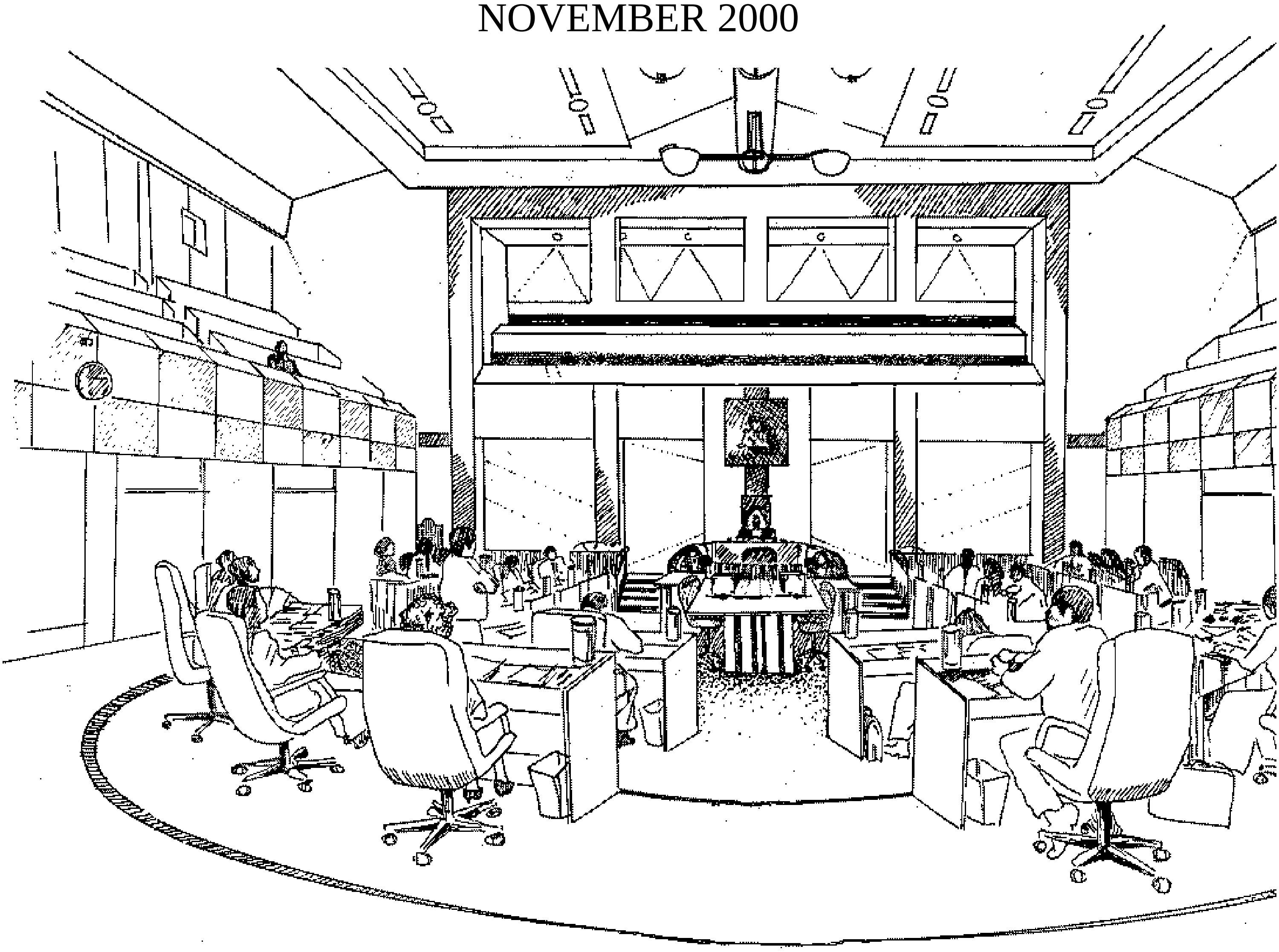
AUDITOR-GENERAL
FOR THE NORTHERN TERRITORY

# ANALYSIS OF THE 1999/2000 TREASURER'S ANNUAL FINANCIAL STATEMENT

REPORT TO THE LEGISLATIVE ASSEMBLY
NOVEMBER 2000



**Auditing for Parliament and People...**
**Providing independent analysis**

*Auditing for Parliament and people...*
*Providing independent analysis*

The Auditor-General's powers and responsibilities are established by the Northern Territory's Parliament, the Legislative Assembly, in the Audit Act. The Auditor-General is required to report to the Legislative Assembly at least once per year on any matters arising from the exercise of the auditing powers established in that Act.

In doing so, the Auditor-General is providing information to the Parliament to assist its review of the performance of the Executive government, particularly the government's responsibility for the actions of the public sector entities which administer its financial management and performance management directives. The Parliament has a responsibility to conduct this review as the representative of the people of the Northern Territory.

The Auditor-General is also able to report to management of public sector entities on matters arising from the conduct of audits.

Reports provided to Parliament and public sector managers should be recognised as a useful source of independent analysis of Government information, and of the systems and controls underpinning the delivery of that information.

The Auditor-General is assisted by personnel of the Northern Territory Auditor-General's Office who plan projects for conduct by private sector authorised auditors.

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The cover of the Report depicts an artist's impression of sittings of the Northern Territory Legislative Assembly. In that forum, information provided by the Auditor-General can be used to support questions and debates.

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The Honourable The Speaker of the Legislative
Assembly of the Northern Territory
Parliament House
DARWIN NT 0800

28 November 2000

Sir,

I request that you table this report today in the Legislative Assembly. It contains comments and analysis arising from my audit of the 1999/2000 Treasurer's Annual Financial Statement.

The Report is provided so that Members of the Legislative Assembly have available to them a source of independent analysis about information in the Treasurer's Annual Financial Statement. The Statement is the audited section of the wider scope Treasurer's Annual Financial Report. This was tabled in the Legislative Assembly on 19 October 2000.

My analysis can also assist the Public Accounts Committee in its duty to examine the accounts of the receipts and expenditure of the Northern Territory, and each statement and report tabled as required by the Financial Management Act.

Yours sincerely

Iain Summers

Iain Summers
Auditor-General for the Northern Territory

# *OVERVIEW*

## Key Fiscal Performance Indicators

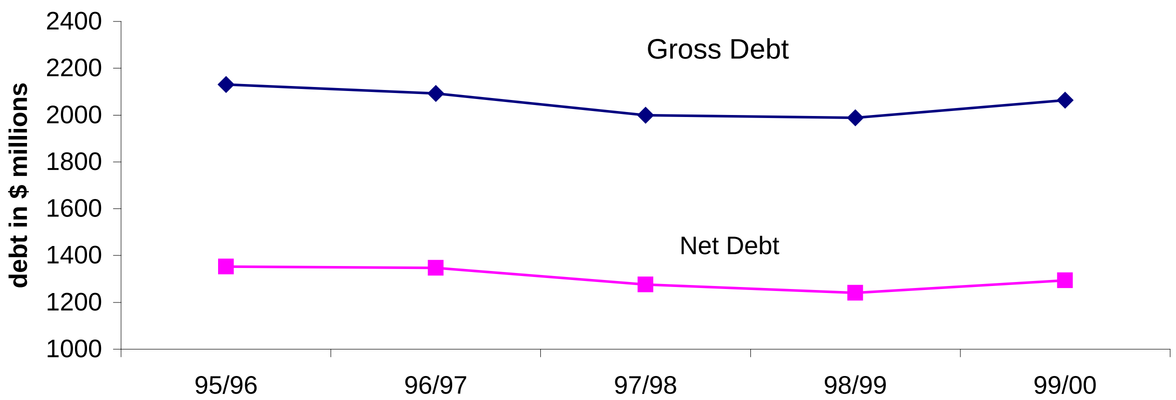
- **The Government's five core strategies and fiscal targets have not been conclusively achieved for the 1999/2000 year. Better measurement methods and bases should be adopted if the five elements are to achieve their intended status as key fiscal management performance indicators.** Refer pages 9 to 19

- **Net debt to total revenue appears to be the Government's preferred method of assessing debt burden, rather than the ratio of Gross Debt to Gross State Product which is used in element No. 4 of the strategies. The preferred indicator should be used when debating the Territory's debt burden.** Refer pages 12 to 13

## Analysis of Net Debt trends

- **Net debt, as measured by the Uniform Presentation Framework, increased by $55.8 million to $1.29 billion.** Refer page 34

**Figure 1 Trend in gross and net debt (Uniform Presentation framework)**

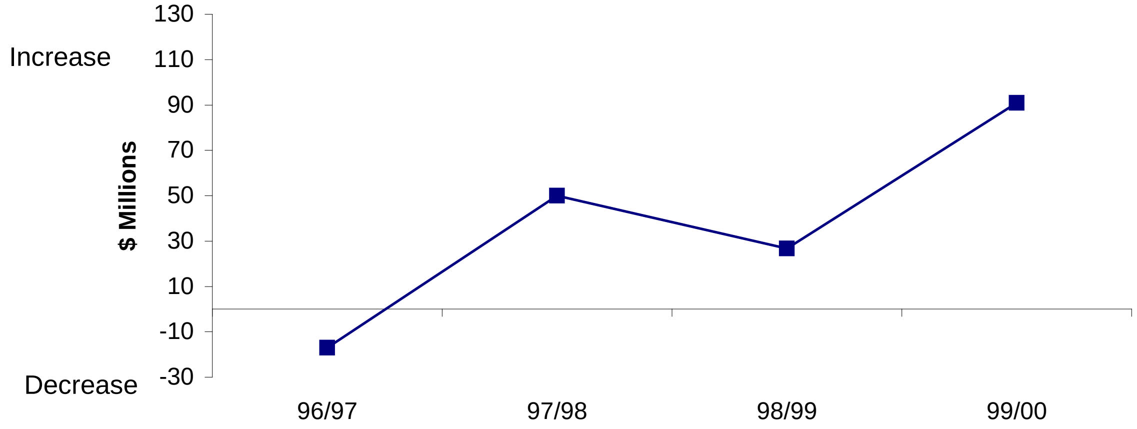



*Source: Treasurer's Annual Financial Statement*

# *OVERVIEW*

**Net debt in the Public Account (Budget) scope increased in 1999/2000 by $90.9 million.** Refer page 23

**Figure 2 Change in Net Debt (Public Account scope)**




*Source: NT Budget Papers, Treasurer's Annual Financial Statement*

- **The new borrowings of $84.4 million in 1999/2000 funded additional current expenditures and the shortfalls in Commonwealth funding, to achieve a balance of funds in the Public Account at a level similar to that expected in the original budget.** Refer page 25

- **The new borrowings were not used to finance additional capital costs in the 1999/2000 year.** Refer page 25

## Change in the Northern Territory's overall financial position

- **Total liabilities increased by $191.4 million in the year.** Refer pages 40 to 41

- **To compare this with the change in total assets in the year requires an assessment of changes in the value of capital infrastructure, but that is not, as yet, being reliably measured.** Refer pages 41 and 55

# *ENTITIES IN THIS REPORT*

The following are entities referred to in substantive audit comments. Entity representatives have been invited to provide responses on those matters for inclusion in this Report. These and other entities may also have been referred to in incidental ways in other parts of this Report. Northern Territory Treasury, as the Agency responsible for preparation of the Treasurer's Annual Financial Statement, was also invited to provide comments on the Report as a whole.

# *BACKGROUND TO THE ANALYSIS OF THE STATEMENT*

The Treasurer's Annual Financial Statement is the shaded section in the larger document entitled the Treasurer’s Annual Financial Report which was tabled in the Legislative Assembly on 19 October 2000. The information in the unshaded section is not audited.

The Treasurer has identified that his Annual Financial Report is compiled with the principal objective of providing reliable, meaningful and useful financial information to the Territory community. The Members of the Legislative Assembly represent the Territory community in scrutinising this performance information, and have the opportunity to directly question the Government about its financial stewardship and management.

However, the Auditor-General can, and should, play a role in providing an analysis of the information presented to Members in the Report, and in particular in the audited Financial Statement section. There are limited other opportunities for Members to obtain the comments of an independent observer who has access to Government records and information.

The Legislative Assembly, through the Financial Management Act, requires that the Treasurer accounts for the Government’s stewardship of the financial resources made available to it each year through the budget allocations in the Appropriation Act. While Section 9 of the Financial Management Act sets out broad areas to be reported upon, it allows the Treasurer discretion in how those matters will be reported. In the Preface to the Statement the Treasurer identifies more detail of how the reporting occurs.

