



**LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY**

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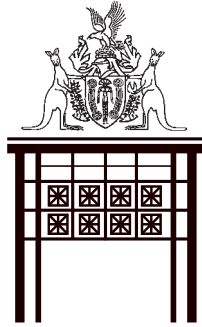
**PUBLIC ACCOUNTS COMMITTEE**

**REPORT OF THE INQUIRY INTO  
THE ACCURACY OF THE BUDGET DATA PUBLISHED IN  
THE 2001-02 BUDGET PAPERS WITH RESPECT TO BOTH  
THE ESTIMATED OUTCOME FOR 2000-01 AND  
THE BUDGET FOR 2001-02**

**REPORT NUMBER 38**

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**MAY 2002**



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**REPORT NUMBER 38**

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**MAY 2002**

**Legislative Assembly of the Northern Territory**

**PUBLIC ACCOUNTS COMMITTEE**

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Mr Terry Hanley  
Secretary

Mrs Jane Large  
Specialist Financial Advisor

Mrs Roseline Vogeli  
Research Assistant

## **Committee Members**

The Members of the Public Accounts Committee at the time of tabling the report were:

### **Dr Chris Burns, MLA**

Appointed 16 October 2001  
Australian Labor Party  
Elected Chairman 23 October 2001  
Member for Johnston. First elected 18 August 2001  
Deputy Chairman of Committees  
*Other Committees:* Privileges; Standing Orders; Substance Abuse

### **Mr S Dunham, MLA**

Appointed 18 October 2001  
Country Liberal Party  
Member for Drysdale. First elected 30 August 1997  
Shadow Minister for Health, Family and Children's Services; Essential Services;  
Senior Territorian  
*Other Committee:* House

### **Mr Len Kiely, MLA**

Appointed 16 October 2001  
Australian Labor Party  
Member for Sanderson. First elected 18 August 2001  
Deputy Chairman of Committees  
*Other Committees:* Subordinate Legislation and Publications; Legal and  
Constitutional Affairs

### **Dr Richard Lim, MLA**

Appointed 18 October 2001  
Country Liberal Party  
Member for Greatorex. First elected 4 June 1994  
Deputy Chairman of Committees  
Shadow Minister for Central Australia, Regional Development, Housing and  
Local Government, Corporate and Information Services, Ethnic Affairs  
*Other Committees:* Standing Orders; Substance Abuse

### **Mr Elliot McAdam, MLA**

Appointed 16 October 2001  
Australian Labor Party  
Member for Barkly. First elected 18 August 2001  
Government Whip  
*Other Committees:* Substance Abuse

### **Mr Gerry Wood, MLA**

Appointed 16 October 2001  
Independent  
Member for Nelson. First elected 18 August 2001  
Chairman of Committees  
*Other Committee:* Substance Abuse



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## CHAIRMAN'S FOREWORD

This Inquiry is the first major, public inquiry carried out by the Northern Territory Public Accounts Committee for a considerable time.

It results from serious allegations made in a memorandum from the Chief Executive Officer of Territory Health Services, Mr Paul Bartholomew, to the incoming Minister for Health, Family and Children's Services, the Honourable Ms Jane Aagaard in September 2001.

These allegations related to the veracity and accuracy of Budget data presented by the former Treasurer Mr Mike Reed to Parliament and the people of the Northern Territory in May 2001.

Mr Bartholomew specifically alleged that the estimated expenditure of Territory Health Services for 2000-01 was artificially reduced so as to show an increased expenditure equivalent to the CPI in 2001-2002. He also alleged that he informed his then Minister, Mr Stephen Dunham of this 'proposed deception'.

After receiving Terms of Reference for the Inquiry on 25 October 2001, the Public Accounts Committee then proceeded to gather evidence over the next 6 months including:

- Written responses from 35 agencies;
- Written submissions from 5 agencies relating to matters arising from the above responses from agencies; and
- A total of 10 public hearings which included a total of 32 hours of verbal evidence and 486 pages of transcripts (see Transcripts of Public Hearings Volume).

In the public hearings the Committee heard evidence given by the CEOs and Finance Officers of six agencies, three Ministers of the former Government and the current Minister for Health and Community Services. These public hearings also represented a first for the Northern Territory Parliament in that the media were allowed access to record them.

Apart from the Department of Health and Community Services, the Committee also heard evidence that there had been similar reductions in the Budget estimates of the Department of Employment, Education and Training and the Northern Territory Police, Fire and Emergency Services.

After careful consideration of the evidence, the Committee has published its Findings and Recommendations within this Report. Most importantly, the Committee believes that its Recommendations have positively addressed the issues raised and substantially reduced the likelihood of future similar interference in Budget processes. To this end the Committee believes that Parliament and the people have the right to trust the figures that are published in the Budget Papers.

In particular, the Committee commends those Recommendations related to the need for more transparency and appropriate detail in the presentation of Budget data.

We have also recommended the establishment of an Estimates Committee within the Northern Territory Parliament. Indeed the Northern Territory is the only Parliament in Australia not to have an Estimates Committee to scrutinise the Budget Estimates process.

I would like to thank our Secretary Mr Terry Hanley and his Assistant Mrs Ros Vogeli for the many hours of dedicated work they have given in supporting the Committee throughout this Inquiry. Similarly I would like to thank Hansard staff for their support.

Finally I would especially like to thank Mrs Jane Large, our Specialist Financial Advisor, who independently and fearlessly gave her expert opinion to the Committee – particularly on the sometimes complicated aspects of Budget processes.

I commend this Report to the Parliament and public of the Northern Territory.

**Dr Chris Burns, MLA**  
Chairman

# NORTHERN TERRITORY PUBLIC ACCOUNTS COMMITTEE

## Establishment of the Committee

The Northern Territory Public Accounts Committee was established by temporary Standing Order 21A of the Legislative Assembly on 16 August 1986.

The Committee's status was altered, by way of a motion of the Chief Minister on 23 August 1988, from a Sessional Committee on a trial basis to a Standing Committee of the Parliament.

As a Committee of the Legislative Assembly, its authority is derived from the *Northern Territory (Self Government) Act* (of the Commonwealth) and the *Legislative Assembly Powers and Privileges Act* (of the Northern Territory).

On 16 October 2001, Standing Orders were amended to allow for the Committee to be comprised of six (6) members, consisting of three (3) Government, two (2) Opposition and one (1) Independent member.

## Duties of the Committee

The duties of the Committee under Standing Order 21A are:

- (a) to examine the accounts of the receipts and expenditure of the Northern Territory and each statement and report tabled in the Legislative Assembly, pursuant to the *Financial Management Act* and the *Audit Act*;
- (b) to report to the Legislative Assembly with such comments as it thinks fit, any items or matters in or arising in connection with those accounts, statements or reports, or in connection with the receipt or disbursement of the moneys to which they relate, to which the Committee is of the opinion that the attention of Parliament should be drawn;
- (c) to report to the Legislative Assembly any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them or in the method of receipt, control, issue or payment of public moneys;
- (d) to inquire into and report to the Legislative Assembly on any question in connection with the public accounts of the Northern Territory—
  - (i) which is referred to it by a resolution of the Assembly; or
  - (ii) which is referred to it by the Administrator or a Minister; and
- (e) to examine the reports of the Auditor-General tabled in the Legislative Assembly with the accounts of an Agency of the Northern Territory, including any documents annexed or appended to those reports, pursuant to the *Audit Act*.

- (3) The Committee shall examine only those accounts of receipts and expenditure of the Northern Territory and reports of the Auditor-General for financial years commencing after 30 June 1986 provided that this shall not prevent the consideration by the Committee of matters included in reports of the Auditor-General for the year ending 30 June 1986 which have or may have a continuing effect on the form of the public accounts, the method of receipt, control, issue or payment of public moneys
- (4) Prior to determining whether to undertake an inquiry into any matter which may have arisen in connection with the public accounts of the Northern Territory, pursuant to paragraphs (2)(a) and (e), with the concurrence of the Committee, the Chairman is empowered to write to the Chief Executive Officer of the relevant agency for a report on the matter.
- (5) The Committee shall take care not to inquire into any matters which are being examined by a Select Committee of the Assembly especially appointed to inquire into such matters and any question arising in connection therewith may be referred to the Assembly for determination.
- (6) The Committee shall elect a Government Member as Chairman.
- (7) The Chairman of the Committee may, from time to time, appoint a member of the Committee to be the Deputy Chairman of the Committee and the Member so appointed shall act as Chairman of the Committee at any time when there is no Chairman or when the Chairman is not present at a meeting of the Committee.
- (8) In the event of an equality of voting, the Chairman, or the Deputy Chairman when acting as Chairman, shall have a casting vote.
- (9) The Committee shall have power to appoint Sub-Committees and to refer to any such Sub-Committee any matter which the Committee is empowered to examine.
- (10) Three Members of the Committee shall constitute a quorum of the Committee and two Members of a Sub-Committee shall constitute a quorum of the Sub-Committee.
- (11) The Committee or any Sub-Committee shall have power to send for persons, papers and records, to adjourn from place to place, to meet and transact business in public or private session and to sit during any adjournment of the Assembly.
- (12) The Committee shall be empowered to print from day to day such papers and evidence as may be ordered by it and, unless otherwise ordered by the Committee, a daily Hansard shall be published of such proceedings of the Committee as take place in public.
- (13) The Committee may proceed to the dispatch of business notwithstanding that all Members have not been appointed and notwithstanding any vacancy.
- (14) The Committee shall report annually and shall have leave to report from time to time and to report its proceedings and evidence taken; and any Member of the Committee shall have power to add a protest or dissent to any Report.
- (15) Unless otherwise ordered by the Committee, all documents received by the Committee during its inquiry shall remain in the custody of the Assembly: provided that, on the application of a department or person, any document, if not likely to be further required, may, in the Speaker's discretion, be returned to the department or person from whom it was obtained.

- (16) The Committee shall be provided with all necessary staff, facilities and resources and shall be empowered, with the approval of the Speaker, to appoint persons with specialist knowledge for the purposes of the Committee.
- (17) The Committee or a Sub-Committee be empowered to consider the minutes of proceedings, evidence taken and records of similar Committees established in previous Assemblies.

## INQUIRY'S TERMS OF REFERENCE

Pursuant to paragraph 2(d)(ii) of Standing Order 21A, the Chief Minister, the Hon. Clare Martin, MLA, moved that the following matter be referred to the Standing Committee of Public Accounts for inquiry and report:

- (1) Upon the accuracy of the budget data published in the 2001-02 Budget Papers with respect to both the estimated outcome for 2000-01 and the budget for 2001-02, with particular reference to:
  - (a) whether the data published for individual agencies differed materially from that understood by agencies to properly reflect the best estimates available to each agency at the time;
  - (b) where there is a material difference, whether there is any supporting advice issued by the Treasury or the Treasurer's Office with regard to these differences, and the nature of that advice;
  - (c) whether the agency undertook to advise its respective minister, prior to the budget being delivered, that these differences existed;
  - (d) the impact these differences had on the reported totals for the Northern Territory public sector; and
  - (e) examine both the expenditure and receipts attributable to each agency in regard to points (a) to (d).
- (2) The Committee report to the Assembly on or before the second sittings of the Assembly in 2002.

25 October 2001

**Memorandum, dated 27 September 2001**  
**Re Territory Health Services Budget 2001-02**  
**From Mr Paul Bartholomew, Chief Executive Officer**  
**Territory Health Services**  
**to**  
**Minister for Health, Family and Children's Services**







# MEMORANDUM

Date: **27 SEPTEMBER 2001** Reference:

To: **MINISTER  
HEALTH, FAMILY & CHILDREN'S SERVICES**

From: **PAUL BARTHOLOMEW  
CHIEF EXECUTIVE OFFICER**

Subject: **TERRITORY HEALTH SERVICES (THS) BUDGET 2001/02**

Attached as requested is an explanation of THS' budget situation for 2001/01 and 2001/02 as compared to that presented in the last budget papers.

In summary, there was an artificial reduction of \$8 million in THS' 2000/01 budget, in order that the 2001/02 budget figure could be presented falsely as a 2.5% increase. In reality THS 2001/02 budget represents a reduction on the final 2000/01 approved budget.

The attached papers also demonstrate that in reality THS' final actual expenditure for 2000/01 was contained within the approved budget.

My first knowledge of this situation was when I was in Sydney on official business on 9 May 2001. I received a telephone call from the Under Treasurer, Ken Clarke who informed me the Treasurer intended to adjust THS' final budget figure for 2000/01 so that the following years budget could artificially be shown as providing an increase at least equivalent to the CPI.

Mr Clarke informed me that this should be confidential within THS and it was agreed [REDACTED] would liaise with designated Treasury staff on the necessary adjustments to the budget figures.

On receipt of this message I expressed considerable concern to Mr Clarke and informed him that I would need to discuss this with my Minister.

I rang Minister Dunham and expressed my alarm at this proposed deception. I advised him that in my view this arrangement would undoubtedly be discovered in due course by the Auditor-General and would reflect poorly on THS and the Minister. In addition I expressed concern that as a consequence of these artificial adjustments, THS would be seen to be exceeding its approved budget by \$8m when this was demonstrably not the case.

Minister Dunham expressed serious alarm at the information I conveyed to him and indicated he wished to be kept informed of all developments.

The Minister was continually kept informed as the budget process continued but there was no change in the decision to artificially reduce by \$8m the 2000-01 budget.

  
PAUL BARTHOLOMEW

## TERRITORY HEALTH SERVICES

### AUDIT TRAIL

	<b>2000-01 Budget Review \$000</b>	<b>2001-02 Forward Estimate \$000</b>	<b>2002-03 Forward Estimate \$000</b>
<b>OUTLAYS</b>			
<b>Sub-Total</b>	<b>442,150</b>	<b>442,741</b>	<b>447,545</b>
<b>Additional Items</b>			
Impact of Cabinet approved 2% Efficiency Dividend for 2001-02.		- 3 203	- 3 260
Cabinet approved reduction in Allocation to fund management of outsourced legal service	- 14	- 42	- 42
Vector Borne Disease Threats to NT.		88	88
Additional Delegate of the Public Guardian.		65	
Taxi Subsidy Scheme		80	80
Australians Donate - Organ Transplant		80	80
Cross:Border Charges		1700	0
Section 100 Pharmaceuticals.		1400	1400
Palmerston Health Precinct.		397	397
Matched Growth Funding for HACC.		122	248
Cardiac Rehabilitation		145	145
<b>Approved as at 6-7 March 2001</b>	<b>442,136</b>	<b>443,573</b>	<b>446,681</b>
<b>3 April Budget Cabinet</b>			
Additional Matched Growth funding for HACC		268	550
Allocation variations to cover revised offers which are 100% externally funded:			
• CSDA \$0.024, \$0, \$0,			
• East Timor National Tuberculosis Project \$0.093, \$0.162, \$0,			
• National Indigenous Pneumococcal Influenza \$0.539, \$0, \$0,			
• SAAP - \$0.092, \$0.092, \$0.092	560	70	-92
Additional Allocation from the Commonwealth for the Measles Mumps Rubella Young Adult Initiative	85	354	
Removal of Swimming Pool at Port Keats	- 300		
Transfer to DCIS of Human Resource record keeping function	- 63	- 57	- 57
Outturn Prices		10	24
<b>Sub-Total</b>	<b>442 418</b>	<b>444 218</b>	<b>447 106</b>
<b>Additional items</b>			
Additional funding for increased School Therapy Service and NGO's Chronic Disease Programs for Remote Areas (Section 100 Pharmaceuticals)	1400	1000	1,000
Cabinet Approved 3/4/01	<b>443 818</b>	<b>445 218</b>	<b>448 106</b>
<i>Note: NGO funding is not to be linked directly to Workers</i>			
<b>Post April 2001 Budget Cabinet</b>			
Increase to base funding for Menzies School of Health Research		500	500
Funding support of \$274,000 for a six month trial of 24 hour Family Medicine Clinic at Palmerston Health Precinct and \$169 000 to relocate the radiology service. Cabinet Decision No. 11880 of 10 April 2001 (Bluey #1)	138	208	96
Relocation of the Darwin Dental Clinic. Cabinet Decision No. 11892 of 27 April 2001. (Bluey #18)		1000	250
Payroll Tax reduction (Bluey #14)		- 120	- 130
Introduction of free syringes for diabetic sufferers (Bluey #33)		30	
Realignment of current year Budget to ensure an increase in estimates for the year 2000-02 Budget year of 2.5% gross (Bluey #40 – This adjustment for presentation purposes only.	- 8000		
Outturn Prices		45	86
<b>2000-01 Budget</b>	<b>435 956</b>	<b>446 881</b>	<b>448 908</b>

**TERRITORY HEALTH SERVICES**

**AUDIT TRAIL**

	<b>2000-01 Budget Review \$000</b>	<b>2001-02 Forward Estimate \$000</b>	<b>2002-03 Forward Estimate \$000</b>
<b>OUTLAYS</b>			
<b>End of 2000-01 Financial Year</b>			
Reinstatement of \$8.0M for realignment of current year Budget to ensure an increase in estimates for the 2001-02 Budget year of 2.5%			
Gross XXXXX	8000		
Treasurer's Advance No.20 – reimbursement of flood related expenditure and superannuation expenses.	2177		
Treasurer's Advance No.21 – legal advice and for damages awarded and cases settled	1323		
	<b>447,456</b>	<b>446,881</b>	<b>448,908</b>

# CHAPTER 1

## Introduction and Inquiry Methodology

During Question Time on 25 October 2001, in response to a question from the Member for Sanderson, Mr Len Kiely, MLA, the Minister for Health, Family and Children's Services, the Hon. Jane Aagaard, MLA, tabled a memorandum, dated 27 September 2001, from Mr Paul Bartholomew, CEO of Territory Health Services to herself, re Territory Health Services' Budget 2001-02.

Prior to the scheduled closure of Question Time, the Chief Minister, the Hon. Clare Martin, MLA, moved (see Appendix 11):

That the Assembly censure –

1. the former Country Liberal Party Treasurer, the Member for Katherine for:
  - (a) deliberately including false information in the 2001-02 Budget Papers;
  - (b) directing that false figures be included in the Northern Territory Budget so as to enable the Country Liberal Party to make fraudulent claims about its budget and deceive Territorians;
2. the former Country Liberal Party Health Minister, the Member for Drysdale for:
  - (a) being complicit in the former Treasurer deliberately, including knowingly, providing false information in the 2001-02 Budget Papers;
  - (b) being complicit in the former Treasurer directing false figures be included in the Northern Territory budget so as to enable the Country Liberal Party to make fraudulent claims about its budget and deceive Territorians; and
3. the former Chief Minister, the Member for Brennan, for leading a government that corrupted the Northern Territory's Budget and sought to deceive Territorians.

During the censure debate, the content of Mr Bartholomew's memorandum was continually referred to, in particular the issue raised by him of *there was an artificial reduction of \$8 million in THS 2000/01 budget, in order that the 2001/02 budget figure could be presented falsely as a 2.5% increase. In reality THS 2001/02 budget represents a reduction on the final 2000/01 approved budget.* (See pp. xvii-xix).

During her statement, the Chief Minister alluded to the fact that she would be referring the matter to the Public Accounts Committee for further investigation.

At the conclusion of the debate, the matter was referred to the Public Accounts Committee with a specific terms of reference (see p. xiv) and reporting timeframe.

On 1 November 2001, the Dr C. Burns, MLA, Chairman of the Public Accounts Committee wrote to all Chief Executive Officers informing them of the Terms of Reference for the Inquiry.

In this correspondence, the Chairman requested that each agency provide a response relating to the Budget data published in the 2001-02 Budget Papers with respect to both the estimated outcome for 2000-01 and the Budget for 2001-02 with reference to:

- (a) whether the data published for individual agencies differed materially from that understood by agencies to properly reflect the best estimates available to each agency at the time;
- (b) where there is a material difference, whether there is any supporting advice issued by the Treasury or the Treasurer's office with regard to these differences and the nature of that advice;
- (c) whether the agency undertook to advise their respective Ministers, prior to the Budget being delivered, that these differences existed.

The Committee undertook a review of all agencies' responses, the 2000-01 and 2001-02 Budget Papers, Treasurer's Financial Report 2000-01, relevant Treasury Circulars and Treasury Audit Trails was undertaken by the Committee.

Materiality of any variation to the individual Budgets was considered on the basis of dollar values, percentage of total Budget, percentage of agency's Budget, subsequent action and the effect on Government programs and the total Public Sector finances. In addition, timing of the identified variations was taken into account.

### **Responses from Agencies**

All Chief Executive Officers, on behalf of their respective agencies, responded to the Public Accounts Committee Chairman's request for information pertinent to the Inquiry.

In five agencies, responses identified issues which indicated exceptional variations in the Budget data as published in the 2001-02 Budget Papers. These were:

#### **Department of Lands Planning and Environment — 2001-02 Land Sales Receipts**

A notional figure of \$9.0m was included in the Budget Papers for land sales receipts in 2001-02. The agency had provided advice to Treasury and Mr Baldwin, MLA, the former Minister for Lands, Planning and Environment, albeit on an information basis only, that the likely level of receipts should be \$3.3m at the time of the preparation of the Budget Papers. Mr Baldwin was aware of the anomaly prior to the publication of the 2001-02 Budget.

#### **Territory Health Services — 2000-01 Outlays**

There was an artificial reduction of \$8.0m in 2000-01 estimates of expenditure so that the 2001-02 Budget figures would show a 2.5% increase. The reduction was approved by the Treasurer on 17 May 2001 and Mr Dunham, MLA, the former Minister for Territory Health Services was immediately advised of the agency's concerns on the issue.

### **Department of Education — 2000-01 Outlays**

An adjustment of \$6.0m to the estimated outlays for 2000-01 was made on the basis that this amount would be carried over to 2001-02. No contra adjustment was made to the 2001-02 Budget. The reduction was approved by the Treasurer on 17 May 2001. Mr Lugg, the former Minister for School Education was verbally advised on the matter prior to the publication of the 2001-02 Budget.

### **NT Police, Fire and Emergency Services — 2000-01 Outlays**

The 2001-02 Budget incorporated a \$2.0m reduction to the 2000-01 estimates of expenditure which was described as 'realignment of estimates to allow for a likely carry-over of 2000-01 expenditure into 2001-02'. The reduction was approved by the Treasurer on 17 May 2001. As Mr Reed, MLA, the former Treasurer was also the Minister for Police no specific advice on the matter was provided by the agency.

### **NT Treasury**

In 2001-02, a revised treatment of transactions primarily related to interest payments between Treasury and Treasury Corporation resulted in an adjustment to the 2000-01 figures for comparison purposes. Whilst there was a nil effect on the total figures for the combined agencies, the amount involved, namely \$143.5m, was extremely large and no annotation on the adjustment was made in the Budget Papers.

The Committee took the decision to invite the five agencies to provide further details and to give evidence at a series of public hearings.

Invitations to provide evidence at the Committee's public hearings were also issued to Mr M. Reed, MLA, former Treasurer, Mr S. Dunham, MLA, former Minister for Health Family and Children's Services, Mr T. Baldwin, former Minister for Lands Planning and Environment, Mr C. Lugg, former Minister for School Education and the Hon. J. Aagaard, MLA, current Minister for Health and Community Services.

As a result of the information provided by the Department of Infrastructure, Planning and Development, the Committee took the decision that it was not necessary for Mr Baldwin to appear before it.

Eight other agencies were identified as containing inconsistencies or errors in their Budget documentation, namely:

### **Department of Local Government**

A classification error between Operational Costs and Grant and Subsidies of \$720,000 was identified, with a nil effect on total outlays.

### **Department of the Legislative Assembly**

A need to increase expenditures in 2000-01 by \$220,000 was identified and informal notification was provided to Treasury at the time the Budget was being published. The information was formalised after the 2001-02 Budget was published. The department took the unprecedented step of allocating a specific section of its annual report (p. 34) to qualify the procedures leading up to and the subsequent remedial action taken to address this increase in expenditure.

**Correctional Services**

The fringe benefits expenditure had been wrongly classified to an individual Activity instead of being shown across a number of Activities. There was a nil effect on totals.

**NT Employment and Training**

Subsequent to the 2001-02 Budget being published, under-expenditure of \$3.17m, in 2000-01, was identified and requested to be carried over into 2001-02. Approval was given to only carry-over the Commonwealth funds component of \$1.624m. This carry-over will have a substantial impact on funds available for training in 2001-02.

**Office of Aboriginal Development**

An unusual Budget treatment of the \$1.043m funding for the Aboriginal Interpreter Service may lead to the impression that the office of Aboriginal Development controls all funds whereas \$0.593m is expended by five other 'essential service' agencies.

**Territory Housing**

A revised treatment for depreciation was made subsequent to the publishing of the 2001-02 Budget. This will affect the 2001-02 end year result for the agency.

Even though the above variations and anomalies in the individual agencies' Budget may affect the absolute accuracy of the data published in the 2001-02 Budget Papers, in terms of materiality, the discrepancies either had no overall effect or were identified subsequent to the publication of the 2001-02 Budget and do not warrant any further detailed examination.

**Department of Corporate and Information Services**

The department was invited to attend a public hearing to provide additional information as well as to give evidence on the variation identified in the Treasurer's Financial Report 2000-01 for Information Technology Management Services.

**Treasurer's Financial Report 2000-01**

In addition to the agencies' responses, the data for 2000-01 Estimates included in the 2001-02 Budget Papers, were compared to the 2000-01 Actuals reported in the Treasurer's Financial Report 2000-01.

The overall variation between 2000-01 Estimates compared to Actuals was -\$167.7m. The main components of this reduction were:

NT Treasury	- \$143.5
Territory Health Services	+ \$11.3
Department of Education	+ \$5.3
Power and Water Authority	- \$17.8
Information Technology Management Services	+ \$11.1

Power and Water Authority's expenditure variations are offset by receipt variations or changes in cash balances. It is a commercial entity and as such operates within the level of funds earned. Therefore, the Committee decided that no further examination was required.



## CHAPTER 2

### Department of Education

(Now incorporated in the Department of Employment, Education and Training)

#### Introduction

In response to a letter from the Committee, dated 1 November 2001, the Department of Education identified a material adjustment to the content of the 2001-02 Budget Papers. The adjustment was a \$6.0m reduction to the estimated outlays for 2000-01 on the basis that this would be carried over to 2001-02. However, no contra-adjustment was made to the 2001-02 Budget.

The adjustment advice was received from Treasury on 18 May 2001 and Mr Lugg, former Minister for School Education was informed of the impact this adjustment would have on the Budget presentation.

At its hearings, on 5 December 2001 and 4 February 2002, the Committee took evidence from the Department of Employment, Education and Training (DEET) and from Mr Lugg, former Minister for School Education, on the following issues:

- The reduction of \$6.0m to the estimated outlays for 2000-01 as published in the 2001-02 Budget Papers
- Carry-over of 2000-01 Allocation into 2001-02
- Supplementation of the agency
- Funding and details of the LATIS program
- Funding to non-government schools.

#### Reduction of \$6.0m to the Estimated Outlays 2000-01

In response to questions on the \$6.0m realignment, DEET explained that it had no impact on the agency's operation as advice from Treasury had been provided to the effect that the realignment was for Budget presentation purposes.

*Mr PLUMMER: ... The realignment of 2000-01 estimated actual had no impact on the operations of the agency. Clarification was sought from Treasury about the reasons for the realignment. Advice was provided that the realignment was for budget presentation purposes, and not a budget allocation adjustment, and made the point that there was no variation to allocation.<sup>1</sup>*

The Committee asked several questions on the meaning of 'presentational purposes' and the reasons for the reduction. Mr Plummer explained that Treasury had indicated the funds would not be expended in 2000-01:

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<sup>1</sup> p. 73, Department of Employment, Education and Training, Transcript of Public Hearing, 5 December 2001

**Mr PLUMMER:** ... For the whole period of the 18 months in Education, there has been an ongoing dialogue with Treasury that has been aimed at trying to understand, very clearly, the drivers of the budget, ...

*Treasury, in fairness to them, were still not satisfied on some of our discussions, and were seeking more proof. So, I could see from their perspective that they might expect us - and that's why I accepted it. We might not expend as much as they first thought, yet we were saying we were probably going to expend more.<sup>2</sup>*

In addition, Mr Lugg appeared to be over reliant on his CEO and finance team in relation to budgetary matters.

**Mr LUGG:** *The Education budget went up and down. Now, the Treasurer can choose to present that any way he likes. I guess the person who's probably got the most educated view on that would be Peter Plummer himself, a man who is highly respected, highly experienced, used to running difficult and complex organisations such as Health. He wasn't in the least worried by it because it didn't affect the operations of the department.<sup>3</sup>*

There also appears to be a contrast in attitude between the alarm expressed by Mr Dunham when he heard from his CEO of the \$8.0m reduction to the Health estimates and the attitude of Mr Lugg to the \$6.0m reduction to Education estimates when he was informed by Mr Plummer.

**Mr CHAIRMAN:** *[Mr Plummer] ... told you that there was \$6m being reduced from the estimates of expenditure for that year. I mean, given your confidence in the team, were you alarmed that this \$6m had been taken off?*

**Mr LUGG:** *No.*

*... I knew at any time, if I had a valid reason for extra funds - for instance, redundancies - the door was open there, or for any other contingency. I mean, we didn't operate in isolation. If there were alarm bells ringing in Peter Plummer's mind, he would have let me know, and there weren't. Now, I knew he had a very good working relationship with Mr Clarke, Ms Prince and others in Treasury, and that was backed up by Messers Saunders and Simpson.<sup>4</sup>*

Furthermore, Mr Lugg admitted that, after being informed by his CEO, he did not see a need to take any action whatsoever to ensure that departmental expenditure was reduced to reflect the \$6.0m reduction in estimated expenditure.

**Mr WOOD:** *... Just one last quote from [Mr Plummer's letter of 4 December 2001] "No action was taken to manage the budget as per the estimated actuals shown in the budget paper." If you, Mr Lugg, were made aware of it, why didn't you take any action?*

**Mr LUGG:** *What action did I need to take? If you look at a budget, it is a moving thing. Things change almost on a daily basis. The way budgets work in Government is each Minister fights within Budget Government to get what they believe is a fair share of resources to deliver the programs.<sup>5</sup>*

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<sup>2</sup> p. 74, Department of Employment, Education and Training, Transcript of Public Hearing, 5 December 2001

<sup>3</sup> p. 192, Mr Lugg, former Minister for School Education, Transcript of Public Hearing, 4 February 2002

<sup>4</sup> p. 202, Mr Lugg, former Minister for School Education, Transcript of Public Hearing, 4 February 2002

<sup>5</sup> pp. 191-192, Mr Lugg, former Minister for School Education, transcript of Public Hearing, 4 February 2002

**Mr WOOD:** *Could I ask, therefore, Mr Lugg, did they justify what they wanted to take this \$6m from you? Did they give you a full enough ...*

**Mr LUGG:** *That came as a surprise to me. You'll have to ask the Treasurer about that.*<sup>6</sup>

The Chairman asked if the \$345.0m, shown in 2001-02, accurately reflected the Department's anticipated expenditure for the end of the 2000-01 financial year?

Mr Plummer responded that it was Treasury's estimate.

**Mr PLUMMER:** *That was Treasury's estimate. Our estimate was higher and so we didn't agree. But that is not something that worried me because we were talking about something, Mr Chairman, that's in the order of \$4.7m and in the size of that budget, that wasn't of concern to me.*<sup>7</sup>

Mr Kiely questioned the agency's attitude in respect of information, contained in budget documents presented to Parliament, which was not consistent with the agency's understanding of the anticipated outcome.

In response Mr Plummer admitted not agreeing with the figure.

**Mr PLUMMER:** *We didn't agree with the estimate that was in the budget paper, as we've already outlined. But you need to understand that we were still in conversation with Treasury about our final expenditure ...*<sup>8</sup>

Further Mr Plummer stated, several times, that this was Treasury's role.

**Mr PLUMMER:** *... It was Treasury's right, in my view, to present - and I recognise that we were going to have to run further arguments with them - to present as they've done ...*

*... I maintain it was Treasury's role but I'm also saying to you I didn't think about it in the context you were putting the question to me and I don't think I would have been concerned at that stage.*<sup>9</sup>

Mr Lugg's comments to the Chairman's questions on provision of information to Parliament was:

*'Estimates' being the key word.*<sup>10</sup>

*Estimates are based on the best information you are giving at a particular snapshot in time.*<sup>11</sup>

*So the difference is \$3m in \$350m. It's less than 1 per cent. Now, in terms of budget terms, I'd say that was pretty accurate.*<sup>12</sup>

Nevertheless, Mr Lugg used the reduced estimate for 2000-01 of \$345.0m in his Budget Appropriation Speech to claim that Education spending was to be increased in 2001-02 by \$9.4m to \$344.7m.

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<sup>6</sup> p. 199, Mr Lugg, former Minister for School Education, transcript of Public Hearing, 4 February 2002

<sup>7</sup> p. 77, Department of Employment, Education and Training, Transcript of Public Hearing, 5 December 2001

<sup>8</sup> p. 81, Department of Employment, Education and Training, Transcript of Public Hearing, 5 December 2001

<sup>9</sup> p. 82, Department of Employment, Education and Training, Transcript of Public Hearing, 5 December 2001

<sup>10</sup> p. 196, Mr Lugg, former Minister for School Education, Transcript of Public Hearing, 4 February 2002

<sup>11</sup> p. 196, Mr Lugg, former Minister for School Education, Transcript of Public Hearing, 4 February 2002

<sup>12</sup> p. 197, Mr Lugg, former Minister for School Education, Transcript of Public Hearing, 4 February 2002

**Mr LUGG:** *As I have stated before, the overall NT Education budget has been increased by \$9.4m to \$354.7m.*<sup>13</sup>

The Committee noted that, at the time of Mr Lugg's Budget Appropriation Speech, his department's own estimate for expenditure for 2000-01 was \$351.0m and the approved Allocation for Education was \$351.0m.

Mr Dunham raised the issue of responsibility for the global sustainability of the Budget. Mr Plummer replied that it was a matter for the Government of the day to decide how it required resources to be distributed.

### **Carry-over of 2000-01 Allocation into 2001-02**

In response to the Committee's questions regarding the carry-over of 2000-01 Allocation into 2001-02, the agency responded that it was for unexpended monies for the LATIS program and also related to Commonwealth funding for a number of programs.

Mr Kiely further questioned whether Treasury had indicated that the \$6.0m was as a result of anticipated under-expenditure in LATIS.

The agency responded in the negative but further stated that it had been in a position to earmark specific programs which could achieve a reduction in expenditure.

**Mr SIMPSON:** *... As I say it comprises two elements, one to do with funds we knew we wouldn't be able to expend against LATIS, and funds that we knew we wouldn't be able to spend against Commonwealth funded programs.*<sup>14</sup>

The agency also stated that, at the beginning of May, its estimate of expenditure would probably have been \$350.0m but could vary plus or minus \$2.0m.

Mr Saunders explained:

*... There could have been \$2m worth of expenditure, had we been able to get the supply of computers. If we had not paid out redundancies in that period, the figure could have changed again. We didn't know that figure until late May.*<sup>15</sup>

The agency agreed with the question from the Chairman that, if a reduction of \$6.0m in 2000-01 was not carried over, the 2001-02 Budget presented to Parliament would be too low.

In addition, Mr Plummer stated that he had never seen an instance where a carry-over was promised but no contra-entry made in the following year.

The agency explained that they had received information from Treasury that there would not be any carry-over process at the end of 2000-01.

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<sup>13</sup> p. 7780, Mr Lugg, Hansard Thursday 31 May 2001, Parliamentary Record, No. 28

<sup>14</sup> p. 76, Department of Employment, Education and Training, Transcript of Public Hearing, 5 December 2001

<sup>15</sup> p. 82, Mr Saunders, Department of Employment, Education and Training, Transcript of Public Hearing, 5 December 2001

**Mr SIMPSON:** ... We did get advice from Treasury that that would not be the process.

... We were hopeful that the LATIS program would be carried forward to this financial year. The reason for that was to do with we just couldn't get the computers in time to pay for them and so we were hopeful that it would be carried forward. That's not something that we'd discussed with Treasury officers but like I say we weren't unhappy with the \$6m figure. As it turns out it's very accurate.<sup>16</sup>

## **Supplementation of the Agency's Budget in 2000-01 and 2001-02**

Mr McAdam queried the non-inclusion of the approved \$6.0m for personnel costs.

The Auditor-General's for the Northern Territory November 2001 Report to the Legislative Assembly stated:

**Mr McADAM:** [Quoting] ... By March 2001 the Department had better identified its budgetary needs for personnel costs for the year. That analysis established that the original \$204 million budgeted for personnel costs for 2000-01 was insufficient. A \$6m increase was approved by the Government in March 2001, but the forward estimates in the Government's 2001-02 Budget Papers still showed \$204 million. The actual outlays recorded for personnel costs for the year eventually totalled \$212 million.<sup>17</sup>

The agency responded by explaining that the additional funding was included in 2000-01 but, as there were one-off redundancies costs, the amount required for 2001-02 was going to be approximately \$4.0m.

**Mr SAUNDERS:** ... We weren't exactly confident with the Education budget figures and we wanted to continue our dialogue with Treasury over this coming year, to improve the budget accuracy that we have.<sup>18</sup>

Nevertheless, when questioned further by the Chairman as to why the \$6.0m increase in base funding approved by Cabinet in March 2001 had not been included in the forward estimates for 2001-02, Mr Saunders replied:

*That's a matter for Treasury.*<sup>19</sup>

This matter is further addressed in the Findings and Recommendations Chapter.

In documentation provided to the Inquiry, the Department of Education requested supplementation to the 2000-01 Budget of \$11.4m. Of this amount \$6.2m was identified as 'adjustment to baseline' and related solely to Personnel Costs. Cabinet approved only \$6.0m of the \$11.4m and the increase was described as relating to the 'base funding' bid so it was for Personnel Costs.

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<sup>16</sup> p. 77, Department of Employment, Education and Training, Transcript of Public Hearing, 5 December 2001

<sup>17</sup> p. 79. Department of Employment, Education and Training, Transcript of Public Hearing, 5 December 2001, quoting from p. 22, Auditor-General for the Northern Territory, Analysis of the 200/01 Treasurer's Annual Financial Statement, Report to the Legislative Assembly, November 2001

<sup>18</sup> p. 80, Department of Employment, Education and Training, Transcript of Public Hearing, 5 December 2001

<sup>19</sup> p. 80, Mr Saunders, Department of Employment, Education and Training, Transcript of Public Hearing, 5 December 2001

Treasury requested the Department of Education to distribute the \$6.0m within the categories of cost, which it did as follows:

Personnel Cost	+ \$4.748m
Operational Costs	+ \$1.252m

The subsequent decision to reduce the Education's Budget by \$6.0m saw Personnel Costs also reduced to \$204.3m.

## **Funding and Details of the LATIS Program**

In response to the Committee's written question, the agency tabled details of the Budget Allocation for LATIS. This showed Budget Allocation 2000-01 as \$5.7m; 2001-02 as \$7.8m and \$7.8m ongoing for future years with an under-expenditure of \$2.3m, in 2000-01, which is scheduled to be spent in 2001-02.

Documentation provided by the Department showed that whilst there was a reasonable flow of written communication between the Department and the Minister there was no written communication on the under-expenditure in LATIS and various Commonwealth programs.

## **Funding to Non-Government Schools**

Mr Wood queried the deferral to approve the 2000-01 non-Government school capital projects and the reduction of funding in 2000-01.

Mr Plummer, in replying to the issue raised, advised that the Government had deferred approval of submissions for capital funding in 2000-01 until the agency had completed additional work on the policy framework.

