

1.2 Governance and Accountability

The Reserve Bank is an independent central bank, accountable to the Parliament of Australia. The Bank has two boards: the Reserve Bank Board, which has responsibility for monetary and banking policy and the Bank's policy on other matters excluding payments system policy; and the Payments System Board, which has responsibility for payments system policy.

Some aspects of the Bank's governance and accountability arrangements (including the Reserve Bank Board structure) were examined as part of an independent review of Australia's monetary policy arrangements. Work to consider and implement recommendations of the Review of the Reserve Bank commenced following its public release in April 2023.

Governance

The Reserve Bank is a body corporate distinct from the Commonwealth of Australia. This body corporate, established under the *Commonwealth Bank Act 1911* and continued in existence under the *Commonwealth Bank Act 1945*, was preserved and continued in existence with the name 'Reserve Bank of Australia' under the *Reserve Bank Act 1959*. The Bank is a corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

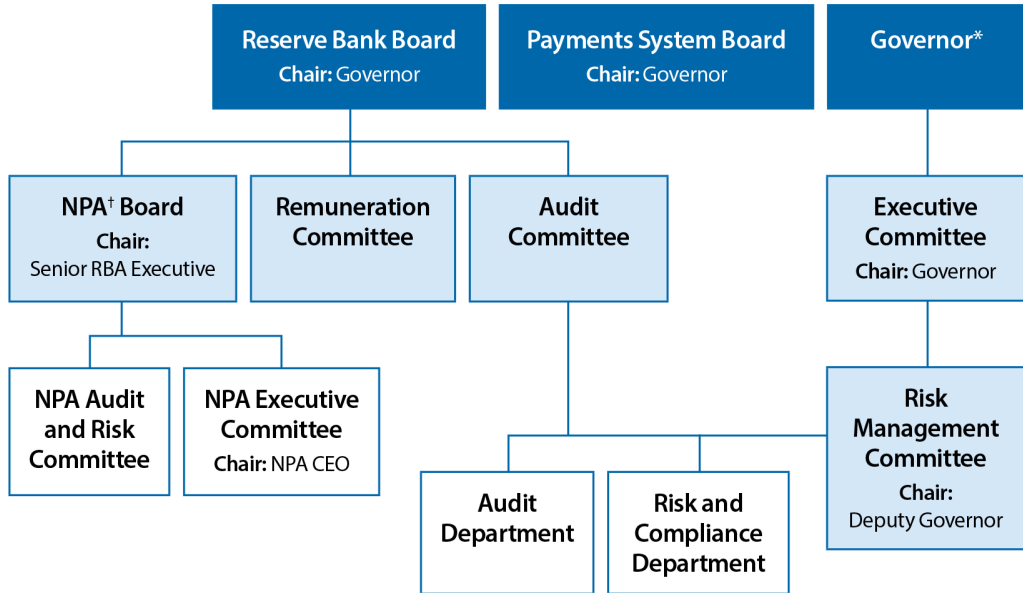
The Bank's two boards have operational independence under the Reserve Bank Act to determine the policies of the Bank that best achieve the objectives set out in the Act. In terms of monetary policy, the *Statement on the Conduct of Monetary Policy*, as updated from time to time, has recorded the common understanding of the Governor, as Chair of the Reserve Bank Board, and the Australian Government on key aspects of Australia's monetary and central banking policy framework since 1996.

Under the Reserve Bank Act, the Bank is managed by the Governor, who is also the Chair of the Reserve Bank Board and the Payments System Board. The Governor is the 'accountable authority' under the PGPA Act. The Governor is assisted in fulfilling their responsibilities to manage the Bank by the Executive Committee and the Risk Management Committee (see Chapter 3.1 Management of the Reserve Bank).

Note Printing Australia Limited (NPA) is a wholly owned subsidiary of the Bank. NPA operates under a charter reviewed and approved annually by the Reserve Bank Board.

Reserve Bank of Australia Governance Structure

September 2023



† Note Printing Australia Limited

* Under section 12 of the *Reserve Bank Act 1959*, the Governor is responsible for managing the Bank and under section 7A of the Reserve Bank Act, the Governor is the accountable authority of the Bank for the purposes of the *Public Governance, Performance and Accountability Act 2013*.

Reserve Bank Board

The responsibilities of the Reserve Bank Board are set out in the Reserve Bank Act, which states that the Board has power to determine the policy of the Bank in relation to any matter, other than its payments system policy. It is the duty of the Board to ensure that the monetary and banking policy of the Bank is directed to the greatest advantage of the people of Australia.

