

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 Jarrod Bell, Mayor,

Sheena Frost, Chief Executive Officer, and

Joel Kimber, Head, Government Relations and Advocacy, Hume City Council;

Cr Lisa Cooper, Mayor, and

Bruce Dobson, Chief Executive Officer, Knox City Council;

Cr Dan Straub, Mayor, and

Lincoln Fitzgerald, Chief Executive Officer, Loddon Shire Council;

Cr Dennis Heslin, Mayor (*via videoconference*), and

Tony Doyle, Chief Executive Officer (*via videoconference*), Southern Grampians Shire Council;

Cr Ben Blain, Mayor (*via videoconference*), and

Andrew Mason, Chief Executive Officer (*via videoconference*), Warrnambool City Council; and

Cr Jodie Pretlove, Deputy Mayor (*via videoconference*), and

David Bezuidenhout, Chief Executive Officer (*via videoconference*), West Wimmera Shire Council.

The CHAIR: I declare open this hearing of the Public Accounts and Estimates committee. 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 control in local government. I advise that all evidence taken by the committee is protected by parliamentary privilege. However, any comments you make 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 will be placed on the committee's website.

In the room I welcome Hume City Council. We have got Cr Jarrod Bell, the Mayor, we have got the CEO Sheena Frost and we have got head of government relations Joel Kimber – welcome. From Knox City Council we have got Lisa Cooper, who is the Mayor, and CEO Bruce Dobson. From Loddon Shire Council we have got the Mayor, Cr Dan Straub – I am having a terrible time pronouncing some of the names this morning; I apologise – and we have got CEO Lincoln Fitzgerald. Appearing remotely I welcome Southern Grampians Shire Council. We have got the Mayor Dennis Heslin and CEO Tony Doyle. From Warrnambool City Council, Mayor Ben Blain and CEO Andrew Mason, and we have also got from West Wimmera Shire Council Deputy Mayor Jodi Pretlove and the CEO, David – this is really going to test me until I have my next coffee – Bezuidenhout. I apologise 100 per cent, because I know I have said that very, very wrong, but you are all very welcome here today.

Witnesses have provided written statements to the committee in lieu of opening statements, and therefore we are going to happily proceed to questions by members. I am going to throw to Mr Welch.

Richard WELCH: Thank you, Chair, and thank you, everyone, for coming in this morning. It is a difficult format with so many councillors in here. I have got a singular question, and you are all going to have to go through it, so bear with us. I have got a question about community grants, and I am concerned about what could be an undesirable circular economy going on in community grants. All councils, I believe, appoint community consultation groups or committees. These are unelected – they are appointed – but these bodies are very influential in advocating for funding for whatever their particular interest happens to be. I am concerned – and there is probably anecdotal evidence – that in some cases these committees are recommending funding and in a

sense approving the disbursement of such funding, including into pilot programs that then might justify further funding and being the judge, jury and executioner on the ROI of that funding, and then also advocating on what the membership and make-up of that committee would be. What safeguards are there within council that these non-elected advisory committees do not become over-powerful, over-influential or self-serving in what they are doing? Chair, I will take it from you what order we go through.

The CHAIR: Let us start in the room with Hume.

Jarrold BELL: Thank you, Mr Welch, through you, Chair. Jarrold Bell, Mayor of the City of Hume. We do not have a committee of that style. At Hume our community grants process follows a very rigorous program. We do have a councillor assessment panel, which was effectively created out of the VAGO audit process that we participated in. It was part of the learnings of how we do our community grants. Then that is effectively checked and balanced by a councillor review panel and then it goes to council for formal resolution. At Hume a committee that you described of unelected persons and self-selecting –

Richard WELCH: You do not have a youth advisory committee or other sort of committee?

Jarrold BELL: We do, but they play no role in the decision, appointment or allocation of council funds in those spaces.

Richard WELCH: Do they put recommendations up?

Jarrold BELL: I would not say so. I might go to Sheena for that, but I do not think so. I am trying to think – our youth advisory council definitely does not. They have an operational budget, the youth services team, and they run their events, and we get FReeZA money –

Richard WELCH: Do they have input into what that budget should be?

Jarrold BELL: Only through the community inputs and budget process that every member of our community has access to.

Richard WELCH: Right. So that sort of describes what I am talking about. That can create the scenario I am describing.

Jarrold BELL: Well, I am not sure, only because every member of our community, when we get a draft budget, like all my council colleagues here – we are the only level of government that puts our budget up for debate and says, ‘Hey, community, any person or group or organisation can make a submission.’

Richard WELCH: Thank you, and will I only ask this question to create a precedent for the other people to answer: has that committee ever recommended that it gets less budget?

Jarrold BELL: Well, I do not think we have actually received a submission. Sheena?

Sheena FROST: Through you, Chair, I do not believe, and we will confirm, that a committee of that nature – say, youth advisory or any of our other advisory committees – would have put forward recommendations. I can check that, but that would be unusual. So our grant-giving policy is the overarching policy by which community grants are dispersed, and groups like that, if they were running something that meant they should apply for a grant, would do it like any other individual or entity or organisation.

Richard WELCH: Great. I am not singling out a youth advisory program; it could be the pot plant advocacy groups. Particularly I am trying to drill down on where unelected committees have a vested interest in expanding their own programs, justifying their own programs and using evidence funded by their own programs just to advocate for further funding, which I think is a common sentiment.

Jarrold BELL: I am keen to let other councillors speak. I would say, as a bit of a final word from us, that in a circumstance like that it would come to us as an officers report, and our officers would be making that recommendation through the internal budget process. In my 4½ years on council I have never seen a community committee – well, we do not have many at Hume; I can be blunt about that.

Richard WELCH: Community or advisory?

Jarrold BELL: No advisory committee.

Richard WELCH: Or these appointed committees?

Jarrold BELL: I have never seen them ask for additional funding.

Richard WELCH: Thank you.

The CHAIR: Knox.

Bruce DOBSON: I am happy to talk a little bit about it from Knox's perspective. So we certainly have a number of advisory committees to the council; they actually are quite separate from the grants process the council has. So council has a number of grants streams, five or six different categories of streams. We will establish in the budget process the amount of money to be available to be disbursed through those grant streams. Each of those were obviously part of the VAGO audit a number of years ago, and following that we established and enhanced, I guess, our grants framework, where for the assessment of grants we put out a terms of reference for what the grants are for, and we have a panel of people that is comprised of either council officers or community members who assess the grants and then make a recommendation to council.

Richard WELCH: Mr Dobson, can I just clarify that all their funding comes through grants? There is no operating budget? So if there is a festival on every year, do they automatically get funding because the intention is that group would be represented at the festival or things of that nature?

Bruce DOBSON: I think there are a couple of separate things. There is work that will take place that advisory committees have an interest in – like, there might be a youth committee or there might be youth programs. Council funds youth programs through its budget. The grant streams, which are competitive, where you have submissions from community organisations or community members for specific things, those –

Richard WELCH: Let us focus on the former then.

Bruce DOBSON: Okay.

Richard WELCH: So where it is coming out of council revenue, central – 'Well, we always do it this year. We consulted with the advisory committee in the process of creating the budget, and lo and behold we have got an allocation to go to them.' That is part of it, because a grants process goes through, as you say – it is an open market, so to speak. I am talking about the area that is not an open market; it is a closed loop.

