

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into Fraud and Corruption Control in Local Government: a Follow-Up of Two Auditor-General Reports

Melbourne – Monday 28 July 2025

MEMBERS

Sarah Connolly – Chair

Nicholas McGowan – Deputy Chair

Jade Benham

Michael Galea

Mathew Hilakari

Lauren Kathage

Aiv Puglielli

Meng Heang Tak

Richard Welch

WITNESSES

Cr Deirdre Diamante, Mayor, and

Andrew Day, Chief Executive Officer, Manningham City Council;

Cr Bryan Mears, Deputy Mayor, and

Robyn Borley, Director, Governance and Performance, Port Phillip City Council; and

Cr Daria Kellander, Mayor (*via videoconference*), Hobsons Bay City Council.

The CHAIR: I declare open this hearing of the Public Accounts and Estimates Committee, and I ask that mobile telephones please be turned to silent.

On behalf of the Parliament, the committee is conducting this inquiry into fraud and corruption controls in local government. I advise that all evidence taken by the committee is protected by parliamentary privilege. However, any comments you repeat outside of this hearing may not be protected by this privilege.

Witnesses will be provided with a proof version of the transcript to check, and verified transcripts, presentations and handouts be placed on the committee's website.

I would like to welcome, appearing before the committee in the room today, Manningham City Council – we have got Deirdre Diamante, the Mayor, and Andrew Day the CEO; Port Phillip City Council – we have got the Deputy Mayor Brian Mears and the CEO Chris Carroll; and on Zoom, on the screen, we also have the Mayor of Hobsons Bay Daria Kellander. You are very much welcome here, Daria.

Now, witnesses, you have already provided written statements to the committee, which we thank you for, in lieu of opening statements. Therefore we would like to proceed directly to questions, and I am going to throw open to Ms Benham.

Jade BENHAM: Thank you, Chair. I first might want to correct the record. We have Robyn Borley from Port Phillip council.

The CHAIR: Apologies. Welcome.

Jade BENHAM: I just thought we might straighten that out first.

I want to talk about integrity agencies and their resourcing. The picture is very, very clear – and full disclosure, I have a cross-committee interest in integrity agencies, sitting on the Integrity and Oversight Committee as well. We will go to all councils, but are you able to illustrate and discuss your perception that the integrity agencies are under-resourced to the point where the response that council may get to investigations can (a) be quite lengthy, which then raises a risk profile within the organisation? We will start with Manningham.

Andrew DAY: Sure. We have not had any recent issues in terms of responsiveness from agencies; we have not had any significant investigations or the like. A lot of our interactions are probably a little bit more queries and testing in terms of issues that we might have and talking to them about referrals or whether we do need to refer an issue to them or not, and we have found them to be pretty responsive in that space, I would have to say. But as you would know from our submission, probably one of the interesting things for us and an issue that I think is worthwhile the committee really working through is the coordination between agencies. We think that there is some opportunity there, whether that is a resourcing issue or not, to really share information amongst agencies and – again, this is our perception – perhaps be a little bit more coordinated in terms of some of the asks of local government when they are undertaking investigations. So that is probably a high-level thing, really. Whether it is a resourcing issue or not I would have to refer to –

Jade BENHAM: That education issue piece, I suppose, with educating councils on – that has also been highlighted as well.

Andrew DAY: Correct, yes.

Jade BENHAM: Yes. Port Phillip?

Robyn BORLEY: Similar to the experience of Manningham, we have not had a serious allegation that we have had to refer through, so I have not had an experience where there has been a delay in that responsiveness. Similarly, we are seeking advice, guidance, things like that, from them, and we have not experienced significant delays in that space. Again, we are probably looking for that cross-integrity agency alignment and support for the sector more broadly in terms of how perhaps some of those other referrals are dealt with and the support and training that we can offer both to officers and to councillors.

Jade BENHAM: How might that kind of support look? What would be the priority? Would it be that education on what integrity agencies can do? Is it standard templates and policies and things like that? What would be the highest priority?

Bryan MEARS: If I could answer as a new councillor learning very quickly on the job, I think that point that you are making or the question you are asking in relation to support from those agencies is very important, as is the feedback on and being responsive to the needs of councillors, particularly new councillors who are in a space that is in many cases totally unrelated to anything they have done previously. The service provision or indication of what services are available is very important.

Jade BENHAM: It is almost like there needs to be an education unit amongst integrity agencies that maybe sits in the middle. These are interesting things coming out. Cr Kellander.

Daria KELLANDER: Thank you. I agree with the comments made by former speakers. I do believe that there is a lack of resourcing within the Local Government Inspectorate, as an example. I think they definitely need more funding, and I would also suggest that they have a lack of powers to appropriately respond to concerns. I can look to some historical things as an example. The Hepburn document that recently surfaced, I will talk to as an example. The document was actually titled *Failure of Leadership: Hepburn Shire Council Investigation – Highlighting a Lack of Accountability to the Community*. That document itself is dated June 2022. It literally never saw the light of day. I think that that report is quite serious and expresses some quite serious concerns and is quite damaging for the local government sector. By failing to have that report released officially, I think that that allows a number of risks and issues to continue to perpetuate within the sector.

