

ABORIGINAL AND TORRES STRAIT ISLANDER LAND ACCOUNT FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT

To the Minister for Indigenous Affairs

Opinion

In my opinion, the financial statements of the Aboriginal and Torres Strait Islander Land Account:

- (a) have been prepared in accordance with the form approved by the Minister for Finance, pursuant to sub-section 193H of the *Aboriginal and Torres Strait Islander Act 2005*; and
- (b) present fairly the financial position of the Aboriginal and Torres Strait Islander Land Account, as at 30 June 2017, and its financial performance and cash flows for the year then ended.

The financial statements of the Aboriginal and Torres Strait Islander Land Account, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- Statement by the Secretary and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to and forming part of the Financial Statements, comprising Significant Accounting Policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Aboriginal and Torres Strait Islander Land Account, in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*, to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

Secretary's Responsibility for the Financial Statements

As the Accountable Authority of the Aboriginal and Torres Strait Islander Land Account the Secretary of the Department of the Prime Minister and Cabinet is responsible for the preparation of financial statements in the form determined by the Minister for Finance, under sub-section 193H of the *Aboriginal and Torres Strait Islander Act 2005*. The Secretary is also responsible for such internal control as is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

The form determined is prescribed under the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*, made under the *Public Governance, Performance and Accountability Act 2013*, including the Australian Accounting Standards.

In preparing the financial statements, the Secretary is responsible for assessing the Aboriginal and Torres Strait Islander Land Account's ability to continue as a going concern, taking into account whether the Aboriginal and Torres Strait Islander Land Account's operations will cease as a result of an administrative restructure, or for any other reason. The Secretary is also responsible for disclosing matters related to going concern, as applicable, and using the going concern basis of accounting, unless the assessment indicated that it is not appropriate.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Aboriginal and Torres Strait Island Land Account's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary;

- conclude on the appropriateness of the Secretary'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 Aboriginal and Torres Strait Island Land Account's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Aboriginal and Torres Strait Islander Land Account to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Australian National Audit Office

Michael White
Executive Director



Delegate of the Auditor-General
Canberra

8 September 2017

ABORIGINAL AND TORRES STRAIT ISLANDER LAND ACCOUNT STATEMENT BY THE SECRETARY AND CHIEF FINANCIAL OFFICER

The accompanying financial statements of the Aboriginal and Torres Strait Islander Land Account (ATSILA) for the year ended 30 June 2017 have been prepared in accordance with section 193H of the *Aboriginal and Torres Strait Islander Act 2005*, which requires the financial statements to be prepared in such a form as determined by the Minister for Finance.

The Minister for Finance has granted ATSILA an exemption under the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR). The exemption applies to the following requirements of the FRR:

- (a) Sections 9, 32 and 33 of the FRR. ATSILA is required to present its administered activities in departmental format, in accordance with current practice.
- (b) Divisions 2,3,4 and 5 of Part 6 of the FRR to the extent that ATSILA has no appropriation transactions and balances other than through its special account.

In our opinion, the attached financial statements for the year ended 30 June 2017 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe ATSILA will be able to pay its debts as and when they fall due.



Dr Martin Parkinson AC PSM
Secretary

7 September 2017



Charlotte Tressler
Chief Financial Officer

7 September 2017

**ABORIGINAL AND TORRES STRAIT ISLANDER LAND ACCOUNT
STATEMENT OF COMPREHENSIVE INCOME**

for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
NET COST OF SERVICES			
Expenses			
Payments to the Indigenous Land Corporation	1.1A	51,422	50,712
Investment costs	1.1B	375	393
Audit fees		29	29
Total expenses		51,826	51,134
Own-source Income			
Own-source revenue			
Interest	1.2A	57,582	59,724
Resources received free of charge - audit fees		29	29
Total own-source revenue		57,611	59,753
Gains			
Gain on realisation of investments	1.2B	-	-
Total gains		-	-
Total own-source income		57,611	59,753
Net contribution by services		5,785	8,619
Total comprehensive income		5,785	8,619