Mr Plummer stated:

*... I think, the non-government schools have been treated very well and have been treated well is all I will say, very well.*

*... The fact is I think there's quite a good policy framework in the Territory that does provide for good choice in a limited population ...<sup>20</sup>*

## **Committee's Comments**

The agency accepted the realignment of the 2000-01 Budget following advice received by Treasury that it was for presentational purposes and not a reduction to Budget Allocation. The acceptance was based on the knowledge, which was not discussed with Treasury at the time, that there were items of under-expenditure at the end of the year and there would be further discussion with Treasury to justify funding and carry-over.

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<sup>20</sup> p. 93, Mr Plummer, Department of Employment, Education and Training, Transcript of Public Hearing, 5 December 2001

The main areas of concern were:

1. The effect of reporting figures to Parliament which were not the best estimates of the agency at the time.
2. The former Minister for School Education's use of these figures in the Budget debate were considered by the agency as Treasury's responsibility. In addition, it was felt by the Committee that some replies from the agency lacked clarity. In particular these matters related to questions raised by the Committee from the Auditor-General's Analysis of the 2000-01 Treasurer's Annual Financial Statement, November 2001 Report to the Legislative Assembly. These matters are further discussed within the Findings and Recommendations Chapter.

The Committee also noted that Mr Lugg, the former Minister for Education, in his speech on the 2001-02 Appropriation Bill stated that there was to be a \$9.4m increase in Education spending in 2001-02. This figure was incorrect and could be conceived as deceptive.

3. The lack of any contra-entry for a carry-over in the subsequent year which had never been encountered previously.
4. The items of under-expenditure that were required to be carried-over were not known until the end of May 2001.
5. The carry-over of Allocation in the past five years has varied from \$1.3m (1999-00) to \$3.6m (1996-97) and had not reached the \$6.0m identified in the realignment of the 2000-01 Budget figures.
6. Documents tabled at the public hearing showed that, after the publication of the 2001-02 Budget, the agency received a further \$5.3m supplementation for 2000-01. This occurred in June 2001, just weeks after the estimate had been reduced by \$6.0m and it brought the Allocation to \$357.0m. Of this Allocation \$351.0m was expended. Such practices indicate poor budgetary processes and management.
7. Low estimates of growth noted elsewhere in this report are also evidenced by the Department of Education's continual supplementation of funding throughout the year. Such low estimates have probably contributed to the chronic under-estimation of final consumption expenditure in successive NT Budgets.





## CHAPTER 3

### Northern Territory Police, Fire and Emergency Services

#### Introduction

The NT Police, Fire and Emergency Services' (NTPFES) response to the Committee's written request on the accuracy of the Budget data in the 2001-02 Budget Papers stated that the outlays for 2000-01 estimates incorporated a \$2.0m realignment of estimates to allow for a carry-over of 2000-01 expenditure into 2001-02.

*The final allocation for 2000-01 was \$128.316m. However the figure published in the 2001-02 Budget Papers was \$126.316m. The Under Treasurer advised the Commissioner of Police on 17 May of the financial tables which were to be published in the 2001-02 Budget Papers. These tables incorporate the \$2m reduction to the 2000-01 estimates which was described as a realignment of estimates to allow for likely carry-over of 2000-01 expenditure into 2001-02. (See Appendix 1)*

At its hearing on 30 November 2001, the Committee took evidence from NTPFES on the following issues:

- the process and approvals for the realignment and its effect on the agency's operations;
- the financial management processes in NTPFES; and
- 2000-01 carry-over of Allocation requirements by the agency.

#### The \$2.0m Realignment of 2000-01 Estimate and its Effect on the Agency

The Committee inquired into the circumstances surrounding the 'realignment of estimates'.

NTPFES advised that a fax received from Treasury informed the agency that the figures for 2000-01 were to be reduced by \$2.0m. This was subsequently verified at officer level and confirmed that it was for presentation purposes only and would not affect the agency's Allocation.

*A/CMR SMITH: The first thing we did was to verify that the \$2m that was indicated as being a reduction from a roll over. That was verified by the finance director with Treasury and we were informed then that it was for presentation purposes. That it would have no effect on the end of financial position that we were working to, the allocation that we were working to, so we just continued to work towards the \$128.312m.*

*... That budget paper wasn't supported by appropriation act at appropriations, and it wasn't supported by other material. So our responsibility was to work towards the appropriation with adjustments through financial year 2000-01. That figure was \$128.312m and we continued to work towards that particular target.<sup>21</sup>*

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<sup>21</sup> pp. 6-7, NT Police, Fire and Emergency Services, Transcript of Public Hearing, 30 November 2001

*A/CMR SMITH: ... the document that we are talking about that we received on 17 May, that we discussed in committee on the 18 May, was a confidential document about a forthcoming budget paper. It had no legal standing if you like or no effect on the already agreed position that we were working towards for the end of the financial year.*

*... It was further confirmed in our end of year monitoring ledger verification communications with Treasury, document dated 29 June ...*<sup>22</sup>

When asked by the Committee whether there was concern that the figures tabled in Parliament were different from the figures the agency was working towards, Commissioner Bates replied:

*CMR BATES: One can be concerned, but at the end of the day we've been through this situation, haven't we, and explained? So being concerned is one thing. How far else should I, as a CEO, be taking it? You're asking me to say something which is a matter for Treasury.*

*... Sure, I can say I was concerned. But to take it further than that would be quite mischievous of me, frankly.*

*... I think my record shows that I haven't been backwards in coming forwards if I felt concerned about it. But it has got to be put in the right context.*<sup>23</sup>

## **The Financial Management Processes in NTPFES**

In response to a query from the Committee, Commissioner Bates stated that the agency operates with a proper management of public monies.

*CMR BATES: ... through a small finance committee that I have, headed by the Deputy Commissioner and Assistant Commissioner Smith and the head of my finance area, that is regularly monitored and reported to me - in fact, almost every Tuesday morning at my Command Meeting, one of the items that is always discussed is the finance situation.*<sup>24</sup>

## **2000-01 Carry-over of Allocation**

The Committee queried the level of carry-over of Allocation in 2000-01, its method of calculation and the timeframe applied to the process.

NTPFES explained that, at the end of the 2000-01 financial year, the total expenditure was \$126.6 while the Allocation was \$128.31m. There was an under-expenditure of \$1.7m which directly related to identified capital purchases.

*A/CMR SMITH: ... when the line was drawn on the ledger that financial year, we had spent around \$126.600m, which was approximately \$1.7m short of the final year's target. Now that was made up primarily of a number of things related to capital purchases in particular that we had committed to, but because a lot of those purchases were technical equipment that were coming from overseas with delivery issues and there were some software issues with some live scan equipment, it had occurred to us late May/early June at the latest that we would not be in a*

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<sup>22</sup> pp. 7-8, NT Police, Fire and Emergency Services, Transcript of Public Hearing, 30 November 2001

<sup>23</sup> p. 19, NT Police, Fire and Emergency Services, Transcript of Public Hearing, 30 November 2001

<sup>24</sup> p. 4, NT Police, Fire and Emergency Services, Transcript of Public Hearing, 30 November 2001

*position to pay for those things because they would not have been received in time for the closing of the ledger and that we would most likely have to pay for them in the new financial year.*<sup>25</sup>

NTPFES also explained that the agency did not actually carry-over any Allocation at the end of 2000-01 as it did not have any avenue to do so.

*A/CMR SMITH: ... The process, historically, is that towards the end of the financial year, Treasury would circulate information that's required for a section 22 carry-over. At the close of last financial year, 2000-01, a section 22 request wasn't circulated to agencies, so therefore, that particular vehicle wasn't available to us. Discussions with Treasury indicated that the appropriate way for us to deal with it this particular financial years, was to make the application at the commencement of the new financial year.*<sup>26</sup>

Documents tabled by NTPFES showed that during the last five years the known carry-over of Allocation has been approximately \$1.5m. In addition, the cash flows provided by the agency demonstrates an expectation that end of year expenditure would be between \$127.8m and \$128.3m.

Evidence was also given to the Committee that the agency successfully applied for supplementation from the Burke Cabinet early in the 2001-02 year to cover the funds that were not carried over from 2000-01.

*CMR BATES: Well, there had been a supplementation made to the department as a result of the submission that went forwarded to Cabinet. So from the point of view of the advice that I gave the minister of the difficulties that I had, I immediately got a supplementation ...*<sup>27</sup>

## **Committee's Comments**

It is an undisputed fact that, on 17 May 2001, there was a \$2.0m reduction made to the NTPFES 2000-01 estimates as presented in the 2001-02 Budget Papers. This reduction was described by Treasury to NTPFES as either a realignment for carry-over or for presentational purposes.

At the end of the financial year NTPFES had an under-expenditure of \$1.7m due to the non-delivery of capital equipment. This anticipated under-expenditure was not known until late May/early June. Because the facility provided within section 22 of the *Financial Management Act* was withdrawn by Treasury and submission for supplementation was made in 2001-02 there was no carry-over of Allocation for the \$1.7m under-expenditure.

After the notification of the reduction, NTPFES continued to operate to a Budget of \$128.3m in 2000-01 as the agency had been advised by Treasury that the reduction did not affect its approved Allocation for the year.

NTPFES established that there was good financial control mechanisms in place but it focussed primarily, if not solely, on ensuring there was no breach of Allocation.

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<sup>25</sup> p. 9, NT Police, Fire and Emergency Services, Transcript of Public Hearing, 30 November 2001

<sup>26</sup> pp. 20-21, NT Police, Fire and Emergency Services, Transcript of Public Hearing, 30 November 2001

<sup>27</sup> p. 15, NT Police, Fire and Emergency Services, Transcript of Public Hearing, 30 November 2001

Even though NTPFES eventually posted an under-expenditure in line with the reduction, it is of concern that the reduction was undertaken on an arbitrary basis without reference to advice from the agency. It would also appear that the decision was taken without any detailed analysis of the previous trends or the current situation of NTPFES' expenditures.

The fact that the carry-over facility under the *Financial Management Act* was not available at the end of 2000-01 forced the agency to apply for supplementation to the Burke Cabinet early in 2001-02. Such practice added to the previously estimated Budget deficit in 2001-02.

Whilst it is the Treasurer's and Treasury's responsibility to prepare the Budget documentation for Parliament, it is also NTPFES' responsibility to ensure accuracy in the figures attributed to the agency. It appears that little acknowledgement of this responsibility was shown.

## CHAPTER 4

### **Territory Health Services (Now incorporated in the Department of Health and Community Services)**

#### **Introduction**

On 27 September 2001, Mr Bartholomew, Chief Executive Officer, Territory Health Services (THS) wrote to the new Minister for Health, Family and Children's Services on the 2000-01 THS Budget (see p. xvii). The letter identified a reduction of \$8.0m in the 2000-01 Budget figures as presented in the 2001-02 Budget Papers. This reduction was described by Mr Bartholomew as 'artificial' and the underlying intent of demonstrating a 2.5 per cent increase in Health funding for the 2001-02 year as a 'proposed deception'.

Subsequently, the memorandum was tabled in the Northern Territory Legislative Assembly on 25 October 2001 and resulted in a motion being passed requiring the Public Accounts Committee to inquire into the Budget data published in the 2001-02 Budget Papers.

In response to a letter from the Chairman, dated 1 November 2001, the agency confirmed the \$8.0m reduction and provided a copy of Treasury Audit Trail for THS which identified the reduction as:

*Realignment of current year Budget to ensure an increase in estimate for the 2000-01 Budget year of 2.5 per cent gross (Bluey #40) – This ... for presentational purposes only. (See p. xviii)*

The response also stated that the approved Allocation was not altered. This was confirmed by the notation on Treasury's Audit Trail which showed that in June there was a:

*Reinstatement of \$8.0m for realignment of current year Budget to ensure an increase in estimates for 2001-02 Budget year of 2.5% gross. (See p. xix)*

At its public hearings on 30 November 2001, 6 December 2001 and 27 March 2001, the Committee took evidence from officers of the Department of Health and Community Services, Mr S. Dunham, MLA, former Minister for Health, Family and Children's Services and the Hon. J. Aagaard, MLA, Minister for Health and Community Services on the following issues:

- The \$8.0m realignment of the 2000-01 Budget; and
- The Mini Budget of 2001-02.

Documents tabled at the hearing showed that THS 2000-01 Budget commenced at \$432.0m. An additional \$12.0m was approved at Budget Cabinet meetings during the year of which \$1.0m was carried into 2001-02. A reduction of \$8.0m was made in May 2001 and reinstated in June 2001. A further \$3.5m was approved in June 2001 for flood relief, superannuation and legal expenses making a total Allocation for 2000-01 of \$447.4m with an actual expenditure as at 30 June 2001 of \$447.2m.

It was agreed by a number of witnesses, including Mr Bartholomew, Mr Clarke, Mr Reed and Mr Dunham, that THS had indeed spent exactly to their Cabinet approved Allocation of \$443.9m (notwithstanding the late Treasurer's Advance approval for \$3.5m for unforeseen expenditures). Documentary evidence received from Treasury and THS advise that this was the first time that this had occurred over the last five years.

Mr Clarke, former Under Treasurer, also gave specific and important written and verbal evidence in relation to the \$8.0m reduction to the 2000-01 THS Budget which will be considered in this Chapter.

Carry-over of Allocation in the past five years had reduced from \$11.0m (1996-97) to less than \$1.0m in 2000-01.

### **\$8.0m Realignment in the Territory Health Services' 2000-01 Budget**

The Chairman queried the circumstances that gave rise to the memorandum written to Minister Aagaard detailing concerns about the Budget estimates process from the last financial year into this financial year.

Mr Bartholomew explained that the subject arose when he was providing the new Minister with a series of briefings.

*So during the course of those briefings I informed my minister that in my view the department was facing a very difficult budget situation. My estimate to her was that we were actually facing a shortfall of some \$20m to discharge the responsibilities of the department to the Territorians. Sometime after that advice, Minister Aagaard requested me to provide a written briefing to her as to how that situation had arisen and it was at that time that I provided that memo to her.*<sup>28</sup>

Dr Lim asked if the request was oral or written. Mr Bartholomew replied it was oral.

Minister Aagaard confirmed that she had requested a written briefing.

*... in the context of a new minister in a new government being responsible for a very large portfolio asking for a written briefing on the true state of the Health budget.*<sup>29</sup>

Furthermore, Minister Aagaard refuted any suggestion that there had been collusion, coercion or inducement on her part for Mr Bartholomew to produce the memorandum and confirmed she had no prior knowledge of the contents of the memorandum before she had received it.

*Mr KIELY: I am just trying to clarify a point here. I will ask you to validate it or not. So, there is no coercion of Mr Bartholomew to provide this letter; there is no inducement to Mr Bartholomew to produce this letter; and you had no idea what the content of the briefing would be? Is that correct?*

*Mrs AAGAARD: All of those three are correct.*<sup>30</sup>

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<sup>28</sup> p. 28, Mr Bartholomew, Department of Health and Community Services, Transcript of Public Hearing, 30 November 2001

<sup>29</sup> p. 407, Hon. J.L. Aagaard, MLA, Minister for Health and Community Services, Transcript of Public Hearing, 27 March 2002

<sup>30</sup> pp. 460-461, Hon. J.L. Aagaard, MLA, Minister for Health and Community Services, Transcript of Public Hearing, 27 March 2002

Mr Wood questioned the terminology used in the memorandum, with particular reference as to why the reduction of \$8.0m was considered to be a false figure.

Mr Bartholomew explained:

*Well, it was false in the sense that the figure presented in the budget papers as our projected estimated out turn for 2000-01 in fact was never reflected in the allocation provided to the department and, on the basis of the expenditure by the department during the year, the figure that was presented in the budget papers was not in anyway reflective of our likely end of year expenditure.*<sup>31</sup>

In response to questions from Dr Lim and Mr Dunham, Minister Aagaard stated:

*... this was specifically an artificial reduction in the budget and, in my opinion, it was a political move to make it appear that there was going to be a growth figure in the new budget.*

*... had been done deliberately to mislead the people of the Northern Territory to believe that there was to be a significant growth in the health budget when this was clearly not the case...*<sup>32</sup>

Mr Dunham, as a witness, put forward a separate and opposing interpretation on the realignment of the 2000-01 Budget.

*... Treasury are concerned about issues of sustainability. They sent the message to make it clear to Territory Health and others that our base line for this year would be much lower ...*

*So we had a budget that started out at 332, could have gone - sorry 432m, could have gone to 462m, was arbitrarily set in the 440s and again arbitrarily set at 'perhaps you could achieve an even better result'.*<sup>33</sup>

In regards to the reinstatement of the \$8.0m, Mr Dunham, as a witness stated:

*... The money was provided as a safety net ...*<sup>34</sup>

However, Mr Clarke refuted the idea of a 'safety net' in relation to the \$8.0m reinstatement to the THS 2000-01 estimates.

**Mr CHAIRMAN:** *So, basically, the reinstatement of \$8m of the Health estimate did not represent any real safety net at all?*

**Mr CLARKE:** *Exactly.*

**A member:** *Never. Never?*

**Mr CLARKE:** *There was no concept of a safety net as far as I was concerned.*<sup>35</sup>

In evidence, Mr Dunham also suggested that Treasury was of the opinion that THS had blown its Budget. However, in his evidence Mr Clarke disagreed with this assertion.

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<sup>31</sup> p. 28, Mr Bartholomew, Department of Health and Community Services, Transcript of Public Hearing, 30 November 2001

<sup>32</sup> pp. 447 and 454, Hon. J.L. Aagaard, MLA, Minister for Health and Community Services, Transcript of Public Hearing, 27 March 2002

<sup>33</sup> p. 120, Mr Dunham, MLA, former Minister for Health, Family and Children's Services, Transcript of Public Hearing, 6 December 2001

<sup>34</sup> p. 145, Mr Dunham, MLA, former Minister for Health, Family and Children's Services, Transcript of Public Hearing, 6 December 2001

<sup>35</sup> p. 267, Treasury, Transcript of Public Hearing, 4 February 2002

**Mr CHAIRMAN:** ... There's been evidence given to this PAC that there was a belief in Treasury that THS had blown their budget, their 2000-01 budget, and that is why they would need to argue the incorporation of a further \$8m during the 2001-02 year. ...

**Mr CLARKE:** That wasn't my understanding of the situation.<sup>36</sup>

Mr Wood asked if THS had ever queried Treasury on the meaning and the exact use of the words 'presentation purposes' and the exact words used.

Mr Bartholomew replied he personally did not question the use of the wording.

*... We did receive assurances from Treasury that it didn't impact upon our allocation for that year ...*

*... What I will say about that conversation is that Mr Clarke informed me that he had a direction from the then Treasurer who was concerned that the budget papers would show an increase for the following year at least equivalent to CPI and that to enable that to happen the estimated budget outcome for 2000-01 would be reduced.<sup>37</sup>*

Ms Schilling elaborated on the answer:

*I can't recollect as such but certainly in the initial stages indication that it was for presentation purposes and there may have been references to potential carry forwards in subsequent conversations, but that was not the thrust.<sup>38</sup>*

Mr Kiely queried the timing the former Minister for Health, Family and Children's Services was notified of the \$8.0m reduction, to which Mr Bartholomew replied that he had spoken to the former Minister by telephone on 9 May.

*... I phoned my then minister and said this is the information that is being conveyed to me, I had a concern, it was expressed to the minister about the potential impact of that, particularly on our budget situation for the following year.<sup>39</sup>*

Mr Bartholomew also stated that there were other face to face meetings with the former Minister at which the issue of the reduction was discussed.

In response to a question from Mr Wood, Mr Dunham, as a witness, stated:

*... it took me by complete surprise and I am quite happy to confirm that but when I heard that I wasn't aware of it - so, I had no part in its construction ...<sup>40</sup>*

Both Mr Bartholomew and Ms Schilling stated that they had never previously encountered a Budget measure resembling the \$8.0m reduction.

**Mr BARTHOLOMEW:** ... I haven't seen any incidents like this previously or subsequently.<sup>41</sup>

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<sup>36</sup> pp. 267-268, Treasury, Transcript of Public Hearing, 4 February 2002

<sup>37</sup> pp. 29 and 30, Mr Bartholomew, Department of Health and Community Services, Transcript of Public Hearing, 30 November 2001

<sup>38</sup> p. 29, Ms Schilling, Department of Health and Community Services, Transcript of Public Hearing, 30 November 2001

<sup>39</sup> p. 33, Mr Bartholomew, Department of Health and Community Services, Transcript of Public Hearing, 30 November 2001

<sup>40</sup> p. 145, Mr Dunham, MLA, former Minister for Health and Community Services, Transcript of Public Hearing, 6 December 2001

<sup>41</sup> p. 34, Department of Health and Community Services, Transcript of Public Hearing, 30 November 2001



**Ms SCHILLING:** *I am not aware of other circumstances like that.*<sup>42</sup>

Dr Lim questioned whether the agency was working to a Budget of \$444.0m or \$435.0m.

Mr Bartholomew replied that the agency was always working to a budget of \$444.0m.

*... The agreement with Treasury we had an approved allocation and that was \$444m. In fact, we would have exceeded that but during June Treasury through Treasurer's Advance provided us with another \$3.5m to meet other commitments ...*<sup>43</sup>

In relation to the \$8.0m reduction to the estimates, Mr Clarke reinforced the view that the Department was spending to its Allocation. He also stated that Treasury never suggested to THS that the reduced estimate of \$436.0m was a target set for the Department and that it was not expected to change its behaviour in relation to spending towards its full Allocation which was \$444.0m.

**Mr CLARKE:** *No, that's not right, no, it was never a target. They were never supposed to change their behaviour.*<sup>44</sup>

When questioned by the Chairman as to whether he was informed of any subsequent action taken by the former Minister, Mr Bartholomew replied:

*No, and I didn't expect him to. Throughout this process I regarded it that it was clearly a matter of policy for the government and it was a matter that needed to be addressed at a political level.*<sup>45</sup>

Mr Kiely asked how the 2000-01 figures would be perceived by a person in the community looking at THS economic performance.

Ms Schilling replied:

*... in relation to the budget number being presented at \$435m and our final expenditure being \$447m that would cause me concern as a layman again it would appear that we had severely mismanaged.*<sup>46</sup>

In evidence, however, Mr Dunham reported that he had discussions with a variety of Cabinet colleagues and 'formal discussion' with officers from treasury about the reduction in the estimates and the potential effect on the 2001-02 Budget.

**Mr DUNHAM:** *It's true that I had discussions with other people, including Cabinet members, the Treasurer and even informal discussions and more formal discussions with officers from Treasury.*<sup>47</sup>

There is conflicting evidence on this important issue. Mr Clarke denied meeting formally with Mr Dunham on this matter, although he did admit to an informal meeting with him. Furthermore, he reports that he informed Mr Dunham, that the reduction in estimates had no effect on Allocation.

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<sup>42</sup> p. 34, Department of Health and Community Services, Transcript of Public Hearing, 30 November 2001

<sup>43</sup> p. 36, Mr Bartholomew, Department of Health and Community Services, Transcript of Public Hearing, 30 November 2001

<sup>44</sup> p. 244, Treasury, Transcript of Public Hearing, 4 February 2002

<sup>45</sup> p. 37, Mr Bartholomew, Department of Health and Community Services, Transcript of Public Hearing, 30 November 2001

<sup>46</sup> p. 39, Ms Schilling, Department of Health and Community Services, Transcript of Public Hearing, 30 November 2001

<sup>47</sup> p. 170, Mr Dunham, MLA, former Minister for Health, Family and Children's Services, Transcript of Public Hearing, 6 December 2001

**Mr CLARKE:** Yes, well it actually happened in the building outside the Chamber area, in fact the advisors area. It wasn't a very long meeting and the only thing I do recall Mr Dunham being somewhat apprehensive and I think all I did was explain the rationale of the carry overs and that it did not have an impact on the allocation so ...

**Mr CHAIRMAN:** So you wouldn't describe it as a formal meeting?

**Mr CLARKE:** No, definitely not, no. It was just literally a stand up just outside the advisors area.

**Mr CHAIRMAN:** Are you aware of any formal meeting between Mr Dunham and Treasury officers? I guess you'd be there?

**Mr CLARKE:** Yes, I was going to say I'm not aware of any.<sup>48</sup>

In evidence Mr Lugg said he could not recall any discussions with Mr Dunham on this issue.

**Mr KIELY:** Mr Dunham has given evidence that he discussed his concerns about the reduction in budget estimates with Cabinet colleagues. Did he discuss them with you?

**Mr LUGG:** I don't recall.<sup>49</sup>

In addition and in response to a question by Mr Wood, Mr Reed responded he may have held meetings with Mr Dunham on these matters, but did not specify further.

**Mr WOOD:** This was fairly serious from Mr Bartholomew's point of view who raised that serious issue with Mr Dunham. Now surely there would have been some communication between the two of you to get an explanation as to why you had to cut. Was there any meeting or conversation held to tell the minister for Health why you were ...

**Mr REED:** I dare say there probably would have been but the – it doesn't remove the intent.<sup>50</sup>

Furthermore Mr Reed acknowledged that he could not recall any written communication between himself and Mr Dunham on the issue of the reduction in THS estimates.

**Mr WOOD:** Has there been any documentation with the minister for Health in regards to this issue?

**Mr REED:** There may have been.

**Mr WOOD:** Has that been able to be checked or ...?

**Mr REED:** I don't recall any. But, I mean, in terms of those sorts of things and being so late to the time, the answer may well have been well the decisions been made and that's it. You've got to keep pressure on your agency but I don't recall the specifics of that.<sup>51</sup>

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<sup>48</sup> pp. 234-235, Treasury, Transcript of Public Hearing, 4 February 2002

<sup>49</sup> p. 209, Mr Lugg, former Minister for Education, Transcript of Public Hearing, 4 February 2002

<sup>50</sup> pp. 328-329, Mr Reed, MLA, former Treasurer, Transcript of Public Hearing, 11 March 2002

<sup>51</sup> p. 329, Mr Reed, MLA, former Treasurer, Transcript of Public Hearing, 11 March 2002

In evidence relating to other action taken to reduce expenditure by \$8.0m in six weeks, Mr Dunham alluded to a memorandum sent out in May 2001 withdrawing delegations and staffing initiatives.

*Mr DUNHAM: ... So I was concerned that we were going to embark on a very frugal regime. In fact, a memo was put out to that extent and it said that all delegations were withdrawn. I believe that it was withdrawn - that memo was withdrawn the next day and I believe that had we initiated that, we would have easily made the \$8m and more, but it was a very clumsy device to yield those dollars and it was an administrative device that affected all when Treasury were asking for a much more scientific intervention. ...*<sup>52</sup>

The Committee noted that the memorandum was sent out by Ms Joanne Schilling, Acting Assistant Secretary, Business and Organisational Support Section, to senior managers in her section. The memorandum and correspondence from Mr Dunham and others regarding the withdrawal of the memorandum the next day are found in Appendix 2. Nonetheless, the Committee has been advised that contrary to Mr Dunham's assertion, it would have been impossible to accumulate \$8.0m of savings in just 4 weeks from this work unit, even if the memorandum had not been withdrawn.

Documentation provided by the Department shows that Business and Organisational Support Activity had a Budget Allocation of \$23.0m. Expenditure at the end of April 2001 was \$19.5m and at the end of May 2001, when the memorandum was sent out, was \$20.2m and finally, at the end of the financial year, expenditure was \$22.1m.

The Chairman questioned Mr Bartholomew on the former Minister for Health, Family and Children's Services' statement of 31 May 2001 in the parliamentary debate on the 2001-02 Appropriation Bill.

*As shown in the budget papers at this time last year, a total of \$432m was allocated for Northern Territory Health Services in the 2000-01 budget. During the year this amount has been increased by a further \$3.9m ...*<sup>53</sup>

Mr Bartholomew replied that the minister was aware that our approved Allocation was unaffected by the adjustment of the \$8m<sup>54</sup> but he refused to offer further comment on the ministerial statement.

The matter of the transmittal letter, signed by Mr Bartholomew on 17 October 2001 and included within THS 2000-01 Annual Report, was raised during Minister Aagaard's evidence. Mr Dunham suggested that, because the transmittal letter within the THS Annual Report contained no mention of fraud and because it also included an extensive financial report, more credence should be given to the Annual Report than to Mr Bartholomew's memorandum written to Minister Aagaard regarding the reduction to the estimates.

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<sup>52</sup> p. 120, Mr Dunham, MLA, former Minister for Health, Family and Children's Services, Transcript of Public Hearing, 6 December 2001

<sup>53</sup> p. 347, Chairman, quoting Mr Dunham, p. 7789, Parliamentary Record, 31 May 2001

<sup>54</sup> p. 43, Mr Bartholomew, Department of Health and Community Services, Transcript of Public Hearing, 30 November 2001

**Mr DUNHAM:** ... The minister is telling us that she asked him for a wholesome, full reply as to the true state of the budget. Within three days, she had two documents: this one 190-page and a memo, with language that has surprised not only herself, but the Chief Minister and others. My question is: do you believe this document has more veracity, in terms of describing the budget, describing the outcome, describing the program areas, talking about the potential for fraud and whether that occurred, than the one-page memo?<sup>55</sup>

The Chairman further questioned Minister Aagaard:

**Mr CHAIRMAN:** As a corollary, are you saying that the report – the Territory Health Services report – is a true and accurate reflection under the Financial Management Act, of reporting expenditures and programs?

**Mrs AAGAARD:** Yes.<sup>56</sup>

In evidence Mr Dunham also admitted that he was aware that the Cabinet approved allocation for the Department was \$444.0m, and that it was spending towards this figure.

**Mr CHAIRMAN:** I'm telling you, I'm repeating the evidence I guess that was given by Schilling and Bartholomew here the other day that they were working towards that allocation of \$444m as their expenditure target to keep their expenditure within that. Did he make you aware of that's what they were doing?

**Mr DUNHAM:** Yes, he was confident that he could, that he could meet the original target figure. He was not confident that without some dramatic reductions, he could achieve Treasury's ask of \$8m, but he was aware that those monies were available to him in the event that he had to call on them, and he and I were both aware the next financial year we should not make assumptions about that being imbedded in our base.<sup>57</sup>

Nevertheless, Mr Dunham asserted that the correct figure was the one published in the Budget Papers (i.e. \$436.0m).

**Mr CHAIRMAN:** So in your own heart you went forward, you delivered your budget speech, you gave the estimate of \$436m and you were entirely satisfied in your own conscience that that was a true figure?

**Mr DUNHAM:** The true figure?

**Mr CHAIRMAN:** Yes.

**Mr DUNHAM:** Yes, it came from Budget Paper No 2. Correct is what is published, correct is not a judgment that comes from your heart or your attitude.<sup>58</sup>

However, in hindsight, Mr Dunham himself acknowledged that it may have been better to make some qualification on the published figure – particularly within his May Budget Appropriation Speech.

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<sup>55</sup> p. 434, Hon. J.L. Aagaard, MLA, Minister for Health and Community Services, Transcript of Public Hearing, 27 March 2002

<sup>56</sup> p. 436, Hon. J.L. Aagaard, MLA, Minister for Health and Community Services, Transcript of Public Hearing, 27 March 2002

<sup>57</sup> p. 153, Mr Dunham, MLA, former Minister for Health, Family and Children's Services, Transcript of Public Hearing, 6 December 2001

<sup>58</sup> p. 165, Mr Dunham, MLA, former Minister for Health, Family and Children's Services, Transcript of Public Hearing, 6 December 2001

**Mr DUNHAM:** ... I suppose, with the benefit of what we are arguing now, maybe you could put some sort of caveat on there, that you believe that the figure needed further revision, and that the department had taken great efforts to try and meet it, but you find it difficult, or something like that. You can put those sorts of words in. What I'm saying to you, is the numbers I used were the numbers that were published in there.<sup>59</sup>

## **The Mini Budget 2001-02**

Dr Lim asked a series of questions on the 2001-02 Mini Budget which were answered by Mr Bartholomew.

*The Government has made significant promises in THS for - did you understand that they will all be met, with \$34m extra that you're going to get this year?*<sup>60</sup>

Mr Bartholomew explained that there was a timeframe in which the promises would be met.

*... the commitments are spread over a 4-year time frame, so this is but the first year of that process.*<sup>61</sup>

**Dr LIM:** ... the renal unit at Tennant Creek. The funding there, you've got \$0.4 - \$410 000 for the year 2002-03. Then \$420 000 2003-04, and then another \$10 000 extra for the subsequent year. Is that going to be enough ...?<sup>62</sup>

Mr Bartholomew replied:

*... initially, yes, the \$400 000 is about right.*<sup>63</sup>

Dr Lim asked:

*... with regards to 24-hour free call service, again for the 2001-02 there is nothing allocated in the budget. ... Would that be correct?*<sup>64</sup>

Mr Bartholomew replied:

*I think we're still exploring about how that whole process will work.*<sup>65</sup>

## **Committee's Comments**

Witnesses from the Department of Health and Community Services confirmed their opinion that the \$8.0m reduction in THS 2000-01 Budget shown in the 2001-02 Budget Papers was artificial and false. This was backed up by the following information:

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<sup>59</sup> p. 175, Mr Dunham, MLA, former Minister for Health, Family and Children's Services, Transcript of Public Hearing, 6 December 2001

<sup>60</sup> p. 47, Dr Lim, Department of Health and Community Services, Transcript of Public Hearing, 30 November 2001

<sup>61</sup> p. 47, Mr Bartholomew, Department of Health and Community Services, Transcript of Public Hearing, 30 November 2001

<sup>62</sup> p. 47, Department of Health and Community Services, Transcript of Public Hearing, 30 November 2001

<sup>63</sup> p. 47, Mr Bartholomew, Department of Health and Community Services, Transcript of Public Hearing, 30 November 2001

<sup>64</sup> p. 50, Dr Lim, Department of Health and Community Services, Transcript of Public Hearing, 30 November 2001

<sup>65</sup> p. 50, Mr Bartholomew, Department of Health and Community Services, Transcript of Public Hearing, 30 November 2001

- Advice from Treasury that the reduction was for presentational purposes only and that there was no actual reduction to Allocation. After tabling the 2001-02 Budget, the \$8.0m was reinstated after the 2001-02 Budget was brought down. Mr Clarke gave evidence that the \$8.0m was reinstated the next day.
- End of March 2001 expenditures were at such a high level that action had to be taken on non-filling of vacancies, reduced travel and other discretionary items to stay within an Allocation of \$444.0m so an estimate of \$436.0m was not feasible without major reductions to health services in the Northern Territory.

Minister Aagaard supported this belief and tabled a copy of the memorandum from THS CEO. In a statement in the Legislative Assembly she maintained that she felt it deliberately mislead the people of the Northern Territory.

Mr Dunham stated that his interpretation of the \$8.0m reduction in the THS 2000-01 Budget was that the reduction was Treasury's blunt message that the Budget target should be \$436.0m rather than the approved Allocation of \$444.0m. He asserted that because the Allocation was not amended this acted as a safety net for 2000-01 but was not embedded in future years forward estimates but would have had to be argued for in future. In later evidence, Mr Clarke refuted the notion of a safety net.

Mr Dunham did not resile from his interpretation of the process throughout the prolonged and detailed questioning by Committee Members.

The unusual aspect of this interpretation is that no evidence has been provided that Mr Dunham, as Minister for Health, Family and Children's Services, relayed this interpretation to the Chief Executive Officer and staff of THS or required any action to be taken to meet the Treasury targets. In fact –

- All evidence is that the Agency clearly continued to use \$444.0m as their target.
- The Budget restrictions memorandum from Ms Schilling, Acting Assistant Secretary, Business and Organisational Support to her Branch Manager, dated 30 May 2001, was withdrawn on 1 June 2001 and it would appear that any action taken within the agency as a result of the Budget restrictions memorandum of 13 March 2001, from Mr Bartholomew to all THS staff, was not ongoing.
- On 18 and 21 June 2001, the Minister approved submissions to the Treasurer for additional funding in 2000-01 bringing the Allocation to \$447.0m.
- On 10 July 2001, THS Chief Executive Officer, in a memorandum to the Minister, commented on the end of year report on actual expenditures *This is an excellent end of year result reflecting the hard work of many THS managers. The effort by RDH in particular was outstanding* (See Appendix 3). This was noted by Mr Dunham on 13 July 2001.

Although Mr Dunham expressed alarm in his initial telephone conversation with Mr Bartholomew about the issue of reduction in the 2000-01 estimates, the evidence suggests he did not undertake concerted action to address the issue beyond an informal meeting with the Under Treasurer, Mr Clarke. He also mentioned a memorandum withdrawing

delegations and staffing initiatives which was distributed in late May within the Business and Organisation Support section of THS. This memorandum was withdrawn within one day. From the information provided, the Committee was of the opinion that even if it had remained in effect it would not have gathered savings of anywhere near \$8.0m from the work unit to which it was directed.

In evidence Mr Dunham commented that the memorandum had been widely distributed throughout the Health Department. Documentary evidence provided, indicated that the distribution list specifically referred to a single work unit. Furthermore when Mr Dunham wrote to the Chief Minister, Mr Burke, on this issue, the copy of the THS' memorandum which included the distribution list was attached.

In addition, it was given in evidence by Mr Bartholomew and Mr Clarke that they believed Mr Dunham was aware that the Department was spending to their full Allocation. Mr Dunham also verified this to the Committee.

Further discussion on this matter is addressed in the Chapter on Findings and Recommendations.





## CHAPTER 5

### Northern Territory Treasury

#### Introduction

In his Budget Appropriation Speech on 29 May 2001 Mr Reed, as Treasurer, claimed:

*The Budget provides for increases in the key areas of health, education and police which are fundamental to making the Territory a better place to work and live.*<sup>66</sup>

Oral and written evidence have been presented to the Committee that the realignment of the 2000-01 Budget data, in particular the reduction of expenditure estimates for Health Education and Police, as presented in the 2001-02 Budget Papers, was at the direction of, and approved by Mr Reed, the former Treasurer.

In response to the Committee's request (dated 1 November 2001) for information on the accuracy of the budget data published in the 2001-02 Budget Papers, Treasury stated there were treatment changes in respect of the interest payments between Treasury and Treasury Corporation in 2001-02. These changes became necessary as a result of a revision of classifications by the Australian Bureau of Statistics. The data published in the 2001-02 Budget Papers in respect of 2000-01 had been 'back-cast' to reflect the treatment change.

Further responses by Treasury (dated 14 and 19 November 2001) provided additional information regarding reductions to the 2000-01 Budgets for NT Police, Fire and Emergency Services (– \$2.0m), Department of Education (– \$6.0m) and Territory Health Services (– \$8.0m). Documents accompanying these letters show that in all cases the reductions were made immediately prior to the publication of 2000-01 estimates in the 2001-02 Budget and the reinstatements made shortly after the publication.

An explanation provided by Treasury for the reductions was that there is natural conservatism in budgeting and there is considerable transfer of expenditure from one year to the next. Treasury refers to this phenomena as 'the Wave'. The reductions relate to how the Government of the day choose to reflect 'the Wave' in the Budget Papers.

Other specific issues raised throughout the public hearings included the sale of NT Fleet, under-estimation in the Budget and the inclusion of the monies associated with the Conditions of Service Trust.

At its public hearings, on 4 February 2002 and 11 March 2002, the Committee took evidence from Treasury and Mr Reed, former Treasurer on the following issues:

- The background to the realignment of the 2000-01 Budget figures for NT Police, Fire and Emergency Services, Department of Education and Territory Health Services as published in the 2001-02 Budget.
- Sale of NT Fleet.

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<sup>66</sup> p. 7626, Mr Reed, MLA, former Treasurer, Parliamentary Record No. 28, 29 May 2001

- Low growth estimates in final consumption expenditure.
- Inclusion of Conditions of Service Trust Funds within the Budget.

In addition, evidence was taken from Treasury on:

- Funding for the AustralAsia Railway Corporation.
- Back-casting of the 2000-01 Budget figures for NT Treasury and NT Treasury Corporation to reflect the revised treatment of interest in 2001-02.
- The effect of the above on the net debt of the Northern Territory where applicable.

