

Making It Happen

Risk Management

Risk Management Framework

The Australian and New Zealand Standard on Risk Management AS/NZS4360:2004 has been used as the framework for Treasury's risk management process and can be applied at all levels and for all activities in the organisation. The emphasis is on proactively thinking about and managing risks in all work areas, rather than reacting to risks as they emerge.

Risk Environment

Treasury operates in an environment where the main risks at an organisational level are:

- external – failure to comply with processes, rules, regulations or laws, the effect of which could impact negatively on Treasury's reputation or on that of the Treasurer and the Government; and
- internal – the risk of not being able to recruit and retain appropriately qualified staff, or continue to maintain capability, the effect of which could impede Treasury's ability to pursue its strategic objectives.

There are also shorter term risks at the more operational or project-specific level. Specific strategies are being developed to address these and other risks.

Managing and Mitigating Risk

Treasury manages its risk through understanding its functions and potential areas of exposure, implementing appropriate strategies to address these areas, and monitoring the progress and effectiveness of those strategies.

The Risk and Audit Committee is responsible for overseeing internal review and quality assurance relating to financial management, risk management and fraud control, and considering how these can potentially impact on Treasury. The committee oversees the examination of priority risk areas and recommends review and remedial actions to the Under Treasurer.

Business unit directors and their SMG members review the functions of their areas every year, identify the elements of risk, and discuss strategies and methods for limiting those risks. Treasury's Risk Register and internal audit program is developed as a result of these discussions.

The Auditor-General also has a formal audit program that covers, in detail, all Treasury's significant financial systems and accountabilities in the areas of the Territory Budget, Territory revenue, Treasury Corporation's borrowings and investments and the Territory's superannuation funds. Treasury's Risk Register, internal audit plan and the Auditor-General's formal audit program are considered by the Risk and Audit Committee in formulating Treasury's annual audit program for the coming year.

Monitoring Risk

During the year, several audits and reviews were undertaken as part of the internal audit program. They are categorised as internal and external, with internal referring to reviews or audits instigated by Treasury, and external referring to audits programmed by the Auditor-General. Tables 22 and 23 summarise all reviews and audits undertaken in 2008-09.

All findings and recommendations from the external audits were reviewed by SMG and the appropriate actions/responses undertaken.

An outcome of the review of internal control systems was a control self assessment checklist, developed for regular checking and certifying of processes by relevant managers throughout the year. Implementing the use of the checklist in 2009-10 will provide a high level of assurance to the Under Treasurer that internal control systems are working properly and as required.

Table 22: Audits and Reviews – External

Area	Audit/Review	Audit Outcome/Review Recommendations
Northern Territory Treasury Corporation	Audit – final 2007-08 financial statements	Unqualified audit opinion issued. No significant matters were identified.
	Audit – interim 2008-09 financial statements	Interim audit conducted to assist with end of year audit and to address control and compliance requirements. There were no significant weaknesses identified in the Corporation's risk management systems and controls to adequately monitor and manage its financial activities.
Financial Management Group	Audit – whole of government budget and reporting system (Apex)	The audit considered that the IT controls over the Apex system were satisfactory and therefore could be relied upon to provide reasonable assurance that the information contained in reports generated from the Apex system is reliable.
	Audit – Treasurer's Annual Financial Statement – final 2007-08	The audit found that the financial statements were presented fairly in accordance with the <i>Financial Management Act</i> , the <i>Fiscal Integrity and Transparency Act</i> and the Australian Accounting Standards incorporating early adoption of AASB 1049 Whole of Government and General Government Sector Financial Reporting.
	Audit – Treasurer's Annual Financial Statements – interim 2008-09	No major issues arose from the interim audit.
Territory Revenue Office	Audit – taxes, royalties and tax-related subsidy schemes 2008-09	<p>The audit found that the accounting and internal control procedures examined were found to be generally satisfactory and provided reasonable assurance that:</p> <ul style="list-style-type: none"> • revenue due to the Northern Territory from taxes and royalties is being received into the Public Account, or appropriate recovery action is pursued; • tax-related subsidies administered by Territory Revenue Office are paid correctly; and • revenues from the Commonwealth are appropriate based on information provided by the Commonwealth Treasury and are received on a timely basis.

