

LEGISLATIVE ASSEMBLY MEMBERS'
SUPERANNUATION SCHEME

ANNUAL REPORT



2016-17



**NORTHERN
TERRITORY**
GOVERNMENT

LEGISLATIVE ASSEMBLY MEMBERS'
SUPERANNUATION SCHEME

Annual Report

2016-17

Published by the Department of Treasury and Finance

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ISSN 2201-2079 (print)

ISSN 2204-5775 (online)

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Introduction

The Legislative Assembly Members' Superannuation (LAMS) scheme is established by the *Legislative Assembly Members' Superannuation Fund Act* (LAMS Act) and provides superannuation benefits for eligible members of the Northern Territory Legislative Assembly. The LAMS scheme commenced operation on 23 September 1979 and was closed to new members on 9 May 2005. Since that date, parliamentarians elected to the Legislative Assembly for the first time have the superannuation guarantee paid to their nominated complying superannuation fund.

Superannuation Trustee Board

The LAMS scheme's fund is managed by the Superannuation Trustee Board (STB), which is a body corporate continued under section 8A of the *Superannuation Act*. Under the LAMS Act and the *Superannuation Act*, STB has overall responsibility for the management and investments of the three funds administered by the Northern Territory Superannuation Office (NTSO), including the LAMS fund.

The *Superannuation Act* provides for a nine-member board consisting of the Under Treasurer, chairperson, deputy chairperson and six nominated members. One member must be nominated by the Commissioner of Police and one by the Northern Territory Police Association. Apart from the Under Treasurer, all members are appointed by the Treasurer and hold five-year appointments.

The functions and powers of STB are set out in section 8B of the *Superannuation Act* and section 11 of the LAMS Act. STB is responsible for administering the LAMS scheme and ensuring payment of the appropriate benefits to former members. Scheme administration has been delegated to the Commissioner of Superannuation and the NTSO, a division of the Department of Treasury and Finance.

There were two membership changes in STB in 2016-17, with the appointment of the new Under Treasurer and new Northern Territory Police Association nominee.

Kathleen Robinson	Chairperson
Marianne McAdie	Deputy Chairperson
Craig Graham	Member (appointed 24 April 2017)
Jodie Ryan	Member (resigned 6 December 2016)
Michael Martin	Member
Alex Pollon	Member
Vicky Coleman	Member
Mark McAdie	Member
Sarah Burchett	Member
Colin Goodsell	Member (appointed 11 July 2016)

Trustee Meetings

STB met four times during the year. The meetings related to general business of STB and investment decisions of the funds it manages.

Trustee Remuneration and other STB Expenses

Payments to STB members are made in accordance with a determination under the *Assembly Members and Statutory Officers (Remuneration and Other Entitlements) Act*, which sets the rates payable to board members for attendance at board meetings, travel and other board-related activities. Remuneration is not payable where a board member is also an employee of the Northern Territory Public Sector, the Commonwealth or a state public service. Three STB members were entitled to receive sitting fees during the year. STB expenses totalled \$24 221, of which \$2624 was attributed to LAMS for 2016-17. Total costs are detailed below.

	\$
Sitting fees	3 344
Training and conferences	8 211
AIST membership ¹	12 409
Governance expenses	257
Total	24 221

1 AIST: Australian Institute of Superannuation Trustees

Conflict of Interest

At the commencement of each meeting, STB members are required to sign a conflict of interest register and any disclosures are recorded in the minutes of the meeting.

STB members must disclose if they have a direct or indirect pecuniary interest in any matter being considered, unless:

- the interest stems from being a member of the scheme; or
- he or she is a member of a large company (but not a director).

Where a disclosure is made in relation to a matter being considered, the STB member cannot take part in deliberations or decisions made on that matter and the member is disregarded for constituting a quorum on that matter.

There were no conflicts of interest recorded during the year.

Administration

Compliance and Taxation Status of the LAMS Scheme

The LAMS scheme is an exempt public sector superannuation scheme and therefore not regulated under the Commonwealth *Superannuation Industry (Supervision) Act 1993* (SIS Act).

A Heads of Government Agreement (HOGA) between the Territory and the Commonwealth provides that, despite not being regulated under the SIS Act, LAMS will be administered in accordance with the Commonwealth's retirement income policies and principles, including those relating to preservation, vesting and portability of benefits. LAMS remains subject to other legislation affecting superannuation, such as that relating to income tax, the superannuation surcharge and the splitting of benefits under the *Family Law Act*.

The LAMS scheme is a complying fund for the purposes of the *Income Tax Assessment Act 1997*. Consequently, income tax is assessable at 15 per cent on net investment earnings and net taxable contributions, and 10 per cent on realised capital gains.

Audit

An audit of the LAMS scheme was conducted by the Northern Territory Auditor-General as at 30 June 2017.

In prior years an annual audit regarding the compliance of LAMS with the SIS Act and principles of HOGA, has been undertaken. In 2015-16, NTSO moved to a one-in-three-year compliance audit, and will self-certify to the Commonwealth on its endeavours to comply with Commonwealth retirement policy as outlined in HOGA. The SIS Act/HOGA compliance audit is not mandated by legislation.

Actuarial Services

Actuarial services to the scheme were provided by John Rawsthorne FIAA of Cumpston Sarjeant Pty Ltd, under the panel contract arrangements for actuarial services to the Territory Government.

An annual actuarial valuation of the scheme liabilities was undertaken as at 30 June 2017. The previous triennial actuarial review was for the year ending 30 June 2016, with the next triennial actuarial review due in 2019.

