

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into Fraud and Corruption Control in Local Government: A Follow Up of Two Auditor-General Reports

Melbourne – Monday 31 March 2025

MEMBERS

Sarah Connolly – Chair

Nicholas McGowan – Deputy Chair

Jade Benham

Michael Galea

Mathew Hilakari

Lauren Kathage

Aiv Puglielli

Meng Heang Tak

Richard Welch

WITNESSES

Kathryn Arndt, Chief Executive Officer, and

Tanja Kovac, Acting Head of Local Government Programs and Policy, Victorian Local Governance Association.

The CHAIR: I declare open this hearing of the Public Accounts and Estimates Committee. I ask that mobile telephones please be turned to silent.

I begin by acknowledging the traditional Aboriginal owners of the land on which we are meeting, and we pay our respects to them, their elders past, present and emerging as well as other elders from other communities who may be here with us today.

On behalf of the Parliament, the committee is conducting this Inquiry into Fraud and Corruption Control in Local Government: A Follow Up of Two Auditor-General Reports. I advise that all evidence taken by the committee is protected by parliamentary privilege. However, comments repeated outside of this hearing may not be protected by this privilege.

Witnesses will be provided with a proof version of the transcript to check, and verified transcripts, presentations and handouts will be placed on the committee's website.

I welcome representatives of the Victorian Local Governance Association. We have Kathryn Arndt, who is the CEO, and Tanja Kovac, who is the Acting Head of Local Government Programs and Policy. Welcome. I am going to invite you to make an opening statement or presentation of no more than 5 minutes, after which time there will be some questions from the committee.

Kathryn ARNDT: Thank you, Chair. Thank you for the opportunity for the Victorian Local Governance Association to present on this very important matter. Fraud and corruption prevention is essential to good governance in local government. Strengthening accountability, awareness and transparency within local government is essential to VLGA's strategic aims and its purpose of strengthening and supporting good governance. Preventing fraud and corruption is an expectation of the community that councillors serve.

The provision of training by VLGA to councillors to help them identify risks and act early to prevent inappropriate influences or unlawful actions and in shaping their future decision-making is critical to ensuring good governance. We welcome the introduction of the Victorian government mandatory councillor, mayoral and deputy mayoral training and professional development reforms but were surprised to find that preventing fraud and corruption learning outcomes were not included in the framework for mandatory induction and only suggested as training during the first year. We recommend that councillors be mandated to undertake preventing fraud and corruption training during induction, and we would welcome the opportunity for support from the Victorian government to deepen our own fraud and corruption modules as part of our councillor professional development program.

The VLGA believes that the risk of fraud and corruption in local government begins when candidates seeking election are exposed to campaign donors and volunteers, some of whom may be looking to exercise undue influence over future decision-making. We know that councillors and local government representatives are the closest level of government to the people and are easily accessible when they are candidates and councillors. The course content of mandatory candidate training delivered by the VEC does not include fraud and corruption content, and we believe that fraud and corruption should be part of the mandated candidate training. Last year 301 out of the 609 councillors shared their experiences with the VLGA via an independently conducted census at the end of their term. Concerningly, over 80 per cent of respondents reported that they had experienced bullying and harassment. While no-one identified fraud and corruption as a serious issue, there were mentions that any corrupt councillors should be charged and removed as a community expectation and that there is an element of personal agendas, bias and self-interest influencing decisions within the councillor group. More respondents mentioned party politics as

interfering in good governance at local government level and a lack of understanding of conflicts of interest also as more common concerns. The inadequate remuneration for the actual time commitment and the large differential between mayoral and councillor stipends were also highlighted in the census, but no-one suggested this would lead to possible corruption due to inadequate financial recognition.

The VLGA's experience is that the development of a mandatory curriculum framework for councils and councillors is for many councils falling to peak bodies such as the VLGA to develop at their own and members' expense and to potentially unregulated private providers. Fraud and corruption training modules should be subject to more rigorous quality control to ensure minimum learning outcomes are consistent across the whole sector. The VLGA has observed that since the Auditor-General's recommendations for further training of council staff and councillors we have not seen a significant increase in requests from councils for this training actually to be delivered.

The VLGA continues to maintain high-level research and program interest in supporting women into local government, and that is in part due to growing global evidence that organisations with higher levels of commitment to and representation of gender equality have lower risk of fraud and corruption. We support the Victorian government's commitment to increasing gender equality in local government, including the gender target of 50–50 by 2029, as an important fraud and corruption prevention tool. Further, existing leadership in other programs supporting women in local government should be supported to strengthen the connection between gender equality and fraud and corruption prevention. There is also global research on the impact of gender equality on fraud and corruption prevention. Thank you.

The CHAIR: Thank you very much. We are going to go straight to Mr Welch.