Jade BENHAM: Sorry, Councillor, can I just ask: whose report was that?

Daria KELLANDER: It was a Local Government Inspectorate report.

Jade BENHAM: Thank you.

Daria KELLANDER: Like I said, it was titled 'Failure of leadership' and 'Highlighting a lack of accountability to the community'. There were some quite serious allegations in the items noted within that report. Obviously without that report seeing the light of day, it allows for a lack of checks and balances and allows for that ongoing lack of scrutiny throughout the entire local government sector.

Jade BENHAM: Great. Thank you for that.

The CHAIR: Thanks, Ms Benham.

Deirdre DIAMANTE: Can I just add to your question?

Jade BENHAM: Please.

Deirdre DIAMANTE: We have said this in our submission as well. As council has to deliver a hundred services et cetera and budgets are constrained, there is a need to prioritise resources accordingly. So any support, any training and any templates that can be provided to councils to address this area would be appreciated, whether they are things from OVIC or something around cybersecurity standards and the importance of data and information, whether it is the latest risk management frameworks or whether it is an example of training programs. The more that we are able to share across the sector enables us to do even better in this space.

Jade BENHAM: Great. Thank you.

The CHAIR: We are just about to move on, Ms Kellander, but please go ahead.

Daria KELLANDER: I was simply going to add as well that having the appropriate powers within those integrity agencies to do the things that they need to do to ensure integrity within the sector I think is highly important. It was my understanding as an example that the LGI did not have the power to table reports in Parliament, and that is literally the reason why that report was never tabled. Those powers only became available late last year when a Bill was introduced to Parliament to allow them to table those reports.

The CHAIR: Thank you. We are going to go to Mr Galea.

Michael GALEA: Thank you, Chair. Thanks very much, all, for joining us. Cr Mears, I might start with you. You made a comment earlier to Ms Benham about the strange and foreign environment that councils are for many new councillors. Obviously there is now mandatory training as part of the councillor orientation, which I am assuming you would have taken part in, and others here as well I am sure. How do you think that we can best incorporate things such as fraud prevention and control and conflict of interest into that training? Is that the best way to do it, or is there another way to do it? I will ask that first and then follow up.

Bryan MEARS: As a separate standalone subject matter, I believe there should be a format introduced. I have not become aware of one available yet, but certainly in Port Phillip, with the councillors, we have gone through all of the mandatory training in the modules that are available. I recently participated in the MAV for a particular module – not this one – and I found that to be quite beneficial and I urged the other councillors to participate. I feel a module in reference to this subject matter would be very beneficial as part of the mandatory requirement for all councillors. That would be a way, an entry point, for new councillors to become more aware of these issues.

Michael GALEA: That is very helpful, thank you. Of course the overwhelming majority of council officials are doing the right thing, but as elected officials you will obviously be relying on them a lot for interpretation and guidance when it comes to these things. I will ask each councillor, but I will start again with you, Cr Mears: to what extent do you think that councillors need to be independently informed so that they can make their own judgements?

Bryan MEARS: Well, when you say ‘independently informed’, we obviously rely on direction from council officers in regard to the requirements, the construction, the content of these type of modules; I will refer to it as a module. My feeling is that the way that is delivered to us and the way that we are required to complete and comply with that, certainly in Port Phillip, is excellent. I am not quite sure how an independent assessment process would work for councillors. I think more than likely councillors probably would not follow it up as much as they might.

Michael GALEA: That is a good point. Cr Kellander, would you have any thoughts on that?

Daria KELLANDER: Sorry, could you repeat the question?

Michael GALEA: To what degree do you think councillors should be independently informed and independently trained so that they can make those judgements without needing to rely on the advice of officials? To what degree do you think it is appropriate that they rely on that official advice?

Daria KELLANDER: I think that there are a couple of challenges that need to be considered and addressed in that question. The first is that the *Local Government Act* in itself prevents a councillor from venturing into the operational space. We are not allowed to venture into that space, so we can only act basically based on the information that is provided to us, so a similar response as previously provided. If we use an example like procurement, we do not know the decisions that are being made on a day-to-day basis, we can only ask questions. We can then only understand as much as we are provided in that answer. An additional thing to consider is obviously then the skill set of councillors. Being a breathing person does not necessarily mean that you are equipped to interrogate a detailed set of financials, as an example. I personally think that the councillor role is probably most similar to being a member on a board, and those roles have deep skill set requirements, yet becoming a councillor is literally a popularity contest. While I do want to say democracy is obviously important and I acknowledge that, I also feel that skills are important too.

Michael GALEA: Thank you. And Cr Diamante, any thoughts?