Bruce DOBSON: I think that our advisory committees have very, very little involvement with the budget whatsoever. I have not seen similar to him; I have not seen a request come from an advisory committee itself for additional council funding.

Richard WELCH: But then how do you determine what funding they need?

Bruce DOBSON: Well, certainly the types of things that happen in that space, whether it is youth or whether it is for our elderly citizens or whether it is for our sports and so on, we get input about what is important, what the community is saying. We use those committees to test various other policies. We might be developing an active transport plan; we will talk to the elderly people about, 'What is suitable for you,' and those types of things. But council, through its own budget process, will determine how much it will allocate to each of those various activities. I am certainly not seeing any undue influence from advisory committees coming through and impacting councils' allocations of money.

Richard WELCH: And no delegated – once a budget allocation has been made, do these committees have any say over how the budget is spent?

Bruce DOBSON: No, they have no delegation.

Richard WELCH: Thank you.

Lincoln FITZGERALD: Lincoln Fitzgerald, on behalf of Loddon. We have 19 community planning committees. So they will have a community plan which is prioritising for that community what they may wish

to do. Those committees do not have any delegated authority to make a decision. It is one of the things out of this audit that I really struggled with myself, because it actually suggested moving the decision-making away from elected representatives as the councillors really to me as the administrator of the council, as CEO. So what we have done to get around that is the council has set really strict criteria by which we award these grants, and our job as administration is really to apply those criteria in making those decisions. What we do ask our community planning committees to do, though, is to make sure that whatever application they put in is actually supported by the community plan in the first place. That is the structure which we have applied. They do not make any decisions around funding. They do not recommend to us allocating additional funding.

Richard WELCH: I am trying to get the nuance in this. I will give you an example, and you can take the principle and expand it to other contexts. If a committee advises, 'Well, our advice to council is we need to raise profile because the community don't understand this issue. We need to educate the community, or we need to empower this group or whatever it is' – if that is their recommendation and the council response would be funding for that, that would follow exactly what you are describing – but where is the audit on that it actually achieved that goal? Once you have made the decision, you need someone to execute the decision. Presumably it goes back through the same people who were interested in that cause, because they are the ones on that committee. They were the ones advocating. They probably wanted the committee because they were advocating. There is a reasonable risk of conflict of interest between the advisory committee and actions of council in the allocation of funding. It does not have to be through grants. It can be less transparent than that – it is 'We've advocated, we've got the funding, and we've already said how it should be spent'.

Lincoln FITZGERALD: The question is really around conflict of interest. If you have got a group that want some funding for whatever that activity may be, we ask that they go through the community planning committee, which is a completely separate committee, so it may not include those same people. Some of the delegates may sit on, I do not know, whatever group that is. There is potential of conflict of interest there. However, once they have made their recommendation, that is the end of their role. The funding really comes through council. It is our job to make sure that the funding, one, is acquitted, but then on one occasion – and I will be very clear and transparent about that – in 2023 we did a cost-benefit analysis of our community grants to understand how much money council put in, whether the projects were delivered, how well they were delivered and what the return to our community was of actually undertaking those grants. We have done it once, so I am not going to say that it is perfect, but we have tried to provide some assurance.

Richard WELCH: You do not have to go into specifics, but did you find that there was poor investment in that?

Lincoln FITZGERALD: Absolutely. It was a really good return on investment for us. We are a very small rural community. We only put \$200,000 into community grants each year. If we can get four times the return, that is a really great outcome for us.

Richard WELCH: I have got a follow-up question. I will leave it for another council rather than pick on you.

The CHAIR: We are going to Warrnambool.

Andrew MASON: I think our situation is that the situation as outlined in the question does not exist. We have only five advisory committees, and they are dealing with very technical issues – planning, airport advisory, cycling, those types of things – and they have no role in applying for that event or any of our funding streams. They are not involved in the assessment of applications or the allocation of the dollars.

Richard WELCH: So you do not do any social or community advocacy programs that involve advisory committees or consultation groups?

Andrew MASON: No.

Richard WELCH: I imagine you have a number of festivals and markets where the council has representation. You do not provide funding to any community groups to have a presence and to help with their collateral at those events?

Andrew MASON: No, we do not. Groups can apply for events and festivals funding, but we do not provide funding for groups to have market stalls or whatever at those events.

Richard WELCH: Thank you. Have we got time?

The CHAIR: We have got time. I am happy to hear about it. I think it is a very important question. I would like to hear from the other councils. We are going to throw to Southern Grampians.

Tony DOYLE: Thank you. Look, I can only echo what Warrnambool has just said. There is no connection between our community grants program and the way it is assessed. It is assessed by a panel of officers who determine the outcomes of the grants process, and that is put to council.

Richard WELCH: Mr Doyle, if I could just again clarify, it is not so much the grants that I am interested in; it is – we can use the words ‘operationally funded’ or ‘general funding’ – programs that have been created as the result of an advisory group recommendation.

Tony DOYLE: The only way that could occur would be through our annual grants process where we consult with our whole community, and we would get the certificate number of community submissions in to assess during our grants process. That is the role of the council, mixed in with some advice from officers. We only really have three advisory groups. Two of those are really just a meeting of user groups where we talk about the maintenance needs of locations. Otherwise any funding requests come through our annual budget submission process.

Richard WELCH: I think, again, some of these answers are not getting to the nub of my question, because I go to any number of community events where councils have a presence and various arms of council have a presence, not just one singular, or various programs funded by council have a presence. It seems to me everyone is telling me that these are not funded by grants, so they must be funded out of general revenue or funded out of general operating expenses, because someone is paying for the marquee, someone is paying for the collateral, someone is paying for the bags and someone is paying for the activity program. So I am confused as to how everyone can say there is no funding going through and no-one is advocating for it.

Tony DOYLE: If I understand what the point of the question is, I will give you an example, just to determine whether I am on the right track here. Next weekend we have our agricultural show in Hamilton which is called Sheepvention. Council will have a stall there. We will use that stall just to engage generally with our community and take customer service requests. It is really just a general engagement exercise more than about anything specific. That is funded through our operational budget each year. Does that address the question?

Richard WELCH: No, it agrees with the question in that there is funding coming, but I am trying to establish what the nexus is between that funding and non-elected advisory groups.

Tony DOYLE: There is no connection.

Richard WELCH: Then who?

Tony DOYLE: Council determines that. We determine that we wish to be at this event because we believe it is really important for our connection and engagement with community. If we had a major project occurring at the time, we may use that event to engage with the community around that project. But generally, most of the time when we go to Sheepvention, as in that example, it is really just that we talk to the community. A lot of farmers come in and want to talk to us about our roads. They might want to lodge a maintenance request for one of our roads et cetera, but I have not ever experienced one of our advocacy groups putting pressure on council to fund something or to be involved in something. These are decisions that our elected members make. Our budget process is a very, very, very difficult process because of the huge demands on our funding and the little funding we have. Therefore they are generally reached after very robust debate.

Richard WELCH: Thank you, Mr Doyle.

The CHAIR: Just for completion, we have one more council. West Wimmera.

