

Key Outcomes of Internal Audit Report



Investigation into the sale of Evelyn Street

Lifestyle Capital of Victoria

Introduction

At its meeting on 2 September 2019, a Council Decision was made for the Notice of Motion 2019/NOM33 - Investigation into the Sale of Evelyn Street:

‘That a forensic investigation be carried out in relation to all aspects of the previously proposed sale of Evelyn Street public land capped at \$10,000, subject to further review by Council if additional funds are required.’

At its Ordinary meeting held on 29 June 2020, Council resolved:

That Council:

- 1. Receives and notes the proposed sale of Evelyn Street internal audit report.*
- 2. Publishes a separate report highlighting the key outcomes of the internal report through Council’s website.*

The following report addresses item two in the resolution highlighted above.

The internal audit of the Sale of Evelyn Street consisted of the following:

- Reviewed the timeframe (June 2016 to June 2019) during which the proposed sale of Evelyn Street was considered.
- Reviewed policies and procedures governing the proposed Sale of Evelyn Street.
- Conducted interviews with internal and external parties where required.
- Considered all relevant communication including telephone, email, and letters and meeting notes.

The results of the audit identified three findings which require management attention. To assist management in prioritising the actions to be undertaken, the auditors have included a subjective assessment outlining the impact each item will have on the risk and/or efficiency of the process.

Finding 1 – high risk rating

There are no policy and procedures for the disposal of significant assets.

Recommended Actions

1. Develop and document a policy and procedure for the disposal of significant assets and obtain approval from the Council. The procedures should be categorised into stages, listing action items within each stage, records management requirements, estimated turnaround times for completion of each stage in the process, stakeholder management, communication protocols to be followed and necessary approvals required.

Management Comment

Management agrees - the draft Property Strategy includes guidance to follow when considering a disposal or acquisition of land. We will review the draft Strategy to ensure all facets identified are included in the Strategy. The subjectivity of the word 'significant' within the recommendation could cause issues as what is deemed to be significant to one may not be viewed as significant to another.

2. Consider developing an EOI receipt form to be used by Council Officers to promptly notify Councillors of all EOI's received. This will also serve as a means of recording the receipt of an EOI. The form could include (but not limited to the following):
 - Source from whom EOI was received;
 - Method of receipt;
 - Date EOI was received by Council officer;
 - Background details of prospective buyer;
 - Any discussions had etc.

Management Comment

Management agrees - an EOI receipt form will be developed. This form could then be shared with Councillors via the regular 'Thumbs Up/Heads Up' forum.

3. Training should be provided to staff members involved in the disposal of significant assets.

Management Comment

Management agrees - the only Council Officers involved in the disposal of Council property are within Commercial Services. Changes to the process relating to the disposal of property are being documented by the same officers and therefore training isn't required until such time as there is turnover of existing staff members.

Finding 2 – high risk rating

There was limited documentation in the minutes of EMT meetings during June 2016 to June 2019 in respect of the sale of the Evelyn Street property.

Recommended Action

We recommend that EMT should look to better capture and record key matters relating to strategic decisions similar to the proposed sale of Evelyn Street property.

Management Comment

Management agrees - changes have been made recently to the EMT meeting procedures whereby a cover paper is now mandatory including recommendations. Actions are captured and documented.

Finding 3 – high risk rating

There was no evidence that Council Officers involved in the Proposed Sale of Evelyn Street declared Conflict of Interest (No Conflict/Potential/Perceived/ Actual).

Recommended Action

We recommend that Council Officers including EMT members involved in a potential land Acquisition/Disposal should submit Conflict of Declaration (No Conflict/Potential/Perceived/ Actual).

Management Comment

Management agrees - even though Council officers are obliged to declare a conflict of interest if/when it arises the proactive approach recommended will ensure all officers involved in disposals or acquisitions actively consider their position in a timelier manner.

Overall Conclusion

The review identified that Council does not currently have a clearly defined policy (and associated procedures) to provide the necessary guidance for key stakeholders when circumstances arise around the disposal of significant council assets. A policy would provide a clear reference point to all stakeholders and at the same time strengthen the control environment.

Integrity around the process for making these type of decisions is essential. The review identified that conflict of interest declarations are required to be completed whether or not there is a conflict of interest. Furthermore, documentation in the EMT meeting minutes

during June 2016 to June 2019 did not capture key aspects of the proposed sale or provide clarity on the decision making process followed.

Management comments have included actions that will take place in order to manage these risks within acceptable levels. The implementation of these actions will be monitored and reported back to the Audit and Risk Committee until completed.