



INDEPENDENT AUDIT REPORT

To the Minister for Immigration and Multicultural and Indigenous Affairs

Scope

The financial statements and Chief Executive's responsibility

The financial statements comprise:

- Statement by the Chief Executive and Chief Finance Officer;
- Statements of Financial Performance, Financial Position and Cash Flows; and
- Notes to and forming part of the Financial Statements

of the Aboriginal and Torres Strait Islander Land Fund Account for the year ended 30 June 2005.

The members of the Land Fund are responsible for preparing financial statements that give a true and fair presentation of the financial position and performance of the Aboriginal and Torres Strait Islander Land Fund Account, and that comply with accounting standards, other mandatory financial reporting requirements in Australia, and the Finance Minister's Orders made under the Financial Management and Accountability Act 1997. The members of the Land Fund are also responsible for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

Audit approach

I have conducted an independent audit of the financial statements in order to express an opinion on them to you. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive, rather than conclusive, evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

While the effectiveness of management's internal controls over financial reporting was considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

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

I have performed procedures to assess whether, in all material respects, the financial statements present fairly, in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, accounting standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Aboriginal and Torres Strait Islander Land Fund Account's financial position, and of its performance as represented by the statements of financial performance and cash flows.

The audit opinion is formed on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial statements; and
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the Chief Executive.

Independence

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

Audit Opinion

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

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*; and
- (b) give a true and fair view of the Aboriginal and Torres Strait Islander Land Fund Account's financial position as at 30 June 2005 and of its performance and cash flows for the year then ended, in accordance with:
 - (i) the matters required by the Finance Minister's Orders; and
 - (ii) applicable accounting standards and other mandatory financial reporting requirements in Australia.

Australian National Audit Office

[signed]

Rebecca Reilly
Executive Director

Delegate of the Auditor-General

Canberra
9 September 2005

**ABORIGINAL AND TORRES STRAIT ISLANDER LAND FUND ACCOUNT
STATEMENT BY THE CHIEF EXECUTIVE AND CHIEF FINANCE OFFICER**

In our opinion, the attached financial statements for the Aboriginal and Torres Strait Islander Land Fund are based on properly maintained financial records, and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*.

Signed..... [signed]

Andrew Metcalfe
Secretary
Department of Immigration and Multicultural and
Indigenous Affairs

8 September 2005

Signed..... [signed]

Louise Gray
Chief Finance Officer
Department of Immigration and Multicultural and
Indigenous Affairs

8 September 2005

**ABORIGINAL AND TORRES STRAIT ISLANDER LAND FUND ACCOUNT
STATEMENT OF FINANCIAL PERFORMANCE**

For the year ended 30 June 2005

	Notes	2005 \$	2004 \$
Revenues from ordinary activities			
Interest		100,415,286	70,635,926
Revenue from sale or maturity of investments		506,500,442	500,543,660
Revenue from Government		-	54,713,000
Other		304,856	-
Revenues from ordinary activities		607,220,585	625,892,586
Expenses from ordinary activities			
Transfer to Indigenous Land Corporation		4,038,109	54,713,000
Suppliers	8	-	128,900
Value of assets sold investments		504,347,853	498,894,279
Write-off of Asset		-	10,000
Interest to the Commonwealth		364,405	4,219,977
Other		431,626	-
Expenses from ordinary activities		509,181,993	557,966,156
Net surplus / (deficit) from ordinary activities		98,038,592	67,926,430
Net credit to asset revaluation reserve	6	3,167,918	(23,197,344)
Total revenues, expenses and valuation adjustments recognised directly in equity		3,167,918	(23,197,344)
Total changes in equity other than those resulting from transactions with the Australian Government as owners		101,206,510	44,729,086

This statement should be read in conjunction with the accompanying notes.