The Financial Management Act does require the Treasurer to present the Statement to the Legislative Assembly, together with the audit report which has been issued to the Treasurer by the Auditor-General. The Audit Act requires me to perform my duties in accordance with recognised professional standards and practices. Auditing Standards require me to make reference in my audit opinion on general purpose financial statements where adoption of a legislated reporting framework does not provide the information expected by an Australian Accounting Standard. Accordingly, my audit opinion issued on 13 October 2000 has two elements. One refers to compliance with the legislated requirements, the other to the non-compliance with Australian Accounting Standard AAS 31.

## *BACKGROUND TO THE ANALYSIS OF THE STATEMENT*

My analysis in this Report draws on my audit work when forming that audit opinion, and seeks to help readers understand:

- what is the financial position of the Northern Territory?
- how was that financial position achieved?
- how does that financial position compare with the original budget and with subsequent estimates provided to the Legislative Assembly?

My analysis can also assist the Public Accounts Committee in its duty to examine the accounts of the receipts and expenditure of the Northern Territory and each statement and report tabled in pursuant to the Financial Management Act and the Audit Act. This duty is established by the Legislative Assembly under Standing Order 21(A).

# *ANALYSIS OF THE KEY FISCAL MANAGEMENT INDICATORS*

**Key Issues**

- **The Government's five core strategies and fiscal targets have not been conclusively achieved for the 1999/2000 year. Better measurement methods and bases should be adopted if the five elements are to achieve their intended status as key fiscal management performance indicators.**
- **Net debt to total revenue appears to be the Government's preferred method of assessing debt burden rather than the ratio of Gross Debt to Gross State Product which is used in element No. 4 of the strategies. The preferred indicator should be used when debating the Territory's debt burden.**

## Background

The Government's key performance measures of its fiscal management policies are the five elements of its core strategies and fiscal targets. These are also identified by the Government as key references when establishing the Northern Territory's annual budget. The current five elements have been in use since announced in the Government's budget in April 1998.

The Government reports its extent of achievement of the strategies and targets in its annual Budget Papers, and in Part 11 of the unaudited section of the Treasurer's Annual Financial Report.

Debt management is the key issue for Governments generally. The Northern Territory Government commenced the 1999/2000 financial year maintaining its commitment to a debt reduction strategy through to 2000/01. It was budgeting for a reduction of $11 million in gross debt levels in 1999/2000, and a surplus of revenues over outlays to reduce the net debt level by $1.5 million.

However, at the announcement of the 2000/01 Budget in May 2000, the Government identified that it would be unable to maintain the debt reduction strategy, and was planning increases in gross borrowings of $90 million in 1999/2000 and $32 million in 2000/01. These borrowings, together with funds from cash balances and loan recoveries, would fund the excess of outlays over receipts to Government being forecast to occur in these years. The Government identified capital expenditures projects as a primary use for the new borrowings.

## *THE KEY FISCAL MANAGEMENT INDICATORS*

**Audit analysis of the fiscal strategies and targets with reference to actual results for the 1999/2000 year.**

The analysis which follows compares the actual results in the audited Treasurer's Annual Financial Statement with the aspirations of the Government entailed in the core strategies and fiscal targets. I address the important debt elements first.

**Element 5 – Debt servicing as a proportion of total Territory revenue and Commonwealth Grants will be broadly comparable to the States.**

This element identifies important aspirations for the Government's financial management policies. It seeks to constrain the Government's debt servicing obligations within a benchmark of a "broadly comparable" profile of the six State average.

The measure used is the percentage of interest expense to total revenues of the Northern Territory. This indicates the "affordability" of the Territory's borrowings, in the context of the levels of total borrowing, interest rates, and revenue sources available.

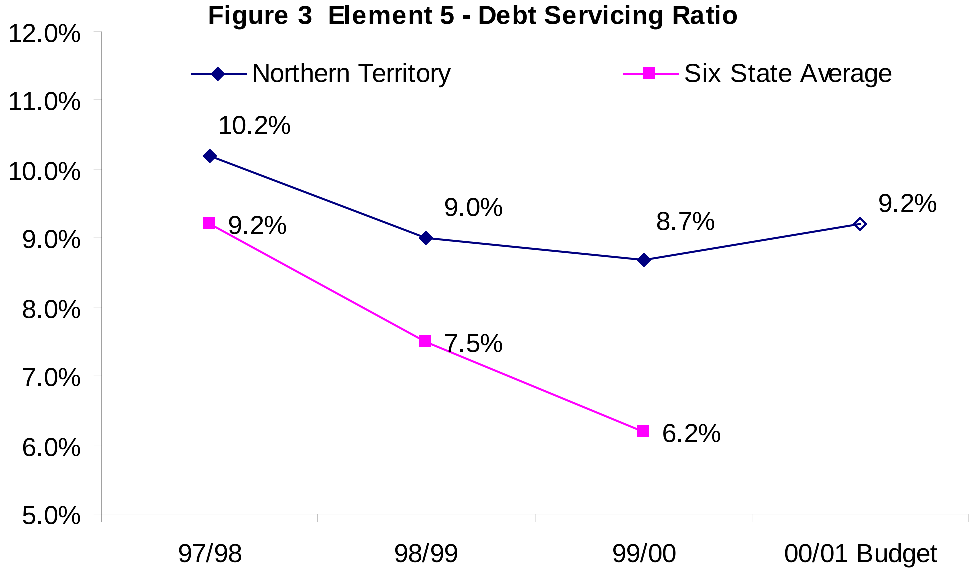
With the interest expense for the year of $167.1 million and total revenues to the Northern Territory of $1.929 billion, as shown in the audited Schedule 1.7, the Northern Territory achieved a ratio of 8.7%. This compares to the 9.0% in the previous year. Part 11 of the Treasurer's Annual Financial Report identifies the six State average fell from 7.5% in the previous year to 6.2 % in 1999/2000.

*THE KEY FISCAL MANAGEMENT INDICATORS*

## Element No. 5 (continued)

Using similar analysis in the previous year, the following trend is identified:

**Figure 3 Element 5 - Debt Servicing Ratio**




*Source: Treasurer's Annual Financial Report*

Without a more precise measure of "broadly comparable", the results are at least indicating that the rate of decline in the Territory's ratio is slower than the six State average. Although the Territory's debt servicing ratio has fallen in the past 3 years in line with the debt reduction strategy and increases in revenue achieved, Figure 3 shows that the ratio is expected to increase in the 2000/01 year, as debt levels increase.

Although the Government indicated in the 2000/01 Budget speech its general satisfaction with the ratio remaining steady at around 9%, this is not how this element of the fiscal strategy is expressed. If further declines in the six State average continue, this element of the fiscal strategy will not be achieved.

*THE KEY FISCAL MANAGEMENT INDICATORS*

## Element No. 4 – Debt as a proportion of economic output will decline

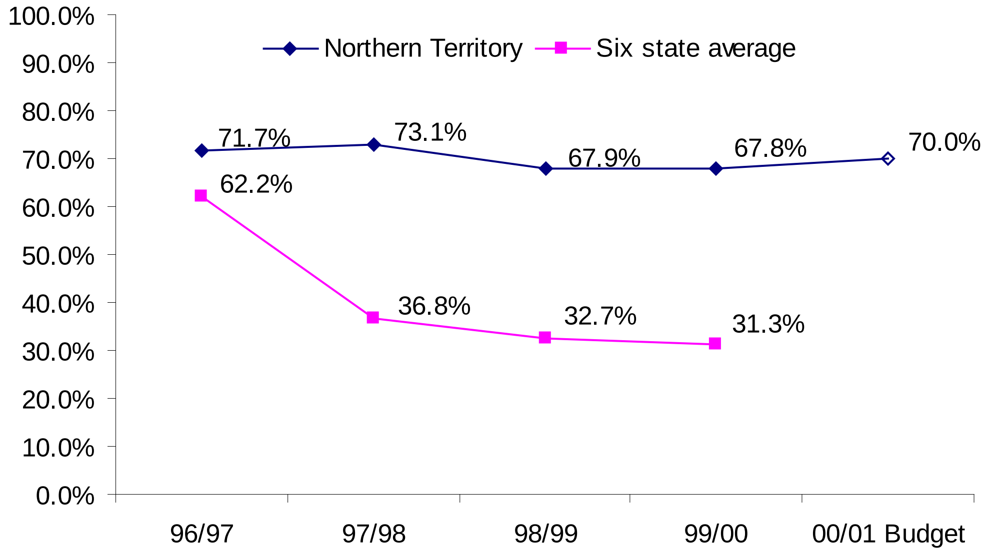
This element compares gross debt with Gross State Product, which is an economic measure of the Northern Territory's productive output in a year, as an indication of the relative debt burden carried. It compares this year's ratio with the previous year's.

However, in Part 10 of the unaudited Treasurer's Annual Financial Report which discusses Debt Management, the Government itself highlights that this is an unsatisfactory surrogate measure of the sustainability of debt levels. It identifies that a more appropriate measure is the ratio of net debt to total revenues, highlighting that this better describes debt burden in the context of actual revenue available to meet the debt obligations. *(Treasurer's Annual Financial Report 1999/2000, page 150)*

The Government's own analysis of this preferred alternative is that the ratio declined from 67.9% in the previous year to 67.8% in 1999/2000. By comparison, the six State average is shown to have declined from 32.7% to 31.3%, although these levels have been significantly influenced by the major asset sale and debt reduction programs in recent years in some States.

Using the $1.406 billion net debt and $2.0 billion revenue forecasts from the 2000/01 Budget, an increase in the Territory's ratio to 70% is predicted by 30 June 2001.

**Figure 4 Element 4 - Ratio of Net Debt to Total Revenues**



*THE KEY FISCAL MANAGEMENT INDICATORS*

**Element No. 4 (continued)**

The Government’s continuing use of the element, as currently stated, as a core strategy and fiscal target, should be reviewed in light of its own questioning of its suitability.

The results achieved and the changes predicted by the Government’s preferred measure should be the focus of debate on this particular element.

*THE KEY FISCAL MANAGEMENT INDICATORS*

**Element No. 3 - The Territory's own-source revenue effort is broadly comparable to the States.**

This element provides information about the taxing and revenue raising strategies in use by the Government.

It reports in two ways. The first is a simple own-source revenue per capita calculation. This is showing that the revenue per capita for the Northern Territory is broadly comparable to that of the six State average.

The second way is by referring to the revenue effort calculation prepared by the Commonwealth Grants Commission. If that ratio was too low in comparison with the average of other Australian jurisdictions, it would indicate that the Territory was not raising revenues in a comparable way from its constituents, and this could unfairly burden the redistribution of Financial Assistance Grants from the Commonwealth. Conversely, if it was relatively high, it would indicate that its constituents were paying more than those in other jurisdictions.

This element does not use information from the audited section of the Treasurer's Annual Financial Statement. While the reporting of Commonwealth Grants Commission data provides an independent source, it is not available for the current year by the time the Treasurer's Annual Financial Report is tabled, and so the latest information reported by the Government in Chapter 11 of the 1999/2000 Report is for 1998/99 year. This shows that revenue capacity rose from 94% to 97% during that year, but revenue effort fell from 104% to 91%. The Australian average is expressed as 100%.

I also note that for both methods of measurement used, the information reported for particular years changes between when it is shown in the previous year's Report, in the next Budget papers, and in the current year's Report. Changes in population estimates would contribute to this. A longer trend analysis of final calculations would give a better understanding of the achievement of this element.

*THE KEY FISCAL MANAGEMENT INDICATORS*

## Element No. 1 – current expenditure per capita will not increase in real terms

This is an important statement about the fiscal policies of the Government. It signals that the Government does not wish recurrent expenditures per capita to increase in inflation-adjusted terms.

Under this policy setting, any increases in revenues per capita of the Northern Territory in excess of inflation would be available for capital projects, or to apply as reductions in net debt levels.

The Government measures the performance of this element by comparing the growth in current expenditures with the combined growth in population and the Consumer Price Index (CPI). Inclusion of population growth seeks to reflect the "volume" increase, that is, the number of constituents who need services, while the CPI component is the price adjustment for goods and services purchased.

The population growth is assumed to be 1.5%, so the final result may change. However, using that rate and the known CPI for 1999/2000 produces a growth rate of 4.8%. Current expenditure growth, using amounts in the audited Schedule 1.7 of the Treasurer's Statement is 5.0%.

The original 1999/2000 Budget predicted a growth in recurrent expenditures of 2.2%, while the May 2000 estimate predicted 6.9%.

However, other evidence gathered during audit work indicates that further recurrent expenditures were deferred into the next financial year because funds were not available to Agencies. Schedule 7.2 of the unaudited Treasurer's Annual Financial Report identifies that accounts payable, that is, suppliers due for payment as at 30 June 2000 but excluding the interest expenses accrued by Northern Territory Treasury Corporation, were $83 million. Last year, such amounts totalled $52 million. Audits in Agencies and Government Business Divisions at 30 June 2000 indicates that the majority of the additional $32 million would be for deferred payments where insufficient funds were available. Factoring in such an amount would produce a result for current expenditure growth much closer to the 6.9% estimate.