The Reserve Bank Board comprises nine members: the Governor (Chair); the Deputy Governor (Deputy Chair); the Secretary to the Australian Treasury; and six other non-executive members appointed by the Treasurer. New appointments to the Board are made by the Treasurer from a register of candidates maintained by the Secretary to the Treasury and the Governor. During the past year, Wendy Craik AM and Mark Barnaba AM retired from the Board, and Iain Ross AO and Elana Rubin AM were appointed as non-executive members with effect from 7 May 2023 and 31 August 2023, respectively. Attendance by members at meetings of the Board during 2022/23 is shown in the table below, and members' qualifications and experience are provided in Chapter 1.3 Reserve Bank Board.

The Reserve Bank Board usually meets 11 times a year, on the first Tuesday of each month except in January. This will change to eight times per year from 2024, in line with recommendations of the Review of the Reserve Bank. Five members form a quorum for a meeting of the Board. Consistent with the Reserve Bank Act, the Board makes decisions by a majority of the members present, with the Chair having a casting vote, if necessary.

Reserve Bank Board Meetings – 2022/23

Attendance by members

	No. of meetings attended	No. of meetings eligible to attend
Philip Lowe (Governor)	11	11
Michele Bullock (Deputy Governor)	10	11
Steven Kennedy (Secretary to the Australian Treasury)	11	11
Mark Barnaba ^(a)	11	11
Wendy Craik ^(b)	10	10
Ian Harper	11	11
Carolyn Hewson	11	11
Iain Ross ^(c)	1	1
Carol Schwartz	10	11
Alison Watkins	9	11

(a) Mark Barnaba's term on the Board ended on 30 August 2023.

(b) Wendy Craik's term on the Board ended on 6 May 2023.

(c) Iain Ross's term on the Board commenced on 7 May 2023.

Reserve Bank Board meetings are usually held at the Reserve Bank's Head Office in Sydney. In 2022/23, four meetings were held via hybrid arrangements with some members participating remotely, and two meetings were held interstate (the Board met in Hobart in November 2022 and in Perth in May 2023).

The Reserve Bank Board has an Audit Committee and a Remuneration Committee, whose activities are described below.

Audit Committee

The Audit Committee is constituted as a subcommittee of the Reserve Bank Board. The Committee fulfils certain obligations under the Reserve Bank Act and the PGPA Act, namely:

- it assists the Governor (as the Reserve Bank's accountable authority) and the Reserve Bank Board by reviewing the appropriateness of the Reserve Bank's financial reporting, including the financial statements in the Annual Report
- it assists the Governor by reviewing the appropriateness of the Bank's:
 - performance reporting, including the Annual Performance Statement in the Annual Report
 - systems of risk oversight and management
 - systems of internal control.

The charter of the Audit Committee is published on the Bank's website.^[1]

[1] See RBA (2022), 'Reserve Bank Board Audit Committee Charter', October.



The Reserve Bank Board with members of staff at its meeting in August 2023. Clockwise from centre of table: Governor Philip Lowe, Christopher Kent (Assistant Governor, Financial Markets), Deputy Governor Michele Bullock, Mark Barnaba AM, Steven Kennedy PSM, Carolyn Hewson AO, Anthony Dickman (Reserve Bank Secretary), Ian Harper AO, Iain Ross AO, Alison Watkins AM (Carol Schwartz AO participated remotely via Zoom), Tom Rosewall (Acting Head, Economic Analysis Department) and Marion Kohler (Acting Assistant Governor, Economic). Back row, from left: David Norman (Deputy Secretary), Penelope Smith (Head, International Department), Carl Schwartz (Acting Head, Domestic Markets Department), David Jacobs (Head, RBA Future Hub).

Membership of the Audit Committee comprises two non-executive members of the Reserve Bank Board, one of whom chairs the Committee, and two external members, typically former senior audit partners of major accounting firms with extensive experience in auditing in the finance sector. During the past year, Mark Barnaba AM retired as a member and Chair of the Committee and was succeeded as Chair by Alison Watkins AM, with effect from 31 August 2023. Carolyn Hewson AO became a member of the Committee, with effect from 31 August 2023. Attendance by members at meetings of the Committee during 2022/23 is shown in the table below, and members' qualifications and experience are provided in Chapter 1.3 Reserve Bank Board.