**ABORIGINAL AND TORRES STRAIT ISLANDER LAND FUND ACCOUNT
STATEMENT OF FINANCIAL POSITION**

As at 30 June 2005

	Notes	2005 \$	2004 \$
ASSETS			
Financial assets			
Cash		27,167,987	89,349,318
Receivables	5A	18,660,205	13,752,124
Investments	5B	1,472,314,770	1,328,487,033
Total financial assets		1,518,142,962	1,431,588,475
TOTAL ASSETS		1,518,142,962	1,431,588,475
LIABILITIES			
Transfers to the Commonwealth		-	15,789,359
TOTAL LIABILITIES		-	15,789,359
Net Assets		1,518,142,962	1,415,799,116
EQUITY			
Contributed equity		433,931,954	432,794,618
Reserves		86,370,683	83,202,765
Accumulated surpluses		997,840,325	899,801,733
TOTAL EQUITY	6	1,518,142,962	1,415,799,116
Current assets		1,019,277,823	202,819,519
Non-current assets		498,865,139	1,228,768,956
Current liabilities		-	15,789,359

This statement should be read in conjunction with the accompanying notes.

**ABORIGINAL AND TORRES STRAIT ISLANDER LAND FUND ACCOUNT
STATEMENT OF CASH FLOWS**

For the year ended 30 June 2005

	Notes	2005 \$	2004
OPERATING ACTIVITIES			
Cash received			
Appropriations to the Indigenous Land Corporation		-	54,713,000
Interest on Cash		<u>4,592,641</u>	<u>3,972,288</u>
Total cash received		<u>4,592,641</u>	<u>58,685,288</u>
Cash used			
Transfer to the Indigenous Land Corporation		<u>4,038,109</u>	54,713,000
Supplier Expense		-	<u>128,900</u>
Total cash used		<u>4,038,109</u>	<u>54,841,900</u>
Net cash from / (used by) operating activities	7	<u>554,532</u>	<u>3,843,388</u>
INVESTING ACTIVITIES			
Cash received			
Proceeds from investments (maturities and sales)		<u>2,592,936,007</u>	3,827,967,736
Interest on investments		<u>90,914,565</u>	<u>61,078,862</u>
Total cash received		<u>2,683,850,572</u>	<u>3,889,046,598</u>
Cash used			
Purchase of investments		<u>2,731,874,862</u>	3,932,051,374
Total cash used		<u>2,731,874,862</u>	<u>3,932,051,374</u>
Net cash from / (used by) investing activities		<u>(48,024,290)</u>	<u>(43,004,776)</u>
FINANCING ACTIVITIES			
Cash received			
Appropriations – contributed equity		-	<u>91,982,000</u>
Total cash received		-	<u>91,982,000</u>
Cash used			
Appropriations – contributed equity		<u>14,711,572</u>	-
Total cash used		<u>14,711,572</u>	-
Net cash from financing activities		<u>(14,711,572)</u>	<u>91,982,000</u>
Net increase / (decrease) in cash held		<u>(62,181,331)</u>	52,820,612
Cash at the beginning of the reporting period		<u>89,349,318</u>	<u>36,528,706</u>
Cash at the end of the reporting period		<u>27,167,987</u>	<u>89,349,318</u>

This statement should be read in conjunction with the accompanying notes.

**ABORIGINAL AND TORRES STRAIT ISLANDER LAND FUND ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2005

Note	Description
1	Summary of Significant Accounting Policies
2	Adoption of AASB Equivalents to International Financial Reporting Standards from 2005-2006
3	Commitments & Contingencies
4	Events Occurring after Reporting Date
5	Financial Assets
6	Equity
7	Cash Flow Reconciliation
8	Related Party Disclosures
9	Remuneration of Auditors
10	Special Payments
11	Financial Instruments
12	Appropriations
13	Return of Excess Appropriations Reconciliation
14	Issues Arising from the Audit Qualification

ABORIGINAL AND TORRES STRAIT ISLANDER LAND FUND ACCOUNT NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies

1.1 Establishment of the Aboriginal and Torres Strait Islander Land Fund Account

The Aboriginal and Torres Strait Islander Land Fund Account (ATSILF) was established by the *Land Fund and Indigenous Land Corporation (ATSIC Amendment) Act 1995*, inserted into the *Aboriginal and Torres Strait Islander Commission Act 1989* to recognise the fact that most Indigenous people will not benefit from the High Court's Mabo (No. 2) decision (*Mabo and Others v Queensland* (No. 2) [1992] HCA 23) and the *Native Title Act 1993* because they were dispossessed of their land and cannot therefore demonstrate the continuous association necessary to prove native title.

