

Governance

The activities undertaken by the Reserve Bank in fulfilment of its responsibilities are overseen by two boards and several board and management committees.

Reserve Bank Board

The Reserve Bank Board has responsibility for monetary and banking policy and the Reserve Bank's policy on all other matters except payments system policy, as well as a range of other statutory obligations. The Board comprises the Governor (Chair), Deputy Governor (Deputy Chair), Secretary to the Treasury and six external members appointed by the Treasurer, a total of nine members. Details of their qualifications and experience are provided on pages 11–15.

The Board meets 11 times a year, on the first Tuesday of each month except in January. Five members form a quorum. Members of the Board and their attendance at meetings during 2013/14 are shown in the table opposite.

Most meetings are held at the Head Office in Sydney. Twice each calendar year, Board meetings are held in Reserve Bank offices in other Australian cities, once in Melbourne and once in another location. In 2013/14, the Board met in Brisbane in July 2013 and Melbourne in April 2014.

The Board has an Audit Committee and a Remuneration Committee. The Board reviewed the charters of both committees in 2013/14 and endorsed changes to each, mostly to streamline their key elements and to ensure their consistency with statutory requirements and industry best practice.

Payments System Board

The responsibilities of the Payments System Board are set out in the *Reserve Bank Act 1959*. In particular, the Act requires the 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:

- controlling risk in the financial system
- promoting the efficiency of the payments system

Board Meetings in 2013/14 – Attendance by Members Number of meetings

	Attended	Eligible to attend
Glenn Stevens (Governor)	11	11
Philip Lowe (Deputy Governor)	11	11
Martin Parkinson (Secretary to the Treasury)	11	11
John Akehurst	10	11
Roger Corbett	11	11
John Edwards	11	11
Kathryn Fagg	11	11
Heather Ridout	11	11
Catherine Tanna	11	11

- 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 is distinct from the Reserve Bank Board and issues a separate annual report.

Conduct of Reserve Bank Board Members

On appointment to the Reserve Bank 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. Further, members must comply with the general obligations of directors of Commonwealth authorities, including, until 30 June 2014, those set out in the *Commonwealth Authorities and Companies Act 1997* (CAC Act). Under the CAC Act members were required to:

- discharge their duties with care and diligence
- act in good faith in the best interests of the Reserve Bank, and for a proper purpose
- not use their position to benefit themselves or any other person, or to cause detriment to the Reserve Bank or any other 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 other person
- declare any material personal interest in a matter that relates to the affairs of the Reserve Bank.

From 1 July 2014, members must comply with very similar obligations under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).¹

Over and above these statutory 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 therefore 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 primary objective of the Audit Committee of the Reserve Bank Board is to assist the Board in fulfilling its obligations under the Reserve Bank Act and, until 30 June 2014, the CAC Act. In particular, the Committee assists the Board in relation to:

- preparing the annual report, including a report of operations and the financial statements
- the Bank's internal control environment
- the operational and financial risks inherent in the Bank's activities.

The above requirements of the Audit Committee under the CAC Act until 30 June 2014 have been slightly modified under the PGPA Act.

¹ Further details in relation to the PGPA Act are provided in the chapter on 'Statutory Reporting Obligations'.

John Akehurst, a member of the Reserve Bank Board, chairs the Audit Committee. Other members of the Committee are Roger Corbett AO, a member of the Reserve Bank Board, and Michael Coleman and Terry Williamson, both of whom are company directors and former senior audit partners of major accounting firms who have extensive experience in the finance sector. Consistent with contemporary governance standards, no executive is a member of the Audit Committee. The Deputy Governor attends meetings of the Committee as the chief management representative.

During 2013/14, the Audit Committee met on four occasions. At its July 2014 meeting, the Committee considered the draft consolidated financial statements for the Reserve Bank for the year ended 30 June 2014 and agreed that the statements be presented to the Reserve Bank Board with its endorsement. The Committee meets at least annually with the external auditors without management present; in 2014 this occurred immediately following the July 2014 meeting.

Audit Committee Meetings in 2013/14 – Attendance by Members
Number of meetings

	Attended	Eligible to attend
John Akehurst	3	4
Michael Coleman	4	4
Roger Corbett	4	4
Terry Williamson	4	4

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 comprises Roger Corbett AO (Chair), John Edwards and Catherine Tanna. During 2013/14, the Committee met on six occasions.

Remuneration Committee Meetings in 2013/14 – Attendance by Members
Number of meetings

	Attended	Eligible to attend
Roger Corbett	6	6
John Edwards	6	6
Catherine Tanna	6	6

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 the terms and conditions (including remuneration and allowances) applying to the Governor and Deputy Governor annually and recommends adjustments to the Board for approval, providing that such terms and conditions are consistent with the framework for Principal Executive Offices determined by the Remuneration Tribunal. The Remuneration Committee is also kept informed of the general remuneration arrangements for Reserve Bank staff. The Governor attends meetings of the Committee at the invitation of the Chairman to discuss remuneration matters in the Bank, but not those relating to his own remuneration. The Committee communicates with the Remuneration Tribunal as required.

In accordance with section 21A of the Reserve Bank Act, neither the Governor nor the Deputy Governor takes part in decisions of the Board relating to the determination or application of any terms or conditions on which either of them holds office.

Remuneration and Allowances

Remuneration and travel allowances for the non-executive members of the Reserve Bank Board are set by the Remuneration Tribunal. Remuneration of members of the Audit Committee is consistent with relevant determinations of the Remuneration Tribunal. Membership of the Remuneration Committee is not remunerated.

Induction of Board Members

The induction program assists newly appointed Board and Committee members in understanding their role and responsibilities, and provides them with an overview of the Reserve Bank's policy framework and operations. Separate briefing sessions are tailored to meet particular needs or interests.

Executive Committee

The Executive Committee is the key decision-making committee of the Reserve Bank for matters that are administrative or managerial in nature. It is a management committee, whose role is to assist and support the Governor in fulfilling his responsibilities to manage the Bank (in particular under the Reserve Bank Act and, from 1 July 2014, the PGPA Act). The Committee, which is chaired by the Governor and comprises the Bank's most senior executives, meets weekly.

Risk Management Committee

The Reserve Bank's Risk Management Committee has responsibility for ensuring that operational and financial risks are identified, assessed and properly managed across the Bank in accordance with its Risk Management Policy. It is a management committee chaired by the Deputy Governor and comprises senior executives drawn mainly from the operational areas of the Bank. During 2013/14, the Committee met on six occasions and kept the Executive Committee and Reserve Bank Board Audit Committee informed of its activities.

Indemnities for Members of Boards and Senior Staff

During 2013/14, members of the Reserve Bank Board and the Payments System Board continued to be 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.

Indemnities in accordance with section 27M of the CAC Act provided by the Reserve Bank to other officers of the Bank in relation to liabilities they may incur in the conduct of their duties at the Bank, and to current senior staff and Reserve Bank Board members who, at the request of the Bank, are serving on the Board of Note Printing Australia Limited or formerly served on that board or the Board of Securrency International Pty Ltd (now called Innovia Security Pty Ltd) continue.

As the Reserve Bank does not take out directors' and officers' insurance in relation to its Board members or other officers, no premiums were paid for any such insurance in 2013/14.

Other Policy Matters

The Governor reports annually to the Reserve Bank Board on the process of review and implementation of key Reserve Bank policies, including compliance arrangements. In August 2014, annual reports were also presented to the Board covering the Bank's large procurements, its Anti-Money Laundering and Counter-Terrorism Financing Program and work health and safety matters during 2013/14.