And additional matters related to the Mini Budget including:

- Foregoing of revenue resulting from pegging the domestic tariff for power consumers.
- Budget requirements following the collapse of HIH.

A significant proportion of the evidence given by former Treasurer, Mr Reed, must be directly weighed against the evidence given by former Under-Treasurer Mr Clarke as their evidence pertains to many common matters and events.

### **Realignment of the 2000-01 Budget Figures as Presented in the 2001-02 Budget Papers**

In speaking to Treasury's written statement which mentioned that Mr Reed, as Treasurer, became concerned about the lack of growth in the 2001-02 Budget numbers, Mr Clarke stated:

*Lack of growth. He was concerned about the comparison between one year and next.*<sup>67</sup>

The Chairman inquired whether Mr Reed had met with Mr Clarke to specifically discuss Mr Reed's concerns regarding the display of adequate growth between the 2000-01 and 2001-02 Budgets.

Although Mr Reed advised that, during the preparation of the Budget Papers he would have met many times with Mr Clarke, he was unable to recall the specific details of any those meetings. However, Mr Reed did state:

*Well, clearly an important issue in terms of over the course of the former financial year, the lead up to the budget papers, there had been substantial growth.*<sup>68</sup>

In reference to a statement by THS in which the CEO, Mr Bartholomew, indicated that he was advised by Mr Clarke that the Treasurer had a requirement for the Budget Papers to show an increase of at least equivalent to the CPI for the following year, Mr Reed replied:

*And if that's Mr Clarke's view and interpretation, well that's Mr Clarke's interpretation.*<sup>69</sup>

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<sup>67</sup> p. 218, Mr Clarke, Northern Territory Treasury, Transcript of Public Hearing , 4 February 2002

<sup>68</sup> p. 229, Mr Reed, MLA, Former Treasurer, Transcript of Public Hearing, 11 March 2002

<sup>69</sup> p. 318, Mr Reed, MLA, Former Treasurer, Transcript of Public Hearing, 11 March 2002

Dr Lim asked if a Treasurer would always intervene and give directions to Treasury on Treasury's figures in any budget.

Mr Clarke replied in the negative but did note that this issue of comparison was of a particular concern to Mr Reed.

*... I mean, this was a particular concern for him and this is what he said to me, it was a particular concern. I interpreted it as being because it was an election year, although he didn't actually say that ... So he was saying: 'Well, okay' - he obviously had a reason why he wanted to get the numbers to show growth. I interpreted it as being to get the numbers to be - to get them more comparable and he was asking for advice and said was there a means by which that could be done?*<sup>70</sup>

Mr Dunham asked if the adjustment would give greater accuracy of the comparability between years.

Mr Clarke stated that, from a whole of Government level, it would be more accurate.

Mr Clarke further explained:

*... I presented to the Treasurer a logic for him to - to give him a reason, if you like, to reduce the figures for 2000-01.*<sup>71</sup>

*... I wasn't saying that was the best thing or the right thing; that wasn't the question that was asked of me. What was asked of me was could he do something about the comparison of numbers which, certainly from a whole of government level, showed a reduction and the ones that he particularly mentioned to me are Health, Education and Police.*<sup>72</sup>

Mr McAdam questioned Mr Reed as to why Police, Health and Education were the only agencies chosen for reduction.

Mr Reed replied that they were the higher spending agencies (see Appendix 4) and:

*Health, of course, is probably, together with Education, but health especially is an area of continuing pressure in terms of an agency requiring more funding.*<sup>73</sup>

This was in contrast to Mr Clarke's assessment of a political motivation for the choice.

When questioned as to why he believed Mr Reed was particularly interested in these three Departments, Mr Clarke replied that he believed the motivation was probably political.

**Mr WOOD:** *Now, why didn't the Treasurer look at other departments besides those three?*

**Mr CLARKE:** *I'm not sure. I think you would have to ask him, quite frankly. I mean, they are obviously the ones that politically to him were important. He didn't - he said these were the three that were important to him.*<sup>74</sup>

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<sup>70</sup> p. 218, Mr Clarke, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

<sup>71</sup> p. 219, Mr Clarke, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

<sup>72</sup> p. 219, Mr Clarke, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

<sup>73</sup> p. 331, Mr Reed, MLA, Former Treasurer, Transcript of Public Hearing, 11 March 2002

<sup>74</sup> p. 331, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

As the public hearings progressed, an issue the Committee saw emerging was the lack of notation or explanation in the Budget Papers which would have helped to clarify the adopted procedures. This issue was not adequately addressed by the relevant ministers in their Appropriation statements to the Assembly. The Chairman asked Mr Reed if, in hindsight, there should have been some notation in the Budget Papers.

Mr Reed did not specifically answer the question but advised that, in hindsight, he might have conveyed his rationale more directly to Mr Clarke and Mr Bartholomew:

*I mean, one might, for example in hindsight, one would have conveyed more directly to Mr Clarke and Mr Bartholomew, et al, that: 'The reason for this is we are keeping pressure on you in terms of your expenditure, and expect it to be used against you in the future'.<sup>75</sup>*

Mr Wood suggested to Mr Clarke that, for clarity of presentation, it would be better to detail all variations from the beginning of one year to the next.

Mr Clarke agreed:

*... I'm agreeing with you that it would have been better to have had a situation where all the numbers - how those numbers were built up and derived was explained and, you know, that everyone understood before the budget debate started. That wasn't the framework we were operating in then.<sup>76</sup>*

The Chairman asked if the action taken for the 2000-01 Budget figures was unique and why had it not been previously employed as a strategy.

Mr Clarke replied that it was unique and the situation had only arisen through the Treasurer seeking Treasury's advice in an attempt to address his own concern at the lack of growth in the Budget figures.

The Chairman queried the rationale behind the reduction.

Mr Clarke replied:

*A political rationale. There's no question that in my mind that that's what - he is being driven by that. I gave him, if you like, an accounting rationale but it was the political rationale that, no question, that that started the process.<sup>77</sup>*

Mr Clarke agreed that by the end of their discussion on strategies that could be adopted, the Treasurer had made it perfectly clear that the option of 2.5 per cent increase from the 2000-01 to 2001-02 for Health, Education and Police was what he wanted and, in Mr Clarke's considered opinion, this became a clear direction from the former Treasurer, Mr Reed.

Furthermore, Mr Clarke agreed that without the intervention of Mr Reed, the Budget estimates supplied by Health, Education and Police would have been published unaltered and without reductions of \$8.0m, \$6.0m and \$2.0m respectively.

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<sup>75</sup> p. 335, Mr Reed, MLA, Former Treasurer, Transcript of Public Hearing, 11 March 2002

<sup>76</sup> p. 220, Mr Clarke, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

<sup>77</sup> p. 220, Mr Clarke, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

**Mr CHAIRMAN:** *So I guess at the bottom of it my question is: without Mr Reed's intervention, would those budget estimate figures gone forward into the budget papers unchanged?*

**Mr CLARKE:** *Yes, they would have.*<sup>78</sup>

The Chairman, in questioning Mr Reed, referred to this evidence of Mr Clarke in that it was at Mr Reed's instigation that the subject of Budget adjustments were discussed and ultimately acted upon.

Mr Reed again made an indirect reply:

*We've been through the process of the 'flop out' at the end of the year which normally occurs and last year, for the first time, it didn't.*<sup>79</sup>

Throughout previous public hearings, all agencies had expressed the opinion that the reductions sought to their Budgets made no difference to their final Allocation as Treasury had advised them that the original Allocation would remain unaltered.

Mr Wood queried the fact that the reduction had really never taken away from the original allocation.

Mr Clarke stated that the carry-overs do occur naturally.

*... the idea anyway was that the carryovers would just occur naturally.*<sup>80</sup>

On several occasions, the Committee raised the issue that the agencies continued to work to their Allocation and not to the reduced estimates.

In responding to the questions, Mr Reed did not address the issue of the Budget Allocations being unchanged but continually stated that his intention and the rationale of the reductions were to send agencies a message that pressure was being applied in relation to their expenditure.

*One of the real messages that I was intending to send to three of the biggest spending agencies was that they had to be aware that we were still keeping pressure on them in relation to their expenditure ...*<sup>81</sup>

*... I wanted to be able to convey that there were pressures on them to control their expenditure.*<sup>82</sup>

*But the intent from me, as Treasurer, was to keep a downward pressure on the funding to agencies - particularly the higher spending agencies - so that they would be aware that government was still concerned about the levels of expenditure; their continuing approaches to their minister and to government for more money.*<sup>83</sup>

*... the intention was to establish and maintain a mindset in agencies, the higher spending agencies, that they had to contain their expenditure.*<sup>84</sup>

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<sup>78</sup> p. 218, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

<sup>79</sup> p. 379, Mr Reed, MLA, Former Treasurer, Transcript of Public Hearing, 11 March 2002

<sup>80</sup> p. 224, Mr Clarke, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

<sup>81</sup> p. 309, Mr Reed, MLA, Former Treasurer, Transcript of Proceedings, 11 March 2002

<sup>82</sup> p. 315, Mr Reed, MLA, Former Treasurer, Transcript of Proceedings, 11 March 2002

<sup>83</sup> p. 311, Mr Reed, MLA, Former Treasurer, Transcript of Proceedings, 11 March 2002

<sup>84</sup> p. 327, Mr Reed, MLA, Former Treasurer, Transcript of Proceedings, 11 March 2002

Based on previous evidence, Mr Wood questioned Treasury about whether the amendments to the budgetary process was attempting to set a target for Health to achieve.

Mr Clarke replied:

*... nothing to do with giving a signal or a target to the Health Department.*<sup>85</sup>

*... it didn't affect the Allocation, it was there to affect the carryover, we expected it to happen.*<sup>86</sup>

Furthermore, in both written and verbal evidence, Mr Clarke confirmed that he had significant reservations that the \$8.0m reduction to the Health estimates being difficult to justify.

**Mr CLARKE:** *... so we're looking at the estimated actual, the original budget after the adjustment, the estimated actual would have been only \$4m more than the original budget. Now, I was aware that there had been some increases in the Health budget, like the carry forward from the previous year, for example, so I thought, gee whiz, you know, that looks to me a bit suss.*<sup>87</sup>

He reported that he raised these concerns with Mr Reed.

**Mr CLARKE:** *... the reason why this came up was because I rang the Treasurer and said: 'Gee whiz, I'm not sure this is the right thing to do for Health'. And so, he went through a process of trying to satisfying himself, I presume, that he could answer in the parliament, that he could explain it.*

*... he had to come to that judgment himself because he's the one that carries the can.*<sup>88</sup>

Mr Kiely asked Mr Reed if he accepted responsibility for the \$8.0m reduction to Health's 2000-01 estimates after Mr Clarke had told him that it may not be the right thing to do.

Mr Reed did not directly answer the question and replied:

*Well, in terms of the decision that was made, the decision was made and from the point of view of making that decision, advice was provided by Mr Clarke.*<sup>89</sup>

When further questioned by the Chairman:

*... But just coming back to my question and that Minute, all I am trying to do is establish that there was a realignment of estimates for those particular departments, that is Health, Education and Police of \$8m, \$6m and \$2m respectively. Do you agree that there was a realignment of the estimates of those particular departments for those particular amounts?*<sup>90</sup>

Mr Reed replied:

*Well, you have the signed document that was signed by me that says so.*<sup>91</sup>

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<sup>85</sup> p. 227, Mr Clarke, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

<sup>86</sup> p. 228, Mr Clarke, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

<sup>87</sup> p. 256, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

<sup>88</sup> p. 257, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

<sup>89</sup> p. 356, Mr Reed, MLA, Former Treasurer, Transcript of Proceedings, 11 March 2002

<sup>90</sup> p. 308, Mr Reed, MLA, Former Treasurer, Transcript of Proceedings, 11 March 2002

<sup>91</sup> p. 309, Mr Reed, MLA, Former Treasurer, Transcript of Proceedings, 11 March 2002

However, in an interview with Mr Fred McCue on 26 October 2001, Mr Reed denied any knowledge at all of the \$8.0m reduction in the Health estimates:

**REPTR:** *Okay just a simple question though, are you saying that you knew about it or you didn't know about it?*

**REED:** *Fred I don't recall anything about this because it's an issue that clearly, as indicated in the minute by Mr Bartholomew, that it was a matter between Mr Clarke and Mr Bartholomew.*  
(See Appendix 5)

In evidence, Mr Reed further stated in reference to Mr Clarke's concerns about the comparison of some of the agency's Budget numbers:

*That was his interpretation ...*<sup>92</sup>

Mr Kiely asked Treasury a series of questions about the decision not to adjust Allocation in 2000-01 and not to show a contra-entry in 2001-02.

Mr Clarke explained that, historically, most agencies required substantial carry-overs but it had not occurred for Health or Education in 2001-02.

In response to a question from the Chairman on the fact that, after reducing Education's 2000-01 Budget to \$345.0m, the agency actually spent \$351.0m, Mr Reed explained that the expected savings which were to 'flop out', at the end of the year for Health and Education, did not occur in 2000-01.

*... That is, they spent to allocation. First time it's happened that I know of.*<sup>93</sup>

In relation to the contra-entry, Mr Clarke stated that this was a Treasurer's decision.

*... He was adamant that he didn't want anything to happen for the next year. He didn't want to show a part of the 2.5 as being due to a [inaudible] being achieved by a rise in expenditure in 2001-02.*<sup>94</sup>

Mr Wood queried the term 'presentational purposes'.

Mr Clarke explained it was his term for stating that the figures were different from Allocation and used to make the numbers more comparable. He further stated that he was well aware that there was to be no annotation in the Budget Papers on these adjustments.

*... my recollection was that it was discussed with the Treasurer, but I can't actually recall the time, or exactly you know, sort of what was said, but I was under no doubt that it was not going to be discussed in the budget papers or in his speech.*<sup>95</sup>

Mr McAdam then sought clarification on the origin of the term 'presentational purpose'. Mr Reed replied that it was a *Treasury assertion*.<sup>96</sup>

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<sup>92</sup> p. 386, Mr Reed, MLA, Former Treasurer, Transcript of Proceedings, 11 March 2002

<sup>93</sup> p. 345, Mr Reed, MLA, Former Treasurer, Transcript of Proceedings, 11 March 2002

<sup>94</sup> p. 234, Mr Clarke, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

<sup>95</sup> p. 244, Mr Clarke, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

<sup>96</sup> p. 394, Mr Reed, MLA, Former Treasurer, Transcript of Public Hearings, 11 March 2002

However Mr Clarke told the Committee that he believed it was preferable that there should have been some explanation for the public.

*Mr WOOD: Yes, I'm not disputing that. And I get back to what I said, is I think that from the public's perspective, if they'd been told why that had been done, then I think everyone would have seen upfront what was happening.*

*Mr CLARKE: Yes, I agree 100 per cent.*<sup>97</sup>

It was also Mr Clarke's belief that Ministers should take full responsibility that the budget estimates figures they deliver to Parliament are correct to the best of their knowledge.

*Mr KIELY: The bottom line is, it is a minister's responsibility to ensure that the information he or she presents to parliament is correct to the best of their knowledge?*

*Mr CLARKE: Yes, I mean that is a Westminster tradition; I don't think you can get away from that.*<sup>98</sup>

In raising the issue of the relevance of Budget estimates and Budget Papers presented to Parliament and the public, the Chairman asked if Parliament was entitled to trust Budget estimates.

Mr Reed replied in the affirmative.

*Certainly, and the documents are presented with that intent. But just as those documents are presented and the information presented, they are also open to interpretation .... Can I just say though, Mr Chairman, in a broader context, the budget is a snapshot in time of what circumstances are when the budget is introduced and it paints a picture of funding to agencies.*<sup>99</sup>

Dr Lim suggested that Treasury only really provided global advice on avenues for possible reduction of the Budget rather than on specific items of expenditures.

Mr Clarke replied:

*Well, I think you are going a little bit too far. What I did was say to the Treasurer: 'In the past, in the past years, agencies like Health, Education and Police, but lots of other agencies as well, underspent their allocation by quite substantial amounts'. I said the rough estimate was about 2.5 per cent and he said: 'Okay, well I'm going to apply that same rationale for 2000-01'.*<sup>100</sup>

The Chairman suggested that this Inquiry should not only focus on past actions but should also look to constructively address improvements of Budget reporting in the future.

Mr Clarke stated that the *Fiscal Integrity and Transparency Act* should improve Budget reporting because the facts would now have to be known, obvious, apparent, clear and it should only then be the policies which require any review process. The ultimate responsibility for providing explanations to the Budget figures now lies with Treasury.

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<sup>97</sup> p. 231, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

<sup>98</sup> p. 245, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

<sup>99</sup> p. 306, Mr Reed, MLA, Former Treasurer, Transcript of Proceedings, 11 March 2002

<sup>100</sup> p. 238, Mr Clarke, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002



The Chairman requested Treasury to explain the meaning of the word 'uneasiness' which appeared in its tabled document, in relation to the logic of the \$8.0m reduction in Health.

Mr Clarke replied:

*... I didn't have a problem with the logic. What I didn't like was the speed with which we were doing it.*<sup>101</sup>

*... And I was just uncomfortable that this wasn't the best way of doing it.*<sup>102</sup>

The Chairman queried the reductions reinstatements and the Treasurer's knowledge of the reinstatement.

Mr Clarke replied that Mr Reed required the reductions to appear in the Budget Papers. He did not care how it was done and, as far as he was concerned, the reinstatements were just an administrative process for which Treasury was responsible. He also informed the Committee that the reinstatements to the estimates occurred within a day of them being reduced.

Mr Kiely sought confirmation on a statement by Mr Clarke that the reinstatement of the reductions to Health, Education and Police was Treasury's responsibility.

Mr Reed, in replying to Mr Kiely, advised that he did not have anything to do with the reinstatement.

*... That was a Treasury initiated action ...*<sup>103</sup>

While not agreeing that the previous government had kept 'two sets of books' Mr Clarke did agree that there were 'two numbers'.

**Mr CHAIRMAN:** *... Now, I put it to you that - to me, anyway - this strongly suggests that the former government was working to two sets of books. If I could just clarify it, one being the estimates being presented to parliament and public in an election year and the other being the figures ... that these departments were actually working towards some \$2, \$6 and \$8m more than the printed estimates. Two sets of books. The other book mightn't have necessarily sort of been written publicly, but that's what was happening.*

**Mr CLARKE:** *There were two numbers, no question about that.*

**Mr CHAIRMAN:** *Two numbers.*

**Mr CLARKE:** *You know, there was the estimated actual and there was the allocation. Quite frankly, there was substantial differences between the two.*<sup>104</sup>

In order to establish the merits of both Mr Clarke's and Mr Reed's evidence, especially where there were discrepancies, the Committee commenced its questions of Mr Reed by requesting him to describe his relationship with Mr Clarke, the former Under-Treasurer.

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<sup>101</sup> p. 260, Mr Clarke, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

<sup>102</sup> p. 260, Mr Clarke, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

<sup>103</sup> p. 383, Mr Reed, MLA, Former Treasurer, Transcript of Public Hearing, 11 March 2002

<sup>104</sup> p. 238, Northern Territory Treasury, Transcript of Public Hearings, 4 February 2002

Mr Reed replied that he had immense respect for Mr Clarke and identified areas where Mr Clarke had given sound input into important issues. Mr Reed also emphasised the point that the advice provided to him by Mr Clarke was not always accepted.

*... From time to time, circumstances necessarily arise where advice might be provided that may not be accepted in full, or additional information might be sought in relation to a particular issue ...*<sup>105</sup>

The Committee questioned Mr Reed on the apparent breakdown of communication between Mr Reed as Treasurer and Mr Clarke as Under Treasurer in relation to the reduced estimates becoming an expenditure target.

**Mr KIELY:** *No, no, the question, Mr Reed, and I'll give it again, was nothing to do with interpretations. The question was to do with communication. The question is: is that you were directing one course of events to happen - sent out a direct message. Your Under Treasurer, who was with you, was going out with another message. CEOs are acting on an understanding that there will be no reduction whatsoever to their allocation for that year, and that they can merrily spend as they did. The question - and it's not one of interpretation, Mr Reed - the question is ...*

**Mr DUNHAM:** *It's your interpretation. It had a preface.*

**Mr KIELY:** *... what happened to the communication between you and your Under Treasurer, that you should be giving one direction and, yet, over a period of a short time, in a critical period of budget process, this information is not conveyed back to you?*

**Mr REED:** *Well, Mr Chairman, with respect, he's got his view; Mr Clarke has his view; I've got my view ...*<sup>106</sup>

The Committee also questioned Mr Reed as to why he did not formally communicate with Departments to ensure reduced expenditures. Mr Kiely raised the issue whether a Treasurer's Direction could have been used by Mr Reed to clearly direct the three agencies reduce their expenditure. Mr Reed advised that such a procedure was not possible.

On several occasions, throughout the hearing, Committee Members queried the discrepancies between the evidence being given by Mr Reed and that given by Mr Clarke on 4 February 2002.

Mr Wood, in further pursuing the issue of discrepancy between the information provided to the Committee, advised Mr Reed:

**Mr WOOD:** *... We've got differing statements here. We've got them from Mr Bartholomew, Mr Ken Clarke and yourself. What I am trying to do is find out where the truth lies. Now these people have been here before, and it is your turn. I now have to weigh up the difference between your opinion of what occurred previously, and their opinion.*

**Mr REED:** *I appreciate that, Mr Wood, and from that point of view, you've asked me to comment on what they say. They have given their interpretation and their view of what they thought the picture was.*<sup>107</sup>

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<sup>105</sup> p. 304, Mr Reed, MLA, Former Treasurer, Transcript of Public Hearing, 11 March 2002

<sup>106</sup> p. 325, Mr Reed, MLA, Former Treasurer, Transcript of Public Hearings, 11 March 2002

<sup>107</sup> p. 314, Mr Reed, MLA, Former Treasurer, Transcript of Public Hearing, 11 March 2002

No documentary evidence was provided to the Committee to support the Mr Reed's purported intention to reduce expenditure. He did not communicate his intention by way of the usual ministerial memoranda and he did not put in place any other procedures to explain this reduction.

### **Proposed Sale of NT Fleet**

The Chairman questioned Treasury's advice provided to the previous Government regarding the sale of NT Fleet.

Mr Clarke replied that he had advised Mr Reed that it may not be a financially sensible decision to proceed with the sale.

*Mr CLARKE: I said to him it may be that it's not a financially sensible decision to proceed.*<sup>108</sup>

Mr Kiely suggested that the sale of NT Fleet was included in the Budget before Treasury had reached a clear view as to whether the sale should proceed.

Mr Clarke agreed and stated:

*I think that's probably a fair comment. I mean, certainly from a technical point of view, we hadn't done the work to say it's a good thing to proceed.*<sup>109</sup>

Mr Kiely also sought clarification on the timing of the inclusion of the NT Fleet's sale.

*Mr KIELY: At what point was the decision made to include the sale of the fleet in the budget? Was it early in the budget process or towards the end?*

*Mr CLARKE: Towards the end.*<sup>110</sup>

Mr Kiely then suggested that the decision to include the sale of NT Fleet was made in haste. He also sought clarification on who was ultimately responsible for its inclusion in the Budget. Mr Clarke replied:

*Yes, I think that would probably be a fair comment.*<sup>111</sup>

*Well, I don't know whether the former Treasurer had discussions with Cabinet, but certainly the advice to me was from the Treasurer.*<sup>112</sup>

*Well, there is no question that the government of the day was, in my view - you can ask the Treasurer - but it made the bottom line look better.*<sup>113</sup>

Mr Wood asked Mr Reed about the rationale of including the sale of NT Fleet in the 2001-02 Budget and whether the Government had requested an up-to-date analysis on the financial viability of NT Fleet's sale.

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<sup>108</sup> p. 352, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

<sup>109</sup> p. 274, Mr Clarke, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

<sup>110</sup> p. 274, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

<sup>111</sup> p. 274 Mr Clarke, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002,

<sup>112</sup> p. 274, Mr Clarke, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

<sup>113</sup> p. 276, Mr Clarke, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

Mr Reed replied that he had received advice.

*... I recall that I did receive advice from Treasury that it was appropriate to put it in the Budget.*<sup>114</sup>

and

*... Well, it was included in the Budget because there is \$50m tied up in vehicles. We consider that to be inappropriate, and that that funding could be better used for other purposes of higher priority to Government.*<sup>115</sup>

*My recollection of the events in relation to NT Fleet was an inquiry to Treasury as to, given that we considered and, in fact, it had been encouraged by Treasury, some Treasury officers over the proceeding year or so, that we should sell it. I asked if it was appropriate that it be included in the Budget; the advice as I recall it was that yes it is.*<sup>116</sup>

In response to Mr Wood, stating that evidence presented to the Committee indicated Treasury's advice was that the sale and lease-back of NT Fleet would not be worthwhile, Mr Reed explained there were times when Treasury's advice was questioned.

*... I am not saying that Treasury is wrong in the advice they have given, but what I am saying is that a questioning of that and the investigation of different options in relation to the sale of NT Fleet, may well deliver a possible means of selling it ...*<sup>117</sup>

The Chairman asked if a decision to proceed with the sale of NT Fleet had been made by the previous Government.

Mr Reed responded affirmatively. He also stated that if, at a later date, it was shown to be inappropriate then the matter would have been taken back to Cabinet.

### **Unrealistic Low Allowance for Growth in Previous Budgets**

The Chairman identified pages in the Percy Allen Report which showed the final consumption expenditure had been under-estimated in previous Budgets of \$65.0-\$70.0m per year. He asked for Treasury's comments on this rather significant under-estimation.

Mr Clarke replied that the findings contained in the report were correct and were a **very** worrying sign.

*... part of the reason for the growth was that, you know, we didn't really have in place something to make sure that they didn't exceed their budget. That's the first thing. And the second thing was that there really were a number of quite unusual events that occurred just about every year ...*<sup>118</sup>

*... I often said to the Treasurer that, gee whiz, you know, these crocodile jaws are opening up, we're going to have to get into this, you know, but typical electoral processes, you know it's very difficult for governments to do things before an election.*<sup>119</sup>

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<sup>114</sup> p. 350, Mr Reed, MLA, Former Treasurer, Transcript of Proceedings, 11 March 2002

<sup>115</sup> p. 350, Mr Reed, MLA, Former Treasurer, Transcript of Proceedings, 11 March 2002

<sup>116</sup> p. 351, Mr Reed, MLA, Former Treasurer, Transcript of Proceedings, 11 March 2002

<sup>117</sup> p. 351, Mr Reed, MLA, Former Treasurer, Transcript of Proceedings, 11 March 2002

<sup>118</sup> p. 278, Mr Clarke, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

<sup>119</sup> p. 281, Mr Clarke, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

Ms Prince also agreed that Government expenditure was outstripping revenue and there were no processes in place to ensure that the actual outcome was close to the original Budget.

*Ms PRINCE: The conclusion that we reached, and we do it in a chapter that we've included in the budget papers for about the last eight years I think, is that our expenditures were increasing at a rate that was more rapid than our revenues and the effect on the budget bottom line was of concern to us. Now I guess what the government, the then-government was doing was trying to put the brakes on expenditure by keeping those increases low. But there were not - there was not other action taken to ensure that the actual outcome was close to the original budget estimate. There were increases through the year, hence this sort of ongoing understatement of expenditures.*<sup>120</sup>

Mr Wood sought Mr Reed's comment on Professor Percy Allan's assertion that there had been under-estimation of the final expenditure outcomes in the NT Budget, over the past three years, of \$65.0-\$70.0m per year (see Appendix 8).

In answer to the issue Mr Reed replied that, over this period, the Territory had experienced a number of sizeable natural disasters.

*... over the last few years, there's been a natural disaster.*<sup>121</sup>

*... So, if every year, Mr Allan expects the government to have an allocation of \$40m to address an emerging disaster and, for example, touch wood, this year we haven't had one, why then would you do that?*<sup>122</sup>

Mr Reed also commented on the way in which Departments had considered their own needs above the overall Budget and the way in which a number of Departments continually requested supplementation funding throughout the year.

*Mr REED: ... I think I read in a transcript somewhere, that it may have been the police commissioner, the former police commissioner, who said that he wasn't overly concerned with the overall budget position, his responsibility was to fight for his agency and to get as much funding as he possibly could for it, and the bigger issues is to how that was dealt with well if the government. He wasn't all that concerned with that and a quite responsible position, can I say, for any head of agency to take. And that is very much the position that they do take. They are always coming to the Treasurer, through their minister, sometimes not through their minister but with their minister to plead for additional funds for all sorts of reasons.*<sup>123</sup>

## Conditions of Service Trust

In response to the Chairman's request for comments on the Attorney-General's report regarding the inclusion of the Conditions of Service Trust into the Budget, Mr Clarke replied:

*There is no doubt that the previous government introduced the bringing in of the \$150m on budget as a means of improving the budget result ...*<sup>124</sup>

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<sup>120</sup> p. 280, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

<sup>121</sup> p. 366, Mr Reed, MLA, Former Treasurer, Transcript of Proceedings, 11 March 2002

<sup>122</sup> p.366, Mr Reed, MLA, Former Treasurer, Transcript of Proceedings, 11 March 2002

<sup>123</sup> p. 308, Mr Reed, Former Treasury, Transcript of Public Hearing, 11 March 2002

<sup>124</sup> p. 284, Mr Clarke, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

The Chairman discussed the winding up of Conditions of Service Trust with Mr Reed.

Mr Reed explained that the Trust had two components, namely funding the railway and residual.

*The time came for moneys to be paid into the railway ... In effect, the transfer of funds for the railway and the budget overlapped, and there was another factor in addition to that. That is, that in the previous year's budget, I had announced that the government would be proceeding to adopt the practice of accrual accounting. It became evident to me, from discussions with Treasury that, if we were going to adopt accrual accounting, we would need to bring the Conditions of Service Trust on to book, because you have to have all your assets, so to speak, identified.<sup>125</sup>*

### **Funding for the AustralAsia Railway Corporation**

Mr Kiely asked for comments on the fact that the \$25.0m loan to the AustralAsia Railway Corporation was never really expected to be repaid.

Ms Prince explained that the Northern Territory, in putting its funding package together for the railway, had taken the decision that any assistance would mirror that provided by South Australia. The South Australians provided their assistance by way of grant and loan with the loan component being \$22.0m.

*The railway transaction was recorded as a \$140m grant, and a \$25m loan. Because the loan is classified as a financial asset then it would have, effectively, no increase on net debt.<sup>126</sup>*

### **Overall Effect on Net Debt for the Northern Territory**

The Chairman drew attention to approximately \$260.0m in questionable or disputed elements in Mr Reed's 2001-02 Budget Papers, namely:

- \$16.0m in reductions in expenditure estimates.
- \$50.0m for the sale of NT Fleet.
- \$40.0m in the underestimation of final consumption expenditure.
- \$150.0m transferred from the Conditions of Service Trust.

Mr Clarke agreed that this total amount of \$260.0m was a very significant amount even when compared with the entire annual Northern Territory Budget. Earlier in evidence he also agreed that the worse than budgeted for outcomes (ie blow-outs in final consumption expenditure) and the so-called crocodile jaws added to the net debt of the Northern Territory.

***Mr CHAIRMAN:** I guess the bottom line, and I feel it's an important one as the Public Accounts Committee, is that these worse than budgeted-for outcomes in the final analysis added to the debt of the Territory.*

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<sup>125</sup> p. 384, Mr Reed, MLA, Former Treasurer, Transcript of Proceedings, 11 March 2002

<sup>126</sup> p. 286, Ms Prince, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

*Mr CLARKE: Absolutely. That was our concern. In budget paper 3, chapter 2, yes, chapter 2, recent fiscal developments, we always report - in fact, this is like a very famous graph that shows outlays in revenue and change in debt. That's the one where Jane years ago drew the teeth in this; that's where the crocodile jaws developed its name. And we used it as an indicator to the government, and I'm sure Jennifer will in the future of what is the underlying fiscal position, and when you see those jaws opening up, you know you're in strife.*<sup>127</sup>

### **Mini Budget — Pegging of Domestic Tariff for Power Consumers**

Mr Dunham asked if Treasury had prepared some estimates relating to the cost of the pegging of domestic tariff for power consumers.

Mr Clarke replied that it is about \$5.0m per year.

### **Mini Budget — Collapse of HIH**

Mr Dunham asked if the \$3.0m carry-over and the \$6.0m Appropriation would be sufficient to meet the Government's insurance liabilities.

Mr Clarke replied that it would not meet all of the cash requirements and the Government would need to introduce a new arrangement.

*Mr DUNHAM: ... The other question I have concerns the collapse of HIH and some of the difficulties that were associated with the government leaving those liabilities. I note that in the current budget papers there is a \$3m carryover and a \$6m appropriation. Is it Treasury's belief that that is sufficient for this year?*

*Mr CLARKE: It will not meet all of the cash requirements and the government will need to introduce a new arrangement, I think in March is likely from memory, when the cash is likely to run out and the government has got some difficult choices to make as to whether or not the additional cash is met by a levy on the whole community or it's just on the insured ...*<sup>128</sup>

### **Committee's Comments**

The three Treasury witnesses were extremely important witnesses due to their role in the preparation of the 2001-02 Budget Papers. The Committee was satisfied with the direct and open approach in which Treasury provided answers to all questions.

Some of Mr Reed's evidence was in conflict with Mr Clarke's evidence in relation to significant matters. The Committee found a number of Mr Reed's answers were convoluted and often did not adequately address the substance of the question asked of him.

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<sup>127</sup> p. 281, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

<sup>128</sup> p. 282, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

By comparison Mr Clarke's evidence left little doubt as to the circumstances surrounding the reductions in the 2000-01 figures for Health, Education and Police as reported in the 2001-02 Budget. Mr Clarke also believed that this was done for political purposes – something that Mr Reed denied.

Another crucial difference between the evidence given by Mr Clarke and Mr Reed was whether there was an intention for departments to actively reduce spending as Mr Reed contended or whether departments were able to continue to spend to their full allocation as Mr Clarke indicated. Mr Reed also seemed unable to explain why his intentions were not effectively communicated to the under Treasurer and CEOs.

Mr Clarke attributed a political motivation to the Treasurer's request and believed that Mr Reed was particularly concerned to show growth in Health, Education and Police in an election year. He also confirmed that if Mr Reed had not intervened the estimates would have been published unaltered and without reduction.

It has been acknowledged, by all witnesses to the Inquiry, that the above decisions were unusual and unique. Even though there was nothing illegal about the decisions in terms of breaches of the *Financial Management Act*, no investigation or analysis took place as to whether the rationale should be applied to Health, Education or Police. In the Budget Papers there was no supporting notation or comment made on the action taken. Mr Clarke reported that he discussed whether to include a notation or comment with the Treasurer but there was no such discussion in the Budget papers or Mr Reed's Appropriation Speech.

This indicates poor Budget management and financial reporting. A point that Mr Clarke conceded when he said:

*... and I was just uncomfortable that this wasn't the best way of doing it.* <sup>129</sup>

This opinion was reinforced by Mr Clarke's suggestion:

*... that it would have been better to have had a situation where all the numbers - how those numbers were built up and derived was explained ....* <sup>130</sup>

The issue of who should be accountable for the accuracy of the budget estimates delivered to Parliament and the people was canvassed throughout the Inquiry. The Committee believes departments and Treasury must take responsibility for developing Budget Estimates and the publication of accurate figures. Furthermore the Fiscal Integrity and Transparency legislation will ensure responsibility for determining Budget figures lies with Treasury rather than the Treasurer.

Nevertheless, the Fiscal Integrity and Transparency legislation operates at a whole of Government level and adequate scrutiny must exist at an agency level to ensure there is no inappropriate manipulation of Budget figures.

This further underlines the need for an Estimates Committee to scrutinise the Budget figures on an agency basis.

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<sup>129</sup> p. 260, Mr Clarke, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

<sup>130</sup> p. 220, Mr Clarke, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002



The responsibilities of agencies in the process is further discussed in the Findings and Recommendations Chapter.

There was little substance in Mr Reed's evidence to refute other crucial aspects of Mr Clarke's and other Treasury officials' evidence including:

- The sale of NT Fleet.
- Continued under estimation of final consumption expenditure in the previous three Budgets.
- Certain aspects of the transfer of \$150.0m from the Conditions of Service Trust.
- The effect of these and other factors on increasing net debt for the Northern Territory.

The information provided on the inclusion of NT Fleet's sale in the Budget was done at the last minute without contemporary analysis. Analysis, finally undertaken by Treasury in September 2001, show that GST and tax changes, such as the lower company tax rates and the treatment of replacement assets, plus prevailing interest rates cast significant doubt on any proposal to sell a Government vehicle fleet and lease it back. Other States which have previously undertaken this action were now either closely monitoring the situation or considering early termination of the leases. All of the above information would have been available in May 2001 if the analysis had been done prior to the decision to include the sale of the Government fleet in the 2001-02 Budget.

Evidence was also given that there were consistent blow outs in final consumption expenditure, mainly as a result of worse than budgeted for outcomes of between \$65.0m-\$70.0m per year. A major factor was unrealistically low estimates of growth. These factors all added to the net debt of the Northern Territory compared to what was indicated in the published Budget estimates. Evidence was also given that there was no action taken by the former Government to ensure that actual outcomes were close to the original Budget estimate.



## CHAPTER 6

### Department of Corporate and Information Services

#### Introduction

The estimates of outlays for 2000-01 included in the 2001-02 Budget Papers for the Government Business Division Information Technology Management Services (ITMS) was \$41.0m<sup>131</sup>. This information was tabled in Parliament on 28 May 2001. In the Treasurer's Annual Financial Report for 2000-01 Actuals, as of 30 June 2001, a total outlay of \$52.1m<sup>132</sup> for ITMS was identified. The variation in expenditure of \$11.1m was attributed to the additional costs associated with desktop outsourcing and local area network support services.

The Department of Corporate and Information Services' (DCIS) response to the Committee's written request on the accuracy of budget data was that the data published did not materially differ from the agency's understanding of best estimates available at the time (see Appendix 6).

At its hearing, on 5 December 2001, the Committee took evidence from the DCIS on the following issues:

- The process, timing and budget effect of the Government's desktop outsourcing contract.
- The proposals for evaluation of the effectiveness of the desktop outsourcing policy.
- The realignment of Budget estimates and carry-over of under-expended Allocation procedures.

#### Outsourcing Desktop and Local Area Network Support Services

The Committee sought to ascertain the history of the outsourcing policy and to establish the reasons why the costs incurred in the 2000-01 financial year were not identified in the 2000-01 data included in the 2001-02 Budget Papers.

DCIS responded by providing details of the setting up of the desktop outsourcing contract timing.

***Ms BUTTERWORTH:** We received the approval from Cabinet on 19 June to enter into a contract with CSC Australia and the contract was signed on the 22 June and commenced on the 29 June. Until such time as we had the Cabinet approval on the 19<sup>th</sup>, we couldn't incorporate any of our estimates into the budget because it wasn't certain that the outsourcing would go ahead.*<sup>133</sup>

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<sup>131</sup> p. 315, 2000-01 Budget Papers, Budget Paper No. 2

<sup>132</sup> pp. 51 and 75, Treasurer's Annual Financial Report 2000-01

<sup>133</sup> p. 98, Department of Corporate and Information Services, Transcript of Public Hearing, 5 December 2001

In addition, DCIS provided details on the sale of assets, mainly computers, under the desktop outsourcing contract. Receipts for these assets were: \$8.8m received on 21 June 2001 and \$1.9m received on 29 June 2001. In return there were costs of \$11.2m, which included pay-out of leases, the first of the transition fee payments and a number of redundancy payments to be met in 2000-01.