Richard WELCH: Thank you both for attending. Grants come up a lot as a very soft area for corruption in local government, and I guess there are two ways you might address it. One is procedurally, and one is ethically – reinforcing the ethics of the councillors. The education you do is really around ethical practice.

Kathryn ARNDT: That is correct, yes.

Richard WELCH: But do you also see weaknesses in procedural practice that leave the door ajar for corruption?

Kathryn ARNDT: Our submission does not go to that matter in detail at all, but what I could say on behalf of the local government sector is that really, when you look at it, it is a highly regulated sector and is subject to a number of integrity agencies, all of whom you have heard from this morning. We have the Auditor-General, we have IBAC, we have the Local Government Inspectorate and we have the Ombudsman. So there are rigorous oversight mechanisms in place, and with that come reporting procedures that sit beneath that. That is probably all I can say on that matter here today.

Richard WELCH: So you do not have any procedural recommendations, just the ethical training component of what we do for –

Kathryn ARNDT: Yes. I could say, though: our comments in regard to candidate training – and I know there is lots of debate about this. Should you raise that barrier of entry, when it is the lowest level of government, to the community? But a lot of candidates do stand not really understanding the full extreme governance responsibilities that come with being a councillor, and also the people who vote for them do not really understand that either. Any sort of training that can happen at that candidacy stage would be absolutely, I think, integral to preventing and providing early intervention to potential fraud and corruption.

Richard WELCH: We have heard that from other witnesses as well. I think there are two different universes going on in terms of expectations. It was mentioned also that certain levels of low-level corruption or fraud are dealt with within the council and that it is the major ones that get escalated up to the integrity bodies. But it is interesting that there apparently seemed to be no incident register, even through the risk committees of those low-level items, so no-one seems to have an objective grasp on the extent or trends within councils of low-level issues. Do you have any thoughts or comments on that?

Kathryn ARNDT: I did not hear that particular evidence given. I am not sure what the source is of that data, so I possibly cannot make any comment on that.

Richard WELCH: You have not observed that yourselves, though?

Kathryn ARNDT: No.

Richard WELCH: Do you think there is adequate record keeping?

Tanja KOVAC: We are not able to comment on the individual councils' record keeping. We would not see that record keeping by our members.

Richard WELCH: But do you think that would be a sensible practice?

Tanja KOVAC: To record-keep?

Richard WELCH: Yes.

Tanja KOVAC: Well, for any kind of risk management, managing risk would require you to keep some evidence and data, yes.

Kathryn ARNDT: I think some of the governance reforms that have come out of the Operation Sandon report do go towards standardising model policies across councils, and that is certainly feedback that we have received from the sector. Whilst they are all independent entities – and there are 79 of them – there is actually a need and a desire from the sector themselves to have more standardised policies and procedures, including reporting tools. We now have a Model Councillor Code of Conduct, which will be really useful, and I think that whilst Local Government Victoria might have a different position on the fact that we do need standardised policies and procedures across the sector, in fact the councils are saying they want them. One of the reasons they do – and it came up earlier today, I heard, in some of the evidence presented – is that with the governance officers themselves there is an inconsistency in their level of expertise. They have got a critical role in supporting the CEO and that councillor group, so the more standardised these reporting processes and requirements can be, I think the easier their job will be in supporting the councillor groups.

Tanja KOVAC: And there is increasing reliance on peak organisations like the VLGA to provide support to that governance officer group in the development of standardised and consistent policies.

Richard WELCH: Thank you for that. Just in terms of if we are to improve governance and training in particular, do you have any idea of what the cost would be of that? How would that be resourced, and are the existing levels of resourcing adequate?

Kathryn ARNDT: Well, the answer to that question would be no. In fact, whilst the VLGA is delighted to see these mandatory training requirements introduced as part of the reforms, we are very much aware that the financial burden of councillors delivering those will be huge in an already very tight financial environment. And as I indicated in my opening statement, there is reliance on organisations like the Victorian Local Governance Association. We are a small organisation; we are a non-government organisation. We have 51 of the 79 councils as our members. Yet the absence of state government funding to support programs of the VLGA that previously were supported, such as our local women leading change program, has meant that we are using not only our own resources but also our members' to try and build a program that will help them meet these really important reforms. We are the only peak body in Victoria who has rolled out a comprehensive councillor professional development program aligned with the mandatory training requirements over the term of council, and we are very much aware of the expense to councils to not only deliver that training or make sure that training is delivered but also of the expense on organisations like the VLGA. So there does need to be a serious look at the resources available.

Richard WELCH: Thank you, Chair.

The CHAIR: Thank you, Mr Welch. We will go to Mr Galea.

Michael GALEA: Thank you, Chair. Thank you both for joining us today. I will just touch on candidate training, which you have also mentioned and is in your submission as well. Do you have much of a sense of the lay of the land? Last election, for example, at least two of my local councils ran candidate forums, candidate sessions to provide that sort of information for people. Obviously it is not compulsory, offering that service, but do you have much of an indication as to how common that is and which councils are and are not offering those sorts of candidate-level supports so people do know what they are getting into?