The impact of timing of transactions on key fiscal targets indicates the weakness inherent in the cash based accounting system used by the Government. Accrual accounting would record the expense when the underlying transaction occurred, not when the payment is made, and so eliminates this timing variability on reported results.

Further analysis of current expenditures in comparison to budgets and forecasts, and shortfalls in revenues, are on pages 27 to 28 and 33.

*THE KEY FISCAL MANAGEMENT INDICATORS*

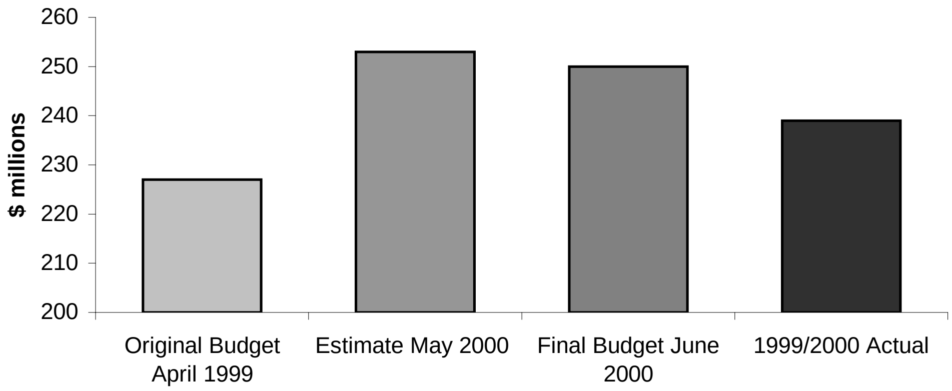
**Element No. 2 – infrastructure maintained to meet the Territory's economic and social needs.**

This element does not have a specific target, and does not report the value of the total stock of infrastructure assets. The surrogate measures of capital expenditure and repairs and maintenance for the year provide an indication of inputs to infrastructure needs, but not about the outcome of whether the Territory's needs are met or maintained because of that expenditure.

However, budget targets and forecasts do indicate the Government's aspirations for meeting the Territory's infrastructure needs.

The original budget for the year was $227 million, which was then revised to a higher estimate in May 2000 of $253 million to take account of the $19 million shortfall in expenditure in the 1998/99 year. The final 1999/2000 budget was $250 million. The actual expenditure for the year was $239 million. This would indicate that the aspirations of the Government for the year were not achieved.

**Figure 5 Element 2 - Expenditure on New Fixed Assets 1999/2000**




*Source: NT Budget Papers, Treasurer's Annual Financial Statements, Treasurer's Quarterly Financial Reports*

The repair and maintenance estimate in May 2000 was $144 million. This compares with the final expenditure which is reported as $147 million. This excludes repair and maintenance costs of Government Business Divisions, and in particular, Power and Water Authority, Territory Housing Business Services, and Darwin Port Corporation. By excluding the substantial repair and maintenance costs incurred by such entities, the reported measure is an insufficient indicator of the Government's efforts in maintaining economic and social infrastructure.

*THE KEY FISCAL MANAGEMENT INDICATORS*

An alternative measure not used by the Government could be the value of the stock of infrastructure assets. However, while the Government does provide information about this in Part 6 of the Treasurer's Annual Financial Report, this disclosure does not fall within the scope of the audited sections of the Treasurer's Annual Financial Statement.

As well, varying bases of measurement can be applicable when valuing assets in use by Government. For example, assets are valued on their commercial returns for Government Business Divisions, but should more properly be valued for their replacement when viewed as essential community service assets of the Government. The unaudited schedule of asset values does not carry sufficient commentary or independent assurance about the bases or consistency of valuations applied, so are not sufficient to reliably measure changes in the stock of assets.

**Provisos to the core strategies and fiscal targets.**

The core strategies and fiscal targets are accompanied by three provisos, two of which relate to Commonwealth funding levels, and one to the need to allow for natural disaster impacts on expenditures. The Government's analysis of these highlight that Commonwealth funds at a lower than budgeted level were received in the year. This is partly explained by lower than expected population growth results to which Commonwealth funding is linked, and the timing of variations. Further comment is at page 33.

## *THE KEY FISCAL MANAGEMENT INDICATORS*

**In summary,** of the five core strategies and fiscal targets which guide the Government in its fiscal planning and management responsibilities,

- Element No. 1 on current expenditure limits has been achieved, although there is evidence that its achievement was assisted by an unusually high amount of payments due being deferred into the next financial year; and
- Element No. 2 on maintaining necessary infrastructure has not achieved the Government's aspirations, and does not completely report on repair and maintenance costs;
- Element No. 3 on revenue raising effort is being achieved in terms of the simple measurement method, while the independently calculated method has not yet been determined for the 1999/2000 year, but past trends indicate it will be;
- Element No. 4 on debt burden was achieved using both the Government's stated and preferred bases. The preferred basis predicts that this will not be achieved next year;
- Element No 5 on debt servicing was not achieved.

***Northern Territory Treasury has commented:***

*The Territory's fiscal strategy seeks to address the fundamental components of the Territory's fiscal position in a clear and succinct manner. On the whole, it achieves that objective, though as with everything it is impossible to cover every eventuality and to encompass the change in circumstances over time. As a result the strategy is kept under review so that ongoing improvements can be made.*

*The fiscal targets for **levels of debt** are particularly difficult, first because there are several credible measures and second, the situation in the States is changing rapidly as some move down a path of major asset sales, debt reductions and alternative financing techniques. Different users also have different requirements.*

*The two measures that have been adopted represent extremes. Debt as a proportion of Gross State Product is important as it is used by external parties to the Territory including rating agencies and the Commonwealth. It would normally be expected to trend downwards over time as the economy grows but in the Territory's case, remain above the States because of the higher per capita costs of providing service. If this measure were to trend upwards, then this would be a signal to the Government that debt levels required review.*

*At the other extreme, the fiscal strategy refers to maintaining debt servicing as a proportion of total revenue at a similar level to that of the States. This is a credible measure of the appropriateness of the level of debt. However, its usefulness depends on all jurisdictions to conduct their fiscal affairs in a similar way. Its usefulness as a comparative measure is now diminishing as some States have sold revenue producing assets to reduce debt and/or use alternative off-budget financing techniques.*

## *THE KEY FISCAL MANAGEMENT INDICATORS*

***Northern Territory Treasury has commented (continued):***

*It may be possible to develop a single composite measure for the appropriateness of the level of debt in this new environment such as by taking into account the fact that some jurisdictions have sold income producing assets and some have not, but this has not yet been possible by any jurisdiction or commentator. Hence a range of indicators is required.*

*Regarding* ***current expenditure*** *the analysis in the report above states that the achievement against fiscal strategy targets is worse than reported because of the increase in accounts payable reported in the unaudited section of the Treasurer's Annual Financial Report. However, this is the wrong conclusion. The Territory has been progressively improving the measures of accounts payable in the last three years and the increase in accounts payable is believed to be predominantly due to improved measurement techniques rather than an underlying change in the level of unpaid accounts. There was also a change in the methodology for assessing accounts payable to parties outside the public sector which also had the effect of increasing the reported figure.*

*It is also noted that the analysis in the report is inconsistent in that it quotes the accounts payable information from the unaudited section which incorrectly suggests the budget result was worse than reported but does not quote the asset values information which would put appropriate balance into your discussion regarding the increase in liabilities.*

*Regarding* ***capital expenditure****, the essence of the strategy is that the Territory will construct and maintain its assets to meet the Territory's economic and social needs. The emphasis is on needs rather than size and to be done comprehensively would require standards to be set for each function. Nevertheless, there is a rigorous process for assessing both repairs and maintenance and capital works requirements in the development of the budget.*

*The suggestion that "aspirations of the Government for the year were not achieved" because actual expenditure was less than the amount projected in May 2000, is incorrect. The precise timing of the expenditure is not as important to achieving the objectives as committing the expenditure to provide for the economic and social needs. Capital expenditure impacts over the long term and a few months delay in completing some items is unlikely to materially affect the services derived from those assets over their life.*

*The carry forward of expenditure in capital works occurs every year and reflects its nature. While recurrent expenditure is comprised essentially of a large number of small transactions, capital expenditure involves a relatively small number of large transactions. This, combined with the desire to ensure that the budget is not exceeded, means, almost inevitably there will be a carry over of expenditure at the end of the year.*

## *OTHER PERFORMANCE INFORMATION BENCHMARKS AND COMPARATIVES*

### The various benchmarks to be used for the further analysis of the actual results – budget, estimate, and final budget

In my August 2000 Report to the Legislative Assembly, I highlighted that performance information should have a context if it is to be understandable and useful.  I identified that results achieved should be compared with intended results, or previous results, or results similarly measured by a comparable entity.

The Government’s reporting on its core targets and fiscal strategies uses these techniques when it compares results with its intended targets, as trends of actual results, and in comparisons with the six State averages.

In addition, the Government’s budget and outcome aspirations are expressed in other measurable ways than those stated in the core targets and fiscal strategies. The Government’s Budget for the subsequent year provides a highly publicised benchmark with which to compare actual achievements.

As well, the Budget announces not only the subsequent year’s results, but also an estimate of the current year’s results, and it is with that information that the Appropriation Bill is debated in the Legislative assembly.

Progressively through the year, the Treasurer approves changes to the original Budget, and tables the numerical details of those changes in the Legislative Assembly, so that by 30 June there exists also a “final” Budget.  While the final budget estimates should be expected to be much closer to the actual result than the original budget, comparisons with each of the original budget, estimates and final budget identifies aspects of how the Government were responding to the emerging issues which affected the assumptions and parameters in the budgets and estimates.

The further analysis which follows refers, where appropriate, to comparisons of the 1999/2000 actual results with each of  the April 1999 original budget, April 2000 estimates and June 2000 final budget.

Prior year comparisons are also used where appropriate to provide information about the current year’s results in the context of actual performance trends.

# *ANALYSIS OF NET DEBT TRENDS*

The two elements of the core strategies and fiscal targets which deal with debt servicing and debt burden do not provide specific information about trends in the net debt levels. However this is a key fiscal management indicator which the Government identifies when announcing the annual budget for the Northern Territory, so an understanding of the actual result should be obtained.

**What is net debt?**

Net debt is the difference between the Government's liabilities from borrowings, and its stock of financial assets. Financial assets are primarily cash balances and amounts receivable by the Government from loans it has made, for example to Territorians to purchase homes.

**How is net debt reported?**

There are two ways of reporting on net debt within Treasurer's Annual Financial Report.

Schedule 1.7 in the audited Treasurer's Annual Financial Statement reports the *movement* in net debt. This is the **Public Account scope.**

The Public Account scope is the Government's own format for budget presentation purposes. The movement in net debt which is measured is the difference between the Northern Territory's outlays for capital and recurrent purposes, and the total of revenue from both Territory and Commonwealth sources. It is also described as the net financing requirement.

Schedule 9.1 in the unaudited section of the Treasurer's annual Financial Report shows the stock or *total value* of net debt, using the standards agreed upon by all Australian Governments in the **Uniform Presentation Framework**.

The Uniform Presentation Framework includes more of the Government's financial assets – particularly the Conditions of Service Trust, which are not accounted for within the Government's Budget scope.

## *ANALYSIS OF NET DEBT TRENDS*

While only the net debt movement under the Public Account scope is directly derived from information in the audited Treasurer's Annual Financial Statement, the net debt in the Uniform Presentation Framework is based on audited information, but is only disclosed in the unaudited section of the Treasurer's Annual Financial Report.

A reconciliation of the two bases of net debt disclosure is shown on page 36 of my Report.

My attention is drawn to the measure of net debt under the Uniform Presentation Framework not only because it is a nationally accepted financial performance measure for Governments, but also because of my requirements under Australian Auditing Standard AUS 212 "Other Information in Documents Containing Audited Financial Reports". This expects that I will review the content of the unaudited sections of the Treasurer's Annual Financial Report for any material inconsistencies with the audited financial report.

# *ANALYSIS OF NET DEBT TRENDS*

## The Public Account scope

**Net debt in the Public Account (Budget) scope increased in 1999/2000 by $90.9 million.**

The original 1999/2000 budget provided for a decrease in net debt of $1.4 million, the April 2000 estimates expected a net debt increase of $120.9 million, and the final budget expected an $88.2 million increase.

### How is the movement in net debt calculated?

The movement in net debt, as calculated by the net financing requirement, can be identified in Schedule 1.7 in the Treasurer's Annual Financial Statement, and in Budget papers, in the Economic Transactions Format.