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

ABORIGINAL AND TORRES STRAIT ISLANDER LAND ACCOUNT
STATEMENT OF FINANCIAL POSITION
as at 30 June 2017

	Notes	2017 \$'000	2016 \$'000
ASSETS			
Financial Assets			
Cash and cash equivalents	2.1	1	3
Interest receivable		24,491	25,721
Investments		2,004,610	1,997,516
Total financial assets		2,029,102	2,023,240
Total assets		2,029,102	2,023,240
LIABILITIES			
Payables			
Suppliers		77	-
Total payables		77	-
Total liabilities		77	-
Net assets		2,029,025	2,023,240
EQUITY			
Contributed equity		433,932	433,932
Retained surplus		1,595,093	1,589,308
Total equity		2,029,025	2,023,240

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

**ABORIGINAL AND TORRES STRAIT ISLANDER LAND ACCOUNT
STATEMENT OF CHANGES IN EQUITY**

for the period ended 30 June 2017

	Retained earnings		Contributed equity/capital		Total equity	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Opening balance						
Balance carried forward from previous period	1,589,308	1,580,689	433,932	433,932	2,023,240	2,014,621
Adjusted opening balance	1,589,308	1,580,689	433,932	433,932	2,023,240	2,014,621
Comprehensive income						
Surplus for the period	5,785	8,619	-	-	5,785	8,619
Total comprehensive income	5,785	8,619	-	-	5,785	8,619
Closing balance as at 30 June	1,595,093	1,589,308	433,932	433,932	2,029,025	2,023,240

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

**ABORIGINAL AND TORRES STRAIT ISLANDER LAND ACCOUNT
CASH FLOW STATEMENT**

for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
OPERATING ACTIVITIES			
Cash used			
Payments to the Indigenous Land Corporation		51,422	50,712
Consultant fees		176	231
Investment management costs		122	162
Total cash used		<u>51,720</u>	<u>51,105</u>
Net cash used by operating activities		<u>(51,720)</u>	<u>(51,105)</u>
INVESTING ACTIVITIES			
Cash received			
Proceeds from realisation of investments		2,018,239	2,030,388
Interest on investments		58,812	59,219
Total cash received		<u>2,077,051</u>	<u>2,089,607</u>
Cash used			
Investments		2,025,333	2,038,501
Total cash used		<u>2,025,333</u>	<u>2,038,501</u>
Net cash from investing activities		<u>51,718</u>	<u>51,106</u>
Net increase/(decrease) in cash held		<u>(2)</u>	<u>1</u>
Cash and cash equivalents at the beginning of the reporting period		<u>3</u>	<u>2</u>
Cash and cash equivalents at the end of the reporting period	2.1	<u>1</u>	<u>3</u>

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

ABORIGINAL AND TORRES STRAIT ISLANDER LAND ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2017

Overview	162
1. Financial Performance	164
1.1. Expenses	164
1.2. Own-Source Revenue and Gains	165
2. Funding	166
2.1. Special Accounts	166
3. Managing Uncertainties	167
3.1. Contingent Assets and Liabilities	167
3.2. Financial Instruments	167

ABORIGINAL AND TORRES STRAIT ISLANDER LAND ACCOUNT NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *for the period ended 30 June 2017*

Overview

Basis of preparation of the financial statements

Aboriginal and Torres Strait Islander Land Account's (ATSILA) activities are classified as administered activities carried out by the Department of the Prime Minister and Cabinet (PM&C) on behalf of the Australian Government and are reported in PM&C's administered financial statements for the period 1 July 2016 to 30 June 2017.

In addition to being consolidated into PM&C's financial statements, separate audited financial statements are prepared for ATSILA as required by subsection 193H of the ATSI Act.

The Minister for Finance has granted ATSILA an exemption under the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR). The exemption applies to the following requirements of the FRR:

- (a) Sections 9, 32 and 33 of the FRR. ATSILA is required to present its administered activities in departmental format, in accordance with current practice.
- (b) Divisions 2,3,4 and 5 of Part 6 of the FRR to the extent that ATSILA has no appropriation transactions and balances other than through its special account.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars.