Kathryn ARNDT: Well, we actually partnered with I think probably over 30 councils to deliver a comprehensive candidate training program in the lead-up to the elections. Certainly from our members there was a lot of appetite for them to partner with us to deliver those programs to their potential candidate pools, which is reassuring and pleasing to see. Sure, there will probably be some outliers who did not offer a comprehensive candidate training program, but certainly we were very busy in the lead-up to the elections doing that.

Tanja KOVAC: My current role at VLGA is as Acting Head of Local Government Programs, but ordinarily my colleague Dr Maree Overall and I are part of the faculty of facilitators who help with the training of local councils, and our specialised expertise at Gender Lens Australia is around diversity and inclusion. We provided support for VLGA to run their Local Women Leading Change program, so I was actively involved in delivering that candidate training with a specific focus on assisting women to be candidates.

Michael GALEA: Across those 30 councils, is that a roughly even spread between outer metro and regional Victoria, or it more concentrated on, say, metropolitan councils?

Tanja KOVAC: It was a mix.

Kathryn ARNDT: No, it was relatively evenly spread.

Michael GALEA: That is good. What sorts of impressions did you find that people had coming into the training that were perhaps of concern about the role? We have heard from some of the monitors previously about some candidates' expectations of: 'I will promise you a park so I'm going to deliver you a park.' That is obviously not how councils operate, but were there any such themes of concern that you saw in any ways in which you saw the training actually make a difference in candidates' perceptions?

Kathryn ARNDT: I would like to say we did make a difference. The issue, though, is that when it gets to the pointy end – and that is the actual election process – it is an adversarial process where candidates are almost forced to campaign on a single policy issue in order to be elected when we of course know that that is not their role once they are in the council chamber. So the systemic issue there is that the process of election contradicts what in fact the role of a councillor is. We spent a lot of time talking about the fact that once elected you are part of a council group and you are making decisions on behalf of the whole municipality, not just that group that might have voted for you, and also you actually may not be able to deliver on or have the powers to deliver on that one issue that you were campaigning on; it is a majority vote in the council chamber. Then of course the other systemic issue is that when candidates are elected and then suddenly that really clicks for them, they are then running into those people who voted for them at the supermarket and having to explain to them that they cannot deliver on that issue that they promised they would. For some councillors that is particularly stressful and a difficult thing that they have to adjust to very quickly. So the VLGA is very conscious of putting support and structures around our councillor members to help them navigate challenges like that.

One of our recommendations in the culture review to local government was that, based on our experience, we get a lot of calls from councillors and also officers just seeking a trusted adviser and wanting to bounce ideas off them or to understand tricky governance issues a little better and how they should or should not respond to various requests that might be coming through to them. We are limited in our amount of outreach and also I guess taking those calls, and one of the recommendations we made was that some support be given to an independent, trusted agency where we could have that early intervention stuff

happening, where councillors come and get some advice – officers as well – where there is a mediation process that is non-adversarial before it goes to a formal councillor conduct panel. Certainly what we found through our census, which, as I said, was the first independent census undertaken in the local government sector for over a decade, was that we had 50 per cent of all councillors respond to that, which is an outstanding result for a census. And not only that – two-thirds of those respondents chose to add comments.

And again, that is a very unusual and a very healthy response to a census. What that does demonstrate to the VLGA is that we are a trusted adviser to the sector, and we would like to be able to do more of that as well.

Michael GALEA: And just on that, on the services that you do offer, does the VLGA offer any fraud training for councillors or council staff?

Kathryn ARNDT: We do. That is part of our program in the councillor professional development program, yes.

Michael GALEA: Is that just for councillors or for staff as well?

Kathryn ARNDT: It depends. It could be both. The council professional development program is for councillors, of course, but we do offer training to officers as well.

Michael GALEA: And if I can ask quickly – I realise my time is probably running out – what is the take-up of that that you are seeing from councils of those programs?

Kathryn ARNDT: I think I said earlier in my presentation that there have not been a lot of requests for that training from the sector.

Michael GALEA: And I think you said despite the –

Kathryn ARNDT: The Auditor-General, yes.

Michael GALEA: There was not that increase. Thank you.

The CHAIR: Thank you. I will go to Ms Benham.

Jade BENHAM: Thank you, Chair. Just with regard to what we are discussing at the moment with regard to candidates and councillors, if there is that mandatory training, would it be your view then that candidates, while running for an election, instead of making those promises, would have some sort of responsibility to educate those that they are talking to that that is not the role of a councillor?

Kathryn ARNDT: I think that would be an incredibly difficult position for them to take. I actually think, and I have had this conversation with ministers for local government over time, that there is a real opportunity for the state government and the local government sector and the VEC potentially to work together to educate the community about what the role and responsibilities are of locally elected representatives.

