



# AUDIT, RISK AND IMPROVEMENT COMMITTEE CHARTER

**February 2020**



**Wyong Office:** 2 Hely St / PO Box 20 Wyong NSW 2259 | **P** 1300 463 954

**Gosford Office:** 49 Mann St / PO Box 21 Gosford NSW 2250 | **P** 1300 463 954

**E** [ask@centralcoast.nsw.gov.au](mailto:ask@centralcoast.nsw.gov.au) | **W** [www.centralcoast.nsw.gov.au](http://www.centralcoast.nsw.gov.au) | ABN 73 149 644 003

<b>AUTHORITY</b>	<b>NAME &amp; TITLE</b>
<b>AUTHOR</b>	James Taylor, Section Manager Governance
<b>MANAGER</b>	Shane Sullivan, Unit Manager Governance and Business Services
<b>DIRECTOR</b>	Liz Develin, Director Governance
<b>CHIEF EXECUTIVE OFFICER</b>	Gary Murphy, Chief Executive Officer

**History of Revisions:**

<b>Version</b>	<b>Date</b>	<b>Reason</b>	<b>TRIM Doc. #</b>
1	24 January 2017	Creation	D12590987
2	26 July 2017	Updated given feedback	D12758021
3	4 December 2019	Updated given NSW Audit Office guidelines and feedback from ARIC	D13488251
4	24 February 2020	Updated given feedback from ARIC for Council approval	D13776908

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## Introduction

Good corporate governance of Central Coast Council ("Council") promotes effective and efficient delivery of services to the Central Coast community with honesty and integrity.

The Audit, Risk and Improvement Committee ("Committee") has an important role in the governance framework of Council by providing Council with independent oversight, objective assurance and monitoring of Council's audit processes, internal controls, external reporting, risk management activities, compliance of and with Council's policies and procedures, and performance improvement activities.

This Charter, which is based on the guidelines issued by the Chief Executive of the Office of Local Government pursuant to s. 23A of the *Local Government Act 1993*, the NSW Audit Office guidelines for *Local Government in Risk Management* and is consistent with best practice, is intended to add value and drive the qualities of effective local government; being openness, transparency and accountability. The Committee helps Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Gary Murphy  
Chief Executive Officer  
Central Coast Council

## Committee Objectives

1. The objective of the Committee is to provide independent assurance and assistance to the Council on risk management, control, governance, internal audits, organisational performance and external accountability responsibilities.
2. Part 4A of the *Local Government Act 1993* ("the LG Act") will commence after the adoption of this Charter. When Part 4A of the *LG Act* commences the Committee will be under a statutory obligation to keep under review the following aspects of the Council's operations:
  - a) compliance,
  - b) risk management,
  - c) fraud control,
  - d) financial management,
  - e) governance,
  - f) implementation of the strategic plan, delivery program and strategies,
  - g) service reviews,
  - h) collection of performance measurement data by the Council, and
  - i) any other matters prescribed by the regulations.
3. This Charter imposes those obligations on the Committee from the date the Committee commences, prior to the commencement of Part 4A of the *LG Act*. The Committee is also to provide information to the Council for the purpose of improving the Council's performance of its functions.

## Authority

4. The Committee is established in accordance with Council's authority granted by section 355 of the *LG Act*.
5. The Committee has no executive powers, except those expressly provided by the Council.
6. In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for management of Council rests with the Council and the Chief Executive Officer as defined by the Local Government Act.
7. The Council authorises the Committee as a whole (but not individual members of the Committee) within the scope of its role and responsibilities as follows and to report any action undertaken in the meeting minutes:
  - a) obtain any information it needs from any employee or external party (subject to their legal obligations to protect information).
  - b) discuss any matters with the Auditor-General (or contracted agent) and/or external auditor and/or other external parties (subject to confidentiality considerations).
  - c) request the attendance of any employee or Councillor at Committee meetings.

- d) obtain external legal or other professional advice considered necessary to meet its responsibilities. The engagement and payment of costs for that advice is subject to the prior approval by the Chief Executive Officer.
8. This Charter is required to be reviewed and endorsed by the Committee each year. Any substantive changes to this Charter need to be approved by the Council.
9. Council must review, amend as required and adopt this Charter at least once during each term of Council at an open meeting of Council.