An amendment to the FMA Act, constituting the replacement of the Reserved Money Fund by Special Accounts, took effect on 1 July 1999. *The Financial Management Legislation Amendment Act 1999* converted the Land Fund Reserve to a Special Account under section 20(1) of the FMA Act on 1 July 1999. As a consequence, the Land Fund Reserve became known as the Land Fund Account.

From 1 July 2004, the ATSILF was managed by the Aboriginal and Torres Strait Islander Services (ATSIS) on behalf of ATSIC. ATSIS was established 1 July 2004 as an executive agency under the FMA Act.

On 24 March 2005, at the abolition of the Aboriginal and Torres Strait Islander Commission (ATSIC) under the Aboriginal and Torres Strait Islander Commission Amendment Act 2005, responsibility of ATSILF was transferred to the Department of Immigration and Multicultural and Indigenous Affairs (DIMIA).

1.2 Basis of Accounting

The financial statements are required by section 193H of the *Aboriginal and Torres Strait Islander Act 2005* and are a general purpose financial report.

The statements have been prepared in accordance with:

- Finance Minister's Orders (or FMOs, being the *Financial Management and Accountability Orders (Financial Statements for reporting periods ending on or after 30 June 2005)*);
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board; and
- Consensus Views of the Urgent Issues Group.

The Statements of Financial Performance and Financial Position have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets, which, as noted, are at valuation. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

Assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an Accounting Standard.

Revenues and expenses are recognised in the Statement of Financial Performance when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

ABORIGINAL AND TORRES STRAIT ISLANDER LAND FUND ACCOUNT NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.3 Revenue

Revenues from Government (2003-2004)

Amounts appropriated for the year are recognised as revenue, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Other Revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the relevant asset. Interest income is credited directly to the Aboriginal and Torres Strait Islander Land Fund bank account and is subsequently reinvested.

Revenue from disposal of non-current assets is recognised when control of the asset is received by the buyer.

1.4 Transactions with the Government as Owner

Equity Injections (2003-2004)

Amounts appropriated which are designated as 'equity injections' for a year are recognised directly in Contributed Equity in that year.

1.5 Cash

Cash means notes and coins held and any deposits held at call with a bank or financial institution. Cash is recognised at its nominal amount. Interest is credited to revenue as it is accrued.

1.6 Expenses

(a) Supplier Expense

The supplier expense relates to a service provided for the Aboriginal and Torres Strait Islander Land Fund Account in relation to specialist investment advice.

(b) Value of Asset Sold Expense

Expense relating to the value of asset sold is recognised when control of the asset has been received by the buyer.

1.7 Investments

ABORIGINAL AND TORRES STRAIT ISLANDER LAND FUND ACCOUNT NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The carrying amount of investments is reviewed annually to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of an investment exceeds the recoverable amount, the asset is written down to the lower amount. Increases or decreases in the carrying amount of investments are credited or debited as appropriate to the Asset Revaluation Reserve.

In assessing recoverable amounts of investments the relevant cash flows have not been discounted to their present value.

Non-current investments have been revalued based on an independent valuation at market value.

1.8 Financial Instruments

Accounting policies for financial instruments are stated at note 11. The entity is complying with the requirements of *AAS 33 Presentation and Disclosure of Financial Instruments*.

1.9 Taxation

ATSIC, DIMIA and ATSILF is exempt from all forms of taxation, except fringe benefits tax and the goods and services tax (GST).

Revenues, expenses, assets and liabilities are recognised net of GST:

- except where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- except for receivables and payables.