David BEZUIDENHOUT: Morning, it is David Bezuidenhout, CEO of West Wimmera Shire Council. I think in our instance it is the committee, or the advisory committee as described, so the faults are really not relevant to our council. We have made the decision that no money will go out of council unless it goes through our grants system, so there is one single grants policy with a few available grants. Each of those grants has got its own guidelines. If any person applies under each of those grants, they will be assessed by a panel of officers sort of independently through our SmartyGrants system. If it is sort of complying with those guidelines, that will then go to our council for a decision so that there is actually a resolution in place to pay that money over to that particular group. So sorry, I do not believe the question that was sort of framed is really applicable to us. Nothing in terms of grants or support goes out to any of those groups unless it goes through our grants process.

I think it is also important to note that being a smaller rural council, we do not really run events. I think we have got probably the highest volunteer numbers of any shire in Victoria, so most of the events in our shire are basically run by them. They literally might approach us and say, 'Can you please assist us with a small grant or assist us with race day just to handle the waste?' That request will basically come through the grant system. But it is a very small amount, actually, that is available for those grants. And each and every year before budget time, council will go through those grants, determine whether those grants have basically achieved what we wanted to achieve with them, make tweaks on some of those grant guidelines and again set the overall budget that is available for the next year.

Richard WELCH: Thank you.

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

Michael GALEA: Thank you, Chair. Thank you very much to everyone for joining us today. I would like to begin with both Hume and Knox. You have told the committee how you have implemented a number of reforms, including in light of some of the VAGO recommendations. I will start with Hume. Councillor Bell, from these reforms that you have brought in, has there been any increase in the amount of reports or complaints made under these integrity functions?

Jarrod BELL: I might pivot that straight to my Chief Executive Officer if you do not mind, Mr Galea. Sorry about that.

Michael GALEA: No, no. Please.

Sheena FROST: Thank you for the question. No – not aware of any increase in complaints around it.

Michael GALEA: No problem. Thank you. And the same to you. I will put the question to you, Councillor Cooper, but feel free to –

Lisa COOPER: I think it is the same answer for us as well.

Michael GALEA: Thank you. In terms of the resourcing and being larger suburban councils, can you give me a bit of a sense of how you fit that into your existing structures, particularly Knox where I note that you do some work with other south-east councils? Can you talk to me about how you have done that work collaboratively?

Bruce DOBSON: Yes. We have a risk management function that sits as part of our governance team that kind of has carriage for the frameworks that we have around fraud and corruption control and a direct link then to the audit and risk committee in terms of reporting. So out of the audit we made some changes, as I said before. We regularly report to the audit and risk committee around the key risks that we have as an organisation. If there are any matters that need to be brought to their attention by way of fraud or corruption, they are raised. From a grant specific point of view, for which we were a participant in the audit, we are a member of a grants network in the south-east of Melbourne. The officers at Knox and in those other councils meet regularly. They have had this on their minds. They have shared learnings and shared ideas for how we can put things in place to make sure we have got those controls as robust as they can be.

Michael GALEA: Thank you. I will stay with both of these councils just for the time being. Are councillors required to declare any connection or conflict of interest with any of the grant applications?

Lisa COOPER: Absolutely. So when the report comes up to council, that is when we would declare the conflict of interest.

Michael GALEA: And same for –

Jarrold BELL: And for Hume, at every stage throughout our process. Both our assessment officers have a really robust conflict of interest, and when it comes to the councillor review panel, which I suspect might be a somewhat unique aspect of other councils, we have a conflict-of-interest declaration process there. When a final resolution comes to council, we have obviously our conflict-of-interest policy in place there as well.

Michael GALEA: Thank you. And you do actually come to a point I was going to come to later, which is on council officials as well, because in many cases council officials monitoring these things might be in the role for much longer than councillors in some cases even. So that is the case for all the council officers who examine the grants, they are also subject to them?

Jarrold BELL: It goes through a training process as well, because we recognise that while they may have a bit more longevity, there is still churn and movement within the organisation in and out. So there is a real core part where, before any assessment process begins, we ensure that everyone has done our internal training or is up to date and that the terms of reference are referred to and many processes as well.

Michael GALEA: Thank you. And it is the same for Knox in terms of council officials?

Lisa COOPER: Yes. With the assessment process, we have got a combination of officers and sometimes community members on that panel. Then obviously it is just councillors who make the decision about whether they are endorsed.

Michael GALEA: Thank you. But those panels that examine it, including the council officials and community members, are also subject to conflict-of-interest declarations?

Lisa COOPER: They are.

Michael GALEA: Thank you. I might jump to West Wimmera now. Cr Pretlove – or please feel free to assign – unless I am mistaken, West Wimmera is Victoria's smallest council by population. With such a small council, how do you manage those conflicts of interest both with your officials and with your councillors? I might go to the same question of whether councillors and/or council officials are required to declare a conflict when it comes to grant applications.

Jodie PRETLOVE: Thank you. When it comes to grant applications, the conflict-of-interest process is enacted every step of the way. We have no councillor or staff member ever involved in even discussion around any item – anything that comes to that room or on a meeting paper. No councillor or council officer has any involvement in anything. We have a written conflict declaration form that is on the table at every meeting. So if there is a written conflict, you disclose. It is just made very clear at every meeting: a conflict, even if you have not realised – it is never too late. You are out of the room. There is no conflict at all – or, sorry, there is no discussion around any item, because being a small council, yes, we have councillors, myself included, that are involved in community groups. The risk is just out of the room – no discussion, no anything. I believe with our policies and processes all in place, everything goes through our SmartyGrants system. The checks and balances I am really comfortable with. I think we have really got a handle on it. We have all of those policies in place. They guide us, they are the framework and we adhere to them every step of the way.

Michael GALEA: Thank you. Given the small population – and I know how this comes up even in the councils I deal with in the south-east, how people know people in all sorts of mysterious ways – of your shire, how do you manage that? Are there any specific challenges that we should be aware of that you face when it comes to these potential conflicts and potential fraud risks?

Jodie PRETLOVE: Every community group has the same opportunity to apply for a grant. The granting streams, as they come up, are advertised in local papers and on our Facebook page, and community groups – everyone is treated the same. The system and the processes are all in place that it comes through in that same system. I feel that everyone has the same opportunity to put forward their application. The officers then are the ones who assess whether a grant is eligible. Often there are times when things are not eligible, because there

may have been some money granted previously or because of the timeframe. There are red flags if a certain group is not eligible, guided by our policies, and they then would not be recommended. Any councillor that has any type of conflict – quite often we have had several councillors out of the room on the one topic. It is difficult in a small rural council because of the interaction with community groups. We do have – and I cannot think exactly what it is – a policy and procedure for if we do not have enough in the room to be able to make that decision. So yes, that, like I say, does become a problem, but it is not a regular problem.

Michael GALEA: Thank you very much.

Jodie PRETLOVE: Have I answered it?

Michael GALEA: Yes, I think you have covered that.