The Committee queried the fact that such a large variation in receipts and outlays should have remained unforeseen at the time of the preparation of the 2000-01 figures for the 2001-02 Budget.

Ms Butterworth answered that these figures were not unforeseen.

*No, I'm not saying it was unforeseen. I'm saying we didn't have Cabinet approval to proceed with outsourcing until 19 June. I couldn't anticipate that approval because until Cabinet actually said yes, you may sign the contract, they could have said no at any point in time.*<sup>134</sup>

Ms Butterworth also outlined the whole process of the outsourcing policy proceedings which commenced in July 2000.

*... It went to public tender and public tenders closed in July 2000. From July 2000 through until when we received the final approval on 19 June there would have been five or six Cabinet Submissions along the way during the process. The project manager and I made presentations to Cabinet. So all the way through there was a short listing process, there was a best and final offer process, there were a number of stages when we went back to Cabinet and in March, 13 March, there was the selection of CSC as the preferred tenderer. But at that stage, we still had to go through a number of negotiations before Cabinet would sign off and say, yes, you may proceed.*<sup>135</sup>

## Evaluation of Outsourcing Outcomes

The Committee inquired into the processes used to evaluate whether the outsourcing achieved its stated aims which was to provide work to the private sector and while ensuring sustainable growth within the Northern Territory's IT industry.

**Mr CHAIRMAN:** *What sort of evaluation tools are you using to find whether those outcomes have been reached? Obviously it's an ongoing program over a number of years but can you tell us about some of the measures you're using to ascertain that?*<sup>136</sup>

DCIS responded that evaluation was difficult due to the following factors:

- (a) lack of a baseline to work with;
- (b) very little data available on IT companies; and
- (c) unknown effect of the private sector and the Commonwealth on the IT outputs.

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<sup>134</sup> p. 99, Ms Butterworth, Department of Corporate and Information Services, Transcript of Public Hearing, 5 December 2001

<sup>135</sup> p. 109, Ms Butterworth, Department of Corporate and Information Services, Transcript of Public Hearing, 5 December 2001

<sup>136</sup> p. 108, Department of Corporate and Information Services, Transcript of Public Hearing, 5 December 2001

**Ms BUTTERWORTH:** ... it is a very difficult thing to assess. Before we outsourced, a lot of those services were done within agencies; it wasn't all centralised. So one of the difficult things that we had to do before we actually signed a contract was try to identify what were the service levels that were being achieved in agencies so that when we introduced the contract we could make that comparison.

Now, in some agencies that just proved to be impossible ... . There was never a record of what service levels were being achieved.<sup>137</sup>

## Realignment of Estimates and Carry-over of Allocation

The Committee questioned the concept of the realignment of estimates for presentation purposes and the carry-over of Allocation which is recorded in a line item of a current year but no contra-entry made in following year.

DCIS responded that the only realignment for presentational purposes encountered related to interpretational areas where something may be categorised differently.

In terms of carry-over of Allocation DCIS stated:

**Mr PELLISIER:** I couldn't say with certainty that something along that line hasn't been done, but to actually flag it as a carry-over I could say it has never been done, but certainly unexpended funds whether they're capital works or whatever may have been at some stage taken back and said well, you know, you'll just have to apply for carry-over for those.<sup>138</sup>

**Ms BUTTERWORTH:** ... it usually remains within the budget figures and then the carry-over is approved in the budget refinement exercise which is in the next year.<sup>139</sup>

In addition, DCIS provided information on a \$996,000 carry-over application and produced the Committee with copy of a fax from Treasury which stated that carry-overs would not be considered until early in the new year.

## Committee's Comments

The former Government had fully supported and approved the policy of desktop outsourcing, proceeded to public tender with the proposal and so the increased receipts and costs were known in advance of the publication of the 2001-02 Budget. The reason why the financial implications were not included in the Budget Papers was due to the fact that formal approval to enter into a contract with the successful tenderer was not given by Cabinet until 19 June 2001.

This, in itself, would not have precluded the inclusion of figures in the Budget Papers. However, whilst not mentioned by witnesses, the over-arching consideration of commercial confidentiality where Government is negotiating a contract with the private sector would have to be taken into account. If included, the figures were significant enough to have been

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<sup>137</sup> pp. 108-109, Department of Corporate and Information Services, Transcript of Public Hearing, 5 December 2001

<sup>138</sup> pp. 100-101, Department of Corporate and Information Services, Transcript of Public Hearing, 5 December 2001

<sup>139</sup> p. 101, Department of Corporate and Information Services, Transcript of Public Hearing, 5 December 2001

identifiable in the agency's budget and this may have breached confidentiality prior to the signing of the contract.

All things considered, the decision not to include the figures for the desktop outsourcing was reasonable.

Evidence on other budget issues, such as carry-over and reductions, showed the agency had established credibility as budget managers and had available professional officers to provide appropriate commentary on relevant processes and procedures.

The difficulties experienced in evaluating the outcomes of a major Government outsourcing initiative were identified by DCIS but the inadequate or non-evaluation processes put at risk the accountability of public monies.

DCIS should have established, prior to the implementation of the outsourcing of desktop and local area network services, benchmarks upon which future assessments and evaluations could be made.

## CHAPTER 7

### **Department of Lands, Planning and Environment (Now incorporated in the Department of Infrastructure, Planning and Environment)**

#### **Introduction**

After reviewing the Department of Lands, Planning and Environment's response to the Committee's written request on the accuracy of the Budget data in the 2001-02 Budget Papers the issue of revenue from sale of land was identified as requiring further investigation (see Appendix 7).

The receipts from sale of land included for 2001-02 was \$9.0m. This was a notional figure based on previous trends. The Department's best estimate at the time of the preparation of the Budget Papers was \$3.3m.

At its hearing, on 5 December 2001, the Committee took evidence from the Department of Infrastructure, Planning and Environment (DIPE) on the following issues:

- The budgeting convention of using a 5-year rolling average of \$9.0m for estimating land sales receipts in the Budget Papers.
- The methods of selling Government land in the Territory and the volatility of the receipts from sales.
- The agency's estimates of receipts from land sales in 2001-02.
- The Northern Territory Land Corporation's establishment, purpose and membership.
- The 'gifting' of land.

#### **Sale of Government Land Methodology and Process**

The Chairman sought advice on the process and classification through which the agency reached the decision on which parcels of land would be sold, the value of the land and its yearly monitoring process.

DIPE responded there were different methods by which land was sold. Some parcels of land were pre-identified for auction or distribution while a major proportion was disposed by the Direct Sales Scheme and released for public competition.

In addition, DIPE explained the methods used in 2001-02 to identify and value land for sale:

*Mr PINNEY: ... So, how the department has identified what we might be able to sell this year, is by going through the files on which we have applications or interest in land, and trying to identify which of those might sell this year. It's a rather imprecise process.*

*The way that is valued is through the Australian Valuation Office ...<sup>140</sup>*

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<sup>140</sup> pp. 56-57, Department of Infrastructure, Planning and Environment, Transcript of Public Hearing, 5 December 2001

Mr Wood sought specific information on the process adopted to achieve land sales figures for 2000-01.

DIPE explained that the Budget (Receipts) was set at \$10.25m. During the course of the year it was adjusted to \$3.7m. The actual receipts from sales made during the year was \$4.35m.

*Mr PINNEY: ... at the beginning of the year we had one view of the market and what we might be asked to do by the business community; by the end of the year we had a different view.*<sup>141</sup>

## **Receipts from the Sale of Land in 2001-02**

The Committee asked a series of questions on the estimates of receipts from land sales in 2001-02.

DIPE replied that the current estimate for 2001-02 is \$4.8m. Of that amount \$1.7m had been received as of 5 December 2001.

DIPE further explained that at any time throughout the year a large parcel of land could be sold which would then achieve the 2001-02 Budget's notional target of \$9.0m. This notional figure has always been based on an average of receipts over a 5-year period.

*Mr CHAMBERS: ... the department has on sale over the counter large blocks of land on Wishart Road that are worth about \$1m each, you know, for industrial land. We don't know - if someone walks in tomorrow, and they could walk in tomorrow with a \$1m cheque and buy it.*<sup>142</sup>

In response to a question from Mr Dunham, Mr Pinney acknowledged that there had been no amendment to the original estimates in the new Mini Budget's estimates.

*Mr PINNEY: The mini-budget estimate, I believe, stayed at the \$9m on the basis of that was going to be part of the formal budget review process rather than new mini-budget estimates. But I haven't got any better answer than that.*<sup>143</sup>

In explaining the variation between the figures, Mr Chambers advised that there were many variables associated with land sales which meant that only notional estimates could be provided. He also advised that the agency had a strategic plan relating to land sales of residential and industrial land sub-divisions and as far as the Direct Sales Scheme is concerned no strategy is currently in place.

*Mr CHAMBERS: ... So there were many, many variables in this, and this is what John is saying that, you know, while the word 'notional' mightn't sit comfortably, it is just very difficult to predict ...*<sup>144</sup>

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<sup>141</sup> p. 59, Department of Infrastructure, Planning and Environment, Transcript of Public Hearing, 5 December 2001

<sup>142</sup> p. 64, Department of Infrastructure, Planning and Environment, Transcript of Public Hearing, 5 December 2001

<sup>143</sup> p. 64, Department of Infrastructure, Planning and Environment, Transcript of Public Hearing, 5 December 2001

<sup>144</sup> p. 62, Department of Infrastructure, Planning and Environment, Transcript of Public Hearing, 5 December 2001



The tabled historical data on land sales supported the evidence on sales volatility and show a variation from \$16.8m 1995-96 to \$4.4m in 2000-01. There were also variations between the figures included in the Budget and actual receipts. In the last three years actual receipts have been \$11.4m 1998-99, \$11.0m 1999-2000 and \$4.3m 2000-01. Therefore, 2000-01 could have been considered an aberration and not taken into budgetary consideration (see Appendix 7).

## **NT Land Corporation**

Mr McAdam inquired into the role of NT Land Corporation.

DIPE explained that the Land Corporation was a land holding body for the Northern Territory Government. It was established by statute and its members were appointed by the Minister. Ultimately, the land is returned to the Government for disposal or, if a parcel of land is sold, the revenue from the sale is returned to consolidated revenue.

*The Land Corporation is a separate body established by statute. Its members are appointed by the minister. Its current Chairman is Mr Don Darben, its Deputy Chairman is Mr Bill Goedegebuure. Its other two sitting members are myself and Mr Peter Blake and there is one vacancy.*<sup>145</sup>

*... There has been, as I understand it, legal decision in the High Court particularly on the Conservation Land Corporation that establishes that independence to hold land on behalf of the Northern Territory Government.*<sup>146</sup>

*Ultimately, that land has been returned to government for disposal. Things like the Brewer Industrial Estate in Alice Springs is held by the Land Corporation. A number of pastoral properties have been held by the Land Corporation. Some vacant land in other areas is held by the Land Corporation.*<sup>147</sup>

## **'Gifting' of Land**

Mr Dunham questioned the policy surrounding the 'gifting' of land. DIPE explained that the salient factors which influence a final decision in the matter are commercial versus community use benefit to the Territory and equity and support considerations.

*Mr PINNEY: The very first one: is it a commercial operation or is it a community proposed use, a community group? Second: if it's a commercial operation, is it a strategic operation to the benefit of the Territory as whole or the nation, indeed, as a whole? Third: does the Territory want to provide some form of equity or support to that commercial operation?*<sup>148</sup>

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<sup>145</sup> p. 61, Mr Pinney, Department of Infrastructure, Planning and Environment, Transcript of Public Hearing, 5 December 2001

<sup>146</sup> p. 60, Mr Pinney, Department of Infrastructure, Planning and Environment, Transcript of Public Hearing, 5 December 2001

<sup>147</sup> p. 60, Mr Pinney, Department of Infrastructure, Planning and Environment, Transcript of Public Hearing, 5 December 2001

<sup>148</sup> p. 60, Department of Infrastructure, Planning and Environment, Transcript of Public Hearing, 5 December 2001

## **Committee's Comments**

A major disparity exists between the 2001-02 agency's estimate of land sales and the figure which was included in the Budget Papers. However, detailed explanation was provided as to the volatility and uncertainty of estimating future sales. The agency has already increased its estimate of revenue from lands sales by 30 per cent this financial year and a one-off major sale could increase this further.

Based on historical data, the notional target of \$9.0m could be considered a reasonable estimate for inclusion in the 2001-02 budget at the time of publication. However, the downturn in 2000-01 may have established a new benchmark. The inclusion of land sale figures in future budgets needs to be closely examined.

## CHAPTER 8

### Findings and Recommendations

#### **Department of Education, NT Police, Fire and Emergency Services, Territory Health Services: Realignment of- 2000-01 Estimates as Included in the 2001-02 Budget Papers**

The Committee considered as a unit the realignment of 2000-01 estimates that was included in the 2001-02 Budget Papers, for the Department of Education, NT Police, Fire and Emergency Service and Territory Health Services.

Although the quantum of the realignments and the outcomes at the end of the 2000-01 financial year were different for each agency, the rationale, timing and effect on the Budget figures were the same in all cases.

Evidence, which established some undisputed facts in regards to the realignment of the 2000-01 estimates, was provided throughout the Inquiry. This consisted of:

- Early in May 2001, there was discussion between the former Treasurer and the former Under Treasurer on the figures included in the 2001-02 Budget.
- Procedures were put in place to reduce the approved figures for 2000-01 presented in the 2001-02 Budget as follows:

NT Police, Fire and Emergency Services	- \$2.0m to \$126.3m
Department of Education	- \$6.0m to \$345.3m
Territory Health Services	- \$8.0m to \$436.0m

- All agencies were notified by Treasury that the reductions were for 'presentational purposes' and to reflect carry-over from 2000-01 into 2001-02.
- There were no variations made to the approved Allocation to the agencies and Treasury documents show that the reductions were reinstated shortly after the 2001-02 Budget was brought down.
- All agencies were notified by Treasury that their Allocations were unaffected and they continued to operate to the original Allocations.
- No contra-entry was made at the time of the reduction of the 2001-02 figures to reflect any carry-over arrangement.
- No carry-overs were approved in 2001-02. However, supplementary equivalent funding for the unspent Commonwealth monies was approved into 2001-02.
- In June 2001, both the Department of Education and Territory Health Services had additional Allocations approved as follows:

Department of Education  
 – Personnel and Operational Costs + \$5.3m to \$356.6m  
 – Transfer of NTU Grant + \$0.5m to \$357.1m

Territory Health Services  
 – Flood Related and Legal Costs + \$3.5m to \$447.5m

- At the end of the 2000-01 financial year actual expenditures were:

NT Police, Fire and Emergency Services	\$126.6m
Department of Education	\$350.5m
Territory Health Services	\$447.2m

The Committee found that the action taken, in itself, was not in breach of any Territory financial legislation, namely the *Financial Management Act*, Regulations or Treasurer's Directions. The Treasurer had approval from Cabinet to process the amendments, which affected the figures contained in the 2001-02 Budget.

However, the *Financial Management Act* does not specify how financial information within the Budget Papers is to be presented, especially in regard to estimates for the current financial year. Based on the information contained within the 2001-2002 Budget Papers presented by Mr Reed, Parliament and the general public would have assumed that the information reflected the same figures agencies and the Government were working to. It was the absence of such explicit guidelines that allowed the previous Government to adjust Budget Estimates without adequate explanation to the Parliament and the public.

Such issues, especially those related to the presentation of information within the Budget Papers have been largely addressed within the new Fiscal Integrity and Transparency legislation. This includes the expenditure estimates for the current financial year. Essentially under the new legislation, Treasury rather than the Treasurer will be responsible for the accuracy and veracity of Budget data and their publication within the Budget Papers. The Committee also notes that this is new legislation and, as with all new measures, its efficacy should be evaluated over time.

However, the legislation operates at a whole of Government level and the need to scrutinise Budget figures at an Agency level remains. This further underlines the need to establish an Estimates Committee within the framework of the Northern Territory Legislative Assembly (see Recommendation 3) which will render the *Financial Management Act* more workable.

In conjunction with the introduction of accrual accounting there is a current review of the *Financial Management Act* and this will provide an opportunity for appropriate amendments to ensure proper scrutiny and accountability in budget processes.

Finally, the overarching importance of aligning Fiscal Management Strategies with indicators used in the annual budget has been highlighted by the Auditor-General in his November 2001 and February 2002 Reports. Such indicators, particularly in relation to forecast changes in Government revenues and expenditures as well as the resultant impact on net debt, should be clearly described and attributed within the Budget Papers.

The majority of the witnesses gave evidence that the realignment of the 2000-01 estimates was unique and had never been used previously. Therefore, it was necessary for the Committee to consider the rationale and effect of the decision.

There was a diversity of evidence provided on the rationale and effect of the decision:

**Mr BARTHOLOMEW:** *Well, it was false in the sense that the figure presented in the budget papers as our projected estimated out turn for 2000-01 in fact was never reflected in the allocation provided to the department and, on the basis of the expenditure by the department during the year, the figure that was presented in the budget papers was not in anyway reflective of our likely end of year expenditure.*<sup>149</sup>

**Mrs AAGAARD:** *... had been done deliberately to mislead the people of the Northern Territory to believe that there was to be a significant growth in the health budget when this was clearly not the case ...*<sup>150</sup>

**Mr DUNHAM (as a witness):** *So Treasury are concerned about issues of sustainability. They sent the message to make it clear to Territory Health and others that our base line for this year would be much lower...*<sup>151</sup>

**Mr PLUMMER:** *Treasury, in fairness to them, were still not satisfied on some of our discussions, and were seeking more proof. So, I could see from their perspective that they might expect us - and that's why I accepted it. We might not expend as much as they first thought, yet we were saying we were probably going to expend more.*<sup>152</sup>

**Mr LUGG:** *The Treasurer and the Treasury run the budget. Now they present to Parliament the way they best see fit.*<sup>153</sup>

The Committee found that, whilst the evidence by Minister Aagaard, Mr Dunham, Mr Lugg and Mr Plummer was strongly held, it was often interpretative and the witnesses had not always been a direct party to the decision-making process. In the case of Mr Bartholomew, his opinion was substantiated by the provision of expenditure figures in 2000-01 which showed that Territory Health Services would not have been able to survive with a \$436.0m Budget without a severe curtailment of activity.

Evidence from the two witnesses directly involved in the decision to realign the 2000-01 Budget figures, namely Mr Clarke, former Under Treasurer and Mr Reed, former Treasurer, also provided differing views.

- The rationale behind the realignment of the figures:

**Mr CHAIRMAN:** *... In that you detail a conversation that you had with the Treasurer, Mr Reed. It occurred at the height of the budget finalisation process. ... in your written submission, you said that in May 2001 Mr Reed as Treasurer became concerned about the lack of growth in the 2001-02 budget numbers for Health, Education and Police. Is that correct?*

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<sup>149</sup> p. 28, Department of Health and Community Services, Transcript of Public Hearing, 30 November 2001

<sup>150</sup> p. 454, Hon. J.L. Aagaard, MLA, Minister for Health and Community Services, Transcript of Public Hearing, 27 March 2002

<sup>151</sup> p. 120, Mr Dunham, MLA, former Minister for Health and Community Services, Transcript of Public Hearing, 6 December 2001

<sup>152</sup> p. 74, Department of Employment, Education and Training, Transcript of Public Hearing, 5 December 2001

<sup>153</sup> p. 192, Mr Lugg, former Minister for Education, Transcript of Public Hearing, 4 February 2002

**Mr CLARKE:** *Lack of growth. He was concerned about the comparison between one year and next.*<sup>154</sup>

**Mr REED:** *... One of the real messages that I was intending to send to three of the biggest spending agencies was that they had to be aware that we were still keeping pressure on them ...*<sup>155</sup>

*I was seeking a defensible means to keep pressure on agencies.*<sup>156</sup>

**Mr CHAIRMAN:** *So basically, from what I understand of what you're saying here, the reduction in the estimates of expenditure for the 2000-01 year didn't have an accounting rationale as its imperative or its impelling it, it was a political rationale in an election year?*

**Mr CLARKE:** *A political rationale. There's no question that in my mind that that's what - he is being driven by that.*<sup>157</sup>

**Mr WOOD:** *No. The picture is what they're saying what they think the reason why you did it. Now, you have the opportunity to say that they are wrong. Because they're saying you had a political rationale for doing what you did.*

**Mr REED:** *Well, that's their belief. And I can't change that.*

**Mr WOOD:** *Do you accept that? Or not?*

**Mr REED:** *... If that was their belief, and that's what they've espoused, and I don't question that they have, then so be it. My position is, that it was for quite different purposes. ...*<sup>158</sup>

- Selection of the agencies:

Mr Clarke clearly stated that Mr Reed selected the agencies to be subject to the reduction.

**Mr CLARKE:** *... What was asked of me was could he do something about the comparison of numbers which, certainly from a whole of government level, showed a reduction and the ones that he particularly mentioned to me are Health, Education and Police.*<sup>159</sup>

**Mr WOOD:** *Now, why didn't the Treasurer look at other departments besides those three?*

**Mr CLARKE:** *I'm not sure. I think you would have to ask him, quite frankly. I mean, they are obviously the ones that politically to him were important. He didn't - he said these were the three that were important to him.*<sup>160</sup>

When Mr Reed was questioned on this issue, he stated that these agencies were selected because they were the agencies which continually requested more funding from the Budget and were the biggest spending agencies.

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<sup>154</sup> p. 218, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

<sup>155</sup> p. 309, Mr Reed, MLA, former Treasurer, Transcript of Public Hearing, 11 March 2002

<sup>156</sup> p. 319, Mr Reed, MLA, former Treasurer, Transcript of Public Hearing, 11 March 2002

<sup>157</sup> p. 220, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

<sup>158</sup> p. 314, Mr Reed, MLA, former Treasurer, Transcript of Public Hearing, 11 March 2002

<sup>159</sup> p. 219, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

<sup>160</sup> p. 227, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

**Mr McADAM:** *Mr Reed, I don't know whether this has been clarified previously, but just let me ask you why you as Treasurer at that point in time chose police, education and health as the only departments that showed growth when in fact there were reductions? Can you explain to us fully, why you at that point of time only chose police, education and health and not the other departments?*<sup>161</sup>

**Mr REED:** *... Health, of course, is probably, together with education, but health especially is an area of continuing pressure in terms of an agency requiring more funding.*<sup>162</sup>

**Mr WOOD:** *But it didn't apply to the other departments. You're saying it – why didn't it apply to the other departments?*<sup>163</sup>

**Mr REED:** *Well, they're the biggest spending agencies.*<sup>164</sup>

- The effect on the Allocation:

**Mr CLARKE:** *... it didn't affect the allocation, it was there to affect the carryover, we expected it to happen.*<sup>165</sup>

- No contra-entry for carry-over:

**Mr CLARKE:** *... He was adamant that he didn't want anything to happen for the next year. He didn't want to show a part of the 2.5 as being due to a [inaudible] being achieved by a rise in expenditure in 2001-02.*<sup>166</sup>

- Annotation of the realignment in the Budget Papers:

**Mr CLARKE:** *... my recollection was that it was discussed with the Treasurer, but I can't actually recall the time, or exactly you know, sort of what was said, but I was under no doubt that it was not going to be discussed in the budget papers or in his speech.*<sup>167</sup>

**Mr REED:** *Well, if you wanted to explain everything that's in the budget documents that go to six volumes or something in budget papers and highlight in the budget speech each and everyone of them, I would be still on my feet in the Assembly since last May reading them.*<sup>168</sup>

The Committee found that Mr Clarke had a clear recollection of the events and discussions regarding the realignment of the 2000-01 estimates. He presented his evidence honestly and with candour and openly stated when he was interpreting Mr Reed's directions or when he was giving his opinion whereas Mr Reed's recall of the meetings with Mr Clarke were limited. The Committee found that Mr Reed, in his position as Treasurer, undoubtedly had on-going concerns about the level of funding for Health, Education and Police. However, in this particular instance, the Committee accepted Mr Clarke's evidence based on his recollection and his extensive experience working with Mr Reed and interpreting Mr Reed's Budget requirements.

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<sup>161</sup> p. 331, Mr Reed, MLA, former Treasurer, Transcript of Public Hearing, 11 March 2002

<sup>162</sup> p. 331, Mr Reed, MLA, former Treasurer, Transcript of Public Hearing, 11 March 2002

<sup>163</sup> p. 320, Mr Reed, MLA, former Treasurer, Transcript of Public Hearing, 11 March 2002

<sup>164</sup> p. 320, Mr Reed, MLA, former Treasurer, Transcript of Public Hearing, 11 March 2002

<sup>165</sup> p. 228, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

<sup>166</sup> p. 234, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

<sup>167</sup> p. 244, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

<sup>168</sup> p. 338, Mr Reed, MLA, former Treasurer, Transcript of Public Hearing, 11 March 2002

The Committee also accepted the fact that the main purpose of the realignment to the 2000-01 estimates was to show growth in the funding between the years 2000-01 and 2001-02 in the 2001-02 Budget Papers. Predominantly, this decision had a political rationale. In addition without Mr Reed's intervention the Budget estimates would have been published unchanged and without reduction.

What Mr Clarke provided to the then Treasurer was an accounting rationale, should it be needed. However, the then Treasurer also made it clear to Mr Clarke that there would be no discussion of the matter within the Budget Papers or the Budget speech.

In the absence of clear guidelines or prescription within the *Financial Management Act* the ethics of this adjustment were never explicitly addressed, either by Mr Reed or by Treasury at the time.

*Mr CLARKE: ... Now, I wasn't saying that was the best thing or the right thing; that wasn't the question that was asked of me.*<sup>169</sup>

Implicit in Mr Clarke's evidence is that political imperatives were the main overriding concerns to reduce the estimates.

Mr Clarke gave evidence that he gave Mr Reed a 'defendable' means of showing growth, he also told the Committee that he was not 'comfortable' with the method and indeed questioned whether it was the 'right' method. The Committee believes that the only valid way to show increased growth between one year and another is to do just that – to increase expenditure for the following year rather than artificially reduce expenditure estimates for the current year. In this respect the Committee agrees with Mr Bartholomew's description of the reductions as being 'artificial' and the process as being 'deceptive'.

Other evidence placed before the Committee clearly shows that the magnitude of the reductions was far greater than what could be expected from previous under-expenditures – particularly for Health and Education.

The Committee did not accept Mr Reed's assertion that there was a breakdown in communication between Mr Reed and Mr Clarke and that Mr Clarke had misinterpreted Mr Reed's directions. Mr Clarke gave direct evidence that he had received directions from the Treasurer to reduce the estimate expenditure for Health, Education and Police in order to show an apparent 2.5 per cent growth in expenditure.

*Mr CHAIRMAN: So, did you interpret this as a clear direction from the Treasurer at the end of the discussion, that that was what was to happen?*

*Mr CLARKE: Yes, I did.*<sup>170</sup>

The Committee found that there was no analysis undertaken on whether the realignments were achievable and all three agencies were expected to continue to operate to their full Allocation. There was no annotation in the Budget Papers. Commentary made during the Budget Speech and the Budget debate were based on the realigned figures. Anyone reading the Budget Papers would have been incorrectly led to believe that there were significant

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<sup>169</sup> p. 219, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002

<sup>170</sup> p. 222, Northern Territory Treasury, Transcript of Public Hearing, 4 February 2002



increases in spending in Health, Education and Police based on the 2000-01 data as presented in the 2001-02 Budget Papers.

This opens questions regarding the role of then Ministers Reed, Dunham, and Lugg in the process of the reduction of budget estimates.

### **Mr Mike Reed, MLA**

Mr Reed was the instigator of the process that led to this deception. He approached the then Under Treasurer Mr Clarke for advice and directed him to reduce the estimates in order to show growth in Health, Education and Police. Mr Clarke has given evidence that without Mr Reed's intervention the estimates would have been published unchanged and without reduction. It is reasonable to conclude from the evidence that Mr Reed's motivation for interfering with the Budget in this deceptive manner was political.

Mr Reed selected one of the Under Treasurer's options to show growth. This option was to artificially reduce the estimates in Health, Education and Police so that he could show growth in these crucial areas during an election year.

Whilst there is no evidence that Mr Reed acted illegally under the *Financial Management Act*, the Committee believes that the benchmark for ministerial behaviour is much higher than legal compliance. The Committee is also of the view that to interfere with the budgetary processes and Budget figures in the manner described above amounts to improper political manipulation of the budgetary process and a deception on the Parliament and the people

As Treasurer, Mr Reed also abused the trust put in him by Parliament and the people that Ministers should be honest and truthful when delivering budget information to Parliament.

It appears that a lack of transparency in budgetary processes under the previous government largely contributed to the events that occurred.

### **Mr Stephen Dunham, MLA**

In his May Budget Appropriation Speech to Parliament (Budget Paper No. 2), Mr Dunham presented an estimated expenditure of \$436.0m for 2000-01 THS Budget. Whilst he presented the published figures to Parliament, it cannot be considered as completely truthful. It appears from the evidence, including his own, he knew full well that the Department was likely to spend to its full Cabinet approved allocation of \$444.0m. He had been informed by Mr Bartholomew that this was the likely outcome and by Mr Clarke that the Department was able to spend to its full allocation of \$444.0m. Moreover it is side-stepping personal responsibility to use the defence that

*... Correct is what is published, correct is not a judgment that comes from your heart or your attitude.*<sup>171</sup>

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<sup>171</sup> p. 165, Mr Dunham, former Minister for Health, Family and Children Services, 6 December 2001

In so doing, Mr Dunham chose to endorse the artificially reduced figure of \$436.0m, chosen by former Treasurer Reed, in order to show growth in the 2001-02 Health Budget.

By not challenging the deception which had been brought to his attention by his CEO Mr Bartholomew, Mr Dunham was complicit in allowing an artificially reduced and false estimate to be published and presented to Parliament and the people of the Northern Territory.

This figure misrepresented the budgetary position his Department was working to and gave the misleading impression to the people of the Northern Territory in an election year that there had been a 2.5 per cent increase for Health expenditure in the 2001-02 year.

From the evidence given to the Inquiry it appears that Mr Dunham was not involved in the request made by the former Treasurer Mr Reed to the Under Treasurer to reduce the estimates of expenditure by the Health Department for 2000-01.

The Committee believes that Parliament and the people of the Northern Territory have the right to expect that published Budget figures are the same as those that Agencies themselves are working to at that point in time. In turn, Ministers should be truthful and forthright when presenting such figures to Parliament. In this context Mr Dunham fell short of these expectations.

### **Mr Chris Lugg**

The assertion by Minister Lugg in his May Appropriation speech that there was to be a \$9.4m increase in education spending in 2001-02 was incorrect and deceptive. It led the Parliament and the people of the Northern Territory to falsely believe that there was a significant increase in education funding in an election year.

While Mr Lugg was the only Minister who actually quantified the increase in his Appropriation Speech, the majority of Committee Members felt that there was insufficient evidence that he deliberately misled Parliament for the following reasons:

- Mr Lugg appeared to exhibit a significant lack of interest in, and knowledge of, the budgetary situation of his Department.
- Mr Lugg appeared to have shifted a significant amount of his responsibility as a Minister for making his own judgements. It also appears that he did not exercise sufficient vigilance in these matters.
- Mr Lugg did not fully understand or actively question the nature of Mr Reed's reduction to the Education Budget.

Nevertheless, this negligence should not excuse Mr Lugg for his inability to exercise due diligence in discharging his duties to the Parliament and the people of the Northern Territory to prevent such deceptions occurring.

## Sale of NT Fleet

In relation to the receipts from NT Fleet's sale being included in the 2001-02 Budget, the Committee found that this was a legitimate inclusion, as the Fleet is a Government's assets that could be sold. The sale was disclosed in the Budget Papers.<sup>172</sup>

However, the Committee found that the decision to include the sale of NT Fleet in the 2001-02 Budget was made without a proper, contemporary analysis of the overall implications of the sale.

Evidence was also given that the inclusion of the sale in the Budget was made in haste and very late in the process when the Budget was being finalised. There was further evidence from the Under Treasurer that he had advised Mr Reed that it may not be a financially *sensible* decision to proceed with the sale. The Committee was particularly concerned there were no mechanisms in place to provide for scrutiny of such a major proposal by Parliament.

## Conditions of Service Trust

While the Auditor-General continually called for the inclusion of the Conditions of Service Trust, he was critical in his November 2001 Report to the Legislative Assembly on Analysis of the 2000/01 Treasurer's Annual Financial Statement:

*Since this is not a receipt of externally sourced income for the Government, its inclusion masks the underlying result arising from external transactions, and so should be adjusted out.*<sup>173</sup>

The Committee accepted that the incorporation of the Conditions of Service Trust into the 2000-01 Budget was necessary to provide a whole of Government perspective, as called for by the Auditor-General, and the move to accrual accounting. The timing was, in part, related to the Territory's contribution to the AustralAsia Railway project. However, the Committee found that the inclusion of the Conditions of Service Trust, a one-off transaction in 2000-01, was also used as a means of offsetting the lower receipts and increased discretionary expenditures.<sup>174</sup> From the evidence presented, the Committee also found that it was a form of presentational change and Mr Clarke agreed that , as such:

*Mr CHAIRMAN: . . . impede the transparency of the budget data ...*

*Mr CLARKE: ... they can impede it, yes. I think that would be a fair comment.*<sup>175</sup>

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<sup>172</sup> p. 8, 2001-02 Budget Paper No. 1 and p. 347, Budget Paper No. 2

<sup>173</sup> p. 10, Auditor-General for the Northern Territory, Analysis of the 2000/01 Treasurer's Annual Financial Statement, Report to the Legislative Assembly, November 2001

<sup>174</sup> p. 8, 2001-02 Budget Paper No. 1

<sup>175</sup> p. 285, Northern Territory Treasury, Transcript of Proceedings, 4 February 2002

## Original Budget Under-estimation of Final Consumption Expenditure

During the Inquiry, the Committee examined the claims made by Professor Percy Allan that, in the last three years, final consumption expenditure was under-estimated in the original budget compared to the outcomes by about \$65.0m to \$70.0m per year (see Appendix 8). The Committee found that, over the years, there were a number of natural disasters that contributed to increased expenditures during the year. However, the Committee did find it disturbing that a significant proportion of the under-estimation was outside the formal Cabinet Budget process even though it was actioned within the terms of the *Financial Management Act*.

In 2000-01, the Allocations of recurrent expenditures approved by the Legislative Assembly increased by \$74.0m and included only \$14.0m for the flood natural disaster.<sup>176</sup>

Evidence was also given to the Committee that the former Government did not have an effective strategy in place to ensure that actual outcomes were close to the original budget estimate – hence the ongoing and chronic under-estimate of final consumption expenditure of between \$65.0m to \$70.0m per year.

The Committee also found that, based on evidence given during the Inquiry, there was a culture amongst Government agencies that continual submissions for funding could be made and approved.

Specifically related to Education, the Auditor-General's Analysis of the 2000-01 Treasurer's Annual Financial Statement, November 2001 Report to the Legislative Assembly raised the matter of extra \$6.0m identified for Education's Personnel Costs for the following three years. The non-inclusion of \$6.0m within the 2000-01 estimated expenditure for Education was also raised by the Auditor-General in his report.

These funds were approved by the Burke Cabinet in March 2001. However, they were not entirely included within Personnel Costs in the 2000-01 Budget Estimates for the Reed's Budget despite actual outlays suggesting it was required.

Given the specifics and complexity of budget terminology, the Committee was unable to reach a conclusion on this particular matter at this time.

Nevertheless, the Committee believes that the matters raised by the Auditor-General are extremely import and should be further clarified at a related inquiry arising from the Auditor-General's report. To this end the Committee will seek further briefings with Education and Treasury Officers at an appropriate time.

As all the \$6.0m funds were not allocated to Personnel Costs, this led the Department to obtain additional supplementation in June 2001. This was significant in relation to under-estimation of final consumption figures.

Apart from the Education Department, the Committee also found that there was ample evidence of repeated supplementation for a number of other departments. To a significant extent this may have resulted from unrealistically low original forward estimates imposed by

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<sup>176</sup> p. ii. Treasurer's Annual Financial Report 2000-01

the previous Government either as a management tool or a means of keeping the proposed deficit as small as possible. These practices appear to indicate poor budgetary processes and management. These matters need to be critically examined within the Budget Estimates process.

### **Funding for AustralAsia Railway**

The Committee acknowledged that the funding for the AustralAsia Railway project by loan rather than grant improved the Budget bottom line and was legally and contractually necessary.

### **2001-02 Mini Budget**

Several items within the 2001-02 Mini Budget were raised during the Inquiry, in particular the electricity tariff, the provision for liabilities arising from the demise of HIH as well as Health related expenditures. In each case, the Committee found that no evidence had been provided which could substantiate any inaccuracies in the 2001-02 Mini Budget data.

### **Information Technology Management Services: Outsourcing Desktop and Local Area Network Support Services**

In relation to Information Technology Management Services' outstanding desktop and local area network support services, the Committee accepted that, although the agency knew the outsourcing policy would have a major impact on the 2000-01 Budget figures, the timing of the final approvals and the commercial confidentiality of the matter precluded the adjustment of the 2000-01 figures in the 2001-02 Budget Papers.

The Committee found that the lack of adequate evaluation process, which resulted from the policy decision to proceed with the outsourcing, should have been addressed in the first instance. The Department of Corporate and Information Services should have set up some benchmarks initially to provide for future evaluation and review.

### **Department of Infrastructure, Planning and Development: 2001-02 Land Sales Receipts**

The Committee found that, after taking into consideration the volatility, uncertainty and previous trends in land sales, the decision to include a notional figure of \$9.0m for land sales in 2001-02 was reasonable.

The Committee felt that the methodology of using historical data to project a 'notional figure' for budget purposes with the proviso that the notional figure 'could be changed in the running' during the year does not always produce the most accurate Budget figures.

## **Agency Responsibilities**

Throughout the public hearings witnesses were questioned on various discussions and decisions in relation to all matters before the Inquiry. The Committee found that, at the time, very little formal recording or note taking was made. This led to differences in interpretation, reliance on opinion and failure to adequately recall detail.

Furthermore, the integrity of the Budget processes and data needs to be safeguarded. This need was highlighted in evidence given in relation to the sale of NT Fleet, unrealistically low estimates of growth and consequent blowouts in final consumption expenditure and the artificial reduction of expenditure estimates for political motivation.

Amongst the agencies affected by the reduction in estimates Mr Bartholomew was the only CEO who believed there was reason for concerns and acted upon his concerns in regard to what he perceived to be inconsistencies or deliberate deceptions in the data being presented in the Budget Papers to the Parliament and the people of the Northern Territory. Other CEOs appeared to be reassured when they learnt that the published Budget figures did not affect their capacity to spend to their approved Allocation.

A disturbing theme common to all agencies appearing before the Committee was the parochial view of a number of CEOs that their primary focus was on their own agencies' allocation/expenditure, without little association to the figures being presented to Parliament during the Budget process.

This could be translated into a perceived lack of interest regarding the whole of Government financial status to the exclusion of other individual agencies.

There would appear to be insufficient appreciation amongst some CEOs of the global obligation to ensure that Parliament is provided with an accurate financial report.

In other jurisdictions Estimates Committees can provide proper scrutiny and accountability to the Parliament and people and ensure that the estimates process is transparent, factual and directly relevant to the implementation of government policy. The implementation of a Parliamentary Estimates Committee would emphasise the importance of Parliament's role in the Appropriation and Budget process particularly at an agency's level.

## **Conflict of Interest within Parliamentary Committees**

Mr Dunham continued to serve as a Committee Member of this Public Accounts Committee's Inquiry despite the fact that much of the Inquiry focussed on his conduct when he was Health Minister in the previous Government. He also appeared as a witness before the Committee.

