

2007/08 Corporate Reports
Key Questions for Audit Committees

Area of consideration	Part 1 Key questions of a general nature
<i>Risk management procedures</i>	<p>Are the risk management procedures adequate to identify and evaluate all relevant risks and exposures across the group on a timely basis?</p> <p>To what extent is there a heightened risk of manipulation of reported financial results, or balance sheet presentation? How have these risks been mitigated?</p> <p>Are group and local management competent to identify and address the business and reporting risks including the exposure to third parties adversely affected by the current market turbulence?</p> <p>Does the group finance function have sufficient skill, experience and resources to prepare the annual report in the current circumstances?</p>
<i>Year end planning considerations</i>	<p>Is the audit committee adequately briefed on key issues?</p> <p>Is the group reporting timetable realistic both in terms of meeting investor expectations and ensuring that all issues are properly addressed?</p> <p>Are the accounting policies comprehensive and still appropriate?</p> <p>Is there any evidence that current developments have any implications for information reported in prior periods?</p>
<i>Year end reporting - going concern and funding facilities</i>	<p>How will the board satisfy itself that it is appropriate for the financial statements to be prepared on a going concern basis? How realistic are the assumptions underlying the cash flow forecast?</p> <p>To what extent is there dependence on short-term borrowings or other short term finance? Are there any defaults on covenants? What steps are in place to deal with any funding deficiencies?</p>

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<i>Year end reporting – business review</i>	<p>Does the business review present the risks, particularly the financial risks, associated with the group's activities in a fair way?</p> <p>Is the business review consistent with the rest of the annual report?</p>
<i>Key accounting issues</i>	<p>Has detailed consideration been given to identifying impairments of businesses or other assets impacted by current events?</p> <p>Has due care and diligence been applied in valuing financial and other assets reported at fair value?</p> <p>Has market volatility impacted the effectiveness of hedges subject to hedge accounting?</p> <p>Have appropriate disclosures in relation to financial instruments been made in accordance with relevant accounting standards?</p>
<i>Auditors</i>	<p>Does the group audit plan adequately assess the current risks? Have the auditors allocated sufficient resources including the involvement of experts to the audit?</p> <p>Have the auditors provided any ad hoc services or advice which could compromise their independence and objectivity in light of current market circumstances?</p>

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Area of consideration	Part 2 Key questions of a financial services nature
<i>Lending and loan losses</i>	<p>Has management prepared a thorough assessment of exposures and risks and what procedures are in place to mitigate those risks?</p> <p>What is the group's loan default experience in recent months and how does this compare with experience prior to the credit market turbulence? Are the procedures and methodologies in place to assess allowances for impairment appropriate? Are resulting impairment allowances appropriate?</p>
<i>Securitisation structures</i>	<p>Has management adequately identified and re-assessed the risk profile of securitisation structures and products?</p> <p>Have all potential exposures and areas of losses been identified and assessed?</p> <p>Has any action been taken either to fund structured investment vehicles (SIVs) or to liquidate them?</p> <p>Has a sufficiently robust process been adopted to identify those SIVs that may need to be brought on balance sheet?</p> <p>Have appropriate disclosures been made in accordance with relevant accounting standards?</p> <p>What further explanations, in addition to those required by standards, may be needed in the annual report to provide transparency in relation to off-balance sheet arrangements?</p> <p>Is there sufficient substantiation of the assumptions underlying any valuation techniques applied and models used?</p>

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Area of consideration	Part 2 Key questions of a financial services nature
<i>Fair value and modelling techniques</i>	<p>Is there a robust process in place to ensure that appropriate fair values are obtained?</p> <p>To what extent are models used in pricing and evaluating financial instruments and is any change in methodology explained and justified?</p> <p>Is there sufficient substantiation of the assumptions underlying any valuation techniques applied and models used? How have they been modified to reflect current market turbulence?</p> <p>Are the key assumptions used in valuation models clearly understood? What is the sensitivity and possible range of outcomes to changes in those assumptions?</p> <p>What is revealed by any sensitivity analyses that have been performed?</p>
<i>Liquidity risk</i>	Is there proper analysis and disclosure of the entity's exposure to liquidity risk?