



Part four Accountability and governance

Accountability.....	58
Review of operations and future prospects.....	61
Corporate governance.....	62

accountability

Enabling legislation

Austrade operates as a statutory agency within the Foreign Affairs and Trade portfolio. The Minister for Trade has direct responsibility for Austrade.

The enabling legislation under which Austrade operated in 2005–06 included:

- > *Australian Trade Commission Act 1985*—this Act sets out the organisation’s functions and powers as well as issues relating to administration, the Board and other matters
- > *Export Market Development Grants Act 1997*—the EMDG scheme, administered by Austrade, is the Government’s principal export finance assistance program
- > *Commonwealth Authorities and Companies Act 1997*—this Act establishes core financial, accountability and corporate governance requirements for Australian Government statutory authorities, including Austrade.

The *Australian Trade Commission Legislation Amendment Bill 2006* was passed by the Parliament during 2005–06 to amend the *Australian Trade Commission Act 1985* and the *Export Market Development Grants Act 1997* with effect from 1 July 2006. These amendments implemented the outcome of Austrade’s assessment as part of the Government’s response to the Uhrig Review (see page 62).

Austrade is also subject to specific statutory and regulatory requirements that influence its operations, including, among others:

- > *Privacy Act 1988*
- > *Consular Privileges and Immunities Act 1972* (including the Vienna Convention on Consular Relations)
- > *Freedom of Information Act 1982*
- > *Ombudsman Act 1976*
- > *Auditor-General Act 1997*
- > *Workplace Relations Act 1996*.

Compliance with relevant legislation is reviewed on a regular basis.

Austrade’s Minister

The responsible Minister for the reporting period, and at the date of the report of operations, was the Hon Mark Vaile MP, Deputy Prime Minister and Minister for Trade.

In addition to the responsible Minister, Austrade takes account of Parliament, other ministers, central agencies such as the Department of Finance and Administration, external review bodies such as the Australian National Audit Office (ANAO), international treaties, clients, the public and its employees. Austrade also liaises closely with the Department of Foreign Affairs and Trade (DFAT) and the Export Finance and Insurance Corporation (EFIC) within the Foreign Affairs and Trade portfolio.

Ministerial directions and determinations

No ministerial directions affecting Austrade were issued in 2005–06. Ministerial directions issued in previous financial years with continuing effect include:

- > Minister for Finance and Administration’s Direction of 1 December 2004 under section 47A of the *Commonwealth Authorities and Companies Act* (the CAC Act) regarding procurement
- > General Policy of Government was issued in 2003–04 under section 28 of the CAC Act regarding the application of the National Code of Practice for Construction Industry and the Implementation Guidelines to all government-funded projects
- > General Policy of Government on Cost Recovery—2002–03
- > General Policy of Government was issued in 2001–02 under section 28 of the CAC Act in respect of accrued long service leave liabilities
- > General Policy of Government on Foreign Exchange—2001–02.

No other ministerial direction was given by the Deputy Prime Minister and Minister for Trade or any other minister to Austrade in 2005–06.

Independent audits

In 2005–06 the Auditor-General tabled in Parliament a number of audit reports of relevance to Austrade operations. Details of audits involving Austrade are shown in Table 11.

Table 11: Audits involving Austrade which were considered in the 2005–06 reporting period

<p>ANAO report No. 52 2004–05: <i>Legal Services arrangements in the Australian Public Service</i> *</p>	<p>The report made a number of recommendations to assist agencies to achieve greater cost effectiveness from their legal services. Austrade was one of 40 agencies surveyed.</p>
<p>ANAO report No. 9 2005–06: <i>Provision of Export Assistance to Rural and Regional Australia through the TradeStart Program</i></p>	<p>The audit assessed the provision of export assistance and support to new and irregular exporters in rural and regional Australia through the TradeStart program. The report made several recommendations regarding the operation of the TradeStart program on:</p> <ul style="list-style-type: none"> > improving documentation of the intermediate stages of competitive selection processes > determining the extent to which TradeStart office locations align with assessed needs and priorities > strengthening the transparency of decision-making on applications through TradeStart to join the New Exporter Development Program > managing the potential for conflicts of interest > the provision of market intelligence to TradeStart clients > expanding the TradeStart performance framework with targets for rural and regional Australia. <p>Austrade has completed the implementation of four of the recommendations and has made substantial progress in implementation of the remaining two.</p>
<p>ANAO report No. 22 2005–06: <i>Cross Portfolio Audit of Green Office Procurement</i></p>	<p>This report assessed a range of government policy measures to improve energy efficiency in buildings, reduce vehicle emissions and packaging waste, and report on aspects of sustainability in its own operations. It made a range of recommendations and issued better practice examples of green office procurement. Austrade responded to a survey as part of this audit.</p>
<p>ANAO report No. 37 2005–06: <i>Management of Infrastructure, Plant and Equipment Assets</i></p>	<p>This report reviewed and made recommendations about agencies' policies and practices regarding asset management (including control environment; planning; acquisition; operations and disposals) of infrastructure, plant and equipment. Austrade was one of four agencies audited.</p>

* This Audit was reported late in 2004–05 period and considered in the 2005–06 reporting period.