Summary of the Report of the Actuarial Investigation of the Scheme

As at 30 June 2017

The triennial actuarial review of the LAMS scheme was carried out as at 30 June 2016 by John Rawsthorne FIAA of Cumpston Sarjeant Pty Ltd with the results presented in his report dated 26 July 2016 and reported in the Annual Report 2015-16. The current liabilities reported result from the annual valuation conducted for the period ending 30 June 2017 and presented in his report dated 31 July 2017.

The scheme opened in 1979, was closed to new members in 2005, and the contributory membership has decreased quickly since. The reversionary nature of the lifetime pension means there will be pensions payable from the scheme for many years, despite there only being one active contributing member remaining as at 30 June 2017. The most important assumption in determining the eventual employer liability for current contributors is the rate of future salary and pension growth. The exercise of exit and commutation options by the one remaining contributor, and the eventual longevity of pensioners, will also impact on liabilities to a moderate extent.

Accrued liabilities at 30 June 2017 were \$71.7 million compared to \$77 million at 30 June 2016. The liability is calculated using the demographic assumptions and valuation methodology of the 2016 triennial review, updated with current assumptions of future salary growth of 3 per cent for 2017-18 and 3.5 per cent per annum thereafter, and future investment returns on assets of 6.5 per cent per annum net of income tax. Currently net assets, excluding the employer-sponsor receivables, are 97 per cent of liabilities.

Emerging costs are expected to be about \$4 million in 2017-18, and will increase in nominal terms to about \$5.9 million per annum by 2036.

The assets of the fund are invested with 70 per cent in growth assets and 30 per cent in defensive assets. This is appropriate for a fund with long-term wage-linked liabilities.

The present value of total future employer contributions required is less than \$4 million, grossed up to less than \$5 million when contributions tax is included. At the 2016 triennial review, an annual employer contribution of \$1 million was recommended, but high investment returns and a change in actuarial assumptions in the last year have seen the scheme approach full funding. The contribution recommendation based on the 2017 position was reduced to zero, although the actuary noted that a rate between zero and \$1 million would be reasonable.



Auditor-General
Independent Auditor's Report
to the Superannuation Trustee Board
Legislative Assembly Members' Superannuation Fund
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Opinion

I have audited the accompanying financial report of the Legislative Assembly Members' Superannuation Fund ("the Fund"), which comprises the statement of financial position as at 30 June 2017, the income statement, statement of changes in members' benefits, statement of changes in equity, and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

In my opinion, the financial report presents fairly, in all material respects, the financial position of Legislative Assembly Members' Superannuation Fund as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the Fund in accordance with the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

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

The Responsibility of the Superannuation Trustee Board for the Financial Report

The Superannuation Trustee Board of Legislative Assembly Members' Superannuation Fund is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), and for such internal control as the Superannuation Trustee Board determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Superannuation Trustee Board is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Superannuation Trustee Board either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Trustee Board is responsible for overseeing the Fund's financial reporting process.



Auditor-General

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Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 Australian 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 report.

As part of an audit in accordance with the Australian 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 report, 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Superannuation Trustee Board.
- Conclude on the appropriateness of the Superannuation Trustee Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund'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 Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Julie Crisp

Auditor-General for the Northern Territory
Darwin, Northern Territory

27 October 2017

Statement by the Superannuation Trustee Board

In the opinion of the Superannuation Trustee Board:

- the accompanying financial statements were prepared in accordance with the Australian Accounting Standards Board (AASB) 1056 Superannuation Entities and other mandatory reporting requirements, and comprise a Statement of Financial Position, Income Statement, Statement of Changes in Member Benefits, Statement of Changes in Equity, Statement of Cash Flows and accompanying notes to the financial statements
- the financial statements have been prepared in accordance with the requirements of the *Legislative Assembly Members' Superannuation Fund Act*
- the scheme has operated in accordance with the provisions of the *Legislative Assembly Members' Superannuation Fund Act* and in compliance with the Commonwealth's retirement income policies and principles during the year ended 30 June 2017.

Chairperson



KATHLEEN ROBINSON

Date: 25 October 2017

Member



MARIANNE McADIE

Date: 25 October 2017

Statement of Financial Position

As at 30 June 2017

	Note	2017	2016
		\$000	\$000
Assets			
Cash and cash equivalents	9	462	263
Investments	4	69 043	64 825
Employer-sponsor receivables	5(d)	2 193	11 859
Current tax asset	7(d)	103	149
Total assets		71 801	77 096
Liabilities			
Sundry liabilities		6	10
Provision for surcharge tax contributions		53	97
Total liabilities (excluding member benefits)		59	107
Net assets available for member benefits		71 742	76 989
Defined benefit member liabilities	5(c)	71 742	76 989
Total member liabilities		71 742	76 989
Net assets			
Equity			
Unallocated surplus/(deficit)	6	-	-
Total equity		-	-

The Statement of Financial Position should be read in conjunction with the notes to the financial statements.

Income Statement

For the year ended 30 June 2017

	Note	2017 \$000	2016 \$000
Superannuation activities			
Revenue			
Bank interest		6	8
Distribution income		3 121	2 730
Net change in fair value of investments	4	4 597	(2 709)
Total revenue		7 724	29
Expenses			
Board expenses		3	7
Sundry expenses		7	3
Total expenses		10	10
Net results from superannuation activities before income tax expenses		7 714	19
Income tax expense	7(b)	(253)	(263)
Net results from superannuation activities after income tax expenses		7 967	282
Net benefit allocated to member accounts		(7 096)	(7 073)
Net change in member benefits		8 795	1 518
Operating result after income tax		9 666	(5 273)

The Income Statement should be read in conjunction with the notes to the financial statements.