Deirdre DIAMANTE: I was going to say something very similar. Councillors are in many aspects just like a company director, and councillors should pursue independent opportunities to increase their skills and look to independent areas for advice as well. But it is really important that there is a strong and transparent relationship between councillors and officers as well, and there is an important role for a governance team of any council to provide that type of training.

Just in relation to the first question you asked Cr Mears, the other area of training I think would be critically important is on the back of reports, like what happened at Moira or Casey or what have you, coming in and providing real-life scenario-based training on the back of those things that happened. You can have your up-front mandatory training, and it is repeated obviously, but until it is within a real-world scenario, that is when you learn. And even at council, our governance team ran some mock council meetings where the wheels definitely fell off, and there was a lot happening, but you are governing through it and you are learning on the spot. I think if we are able to get some training modules that are against those real-world scenarios, that would be tremendous.

Michael GALEA: That is a really good point. Thank you all. Thanks, Chair.

The CHAIR: Thank you. Mr Welch.

Richard WELCH: Thank you, Chair. Thank you, councillors and officers. Many submissions, and I think it is also in Manningham's as well, encourage the use of shared services around integrity and other cybersecurity and other areas where there is not a depth of knowledge that can be managed at a local level. I would be interested to get your views on this. When contemplating that, is there an ideal scale at which that occurs? Is it three councils working together? Are two councils too few and six too many to make that viable?

Andrew DAY: Maybe I will start answering that one. I am not sure there is an ideal number, but I think the key thing for me is expectation and intent. Obviously there is an expectation under the Act in relation to shared services and considering that, from our council submission perspective, we think there is a great opportunity for partnerships with the state government in this space. We already have strong relationships with the state in relation to issues like procurement, joint procurement and those sort of things – accessing state contracts and the like. Every council is grappling with this, particularly the cybersecurity side of things and the emergence of AI that we are all talking about at the moment, as we should. Again, I do not think there is a particular scale. I think there certainly are some advantages in doing things regionally, and regional councils no doubt will talk to you about that in depth. I think that is the case also. But I suppose our point is it is rapidly changing. It is expensive to be in that space when you have got 79 councils all trying to pretty much deal with the same issue that the corporate sector is and state and federal governments are as well. We think there is a really good opportunity again for some partnerships with the state and local councils to get greater efficiencies, because we are all trying to do, in effect, the same thing.

Richard WELCH: And given that, and it is a common talk, what is stopping that happening right now?

Andrew DAY: I think some of it is in relation to the existing legacy systems that we are dealing with. Most councils are at slightly different phases. Some of it is in skills and capabilities within local governments. Every council has different levels of skills and capabilities in our IT and transformation teams and indeed even organisational awareness and knowledge, and it probably circles back again to the resources that the state can bring to bear in terms of providing information about what is happening in that space. Again, we have got some good relationships with agencies, but I think there is a chance to do some work in that space, because it does come down to different levels of skills, capability and development.

Richard WELCH: Do you think it is not something councils between councils should initiate and that it should be initiated through the government?

Andrew DAY: I know councils are already initiating it between themselves. I do think there is a role for councils to be proactive and partner together. Certainly in the eastern region the five councils that are a part of the Eastern Region Group of Councils have absolutely made it clear as a part of their formal partnership that shared services are required of the CEOs and the councils. There is a collective agreement amongst those five councils to work together. I do believe it requires leadership from local government, but I still think there are some massive opportunities to scale it up and leverage off the state as well.

Richard WELCH: Apologies to the other councils. Are there regulatory or framework issues? If you start going down the route of shared services, do the lines of accountability between council and the ratepayer become blurred?

Andrew DAY: They can, but I think you have picked up on an excellent point again where there is some opportunity, and that really is around the right sort of governance frameworks that oversee whatever shared service you end up with. In many respects shared procurements are a pretty easy one – you are just buying something together. I think once you start to move into shared services around things like IT and the like, that is where you have got to be super clear on your governance structures, because, as you rightly say, at the end of the day the councillors, not unreasonably, will also want to make sure that they have got the ability to influence any shared service as well. But you want to be able to leverage expertise and empower them to make some decisions too. Governance frameworks I think are an interesting one to explore.

Richard WELCH: Perhaps Port Phillip and the other council want to comment on that.

Robyn BORLEY: I would add to that by saying there are already examples of shared services working well in frontline delivery areas. To take the point, we are seeing that more in procurement as well. Probably more with the internal focus services – your systems like technology and things like that – there is still quite a variation between the different organisations and the legacy systems that different councils are using. It presents quite a challenge. Alongside that challenge there is a significant investment. One of the challenges we see to a shared service is that level of investment that might be required to have an even playing field with some of those delivery systems. I think partnerships with the state government and partnerships with our sector bodies in terms of training, consistent frameworks and the application for fraud and corruption in that space are where we see really great value at the moment, particularly when you are talking about the different levels of resourcing between organisations and the different scales there. Some sort of partnership between our sector bodies and the integrity agencies, particularly around training – and I know we have spoken to that – is where we see a significant amount of value at the moment.

