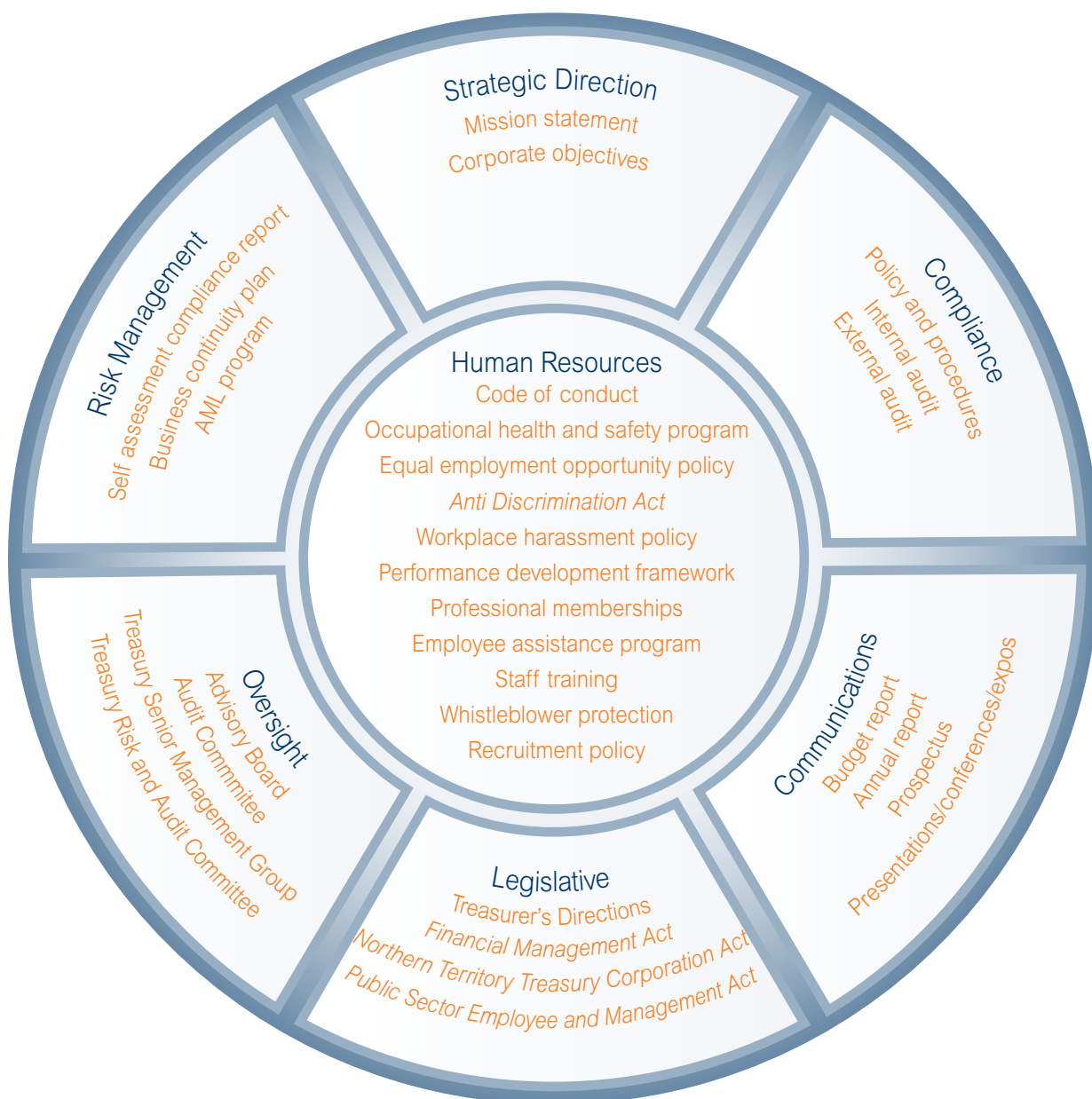


Corporate Governance

Figure 8: Northern Territory Treasury Corporation's Corporate Governance Framework



