D25/51601

15 July 2025

Sarah Connolly MP - Chair
Public Accounts and Estimates Committee
Parliament of Victoria
paec@parliament.vic.gov.au

Dear Chair,

RE: Parliamentary Inquiry into Fraud and Corruption Control in Local Government

Thank you for your correspondence dated 23 June 2025 and the invitation to appear before the Inquiry to provide further information on our experience regarding several areas of interest to the Inquiry.
As requested, in lieu of an opening statement, please find below a written statement providing some feedback on the six areas of interest identified in your correspondence. Please note that Amanda Finn (Manager Governance, Risk and Performance), Beau Mittner (Manager Finance) and I will attend the Inquiry remotely on Monday 28 July 2025 and can talk to our feedback on these areas.

- *The implementation of VAGO's audit recommendations*

Recommendations from VAGO and other audit processes are normally clear, however there is generally no assessment of the resource cost of implementing the controls vs the benefit of implementing the controls.

For example, a recommendation could require training to be completed by all staff every year. The direct and indirect cost of this would be high (cost of the training, the resource time to attend the training) yet the benefit may be negligible when many of the staff who are required to undertake the training would be at a very low risk of fraud or corruption given their standing within the organisation, delegation level and authorisations. Similarly, it's not uncommon for recommendations to include the need to develop and maintain a register of some sort. This requires process change across the organisation along with procedure development, training and then the resourcing to maintain the new process.

It would be useful for VAGO recommendations to come with a risk rating so that higher risk / consequence recommendations can be actioned as a priority over lower risk/consequence areas, similar to the rating system used in annual external audit management letters.

- *Unique challenges to maintaining effective fraud and corruption control measures being faced by regional and rural councils*

There are two main challenges facing regional and rural Councils when it comes to maintaining effective fraud and corruption control measures, which are access to the skills and knowledge of internal control processes along with resource availability. Or in simple terms, adequately qualified people to work in key roles in finance and governance with experience and knowledge of internal control structures and systems.

In resource limited Councils, addressing the outcomes of VAGO audits and subsequent recommendations along with sustaining a robust internal audit program and its subsequent recommendations is extremely resource intensive, even from a reporting and monitoring perspective. Although this can complement other internal programs of process improvement, quite often this adds additional workload and scarce resource consumption.

When resources in regional and rural Councils are already limited, and the impacts of rate capping are constraining a Council's ability to grow its resourcing to support service delivery, the cost of resourcing to support internal compliance activities isn't seen as a value add in the mind of the local community.

- *The impact of council and council executive on establishing a culture of effective fraud and corruption control measures*

Effective leadership at Council, CEO and Executive level is paramount to establishing a culture of effective fraud and corruption control measures in any Council, let alone a regional or rural Council. It is important that leaders reinforce that as public bodies, we deal with public resources and we have a higher level of accountability than other businesses and organisations within our communities.

- *Barriers to implementing best practice cybersecurity measures to mitigate fraud and corruption risk*

Aside from the general challenge of affordability of systems and tools, along with availability of skilled human resources in regional areas, Councils often have software solutions that are not keeping up with modern standards. When it comes to Council financial and rating software, there are generally a handful of providers in the market, and some invest in developing their products more than others.

The challenges to implementing best practice then becomes driven by capacity of the software vendors on top of the potentially limited knowledge of staff within the organisation. For example, the software may not have readily available reporting tools, making management reporting on transactions reliant on the software vendors to develop. The software may be reliant on old methods of data integration between systems such as export / import of files, leaving them susceptible to manipulation or they may be written on outdated protocols and not compliant with Essential 8 standards making them susceptible to external intrusion.

Minimum standards could be imposed on providers of solutions to the sector, at their cost and tools such as AI could open up intelligent reporting and detection of anomalies that may help identify potentially fraudulent activities.

- *The current fraud and corruption reporting landscape in Victoria and the relationship between councils and integrity and oversight agencies*

In some other Australian jurisdictions, the integrity and oversight agencies have active education teams that support the regular promotion of their role, responsibilities and functions to local government. It would be good to see both IBAC and Ombudsman Victoria establish a more regular and consistent roadshow or similar to be provided to Councils, including regional visits. This should include discussions about the role of both agencies. This could be aimed at both elected members and employees of Councils (potentially in separate forums).

- *Proposed approaches to resourcing across councils, including knowledge and skills sharing models.*
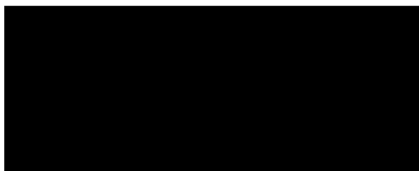
One of the biggest challenges for Councils in regional areas, is that when recruiting employees, quite often this is their first experience in a public sector role. So not only are you training people in the specifics of their role, but the specifics of being a public sector employee. In metropolitan areas, quite often people are transferring from Council to Council so this issue isn't as prevalent as it is in regional and rural areas.

It would be useful if there was a centralised and consistent approach to developing a training and induction package for all new local government employees that could be made available to regional and rural Councils at no cost which covers things like the fundamental responsibilities as a public officer, information disclosures, fraud and corruption risks etc.

Similarly, the development of draft guidelines, policies and procedures could be centralised more than it currently is. We appreciate that the Victorian Local Governance Association (VLGA), Municipal Association of Victoria (MAV) and Local Government Professionals (LGPro) and other representative bodies play their part, but they also are not adequately resourced or funded to provide a full suite of resources. This is possibly something that could be facilitated by Local Government Victoria (LGV) if adequate resourcing was made available to support this.

Thank you for the opportunity to participate and to provide feedback to the inquiry.

Yours sincerely

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