

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

26 February 2014

Question: AET 177

Topic: Boards

Written: 5 March 2014

Senator LUDWIG asked:

177. Since September 7th 2013;

- (a) how often has each board met, break down by board name;
- (b) what travel expenses are provided;
- (c) what is the average attendance at board meetings;
- (d) how does the board deal with conflict of interest;
- (e) what conflicts of interest have been registered;
- (f) what remuneration is provided to board members;
- (g) how does the board dismiss board members who do not meet attendance standards?
- (h) Have any requests been made to ministers to dismiss board members since September 7, 2013?
- (i) Please list board members who have attended less than 51% of meetings
- (j) what have catering costs been for the board meetings held this year; is alcohol served;

Answer:

Australian Energy Regulator (AER)

The AER as part of the ACCC is not an agency established under the *Commonwealth Authorities and Companies Act 1997* and does not have a formal board structure. Formal decisions are made by the ACCC's Commission and the AER Board as per the powers conferred by the *Competition and Consumer Act 2010*. Please refer to response to AET 477.

- (a) Not applicable
- (b) Not applicable
- (c) Not applicable
- (d) Not applicable
- (e) Not applicable
- (f) Not applicable
- (g) Not applicable
- (h) Not applicable

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- (i) Not applicable
- (j) Not applicable

Clean Energy Finance Corporation (CEFC)

(a) The CEFC has one Board. In the period 07 September 2013 to 05 March 2014 there were 8 Board meetings and a further 2 Board-level Committee meetings.

(b) For remuneration and allowance please refer to section 20 of the *Clean Energy Finance Corporation Act 2012*, the *Remuneration Tribunal Act 1973*, the Remuneration Tribunal's *Determination 2014/03: Remuneration and Allowances for Holders of Part-Time Public Office* and *Determination 2013/16: Official Travel by Office Holders*, which are all public documents.

(c) 95% for Board meetings and 100% for Board-level Committee meetings held during the relevant period.

(d) Conflict of interest means an intersect between two separate interests. In terms of the Board – there is not a “register” of conflict per se – it is the interests of Board members which are registered, conflicts are declared at meetings based on the business to hand, and related party transactions are approved by the Board after consideration by the Audit and Risk Committee. Interests are declared by Board members on standing registers. Conflicts of interest are a standing agenda item at meetings. When a conflict of interest is declared by a Board member the conflict is dealt with in accordance with the procedure established by Part 3, Division 4, Subdivision B of the *Commonwealth Authorities and Companies Act 1997* (until 1 July 2014).

In terms of the Board's supervision of the CEO and employees, the CEFC's *Code of Conduct and Ethics* and *Corporate Policies and Procedures* specify when and how interests must be declared by staff. Any declared conflicts of interest are recorded in a managed register which is regularly reviewed by the Board and its Audit & Risk Committee.

(e) Conflicts of interest include financial, commercial, other beneficial, familial and fiduciary conflicts. Please note that mere existence of a conflict of interest is neither indicative that it is a) material in nature or b) representative of a related party interest.

(f) See the answer to (b) above.

(g) The Board cannot dismiss members. This power is the prerogative of the responsible Ministers per the requirements of section 23 of the *Clean Energy Finance Corporation Act 2012*.

(h) No.

(i) Not applicable.

(j) The CEFC operates its accounts according to the Finance Minister's Orders and the AASB accounting standards, which does not capture “catering costs for board meetings” as a separate expense item. Alcohol is not served at Board meetings.

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Financial Sector Advisory Council (FSAC)

- (a) FSAC has met twice in the period from 7 September 2013 to 5 March 2014.
- (b) Members may seek reimbursement of reasonable travel expenses associated with attending meetings. During the period, \$215.59 was reimbursed to members.
- (c) Average attendance has been 69% or 10 members (for the two meetings in the period)
- (d) As FSAC members are representing the interests of the financial sector at meetings, they are not required to complete a formal declaration of interests prior to joining the Council. However, where a specific conflict of interest arose, members would be expected to disclose this.
- (e) No conflicts of interest have been registered.
- (f) No remuneration is provided.
- (g) There is no formal process established for dismissing members who do not meet attendance standards.
- (h) No.
- (i) The following members attended less than 51% of meetings (i.e. missed at least one of the two meetings during the period):
 - Mr Mark Bouris
 - Mr Cameron Clyne
 - Mr Craig Dunn (note, retired in November 2013)
 - Ms Belinda Hutchinson
 - Mr Chris Mackay
 - Mr Steve Sargent
 - Mr Mike Wilkins
- (j) No catering costs have been incurred by the Government.