Table 22: Audits and Reviews – External (continued)

Area	Audit/Review	Audit Outcome/Review Recommendations
Superannuation Office	Audit – 2007-08 Financial Statements – NTGPASS, LAMS Trust and NTPSBS	Unqualified audit opinions were issued for the financial statements of each scheme.
	Audit – Interim 2008-09 Financial Statements – NTGPASS, LAMS Trust and NTPSBS	Unqualified audit opinions were issued for the financial statements of each scheme.
	Review – 2008-09 Superannuation Office operating standards for NTGPASS, LAMS Trust and NTPSBS schemes	No issues arose from audits that assessed whether the NTGPASS, LAMS Trust and PSBS schemes were administered in compliance with the <i>Superannuation Industry Supervision Act</i> .
Treasury Services	Audit – Territory's 2007-08 Natural Disaster Relief and Recovery Arrangements (NDRRA) claim for assistance from the Commonwealth	The audit found that the claim for assistance from the Commonwealth was presented fairly and that the reported expenditures by the Northern Territory conformed with the NDRRA Determination 2007.

Table 23: Audits and Reviews – Internal

Area	Audit/Review	Audit Outcome/Review Recommendations
Whole of Treasury	Stocktake – portable and attractive asset register	A stocktake of Treasury's portable, attractive and home-based assets was conducted in November 2008. No major discrepancies were identified.
	Stocktake – fixed asset register	A stocktake was conducted by DBE in accordance with Section 2.2.9 of the Treasurer's Directions. No major discrepancies were identified.
	Review of internal control systems	Deloitte was engaged to conduct a review of Treasury's internal control systems. The review tested existing controls and made recommendations for the design and implementation of new controls. The risk register and internal audit plan were updated at this time.
	Review of cessation procedures	The review identified that the cessation process could be improved through automation. SharePoint will be used to implement a more automated system to ensure all aspects of an employee's cessation are captured, prior to ceasing employment.

Table 23: Audits and Reviews – Internal (continued)

Area	Audit/Review	Audit Outcome/Review Recommendations
Superannuation Office	Review – Implementation of AML/CTF	The review found that policies and procedures complied with the AML/CTF legislation and were applied in practice.
Northern Territory Treasury Corporation	Audit – half year review, annual audit of the Corporation's controls, half-yearly compliance report, six-monthly audit of CHA investment portfolio	As the central financing authority, the Corporation manages the Territory's borrowing, lending and investing activities. As part of its corporate governance and risk management framework, it engages independent audit firms to conduct regular audits of these programs. No issues were identified from the various audits of the Corporation for the year ended 30 June 2009.
	Review – IT controls assessment	The review identified two key control weaknesses in the Corporation's treasury management system (Quantum) which falls under the responsibility of both the Corporation and DBE (Data Centre Services). The Corporation anticipates these audit findings will be resolved with the scheduled upgrade of Quantum in November 2009.

Insurance

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 insurable risks.

Insurable risks are risks that are generally related to workers compensation, assets and inventories, public liabilities and indemnities. They exclude financial risks and legal costs in action.

Table 24 outlines Treasury's identified insurable risks and the strategies implemented to reduce those risks.

As a general government agency, Treasury self-insures. Workers compensation insurance is purchased for two employees living and working interstate at a cost of \$912. This is the only commercial insurance purchased by Treasury. In 2008-09 there were no self-insurance claims. This is consistent with 2007-08. Further workers compensation details are reported on page 72.

Table 24: Treasury's Insurable Risks

Insurable Risk Category	Mitigation Strategies
Public Liability	<ul style="list-style-type: none"> • Risk assessments completed • Access to Treasury work areas restricted (except for two front counter areas) • CIPTED principles used in designing work environments
Workers Compensation	<ul style="list-style-type: none"> • Risk assessments completed on building and all workstations • OH&S framework operating • OH&S Committee meets regularly to discuss issues and implement strategies to ensure OH&S framework is operating effectively • Education campaigns for staff • Utilisation of EAP • Work-life balance strategies implemented • Office safety and security policy in place • Working from home policy in place
Assets and Inventories	<ul style="list-style-type: none"> • Asset registers maintained for fixed, leased and portable and attractive items • Annual asset stocktakes for portable and attractive items • Electronic asset management system with assets barcoded to enable more efficient and timely stocktakes to be completed • Vehicles regularly serviced and maintained • Building safety audits performed • Regular testing of fire systems and alarms • Security patrols and appropriate security for staff working after hours
Indemnities	<ul style="list-style-type: none"> • Risk assessments completed for all new agreements