# Issue Assets − 2: Assets on Aboriginal Land

## Issue

* Are Agencies able to recognise assets constructed on Aboriginal land?

## Background

* The building and infrastructure assets on Aboriginal lands have historically been maintained on the Balance Sheet of the Northern Territory Government, on the grounds that the NTG had control over the economic benefits flowing from these assets.
* From 2011, the NTG has begun to enter into new arrangements whereby the land on which there is existing assets and/or new assets are to be built is to be underpinned by leasing arrangements appropriate to the use and economic life of the infrastructure.
* Under this approach it could be asserted that the entering of these leases crystallises the recognition of the Aboriginal Land Trusts’ ownership of these assets. This would result in the de‑recognition of existing assets and Agencies funding the construction of new infrastructure would not be entitled to recognise the outlay as assets (amounts would have to be expensed as costs were incurred).
* The accounting standard AASB 116 *Property, Plant and Equipment* requires that an item of property, plant and equipment be recognised as an asset if, and only if:

1. it is probable that future economic benefits associated with the item will flow to the entity; and
2. the cost of the item can be measured reliably.

* The key issue is whether the future economic benefits that arise from infrastructure or other assets constructed by the Northern Territory can be deemed to flow to Agencies.
* This issue has been dealt with by the International Public Sector Accounting Standards Board in its Consultation Paper *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Elements and Recognition in Financial Statements* in which three key criteria have been established.
  + Control - the ability of an Agency to utilise the asset’s present service capacity and to determine the nature and manner of use of the present service capacity embodied in the asset. It can be argued that an asset constructed on Aboriginal land by the Northern Territory is controlled by the Territory because it is used for purposes determined by the Territory. The Territory can determine the level and nature of services to be provided and at the same time the Territory can determine who can receive the services provided by an asset.
  + Economic ownership - which is based on a risks and rewards approach. Unlike the control approach that focuses on the power to direct how the resource is used, the risks and rewards approach focuses on an entity’s exposure to the underlying economic attributes that contribute to an asset’s value to the entity. It can be argued that the risks of ownership reside with the Territory. At the same time the Territory receives the benefits of ownership through the ability of the assets to contribute to Agencies’ achievement of their objectives.
  + Access - the ability of an entity to restrict or deny access of others to benefits that might flow from an asset. It can be argued that the Territory can restrict, deny or otherwise regulate the access to those benefits.
* When taken together there a strong case for recognised infrastructure and other improvements on Aboriginal land to be recognised as assets on the balance sheets of the Northern Territory.

## Policy

* By virtue of the economic benefits flowing to the Agency and that the risks and rewards of ownership reside with the NTG, Agencies are to continue to recognise Government assets on Aboriginal land as Agency assets.

## References

TD Section A2.1 Accounting – Assets: Overview

AASB 116 Property, Plant and Equipment

IPSASB Consultation Paper – Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Elements and Recognition in Financial Statements