Judicial decisions and reviews by outside bodies

There were no parliamentary inquiries into matters directly affecting Austrade or any judicial decisions.

Details of appeals to the Administrative Appeals Tribunal (AAT) under the EMDG Act are shown in Table 12. No decisions of the AAT involving EMDG appeals were referred to the Federal Court on appeal during 2005–06.

Any grant amounts payable as a result of a successful appeal are payable from the administered account and not from Austrade’s departmental budget.

Privacy

No complaints under the *Privacy Act 1988* were received by Austrade during the 2005–06 financial year.

Training on the Commonwealth Privacy Principles and Austrade’s own privacy policies is provided as part of regular corporate training including induction training and training for staff before they go on posting overseas.

Freedom of information

Austrade is required to comply with the *Freedom of Information Act 1982* (FOI Act). Austrade received eight requests under the FOI Act during 2005–06 and has met its obligations under the Act. For more detailed information see Appendix C.

Ecologically sustainable development

Austrade supports the Australian Government environmental purchasing policy administered by the Department of Environment and Heritage. This policy is included in Austrade’s Procurement Guidelines and as part of the procurement planning process.

Austrade has developed its own environmental management system and has already developed and implemented, in the Canberra office, many of the action plans suggested by the Greenhouse Challenge Plus program. Examples include recycling of materials and automatic shutdown of lighting.

Austrade also monitors its day-to-day activities on the environment and implements, where necessary, specific projects aimed at improving environmental performance.

Table 12: Appeals to the Administrative Appeals Tribunal under the EMDG Act

Number of appeals in progress at 1 July 2005	4
Number of appeals received 1 July 2005 to 30 June 2006	6
TOTAL	10
Appeals finalised or settled prior to hearing	4
Decision handed down by AAT	1
TOTAL	5
Number of appeals in progress at 30 June 2006	5

review of operations and future prospects

Austrade has performed its statutory objectives and functions and delivered its principal outputs and contributions to outcomes in accordance with its operational plan for the 2005–06 year. Details of Austrade’s financial and non-financial performance are set out in the ‘Our performance’ section (see page 6) and Part 3.

For the 2005–06 financial year, Austrade reported a net departmental deficit of \$2.305 million. In 2004–05, there was a net deficit of \$5.455 million before adjustments for the transition to Australian Equivalents to International Financial Reporting Standards (AEIFRS), and a deficit of \$5.191 million after adjustments for AEIFRS.

In the 2005–06 financial year departmental equity increased from \$75.151 million (before AEIFRS adjustments) to \$92.369 million compared to an increase in 2004–05 from \$72.431 million to \$75.151 million. The increase in 2005–06 included the net departmental deficit of \$2.305 million, offset by an increase on revaluation of property, plant and equipment of \$10.532 million and an equity injection of \$8.669 million.

At 30 June 2006 net assets administered on behalf of the Australian Government amounted to \$5.552 million compared to \$5.230 million at 30 June 2005.

Cash deposits held by Austrade during the 2005–06 financial year were principally in the form of bank bills held with major Australian banks in accordance with our Treasury Policy. Austrade’s major departmental investing activities in 2005–06, as reported in its financial statements, were investments of \$17.356 million in property, plant and equipment and computer software (compared to \$8.303 million spent in 2004–05) offset by proceeds from the sale of investments and property, plant and equipment of \$6.657 million (compared to \$0.908 million in 2004–05). There were no financing activities outgoings in 2005–06 (also nil in 2004–05).

There were no investing or financing activities in relation to administered items (also nil in 2004–05).

A number of specific factors, events and trends influencing Austrade’s performance during the financial year have been referred to in the Chief Executive Officer’s report (see pages iv–v). There were no significant events to be notified under Section 15 of the *Commonwealth Authorities and Companies Act 1997* during the financial year to 30 June 2006.

In the context of Austrade’s transition to the *Financial Management and Accountability Act 1997* (FMA Act), it is expected, subject to agreement on transitional arrangements and future funding, and consistent with arrangements for other FMA Act agencies overseas, that the management and control of Austrade’s overseas properties will be transferred to the Overseas Property Office of the Department of Foreign Affairs and Trade. This will have the effect of reducing Austrade’s net assets, and equity, by \$45.240 million as at the date of the transfer.

