>Activity 4.2</b>	<b>Monitor investment options to ensure optimum returns from investments.</b>
<b>Intended Result</b>	Sound investments that ensures the Fund has sufficient capital to meet the operational objectives of the current and future years of the Corporate Plan and to ensure the entity 'grows' and remains relevant to the needs of Army.
<b>Delivery</b>	The Board will conduct annual reviews of investment opportunities, current investment strategies and interest rates paid on investments.  Reinvest in accordance with Board directions.
<b>Resources</b>	The Board is responsible for decisions that relate to the investment portfolio.  The Fund to use a Financial advisor for advice and investment management.
<b>Performance Indicators:</b>	<ul style="list-style-type: none"> <li>• Financial Statements reflect positive results and sound investment strategies</li> <li>• 'Administrative' component of investment portfolio generates sufficient income to fund loans and grants and 'normal' operations. Sufficient income is defined as a return on liquid assets of a minimum of CPI + 2%</li> <li>• 'Growth' component reflects positive growth and invested at the direction of the Board <ul style="list-style-type: none"> <li>• Growth/Defensive ratio of 75:25 to apply as benchmark</li> <li>• Growth portfolio indicator of a negative return one year in six</li> <li>• Manager to achieve a rate of return of CPI+5%</li> </ul> </li> </ul>

## **CAPABILITY**

As the Purpose of the Accountable Authority has two operational goals, it is envisaged that there will be little change to its operating environment over the period of this Plan.

The Board and Secretariat, will maintain a continuous business improvement, especially in relation to workflow processes, to maximise its utility to Army. Additionally, the Board will regularly review workloads to ensure staffing levels are not being overstretched and therefore compromise efficiency.

The Board will continue to engage the expertise of a financial advisor to assist with investment strategies to ensure the Accountable Authority remains self sufficient.

The website is essential for promoting the services available through the Accountable Authority - amenity benefits and holiday facilities. This website will continue to be externally managed by Cornerstone Digital based out of Sydney. Simple updates to the content will be performed by the Secretariat as required. Domain registration is ongoing – every two years.

The records management is an integral function and the Secretariat utilises the Defence ICT management system 'Objective' and complies with the Portfolio's management practices.



## **RISK OVERSIGHT AND MANAGEMENT**

**The following are the responsibilities of the Accountable Authority, the Audit Committee and Secretariat in relation to risk oversight of the business entity:**

**Accountable Authority.** Ultimate responsibility for ensuring appropriate risk management processes are applied rests with the Board of Directors. The Board of Directors are responsible to review and approve the risk management plan and risk register.

**Secretary of the Company.** The Secretary of the Company will be responsible for:

- a. Development and implementation of a Risk Management and Fraud Control Plan;
- b. Assessment of identified risks and developing strategies to manage those risks, as they are identified;
- c. Ensuring that risks given an H or higher grading are closely monitored;
- d. Maintenance of the Risk Register; and
- e. Maintenance of the Security Incident register.

**Audit Committee.** The Audit Committee will be responsible for:

- a. Reviewing any proposed changes to the Risk Management and Fraud Control Plan prior submission to the Board of Directors for approval.
- b. Carrying out regular internal reviews of business operations to ensure compliance with risk management and fraud related issues.

**The following are the responsibilities of the Accountable Authority, the Audit Committee and Secretariat in relation to management of risk for the Company.**

**Accountable Authority.** The Board is responsible for investigating routine or minor instances of fraud against the AAF Company. Where an instance of fraud is considered to be serious or complex, the Board may report the matter to the AFP for further investigation.

**Audit Committee.** The Audit Committee is to report to the Board the results of any review of the Risk Management and Fraud Control Plan. Additionally, the Audit Committee is to report to the Board the results of internal reviews of business operations.

**Secretariat.** AAF Company secretariat staff report to the Chair of the Audit Committee any instances of fraud or suspected fraud that may come to their attention as soon as practicable.