Audit Committee Meetings – 2022/23

Attendance by members

	No. of meetings attended	No. of meetings eligible to attend
Mark Barnaba ^{(a)(b)}	4	4
Sandra Birkenleigh	4	4
Rahoul Chowdry	4	4
Alison Watkins ^(a)	4	4

(a) Member of the Reserve Bank Board.

(b) Mark Barnaba's term on the Audit Committee ended on 30 August 2023.

Consistent with contemporary governance standards, none of the members of the Audit Committee is an employee or executive of the Reserve Bank. Representatives of the Bank's internal and external auditors participate in meetings as appropriate at the invitation of the Chair. The Deputy Governor attends meetings of the Committee on a regular basis as the chief representative of the Bank's management.

Other regular attendees from the Bank's senior executive team include the Chief Financial Officer, Chief Risk Officer and the Head of Audit Department; other Bank executives attend meetings of the Committee as required.

During 2022/23, the Audit Committee met on four occasions. At its August 2023 meeting, the Committee considered the draft consolidated financial statements for the Reserve Bank for the year ended 30 June 2023 and agreed that the statements be presented to the Governor and the Reserve Bank Board with its endorsement. The Committee meets at least annually with the external auditors without management present; over the past year, this occurred immediately prior to the August 2023 meeting.

Remuneration Committee

The Remuneration Committee of the Reserve Bank Board is established in terms of section 24A of the Reserve Bank Act, to recommend to the Board 'terms and conditions relating to the remuneration and allowances' for the Governor and Deputy Governor. Membership of the Committee is drawn from the non-executive members of the Board and currently comprises Carol Schwartz AO (Chair), Ian Harper AO and Iain Ross AO; Wendy Craik AM retired as a member of the Committee on 6 May 2023 and was succeeded by Iain Ross AO. During 2022/23, the Committee met on three occasions. Attendance by members at meetings of the Remuneration Committee during 2022/23 is shown in the table below.

Remuneration Committee Meetings – 2022/23

Attendance by members

	No. of meetings attended	No. of meetings eligible to attend
Carol Schwartz	3	3
Wendy Craik ^(a)	2	2
Ian Harper	3	3

(a) Wendy Craik's term on the Remuneration Committee ended on 6 May 2023.

The offices of Governor and Deputy Governor are Principal Executive Offices in terms of the *Remuneration Tribunal Act 1973*, which provides for the Remuneration Tribunal to determine the applicable remuneration reference rate for these offices. The Remuneration Committee reviews annually the terms and conditions (including remuneration) applying to the Governor and Deputy Governor and recommends any adjustments to the Reserve Bank Board for approval, providing that such terms and conditions are consistent with the framework for Principal Executive Offices determined by the Remuneration Tribunal. In accordance with section 21A of the Reserve Bank Act, neither the Governor nor the Deputy Governor takes part in decisions of the Reserve Bank Board relating to the determination or application of any terms or conditions on which either of them holds office.

The Remuneration Committee is also kept informed of the general remuneration arrangements for Reserve Bank staff. The Committee communicates with the Remuneration Tribunal and the Treasurer as required.

Payments System Board

The responsibilities of the Payments System Board are set out in the Reserve Bank Act. In particular, the Act requires the Payments System Board to ensure, within the limits of its powers, that the Reserve Bank's payments system policy is directed to the greatest advantage of the people of Australia and that its related powers are exercised in such a way that, in the Board's opinion, will best contribute to:

- a. controlling risk in the financial system
- b. promoting the efficiency of the payments system
- c. promoting competition in the market for payment services, consistent with the overall stability of the financial system.

The Payments System Board also has responsibility to ensure that the powers and functions of the Bank under Part 7.3 of the *Corporations Act 2001* (dealing with licensing of clearing and settlement facilities) are exercised in a way that will best contribute to the overall stability of the financial system.

The Payments System Board issues a separate Annual Report, which, as required under the Reserve Bank Act:

- informs the Australian Government of the Bank's role and activities in relation to payments system policy
- covers certain matters relating to the standards that the Bank determines under section 827D of the Corporations Act and developments in the clearing and settlement industry that are relevant to Australia's financial stability.

The Payments System Board comprises: the Governor, who is the Chair; one representative of the Bank appointed by the Governor, currently the Deputy Governor, who is the Deputy Chair; one representative of the Australian Prudential Regulation Authority (APRA) appointed by APRA; and up to five other members appointed by the Treasurer for terms of up to five years. During the past year, Catherine Walter AM and Greg Storey retired from the Board and were replaced by Ross Buckley and Michelle Beaker, with effect from 1 August 2023. Gina Cass-Gottlieb was reappointed to the Board for a further five-year term, with effect from 1 August 2023. Wayne Byres retired from his position at APRA's representative, with effect from 30 October 2022, and was succeeded by John Lonsdale. Attendance by members at meetings of the Payments System Board during 2022/23 are shown in the table below and details of members' qualifications and experience are provided in Chapter 1.4 Payments System Board.

