

NATIONAL AUSTRALIA BANK LTD
Form 6-K
April 02, 2004

FILE NO 1-9945

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON DC 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of April 2004

National Australia Bank Limited

ACN 004 044 937
(Registrant's Name)

Level 24
500 Bourke Street
MELBOURNE VICTORIA 3000
AUSTRALIA

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F

Form 40-F

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Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82 -

This Report on Form 6-K shall be deemed to be incorporated by reference in the prospectus included in the Registration Statement on Form F-3 (No. 333-6632) of National Australia Bank Limited and to be part thereof from the date on which this Report, is filed, to the extent not superseded by documents or reports subsequently filed or furnished.

Group Corporate Affairs

National Australia
Bank Limited
ABN 12004044937

ASX Announcement

500 Bourke Street
Melbourne
Victoria 3000
Australia

Melbourne, 1 April 2004

Blake Dawson Waldron Advice Released

National Australia Bank has received the attached advice from Blake Dawson Waldron (BDW) on probity and governance matters relating to the PricewaterhouseCoopers (PwC) report into foreign exchange options trading losses.

The National advises that Mrs Catherine Walter, a director of the National, has written directly to BDW claiming that it would be improper for them to provide further advice concerning the legitimacy of the PwC report because certain allegations made by Mrs Walter are now in the public domain and will be considered by shareholders at a general meeting, and other National Directors may respond to those matters.

Having received legal advice on this matter, the National considers that it is in the National's corporate interests to assess and respond to criticisms of the PwC report which the National commissioned and released to the market, irrespective of whether the person making those criticisms is one of the Directors of the National.

BDW has also confirmed to the National that they can properly provide the further advice the National has sought.

The National has accordingly decided to release BDW's further probity advice to the market despite Mrs Walter's objection to its doing so.

For further information:

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LAWYERS

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Our reference
ATD:EMJ:13618999

31 March 2004

Dear Directors

Probity and Governance Advice
PricewaterhouseCoopers (PwC) Report into Foreign Exchange Losses

In our letter of 12 March 2004, we expressed the opinion, based on our observations and enquiries and having regard to the matters outlined in that letter, that PwC was reasonably likely to be regarded as being independent for the purpose of providing its report into foreign exchange losses at the National (**the Report**). In expressing this opinion we had regard to the matters raised in a letter from Mrs Catherine Walter dated 3 March 2004.

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Mrs Walter has subsequently written to the Chairman on 16, 17 and 21 March 2004 and issued a media statement dated 26 March 2004. In the light of the comments made by Mrs Walter in these letters and the media statement, you have asked us to:

A. amplify the steps taken by us in forming the opinion as to independence which we expressed in our letter of 12 March 2004; and

B. comment (from a probity perspective) on the issues raised about which we have direct knowledge.

A. Matters taken into account in our opinion as to the independence of PwC

In expressing the opinion in our letter of 12 March 2004, we had regard to certain indicia of independence, drawn from established authority in other contexts and to good probity and governance practice. For an expert's report to be regarded as independent, it must satisfy four main tests. We set out below our comments in respect of the application of each test.

1. *The expert must disclose any information which readers need to assess for themselves the expert's impartiality*

At the commencement of our assignment, you informed us that the National has established commercial relationships with a number of major accounting firms. In the

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case of PwC, this included provision of seconded staff to the National and the establishment of a Strategic Alliance to provide internal audit services as required.

The Disclosure Statement published in the Report (p.iii) sets out relationships with the National. Prior to publication of the Report we satisfied ourselves of the accuracy and completeness of that information, first against the National's own records and secondly through interviews with National employees and PwC personnel. We are not aware of any information other than that set out in the Disclosure Statement which readers need to assess for themselves PwC's impartiality.

2. *The expert's report must not be commissioned after shopping the brief around for an expert who will give a favourable report*

We have made our own enquiries as to the circumstances surrounding the commissioning of the Report by the National on 16 January 2004. We are unaware of any evidence to support the view that the brief was assigned to PwC after approaches to other experts or on the basis that PwC would provide a favourable report.

3. *The expert's report must not result from successive drafts circulated to and amended following discussion with those commissioning it, except to correct factual matters*

We made our own enquiries as to the circumstances surrounding the provision of progress briefings during the course of the PwC investigation (including questioning of relevant persons) and whilst the Report was in preparation. High level Status Update Briefings with summaries of progress were provided by the PwC investigation team to the PBRC and later to the full board.

We established and monitored a protocol to ensure that PwC did not invite or consider amendments, other than corrections of factual matters. We reviewed the summary documents which were provided to members of the PBRC. We are not aware of any breach of that protocol or any inappropriate interference or direction by the PBRC or board.