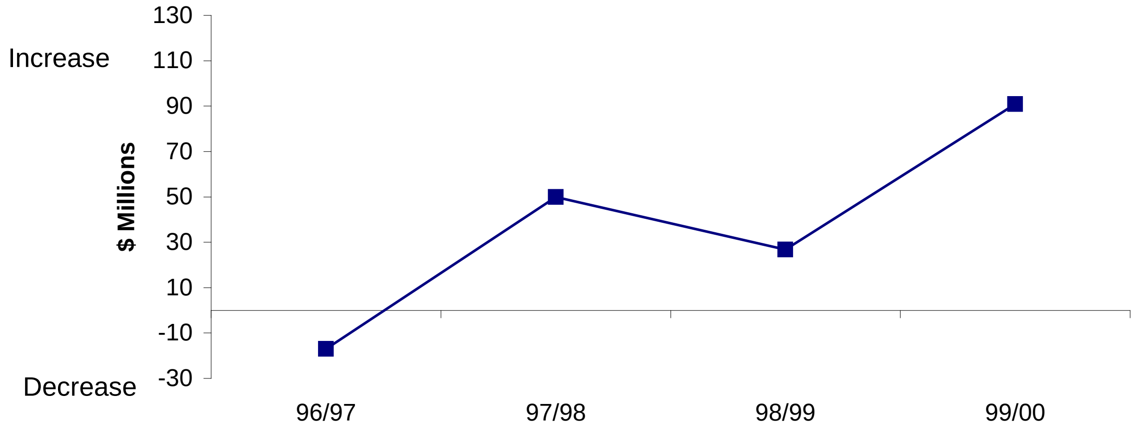
While the Budget debated in the Legislative Assembly is based on the Gross Outlays format, the Economic Transactions format removes transactions between general Government Agencies, although not all of the sales and expenditures by Government Business Divisions with general Agencies. This is intended to provide a better indication of the value of transactions of the Northern Territory Government as a single economic unit.

While the net financing requirement is not specifically shown in Schedule 1.7, it can be derived as the sum of Current Expenditure and Capital Expenditure, less the sum of Territory Revenue and Commonwealth Grants. In effect, this is the operating deficit of the Public Account for the year.

## *ANALYSIS OF NET DEBT TRENDS - The Public Account Scope*

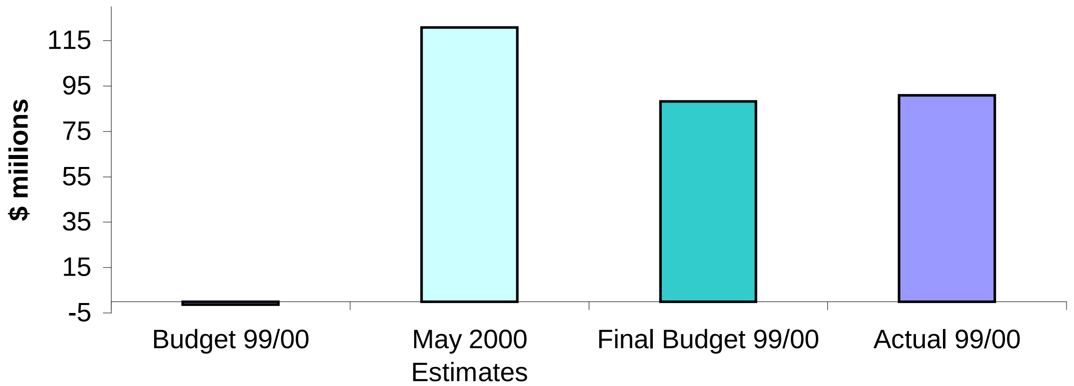
The following chart and tables indicate recent trends and comparisons with the 1999/2000 budget and estimate expectations:

**Figure 2 Change in Net Debt (Public Account scope)**




*Source: NT Budget Papers, Treasurer's Annual Financial Statement*

**Figure 6 Budget, estimate and actual change in Net Debt in 99/00 (Public Account Scope)**




*Source: NT Budget Papers, Treasurer's Annual Financial Statements, Treasurer's Quarterly Financial Reports*

*ANALYSIS OF NET DEBT TRENDS - The Public Account Scope*

### How was the increase in net debt financed?

The increase in net debt for the year of $90.9 million was financed mainly by new borrowings of $84.4 million, with the remainder drawn from financial assets in the form of cash balances and loans owing to the Government.

### What were the borrowings applied to?

Although it was announced in the May 2000 budget that the increase in net debt for 1999/2000 and the associated new borrowings would be used to finance unbudgeted capital costs in the 1999/2000 year, this was not how the borrowings were actually used.

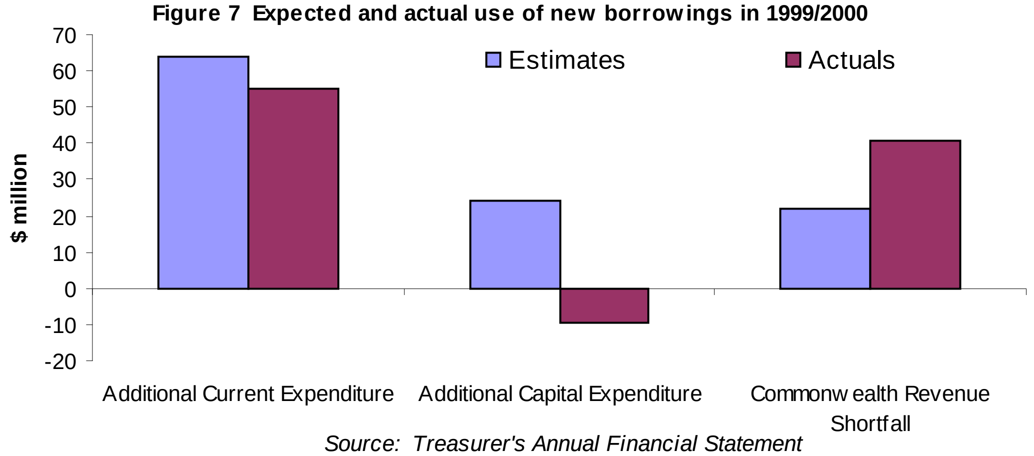
In comparison with the estimates for 1999/2000 announced in May 2000, actual results show that capital expenditures did not achieve those estimate levels, nor even the original or final budget targets.

However, actual final current expenditures did exceed original budgets by $55 million, and Commonwealth funding received was $41 million lower than expected by the budget.

So the funds which were provided by the new borrowings of $84.4 million funded these current expenditures and the shortfalls in Commonwealth funding, to achieve a balance of funds in the Public Account at similar levels to that expected in the original budget.

Analysis of the estimates announced in May 2000 identified that current expenditures even then were predicted to exceed the original budget by $63 million, while additional capital expenditure expected totalled $23 million. Actual capital expenditure then fell $33 million short of those estimates, further evidencing that the borrowings were not used for any additional capital expenditure purposes.

**Figure 7 Expected and actual use of new borrowings in 1999/2000**




*Source: Treasurer's Annual Financial Statement*

*ANALYSIS OF NET DEBT TRENDS - The Public Account Scope*

**Comparison of the actual net debt movement with the Budget and estimates**

The actual net debt increase was $92.3 million greater than the original budget,

| | Original budget | Actual result | Variance |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| Cash Outflows**:** | | | |
| **Current expenditure (p. 27)** | 1,743,923 | 1,799,156 | 55,233 |
| **Capital expenditure (p. 29)** | 230,506 | 220,862 | (9,644) |
| | **1,974,429** | **2,020,018** | **45,589** |
| Cash inflows | | | |
| **Territory sourced revenue** | (453,157) | (447,356) | (5,801) |
| **Commonwealth grants (p33)** | (1,522,721) | (1,481,750) | (40,971) |
| | **(1,975,878)** | **(1,929,106)** | **(46,772)** |
| **Net debt decrease (increase)** | **1,449** | **(90,912)** | **(92,361)** |

but $30.0 million less than the estimate presented in April 2000:

| | April 2000 estimate | Actual result | Variance |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| Cash Outflows: | | | |
| **Current expenditure** | 1,807,660 | 1,799,156 | (8,504) |
| **Capital expenditure (p. 29)** | 253,957 | 220,862 | (33,095) |
| | **2,061,617** | **2,020,018** | **(41,599)** |
| Cash inflows | | | |
| **Territory sourced revenue** | (439,576) | (447,356) | (7,780) |
| **Commonwealth grants (p33)** | (1,501,070) | (1,481,750) | 19,320 |
| | **(1,940,646)** | **(1,929,106)** | **11,540** |
| **Net debt decrease (increase)** | **(120,971)** | **(90,912)** | **(30,059)** |

*ANALYSIS OF NET DEBT TRENDS - The Public Account Scope*

**What caused the movement in net debt to vary from the original budget and the estimated result?**

Three issues warrant comment, some of which have already been highlighted in the preceding discussion;

1. The large increase in current expenditure in comparison to the original budget;
2. The under-achievement in capital expenditure in comparison to original budget and estimates; and
3. The under-achievement in Commonwealth grants in comparison to original budgets and estimates.

**1. Current expenditure**

Actual current expenditure for the year was $55 million, or 3%, in excess of the original budget, although it was $8 million less than the April 2000 estimate and $4.8 million less than the final budget.

Significant contributors to the additional expenditure over the original budget expectations were additional expenditures in the Department of Education, ($21 million), additional road repairs ($8 million), legal expenses for the Trade Practices Act action brought against the Power & Water Authority Group ($10 million), and superannuation costs above actuarial estimates ($6.5 million).

Although expenditures to the levels in the estimates and final budget were not incurred, an additional $83 million of amounts owing to suppliers was assessed by the Government as existing at 30 June 2000. Last year, such amounts totalled $52 million. This supports the view derived from audit work conducted in Agencies that there was a deferral of expenditure by some Agencies which had insufficient funds available to meet accounts payable. Further comments are on pages 15.

A number of Agencies also recorded additional unbudgeted expenditures to meet the Government's commitments to assist East Timor from September 1999 onwards. Significant expenditure was reported by Territory Health Services ($2.2 million), the Department of Transport & Works ($1.1 million) and the Department of the Chief Minister ($400,000). An additional $2.5 million incurred by the Power & Water Authority was recovered through aid agency funding.

*ANALYSIS OF NET DEBT TRENDS - The Public Account Scope*

## Current Expenditure (continued):

Current expenditure also includes in operational costs $2.3 million incurred from the Government hedging its exposures for interest rate risk associated with an agreement entered into by AustralAsia Railway Corporation and the railway construction consortium. This related to an interest rate guarantee provided for the consortium's construction debt, until the "financial close", that is, the finalisation of the arrangements by the Consortium for financing the construction.

***The Department of Education has commented:***

*Expenditure for the Department of Education in the 1999-00 financial year increased throughout the year as a result of increased personnel costs associated with employing teachers to service school communities in the Territory.*

*Appropriate financial strategies are being implemented to improve management of the department's budget. These strategies will focus on staffing costs and the distribution of recurrent funding to schools.*

*ANALYSIS OF NET DEBT TRENDS - The Public Account Scope*

## 2. Capital expenditure

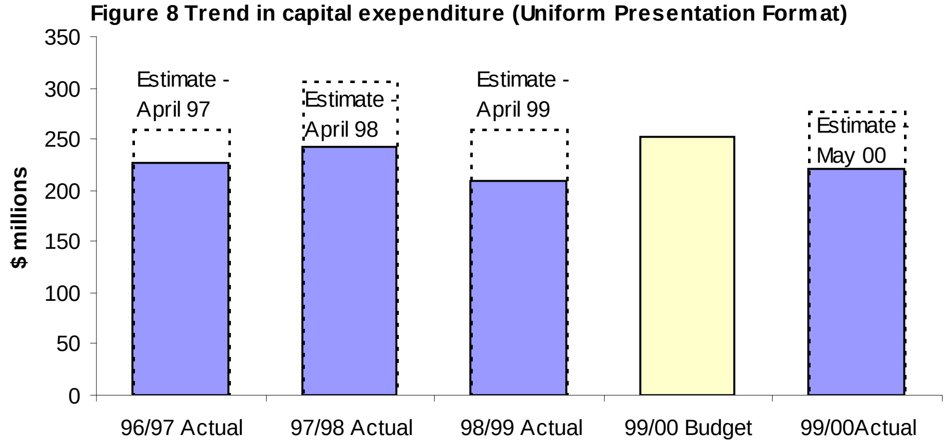
As identified on page 16 of this analysis, a significant variation between actuals, estimates and original and final budget continues to be the under-achievement of capital expenditure.

The under-expenditure of actual capital expenditure compared to the May 2000 estimates was in total 13%. This continues the trend in which the estimates presented in the budget each year, while reflecting a desire to make good the capital works program, under-achieve those expectations.

The capital expenditure total reported in the Economic Transactions Format comprises three sections:

- New Fixed Assets, which records the purchase and construction of capital assets, including equipment, buildings, roads, and other public infrastructure
- Capital grants, to community groups and associations, to assist in the delivery of community services by those entities
- Other Net expenditure. Despite its name, this is primarily the proceeds from sale and disposal of capital assets, but does include some expenditure.