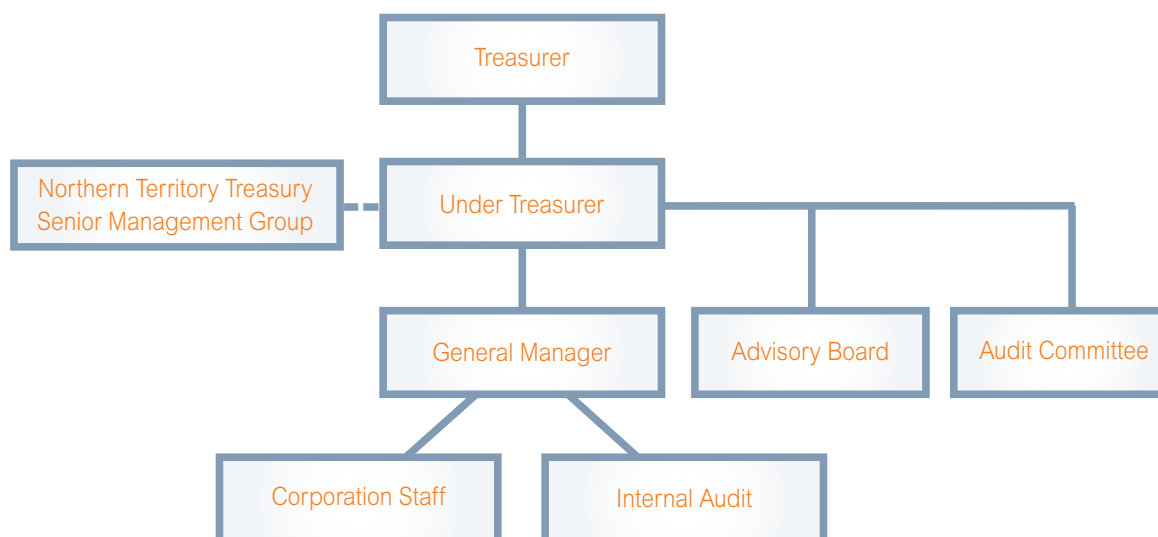
Corporate Governance

The Corporation's objective is to provide the Northern Territory Government with cost-effective funding, efficient financial management and reliable service and advice. The Corporation's Advisory board and management are committed to achieving this objective while upholding high standards of corporate governance, transparency and accountability through controls, policies and frameworks.

The Corporation was established in June 1994 and is constituted under the *Northern Territory Treasury Corporation Act*. The Under Treasurer, Northern Territory Treasury, is designated as the Corporation sole under the Act and as such represents the Crown in right of the Territory. Under section 5 of the *Northern Territory Treasury Corporation Act*, the Corporation is subject to the direction of the Treasurer of the Northern Territory.

Oversight

Figure 9: Northern Territory Treasury Corporation's Reporting Structure



Strategic Direction

Corporate Objectives

The Corporation's objectives are to:

- safeguard the Territory's financial resources by establishing and regularly reviewing credit limits and maintaining adequate internal controls and staffing;
- reduce the Territory's cost of borrowings through the effective control and management of its interest rate risk and to maintain the exposure to interest rate risk at an acceptable level;
- ensure the Corporation's continued ability to meet the Territory's finance obligations in an orderly manner, as and when they fall due, in both the short and long term, through liquidity management;
- minimise the Territory's cost of foreign currency requirements through the effective control and management of its foreign exchange risk and to remove the exposure to foreign exchange risk; and
- adopt improved risk management strategies through the ongoing evaluation and review of appropriate risk management techniques by utilising specialist resources available to the Corporation.

Advisory Board

Under section 8 of the *Northern Territory Treasury Corporation Act*, the Corporation has established an Advisory Board to assist the Under Treasurer with issues relating to the Corporation's operations. The Advisory Board is constituted to be the Under Treasurer and no more than five other persons appointed by the Treasurer of the Northern Territory. The Advisory Board meets quarterly to review and monitor the performance of the Corporation, its business risks and its performance in relation to its objectives. It also provides guidance on policy, analysis of economic conditions and advice on aligning borrowing and investing intentions with interest rate expectations.