David BEZUIDENHOUT: Through you, Chair, and to the member, this may be one operational matter that I can just provide a little bit of further information on. Because we are a small close-knit community, a lot of our staff members themselves are involved in shows and involved in various activities across the shire, so therefore that conflict of interest process is to make sure that whoever is doing the assessment absolutely does not have a conflict. Our SmartyGrants system's very first question that it will prompt you to answer is whether you have any conflict. If you tick that box 'Yes', then you cannot even open or get access to the rest of the application. Once you have confirmed that there is no conflict, it is only then that SmartyGrants will actually allow you to access and even look at the application. I think to strengthen that further we have then also built our fraud and risk policy into our code of conduct, and it is part of the induction process. It is part of regular ongoing training on fraud and risk and on conflict of interest. As Deputy Mayor Pretlove mentioned, I think we well and truly cover it right through the process from the day that we receive the application until it is presented to council.

Michael GALEA: Thank you, Mr Bezuidenhout – and apologies if I also mispronounced your name. You touched on something about councillors or council officers having to declare that conflict. In terms of awareness, though, I might just quickly ask every council panel just for a very quick answer. Does your council require all councillors and relevant council officials to undergo mandatory fraud control training? I will start with you.

David BEZUIDENHOUT: Yes. It is basically part of the induction process for councillors. I think it is such a comprehensive induction that basically all councillors need to go through nowadays. Conflict of interest is well and truly part of that training. Further to that, we also make specific important policies like the fraud and corruption policy, which are also policies that are specifically aimed at our two councillors, part of that training process. I am very comfortable in terms of that conflict of interest and any of those matters that they are well and truly understood and covered.

Michael GALEA: Thank you. Just from the councils in the room from Loddon, Knox and Hume, all councillors and relevant council officials are required to go mandatorily for control training in relation to grants, is that correct?

Dan STRAUB: That is correct.

Jarrod BELL: Yes.

Michael GALEA: I might just for the Hansard record get each of you to say yes.

Dan STRAUB: Yes. Thank you for the question. Listening to West Wimmera, Loddon does share a lot of the same concerns and control measures too. There is mandatory training for councillors, which is part of the *Local Government Act* actually, in the fraud and corruption space. Our officers and council staff are also required to do relevant training in this space. We do make sure we are assessing our conflicts at the start of every meeting.

Michael GALEA: Thank you. I will come back to Loddon briefly, but just quickly, from Knox and Hume that was a yes to that question?

Jarrod BELL: Yes for both.

Lisa COOPER: Yes. We have an online module which is completed by staff and councillors every two years.

Michael GALEA: Thank you. Warrnambool City Council, that is also in place for your council?

Ben BLAIN: Yes, that is correct. Staff and councillors all have a full conflict of interest framework.

Michael GALEA: Thank you. And Southern Grampians?

Dennis HESLIN: Yes. It forms part of our mandatory induction training and ongoing training, and there is access for all the councillors through governance if they need any clarification on whether there is a conflict or not.

Michael GALEA: Wonderful. Thank you. I will come to Loddon shire now. Just to expand on what we were discussing in terms of councillor declarations, I know obviously a significant part of the VAGO report was in relation to what was uncovered at Loddon, and I understand that they have been fully completed, those recommendations. Is that correct?

Dan STRAUB: Correct.

Lincoln FITZGERALD: Yes, it has been fully implemented.

Michael GALEA: Yes, thank you. The ward-based approach to grants – I know this came under some scrutiny from the report. I am actually a bit curious about this, though, because it actually strikes me as a potential way of ensuring equity of grants across the region. I know that you did undertake a review into that. What were the findings of that review?

Lincoln FITZGERALD: Yes, absolutely. The ward-based structure was the topic of much debate, as you can imagine. When we talked with the councillors about the most equitable way to distribute grants, the ward structure is actually based on the number of voters or people within each ward, so it was seen as both a geographic but also a population-based approach to how we could allocate funding. We do not have a lot of funding, so we have got to try and be as equitable as possible. Through that review, we really had a good chat about the fact that if it is ward-based, there is equity. But as long as the criteria by which those grants are awarded are sound, then that means the councillors get to have a say through the criteria but also that they are justified in terms of where that funding goes. Anything you want to add there?

Dan STRAUB: I think you have summed it up pretty well, thanks, Lincoln. If West Wimmera is the smallest rural council, I think Loddon would be second in line. We have got a very small population over a very big footprint, and that grant process is a competitive process. It is arranged around that population of the ward structure, and we think we have got a fairly robust program at the moment where it is through the process of application from each group that we then look at different criteria to meet those funding arrangements. With our conflict registers, elected councillors in particular that may sit on any groups are only a voting member of any one committee, and we are pretty strict on that.

Michael GALEA: Does it create any issues? As you said, with a limited pool of funding, there might be, say, three or four very, very worthwhile projects in one ward in one particular year and not so many in the next ward? Is there any consideration of that, or is it just fixed so the ward gets what it gets?

Lincoln FITZGERALD: Yes, absolutely, there are. Just because the funding is there does not mean it is allocated. If the project does not have the merit that it should, then that funding is not allocated. However, it is placed into reserve so that as the community planning process delivers a project that is really sound, the funding is available there and continues to be equitable. It is really interesting in our structure, because our largest town is 800 people, but we do have one ward where the largest town probably has 160 people. You can imagine a town of 160 people trying to compete with a town of 800; it is fundamentally different. So it is a good way to make sure that we do not leave people behind, is my view.

Michael GALEA: Thank you. I might now flip this on the reverse and ask some of the other councils. I might start with Knox. How do you ensure that the grants that you are distributing are geographically as even handed and as impartial as possible and you are not overly favouring one part of the council?

Bruce DOBSON: Knox is a big contrast, with the size of the municipality over 100 square kilometres, so it is much smaller. The way that grants programs are set up, it really is around ensuring the most worthy projects for the municipality as a whole are those to which the funding is awarded. We will often have community groups that, because we are a relatively small size compared to a rural or regional council, do span multiple areas of the city. The geographic representation is not really a primary consideration; it is what is the most worthy project that is going to benefit the community of Knox as a whole. So, yes, we do not maintain a ward-based system around that.

Michael GALEA: I do take your point. Of course Knox and Hume are much smaller than West Wimmera or Loddon geographically, but there are obviously still distinct communities. Thank you for that. Hume, is there any protocol or measure in place to ensure that each party is getting –

Jarrold BELL: Yes. Similar to Knox, I would say we are a little bit geography blind and needs based. Hume is one of the most disadvantaged cities in the country, and so we prefer to – our view in this space – apply the scarce resources that we have to where the need is greatest and where the benefit is. What I would say to that, Mr Galea, is also that we review our grants processes every three years, but on an annual basis in terms of that acquittal process. And if we found that every single dollar was going to Craigieburn, that would be a thing that our officers would bring to our attention, and we would have a discussion about that. That discussion has not come to us yet, because to date we are doing that spread, but we do focus our funds. And I am not saying ward-based, not trying to compare, but I think there are many ways to skin a cat, if we can still use that terminology, and this is the approach that best works for us.

Michael GALEA: Sure. I am sure you, as a Sunbury-based councillor, would be very concerned if everything was going to Craigieburn.

Jarrold BELL: Yes.

Michael GALEA: Is the response – would it be fair to say – that even though there is no protocol in place, it has been reasonably well spread so you have not had that need to intervene?

Jarrold BELL: Yes, that would be a fair response. There is always the perception in the community that the grass is always greener on the other hill or in the other community or the other ward, but that approach is always through all the terms of reference, the assessment criteria. It is really about making sure that the community is best served.