Foreign Investment Review Board

- (a) Four times.
- (b) Travel and any associated expenses to and from a board meeting is provided for board members who do not reside in the city that the board meeting is taking place in.
- (c) 100 per cent.
- (d) Board members are required to declare any conflict of interest on appointment and annually. If a conflict or potential conflict arises in relation to a particular foreign investment proposal, the Board member will not be involved in consideration of that proposal.
- (e) Conflict or potential conflict occurs occasionally in relation to a particular foreign investment proposal.

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(f) As set out in Remuneration Tribunal Determination 2014/03 'Remuneration and Allowances for Holders of Part-Time Public Office' found at <http://www.remtribunal.gov.au/media/documents/2015/2014-determinations/2014-03-principal-determination-remuneration-and-allowances-for-holders-of-part-time-public-office/2014-03-PTOH-Principal-Determination-1.03.2014.pdf>.

(g) Not applicable.

(f) No.

(i) Not applicable.

(j) \$80. No alcohol was served.

Commonwealth Consumer Affairs Advisory Council (CCAAC)

(a) The Commonwealth Consumer Affairs Advisory Council (CCAAC) has met once on 14 March 2014 in Sydney.

(b) Flights and accommodation are provided for non-Sydney based CCAAC members.

(c) All nine CCAAC members attended the 14 March 2014 meeting.

(d) CCAAC members are asked to fill in a Personal Interest Declaration Form.

(e) No conflicts of interest have been registered.

(f) CCAAC members are paid sitting fees in line with the Remuneration Tribunal schedule of fees for part-time office bearers.

(g) Not applicable. All members usually attend meetings, unless they are unavailable due to other commitments (for example, overseas travel).

(h) No requests have been made to ministers to dismiss board members.

(i) All nine CCAAC members attended the 14 March 2014 meeting.

(j) Up to \$240 was spent on the catering costs for the 14 March 2014 meeting. No alcohol was served.

Reserve Bank Board

(a) The Reserve Bank Board normally meets eleven times each year, on the first Tuesday of each month, except January. From 7 September 2013 to 5 March 2014, the Reserve Bank Board met five times.

(b) For Board members residing outside Sydney (or the location of a Board meeting), the Bank provides a business class airfare and taxi or hire car transfers to and from their place of residence to the airport and meeting location, as well as an overnight travel allowance (as set by the Remuneration Tribunal) less any meals that are provided by the Bank. For members residing in the city where the meeting is held (usually Sydney), the Bank provides taxi or hire car transfers to and from their home to the meeting location if required.

(c) 100 per cent in the period in question.

(d) On appointment to the Reserve Bank Board, members must comply with the general obligations of directors of Commonwealth authorities, including those set out in the

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Commonwealth Authorities and Companies Act 1997 (CAC Act). Under the CAC Act members must (among other things):

- i. declare to the other members of the Board any material personal interest in a matter that relates to the affairs of the Reserve Bank
- ii. not use their position to benefit themselves or any other person, or to cause detriment to the Reserve Bank or any other person.

Among other provisions of the Code of Conduct for Reserve Bank Board members (published on the Bank's website), members considering taking on material personal interests that might present, or might be perceived as presenting, a risk of conflict with their role as a Board member should consult the Governor before committing themselves.

Further, under a class order made by the Treasurer in 2001, members must furnish a confidential statement of material personal interests to the Treasurer annually, and notify any substantial change since their previous annual statement.

(e) None for the period in question.

(f) Remuneration for Reserve Bank Board members is set by the Remuneration Tribunal. As at 7 September 2013, the rate was \$64 290 per annum. The Remuneration Tribunal conducted a review in late 2013 and as a result remuneration for Reserve Bank Board members was increased to \$71 680 per annum effective 1 March 2014. Remuneration is paid quarterly. The Secretary to the Treasury is not remunerated by the Bank for his role as a member of the Reserve Bank Board.