In October 2001, the Chairman wrote to Mr Dunham asking him to *consider your position on the Committee during the term of this inquiry* (see Appendix 9) particularly in regard to Standing Order 263 which states:

*No member may sit on a committee if he is personally interested in the inquiry before such a committee.*

Nevertheless, Mr Dunham chose to stay on the inquiry stating that:

*It is my intention to remain on the Public Accounts Committee for the matters before it, including the investigation of the 2001/2002 Budget Papers. In the unlikely event it is alleged or it can be demonstrated that I obtained a personal or monetary advantage arising from the 2001/2002 Territory Health Service budget papers I would of course review this decision. (See Appendix 10)*

He also used the view that *a member must be guided by his own feelings in the matter and by the dictates of respect to the House and to himself*<sup>177</sup> to justify his position.

His continued presence on the Committee caused a number of serious difficulties, particularly as a Committee Member deliberating on his own evidence especially when that evidence was in direct conflict with other witnesses. On a number of occasions in deliberative sessions and in public hearings Mr Dunham sought to elaborate on his own evidence – something denied to other witnesses. The Committee clearly believes that this is an undesirable situation that should not have occurred.

The Committee also believes that there should be further clarification of Standing Order 263 to make it plain that 'personal interest' includes the direct involvement of a member in a matter in ways other than a purely pecuniary interest.

## **Concluding Comments and Recommendations**

The Committee records its belief that the Appropriation Bill is probably one of the most important pieces of legislation to come before Parliament and the people, because it sets out a Government's performance and foreshadows how it intends to implement its policies.

Therefore Parliament and the people must have confidence in the figures that are published in the Budget Papers particularly in an election year. Parliament and the people must also have confidence that Ministers are being truthful when they present the figures to Parliament. To tamper with the budgetary processes for political purposes amounts to political manipulation which would result in a deception on the Parliament and the people.

The Fiscal Integrity and Transparency Legislation introduced by the current government significantly reduces the potential for political interference in Budgetary processes. In addition, because the NT is one of the few Australian jurisdictions without an Estimates Committee, there is a large potential for lack of scrutiny of Budget processes. This reinforces the need for an Estimates Committee to be established in the Northern Territory.

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<sup>177</sup> p. 162, House of Representatives Practice, 3<sup>rd</sup> Ed.

### ***Recommendation 1 – Improve Budget Documentation***

The Committee recommends that improved Budget documentation be implemented to provide enhanced transparency of any current year estimates included in the Budget Papers. Consideration to be given to include:

- current year estimates included in the Budget Papers tables should be based on the Allocation approved for each agency at the time;
- reconciliation of current year's original Allocations approved by the Legislative Assembly to the estimates contained in the forward years Budget Papers;
- annotations and a discussion within the Budget Papers explaining the accounting rationale, forecast parameters, and risks associated with any specific proposals contained within the Budget information.
- indicators of the Government's fiscal management strategies including forecast changes in Government revenues and expenditures as well as the resultant impact on net debt should be clearly described and attributed within the Budget Papers.

### ***Recommendation 2 – Improve Budgeting Culture***

The Committee recommends that the Government addresses the budgeting culture throughout all areas of the NT Budget whereby funding levels, approved in the annual Budget, are substantially supplemented throughout the year.

### ***Recommendation 3 – Establish an Estimates Committee***

The Committee recommends that, following a review of practices used by other jurisdictions, an adequately resourced Estimates Committee be established appropriate to the needs of the Northern Territory prior to the tabling of the 2002-03 Appropriation.

### ***Recommendation 4 – Agency Record-Keeping***

The Committee recommends that all agencies be made aware of their responsibilities regarding the proper record-keeping of meetings and discussions, in particular, those which have major resource implications.



### ***Recommendation 5 – Adequate Evaluation***

The Committee recommends that decisions to develop, outsource or sell such major government operations should include:

- **Appropriate and comprehensive evaluation for Cabinet before inclusion in the Budget.**
- **Inbuilt evaluation, methodology, timing and reporting including pre- and post-implementation data collection.**
- **Adequate community consultation and recognition of the impact of such decisions.**

### ***Recommendation 6 – Estimates of Land Sales***

The Committee examined evidence from the Department of Infrastructure, Planning and Development regarding the accuracy of forward estimates of land sales and recommends that:

- **vigilance should be exercised when including 'notional' figures within the Budget to ensure that the basis of the trend has not changed and the best estimate for the year is provided.**
- **The basis for the estimate should be provided in the Budget Papers.**

### ***Recommendation 7 – Review of Conflict of Interest in Committee***

Following concerns with having a Committee member who was also a witness and a subject of the Inquiry, the Committee recommends that the Standing Orders Committee investigate whether changes to Standing Order 263 would be appropriate.



## **APPENDICES**

# APPENDIX 1



COMMISSIONER'S OFFICE

Dr C Burns MLA  
Chairman  
Public Accounts Committee  
GPO Box 3721  
DARWIN NT 0801

: Your Ref.

S2001/1340 : HQ2001/1386 : Our Ref.

Dear Dr Burns

I refer to your letter of 1 November 2001 seeking information relating to an inquiry being conducted by the Public Accounts Committee. I have received advice on the matters raised.

Following are my responses to your questions 1(a), 1(b) and 1(c) of the Terms of Reference.

(1) inquire into and report upon the accuracy of the budget data published in the 2001-02 budget papers with respect to both the estimated outcome for 2000-01 and the budget for 2001-02, with particular reference to:

(a) *whether the data published for individual agencies differed materially from that understood by agencies to properly reflect the best estimates available to each agency at the time*

The final allocation for 2000/01 was \$128.316M, however the figure published in the 2001/02 Budget papers was \$126.316M. The Under Treasurer advised the Commissioner of Police on 17 May 2001 of the financial tables which were to be published for the 2001/02 Budget Papers. These tables incorporated a \$2M reduction to the 2000/01 estimates which was described as "realignment of estimates to allow for a likely carryover of 2000-01 expenditure into 2001-02".

(b) *where there is a material difference, whether there is any supporting advice issued by the Treasury or the Treasurer's Office with regard to these differences, and the nature of that advice*

A fax from the Under Treasurer to the Commissioner of Police on 17 May 2001 advised the latest figures to be included in the 2001/02 Budget Papers. The fax stated that the Treasurer had approved budget variations which incorporated a \$2M "realignment of estimates to allow for carryover of 2000-01 expenditure into 2001-02".

(c) *whether the agency undertook to advise their respective ministers, prior to the budget being delivered, that these differences existed*

This Agency did not advise the Minister for Police, Fire and Emergency Services because he was also the Treasurer who had approved the budget variations.

Yours sincerely

Brian C Bates  
Commissioner of Police

12 November 2001

## APPENDIX 2

**From:** Joanne Schilling  
01/06/2001 04:57 PM

**To:** Steve Marshall/THS/NTG@NTGeMAG, Rosemary Warden/THS/NTG@NTGeMAG, Ian Allan/THS/NTG@NTGeMAG, Stephen Moo/THS/NTG@NTGeMAG, Margaret McLean/THS/NTG@NTGeMAG, Bruce Dunn/THS/NTG@NTGeMAG, Susan Paltridge/THS/NTG@NTGeMAG, Geoff Clark/THS/NTG@NTGeMAG, Brian Slatter/THS/NTG@NTGeMAG, John Montz/THS/NTG@NTGeMAG, Tricia Wake/THS/NTG@NTGeMAG, John Baczynski/THS/NTG@NTGeMAG, CarolynM Adam/THS/NTG@NTGeMAG

**Subject:** ADVICE DATED 30/5/01 RE BUDGET

All BOS Branch Heads,

Following my email dated 30/5 (below), there seems to be some confusion as to certain aspects of that memo.

Delegation Withdrawn: It was not my intention to imply that I was withdrawing delegations. I had merely intended to encourage continued astute financial management on the part of BOS senior managers. I apologise for any misunderstandings that may have occurred.

In the interest of continuing our high level of patient care and client services, and maintaining our required staffing levels, it is imperative that all managers manage their budget allocations in a responsible manner.

I would like to reinforce that it is not our intention to cut services or our workforce, but rather ensure efficient utilisation of the THS budget. Please advise relevant staff.

Thanks,

Joanne Schilling  
A/Asst Sec Business and Operational Support

----- Forwarded by Joanne Schilling/THS/NTG on 01/06/2001 16:33 -----

**From:** Joanne Schilling  
30/05/2001 12:37

**To:** Steve Marshall/THS/NTG@NTGeMAG, Rosemary Warden/THS/NTG@NTGeMAG, Ian Allan/THS/NTG@NTGeMAG, Stephen Moo/THS/NTG@NTGeMAG, Margaret McLean/THS/NTG@NTGeMAG, Bruce Dunn/THS/NTG@NTGeMAG, Susan Paltridge/THS/NTG@NTGeMAG, Geoff Clark/THS/NTG@NTGeMAG, Brian Slatter/THS/NTG@NTGeMAG, John Montz/THS/NTG@NTGeMAG, Tricia Wake/THS/NTG@NTGeMAG, John Baczynski/THS/NTG@NTGeMAG, CarolynM Adam/THS/NTG@NTGeMAG

**Subject:** BUDGET RESTRICTIONS - DELEGATIONS WITHDRAWN

Please forward this message to all Branch Heads, and to anyone who acts in the place of a Branch Head in their absence.

As you are aware, THS has had budget restrictions in place for some time.

**These restrictions are to continue for the foreseeable future, including into the new financial year.  
The continuing curtailment of discretionary expenditure applies to:**

**Staffing**

All discretionary staffing expenditure is to be deferred / not approved. recruitment; (including replacing existing temporary staff, etc)  
overtime penalties;  
higher duties;  
short term backfilling;  
and use of agency employment.

Existing Delegations are withdrawn. All staffing expenditure must be approved by the THS Division Head.

**Discretionary Travel**

All non-essential inter and intrastate travel for purposes such as attendance at workshops and conferences should not be approved.

Existing delegations are withdrawn.

All intrastate travel must be approved by the THS Division Head, interstate travel approval remains with the CEO.

**General Operational Expenditure**

All general purchases of a discretionary nature are to be avoided.

This includes office equipment, furnishings, partitioning, etc; printing; Internet access and usage; journals and subscriptions (including library purchases); and training and study expenses.


These arrangements are effective immediately, and continue until further notice.

Thanks for your assistance

Joanne Schilling

A/Asst Sec Business and Operational Support

<b>MINISTER'S OFFICE</b>	
DATE	11 JUL 2001
F/NO	011303
C/NO	



HEALTH SERVICES  
Northern Territory Government

APPENDIX 3

*Minister*  
*This was an excellent*  
*end of year review*  
*reflecting the hard work*  
*of many THS Managers*  
*The effort by RDH is*  
*particular*  
*outstanding*  
*Paul J*  
*10/7*

TO: MINISTER  
 THROUGH: *AF* CHIEF EXECUTIVE OFFICER  
 RE: JUNE 30 2001 - END OF YEAR BUDGET OUTCOME

FILE:  
 REF: 069601

**RECOMMENDATION**

That you note the information regarding the end of year budget outcome for Territory Health Services.

**BACKGROUND**

At the end of April, Territory Health Services had an approved budget of \$443.956M. An additional \$3.5M in Treasurer's Advance was added to that budget in June 2001, taking the authorised budget to \$447.456M. The Treasurer's Advance covered:

Treasurer's Advance Items	\$000
Victoria River and Borroloola floods	869
Superannuation allocation review by NT Treasury	1,308
Legal expenses and settlements	1,323
<b>Total Treasurer's Advance approved for THS:</b>	<b>3,500</b>

**ISSUES ARISING**

The attached table details expenditure by Activity and Program for 2000/01. The Revised Allocation column details the Final Approved Budget, while the second column from the right details the total expenditure for 2000/01.

**FINANCIAL**

The following adjustments were made, to reach the final approved budget allocations. Expenditure occurred against the Final Budget Allocations:

THS	Budget	Treas Adv.	Transfers	Final Budget	Actual Expend.
	\$000	\$000	\$000	\$000	\$000
Organisational Support	21 350	1 263	-500	22 113	22 094
Acute Care (RDH)	117 519	774	850	119 143	119 078
Other Acute Care	90 448	594	2 800	93 842	93 816
Public Health	42 189		-3 750	38 439	38 420
Community Services	77 922		0	77 922	77 880
Primary Health Care	94 528	869	600	95 997	95 952
<b>Total:</b>	<b>443 956</b>	<b>3 500</b>	<b>0</b>	<b>447 456</b>	<b>447 240</b>

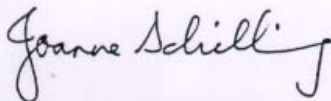
Items of Note:

- The transfer to RDH was not required for operational expenditure, but covered an additional \$688k payment made for Cross Border Charging. Further, RDH had unfunded FBT expenditures of \$533k.
- Other Acute Care: Gove District Hospital required an additional \$665k, while Alice Springs used an extra \$2.1M. This covered increased workload, plus some additional costs associated with the redevelopment work.
- Public Health had savings in both the Public Health Services and Alcohol and Other Drugs programs, which were transferred to other areas of THS.
- Primary Health Care: Extra funds were used to make grants payments.

Action Officer:


Joanne Schilling

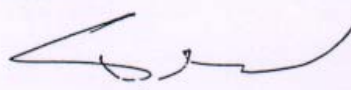
Ph: 8999 2416



JOANNE SCHILLING

A/Asst Secretary Business and Operational Support

NOTED 

  
.....  
STEPHEN DUNHAM

13 JUL 2001

**ISSUES ARISING**

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## APPENDIX 4

### SUMMARY OF AGENCY OUTLAYS FOR 2000-01

	ESTIMATES ACTUAL \$M	ACTUAL \$M	VARIATION \$M
Aboriginal Areas Protection Authority	2.5	2.5	0.0
Anti-Discrimination Commission	0.9	1.0	0.1
Auditor-General's Office	2.3	2.1	-0.2
Centralian College	16.4	16.6	0.2
Department of Arts and Museums	13.5	13.7	0.3
Department of Asian Relations and Trade	5.4	5.2	-0.2
Department of Corporate and Information Services: General Services	66.3	65.3	-0.1
Department of Corporate and Information Services: Superannuation Office	86.9	86.9	0.0
Department of Education	345.3	350.5	5.2
Department of Industries and Business	48.1	46.0	-2.1
Department of Lands, Planning and Environment	59.6	56.5	-3.1
Department of Local Government	50.7	48.5	-2.2
Department of Mines and Energy	22.3	21.8	-0.5
Department of Primary Industry and Fisheries	41.7	41.4	-0.3
Department of Sport and Recreation	14.1	13.6	-0.5
Department of the Chief Minister	34.9	34.5	-0.5
Department of the Legislative Assembly	12.6	12.8	0.2
Department of Transport and Works	272.7	269.5	-3.3
Northern Territory Attorney-General's Department	17.0	19.6	2.6
Northern Territory Correctional Services	44.7	44.5	-0.2
Northern Territory Employment and Training Authority	65.9	62.1	-3.8
Northern Territory Police, Fire and Emergency Services	126.3	126.6	0.3
Northern Territory Railway	149.4	146.8	-2.6
Northern Territory Tourist Commission	26.7	27.2	0.5
Northern Territory Treasury (*)	133.4	131.9	-1.5
Northern Territory Treasury Corporation	440.8	436.8	-4.0
Office of Aboriginal Development	3.6	3.4	-0.3
Office of Communications, Science and Advanced Technology	2.7	2.7	0.0
Office of Courts Administration	18.0	18.0	0.0
Office of the Commissioner for Public Employment	46.9	44.1	-2.7
Office of the Director of Public Prosecutions	4.5	4.7	0.2
Ombudsman's Office	1.7	1.6	0.0
Parks and Wildlife Commission of the Northern Territory	40.6	39.4	-1.2
Strehlow Research Centre	0.4	0.3	0.0
Territory Health Services	436.0	447.2	11.3
Territory Housing	62.4	62.3	-0.1
Trade Development Zone Authority	1.3	0.9	-0.4
Treasurer's Advance	0.0	0.0	0.0
Construction Division	39.1	38.7	-0.4
Darwin Bus Service	6.6	6.4	-0.3
Darwin Port Corporation	17.2	14.0	-3.2
Government Printing Office	7.1	6.3	-0.8
Information Technology Management Services	41.0	52.1	11.1
NT Fleet	46.4	46.4	0.0
Power and Water Authority	398.9	381.1	-17.8
Territory Discoveries	2.7	2.8	0.2
Territory Housing: Business Services	138.3	134.0	-4.3
Territory Wildlife Parks	10.6	10.3	-0.3
<b>TOTAL</b>	<b>3 426</b>	<b>3 401</b>	<b>-25.7</b>

(\*) Northern Territory Treasury Estimated Actual excludes \$142M Backcasting adjustment

## APPENDIX 5

PROGRAM: 8.30AM 8DDD FM MORNING PROGRAM

DATE: Friday, October 26, 2001

REPORTER: FRED McCUE

INTERVIEWEE: CLARE MARTIN / MIKE REED

RE: MANIPULATION OF BUDGET PAPERS BY  
FORMER CLP GOVERNMENT

0IT199

\*\*\* PROOF FOR OFFICE USE ONLY \*\*\*

**This transcript is taken from a tape recording, and freedom from errors, omissions or misunderstandings cannot be guaranteed**

First this morning to claims that the former CLP Government has falsely manipulated budget figures for the Health Department. The claims were made in parliament yesterday and resulted in a censure motion against the former Government. Using a memorandum from Health Services head Paul Bartholomew the Labor Government claimed in parliament that the previous CLP administration had deliberately and falsely inflated the Health Department's budget for this year by some \$8 million or 2.5%, meaning that it effectively kept pace with inflation. Now the CLP absolutely refutes the claims, saying that it's frivolous. But Chief Minister Clare Martin has now referred the matter to the Parliamentary Public Accounts Committee.

MARTIN THE DOCUMENTATION THE GOVERNMENT BROUGHT INTO PARLIAMENT YESTERDAY IS VERY SERIOUS DOCUMENTATION. IT DEMONSTRATES QUITE CLEARLY THAT MIKE REED INSTRUCTED TREASURY TO PUT THE WRONG FIGURES IN THE BUDGET PAPER, TO MISREPRESENT WHAT THE BOTTOM LINE WAS FOR THE HEALTH BUDGET AND IT'S VERY CLEARLY DOCUMENTED IN THE TREASURY DOCUMENTS WE TABLED YESTERDAY IN PARLIAMENT. IT SAYS THAT \$8 MILLION WAS TAKEN FROM THE BUDGET OF THE 2000/2001 YEAR AND JUST FOR PRESENTATIONAL PURPOSES, AND THAT'S WHAT THE REALLY, THE INDICTING WORDS ARE, JUST FOR

PRESENTATIONAL PURPOSES IT WAS TAKEN AWAY AND THEN IT WAS PUT BACK FOR THE NEXT BUDGET OF THE NEXT YEAR, THIS ONE, THE 2001/2 BUDGET TO MAKE IT LOOK LIKE THERE'S BEEN AN INCREASE OF 2.5%. THAT IS CLEARLY SPELLED OUT IN THE DOCUMENTATION WE PRESENTED IN PARLIAMENT YESTERDAY. THIS IS NOT FRIVOLOUS, THIS IS A GOVERNMENT CROSSING A VERY SERIOUS LINE.

REPTR So you are saying that the budget documents themselves bear out what was being proposed in the memorandum?

MARTIN ABSOLUTELY. THE BUDGET DOCUMENTS ARE TREASURY DOCUMENTS AND THEY ACTUALLY HAVE TWO LINES IN THEM WHICH INDICATE THAT THIS WAS JUST FOR PRESENTATIONAL PURPOSES. WE ARE GOING TO TAKE IT \$8 MILLION OUT AND THEN WHEN WE GIVE YOU THE ALLOCATION FOR THE NEXT YEAR WHAT IT'S GOING TO LOOK LIKE IS THAT YOU'VE GOT AN INCREASE SO THAT MIKE REED COULD STAND UP IN PARLIAMENT AND SAY, HEALTH, WE'VE INCREASED HEALTH EXPENDITURE. AND THE DOCUMENT THAT WE TABLED FROM THE HEALTH CEO, PAUL BARTHOLOMEW, CLEARLY SHOWED HOW HE WAS SO ALARMED ABOUT THAT. HE RANG HIS MINISTER, STEVE DUNHAM, AND SAID I'M SERIOUSLY ALARMED ABOUT THIS. HE REPORTED THAT DUNHAM WAS, HIMSELF WAS ALARMED BUT AS WE SHOWED YESTERDAY IN PARLIAMENT HE DID NOTHING.

REPTR Steve Dunham is claiming or at least is quoted as saying that at the end of the day additional moneys that were required for Territory Health Services were found. So where is the problem?

MARTIN THE PROBLEM IS A VERY SERIOUS ONE ABOUT GOVERNMENT AND GOVERNMENT CREDIBILITY. WHAT THEY DID WAS MISREPRESENT THE BUDGET FIGURES, THE TRAIL IS THERE IN A TREASURY DOCUMENT, THE ALARM IS EXPRESSED BY THE CEO OF HEALTH. THEY SIMPLY SAID, LETS TAKE \$8 MILLION OUT OF WHAT WE

THINK WHAT WILL BE THE BUDGET ESTIMATE FOR THIS YEAR AND THEN WHEN WE PUT IT BACK IN THE NEW YEAR IT'LL LOOK LIKE WE'VE HAD AN INCREASE. SO REGARDLESS OF THE FACT THAT HEALTH FUNDING DOES COME AND GO OR THERE ARE EBBS AND FLOWS IN IT, THIS WAS A STRATEGY OF MISREPRESENTATION AND I BELIEVE SERIOUS FRAUD BECAUSE IT'S A FRAUD ON THE PARLIAMENT, IT'S A FRAUD ON THE BUDGET PAPERS AND IT'S A FRAUD ON TERRITORIANS.

REPTR I'm just wondering where this leaves the Under Treasurer Ken Clark?

MARTIN FRED ALL THIS IS ABOUT THE GOVERNMENT, THIS IS ABOUT A TREASURER, WHO PERCY ALLAN VERY CLEARLY SAID IN HIS REPORT TO US, WROTE THE BOTTOM LINE OF THE BUDGET. THIS IS ABOUT A TREASURER WHO SIMPLY FELT THAT THE FIGURES THAT HE PRESENTED IN BUDGET PAPERS WERE ONES TO SUIT HIS OWN PURPOSES. HE HAS DONE THIS CONSISTENTLY, HE'S BEEN OUTED BY PERCY ALLAN AND NOW HE'S BEEN OUTED AGAIN BY HIS OWN, BY HIS OWN DECEIT AND THIS IS WHERE THE BLAME IS SERIOUSLY SEATED HOME. HE HAS PUT PUBLIC SERVANTS IN INVIDIOUS POSITIONS AND THIS IS WHY THIS MAN HAS NO CREDIBILITY, NEITHER DOES THE HEALTH MINISTER WHO DID NOTHING WHEN HIS CEO SAID, HIS CEO SAID THIS IS WHAT'S HAPPENING, HE EXPRESSED SERIOUS ALARM ABOUT IT BUT STEVE DUNHANI DID NOTHING AND WORST OF ALL THE FORMER CHIEF MINISTER DENIS BURKE WHO DID NOTHING AS WELL. SO, WE HAVE THREE MEMBERS OF CABINET WHO SIMPLY ALLOWED THIS MISREPRESENTATION AND THIS DECEIT TO CONTINUE.

REPTR If you are saying that it was Mike Reed who wrote the bottom line of the budget I'm just wondering whether it, we are about to see more of these sorts of memorandums, more of this sort of information being trawled through parliament, that is other departments where you feel there has been misrepresentation?

MARTIN FRED JUST LET ME MAKE IT CLEAR IT'S NOT ME WHO IS SAYING THAT MIKE REED WROTE THE BOTTOM LINE, PERCY ALLAN IN HIS REPORT SAYS THE GOVERNMENT WROTE THE BOTTOM LINE OF THE BUDGET NOT THE TREASURY. THAT'S WHY WE ARE HAVING OUR INTEGRITY AND TRANSPARENCY BILL IN THE PARLIAMENT SO THAT STOPS. SO, IT'S NOT ME CLAIMING THAT IT'S PERCY ALLAN.

REPTR Nonetheless back to that question, I'm just wondering whether we are in fact going to see more of this sort of information, more of these sorts of documents being trawled through parliament?

MARTIN WHAT I'VE DONE IS, AND I THINK A VERY RESPONSIBLE AND DOES ACTUALLY HAVE OPPOSITION SUPPORT, I'VE REFERRED THE ISSUE OF THIS PARTICULAR ISSUE AND ANY OTHERS TO THE PUBLIC ACCOUNTS COMMITTEE AND THEY HAVE UNTIL THE SECOND SESSION OF PARLIAMENT NEXT YEAR TO REPORT BACK TO THE PARLIAMENT. THEY ARE GOING TO LOOK MORE WIDELY AT BUDGET PAPERS TO FIND OUT WHETHER THIS HAS IN FACT HAPPENED AGAIN.

REPTR Public Accounts Committee is looking at it, what about the Auditor-General?

MARTIN THE AUDITOR-GENERAL OF COURSE IN THE, IN HIS REGULAR WORK WILL ALSO BE LOOKING AT THAT, THAT IS THE CHARTER OF THE AUDITOR-GENERAL AND IF YOU LOOK AT PAUL BARTHOLOMEW'S MEMO TO HIS HEALTH MINISTER, HE SAYS, THIS SHOULD NOT BE HAPPENING, THIS MISREPRESENTATION OF THE BUDGET BECAUSE IT WILL BE EXPOSED BY THE AUDITOR-GENERAL.

REPTR What's the makeup of the Public Accounts Committee at the moment?

MARTIN THE PUBLIC ACCOUNTS COMMITTEE HAS THREE GOVERNMENT MEMBERS, TWO OPPOSITION AND AN INDEPENDENT.

REPTR So in all likelihood there is going to be a fairly negative kind of finding as far as the Opposition is concerned, the former Government's concerned?

MARTIN IT'LL BE A FAIR FINDING BECAUSE ...

REPTR But it's going to be a Party political finding.

MARTIN THERE ARE THREE GOVERNMENT AND THREE NON-GOVERNMENT.

REPTR But you are all confident that you are going to get a fair dinkem finding out of it?

MARTINI AM VERY CONFIDENT THAT WE WILL GET AN ACCURATE FINDING OUT OF IT. THIS IS NOT A POLITICAL WITCH HUNT THIS IS FINDING OUT WHETHER WE CAN TRUST OUR BUDGET FIGURES AND FIND OUT WHETHER THE SITUATION WE'VE NOW HAD DOCUMENTED IN HEALTH WAS IN FACT HAPPENING MORE WIDELY ACROSS THE BUDGET PAPERS AND ACROSS AGENCIES BECAUSE THERE'S GOT TO BE A BOTTOM LINE FRED IN TERMS OF GOVERNMENT. THE BOTTOM LINE, PART OF THAT HAS TO BE THAT YOU CAN TRUST YOUR BUDGET PAPERS. THE BUDGET PAPERS TELL THE COMMUNITY, VERY PARTICULARLY THE BUSINESS COMMUNITY HOW THE GOVERNMENT IS FARING AND IF YOU'VE GOT A TREASURER SITTING THERE SIMPLY WRITING THE BOTTOM LINE, MAKING UP THE BUDGET FIGURES AS HE GOES SIMPLY DOING IT TO SUIT HIS OWN POLITICAL PURPOSES AND ESPECIALLY IN THE RUN-UP TO AN ELECTION THEN THIS IS SOMETHING OF REAL ALARM TO ALL TERRITORIANS.

Chief Minister Clare Martin. Well with me in the studio at the moment is the man that has just been accused of a strategy of misrepresentation, the former Treasurer Mike Reed.

REPTR Mike Reed good morning.

REED MORNING FRED.

REPTR Well it's a fairly serious, it's a very, very heavy allegation you've just been charged with.

REED AH YEAH IT IS FRED AND YOU HAVE TO WONDER WHY GIVEN THAT THIS IS ALLEGEDLY SAID BY CLARE MARTIN, THE MOST IMPORTANT THING THAT'S EVERY BEEN BROUGHT INTO THE LEGISLATIVE ASSEMBLY, WHY SHE WHEN SHE RECEIVED THIS LETTER ON THE 27<sup>TH</sup> OF SEPTEMBER SHE SAT ON IT FOR A MONTH AND THEN SHE SAT THROUGH A FULL TWO WEEKS OF PARLIAMENT AND INTRODUCED THIS MATTER IN THE LAST DYING HOURS OF THESE PARLIAMENTARY SITTINGS. YOU HIT THE NAIL ON THE HEAD IN FACT IN TALKING TO CLARE MARTIN, THIS IS POLITICALLY MOTIVATED AND YOU CAN PREDICT WHAT THE OUTCOME IS GOING TO BE, THAT IS ADVERSE FOR THE CLP IN RELATION TO THE REPORT THAT'S GOING TO BE BROUGHT DOWN NEXT YEAR BY THE PUBLIC ACCOUNTS COMMITTEE.

REPTR Just to the letter from Paul Bartholomew to the current Health Minister Jane Aagaard. I mean it's a nine-paragraph letter and in it are some of the strongest words that I've seen used for some time. We've got, 'artificial reduction of \$8 million', 'could be presented falsely', 'proposed deception', 'artificial adjustments'. That's from a departmental head, that's what he's talking about in relation to the budget strategy that you and presumably your former colleague or current colleague Steve Dunham were involved in.

REED YEAH WELL THAT'S WHAT IT ALLEGES FRED AND OF COURSE IT'S THE WORD OF ONE PERSON AND REALLY THE MATTER IS ONE BETWEEN KEN CLARK AS THE UNDER TREASURER AND MR BARTHOLOMEW AS THE HEAD OF TERRITORY HEALTH SERVICES. CLARE MARTIN SAT ON THIS LETTER FOR A MONTH, SO IT CAN'T HAVE BEEN ALL THAT URGENT AND IMPORTANT, AND I WOULD DRAW YOU TO THE FIRST LINE OF THE MINUTE WHICH SAYS, 'ATTACHED AS REQUESTED IS AN EXPLANATION', THAT IS AS REQUESTED BY THE MINISTER. SO THAT'S WHERE THE POLITICAL TRIAL STARTED, THEY STARTED LOOKING FOR SOME WITCH HUNT ISSUES AND IT'S ALL PART, FRED, OF THE BLACK HOLE, IT'S ALL PART OF TRYING TO DISCREDIT THE FORMER CLP GOVERNMENT IN

THE LEAD-UP TO THE ECONOMIC SUMMIT BECAUSE WE KNOW WHAT THE OUTCOME OF THE ECONOMIC SUMMIT'S GOING TO BE. IT'S GOING TO BE INCREASED TAXES AND CHARGES, THERE'S GOING TO BE MASSIVE CHANGE TO THE PUBLIC SERVICE IN FORM OF PERCY ALLAN'S REPORTS AND THERE'S GOT TO BE SOMEONE FOR THE LABOR GOVERNMENT TO BLAME IN RELATION TO THAT AND IT'S GOING TO BE THE FORMER CLP GOVERNMENT BECAUSE THEY DON'T HAVE THE COURAGE TO COME OUT ...

REPTR Well there isn't really anyone else to blame though, is there?

REED WELL BUT THE POINT IS THEY ARE LOOKING AND MANUFACTURING A CIRCUMSTANCE WHEREBY THEY WILL BE ABLE TO BLAME SOMEONE RATHER THAN COMING OUT AND SAYING, THESE ARE OUR POLICIES, THIS IS WHAT WE ARE GOING TO DO AS A GOVERNMENT AND WE ARE PROUD ENOUGH TO STAND BY THEM IN THEIR OWN RIGHT, BUT THEY ARE TRYING TO HIDE BEHIND SOMEONE AND THAT'S GOING TO BE THE FORMER CLP GOVERNMENT.

REPTR Lets just, lets not, disregard for the moment the timing of it and that's very much up to Clare Martin, the timing of the release of this particular memorandum. You've referred to the first paragraph, let me go to the second. It says in summary, there was an artificial reduction of \$8 million in THS' 2000-2001 budget in order that the 2001-2002 figure could be presented falsely as a 2.5% increase, in reality the THS 2001-2002 budget represents a reduction in the final 2000/2001 approved budget. It's pretty damning stuff.

REED WELL IT IS BUT IT'S A MATTER THAT REALLY LIES BETWEEN THE CEO OF HEALTH AND THE TREASURY BECAUSE THEY ARE PRESENTATIONAL ISSUES. IN TERMS OF THE 2000/2001 HEALTH BUDGET AS I RECALL THERE WAS ABOUT A \$10 MILLION INCREASE DURING THE COURSE OF THE YEAR FOR EMERGING NEW ISSUES THAT WERE FUNDED BY THE CLP GOVERNMENT. AND THE SALIENT POINT HERE FRED IS THAT THERE IS NO MISSING MONEY AND CLARE MARTIN ADMITTED THAT ON ABC RADIO YESTERDAY



AFTERNOON. AND THE SALIENT POINT ALSO IS THAT THE \$446 MILLION BUDGET THAT WAS BROUGHT DOWN FOR THE DEPARTMENT OF HEALTH FOR THE YEAR 2001/2002 IS NOT CHALLENGED. SO, THEY'VE GOT THE MONEY THAT THEY SAID THEY WOULD GET. CLARE MARTIN HAS ACKNOWLEDGED THAT, AND IT'S A GREAT SHAME THAT THE GOVERNMENT, WHICH CLARE MARTIN SAID WOULD NOT BE EMBARKING ON WITCH HUNTS WHEN SHE GOT INTO POWER IS NOW I THINK AT THEIR 60<sup>TH</sup> DAY AND THEY ARE CONTINUING TO FOCUS ON BLACK HOLES AND BLAMING THE CLP AND BLAMING MIKE REED FOR EVERYTHING EXCEPT THE SEPTEMBER THE 11<sup>TH</sup> DISASTER IN NEW YORK, RATHER THAN GETTING ON WITH BUSINESS. I MEAN IT'S TIME THAT THEY STARTED TO FOCUS ON THE REAL ISSUE AND THAT IS THE ECONOMY, PEOPLE ARE HURTING ACROSS THE NORTHERN TERRITORY ...

REPTR Well this is, this relates to the economy very much so, doesn't it? Are you saying that you have absolutely no knowledge of what is contained or the detail of what is contained in this particular memorandum? You knew nothing about the \$8 million being shuffled from one budget to the next?

REED WELL FRED THE ALLEGATION BY CLARE MARTIN IS THAT I SAT IN MY OFFICE AS TREASURER AND FORMULATED THE BUDGET, \$8 MILLION IN A \$3 BILLION BUDGET, I THINK IT'S SOMETHING LIKE 0.3% OF THE BUDGET. NOW WE'VE HAD A VERY BUSY YEAR THIS YEAR IN TERMS OF LEADING UP TO THE BUDGET, FORMULATING THE BUDGET ITSELF IS A VERY BUSY ACTIVITY. I HAD A NUMBER OF OTHER LARGE PORTFOLIOS AS A MINISTER AND IN ADDITION TO THAT YOU'LL RECALL THAT WE WERE FINALISING THE RAILWAY, WHICH CLARE MARTIN IS NOW TAKING CREDIT FOR. SO FOR HER TO SUGGEST THAT I CAN SIT IN MY OFFICE AS TREASURER OR COULD HAVE AND FIDDLED AROUND TO THE TUNE OF \$8 MILLION, .03% OR WHATEVER OF THE BUDGET AND TO BE ABLE TO PREPARE THE MANY, VERY

THICK VOLUMES OF THE BUDGET DOCUMENTS MYSELF IS JUST A NONSENSE AND EVERY PUBLIC SERVANT ...

REPTR Okay just a simple question though, are you saying that you knew about it or you didn't know about it?

REED FRED I DON'T RECALL ANYTHING ABOUT THIS BECAUSE IT'S AN ISSUE THAT CLEARLY, AS INDICATED IN THE MINUTE BY MR BARTHOLOMEW, THAT IT WAS A MATTER BETWEEN MR CLARK AND MR BARTHOLOMEW.

REPTR But if that was the case presumably the Treasurer if he'd noted this, an astute Treasurer as you've often painted yourself to be would have seen this move of \$8 million from one budget into another, surely a man like you who is a top line bean counter would have said what's going on here.

REED IT'S A \$446 MILLION BUDGET, THERE ARE LOTS OF ...

REPTR It's a critical budget though, Health is a critical budget in the Territory context.

REED EXACTLY THAT'S WHY CLP GOVERNMENTS INCREASED IT SUBSTANTIALLY OVER MANY YEARS. BUT IN TERMS OF \$8 MILLION FRED, THERE WOULD HAVE BEEN I DARE SAY SOMETHING IN THE ORDER OF \$20 OR \$30 MILLION THAT FLOWED OVER FROM THE HEALTH BUDGET LAST FINANCIAL YEAR INTO THIS FINANCIAL YEAR BECAUSE OF UNSPENT FUNDS AND COMMITTED FUNDS THAT NEED TO BE COVERED IN THIS CURRENT FINANCIAL YEAR AND THAT APPLIES TO EVERY GOVERNMENT AGENCY. AND CLARE MARTIN IS DEMONSTRATING HER LACK OF KNOWLEDGE OF THOSE MECHANICAL ISSUES THAT OCCUR IN THE BUDGET PROCESS BEHIND ACTUALLY WHAT DECISIONS ARE MADE.

REPTR But surely you would have asked questions, you would have said, where does this money come from? It is not an insignificant amount, \$8 million is a heck of a tot of money, a heck of a lot of taxpayers' money.

REED IT IS A LOT OF MONEY IN THE TERM OF \$8 MILLION, IN THE TERM OF A \$3 BILLION BUDGET ONE DOESN'T GET DOWN TO THE NUTS AND THE BOLTS AND THE LITTLE WASHERS IN THE VERY INTRICATE PARTS OF FORMULATING THE BUDGET. I MEAN THERE WERE MANY ...

REPTR But if you don't do that who does?

REED WELL THAT'S THE POINT THAT I MAKE, THEY ARE MATTERS BETWEEN THE AGENCIES. WHAT HAPPENS WITH THE FORMULATION OF BUDGETS, FRED, IS THAT THE ITEMS ARE PUT TOGETHER AND THE BIDS ARE PUT TOGETHER OVER MANY MONTHS BY ALL OF THE AGENCIES. THEY GO TO TREASURY, THEY GO TO BUDGET CABINET, BUDGET CABINET TICKS OFF ALL SORTS OF THINGS, BUT THERE ARE MANY, MANY THINGS THAT TREASURY AND THE DEPARTMENTS HAVE TO SIGN OFF ON AFTERWARDS. AND IN TERMS OF ESTABLISHING A PAPER TRAIL HERE I'D SAY THAT THE LABOR PARTY ARE DOING IT FAIRLY EFFECTIVELY. WE'VE HAD THE BLACK HOLE, WE'VE HAD THAT FOR MANY MONTHS NOW, WE'VE HAD THIS EMERGE ALLEGEDLY AS A VERY IMPORTANT ISSUE ALTHOUGH THEY SAT ON IT FOR A MONTH, AND IT IS REALLY JUST SETTING THE SCENE FOR THE ECONOMIC SUMMIT SO THAT THE LABOR PARTY CAN THEN STAND UP AFTER IT AND SAY WE'VE GOT TO INCREASE TAXES AND CHARGES, WE'VE GOT TO DRAMATICALLY CHANGE THE PUBLIC SERVICE TO SAVE MONEY AND THE REASON WE'VE GOT TO DO THAT IS BECAUSE REED AND THE FORMER CLP GOVERNMENTS, IT ISN'T OUR FAULT. AND IT IS SIMPLY THAT, A POLITICAL EXERCISE TO POSITION CLARE MARTIN AND THE LABOR PARTY TO BE ABLE TO BRING ABOUT THE DRAMATIC CHANGE THAT THEY WANT AS A NEW GOVERNMENT AND THEY SHOULD REALLY HAVE THE COURAGE AS A NEW GOVERNMENT TO BE ABLE TO ESPOUSE THOSE NEW CHANGES IN THEIR OWN RIGHT.