Since its inception, the Payments System Board's practice has been to meet at least four times a year, with the option of meeting more often if needed. Four meetings were held in 2022/23, all at the Bank's Head Office in Sydney. Five members form a quorum at a meeting of the Board; five members are also required to pass a resolution without a meeting.

Payments System Board Meetings – 2022/23

Attendance by members

	No. of meetings attended	No. of meetings eligible to attend
Philip Lowe (Governor)	4	4
Michele Bullock (RBA)	4	4
Wayne Byres (APRA) ^(a)	1	1
Gina Cass-Gottlieb	3	4
Scott Farrell	4	4
John Lonsdale (APRA) ^(b)	3	3
Deborah Ralston	4	4
Greg Storey ^(c)	4	4
Catherine Walter ^(d)	1	1

(a) Wayne Byres' term on the Board ended on 30 October 2022.

(b) John Lonsdale's term on the Board commenced on 1 November 2022.

(c) Greg Storey's term on the Board ended on 31 July 2023.

(d) Catherine Walter's term on the Board ended on 2 September 2022.

Conduct of Board members

On appointment to the Reserve Bank Board or the Payments System Board, each member is required under the Reserve Bank Act to sign a declaration to maintain confidentiality in relation to the affairs of the Board and the Reserve Bank.

Members must comply with the statutory obligations for officials of the Reserve Bank, including the general duties for officials set out in the PGPA Act. Members' obligations under the PGPA Act include, but are not limited to, obligations to exercise their powers and discharge their duties with care and diligence, honestly, in good faith and for a proper purpose. Members must 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 other person.

In order for members of the Reserve Bank Board to discuss and decide monetary and financial stability policies, notwithstanding any material personal interest in the outcome, the Reserve Bank Act requires members to furnish a confidential disclosure of material personal interests to the Treasurer annually and, during the year, to notify any substantial change since their most recent annual disclosure.

Members of the Reserve Bank Board must declare to the other members of the Board any material personal interests they have in matters relating to the affairs of the Board other than monetary policy and financial stability. Members may give standing notice to other members outlining the nature and extent of a material personal interest in such matters.

Members of the Payments System Board must declare to the other members of the Board any material personal interest they have in a matter relating to the affairs of the Board. Members may give standing notice to other members outlining the nature and extent of a material personal interest.

Codes of conduct for members of the Reserve Bank Board and the Payments System Board supplement these statutory requirements and impose obligations on members that are designed to ensure the highest possible standards of ethical conduct. The codes of conduct, which are available on the Reserve Bank's website, provide general principles to guide the conduct of members in fulfilling their duties and responsibilities as Board members and address a range of matters, including conflicts of interest. In the



The Payments System Board with members of staff at its meeting in August 2023. (Clockwise from centre) Board members: Governor Philip Lowe, Deputy Governor Michele Bullock, Anthony Dickman (Reserve Bank Secretary), Ross Buckley, John Lonsdale, Deborah Ralston, Scott Farrell, Michelle Deaker. Staff members: Bradley Jones (Assistant Governor, Financial System), Ellis Connolly (Head, Payments Policy Department).

case of the Reserve Bank Board, the Code of Conduct covers restrictions on undertaking, or being involved in, financial transactions of certain types at certain times.^[2]

Following a review of arrangements to manage conflicts of interest, in July 2023 the Reserve Bank Board decided to strengthen the Code of Conduct to clarify that members must not trade in foreign exchange or interest rates derivatives, that they should not engage in active trading in any financial instrument and that the provisions of the Code of Conduct also apply to entities the members control or persons whose affairs members control or influence. In August 2023, the Payments System Board agreed to reconsider the provisions of the Code of Conduct dealing with managing potential conflicts of interest; a review will occur later in 2023.

Policy risk management framework and Board reviews

Risks associated with the formulation of monetary policy and payments system policy are the direct responsibility of the Reserve Bank Board and the Payments System Board, respectively. The boards review these risks periodically as part of their decision-making processes. Operational risks are managed by executives via the Reserve Bank's risk management framework, as discussed in Chapter 3.3 Risk Management.