In accordance with measurement conventions of the Remuneration Tribunal, in 2012/13 the Governor (as Chairman of the Reserve Bank Board) received a total remuneration of \$986 773 (including salary of \$842 285) and the Deputy Governor (as Deputy Chairman of the Reserve Bank Board) received \$700 000 (including salary of \$593 782).

(g) Section 18(d) of the Reserve Bank Act 1959 provides that if a member is absent, except on leave granted by the Reserve Bank Board, from all meetings of the Reserve Bank Board held during 2 consecutive months or during any 3 months in any period of 12 months, the Treasurer shall terminate his or her appointment.

(h) No for the period in question.

(i) Not applicable for the period in question.

(j) Catering costs for the February and March meetings this year were \$1,890 (14 people attend the meetings and 9 or 10 people attend the lunches, which include a guest). No alcohol is served at Board lunches.

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Tax Practitioners Board

- (a) The Board has met 5 times - Oct, Nov, Dec 2013, Feb and March 2014.
- (b) Travel allowance is provided in accordance with Remuneration Tribunal Determination 2013/16 -Official Travel by Office Holders. Travel expenses are met when an office holder travels on official business which requires an overnight absence.
- (c) 8 out of 8 Board members – Chair plus 7 Board members. Board meetings are for one day – 9.00am – 3.30pm.
- (d) At the beginning of every Board meeting, there is an agenda item that calls for any new conflicts of interest that Board members wish to declare. All declarations are then minuted as part of the Board meeting minutes.

Further, the current Board member Code of Conduct states the following:

6. Managing conflicts of interest

Where possible, a Board member should avoid any conflict of interest (real or apparent) in connection with the performance of their Board responsibilities. This includes, among other things:

- taking reasonable steps to disclose any likely conflict (real or apparent) to the Minister and/or Board Chair or Committee Chair;*
- having regard to the potential impact of activities, interests and associations in private life on the impartial and efficient performance of their Board responsibilities; and*
- being proactive and sufficiently comprehensive in disclosing (to all relevant interested parties) interests that could conflict (real or apparent) with their Board functions, including regularly reviewing and updating current declarations as appropriate.*

In the event of a conflict between an office holder's obligations under the APS Code of Conduct and their enabling legislation, the latter will prevail.

- (e) Under section 60-50 of the Tax Agent Services Act 2009, a Board member must give written notice to the Minister of any direct or indirect pecuniary interest that the Board member has or acquires and that conflicts or could conflict with the proper performance of the Board's functions.

On 6 March 2014, a Minute was sent to the Assistant Treasurer (01-2014) to disclose conflict of interest declarations for all Board members. This is generally done annually, or when a new Minister is appointed.

In addition, and as noted in question (d) above, at the beginning of every Board meeting, there is an agenda item that calls for any new conflicts of interest that Board members wish to declare. All declarations are then minuted as part of the Board meeting minutes.

- (f) Board members are remunerated in accordance with the provisions of Remuneration Tribunal Determination 2014/03. One daily fee (\$1024) is payable for attendance at formal meetings which are more than 3 hours in duration. Where meetings are

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less than 3 hours remuneration is reduced - 60% of the daily fee (\$614.40) is payable where attendance is less than 3 hours and 40% of the daily fee (\$409.60) is payable where attendance is less than 2 hours.

(g) The Board does not have any statutory power to dismiss or terminate the appointment of a Board member. Under section 60-60 of the Tax Agent Services Act 2009, the Minister may terminate the appointment of a Board member for a number of reasons, including:

- For a full time Board member – if the Board member is absent, except on a leave of absence, for 14 consecutive days or for 28 days in any 12 months.
- For a part time Board member – if the Board member is absent, except on leave of absence, for 3 consecutive meetings of the Board.

Further, the Board's internal attendance standards coincide with the legislative framework as contained in the Tax Agent Services Act 2009.

(h) No such requests have been made.

(i) No Board members have attended less than 51% of meetings.

(j) Oct 2013 – \$199

Nov 2013 - \$216

Dec 2013 – \$350 * approximation as catering invoice covered 2 days

Feb 2014 - \$421

Mar 2014 - \$144

Alcohol is not served.

Please note that where catering has been provided, Board members who are travelling from interstate are not paid the meal allowances they would otherwise be entitled to. In all cases, catering costs are less than meal allowance expenses.

Financial Reporting Council

(a) The Financial Reporting Council (FRC) has met once during the period.