REPTR Mr Reed just back to the \$8 million though. If for argument sake you weren't able to pick that up in one department, does that mean then across a range of departments there was \$8 million here, there's \$8 million, \$5 million here that you simply couldn't pick up? It all adds up in the end, doesn't it? I'm hoping like hell that you as the man who was in charge of the Territory coffers for all this time were simply not letting this sort of money slip under the carpet unnoticed.

REED WELL OF COURSE NOT AND THAT'S WHY YOU'VE GOT A TREASURY AND THAT'S WHY YOU'VE GOT RESPONSIBLE MANAGERS IN ALL OF THE GOVERNMENT DEPARTMENTS. THE FACT IS THAT THE DEPARTMENT OF HEALTH HAS THEIR \$446 MILLION TO USE THIS FINANCIAL YEAR WHICH WAS PUT DOWN IN THE BUDGET AND THAT IS UNDENIABLE AND CLARE MARTIN IN FACT ACKNOWLEDGED THAT ON THE RADIO YESTERDAY AFTERNOON. AND IN TERMS OF THE EMERGING NEEDS THAT THE DEPARTMENTS HAVE TO RESPOND TO, YES THERE ARE ALL SORTS OF CHANGING CIRCUMSTANCES WHERE THE FUNDING CHANGES, AND THAT'S WHY IN THE PAST I'VE SAID THAT THE BUDGET IS A PICTURE OF WHAT'S HAPPENING AT A PARTICULAR TIME, THAT IS WHEN THE BUDGET'S BROUGHT DOWN AND THERE ARE MANY CHANGES THAT FOLLOW THROUGH BECAUSE IT'S A LIVING DOCUMENT IN TERMS OF THE ACTIVITIES OF GOVERNMENT.

REPTR You've already said that you can't recall this particular \$8 million as to what happened with it. Are you saying that it didn't happen?

REED WELL FRED I THINK THAT'S A MATTER THAT THE PAC WILL HAVE A LOOK AT AND I SUPPORT THIS MATTER AND WHATEVER ELSE WANTS TO BE REFERRED TO THE PAC. YOU PICKED IT IN ONE THOUGH WHEN YOU WERE TALKING TO CLARE MARTIN, THAT IT IS A POLITICAL EXERCISE AND THE OUTCOME IS PREDICTABLE IN THAT THE LABOR PARTY HAVE A MAJORITY ON THAT PUBLIC ACCOUNTS COMMITTEE. BUT IN TERMS OF THAT PARTICULAR ISSUE IT'S A MATTER THAT MR BARTHOLOMEW AND TREASURY

SHOULD BE ADDRESSING BECAUSE IT'S AN INTERNAL ISSUE AS REGARDS TO THE BUDGET.

REPTR But no you are the, you were the Treasurer, you were the Treasurer, presumably you were ultimately responsible. You are the man who has to keep a handle on all of these \$8 million and \$5 million or whatever ...

REED AND THE RAILWAY PROJECT ...

REPTR Yeah sure but I mean you almost seem to be walking away from it saying, look I didn't know, I couldn't know, I couldn't be expected to know?

REED WELL FRED THERE ARE MANY THINGS THAT TREASURERS AREN'T AWARE OF IN TERMS OF THE INTRICACIES OF THE INTERNAL WORKINGS OF A BUDGET AND YOU'D, YOU MUST SURELY UNDERSTAND THAT IN TERMS OF A GOVERNMENT THAT COMMITS TO PROVIDE \$446 MILLION TO A DEPARTMENT, AND HOW WOULD I KNOW FOR EXAMPLE AT THE END OF A FINANCIAL YEAR WHAT A PARTICULAR AGENCY HAS IN TERMS OF OUTSTANDING ACCOUNTS AND PAYMENTS THAT THEY HAVE TO MAKE AND WHAT MONEY THEY MAY OR MAY NOT ... OVER A PERIOD OF A YEAR ...

REPTR But were you not ultimately responsible? I ask you this question, did you direct Ken Clark to do this?

REED I DON'T RECALL MAKING ANY DIRECTION IN RELATION TO THAT AND THAT'S SOMETHING THAT MR BARTHOLOMEW IS GOING TO HAVE TO DETERMINE ...

REPTR You are being very careful, you don't, you haven't said outright that you didn't you are simply saying, I don't recall.

REED WELL HE'S MADE THE ALLEGATION. THIS IS AN ALLEGATION FRED BY ONE PERSON, THAT IS MR BARTHOLOMEW AND THIS WHOLE ARGUMENT HINGES AROUND ONE MINUTE, ONE MEMORANDUM THAT WAS ...

REPTR And \$8 million.

REED ... NO, THAT WAS PREPARED AT THE REQUEST OF A NEW LABOR MINISTER WHO IS ON A WITCH HUNT TRYING TO SUPPORT THEIR BLACK HOLE THEORY.

REPTR In other words you are saying that, you are saying that heads of departments are willing to basically tell porkies?

REED NO I'M NOT SAYING THAT, I'M SAYING THAT MR BARTHOLOMEW WILL HAVE HIS OPPORTUNITY TO EXPAND ON HIS THEORY AND HE HAS MADE THIS ALLEGATION, AND IN TERMS OF THE OVERALL BUDGETARY EXERCISE, THE DEPARTMENT OF HEALTH HAS GOT THEIR \$446 MILLION BUDGET FOR THIS FINANCIAL YEAR, THERE IS NO MONEY MISSING, NOTHING HAS BEEN STOLEN, THERE HAS BEEN NO THEFT OR MISAPPROPRIATION OF PUBLIC MONEYS, IT IS ALL THERE LITHE DEPARTMENT OF HEALTH BUDGET TO BE USED FOR THE BENEFIT OF TERRITORIANS THIS FINANCIAL YEAR.

REPTR Mike Reed thanks very much for your time.

REED MY PLEASURE FRED.

ENDS.

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 Mobile: 0411 887 444

Reference: ddoc2001/863

Service is our business  
 Chief Executive Officer

Dr C Burns MLA  
 Chairman  
 Public Accounts Committee  
 GPO Box 3721  
 DARWIN NT 0801

Dear Dr Burns

I refer to your letter of 1 November and request to respond to 3 issues raised in the Assembly's direction to the Public Accounts Committee on 25 October, 2001 about the accuracy of published budget data.

As requested my response incorporates information for the four budget entities for which I am responsible. My responses are:

- 1a) *Whether the data published for individual agencies differed materially from that understood by agencies to properly reflect the best estimates available to each agency at the time.*

DCIS General Services	:	No
DCIS Superannuation	:	No
Government Printing Office	:	No
Information Technology Management Services	:	No

- 1b) *Where there is a material difference, whether there is any supporting advice issued by the Treasurer or the Treasurer's office with regard to these differences, and the nature of that advice.*

Not applicable.

- 1c) *Whether the agency undertook to advise their respective Ministers, prior to the budget being delivered that these differences existed.*

Not applicable.

Please do not hesitate to contact me if you require further information.

Yours sincerely

(Signed)  
 SARAH BUTTERWORTH  
 9 November 2001

## APPENDIX 7



GPO BOX 1680, DARWIN NT 0801

Telephone No.: (08) 8999 7873

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**SECRETARY**

Dr Chris Burns  
Chairman  
Public Accounts Committee  
Legislative Assembly of the Northern Territory  
GPO Box 3721  
DARWIN NT 0801

Dear Dr Burns

I am responding to your letter of 1 November 2001 requesting a response to the issue of accuracy of the 2001-02 budget papers with respect to the estimated outcome for the 2000-01 and the budget for 2001-02.

### Point (1) (a)

The area of the budget where the published budget for 2001-02 differed from the best estimates available to the agency, is in revenue from sale of land.

It has been established practice to use a notional figure for the land sales revenue. In 1995/96 a substantially higher figure (\$21,980,000) was used by Treasury and this was questioned by the Department. However, revenue of \$16,820,042 was in fact achieved for that year. Since that time, Treasury has requested five-year projected figures.

The budget has traditionally been set at \$9m on the understanding that the figure will be adjusted up or down in the budget refinement process. While an estimate for the coming year can be made based on the land applications and programmed land sales on hand within the Department, these are likely to change. Factors such as the state of the Northern Territory property market will impact on the timetable for programmed land sales, and proposed individual sales may be delayed or cancelled, while new land applications may arise in the course of the year. The estimates for following years can not be identified with any accuracy so far out. For these reasons it has become established practice that the budget figure is a notional figure only.



Points (1) (b) and (c)

During the preparation of the budget for 2001-02 it was estimated that the revenue for land sales was likely to be \$3.3M. However, this advice was for information only, and not acted upon at that time. The Minister was aware of this estimate leading up to consideration of the budget by Government. The \$9M estimate was not challenged with Treasury for the reasons outlined above.

It had been understood by all parties – NT Treasury, the Department and the Minister – that the budget figure for land sales revenue was by necessity a notional one, subject to adjustment as the year progressed.

Yours sincerely

(Signed)  
JOHN PINNEY

12 November 2001

## SALE OF LAND

					*		
	<b>2001-2002 as at 17.10.01</b>	<b>2000 - 2001</b>	<b>1999 - 2000</b>	<b>1998 - 1999</b>	<b>1997 - 1998</b>	<b>1996 – 1997</b>	<b>1995 – 1996</b>
<b>Budget</b>	9,000,000	10,250,000	11,000,000	9,000,000	20,000,000	13,189,000	21,980,000
<b>Actual</b>	1,679,596	4,352,429	11,008,295	11,431,713	6,292,653	15,594,000	16,820,042

\*

**1997 – 1998** March Cabinet 1997 Outcome showed an additional item of +11m that was added by Cabinet. In the next March Cabinet 1998 this item was taken away by Cabinet, -11m.

# Independent Review of the Northern Territory's Financial Position

Professor Percy Allan AM

1

## Terms of Reference

Part 1: The Past.

- Why has the budget outlook deteriorated?
- How realistic is the revised budget outlook?
- How accurate have past budgets been?
- Postscript

2

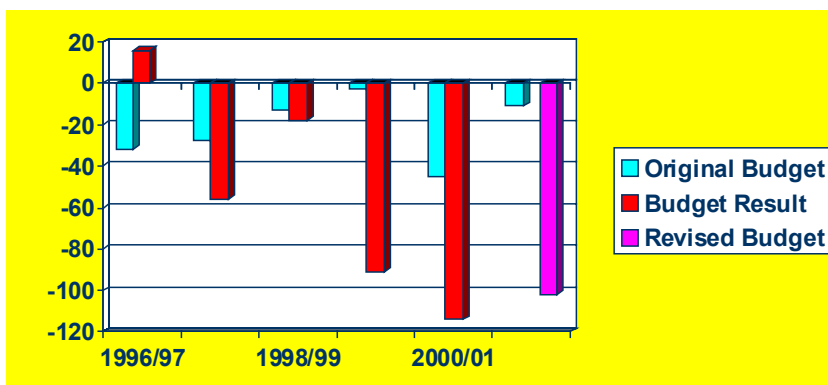
## 1. Why has the budget outlook deteriorated?

### Findings:

- Over the last four years the annual deficit has averaged \$70 million, peaking at \$114 million in 2000/01. (See attachment 1)
- The situation particularly deteriorated between 1998/99 and 2000/01 when total expenditure rose \$202 million (10.5%), yet total revenue went up only \$103 million (5.4%).

3

## 1. Why has the budget outlook deteriorated?



4

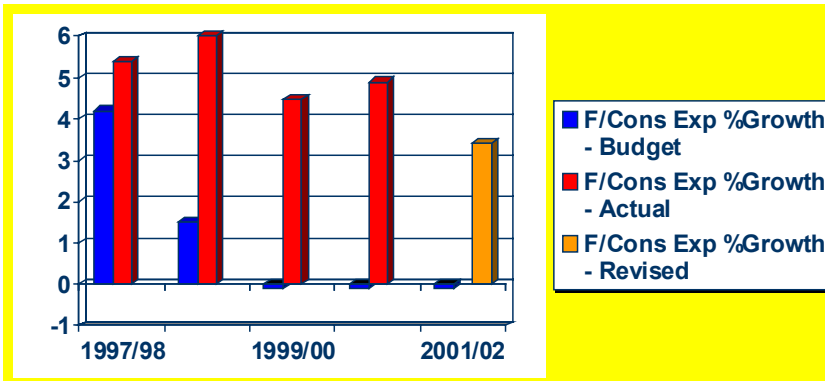
## 1. Why has the budget outlook deteriorated?

### Findings:

- The last four budgets incorporated unrealistically low growth forecasts for government final consumption expenditure.
- The three budgets to 2000/01 underestimated final consumption expenditure by \$65 - \$70 million a year.
- The decision to adopt such low forecasts was made by the Government, not the Treasury.

5

## 1. Why has the budget outlook deteriorated?



6

## 1. Why has the budget outlook deteriorated?

### Conclusion:

- Little or no effort was made to contain the ballooning deficit in 1999/00 and 2000/01.
- The 2001/02 Budget understates final consumption spending by at least \$40 million and makes no provision for achieving savings of this order.

7

## 1. Why has the budget outlook deteriorated?

### Conclusions:

- The original budget includes an asset sale of \$50 million that may not proceed for tax, accounting and economic reasons and at best would only reduce the deficit for one year.
- The Budget's format does not accord with external accounting (AAS31) or statistical (UPF) standards and as such is open to political manipulation.

8

## 1. Why has the budget outlook deteriorated?

### Recommendation:

- Adopt a Fiscal Integrity and Transparency Act to ensure that the Budget:
  - Is based on Treasury estimates of revenue and expenditure;
  - Discloses all assumptions behind those estimates;
  - Is confined to the general government sector; and
  - Is prepared on a Uniform Presentation Framework (UPF) as agreed by all governments\*.

\*Any variations from the UPF should be minor and disclosed.

9

## 2. How realistic is the revised budget outlook?

### Findings:

- Recurrent expenditure outlook:
  - In the last four years final consumption expenditure has grown by an average of over 5% per annum. The revised budget assumes only 3.4% growth for 2001/02. This could prove too low unless a tight rein is kept on spending.
  - Both current grants & subsidies and interest payment forecasts look reasonable at this stage.

10

## 2. How realistic is the revised budget outlook?

### Findings:

- Capital expenditure outlook:
  - The forecasts on new fixed capital assets and capital grants look reasonable at this stage.
  - Expected proceeds from asset sales (classed under 'other net expenditure') look low based on past experience.

11

## 2. How realistic is the revised budget outlook?

### Findings:

- Taxation and other revenue outlook:
  - Tax revenue estimates look reasonable, though conveyance duty collections may prove stronger than anticipated if real estate activity picks up.
  - Forecasts of mineral royalty income, interest received, business division profits and other revenues seem reasonable at this stage.

12



## 2. How realistic is the revised budget outlook?

### Findings:

- Commonwealth grants revenue outlook:
  - In each of the last three years the Budget underestimated Commonwealth grants by between 0.6% and 1.3%.
  - There is a strong possibility that the 2001/02 Budget has underestimated this source of revenue again.

13

## 2. How realistic is the revised budget outlook?

### Conclusion:

- The revised Budget's expenditure and revenue estimates both look slightly low.
- However, these possible divergences largely cancel each other out.
- Hence the forecast for a deficit of \$107 million looks reasonable in the light of known and expected conditions in the Territory.

14

## 2. How realistic is the revised budget outlook?

### Recommendation:

- Accept Treasury's revised budget deficit of \$107 million as a reasonable projection (See [attachment 2](#)), but recast the budget's format on a general government UPF basis.

15

## 3. How accurate have past budgets been?

### Findings:

- In past few years the Territory's Budget has significantly underestimated the final deficit outcome.
- This was because it consistently understated government final consumption expenditure, the largest item in the Budget.

16

### 3. How accurate have past budgets been?

#### Findings:

- Other expenditure and revenue items, however, appear to have been professionally forecast.
- Differences between final results and original budget estimates are not adequately explained in either the Budget Papers or Treasurer's Annual Financial Report.

17

### 3. How accurate have past budgets been?

#### Recommendations:

- Improve the Budget estimates and the reconciliation of results by:
  - Giving Treasury professional responsibility for preparing all budget estimates.
  - Commissioning an econometrician to help Treasury develop robust forecasting models for royalty, payroll tax and conveyance duty revenues.

18

### 3. How accurate have past budgets been?

#### Recommendations:

- Strengthening the Treasury’s research capacity to identify and assess changing spending pressures from the NT’s demographic, social, economic, environmental and technological trends.
- Providing a provisional analysis in the Budget Papers and a final analysis in the Treasurer’s Annual Financial Report of all variations from the original budget estimates.

19

### 4. Postscript.

- This review and report was completed within one week. This would not have been possible without the full cooperation, assistance, expertise and excellent data base of the NT Treasury.
- Special thanks are due to the Under Treasurer Ken Clarke, the Deputy Under Treasurer, Jennifer Prince and other senior officers for providing all the data and research that I requested.
- The views within this report are of course my own as are any errors of interpretation.

20



Legislative Assembly of the Northern Territory

**Public Accounts Committee**

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Telephone: (08) 89 46 1438  
Facsimile: (08) 89 81 6158  
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GPO Box 3721  
DARWIN NT 0801

31 October 2001

Mr S Dunham MLA  
Member for Drysdale  
PO Box 700  
PALMERSTON NT 0831

Dear Steve

As Chairman of the Public Accounts Committee, I feel that it is my responsibility to formally approach you as a result of the recent reference to the Committee to inquire into a number of issues surrounding the 2001-02 Budget Papers.

You are no doubt aware the Committee will most likely need to consider matters relating to the financial administration of Territory Health Services during the period you held ministerial responsibility for that agency.

In view of the Terms of Reference for the inquiry and the issues that were raised in the Assembly in the censure debate on Thursday 25 October, I respectfully request that you consider your position on the Committee during the term of this inquiry.

I also refer you to Standing Order 263 which states:

*No member may sit on a committee if he is personally interested in the inquiry before such committee.*

As the preparation of letters seeking specific information from all agencies is in progress, this issue of Committee membership needs to be addressed as a matter of priority.

If you wish to discuss these matters with me you can contact me at my electorate office on 8927 5433.

Yours sincerely

Signed by  
**DR C BURNS, MLA**  
Chairman



## APPENDIX 10



### LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

#### MEMBER FOR DRYSDALE

Hibiscus Shopping Centre  
PO Box 350  
SANDERSON NT 0812

Telephone: Office 8927 7655  
Home 8927 2866  
Facsimile: 89451804

16<sup>th</sup> November 2001

Dr Chris Burns MLA  
Chairman  
Public Accounts Committee  
Legislative Assembly of the Northern Territory  
GPO Box 3721  
DARWIN NT 0801

Dear Dr Burns

I refer to your letter of 31 October 2001, asking me to consider my position on the committee during the term of its enquiry into the 2001/2002 Budget Papers.

As a member of the Public Accounts Committee, the Northern Territory Legislative Assembly, and previously, the Northern Territory Government and Cabinet, I have **always** considered my position in relation to pecuniary and private interest. Indeed, there have been occasions when I declared such an interest. I am well aware of the Standing Orders which pertain, and have sought advice from authoritative sources, including Pettifer's "House of Representatives Practice".

It is my intention to remain on the Public Accounts Committee for the matters before it, including the investigation of the 2001/2002 Budget Papers. In the unlikely event it is alleged or it can be demonstrated that I obtained a personal or monetary advantage arising from the 2001/2002 Territory Health Service budget papers I would of course review this decision.

I am inclined to the view that *“a member must be guided by his own feelings in the matter and by the dictates of respect due to the House and to himself”*, which provides some guidance (quoted from page 162 House of Representatives Practice, Third Edition).

Notwithstanding that I was named in the censure motion which preceeded this reference to the Public Accounts Committee, I feel that I am able to view the evidence in an impartial, unbiased way, and to make decisions accordingly. I am hopeful that this would naturally apply to all members of the Public Accounts Committee.

I believe that Senator P.Giles' (the then Chair of the Committee of Privileges in the Australian Senate) words are relevant when she wrote to the President of the Senate on 16 February 1989 on a like matter.

*“The question whether individual members of the Committee should refrain from participating in certain inquires, or certain parts of an inquiry, is one for the good judgement of the Senators themselves. The Committee may wish to discuss whether a Senator should participate in a particular inquiry, and accepts that a Senator might in any case decide not to participate. Under present circumstances, however, **it is firmly of the view that it has neither the right nor the duty to suggest that any member of the present Committee disqualify himself or herself from participating in any of the matters currently before it.**”* (my emphasis added).

I would appreciate the inclusion of this letter in the appendices to the Committee's report to the Assembly on this term of reference.

Yours sincerely

(Signed)  
STEPHEN DUNHAM

**Censure Debate – Parliamentary Record – 25 October 2001**

**Ms MARTIN (Chief Minister):** Madam Speaker, I move:

*That this Assembly:*

- (1) censures the former Country Liberal Party Treasurer, the member for Katherine, for deliberately including false information in the 2001-02 budget papers, and directing that false figures be included in the Northern Territory budget so as to enable the Country Liberal Party to make fraudulent claims about its budget and to deceive Territorians;*
- (2) that this Assembly censure the former Country Liberal Party Health Minister, the member for Drysdale, for being complicit in the former Treasurer deliberately including knowingly false information in the 2001-02 budget papers, and being complicit in the former Treasurer directing false figures be included in the Northern Territory Budget so as to enable the Country Liberal Party to make fraudulent claims about its budget and deceive Territorians; and*
- (3) censures the former Chief Minister, the member for Brennan, for leading a government that corrupted the Northern Territory's budget and sought to deceive Territorians.*

Madam Speaker, this is a very sad occasion for this House. It is a very, very sad and very shocking occasion for this House, have no doubt about it.

The starting point for this censure motion is the current Territory budget. In the budget papers, the CLP Treasurer, the member for Katherine, informed Territorians that the CLP government had increased spending in health by 2.5% this financial year. He knew that claim was false; he knew it was untrue. He stood in this House and he lied. He released false budget papers - false budget papers. The former Treasurer knew the figures in the budget were not based on reality, but instead were fictitious figures he had instructed be inserted in the budget. He knew he had made an \$8m lie in the budget - and not just in the budget, but to Territorians.

The member for Katherine told Territorians the government increased expenditure in health by 2.5%. In making this claim, the former Treasurer compared the figure for spending on health during the last financial year to the new allocation of funds to health in the current financial year. The former Treasurer told Territorians in that budget that the government would spend \$436m in health in 2000-01. This was the wrong figure, and the Chief Executive Officer of Territory Health Services knew it.

The material now before this parliament states that this figure was only inserted for presentational purposes. The figure was only inserted for presentational purposes! You have been sprung, and you have been sprung badly. The material makes it clear it was the former Treasurer's direction - it was your direction - to understate the spending by \$8m. The motive behind understating the expenditure in 2000-01 was that, by having an artificially low number, the CLP government would be able to make the false claim that it had increased funding to health by 2.5% in 2001-02 when it allocated the surprising new figure to health of \$446m. The truth was the CLP government did not increase funding by 2.5% for health as it claimed. The CLP government's false claim was, of course, made in an election year and on the eve of an election campaign. The CLP's false news would have been warmly received - and was warmly received by many Territorians. But it was lie. Health is a very important issue for many in our community. In fact, health is a critical issue for Territorians. For the government to announce an increase in health funding of \$10m in the budget would have been very welcome news - and it was welcome news.



During Question Time today, the current Minister for Health, Family and Children's Services tabled what I think this House will agree is the most damning document that any minister ever has presented to this House - the most damning document. We can listen to the dismissive calls from across the other side of the House, but this is a very damning and shocking document.

I again refer to the memo because it is just so important that members of this House understand what has occurred. It is very important. We do not lightly release this document. We do not lightly release it at all, but it shows very clearly the extent to which the CLP went to falsify figures, to make false claims, to mislead Territorians, and the bottom line is, to lie to Territorians. This document implicates very clearly the member for Katherine, as Treasurer, the member for Drysdale, as the former health minister, and the former Chief Minister by implication. Because, if you are sitting there and ignoring the facts as Chief Minister, then you, too, are fully implicated in this deception.

The key bits of this memo are the ones I referred to before, and they need to be read into this censure debate ...

**Mr Dunham:** Really? It's been read in twice already. Read it again.

**Ms MARTIN:** Well, listen, because you did not listen at the time, did you? You did not listen at the time ...

**Members** interjecting.

**Mr Dunham:** Read it again. Read it again. Haven't you got a speech prepared, or something?

**Ms MARTIN:** Just listen to what was the situation and what was the assessment of your behaviour during those times.

'There was', says this memo, 'an artificial reduction' - an artificial reduction - 'of \$8m in THS' 2000-01 budget, in order that the 2001-02 budget figure could be presented falsely' - presented falsely - 'as a 2.5% increase.' Presented falsely. You knew it, and he did it, and he must have known as well. 'In reality, THS' 2001-02 budget represents a reduction on the final 2000-01 approved budget'.

The CEO wrote to his health minister, his new health minister: 'My first knowledge of this situation was when I was in Sydney on official business on 9 May'. So that is how long you have known, former health minister.

*I received a telephone call from the Under Treasurer, Ken Clarke, who informed me the Treasurer intended to adjust THS' final budget for 2000-01 so that the following year's budget could artificially be shown as providing an increase at least equivalent to CPI.*

I am glad there is a little more silence on that side of the House. That is an appalling deception. That is the most appalling deception. A misrepresentation, lying to Territorians. This information was going to be kept confidential within Territory Health Services, and it was agreed that there would liaison between Health and Treasury so this could happen, all directed by the then Treasurer, the member for Katherine.

On receipt of this message, the CEO expressed considerable concern to Mr Clarke and informed him that he would need to discuss this with his minister. So he goes to his minister and he says: 'Look what's happening'.

*I rang Minister Dunham ...*

says the CEO,

*... and I expressed my alarm at this proposed deception. I advised him that in my view this arrangement would undoubtedly be discovered in due course by the Auditor-General ...*

So you weren't going to get away with it.

*... and would reflect poorly on THS and the minister. In addition I expressed concern that as a consequence of these artificial adjustments THS would be seen to be exceeding its approved budget by \$8m when this was demonstrably not the case'.*

What did the then minister do, the member who has aspirations burning within to be the next Leader of the Opposition? This is what the minister did: 'Minister Dunham expressed serious alarm'. So, we look forward to your contribution to this censure and to you telling us about what you did about this 'serious alarm'. A minister of the Crown having serious alarm about budget figures being manipulated. Did he mention it to the Treasurer? Did he mention it to the then Chief Minister? 'Minister Dunham expressed serious alarm at the information I conveyed to him and indicated he wished to be kept informed of all developments'. We're informing you now. 'The Minister was continually kept informed as the budget process continued.' But what did he do? What did he do? He was kept informed. Did he go to the Treasurer? Did he go to the Chief Minister? Did he go to one of his other former Cabinet colleagues? Did he express any of this serious alarm that he was carrying deep within his heart? No, not a skerrick. '... but there was no change in the decision ...' is the last line of this memo. '... there was no change in the decision to artificially reduce by \$8m the 2000-2001 budget'.

This is a disgrace, it is a disgrace. It is a disgrace that this has happened and it is a disgrace that we should be in here today debating this very serious issue. It is a disgrace.

**Mr Burke:** It is called frivolous in the House of Reps books, a government censure motion. It is called frivolous.

**Ms MARTIN:** I think that when we hear the level of frivolous comment now emerging, it just shows that you do not understand the seriousness of this issue. It shows the kind of culture of contempt that was developed for Territorians, for this Assembly, for what you actually produced in budget papers like this. This is a false document. This is a false document and your own budget trail and audit trail shows this very clearly. The memo I have referred to, this memo, was written by the Chief Executive Officer of Territory Health Services and it goes without saying this office holder was appointed by the former government. The memo establishes that the former Treasurer put false numbers in the Territory Budget. The former Treasurer was told by the agency what the true estimate was, but it did not suit the Treasurer's purposes, so he rejected it and directed that his fictitious figure be included in the budget. The Treasury audit trail documents back the Territory Health Services memo. So it is more than simply one page of a memo.

I refer to the bottom of page 1 of the audit trail document, the information in the box, and I quote from it. This is Territory Health Services; it is the audit trail. Down the bottom of the page on the audit trail under 'Outlays' it says:

*Realignment of current year budget to ensure an increase in estimates for the 2001-02 budget year of 2.5% gross (Bluey #40) This adjustment for presentation purposes only.*

'This adjustment for presentation purposes only'. So if you want to be clever and say: 'This is just a memo from the CEO', it does not work, because this is the critical little piece of information. You cynically, as the previous administration, even documented your fraud. You are so stupid, you even documented your fraud. It is unbelievable, the contempt with which you hold the processes of this parliament, the contempt with which you hold public servants, their attempts to do a good job, this parliament and Territorians knows no bounds. You documented it. Are you fools? What is this about?

Here it is, a little box down the bottom of the audit trail from THS saying:

*Realignment of current year budget to ensure an increase in estimates for the 2001-02 budget of year of 2.5% ... This adjustment for presentational purposes only.*

This is appalling. This is truly - in terms of good government - shocking and totally unacceptable. It is proof, very sadly, that the former Treasurer corrupted the budget, in collusion with the former health minister, and must be with the approval of the then Chief Minister. That is why you are being censured this afternoon. To doctor the books for, and I quote from the audit trail: '... for presentational purposes only', is a scandal.

It is clear the true numbers, those provided by Territory Health Services, were thrown out and false numbers inserted. The former Treasurer's corrupt conduct was drawn to the attention of the former Minister for Health, Family and Children's Services, the member for Drysdale, by his own CEO. The member for Drysdale stands condemned because he went along with the corrupt acts perpetrated by the former Treasurer. What possible legitimate explanation could the member for Drysdale have for being complicit in the former Treasurer's deceptions? What possible legitimate explanation? How could he, as Minister for Health, Family and Children's Services, perpetrate a fraud along with the Treasurer? Perpetrate a fraud on the budget papers. From the contents of the memo, it is clear the warnings given to him were timely and he was fully aware of what was happening. He was the one who expressed serious alarm to his CEO. He was the one who said: 'Keep me informed, CEO'. But what did he do? He went along with it. He went along with the Treasurer, and they all did it, because the then Chief Minister allowed them to do it.

These events bring with them a great sense of anger. I do not say that lightly. It is a great sense of anger, and I think everyone who read that memo was genuinely shocked by what they saw and what they read. It is also a sad day for Territorians. Therefore, it is with great regret that I speak to this motion that has such serious ramifications. The issues revealed to us today go beyond politics, and I hope the newer members opposite take strong note of the ethical standards their leaders have demonstrated recently and vow never to repeat them for the sake of the integrity of this parliament and, above all, for the sake of Territorians we are privileged to represent.

The information tabled today through the memo is undeniable proof of how far the former government leaders were prepared to let their ethical standards sink in an ultimate and vain attempt to hold on to power in the Territory. That is what it was all about. It was all about holding on to power. That is what sickens us most. It was all about a deception to show that you were managing the budget process, and that is how far your standards had fallen. Not only were you not good financial managers, you had to create false trails to pretend that you were even getting close. So you distorted the budget papers. You lied to Territorians, and you were stupid enough to leave the trail behind - stupid enough.

Professor Percy Allan, in his report to this new government, enlightened us all as to how the government of the day interfered in the budgetary processes in recent years. Professor Allan's focus, however, was on the fact that the forecasts underpinning the growth, in some significant elements of the budget, were unrealistically low. So that is what Professor Allan concentrated on. How could the estimates for what was going to be spent over a year be so unrealistically low? He gave a very full explanation of how that had come about.

It underpinned, actually, what we said all along. We said all along that the former Treasurer sat in his office up in the corner of this Parliament House and made the figures up. They did not come from Treasury. They were the 'Mike Reed specials', the Treasurer for rubber figures: 'What do I feel like today?' We saw it in the estimates of this financial year, \$12m. '\$12m', he said proudly as he stood there only a few months ago, and we knew how rubbery those were. As soon as this new government came in, the real figures emerged just like that. So quickly: 'Oh, it is going to be more than \$100m. Treasurer, what happened to the \$12m?'

The Treasurer then made up the figures, made up the figures for the agencies, and then went on and made up the forward estimates. A man of great skill, a man surrounded by fantasy, a man who has corrupted the process in the Northern Territory.

Going back to Professor Allan, he focused on the fact that the forecasts underpinning the growth in some significant areas - and those significant areas were the major ones like health and education and police - those significant elements in the budget were unrealistically low. This meant that year after year, the budget outcomes continually exceeded the original budgets brought down by substantial amounts - and this is the great fiscal management of the CLP.

As I revealed on Tuesday in this House, the 2000-01 underlying budget outcome was more than \$95m worse than the original projection. Professor Allan also confirmed Treasury's advice to me soon after achieving government that a similar outcome was likely in 2001-02. What's more, Professor Allan identified the culprit in this deliberate understating of likely budget expenditures as the former Treasurer. No doubt about that - the former Treasurer. The budget bottom lines were those not of the Treasury with all

their skill, with all the data at their fingertips, with all their expertise. No, the budget bottom lines were those of the government of the day, not the Treasury. Effectively, the calculation of the budget aggregates was taken out of the rightful hands of Treasury. Both the policies and their costings were effectively set by politicians, by the Country Liberal Party.

What has been revealed today is more than the use of deliberately low forward estimates. What we see today is the deliberate tampering of budgetary data, a fraud which artificially reduced numbers in the budget to enable a better outcome to be reported, an outcome which was always a tissue of lies, an outcome the former Treasurer and the former Minister for Health, Family and Children's Services knew was untrue. They knew it, they knew they were lies. They knew they were untrue, and yet they stood in this House and claimed they were right.

This is gross fraud. The former CLP government crossed a very serious line. They chose to manipulate official data for political purposes, and what is worse, they instructed public servants to do their bidding despite those public servants having strong objections. That is the heart of this. This is gross fraud. The CLP crossed a very serious line, and what is worse ...

**Mr Dunham:** You have run that line. You are reading the same paragraph.

**Ms MARTIN:** If you just did it as politicians, you could wear it electorally, but you asked public servants to do your bidding. You crossed a very serious line.

Let us be clear about what they did. The CLP government removed \$8m from the Territory Health Services numbers for the expected outcome for 2000-01. It was a wilful and deliberate attempt to deceive this House and all Territorians. This was expenditure that had been previously approved by Cabinet to occur. There was no reality to the dodgy figures of the former Treasurer. The \$8m was simply not shown and to quote from the documents tabled, 'for presentational purposes', those presentational purposes to enable the Treasurer to fraudulently claim a significant increase in health expenditures for 2001-02 over the previous year. This is what the then Treasurer said in his budget speech on 29 May this year - he might remember: 'This budget provides,' said the then Treasurer, 'for increases in the key areas of health, education and the police'.

The Treasury audit trail which was tabled earlier by the minister for health also revealed that the aim was to show an increase of 2.5% in budgeted health expenditure between 2001-02. I described in my ministerial report last week that the former government stood accused of cooking the books and they smiled. It is a sad day to reveal just how many foul recipes they were prepared to resort to. The Treasury audit trail also reveals that apart from the \$8m deliberately excluded from the published data for THS, a further \$3.5m known to both THS and Treasury at the time, was also not included in the published estimated outcome, making the full extent of this deception \$11.5m.

Publishing the financial accounts for the Territory, knowing they were misleading and deceptive, puts the Northern Territory in a terrible position with the financial markets both here and abroad. The former health minister, the member for Drysdale, was fully informed of the Treasurer's decision to misrepresent the health budget in 2000-01 yet did nothing. For this, he, like the former Treasurer, stands condemned.

The memo makes it clear that the member for Drysdale knew. He asked the CEO to keep him informed but the fraud went ahead. The member for Drysdale was fully aware of the planned deception yet he would not take a stand and say something like: 'No, Treasurer, what you are doing is wrong. If you proceed down this path, I will resign from Cabinet in protest'.

**Mr Dunham:** Is that your benchmark? Be careful saying this. Is that your benchmark? If they are the rules you want, we'll read them back to you.

**Ms MARTIN:** As Chief Minister of my government, the buck stops with me. I cannot walk away from any issue, particularly one that deals with the ethical standing of the government. Deliberately lying and fraudulently misrepresenting financial information to this parliament and the people of the Territory is simply unacceptable. Yet the former Chief Minister and now Leader of the Opposition sat by as his deputy made decisions that even a child would know was wrong. Is this leadership? Is this accountability?

What sort of signal do you send to your troops when you are saying: ‘Lying is okay; deceit is all a necessary part of the battle’? This whole sorry saga to deceive the parliament, Territorians and taxpayers proves that the former government was no longer fit to sit on the government benches. While this motion is directed at three specific members, all members of the previous Cabinet stand condemned by these revelations. As a result of the lies and deceit perpetrated by the former government through the budget papers, Territorians do not know what to believe any more. What figures are right and what are wrong? What can they believe and what can’t they believe?

For this reason, I wish to advise this House I will, at the conclusion of this debate, be seeking to have these matters referred to the Public Accounts Committee for further investigation. This referral requests the Public Accounts Committee inquire into and report on the accuracy of the budgetary data published in the 2001-02 budget papers with respect to both the estimated outcomes for 2000-01 and the budget for 2001-02. The committee will be asked to examine both receipts and expenditure and will focus on whether the published data reflects agencies’ best estimates at the time or whether the published differed materially from the internal figures. We know it was the case with health expenditure. We know it was the case with Lands, Planning and Environment receipts from land sales. What Territorians do not know is the extent to which this sort of manipulation of the data occurred across all agencies.

Where a material difference is found to be evident, the committee will investigate whether there is supporting evidence from Treasury or the former Treasurer’s office regarding these differences. Further, the committee will also investigate whether agencies advised their ministers at the time of these differences to enable the issues to be discussed within the then Cabinet. Nobody expects the budget estimates to match exactly the budget outcomes. Even, with only six weeks of the year to go, there may be sound reasons why the estimated outcomes could differ significantly from the final outcomes, but we know the former government fell into the habit of deliberately falsifying the published data.

Territorians deserve to know the truth as to what happened. It was, after all, their money that was being collected in revenue and spent on services to them. As shareholders, Territorians expect their board, the Cabinet, to present reliable and reasonable estimates of the current state of the books and the financial outlook. That is not what the CLP delivered to them.

I am proud of the fact that it is a Labor government that will restore integrity to budget processes through the Fiscal Integrity and Transparency Bill. I am proud of the fact that probity and prudence will once again become the hallmark of Territory financial management. I am proud of the fact that Territorians recognise they could place their faith in me and my government. The members opposite who are involved in this sordid chain of events, who continue to enjoy their high salaries and will walk out of this place with their generous superannuation benefits in place, should take responsibility for their actions. They are the ones who have brought this parliament and the Northern Territory into disrepute. They should not remain as members of this House, let alone stay in positions of leadership within it.

I would urge all members, other than those mentioned in this motion, to support the motion, to send the signal Territorians need: that deception and dishonesty should be banished from this place forthwith.

**Mr REED (Katherine):** Madam Speaker, at the outset, can I say that the suggestion by the Chief Minister of referring this matter to the Public Accounts Committee is a very good one. It is one that I would strongly support. I would also remind members of the House that the Chief Minister holds the two most important portfolios and responsibilities in government - she is both the Chief Minister and the Treasurer.

The Chief Minister’s Department is the peak agency of government and closely following that is the Treasury. Arguably, Treasury is the most important agency of government because it controls the money and it oversees the expenditure of the money, the reporting processes, the preparation of the budget – indeed, not only overseeing the preparation of the budget, but it actually formulates the budget.