Note 2: Adoption of Australian Accounting Standards Board (AASB) Equivalents to International Accounting Standards Board (IASB) Standards from 2005-2006

The Australian Accounting Standards Board has issued replacement Australian Accounting Standards to apply from 2005-06. The new standards are the Australian Equivalents to International Financial Reporting Standards (AEIFRS). The international financial reporting standards are issued by the International Accounting Standards Board. The new standards cannot be adopted early. The standards being replaced are to be withdrawn with effect from 2005-06, but continue to apply in the meantime, including reporting periods ending on 30 June 2005.

The purpose of issuing AEIFRS is to enable Australian reporting entities reporting under the *Corporations Act 2001* to be able to more readily access overseas capital markets by preparing their financial reports according to accounting standards more widely used overseas.

For-profit entities complying with AEIFRS will be able to make an explicit and unreserved statement of compliance with international financial reporting standards (IFRS) as well as a statement that the financial report has been prepared in accordance with Australian accounting standards.

AEIFRS contain certain provisions that will apply to not-for-profit entities, including Australian Government agencies. Some of these provisions are in conflict with IFRS, and therefore ATSILF will only be able to assert that the financial report has been prepared in accordance with Australian accounting standards.

AAS 29 Financial Reporting by Government Departments will continue to apply under AEIFRS.

ABORIGINAL AND TORRES STRAIT ISLANDER LAND FUND ACCOUNT NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Accounting Standard AASB 1047 *Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards* requires that the financial statements for 2004-05 disclose:

- an explanation of how the transition to AEIFRS is being managed;
- narrative explanations of the key policy differences arising from the adoption of AEIFRS;
- any known or reliably estimable information about the impacts on the financial report had it been prepared using AEIFRS; and

prepared using AEIFRS; and

- if the impacts of the above are not known or reliable estimable, a statement to that effect.

Where an entity is not able to make a reliable estimate, or where quantitative information is not known, the entity should update the narrative disclosures of the key differences in accounting policies that are expected to arise from the adoption of AEIFRS.

The purpose of this note is to make these disclosures.

Management of the transition to AEIFRSs

ATSILF has taken the following steps for the preparation towards the implementation of AEIFRS:

The departmental Audit and Evaluation Financial Statements Sub-Committee is tasked with oversight of the transition to and implementation of AEIFRS. The Chief Financial Officer is formally responsible for the project and reports regularly to the sub-committee on progress against the formal plan approved by the sub-committee.

The plan requires the following key steps to be undertaken and sets deadlines for their achievement:

- All major accounting policy differences between current AASB standards and AEIFRS were identified by 30 June 2004.
- System changes necessary to be able to report under AEIFRS, including those necessary to capture data under both sets
- A transitional balance sheet as at 1 July 2004 under AEIFRS was completed and presented to the sub-committee
- An AEIFRS compliant balance sheet as at 30 June 2005 was also prepared during the preparation of the 2004-05 statutory financial reports.
- The 2004-05 balance sheet under AEIFRS will be reported to the Department of Finance and Administration in line with their reporting deadlines.

The plan also addresses the risks to successful achievement of the above objectives and includes strategies to keep implementation on track to meet deadlines.

There are no material changes expected to the ATSILF financial statements as a result of the implementation of AEIFRS.

Major changes in accounting policy

ATSILF believes that the first financial report prepared under AEIFRS i.e. at 30 June 2006, will be prepared on the basis that ATSILF will be a first time adopter under AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. Changes in accounting policies under AEIFRS are applied retrospectively i.e. as if the new policy had always applied, except in relation to the exemptions available under AASB 1. This means that an AEIFRS compliant balance sheet had to be prepared as at 1 July 2004. This will enable the 2005-06 financial statements to report comparatives under AEIFRS.

A first time adopter of AEIFRS may elect to use exemptions under paragraphs 13 to 25E. When developing the accounting policies applicable to the preparation of the 1 July opening balance sheet, no exemptions were applied by ATSILF

Changes to major accounting policies are discussed in the following paragraphs.

