These principles are: -

1. There is a basic need for integrity among those who can influence a company's strategy and financial performance, together with responsible and ethical decision-making.
2. Presenting a company's financial and non-financial position requires processes that safeguard both the internal and external integrity of the organization.
3. Provide a timely and balances picture of all material matters.
4. The rights of stakeholders need to be clearly recognized and upheld.
5. Each business carries with it an element of uncertainty and a risk that can be managed through effective oversight and internal control
6. Keeping pace with the modern risks of business and other aspects of governance requires formal mechanisms that encourage enhanced management and board effectiveness.
7. Rewards are also needed to attract the skills required to achieve the performance expected by stakeholders.
8. The impact of the actions and decisions made by the organization is increasingly diverse and good governance recognizes the legitimate interests.

One must recognize that these recommendations are not prescriptions but merely guidelines designed to an efficiency, quality and integrity outcome. Best practice is emphasized in view of optimizing corporate performance and accountability in the interests of stakeholders and the economy at large.

Source Materials:

1. *The Cabinet Office—United Kingdom audit committee handbook—October 2003*
2. *Australian Stock Exchange—March 2003 Principles of Good Corporate Governance and Best Practice Recommendations*

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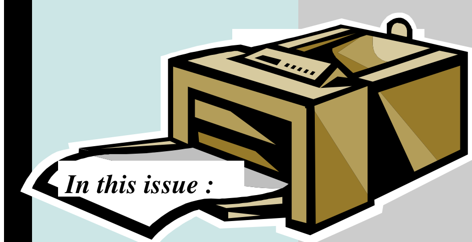
FACT SHEET #16



1. ***Audit Committee Competency Framework***
2. ***Questions Which the Audit Committee May Ask***
3. ***Corporate Governance—Basic Principles***

December 15, 2005

Audit Committee Competency Framework

All members of the Audit Committee should have, or acquire as soon as possible after appointment:

- Understanding of the objectives of the organisation and current significant issues for the organisation
- Understanding of the organisation's structure, including key relationships such as that with a sponsoring department or a major partner
- Understanding of the organisation's culture
- Understanding of any relevant legislation or other rules governing the organisation
- Broad understanding of the government environment, particularly accountability structures and current major initiatives.

The Audit Committee should corporately possess:

- Knowledge/skills/experience (as appropriate and required) in:
    - Accounting
    - Risk management
    - Audit
    - Technical or specialist issues pertinent to the organisation's business
- Experience of managing similar sized organizations
- Understanding of the wider relevant environments in which the organisation operates
- Detailed understanding of the government environment and accountability structures

Questions Which The Audit Committee May Ask

Audit Committees assist organisations most importantly in strengthening their risk management practices as these not only create but also add value to the organisation. For the committee to be effective, below is a list of questions which is not intended to be exhaustive or restrictive. It is intended to act as a "prompt" to help an Audit Committee ensure that their work is comprehensive.

On the strategic processes for risk, control and governance:

1. How is the organisational risk management culture generated, and is it appropriate?
2. Is there a comprehensive process for identifying and evaluating risk, and for deciding what levels of risk are tolerable?
3. Is the Risk Assessment an appropriate reflection of the risks facing the organisation?
4. Is appropriate ownership of risk in place?
5. How does management know how effective internal control is?
6. Is risk management carried out in a way that really benefits the organisation or is it treated as a box ticking exercise?
7. Is the organisation as a whole aware of the importance of risk management and of the organisation's risk priorities?
8. Does the system of internal control provide indicators of things going wrong?
9. How meaningful is the Accounting Officer's annual 'Statement on Internal Control' (SIC) and what evidence underpins it?
10. Does the SIC appropriately disclose action to deal with material problems
11. Have the implications of the results of the effectiveness review been discussed at Board level?

On the planned activity and results of both internal and external audit:

12. Is the Internal Audit strategy appropriate for delivery of a positive reasonable assurance on the whole of risk, control and governance?
13. Will the periodic audit plan achieve the objectives of the Internal Audit strategy, and in particular is it adequate to facilitate a positive, reasonable assurance?
14. Does Internal Audit have appropriate resources, including skills, to deliver its objectives?
15. Are there any issues arising from management not accepting Internal Audit recommendations?
16. Are appropriate actions taken on agreed internal audit recommendations?
17. What assurance is there about the quality of Internal Audit work?
18. Is there appropriate co-operation between the internal and external auditors?

CORPORATE GOVERNANCE—BASIC PRINCIPLES

Corporate Governance has been *buzz* words since Enron's accounting malfeasance, which began early in 2001 to their final collapse by January 2002. Entities in both private and public sectors have to recognize that there are more than one model of good corporate governance, but they have to decide which one best suits their circumstances which they can suitably adopt.

What constitutes good corporate governance will evolve with the changing circumstances of an organization and thus, have to be tailored to meet those circumstances. A key note is that best practice must evolve with any development.

Given that there is no single model of good corporate governance, there are some fundamental principles that are recommended for any organization to use. Though, these recommendations cannot within themselves prevent corporate failure or mistakes in corporate decision making, they can provide a reference guide for entities to minimize problems and optimize performance and accountability.