Tanja KOVAC: One of the most powerful aspects of the Local Women Leading Change component of VLGA's training is our module on life as a woman councillor, where we have previous councillors talk about their experience. It is actually the current sitting councillors who are not standing again or previous councillors who do the best form of education for the new or potential crop of candidates, and they fulfil some of the obligations that Mr Galea was talking about as well around giving some insights about what not to campaign on.

Jade BENHAM: With regard to the role of women and gender equality, in the submission, regarding preventing fraud and corruption, I note there were a few reports, but could you just summarise how the role of women and gender equality in local government goes to helping prevent fraud and corruption? Could you summarise that for me?

Tanja KOVAC: There are a number of global and national pieces of research that have over time pointed to gender equality being a preventative mechanism. Initially the research was focused on women just being elected would result in improved outcomes for fraud and corruption prevention, and that was based, to some extent, on a biological essentialism, a belief that women are more sweet, nice and unlikely to engage in those practices. Over time, that has been found obviously – and I see your reaction, Jade; it is mine too – that that is not actually the foundation of the evidence, what we are finding. Although, there is still some evidence that more women tend to result in a breaking down of patriarchal patronage networks within politics, and so that changes the political environment at a local government level. That has been looked at in Indonesia, the Ukraine and also in the UK.

Jade BENHAM: Has it been looked at in Australia?

Tanja KOVAC: Not specifically in a piece of research, no, because it is still a growing field of interest. But where the real research is directing is that gender equality itself is a preventative tool for fraud and corruption. It has shifted away from just getting women elected, and organisations that have a commitment to gender equality are less likely to have either a tolerance for or actual occurrence of corrupt activity.

Jade BENHAM: Do you think that is a cultural thing? If a council or organisation has those policies in place, do you think that is the culture of the organisation itself and then less likely?

Kathryn ARNDT: Yes, that is what the research is tending to say, that organisations that have that commitment are more likely to have improved risk management procedures and they are more likely to have better diversity and inclusion policies. They have got more systems to break down what I referred to – and this is my specific field of interest and expertise – as those cultures of male patronage which might connect business, political institutions, political parties and justice entities. Those very tight networks get broken down when you are having a more inclusive environment in terms of the decision-making.

Jade BENHAM: But there are no stats on or research based in Australia or Victoria –

Kathryn ARNDT: I would like to come back to you, if I could, to look and see if there is something more recent and more directed to Australia, but those references are to what is being led by the United Nations and also by Transparency International.

Jade BENHAM: Take it on notice. It would be interesting to see anything locally. Just quickly, smaller councils – regional and rural councils – have real difficulty in managing conflicts of interest in resourcing issues. Are there other challenges, and how can we effectively help out those smaller rural and regional councils when it comes to fraud and corruption controls? Do you have any thoughts on that?

Tanja KOVAC: Look, I think it is just increasing their access to the supports that are out there, and that is going to require some financial funding as well.

Jade BENHAM: Specifically for preventative training or anything –

Tanja KOVAC: Absolutely. Also the VLGA is currently looking, because of the demand that we have had, at how we create a strengthened governance advisory support network to increase the knowledge of the governance staff that are working all across Victoria. Again, that requires resourcing and time. I think the rural and regional councils do have some unique challenges. Fortunately, they have got some well-organised groups like Rural Councils Victoria and Regional Cities Victoria doing a lot of work to support councils. But across the board councils are really feeling the financial pressures. They are delivering over a hundred services to their communities. They have got an elected arm of governance, essentially.

Kathryn ARNDT: As Operation Sardon highlighted, the relationship between the CEO and the councillor group in itself comes with some complexities. It really is a very complicated sector.

Jade BENHAM: Thank you.

The CHAIR: Thank you. We will go straight to Mr Tak.

Meng Heang TAK: Thank you, Chair. In your submission it was a surprise to find that preventing fraud and corruption learning outcomes were not part of the initial training. Do you think or would you suggest that the VEC include that sort of training in the inductions? What would be the impact of that?

Tanja KOVAC: Yes, absolutely. We are also suggesting in the candidate training there should be some strengthened training or modules on fraud and corruption and how to identify the risks at that very early stage too, particularly as a candidate who may well be elected when you are being approached by community members all the time to understand how to identify the risks.

Meng Heang TAK: All right. Just to continue on, what more can be done to limit the fraud and corruption risk prior to and after election?

Tanja KOVAC: Well, our submission focuses predominantly on education and increasing access to and strengthening the education available to candidates and also councillors. I am not sure if there was anything else that we wanted to add to that?

Kathryn ARNDT: No.

Meng Heang TAK: Apart from collaboration with other government and non-government agencies, would you suggest that?