Towards the end of 2022, the Reserve Bank Board conducted its annual review of the key risks inherent in the formulation of monetary policy, and the monetary policy risk register and control framework. The Board endorsed updates to the risk register:

[2] See RBA (2023), 'Code of Conduct for Reserve Bank Board Members', August; RBA (2021), 'Code of Conduct for Payments System Board Members', August.

- to reflect risks associated with ensuring an appropriate framework for monetary policy, the potential for errors when setting monetary policy in a highly uncertain environment, and the ongoing risks related to the transition away from unconventional monetary policies
- to strengthen the control framework for monetary policy risks following a series of internal policy reviews conducted by Bank staff.

At the same time, the Reserve Bank Board conducted its annual review of its own operation and processes, based on a survey of Board members. It concluded that essential processes were functioning effectively, notably in areas such as the quality of discussion, the contribution of members and the deliberative structure of meetings. Members discussed the importance of hearing different views within the Bank on policy and other issues.

The performance of the Reserve Bank Board's Audit and Remuneration committees is assessed as part of the annual review of the effectiveness of the Board itself. The 2022 review concluded that the committees and their processes were functioning effectively. The review by the Audit Committee of its own processes concluded it was operating effectively. Members discussed the importance of the Committee's role in challenging management and eliciting strategic conversations on matters such as risk management, and they supported moves to present regular risk reports more effectively.

Towards the end of 2022, the Payments System Board conducted its annual review of the key risks inherent in the consideration of payments policy and the payments policy risk register and control framework. Following a staff review, the Board endorsed simplification of the risk register and assessed that the risk control framework remained appropriate to manage payments policy risks adequately.

At the same time, the Payments System Board conducted its annual review of its own operation and processes, based on a survey of Board members. It concluded that Board processes were functioning effectively. Members discussed opportunities for earlier engagement with government on important payments policy matters, as well as further engagement with industry participants, reflecting the complexity and policy challenges arising from new digital technologies.

Review of the Reserve Bank

On 20 April 2023, the Treasurer released the Final Report of the Review of the Reserve Bank. The Review analysed the Bank's performance over the past three decades and made recommendations on the monetary policy framework, governance, leadership and culture of the Bank.

Legislative change is required to implement many of the recommendations on the Bank's objectives, responsibilities and governance. In the months following release of the Final Report, Bank staff have been working constructively with the Australian Treasury to prepare draft legislation. The Bank has also been working with the Treasury to prepare a new *Statement on the Conduct of Monetary Policy*, which will incorporate some of the recommendations of the Review. At the same time, the Reserve Bank Board has considered changes to its own processes that would best give effect to the recommendations of the Review. These covered the meeting schedule, members' role in policy formulation, and transparency around Board decisions and processes.

Other recommendations of the Review relate to the Bank's internal structures, leadership and culture. In the months following its release, work has been undertaken to continue strengthening the Bank's culture in areas of leadership capabilities, risk appetite and encouraging debate from a diverse range of perspectives. In addition, the Bank has begun the process of establishing a Chief Operating Officer position and elevating the role of communications within the Bank. These changes are being progressed in tandem with the work required to address the recommendations of Deloitte's review of the RITS ecosystem, given the overlap between the two reviews on issues relating to risk management and culture. The work is being led and coordinated by the 'RBA Future Hub', a team led by David Jacobs (formerly Head of Domestic Markets Department) and assisted by two Deputy Heads, Meredith Beechey Osterholm and

Alex Dawson. Matters arising from Deloitte’s review that are specific to payments are being addressed by a program of work led by Greg Johnston (Head of Payments Settlements Department) and assisted by a Deputy Head, Michael Davies.

Other policy matters

The Governor reports annually to the Reserve Bank Board on the process of review and implementation of key policies that are determined and managed by the Governor, including information on compliance arrangements. An annual report on work health and safety is also presented to the Board. These reports for 2022/23 were provided to the Board at its September 2023 meeting.

Conflicts of interest and payments policy matters

The Reserve Bank has several distinct areas of responsibility in the Australian payments system: it owns, operates and participates in Australia’s real-time gross settlement system, RITS; it is a provider of transactional banking services to the Australian Government and its agencies; and it is the principal regulator of the payments system through the Payments System Board.

While the various functions are distinct, their existence in the one institution may give rise to concerns about actual or perceived conflicts of interest. The Payments System Board and senior management of the Bank take seriously the possibility of any perception that the Bank’s policy and operational roles may be conflicted, especially as this could undermine public confidence in regulatory and policy process.