4. *The expert must be unbiased -the more extensive the relationship between the expert and the company, the greater the onus on the expert to demonstrate absence of bias*

We tested for evidence of bias by interviewing the PwC investigation personnel and National directors and employees, attending meetings between them and attending the briefing by PwC of the board. No evidence of bias came to our attention.

We were aware that the majority of PwC investigation interviews had been attended by the regulator, Australian Prudential Regulatory Authority (APRA), which we are informed also received transcripts of all the interviews conducted by PwC.

APRA confirmed that it was utilising the resources of PwC to gain access to relevant information about the foreign exchange options trading and relevant aspects of the National's risk management framework. However, APRA advised that it would reach its own judgements on the basis of this information and its own investigations. We were assured by APRA that the combined investigative work would not continue if APRA had concerns regarding the conduct of the investigation by PwC.

This provided to us some corroborative evidence that PwC were bringing an independent mind to bear in their investigations.

B. Issues raised by Mrs Walter - Summary

There is a large number of issues raised in this correspondence which call into question the procedural integrity of the process and the independence of the Report. We have prepared a table identifying these issues. They generally fall into the following categories:

(a) *Inappropriate direction from members of the Principal Board Risk Committee (PBRC) to PwC*

Protocols for the conduct by PwC of their investigations and enquiries were established by us. We are not aware of any occasion on which those protocols were not observed. We are not otherwise aware of any inappropriate interference or direction by members of the PBRC or the board generally.

(b) *Failure of PwC, Deloitte or BDW to take into account factual matters raised by Mrs Walter*

To the extent that Mrs Walter's comments relate to issues of procedural integrity, her comments fall into the following main categories: the role of PwC personnel working on National projects (including on Horizon software) and on secondment, the PBRC, reporting as to the consideration of certain APRA letters, and the role of Internal Audit. Mrs Walter raised these issues at various times during the period of our engagement. The issues were variously included in letters, interviews with us and Deloitte, in written responses, with PwC at the Board meetings of 9 and 11 March and with Deloitte at the Board meeting on 11 March. We are satisfied that this provided adequate opportunity for these issues to be taken into consideration by PwC and Deloitte in arriving at their conclusions. These matters were taken into consideration by us in our opinion of 12 March 2004.

(c) *Lack of full disclosure to BDW (and Deloitte) of all material facts such that our brief was circumscribed*

From the commencement of our engagement we had full and free access to documents, National staff and consultants. We were encouraged to be robust and rigorous in our work. No attempts were made to restrict or direct our review of material or interviews with staff. We obtained full cooperation at all times.

The same access was given to Deloitte in their review. In her letter of 21 March Mrs Walter states that Deloitte had no access to PwC documents. At the Board meeting of 11 March, directors were given an opportunity to question Deloitte directly and to test whether they (Deloitte) considered that their own work had been inappropriately restricted or directed in any way. To our observation, Deloitte were given full access to PwC's documents.

The above comments are a summary of an analysis we have undertaken of the issues raised by Mrs Walter in her letters of 3 and 21 March 2004 and the media release, to the extent they relate to the integrity of the process followed by PwC in completing the Report. Some of the issues raised by Mrs Walter in her letters (including all issues raised in her letters of 16 or 17 March 2004) are outside the scope of our retainer or our knowledge and we are therefore not in a position to comment on them. These are not matters in relation to the scope of the Report or the processes by which it was prepared.

In summary, there is nothing in Mrs Walter's letters to the Chairman dated 16, 17 or 21 March 2004 or her media release dated 26 March which causes us to withdraw, amend or qualify our probity and governance opinion of 12 March 2004.

Yours faithfully

BLAKE DAWSON WALDRON

National Australia Bank Limited

Note: BDW provides the comments below on matters within the scope of our terms of engagement.

A Mrs Walter s letter of 3 March 2004

In relation to Mrs Walter s letter of 3 March 2004 we provide the following material. In doing so we adopt the headings used by Mrs Walter in that letter:

Background

Issue	Comment	Probity Position
<p>1. PwC suggested to PBRC that the events at the meeting (6 May 2002) should not be construed as being as the minutes record... (Page 2, paragraph 4).</p>	<p>The material referred to by Mrs Walter was not in the <i>status update document</i> viewed by BDW on 27 February 2004 nor was it in the final PwC Report.</p>	<p>As a result of the appointment of Deloitte this aspect of the investigation was not dealt with by PwC. There are no outstanding probity concerns arising from this issue.</p>
<p>2. PBRC was to be the body responsible for the conduct of PwC investigation and report...</p>	<p>As a result of questioning relevant persons and considering relevant documents, BDW understood that in the early stages of the PwC investigation, it was decided by the Board that PBRC was the appropriate body for PwC to report to. BDW is aware that this situation later changed and that PwC then reported to the full Board.</p>	<p>There are no outstanding probity concerns arising from this issue.</p>
<p>3. Exclusion of other directors from the process of supervision of the investigation and report.</p>	<p>BDW was satisfied that all directors, (subject to those relevant directors having been interviewed by PwC prior to the update being given) had received appropriate update material and information as to the progress of the investigation and the PwC Report.</p>	<p>There are no outstanding probity concerns arising from this issue.</p>
<p>4. Even the probity advisors have been required to report to PBRC.</p>	<p>BDW reported solely to the Board, and not to any committee of the Board (including PBRC).</p>	<p>This is a factual matter, which BDW can comment on. There are no outstanding probity concerns arising from this issue.</p>