Kathryn ARNDT: Absolutely. I think it is very important that organisations like the VLGA, the MAV and LGPro are all respondents to the Victorian State–Local Government Agreement, which is an agreement that was put in place a number of years ago but unfortunately seems to have become a little bit inactive, where the state government commits to consulting with the local government sector prior to introducing policy or legislation that might impact the sector. It is a great benefit in having those groups come together with Local Government Victoria and any other department in the state to collaborate on these really tricky issues that are facing the sector.

Meng Heang TAK: Thank you. No further questions, Chair.

The CHAIR: Thank you, Mr Tak. We will go to Mr Puglielli.

Aiv PUGLIELLI: Thank you, Chair. Good afternoon. Just following on from some of the conversation we had earlier, your submission notes that fraud and corruption risks begin before councillors are elected – for example, interaction with campaign donors. Notwithstanding that the audits that we are following up today did not include risk of fraud and corruption from local government elections per se – that was not within scope – should those audits have included that within scope, given that, as you have noted, the risks of fraud and corruption can begin before they have actually been elected in the first place?

Kathryn ARNDT: I think it would certainly be worth including within the scope if VAGO's legislative remit allowed for that. I think any information that can be collected is useful.

Aiv PUGLIELLI: Is it that you cannot have one without the other and you have got to act on both sides of the line here? Before someone has been elected in the first place you have got to have offered the training and you have got to have given the supports to ensure that we are preventatively taking action to prevent fraud and corruption in the community. Obviously, on the other side, once they are elected there is a lot of work to do to ensure that that compliance is being met. Is that the case?

Kathryn ARNDT: Our position is that candidates who are standing for election really need to understand what their roles and responsibilities are. We believe that they should have education prior to standing for election and most definitely post election.

Tanja KOVAC: And like all political campaigns, even local campaigns are becoming expensive, where relationships of support and donors start to become part of the dialogue for supporting local candidacy. It is important that candidates up-front understand that they need to be making decisions once they are elected without the undue influence of people who may have made donations to their campaigns.

Aiv PUGLIELLI: Just to make sure I have heard some of the conversation that has already happened, is it your view that VEC should be a key partner in this work?

Kathryn ARNDT: To the extent that they are able to as an independent agency, absolutely. I think there is an opportunity for the various agencies to partner. I know the Ombudsman has released a new strategy. But the integrity agencies have a role in education as well and partnering, not necessarily being removed and just coming in to do investigations. I have seen the benefits of that over my time at the VLGA.

Aiv PUGLIELLI: Thank you. Just moving on, obviously councils across the board have got significant variation in size, in resources and in culture right across the state. In terms of developing fraud and corruption control guidance materials, for example, what are the challenges that you are facing in doing that work?

Kathryn ARNDT: Look, it is resourcing, it really is: where to put the attention, what to focus on.

Aiv PUGLIELLI: Could you maybe elaborate on that a bit more? Specifically, what things are you attending to in making sure you can meet that sort of variation, that diversity of council groups across the state?

Kathryn ARNDT: From a VLGA organisational perspective, all we can do is bring in panels of facilitators and content developers who can produce those standardised modules that can then be delivered to councils. The councils of course then have to choose to access those. Some councils will run training in-house. I think we have said in our submission that we want to try and standardise the quality and have some sort of quality control and consistency. I think that is absolutely essential. Our ability to influence some of that is limited of course.

Tanja KOVAC: But it is clear from the experience of VLGA that if councils are smaller and they do not have the resources in-house to deliver, they will rely on an organisation like the VLGA to help them do the training delivery. Because of the funding structure for the VLGA, that support needs to be on a fee-for-service basis for those councils.

Aiv PUGLIELLI: Thank you. With respect to support provided by government, what should be provided to ensure that councillors and staff, including audit and risk committees – what should be provided from government to ensure that we have that completion of standardised training across the board?

Kathryn ARNDT: I think that is a good question for Local Government Victoria. I think they have a role in the provision of some of these support guidelines and also consistency for the sector.

Aiv PUGLIELLI: Thank you. Thank you, Chair.

The CHAIR: That is great, Mr Puglielli. We are going to go to Mr Hilakari.

Mathew HILAKARI: Thank you. And thank you for attending this afternoon, it is appreciated. You mentioned in your submission that 22 of 79 councils took up the councillor readiness program. I am hoping you can outline a little bit about the readiness program and then maybe some of the reasons why you think some of the councils did not undertake the program.

Kathryn ARNDT: The councillor readiness program is actually the councillor induction program, which aligns with the mandatory governance reforms or training requirements that were recently introduced. Some councils chose to deliver that in-house and others chose to outsource it. It would be fair to say that the sector themselves is just still grappling with how best to meet these training requirements. There are some councils that are of course better resourced than others and can deliver it in-house or bring in some preferred providers that they have used over time.

Mathew HILAKARI: Would it be fair to say that those 22 councils were generally smaller, less-resourced councils, or was it just a mix of the whole lot?