In addition, Austrade will no longer have access to cash balances, but funds will be available as a receivable from Government. It is expected that Austrade will receive additional appropriation revenue to compensate for the loss of interest revenue.

These changes are not expected to significantly affect Austrade’s operations.

No other matters or circumstances have arisen during or since the end of the financial year that have significantly affected or may significantly affect:

- > Austrade’s operations in future financial years
- > the results of those operations in future years
- > Austrade’s state of affairs in future financial years.

corporate governance

Throughout the financial year, Austrade maintained a relevant and robust governance structure comprising the Board and its charter, corporate and operational planning structures, and risk management and internal control systems. These represented a strong mix of Board-related, external and management controls.

Best-practice principles, as set out in the Australian National Audit Office (ANAO) Better Practice Guide on public sector governance, are fundamental elements of Austrade's corporate governance framework.

Austrade's corporate governance arrangements will undergo significant change as a result of the transition from 1 July 2006 from Board governance to that of Executive Management (see below). The following outline of Austrade's corporate governance arrangements relates to the Board governance arrangements that were in place until 30 June 2006.

Austrade Board

To 30 June 2006, the Board was responsible for the overall corporate governance of Austrade, including financial control and strategic direction, establishing goals and guidelines for management, and monitoring performance against those goals.

Within the scope of the Corporate and Operational Plans, the Board had authority to act by virtue of the powers conferred upon it under Section 23 of the *Australian Trade Commission Act*.

The Board was accountable to the Minister for Trade and section 10 of the Act gave the Minister power to give directions to the Board. As reported above, the Minister did not exercise this power in the year under review.

review of Austrade's corporate governance

In June 2003, John Uhrig AC presented to the Australian Government a *Review of the Corporate Governance of Statutory Authorities and Office Holders* (the 'Uhrig Review'). As part of the Government's response to the recommendations of the 'Uhrig Review' the Deputy Prime Minister and Minister for Trade decided that Austrade would cease to be governed by a Board under the *Commonwealth Authorities and Companies Act 1997* and become an agency under the *Financial Management and Accountability Act 1997* and the *Public Service Act 1999*, managed by a Chief Executive Officer. To give effect to this assessment, amendments were required to the *Australian Trade Commission Act 1985* and the *Export Market*

Development Grants Scheme Act 1997. These amendments came into effect on 1 July 2006.

During 2005–06 Austrade established a team to set up new governance arrangements to ensure the strong accountability features of the Board were translated into effective internal and external accountability mechanisms appropriate to Austrade's revised enabling legislation. The project included the preparation of new Schedules of Delegations and Chief Executive's Instructions, the amendment of several human resources, procurement and other management policies, and the establishment of a new Chief Executive's Management Board and an Audit and Risk Committee.



Members of the Austrade Board at their last meeting on 15 June 2006. Back row (left to right): David Morgan, Ian Knop, Stefan Trofimovs (Board Secretary), Dr Paul Scully-Power. Front row (left to right): Kerry Sanderson, John Down, Ross Adler, Peter O'Byrne

Board processes

To assist in the execution of its responsibilities, the Board adopted its own charter and established three standing sub-committees: the Audit, Risk, and Nomination and Remuneration sub-committees, which were also governed by their own charters. Board and committee charters were reviewed annually.

The Board established a framework for the management of Austrade that included, by Instrument of Delegation, establishing powers reserved to the Board and powers delegated to the Managing Director, an effective internal control and risk management environment, monitoring and accountability processes, and a code of conduct for Australia-based and overseas-engaged employees.

The agenda for Board meetings was determined by the Managing Director in consultation with the Chairman and prepared by the Board Secretary.

At each scheduled Board meeting, the Board received a report by the Managing Director, a financial operations report for the month and various reports from management seeking the Board's guidance or decision on matters falling within the Board's ambit of responsibility. The Board also reviewed strategies and planning for current and future activities.

Board procedures provided that, with the approval of the Chairman, a member, to further his or her duties, was able to seek independent professional advice at Austrade's expense. No such cases arose in the year under report.

Board member activity

The following control procedures existed for Board member activity:

- > Each Director made a declaration of pecuniary interests.
- > Directors disclosed all potential conflicts of interest they might have with matters the Board was considering. In each case, the Board had to decide whether the Director should continue to take part in discussions on the matter.
- > The ANAO reviewed the Austrade Board minutes to ensure Directors had made declarations of related-party transactions that they, or the entities in which they had an interest, had had with Austrade. The financial statements to this annual report disclose any such related-party transactions.