(b) Travel expenses covered:

- ***airfares to and from the city where the meeting is being held, for those not residing in that city;***
- ***Taxi or other transit costs (e.g. train fares) are reimbursed as requested.***

(c) 11 FRC members attended the meeting.

(d) FRC members have a publicly available register of interests, updated before each FRC meeting. The FRC rules of procedure, available on the FRC website, specify the rules relating to conflicts of interest. It states:

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9. Conflicts of interest

9.1 Under the Australian Securities and Investments Commission Act 2001, the Council:

- a. provides broad oversight of the processes for setting accounting and auditing standards in Australia, including: giving advice or feedback to the AASB and the AUASB on their priorities, business plans, and procedures; giving advice or feedback to the Offices of the AASB and AUASB on their budgets and staffing arrangements; and determining the AASB's and AUASB's broad strategic direction. The Council recognises that the ASIC Act specifically precludes the Council from directing the AASB or the AUASB in relation to the development or making of a particular accounting or auditing standard and provides that it does not have the power to veto a standard formulated and recommended by either the AASB or the AUASB; and*
- b. monitors the effectiveness of auditor independence requirements in Australia, having particular regard to the systems and processes of audit firms, quality review programs and disciplinary procedures of the professional accounting bodies, the teaching of ethics by those bodies and compliance by companies with audit-related disclosure requirements.*

9.2 Any member who becomes aware of a material personal interest in a matter that relates to the affairs of the Council, AASB or AUASB must give the other members notice of the interest. The notice must:

- a. give details of the nature and extent of the interest and its relation to the affairs of the Council, the AASB or the AUASB; and*
- b. be given at a meeting of the Council as soon as practicable after the member becomes aware of the interest, and be recorded in the minutes of the meeting.*

9.3 A member may give the other members standing notice about an interest. The notice may be given at any time and whether or not the matter relates to the affairs of the Council, the AASB or the AUASB at the time the notice is given.

9.4 A standing notice must give details of the nature and extent of the interest and be given at a meeting of the Council (either orally or in writing) or to the other members individually in writing. A standing notice given to the other members individually in writing must be tabled at the next meeting of the Council after it is given. The member must ensure that the nature and extent of the interest disclosed in the standing notice is recorded in the minutes of the meeting where the standing notice is given or tabled.

9.5 The standing notice takes effect as soon as it is given and ceases to have effect in relation to a particular interest if the nature or extent of the interest materially increases above that disclosed in the notice.

9.6 Members who have a material personal interest in a matter that is being considered at a meeting of the Council must not be present while the matter is being considered at the meeting or vote on the matter unless the other members have passed a resolution that: identifies the member, the nature and extent of the member's interest and its relation to the

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affairs of the Council, the AASB or the AUASB; and states that those members are satisfied that the interest should not disqualify the member from voting or being present.

9.7 Members will provide other members, through the secretariat, with a list of their current affiliations and update this list as affiliations change.

- (e) None.
- (f) Remuneration for the Chairman is \$120,498 per annum plus superannuation (9.25% per cent of base salary). Sitting fees for members paid for attendance at FRC meetings is \$918 per diem.
- (g) Not applicable.
- (h) No.
- (i) The following members did not attend the meeting: Mr Ross Barker; Mr Michael Coleman; Dr Stein Helgeby; Mr Ian Purchas; and Mr Kevin Stevenson.
- (j) The Board has not yet held any meetings in 2014. Alcohol is not served at FRC meetings.

Payments System Board

- (a) Twice in the period in question
- (b) For Payments System Board members residing outside Sydney (or the location of a Board meeting), the Bank provides a business class airfare and taxi or hire car transfers to and from their place of residence to the airport and meeting location, as well as an overnight travel allowance (as set by the Remuneration Tribunal) less any meals that are provided by the Bank. For members residing in the city where the meeting is held (usually Sydney), the Bank provides taxi or hire car transfers to and from their home to the meeting location if required.
- (c) 100 per cent in the period in question.
- (d) A member of the Payments System Board shall, before being appointed, provide a written assurance concerning his or her private interests and personal affairs in relation to their investments.

On appointment to the Payments System 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, members must comply with the general obligations of directors of Commonwealth authorities, including those set out in the Commonwealth Authorities and Companies Act 1997 (CAC Act). Under the CAC Act members must (among other things):

- iii. declare to the other members of the Board any material personal interest in a matter that relates to the affairs of the Reserve Bank
- iv. not use their position to benefit themselves or any other person, or to cause detriment to the Reserve Bank or any other person.