Michael GALEA: Thank you. I will finish there, thank you.

The CHAIR: Thank you. We are going to go to Ms Benham.

Jade BENHAM: Thank you, Chair. I want to come back to a couple of things that came out in that little session, but first of all the conflict of interest, and this is a question for mayors. The conflict of interest – and correct me if I am wrong – has to be declared by the councillors themselves; nobody else can call them out. Do you believe that self-reporting like that is still appropriate, or is this something that needs attention? I will start with Mayor Straub.

Dan STRAUB: Thank you, Ms Benham. That is the case, that the individual councillor has to declare their conflict. We do have the conflict registers in place that we do every six months. But when it comes to any one given meeting, it is up to the individual to declare. With our situation we have got a very honest and open council around that declaring of any conflict, so we are safeguarded in that respect. But that is the process as it stands – that of the individual – and there is nothing in the *Local Government Act* or in any governance rules I have seen that differs from that process.

Jade BENHAM: Yes. And the experiences between the metro councils and the regional councils will be very, very different, where the public will hold to account the councillors. Even if it might fall within the Act and within the rules, it may not pass the pub test, for example – and it could be any manner of things. Is there a process for addressing that? If you have an honest council group, I guess that may not have arisen, but is there a process for addressing concerns like that that come from the public?

Dan STRAUB: With a small council like Loddon of under 7800 people there is nowhere that five councillors can literally hide in the community, so I think that scrutiny is always there. We integrate with our community on all different levels, and I think that if there was something that the community did not feel was right, they would definitely call a councillor out on that straight away. The process around it I feel probably should be strengthened a little bit, and I do agree, because as a mayor I have often wondered – not in our council but sitting on various partnership groups, for instance – ‘How truthful are a lot of these people that are providing content to any one meeting?’ That is just my feeling. There are no issues that we have in Loddon. As stated, we were looked at through the inquiry, and we have implemented all those recommendations, and it is a credit to Loddon that it implemented those recommendations under pretty hard circumstances – being we were hit in 2022 by the October flood, as stated in our evidence. We delivered those recommendations through that hard time. So the process I think does have a lot of scope to be strengthened in that respect.

Jade BENHAM: And a credit to such a small council to do that during that time, because that was not easy. Mayor Cooper, conflict of interest?

Lisa COOPER: Obviously, yes, the same, so the onus is on the councillor. What we do that might be a bit different is we also have occasions where we will declare a transparency statement in a situation. I think a good example, a recent one, is when the council was discussing the local cemetery. A councillor declared a transparency statement to say that she and her husband had plots in the cemetery. Or it could be a child that plays basketball when we are talking about the facility. In terms of whether there needs to be a review in this space or just more investigations, I think the process is okay. I think the responsibility does fall on the individual’s shoulders to declare that conflict. I think the investigative bodies could be better resourced. If someone calls out a councillor and does report to those bodies, quite often they are under-resourced. They are at capacity. They are investigating far more important things. So the process of conflicts I think is appropriate; it is just that funding to investigate.

Jade BENHAM: I will come back to talking about the integrity agencies shortly. Mayor Bell.

Jarrold BELL: From a Hume perspective, in the conflict-of-interest space the pervading wisdom is that only the person themselves knows their conflict; other people may have a perceived conflict or a thought-about conflict. I think the process is relatively fair and rigorous – that they are the person who is best placed to be able to determine if a conflict exists. What I would say is – and I appreciate what other mayors have said – that that ‘perception is reality’ space is something that we as a councillor group discuss on a regular basis and that that does inform – I think you said ‘pub test’. We use ‘sniff test’ sometimes; it is all the same stuff. We are very conscious of that space as well. Councillors – I will not use ‘call out’; we do not call each other out – sometimes will remind our colleagues.

And in full disclosure, I am a member of a cemetery trust, so I do not know if I need to declare a conflict, now that they have been mentioned. But we have that discussion as a councillor community in an informal way. I think you called them transparency statements. We do similar things like that as well. For us it is important that councillors show that they have considered, ‘Have I got a conflict?’ and ‘Have I thought about whether this conflict exists?’ I do not know if he will appreciate me, but Cr Overend at Hume – he is a good colleague of mine – will regularly get up and speak about a potentially perceived conflict of interest but say that he has considered it and that, because we are not making a decision on the area that he might have a conflict in, he does not consider that to be an active conflict. It is that consideration and that thinking. I guess the last thing I would say is that it is really strongly recommended to engage with our governance and integrity officers, that they are always available to have that conversation. If you are not sure, if you think you might have a conflict, reach out to the governance team and you can work through it yourselves.

Jade BENHAM: Governance team – that would be a funny remark for smaller rural –

Jarrold BELL: Sorry to my rural colleagues.

Jade BENHAM: Thank you. We might go to those online now. West Wimmera, perhaps, or Warrnambool – whoever is ready.

Ben BLAIN: I will go ahead. When it comes to Warrnambool and it comes to conflict of interest, where we see it, the process, having it on the individual to actually declare their own conflict – I think that is the right way, because it really does come down to the individual. And at Warrnambool when any conflicts are declared,

they are fully documented as well. Once someone walks out of the room, they document what their conflict is and how it relates to the matter in general. Just moving forward a bit, though, to the way the process works, we are a small city – we have got 37,000 – and everyone knows everyone. We are under a higher level of scrutiny, I would say, from our public than a lot of the metro councils, and you have got that pub test around: is there really a conflict or not? We do have a really good governance team that can provide advice to councillors, but when it comes to that reporting and investigating arm, we have found that the enforcement agencies can be under-resourced, which can be a challenge.

Jade BENHAM: And we will come to that in a little bit. Who else have we still got left? Jodie.

Jodie PRETLOVE: Okay. Can it be strengthened? I think probably it could be an area that could change – the fact that, yes, it is, up to the individual to declare. If you think you have got one, you have probably got one; get out of the room. Everyone interprets that differently sometimes. There are rules. We have firm processes. Like I say, the conflict of interest forms are there. If anyone even thinks someone could have a slight conflict, you need to consider that you may have a conflict, and then that is weighed up, at the end of the day being up to the individual. Maybe there could be some more rules in that area – I do not know. I personally believe that if there is a conflict, you are out of the room. If you think you have got one, you have got a conflict or more than likely you have got a conflict. So that is safest. Our council in general, I would say, declare – if they think they have got one, they are out of the room. But it probably leaves a lot up to some councillors by not having a few more rules around that; I do not know. It could be a space where you may see a little bit of that happen. I am not just saying with West Wimmera, but it just could happen. I do not know. I think it could be tightened in that area.

Jade BENHAM: Thank you, and I think Dennis is the last one.

Dennis HESLIN: Yes. I was probably just going to say what has already been said, but we have got quite a high enthusiasm to declare conflicts at the moment. We operate under the basis that if you think you do, you do, similar to what Jodie was saying. But what happens on the ground is that we typically speak to each other as councillors to get clarification, possibly from more experienced councillors, as to whether we do. We have also got a channel through the CEO and through governance as well where if there is any misunderstanding, we can get clarification. But typically, we always default to that if you think you do, you do.