## Composition and Tenure

### ***Members (voting)***

10. The Committee will consist of five voting members.
  - a) Two Councillors;
  - b) Three Independent external members (one of whom to be the Chairperson)
11. Voting at a Committee meeting is to be by open means (such as by voice or by show of hands).
12. The members of the Committee, taken collectively, will have a broad range of skills and experience relevant to the operations of Council. At least one member of the Committee shall have accounting or related financial management experience, with understanding of accounting and auditing standards in a public sector environment.

### ***Councillors***

13. The two Councillor members (excluding the Mayor) of the Committee will be appointed by resolution of the Council at the start of each Council Term for the length of the Council Term.
14. The Council may also resolve to appoint alternative Councillor members to the Committee for the same period to attend meetings in the absence of one or both of the appointed Councillor members. The alternative Councillor members will have the same voting rights as the Councillor member being replaced.

### ***Independent External Members***

15. The three Independent External Members will be appointed, by resolution of the Council for up to an initial period no less than three years and not exceeding five years, after which they will be eligible for extension or re-appointment following a formal review of their performance by Council (noting that the total term on the Committee will not exceed eight years).

16. Any of the three Independent External Members seeking an extension or re-appointment will be required to notify the Chief Executive Officer in writing six months before their appointed is set to end.
17. The three Independent External Members are eligible for extension or re-appointment up to a maximum of eight years of continual service. Appointments must be made so that phased replacement of each of the three Independent external members is required to ensure continuity in the Committee.
18. The Independent External Members can also be removed by resolution of Council.
19. The Independent External Members, in aggregate, will have recent and relevant knowledge and experience of:
  - a) Accounting or related Financial management
  - b) Risk management experience
  - c) Auditing experience in a public sector environment
  - d) Performance improvement
  - e) The local government framework
  - f) Council services, activities and operations
  - g) Governance, risk and compliance
  - h) Community services.

### ***The Chair***

20. The Chair will be elected by the majority of the Committee's voting members and must be one of the Independent External Members.
21. The Chair must be appointed for one term only for a period of at least three years, with a maximum period of five years. The term of appointment for the Chair can be extended but any extension must not cause the total term to exceed five years as a Chair of the Committee.
22. Whenever the voting on a motion put to a meeting of the Committee is equal, the Chair of the Committee is to have a casting vote as well as an original vote.
23. If the elected Chair is not present at a meeting of the Committee, the first business of that meeting is for the Committee's voting members to elect a Chair from the Independent external members present.

### ***Attendees (non-voting) for all agenda items***

24. Meetings of the Committee may, at the discretion of the Committee and with the consent of the Chief Executive Officer, be attended by the following Council staff:
  - a) Chief Executive Officer or nominated delegate;
  - b) Chief Financial Officer or nominated delegate;
  - c) Director Governance or nominated delegate;
  - d) Chief Internal Auditor or nominated delegate; and
  - e) Senior Internal Ombudsman or nominated delegate.

### ***Invitees (non-voting) for specific agenda items***

25. Representatives of Council's external auditor and other Council Officials may attend Committee meetings by invitation as requested by the Committee.
26. Other Councillors may attend as observers at the discretion of the Chair. Such request should be placed in writing to the Chair prior to the meeting.

## **Role and Responsibilities**

27. In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for financial and other reporting, for internal controls, for compliance with laws, for ethical behaviour, for the management of Council, for risk management and for organisational improvements, rests with the elected Council and the Chief Executive Officer in accordance with the [LG Act](#).
28. Members of the Committee must not act in a way that contravenes the [LG Act](#) (which includes compliance with Council's adopted Code of Conduct and Code of Meeting Practice) or any other Act. Members of the Committee are also required to comply with other relevant Policies and Procedures of Council.
29. The Chief Executive Officer will ensure that adequate resources are available to allow for the proper functioning of the Committee, including provision of a Committee Support Officer for administrative support.
30. The Committee may also, at Council's expense, request the Chief Executive Officer to obtain such legal, accounting or other professional advice as it reasonably considers necessary for the performance of its duties. The Chief Executive Officer will give appropriate consideration to all such requests.
31. The responsibilities of the Committee may be revised or expanded by the Council from time to time. The Committees responsibilities are in accordance with Part 4A of the [LG Act](#), even if that Part 4A has not commenced operation:
  - a) compliance,
  - b) risk management,
  - c) fraud control,
  - d) financial management,
  - e) governance,
  - f) implementation of the strategic plan, delivery program and strategies,
  - g) service reviews,
  - h) collection of performance measurement data by the Council,
  - i) any other matters prescribed by the regulations.
32. The Committee is also to provide information to the Council for the purpose of improving the Council's performance of its functions.