Management's review of the quantitative impacts of AEIFRS represents the best estimates of the impacts of the changes as at reporting date. The actual effects of the impacts of AEIFRS may differ from these estimates due to:

- continuing review of the impacts of AEIFRS on ATSILF's operations;

ABORIGINAL AND TORRES STRAIT ISLANDER LAND FUND ACCOUNT NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

- potential amendments to AEIFRS and AEIFRS Interpretations; and
- emerging interpretation as to the accepted practice in the application of AEIFRS and AEIFRS Interpretations.

Financial Instruments

AEIFRS include an option for entities not to restate comparative information in respect of financial instruments in the first AEIFRS report. It is expected that Finance Minister's Orders will require entities to use this option. Therefore, the amounts for financial instruments presented in ATSILF's 2004-05 primary financial statements are not expected to change as a result of the adoption of AEIFRS.

ATSILF will be required by AEIFRS to review the carrying amounts of financial instruments at 1 July 2005 to ensure they align with the accounting policies required by AEIFRS. It is expected that the carrying amounts of financial instruments held by ATSILF will not materially change as a result of this process.

Note 3: Commitments and Contingencies

There were no quantifiable, unquantifiable or remote commitments or contingencies in this period (nil in 2004).

Note 4: Events Occurring after Reporting Date

No events occurred since reporting date that would affect the information as they are presented in this financial report.

**ABORIGINAL AND TORRES STRAIT ISLANDER LAND FUND ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

	2005	2004
	\$	\$
Note 5: Financial Assets		
<u>Note 5A: Receivables</u>		
Accrued interest	18,660,205	13,752,124
Total receivables	18,660,205	13,752,124

All receivables are current and are not overdue.

Note 5B: Investments

Bank issued transferrable certificates of deposit	815,291,476	79,716,277
Floating rate certificates of deposit	86,688,839	249,089,085
Capital indexed bonds	277,664,595	417,102,293
Nominal bonds	292,669,860	582,579,378
Total investments	1,472,314,770	1,328,487,033

The revaluation of all investments was completed by Westpac Banking Corporation.

**ABORIGINAL AND TORRES STRAIT ISLANDER LAND FUND ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 6: Equity

Item	Accumulated Results		Asset Revaluation Reserve		Contributed Equity		TOTAL EQUITY	
	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$
Opening balance as at 1 July	899,801,733	831,875,303	83,202,765	106,400,109	432,794,618	352,382,000	1,415,799,116	1,290,657,412
Net surplus / deficit	98,038,592	67,926,430	n/a	n/a	n/a	n/a	98,038,592	67,926,430
Net revaluation increment / (decrement)	n/a	n/a	3,167,918	(23,197,344)	n/a	n/a	3,167,918	(23,197,344)
Equity Return to the Commonwealth	n/a	n/a	n/a	n/a	n/a	(11,569,382)	-	(11,569,382)
Other	n/a	n/a	n/a	n/a	1,137,336	-	1,137,336	-
Transactions with owner:								
Contributions by owner:								
Appropriations (equity injections)	n/a	n/a	n/a	n/a	-	91,982,000	-	91,982,000
Closing balance as at 30 June	997,840,325	899,801,733	86,370,683	83,202,765	433,931,954	432,794,618	1,518,142,962	1,415,799,116

**ABORIGINAL AND TORRES STRAIT ISLANDER LAND FUND ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

	2005	2004
	\$	\$
Note 7: Cash Flow Reconciliation		
Reconciliation of cash per Statement of Financial Position to Statement of Cash Flows:		
Cash at balance date per Statement of Cash Flows	27,167,987	89,349,318
Statement of Financial Position items – Cash	27,167,987	89,349,318
Reconciliation of net surplus to net cash from operating activities:		
Net surplus / (deficit)	98,038,592	67,926,430
Non-Cash, Financing, or Investing Items		
(Gain) / loss on disposal of investments	(2,152,589)	(1,649,381)
Interest on investments	(90,914,565)	(61,078,862)
Write Down of Assets / Other (Revenues)/ Expenses	491,175	10,000
Interest to the Commonwealth		4,219,977
Changes in Assets and Liabilities		
(Increase) / decrease in net receivables	(4,908,081)	(5,584,777)
<i>Net cash from / (used by) operating activities</i>	<u>554,532</u>	<u>3,843,387</u>

**ABORIGINAL AND TORRES STRAIT ISLANDER LAND FUND ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

	2004	
	\$	\$
Note 8: Related Party Disclosures		

2003-2004 Note: The Aboriginal and Torres Strait Islander Land Fund Account is administered by ATSIC. For the period ended Year to Date there was one related party transaction. The transaction relates to a service provided for the Aboriginal and Torres Strait Islander Land Fund Account in relation to specialist investment advice.

