

Governance

The Reserve Bank Board

The Reserve Bank Board comprises the Governor (Chairman), Deputy Governor (Deputy Chairman), Secretary to the Treasury and six external members appointed by the Treasurer, a total of nine. Three members retired from the Board during the year, after serving 10 years each; the resolutions passed by the Board to mark the retirement of Ken Henry AC, Donald McGauchie AO and Warwick McKibbin during the past year are shown on page 9. Current members of the Board are shown here and on pages 7–8.

The Board meets 11 times a year, on the first Tuesday of each month except in January. Five members form a quorum. Most meetings are held at the Reserve Bank's Head Office in Sydney. From time to time, Board meetings are held in other Australian capitals. During the past financial year, the September 2010 meeting was held in Adelaide and the April 2011 meeting was held in Melbourne.

The Board has an Audit Committee and a Remuneration Committee.

Board Meetings in 2010/11 – Attendance by Members^(a)

Glenn Stevens	11	(11)
Ric Battellino	11	(11)
Ken Henry ^{(b) (c)}	8	(9)
Martin Parkinson ^(d)	2	(2)
John Akehurst	11	(11)
Jillian Broadbent	10	(11)
Roger Corbett	10	(11)
Graham Kraehe	9	(11)
Donald McGauchie ^(e)	7	(8)
Warwick McKibbin ^(f)	10	(11)
Catherine Tanna ^(g)	3	(3)

(a) Figures in brackets show the number of meetings each member was eligible to attend

(b) Martin Parkinson attended one meeting in place of Ken Henry, as provided for in section 22 of the *Reserve Bank Act 1959*

(c) Ken Henry's term as a member ended on 26 April 2011

(d) Martin Parkinson's term on the Board commenced on 27 April 2011 following his appointment as Secretary to the Treasury

(e) Donald McGauchie's term as a member ended on 29 March 2011

(f) Warwick McKibbin's term as a member ended on 30 July 2011

(g) Catherine Tanna was appointed to the Board on 30 March 2011

Conduct of Reserve Bank Board Members

On appointment to the Reserve Bank Board, each member is required under the *Reserve Bank Act 1959* to sign a declaration to maintain confidentiality in relation to the affairs of the Board and the Reserve Bank. Further, by law, members must meet the general obligations of directors of statutory authorities, as set out in the *Commonwealth Authorities and Companies Act 1997* (CAC Act). Directors must:

- discharge their duties with care and diligence;
- act in good faith, and in the best interests of the Reserve Bank;
- not use their position, or any information obtained by virtue of their position, to benefit themselves or any other person, or to cause detriment to the Reserve Bank or any person; and
- declare any material personal interest where a conflict arises with the interests of the Reserve Bank.

Over and above these legislated requirements, members recognise their responsibility for maintaining a reputation for integrity and propriety on the part of the Board and the Reserve Bank in all respects. Members have adopted a Code of Conduct that provides a number of general principles as a guide for their conduct in fulfilling their duties and responsibilities as members of the Board; a copy of the Code is on the Bank's website.

Audit Committee

The objectives of the Audit Committee of the Reserve Bank Board are to:

- ensure that both the internal and external audit processes are effective and carried out to a very high standard; and
- assist the Governor and the Board in fulfilling their obligations relating to financial reporting, compliance with laws and regulations, internal control and risk assessment, employee conflicts of interest, business ethics and prevention of fraud.

Jillian Broadbent AO, an external member of the Reserve Bank Board, has been Chairman of the Audit Committee since August 2008. Other members of the Committee are Ric Battellino, Deputy Governor, Roger Corbett AO, an external member of the Reserve Bank Board, and Terry Williamson, a company director and former senior audit partner with extensive control experience in the financial sector. Mr Williamson replaced George Bennett, a former National Executive Chairman of KPMG Peat Marwick, who retired from the Audit Committee in November 2010 after 12 years distinguished service.

During 2010/11, the Committee met on four occasions. The external members of the Audit Committee also meet, at least annually, with the external auditors in the absence of management. At its July 2011 meeting, the Committee considered the draft consolidated financial statements for the Reserve Bank for the year ended 30 June 2011 and agreed that the statements be presented to the Reserve Bank Board with its endorsement.

Remuneration Committee

The Remuneration Committee of the Reserve Bank Board was established in terms of section 24A of the Reserve Bank Act to determine 'terms and conditions relating to the remuneration and allowances' for the Governor and Deputy Governor. Up until late July 2011, the Committee recommended to the Board remuneration and allowances for each Governor and Deputy Governor at the time of their appointment, following consultation with the Treasurer. It reviewed the remuneration packages of the Governor and Deputy Governor annually and recommended adjustments to the Board for approval. Commencing in the current financial year, the offices of Governor and Deputy Governor have been declared Principal Executive Offices in terms of the *Remuneration Tribunal Act 1973*, which provides for the Remuneration Tribunal to advise the Remuneration Committee as to the applicable remuneration reference rate for these offices, following consultation with the Committee. The Remuneration Committee is also kept informed of the remuneration arrangements for Reserve Bank staff.

During the year, Roger Corbett AO, a non-executive member of the Board, replaced Donald McGauchie AO as Chairman of the Remuneration Committee following Mr McGauchie's retirement from the Board. Other members of the Committee are Jillian Broadbent AO and Graham Kraehe AO, both non-executive members of the Board. The Committee meets as often as necessary, but at least twice each year. In terms of section 21A of the Reserve Bank Act, the Governor and Deputy Governor do not take part in discussions of the Remuneration Committee or the Board relating to the determination or application of any terms or conditions on which they hold office.

Remuneration and allowances for the non-executive members of the Reserve Bank Board are determined by the Remuneration Tribunal.

Indemnities

Members of the Reserve Bank Board and the Payments System Board have been indemnified in accordance with section 27M of the CAC Act against liabilities incurred by reason of their appointment to the relevant Board or by virtue of holding and discharging such office.