33. The following defined responsibilities are in accordance with the OLG model charter for Audit Committees as set out in the Internal Audit Guidelines issued by the Chief Executive of OLG in September 2010 and to meet the future requirement that will be imposed by Part 4A of the [LG Act](#).

### ***Risk Management***

34. Risk management is an essential part of effective corporate governance. It is defined as “the culture, processes and structures that are directed towards realising potential opportunities whilst managing adverse effects.” (Risk Management – Principles and Guidelines” ISO 31000:2009(E)). Enterprise Risk Management is the holistic management of all risks within Council, not just insurable risks or work health and safety.
35. The Committee is responsible for:
- a) reviewing whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of business and financial risks, including fraud, that is consistent with AS/NZS ISO 31000:2009;
  - b) reviewing whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings;
  - c) reviewing the impact of the risk management framework on its control environment and insurance arrangements;
  - d) reviewing whether a sound and effective approach has been followed in establishing business continuity planning arrangements, including whether plans have been tested periodically;
  - e) reviewing whether a sound and effective approach has been established in relation to technological related risks issues that present a threat to the operations of Council;
  - f) considering, and recommending to the Chief Executive Officer, improvements in relation to Council activities, systems and processes; and
  - g) reviewing whether Council processes and procedures result in an efficient and effective allocation of resources, and accountability and transparency.

### ***Control Framework***

36. The Committee is responsible for:
- a) reviewing whether management has adequate internal controls in place, including over external parties such as contractors and advisors;
  - b) reviewing whether management has in place relevant policies and procedures, and these are periodically reviewed and updated;
  - c) progressively reviewing whether appropriate processes are in place to assess compliance with policies and procedures;
  - d) reviewing the annual performance of Council against the key performance indicators documented in the Operational Plan, and providing advice to the Chief Executive Officer on the adequacy of Council’s performance against these indicators;
  - e) reviewing whether appropriate policies and procedures are in place for the management and exercise of delegations; and

- f) reviewing whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

### ***External Accountability***

37. The Committee is responsible for:

- a) satisfying itself that the annual financial reports comply with applicable Australian Accounting Standards and are supported by appropriate management sign-off on the statements and the adequacy of internal controls;
- b) reviewing the external audit opinion, including whether appropriate action has been taken in response to audit recommendations and adjustments;
- c) considering contentious financial reporting matters in conjunction with Council's management and external auditors;
- d) reviewing the processes in place designed to ensure financial information included in the annual report is consistent with the signed financial statements;
- e) satisfying itself there are appropriate mechanisms in place to review and implement, where appropriate, relevant State Government reports and recommendations;
- f) reviewing cash management policies and procedures;
- g) reviewing policies and procedures for collection, management and disbursement of grants and tied funding; and
- h) satisfying itself there is a performance management framework linked to organisational objectives and outcomes.

### ***Legislative Compliance***

38. The Committee is responsible for:

- a) determining whether management has appropriately considered legal and compliance risks as part of risk assessment and management arrangements; and
- b) reviewing the effectiveness of the system for monitoring compliance with relevant laws, regulations and associated government policies.

### ***Internal Audit***

39. The Committee is responsible for:

- a) acting as a forum for communication between the Council, Chief Executive Officer, Senior Management, Internal Audit, External Audit and Internal Ombudsman;
- b) reviewing the internal audit coverage and Internal Audit Plan, ensuring the plan has considered the Risk Management Plan, and approving the plan;
- c) considering the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved Internal Audit Plan;
- d) reviewing all audit reports and consider significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of better practices;
- e) monitoring the implementation of internal audit recommendations by management;

- f) periodically reviewing the Internal Audit Charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place;
- g) periodically reviewing the performance of Internal Audit;
- h) meeting at least annually, with the Chief Internal Auditor "in-camera" without the presence of management; and
- i) giving advice to the Chief Executive Officer on the appointment and remuneration of the Chief Internal Auditor and the Internal Audit team (if applicable).

