

## Whole of Victorian Government response to the Parliamentary Inquiry into Fraud and Corruption Control in Local Government

All Victorians deserve high quality municipal level governance and administration.

The Victorian Auditor-General's Office (VAGO) undertook two performance audits in 2019 and 2022 examining fraud and corruption controls of internal finances and the allocation of grants by local governments. Both audits examined a selection of councils, and assessed the quality and effectiveness of their administration, internal controls and policies. Recommendations by both audits were made not only toward the councils subject to the audits, but to all Victorian councils.

The Public Accounts and Estimates Committee (the 'Committee') resolved in November 2024 to undertake a follow up inquiry to determine whether Victorian councils had implemented the recommendations made by VAGO. The inquiry also examined the role of Victoria's integrity agencies and actions taken in response to matters raised by VAGO.

The Government's response to the Committee's report is in the context of the local government sector having sufficient resources and being in overall sound financial shape as attested most recently by the Victorian Auditor-General in their 'Results of 2024–25 Audits: Local Government'.

The Government's response to the Committee's report highlights areas where it can support local government most effectively. Guidance and support for councils is essential, accompanied by local government administrations implementing good practices and processes within their own organisations.

The Government's response notes that several of the Committee's recommendations are directed toward Victoria's integrity agencies. In these instances, these agencies may wish to respond to the Committee independently.

The Government thanks the Committee for their work. The response to each of the Inquiry's recommendations is as follows below.

Recommendation	Response
<p>RECOMMENDATION 1: Local Government Victoria collaborate with peak bodies to develop a strategy for supporting rural and regional Councils with the unique challenges they face in implementing best practice fraud and corruption controls. The strategy should:</p> <ul style="list-style-type: none"> <li>• be developed in consultation with rural and regional Councils</li> <li>• provide solutions for how those Councils can implement appropriate segregation of duties in their context</li> <li>• provide solutions for how those Councils can manage conflicts of interest in their context.</li> </ul>	<p>Support in full</p> <p>Local Government Victoria will collaborate with peak bodies on this matter.</p>
<p>RECOMMENDATION 2: Local Government Victoria update the Guidance on the mandatory training for Mayors, Deputy Mayors and Councillors to make the learning domain on 'Preventing fraud and corruption' a mandatory part of Councillor induction training.</p>	<p>Support in principle</p> <p>This will be considered in the next review of the mandatory training requirements under the <i>Local Government Act 2020</i>.</p>
<p>RECOMMENDATION 3: Local Government Victoria consult with sector stakeholders to facilitate a more streamlined approach to the provision</p>	<p>Support in principle</p>

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<p>of training on fraud and corruption prevention and awareness that:</p> <ul style="list-style-type: none"> <li>• avoids duplication of effort</li> <li>• optimises cost-efficiency for Councils</li> <li>• ensures a minimum standard of quality</li> <li>• is scalable to the various Council contexts</li> <li>• enables all Council staff to receive training.</li> </ul> <p>The new approach should be implemented by the next Council election cycle.</p>	<p>Local Government Victoria will engage the various peak bodies for local government that offer training for councillors and / or members of council staff to support consideration of this recommendation.</p>
<p>RECOMMENDATION 4: Local Government Victoria include standard procedures for declaring a conflict of interest and a specific procedure for grant assessments in its Model Governance Rules currently under development</p>	<p>Support in part</p> <p>The Model Governance Rules (MGR) currently being developed in response to IBAC's Operation Sandon Special Report will include procedures for declaring conflicts of interest in accordance with the requirements of the <i>Local Government Act 2020</i> and other statutory obligations.</p>
<p>Recommendation 5: Local Government Victoria develop guidance materials, including templates, that support Councils to develop appropriate expenses policies and reporting tools.</p>	<p>Support in full</p> <p>Local Government Victoria can contribute to improving expenses policies and reporting tools through existing forums. Local Government Victoria will continue to issue good practice guidance, templates and manuals for finance, accounting, reporting, governance and other matters.</p>

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<p>Recommendation 6: The Victorian Government consider ways to encourage all Councils to employ suitably skilled governance officers.</p>	<p>Support in full</p> <p>Local Government Victoria will work with councils and the peak bodies for local government to promote communities of practice for governance officers. This includes continuing workshops with council governance officers.</p>
<p>Recommendation 7: Local Government Victoria undertake consultation with sector stakeholders to determine the best approach for strengthening and expanding knowledge-sharing forums, including ways that ensure access is affordable for all Councils.</p>	<p>Support in full</p> <p>In the performance of its role, Local Government Victoria currently implements initiatives to support sector capability. These include:</p> <ul style="list-style-type: none"> <li>• conducting regular CEO forums</li> <li>• establishing and implementing collaborative approaches to develop legislative reforms (such as technical working groups)</li> <li>• issuing good practice guidance, templates and manuals for finance, accounting, reporting, governance and others.</li> </ul> <p>Local Government Victoria will consult to ensure the information sharing forums continue to be useful, accessible and appropriate.</p>