Kathryn ARNDT: It was a mix.

Mathew HILAKARI: Okay, great. In terms of the varying sizes and capacities, we talked about that a moment ago, around fraud and corruption control – I think you mentioned in your submission the scale and complexity of training required. What is the sort of support that you think should be in place? We heard a moment ago, and I think you would have heard some of our earlier comments, around maybe some incentives to get councillors to undertake some of that training and some of the councils to undertake some of that fraud and risk control. What are your recommendations in this area?

Kathryn ARNDT: I did not hear the comment about the incentives. That is an interesting comment.

Mathew HILAKARI: It was an incentive for councillors to undertake some of that training initially, and it was in the context of councillors are considered part time – in their words, not mine – for the purposes of their remuneration.

Kathryn ARNDT: That certainly came through in our census as well. I think councillors reported on average they are spending 37½ hours a week on council business and many of them are full time, part time juggling caring responsibilities. We do talk about that in our candidate training. There is a lack of appreciation by a lot of candidates, as well as community members, as to the time involved in being a councillor in order to fill those responsibilities. I am not sure what type of incentives you could offer outside – there is an independent remuneration review panel that does look at councillor allowances. I think there are some pretty meaty discussions that the sector and government need to have about the role of local government and the responsibilities that come with that. I know that the state government is very interested in understanding more, and I will be briefing Local Government Victoria's CEO forum later on this week about the census results, because a financial incentive for a councillor who is working full time may enable them to take time off to undergo the training, potentially. Tanja, is there anything you want to add to that?

Tanja KOVAC: I think one of the biggest incentives is the direction by the government to make the training mandatory. It is a significant signpost to the councillor group. The LGA has been providing councillor and candidate training much longer than the mandatory requirement. And in terms of signalling behaviour change, I think that is going to make a big impact regardless of whatever future incentives there might be.

Mathew HILAKARI: And again, 'part-time' is not my preferred phrase on it, but are the settings right considering the breadth and depth of work that councillors do?

Kathryn ARNDT: For remuneration?

Mathew HILAKARI: From your point of view.

Tanja KOVAC: I think if you asked the councillor group, they would say no. And based on the census results, which are very strongly supported by the councillor group of the last iteration, they would say no.

Mathew HILAKARI: Okay. You would have probably heard this as well earlier in the evidence – 16 of 79 councils had monitors in the last 12 months. What does that say about where local government is at the moment, and councillors as well?

Kathryn ARNDT: Look, I think we have to be careful not to read too much into that, because I think it probably reflects more of a shift in policy position by the state government or the Minister for Local Government and Local Government Victoria about when to introduce a monitor. I know previously the sector and also the ministers of the day would have thought that that was a last resort, a punitive action to take, whereas over recent years it has been seen more as a preventative, I guess, assistance to the sector. We have got to remember that the last term of councillors were elected in the middle of COVID, and that

in itself created a lot of issues for councillor groups who did not have the opportunity to come around the table together face to face and really get to know each other and how they were going to operate as a group. We have now passed that, so hopefully we see the need for monitors become less, particularly with the introduction of these very welcome training reforms.

You know, from a systemic perspective – and it will be interesting too to see how this term goes, because when the election results were declared, this potentially new councillor group had I think a couple of weeks to elect their mayor. Now, the mayor has very set responsibilities under the *Local Government Act*, and one of the most important responsibilities is in fact leading that councillor group and ensuring that it abides by its councillor code of conduct. So for a new councillor group to have to elect that leader at such an early point in their coming together I think remains a systemic challenge.

Mathew HILAKARI: Coupled with 51 per cent of councillors who were not able to complete their returns in compliance with the Act – this is from a Local Government Inspectorate report – providing information on their financial returns and any interests that they have, what does this say about where councillors are up to at the moment? Some of those returns are just simple mistakes of they did not put a signature on or they skipped a section, but then there are some more worrying ones around people completely missing numbers of properties that they own or not returning submissions at all. Are we in the right place in terms of fraud and corruption control and people taking seriously their responsibility?

Kathryn ARNDT: That is a concerning report from the Local Government Inspectorate. I cannot really comment on that any further. It is disappointing that people who have stood for election have either not understood their responsibilities in regard to that or have chosen not to fulfil their responsibilities, and I cannot comment on what the motive is on that.

Mathew HILAKARI: Should there be really significant results – if you forget a signature, right, you know, that is neither here nor there, but I mean, missing out on numbers of properties that you own, that seems to be challenging. Maybe I will leave that there.

Three out of four councils that VAGO looked at did not have fraud and corruption incidents registers. Three out of four councils did not publish reports on councillor expenses. How does that couple with a sector that is working well? I understand this is some time ago and the councils have been given fair warning to change that behaviour. How does that couple with a sector that is really reaching the goals and the expectations of the community?