Statement of Changes in Member Benefits

As at 30 June 2017

	Note	2017	2016
		\$000	\$000
Opening balance of member benefits		76 989	74 970
Contributions received			
Territory contributions		1 000	1 000
Member contributions		22	37
Member surcharge payment received		45	–
Total contributions received		1 067	1 037
Income tax on contributions	7(c)	(150)	(150)
Net after tax contributions		917	887
Benefits paid to members/beneficiaries		(4 465)	(4 424)
Net member benefits		(3 548)	(3 537)
Net benefits allocated to members comprising			
Net investments result		7 096	7 073
Net change in member benefits		(8 795)	(1 518)
Closing balance as at 30 June 2017	5	71 742	76 989

The Statement of Changes in Member Benefits should be read in conjunction with the notes to the financial statements.

Statement of Changes in Equity

For the year ended 30 June 2017

	Note	Unallocated surplus/ (deficit)	Total equity
		\$000	\$000
Opening balance as at 1 July 2016	6	–	–
Operating result		9 666	9 666
Transfer to defined benefit member accounts		(9 666)	(9 666)
Closing balance as at 30 June 2017		–	–
Opening balance as at 1 July 2015		–	–
Operating result		(5 273)	(5 273)
Transfer to defined benefit member accounts		5 273	5 273
Closing balance as at 30 June 2016		–	–

The Statement of Changes in Equity should be read in conjunction with the notes to the financial statements, in particular, Note 5 Member Liabilities and Note 6 Equity and Reserves.

Statement of Cash Flows

For the year ended 30 June 2017

		2017	2016
	Note	\$000	\$000
Cash flow from operating activities			
Proceeds from redemption of investments		3 500	3 000
Purchase of investments		(648)	(2 730)
Distribution income		648	2 730
Interest received		6	8
Payments for goods and services		(13)	(7)
Tax expense		299	164
Net cash flow from operating activities	10	3 792	3 165
Cash flow from financing (member) activities			
Member contributions		67	37
Employer (Territory) contributions		1 000	1 000
Benefits paid		(4 419)	(4 422)
Contribution and surcharge taxes		(239)	(150)
Net cash flow from member activities		(3 592)	(3 535)
Net increase/(decrease) in cash		200	(370)
Cash at the beginning of the financial year		263	633
Cash at the end of the reporting period	9	462	263

The Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

Notes to the Financial Statements

for the year ended 30 June 2017

1. Reporting Entity

The Legislative Assembly Members' Superannuation (LAMS) scheme (ABN 61 929 107 845) was established by the *Legislative Assembly Members' Superannuation Fund Act* (LAMS Act). The fund is a defined benefit scheme incorporating a contribution component from members. It operates for the purpose of providing eligible members of the Legislative Assembly (and their dependants or beneficiaries) a lump sum or pension benefits or both upon retirement, termination of service, death or disablement. Administration of the scheme is conducted by the Northern Territory Superannuation Office, which also administers the fund on behalf of the Trustee, the Superannuation Trustee Board (STB). STB is domiciled in Australia and its principal place of business is Level 11, Charles Darwin Centre, 19 The Mall, Darwin NT 0800.

The significant accounting policies adopted in the preparation and presentation of the financial report are detailed in Note 2.

2. Summary of Significant Accounting Policies

(a) Basis of preparation

The financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards including AASB 1056 Superannuation Entities (AASB 1056) and other applicable accounting standards and interpretations, the requirements of the *Superannuation Industry (Supervision) Act 1993* and regulations, and the provisions of the LAMS Act.

These financial statements cover the fund as an individual entity. These are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated. The financial statements of the fund were approved by STB on 25 October 2017.

Unless covered in other notes to the financial statements, the accounting policies applied in preparing these financial statements are set out below. These policies have been applied consistently to all years presented, unless otherwise stated.

(b) Adoption of AASB 1056

LAMS reported financial position and results of operations were affected by the adoption of AASB 1056 effective 1 July 2016. The adoption resulted in:

- changes to the presentation format from three to five financial statements
 - Statement of Financial Position
 - Income Statement
 - Statement of Changes in Member Benefits
 - Statement of Changes in Equity
 - Statement of Cash Flows
- changes to the measurement of assets and liabilities from 'net market value' to 'fair value'. This change did not materially impact on the carrying values of financial assets and liabilities reported by the fund
- additional disclosure requirements for assets and liabilities held at fair value as required by AASB 13 Fair Value Measurement
- member benefits recognised as liabilities rather than equity

Notes to the Financial Statements

for the year ended 30 June 2017

2. Summary of Significant Accounting Policies (continued)

- contributions, rollovers and other inward transfers and benefits paid to members are not in the nature of income or expenses and are presented in the Statement of Changes in Member Benefits.

The new accounting standard was applied retrospectively from the start of the comparative period beginning 1 July 2015 as required by AASB 1056 and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

As a result, LAMS restated amounts previously reported under AAS 25 Financial Reporting by Superannuation Plans (AAS 25) for the year ended 30 June 2016. The amounts reported under AAS 25 for the year ended 30 June 2016 are reconciled to the amounts reported under AASB 1056 as set out below.

(i) Statement of Financial Position

The adoption of AASB 1056 requires:

- An employer-sponsor receivable to be recognised as there is a contractual statutory arrangement in place between the superannuation entity and the Northern Territory Government in the LAMS Act. The receivable is the difference between the defined benefit member liability and the fair value of assets available to meet that liability.
- Member liabilities to be recognised and measured as the amount of accrued benefits at the reporting date.