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Among other provisions of the Code of Conduct for Payments System Board members (published on the Bank's website), members considering taking on material personal interests that might present, or might be perceived as presenting, a risk of conflict with their role as a Board member, should consult the Governor before committing themselves.

Members are expected to declare any material personal interest in relation to agenda items at each Board meeting.

(e) None in the period in question.

(f) Remuneration of Payments System Board members is set by the Remuneration Tribunal. As at 7 September 2013, the rate was \$52 600 per annum. The Remuneration Tribunal conducted a review in late 2013 and as a result remuneration was increased to \$56 320 per annum effective 1 March 2014. Members are paid quarterly.

In accordance with measurement conventions of the Remuneration Tribunal, in 2012/13 the Governor (as Chairman of the Payments System Board) received a total remuneration of \$986 733 (including salary of \$842 285).

The representatives of the Bank and APRA on the Payments System Board are not remunerated by the Bank specifically for their roles on the Payments System Board.

(g) Section 25L(4)(c) of the Reserve Bank Act 1959 provides that if a member is absent, except on leave granted by the Payments System Board, from 2 or more consecutive meetings of the Payments System Board or 3 or more meetings of the Payments System Board in any period of 12 months, the Treasurer shall terminate his or her appointment.

(h) No for the period in question.

(i) Not applicable for the period in question.

(j) The cost for the one meeting held this year was \$1 766 (17 people attended the meeting and 13 people attended the lunch, which included a guest). Alcohol is not served at Board lunches.

Australian Reinsurance Pool Corporation

(a) ARPC Board has met on the following dates: 17 September 2013; 26 November 2013; 4&5 February 2014; 3 March 2014.

(b) The Remuneration Tribunal Determination 2014/03 provides ARPC Board travel and accommodation expenses at Tier 1.

(c) Average attendance at meeting days since 7 September is 92.6 per cent.

(d) The ARPC Board Charter requires members to declare any matter in which the member has a potential material interest at the commencement of each meeting. Members with a declared interest may not be present during any discussion of that interest, except in accordance with provisions within the Commonwealth Authorities and Companies Act 1997.

(e) Until 23 October 2013, the Chair was the CEO of the Australian and New Zealand Institute of Insurance and Finance; this interest was stated on the Board's Statement of Personal Interest form within each Board meeting's papers. There are no current conflicts registered.

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- (f) Under the Terrorism Insurance Act 2003, ARPC Board members are remunerated according to the Remuneration Tribunal Determination. On 1 March 2014, Remuneration Tribunal Determination 2014/03 replaced Determination 2013/11.
- (g) ARPC Board members are appointed by the Minister; under section 20(2) of the Terrorism Insurance Act 2003, the Minister may terminate a member's appointment if the member '...is absent, except on leave of absence, from three consecutive meetings...'
- (h) No.
- (i) Nil.
- (j) Catering costs for working lunches during Board meetings since 7 September 2013 are \$1590.35 (GST inclusive). Alcohol was not served during these working lunches.

Australian Government Financial Literacy Board

- (a) The Australian Government Financial Literacy Board has met twice since 7 September, on 1 November 2013 and on 28 February 2014.
- (b) ASIC paid for a return flight from Brisbane to Sydney for Ms Fiona Guthrie, CEO of Financial Counselling Australia to attend the meeting on 1 November 2013, at a cost of \$328.06.
- (c) In the period since 7 September 2013 there has been 78% average attendance by Board members.
- (d) A conflict of interest declaration is signed by each member at the time of appointment to the Board.
- (e) No conflicts of interest have been noted.
- (f) Board members receive no remuneration, providing their time and expertise pro bono.
- (g) Responsibility for dismissals from the Board rests with the relevant Minister.
- (h) No requests been made to Ministers to dismiss Board members since 7 September 2013.
- (i) Four out of 13 Board members were not able to attend one of the past two meetings (Hamish Douglass, Ian Silk, Mike Smith, Robert Thomas) and one Board member was unable to attend both (Tony Mackay).
- (j) Catering costs for the two meetings held since 7 September 2013 have totalled approximately \$325.00. Alcohol is not served.