

<p>1. PURPOSE</p>	<p>The Audit and Risk Committee is a sub-committee of the Board of Australia Post (“the Corporation”), established to assist the Board discharge its responsibilities under the Australian Postal Corporation Act (1989) and Commonwealth Authorities and Companies Act (1997).</p> <p>In particular the Committee will assist the Board by its oversight and review of:</p> <ul style="list-style-type: none"> • financial reporting • risk management • internal control • auditor independence and performance • compliance with laws and regulations <p>In performing its duties, the Committee will maintain effective working relationships with the Board, management and the internal and external auditors.</p>
<p>2. AUTHORITY</p>	<p>The Committee is authorised, within the scope of its responsibilities, to:</p> <p>2.1 Seek information it requires from any Australia Post employee, the external auditor and/or any external party.</p> <p>2.2 Obtain outside legal or other professional advice at the Corporation’s expense, and initiate special investigations as deemed necessary.</p>
<p>3. MEMBERSHIP</p>	<p>3.1 The Committee will consist entirely non-executive Directors. It will have a minimum of three members at least one of whom should possess accounting or related financial management expertise.</p> <p>3.2 The chairman of the Committee will be nominated by the Board, however will not be chairman of the Board. Where the Committee Chairman is unavailable for a meeting, another Committee member will act in that capacity.</p> <p>3.3 Membership of the Committee will be reviewed periodically (at least every 3 years) by the Board with the aim of ensuring an appropriate balance between continuity of membership, the contribution of fresh perspectives and a suitable mix of skills, knowledge and experience.</p> <p>3.4 The Committee will adopt and maintain a programme of induction, training and awareness-raising for its members. The objective of training will be to enable the Committee to keep abreast of current thinking and leading practices in the core areas of the Committee’s focus.</p>
<p>4. ORGANISATION</p>	<p>4.1 The Committee will meet at least quarterly ‘face-to-face’ or more frequently as required. Special meetings may be called at the request of any Committee member or the external or internal auditors.</p>

<p>4. ORGANISATION CONT'D</p>	<p>4.2 Any Director who is not a member of the Committee will have the right to attend meetings of the Committee.</p> <p>4.3 At the discretion of the Committee, the chief finance officer, group financial controller, internal auditor and external auditor will attend meetings.</p> <p>4.4 A quorum to transact the affairs of the Committee is two persons or a majority of the Committee, whichever is greater.</p> <p>4.5 Prior to each meeting, the Committee will convene privately without management in attendance in separate sessions with the:</p> <ul style="list-style-type: none"> • external auditor • internal auditor • chief finance officer <p>4.6 The Group Manager Corporate Security has full access to the Committee. The Committee will meet privately with the Group Manager Corporate Security and General Counsel at least annually.</p> <p>4.7 The secretary of the Committee will be the corporate secretary or other person as nominated by the Board.</p> <p>4.8 Meeting agenda and papers will be provided prior to the meeting and minutes of meetings will be prepared.</p> <p>4.9 All Directors will receive copies of Committee meeting papers and minutes.</p>
<p>5. ROLES AND RESPONSIBILITIES</p>	<p>5A - FINANCIAL REPORTING</p> <p>The Committee will:</p> <p>5A.1 Review the annual financial statements prior to their consideration by the Board. This will include a discussion with the auditors of any major transactions and accounting issues, accounting policies adopted and the proposed audit report.</p> <p>5A.2 Assess any proposed changes in accounting practices or policies (by May each year), prior to their consideration by the Board. In addition, the Committee will review any accruals, provisions, asset revaluations or estimates that significantly affect the financial statements as well as other sensitive matters, such as disclosure of related party transactions.</p>

5. ROLES AND RESPONSIBILITIES CONT'D

- 5A.3 Review jointly with management, the external auditors and, if necessary, legal counsel, any litigation, claim or other contingency, including tax assessments, which could have a material effect upon the financial position or operating results of the Corporation. The Committee will also review the manner in which these matters have been disclosed in the financial statements.
- 5A.4 Discuss with the external auditor the auditor’s judgments about the quality and acceptability of the Corporation’s accounting principles.
- 5A.5 Review with the external auditor issues such as the clarity of the Corporation’s financial disclosures and other significant decisions made by management in preparing the financial statements.
- 5A.6 Consider any other matter, which affects its recommendation to the Board concerning the adoption of the financial statements.
- 5A.7 Monitor the standard of corporate conduct in transactions with related parties.
- 5A.8 Monitor the adequacy of financial information provided to the Board.
- 5A.9 Meet with the Auditor-General as required.
- 5A.10 Review the Board meeting minutes of associated companies for significant issues.
- 5A.11 Receive an annual report from the Australia Post representative on Audit Committees of associated companies.