Description	Previously reported as at 30 June 2016 \$000	Transition adjustment \$000	Restated total as at 1 July 2016 \$000
Employer-sponsor receivables	–	11 859	11 859
Defined benefit member liabilities	–	(76 989)	(76 989)
	–	(65 130)	(65 130)
Equity	65 130	(65 130)	–

Notes to the Financial Statements

for the year ended 30 June 2017

2. Summary of Significant Accounting Policies (continued)

(ii) Income Statement

The adoption of AASB 1056 requires all transactions directly attributable to members to be recognised separately in a Statement of Changes in Member Benefits. This includes \$150 000 of income tax relating to contributions now presented in the Statement of Changes in Member Benefits. The net benefits allocated to members and net change in defined benefit member liabilities are recognised in the Income Statement.

Description	Previously reported as at 30 June 2016 \$000	Transition adjustment \$000	Restated total as at 1 July 2016 \$000
Profit before income tax previously reported	(3 368)	–	(3 368)
Contribution revenue	–	(1 037)	(1 037)
Benefits paid	–	4 422	4 422
Surcharge contributions tax	–	2	2
Net result from operating activities	(3 368)	3 387	19
Net benefit allocated to members	–	(19)	(19)
Net change in member accounts	–	(5 536)	(5 536)
Operating result before income tax	(3 368)	(2 168)	(5 536)
Income tax expense/(benefit)	113	150	263
Operating result after income tax	(3 255)	(2 018)	(5 273)

(iii) Statement of Cash Flows

The adoption of AASB 1056 requires all transactions directly attributable to members to be presented separately in the Statement of Cash Flows from financing activities. Contributions received and benefits paid are treated as financing activities. Income tax contributions is presented separately in the cash flows from financing activities.

(c) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the functional currency of the LAMS scheme.

(d) Rounding of amounts

Amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated. Figures in the financial statements and notes may not equate due to this rounding.

(e) Use of estimates and judgements

The preparation of the financial statements requires STB to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Estimates are evaluated on historical experience and other factors, including expectations of future events believed to be reasonable under the circumstances. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected.

Notes to the Financial Statements

for the year ended 30 June 2017

2. Summary of Significant Accounting Policies (continued)

There are no critical accounting estimates and judgements contained in these financial statements other than those used to determine the liability for accrued benefits (defined benefit liability), which are brought to account under AASB 1056 with further disclosure in Note 5.

(f) Financial assets

Financial assets are recognised in the Statement of Financial Position at fair value at reporting date and movements in fair value are recognised in the Income Statement in the period in which they occur.

The funds with JANA Investment Advisors (JANA) are managed investment schemes and operate as units in unit trusts. The investments are valued at the fair value at reporting date.

The fund recognises financial assets on the date it becomes party to the contractual provisions of the asset. Financial assets are recognised using trade date accounting. From this date, any gains and losses arising from changes in fair value are reported in the Income Statement as 'net change in fair value of investments'. Interest earned is recognised as 'interest revenue' and distribution revenue is recognised as 'distribution income'.

Estimated costs of disposal are deducted in the determination for fair value and are generally immaterial.

Unit values denominated in foreign currency are then translated to Australian dollars at the current exchange rates.

(g) Cash and cash equivalents

Cash comprises cash on hand and deposits held at call with financial institutions.

Cash equivalents are short-term, highly liquid investments readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

Payments and receipts relating to the purchase and sale of investment securities are reported in the Statement of Cash Flows and classified as cash from investing activities as movements in the fair value of these securities represent the fund's main income generating activity.

(h) Employer-sponsor receivables

This comprises the statutory arrangement in place between LAMS and the Northern Territory Government in sections 9 and 10 of the LAMS Act. The receivable is the difference between the defined benefit member liability and the fair value of assets available to meet that liability, and is collectible on demand (refer to Note 5(d)).

(i) Financial liabilities

The fund recognises a financial liability on the date it becomes a party to the contractual provisions of the instrument. Payables include liabilities and accrued expenses owing by the fund that are unpaid at the end of the reporting period and, other than benefits payable, are usually unsecured and payable on demand or within short timeframes of less than 60 days.

The fund recognises financial liabilities at fair value (except member liabilities and tax liabilities) as at reporting date, with any change in fair value of the fund's financial liabilities since the beginning of the reporting period included in the Income Statement.

Estimated costs of disposal are deducted in the determination for fair value and are generally immaterial.

Benefits payable are included under member liabilities in the Statement of Financial Position.

Notes to the Financial Statements

for the year ended 30 June 2017

2. Summary of Significant Accounting Policies (continued)

(j) Benefits payable (member liabilities)

The liability for member benefits is the fund's present obligation to pay benefits to members and beneficiaries and has been calculated on the basis of present value of expected future payments arising from membership of the scheme up to the reporting date. Benefits payable comprises entitlements of members who ceased employment with the employer-sponsor prior to the year end but have not been paid by that date and are included in the aggregate member liabilities value.

The value of the defined benefit member liability is provided in Note 5(c).

(k) Revenue recognition

Interest revenue

Interest revenue is recognised in profit or loss, when the fund establishes its right to receive the interest, for all financial instruments held at fair value through profit or loss using the effective interest method.

Interest income on assets held at fair value through profit or loss is included under 'revenue' in the Income Statement.

Distributions

Unit trust distribution income is recognised gross of withholding tax in the period in which the fund's right to receive payment is established.