### ***External Audit***

40. The Committee is responsible for:

- a) acting as a forum for communication between Council, senior management and internal and external audit;
- b) providing input and feedback on the financial statement and performance audit coverage proposed by external audit, and providing feedback on the external audit services provided;
- c) reviewing all external plans and reports in respect of planned or completed external audits, and monitoring the implementation of audit recommendations by management;
- d) providing advice to Council on action taken on significant issues raised in relevant external audit reports and better practice guides;
- e) meeting at least annually, with the NSW Auditor General (or contract agent) "in-camera" without the presence of management; and
- f) considering significant issues raised in relevant external audit reports and better practice guides, and ensuring appropriate action is taken.

### ***Responsibilities of Members***

41. All members of the Committee are expected to:

- a) have a high level of personal integrity and ethics, as well as acting honestly and in good faith;
- b) make themselves available as required to attend and participate in meetings;
- c) perform their duties in a manner that engenders public trust in the integrity, objectivity, and impartiality of the Committee;
- d) comply with this Charter;
- e) have strong interpersonal skills;
- f) have strong skills in oral and written communication;
- g) understand the relevant legislative and regulatory environment of Audit and Risk Management in NSW Local Government and any requirements appropriate to Central Coast Council, particularly as these pertain to individual matters under consideration by the Committee;
- h) contribute the time needed to study and understand the papers provided, and to devote to their responsibilities as a Committee Member;
- i) apply good analytical skills, objectivity and with good judgment;
- j) express opinions frankly and ask questions that go to the fundamental core of issues;
- k) pursue independent lines of enquiry when required;

- l) review the risks, progress, controls, finances and performance surrounding major projects;
  - m) have an understanding of management principles required recognising and evaluating the materiality and significance of deviations from good business practices;
  - n) have an appreciation of fundamental concepts in areas such as accounting, economics, commercial law, taxation, finance, quantitative methods and IT; and
  - o) assist the Council and the Chief Operating Officer with the formulation of Finance, Audit and related policies and procedures.
42. Expressions of Interest appointment as an independent member of the Committee are to be invited by public advertisement and/or written invitation from persons eligible to be members of the Committee as outlined by this Charter.
43. Any such nominations will be received and reviewed by the Chief Executive Officer who will prepare a report for Council's consideration.
44. The recruitment of those members of the Committee is to be based on merit, and it is important that the selection process used is transparent and accountable.
45. All Committee members will be appointed by Council. Once the independent external member(s) is/are appointed, they will receive a letter of appointment clearly detailing the terms of their appointment and their award remuneration rates, as well as a copy of this Charter.
46. Committee members must also decline any request to act as referee to any applicants for vacant positions on the Committee.

## Reporting

47. At the first Committee meeting post 30 October each year, a performance report will be provided to the Committee dealing with:
- a) an overall assessment of Council's risk, control and compliance framework, including details of any significant emerging risks or legislative changes impacting Council;
  - b) a summary of the work the Committee performed to fully discharge its responsibilities during the preceding year;
  - c) details of meetings, including the number of meetings held during the relevant period, and the number of meetings each member attended;
  - d) a summary of Council's progress in addressing the findings and recommendations made in internal and external audit reports;
  - e) the performance of Internal Audit for the financial year as measured against agreed key performance indicators; and
  - f) the approved Internal Audit Plan of work for the previous financial year showing the current status of each audit.
  - g) any other matters deemed to be of sufficient importance.

48. The Committee should report regularly to Council on the internal audit function, on the management of risk and on internal controls as and when required. The Committee may also make recommendations to Council and the Chief Executive Officer.
49. At a minimum the Committee will report to Council on its activities at least yearly coinciding with the financial year and the annual statement time.
50. The Annual and Three-Year Audit Plans will also be submitted to Council as part of the Committee's report to Council.
51. Council may request the Chair of the Committee to address Council and to answer any enquiries about the operation of the Committee. In consultation with the Chair some or all of the Committee's annual report will form part of Council's Annual Report.