Composition of the Board

Section 12(1) of the Australian Trade Commission Act governed the composition and membership of the Board, and provided that the Board should consist of no fewer than 10 and no more than 12 members, namely:

- > a Chairperson
- > a Deputy Chairperson
- > the Managing Director
- > the Managing Director of the Export Finance and Insurance Corporation (EFIC) (ex officio)
- > two Government members
- > other members (no fewer than four and no more than six) as the Minister determined appropriate.

In 2005–06, the Board held 10 ordinary meetings and on two occasions received submissions intersessionally.

Changes to the Board

During the year, two members concluded their Board assignments: Ms Mary Boydell retired on 20 July 2005 and Mr Chris Anderson resigned his appointment on 18 August 2005. The Minister did not fill the vacancy created by Mr Anderson's departure in the context of the review of, and alterations to, Austrade's governance structure.

On 30 June 2006, Austrade's Board ceased with amendments to the Australian Trade Commission Act establishing Austrade as an agency managed by a Chief Executive Officer from 1 July 2006 (see page 62). At its final meeting on 15 June 2006, the Board received final reports from its Audit, Risk and Nomination and Remuneration sub-committees, reviewed its obligations and handed over its responsibilities to the Managing Director as incoming CEO.

Board membership 2005–06

The following members constituted the Board of Austrade for the period 1 July 2005 to 30 June 2006.



ROSS ADLER

AO, MBA, BCom

South Australian resident (61 years)

NON EXECUTIVE CHAIRMAN

Ross Adler was appointed to the Austrade Board as a member on 30 October 2000 and Chairman on 8 May 2001. He was reappointed for a further three-year term from 31 October 2003. He was Chairman of the Board Nomination and Remuneration Committee and a member of the Board Audit Committee.

He is Chairman and CEO of Amtrade International Pty Ltd; Chairman of Domino's Pizza Australia New Zealand Ltd; Chairman of the Adelaide Festival; a Council member of the University of Adelaide and Chairman of its Finance Committee.

He was formerly Managing Director of Santos Ltd (1984–2000), Australia's largest onshore oil and gas company. From 1975 to 1984 Mr Adler was Managing Director of Brown & Dureau Ltd, at that time one of Australia's principal merchant traders.

From 1979 to 1984 he held various senior management roles with Australian Paper Manufacturers Ltd, later Amcor, rising to an Executive Director in 1981 and then to Deputy Managing Director.

He was a Director of Telstra Corporation Ltd from 1996 to 2001 and of the Commonwealth Bank of Australia Ltd from 1991 to 2005.



JOHN DOWN

MEc, BEc

Queensland resident
(65 years)

**NON EXECUTIVE
DEPUTY CHAIRMAN**

John Down was appointed to the Board as a member on 18 May 2000 and as Deputy Chairman on 19 May 2000. He was reappointed in 2003 and for a further defined term from 20 May 2006. He was previously on the Board between 1991 and 1993, and was formerly a member of the Export Finance and Insurance Corporation (EFIC) Board.

Mr Down was the Chairman of the Board Risk Committee and a former member of the Board Audit Committee. He is Deputy Chairman and Managing Director of Viking Industries Ltd. Mr Down jointly established the GRM Group of Companies, an integrated agribusiness group, which included pastoral holdings, commodity trading and consulting (1971–92).

He was Director-General of the Office of Major Projects and Head of the Office of the Coordinator-General in the Government of Queensland (1993–96). He was a Director of QCT Resource Ltd (1996–2000) and Anaconda Nickel Ltd (1995–98).



PETER O'BYRNE

MCom (Hons), FCPA, FAICD

NSW resident (56 years)

MANAGING DIRECTOR

Peter O'Byrne joined Austrade in May 2002 as Managing Director. He is also an ex officio member of the Board of EFIC and a member of the Trade Policy Advisory Council.

Before joining Austrade he was the Managing Director of Australian Hearing, a federal government trading enterprise, which includes the National Acoustic Laboratory, and a Board member of the Cooperative Research Centre for Cochlear Implants and Hearing Aids. Mr O'Byrne was previously based in Singapore as Regional Director for the Reckitt & Colman businesses across East Asia.

He has been a Director of the World Federation of Proprietary Medicine Manufacturers, President of the Proprietary Medicine Manufacturers of Australia and a Director of the Grocery Manufacturers of Australia Ltd.



**MICHAEL
L'ESTRANGE**

BA (Hons)

Canberra resident
(53 years)

**NON EXECUTIVE
GOVERNMENT
DIRECTOR**

Michael L'Estrange was appointed as Secretary of the Department of Foreign Affairs and Trade in January 2005, and was appointed a government member of the Board of Austrade on 14 February 2005. He was a member of the Board Nomination and Remuneration Committee.