The related party transaction with ATSIC is as follows:

Operating Statement

Supplier Expense	-	128,900

Note 9: Remuneration of Auditors

The remuneration to the Auditor-General for auditing the financial statements for the reporting period has been absorbed by the Aboriginal and Torres Strait Islander Commission and DIMIA.

No other services were provided by the Auditor-General.

Note 10: Special Payments

No 'Act of Grace' payments were made during the reporting period.

No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the *Financial Management and Accountability Act 1997*.

No ex-gratia payments were made during the reporting period.

**ABORIGINAL AND TORRES STRAIT ISLANDER LAND FUND ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 11: Financial Instruments

Note 11.A: Terms, Conditions and Accounting Policies

Financial Instrument	Notes	Accounting Policies and Methods (including recognition criteria and measurement basis)	Nature of Underlying Instrument (including significant terms & conditions affecting the amount, timing and certainty of cash flows)
<i>Financial Assets</i>		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash at Bank - deposits at call		Deposits are recognised at their nominal amounts.	The entity deposits appropriated funds, surplus funds and interest revenue with a commercial bank at call. Interest is earned on the daily balance at rates based on money market call rates.
Receivables - interest	5A	Interest is credited to revenue as it accrues.	All receivables are with entities external to the Commonwealth and relate to accrued interest on investments or cash at bank.
Investments	5B	Investments are recognised at revalued amounts based on an independent valuation by the Westpac Banking Corporation. Interest is credited to revenue as it accrues.	The entity invests appropriated funds and interest revenue in a range of securities. Interest rates are a mixture of fixed and floating rates.

ABORIGINAL AND TORRES STRAIT ISLANDER LAND FUND ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 11: Financial Instruments

Note 11B: Interest Rate Risk

Financial Instrument	Notes	Floating Interest Rate		Fixed Interest Rate Maturing In						Non-Interest Bearing		Total		Weighted Average Effective Interest Rate		
		1 Year or Less		1 to 5 Years		> 5 Years						2004		2005		
		2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	%	%		
Financial Assets																
Cash at bank		27,167,987	89,349,318	-	-	-	-	-	-	-	-	27,167,987	89,349,318	0.10	0.33	
Receivables	5A	-	-	-	-	-	-	-	-	18,660,205	13,752,124	18,660,205	13,752,124	-	-	
Investments	5B	86,688,839	963,437,106	280,882,230	512,350,078	141,306,595	50,227,500	-	-	-	-	1,472,314,770	1,328,487,033	5.49	4.72	
Total		113,856,826	963,437,106	280,882,230	512,350,078	141,306,595	50,227,500	-	-	18,660,205	13,752,124	1,518,142,962	1,431,588,475	5.59	5.05	
Total Assets												1,518,142,962	1,431,588,475			

**ABORIGINAL AND TORRES STRAIT ISLANDER LAND FUND ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 11C: Net Fair Values of Financial Assets

	2005		2004	
	Total Carrying Amount	Aggregate Net Fair Value	Total Carrying Amount	Aggregate Net Fair Value
	\$	\$	\$	\$
Financial Assets				
Cash at bank	27,167,987	27,167,987	89,349,318	89,349,318
Receivables	18,660,205	18,660,205	13,752,124	13,752,124
Investments	1,472,314,770	1,472,314,770	1,328,487,033	1,328,487,033
	<u>1,518,142,962</u>	<u>1,518,142,962</u>	<u>1,431,588,475</u>	<u>1,431,588,475</u>

The net fair values of cash and non-interest-bearing monetary financial assets approximate their carrying amounts.

