

Report of the Independent Assessors upon an Internal Review conducted by News Limited into Third Party Payments

Consequent upon the disclosure that persons associated with or employed within the Murdoch group of companies in the United Kingdom had engaged in illegal and reprehensible activity, including telephone hacking, News Limited announced in July of this year that an internal review of the major newspapers within the company structure in Australia would be conducted.

The purposes of this review were to:

- Determine whether within the preceding five year period any improper payments may have been made to police or other government officials.
- Establish whether any private investigators engaged by or on behalf of News Limited may have acted in an illegal or reprehensible fashion in relation to such engagements.
- Make any recommendations considered necessary to ensure that proper standards of ethics and accountability were maintained at all levels within the Group's newspapers.

At the suggestion of the Australian Press Council, the company agreed that two independent persons nominated by the Chair of the Council, Professor Julian Disney, should be appointed “to help provide public assurance that News Limited has initiated and acted upon the review in an appropriate manner”. (Australian Press Council Media Release 20 July 2011).

It was agreed that the assessors, who were not to be responsible for the conduct or findings of the review and would be independent of both News Limited and the Australian Press Council, would report publicly upon its completion.

Accordingly and within this framework, we have directed attention to the scope, design and reported implementation of the review, considering such questions as

- Whether it was broad enough in its coverage to encompass, at minimum, any systemic problems that might have been present within the organization and, with a high degree of confidence, any individual engagement in illegitimate activity of the kind under consideration.
- Was the process adopted sufficiently rigorous that, if properly pursued any findings made could be accepted as reliable.
- Bearing in mind that we did not conduct or supervise the enquiries ourselves, was there a reasonable basis for accepting that implementation of the review process had been properly pursued.
- Were the steps taken in consequence of the review findings as reported to us appropriate in the circumstances.

In undertaking our task, we secured advice and assistance from two former senior editors of large metropolitan daily newspapers both of whom had substantial experience in the daily operation and editorial control of the newsrooms of newspapers in Australia, were independent of the News Limited group and possessed no material interest in the outcome. We also had the assistance of a solicitor and partner in one of Australia's largest legal firms who has considerable expertise in the area of media law and pre publication issues and responsibilities.

A meeting, attended by these three persons, was arranged with Mr Campbell Reid, the News Limited Editorial Group Director, Mr Keith Wood, the Director of Internal Audit at News Limited and ourselves to address the scope and design of the review. As a result of that discussion and further advice received from them, at our request some adjustments were made by News Limited to the review process in order to accommodate any potential for concern that relevant areas or persons may not have been adequately covered.

As the review focussed centrally upon the possible making of payments by News Limited to third parties, whether entities or individuals, who may have engaged in illegitimate or illegal activities, we sought advice concerning the methodology employed in the conduct of the forensic investigations being carried out by the News Limited internal audit team. This was provided by two senior persons from KPMG. There were several meetings held involving them, Mr Reid, Mr Wood and ourselves at different stages on this aspect, dealing with the financial controls and accountabilities within the various newspapers with respect to payments to third parties and the methodology employed in the audit processes.

Of fundamental importance from our perspective was the adequacy of the audit process itself, including the identification of any transactions that potentially might have involved illegitimate activity, the basis on which sample transactions to be examined were selected and the nature of any follow up investigations that may have been required. We consider that appropriate processes were adopted to address these aspects.

As the review progressed, we were provided with informal briefings and updates as to the character of the enquiries being undertaken and what was being done to examine further any matters that might require explanation. At no stage, was anything drawn to our attention either by News Limited or, importantly, by anyone outside the organization that gave us reason for concern that there were any such matters that were not being pursued. All requests for additional information or clarification of the process were responded to promptly.

Our assessment of the scope and design of the review is based upon the advice received from our independent consultants, the information given to us by News Limited as to their newsroom operations and, in particular, expenditure control arrangements and our own consideration of the nature of the process to be undertaken.

In our view, it can reasonably be accepted that, properly conducted, the review as constructed certainly ought have brought to light any systemic issues with respect to the making of payments to third parties and any substantial amounts paid to individuals in respect of illegitimate activities.

With regard to the rigour with which the review was conducted, we are reliant upon the reports given to us. However, we have no reason to suspect that the enquiries were not conducted as assiduously as indicated to us or that the findings made could be sensibly perceived as problematic in any respect.

Given the findings of the review, the steps being taken in consequence, which are essentially designed to avoid the possible emergence of problems in the future, are, in our view, appropriate.

The Honourable Bernard Teague AO

The Honourable Frank Hollis Rivers Vincent AO QC

10 November 2011