Kathryn ARNDT: Look, the matter of reporting councillor expenses sits with the CEO, and it is actually a bittersweet thing, because it has in fact worked against councillors in the past who have sought to undertake professional development associated with their role, where the expenses associated with undertaking that training have been reported on and then it has been used against them in a punitive way. If I were a community member, I would be demanding that my councillor group have an allocated budget for professional development, given the significant responsibilities that they have.

Mathew HILAKARI: And with councillor groups, we heard a little bit earlier around the appointment of CEOs and how CEOs are really setting the culture of organisations, and thinking about fraud and corruption prevention, that is probably a fairly critical thing. Do you have, on behalf of your representative councillors, a view around how CEOs should be appointed? What do you think is best practice, and how could that be done well so that councils are run well?

Kathryn ARNDT: I think I mentioned earlier that that relationship, the CEO employment relationship, has been commented on in the Operation Sardon report as well and some of the nuances and complexities with that. I know there is a strong community sentiment that the CEO is appointed by and should be appointed by the councillor group. I am also mindful though that –

Mathew HILAKARI: Sorry, where is that from that?

Kathryn ARNDT: Sorry, there is strong sentiment in the community that the councillor group should –

Mathew HILAKARI: Is there?

Kathryn ARNDT: It is my understanding from parts of the community that they believe the councillor group should.

Mathew HILAKARI: Would you be able to take on notice to provide the background to that or evidence to support that statement?

Kathryn ARNDT: Yes. I am probably just repeating what I have heard, as opposed to what I have seen.

Mathew HILAKARI: Okay.

Kathryn ARNDT: That was my interpretation of those comments.

Mathew HILAKARI: Okay.

Kathryn ARNDT: But I am also very mindful of the fact that the CEO themselves is responsible for leading up to at times a thousand-odd staff, delivering over 100 services to the community and also implementing community and strategic plans that go well beyond the term of council, so there are some tensions there.

Mathew HILAKARI: One of the things that we heard today was that an independent chair should be mandatory. One of the things I said was: should there be more independent voices on that committee to appoint and employ a CEO? What is your view?

Kathryn ARNDT: Yes, absolutely, and that would be consistent with our recommendations that we put forward to the review into the culture of local government.

The CHAIR: Mat, we are going to go down this end.

Mathew HILAKARI: Sorry; pardon me.

The CHAIR: That is all right. Who wants to go first?

Richard WELCH: I have got one.

The CHAIR: Mr Welch.

Richard WELCH: Just to follow on really from that previous question, in embedding the culture more fully, do you think there should be more consequences for councillors? If they are not putting in their disclosure of interests, for instance, should they not be allowed to take their seat until they have, or should there be other consequences you would recommend? Would there be any recommendations in that vicinity?

Kathryn ARNDT: Look, certainly there are now consequences. If a councillor has not completed their induction training, their allowance could be withheld by the CEO until they have completed that training. Similarly, that could apply to other requirements that councillors have on them. That would seem a consistent policy to look at. There are now increased powers for the Minister for Local Government to make decisions in regard to one councillor who may not be compliant or be found to have been part of misconduct. So the powers have increased. We are yet to see the full extent or implications of those because they are relatively new.

Richard WELCH: Thank you. Thank you, Chair.

The CHAIR: Thank you. Mr Puglielli.

Aiv PUGLIELLI: Thank you. Just with respect to the independent census, which I believe it was indicated that you have run in the past, did budget constraints that councils are experiencing come up at all in the responses that you received?

Kathryn ARNDT: We did break them down in a few areas. We would be very happy to provide that report to the committee if it would be useful.

Aiv PUGLIELLI: That would be great. Thank you. I suppose the follow-on question – I will put it to you anyway: we have heard about budget constraints that councils were experiencing, and I am sure you may have as well elsewhere in the community. What impact do you think that then has on risk profiles for a local government with respect to prevention of fraud and corruption? If they are having to provide training or resourcing to ensure that there is preventative action occurring to prevent risk of actual or perceived fraud and corruption in their local government area, what impact does that constrained budget then have?

Kathryn ARNDT: Well, they have to then make decisions about service delivery, and unfortunately it could potentially result in the way in which services to the community change. They have to make some decisions about priorities in terms of those services.

Aiv PUGLIELLI: Are you aware of any particular examples where you have seen that occur in parts of the state?

Kathryn ARNDT: Not specifically in response to requirements for fraud and corruption training, but certainly it is constantly a conversation that the CEOs are having around the table.

Aiv PUGLIELLI: Thank you. Thank you, Chair.

The CHAIR: Thank you, Mr Puglielli. Ms Benham.

Jade BENHAM: Thank you, Chair. You mentioned earlier that the integrity agencies should have more of a role in education, not just investigation. Given that the integrity agencies are constantly doing more with less and have their own issues with resources – you know, the inspectorate has one compliance officer – how would they do that, and wouldn't that muddy the waters? Isn't the remit of the integrity agencies to investigate complaints rather than educate? Isn't that a peak body's job?