The CHAIR: Thank you, Mr Welch. We are going to go to Ms Kathage.

Lauren KATHAGE: Thank you, Chair, and thank you, witnesses. I want to ask about standardised frameworks for fraud and corruption control. I want to do that in light of Port Phillip council's survey responses, where they spoke about the role for councillors within grant assessment and recommendations. Are you able to speak to that, witnesses from Port Phillip, around whether there is something different about Port Phillip that it is not following the standardised recommendations of VAGO around not having councillors involved in those recommendations or decisions? We did hear from a council earlier today that they also have councillors involved, but if we can hear from Port Phillip their thinking around that.

Robyn BORLEY: Thank you. I think at the time the survey was completed we were underway with the review of our grants program, and that includes the assessment and the decision-making process. Since the survey has been completed, we have looked to change the establishment of our assessment panels. The recommendation has been to the council that we remove the councillors from the assessment so they are not doing the assessment and the decision-making around our grants. That process is underway. As I said, we are undertaking a holistic review of our grants program at the moment and the funding models, and that will include the governance arrangements around them as well.

Lauren KATHAGE: In terms of benefits that might be lost from removing councillors from that process, what benefits do you see would be lost by doing that, and how would you seek to replace that element to the process?

Robyn BORLEY: Thank you. At the moment we have grants around clear assessment criteria and for specific purposes. There is a rigorous assessment process that we undertake before we make the recommendations around the allocation of grant funding. That is then tabled in the chamber, and the councillors have the opportunity to provide any input and discussion at that point as well. In terms of benefits, I think this provides a really objective way of making decisions. It keeps the roles between the councillor as the decision-maker and the assessor separate. From a governance perspective we see that as better practice. I do not think we lose any benefit having that in place in line with the recommendations from VAGO.

Lauren KATHAGE: Thank you. We have heard a bit about the different standards that are expected of councils and the role of councillors. I wonder then whether Port Phillip councillors were aware that they were a bit of an outlier in terms of councils and council processes and whether there had been a VAGO recommendation that councillors were removed from that process of approving or recommending grants. So I wonder then how councillors are able to monitor and measure the effectiveness of their council in terms of fraud reduction and control. How are they receiving an overview of how the council sits? This is for all councils that are here in this hearing, not just Port Phillip. How are they seeing how council fits against standards and being able to monitor improvements in fraud and corruption control?

Robyn BORLEY: For our councillors we do provide briefings on the information that comes through the recommendations from VAGO. As an organisation we assess each of the reports and consider the implications for the organisation. They are taken through a process. We have a strategic risk and internal audit committee. From there they flow through to our audit and risk committee, and where they have broader cross-council implications they are also shared with our councillor group more holistically. So councillors are well placed in terms of the information that is coming through from those integrity agencies or those different bodies as situations occur. Sometimes that is more of a situational process as well. So if we do not have any grants going forward for a decision-making process, if they are not open, we might not be specifically talking to councillors about that at that point in time. But it will go through the different meeting cycles. The audit and risk committee is four times per year. So there would be a process there, and it would come up as we are looking at the establishment of the committees or the assessment panels and then in the decision-making process. We will feed that in as required or where there is a necessity for an urgency for the allocation of those recommendations.

Lauren KATHAGE: Thank you. Before other councils answer I might just fine-tune that to say I am interested in how councillors can have a snapshot of how their council is performing against standards of fraud and corruption control rather than the specifics of implementing review recommendations – an overall sort of dashboard or view of how their council performs against standards.

Robyn BORLEY: Thank you for the clarification. We do regular internal audits against our fraud and corruption control. They happen periodically; our most recent one was 2003. In line with that we have regular reporting, again through the audit and risk committee, around our fraud and corruption control – so what is in place, what might have changed and any instances and any mitigating actions that we might be taking in that place. The committee and the councillors on there – in this instance the mayor and deputy mayor – have a really strong understanding of where we are situated in terms of the actions that we are taking overall in terms of a fraud and corruption framework. Do you want to add anything to that, Bryan?

Bryan MEARS: As a member of that audit and risk committee, I believe I am well informed by that committee on all issues that are in this space. They are quite rigorous, lengthy reviews and briefings that are provided. Of the people who participate, there are a number of external appointees to that group. I feel on the information that I am provided, it is adequate and substantial in terms of an assessment or a review of assessments of this type of fraud and corruption that you are speaking about.

Lauren KATHAGE: Thank you. Other councils?

Deirdre DIAMANTE: For Manningham, we have just recently had an internal audit into fraud and corruption, and it provided a really good snapshot of the standards and our performance against them. What we also have within our governance team, our risk and assurance team, is a map of standards and our practices, so that we can also monitor that on an ongoing basis. I guess the final point I would like to make is that while these reports are presented to the audit and risk committee, minutes of that committee are obviously available to all the councillors, but we also have the chair of the audit and risk committee present to councillors on a six-monthly basis for councillors to ask questions as well. So there are internal checks and balances as well as those audit checks and balances. And the VLGA – the Victorian Local Governance Association – also play a role. They are always providing a heads-up on changes to standards or new standards or expectations. While we have talked about the compliance agencies, the VLGA play a really strong role in that governance and standards awareness and training.