5B - INTERNAL CONTROL, RISK MANAGEMENT AND ETHICS

The Committee will:

- 5B.1 Satisfy itself that management is ensuring an appropriate organisational culture committed to ethical and lawful behaviour, internal control and risk management.
- 5B.2 Assess management’s programs and policies that deal with the adequacy and effectiveness of internal controls over the Corporation’s business processes.
- 5B.3 Evaluate the overall effectiveness of internal control and risk management frameworks.
- 5B.4 Assess the treatment of existing and emerging risks each quarter.
- 5B.5 Annually review fraud risk in the Corporation.
- 5B.6 Monitor the adequacy of insurance coverage for the Corporation.
- 5B.7 Review the effectiveness of business continuity planning for the Corporation.

5. ROLES AND RESPONSIBILITIES CONT'D

5B.8 Review the Corporation’s information security infrastructure.

5B.9 While, the Board Human Resource Committee has primary responsibility for Australia Post’s code of ethics, the Audit and Risk Committee will review any significant complaints related to matters overseen by the Committee, including details, current status and resolution.

5C - COMPLIANCE

The Committee will monitor:

5C.1 Compliance with laws, regulations and Community Service Obligations including prescribed performance standards.

5C.2 Processes for the management and exercise of delegations.

5C.3 Processes to ensure compliance with ASX principles for Financial Reporting.

5C.4 Updates from management and legal counsel regarding compliance matters that may have a material impact on the Corporation and the financial statements.

5D - EXTERNAL AUDIT

The Committee will:

5D.1 Discuss with the external auditor the standard of internal audit work.

5D.2 Assess the plans of the external auditors, to ensure they are coordinated, cover higher-risk areas and provide assurance regarding compliance with relevant laws and regulations and Australia Post policies and procedures.

5D.3 Review the extent to which the planned audit scope can be relied upon to detect weaknesses in internal control, fraud or other illegal acts.

5D.4 Review management letters containing material findings or recommendations raised by the external auditors and monitor the nature and timeliness of management action in response to findings.

5D.5 Review the extent to which the external auditors achieve their key performance indicators.

5E - INTERNAL AUDIT

The Committee will:

5E.1 Participate in the appointment, dismissal or replacement of the internal auditor.

5E.2 Annually review the charter, activities, funding and structure of the internal audit function, ensuring it is effective and has appropriate standing in the Corporation.

5E.3 Review the annual internal audit plan including the allocation of resources/projects.

<p>5. ROLES AND RESPONSIBILITIES CONT'D</p>	<p>5E.4 Assess the plans of the internal auditors to ensure they are coordinated, cover higher-risk areas and provide assurance regarding compliance with relevant laws and regulations and Australia Post policies and procedures.</p> <p>5E.5 Review the extent to which the planned audit scope can be relied upon to detect weaknesses in internal control, fraud or other illegal acts.</p> <p>5E.6 Review significant internal audit findings and actions reported during the quarter and monitor the nature and timeliness of management action in response to findings.</p> <p>5E.7 Review the extent to which the internal auditors achieve their key performance indicators.</p> <p>5E8 Receive an annual report from the Internal Auditor on the overall state of internal controls in the Corporation.</p>
	<p>5F – REPORTING The committee will:</p> <p>5F.1 Ensure a summary of the Committee’s responsibilities and the action it has taken to fulfil those responsibilities is included in the Corporation’s annual report.</p> <p>5F.2 Confirm the disclosure to be provided in the annual report regarding the non-audit services provided by the external auditors during the financial year.</p> <p>5F.3 Keep the Board informed of the Committee’s activities by an oral report from the Committee Chairman following each Committee meeting.</p> <p>5F.4 Provide an annual report to the Board on the operation and performance of the Committee.</p> <p>5F.5 This charter will be reviewed and reported annually to the Board to ensure its ongoing relevance and effectiveness.</p>
	<p>5G - OTHER</p> <p>5G.1 Perform other activities related to this charter as requested by the Board of Directors.</p>
	<p>The Committee requires:</p> <p>6.1 The internal auditor to confirm, at least annually, the extent to which internal audit activities have been conducted in an independent manner.</p>
	<p>6 INTERNAL AUDITOR INDEPENDENCE</p>

**7 EXTERNAL
AUDITOR
INDEPENDENCE**

The Committee requires the following principles/practices of its external auditor:

7.1 Personnel - The Australian National Audit office (ANAO) and/or its agent should provide suitably qualified personnel to ensure an effective audit. The personnel should be appropriately trained, capable of meeting the required technical standards, able to maintain confidentiality and behave in a professional manner at all times.