Movement in fair value of investments

Changes in fair market value of investments are recognised as income and determined as the difference between fair market value at year end or consideration received (if sold during the year) and the fair market value as at the prior year end, or cost if the investment was acquired during the period.

Contributions revenue and transfers

Contributions by members are identified under section 16 of the LAMS Act. Member and employer contributions and transfers into the fund are recognised in the Statement of Changes in Member Benefits when control of the asset has been attained. These transactions are recorded in the period to which they relate.

(l) Income tax

The contributory superannuation scheme established under the LAMS Act is an exempt public sector superannuation scheme under the *Superannuation Industry (Supervision) Act 1993* and deemed to be a complying superannuation fund for the purposes of the *Income Tax Assessment Act 1997*. Accordingly, the tax rate of 15 per cent has been applied to employer-sponsor contributions and the fund's income with the tax rate of 10 per cent applied to realised capital gains.

Current tax is the expected tax payable on the estimated taxable income for the current year based on the applicable tax rate adjusted for instalment payments made to the Australian Tax Office (ATO) during the year and by changes in the deferred tax assets and liabilities attributable to temporary differences.

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation of the asset using tax rates enacted or substantially enacted at the reporting date.

Notes to the Financial Statements

for the year ended 30 June 2017

2. Summary of Significant Accounting Policies (continued)

A deferred tax asset is recognised only to the extent it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable a related tax benefit will be realised. Deferred tax was nil for 30 June 2017 and 30 June 2016.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

The expense (and any corresponding liability) is brought to account in the period in which the assessments are received by the STB and properly payable by the fund.

(m) Superannuation contributions (surcharge) tax

STB recognises amounts paid or payable in respect of the surcharge tax in the Statement of Changes in Member Benefits. The expense (and any corresponding liability) is brought to account in the period in which the assessments are received by STB and are properly payable by the fund.

No estimate has been made for the balance of any tax payable in respect of surchargeable contributions received by the fund during the current year as STB is unable to determine this amount until receipt of applicable assessments in the following period.

The superannuation contribution surcharge is levied on notional surchargeable contributions in relation to periods from 21 August 1996 to 30 June 2005. The ATO assesses the amount of surcharge based on each member's adjusted taxable income and level of surchargeable contributions, and periodically sends grouped assessments to the fund. The liability to pay the surcharge rests with the holder of the surchargeable contribution at the time the surcharge assessment is received from the ATO.

The superannuation surcharge was abolished with effect from 1 July 2005 by the *Superannuation Laws Amendment (Abolition of Surcharge) Act 2005*. The last reporting of contributions for surcharge purposes was in respect of contributions made up to and including 30 June 2005.

(n) Goods and services tax

The fund is not registered for goods and services tax (GST). Where GST has been applied, revenues, expenses and assets are recognised inclusive of GST. Receivables and payables in the Statement of Financial Position are also shown inclusive of GST.

(o) New accounting standards and interpretations

No accounting standards have been adopted earlier than the applicable dates as stated in the standard.

AASB 1056 was adopted as of its effective date of 1 July 2016 (Note 2(b)). The main impact of the changes resulted in financial statement line items being reclassified within the five new primary financial statements. There was no impact resulting from the remeasurement of assets and liabilities on net assets and operating results.

Notes to the Financial Statements

for the year ended 30 June 2017

2. Summary of Significant Accounting Policies (continued)

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period and were not adopted early by the fund. The STB assessment of the impact of these new standards (to the extent relevant to the fund) is set out below.

	Effective date
AASB 9 Financial Instruments (and applicable amendments)	Annual reporting on or after 1 January 2018
Addresses the classification, measurement, recognition and derecognition of financial assets and financial liabilities. Amendments to this standard are not expected to have a material future financial impact on the fund's financial instruments as they are carried at fair value through profit and loss and investments are reported as units in unit trusts.	

3. Financial Risk Management

Investments of the fund (other than cash held for liquidity purposes) comprise units in unit trusts. STB determined this type of investment is appropriate for the fund and is in accordance with the fund's investment strategy.

STB has overall responsibility for the establishment and oversight of the fund's risk management framework. STB establishes risk management policies to identify and analyse the risks faced by the fund, sets appropriate risk limits and controls, and monitors risks and adherence to risk limits. Monitoring of risks includes those managed by the investment manager, JANA Investment Advisers Pty Ltd (JANA). JANA (previously MLC Implemented Consulting) has been the implemented consultant of the fund since 2005.

STB regularly reviews the risk management policies to ensure changes in market conditions and the fund's activities are reflected.

The fund's investments are exposed to a variety of investment risks, such as market risk and liquidity risk. This note presents information about the fund's exposure to these risks, the scheme's objectives, and policies and processes for measuring and managing risk.

JANA reports regularly to STB and provides a formal risk management statement. Other reports from JANA include:

- details of the controls it has in place to monitor compliance with the fund's investment strategy
- current asset allocations against target positions
- investment performance against benchmarks
- fund manager compliance reporting.

(a) Market risk

Market risk is the risk fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and market price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

To mitigate market risk, JANA undertakes extensive due diligence prior to the appointment of fund managers and monitors ongoing investment manager performance.

Notes to the Financial Statements

for the year ended 30 June 2017

3. Financial Risk Management (continued)

(i) Currency risk

Currency risk is the risk fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The fund is exposed to currency risk on financial instruments denominated in a currency other than Australian dollars. Consequently, the fund is exposed to the risk of exchange rates changing in a manner that adversely affects the value of the fund's investments held in foreign currencies.