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5. The Principal Board has not even had a comprehensive written report as to the facts of the losses...

This was provided by PwC to the Board meeting on 2 March 2004. Board members who were not able to attend that meeting were given the opportunity to receive a separate update.

This is a factual matter, which BDW can comment on.

There are no outstanding probity concerns arising from this issue.

PwC Conflict of Interest

Issue	Comment	Probity Position
1. PwC-Head Investigator, Craig Hamer, is PwC partner responsible for NAB relationship...	<p>Reference is made to the Disclosure Statement in the PwC Report, which provided:</p> <p><i>One of the partners leading the investigation, Craig Hamer, is PwC's relationship partner for the National. His principal responsibility in this role is to ensure the overall quality of professional services provided to the National.</i></p> <p>PwC Report, 12 March 2004, page (iii)</p>	There are no outstanding probity concerns arising from this issue.
2. Craig Hamer is I am informed, in precisely the same position as Tony Harrington...	<p>BDW was aware of the issue Mrs Walter is apparently referring to and determined that it did not give rise to a probity concern.</p>	There are no outstanding probity concerns arising from this issue.
3. Strategic alliance of PwC with Internal Audit.	<p>Reference is made to the Disclosure Statement in the PwC Report, which provided as follows:</p> <p><i>In February 2003 PwC was selected as a preferred (but not exclusive) third party provider of resources to the National's Internal Audit function .</i></p> <p>PwC Report, 12 March 2004, page (iii)</p>	There are no outstanding probity concerns arising from this issue.
4. Jim Power, of PwC... delivered a key report to Principal Board Audit Committee (PBAC) as to...	<p>Reference is made to the Disclosure Statement in the PwC Report which provided as follows:</p> <p><i>Jim Power, a PwC partner, acted as Head of Internal Audit for CIB from 13 February 2002 to the end of October 2002</i></p> <p>PwC Report, 12 March 2004, page (iii); and</p> <p><i>As Jim Power had a role in the preparation and presented to PBAC the AIB memorandum referred to in this section, it is not appropriate for us to give any opinion in respect of this section of our report.</i></p>	There are no outstanding probity concerns arising from this issue.

Accordingly, Deloitte have reviewed this section and have provided an opinion to the Bank in respect of this section. PwC have reviewed the Deloitte opinion.

Issue	Comment	Probity Position
	<p>PwC Report, 12 March 2004, page 47.</p> <p>The Deloitte opinion dated 12 March 2004 made findings as follows: <i>Matters regarding PwC work-The Allied Irish Bank Report</i> . The Deloitte opinion concluded with:</p> <p><i>Review Statement</i></p> <p><i>Based on our review, which is not an audit, except for the matters described in the findings section above, nothing has come to our attention that causes us to believe that the PwC report does not fairly and completely describe and assess the PwC Work in so far as it may be relevant to the matters dealt with in the PwC report.</i></p> <p>Deloitte Touche Tohmatsu 12 March 2004.</p>	
<p>5. PwC personnel worked on the Horizon technical system... and also worked on the FX desk...</p>	<p>Reference is made to the Disclosure Statement in the PwC Report and to the Deloitte opinion. The PwC Report provided as follows:</p> <p><i>PwC s assignments in relation to CIB, Risk Management, Internal Audit and relevant financial controls... These include: ... a review of CIB s overall IT security framework.</i></p> <p><i>A PwC resource was provided for two weeks in September 2002 to assist in the review of some aspects of the IT control environment supporting Horizon, the currency options trading system;</i></p> <p><i>During 2002 and 2003, work performed included approximately 40 days of internal audit work in the area of foreign exchange trading.</i></p>	<p>There are no outstanding probity concerns arising from this issue.</p>

*The work involved supervised
execution of specific audit steps
determined by the National.*

PwC Report, 12 March 2004, page (iii)

Issue

Comment

Probity Position

Annexure 1 to the Deloitte opinion of 12
March 2004 provided as follows:

Procedures Undertaken

*The Procedures we have undertaken in
performing our review included:*