Accordingly, the Bank has policies in place for avoiding conflicts and dealing with them when they do occur. The Payments System Board has adopted such a policy, which is published on the Bank’s website^[3] and was last reviewed in May 2022. The policy focuses on interactions between the Bank’s Payments Policy and Banking departments. Details of the steps taken to achieve compliance with the policy, including the minutes of informal meetings between departments, are audited regularly, with the results presented to the Payments System Board. In May 2022, the Board approved a change from biennial to triennial audits. The most recent audit was conducted in March 2022 and was reviewed by the Board in May 2022.

In the case of the Reserve Bank’s oversight of RITS, the Payments System Board has a governance role in managing conflicts of interest. In particular, while the internal Financial Market Infrastructure Review Committee has formal responsibility to review and approve assessments of other financial market infrastructures, the Board retains primary responsibility for approving the staff’s periodic assessments of RITS. One way in which the Payments System Board exercised its authority over RITS in 2022/23 was to commission Deloitte to undertake a review of the RITS outage in October 2022. Deloitte’s report was presented to the Board at its May meeting.

Induction of Board members

An induction program assists newly appointed members of the Reserve Bank Board and the Payments System Board in understanding their role and responsibilities. It provides them with an overview of the Bank’s role in the conduct of monetary policy or the payments system (as applicable), as well as details of relevant developments in preceding years. Separate briefing sessions are tailored to meet members’ needs and interests.

[3] See RBA (2022), ‘Managing Potential Conflicts of Interest Arising from the Bank’s Commercial Activities’, May.

Remuneration and allowances

Remuneration and travel allowances for the non-executive members of the Reserve Bank Board and the Payments System Board are set by the Remuneration Tribunal. Remuneration of Reserve Bank Board members for their membership of the Audit Committee is determined by the Remuneration Tribunal. The Bank's longstanding practice has been to provide the same level of remuneration to members of the Audit Committee who are not also members of the Reserve Bank Board. Membership of the Remuneration Committee is not remunerated. The remuneration of each member of the Reserve Bank Board, the Payments System Board and the Audit Committee is provided in Chapter 3.2 Our People.

Note Printing Australia Limited

Note Printing Australia Limited (NPA) is a wholly owned subsidiary of the Reserve Bank operating under a charter reviewed and approved annually by the Reserve Bank Board. NPA's prime function is the efficient and cost-effective production of high-quality and secure Australian banknotes, in accordance with specifications and requirements set by the Reserve Bank. NPA also produces banknotes for other issuing authorities, Australian passport booklets and other security products.

NPA is governed by a board of directors appointed by the Reserve Bank. As at the date of this report, the NPA Board comprises four Reserve Bank executives and an external director: Susan Woods (Assistant Governor, Corporate Services) as Chair; Greg Johnston (Head of Payments Settlements Department) as alternate Chair; Emma Costello (Chief Financial Officer); Keith Drayton (Chief Risk Officer); and Ross Pilling, who has held multiple senior management roles and directorships in the manufacturing sector. The NPA Board has an Audit and Risk Committee, whose membership comprises Keith Drayton (Chair), Emma Costello and an external member, Megan Haas, a former PricewaterhouseCoopers partner with a strong background in cybersecurity and risk assurance across a broad range of industries, including manufacturing.

More detail on the NPA is provided in Chapter 1.5 Operational Structure and Chapter 2.4 Banknotes.

Indemnities for Board members and staff

Members of the Reserve Bank Board and the Payments System Board are indemnified to the extent permitted by law against liabilities incurred by reason of their appointment to the relevant Board or by virtue of holding and discharging such office. Members of the Audit Committee who are not members of the Reserve Bank Board are indemnified on substantially the same terms as the indemnities given to Reserve Bank Board members.

Certain other indemnities, all given prior to 1 July 2014, continue. These are:

- an indemnity to senior staff of the Bank in relation to liabilities they may have incurred in the conduct of their duties at the Bank (this indemnity covers liability in relation to events over a period ending on 31 March 2017)
- indemnities to current and former senior staff and former Reserve Bank Board members who, at the request of the Bank, formerly served on the Board of NPA or the Board of CCL Secure Pty Limited (formerly Innovia Security Pty Ltd and, prior to that, Securrency International Pty Ltd).

Indemnities given prior to 1 July 2014 were in accordance with section 27M of the *Commonwealth Authorities and Companies Act 1997* (CAC Act), which specified when indemnity for liability and legal costs was not allowed. Indemnities given after 1 July 2014, when the CAC Act was repealed, contain contractual restrictions reflecting the substance of the previous CAC Act restrictions. Section 22B in the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule) imposes limits on the granting of indemnities by corporate Commonwealth entities in relation to liabilities incurred from 28 February 2020.