**Figure 8 Trend in capital exependiture (Uniform Presentation Format)**




**Source: NT Budget Papers; Treasurer's Annual Financial Statements**

*ANALYSIS OF NET DEBT TRENDS - The Public Account Scope*

Comparison of the actual and estimated amounts shows:

| | April 00 Estimate | 99/00 Actual | Variance |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| New Fixed Assets | 253,023 | 239,203 | (13,820) |
| Capital Grants | 64,281 | 55,689 | (8,592) |
| Net Receipts from asset sales | (63,347) | (74,030) | (10,683) |
| Total | 253,957 | 220,862 | (33,095) |

**Specific issues contributing to the under-expenditure in 1999/2000 are:**

**Under-expenditures in New Fixed Assets:**

With the high profile which capital works receives in the Government's annual Budget, and the identifiable nature of projects, accounting for which projects were under-expended relative to budgets and estimates would be useful. However, there is no process within Government to collect and report such information. The following are significant under-expenditures in comparison with the May 2000 estimates for 1999/2000 which audit inquiry has identified:

- Territory Housing Business Services - $4 million, due to deferred completion of several housing projects while planning issues were resolved.
- Power & Water Authority - $3.5 million deferred through delays in capital works due to wet season access problems at remote communities; and $2.4 million of lower than expected capital works requirements
- Darwin Port Corporation - $2 million, due to delays in payment for extra capital works for East Arm Port.
- Capital expenditures by the Department of Transport & Works achieved estimate levels.

***The Department of Transport and Works has commented:***

*The comment in the opening paragraph, second sentence, is misleading, as this Department does in fact record expenditure against program funding levels for each project. However the cash budget appropriated for the Government Capital Works program is not allocated on a project by project basis when the funding level is determined in the budget process. This provides essential flexibility in managing the Capital Works program.*

*ANALYSIS OF NET DEBT TRENDS - The Public Account Scope*

***The Department of Transport & Works has commented (continued):***

*For items on the Capital Works program, despite a rigorous review process, matters such as the nature of projects, type of construction, market conditions, and variation in requirements can result in changes in priorities.*

*To provide the flexibility required and avoid under-expenditure the NT Government has in recent years centralised most of the Capital Works program in the Department of Transport and Works.*

Deferred payments noted to be occurring at 30 June in Agencies where funds were depleted are likely to have contributed to the shortfall in capital expenditures made in the year. The value of this impact has not been calculated.

However, significant unbudgeted expenditures were incurred even though total expenditure did not achieve budgeted or estimated levels in the year. Two significant expenditures were the $33 million generator for the Channel Island Power Station, and the $4 million aircraft for the Police.

The Channel Island generation equipment was an earlier than scheduled purchase of additional facilities. The decision to bring forward the purchase into the 1999/2000 year was based on an operational assessment to allow generation capacity to remain ahead of forecast demand and scheduled maintenance commitments.

In the case of the new Police aircraft, although a replacement was foreshadowed in the 1999/2000 Budget papers, no actual amount was included in the capital budget, pending investigation as to the most favourable method to finance the asset. The financing study then recommended outright purchase over leasing models since these entailed interest costs. However, when the Government announced in May 2000 that it was needing to increase gross borrowings, it identified the financing of the aircraft purchase as one of the causes. No interest cost from new borrowings had been factored into the financial study. Shortfalls in capital expenditure meant that no direct new borrowing was applied to fund the aircraft acquisition, although there is still an interest opportunity cost because the funds were not alternatively used to retire current debt.

*ANALYSIS OF NET DEBT TRENDS - The Public Account Scope*

## Under-expenditure in capital grants with reference to the May estimates:

The delay in commencement of the Tourism & Hospitality College at Centralian College resulted in deferring outlay of the capital grant of $4.8 million.

The Department of Education under-expended its capital subsidies to non–Government schools by $2.4 million, due to delays in project commencements, and late receipt of reimbursement claims.

***The Department of Education has commented:***

*The Department of Education is required to manage projects and schemes throughout the course of the year and unforeseen circumstances occasionally arise where projects are delayed and or budget variances occur.*

*In the two areas that you reported on the following factors should be incorporated into your report to provide balance:*

*Tourism and Hospitality College – the delay in commencement of construction occurred as a result of changes that were required to documentation on the scope of works and unfavourable weather conditions. These are operational risks that agencies encounter.*

*Capital Assistance Scheme – the budget target for capital assistance was not achieved as a result of delays with the commencement of new projects and or the sector not seeking reimbursement for accrued interest in the relevant financial year. Operational difficulties occurred and they were managed appropriately.*

## Asset sales with reference to the May estimates:

Notable increases in receipts from asset sales in comparison to the April 2000 estimates are:

- Additional $7.1 million in sales of houses and home units from the Government’s housing stock. In total $38.6 million in cash was received from sales of housing assets in the year (last year $38.1 million);
- $2 million additional revenue received by NT Fleet from earlier than expected sales of light vehicles.

*ANALYSIS OF NET DEBT TRENDS - The Public Account Scope*

## 3. Commonwealth Grants

The shortfall in Commonwealth Grants is analysed as follows:

| Detail | Original Budget | Estimated Budget | Variance | Estimated Budget | Actual | Variance |
|---|---|---|---|---|---|---|
| Financial Assistance Grant | 1,089,720 | 1,078,400 | (11,320) | 1,078,400 | 1,073,755 | (4,645) |
| Revenue Replacements | 122,864 | 129,836 | 6,972 | 129,836 | 124,789 | (5,047) |
| Other Grants | 310,137 | 292,834 | (17,303) | 292,834 | 283,206 | (9,628) |
| Total | 1,522,721 | 1,501,070 | (21,651) | 1,501,070 | 1,481,750 | (19,320) |

Financial Assistance Grants: The shortfall arose from the population growth projection of the Government being higher than that of the Australian Bureau of Statistics upon which final funding for the year is based.

Revenue replacement funds: $2 million for 1999/2000 was received in the 2000/01 financial year, while $3 million was an overestimate of revenues due.

Other grants: The shortfall relates also to later than expected receipts of Specific Purpose funding.

These timing differences expose the weakness in the cash based accounting used by the Government. An accrual accounting system would record the revenue in the year in which it was owing, not the year in which is was received into the bank account.

*ANALYSIS OF NET DEBT TRENDS*

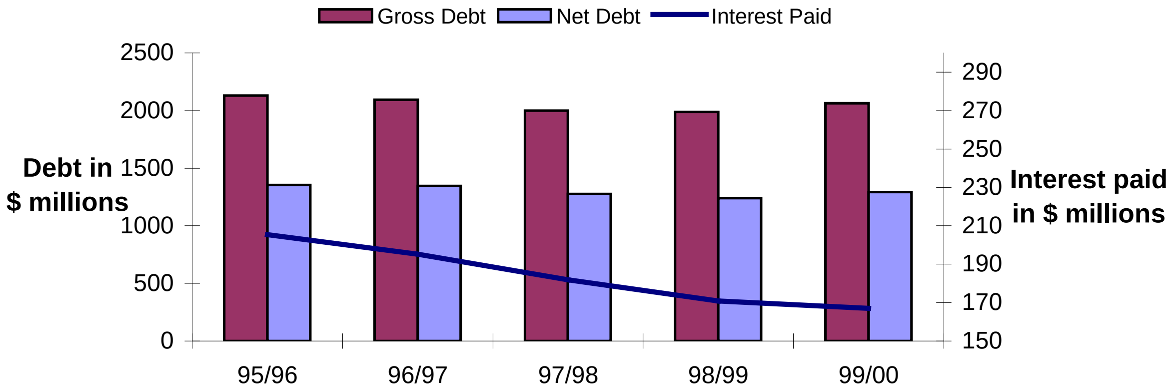
# UNIFORM PRESENTATION FRAMEWORK

## ANALYSIS OF THE NET DEBT POSITION USING THE UNIFORM PRESENTATION FRAMEWORK:

**Net debt, as measured by the Uniform Presentation Framework**

In summary, and in comparison to recent years, the results and trends are set out in the following Chart and table:

**Figure 9 Trend in gross debt, net debt (Uniform presentation framework) and interest paid (economic transactions format)**




*Source: Treasurer's Annual Financial Statement*

| | 95/96 $'000 | 96/97 $'000 | 97/98 $'000 | 98/99 $'000 | 99/00 $'000 |
|---|---|---|---|---|---|
| Gross Debt | 2,131.0 | 2,093.0 | 1,999.0 | 1,988.8 | 2,064.2 |
| Less: Financial Assets | 777.0 | 747.0 | 723.0 | 748.0 | 770.1 |
| **Net Debt** | **1,353.0** | **1,347.0** | **1,276.0** | **1,240.0** | **1294.1** |
| **Interest Paid** | **205.4** | **195.3** | **181.9** | **170.8** | **167.1** |

## *ANALYSIS OF NET DEBT TRENDS - Uniform Presentation Framework*

**Components in the net debt balance**:

In commenting on the net debt trend, it is appropriate to compare the components in the calculation with the audited information in the Treasurer's Annual Financial Statement.

| | Uniform Presentation Framework | Public Account Scope (audited) | Variance |
|---|---|---|---|
| | **$ million** | **$ million** | |
| **Gross Debt *(page 37)*** | **2,064** | **2,051** | (1) |
| **Financial Assets** | | | |
| Public Account Balance *(page 38)* | | 236 | |
| Advances paid *(page 38)* | | 263 | |
| | **770** | **499** | (2) |
| **Net debt** | **1,294** | | |

The variances are:

(1) Gross debt in the Uniform Presentation Framework includes an additional $13 million of loans to Darnor Pty. Ltd and Gasgo Pty. Ltd. These are entities controlled by the Power & Water Authority, but are not within the budget scope.

*(2)* A number of cash balances not within the Public Account Budget scope are disclosed in the Uniform Presentation Framework. These include Darnor, Gasgo, AustralAsia Railway Corporation, Ayers Rock Resort Corporation and most significantly, the Conditions of Service Trust, with a balance at 30 June 2000 of $311 million *(page 39)*

*ANALYSIS OF NET DEBT TRENDS - Uniform Presentation Framework*

**Reconciling the Public Account net debt increase with the balance of the net debt in the Uniform Presentation Format**

The increase in the net debt (net financing requirement) under the Public Account scope, is reconciled to the increase in the net debt position in the Uniform Presentation Framework as follows:

| | $'000 |
|---|---|
| **Increase in net debt (Public Account Scope)** | **90,911** |
| | |
| Reduced by: | |
| Increases in financial assets outside of the Public Account scope - | |
| Conditions of Service Trust | (33,205) |
| Advances Paid (that is, loans to external parties) | (14,995) |
| Accrued liabilities of other debt securities | (10,781) |
| | |
| Increased by: | |
| Increases in other forms of debt outside of the Public Account Scope - | |
| Finance leases capitalised | 5,445 |
| Investment in NT Treasury Corporation securities | 16,703 |
| Net debt positions of other entities outside the Public Account Scope | 1,707 |
| **Increase in net debt (Uniform Presentation scope)** | **55,785** |

*ANALYSIS OF NET DEBT TRENDS*

ANALYSIS OF THE COMPONENTS COMPRISING NET DEBT

**Gross debt (using Public Account scope) $2.051 billion**

This was the balance after an increase during the year of $66.5 million. It was the net result of a some debt categories such as leases declining, but overall borrowings increasing.

Average interest rate paid on gross borrowings of the Northern Territory Government in the 1999/00 year is identified in the Northern Territory Treasury Corporation’s 1999/00 Annual Report as 8.9%. Last year it was 9.1%. Interest paid on all sources of borrowings in the 1999/00 year was $167.1 million. This was 8.3% of total current and capital expenditure for that year. In the 1998/99 year, $170.8 million was paid, which was 8.9% of total expenditures.

The decrease is attributable to the refinancing of old debt at more favourable interest rates, and the effect of the new borrowings only occuring late in the financial year. The 2000/01 Budget is expecting interest paid to be $184.7 million in that year.

Section 10 of the Treasurer’s Annual Financial Report provides further analysis and trend information on debt management. This includes comparisons of the Northern Territory’s net debt per capita with the Six State average. It highlights that the Territory’s net debt per capita of $6,600 is 4.7 times the six State average of $1,400. It is a 3% increase over last year’s $6,400.

**Gross debt (using Uniform Presentation Framework) $2.064 billion**

As noted on page 35, this is the gross debt in the Public Account Scope, increased by $13 million of amounts owing by Darnor Pty. Ltd and Gasgo Pty. Ltd, entities outside the Public Account, but controlled by the Power and Water Authority. These entities are involved in gas supply and investment arrangements.