It is a very telling argument today that the Chief Minister and Treasurer has presented to this House not one piece of evidence from her Under Treasurer or from Treasury or from the Department of Chief Minister to support the case that she has had. That is to say that the Chief Minister and Treasurer has stepped around the Treasury and stepped around the Department of Chief Minister with a note from an agency which she can use for political purposes and that is what this argument is all about.

This is about politics. This is about a government that has been in power for 59 days - I think one of the members opposite said in Question Time - and who have been sliding backwards since they were elected. They have been indecisive in terms of getting the economy going. They have been in charge of a Department of Transport and Works which is winding back contracts, period contracts and activities in the broader community, that generate economic activity in jobs and they have to find a shroud for that. The shroud is the fact that the Treasurer, in her presentation, failed to provide supporting documentation or advice from the Treasury. Further, it is a dreadful slight on the Treasurer ...

**Mr Stirling:** The audit trail, a Treasury document. Treasury evidence.

**Madam SPEAKER:** Order!

**Mr REED:** ... and the Chief Minister that she allowed one of her ministers to verbal the Under Treasurer. That in itself is bad enough, but ...

**Members** interjecting.

**Madam SPEAKER:** Order! Government members, you listened to the Chief Minister in relative silence.

**Mr REED:** ... building on that, building on verbalising the Under Treasurer. We have the fact that the Treasurer and Chief Minister failed to mention in any way, not even in the most oblique sense, any support of Treasury in relation to this allegation, any piece of evidence of Treasury - from the peak finance management agency of government - to support her allegations, and that is what demonstrates this as a blatant political exercise.

The only time in my 14 years in parliament that I recall the government censuring an opposition member ...

**Mr Stirling:** You said you couldn't remember anyone before. How many can you remember? I'll name them for you.

**Mr REED:** No, I did not say that. I pick up that interjection, Madam Speaker. I asked, by way of interjection indeed, the Leader of Government Business, when did the CLP in government ever censure an opposition member.

**Mr Stirling:** You censured Maggie Hickey not all that long ago.

**Mr REED:** The only one that springs to mind is when the honourable Fred Finch stood up one day and accidentally ...

**Mr Henderson:** This is no laughing matter.

**Mr REED:** It is a laughing matter, actually. It is a laughing matter.

**Mr Henderson:** Let's get to the point here. Let's get to the point of your honour and integrity.

**Madam SPEAKER:** Order! Minister, you will have your chance.

**Mr REED:** That is the only time that I recall that happening.

**Mr Stirling:** You don't remember censuring Maggie Hickey? You don't remember censuring Gary Cartwright? Worse memory than your boss.

**Madam SPEAKER:** Order, Leader of Government Business!

**Mr REED:** You have been warned. Your behaviour has not improved since you moved from this side of the Chamber to that side of the Chamber.

**Mr Stirling:** Well, don't lie, don't get in there and lie.

**Madam SPEAKER:** Order, order!

**Mr REED:** In terms of the support for these allegations of all sorts of things from fraud upwards, the Treasurer has side-stepped Treasury. She has criticised me for taking control of Treasury and manipulating it and making decisions on its behalf in my office, and she has done the very same thing. She has committed the crime that she accuses me of, that is to say, of sitting in my office making decisions that Treasury in fact has to wear.

Can I explain briefly the Cabinet budget process and the formulation of the budget? The process is one whereby agencies gather together a very comprehensive range of information in relation to the funding and operations of their agencies, and submit them to Treasury. Throughout the course of some months, the process is refined, not by the Treasurer but by Treasury, working in conjunction with the agencies, and that also includes discussions, of course, with the coordination committee and the overall parameters in which government is working and in which agencies are formulating their budgets. That information, and particularly information of recurrent aspect in relation to agencies' budgets, is formulated and prepared to the respective ministers who are responsible, as you would be aware, for their agencies.

There are then, in terms of the scope of ministers, particular initiatives which may be considered at the government level that would be incorporated into the budget, and they would likely be new activities or capital works programs such as upgrading hospitals, building forensic laboratories and the like, and all of that information is cobbled together in a very professional way ...

**Mr Stirling:** So you never rang Ken Clarke?

**Mr Henderson:** This is a lie? Bartholomew's lying?

**Madam SPEAKER:** Order! Minister, I have spoken to you three times now.

**Mr REED:** ... is prepared, and it comes to ministers in many boxes, and ministers have to go through it. They discuss it with their CEOs and, if appropriate, other staff members of agencies, and then there is a budget Cabinet meeting which considers in overall terms the allocations to agencies.

Can I say there is not much in the way of the overall budget that is discretionary. Most of the decisions are made because - well, in the case of health, you have a \$400m budgetary decision that has been made already in terms of their operational activities and those costs. You may be able to make some adjustments as is demonstrated by the budget documents and ...

**Mr Stirling:** Pull \$8m out, like you did!

**Mr REED:** I might ask, Madam Speaker, for additional time at the end of this, if the interjections continue.

**Mr Stirling:** You have had seven minutes and you have said nothing.

**Madam SPEAKER:** I am getting a little bit fed up, I have to admit, that the remarks are coming from the government side. You have had enough warnings. Let us hope, Leader of Government Business, you are not the first one to go out.

**Mr REED:** The additional funding that is provided to agencies is decided at budget Cabinet. As I say, in relation to specific initiatives that government may be wishing to undertake in the forthcoming financial year, allocations are made in relation to those. If the Treasurer believes for a moment that I could ring up, as the former Treasurer, the Under Treasurer and say: 'Listen, just tinker a little bit here, a little bit off there, a little bit over here and we will just fudge the figures'. That is a dreadful allegation to make against the professionalism of the Under Treasurer and the staff of Treasury. It is all the worse because the honourable Treasurer and Chief Minister has an ex-Treasury officer on her staff. To suggest that the Treasury is so unprofessional they would participate in an action of this kind is just extraordinary in the extreme.

The fact that the Treasurer today has made these allegations on the word of a lesser agency, it is fair to say - in terms of the importance of Territory Health Services in terms of economic management, the formulation of the budget and the management of government finances, they are certainly a lesser agency than Treasury. That she has come in here today without any supportive documentation from Treasury, without any advice from Treasury demonstrates that she is playing politics and she is concealing the fact that she has a government that is going nowhere.

Let us just assume for one moment that I, as Treasurer, had a desire to ferret away \$8m. Let us just assume for a moment that that was the intention, and that was to, as the Treasurer and Chief Minister said, to enhance the presentation of the budget. It is a \$3bn budget, a \$3bn budget! If you were going to go to Brazil, as it were, fill your suitcase and trot out the door, do you think you would go with \$8m? It is about 0.25% of the overall budget. It is just not worth thinking about. You would not even take it into account. If you were going to go for a bit of a 'let's get in here and fudge the figures and make things really look good', you would do it in a way that was going to be advantageous to you, that there would be some tangible benefit in terms of the presentation that you would make as a result of the fudging of the figures. That in itself, \$8m in a budget of \$440m-odd, is not a large amount. \$8m in a \$3bn-plus budget, as I say, is less than 0.3% of the overall budget.

If you think for a moment that I was sitting up in the office and I had this little glimmer of an idea, this is as portrayed by the current Treasurer: 'I think I will fudge the budget, just to make it look a bit better'. Do you think you would fudge it to the point of 0.3%? If you were going to have a fudge, you would have a fudge! You would not just fiddle around the edges with something ridiculous like this.

Can I say this: that Territorians, when they read this tripe - and again today I have had phone calls from contractors who were about to lay off staff ...

**Members:** Oooh!

**Mr REED:** And you say, 'Oooh!' They will again be very concerned about the direction of this government. This Labor government can spend all the time they can muster on sorry messages; they can spend all the time they can muster on blaming me for all the things that they have over the course of these sittings, except World War II and the Black Plague. They will be reflecting on their shrinking contracts. We have had advice today of a contractor here in Darwin who has been advised by the Department of Transport and Works of a dramatic reduction in the contract that he held.

**Mr HENDERSON:** A point of order, Madam Speaker! This is a censure motion in regard to a blatant misrepresentation and deception of the health budget, and I fail to see that contractors losing business has any relevance to this motion.

**Madam SPEAKER:** No, there is no point of order. While I do have your attention, Chief Minister, I think you need to have a word with some of your backbenchers. They are being very disruptive and I hope they realise that when the next speaker speaks, I expect them to be quiet. I do not think it is a laughing matter at all, member for Karama. I am not at all impressed with the behaviour today.

**Mr REED:** Can I say that it is very encouraging to see you instituting some decorum in the House. So, in terms of ...

**Ms Martin:** It's a pity you cannot tell the truth, isn't it? What about the truth, Mike?

**Mr REED:** You are the lady who has the truth trouble. You must have abused the tooth fairy or something. I don't think the tooth fairy ever came to you.

In terms of those contractors who experienced or have been advised over the period of the last few weeks, since the Labor government came to power, that their contracts had been dramatically reduced, they are laying off staff because the contracts that they won under a CLP government have been reduced to the extent that they no longer require the staff that they took on to fulfil the duties of those contracts over the period for which they were let; that is, probably a year or two. As a consequence of that, there is a crisis of confidence emerging of dramatic proportions, of dramatic proportions.



What do we have the government focusing on? We have the government focusing on issues of this nature, blame politics - blame politics. It is no more than that. And setting a scene for a summit that is going to take place over two or three days - I think it is next Sunday, Monday and Tuesday week. They expect the business community to go along to that summit and to be able to contribute. The business community themselves want to go along to contribute to it as well, because they want to get something out of it. I tell you what they do not want to get out of it. They do not want to get a political diatribe, they do not want to get blame politics, and they do not want to be focusing on issues that will not carry them forward and ensure that they will be able to continue to conduct their businesses at a high level, and to continue to fulfil the contracts that they won, which are currently being reduced.

This is not what the business community is looking for, these motions. It does not help them. This nonsense that we have had today, without any support from the two senior agencies of government, viz the Treasury and the Department of Chief Minister, will not create one job. It will not generate one little speck of activity in the economy. However, what it does do and what it will be demonstrated as achieving is distracting the government from what they are supposed to be doing and that is facilitating activity in the economy and creating jobs for Territorians.

I, as I said yesterday, have broad shoulders. They can blame me for all they want, but when I am blamed for something I do expect the Treasurer and the Chief Minister to have a much more substantive argument in terms of the evidence that she has produced here today. When you bear in mind that, I don't know, \$8m, what is it? A bit over 1% of the health budget, a bit over 1% of the health budget that I might have frittered away. I do not know what I am expected to have done with this money but the fact is that a \$440m-odd budget over the course of the year will necessarily have fluctuations in terms of money and cash flow.

It will have variations in terms of incomings from the federal government in terms of special purpose payments, grants, activities that they will pursue, some of which will be carried over from one financial year to the next, and some of which won't. If, indeed, you have that type of a presentation, then I think the Treasurer and the Chief Minister and her ministers should be a bit more aware of the activities of government.

We have seen here today a demonstration that they are not across what government is all about. They are not across the budgetary process. They have no understanding of it whatsoever. I am terribly offended that the professionalism and the dedication of Treasury staff has been placed in question today by no less a person than the Treasurer who has, for political purposes, avoided obtaining advice from Treasury in terms of any supportive documentation to present here today. Of course, that I think, demonstrates the political nature of this motion which, in itself, is extraordinary.

I must say, in terms of Pettifer - or is it the House of Representatives practice? - they refer to a motion moved by the government against an opposition member as frivolous, and that is precisely what this is all about. It is a frivolous action on behalf of a desperate government which 59 days after getting into government still do not know where they are going in terms of their priorities, in terms of keeping the economy going and creating jobs for Territorians.

If you think for a moment that Territorians are going to continue to accept this sort of behaviour, to continue to experience Question Times like we did yesterday, where all these dorothy dixers here sat around asking the Treasurer and other ministers questions about me - I am flattered that I can attract so much attention; I am flattered. If you think that the business community are not watching that and it is not registering with them, that you can sit through a Question Time having devoted weeks to a sorry statement, having devoted weeks to this sort of nonsense, having devoted no time at all to the economy - and that is what government is all about - that all of these other things, that even criticism of me of a political nature should come before the economy, five or six weeks in advance of your summit - don't you think for a moment that the business community of the Northern Territory is expecting more of their Labor government than this nonsense? Don't you think for a moment that the contractors in the northern suburbs who are laying off staff, who are reducing their staff in numbers from 10 down to two because your government is reducing their period contracts which they have had in their hands as printed documentation from the CLP government and a means of employing Territorians and keeping the economy going - how comfortable do you think that they feel with you, having put sorry, having put rubbishing Mike Reed and all this other tripe that you have been going on for two weeks of these sittings, six weeks, ahead of the economy.

The economy is going to follow all of this nonsense six weeks down the road. That is the priority of this government. They should be absolutely ashamed of themselves. You are costing Territorians jobs by focusing on this sort of rubbish, this political diatribe, simply to try to win a political point. The Chief Minister should put her head in her hands and she should bow her head because as Treasurer and Chief Minister, she has demonstrated she is a disgrace. As Treasurer and Chief Minister, she has demonstrated she cannot determine the priorities of the government and every Territorian will relate to the fact that the economy will follow six weeks after this nonsense. It is an absolute disgrace that they are the priorities of your government. If they are, if after all of those things and spending time to rubbish Mike Reed, the jobs of Territorians follow rubbishing Mike Reed, what hope do the people who are employed in your electorate on government contracts have if rubbishing Mike Reed is a higher priority than honouring those contracts? What hope can any Territorian place in this government? You are a sham and you should have a long face, Deputy Chief Minister, and the Chief Minister rightly put her head in her hands and bowed because that today is the outcome of this frivolous action. I quote from the *House of Representatives Practice*, which we follow very closely and we have in this House:

*...the passage of a motion censuring the Opposition has no substantive effect. On one occasion a notice of motion for the purpose of moving that an Address be presented to the Governor-General informing him that the Opposition invited the censure of the House was ruled out of order on the ground that it was frivolous.*

They are the rules by which this House operates. They are long traditional practices of this House, and they alone, those very powerful words, demonstrate the hollowness of this motion and the Leader of the Opposition should shake her head. I call on the Leader of the Opposition to personally apologise to ...

**Ms Martin:** I am not the Leader of the Opposition.

**Members** interjecting.

**Madam SPEAKER:** Order!

**Mr REED:** Well, it is where you should be, I daresay, and I acknowledge the error that I made. What is demonstrated is that the Chief Minister believes that she is still the Leader of the Opposition because it is the Leader of the Opposition's practice usually to move censure motions. She has not picked up on the responsibilities of Chief Minister, the role of government and the importance that it has for Territorians.

I very strongly refute all of the political assertions and the criticism and the fraud accusations and all of the things that I have done wrong and all that sort of thing. I am flattered, as I say, that I can attract so much attention in this House. I am ashamed of the fact that that has a higher priority in the eyes of this government than maintaining jobs for Territorians, because the activities of government, the expenditure of government, plays such a very important role in employing Territorians. That we are going to consider those matters in this House six weeks after we have spent a fortnight going through all this sort of nonsense is a dreadful reflection on the priorities of the government, because it is the people of the Territory who should come first, not the politics of the Territory, especially these cheap and nasty gutter politics of the government. It is a demonstration, as I say, of their lost way.

In terms of, as I said at the outset, referring these matters to the Public Accounts Committee, that is a good idea. Let us take it out of the political arena. In my last and closing remarks, can I plead with the government to start focusing on what they should be doing as a government: maintaining the activities of the contractors who had sound contracts to employ Territorians up until 18 August, and who are now laying people off and putting them on the employment scrap heap.

**Ms Martin:** No wonder you keep saying: 'Don't look back, don't look back'.

**Mr Henderson:** With no money in the bank!

**Ms Martin:** No money. \$95m more in deficit last year.

**Mr REED:** Madam Speaker, I totally reject the accusations made by the Chief Minister.

**Madam SPEAKER:** Before we do continue, I do need to make the remark to the Chief Minister that the noise in this Chamber and the interjections are coming from the government side. Some of the new members need to understand very clearly that I am not going to tolerate those sort of interjections or that behaviour.

I have noticed that the opposition has not retaliated in such a way in this debate and I just hope that members of government realise it is a reflection on them that they are behaving in this way in this serious debate. It is a censure motion, the most serious motion we can have in this House. For you to be making frivolous remarks and screaming across the room does not impress me. Please show a bit of decorum - this is what we talked about - coming into this House.

**Mr STIRLING (Leader of Government Business):** Madam Speaker, I rise to support the censure motion moved by the Chief Minister. I am not surprised. I take your points to heart that you were just making, Madam Speaker, but I am not surprised at the silence from members opposite because I believe in their heart of hearts that they are as deeply shocked as indeed we, on this side of the House, are.

That is why we have not heard anything from them, because they are considering the implications. They are considering the implications of this memo, of the actions of the former Treasurer, of their former Minister for Health, Family and Children's Services and shame of shame, the former Chief Minister and their leader.

I have spent a fair while in this Chamber. There is only one person, in terms of years of service, who has been here longer than myself and it is indeed the central figure in this troika of impostors. That is the member for Katherine, the former Treasurer. He is, I think, the chief co-conspirator in this troika between the former Chief Minister, the former Minister for Health, Family and Children's Services and the Treasurer himself. I cannot recall in the 10, almost 11 years that I have been in this Chamber, a censure motion more serious than this one in terms of the integrity of this House. We have seen embarrassments, we have seen bad decisions - and I will not revisit the transmission line which I think was one of those dreadful decisions. There have been personal animosities in this Chamber. Sometimes they have gone too far; sometimes they have gone outside this Chamber into the media and that is unfortunate. But none of those have had the implications of what has been revealed today by the Minister for Health, Family and Children's Services.

What we have learnt today is that the former Treasurer, assisted by his colleagues, the former Minister for Health, Family and Children's Services and the former Chief Minister, deliberately and calculatedly misled this parliament. They misled Territorians and they misled all those with an interest in the Territory by colluding to publish false information in the 2001-02 budget papers. The memo from the Chief Executive Officer of Territory Health Services says it all, backed up by the Treasury audit trail. I will table this document, because as part of the former Treasurer's less than fulsome defence of the accusations put before him, one of the points he was making in his first defence was: 'Well, there's nothing from Treasury. The Chief Minister has bypassed the Chief Minister's Department; she has bypassed Treasury'. Let me table, in case I haven't already, the audit trail from NT Treasury. It is a Treasury document and it has this little box that is on the second page:

#### *OUTLAYS*

##### *End of 2000-01 Financial Year*

*Reinstatement of \$8.0m for realignment of current year Budget to ensure an increase in estimates for the 2001-02 budget year of 2.5% gross.*

On page 1 is the one where it says:

*Realignment of current year Budget to ensure an increase in estimates of 2.5% gross (Bluey #40).  
This adjustment for presentation purposes only.*

I table that, Madam Speaker. There is the Treasury advice. There is the Treasury evidence that the former Treasurer thinks was so lacking in the presentation by the Chief Minister.

As the Chief Executive Officer so eloquently and succinctly put it: ‘... there was an artificial reduction of \$8m in THS’ 2000-01 budget, in order that the 2001-02 budget figure could be presented falsely as a 2.5% increase’. He does not mince his words: ‘artificial reduction’ and ‘presented falsely’ he states. And he goes and describes what happened as a ‘deception’. My description is even more blunt. The published budget figures for health in the 2001-02 budgets are a blatant lie. They are a blatant lie put forward by the former Treasurer of this House.

The annual budget papers are the premier publication of the government of the day and we know how this former government loved to push out glossy brochure after glossy brochure. Good government to them equated to how many glossy brochures you can get out in a week. We remember the *Foundations For Our Future* documents for one - half a million dollars on developing those within the Chief Minister’s Department alone, let alone the dollars that were spent pulling all that information up from all the departments and agencies in order to put the documentation together. Everyone knows that those glossy brochures are mostly full of rhetoric, mostly rhetoric. If you want the serious information about what government is doing, if you want to know what is happening, you really have to go to the annual budget papers because there is no rhetoric in there. There is no rhetoric; it is all figures, but it does tell you where the government is placing its priorities in terms of where it is placing its money.

Now, government’s performance - and whether it is this current government, the former Territory government, any government in the world - is judged on the quality of their budgets and their budgetary information. The debates in this House rely on the voracity and integrity of the data provided before us in the budget papers.

The entire community, lots of people, many organisations, make decisions daily on the basis of the published government information shown in the budget papers. There is an assumption always that Treasuries act reliably and with integrity in putting together the financial information they contain and there is a presumption that the government of the day has allowed the Treasury and Treasury officials to do that without interference. In particular, the Territory’s wider reputation interstate and abroad as a place to invest, including investing in Territory bonds and securities, is severely compromised if it is realised that the former government has been deliberately falsifying the budget papers. If the budget papers are compromised, as they have been here, then everything that the former government produced or oversaw is likewise, as are the public servants who were obliged to give effect to these matters.

Given that the parliament is the highest decision-making body in the Territory, lying in the budget papers is tantamount to committing perjury in the courts - same thing. I take the nod from the member for Goyder that he agrees with me. Information was supplied that was deliberately misleading and contrived on which parliament had to debate and subsequently approve the budget or deliver its verdict, using the analogy of the courts. It is quite an irony that it is this week the member for Katherine has in the House accused the government of pushing through a mini-budget without allowing adequate debate. That is about the ultimate hypocrisy over a couple of occasions of hypocrisy from the other side this week. But the only reason we are having a mini-budget is the deliberate deception and fraud that he has perpetrated on this Chamber, on this parliament and on Territorians, in his original budget. If he had delivered an honest budget up front in the first place, none of this would be happening now nor indeed would the mini-budget be occurring.

He is standing there demanding the capacity to fully debate the mini-budget, but when we were in opposition earlier this year, he forced us, in this Chamber, to debate on the basis of deliberately falsified data. Even when we obliged the government of the day by providing questions in advance - and, I forget, we had to have them in there 10 days or seven days before we even got to the appropriation debate, in case the minister was too thick or too slow or didn’t understand the question on the floor - we had to give it to them 10 days in advance so they could send it down to the departments and get the necessary answers. Even after all that process, they still chose not to answer certain questions, even though they were in written form and provided seven and 10 days before we even got here, they didn’t answer those questions that suited them. Yet they demand today, and yesterday, a full process of scrutiny of the mini-budget to come before us in November, having forced us through a charade, because we know now that the bottom line in that budget, and particularly in health, in this agency, was not even the truth.

During the appropriation debate, my colleague, the member for Wanguri, when he was shadow health minister, challenged the accuracy of that data, the estimated outcome published for 2000-01, because he knew it stunk. He knew it was not right, and it was clear, based on previous quarterly expenditure reports, that the total shown was too low to be credible. Now, did the former health minister come clean to this parliament? After all, he knew from his Chief Executive Officer that the Territory Health Services figures had been deliberately tampered with by the then Treasurer. What did he do? We do not know, and we hope he contributes to this debate. Either he did not have the courage to confront his colleagues on this matter or, alternatively, he did and was thumped over the head by the former Chief Minister and the Treasurer who said: 'Go away and be a good little boy and do not ask questions like that'.

**Ms Martin:** 'Don't you want to win this election?'

**Mr STIRLING:** Yes. 'Do you want to hang on to your seat? If you want to continue to be a member of parliament, I suggest you don't ask that question of me and please don't bring it up in Cabinet'. Now, that may well have been the response, we do not know. We hope he contributes to this debate.

He stood in this Chamber, along with the former Treasurer, and continued to mislead this House and continued to mislead the members of this House all the way through the appropriation debate, knowing full well that what he was saying was a pack of lies. It was an absolute pack of lies. He stood on his feet, day after day in the appropriation debate, reeling off and standing on an absolute pack of lies. What honour? He used the word 'honour' at some point. What honour he displayed! I take your warning earlier in Question Time, Madam Speaker, but you can see how angry I was with the hypocrisy of this man using the word 'honour'. I would be surprised if he could spell it, because he certainly does not show any of it. What integrity he demonstrated! And this, from an aspiring leader of this rag-tag little band. The aspiring leader, the next generation of leaders. It has to be him or Timmy, and I think Timmy has just placed himself well ahead because at least he has not been proven to be a liar. I, for one, would be ever surprised if he was because I have a little more respect for the member for Daly. I do not think he would get caught out in a charade and a lie as the member for Drysdale has here. He is a joke.

In the scheme of what governments do, and how the citizenry expect them to behave, deliberately falsifying information, especially financial information that reflects the use of taxpayers funds, is as serious as it gets because that is the bottom line of government. That is what governments are about. A conservative colleague of this group opposite, John Olsen, lost his job last week - just last week - for telling lies on financial dealings. Ultimately, this comes down to an issue of trust, and trust betrayed by the members opposite, the subject of this censure motion. Trust - I think the former Chief Minister was on the radio this morning about trust. He has betrayed the trust of Territorians, along with the former Minister for Health, Family and Children's Services, and along with the former Treasurer.

They have sealed their own fate and that of their party for a considerable time to come. They have proven that they and their party cannot be trusted to provide accurate and reliable information to Territorians. They simply cannot be trusted as the custodians of the taxpayers' money and taxpayers' futures. Because, if they fiddled the books as recently as May and June when the budget went through, what surety, what confidence can Territorians or anyone else have that they wouldn't do it again given half a chance?

The members on the back bench, who sit very quietly, really should start to see these three, the subject of this censure debate, not only as yesterday's men. There is no future for them if the CLP is to have any credibility into the future. They are dead meat. They are dead meat - it is as simple as that. The member for Katherine perpetrated the fraud. The member for Drysdale knew about the fraud and did nothing about it. The Chief Executive Officer of Health has certainly not indicated that the minister took it up with his Cabinet colleagues, and it would be interesting to know whether he did. Unlike Grant Tambling, who honoured his personal conscience in defiance of party heavies and paid the price, the member for Drysdale apparently toed the party line. He walked the party line rather than listen to his own conscience, or he does not have a conscience. But my betting is that he was too weak to take this back to Cabinet. He wanted to hang on to the seat of Drysdale and he laid low.

The member for Brennan was too busy himself getting caught up in legal wrangles, so he probably did not know or care what was happening to the budget at the time, or what was happening to the government that he was supposed to be leading. He yesterday mentioned a quote from Benjamin Disraeli who reportedly

said: 'There is no honour among politicians'. I would suggest that it is the member for Brennan, as the former Chief Minister, who has done a fair bit to live up to Disraeli's view of politicians. But he went on to say that:

*It has always been a personal point of view of mine to check myself all the time and be able to look at yourself in the mirror, square off with the person you see because, as my mother always said to me, the only person really at the end of the day you have to convince is the face that stares back at you from that mirror.*

Well, you have to wonder if he has been looking in the mirror lately because he would not like what was looking back, you wouldn't think. You wouldn't think that he'd be looking in the mirror at all.

Territorians, of course, are unfortunately left to suffer the consequences of the previous government's appalling financial mismanagement over recent years. They will not easily forget the deceit, the lies that the CLP delivered to them, and this government is duty bound to ensure they don't.

I know, Madam Speaker, you have had concerns since the opening of this parliament over the use, by this side of the House, of the term 'fraud'. For the record I would like to provide the House with the Macquarie Dictionary definition:

1. *deceit; trickery, sharp practice or breach of confidence by which it is sought to gain some unfair or dishonest advantage.*
2. *someone who makes deceitful pretences, imposter.*

I think the Treasury's own documents prove that fraud is appropriate to describe the events that occurred in the lead-up to the budget. It has been reinforced by the Chief Executive Officer of health when he described the fiddle as 'deception', and it was, as I said earlier, lies. It does confirm the rumour and innuendo floating around prior to the 18 August election about the CLP's financial management practices because, after 26 years in power - and I saw this, certainly over the last term - the former government was a power unto itself and it could no longer tell right from wrong.

We saw that in relation to polling. They had forgotten what was taxpayers' money, government money and what was CLP money. It was all coming out of the same bucket; it did not worry them. The end justified the means to this former government, no matter how fraudulent, no matter how unethical those means might be. It highlights just how dangerous a piece of legislation like the *Financial Management Act* can be when it vests all powers in the minister, because the minister sets the reporting standards, the minister makes the adjustments as he or she sees fit - pull out \$8m, put in \$8m, take \$20m there, whatever figure to make it look like there is a 2.5% increase, so the budget can be altered without the thorough and timely scrutiny of parliament and the people.

That is fine when you have a minister and a Treasurer that acts with integrity. It is clearly not fine when you have it under the control of someone like the member for Katherine. That is why the Fiscal Integrity and Transparency Bill is so important to the future of the Territory. I am proud to be a member of the government that will end these dodgy practices, and I am proud to be a minister in a government that will set new standards of financial accountability through the Fiscal Integrity and Transparency Bill.

The evidence speaks for itself in justifying this censure, because when we did hear from the former Treasurer, his only defence, as I said, was: 'There was no evidence from Treasury'. I have tabled the audit trail through Treasury. He spent seven minutes on how budget Cabinet works in a patronising fashion, as always. He spent five minutes claiming the amount that he diddled everyone with was too small to amount to anything - it was only \$8m. Who cares? Who cares? That is no defence. He spent five minutes on contractors; a couple of minutes on the economy in general terms; five minutes sledging us again because we have no understanding of government and its processes; two or three minutes on small business; and he wrapped up with a little look in the House of Representatives' practice manual there. No defence at all. No defence at all on the core substance of this censure.

The evidence does speak for itself. The Treasury audit trail describes the \$8m adjustment as ‘for presentation purposes only’. The memo confirms this was an artificial reduction to publish false figures. These people simply should not be parliamentary leaders within this Chamber, and I think one of these days the Country Liberal Party might actually acknowledge the damage that these three former ministers have done to the Territory and have done to the image of the Country Liberal Party.

Madam Speaker, I support this motion, and I would have thought any right-thinking person with any conscience and a shred of integrity would do likewise, regardless of where they sit in this Chamber. I urge all members to support the motion.

**Mr DUNHAM (Drysdale):** I am quite happy to speak, Madam Speaker, and I had hoped that I would have the opportunity to speak after the current Minister for Health, Family and Children’s Services, who commenced this action this morning. It is a pretty good motion to be involved in, in some ways. One of the reasons for that is there is a sense of nostalgia. I can remember as a government minister being censured, and it gave those opposite the chance to use a lot of defamatory words that they cannot use in normal debates. So, there is certainly, as the ...

**Ms Martin:** ‘Minister Dunham expressed his serious alarm’.

**Mr DUNHAM:** A point of order, Madam Speaker. We have listened in silence to two of the speakers, and the interjections grow when one of us speaks. I suggest if it is going to happen again during my contribution ...

**Madam SPEAKER:** I ask government members to refrain and offer the same courtesy that was shown to your Leader of Government Business.

**Mr DUNHAM:** Not that I mind so much, but I think it is a sharp comparison that could be provided, for instance, to the Standing Orders Committee so that they could look at the phenomena.

Yes, it is quite nostalgic to hear the series of questions. When we were in Question Time we used to see a censure motion building. In this case I said: ‘Well, blow me down, they are going to censure us’, and they did. It is a motion that is being abused in this instance. But it is telling that the mind-set of those opposite is still in the past. They still think they are in opposition, they still think that the points they can score with the community are to somehow bash up what used to be the government, and they still think that by wallowing in the past, people will take their mind off the future.

None of those things will happen because, as the previous speaker on our side pointed out, there are contractors out there who see this type of stunt for what it actually is: it is an attempt to say to them that we are about to do all sorts of nasty things to you, and we have to do them to you because Mike Reed and Dunham are naughty, naughty people.

I do not think that is going to wash because the amounts of money we are talking about here, the periods we are talking about here, are easily put up for scrutiny. In my case, I would have been a pretty proud health minister to have the budget that is in the budget papers - \$450m. As somebody who has been tracking budgets for some time, that is up vastly over the last 10 years. And those figures can be produced. I would have hoped that the government, in this motion, would have been able to provide a comparison over, for instance, the last couple of terms so that people could see just how this terrible cut had occurred. They would see that there have been increases every year in the health budget. They would see that the increases, certainly over the last 10 years, are enormous. They would see also, if you look closely at budgets, that they are a living document. It is something we tried to educate the now government on when they were in opposition. I hope that the reason the Treasury people have not contributed to this debate is that they are busy trying to educate them on the actual process of it.

If you look at the reasons why numbers differ, there are all sorts of reasons for it. Sometimes there is a one-off expenditure that has to be washed out of the budget. Sometimes you find that there is a crisis in East Timor and, unbeknownst to us, we have people coming to our shores and calling on our services. Sometimes there is a cyclone, like Cyclone Les that dumped lots of water on places and caused all sorts of additional costs for departments. Sometimes, on the other side of the ledger, the Commonwealth says to us:

‘Look, we think you are doing a particularly good job with this program. We would like to be partners with you, we would like to make a contribution’. We, in fact, heard that in parliament from the new health minister only the other day when she said:

*The Commonwealth has already approved \$2.1m per annum for the Primary Health Care Access Program for the funding of five central zones ...*

and went on to say:

*...the total funding able to be allocated to the Territory and the health system in principle is some \$60m.*

That is a significant amount of money. Sometimes it is fairly hard to factor that in, some of these special purpose grants, not only in terms of their quantum but in terms of their timing. That is why you have to be a little careful when you pick one number and compare it with the next number.

For mine, when I became the health minister, the funding during last year was some \$430m and this year, it is something like some \$440m. I would venture that by the end of the year, it is probably going to be \$450m. I do not say that because I think the present health minister is an incompetent buffoon or anything like that. I think it is going to be because there will be things that happen during the year like, for instance, today the hospital is very, very busy. In the ministerial statements that come to this House, I would have thought that that would have been a matter of some interest to the public who use the hospital, to the many people who are there ...

**Mr KIELY:** A point of order, Madam Speaker. He is digressing from the subject, Madam Speaker.

**Madam SPEAKER:** There is no point of order. Resume your seat.

**Mr DUNHAM:** We are talking about the health budget, and it is entirely appropriate that I should talk about, for instance, the health budget. So, the issues about activity, particularly in human services, are often very difficult to manage. Sometimes what has to happen is that there is a change in priorities because of changing circumstances. I was not a happy health minister to visit the Alice Springs Hospital and see something like 60 children on drips because of the rotavirus in Central Australia.

What Professor Percy Allan said - and I will come to Percy Allan later - is that that money should be sitting there. The health department should have access to that money because every year there is a calamity. We know that. We know that from year to year, there are issues that impact on our budget. What happened was pretty much the same system as was described by the police minister when he said that we had all these police out on the Stuart Highway because of a person they were trying to apprehend who had abducted two people. He told the House that it was \$800 000 and he said that the Police Commissioner is going to try and find as much of that as he can within, and then he is going to take it to Cabinet. Well, blow me down. That is what we did; that is how we used to do it. So if, for instance, there was a rotavirus in Alice Springs, there were 60 children on drips, and we had to cease elective surgery and shut a ward to do it, we knew that there were some savings embedded in those actions. We deployed those savings into the priority task we had on hand. That was pretty much how we did it and it was pretty much how they are going to do it.

If you look at budget numbers across years, I can proudly stand here and say that the Territory Health Services has had remarkable increases in its budgets over the last decade or so, and more.

The other thing it is important to talk about is recurrent and capital. What we are talking about here is actually recurrent, but it should be pointed out that the same budget papers and the minister’s budget speech do talk about capital. They talk about the Territory Health Services budget with the major redevelopment programs at the Royal Darwin and Alice Springs Hospital with an expenditure of \$6.3m and \$15.4m respectively. So, there was an extra \$21m in there.

The point is that if you look at the net Territory Health Services’ budget, you will find it is vastly higher than the year before and, if you go back to the year before you will find it is higher than that year, and the year before that you will find it is higher than that year. So the issue for government is one of saying: ‘We



think that, notwithstanding we came in here in the budget process the year before last and talked about spending some \$435m and ended the year with \$445m, that that \$10m is insignificant’.

What we would have done this year is manage the budget within our resources, and if I needed additional money I would have gone to Cabinet - which is I am sure you are going to do - and I would have also lobbied hard with my federal colleagues for additional subventions from the Commonwealth. This should not surprise anybody. I would have been quite confident in my expectation that if I had difficulties in any area that I could alert my Cabinet colleagues to it for some additional resource, and that is indeed what happened during last financial year. It is indeed what is the subject of the note to the health minister, because what was being talked about there was the additional warrant that was above and beyond appropriation.

**Ms Martin:** ‘Serious alarm’. Come on, you were seriously alarmed. Tell us about it. What did you do?

**Mr DUNHAM:** I am seriously alarmed by the fact that we have a Labor government that seems totally incapable of governing.

I would like to talk about a few things in the realm of scapegoating because that seems to be what we are talking about here. It seems to be that what we are talking about here is finding someone to blame so that when we finally get off to our little economic diatribe you can put it on the record that: ‘It is not us. We are not that sort of folk’.

The necessity for the economic summit, which has been brought up by interjection here, is because of a black hole. I think it was important to look at the black hole and I think it was important to look at it in terms of what this particular phenomena is. A black hole is the most powerful, most mysterious phenomena in the universe. The gravity within a black hole is so intense that not even light, the fastest object we know of, can escape its force.

**Dr Burns:** Great answer.

**Mr Kiely:** Well done!

**Mr DUNHAM:** A black hole is so dense - you should be listening to this - that 100 million suns would be compressed in a globe of 6 000 000 km in diameter. So there we are, we have the government saying they have found a black hole. It is not a bad black hole because it is very difficult for light to penetrate into it; it is very difficult for us to actually interrogate this particular hole; and also you can compress so many excuses into it. So this black hole is a wondrous beast. You can just keep jamming another excuse in and say: ‘We wanted the contractors to have more work but, gee, the black hole made us not do that. We would like to build a loop road in Mereenie and we can’t do that’ even though it was a road, I think, the member for Macdonnell was after. ‘We would like to put some more money into health but there is this terrible black hole’. So the black hole is a giant, destructive, mysterious beast and is the most complex puzzles in the universe, and I think that is probably what we are talking about here.

Having decided what it is that they want to jam this other excuse into, I think we should probably look at whether the issues of an error in documentation as alleged in the censure motion should inevitably lead to resignation.

**A member:** Yes.

**Mr DUNHAM:** That is pretty much what has been put. ‘Yes’ is the interjection I hear. That is a pretty high standard for the current Chief Minister to set herself because I only had three of her economic documents and there are some massive holes in all of them beyond the \$8m ...

**Mr HENDERSON:** A point of order, Madam Speaker! The honourable member is talking about our economic documents. This has absolutely no relevance to this censure motion before the House which is about the deception perpetrated on the people of the Northern Territory, and the previous budget handed

down by the former government. It has nothing to do with our economic policies that he wants to talk about now.

**Madam SPEAKER:** You are very aware that in censure motions or any debate, as long as you are talking about basically the topic that is being discussed, which is economics and the budget, it is quite acceptable.

**Mr DUNHAM:** Madam Speaker, I thank you for educating those opposite because they need a fair bit of it.

It is entirely relevant. What we have here is a budget that went through a week's interrogation in this House, a week. It was laid in the House a month before that so we had an opportunity to peruse those several documents and they are quite substantial. There is the budget for 2000-01. So we had a month to look at those and then the opposition had a week to come into this parliament and quiz us at some length. That *Hansard*, too, is quite large and ...

**Ms Martin:** If you don't put the right numbers down, how can we read anything?

**Mr DUNHAM:** How can you read anything? I don't know how you can read anything.

**Ms Martin:** Just lies. When the bottom line is rubbery and made up by your mate ...

**Madam SPEAKER:** Chief Minister!

**Mr DUNHAM:** Madam Speaker, I would ask you to afford me either a tad of protection or give me an extension because I have another half hour to talk. I think that if it is to be a talk of a type where we have to continually put up with disruptive, frivolous and stupid interjections, it is going to make it heavier going than it should be.

