

Accountability and Audit

External Audit

In accordance with the *Commonwealth Authorities and Companies (CAC) Act 1997* (Cth), the Commonwealth Auditor-General audits the records and Financial Statements of the Company. The Australian National Audit Office (ANAO) has appointed Ernst & Young to conduct the audit on behalf of the Auditor-General.

The Company applied audit independence principles in relation to the external auditors. In addition, the external audit partner is rotated in accordance with the provisions of CLERP 9.

The Audit & Risk Management Committee meets with the External Auditors during the year to:

- discuss the external audit and internal audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the Financial Statements;
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and monitor the implementation of any recommendations made; and
- finalise annual reporting, review the preliminary financial report prior to sign-off and any significant adjustments required as a result of the auditor's findings.

Internal Control Framework

The Board is responsible for the overall internal control framework and for reviewing its effectiveness but recognises that no cost-effective internal control system will preclude all errors and irregularities. The systems are intended to provide appropriate assurance on:

- accuracy and completeness of financial reporting;
- safeguarding of assets;
- maintenance of proper accounting records;
- compliance with applicable legislation, regulation and best practice; and
- identification and mitigation of business risks.

The key features of the control environment include the Charters for the Board and each of its Committees, a clear organisational structure with documented

delegation of authority from the Board to executive management and defined procedures for the approval of major transactions and capital expenditure.

Certification by Managing Director and Chief Financial Officer

In accordance with Board policy, the Managing Director, Chief Financial Officer and other senior executives provide a self-assessment sign-off regarding the controls and activities of the Company including assurance as to the Company's financial condition.

This process supports the Managing Director and Chief Financial Officer's written certification to the Board under ASX Guideline Recommendation 7.2 that the certifications they give to the Board under ASX Guideline Recommendation 4.1 (as to the integrity of the Company's Financial Statements) are founded on a sound system of risk management and internal compliance and control that implements the policies adopted by the Board, and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Based on the evaluation performed as at 30 June 2007, the Managing Director and Chief Financial Officer concluded that as of the evaluation date, such risk management and internal compliance and control systems were reasonably designed to ensure that the Financial Statements and notes of the Company are in accordance with the Corporations Act 2001 and there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

While the core financial information systems of the Company are considered to be controlled effectively, there remains scope for a range of improvements. The Company has embarked upon a journey of system renewal that will result in greater internal control over its financial reporting process.

Internal Audit and Risk Management

The Audit & Risk Management unit conducts internal audits in accordance with a risk-based Internal Audit Plan. This Plan is reviewed and approved annually by the Audit & Risk Management Committee and the Board. All significant audit reports and a summary of other audit reports are reviewed by the Audit & Risk Management Committee and approved by the Board. During the year the internal audit function was contracted to KPMG.

The Internal Audit & Compliance Manager reports directly to the Chair of the Audit & Risk Management Committee.

The risk management methodology in place is based on Australian and New Zealand Risk Management Standards. A key component of the strategic risk management planning and operational reviews is the identification and evaluation of potential business risks.

Business Risk Management

The Board has in place a system of business risk management that forms part of the business planning and monitoring process across all key business units. Each business unit is responsible for assessing and updating its risk profiles, including related mitigation programs.

The Audit & Risk Management Committee reports on the status of business risks. Each year a full risk assessment and mitigation plan is prepared and endorsed by the Board. The risk assessment process includes input from the Board, executive and management across the business.

The Board regularly receives updates on the status of key business risks.

Compliance

The Compliance unit, reported to the General Counsel, up to 4 March 2007 and since 5 March 2007 report to the Chief Financial Officer, and are responsible for designing, implementing and maintaining a comprehensive compliance reporting process to mitigate regulatory risk. This includes the development of an Operational Compliance Plan, which is reviewed and approved by the Board on an annual basis.

As part of its commitment to Trade Practices compliance, the Company has in place an active Trade Practices compliance training program, which is completed annually by all staff.

The Compliance unit is dedicated to a Privacy compliance program. At present there are five staff available, all of whom are able and available to answer all privacy related queries. Dedicated policies, procedures and annual training are in place to increase staff awareness, safeguard members' personal information and foster a Privacy culture.