*ANALYSIS OF NET DEBT TRENDS - Components comprising Net Debt*

**Financial assets:**

**The Public Account balance: $236.4 million**

The Public Account balance is the operating cash balance of the Government.

The Government's estimates in May 2000 were for a balance of $215 million at 30 June. However, lower than estimated current and capital expenditures were incurred, while borrowing levels were sustained near estimate levels, so the cash balances increased above the expected level.

My concern raised last year that investments in NT Treasury Corporation debt securities were being double counted in the Public Account balance was subject to further investigation by Northern Territory Treasury when preparing the Treasurer's Annual Financial Statement for this year. The dilemma has been dealt with by maintaining the balance in the Public Account, but deducting it from the Cash and Investments balance in Schedule 3.1. This is because the amounts are properly excluded from the Debt securities in Schedule 4.1, and for consistency need to be eliminated from the financial assets balance. So the Cash and Investments balance will not directly agree to the Public Account balance while these investments in NT Treasury Corporation are held. This is not entirely satisfactory, but it is a reasonable compromise.

**Advances Paid – (lendings repayable to the Government): $262.7 million**

In the prior year's Treasurer's Annual Financial Statement, the balance at 30 June 1999 was reported as $252.7 million. In the current year's Statement, the balance has been revised to $265.9 million. This revision is as a result of the inclusion as an advance of the Northern Territory Self Insurance Fund balance of $10.4 million held by the Territory Insurance Office, and the Home Building Certification Fund balance $2.8 million held by the Department of Lands, Planning and Environment.

This asset value has fallen by $3.2 million mainly due to the repayments on advances under the Government's Housing 2003 schemes being greater than the amount of new advances made.

The provision for doubtful recoveries against Advances Paid of $3.2 million refers to advances made to Darnor Pty Ltd and Gasgo Pty Ltd, entities controlled by the Power and Water Authority, but outside the Public account scope. The provision is $5.5 million less than the previous year due to Power and Water Authority reducing its provisions by $5.4 million, based on a better debt recovery expectation.

*ANALYSIS OF NET DEBT TRENDS - Components comprising Net Debt*

**The Conditions of Service Trust: $310.7 million**

Funds held in this Trust can be used for any purpose, at the direction of the Treasurer. These funds are outside of the Public Account scope, so the growth in its investment holdings and its balance at year end are not included in the Government's Budget. Because funds in the Trust are available unconditionally to the Government, and are mostly in a form easily converted back to cash, they are a further holding of financial assets available to meet the Government's needs.

No drawings from the Trust or contributions to the Trust occurred in the year. $100 million of the moneys held in this Trust were sourced from the 1997 sale of Government's interests in the Ayers Rock Resort Corporation. These funds are earmarked as contributions to the Darwin to Alice Springs Railway construction.

Financial investments held by the Trust increased in value by $33.2 million during the year. Since the funds from the Ayers Rock Resort sale comprised 36% of the opening balance of the Trust, $12 million of the growth in the Trust value would have been contributed by those funds.

***Northern Territory Treasury has commented:***

*The analysis in the report is quite narrow and as a result gives a misleading impression of the debt position over time. While it does explain some of the changes that occurred in 1999-00, it lacks an overarching perspective. In particular, there is virtually no analysis highlighting the fact that under the Uniform Presentation Framework scope, net debt was declining until 1999-00. Even with the increase in net debt in 1999-00, the level of net debt is nearly $60 million less at the end of 1999-00 than it was in June 1996.*

*It makes no acknowledgment that the budget is a dynamic process with needs changing and emerging. The same limitation applies to the analysis of expenditure by function.*

*The report places a particular interpretation on the Treasurer's Budget Speech in the section titled "what the borrowings were applied to". However, the point of the Treasurer's Budget Speech was that there have been no borrowings for capital purposes for several years even though there has been significant capital expenditures. It would not be unreasonable to expect that debt would be incurred given the long asset lives of most capital works. In other words, borrowings are being used for "capital purposes" rather than "recurrent purposes".*

## *OTHER LIABILITIES*

**Net debt is not the only liability position to be managed. Other liability exposures include:**

**Superannuation commitments $1,072 million**.

Based on actuarial calculations, this increased by $94.4 million in the year. These amounts are unfunded, except to any extent funds in the Conditions of Service Trust may be made available. It excludes the commitments to Legislative Assembly Members superannuation, which are in a fully funded scheme.

From 10 August 1999, superannuation commitments for newly engaged public sector employees are to be fully funded through externally managed schemes at the standard level required for employer contributions.

**Accrued employee entitlements $240 million**

In the prior year, accrued salaries were included in schedule 4.4. In recognition that these are accrued expenses, they have been reported in Schedule 7.2.

The increase in accrued employee entitlements, taking into account this reclassification, is $7.7 million or 3%. This is in line with the increases in salaries during the year.

**Workers' Compensation $64 million**

This amount is determined actuarially, and is the present value of future benefit payments. The value assessed at 30 June 1999 was $63 million.

**Other amounts owing and payable**

These are not classified by the Treasurer as requiring disclosure as a liability in the Treasurer's Annual Financial Statement. However, accounts payable of $127.6 million is disclosed in the unaudited Schedule 7.2 in the Treasurer's Annual Financial Report. This includes $83 million for goods and services received, and interest payable of $44 million. The goods and services amount grew significantly from the previous year disclosure of $52 million. Further discussion of this movement is on page 15.

## *OTHER LIABILITIES*

### Total of increases in liabilities

The following summarises the increases in the Territory' liabilities in the year ended 30 June 2000:

| | |
|---|---|
| Net debt (Uniform Presentation Format) | $55.8 million |
| Superannuation | $94.4 million |
| Accrued employee entitlements | $7.7 million |
| Workers Compensation | $1 million |
| Total from the audited schedules | $158.9 million |
| As well, the increase in accounts payable, net of the decrease in interest payable, and included in Schedule 7.2 of the Treasurer's Annual Financial Report | $32.5 million |
| **Total** | **$191.4 million** |

Although total liabilities increased by $191.4 million in the year, assessing the change in total assets requires an assessment of movement in the value of capital infrastructure. There is not, as yet, a reliable measure of that.

***Northern Territory Treasury has commented:***

*The analysis provides an unbalanced view in that it does not refer to the estimated increase in asset values. Using a consistent valuation base that has been applied for a number of years, physical assets were estimated to have increased by $200 million.*

# *FURTHER ANALYSIS OF INFORMATION IN THE PUBLIC ACCOUNT SCOPE*

**Analysis of significant variations from the original budget:**

Schedule 1.5 of the Treasurer’s Annual Financial Statement identifies the variations to the original 1999/00 budget approved by the Treasurer in accordance with his powers delegated by the Financial Management Act. The schedule uses the Gross Outlays format, rather than the Economic Transaction format, which has so far been used in my analysis. The Treasurer’s Annual Financial Statement does not report in the Economic Transactions format at Agency or Government Business Division level.

These variations are shown in Schedule 1.5 by Activity, which is the level at which the Legislative Assembly approves the budgets in the Appropriation Act, and by the total for the Agency.

In analysing the schedule, it is useful to understand the total movement between the original approved funding to public sector entities, as contained in the Appropriation Act 1999-00, and the actual outlays in the year. This allows an understanding of, for example, which agencies encountered circumstances significantly changing their financial requirements during the year. From that knowledge, a better understanding of the priorities and decisions made by the Government can be gained.

**In total for the Public Account:**

| | Approp Act 1999/2000 $million | Actual Outlay $million | Increase $million | % | Total Final Allocation $million |
|---|---|---|---|---|---|
| Gross outlays: | 2,998 | 3,027 | 29 | 1.0 | 3,061 |

The $29 million additional expenditure was drawn from allocations to the Treasurer's Advance. This received increased funding of $69.4 million by the allocation processes established by section 19 of the Financial Management Act.

## *FURTHER ANALYSIS OF INFORMATION IN THE PUBLIC ACCOUNT SCOPE*

Actual outlays then fell short of the level of the final approved allocations by $34 million.

The Administrator's approval for the additional funding of the Treasurer's Advance is tabled in the Legislative Assembly. The approval occurred on 31 January 2000 and the tabling occurred on 2 March 2000.

**Significant variations by value or percentage in individual agencies**:

Each Agency and Government Business Division (GBD) is allocated an annual budget at Activity level in the Appropriation Act. An important principle of Parliamentary control over public administration is that Agencies and GBDs must contain expenditure within the allocated budget throughout the year. However, the Financial Management Act does allow the Treasurer to approve Budget revisions if the circumstances of an individual Agency or GBD change significantly during the year. Treasurer’s Advance is used to fund any additional requirements, together with budget reductions identified as available in other Agencies.

Analysis of actual outlays at the year-end against the original budgets as allocated in the Appropriation Act, can identify:

- Agencies and GBDs with actual results significantly greater than the original budget due to changes in the financial requirement of the Agency or GBD; and
- Agencies and GBDs with actual results significantly lower than the original budget, which may indicate that public expenditure plans have not been fully implemented.

The analysis that follows seeks to identify selected entities with significant and noteworthy variations in total, in amount or percentage, between the original Appropriation, and final outlays. Where the variations are due almost entirely to transfers of allocations, or restructuring of entities, no specific comment has been made in the analysis which follows.

Agency Annual Reports should provide further information about operational issues which caused variations from original budget expectations.

*FURTHER ANALYSIS OF INFORMATION IN THE PUBLIC ACCOUNT SCOPE*

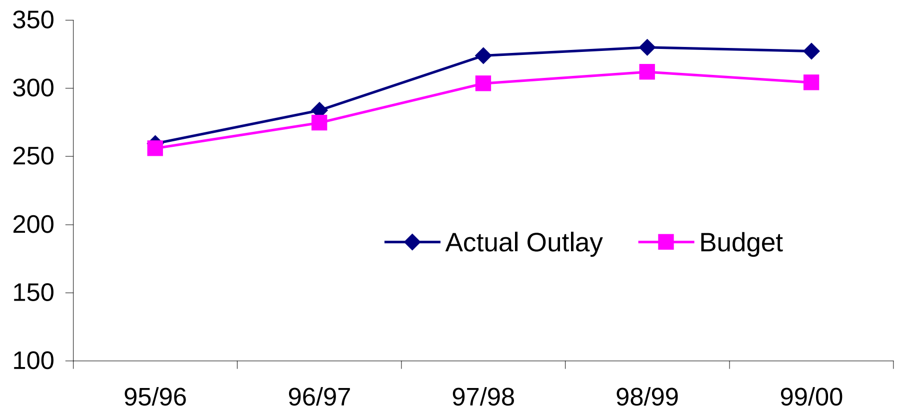
**Significant variations by value or percentage in individual agencies (continued):**

| | Approp Act 1999-00 $'000 | Actual Outlay $'000 | Increase/(decrease) $'000 | % |
|---|---|---|---|---|
| Department of Education | 304,306 | 327,181 | 22,875 | 8 |

Of the additional funding of $22.8 million, $19.7 million was for additional personnel costs. The Agency's records indicate that $3.6 million of that was for retrenchments, while the remainder funded unforeseen costs of the NT Government's Enterprise Bargaining Agreement, as well as higher than budgeted staffing numbers, particularly in the second half of the year.

The trend for outlays of around $20 million over original budget forecasts has now occurred in each of the past three years. Unforeseen EBA costs are a recurring explanation for over-runs in the personnel budgets. It is apparent that budget management has been a recurring problem for this Agency.

**Figure 10 Trend in total outlays - Department of Education**




*Source: NT Budget Papers,Treasurer's Annual Financial Statements*

*FURTHER ANALYSIS OF INFORMATION IN THE PUBLIC ACCOUNT SCOPE*

Department of Education (continued)

While operational costs appear to have remained within budget, this is only because payments to suppliers were delayed once funds were depleted. The effect of this shows in the statement of creditors and accruals included in the Agency's annual financial statements. An analysis of that information shows that external and intrasector creditors have increased to $2.4 million at 30 June 2000 compared to $354,000 at 30 June 1999. Of the 30 June 2000 balance, $1.2 million is over 30 days, which is the Government's maximum payment period.

While the external accruals of $4.7 million (last year $206,000) relate largely to the salary accrual at the financial year end, the intrasector accruals of $1.4 million (last year $81,000) would also be due to the shortfall in available funds. So the additional operational expenditure over original budget, when compared to last year as a benchmark, would be around $3 million.

Grants and subsidies outlays at $95.7 million, although $3 million in excess of the original budget, are $2.4 million less than the full year estimate in May 2000 when the 2000/01 Budget was tabled in the Legislative Assembly.

Although total final actual outlays of $327 million are similar to the total of $330 million in 1998/99, capital expenditure funding and management was transferred to the Department of Transport & Works commencing with the 1999/2000 year. So after adjusting capital expenditure out of last year's actual expenditures, an additional $14.7 million, or 4.7%, was incurred. Adjusting for the additional $3 million of operational expenses held in creditors and accruals gives an increase of 5.7%.