## Administrative arrangements

### *Meetings of the Committee*

52. The Committee is bound by Council's adopted [Code of Conduct](#).
53. All Committee meetings must be run fairly, and the procedures used should improve decision making and not be used for personal or political advantage.
54. All matters should be considered consistently, fairly, promptly, and on their individual merits.
55. A forward meeting plan for the following year, including meeting dates and agenda items, will be agreed by the Committee in December of each year. The forward meeting plan will cover all Committee responsibilities as detailed in this Charter.
56. The Committee will meet at least four times per year. A special additional meeting may be held for the review and endorsement of the annual audited financial reports and external audit opinion.
57. The need for any additional meetings will be determined by resolution of the Committee. Such resolutions do not bind the Council to commit additional resources to the conduct of those meetings unless the Chief Executive Officer or the Council, by resolution, agrees to those additional meetings.
58. It is expected that Committee meetings will be attended by each voting Committee member in person. However, if there is a valid reason and with the prior approval of the Chair, a voting Committee member may attend by telephone or by video conference.
59. Non-voting participants at Committee meetings will also be expected to attend in person, however where this is not practical and with the prior approval of the Chair, they may attend by telephone or by video conference.

60. Committee meetings are closed to the public.

### ***Attendance at meetings and quorums***

61. The quorum for a meeting of the Committee will be the majority of the voting members of the Committee. A quorum must include at least two Independent External Members.
62. If it is determined two days prior to the Committee meeting that a quorum will not be achieved, the Committee meeting is to be reconvened to a later date. If for any reason a quorum is not present within half an hour of the scheduled commencement of the meeting, the meeting shall be rescheduled.
63. A Committee member will be deemed to have relinquished their membership of the Committee if they do not attend two consecutive meetings of the Committee without notice or satisfactory (as determined by the Chair – or in the case of the Chair the majority of the Committee) explanation.
64. Section 376 of the [LG Act](#) relevantly provides:
- (2) *The general manager is entitled to attend a meeting of any other committee of the council and may, if a member of the committee, exercise a vote.*
  - (3) *However, the general manager may be excluded from a meeting of the council or a committee while the council or committee deals with a matter relating to the standard of performance of the general manager or the terms of the employment of the general manager.*
65. The Chief Executive Officer (Council's General Manager) may only be excluded from the meeting as set out above or while the Committee deals with a matter relating to the standard of performance of the Chief Executive Officer or the terms of the employment of the Chief Executive Officer.
66. The Chief Executive Officer will permit the Committee to meet separately with the Chief Internal Auditor and any External Auditor(s) in the absence of management on at least one occasion per year, should the Committee resolve that such meetings are appropriate and necessary.
67. The Committee may also request any other Council Official to participate in meetings should the Committee deem this necessary.
68. All employees of Council are subject to the direction of the Chief Executive Officer and not the Committee or any of its members. In this regard all correspondence or contact with staff is to be through the Chair of the Committee addressed to the Chief Executive Officer.

### ***Secretariat***

69. The Director, Governance is to ensure adequate Secretariat support to the Committee is provided.
70. The Committee Secretariat will ensure the agenda for each meeting and supporting papers are circulated, at least one week before the meeting, and ensure minutes of the meetings are prepared, maintained, approved and distributed as required.

### ***Agendas, Minutes, Internal Audit Reports and Supporting Papers***

71. The agenda for meetings of the Committee will be set by the Chair (in consultation with the Chief Executive Officer and the Chief Internal Auditor) at least two weeks before a meeting.
72. The agenda must specify the time and place at which, and the date on which, the meeting is to be held and the business proposed to be transacted at the meeting.
73. If a Committee member wishes to raise an urgent/late item that is not on the agenda, the Chair shall determine the appropriate manner for dealing with the matter in accordance with Council's adopted Code of Meeting Practice.
74. The Committee must ensure that full and accurate minutes of the proceedings of its meetings are kept. In particular, the Committee Secretariat must ensure that the following matters are recorded (at a minimum) in the minutes:
  - a) a date and time of meetings, attendees and any apologies;
  - b) the endorsement (or otherwise) of the minutes from previous the meeting;
  - c) whether there was business arising from previous minutes;
  - d) notation of reports or correspondence;
  - e) details of each motion moved at a meeting and of any amendments moved to it;
  - f) whether the motion or amendment is passed or lost;
  - g) Committee recommendations;
  - h) items of general business; and
  - i) the time meeting closed, date and venue for next meeting.
75. Minutes shall be approved by the Chair and circulated to all Committee members and Councillors within three weeks of the meeting being held and are to be confirmed at the next Committee meeting.
76. All meeting minutes that are approved by the Committee will be reported to the next available Council Meeting for information purposes
77. All Committee Agendas set by the Chair and Minutes confirmed by the Committee will be recorded in Council's electronic document management system and made publicly available on Council's website.