Note 11D: Credit Risk Exposure

The entity's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

The entity has no significant exposures to any concentrations of credit risk.

ABORIGINAL AND TORRES STRAIT ISLANDER LAND FUND ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2005	2004
	\$	\$
Note 12: Special Appropriations - Drawdowns		
This amount consists of the following:		
Special appropriation drawdown – annual amount paid to the ILC	-	54,713,000
Special appropriation – capital injection credited to ATSILF	-	91,982,000
	<u>-</u>	<u>146,695,000</u>

This note should be read in conjunction with Note 13 & 14 relating to excess drawdowns of special appropriations. The above amounts disclosed include excess drawdowns, which were returned to the Consolidated Revenue Fund in 2004-2005.

Note 13: Return of Excess Appropriations Reconciliation

In 2003-2004, excess appropriations were quantified and incorporated in ATSILF's liabilities. Since the publication of the 2003-2004 financial statements, further work was performed on this quantification and subsequent adjustments were made to the original amount. The adjustments were made in 2004-2005 and are detailed below.

Appropriations (credits to ATSILF):	\$
Excess appropriations quantified in 2003-2004 financial statements	11,569,382
Subsequent quantification	10,432,046
Difference: Re-adjustments in Equity 2004-2005*	<u>1,137,336</u>
Interest:	
Interest Earned on Excess Appropriations quantified in 2003-2004 financial statements	4,219,977
Subsequent quantification	3,915,121
Difference: Re-adjustments in Statement of Financial Performance in 2004-2005**	<u>304,856</u>

* In 2003-2004, the excess appropriation quantified was adjusted in equity. Therefore, the difference resulting from the subsequent quantification was re-adjusted in equity in 2004-2005.

** In 2003-2004, the interest portion quantified was raised against expenses. Therefore, the difference resulting from the subsequent quantification was re-adjusted in the Statement of Financial Performance in 2004-2005.

The excess appropriation amount of \$10,432,046. was returned to the Consolidated Revenue Fund on 20 December 2004. The interest portion amount of \$3,915,121.00 was returned to the Consolidated Revenue Fund on 10 January 2005.

As the excess appropriation amount remained in ATSILF between 1 July 2004 and the return date (20 December 2004), interest was also earned on this amount in 2004-2005. The amount was quantified to be \$364,405.00 and was also returned to the Consolidated Revenue Fund, on 17 January 2005.

ABORIGINAL AND TORRES STRAIT ISLANDER LAND FUND ACCOUNT NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 14: Issues Arising from the Audit Qualification (2003-2004)

Excess Drawdowns

An audit by ANAO of the Financial Management of Special Appropriations, including ATSILF, was undertaken in 2003-2004. This audit included a review of the indexation factor applied to the Land Fund as provided by section 193D of the Aboriginal and Torres Strait Islander Commission Act 1989.

The audit identified a discrepancy in the indexation rate applied that has resulted in excess appropriations being transferred to the Land Fund, within the Consolidated Revenue Fund, and on-paid to the Indigenous Land Corporation under s193A, and the Aboriginal and Torres Strait Islander Commission under s193B of the Aboriginal and Torres Strait Islander Commission Act 1989, in breach of :

- a) Administering legislation; and
- b) Section 83 of the Constitution.
- c) Section 48 of the Financial Management and Accountability Act 1997

Refer to Note 13 for details of the return of excess appropriations

Investments

An audit by the ANAO of the Investment of Public Monies in 2003-2004 identified that ATSILF held investments that did not meet the definition of an authorised investment under s.39 of the Financial Management and Accountability Act 1997, in breach of:

- a) Section 39 of the Financial Management and Accountability Act 1997;
- b) Section 83 of the Constitution; and
- c) Section 48 of the Financial Management and Accountability Act 1997.

During 2004-2005 ATSILF exited out of the investments that did not meet the definition of an authorised investment under s.39 of the Financial Management and Accountability Act 1997