Kathryn ARNDT: I think we all face similar challenges when it comes to the resourcing. I think that there is a way integrity agencies can deliver their educational arm, and I think that they try to do that as best they can. The Local Government Inspectorate absolutely is under-resourced and I know has put in a number of funding bids to the government which have not been successful. So is there an appreciation at the state and even federal level of governments as to the actual complexity and business of local government? I would say that it is underfunded.

Jade BENHAM: But how would the integrity agencies deliver that education rather than their remit now, which they also struggle to do? And we heard earlier today that the investigations and the length of time they can take can be extraordinary. Shouldn't there be a very clear difference between a peak body's objective to deliver that education to your member organisations and the integrity agencies to investigate?

Kathryn ARNDT: I think what is happening is the integrity agencies are prioritising the investigative arm of their organisations. And yes, it does fall on peak bodies, but I would also say: what is the role of Local Government Victoria in this?

Jade BENHAM: Thank you.

The CHAIR: Thank you, Ms Benham. Mr Hilakari, do you have any further questions?

Mathew HILAKARI: How long have we got? A couple of minutes?

The CHAIR: Until 2:15, yes.

Mathew HILAKARI: I was just hoping to take us to grants, which is the second review that we are doing as a result of VAGO. It was said that audited councils did not review their grants to detect potential fraud. Is that something that you would recommend councils undertake? And then, if it is a yes, how is that getting voiced into practice?

Kathryn ARNDT: I think if we could take that on notice.

Mathew HILAKARI: Of course.

Kathryn ARNDT: We have not really focused our submission on that grant aspect.

Mathew HILAKARI: Yes, no worries at all. Because councils do make a significant amount of grants, I can understand how they also have many people in the community wanting to engage them around their particular projects that would enhance community life. I guess it is a challenge to assess them. Would you recommend that councillors be on these committees to undertake these grant processes? I would have thought there would be some conflicts that come into practice.

Kathryn ARNDT: Well, certainly there could be potentially that situation. Again, I would have to take that on notice, but from a process perspective, you would hope that the committees that are making those determinations –

Mathew HILAKARI: Have clear guidelines.

Kathryn ARNDT: Yes, and are removed directly from those conflicts.

Mathew HILAKARI: Which it is always hard, because councillors are always members of the community.

Kathryn ARNDT: Absolutely.

Mathew HILAKARI: That makes it really difficult. I did ask this question of others, and I am glad it has come back to me so I have got the opportunity to ask: if there is one thing that you could see changed, see improved, see strengthened, what would that be to prevent fraud and corruption in local government? You have just one choice only. I will give you two, because we have got 2 minutes.

Kathryn ARNDT: Two – that is a big question to end on. I think from the VLGA's perspective, we have consistently, as Tanja mentioned, over many years delivered training to candidates and councillors. The introduction of the mandatory training reforms is a welcome introduction from the VLGA's perspective. We are the only peak body nationally who have a singular focus on supporting good governance, and we would like to see the state government partner with us and support some of the programs that we do deliver and are the only ones delivering that will strengthen good governance in local government.

Tanja KOVAC: Can I add one thing to that also?

Mathew HILAKARI: I did say two, so you have got the second one in there.

Tanja KOVAC: Part of the very worrying aspect of the councillor census was that 80 per cent of councillors reported having been bullied in their role and feeling subjected to harassment. That is a huge statistic. So for me, one of the things that I think is important to contribute to fraud and corruption prevention is ensuring that there is an inclusive and open culture for everybody to participate. Some of those circumstances of bullying come from poor attitudes and behaviours around diversity and inclusion. Some of those bullying experiences come from speaking up as a whistleblower about poor behaviours, whether that is within the procedural decision-making or at the councillor group, and then feeling victimised as one of those whistleblowers. We know that from our direct engagement with councillors who are in those situations. So there is a big culture change that needs to take place at local government. Again, the question is the resourcing and the support for that work, and that is why VLGA's advocacy around what it thinks it needs to do to help is so important.

Mathew HILAKARI: I know you are doing your presentation later this week. Would you be able to take on notice providing the results of that survey afterwards?

Kathryn ARNDT: Yes, absolutely.

Mathew HILAKARI: So we do not bell the cat and you do not have your thunder taken.

Kathryn ARNDT: They are publicly available now. We might go into a little bit more methodology, but we are very happy to provide that, yes.

Mathew HILAKARI: That would be great. Thank you.

The CHAIR: Thank you, Ms Arndt and Ms Kovac. Thank you very much for taking the time to appear before the committee this afternoon. The committee will follow up on any additional questions – we will probably have a couple of extra questions – taken on notice in writing, and responses are required within five working days of the committee's request.

The committee is going to take a short break before recommencing the hearing. I declare this hearing adjourned.

Witnesses withdrew.