Indemnities issued by the Bank to new members of the Reserve Bank Board or the Payments System Board since that date have been consistent with the indemnity template approved by the Reserve Bank Board in March 2017, as amended by the Governor under the authority of the Board to ensure that the template reflects the terms of section 22B of the PGPA Rule. The changes to the indemnity template do not materially change the approach to the Bank's indemnification of members of the Reserve Bank Board, the Payments System Board and the Audit Committee.

The Bank's policy on Assistance to Staff for Legal Proceedings applies in relation to events on or after 1 April 2017. This policy applies to all staff, not only senior staff, and is closely based on the rules that apply to the provision of assistance to staff for legal proceedings in non-corporate Commonwealth entities set out in Appendix E to the *Legal Services Directions 2017*. This policy states that assistance will not be provided when section 22B of the PGPA Rule forbids it. No assistance has been provided under this policy since its introduction in 2017.

As the Bank does not take out directors' and officers' insurance in relation to members of its Boards or other officers, no premiums were paid for any such insurance in 2022/23.

Accountability

The Reserve Bank Board has an obligation to inform the Australian Government of its monetary policy 'from time to time'. This obligation is discharged mainly by contact between the Governor and other senior executives and the Treasurer, who is the Bank's responsible Minister (in the reporting period, the Hon Dr Jim Chalmers MP), usually by way of regular discussions. The Governor also meets regularly with the House of Representatives Standing Committee on Economics.

The House of Representatives Standing Committee on Economics has, in its Standing Orders, an obligation to review the annual report of the Reserve Bank and the annual report of the Payments System Board. The Committee typically holds twice-yearly public hearings, at which the Bank presents its views on the economy and financial markets and other matters pertaining to the Bank's operations, and responds to questions from Committee members. For this purpose, the Governor and senior Bank officers attended hearings of the Committee on 16 September 2022, 17 February 2023 and 11 August 2023. The Committee's report on the 2021 Annual Report following the hearing in September 2022 was issued on 22 December 2022.

In 2022/23, the Reserve Bank was requested to attend hearings of the Senate Economics Legislation Committee (Senate Estimates) to answer questions about monetary policy and other aspects of its central banking activities. For this purpose, the Deputy Governor and Assistant Governor (Financial Markets) attended Budget Estimates hearings on 10 November 2022, the Governor attended Budget Estimates hearings on 28 November, the Governor and Deputy Governor attended Supplementary Estimates hearings on 15 February, and the Governor and Assistant Governor (Financial System) attended Budget Estimates hearings on 31 May 2023. Following each of these hearings, the Bank responded to a series of questions on notice and questions in writing from Senators.

During the past year, senior Reserve Bank officers gave evidence to inquiries held by the Senate Select Committee on the Cost of Living and the Joint Committee on Corporations and Financial Services, both in February 2023.

In addition, submissions by the Reserve Bank were made to the Inquiry into Bank Closures in Regional Australia of the Senate Standing Committee on Rural and Regional Affairs and Transport (in March 2023), and to the Inquiry into the Digital Assets (Market Regulation) Bill 2023 of the Senate Economics Legislation Committee (in June 2023). The Bank also made submissions to: a consultation by the Australian Treasury on A Strategic Plan for the Payments System (in June 2023); a consultation by the Australian Competition and Consumer Commission on the proposed merger between Armaguard and Prosegur in relation to the banknote distribution system (in November 2022, April 2023 and May 2023); and a consultation by APRA

on its 'points of presence' data, namely the data collected and published on physical banking service channels in Australia (in June 2023). These last two submissions are discussed further in Chapter 2.4 Banknotes.

The Bank seeks to ensure a high degree of transparency about its goals, activities and the basis of its policy decisions. Transparency facilitates the Bank's accountability and increases the effectiveness of policy decisions by promoting a better understanding of those decisions in the community. The Bank communicates regularly through publications and speeches, and engages with the community through its regional and industry liaison program. For more details, see Chapter 2.6 Communication and Community Engagement.

Under section 46 of the PGPA Act, the Governor is responsible for preparing this Annual Report and providing it to the Treasurer for presentation to the Parliament, following approval by the Reserve Bank Board of the Bank's annual financial statements. That approval was given by the Board at its meeting on 5 September 2023.