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<p>Recommendation 8: Local Government Victoria (LGV) undertake or commission a risk assessment for shared services across Councils, particularly shared Information and Communications Technology systems. Based on these assessments, LGV provide guidance to Councils on the minimum information security controls required to establish shared services.</p>	<p>Support in full</p> <p>In November 2023, the Rural and Regional IT Strategic Implementation Framework for Shared Services was published by Local Government Victoria.</p> <p>The Framework provides guidance on a shared service approach to IT implementation to enhance organisational capability and performance and improve the customer experience for Victorians. With this, councils have the foundational guidance to undertake the appropriate identification of risks and planning for information security controls to establish shared services.</p>
<p>Recommendation 9: The Victorian Government seek to amend the <i>Privacy and Data Protection Act 2014 (Vic)</i> to include Councils in Part 4 so that they are required and supported to implement consistent information security controls.</p>	<p>Under review</p> <p>Consistent with the Government's response to recommendation 17 of the Legislative Assembly's Economy and Infrastructure Committee Inquiry into workplace surveillance, the Victorian Government will further consider this recommendation, in consultation with OVIC and other impacted stakeholders.</p> <p>Government supports the Committee's rationale for this recommendation, being that it would standardise information security controls across councils. However, further consultation is required to understand the operational and resourcing considerations of extending the application of Part 4 of the Privacy and Data Protection Act 2014 to apply to Councils.</p>
<p>Recommendation 10: Local Government Victoria ensure its forthcoming guidance materials for Audit and Risk Committees (ARCs) incorporate the suggestions provided to</p>	<p>Support in full</p> <p>The second edition of Local Government Victoria's <i>Audit and Risk Committees - Good Practice Guidelines for Local Government</i> will be published in 2026. The Guidelines will</p>

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<p>the Inquiry to improve consistency in the activities of ARCs by having:</p> <ul style="list-style-type: none"> <li>• minimum frequency for ARC meetings—at least quarterly</li> <li>• standing agenda items related to fraud and corruption controls and suspected incidents</li> <li>• standing agenda item for follow up on Victorian Auditor-General’s Office audit recommendations</li> <li>• a dedicated staff member—ideally a governance officer—responsible for reporting to the ARC.</li> </ul>	<p>address the recommendation to support improved consistency in the activities of Audit and Risk Committees across the sector.</p>
<p>Recommendation 11: Local Government Victoria develop a strategy through consultation with sector stakeholders to address the problems stemming from insufficient supply of suitably qualified people to serve as independent members on Council Audit and Risk Committees (ARCs), in particular, individuals serving on multiple ARCs simultaneously. The strategy should be completed and communicated to the sector by the next Council election cycle.</p>	<p>Support in principle</p> <p>The Government agrees with the Committee about the issues arising from an insufficient supply of suitably qualified people to serve as independent members of ARCs. Local Government Victoria will work with the sector on this issue through existing forums and give consideration to development of a strategy.</p>

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<p>Recommendation 12: The Victorian Government seek to amend the <i>Local Government Act 2020 (Vic)</i> to mandate that Councils publish information about their Audit and Risk Committees, including:</p> <ul style="list-style-type: none"> <li>• membership</li> <li>• annual work plan</li> <li>• register of potential or perceived conflicts of interest for independent members.</li> </ul>	<p>Support in full</p> <p>The public transparency requirements under the <i>Local Government Act 2020</i> already enable the publication of the membership and annual work plan of a council's Audit and Risk Committee (ARC). Further, the conflict of interest provisions under the <i>Local Government Act 2020</i> apply to a member of an ARC who is not a councillor as if they were a member of a delegated committee. All ARC members must disclose any conflicts of interest in any matters considered at their meetings in accordance with the procedures set out in the council's Governance Rules. The council's CEO must ensure the preparation and maintenance of agendas, minutes and reports of the ARC which are made publicly available in accordance with relevant legislative requirements.</p>
<p>Recommendation 13: Local Government Victoria include in its forthcoming guidance material for Council Audit and Risk Committees directions on how they should be involved in the establishment and oversight of incident registers.</p>	<p>Support in full</p> <p>The new edition of the <i>Audit and Risk Committees - Good Practice Guidelines for Local Government</i> will include material regarding Local Government Victoria's involvement in incident registers.</p>
<p>Recommendation 14: The Victorian Government consider making changes that increase the level of detail provided by Councils in their budgets so that the public is able to assess Council expenditure and planned expenditure.</p>	<p>Support in full</p> <p>Through annual review processes Local Government Victoria will consider changes to the local government model budget template and guidance that sets consistent presentation and disclosure requirements. These are underpinned by regulatory and statutory requirements.</p> <p>The Government remains committed to ensuring greater disclosure by councils in their annual reports (which are subject to audit), including reporting on the variance between budget and actual expenditure for specific projects and activities.</p>