Jade BENHAM: It is an interesting way to look at it. I want to come back to the review panels. We were talking about community grants earlier. Mayor Bell, you mentioned that you have a councillor review panel. Can you expand on that a little bit?

Jarrold BELL: Yes, happy to. It is a new process that came through the VAGO audit process. I am lucky, I guess, that I lived through both pre and post, so I might speak very quickly about the transition to that space. When I was first elected to council I was appointed to a number of assessment panels, and I was an assessment panel member. I had access to SmartyGrants, and I got to learn the goods and bads of that system. Then I was a voting member of the assessment panel. Through our experience with the VAGO audit and the learnings and the recommendations out of that, we generated a broader grant-giving policy which removed councillors from the direct decision making, noting that the decision making of council is the council chamber; that is where we make decisions, and that is what the legislation is really clear about. There was a bit of a grey area in that councils were making assessment decisions outside of the chamber, and there are some questions about that.

But we moved to an effectively officer-led assessment process, strictly against the assessment criteria. Similar to some of my colleagues who spoke about ‘council has control of the criteria’, we are the ones who determine what a grant is and is not in terms of the assessment criteria. Then, once the officers have done their process and come to a list of recommendations, there is a review panel which consists of – I am going to test myself here – three councillors supported by typically the manager responsible for that grant program and an officer who is the subject matter expert. There is no voting here. The job of the review panel is to probe the process to ensure that the integrity of the process was followed and to do some sense check. We do the pub test, for want of a better term. We ask those questions. Was the process followed? Did it match the criteria that we have outlined in the approved grant program? Once we are satisfied that the process has been followed and the boxes have been ticked, that report then comes to the council for the full resolution and endorsement of the council, and that is when, if we need to or if we feel the need to, council is fully entitled to be able to change the

recommendation. That is the right of every council at a council chamber, but we do not do that behind closed doors; we do that in public through our decision-making forum.

Jade BENHAM: It would also be a very bold thing to do after all those checks and balances, no doubt.

Jarrold BELL: It would be, and I would say that through the process that has never happened to date. I would be lying to you if I did not say that some of my colleagues wished the old system was still in place. They felt a better connection. There is a space where councils believe, and I think it is fair, that they have that direct connection to community. Especially at a big council like Hume, we have those connections to community and organisations and can do the sniff test a little bit differently in that space. But I think this system is really robust. It ensures probity, it ensures the integrity of the system and it ensures that the criteria that the council sets are what are followed.

Jade BENHAM: Great. Terrific. Thank you for that. I do want to move now if we have got time left – or will I do it next time?

The CHAIR: We can come back to you.

Jade BENHAM: Okay. Great. Terrific.

The CHAIR: We are going to go to Ms Kathage.

Lauren KATHAGE: Thank you, Chair. I might stay on the same topic if I can, Chair, regarding grants and the interaction between councillors and grants and board controls. I am just wondering – maybe Hume but also other councillors we have heard from had a more hands-off approach. How do you balance supporting new or up-and-coming organisations or new multicultural groups within your council areas who perhaps have not moved to incorporation yet or do not have much experience around governance requirements within the council area? How do you balance supporting the emerging needs in your communities of multicultural groups or smaller organisations with board control?

Jarrold BELL: Who would you like to go first, Chair? Go on, Knox. I have been doing a lot of talking.

The CHAIR: We will start in the room. Go ahead, Knox.

Bruce DOBSON: I am happy to talk.

The CHAIR: Go for it.

Bruce DOBSON: Bruce Dobson from Knox. I am happy to talk on that. I think one of the things we try to do is to make it easy for people to be able to understand the application process and therefore to be able to apply for new and emerging groups. Some groups will be used to the process. They may be regular appliers for grants each year, but we are conscious that not everyone is like that. The way we go about setting the criteria is by making the information as easy as possible for people to understand as to how to apply and having our officers be able to answer any questions and make themselves available to answer questions for anyone who is interested in putting in a grant, just to guide them through the process and what is required to make it as easy as possible. I think that is probably the key way that we seek to address that.

Lisa COOPER: I would just add that we also run workshops as well, where we will have groups together and run them through the process.

The CHAIR: Loddon?

Lauren KATHAGE: Any other councils?

Dan STRAUB: Thank you. Dan Straub, Mayor of Loddon. With our process we have tried to make it as easy as possible for our community groups, where we are driven and supported by our volunteer base. Our volunteers are the core of our community, so our process needs to be easily navigated by those volunteer groups. Our grant process normally would come through a community planning group, which is a representative group out of each area that has that competitive grant application process in front of it. We have opened up a quarterly application for community funding, and that is assessed through pretty robust criteria.

There is a lot of feedback given to community groups too that may not have hit the criteria for application, but there will be feedback on what they need to provide next or even a more defined timeline on the next grant application. So it should be pretty transparent and pretty easily navigated, and there is that support there from our community groups. Mr Fitzgerald might be able to elaborate a little bit more on the structure from the organisational side of things.

Lincoln FITZGERALD: I think it is really important just to say – if a group is not incorporated, then it is just a group of people. They are not an entity in themselves. We will not fund a Facebook group or anyone like that. They have to have a structure. What they will get is face-to-face time and support to become an entity in their own right so that they are eligible to apply for a grant. I just want to make that really clear: new groups pop up all the time, but unless they actually have a formal status, we cannot fund them.

Lauren KATHAGE: If we can go to West Wimmera, we heard from the Deputy Mayor about a very hands-off approach in terms of grants. Are you able to speak to how you balance supporting the emerging needs of communities in your council with proper and due process?

Jodie PRETLOVE: Thank you. We do not necessarily have a great demand with multicultural or newer groups, but if we have any smaller groups that are not incorporated, they are to be auspiced by an incorporated group. There is always support through staff if there are questions arising around the process, but everything is under the processes and the guidelines that we have and our SmartyGrants system.

Lauren KATHAGE: Thank you. I might go back to Loddon now on a different matter. I think Mr Galea touched earlier on the earlier audit findings that the shire has had, and I want to ask about progress since that time and also most essentially what you have found to be critical to improving your fraud and corruption controls around grants. What has been the key factor that others can learn from?

Lincoln FITZGERALD: I think the most valuable parts for us are probably the things that people would find really boring. It is around really good record keeping, so having a really clear process to say, ‘On what basis have you awarded that grant?’ and throughout the process, ‘Don’t tell us you did the right thing, but actually be able to prove it’, so it is improving all the record keeping around it. Our largest town, as I said, is about 800 people. There is a risk of conflict of interest, for example, so it is making sure that we have actually documented through the process that that has been taken into consideration. We also suffer from the same problems as every organisation of not having corporate memory, so it is making sure that we run regular training for our staff to ensure that the process is followed. That is a part of the mandatory induction with an online module. But also at our staff meeting we periodically – I think the last one was late 2023 – get external trainers in to train up the staff to ensure that it remains front of mind. It is really around the vigilance to continue operating in this space. Again, as a small organisation we do not have governance teams; we have people who wear many, many hats, and this is a part of their other job that they have to do. So it is making sure that it just becomes a part of the ongoing culture of the organisation to manage fraud and corruption risk.