Andrew DAY: Maybe if I can just add to what the mayor was saying, obviously the mayor touched on the fact that the internal auditors will provide councillors with an independent assessment, as they have done

recently with us against the Australian standard for fraud and corruption. But similarly, if I can pick up that issue of grants, we also have an internal compliance program that is run by the organisation. So when that audit report comes out, we have an officer that then works through that report and provides an analysis back to the executive on the areas where that report may have highlighted some weaknesses in our organisational controls. That goes up to our executive risk committee, which is a similar committee to what Port Phillip were talking about. The minutes of that committee then feed up into the audit committee, and the audit committee have a view over what we are looking at from a management perspective in relation to reports such as that and whether we are actually addressing them or not. And then, as the mayor said, all of the councillors have access to make sure that we are actually also reviewing some of these reports internally and looking for opportunities, even though the audit itself may not have related to us.

The CHAIR: Hobsons Bay?

Daria KELLANDER: Thank you for the question. Just to touch on grants, I can only, obviously, speak for myself and say that I have never participated in that process and I do not believe councillors should be allowed to participate in that process, because that obviously would increase the risk of fraud and corruption. I think that that needs to be something that is managed operationally. Some of the respondents have touched on the ARC as an example, and I personally feel that an ARC is only as good as the inputs that are provided into that ARC and also only as strong as those who participate in that ARC as well.

Lauren KATHAGE: Thank you. Thank you, Chair.

The CHAIR: Thanks, Ms Kathage. Ms Benham.

Jade BENHAM: Thank you. Chair. I just want to clarify a couple of things. Ms Borley, earlier you said that you review the fraud and corruption controls regularly, but the last one was 2003.

Robyn BORLEY: Yes. To clarify that, our last internal audit done by the independent auditor – our independent internal auditor – was conducted in 2003, so we would be due another one. We do internal audits in two stages. We do a full internal audit against standards and frameworks and things, and we do a smaller core compliance where we check in and ensure that policies, frameworks and advice are still up to date and relevant, and then we monitor that annually as well. So it is something that we put quite a significant bit of focus on.

Jade BENHAM: 2003 was 22 years ago.

Deirdre DIAMANTE: Sorry – 2023. I apologise.

Jade BENHAM: Okay. That is what I wanted to get to. I did not know whether it was a mistake.

Robyn BORLEY: I apologise. 2023.

Jade BENHAM: Okay, great. Thank you for clarifying that. I want to go back to Cr Kellander with regard to the Local Government Inspectorate, but first, something that you just brought up was that councillors as community representatives – remembering that that is the fundamental role of a councillor, to be a community representative – should be removed completely from the grant process. If there were no oversights from the elected representative, wouldn't that lend there to be more risk of fraud and corruption from council officers? Because we are not just talking about fraud and corruption on a representative level here. Council officers are historically ones that can – particularly when it comes to grants and procurement, that is where some of the issues lie. Don't you agree?

Daria KELLANDER: It is good that you call out the risk within the council officer space. Again, as a councillor, I obviously have ensured that I reduce any of my personal risk involvement. I do not involve myself in these things. I think it would be critical to have a proper policy and process that underpins all decision-making so that any decision-making in this space can be entirely evidence-based, so if there is a grant process that we are going to be taking, that a council is going to be taking, as an example, that is opened up to the entire community and that anybody who is making that application is then assessed against a proper policy, a proper matrix or whatnot, to determine –

Jade BENHAM: Sorry to interrupt, but are you saying that Hobsons Bay do not have a grants allocation policy?

Daria KELLANDER: No, I never said that. Again, I am just talking hypothetically and saying that a policy in any council across the entire sector is what should be driving any decision-making.

Jade BENHAM: A centralised policy and criteria, you are saying. Okay, great. Thank you for that.

Daria KELLANDER: Yes.

Jade BENHAM: If we can go to the powers, or the lack thereof, of the Local Government Inspectorate, who are the ones responsible for, I suppose, oversight of councillors, of elected representatives, but who have no powers – like you said, up until recently they could not even table a document, and yet the inspectorate themselves still do not have coercive powers to investigate these matters – what do you think is the solution to that? Can you discuss that?

Daria KELLANDER: I can only share my opinion again. If we look at anything, if there are no repercussions for bad actions, then I guess those bad actions can happen and could continue to happen. I think it is obviously extremely critical that we have properly funded and properly powered integrity agencies to be able to do specifically what they are hired to do, which is to ensure that integrity within the sector.

Jade BENHAM: Yes. So ultimately, the Local Government Inspectorate – and we know that they are not resourced appropriately. But without them having coercive powers, it is almost –

Daria KELLANDER: The mice will come out to play.