From July 2000 until this appointment, Mr L'Estrange was High Commissioner to the United Kingdom of Great Britain and Northern Ireland. Before that posting, he was (from March 1996) Secretary to the Cabinet and Head of the Cabinet Policy Unit on the staff of the Prime Minister. Mr L'Estrange served in the Department of the Prime Minister and Cabinet, as well as a senior adviser to three Opposition Leaders.

He is a former Rhodes Scholar and was awarded a Harkness Fellowship in international relations at Georgetown University in Washington DC and the University of California at Berkeley between 1987 and 1989. In 1995 Mr L'Estrange was the Executive Director of the Menzies Research Centre in Canberra. He is also a member of the EFIC Board.



MARK PATERSON

BBus, FAICD, FAIM, FRMIA

NSW resident (52 years)

**NON EXECUTIVE
GOVERNMENT
DIRECTOR**

Mark Paterson was appointed to the Board as a government member on 11 February 2002. He is Secretary of the Department of Industry, Tourism and Resources. He is also a Member of the Boards of Tourism Australia, EFIC, the Australian Research Council and the Trade Policy Advisory Council.

Before his appointment, he was Chief Executive of the Australian Chamber of Commerce and Industry. Earlier experience involved heading the Retailers Council of Australia and the Retail Traders Association of New South Wales, and periods with the Australian Chamber of Manufactures—NSW, the Australian Medical Association and the South Australian Public Service Board.



ANGUS ARMOUR

MBA, BEc (Hons), FFin, FAICD

NSW resident (43 years)

**NON EXECUTIVE
EX OFFICIO DIRECTOR**

Angus Armour was appointed Managing Director of EFIC on 31 October 2003, and as such became the ex-officio member of the Board of Austrade. EFIC is a statutory authority of the Australian Government charged with supporting Australian exports and overseas investments through finance and insurance products.

Mr Armour joined EFIC in 1993 after working for the South Pacific Project Facility of the International Finance Corporation (IFC) in Sydney, and Export Development Corporation (EDC) in Canada. Mr Armour is also a member of the Trade Policy Advisory Council.



SARINA BRATTON

FAICD

NSW resident (52 years)

**NON EXECUTIVE
DIRECTOR**

Sarina Bratton was appointed to the Austrade Board on 18 May 2000. She was reappointed for a further term in 2003 and from 20 May 2006. She was a member of the Board Risk Committee.

Mrs Bratton is the Founder and Managing Director of Orion Expedition Cruises Pty Ltd, Australia's first five-star expedition cruise operation. She was formerly the Managing Director of Norwegian Capricorn Line, a joint venture partnership between Australian interests and Norwegian Cruise Line of Miami. Prior to this she was Vice President and General Manager Asia Pacific for Cunard Line.

Mrs Bratton has been recognised by state and federal governments through various board positions with the State Transit Authority (NSW), Australian Maritime Safety Authority (Deputy Chair) and Sydney Paralympic Organising Committee (Prime Minister's nominee).

She was a director of Voyages Hotels and Resorts, and was awarded the Commonwealth Government's Centenary Medal in 2003 for her Business Leadership contributions to Australian society. She was also awarded the 2006 Veve Clicquot Business Woman of the Year.



IAN KNOP

BBus, GDip Bus,
Associate ASCPA

NSW resident (57 years)

**NON EXECUTIVE
DIRECTOR**

Ian Knop was appointed to the Board on 21 July 2005 for three years. He is a member and former Deputy Chairman of EFIC. He was a member of the Board Audit Committee.

Mr Knop has extensive experience in the Australian private and public sectors. He is the Chairman and Managing Director of Profile Ray and Berndtson, an international executive search and management consulting firm. Mr Knop is also Chairman of the Ray and Berndtson Asia Pacific Practice and a member of the International Board of Ray and Berndtson. In addition, he is Deputy Chairman of Aurora Energy.

Mr Knop is a former Chairman of Soccer Australia and a former Member of the FIFA World Club Championship Organising Committee. He is also a retired Chairperson of the Sydney Ports Corporation and the Australian International Hotel School and Hotel Kurrajong, Canberra.



DAVID MORGAN

BCom

Victorian resident
(67 years)

**NON EXECUTIVE
DIRECTOR**

David Morgan was appointed to the Board on 29 January 2001 and reappointed for a further three years in 2004. He was the Chair of the Board Audit Committee and a member of the Board Nomination and Remuneration Committee. He was previously the Chair of the Board Risk Committee.