***The Department of Education has commented:***

*Budget difficulties over the past five years are being mitigated through appropriate financial management strategies to ensure that there is better control over available resources.*

*These strategies include the recruitment and retention of professional accounting staff and the introduction of school based budgeting and financial reporting systems. These strategies will improve budget projections and monitoring.*

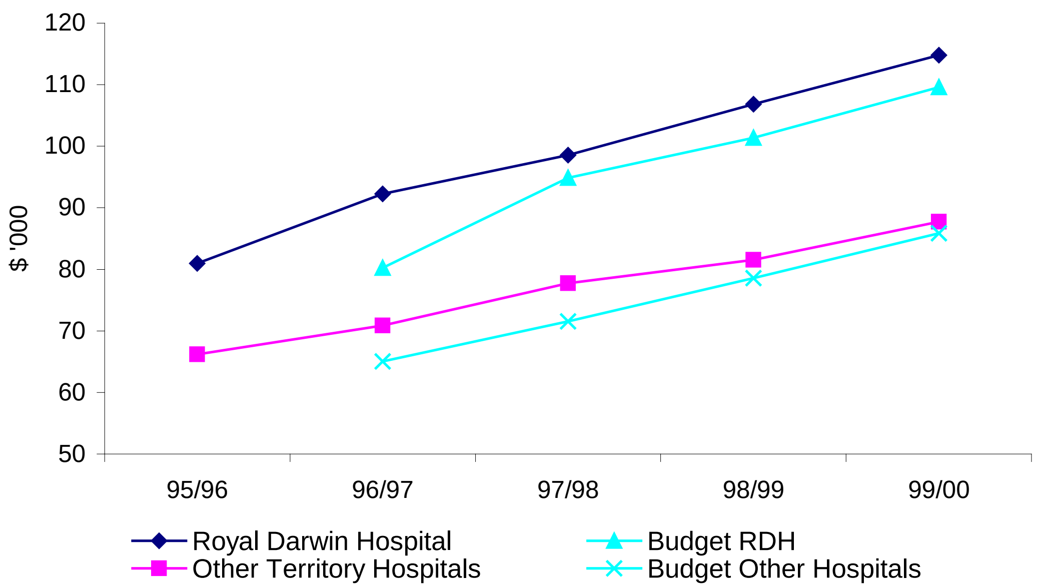
*FURTHER ANALYSIS OF INFORMATION IN THE PUBLIC ACCOUNT SCOPE*

## Significant variations by value or percentage in individual agencies (continued):

| | Approp Act 1999-00 $'000 | Actual Outlay $'000 | Increase/(decrease) $'000 | % |
|---|---|---|---|---|
| Territory Health Services | 424,453 | 433,767 | 9,314 | 2 |

Significant areas of expenditure incurred in the year additional to original budget expectations included East Timor relief assistance ($2.2 million), Coordinated care trials ($1 million), increased funding needs of the Royal Darwin Hospital ($3.5 million). Although hospitals receive growth funding as part of each year's Budget process, additional funding in excess of that budgeted growth is also being required, as illustrated by the following chart:

**Figure 11 Trends in hospital expenditure**



## *FURTHER ANALYSIS OF INFORMATION IN THE PUBLIC ACCOUNT SCOPE*

| | Approp Act 1999-00 $'000 | Actual Outlay $'000 | Increase/(decrease) $'000 | % |
|---|---|---|---|---|
| Department of Transport and Works | 253,954 | 266,071 | 12,117 | 5 |

Although a significant number of variations impact this Agency each year, some major influences in the level of additional expenditure incurred were:

- $11.43 million of additional allocation for capital works and flood damage road repairs, across the Northern Territory
- Funds brought forward from 1998/99 of $1.85 million for taxi compensation Scheme payments
- East Timor assistance $1.1 million
- $6.75 million to provide additional equity funding to the Darwin Port Corporation.

| | Approp Act 1999-00 $'000 | Actual Outlay $'000 | Increase/(decrease) $'000 | % |
|---|---|---|---|---|
| NT Attorney-General's Department | 13,718 | 18,001 | 4,283 | 31 |

The increase is due to the practice, required by the Government, of funding the Victims of Crime Assistance Fund from the Treasurer's Advance. No allocation is included in the Agency's original budget for this outlay. The Agency's 1999/2000 Annual Report highlights that 67% of the funds provided in the year were received by crimes' victims, with 32 % absorbed by legal costs.

***The Northern Territory Attorney-General's Department has commented****:*

*The Department's appropriation for 1999-00 was $13,718,000. This included $44,000 for Crime Victims Assistance (CVA). During the course of the year an allocation of $4,525,000 was approved from Treasurer's Advance for CVA payments. Together with other minor Cabinet approved adjustments, the final approved budget was $18,390,000. Provision for CVA payments accounted for 97% of the increase in the Department's budget allocation.*

*The Department and NT Treasury are currently of the view that funding of CVA should continue to be on an emerging cost basis. Treasury makes provision for these payments within the overall Budget allocation for Treasurer's Advance.*

*FURTHER ANALYSIS OF INFORMATION IN THE PUBLIC ACCOUNT SCOPE*

| | Approp Act 1999-00 $’000 | Actual Outlay $’000 | Increase/(decrease) $’000 | % |
|---|---|---|---|---|
| Construction Agency | 30,700 | 34,950 | 4,250 | 14 |

$3.7 million of this increase is attributed to additional consultancy costs incurred as a result of increased project work undertaken for Agencies, including flood related damage. An additional $500,000 expenditure was brought forward from the previous year for a voluntary redundancy program.

| | | | | |
|---|---|---|---|---|
| Department of Industries and Business | 38,684 | 49,279 | 10,595 | 27 |

$5 million of extra funding was provided to the racing industry as part of the new racing agreement post the sale of the TAB. The Racing and Gaming Authority paid a dividend to Treasury of $6 million from the taxes on lottery sales that was not budgeted expenditure.

| | | | | |
|---|---|---|---|---|
| Office of Courts Administration | 14,053 | 16,426 | 2,373 | 17 |

The Agency was allocated an extra $1.8 million of base funding to address recurring shortfalls in its annual budget allocation. An additional magistrate’s position in Katherine and salary increases for magistrates required an additional $279,000. Termination payments, including payments to a retiring judge, required an additional $408,000. $336,000 of funding received for a Lands & Mining Tribunal remained unexpended at the end of the financial year.

## *FURTHER ANALYSIS OF INFORMATION IN THE PUBLIC ACCOUNT SCOPE*

| | Approp Act 1999-00 $'000 | Actual Outlay $'000 | Increase/(decrease) $'000 | % |
|---|---|---|---|---|
| Power and Water Authority | 326,093 | 370,252 | 44,159 | 14 |

Significant contributors to the net increase in outlays are $33 million for a new generator at Channel Island Power Station, $6 million in higher gas purchase costs following a price increase; $6.5 million to settle the transportation levy with the Amadeus Gas Trust; an additional $6 million in dividends to the Government because of the Authority's higher than budgeted operating profit; $3 million for the construction of the optic fibre loop; and $1.8 million for litigation costs brought against its subsidiary Gasgo Pty. Ltd. by the NT Power Group.

These outlays were partly offset by under-expenditures in a range of areas, including a $12.5 million carry forward to 2000/01 of funding for voluntary redundancies.

| | | | | |
|---|---|---|---|---|
| Office of Communications, Science and Advanced Technology | 5,436 | 3,118 | (2,318) | 14 |

The reduction is due to the carry over of the allocation of funding from the Commonwealth for regional telecommunications which was budgeted to be completed in 1999/2000 but has been carried over to 2000/2001.

| | | | | |
|---|---|---|---|---|
| NT Treasury | 86,228 | 96,331 | 10,103 | 12 |

The extra expenditure of $10 million met litigation costs involved in the action brought under the Trade Practices Act against the Power and Water Authority Group.

## *FURTHER ANALYSIS OF INFORMATION IN THE PUBLIC ACCOUNT SCOPE*

| | Approp Act 1999-00 $'000 | Actual Outlay $'000 | Increase/(decrease) $'000 | % |
|---|---|---|---|---|
| Department of the Chief Minister | 27,324 | 32,146 | 4,822 | 18 |

The variation is due mainly to extra funds being provided for events in the Territory such as the Shell Supercars ($757,000), Centenary of Federation grants ($310,000) and support for the production of the "Cats" performance tour ($350,000). There was also a $1 million transfer of public relations expenditure from other Agencies.

| | | | | |
|---|---|---|---|---|
| Department of Corporate and Information Services: General Services | 53,947 | 63,752 | 9,805 | 18 |

A significant number of variations impacted the Agency this year, as it continued to determine which roles and services it would be providing on an on-going basis. Some major influences in the level of additional expenditure incurred were:

The base funding level for DCIS was increased by $4.5 million in the year. This followed from a budget review which identified that the start–up budget allocations for DCIS operations had proved to be insufficient.

DCIS also brought forward $2.6 million of expenditure from 1998/99 to complete certain projects and expended those funds in 1999/2000. The introduction of GST led to $1.4 million of project costs being incurred.

There was a transfer of the registry function from Transport and Works to DCIS which increased expenditure by $1.2 million, and a transfer of personnel from the ITMS Government Business Division to DCIS involving a budget increase of $754,000. Transfers out to the Office of the Commissioner for Public Employment of the Human Resource Development Branch reduced the Agency's budget by $1.98 million, and the transfer of Library functions back to Territory Health Services and the Department of Mines & Energy reduced its budget by a further $932,00.

*FURTHER ANALYSIS OF INFORMATION IN THE PUBLIC ACCOUNT SCOPE*

| | Approp Act 1999-00 $'000 | Actual Outlay $'000 | Increase/(decrease) $'000 | % |
|---|---|---|---|---|
| Darwin Port Corporation | 26,296 | 22,664 | (3,632) | -14 |

Part of the under spend was due to $1.5 million of repairs that were budgeted for at the mooring basin not occurring due to funding not being available.

Capital expenditure was below original budget by approximately $400,000 due to delays in payments for the East Arm Port project.

| | | | | |
|---|---|---|---|---|
| Northern Territory Railway | 10,468 | 7,084 | (3,384) | -32 |

Unpaid budgeted amounts at year-end included an allowance for compensation to unsuccessful consortia for the costs of preparing tenders for the construction of the Alice Springs to Darwin railway. The payments will only be made when a contract is signed with the successful consortium and is subject to certain conditions being met.

Further amounts remained for payment to traditional owners for land access.

| | | | | |
|---|---|---|---|---|
| Darwin Bus Service | 7,195 | 6,122 | (1,073) | -15 |

Actual expenditure was below the budgeted amount due to carry over of the purchase of buses to the 2000/01 financial year.

*FURTHER ANALYSIS OF INFORMATION IN THE PUBLIC ACCOUNT SCOPE*

## Financial Assets: write-off and waivers

Schedule 3.4 in the Treasurer's Annual Financial Statement details the amounts written off or waived by the Treasurer under section (35)1(a) of the Financial Management Act and by delegated officers. In total for those two categories, $9.5 million was written off during the year, in comparison to $4.5 million written off in the previous year.

Of the $3.345 million written off in the 1999/2000 by the Treasurer (last year, $1.3m million):

- $1.94 million in respect of the Attorney General's Department in relation to crimes compensation and crime debts. In the previous year $392,000 was similarly written off.

  ***The Northern Territory Attorney-General's Department has commented:***

  *In 1998-99 write-offs of $13,000 were approved by the Department's Accountable Officer and an amount of $379,000 was approved by the Treasurer - giving a total 1998-99 write off of $392,000.*

  *During 1999-00, $1.94 million was written off by the Treasurer at the Department's request. This amount relates to awards made to victims of crime that are recoverable from convicted offenders. Debts are written off when the Department's debt recovery agents form the view that the debtor cannot be located, or it is deemed uneconomical to pursue recovery considering the insolvent state of the debtor.*

- $291,000 of Power & Water Authority debtors.
- $131,000 of Territory Housing Business Services debtors.
- $321,000 for loan debtors of the Department of Primary Industry and Fisheries, of which $317,000 was for three irrecoverable BTEC loan debtors.

In addition to the monies written off, $174,000 was due to be recovered by the Treasurer during the financial year, but was waived. Of this:

- $87,000 related to stamp duty due from home owners as part of the Homenorth scheme, but which was deemed to be inequitable.

*FURTHER ANALYSIS OF INFORMATION IN THE PUBLIC ACCOUNT SCOPE*

## Financial Assets: write-off and waivers (continued)

Of the $6.2 million written off by delegated officers (last year $3.3 million), the following Agencies and GBDs made up a significant proportion:

- $2.4 million was public property written off by Territory Health Services;
- $438,000 was public property written off by the Department of Education;

  ***The Department of Education has commented:***

  *The amount of public property written off in the Department of Education is in keeping with the normal operational requirements of a large agency.*

- $1.5m of further debtors was written off by the Power and Water Authority; and
- $754,000 of further irrecoverable money was written off by Territory Housing Business Services.