Jade BENHAM: Yes. Are there any other thoughts on the lack of powers that the inspectorate have or have not got? There seems to be an integrity agency here with very little powers. You can report to them, but they actually cannot do a great deal.

Bryan MEARS: From my perspective and my own work experience and career, I think really lacking those coercive powers and lacking that ability to investigate et cetera to that extent, through the lack of resources, is missing the opportunity that is there, and that is what is required. We are in this space having the discussion today, and I would suggest part of the reason is because of that fact.

Jade BENHAM: And would it be your opinion that with a lot of these investigations people are discouraged from making reports because ultimately they know that it really cannot or will not go very far?

Bryan MEARS: Obviously there needs to be evidence for all these things rather than having vexatious claims et cetera. I think there is a requirement for the body to be resourced effectively and appropriately. I would say the community has an expectation that we all work with integrity and we do the things that we do honestly and aboveboard. Without that coercive power we are lacking any teeth.

Jade BENHAM: Manningham.

Deirdre DIAMANTE: I would just say that all of our integrity agencies need to have the ability to provide – that old public service adage – frank and fearless advice. They need that independence. They need to be able to table recommendations, and the public need to have confidence that the recommendations are looked at independently and actually actioned. I would say that we need to have that on all of our integrity agencies.

Jade BENHAM: Isn't that hard, though, when the integrity agencies themselves are proxy agencies of the government of the day?

Deirdre DIAMANTE: That is why I said we need to have that independence so we are able to provide that frank and fearless advice. That is why we have integrity agencies: to protect the community.

Jade BENHAM: It would be interesting to see how we would go about making the agencies completely independent, but I appreciate the thoughts. Thank you, Chair.

The CHAIR: Thanks, Ms Benham. We are going to go to Mr Tak.

Meng Heang TAK: Thank you, Chair. If I can go back to the City of Manningham: is there anything that you can suggest about what would make it easier to measure and monitor your council performance in implementing effective fraud and corruption control?

Andrew DAY: I am not sure whether it is an answer around making it easier to measure or not, but I certainly think it is about, from my perspective, consistency across local governments in terms of what the expectation is that we are measuring. So obviously there are the Australian standards, but I do know that not every council has a clear policy and framework in this space as well. I think certainly some consistency in terms of what a fraud and corruption framework might look like in a local government context would certainly assist councillors, in my view, particularly new councillors, in understanding what the expectation actually is of the administration and what they should be seeing. My view would be to make it easier for councillors to have a really clear, consistent, sector-wide approach to fraud and corruption frameworks and underpinning policies and indeed the expectation of the administration to provide that information.

Meng Heang TAK: Thank you. Can I pass the same question to City of Port Phillip, please?

Robyn BORLEY: I am in complete agreement with what Manningham have said in terms of what would make that not necessarily easier but more consistent and more applicable right across the sector. Certainly for new councillors coming in, having that understanding of what they should see from that consistent framework would be so incredibly beneficial.

Meng Heang TAK: Thank you. To that answer, fraud and corruption are not currently a compulsory component of the training that councillors receive or the induction. What would be the benefits and challenges of including that?

Andrew DAY: Picking that up – and I might refer to the mayor for a councillor perspective as well – obviously some consistency in training across the sector and expectation in that space would be useful. I would say as well that one-off training or even annual training is one thing, but the ongoing expectation should be on the administration to work with the council on continuous education in that space – utilising learnings from investigations, regardless of the body that might have conducted it, I think would be incredibly useful as well. To me that comes back to that coordination point, and the gathering of information to provide to councillors and also the administration, with an expectation that that information is utilised and shared, would be incredibly useful, because in my experience it is the continual learning and it is the reflecting between the officers and the councillors on lessons learned from reports where the value comes.

Meng Heang TAK: Thank you.

Deirdre DIAMANTE: My view on that is that the term ‘fraud and corruption’ is very broad, and a councillor could look at it quite simply – not misusing public funds or what have you. Councillors get involved in a whole range of activities – so what is fraud and corruption when a councillor goes to a sporting club or when we get planning decisions come to council? We have already talked about grants management, and I have my view on the role of councillors in that. We have procurement; we have so many decision points for a councillor. So rather than this very broad catch-all of fraud and corruption, I really think we need to be quite specific about specific things that a councillor and a mayor and a CEO et cetera need to be aware of in all these different walks of life that a councillor and someone in administration has. That is why, for example, when the Moira case came out, there were some really great lessons learned on how to look at culture and the impact of culture on corruption within a depot. Casey – there were great lessons learned on corruption within planning. So that is why I am saying the more we can tailor some of this training to specific events or occurrences then councillors can put themselves in that role and go, ‘Okay, if we don’t already know it, these are our expectations,’ because it is very different being a councillor when you are also a resident; it is very difficult to be really clear on, ‘What is my role? Is there any corruption if I push for a tree on my nature strip? Is there any corruption if I’m pushing for my street to be closed?’ So it is that scenario-based training that I think would make it so much easier to get greater controls.

