

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

Resources, Energy and Tourism Portfolio

Budget Estimates

28 May 2012

**Question:** **BR2**

**Topic:** **GCCSI Financial Statements, Key Personnel and Remuneration**

**Proof Hansard Page:** **112-113**

**Senator Bushby asked:**

**Senator BUSHBY:** So it is the same as it was in February. I understand the department receives audited financial statements from the institute. How often does it receive them?

**Ms Sewell:** Are you referring to the statements provided in response to your question on notice that go to all members of the institute?

**Senator BUSHBY:** I am referring to comments I am not sure if I have them here on page 137 of the Hansard from 15 February.

**Ms Bennett:** The institute has to provide an annual audited financial report to the government.

**Senator BUSHBY:** That answers the question. So once a year?

**Ms Bennett:** Yes.

**Senator BUSHBY:** Are those audited financial statements publicly available?

**Ms Bennett:** There is a summary that is given to members of the institute that we provided on notice at the last Senate estimates in a response.

**Senator BUSHBY:** Just a summary. But generally the full audited document is not available?

**Ms Bennett:** I would have to take that on notice. Generally it is not publicly released, as far as I am aware.

**Senator BUSHBY:** Do they

**CHAIR:** What financial year do they operate on? The Australian financial year or the UK or US?

**Ms Bennett:** I think it is from June to June. I will check that.

**CHAIR:** Take it on notice.

**Ms Bennett:** I can answer that. It is for the year ending 30 June.

**Senator BUSHBY:** Do the audited financial statements include the levels of executive remuneration, including the remuneration levels of the institute's CEO and chairman? Or is it just the summary total that was provided in the answers to questions on notice?

**Ms Bennett:** It is the summary.

**Senator BUSHBY:** So the full audited statements do not provide any further breakdown?

**Ms Bennett:** Not that I am aware of, Senator.

**Senator BUSHBY:** If you are not sure, you can take it on notice.

**Ms Bennett:** Not that I am aware of, Senator.

**Senator BUSHBY:** If you are not sure, you can take it on notice.

**Ms Bennett:** Yes. I am happy to take that on notice.

**Senator BUSHBY:** So you are not able to tell us how much the CEO, the chairman, the CFO and the general manager of the institute are paid? Are you aware of that?

**Ms Sewell:** No, Senator. We do not have that information.

**Senator BUSHBY:** By any other way other than the audited statements? There is not other information that has been provided to you that would have given you those details?

**Ms Sewell:** No, Senator. The total board remuneration, including the chairman's fees, is capped at \$400,000. Within that figure and depending on the number of board members that they have at any one time, the remuneration can vary up to a total of \$400,000.

**Senator BUSHBY:** That is the board, not the CEO or the CFO?

**Ms Sewell:** That is correct.

**Senator BUSHBY:** And the general managers? They are all a separate issue to that capped \$400,000?

**Ms Sewell:** Yes.

**Senator BUSHBY:** The 2011 audited financial statements of the institute, which you provided, show that it spent \$3.5 million on the remuneration of directors and other members or key personnel. How many directors or other members of key management personnel are there in the institute? Are you aware of that?

**Ms Bennett:** I do not have the breakdown with me, Senator. I do have the number of total staff. There are 78 permanent staff of the institute and there are 10 contracted staff.

**CHAIR:** What is that figure again? I could not hear you?

**Ms Bennett:** It is 78 permanent staff, including some secondments, and 10 contracted staff.

**Senator Chris Evans:** So you are after the key personnel?

**Senator BUSHBY:** I am after the key personnel the SES equivalent type of person.

**Ms Bennett:** I do not have that breakdown with me.

**Senator BUSHBY:** Is that available?

**Ms Bennett:** I would have to take it on notice.

**Senator BUSHBY:** Take it on notice. Those statements state that the remuneration of key management personnel is determined by the CEO having regard to the remuneration and benchmarking framework based on market data and the performance of individuals. Is the department able to expand more on this benchmarking framework? Does the CEO prepare a remuneration report detailing how rates of pay have been benchmarked?

