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3 July 2025

Ms Sarah Connolly MP
Chair - Public Accounts and Estimates Committee
Parliament House
Spring Street
East Melbourne VIC 3002



Dear Chair Connolly

Parliamentary Inquiry into Fraud and Corruption Control in Local Government - South Gippsland Shire Council Statement

On behalf of South Gippsland Shire Council, I thank you and the Public Accounts and Estimates Committee for your invitation to attend a hearing and make this written statement. We welcome the opportunity to contribute to this Inquiry. This statement provides some insights from a rural council's operational perspective, reflecting our ongoing commitment to transparency and integrity.

Implementation of VAGO Audit Recommendations

South Gippsland Shire Council acknowledges the value of the Victorian Auditor-General's recommendations in strengthening controls. However, regional Councils like ours face implementation challenges, particularly when recommendations are broad and not tailored to our specific context, needs and constraints. This can lead to ambiguity about relevance and application. Furthermore, limited staffing and financial resources make adopting system upgrades or new controls difficult without targeted support. Ongoing clarification with VAGO representatives has been beneficial, but resource constraints remain a barrier.

Unique Challenges in Regional and Rural Councils

Smaller councils, including South Gippsland, are constrained by limited resources and capacity to afford dedicated roles just for fraud control (specialists, legal advisors, and investigators). As a result, fraud prevention responsibilities are frequently added to existing operational governance or finance roles, stretching already limited capacity and reducing effectiveness.

Additionally, the close-knit nature of rural communities can create challenges around perceived and actual conflicts of interest, particularly in misconduct investigations where maintaining impartiality and procedural fairness can be complex.

Role of Leadership in Driving Integrity

Council and executive leadership are fundamental to embedding a strong integrity culture. This is demonstrated through clear messaging and actions from the CEO and Mayor, visible action on complaints, ethical decision-making embedded in governance processes, and consistent



consequences for misconduct. Senior leaders are expected to set and model a zero-tolerance approach to fraud and corruption.

Cybersecurity Barriers

South Gippsland Shire Council recognises the critical role of cybersecurity in mitigating fraud risk, particularly with digitized procurement, human resources and finance systems. Key barriers to best practice include:

- High cost and resource demand of achieving Essential 8 maturity,
- Frequently changing guidelines and challenges to keep users trained,
- Skill shortages in cyber governance and secure system design,
- Outdated legacy systems that are difficult to secure and update for latest threats and vulnerabilities,
- Sector-wide inconsistency in cyber maturity, reducing the reliability of shared platforms; and,
- Prioritization of investment against other organisation initiatives.

Reporting Landscape and Integrity Agency Engagement

Although Council complies with mandatory reporting and maintains protected disclosure processes, broader system challenges include ambiguity and overlap in reporting obligations, delays in investigations and responses, and limited feedback from oversight bodies. Improved coordination between agencies, clearer guidance, and practical support would assist smaller councils in meeting obligations.

Shared Resource and Capability Models

Council supports collaborative resourcing models to address regional gaps, such as:

- Regional fraud and integrity offices,
- Shared procurement and probity auditors,
- Cybersecurity hubs led by larger Councils to support smaller ones,
- State-supported training pools, secondments, or integrity networks to build sector capability.

The South Gippsland Shire Governance team, punches above its weight when faced with Councillor questions about Conflict-of-Interest issues but are constrained by the changing ground rules. South Gippsland Shire Council is committed to strengthening its integrity and risk frameworks. We support cross-sector solutions and welcome continued engagement in reform processes to improve fraud and corruption control in local government.

Thank you again for the opportunity to participate in this hearing.

Yours sincerely

Cr John Schelling
Mayor