

# Governance

## Reserve Bank Board

The Reserve Bank Board comprises the Governor (Chairman), Deputy Governor (Deputy Chairman), Secretary to the Treasury and six non-executive members appointed by the Treasurer, a total of nine members. There was no change in the composition of the Board during the year; current members are shown here and on pages 7 and 8. The Board has an Audit Committee and a Remuneration Committee.

The Board meets 11 times a year, on the first Tuesday of each month except 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 year, the May 2010 meeting was held in Melbourne.

## Board Meetings in 2009/10 – Attendance by Members<sup>(a)</sup>

Glenn Stevens	11	(11)
Ric Battellino	11	(11)
Ken Henry <sup>(b)</sup>	8	(11)
John Akehurst	11	(11)
Jillian Broadbent	11	(11)
Roger Corbett	11	(11)
Graham Kraehe	10	(11)
Donald McGauchie	9	(11)
Warwick McKibbin	10	(11)

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

(b) David Gruen (Executive Director, Macroeconomic Group, Australian Treasury) attended three meetings in place of Ken Henry, as provided for in section 22 of the Reserve Bank Act

## 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). The CAC Act sets standards of conduct for directors and officers of Commonwealth authorities. 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 to benefit themselves or any other person, or to cause detriment to the Reserve Bank or any person;
- not use 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 independent and 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 fraud prevention.

Jillian Broadbent, a non-executive member of the Reserve Bank Board, is Chairman of the Audit Committee. Other members of the Committee are Ric Battellino, Deputy Governor; George Bennett, a company director and former National Executive Chairman of KPMG Peat Marwick; and Roger Corbett, a non-executive member of the Reserve Bank Board.

During 2009/10, the Committee met on five 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 2010 meeting, the Committee endorsed the consolidated financial statements for the Reserve Bank for the year ended 30 June 2010 and agreed that they be presented to the Reserve Bank Board for its consideration.

## 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. It recommends to the Board remuneration and allowances for each Governor and Deputy Governor at the time of their appointment, following consultation with the Treasurer. The Committee then reviews the remuneration packages of the Governor and Deputy Governor annually, and recommends adjustments to the Board for approval. The Committee is kept informed of the general remuneration arrangements for Reserve Bank staff.

Donald McGauchie, a non-executive member of the Board, is Chairman of the Remuneration Committee. Other members of the Committee are Jillian Broadbent and Roger Corbett. 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 are not present during deliberations, and do not take part in decisions, 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

Under the provisions of section 27 of the CAC Act and pursuant to a Board resolution on 3 November 1998, members of the Reserve Bank Board have been indemnified against liabilities incurred arising out of the proper discharge of their responsibilities, provided that any such liability does not arise from conduct involving a lack of good faith. This indemnity does not extend to claims by the Reserve Bank itself or any subsidiary of the Bank. A similar indemnity was extended to members of the Payments System Board, pursuant to a resolution by the Reserve Bank Board on 3 November 1998.