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<p>Recommendation 15: Local Government Victoria develop minimum standards for the information that Councils must report publicly, including conflicts of interest registers.</p>	<p>Support in part</p> <p>The public transparency requirements under the <i>Local Government Act 2020</i> already provide minimum standards for publicly available council information. The requirements under the <i>Local Government Act 2020</i> for personal interest returns (PIRs) and conflicts of interest ensure the public availability of information disclosed in accordance with relevant legislative requirements. The <i>Local Government Act 2020</i> also enables any breaches of the PIR and conflict of interest provisions to be publicly reported by the Chief Municipal Inspector (CMI). These mandatory, statutory requirements take precedence over reporting standards that could be developed and issued by a departmental office.</p>
<p>Recommendation 16: Local Government Victoria develop guidelines to standardise the way that Councils report their personal interest returns to improve compliance with provisions in the <i>Local Government Act 2020 (Vic)</i>.</p>	<p>Support in principle</p> <p>The <i>Local Government Act 2020</i> and the <i>Local Government (Governance and Integrity) Regulations 2020</i> create a standard approach for personal interests returns (PIRs) by specifying the matters to be disclosed and the timelines for submission to council CEOs. A range of guidance to support council compliance with PIR requirements is available.</p>
<p>Recommendation 17: Local Government Victoria (LGV) provide clear instructions to Audit and Risk Committees (ARCs) about their role and responsibilities in oversight of Council grants. Those instructions should be included in LGV's forthcoming guidance for ARCs currently under development.</p>	<p>Support in full</p> <p>The new edition of the <i>Audit and Risk Committees - Good Practice Guidelines for Local Government</i> will include material regarding oversight of local government grants.</p>
<p>Recommendation 18: The Independent Broad-based Anti-corruption</p>	<p>Nil response</p>

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<p>Commission improve its public-facing information to ensure it clearly outlines to potential whistleblowers the inherent risks of making a disclosure under current legislation and how the protections they receive against reprisal work in practice.</p>	<p>The Commissioner of the Independent Broad-based Anti-Corruption Commission reports to Parliament and may respond to this recommendation accordingly.</p>
<p>Recommendation 19: The Victorian Government seek to amend the <i>Public Interest Disclosures Act 2012 (Vic)</i> to ensure that whistleblowers are protected in practice against reprisal, with clear guidelines set concerning how reprisal is to be handled and by which entity.</p>	<p>Under review</p> <p>This recommendation will be considered in conjunction with recommendation 16 of the Integrity and Oversight Committee (IOC) Inquiry into the Adequacy of the Legislative Framework for the Independent Broad-based Anti-corruption Commission (IOC Inquiry) to ensure consistent positions are formed. As part of developing the response to the IOC Inquiry the Victorian Government will also consider PAEC's report.</p>
<p>Recommendation 20: The Victorian Government seek to amend the <i>Public Interest Disclosures Act 2012 (Vic)</i> to allow whistleblowers to disclose information to journalists where the relevant authorities are unable or unwilling to resolve a complaint. The Queensland or Western Australian models could be adopted in Victoria.</p>	<p>Under review</p> <p>This recommendation will be considered in conjunction with recommendation 16 of the Integrity and Oversight Committee (IOC) Inquiry into the Adequacy of the Legislative Framework for the Independent Broad-based Anti-corruption Commission (IOC Inquiry) to ensure consistent positions are formed. As part of developing the response to the IOC Inquiry the Victorian Government will also consider PAEC's report.</p>
<p>Recommendation 21: The Victorian Government consider reviewing and updating the governing legislation of</p>	<p>Not supported</p>