Mr Morgan is also Chairman of the Geelong Economic Development Council, Chairman of Geelong Region Alliance Ltd and Chancellor of Deakin University. In addition, he is on the Board of the Victorian Centre for Advanced Manufacturing Materials and Chairman of the National Motor Vehicle Theft Reduction Council.



KERRY SANDERSON

AO, BSc, BEc, FCIT, FAIM,
MAICD

Western Australian
resident (55 years)

**NON EXECUTIVE
DIRECTOR**

Kerry Sanderson was appointed to the Board on 10 May 2005 for three years. She is the Chief Executive Officer of Fremantle Ports. She was appointed to this position in 1992 after almost four years as Deputy Director General of Transport for Western Australia, responsible for all modes of transport. Before this, she was at the State Treasury as Director of Treasury's Economic and Financial Policy Division.

Mrs Sanderson has been actively involved in a number of other Boards and committees.

She was the recipient of the Telstra WA Businesswoman of the Year Award for 1996 and was also made an Officer of the Order of Australia (AO) in the Queen's Birthday Honours List in 2004. In March 2005, she was awarded an honorary doctorate of letters by the University of Western Australia.



**DR PAUL
SCULLY-POWER**

AM, DSM, NSM, DSc (Syd), BSc
(Hons), Dip Ed, FRAeS, FAICD

NSW resident (62 years)

**NON EXECUTIVE
DIRECTOR**

Dr Paul Scully-Power was appointed to the Board on 4 June 2001 and reappointed for a further three years from 4 June 2004. He was a member of the Board Risk Committee.

Dr Scully-Power is the Chief Technology Officer of the Tenix Group. He is a past Chairman of the Civil Aviation Safety Authority, a former Chancellor of Bond University and was the inaugural Chairman of the Queensland Science and Technology Council.

Before that, he managed and led many high-technology and industry programs in the United States, serving with the US Navy, NASA, the Pentagon and the White House. He was also the President of the Fort Trumbull Federal Credit Union. Before going to the United States, he was the inaugural Head of the Royal Australian Navy's Oceanographic Group.

Standing committees of the Board

In 2005–06, the Board had three standing committees operating in accordance with charters approved by the Board: the Board Audit Committee (BAC); the Board Risk Committee (BRC); and the Board Nomination and Remuneration Committee (BNRC). The Board was also able to appoint special-purpose committees, as required, although none were created during 2005–06. The BAC and BRC:

- > were not decision-making committees
- > met quarterly and convened extraordinary meetings as required
- > reported to the Board after every meeting and annually
- > prepared a work program for the year and reported against it to the Board.

Board Audit Committee

The Board Audit Committee was a subcommittee of the Board. It comprised a member of the Board as Chairperson and up to two other Board members appointed by the Board for a term of three years, although this could be varied.

Austrade management, Austrade's internal auditor (KPMG) and external auditor (ANAO), attended meetings of the Committee as observers on a regular basis.

The BAC was responsible for the general oversight of Austrade's reporting and auditing arrangements, including:

- > ensuring that an appropriate framework exists for management and financial reporting including accounting policies
- > reviewing reports to regulators requiring Board approval
- > reviewing related party transactions
- > compliance with laws and regulations, significant policies and procedures and Codes of Conduct in the context of reporting and audit
- > overseeing an effective internal control system
- > overseeing the scope and quality of external audit
- > maintenance of an effective internal audit function, including recommendations to the Managing Director on the selection of the internal auditor
- > agreeing to internal audit programs and capabilities, after consultation with the Board Risk Committee, and their presentation to the Board at the start of the financial year
- > liaison with the Managing Director to ensure the allocation of adequate resources to maintain the quality and viability of audit programs
- > coordination of internal audit with other management advisory activities
- > ensuring that effective liaison is maintained with the ANAO
- > ensuring that all ANAO performance recommendations and other audits are implemented.

At its final meeting, the BAC adopted its ‘close-out’ report of the Committee’s obligations under its Charter and reported that there were no matters of substance to report other than the ongoing finalisation of the next Internal Audit Plan, which would be concluded by the incoming Audit and Risk Committee with the incoming CEO. The BAC noted that the Managing Director had invited the Chair of the BAC, David Morgan, to join the new Committee as one of two independent members for a transitional term of one year.

Board Risk Committee

The Board Risk Committee was a subcommittee of the Board. It comprised a member of the Board as Chairperson and up to two other Board members appointed by the Board for a term of three years, although this could be varied.

Austrade management and Austrade’s internal auditor (KPMG) attended every meeting as observers.