The members of the Advisory Board as at 30 June 2009 were:

Mrs Jennifer Prince Under Treasurer and Chair Treasury

Mrs Prince commenced her career with the Northern Territory Department of Health in 1979. She joined Northern Territory Treasury in 1985 with responsibility for intergovernmental and budget policy matters. Mrs Prince moved interstate in 1989 but continued to work for Northern Territory Treasury and returned as

Deputy Under Treasurer in April 1997. Mrs Prince was appointed Under Treasurer in June 2002.

Mr Anthony Cole AO

External Board Member and Member of the Audit Committee

Mr Cole is Business Leader for Investment Consulting in Asia Pacific, a World Wide Partner of Mercer and a member of the Global Board for Investment Consulting. Mr Cole and his team advise institutional investors, including superannuation funds, on the development of their investment programs.

Mr Cole's experience includes nearly 30 years in senior Commonwealth economic posts. These included Principal Adviser to the then Treasurer, the Hon. Paul Keating MP, Deputy Secretary (Economic) to the Department of the Prime Minister and Cabinet, and Secretary to the Treasury.

Mr Richard Ryan AO

External Board Member and Chair of the Audit Committee

Mr Ryan is a Fellow of the Institute of Chartered Accountants, a Companion of the Institution of Engineers Australia and a Companion of the Institute of Management (UK). Mr Ryan is Chancellor of Charles Darwin University and was Chair of the Menzies School of Health Research. Mr Ryan is also a non-executive director of several public companies.

Mr David Braines-Mead

Senior Director Financial Management Treasury

Mr Braines-Mead joined Northern Territory Treasury in 2004 as Director Fiscal Strategy and Coordination and was appointed as Senior Director Financial Management in August 2007. Prior to joining Treasury, Mr Braines-Mead was employed as a Senior Audit Manager with Ernst and Young in Darwin from 1998 and before that in the United Kingdom with various chartered accountancy firms.

Northern Territory Treasury Corporation Audit Committee

The Corporation's Audit Committee comprises the two external board members, and is chaired by Mr Ryan. The Audit Committee provides advice to the Under Treasurer on operational issues and in relation to internal and external audits. It meets prior to all Advisory Board meetings, or as necessary.

Deloitte undertakes the internal audit review of the Corporation's business while the Auditor-General for the Northern Territory carries out the external audit of the Corporation's activities.

Deloitte's Office Managing Partner of the Northern Territory attends Audit Committee meetings at the request of the Audit Committee. The Auditor-General may also be invited to attend meetings during the year to provide direct comment to the committee members.



Left to right: Vicky Coleman (Corporate Secretary), Richard Ryan, Jennifer Prince, David Braines-Mead, Anthony Cole, Alex Pollon and John Montague.

Matters Considered by the Advisory Board

The Advisory Board receives specific papers and management reports that cover financial statements and budget position, performance and progress reports on the investment portfolio and the Corporation's borrowing and lending programs, and financial and operational risk exposure reports covering interest rates, counterparties and derivatives. Monthly management reports are provided to Treasury Executive.

Management and Treasury

Mr John Montague

Senior Director Funds Management

Treasury

Mr Montague began his career with Westpac Banking Corporation in 1986 holding various trading and management positions in Sydney and Melbourne within the bank's Treasury Fixed Interest division.

Mr Montague was seconded to the Northern Territory Treasury Corporation as Manager Financial Assets and Liabilities in 1994 and was appointed General Manager in November 1996. Since April 2009, Mr Montague has also been the Commissioner of Superannuation. The Corporation reports through Mr Montague as representative on the Senior Management Group of Treasury while retaining his role as Senior Director Funds Management.

Mr Alex Pollon

Acting General Manager

Mr Pollon joined the Corporation in September 1998 as Manager Financial Assets and Liabilities and was appointed as Assistant Director in December 2004. Since May 2009, Mr Pollon has been acting General Manager for the Corporation while Mr Montague assumes the role of the Commissioner of Superannuation. Prior to joining Treasury, Mr Pollon was the Manager Treasury Services for the Territory Insurance Office. Mr Pollon is a member of the Australian Institute of Company Directors and holds Australian Financial Markets Association dealer accreditation.