(ii) Interest rate risk

Interest rate risk is the risk fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The majority of the fund's financial assets are non-interest-bearing with only cash directly subject to interest rate risk. As a result, the fund is subject to limited exposure to interest rate risk due to fluctuations in interest rates. All the fund's cash assets are held with National Australia Bank.

An increase (or decrease) of 1 per cent in interest rates at the reporting date would increase (or decrease) the benefits accrued as a result of operations and net assets by the following amounts:

	Balance	1% movement in interest rates	
		Benefits accrued as a result of operations	Net assets available to pay benefits
	\$000	\$000	\$000
Cash and cash equivalents			
30 June 2017	462	± 4	± 4
30 June 2016	263	± 5	± 5

(iii) Market price risk

Other market price risk is the risk fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The fund's financial instruments are carried at fair market value with changes recognised in the Income Statement, therefore all changes in market conditions affecting market value are recognised in the Income Statement. The fund's exposure to other market price risk is limited to the market price movement of the underlying investments. STB determined these investments are appropriate for the fund and in accordance with the fund's published investment strategy in respect of asset class allocation.

Notes to the Financial Statements

for the year ended 30 June 2017

3. Financial Risk Management (continued)

The following sensitivity analysis demonstrates the movement in the total value of investments as a result of a 5 per cent variation in value.

	Balance	5% movement in investments	
		Change for the year in net assets	Net assets
Investments	\$000	\$000	\$000
30 June 2017	69 043	± 3 347	± 3 347
30 June 2016	64 825	± 3 316	± 3 316

(b) Credit risk

Credit risk is the risk the counterparty to a financial instrument will cause a financial loss by failing to discharge an obligation.

No financial assets are considered past due as all payments are considered recoverable when contractually due. The employer-sponsor superannuation component is paid to the fund at the time the benefit is paid.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date recognised financial assets is the carrying amount of those assets. The fund does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the fund.

	2017	2016
	\$000	\$000
Cash and cash equivalents	462	263
Units in JANA Moderate Trust	69 043	64 825
	69 505	65 088

(c) Liquidity risk

Liquidity risk is the risk the fund will not be able to meet its financial obligations as they fall due. The fund's approach to managing liquidity is to ensure, as far as possible, it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. The fund's liquidity risk is managed on a daily basis in accordance with policies and procedures in place and the fund's investment strategy. The fund's overall liquidity risks are regularly monitored by STB.

Notes to the Financial Statements

for the year ended 30 June 2017

3. Financial Risk Management (continued)

The following are the contractual maturities of financial liabilities:

	Balance	Contractual cash flows potentially payable in 2017-18
	\$000	\$000
30 June 2017		
Vested benefits	72 572	72 572
30 June 2016		
Vested benefits	78 300	78 300

Vested benefits have been included as this is the amount members could call upon as at year end. It represents the present value of benefits payable in respect of former members and payable to current members on voluntary withdrawal at that date. This is the earliest date on which the fund can be required to pay members' vested benefits, however members may not necessarily call upon amounts vested during this time.

4. Fair Value Measurement

(a) Estimation of fair values

The fund's financial assets and liabilities included in the Statement of Financial Position are carried at market value, which STB believes approximates fair value. The major methods and assumptions used in determining fair value of financial instruments are disclosed in Notes 2(f) and 2(i) of the Summary of Significant Accounting Policies section.

(b) Recognised fair value measurements

The following table analyses financial instruments carried at fair market value, which approximates fair value, by valuation method. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities. These inputs are readily available in the market and are normally obtainable from multiple sources.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly. The Trustee values units in unit trusts using the unit price provided by the investment manager.
- Level 3: one or more of the significant inputs are not based on observable market data, examples include discount rates and other material unobservable inputs. The Trustee values the inputs from the Territory Government on salary growth rate and discount rate provided to the actuary for valuation of member liabilities.

The fund's policy is to recognise transfers in and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels for the year ended 30 June 2017 however, level 3 has been included for the reporting period to 30 June 2017 as a result of the adoption of AASB 1056 with the inclusion of defined benefit member liabilities.

Notes to the Financial Statements

for the year ended 30 June 2017

4. Fair Value Measurement (continued)

STB has determined the fair value of the fund's investments are at level 2 and defined benefit member liabilities are at level 3 as set out in the following table.

	2017		2016	
	Level 2	Level 3	Level 2	Level 3
	\$000	\$000	\$000	\$000
Financial assets				
Units in JANA Moderate Trust	69 043	–	64 825	–
Financial liabilities				
Defined benefit member liabilities	–	71 742	–	76 989

Market value movement

	2017	2016
	\$000	\$000
Level 2 units in unit trusts		
Units in JANA Moderate Trust		
Opening balance	64 825	67 804
Redemptions	(3 500)	(3 000)
Distributions	3 121	2 730
Change in fair value	4 597	(2 709)
Closing balance	69 043	64 825

Refer to Note 5 for change in level 3 liabilities.

5. Member Liabilities

The fund is a defined benefit scheme and the member funds are invested in the JANA Moderate Trust. There were 39 members of the scheme as at 30 June 2017, one of whom was a contributor.

(a) Recognition and measurement of member liabilities

The entitlements of members to benefit payments are recognised as liabilities. They are measured as the amount of accrued benefits as at the reporting date, being the benefits the fund is presently obliged to transfer to members or their beneficiaries in the future as a result of the membership up to the end of the reporting period. The accrued benefits are reported as a liability in the Statement of Financial Position.

Defined benefit member liabilities are measured as the estimated present value of a portfolio of investments needed as at the reporting date to yield future net cash flows sufficient to meet the accrued benefits on the date when they are expected to fall due.

