

7 July 2025

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Parliament of Victoria  
Parliament House, Spring Street  
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Dear Secretariat

### **Parliamentary Inquiry into Fraud and Corruption Control in Local Government**

Thank you for the opportunity for Mayor Lisa Cooper and myself to contribute to the Public Accounts and Estimates Committee's Inquiry into Fraud and Corruption Controls in Local Government. We welcome the Committee's ongoing focus on this important area and appreciate the opportunity to share Council's insights and experiences in response to the Victorian Auditor-General's reports no. 40 and no. 316. The following statement outlines our observations on key challenges, actions taken, cultural impacts, and opportunities for improved coordination and resourcing across the sector.

#### **1. Ongoing Challenges in Maintaining Effective Fraud and Corruption Control**

Knox City Council takes fraud and corruption prevention seriously and remains committed to continually strengthening its systems, culture, and capabilities. While strong frameworks are already in place, Council recognises that effective fraud and corruption control requires ongoing attention and adaptation.

Grant programs also operate in a complex environment and Council continually reviews its policies and oversight processes to ensure transparency and accountability.

While resourcing can present challenges, particularly in specialist areas such as fraud control and internal audit, Council actively seeks efficiencies and shared approaches to build capacity. Embedding a culture of integrity and proactive fraud prevention remains a key focus, supported by strong leadership, regular training, and a clear commitment to ethical conduct across the organisation. The introduction of Mandatory Professional Development for Councillors in 2024 also provides a framework for ongoing training in this space.

As part of its commitment, Council has implemented a rolling program of fraud risk assessments to proactively identify and manage emerging risks, while also reviewing the effectiveness of controls for previously identified fraud risks.

Cybersecurity threats continue to pose significant risks to fraud and corruption control in local government, with increasing reliance on digital systems creating new vulnerabilities. Council's investment in cyber resilience—including ongoing progress toward Essential Eight compliance—forms a critical part of its fraud mitigation strategy.

These focus areas are part of Council's broader efforts to maintain robust, responsive, and resilient integrity systems.

## **2. Council's Response to VAGO Recommendations and Outcomes**

In response to VAGO Audit No. 316, Knox City Council has actioned all recommendations as follows.

- **Conflict of Interest Management**

Council developed Conflict of Interest Guidelines that have been implemented across the organisation, reinforcing requirements under the *Local Government Act 2020* and identifying Council grant making as a high-risk area. Council takes a rigorous approach to managing conflicts of interest, with staff and Councillors expected to identify, assess, and appropriately document any actual, potential, or perceived conflicts. Management strategies are applied in line with the nature and extent of the conflict, supported by clear procedures, guidance, and ongoing training to ensure consistent and accountable decision-making.

- **Transparent Assessment Processes**

Council currently applies a consistent and transparent approach to the assessment of grant applications. Assessment criteria are documented and made available to both applicants and assessors. All funding decisions are supported by recorded justifications, including explanations provided to unsuccessful applicants and documentation of any changes between individual assessments and final recommendations. Full assessment records—including minutes and assessment tools—are stored in the SmartyGrants system for each funding round. This practice aligns with and is reflected in Council's Grants Framework Policy.

- **Councillor Involvement / Policy Framework Development**

Council adopted a Grants Framework Policy that supports the VAGO recommendation that grant assessment and decision-making are separate processes. Councillors no longer participate in the assessment of grants.

Council's Grants Framework Policy articulates Council's strategic use of grants, administration processes, risk management, and roles and responsibilities.

- **Monitoring and Evaluation:**

All grant recipients are subject to acquittal processes to verify funds are used for their intended purpose. Council also monitors recurring and non-recurring grants to assess ongoing value and alignment with Council objectives.

- **Centralised Recordkeeping:**  
SmartyGrants is used to centrally record eligibility checks, assessor comments, scoring, and any variances between individual assessments and final panel recommendations, ensuring full transparency of the process.
- **Inclusion in Risk and Fraud Plans:**  
Grant-related fraud risks have been incorporated into Council's Risk Management Framework and Fraud and Corruption Framework, with assigned accountabilities. They have also been recognised through the fraud audit program along with mitigation strategies.
- **Mandatory Training:**  
An online conflict of interest training package was developed and has been embedded as part of Council's regular compliance training for all Council staff. Community members and staff appointed to grant assessment panels continue to be given grant specific conflict of interest training at commencement of their role, and as needed. Councillors make declarations in line with the Local Government Act and Council's Governance Rules.

### **3. Role of Executive and Culture in Strengthening Controls**

Council, the Executive Leadership Team, and Council's Audit and Risk Committee each play a key role in fostering a culture of integrity and accountability. Together, they provide strategic leadership, oversight, and governance to ensure that ethical decision-making and fraud prevention remain central to Council's operations. Council actively promotes awareness of fraud and corruption risks through clear policies, regular training, and open reporting channels. This collective commitment helps to embed a strong, prevention-focused culture across the organisation, where integrity is consistently modelled, supported, and expected at all levels.

### **4. Council Relationship with Integrity and Oversight Agencies**

Council works constructively with integrity agencies such as IBAC, VAGO and the Local Government Inspectorate, responding promptly to guidance, audits and investigations. The need for consistent expectations and ongoing sector support remains critical to maintaining compliance and improving practice. We also look forward to engaging further with these agencies to shape and deliver content and materials that ensure the broader sector gets maximum value from the mandatory Councillor professional development program.

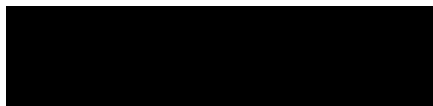
### **5. Sector-Wide Resourcing and Knowledge-Sharing Models**

Council supports and actively participates in collaborative approaches to strengthen fraud and corruption control capability across the local government sector. Recognising the benefits of shared knowledge and coordinated efforts, Council regularly engages with other councils to exchange insights, benchmark practices, and identify opportunities to strengthen integrity in grant-making and broader governance practices.

As a member of an established grants network across the South-Eastern region, Council contributes to discussions on policy development, assessment models, and risk mitigation strategies. This network facilitates the sharing of practical tools, audit outcomes, and policy frameworks, helping to drive consistency and continuous improvement across the sector.

We trust that this submission will assist the Committee in its deliberations and contribute to the strengthening of fraud and corruption control measures across Victorian local government. We look forward to expanding on these points at the public hearing on 28 July 2025 and to supporting continued improvements in integrity and accountability within the sector.

Yours sincerely



**Bruce Dobson**  
Chief Executive Officer

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