Fair Commercial Rates - To ensure audit quality, and to allow for an effective audit service by suitably qualified professionals, Australia Post commits to the payment of fair commercial rates for its statutory audit and audit-related services.

7.3 Unacceptable Non-Statutory-Audit Related Services - Provision of the following non-statutory-audit related services is presumed to impair audit independence:

- internal auditing
- information technology
- treasury policy, strategy and operations
- taxation strategy and planning
- business and strategic planning
- lead advisory role in proposed acquisitions
- preparation of accounts, records or financial statements.

The ANAO and/or its agent should not undertake any of these services.

7.4 Service Fees - In respect of other non-statutory-audit related services, the fees paid to the ANAO and/or its agent should not exceed a level that would give rise to the perception that the ANAO and/or its agent's judgment relating to the audit process is, or could be, impaired. In that regard, the Committee will require advice each quarter of the individual services provided, related fees paid or due for those services, and the overall quantum of fees paid or due to the ANAO and/or its agent during the course of the year.

7.5 Fee Limitations - Where the quantum of fees for the provision of acceptable non-statutory-audit related services meets or exceeds the agreed total annual statutory audit fee (a ratio of 1:1), no further non-statutory-audit related services for a fee, should be provided by the ANAO and/or its agent during the course of the year. If a proposed non-statutory-audit related service is likely to result in an excess of the annual fee quantum, the proposed service must be referred to the Australia Post Board for prior approval.

**7. EXTERNAL
AUDITOR
INDEPENDENCE
CONT'D**

7.6 Rotate Partners - The ANAO and/or its agent should commit to rotating the senior audit partner on its account at least every five years.

7.7 Accounting Policy – Notwithstanding that Australia Post is responsible for the adoption and application of Accounting policy, a summary of the Accounting Policy advice provided by the ANAO and/or its agent during the year should be provided to the Committee for review.

7.8 Controlled Entities - The ANAO and/or its agent should provide statutory audit services for all controlled entities. This ensures that firstly, the ANAO and/or its agent possesses all relevant knowledge necessary to form an overall opinion and secondly, that the ANAO and/or its agent's objectivity is not compromised by the audit function being fragmented.

7.9 Annual Confirmation - The ANAO and/or its agent should confirm annually that it has complied with all professional regulations relating to auditor independence. Specifically, the ANAO and/or its agent should confirm that:

- The ANAO and/or its agent do not have any financial interest in any of Australia Post's controlled/related entities.
- There is no commercial relationship between Australia Post and the ANAO and/or its agent, except within the normal course of business.
- The superannuation fund of the auditors does not hold any direct financial interest in Australia Post's controlled/related entities.
- No portion of fees paid by Australia Post to the ANAO and/or its agent for an assurance engagement is paid on a contingency basis.

Specifically, the ANAO and/or its agent should confirm that:

- The total fees received by the ANAO and/or its agent from Australia Post do not have a material impact on its operations or financial conditions.
- Australia Post has not withheld fees from the ANAO and/or its agent.
- To the best of the ANAO and/or its agent's knowledge, there is no litigation between Australia Post and the ANAO and/or its agent.

7 EXTERNAL AUDITOR INDEPENDENCE CONT'D	<p>7.10 <u>Quality Control</u> - The ANAO and/or its agent should maintain quality control processes whereby all key accounting and auditing decisions are reached after appropriate consultation with technical and subject matter experts within the ANAO and/or its agent firm.</p> <p>7.11 <u>Subsequent Employment</u> - There will be a period of two years following resignation from the ANAO and/or its agent, before a former partner or senior member of the audit team who was directly involved in the Australia Post audit, can be employed in a senior role by the Corporation.</p>
8 ADOPTION OF CHARTER	<p>8.1 The Board adopted this charter on March 22, 2007. The charter was reviewed in February 2009.</p>