In accordance with section 8 of the LAMS Act, the fund engages a qualified actuary to measure the defined benefit member liabilities each year using demographic assumptions and the valuation methodology of triennial reviews updated annually with current assumptions of future salary and pension growth, and asset-based discount rates.

Notes to the Financial Statements

for the year ended 30 June 2017

5. Member Liabilities (continued)

The triennial actuarial review of the fund was last undertaken as at 30 June 2016. The results were provided in the actuary's report dated 26 July 2016 and reported in the Annual Report 2015-16. The current liabilities reported results from the annual valuation conducted for the period ended 30 June 2017 and are presented in the actuary's report dated 31 July 2017. The main assumption used to determine accrued benefits was that the Legislative Assembly Member basic salaries, on which pensions are indexed, will increase at a long-term rate of 3 per cent below investment returns. The exercise of exit and commutation options of the one remaining contributor, and the eventual longevity of pensioners, will also impact on liabilities to a moderate extent.

The discount rate was determined by reference to the investment returns expected on the investment portfolio, which reflects the fund's actual investments and investment strategy for the liabilities. The salary and (wage-linked) pension growth rate used was provided by the Territory.

	2017	2016
	%	%
Discount rate (asset based)	6.5	6.5
Salary and (wage-linked) pension growth – short term	3.0	3.0
Salary and (wage-linked) pension growth – long term	3.5	4.0

The contributing member's accumulation account is adjusted annually based on the investment return rate at the end of year. Upon retirement, the contributor can commute either part or all of their entitlement or commence a pension under the scheme.

STB considers the potential impact of changes to key variables about which the assumptions need to be made. The main sensitivities in the scheme liability are the economic assumptions, followed by the mortality assumptions. The table below should be read in conjunction with the actuarial review as at 30 June 2017. It sets out the sensitivity of the AASB 1056 liability result to variations in those assumptions.

Sensitivity analysis

The entity's liability as at 30 June 2017 under several scenarios is presented below.

	Reasonable possible change	Defined benefit liability	Change in liability	
		\$000	\$000	%
Base case		71 742		
Discount rate	1.00%	64 021	(7 721)	(10.8)
	- 1.00%	81 133	9 391	13.1
Salary increase	1.00%	80 213	8 472	11.8
	- 1.00%	64 638	(7 104)	(9.9)
Mortality rates	+ 10%	70 485	(1 256)	(1.8)
	- 10%	73 122	1 380	1.9

Notes to the Financial Statements

for the year ended 30 June 2017

5. Member Liabilities (continued)

(b) Funding status of the defined benefit liability

There was one pension commencement with partial commutation and a suspension of a pension for a member who re-entered parliament during the year. These did not materially reduce the future liability and there were no other unexpected events that materially changed the defined benefit member liabilities during the year.

The fund does not have any information that would lead it to adjust the assumptions around indexation rates, resignations and mortality, which are all unchanged from the previous reporting period.

The defined benefit member liabilities is currently 97 per cent of net assets (excluding employer-sponsor receivables) and the present value of employer contributions required is less than \$3 million.

At the 2016 triennial review an annual employer contribution of \$1 million was recommended, but high investment returns and a change in actuarial assumptions in the last year have seen the scheme approach full funding. The contribution recommendation based on the 2017 position was reduced to zero, although the actuary noted that a rate between zero and \$1 million would be reasonable. The employer-sponsor intends to adopt the recommendation of the actuary by reducing contributions to zero for two financial years, based on current assumptions, to minimise the risk of over funding, including noting that vested benefits (as reported in Note 3(c) and below) are slightly less than accrued benefits due to assumptions and expectations relating to the remaining contributor retiring and the suspended pensioner re-commencing. The employer contribution status will be reviewed annually by the Territory.

(c) Accrued and vested benefits

	2017	2016
	\$000	\$000
Accrued benefits as at 30 June	71 742	76 989
Vested benefits as at 30 June	72 572	78 300

(d) Employer-sponsor receivables

The fund's employer-sponsor receivables position is reported as an asset in the Statement of Financial Position and is the difference between the net assets and the liability.

	2017	2016
	\$000	\$000
Employer-sponsor receivables	2 193	11 859

6. Equity and Reserves

Due to the nature of the fund, any surplus/(deficit) at end of year is adjusted against the unfunded employer-sponsor receivables. The fund does not operate any reserves.

Notes to the Financial Statements

for the year ended 30 June 2017

7. Income Tax

The note provides an analysis of the fund's income tax expense and how the tax expense is affected by non-assessable and non-deductible items.

The notes below have changed from prior years due to the adoption of AASB 1056 and requirements to disclose member activities separately from investments.

(a) Income tax expense

	2017	2016
	\$000	\$000
Income tax	(253)	(263)
Contributions tax	150	150
Total income tax expense/(benefit)	(103)	(113)

(b) Numerical reconciliation between tax expense and profit before tax

	2017	2016
	\$000	\$000
Profit/(loss) from superannuation activities	7 714	19
Tax applicable at the rate of 15% (2016: 15%)	1 157	3
Tax effect of income (losses) not assessable or (deductable) in determining taxable income		
Non-assessable income from investments	(578)	221
Tax effect of other adjustments		
Imputation and foreign tax credits	(253)	(263)
Exempt pension income	(579)	(224)
Income tax expense/(benefit)	(253)	(263)

(c) Recognised in the Statement of Changes in Member Benefits

	2017	2016
	\$000	\$000
Contributions, transfers in and other items recognised in the statement of changes in member benefits	(3 398)	(3 387)
Tax applicable at the rate of 15% (2016: 15%)	(510)	(508)
Tax effect of income (losses) not assessable or (deductable) in determining taxable income		
Member contributions	(3)	(5)
Member surcharge payment received	(7)	-
Benefits paid	670	663
Income tax expense/(benefit)	150	150

Notes to the Financial Statements

for the year ended 30 June 2017

7. Income Tax (continued)

(d) Current tax (assets)/liabilities

The income tax outcome provides a benefit rather than an expense, resulting in a current tax asset as the fund is due a refund from the 2016-17 tax return.