We found out what the black hole is. Now we have found out that the Chief Minister believes that if there is a mistake in a document - and in her case it was \$8m - that should lead inevitably towards resignation. I think that is a pretty high bar for them to jump and they failed it in their first 50 days, or whatever it is they keep talking about. I would have thought that every day that they were sitting there in government should be a day that they enjoy, and I am surprised that they are ticking it away like a clock watcher. Nonetheless, if we go to these documents we can find, certainly in my own portfolio areas, some tens of millions of dollars missing.

Let us compare the two processes. The process that they found abhorrent was to have ...

**Dr Burns:** Five minutes to go.

**Mr DUNHAM:** Hopefully, he contributes to this debate and, hopefully, he has written a speech. I know how difficult he finds it to read it but I hope he has written one.

The issues we talk about is the comparison of two governments. They are all sweetness and light; we are all nasty. The nasty government gave the punters, including the opposition, a month to look at the documents, a week to debate them. We had community consultative processes where we went out and talked to people. They were documents that saw the full light of this parliament's interrogation.

Compare that with what is in front of us. What is in front of us is a very hastily cobbled together little roadshow parading as consultation and we still do not know the level of interrogation we can do for this mini-budget which, as the opposition pointed out, will run for four years. We also know that the actions of the previous budget will be discussed at length by the PAC. So, in terms of open and honest government, I do not think we did too badly. Two sittings of parliament, the budget roadshow went to all communities, we had many, many hours of questioning. Compare that with this mob who are standing up with one budget principle and that is the so-called black hole, the most mysterious beast in the universe.

In process alone, they should be ashamed. They should hang their head in shame because of the mistruths that people were told in the lead-up to the election about open and honest government. We were told that the PAC was such an important device that it would not be politicised. I am a member of the PAC and I think I have a reasonable prognosis of what might happen with this business, because I suspect that somehow it might come down to the numbers - that is my suspicion - and this was something that really offended those opposite when they were in opposition. It is something that they are now putting in train. If they were really genuine in their need to look into the past, they could do so via the good work that can be done within their departments. They could do so with the PAC.

It is my valiant hope that they would look to the future because I really think that whole notion of spending so much effort in finding a scapegoat is a wasted exercise because at the end of it, I am quite happy to have debates like this every day. I am quite happy to go way back into the past; I am happy to go back 10 years and debate the work we did. What we are talking about is going forward and it is really, really important that these people get over the rhetoric of: 'We're open, we're honest, we're transparent, we're good guys. Never before has this been done or that been done. We can apologise. We can do all these wonderful things'. Now we want to see Action Man. We want to see people who can do things because there is a very sad set of circumstances happening out there and they impact on many of the people we know, and they will impact on them for some time. We know, for instance, that when Labor came in they said they would come in like a new broom to clean things up.

Well, I do not think I have ever seen the city looking so dirty. One of the reasons for that is that the litter is not being picked up any more. Here we are, black hole, Mike Reed told us lies - cannot pick up the litter. I really think it is just going a bit far, guys. I think the whole idea that somehow you believe that there was an \$8m short circuit in the health budget means that you do not have to pick up the litter along the major arterials of Darwin, is a nonsense. It is a patent nonsense because what you are attempting to do is blame the circumstances right throughout the community, which are of your making, on one so-called \$8m action by the Under Treasurer.

I am reluctant to talk about companies because I know how these people operate and I know how vindictive they can be, but certainly in the case of some contractors who have come to me, their work has dropped by 80%. They have had to put workers off. Some are on an hourly rate. The frequency of their work is determined by T and W. It is not consistent. They have difficulties with adhering to the level of performance they contracted for because ...

**Madam SPEAKER:** Order! The member's time has expired.

**Mr DUNHAM:** I would ask for an extension, Madam Speaker.

**Dr LIM (Greatorax):** Madam Speaker, I move that so much of standing orders be suspended as would prevent the member for Drysdale from completing his words.

Motion negatived.

**Madam SPEAKER:** Please resume your seat. The question is that the censure motion be agreed to.

Motion agreed to.

**LIST OF TABLED PAPERS**

<i>No.</i>	<i>Date Tabled</i>	<i>From</i>	<i>Description</i>
1	30.11.01	Police, Fire & Emergency Services	Budget allocations/variations – 5-year period
2	30.11.01	Police, Fire & Emergency Services	Carry-over allocations under section 22(2) of the Financial Management Act
3	30.11.01	Police, Fire & Emergency Services	Fax from Treasury, Under Treasurer, dated 17.05.01– \$2m re-alignment advice
4	30.11.01	Police, Fire & Emergency Services	Fax from Treasury, Mr D. Mu, dated 19.06.01 – Ledger verifications
5	30.11.01	Police, Fire & Emergency Services	Fax from Treasury, Mr D. Mu, dated 29.06.01 – Ledger verifications
6	30.11.01	Police, Fire & Emergency Services	Extract from Treasurer's Annual Financial Report – Schedule 1.8 Variations of Allocations Authorised during the Year
7	29.11.01	Health & Community Services Mr P. Bartholomew, CEO	Answers to Committee's questions
8	4.12.01	Health & Community Services Ms J. Schilling, A/Asst Secretary, Business & Operational	Ministerial – 2000-01 final Budget allocation
9	4.12.01	Employment, Education & Training Mr P. Plummer, CEO	Answers to Committee's questions
10	5.12.01	Employment, Education & Training	Fax from Treasury, Mr K. Clarke, Under Treasurer, dated 21.06.01 – Carry-over for 2000-01
11	5.12.01	Employment, Education & Training	Bound volume – NTDE 2000-01 Financial Statements on a month by month basis
12	5.12.01	Employment, Education & Training	Map (hand written) – re reference to the additional budget allocation and LATIS
13	5.12.01	Infrastructure Planning & Environment	Schedule of sale of land – 1995-96 – 2001-2002
14	5.1.201	Corporate & Information Services	Answers to Committee's questions
15	31.10.01	Chairman, Dr C. Burns, MLA	Letter to Mr S. Dunham, MLA – Committee membership
16	16.11.01	Mr S. Dunham, MLA	Letter to Dr C. Burns, MLA, Chairman — Committee membership
17	1.11.01	Chairman, Dr C. Burns, MLA	Form letter to CEOs – Request for information on Terms of Reference (address list and list showing date of replies attached)
18	14.11.01	NT Treasury Mr K. Clarke, Under Treasurer	Letter to C. Burns, MLA, Chairman – Provision of documentation as per request of 1.11.01
19	16.11.01	Chairman, Dr C. Burns, MLA	Agencies' 5-year Budget history
20	19.11.01	NT Treasury Mr K. Clarke, Under Treasurer	Letter to T. Hanley, Secretary – Provision of further information as per request of 16.11.01
21	20.11.01	NT Treasury Ms J. Kirkman, Director Output Performance	Fax to T. Hamely, Secretary – ITMS audit trails
22	21.11.01	NT Treasury Ms S. Byrne	Email to T. Hanley, Secretary – Health & Community Services 5-year Budget data
23	23.11.01	Chairman, Dr C. Burns, MLA	Letter to Commissioner B. Bates – Provision of questions to be asked at public hearing
24	26.11.01	Chairman, Dr C. Burns, MLA	Letter to P. Bartholomew, CEO, Health & Community Services – Provision of questions to be asked a public hearing
25	26.11.01	Chairman, Dr C. Burns, MLA	Letter to S. Butterworth, CEO, Corporate & Information Services – Provision of questions to be asked at public hearing

<b>No.</b>	<b>Date Tabled</b>	<b>From</b>	<b>Description</b>
26	26.11.01	Chairman, Dr C. Burns, MLA	Letter to P. Plummer, CEO, Employment, Education & Training – Provision of questions to be asked at public hearing
27	26.11.01	Chairman, Dr C. Burns, MLA	Letter to B. Chambers, CEO, Infrastructure, Planning & Environment – Provision of questions to be asked at public hearing
28	26.11.01	Channel 8, Mr A Rutter, News Director Chairman Dr C. Burns, MLA  Secretary, T. Hanley	Letter requesting permission to record/televise public hearings Letter to Hon. LM Braham, MLA, Speaker – Seeking approval for Channel 8 to record/televise hearings Letter to Channel 8, Mr A. Rutter, News Director – Advice approval granted to record/televise public hearings
29	27.11.01	Mr T. Baldwin, MLA	Letter to C. Burns, MLA, Chairman – Unavailability to attend public hearing 6.12.01
30	3.12.01	Mr C. Lugg	Letter to C. Burns, MLA, Chairman – Unavailability and questions on media comments
31	4.12.01	Mr S. Dunham, MLA	Letter to C. Burns, MLA, Chairman – Concern re Chairman's public statement
32	10.12.01	Infrastructure, Planning & Environment Mr J. Pinney, Executive Director Lands & Planning	Letter to T. Hanley, Secretary – Value of land given to Danila Dilba, Palmerston
33	4.02.02	NT Treasury	Treasury Circular B15-00/01 dated 9 April 2001
34	4.02.02	NT Treasury	Budget Blueys Nos 40 to 43
35	4.02.02	Chairman, Dr Burns, MLA	Independent Review of the NT Financial Position by Professor Percy Allan AM
36	27.03.02	Mr S. Dunham, MLA	Letter from P. Bartholomew to Minister Health, Family & Children Service, Hon. Aagaard, MLA – Submission of THS' 2000-01 Annual Report

## APPENDIX 13

### LIST OF PUBLIC HEARINGS

<i>Date</i>	<i>Appearing before the Committee</i>	<i>Witnesses</i>
30.11.01	Police, Fire and Emergency Services	Commissioner B. Bates, AM, APM Assistant Commissioner D. Smith
30.11.01	Department of Health and Community Services	Mr P. Bartholomew, Chief Executive Officer Ms J. Schilling, Acting Assistant Secretary Business and Operational Support
5.1.201	Department of Infrastructure, Planning and Environment	Mr B. Chambers, Chief Executive Officer Mr J. Pinney, Executive Director Lands and Planning
5.12.01	Department of Employment, Education and Training	Mr P. Plummer, Chief Executive Officer Mr K. Simpson, General Manager Corporate Support Mr T. Saunders, Director Financial Services
5.12.01	Department of Corporate and Information Services	Ms S. Butterworth, Chief Executive Officer Mr N. Pellissier, Director Budgets and Commercial
6.12.01	Former Minister for Territory Health	Mr S. Dunham, MLA
4.02.02	Former Minister for Education	Mr C. Lugg
4.02.02	Northern Territory Treasury And Former Under Treasurer	M J. Prince, Acting Under Treasurer Ms J. Kirkman, Director Output Performance Management Mr K. Clarke
15.03.02	Former Treasurer	Mr M. Reed, MLA
27.03.02	Minister for Health and Community Services	The Hon. J.L. Aagaard, MLA



## APPENDIX 14

### LIST OF TRANSCRIPTS OF PUBLIC HEARINGS

Transcripts have been bound as a separate volume.

<i>Date</i>	<i>Agency</i>
30.11.01	Northern Territory Police, Fire and Emergency Services
30.11.01	Department of Health and Community Services
5.12.01	Department of Infrastructure, Planning and Environment
5.12.01	Department of Employment, Education and Training
5.12.01	Department of Corporate and Information Services
6.12.01	Mr S. Dunham, MLA, former Minister responsible for Health
4.2.02	Mr C. Lugg, former Minister responsible for Education
4.2.02	Northern Territory Treasury and Mr K. Clarke, former Under Treasurer
11.03.02	Mr M. Reed, MLA, former Treasurer
27.03.02	The Hon. J.L. Aagaard, MLA, Minister for Health and Community Services



**LIST OF MEDIA RELEASES**

All media releases have been bound as a separate volume

<i>LDate</i>	<i>Source</i>	<i>Title</i>
11.10.01	AAP General News	Tambling attacks CLP economic management
15.10.01	AAP General News	Three CLP frontbenchers censured over Budget allegation
26.10.01	NT News	\$8m fudge: CLP accused of fraud
26.10.01	NT News	MPs deny claims
26.10.01	8.30am 8DDD Morning Program	F. McCue – C. Martin, MLA and M. Reed, MLA Manipulation of Budget papers by former CLP Government
27.10.01	NT News	Budget 'fudge': Reed under fire
30.10.01	NT News	Summer to probe CLP budget 'fudge'
30.10.01	NT News	Editorial: Budget questions
3.11.01	6.30pm NTD8 TV News	P. McLaughlin – P. Maley, C. Burns, MLA and C. Martin, MLA Pre-judgment allegations that former Government manipulated its budget figures
3.11.01	7.00pm ABC TV News	K. Carter – C. Burns, MLA and P. Maley, MLA Committee's hearings on allegations that CLP Government manipulated budget Health figures
26.11.01	8.30am 8DDD Morning Program	F. McCue – C. Burns, MLA and S. Dunham, MLA Meeting of Parliamentary Public Accounts Committee
29.11.01	NT News	Law to keep budget safe
30.11.01	NT News	Territory net debt soars by \$116m
30.11.01	NT News	Funding 'fudged'
30.11.01	6.30pm NTD8 TV News 7.00pm ABC TV News	P. McLaughlin/M. Coggan – P. Bartholomew, S. Dunham, MLA and C. Burns, MLA Public Accounts Committee inquiry into budget manipulations by former CLP Government
4.12.01	NT News	Maley calls on Burns to quit
4.12.01	8.30am 8DDD Morning Program	J. Christensen – C. Burns, MLA Public Accounts Committee hearing into claims former CLP Government falsified Budget figures
4.12.01	8.30am 8DDD Morning Program	J. Christensen – S. Dunham, MLA Public Accounts Committee
5.12.01	7.00pm ABC TV News	C. Mackay – P. Plummer Department of Education's appearance before Public Accounts Committee
6.12.01	12.00pm 8DDD News	R. Morse \$8m reduction in last year's Health funding
6.12.01	4.00pm 8DDD Drivetime	P. Dale – S. Dunham, MLA Public Accounts Committee hearing

<i>Date</i>	<i>Source</i>	<i>Title</i>
7.12.01	NT News	Editorial: A wasted exercise
7.12.01	NT News	Budget figures not fudged, says Dunham
7.12.01	NT News	Black hole of the Territory
8.12.01	NT News	Editorial: Roll out the barrel
11.12.01	NT News	Letter to Editor: Labor must lift its game
11.12.01	10am Top FM Territory Talk	C. Newman – S. Dunham, MLA Public Accounts Committee hearings
29.12.01	NT News	Letter to Editor: Shame on you
16.01.02	10am Top FM Territory Talk	C. Newman – S. Dunham, MLA Palmerston Health Services
4.02.02	12pm 8DDD FN News	K. Valenti On former Under Treasurer K. Clarke
5.02.02	NT News	Budget didn't add up, admits Clarke
5.02.02	NT News	Numbers game
5.02.02	8.30am 8DDD Morning Program	M. Taylor – M. Reed, MLA Manipulation of Budget figures
6.02.02	NT News	Editorial: Misery for Reed
6.02.02	NT News	Reed claims vindication
6.02.02	NT News	Bottom Line that'll suit your needs? Yes, Minister
12.02.02	NT News	Letter to Editor: Coming unstuck
14.02.02	NT News	Letter to Editor: Showing contempt
14.02.02	NT News	Letter to Editor: Simply ask Percy
14.02.02	NT News	Letter to Editor: Do 'right thing' Mike
12.03.02	NT News	Budget instructions misread, says Reed
27.03.02	7.00pm ABC TV News	B. McCarthy On last day of public hearings

**GERRY WOOD, MLA**

**MINORITY REPORT  
ON THE FOLLOWING ASPECT CONTAINED WITHIN  
THE COMMITTEE'S REPORT**

**Mr Chris Lugg, Former Minister for School Education**

The assertion by former Minister Lugg in his May Appropriation Speech that there was to be a \$9.4m in Education spending in 2000-01 as contained in the published Budget Paper was correct. Mr Dunham, former Minister for Health, Family and Children's Services, also provided figures published in the Budget Paper which he asserted were correct. Mr Lugg advised the Parliament of the correct Budget figures for the Education Department but they were not the truthful figures.

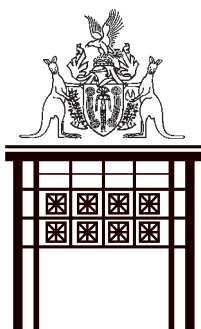
I now wish to provide my interpretation of the following terms:

***Correct*** Budget figures refers to the figures contained within the Budget Papers. These figures were delivered on the floor of Parliament in the Appropriation Speech.

***Truthful*** figures would have had an annotation, explanatory note or an explanatory remark to clarify how these figures had been derived and why they were used for 'presentational purposes' only.

Signed  
**GERRY WOOD, MLA**  
Member for Nelson

Friday 17<sup>th</sup> May 2002



**LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY**

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**PUBLIC ACCOUNTS COMMITTEE  
(MINORITY REPORT)**

**DISSENTING REPORT OF THE INQUIRY INTO  
THE ACCURACY OF THE BUDGET DATA PUBLISHED IN  
THE 2001-02 BUDGET PAPERS WITH RESPECT TO BOTH  
THE ESTIMATED OUTCOME FOR 2000-01 AND  
THE BUDGET FOR 2001-02**

**REPORT NUMBER 38**

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**MAY 2002**

**Members Lim and Dunham are of the opinion that:**

- 1. The PAC is in contempt of Parliament**
- 2. The PAC is biased**
- 3. The PAC's processes are flawed in that parliament has already decided this matter without sufficient information**
- 4. The PAC's silence on this matter should be construed as a complete exoneration of Mr Burke who should be given an apology by Government immediately this Report becomes public**
- 5. The PAC has obtained evidence to the effect that the chief Minister either deliberately or ignorantly has misled Parliament. She should make a personal explanation accompanied by a full apology to ex-Ministers Reed and Dunham immediately this Report becomes public**
- 6. The Chairman, Dr Burns is incompetent**
- 7. The PAC's work in the critical area of education is unfinished**
- 8. The PAC cannot describe fool proof means to "fix" the problem which was the subject of the censure motion.**
- 9. The PAC is discriminating in the weight of credibility given to differing points of view**
- 10. The PAC's difficulties trying to obtain data from Minister Aagaard must be viewed as either recalcitrance or ignorance**
- 11. The PAC is unable to determine if the current Chief Minister exerted undue pressure on Paul Bartholomew in order to politicise this matter**
- 12A. The PAC found that there are grounds to question the veracity of the current Government's mini budget**
- 12B. The PAC, Parliament and the public have experienced difficulty in questioning the current Government's mini budget. The Treasurer should outline the method, timing and means for this public process to take place.**
- 13. The PAC should conduct itself in a way which accords with Parliamentary traditions, and should afford some degree of natural justice for citizens of the Territory who are unfairly accused**

- 14. The PAC has received evidence that the Fiscal Integrity and Transparency Act is unable to fulfil the role described for it by the Government.**

Members Lim and Dunham are of the opinion that this enquiry:

**1. The PAC is in contempt of Parliament**

Was contemptuous of Parliament in that it did not adhere to the terms of reference set for it.

At one stage, a motion put in Committee to “ask questions in accordance with the Parliaments’ terms of reference to the Public Accounts Committee” was defeated.

**2. The PAC is Biased**

Exhibited an extraordinary degree of bias in:

- (i) Its treatment of witnesses.
- (ii) The public comments of its Chairman, which were noted by all witnesses and which were unable to be properly investigated through appropriate channels.
- (iii) The continual attacks on Mr Dunham’s involvement notwithstanding advice from Queen’s Counsel, the Federal Parliament and N.T. Parliamentary officers supporting this position.
- (iv) The fettering of the Committee’s enquiries so as to remove the current government from scrutiny.

**3. The PAC’s processes are flawed in that parliament has already decided this matter without sufficient information**

Has a process which is fatally flawed in that Parliament was asked to “judge” the outcome by way of a censure motion prior to the Committee being tasked with the gathering of evidence. The Committee’s Government members tried valiantly to ensure that the findings were aligned with the prejudicial censure motion.

**4. The PAC’s silence on this matter should be construed as a complete exoneration of Mr Burke who should be given an apology by Government immediately this Report becomes public**

Received no evidence whatsoever relating to the former Chief Minister Denis Burke. The committee cannot make any findings or comment on his role in the matters described in Mr Bartholomew’s memo of 27 September 2001. This is despite Mr Burke being censured by Parliament (prematurely) prior to the PAC enquiry.

- 5. The PAC has obtained evidence to the effect that the Chief Minister either deliberately or ignorantly has misled Parliament. She should make a personal explanation accompanied by a full apology to ex-Ministers Reed and Dunham immediately this Report becomes public**

Was unable to obtain any evidence to substantiate the allegations brought against ex Minister's Reed and Dunham. Indeed, found, several of the Chief Minister's allegations made to several of the Parliament during the censure debate to be untrue. This amounts to a significant misleading of Parliament, (which was always a risk given the flawed process described in 3. above).

- 6. The Chairman, Dr Burns is incompetent**

Was Chaired by a person who lacked the competence, impartiality, and technical acumen to provide a report at a level which should satisfy Parliament. Even in those areas of generic process not requiring an intimate knowledge of government budgeting and finances, Dr Burns was deficient.

- 7. The PAC's work in the critical area of education is unfinished**

Has been unable to complete its work. Critical, complex and comprehensive information provided by the Department of Employment, Education and Training has not been adequately assessed by the PAC. Indeed, it has only recently been sought and received by the PAC. Three options are available to the committee to deal with this information.

- (i) Consider fully the additional Employment, Education and Training evidence and report to Parliament on a later date;
- (ii) Expunge those matters, issues and recommendations relating to Employment, Education and Training as they have not been fully considered; or
- (iii) Report to Parliament with the Employment, Education and Training included but with no analysis on this evidence, a caveat that these are matters subject to future consideration, and an ongoing reference for the PAC to report at the later date.



**8. The PAC cannot describe fool proof means to “fix” the problem which was the subject of the censure motion.**

Has not given sufficient heed to the extensive cogent explanation for circumstances described in Mr Bartholomew’s memo, preferring instead to focus on only one point of view. Given that no wrong doing has been found, the committee cannot be satisfied that the circumstances cannot and will not be replicated. Thus, if readers of the report derive comfort from the comprehensive description of “the problem”, they must also express some disquiet about the lack of “a solution” which can withstand independent audit scrutiny.

**9. The PAC is discriminating in the weight of credibility given to differing points of view**

Gave greater credibility to evidence which accorded with the prejudged end point than it did to other evidence which gave a different point of view. On all of the evidence from those involved first hand, the views expressed in Mr Bartholomew’s memo are not shared by any other party.

**10. The PAC’s difficulties trying to obtain data from Minister Aagaard must be viewed as either recalcitrance or ignorance**

Was so defensive of Minister Aagaard as a witness that the committee found it difficult to establish whether those criticisms of former Minister Dunham, Reed and Lugg also apply to the current Health Minister. Her inability to answer basic questions relating to fraud, recurrent vs once-off expenditure and budget status are surprising given her tertiary qualifications in Business.

Any independent analysis of Minister Aagaard’s evidence would provide sufficient doubt regarding Minister Aagaard’s competency.

**11. The PAC is unable to determine if the current Chief Minister exerted undue pressure on Paul Bartholomew in order to politicise this matter**

Was able to determine that the current Chief Minister Clare Martin was the prominent player in the several weeks between Minister Aagaard’s receipt of CEO Bartholomew’s memo of 27th September and its tabling in Parliament four weeks later on 25<sup>th</sup> October 2002. Minister

Aagaard (on 27 occasions) told the committee that “due process” occurred during this time. This did not involve Minister Aagaard, CEO Bartholomew or Under Treasurer Ken Clark other than minimally, and was contained mostly to the Chief Minister and Cabinet. The Chief Minister’s role cannot be determined because the PAC was not inclined to seek this important evidence.

**12A. Evidence before the PAC showed that there are grounds to question the veracity of the current Government’s mini budget**

**12B. The PAC, Parliament and the public have experienced difficulty in questioning the current Government’s mini budget. The Treasurer should outline the method, timing and means for this public process to take place**

Found a number of instances of budget errors in the current year’s budget. Given the Chairman’s determined effort to prevent the PAC from enquiring into the current year’s budget only that information which was supportive of the Government’s position was allowed. The difficulties with enquiring into these matters is of significant concern in that the accuracy of the budget for 2001/02 is in doubt in several key areas. Significant effort has been put into establishing reasons for the \$8 million variation described in Mr Bartholomew’s memo. This coupled with the current Chief Minister’s benchmark that an error in (budget) “documentation should inevitably lead to resignation” makes this a most serious matter. Members Dunham and Lim believe that the current budget is seriously compromised for the following reasons.

- (i) Inadequate finding for provision of renal dialysis at Tennant Creek;
- (ii) Under Treasurer’s estimate of \$5m pa not included for domestic electricity tarrifs hide the true cost to PAWA;
- (iii) HIH liabilities underfunded;
- (iv) 24 Hour Health info line poorly estimated;
- (v) The value of the N.T. Vehicle Fleet;

show that PAC should undertake further work in this area.

**13. The PAC should conduct itself in a way which accords with Parliamentary traditions, and should afford some degree of natural justice for citizens of the Territory who are unfairly accused**

Did not understand the problems associated with the open broadcast of untested allegations. While the newly elected Chairman is keen to trumpet the ready access to information, it would seem that he does not see his role to control the language, nor the intemperate allegations which may be wrong, but which nevertheless are covered by Parliamentary privilege. The scandalous allegation that the former Under Treasurer was complicit in keeping “two sets of books” was made by the Chairman on more than one occasion, and despite this being strenuously denied and unsupported by the evidence this was picked up by the public and the media. The irrelevant pursuit of a public servant and the frequent use of unparliamentary language (particularly by Member Kiely) are further examples.

**14. The PAC has received evidence that the Fiscal Integrity and Transparency Act is unable to fulfil the role described for it by the Government**

Found, in evidence from both its specialist financial advisor, and the then Auditor General that the Fiscal Integrity and Transparency Act will not live up to its expectations. In particular:

- (i) It is unlikely to prevent the hiding of any manipulations of budget figures at an agency level.
- (ii) The reports do not have to include information that the Treasurer considers should not be involved.
- (iii) The measures being provided for the current fiscal strategies are still not sufficient to provide a meaningful assessment of whether the Government’s policy to remove net debt growth by 2004-05 is being achieved.
- (iv) The Act puts responsibility with a bureaucrat for the accuracy, completeness and reliability of all of the Territory Government’s financial and economic projections. (Previously this responsibility rested with the Treasurer). The Parliament, politicians and the people do not have access to this bureaucrat other than via the Treasurer. This is the major reduction in openness and transparency.

## DEFINE THE CHARGE

The first task to confront the Public Accounts Committee is to assemble data relevant to its terms of reference. Its second, though undertaken concurrently was to seek advice and education for the members (particularly the four new MLA's), about the processes of the PAC, and the theory and practice of Government budgeting processes. The third duty is to ascertain the facts, assemble a report which faithfully conveys those facts and present that report to Parliament.

Unfortunately the main focus of the committee seems to have been to report to Parliament in a sycophantic manner to support the censure motion which immediately proceeded the reference to the PAC.

The evidence provided to the PAC is able to demonstrate that the Chief Minister's censure motion was largely wrong in fact, and mounted for political purposes. Evidence provided to the PAC found that the Chief Minister misled Parliament in the censure motion and there was no evidence related to Mr Burke's role. The Parliament and Mr Burke are owed an apology.

It is unfortunate, and does not augur well for the PAC's credibility during this session of Parliament, that the first two tasks were poorly executed. In fact, and despite advice from Parliamentary officers, several attempts to elicit evidence were gagged.

Ironically, the very sin the former Treasurer is charged with, that is using budget papers (albeit legally, with Treasury advice and according to accepted accounting practice) to portray Government in a favourable light, is now the modus operandi of the current Government. If this is found to be offensive behaviour, the PAC is unable to make any workable suggestion as to how to fix the problem. The PAC had great difficulty in even defining the problem.

It is necessary then to first define the transgressions the former Treasurer is charged with and establish the case. The various descriptors including "gross fraud", "corruption" and "deception" are patently wrong, as evidenced by commentators. Indeed, if proven there are a variety of statutes that could take this matter further. Health Minister Aagaard, with tertiary qualifications in business, refused to endorse the Chief Minister's use of the word "fraud", and no witness could give any evidence of corruption.

At most, the heinous issue under investigation appears to be "Whether the former Treasurer manipulated the budget so that figures could be presented in a way which was favourable to his political party".

While the former Treasurer would possibly entirely accept his actions could be described thus he would probably define 'manipulation' as 'to handle or use, especially with some skill'.

The majority of the PAC would probably also accept "the charge", but would find more favour with the definition of 'manipulation' as 'to falsify (a bill, account etc) for one's own advantage'.

In the event that the charge is acceptably defined, with the exception of nuances in the word 'manipulation', it is open to the PAC to accept the harshest definition as its starting point. That is, that Mr Reed's action in relation to one transaction of \$8 million, was or intended to be misleading or deceptive. On the other hand, the former Treasurer's, advisor, Mr Clark has described his actions as having "an accounting rationale"; Mr Clarke "didn't have a problem with the logic"; it got the figures "more comparable" and "it would be more accurate".

The other several transactions which were investigated by the PAC could not (according to the evidence) be considered as fitting within the charge.

Conversely, there are several current Government Budget actions which could have had the same charge levelled. These would provide meaningful and contemporary terms of reference for future or continuing PAC inquiries.

## THE PROCESS

While it is understandable that the Government would use its position to secure best political advantage, it is rank hypocrisy to do so in a mischievous untruthful and undemocratic way. It is a slight on Parliamentary practice, and ironically a worse offence than that which the government accuses the former Treasurer of.

This transparent attempt at character assassination and scapegoating has a poorly concealed heritage and was entirely predictable after:

- i) The incoming Labor Government "discovered a black hole" using similar jargon and methodology as incoming Governments in other jurisdictions over recent years.
- ii) The Government reneged on critical election promises (which were reinforced in His Honour's address to the opening session of Parliament and the Chief Minister's first speech) by not changing the PAC or introducing an estimate committee
- iii) The attempted expulsion of the Member for Drysdale from the PAC.
- iv) The public comments of the Chair Dr Burns, were unable to be referred to the Parliament's Committee of Privilege. Unfortunately, the Government's use of its numbers disallowed this independent investigation. The term of reference for the PAC were to "Report of the Inquiry into the Accuracy of the Budget Data Published in the 2002-02 Budget Papers with Respect to Both the Estimated Outcome for 2000-01 and the budget for 2001-02."
- v) Attempt to fully explore those terms of reference were blocked.
- vi) Postponing the most critical evidence (Treasury and the former Under Treasurer) until almost last, when many of the matters were able to be cogently explained.
- vii) The PAC's approach to witness Aagaard in comparison to other witnesses.

## THE MEMO

The memorandum of the Territory Health Services CEO Mr Paul Bartholomew dated 27<sup>th</sup> September 2001 to the Hon Jane Aagaard is the critical piece of evidence in this matter.

It is worth noting that:

- i) The author did not know that it would be used for the purpose it was.
- ii) The memo did not provide evidence of “gross fraud”, “lies”, “false claims”, “an appalling deception”, a “corrupted” budget, nor was it “the most damning document that any Minister ever has presented to the House” as alleged by Chief Minister Clare Martin in the censure debate.
- iii) The memo was contradicted by a more formal and fulsome explanation within days (the 190 page Annual Report).
- iv) Despite the Treasurer alleging that Mr Bartholomew’s memo had serious financial ramifications for the NT, and impact on the budget numbers, formal Treasury advice was not sought.
- v) No other commentators within the Public Service had the same view of events as events Mr Bartholomew.
- vi) Minister Aagaard described the memo as “very political”, which is both a criticism of Mr Bartholomew and in conflict with the doctrine of the Separations of Power.

## THE CORRECT FIGURE

Much of the committee’s time was taken up trying to ascertain the “correct” figure for THS to discharge its duties over the course of the year. In the less than eighteen month period from 1<sup>st</sup> July 2000 to 27<sup>th</sup> November 2001 the number could have been between \$432 million and \$481 million. In ascending order, along with their credentials, are the following:

- i) \$432m – This is the amount appropriated for the 2000/01 year, an increase over the previous year (Source BP No. 2)
- ii) \$435.9m – May Budget
- iii) \$443.9m – Estimated end of year actual at May
- iv) \$447.2m – Actual
- v) \$447.4m – Appropriation
- vi) \$462m – Trend mid year
- vii) \$467m – Advice to new Health Minister
- viii) \$481m – Mini Budget

Whilst the PAC has focussed on the differential between the published May figure (ii), and the actual end of year result (iv), a difference of \$8m. There has not been the same amount of effort establishing why the \$14m in discrepancy between (vii) and (viii) exists nor the \$34m required for additional funds this financial year, (iv) and (viii).

The \$8m described in CEO Bartholomew's memo has to be seen in proportion to the ever changing best estimates of the Health budget and in this case from \$432m to \$481m.

The Committee left no stone unturned in its quest to find some evidence roughly in accord with Mr Bartholomew's views in his 27<sup>th</sup> September memo. Not only did the Committee fail to discover any commentator who could confirm Mr Bartholomew's view. Mr Bartholomew himself seemed to hold a position not totally in accord with his memo, (and in fact opposing it), if one reads his Department's Annual Report, which was received by Minister Aagaard, three days after the memo.

Of the 35 agencies written to, only six showed any suggestion of the evidence Government was looking for, that is a vindication of the Chief Minister's assertion that all the figures were in dispute.

The Department of Lands, Planning and Environment was quickly discounted when the Government members realised that the numbers which had so offended the Chief Minister, even being mentioned in her censure motion, were used in exactly the same way by Labor in its Mini Budget. Hence, concerns unfounded.

The Department of Education as mentioned elsewhere in this report, and as comprehensively detailed in recent correspondence from the CEO of Employment, Education and Training has cogent explanations for the budget variations. These explanations are in agreement with the evidence given by Lugg, Reed and Clarke. In evidence, an Education Officer said "... we weren't unhappy with the \$6m figure. As it turns out it's very accurate". This is reinforced on a number of times by other evidence. The PAC has been unable to complete this section, and is still busy looking for a problem which is not there. Hence, concerns unfounded.

The Department of Police, Fire and Emergency Services were expected by Treasury to underspend approximately \$2m in a \$128.sm budget. In fact, the end of year underspend was \$1.7, which in evidence given by Police witnesses "...is a pretty fair assessment. Hence, concerns unfounded.

The Department of Communication and Information Services managed a large and complex outsourcing program, on which the previous Cabinet was comprehensively briefed. With hindsight, some data was difficult to estimate, but it is evident from all commentators that each party gave its best effort. Hence, concerns unfounded.

#### The Department of the Treasury

Extensive evidence was taken here, and on some occasions differing points of view are held. Each can be justified by other commentators, and as one witness said, hindsight is an exact science. The issue for the PAC is to determine whether there is any evidence of problems with previous Government's actions, and to recommend a means of addressing these in the future. This should be an area of ongoing PAC scrutiny.

## OTHER ISSUES

The sale of the NT Fleet is an arguable policy, as is the under estimation of end of year final demand, and the conditions of Service Trust account.

There is nothing untoward about any of these budget transactions, and further investigation can be undertaken by the PAC if it is thought that it is necessary to fully inform Parliament. It would have been helpful if the PAC had been disposed to fully pursue those matters of contention raised by Professor Allen, as sought by the Opposition.

No finding of wrong doing can be found in Mr Reed's actions in attempting to identify an end of year figure for the Health budget. This budget had a history of producing significant end of year under expenditure, estimated at approximately 2.5% of annual turnover.

Mr Reed's actions were recommended to him by the Under Treasurer in an attempt to also make the budget more comparable and more transparent. No programs were reduced or curtailed as a consequence of this action, no money was missing and his actions were fully accounted for in the proper manner. The current Government is unable to demonstrate any negative impact on this year's budget that can be attributed to Mr Reed's actions.

## MINISTER AAGAARD

Even a cursory independent analysis of the evidence provided by the four political witnesses would show a vastly different approach between the methodology adopted by the PAC when interviewing Messrs Reed, Lugg and Dunham compared with Minister Aagaard.

Any semblance of impartiality has been stripped from the PAC in this current investigation with the shameful circumstances surrounding the attempts to have Minister Aagaard provide meaningful evidence.

For instance

1. Minister Aagaard was given the impression that her evidence would be in a narrow area only relating to Mr Bartholomew's memo. This was used as a reason for refusal to answer certain of the Opposition members' questions, but was overlooked when Government members' questioning found favour with the Minister.
2. In over eighty instances, questions posed to Minister Aagaard were not responded to in the first instance by her.
3. With the Chairman and Mr Kiely continuously intervening between



questioners and the witness, Minister Aagaard was relieved from her duty to answer fully. On occasion, she merely repeated the answers provided by the interjecting Government members.

4. The tactic of continually disrupting questions from Mr Dunham and Dr Lim saw the Minister providing only 22% of oral evidence (compare this Reed 57.8% and Dunham 62.5%).
5. The Minister was only able to describe a small portion of the route of transmission of CEO Bartholomew's memo into Parliament. In essence, she received it unaware of its contents, discussed it with Chief Minister and Cabinet colleagues and then "due process took place".

This totally inexplicable phenomenon was explained by the Minister thus, "I think 'due process' has a fairly common understanding amongst most people, and is to ensure that the matter is considered properly or adequately ..... by the relevant authority."

It appears to be codified language for describing the makings of a political conspiracy.

The Minister used the phrase 27 times without adequately divulging what it meant on her part. Even against her definition, the first test of seeking the Under Treasurer's involvement was disputed in the evidence (Mr Clarke, who said, "I was surprised I wasn't asked to provide a detail response.")

CEO Bartholomew's memo of 27<sup>th</sup> was described variously by Minister Aagaard as:

- Providing new knowledge;
- Part of normal business;
- Beyond the scope of her portfolio
- Confidential
- Very Political in its nature
- Sought by her to explain the budget
- Had no idea what it would contain

Minister Aagaard seems to have a bet each way in relation to Mr Bartholomew's memo and its impact on her budget (that is the 2001/02 budget). Not surprisingly this stance is supported by the Government members of the PAC.

On one hand, we have the proposition that the March estimated end of year expenditure to June had an impact on the 2001/02 budget (note when Labor came into Government, these figures were no longer relevant, as estimates had become actuals).

On the other hand, any attempt to investigate the 2001/02 budget were deemed by the majority of the Committee irrelevant to the enquiry.

The Committee is therefore unable to determine from any evidence brought before it, including Mr Bartholomew's memo, any case where the incoming Government suffered any detriment from Treasurer Reed's actions in March 2001.

It appears ironical to members Dunham and Lim that a wealth of information surrounds the 2001/02 budget, brought down by the previous CLP Government in May 200, including comprehensive public Hansard records, annual reports, budget papers, as well as detailed internal documents. This is in stark comparison with the current Government's amendment to that budget brought down in November 2001.

Notwithstanding the introduction of the Fiscal and Transparency Act, there is now less information available to the public. Of even more concern, the Parliament and the PAC also are denied access. It could be argued that a replica timeframe to that described by Mr Bartholomew in his memo of 27<sup>th</sup> September existed during this enquiry.

Despite this, Minister Aagaard was unwilling or incapable of describing the present state of her Department's \$480m budget. Members Dunham and Lim believe that not only does it go to this witness's credibility, but her answers would indicate a major abrogation (side stepping) of her responsibilities. While much has been made of the veracity or otherwise of a target set \$8m below what the Department achieved, the \$34m above last year's final outcome is portrayed by the Government as of little consequence or worth.

Members Lim and Dunham would contest that a target \$34m above last year's final outcome which cannot be explained by the Minister is at least as interesting to the inquiry as a target \$8m below last year's final outcome.

Signed 20/5/2002

Dr R.S.H. Lim MLA

Signed 20/5/2002

Mr Stephen Dunham MLA