The BRC was responsible for the general oversight of Austrade’s risk management arrangements, including:

- > ensuring that an appropriate fraud control and risk management framework was maintained by management in accordance with general corporate governance principles
- > liaison with the Managing Director to ensure the allocation of adequate resources to maintain the quality and viability of risk management programs
- > establishing processes for managing compliance with laws, regulations, standards and best practice guidelines including environmental and industrial relations laws.

At its final meeting, the BRC reported the completion of its work program for the 2005–06 financial year and adopted a ‘close-out’ report to the Board on the Committee’s obligations under its Charter. This reported that there were no matters of substance to report other than that the next Risk Management Plan would be concluded by the incoming Audit and Risk Committee with the CEO.

Board Nomination and Remuneration Committee

The Board Nomination and Remuneration Committee (BNRC) comprised the Chairman of the Board as its Chairperson, and three other Board members.

The BNRC was responsible for the general oversight of Austrade’s staff recruitment and remuneration policy, including:

- > managing an appropriate succession strategy for Austrade senior management
- > providing recommendations to the Board on recruitment, remuneration and performance bonuses of the Managing Director and direct reports to the Managing Director
- > reviewing and recommending to the Board on matters of staff employment, remuneration and performance bonus budgets and distribution policies
- > delegated power to appoint an acting Deputy Managing Director to act in the role of Managing Director.

The BNRC:

- > was deliberative only and not a decision-making committee, except that the Board had delegated to it the power to appoint an acting Deputy Managing Director during the temporary absence from duty of the Managing Director
- > had no formal work program and met as required
- > reported to the Board after every meeting.

In 2005–06 the BNRC met twice formally and also received a number of submissions without a formal meeting.

Attendance at Board and committee meetings 2005–06

During the year the Board held 10 ordinary meetings and received two submissions intersessionally. The Audit Committee held six meetings and the Risk Committee held three meetings (see Table 13).

Management environment

Section 53(1) of the Australian Trade Commission Act provided that ‘the affairs of the Commission shall, to the extent determined by the Board, be managed by the Managing Director’.

In accordance with section 53(2), the Board determined the extent to which the affairs of the Commission should be managed by the Managing Director, who in turn was able to delegate powers to Austrade employees.

Section 53(3) provided that the Managing Director should, in managing the affairs of the Commission, act in accordance with the policy of and directions given by the Board.

Table 13: Attendance at Board and committee meetings, 2005–06

Name	Board	Board Audit Committee	Board Risk Committee
Ross Adler AO	9(10)	4(5)	
John Down	7(10)		3(3)
Peter O'Byrne	10(10)		
Michael L'Estrange*	5(10)		
Mark Paterson	8(10)		
Chris Anderson ^	1(1)		
Mary Boydell+	0(0)	1(1)	
Sarina Bratton	7(10)		3(3)
David Morgan	9(10)	6(6)	
Dr Paul Scully-Power AM	7(10)		2(3)
Angus Armour	9(10)		
Kerry Sanderson AO	9(10)		
Ian Knop	8(10)	3(3)	

The number of meetings a director was eligible to attend is shown in brackets.

* Mr L'Estrange was represented by an observer on five occasions

^ Mr Anderson resigned on 18 August 2005

+ Ms Boydell retired on 20 July 2005, before the July Board meeting

In 2005–06, the Board reviewed but did not alter the limitations on the powers of the Managing Director and reviewed the changes to the Managing Director's delegations to staff.

Management mechanisms

Austrade's management mechanisms ensure effective decision making on, and communication of, corporate governance issues and organisational priorities (see Table 14). Other key methods of communicating with staff include a weekly e-zine called *Austrade Global News*, a quarterly staff magazine, *New Horizons* and ad hoc Corporate Messages.

Internal control and risk management

Austrade is committed to minimising the exposure of its clients, stakeholders, employees and assets to risks arising from Austrade activities and services, through the application of effective risk management principles and practices.

Austrade's objectives and expectations in relation to risk management are enunciated in the Risk Management Policy Statement, which also provides a benchmark by which decisions in the handling of risk are tested.

Austrade's Risk Management Framework outlines the policies and procedures for the conduct of risk management within Austrade. The framework is supported by Risk Management Guidelines setting out a step-by-step approach to undertaking risk assessments and developing and implementing appropriate risk treatments. In 2005–06 Austrade developed and commenced the rollout of risk awareness training targeted at senior managers.

The organisation-wide risk management approach includes the development of an annual strategic risk profile and risk management plan. The 2005–06 strategic risk plan gave priority to managing the opportunities and potential risks arising from the world trading environment and the transformation of Austrade's business models.