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<p>Victorian integrity agencies to increase clarity in the definitions used to determine which agency should handle different types of complaints. They should do this in consultation with the Public Interest Disclosure Consultative Group.</p>	<p>The nature of complaints, and conduct they relate to, is broad, and it would be difficult to definitively legislate to determine in advance which agency should handle a particular matter or type of complaint, noting that conduct over which agencies have jurisdiction does overlap.</p> <p>Victoria’s integrity system is designed to support a ‘no wrong door’ approach for complainants, enabling agencies to engage with one another and appropriately refer complaints between themselves. The Government will continue to work with the integrity agencies to support engagement and a shared understanding and approach.</p>
<p>Recommendation 22: The Public Interest Disclosure Consultative Group, led by the Independent Broad-based Anti-corruption Commission, determine a better way to communicate with Councils about the progress and outcomes of Public Interest Disclosures and investigations.</p>	<p>Nil response</p> <p>The Commissioner of the Independent Broad-based Anti-Corruption Commission reports to Parliament and may respond to this recommendation accordingly.</p>
<p>Recommendation 23: The Public Interest Disclosure Consultative Group and Prevention Education Advisory Group develop and deliver a tailored education program to Councils about complaints handling processes. That education should build Council understanding about expected timeframes for communication of Public Interest Disclosure and investigation outcomes, as well detailed information on whistleblower</p>	<p>Nil response</p> <p>The Commissioner of the Independent Broad-based Anti-Corruption Commission reports to Parliament and may respond to this recommendation accordingly.</p>

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protections. It should be made available to all Councillors and Council staff before the next local government election cycle.	
Recommendation 24: The Victorian Government review the Local Government Inspectorate's funding to determine if it has sufficient resources to enforce the <i>Local Government Act 2020 (Vic)</i> via investigations and prosecutions as well as perform preventative activities for early intervention.	<p>Support in principle</p> <p>The Government supports the intent of this recommendation and as part of standard budgeting process for government, the government periodically reviews agency funding settings to ensure that they are supported in the performance of their functions.</p>
Recommendation 25: The Victorian Government increase funding to the Victorian Ombudsman so that it can increase delivery of preventative activities for Councils that support good governance and complaints handling.	<p>Under review</p> <p>The Government will consider this recommendation further as part of future State budget processes.</p>
Recommendation 26: The Victorian Auditor-General's Office consider the feasibility of publicly sharing management letters related to audits of Victorian Councils to provide increased transparency on the effectiveness of Council fraud and corruption controls and Council financial management more broadly.	<p>Nil response</p> <p>The Victorian Auditor-General reports directly to Parliament and may respond to this recommendation accordingly.</p>

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<p>Recommendation 27: The Victorian Auditor-General's Office include in its annual public reporting on Local Government financial audit results, information about the specific fraud and corruption control weaknesses at individual Councils and any failure of those Councils to action audit recommendations</p>	<p>Nil response</p> <p>The Victorian Auditor-General's office reports to Parliament and may respond to this recommendation accordingly.</p>
<p>Recommendation 28: The Victorian Government seek to amend the <i>Ombudsman Act 1973 (Vic)</i> to empower the Victorian Ombudsman to publicly report on the reasons for dismissing or discontinuing an investigation.</p>	<p>Support in principle</p> <p>The Government supports the intent of this recommendation, to provide transparency and certainty with Victorian Ombudsman investigations, and will continue to engage with the Victorian Ombudsman and other relevant stakeholders to examine the merits and approach to the policy intent of this recommendation.</p>
<p>Recommendation 29: The Victorian Government seek to amend the relevant legislation to enable the Independent Broad-based Anti-corruption Commission to report fraud or corruption directly to the Minister for Local Government, enabling faster action and serving as a stronger deterrent.</p>	<p>Not supported</p> <p>The integrity system with respect to local government currently enables timely and appropriate intervention by the Minister for Local Government based on advice from integrity agencies. In relation to IBAC, this includes notifications arising out its investigations and the making of recommendations relevant to the Minister's portfolio. It is structured in such a way to reflect the general principle that it is not appropriate for IBAC to provide information or advice to a minister in relation to an ongoing investigation as IBAC is not subject to ministerial direction and must be able to conduct its functions free from interference.</p>
<p>Recommendation 30: The Victorian Government support reforms to penalties for breaches of the Local</p>	<p>Under review</p>

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Government Act 2020 (Vic) based on recommendations from the Local Government Inspectorate's Councillor Conduct Framework review.	The Government will consider recommendations from the Local Government Inspectorate's report on its review of the Councillor Conduct Framework (CCF) once the report is received.
Recommendation 31: The Victorian Government consider whether there is any benefit in developing a framework for the appointment of municipal monitors to Councils and that the framework be published publicly.	<p data-bbox="775 400 1055 432">Support in principle</p> <p data-bbox="775 480 2029 584">Government supports the Committee's rationale for this recommendation, being that preventative early intervention activities with individual Councils can be beneficial for good administration.</p> <p data-bbox="775 632 1939 751">LGV will consider the provisions in the Local Government Act 2020 which provide the current framework to appoint a municipal monitor, and undertake consultation with integrity agencies about their preventative functions.</p>