

24 July 2025

Ms Sarah Connolly MP  
Chair  
Public Accounts and Estimates Committee  
Parliament of Victoria  
Parliament House  
Spring Street  
EAST MELBOURNE VIC 3002

**Via Email:** [PAEC@parliament.vic.gov.au](mailto:PAEC@parliament.vic.gov.au)

Dear Ms Connolly

**Re: PARLIAMENTARY INQUIRY INTO FRAUD AND CORRUPTION CONTROL IN  
LOCAL GOVERNMENT**

Loddon Shire Council welcomes the opportunity to provide this written statement to the Public Accounts and Estimates Committee as part of the Inquiry into Fraud and Corruption Control in Local Government. Loddon Shire has taken a proactive and committed approach to implementing the direct recommendations from the Victorian Auditor-General's Office (VAGO) Report No. 316 Fraud Control Over Local Government Grants, and more broadly, to strengthening fraud and corruption control measures across the organisation.

**Challenges in Maintaining Effective Fraud and Corruption Control**

Like many small rural councils, Loddon faces challenges in resourcing fraud and corruption control efforts to the desired level, particularly with increasing compliance expectations and specialist skill needs. While Council has made substantial progress, maintaining momentum over time remains a challenge - especially during periods of staff turnover and limited budget capacity. Training delivery, policy reviews, and system upgrades often require external expertise and support that are not readily available in regional areas without added cost.

**Implementation Status and Beneficial Outcomes**

Loddon Shire Council has completed the implementation of all relevant recommendations from VAGO Report No. 316. Key actions include:

*Conflict of Interest Controls:* Embedded conflict of interest declarations for all assessors in the SmartyGrants system and removed councillors from grant decision-making entirely. Council has strengthened its internal controls through updates to the Staff Code of Conduct, Community Support Policy, and Community Grants Guidelines.

**Structured Grant Assessment:** Grant eligibility and assessment criteria are documented and operationalised within SmartyGrants. All funding decisions are recorded in a transparent and auditable manner. Assessment outcomes are communicated to both successful and unsuccessful applicants.

**Verification and Evaluation of Funds Use:** Acquittal processes have been standardised and implemented across all grant programs. Underspent funds are actively recovered. A Cost Benefit Analysis (CBA) of major community support programs was completed to assess value, fairness, and strategic alignment.

**Governance and Oversight:** Fraud risks, including those specific to grant programs, are included in Council's risk register. Internal audits such as the 2022 review of the Fraud and Corruption Control Framework and multiple governance and procurement reviews have provided assurance and guided continuous improvement.

**Training and Culture:** Fraud and corruption awareness training is mandatory for all staff and incorporated into councillor induction. Additional online modules and scheduled face-to-face training have been introduced to support learning retention and reinforce Council's zero-tolerance approach.

## **Role of Council and Executive in Culture and Integrity**

Council's executive leadership has been instrumental in building a strong culture of integrity. Councillors have set the tone by supporting reforms that reduced their own involvement in grant allocations. The CEO and directors champion fraud awareness and drive training participation and system reform. Audit and Risk Committee oversight further reinforces the cultural expectation that ethical conduct is everyone's responsibility.

## **Relationship with Integrity Agencies and System Gaps**

Loddon Shire has valued the guidance of VAGO and IBAC in shaping its controls. However, smaller councils would benefit from a more structured and proactive relationship with integrity agencies, including access to shared expertise, templates, and systems. Increases in real-time advice or peer-sharing forums facilitated by central agencies could reduce duplication of effort and foster state-wide consistency.

## **Future Resourcing and Collaboration**

Loddon supports a regionalised approach to knowledge and skills sharing—particularly in areas like data analytics, audit functions, training delivery, and grant oversight. Pooled procurement, shared service models, or state-funded advisory services would alleviate the burden on smaller councils while ensuring uniform standards.

Loddon Shire Council recognises that effective fraud and corruption control is an evolving and shared responsibility. Through focused reforms, sustained effort, and strong leadership, Council has significantly enhanced its internal controls, transparency, and risk awareness. Council remains committed to continuous improvement and welcomes further opportunities to collaborate with the Victorian Government and integrity agencies in support of ethical, accountable local government.

Loddon Shire Council appreciates the Committee's attention to this important area of local government practice. We hope this written statement, along with our further commentary at the public hearing on 28 July 2025, provides valuable insights to support the Committee's deliberations and broader efforts to strengthen integrity frameworks across the sector. We look forward to contributing further during the public hearing and to working collaboratively to uphold and enhance fraud and corruption controls across Victorian councils.

Should you require any further information please contact [REDACTED]  
[REDACTED]

Yours sincerely



Lincoln Fitzgerald  
**Chief Executive Officer**