	2017	2016
	\$000	\$000
Balance at beginning of year	(149)	(50)
Income tax paid – current period	–	(36)
Income tax paid – prior period	149	50
Current year's income tax provision	(103)	(113)
Current tax liabilities (+)/asset (-)	(103)	(149)

(e) Deferred tax liabilities

The amount of deferred tax liabilities not recognised in the Statement of Financial Position at reporting date due to the application of exempt pension income is made up as follows:

	2017	2016
	\$000	\$000
Realised capital losses (discounted)	(638)	(656)
Unrealised capital losses (discounted)	1 094	406
Accrued expenses	(456)	250
	–	–

8. Other Operating Expenses

Costs for the day-to-day management of the LAMS scheme are paid by the Territory and include salaries, audit, actuarial, office accommodation, administration and operational costs. Costs borne by the scheme are provided below, including STB costs (refer to Note 16 for details).

	2017	2016
	\$000	\$000
Tax agent fees	7	3
Board expenses	3	7
	10	10

9. Cash and Cash Equivalents

	2017	2016
	\$000	\$000
Cash at bank	462	263

Notes to the Financial Statements

for the year ended 30 June 2017

10. Reconciliation of Net Cash from Operating Activities to Net Result after Income Tax

	2017	2016
	\$000	\$000
Operating result after tax	9 666	(5 273)
Adjustment for:		
Net proceeds from redemption/acquisition of investments	379	270
Net change in fair value of investments	(4 597)	2 709
Net benefits allocated to member accounts	7 096	7 073
Net change in member benefits	(8 795)	(1 518)
Change in operating assets and liabilities		
Increase/(decrease) in payables	(4)	2
Current tax asset	47	(98)
Net cash inflow (outflow) from operating activities	3 792	3 165

There were no non-cash financing activities during the year.

11. Commitments

The fund has not made any commitments.

12. Contingent Liabilities

There are no outstanding contingent assets or liabilities as at 30 June 2017 or 30 June 2016.

13. Segment Reporting

The scheme operates as one business, the provision of superannuation benefits for members, in the Northern Territory of Australia.

14. Events Subsequent to Reporting Date

There are no significant subsequent events.

15. Auditors' Remuneration

Audit services are provided by the Northern Territory Auditor-General's office at no cost to the fund.

Notes to the Financial Statements

for the year ended 30 June 2017

16. Related Parties

Trustee

The scheme's fund is managed by STB, which is a body corporate continued under section 8A of the *Superannuation Act*.

Board members

The *Superannuation Act* provides for a nine-member board consisting of the Under Treasurer, chairperson, deputy chairperson and six nominated members. Two members are nominated by Unions NT, one nominated by the Commissioner of Police and one by the Northern Territory Police Association. Apart from the Under Treasurer, all members are appointed by the Treasurer and hold five-year appointments.

Key management personnel include persons who were members of STB at any time during the financial year. There were two membership changes in STB in 2016-17, with the appointment of a new Under Treasurer and new Northern Territory Police Association nominee.

Kathleen Robinson	Chairperson
Marianne McAdie	Deputy Chairperson
Craig Graham	Member (appointed 24 April 2017)
Jodie Ryan	Member (resigned 6 December 2016)
Michael Martin	Member
Alex Pollon	Member
Vicky Coleman	Member
Mark McAdie	Member
Sarah Burchett	Member
Colin Goodsell	Member (appointed 11 July 2016)

Where a STB member is also a member of the scheme, member contributions or benefit payments are made in accordance with the normal terms and conditions of the scheme rules and governing legislation. No retirement benefits from the LAMS scheme were paid to STB members or relatives of STB members during the reporting period.

There were no other persons with responsibility for planning, directing and controlling the activities of the fund, directly or indirectly during the financial year.

STB expenses and key management personnel compensation

Costs for the day-to-day management of the LAMS scheme are paid by the Territory and include salaries of Northern Territory Superannuation Office staff, audit, actuarial, office accommodation, administration and operational costs.

Payments to STB members are made in accordance with a determination under the *Assembly Members and Statutory Officers (Remuneration and Other Entitlements) Act*, which sets the rates payable to board members for attendance at board meetings, travel and other board-related activities. Remuneration is not payable where a STB member is also an employee of the Northern Territory Public Sector, the Commonwealth or a state public service. Three STB members were entitled to, and received, sitting fees during the year. There were no outstanding reimbursements or payments due to any STB member as at 30 June 2017.

Notes to the Financial Statements

for the year ended 30 June 2017

16. Related Parties (continued)

The total STB cost is attributed to each of the three funds (which includes the Northern Territory Police Supplementary Benefit Scheme and Northern Territory Government and Public Authorities' Superannuation Scheme) proportional to the value of funds under management. STB expenses totalled \$24 221, of which \$2624 was attributed to LAMS for 2016-17. Total costs are detailed below.

	2016-17	2015-16
	\$	\$
Sitting fees	3 344	4 561
Training and conferences	8 211	3 265
AIST membership	12 409	13 255
Governance expenses	257	27 511
Internal audit	–	16 500
Total	24 221	65 092