Table 14: Management meetings and committees

Executive Director meetings	Fortnightly meetings of the executive team, chaired by the Managing Director, were conducted using telephone conferencing facilities. In addition, the executive team met in Australia on three occasions during 2005–06 to consider Austrade’s strategic priorities and discuss a wide range of corporate policy and operational issues.
Workplace Relations Committee	The Workplace Relations Committee is the chief consultative body for human resource management and conditions of service issues affecting Austrade Australia-based APL1–5 staff. The committee is chaired by the Human Resources Director. Members include representatives of employees and Austrade management.
Business Advisory Group	The Business Advisory Group provides a strategic view of Austrade’s business requirements and leadership of organisation-wide transformation initiatives such as client and customer relationship management, ally management, planning and promotions and web-based servicing.
Other senior management meetings and mechanisms	The senior management teams of each division/region held regular meetings during the year to discuss strategic and operational issues relevant to their division/region. In addition, a number of ‘Stay in Touch’ sessions were held in Austrade’s major Australian offices. These sessions provided an opportunity for senior managers to update staff on a wide range of corporate issues. Austrade staff visiting from overseas also conducted a number of ‘Stay in Touch’ sessions to update staff on developments and issues in overseas markets.

During 2005–06, the Board Risk Committee continued to monitor closely the many security environments in which Austrade operates by receiving security briefings on a case-by-case basis and in relation to specific incidents. A key outcome in 2005–06 was the development and finalisation of an enterprise-wide security risk assessment. The BRC also received regular reports on progress towards implementing the program of agreed security upgrades. Highlights included the completion of relocations and upgrade works in Frankfurt, Istanbul, Mumbai and San Francisco.

Throughout the year specific risk mitigation activities reviewed by the BRC included:

- > strategies and activities to mitigate IT related risks
- > Knowledge Management priorities and strategies and the protection of Austrade’s intellectual property and intellectual capital
- > consideration of specific issues arising in relation to local labour laws in the countries in which Austrade operates
- > the identification and management of fraud issues against the EMDG scheme
- > Austrade’s contribution to the Australian Government’s implementation of the convention on Combating Bribery of Foreign Public Officials
- > development and piloting of the Online KPI capture and verification tool to enhance measurement of KPIs

- > revision and release of an updated Client Service Handbook and other initiatives to enhance delivery of services to clients and customers
- > protecting Austrade’s pivotal export facilitation role and strategic position whilst continuing to utilise and expand engagement with external partners and service providers.

Internal Control Systems

While the Board was responsible for Austrade’s overall internal control system to 30 June 2006, it recognised that no cost-effective internal control system would preclude all errors and irregularities. A key objective is to promote systematic awareness among staff of the control environment and risk in undertaking activities.

The main features of Austrade’s internal control framework are:

- > a management environment supported by an effective schedule of delegations
- > an effective risk management framework, including fraud control, risk management plans and contingency plans
- > monitoring controls through effective planning and budget management, policies and procedures
- > accountability mechanisms, including reporting and review controls.



Austrade's Executive Team. Back row (left to right): Laurie Smith, Regional Director, North East Asia; Di Robinson, Exporter Development Director; Stefan Trofimovs, Corporate Secretary; Hazel Bennett, Analysis and Planning Group Manager; Peter O'Byrne, Managing Director; David Twine, Regional Director, South East Asia, South Asia and Pacific; Leith Doody, acting Regional Director Europe, Middle East and Africa. Front row (left to right): Ian Wing, Regional Director, Americas; Greg Field, Chief Finance and Information Officer; Pat Evans, Client Services Director; Marcia Kimball, Human Resources Director. Absent: Hamish McCormick, Executive Director, Government and Corporate Services.

Fraud risk and fraud control plan

In accordance with the Government's Fraud Control Policy and Guidelines, Austrade's biennial fraud risk assessment and fraud control plans are part of its overarching risk management framework. Austrade continues to refine and strengthen its fraud control activities.

Internal audit

Internal audit within Austrade is an independent, objective consulting activity designed to add value to and improve Austrade's operations. It assists Austrade to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

KPMG, Austrade's internal auditors, undertake a rolling audit of Austrade's internal control framework and operations of the framework consistent with the needs of management and the inherent risks of each activity. In 2005-06, the Board agreed that internal audit activity should

be governed by a three-year Internal Audit and Assurance Strategy and a rolling annual Internal Audit Plan prepared within the context of that strategy. The strategy is to be reviewed annually, and the plans reviewed, and amended if necessary, on a progressive basis.

Indemnities and insurance premiums for directors and officers

The Board resolved that Austrade will indemnify, to the extent permitted by law, all current and former directors and employees against liability to third parties when they are acting in good faith and in an official capacity. The indemnity also applies to legal costs incurred in defending proceedings. No indemnity was given or agreed to be given to any current or former directors or employees during the year ended 30 June 2006.