Meng Heang TAK: Thank you.

Bryan MEARS: If I could add some comments: in regard to a standardised approach or coordinated approach, I think the sector would welcome that. From a councillor’s point of view, the benefit of real-life examples explains pretty quickly those sorts of things that a councillor coming into this role – there are many

things that you make assumptions on as being, 'Oh, well, that'll be okay,' but clearly it is not okay. I have to say I believe Port Phillip council officers and the CEO have spent some considerable time with councillors, new councillors, in explaining what that means. A standardised approach would be beneficial, and also the idea of 'this is what you should be seeing' I think is vitally important. As a councillor, to be presented with something that might be considered independent of the council officers in your council as 'this is what you should be seeing' is very important. Thank you.

Meng Heang TAK: Thank you for your answer. Thank you, Chair. That is all from me.

The CHAIR: Thank you very much. Mr Tak. We will go back to Mr Welch.

Richard WELCH: This is for the elected members appearing today. You can all close your ears; you will not like this question. I will preface it by saying we all want the conduct between councillors and officers to be professional at all times, and we have had some poor examples around the state from time to time. But the question I pose is about the new model rules for behaviour and for how you interact. Is there any sense amongst yourselves or councillors that that actually prevents you doing a fair examination, asking the right questions and being able to drill down when dealing with officers? Have we gone to the lowest common denominator and therefore lost something in the process?

Deirdre DIAMANTE: It is a good question about the relationship between councillors and senior officers. It is not appropriate for councillors at Manningham – the relationships are sort of at managers and above. That relationship is absolutely important, because we cannot get into the operations, but we must ask questions to be satisfied that the right processes are being conducted to come out with an outcome. So we must have full and frank discussions. We do have a lot of one-on-one meetings with directors and with managers, we have one-on-one meetings with the CEO and we also have weekly briefings on matters, and I believe these are all essential, because when we sign our code of conduct at the beginning of our council term we say that we will make full and informed decisions, and the only way we can do that is by having all of those briefings. So I would get concerned if that was reduced even further. I do believe we would not be making the most informed decisions.

Richard WELCH: Do you ever feel or would other councillors perhaps feel that that line of questioning cannot be pursued because it might start to, on a tone basis – 'You're labouring points too hard' – then become an artificial way to actually end an examination? I am not suggesting it happens in your very excellent councils, but it might happen in bad councils.

Deirdre DIAMANTE: I am sure it would, and I am sure I would have done it myself. You know, it is human nature – you get quite involved in these matters, and so you can feel that you are asking so many questions – 'Am I crossing this line between asking questions and some undue influence?' – and you have to pull yourself back. This is where the relationship – and Andrew and I have had many conversations – with the CEO and directors is critical, because the CEO and directors need to feel empowered to say, 'Councillor, I understand this is what you want us to look at, but you need to now let us do our job and we'll report back'. So it is a give and take – councillors can push and push, but you need to have the CEO and directors empowered to give you that feedback as well, just like I need to say, 'Andrew, respectfully, I would like the officers to investigate it further.'

Bryan MEARS: I think that they are all very good points. The aspect of human relationships and the fact that – it needs to be said that this year I am Deputy Mayor; I might not be anything next year. You have a relationship that you have built up through the year with the CEO or the GM governance or whoever because of the ability to ask those questions and have that responsibility. So that is a changing dynamic. The issue of questions and respect and how far can you go – what is driving the CEO and the council officers is perhaps at some occasions a different driver than a councillor who is driven by a group of people who voted for you to be elected in to represent them in their ward, and they have an expectation: 'Hey, I voted for you'. I cannot tell you how many people have said to me just before they have asked for something, 'I voted for you,' and many of you probably have the same feeling. That is a dynamic that is different for the council officers than for the councillors, and that drives the relationship as well in terms of that.

Richard WELCH: I guess the nub of the question, though, really, is, on either side – when everyone is acting in good faith, then fine. But there is obviously room within the system for someone to weaponise the process to say, 'Well, I don't want to answer that, so therefore I can hide behind protocols to' –

Deirdre DIAMANTE: That is why the group briefings are essential. There was a recommendation that came on the back of the Casey IBAC inquiry that did make me very nervous, because it was trying to reduce those group briefings that we can have as councillors. We have group briefings every week before a council meeting, and when you have group briefings on a matter all councillors have the ability to ask questions, and so nothing can be weaponised because it is many on many: officers are reporting, councillors are asking questions, the CEO is listening, governance is listening. So the system works.

Richard WELCH: That is the safeguard there.

Deirdre DIAMANTE: That is the safeguard you have got. It cannot just be a mayor issue, it becomes a council issue, and that, for me, is why those briefings are critical.

Richard WELCH: Good. Thank you.

The CHAIR: Thank you, Mr Welch. We will go to Mr Hilakari.