New Australian Accounting Standards

No accounting standard has been adopted earlier than the application date as stated in the standard. There are no new standards, revised standards, amended standards or interpretations that were issued by the Australian Accounting Standards Board (AASB) prior to the signing date that are applicable to the current reporting period and have a material financial impact on ATSILA.

Taxation

ATSILA is exempt from all forms of taxation except the Goods and Services Tax (GST).

Compliance with statutory conditions for payments from the consolidated revenue fund

The Australian Government continues to have regard to developments in case law, including the High Court's decision on Commonwealth expenditure in *Williams v Commonwealth [2014] HCA 23*, as they contribute to the larger body of law relevant to the development of Commonwealth programs. In accordance with its general practice, the Government will continue to monitor and assess risk and decide on any appropriate actions to respond to risks of expenditure not being consistent with constitutional or other legal requirements.

During 2016-17 PM&C reviewed ATSILA's exposure to the risk of not complying with statutory conditions on payments from appropriations, namely section 83 of the Constitution. Payments in 2016-17 subject to statutory conditions have been reviewed and there are no issues of non-compliance. ATSILA will continue to monitor its level of compliance with section 83 of the Constitution.

ABORIGINAL AND TORRES STRAIT ISLANDER LAND ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2017

Significant accounting judgements and estimates

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities.

Events after the reporting period

There are no known events occurring after the reporting period that could impact on the financial statements.

Related party disclosures

Related parties to the ATSILA are Key Management Personnel including the Minister for Indigenous Affairs, and other Australian Government entities. Given consideration to relationships with related entities, and transactions entered into during the reporting period by ATSILA, there are no related party transactions to be separately disclosed.

**ABORIGINAL AND TORRES STRAIT ISLANDER LAND ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**
for the period ended 30 June 2017

1. Financial Performance

This section analyses the financial performance of the Aboriginal and Torres Strait Islander Land Account for the year ended 30 June 2017.

1.1. Expenses

	2017	2016
	\$'000	\$'000
Note 1.1A: Payments to the Indigenous Land Corporation		
Annual payment to the Indigenous Land Corporation (ILC)	<u>51,422</u>	<u>50,712</u>
Total payments to the Indigenous Land Corporation	<u>51,422</u>	<u>50,712</u>

Accounting Policy

The ATSI Act provides a minimum guaranteed annual payment of \$45.000 million to the ILC, payable on the first business day in October. This annual payment is required to be indexed each year by the Consumer Price Index. The indexation factor for the payment in 2017 was 1.4% (2016: 1.7%).

An additional payment is paid to the ILC if the actual capital value of ATSILA exceeds the indexed capital value. No additional payment was made during the year (2016: Nil).

Note 1.1B: Investment costs

Consultants	213	231
Investment management expenses	<u>162</u>	<u>162</u>
Total investment costs	<u>375</u>	<u>393</u>

Accounting Policy

Expenditure directly related to the management of ATSILA's investments can be debited from ATSILA under section 58(4) of the PGPA Act. These costs represent the services provided by the Investment Unit and by specialist investment advisors.

ABORIGINAL AND TORRES STRAIT ISLANDER LAND ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2017

1.2. Own-Source Revenue and Gains

OWN-SOURCE REVENUE	2017	2016
	\$'000	\$'000

Note 1.2A: Interest

Term deposits	<u>57,582</u>	<u>59,724</u>
Total interest	<u>57,582</u>	<u>59,724</u>

Accounting Policy

Interest revenue is recognised using the effective interest rate method.

GAINS

Note 1.2B: Gain on realisation of investments

Investments:

Proceeds from realisation	2,018,239	2,030,388
Net book value of assets realised	<u>(2,018,239)</u>	<u>(2,030,388)</u>
Net gain from realisation of investments	<u>-</u>	<u>-</u>

Accounting Policy

A gain or loss on realisation is recognised when the market value of the investment is different from that of the purchase value.

**ABORIGINAL AND TORRES STRAIT ISLANDER LAND ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**
for the period ended 30 June 2017

2. Funding

This section identifies the Aboriginal and Torres Strait Islander Land Account funding structure.