Lauren KATHAGE: Thank you. And we have seen some changes recently to make funding more readily available following emergencies or disasters for local governments to implement, which is really important to make sure there is the immediate response for local communities, seeing as you are the ones that are so closely connected and on the ground there. Can I hear from councils that have been involved in receiving those funds about how your existing fraud and corruption control measures have been applied to those funds?

Lincoln FITZGERALD: I will go again while others are thinking. So funding was made available through the community recovery program to support our community post flood in this instance. We had a recovery plan that was the basis of ‘How are we going to go about this?’, and it was really around doing things in place. So I guess there was an endorsed plan; that was the first part of this. The second part was essentially using the same SmartyGrants processes and so on. We were essentially creating a new grant category so that we could apply the same rules to any new grant programs that came about as a result of the emergency recovery. We have seen some pretty amazing events through a very challenging time. So yes, it has been helpful. It is a good question.

Lauren KATHAGE: Any other councils or shires receiving emergency funds?

Jarrold BELL: Not from us at Hume.

Jodie PRETLOVE: Just with West Wimmera, we actually have a quick response grant system which is just set up for that. So for all the checks and balances, we have a policy in place which is for that quick response, and so we go through the process according to the grant to deliver any response in that area. We have had that with a bushfire emergency recently. But yes, again it is a policy in place to cover that within our grants system.

Lauren KATHAGE: Anybody else?

Tony DOYLE: Southern Grampians has received some support, very limited though, to do with the Grampians fires that we had, so we were recompensed for the cost of resupplying water to farmers' dams where that water was used for the firefighting effort. We have really had no other support from the state government, nor has the community. We did receive funding for flood support, which we are just working through now in terms of delivering those repairs. I guess I would say, wherever your source of funding is, it falls within your overall fraud and corruption framework that you would have, whether that is within your own internal policies, your internal audit process and even your external order process. All of that comes together to ensure appropriate use of that money.

Lauren KATHAGE: Thank you. I am not going to take as gospel what was just shared in terms of funding received. But in terms of the response and the processes, I guess it is recognised worldwide that in situations of emergency or disaster fraud, corruption is more likely. At the same time there is also the need to be quick and nimble footed to make sure we can get support to where it is needed. Can I ask across the councils whether you have shared best practice for expenditure during times of disaster or emergency, and whether you have got any desire to see guidance or support through those templates that are being developed?

Lincoln FITZGERALD: I will jump in again. Definitely we have a desire. We are fairly lucky in our region that we operate as a cluster during emergencies, so we actually already have an existing structure across about six councils where we share information, we share staffing and every other resource we can get our hands on. So we have got an existing forum that meets on a regular basis to talk about preparedness, what we have learned, what we did wrong and so on. Anything that is best practice, we are always keen to see that. So there is definitely an appetite, but I think we also do it very well because unfortunately we have had the experiences.

Andrew MASON: From a Warrnambool perspective, most of our current or recent funding has been through the natural disaster recovery process, which is through the feds. If anything, it is at the opposite end of the spectrum in terms of fast. There are so many checks and balances that it can become a barrier to actually using it. Like Loddon, we also have some regional cooperation arrangements, which often means that there is sharing of staff, which I think provides a level of fraud control and exacting – again, always interested if there are improvements or best practice. But I agree with your other statement, that in some cases it is just needing to get the support out quickly in the event of an emergency, and so you would have to be careful about just making sure that you were not tying up that speediness with processes.

Tony DOYLE: I think I would also add, if I may, one thing in addition to what has already been reflected. We always do, and I am sure many of the other councils do as well, a debrief afterwards, so we review the response to an emergency. We sit down with the various services that were involved and really develop a report as to what worked well and what did not work well and how we could do it better next time. I think that ongoing learning is a really important part to ensure the resources are applied appropriately.

Lauren KATHAGE: Thank you. Are there any other councillors with reflections on that?

The CHAIR: Mr Dobson.

Bruce DOBSON: Thank you. There was a request for further comment. While Knox has been in the fortunate position of not having to be involved in direct experience in an emergency situation, providing grants out, I think one of the questions within the question was the usefulness of common information or template information for councils. I think as a general principle I would say the more best practice type information of how we put processes in place, how we put robust controls in place, whether that is from the integrity agencies or from Local Government Victoria as the support to the sector – the more of that the better so that there is consistency in the way that we operate within the council sector.

Lauren KATHAGE: Thank you. If there is nobody else, I might move on to another topic.

The CHAIR: Ms Kathage, we are just out of time. I am just going to, out of courtesy – Mr Welch or Ms Benham, if you have any questions.

Richard WELCH: I have got one quick one.

The CHAIR: Okay. We can come back to you, Ms Kathage.

Richard WELCH: We are bouncing back and forth on themes, but just back on to disclosures of interest and self-nominations, obviously there would be a register of interests recorded for each councillor. Who checks that? Who validates it? Is there any mechanism whatsoever for that?

Jarrold BELL: I might jump in, Mr Welch. So you mean as in: I am a director of a company; who at council checks that I am actually a director of a company – that sort of situation?

Richard WELCH: Yes. And there were three other companies you did not disclose.

Jarrold BELL: I do not think that occurs, at least not at Hume.

Sheena FROST: Through you, Chair, there would not be a mechanism through which we declare it. I guess that is, again, time, money and resources, probably having someone doing ASIC searches or so forth, if it was something that was required. So, no, there is not. If an integrity agency has an inquiry, that will be the first place they go to make the inquiry, and they presumably have the powers and ability to check things.

Richard WELCH: Yes. But given councils have been effectively sacked over this, it would seem to me pretty prudent to actually put some rigour around this. What would your thoughts be on that?

Jarrold BELL: I did not get the end of that question, I am sorry.

Richard WELCH: Given there can be significant consequences, it would be advisable to have some rigour around this. What are your thoughts on that?

Jarrold BELL: I guess it is probably not a bad idea. I would say that that is probably a complex question. I do not know if there is a register in Consumer Affairs Victoria of committee members of the tens of thousands of incorporated associations across Victoria and things like that. Ultimately, yes, that would probably not be a bad idea, and I would be interested to understand the resourcing at Local Government Victoria that could be appropriately resourced to do that.

Richard WELCH: I am not suggesting you pay for it. That is a different question altogether.

Jarrold BELL: And then under the current arrangements I guess there is the element that the obligation is on the councillor to give a true and fair record of their commitments and obligations, and then I do sign it – we do it twice a year – and say ‘That it is a true and correct statement’ when I make that.

Richard WELCH: Yes. But like all good audit process, it is designed around the bad actor, not the good actor. So it seems to me to be particularly – and it is not purely financial interests either, right?

Jarrold BELL: No.

Richard WELCH: And given the closeness of council to community and that very granular level, it would seem to me that is a door we have left ajar. In fact history would suggest it is a door ajar.

Jarrold BELL: In some circumstances that is entirely possible.

Lincoln FITZGERALD: Declarations are sent to the CEO, who is employed by councillors. I am very fortunate that I have a really good relationship with my councillors, and if I get a handwritten one that is almost illegible, I am in an easy position to send it back and say, ‘Can you please do a better job?’ It is very hard for a CEO to police that, and we can do our best to say, ‘Is that as accurate as possible?’ within what I know, but I do not know everything that is going on in every councillor’s life, so it is very difficult for us. If it was an external agency, there is the question of who pays. When rules are created, they apply to metros and rurals.