Mathew HILAKARI: Thank you so much for your attendance this afternoon. It is very appreciated. I just thought I would ask a more general question to start with, which is: what is the area that you think is most vulnerable to corruption or fraud at your council? I might start with Manningham, if that is all right.

Deirdre DIAMANTE: That is a really difficult question. Things like petty cash, corporate credit cards – we do have very strong policies and processes on that – fuel cards. The small but regular transactions can be most open to fraud, I would say. I need to have a think about this.

Andrew DAY: There is no doubt that, like any organisation, the area of procurement is critical in that space in terms of regular monitoring, regular reporting and transparency as well, because obviously particularly the reporting side of things gives confidence to community too, and expenses and the like – so really strong levels of transparency in terms of areas like expenses. They are potentially the obvious ones in organisations like councils. But obviously there are perhaps some of the other areas that audit committees and councillors do examine, some of the softer areas like recruitment and the like as well. I do not think it is our at-risk area, but it is those sorts of areas in the organisation that I think we have got to continue to get a bit more sophisticated in thinking about in the context of fraud and corruption. I think the obvious ones, most councils are probably going pretty well at. I think the challenge for us is to really look at some of those softer areas – what are termed ‘softer areas’ – and make sure that there is sufficient rigour around things like recruitment policies and the like as well, because that has been picked up previously. I would probably say procurement is the greatest risk.

Mathew HILAKARI: Thank you. Port Phillip.

Bryan MEARS: I would agree with procurement. Unless you have got the controls and they are transparent, that would be the major area. The other points that have been made in relation to expenses and the like, I can say from a councillor’s point of view that is fairly well controlled and managed, though it would still be possible, I am sure, with a clever person to work that out. They would be the areas – you know, fuel cards, credit cards, those sorts of things, the use of Myki cards at a very low level. They are the sorts of things.

Mathew HILAKARI: On procurement, for example, a lot of those decisions are made initially confidentially within a council. What is your process of then opening them up to the public after those contracts have been completed and signed off on? Do you have an internal process at Port Phillip that seeks to open up those decisions that are initially and fairly, because of the commercial nature of them, done in confidence? What is your next step to then open that up so that they can be viewed in a more public way?

Robyn BORLEY: Typically, once that decision has been made, the recommendation is made public, if not the full report, depending on what is included in there. Sometimes it is not appropriate to have the full report made public, but certainly the decision is.

Mathew HILAKARI: Do you have a process at Port Phillip of driving down the number of confidential decisions that are made, noting that you are really at the higher end of confidential decisions at the moment?

Robyn BORLEY: Yes, we do. Our practice is that we do put a lot of focus on what reports are going into confidential and being really quite strong in terms of the adherence to the Act in what is required in that space.

Mathew HILAKARI: And have you engaged with other councils about what they are doing, just because of that variance between one council and another?

Robyn BORLEY: Yes. I think, probably in the past, the practice has been to put the full report into confidential, whereas now the process might be to have the report in the open council and the attachment in the confidential section to protect the information that needs to be protected but to put the reasoning and some of the decision-making in the public space.

Mathew HILAKARI: And is that a similar process with Manningham, where you are headed?

Deirdre DIAMANTE: That is what we would do for our procurement reports. We will have multi stages. We are going to market at the moment for the upgrade of our swimming pool. We have had a council meeting where we have talked about the design, and then we have had another council meeting where we are agreeing to put it to market, and then we have another council meeting approving it. The report will be public; the contractors' names will be confidential. So absolutely.

Mathew HILAKARI: And do not worry, Hobsons Bay, I have not forgotten about you. Same question: what are the risk areas in terms of fraud and corruption at the council that you are here representing?

Daria KELLANDER: Thank you. Again, I can only speak from my experience as a councillor and not from an operational perspective. I touched on this earlier where I said that there are risks associated as a councillor with the oversight on operations, because councillors are not allowed to enter into that operational space and we can basically only act on the information that is provided to us. If there is, I guess, an issue that does arise, we often become aware of things well after the fact, at which point that is when we can act. But yes, I would say that. One of the things that underpins fraud and corruption entirely is ensuring that there are integrity agencies that are clearly capable of, fully funded, fully resourced, investigating and actually following through on those processes when there is a need to. Because without those sanctions, I think there is an extremely high risk in everything that impacts the local government sector in its entirety.

Mathew HILAKARI: And I understand we are out of time for this session and thank everyone for being here, but I should say that one in six councils at the last election were either under monitors or in administration, so there seems to be certainly a level of looking into councils and their ability to undertake the complexity of municipal affairs.

The CHAIR: Thank you, Mr Hilakari. Thank you all very much for taking the time to appear before the committee today. Our time together has come to an end. The committee will follow up on any additional questions or questions taken on notice in writing, and responses are required within five working days of the committee's request.

The committee will take a 5-minute break before recommencing the hearing. I declare this hearing adjourned.

Witnesses withdrew.