2.1. Special Accounts

Note 2.1: Special accounts ('recoverable GST exclusive')

	Aboriginal and Torres Strait Islander Land Account ¹	
	2017	2016
	\$'000	\$'000
Balance brought forward from previous period	3	2
Increases		
Investments realised	2,018,239	2,030,388
Interest receipts	58,812	59,219
Total increases	2,077,051	2,089,607
Available for payments	2,077,054	2,089,609
Decreases		
Payments made	(51,720)	(51,105)
PGPA Act section 58 investments	(2,025,333)	(2,038,501)
Total decreases	(2,077,053)	(2,089,606)
Total balance carried to the next period	1	3
Balance Represented by:		
Cash held in entity bank account	1	3
Total balance carried to the next period	1	3

¹Appropriation: *Public Governance, Performance and Accountability Act 2013; section 80.*

Establishing Instrument: *Aboriginal and Torres Strait Islander Act 2005; section 192W.*

Purpose: to provide a secure stream of income to the Indigenous Land Corporation in perpetuity to provide economic, environmental, social and cultural benefits for Aboriginal people and Torres Strait Islanders by assisting in the acquisition and management of land.

This account is interest bearing.

ABORIGINAL AND TORRES STRAIT ISLANDER LAND ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2017

3. Managing Uncertainties

This section analyses how the Aboriginal and Torres Strait Islander Land Account manages financial risks within its operating environment.

3.1. Contingent Assets and Liabilities

PM&C, on behalf of ATSILA, is not aware of any material quantifiable or unquantifiable contingent assets or liabilities as at the signing date that would require disclosure in the financial statements (2016: Nil).

Accounting Policy

Contingent liabilities and contingent assets are not recognised in the Statement of Financial Position but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

3.2. Financial Instruments

	2017	2016
	\$'000	\$'000
Note 3.2A: Categories of financial instruments		
Financial Assets		
Held-to-maturity investments		
Term deposits	2,004,610	1,997,516
Total held-to-maturity investments	2,004,610	1,997,516
Loans and receivables		
Cash and cash equivalents	1	3
Interest receivable - term deposits	24,491	25,721
Total loans and receivables	24,492	25,724
Total financial assets	2,029,102	2,023,240
Financial Liabilities		
At amortised cost		
Trade creditors and accruals	77	-
Total financial liabilities at amortised costs	77	-

No receivables are overdue or impaired.

Accounting Policy

PM&C has classified ATSILA's financial assets in the following categories:

- (a) Held-to-maturity investments.
- (b) Loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

ABORIGINAL AND TORRES STRAIT ISLANDER LAND ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2017

Accounting Policy (continued)

Investments

Investment activities are conducted in accordance with the requirements of section 58 of the PGPA Act. Investments are typically low risk and take the form of term deposits. The duration of the term deposits are usually for a term of three to 12 months.

The investment objective of PM&C as administrators for ATSILA, is to ensure that ATSILA complies with legislative obligations under the PGPA Act and the ATSI Act; and that ATSILA maintains and preserves its capital base.

The investment portfolio and bank accounts are managed to ensure sufficient funds are available for payments to the ILC when due. Investment practices are also governed by the investment policy of PM&C which requires the management of the portfolio to respond to positive investment opportunities in the market so as to achieve the best possible returns for the account within the legislative framework.

The asset allocation of the portfolio as at 30 June 2017 is 100% (2016: 100%) in term deposits with Australian banks.

Effective Interest Method

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

Income is recognised on an effective interest rate basis except for financial assets that are recognised at fair value through profit and loss.

Held-to-Maturity Investments

Non derivative financial assets with fixed or determinable payments and fixed maturity dates that ATSILA has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest rate method less impairment, with revenue recognised on an effective yield basis.

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest rate method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of Financial Assets

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

If there is objective evidence that an impairment loss has been incurred for loans and receivables or held-to-maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

	2017	2016
	\$'000	\$'000
Note 3.2B: Net gains or losses on financial assets		
Held-to-maturity investments		
Interest revenue		
Term deposits	57,582	59,724
Net gain on held-to-maturity investments	57,582	59,724
Net gains on financial assets	57,582	59,724

The above net gain is from financial assets not recognised at fair value through profit and loss.