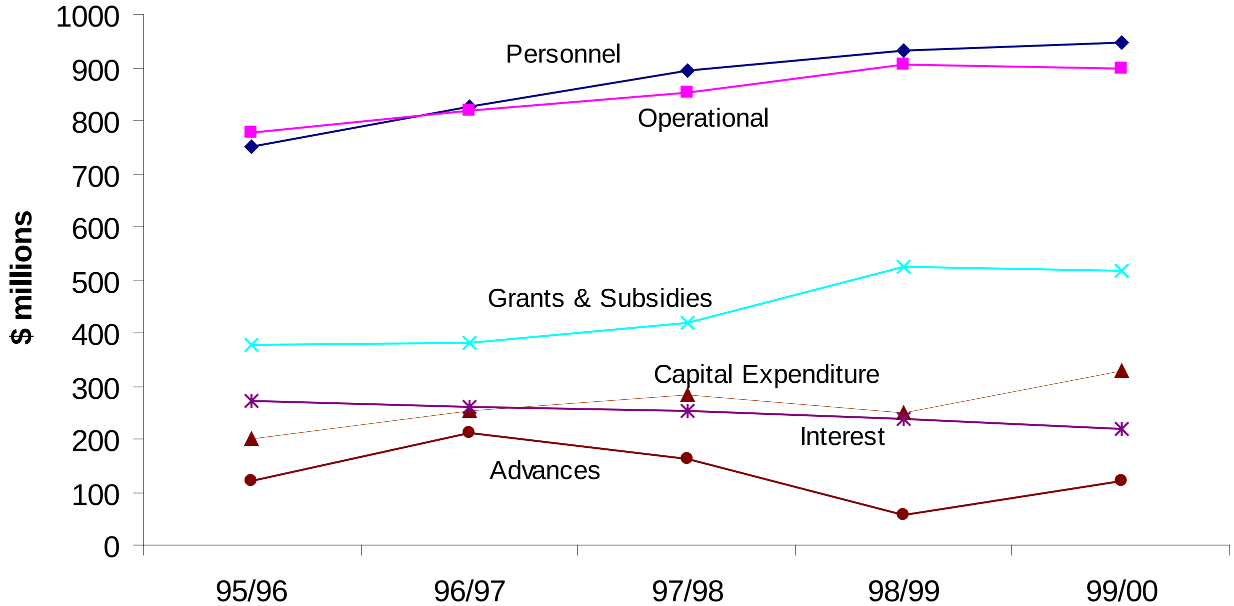
*FURTHER ANALYSIS OF INFORMATION IN THE PUBLIC ACCOUNT SCOPE*

**Analysis of trends in Category of Cost classifications.**

Although the Government's Budget and the Treasurer's Annual Financial Statements are largely based on reporting at Agency Activity level, that is in output focussed terms, financial inputs in Category of Cost classifications are also identified in the Budget. However, these are not subsequently reported upon in the Treasurer's Annual Financial Statement.

The following chart outlines the five year trend in the Category of Cost items, and identifies personnel costs and grants as the fastest rising categories over that time.  The Government's information technology outsourcing program should be expected to reduce the gap between personnel and operational costs.

**Figure 12 5-year trend analysis by category of cost**




*Source: Treasurer's Annual Financial Statements*

## *STATUS OF MATTERS PREVIOUSLY REPORTED*

### The timetable for preparation and audit of the Treasurer's Annual Financial Statement

Last year I reported continuing difficulty with the expectation that the Statement would be prepared, and the audit opinion issued, in time for the October sittings. The difficulties largely arose from finalised and audited information not being available from subsidiary entities, particularly Government Business Divisions and the Territory Insurance Office

A great deal of effort to overcome these problems was provided by all parties this year, and the extent of outstanding issues was minimised in comparison with previous years.

### Format of the Treasurer's Annual Financial Statement

The format of the Treasurer's Annual Financial Statement continues to apply largely cash based accounting to key performance measures. Earlier in this Report, I identified that cash accounting can distort the assessment of key performance measures. It also does not provide a reliable assessment of net movements in the Northern Territory's overall financial position, since it does not provide an audited comparison of the total movement in both short term and long term liabilities, with the movement in short and long term assets. Accrual format financial statements, such as those now required by the Australian Bureau of Statistics from all Australian jurisdictions, including the Northern Territory, would overcome these problems.

Adopting an independent format, such as that identified by Australian Accounting Standards or by the Australian Bureau of Statistics, for reporting on the Northern Territory Government's financial stewardship would be preferable to using a reporting format largely determined by the Treasurer.

## *STATUS OF MATTERS PREVIOUSLY REPORTED*

### Analysis of Government expenditure per capita by purpose

In my analysis report on the Treasurer's 1998/99 Annual Financial Statement, I provided a comparison of per capita expenditure by source for the Northern Territory with the six State average. This was to illustrate which categories were at, above, or below the 2.7 times per capita expenditure which the Commonwealth Grants Commission has calculated the Northern Territory needs to incur to deliver a similar level of public services as with other jurisdictions. The Commonwealth Grants Commission assessment determines the amount of general purpose funding which the Northern Territory is allocated by the Commonwealth Government. While the Northern Territory Government has full discretion in how it spends its general purpose funding, the analysis can provide an understanding of how the Government has exercised its discretion.

Data to conduct this analysis is sourced from the Government Finance Statistics published by the Australian Bureau of Statistics. However, the most recent information available, being for the 1998/99 year, did not include all the States' data, so I have not been able to provide the analysis this year.

# *APPENDIX 1 - COMPARISON OF 1999/2000 ACTUALS WITH 1999/2000 BUDGET*

| | **Actual** 99/00 $'000 | **Budget** 99/00 $'000 | **Variance** $'000 |
|---|---|---|---|
| **Cash outflows:** | | | |
| Current expenditure | 1,799,156 | 1,743,923 | (55,233) |
| Capital Expenditure | 220,862 | 230,506 | 9,644 |
| Sub-total | 2,020,018 | 1,974,429 | (45,589) |
| **Less cash inflows:** | | | |
| Territory sourced revenue | 447,356 | 453,157 | (5,801) |
| Commonwealth grants | 1,481,750 | 1,522,721 | (40,971) |
| Sub-total | 1,929,106 | 1,975,878 | (46,772) |
| **Decrease( increase) in net debt** | (90,912) | 1,449 | (92,361) |
| **Public Account Balance** | | | |
| Net financing requirement for the year | (90,912) | 1,449 | (92,361) |
| **Add:** | | | |
| Cash balances at the start of the year | 246,997 | 226,598 | 20,399 |
| Opening balance reduction | (13,395) | - | (13,395) |
| Adjusted opening balance & net financing requirement | 142,690 | 228,047 | (85,357) |
| Net loan repayments received | 9,345 | 18,739 | (9,394) |
| Balance, excluding borrowings repaid | 152,035 | 246,786 | (94,751) |
| **Less:** | | | |
| Borrowings received/(repaid) | 84,408 | (11,100) | 95,508 |
| Adjustment due to intrasector timing variances | - | - | - |
| **Public Account balance** per Schedule 1.1 of Treasurer's Annual Financial Statement | 236,443 | 235,686 | 757 |

# *APPENDIX 2 – COMPARISON OF 1999/2000 ACTUALS WITH 1999/2000 ESTIMATE*

| | **Actual** 99/00 $'000 | **Estimate** 99/00 $'000 | **Variance** $'000 |
|---|---|---|---|
| **Cash outflows:** | | | |
| Current expenditure | 1,799,156 | 1,807,660 | (8,504) |
| Capital Expenditure | 220,862 | 253,957 | (33,095) |
| Sub-total | 2,020,018 | 2,061,617 | (41,599) |
| **Less cash inflows:** | | | |
| Territory sourced revenue | 447,356 | 439,576 | 7,780 |
| Commonwealth grants | 1,481,750 | 1,501,070 | (19,320) |
| Sub-total | 1,929,106 | 1,940,646 | (11,540) |
| **Decrease( increase) in net debt** | (90,912) | 120,971 | (30,059) |
| **Public Account Balance** | | | |
| Net financing requirement for the year | (90,912) | 120,971 | (30,059) |
| **Add:** | | | |
| Cash balances at the start of the year | 246,997 | 233,602 | 13,395 |
| Opening balance reduction | (13,395) | - | (13,395) |
| Adjusted opening balance & net financing requirement | 142,690 | 112,631 | 30,059 |
| Net advances repaid | 9,345 | 12,270 | (2,925) |
| Balance, excluding borrowings repaid | 152,035 | 124,901 | 27,134 |
| **Less:** | | | |
| Borrowings received/(repaid) | 84,408 | 90,632 | (6,224) |
| Adjustment due to intrasector timing variances | - | - | - |
| **Public Account balance** per Schedule 1.1 of Treasurer's Annual Financial Statement | 236,443 | 215,533 | 20,910 |

# *APPENDIX 3 – COMPARISON OF 1999/2000 ACTUALS WITH FINAL 1999/2000 BUDGET*

| | **Actual** 99/00 $'000 | **Budget** 99/00 $'000 | **Variance** $'000 |
|---|---|---|---|
| **Cash outflows:** | | | |
| Current expenditure | 1,799,156 | 1,803,972 | (4,816) |
| Capital Expenditure | 220,862 | 245,514 | (24,652) |
| Sub-total | 2,020,018 | 2,049,486 | (29,468) |
| **Less cash inflows:** | | | |
| Territory sourced revenue | 447,356 | 459,362 | (12,006) |
| Commonwealth grants | 1,481,750 | 1,501,889 | (20,139) |
| Sub-total | 1,929,106 | 1,961,251 | (32,145) |
| **Decrease( increase) in net debt** | (90,912) | (88,235) | (2,677) |
| **Public Account Balance** | | | |
| Net financing requirement for the year | (90,912) | (88,235) | (2,677) |
| **Add:** | | | |
| Cash balances at the start of the year | 246,997 | 233,603 | (13,394) |
| Opening balance reduction | (13,395) | - | 13,395 |
| Adjusted opening balance & net financing requirement | 142,690 | 145,368 | (2,678) |
| Net loan repayments received | 9,345 | 7,978 | 1,367 |
| Balance, excluding borrowings repaid | 152,035 | 153,346 | (1,311) |
| **Less:** | | | |
| Borrowings received/(repaid) | 84,408 | 90,632 | (6,224) |
| Adjustments | - | (2,423) | (2,423) |
| **Public Account balance** per Schedule 1.1 of Treasurer's Annual Financial Statement | 236,443 | 241,555 | (5,112) |

# *APPENDIX 4 – COMPARISON OF 1999/2000 ACTUALS WITH 2000/01 BUDGET*

| | **Actual** 99/00 $'000 | **Budget** 00/01 $'000 | **Variance** $'000 |
|---|---|---|---|
| **Cash outflows:** | | | |
| Current expenditure | 1,799,156 | 1,801,532 | (2,376) |
| Capital Expenditure | 220,862 | 251,978 | (31,116) |
| Sub-total | 2,020,018 | 2,053,510 | (33,492) |
| **Less cash inflows:** | | | |
| Territory sourced revenue | 447,356 | 433,976 | 13,380 |
| Commonwealth grants | 1,481,750 | 1,574,621 | (92,871) |
| Sub-total | 1,929,106 | 2,008,597 | (79,491) |
| **Decrease( increase) in net debt** | (90,912) | (44,913) | (45,999) |
| **Public Account Balance** | | | |
| Net financing requirement for the year | (90,912) | (44,913) | 45,999 |
| **Add:** | | | |
| Cash balances at the start of the year | 246,997 | 215,533 | (31,464) |
| Opening balance reduction | (13,395) | - | 13,395 |
| Adjusted opening balance | 142,690 | 170,620 | (27,930) |
| Net loan repayments received | 9,345 | 19,819 | (10,474) |
| Balance, excluding borrowings repaid | 152,035 | 190,439 | (38,404) |
| **Less:** | | | |
| Borrowings received/(repaid) | 84,408 | 31,864 | 52,544 |
| Adjustment due to intrasector timing variances | - | - | - |
| **Public Account balance** per Schedule 1.1 of Treasurer's Annual Financial Statement | 236,443 | 222,303 | 14,140 |

## Further information

This Report, and further information about the Northern Territory Auditor-General's Office is available on our Homepage at:

http://www.nt.gov.au/ago

Further copies of this Report are also available from the Northern Territory Auditor-General's Office.

The next general Report by the Auditor-General to the Legislative Assembly is scheduled to be tabled in the February 2001 sittings.

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