**Ms Sewell:** No, Senator. The institute is not required to provide that to the Australian government. We accept that statement at its face value.

**Senator BUSHBY:** Has the department ever asked for any information on how levels of remuneration are set?

**Ms Sewell:** I believe we have not. I think we have accepted the assurance that they are appropriately benchmarked as being sufficient information for our purposes.

**Senator BUSHBY:** Ms Sewell, you say that you believe. Is that an absolute or is it something that you need to check and take on notice?

**Ms Sewell:** I will take it on notice, Senator.

**Senator BUSHBY:** Has the department ever audited the institute's benchmarking framework for executive pay?

**Ms Sewell:** No. Senator.

**Senator BUSHBY:** Can you confirm that the level of remuneration for the executive of the institute is capped under the funding agreement with the government? Are there any caps for the executive?

**Ms Sewell:** No. Senator.

**Senator BUSHBY:** I refer you to page 13 of the institute's financial report for the year ending 30 June 2011. In their statement of financial position, the institute declare that they have \$145 million of cash or cash equivalents at hand. This increased from \$90 million the year before. Given that their cash on hand has increased by \$90 million in one year, why is it necessary for the government to provide the institute another \$25 million in 2011-12 and then give them a further \$35 million in 2012-13?

**Mr Clarke:** Senator, I might respond to some of that. Reflecting on your earlier questions to Ms Sewell, I do recall that I have had a conversation with the chief executive about the processes regarding remuneration. I do not have any documentation on it, but I have had such a conversation. We have taken your question on notice and I will clarify as my records allow when we respond on notice.

**Senator BUSHBY:** Very good.

**Answer:**

1. The full audited financial statement is provided to all members. The full 2011 Financial Report was also tabled in the Department's response to a Question on Notice in February 2012. That report is available on the Senate website:  
[http://www.aph.gov.au/Parliamentary\\_Business/Senate\\_Estimates](http://www.aph.gov.au/Parliamentary_Business/Senate_Estimates) so is now also publically available.

The Department notes that it has referred to this report as a summary. It is in fact the full audited financial report, not a summary.

2. The full audited financial statement was provided to Senator Bushby in response to the Question on Notice at the Estimates Hearing in February 2012. It does not provide any further breakdown than the aggregate sum paid to key personnel, and the list of names of these key personnel.
3. Key management personnel consist of the Board, CEO, CFO, General Managers (7 in 2011-12) and Company Secretary.

These positions were occupied variously by 16 personnel during the 2010-11 financial year (as indicated in the 30 June 2011 audited financial statement provided to members and Senator Bushby previously).

4. Yes, the Department has asked for information on how levels of remuneration are set. The Institute provided the following advice in writing to the Department:

“The Institute has the following two approaches for determining remuneration for key personnel:

- Directors

Remuneration for directors is governed by the Company’s Constitution (Clause 13). Clause 13 provides that the Board may be paid up to an aggregate maximum of A\$400,000 per annum. This maximum was determined by the Department prior to the incorporation of the Institute and was subsequently approved by the Institute’s legal members. The Board is authorised under the Constitution to divide the aggregate maximum among the Directors. To assist with determining the appropriate allocations, the Board utilises the services of a professional independent firm to provide benchmarking data and recommendations for Non-Executive Director remuneration.

- Key Management Personnel

The Institute has in place a Board-approved, detailed remuneration management and benchmarking system which provides the framework for remuneration decisions. This framework was developed for the Institute by a professional, independent global firm specialising in remuneration benchmarking systems and data. This firm advised the Institute of the remuneration benchmarks appropriate for each position. The benchmarking data incorporates ACT and national remuneration movements in the general market, Australian Public Service remuneration data as well as CPI information as provided by the Australian Bureau of Statistics. Movements in the benchmark data, together with each individual’s performance measured through the Institute’s Performance Management System, are used by the CEO to determine the annual remuneration for key management personnel. The Board decides the CEO’s remuneration each year using the same remuneration framework and signs off on the CEO’s determination for key management personnel.

The Department is satisfied that appropriate control measures regarding key personnel remuneration are in place.