

ADDITIONAL ITEM



Item No: 3.9
Title: Appointment of External Auditor
Department: Chief Executive Officer's Unit

8 June 2016 Ordinary Council Meeting

D12361488

Report Purpose:

This report proposes the appointment of an external auditor (to meet obligations imposed by cl. 28 of the *Local Government (Council Amalgamations) Proclamation 2016* and s. 422 of the *Local Government Act 1993*) and related matters.

Recommendation:

- 1 That Council appoint PricewaterhouseCoopers to audit the 2015-16 financial reports of the former Gosford City Council and former Wyong Shire Council and be appointed as Central Coast Council's External Auditor to 30 June 2017.**
- 2 That Council resolve to enter in to an agreement with PricewaterhouseCoopers in terms identical to the document that is confidential attachment 1 to this report.**
- 3 That Council authorise the Chief Executive Officer to execute all documents necessary to effect resolutions 1 and 2 above.**
- 4 That Council resolve, for the purposes of s. 55(3)(i) of the Local Government Act 1993, a satisfactory result would not have been achieved by inviting tenders for the services of an external auditor due to the following extenuating circumstances:**
 - a The Council is required to appoint an external auditor to meet its obligations under the Local Government Act 1993 and cl. 28(1) of the Local Government (Council Amalgamations) Proclamation 2016; and**
 - b The Council is required by cl. 28(1) of the Local Government (Council Amalgamations) Proclamation 2016 to appoint an external auditor that was an auditor for the former Gosford City Council or the former Wyong Shire Council as at 12 May 2016; and**
 - c The Council has undertaken an appropriate mechanism to evaluate the merits and value of the proposals received from the former auditor for the Gosford City Council and the former auditor for the Wyong Shire Council;**

d There is an urgent need to appoint an auditor to meet the obligations imposed on Council by cl. 27 of the Local Government (Council Amalgamations) Proclamation 2016.

5 That Council resolve, pursuant to s. 11 of the Local Government Act 1993, that attachments 1, 2 and 3 to this report are to be treated as confidential because those reports relate to a matter specified in s. 10A(2)(d)(i) of that Act, being that those documents contain commercial information of a confidential nature that would, if disclosed, prejudice the commercial position of the person who supplied it.

Context:

On 12 May 2016 the *Local Government (Council Amalgamations) Proclamation 2016* ("the Proclamation") was made, resulting in the constitution of the Central Coast Council ("the Council") and the dissolution of the former Gosford City Council and the former Wyong Shire Council ("the Former Councils").

Clause 27 of Proclamation requires that on or before 31 December 2016 the Council must prepare audited financial reports for the Former Councils for the period from 1 July 2015 to 12 May 2016. Sub-clause 28(1) of the Proclamation requires that the Council appoint a new (external) auditor, who must have been the auditor for one of the Former Councils as at 12 May 2016.

As at 12 May 2016 UHY Haines Norton was the appointed auditor for the former Gosford City Council and PricewaterhouseCoopers was the appointed auditor for the former Wyong Shire Council. The contracts between the Former Councils and their respective auditors were terminated on 12 May 2016, by the operation of cl. 28(2) of the Proclamation.

The Council can therefore only appoint UHY Haines Norton or PricewaterhouseCoopers as its auditor.

NSW Department of Premier and Cabinet advised the Council that the procurement process for appointing an auditor is a matter for the Council to determine. Usually the Council would be required to invite tenders before entering in to a contract with the appointed auditor. However, where Council resolves that due to extenuating circumstances a satisfactory result would not be achieved by inviting tenders, and states its reasons for making that decision¹, the Council can enter in to a contract with the appointed auditor without inviting tenders.

On 1 June 2016 the Council issued Requests for Proposal to UHY Haines Norton and PricewaterhouseCoopers. Confidential attachment 3 sets out the steps taken to issue those Requests and the consideration of the submissions received from UHY Haines Norton and PricewaterhouseCoopers. That process applied similar process to the process that Council would have applied if selected tenders were invited and tenders considered.

¹ S. 55(3)(i) of the LG Act.

Proposal:

It is proposed that Council appoint PricewaterhouseCoopers as its auditor, to undertake external audits of the former Gosford and Wyong Councils for the period from 1 July 2015 to 12 May 2016, and for the Central Coast Council from 13 May 2016 to 30 June 2017.

Other alternate proposals are set out in confidential attachment 3. None of those alternate proposals are recommended.

Financial Impact:

The financial impact is addressed in confidential attachment 3. There will be a need for a budget adjustment at Q1.

Critical Dates:

Council is obliged to proceed quickly to appoint an external auditor in accordance with the Proclamation.

Attachments

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| 1 | Tender Proposal - CPA/277559 - Audit Services Central Coast Council - Price Waterhouse Coopers - | D12361490 |
| 2 | Tender Proposal - CPA/277559 - Audit Services Central Coast Council - UHY Haines Norton - | D12361494 |
| 3 | CPA/277559 - Confidential Report - External Auditor Appointment - | D12361173 |