Treasury's Senior Management Group

The Corporation reports to Treasury's Senior Management Group (SMG), which is responsible for the strategic policy direction of Treasury and its business units. This includes managing performance and improving management and business practices. The main role of SMG is corporate governance and developing corporate capabilities, such as people, systems and environment in Treasury.

Treasury's Risk and Audit Committee

Audit and compliance reports submitted to Treasury's Senior Executive are reviewed by Treasury's Risk and Audit Committee. The committee oversees the internal audit, risk management and compliance with legislation of Treasury and its agencies.

Risk Management

Risk recognition and management is an essential function of the Corporation, given the nature of its operations. The Corporation's aim is to assist the Territory to achieve long-term viability by providing the Northern Territory public sector with cost-effective funding, efficient financial management and reliable service and advice.

Business Continuity Management

Management has developed a business continuity management plan in consultation with the Corporation's auditors and Treasury. The objective of this plan is to ensure that the Corporation is able to meet its financial obligations during an event that disrupts normal processes and procedures. This plan assesses and classifies all the Corporation's business activities to identify which functions are critical and assess the impact to these processes at various levels of disruption. The plan identifies key personnel and outlines their roles and responsibilities should an event occur that disrupts normal business operations. The plan provides guidance to the Corporation's staff in such an event.

Compliance Self Assessment Reviews

The Corporation undertakes a compliance self assessment process which is designed to identify the Corporation's key risks and put in place effective and adequate controls to mitigate those risks. This process

involves a monthly questionnaire, which is completed by the Corporation's management. The responses are collated by the responsible Compliance Officer and compiled into a quarterly summary report, which is distributed to the Advisory Board. This process is audited by the Corporation's internal auditors semi-annually and a report documenting the findings and recommendations is presented to the Advisory Board.

Anti-Money Laundering and Counter Terrorism Financing (AML/CTF) Legislation

In December 2006, the Commonwealth introduced AML/CTF legislation to assist in combatting money laundering and terrorism financing. In January 2008 the central financing authorities of Australia lodged a group exemption with the regulator AUSTRAC based on the low-risk transactions associated with government entities. An exemption from all sections of the legislation, except suspicious transactions, was granted in April 2008. The Corporation is committed to ensuring that it is not involved in money laundering or terrorism financing activities and will continue to undertake risk mitigation by maintaining the current AML/CTF program and supporting policies.

Insurance Arrangements

Under the Treasurer's Directions, agencies are required to detail the mitigation strategies and processes they have in place to reduce the likelihood or severity of their insurance risks. Insurable risks are risks that are generally related to workers compensation, assets and inventories, public liabilities and indemnities. They exclude financial risk and legal costs in action.

In line with Northern Territory Government policy, the Corporation self insures. As a GBD, the Corporation can and has elected to pay a premium to Treasury as its host agency for workers compensation insurance, in lieu of purchasing commercial insurance. In 2008-09 there were no self-insurance claims. This is consistent with 2007-08.

Compliance

As part of its corporate governance framework, the Corporation undergoes several audits and review processes during the year. These are undertaken by both internal and external auditors.

Policy and Procedures

Formal policy and procedure manuals have been created and provided to all staff members. Policy and procedure manuals are updated annually or as required.

Internal Audit

The Corporation has an internal audit function reporting directly to the Corporation's Advisory Board, Audit Committee and Treasury Senior Executive. The internal auditor, Deloitte, audits the Corporation's financial statements and reviews its risk and operational environments.

External Audit

The Auditor-General of the Northern Territory reviews the Corporation's financial statements and operating environment and reports these findings annually to the Under Treasurer and Northern Territory Parliament. The Auditor-General also attends the Corporation's Audit Committee meetings as requested.

Table 11: Audits Undertaken During the Year

Function	Type	Period	Internal/External	Outcomes
2007-08 financial statements	Audit	30/06/08	Internal	Unqualified audit opinion
			External	Unqualified audit opinion
Compliance self-assessment	Review	30/09/08	Internal	No significant matters identified
		31/03/09		
Financial statements	Audit	31/12/08	Internal	Unqualified limited assurance
Information technology controls	Audit	30/06/09	Internal	No significant matters identified
Interim period review	Audit	30/06/09	Internal/External	No significant matters identified