

Parliamentary Inquiry into Fraud and Corruption Control in Local Government

Opening Statement: Dr Allan Yates, Managing Director, Ethikos

I would like to make this statement to the Public Accounts and Estimates Committee, in relation to the Parliamentary Inquiry into Fraud and Corruption Control in Local Government, as part of a hearing on 28 July 2025.

By way of background, I have worked within, or have consulted to, a range of diverse councils in New South Wales (NSW) since immigrated to Australia in 2012. I have investigated a vast array of matters involving elected and appointed officials, and have been involved in the establishment of frameworks to prevent, detect, and adequately respond to fraud and corruption within local government. In 2020, I completed a PhD through the Australian National University in 2020. My thesis is entitled: [*Hidden in Plain Sight: Perceptions and Experiences of Corruption in Local Government*](#).

I would like to make the following points, which I believe to be the most salient, in light of the scope of this inquiry.

- Fraud and Corruption are terms that are often referred together, but they can manifest differently. As such, risk mitigation strategies and controls need to differ, as what might work for one form of fraud may not work for a different form of corruption. This is not always well understood in local government, and this is one reason why anti-fraud or anti-corruption strategies are not working as well as they could be.
- The media focus on corruption is often centred around newsworthy and/or high-profile matters. This creates a public impression about what corruption is, or might be, but also creates about what corruption is not. More need to be done to educate on this as it potentially allows for lower forms of corruption to continue without attention.
- Australia has an anti-corruption or integrity commission in each of its six states and two mainland territories. However, their remits and jurisdictions differ. This has implications for how corruption is understood, interpreted, governed, and regulated across the local government sector. What may be construed as 'corrupt' conduct in one jurisdiction, such as NSW, may not meet the definitional definition in another jurisdiction, such as Victoria¹.
- A focus on serious and/or systemic corruption by some anti-corruption agencies has create a subconscious or subliminal 'threshold' of corruption: corruption is linked with scale and/or severity, and only attended to it is meets a perceived threshold of seriousness or severity. This can also be linked with perceptions of harmfulness, which mean that 'perceived' forms of less harmful corruption fly under the radar. In particular, different forms of favouritism in the recruitment and appointment of personnel, are a key example, but also a feature within local government².

¹ This article explores this further: <https://www.theage.com.au/politics/victoria/corruption-literally-means-something-different-in-victoria-20230629-p5dkk2.html>

² See Yates, A. (2020). Corruption and Administration in Local Government. In A. Graycar (Ed.), *Handbook on Corruption, Ethics and Integrity in Public Administration* (pp. 139-152). Cheltenham, UK: Edward Elgar,

- Everyday or more mundane forms of corruption are potentially interwoven within many council cultures. They tend to be nuanced, and could be construed as more *unethical* than *unlawful* forms of corruption: e.g., conflicts of interest, particularism (nepotism/cronyism), abuse of discretion, rather than bribery³. As they are less transactional, like bribery might be, they can easily avoid the label of 'corruption', and so do not result in recognition as a corrupt act, or reporting. If they are reported, there are challenges for the investigation, as the council culture, structure, or ingrained practices, have allowed unethical and/or corrupt practices to take place.
- More research is needed on what the potential impacts or unintended consequences are of the Australian anti-corruption movement on council officials' understanding of fraud and corruption.
- Council executives can have a bearing on how corruption and anti-corruption is understood, practiced, and regulated in the local government sector, but cultural control measures would be necessary to ensure compliance and consistency across the council base. This is challenging, given the fragmented council landscape, but could be implemented through audit and risk committees or reporting to an oversight body.
- A common notion that is frequently cited as the core of anti-fraud and anti-corruption control is the *ethical* 'tone at the top'. In some council settings, this can be tokenistic or cliché: e.g., if the ethical tone at the top does exist in a council, it does not always permeate the organisation; it can exist at the highest levels in the hierarchy (e.g., CEO, c-suite) but due to gatekeepers in the organisation (e.g., senior managers, team leaders), sub cultures of corruption can exist. They can remain in place, without the knowledge of the 'top', as concerns in relation to potential corruption are not escalated or attended to. A tone at the top, middle, and bottom, needs to be preached, practiced, and visibly embedded within all layers of a council culture for it to be truly effective.
- The internal ombudsman model is a good example of local guardianship, but it is not legislated or mandated across any Australian local government landscape. In NSW, the model was tenuous, as appointment, selection, removal of the internal ombudsman, was at the behest of the employing council. A more suitable model could be developed, and this would be necessary to assist in the regulation of anti-corruption across the local government sector, but it would need more independence and autonomy, with senior support from the appropriate oversight agency (this could be IBAC or a local government inspectorate).

³ See Yates, A. & Graycar, A. (2020). Recognizing, Reporting and Responding to Corruption in Local Government, *Public Integrity*, 22(1), 85-103