No report on the Reserve Bank was issued in 2022/23 by the Commonwealth Ombudsman, the Office of the Australian Information Commissioner or the Auditor-General, apart from those dealing with the audit of the Bank's annual financial statements or which covered the Bank alongside a range of other entities. The Australian National Audit Office (ANAO) published two audits dealing with the Bank's annual financial statements: its 'Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2022' was published on 14 December 2022 and its 'Interim Report on Key Financial Controls of Major Entities' was published on 25 May 2023. The ANAO also published a performance report on procurement complaints handling, which covered the Reserve Bank and three other government agencies. This report, 'Procurement Complaints Handling', was published on 6 April 2023 and found that the Bank's processes in this area were suitable.

Freedom of Information

The Reserve Bank is an Australian Government agency subject to the *Freedom of Information Act 1982* (FOI Act). As required by Part II of the FOI Act, the Bank publishes information as part of the Information Publication Scheme (IPS). Details of the Bank's obligations under the FOI Act and the IPS can be found on the Bank's website.^[4]

The Bank received 66 requests for access to documents under the FOI Act in 2022/23. Access was granted in full in relation to nine requests, in part in relation to 25 requests, and was denied in relation to eight requests. No relevant documents were found in response to 12 requests. Nine requests were withdrawn. Three requests were outstanding at the end of the financial year and were answered in July 2023. Information released in response to FOI access requests was published on the Bank's website, as required by the FOI Act; RSS feeds to these releases were also made available.

Four applications were received for the internal review of an FOI decision made by the Bank in 2022/23. The original decision made in each instance was affirmed on review. No applications for Information Commissioner Review of a decision were made over the course of the year.

The estimated amount of time staff spent dealing with all aspects of FOI requests in 2022/23 was around 1,018 hours, compared with around 355 hours in 2021/22. The total cost to the Bank of administering the FOI Act in 2022/23 is estimated to have been around \$150,000, compared with \$52,274 in 2021/22. Processing charges of \$390 were received in 2022/23.

[4] See RBA, 'Freedom of Information (FOI)'.

External audit

The *Auditor-General Act 1997* establishes the mandate for the Auditor-General to undertake financial statement audits of all Australian Government entities, including the Reserve Bank, which falls under the category of corporate Commonwealth entities. The PGPA Act requires the Governor, as the Bank's accountable authority, to give the consolidated annual financial statements of the Bank and NPA to the Auditor-General as soon as practicable after they are prepared at the end of each financial year.

The ANAO contracts private sector audit firms to perform some of its audit work where additional or specialist resources or skills are required. KPMG has been contracted by the ANAO to provide audit services for the external audit of the Reserve Bank and NPA. The contract with KPMG as co-sourced audit partner commenced in late 2013 and runs until completion of the Bank's 2023/24 financial statements. The Bank is not a decision-maker in the ANAO's selection of audit partner.

Information on fees paid in relation to the external audit of the Reserve Bank, along with any non-audit services provided by KPMG, are disclosed in Note 13 of the Financial Statements in this Annual Report (see Chapter 4.1 Financial Statements).

Other reporting requirements under the PGPA Act

The statutory reporting obligations applying to the Reserve Bank, including those that are covered elsewhere in this report, are identified in Chapter 5.1 Statutory Reporting Requirements Index.

Ministerial directions

The Reserve Bank received no directions from its responsible Minister (the Treasurer) or from any other Minister during 2022/23.

Government policy orders

No government policy orders under section 22 of the PGPA Act applied in relation to the Reserve Bank during 2022/23.

Compliance with finance law

No issues relating to non-compliance by the Reserve Bank with finance law were reported to the Bank's responsible Minister (the Treasurer) under paragraph 19(1)(e) of the PGPA Act during 2022/23.

Transactions with related entities

In accordance with the PGPA Act, the Reserve Bank is required to disclose certain transactions with related entities. During 2022/23, the Reserve Bank donated \$50,000 to the Financial Markets Foundation for Children, which is managed by a Board of Directors chaired by the Governor. The Bank has made an annual donation of \$50,000 to the Foundation since 2002/03; the decision to continue making this donation is subject to annual review by the Bank.

Significant activities or changes affecting the Reserve Bank

There were no significant activities or changes that affected the operations or structure of the Reserve Bank in 2022/23. However, the Review of the Reserve Bank is likely to result in some material changes to the structure of the Bank in 2023/24.

Judicial decisions or decisions of administrative tribunals

There were no judicial decisions or decisions of administrative tribunals made during 2022/23 that have had, or may have, a significant effect on the operations of the Reserve Bank. ✖