78. Supporting papers to the agenda considered by the Committee will be made publicly available on Council's website unless the business is of the following kind:
- a) Personnel matters concerning particular individuals;
  - b) Personal hardship of any resident or ratepayer;
  - c) Information that would, if disclosed, confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business;
  - d) Commercial information of a confidential nature that would, if disclosed:
    - i. prejudice the commercial position of a person who supplied it; or
    - ii. confer a commercial advantage on a competitor of Council; or
    - iii. reveal a trade secret; or
    - iv. prejudice the position or activities of Council;
  - e) Information that would, if disclosed, prejudice the maintenance of law;
  - f) Matters affecting the security of Council, Council Officials and Council property;
  - g) Advice concerning litigation, or advice that would otherwise be privileged from production in legal proceedings on the grounds of legal professional privilege;
  - h) Information that is determined by the Committee or the Chief Executive Officer (or their delegate) to be confidential or unsuitable to be published; or
  - i) Information concerning the nature and location of a place or an item of Aboriginal significance on community land.
79. If the subject business is of a kind listed above, then those documents will be issued under separate cover to the Agenda and are to be treated as confidential.
80. The grounds for restricting public access to documents will be stated in the Agenda along with an explanation provided as to why public access would be, on balance, contrary to the public interest.

### ***Confidential matters received outside the Charter***

81. When the Committee receives confidential referrals/requests that do not fall within the ambit of this Charter or the Committee's responsibilities, the Committee will refer such matters (with any suitable recommendations) to the Chief Executive Officer to deal with appropriately.
82. The Chief Executive Officer will advise the Committee of the outcome of any matters referred to the Chief Executive Officer for action under Clause 81 at the next available Committee Meeting.

### ***Privacy and Conflicts of Interest***

83. The Committee Charter will comply with Council Policies and the LG Act in relation to confidentiality, privacy and reporting.
84. Members of the Committee will not disclose matters dealt with by the Committee to third parties except with the express approval of the Committee.



85. A conflict of interest exists where a reasonable and informed person would perceive that members of the Committee could be influenced by a private interest when carrying out their public duty.
86. All members of the Committee must avoid or appropriately manage any conflict of interests. The onus is on members of the Committee to identify a conflict of interest and take the appropriate action to manage the conflict in favour of their public duty. All members of the Committee must comply with Council's Code of Conduct at all times.
87. Committee members, attendees, invitees, observers and Council Officials must declare any conflicts of interest at the start of each meeting or before discussion of a relevant agenda item or topic. Details of any conflicts of interest should be appropriately minuted and be dealt with in accordance with Council's adopted Code of Conduct.
88. Where Committee members, attendees, invitees, observers or Council Officials at Committee meetings are deemed by the Chair (or in the case of the Chair by the majority of the Committee) to have a real or perceived conflict of interest, they will be excused from Committee deliberations and leave the meeting on the issue where the conflict of interest may exist in accordance with Council's adopted Code of Conduct.

### ***Health and Safety***

89. Council is responsible for providing a safe work environment and gives priority to the health, safety and welfare of Council Officials and of Committee members. Committee members should protect their safety and that of others in the work environment and public areas as required. All safety concerns should be reported immediately to Council Officials.
90. No one should take part in activities or attend Committee meetings while under the influence of alcohol or other drugs which could impair abilities or cause danger to themselves or others.

### ***Public comment and media statements***

91. All public comments and media statements representing Central Coast Council must be approved by the Chief Executive Officer.

### ***Induction***

92. It is a condition of Committee membership that all members undertake Code of Conduct and Protected Disclosure training.
93. The Director, Governance will ensure that all new Committee members receive all relevant information, training and briefings on their appointment to assist them to meet their Committee responsibilities.

### ***Assessment Arrangements***

94. In consultation with the Committee members and the Council, the Chief Executive Officer will establish performance measures for the Committee and implement measurement, feedback, reporting and review mechanisms relating to those measures.
95. Additionally, the Chair will initiate a review of the performance of the Committee at least once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by the Chair), with appropriate input from Council's Senior Management and any other relevant stakeholders, as determined by the Chair.
96. The review will also consider and report to Council on this Charter and the Internal Audit Charter, and it is to be included in the Committee's annual report to Council.

### ***Vacancy***

97. If for any reason a vacancy in the Committee membership occurs, the position(s) shall be filled in accordance with this Charter.

Endorsed by the Committee

**Date:** 4 December 2019

Adopted by Council

**Date:** 24 February 2020