Richard WELCH: Let us take the perfect world example, where someone else is paying. In fact we can abstract it from that altogether. In principle do the councils feel there should be some kind of check on the disclosures?

Lincoln FITZGERALD: I will open that up to everyone.

Richard WELCH: Yes.

Lincoln FITZGERALD: From my perspective, with any rule that is created I have one person doing governance that does that, amongst every other job. They are also doing OH&S and they are doing risk management and blah, blah. I do not have a governance team, so who is going to do it? In a perfect world who checks it? It is very difficult for any integrity agency to do that, I would have thought. It is such a broad-ranging question, and there are real and perceived conflicts. They have both got to be declared, so where do you draw the line?

Richard WELCH: I am not coming at this with a predetermined answer; I am just actually interested in your views. Knox.

Bruce DOBSON: There is probably not a lot to add to what Lincoln has said. Firstly and primarily, it is incumbent upon the councillor to declare accurately. It is then a question of resources. It is a lot easier to check things that are written down as being accurate than things that are not there, as to whether they should be there if something is omitted. An ASIC search might pick up companies that someone is a director of, but then there are many other organisations or interests that would not be caught by such a thing, so I think it would be practically quite difficult to do. I say that coming from an audit background in the past. So there is probably a cost versus benefit there of the resources that it would take to do that I think, and that would need to be looked at.

Richard WELCH: I guess you would weigh that up against – what is the cost of sacking a council? What is the cost of the potential corruption that has occurred? Again, abstracting it from the cost, would you consider it an audit or a governance risk? Well, actually, no – the better question is: if someone has failed to disclose, what is the consequence?

Bruce DOBSON: I have to refresh my understanding of the *Local Government Act*, but I think there are consequences under the *Local Government Act* for a false disclosure. I cannot recall exactly what they are.

Richard WELCH: Has there ever been any enforcement of that?

Lincoln FITZGERALD: Yes. Mildura has a recentish example from a few years ago. It was a conflict of interest in a council decision, and I think it was a suspension of a month or three months of a councillor – is my recollection.

Richard WELCH: Could that have been prevented through an audit of interests?

Lincoln FITZGERALD: I am not familiar with the case.

Richard WELCH: Sorry, you could not answer. But you suspect it might have been, right, if it was evident enough to be brought up and acted on? Those online.

The CHAIR: Warrnambool.

Andrew MASON: I think the interest declarations by councils are based on what happens with parliamentarians. I am not sure if there is an audit or check of the interests made by parliamentarians. I certainly think that the same standard should apply. So yes, I think it would make sense to have additional controls if that can be done in a practical and cost-effective manner. The reality is that most of the conflict-of-interest issues that we are dealing with at Warrnambool tend to be kind of like the membership of a football or netball club or those smaller issues. It has little to do with financial matters. Since I have been here that has been the history.

Richard WELCH: Thank you. Go, Jodie.

Jodie PRETLOVE: All conflicts of interest at West Wimmera are formally written down prior to any meeting. We have the papers on the table, and they are filled out with the item number and the reasons for the conflict. All of those forms are then checked over by our officers and would be filed. So that could be referred back to at any time with our list of conflicts – you know, the conflicts that have arisen. That would all be filed. Thank you.

Tony DOYLE: If I could jump in, I think what has been suggested, about that additional layer of checking, is not going to hurt. That could only be a good thing if, as Warrnambool said, it can be done in a practical way. It is just a matter of where you draw the line. You can check whether a councillor is a director of a business or a property owner that they have not declared. You have then got to search to see if that was done in a company name or by a company that they are a shareholder of, and then it gets down to family members. What if a councillor's partner or a councillor's brother has an interest in a property or a business in the shire? I guess the challenge with it from my perspective is that the additional scrutiny would not hurt, but it is a matter of where you draw the line.

Richard WELCH: Yes, agreed. I am quite happy with those answers. I can give time back to Lauren.

The CHAIR: Thank you very much. We are going to go to Mr Tak.

Meng Heang TAK: Thank you, Chair, and thank you all. My apologies that I could not attend in person. My question is mainly directed to Knox city, given you are here from the south-east. In your submission, cybersecurity threats continue to pose significant risks to fraud and corruption control in local governments. Knox has been investing in its cybersecurity. Can you tell us about what has been implemented and the impact this has had on fraud control?

Bruce DOBSON: I am happy to talk in relation to that. Thank you for the question. I think cybersecurity is seen as one of the top risks in the sector as a whole and is recognised as such as a growing risk. We have invested internally through our IT area by allocating appropriate resourcing and staff to be able to work in that space both in developing our practices but also engaging with third-party suppliers who can help monitor our systems and threats and vulnerabilities that we might have. We measure ourselves against the Essential Eight. It is sort of a commonly used mechanism to assess how well prepared we are in the case of a cyber attack or cyber intrusion. We very much train our people around some of the practicalities, so things like phishing exercises – you receive an email that looks like it is from someone legit, but it is not and it has got a little button to click on or a link to click on. We will run exercises within our organisation. We will both train people but also, on a surprise basis, email staff to understand whether they are acting in the way that they should be or exposing the organisation to those vulnerabilities. So those are some of the things that are in place. It is a growing area, and we are seeking to stay on top of it as best as we can.

Meng Heang TAK: Thank you. How much time and resourcing has it taken for you to implement your Essential Eight mitigation strategy, if you can share?

Bruce DOBSON: It is a difficult thing to quantify exactly. We have got a couple of staff dedicated to that function within our IT area. Beyond that there is effort from a lot of people through the training and through that education that takes place. It is something our audit and risk committee is keenly interested in as well – so regular reporting to the audit and risk committee around those processes. And we pay for things like external workers coming in to try to penetrate our systems and see if we do have vulnerabilities. We will pay externally for people to test us, if you like. I am not quite sure what that figure adds up to; I do not know it off the top of my head, but certainly there is staff resourcing and there are payments to external organisations to assist us.

The CHAIR: Mr Tak, do you want to throw around to the other councils?

Meng Heang TAK: I was about to, Chair. Thank you very much.

The CHAIR: We will go to Hume.

Sheena FROST: Thank you, Chair, and thank you for the question. Similar to Knox, it being a significant investment over the last couple of years by the council to support the requirement, because it was definitely our number one issue, shall I say, is something that keeps us up at night, definitely. In terms of the Essential Eight, certainly on that path also we would have to take on notice the investment around resourcing required, but also

it depends on the level that you want to get to in Essential Eight. We know we do not need defence-level capabilities, but we certainly needed to be better than where we were at. And similarly, everything that Mr Dobson has spoken about around testing the staff, regular phishing expeditions – P-H-I-S-H-I-N-G – to understand. If you have failed that test or clicked on the email, you have got to go do the training. Just building up the awareness so that staff do not feel silly and that they are a bit alert, because the number one vulnerability is actually our staff when it comes to the cybersecurity issues. Certainly the investment in additional staff, external support and also a complete upgrade of our software systems – we were at end of life – which the council has done support the robustness. But we are well aware that you can never be fully protected, so it is just having the environment in place around it to support it.

The CHAIR: Loddon.

Lincoln FITZGERALD: Not a lot to add. We use the same systems and processes. Probably the other thing I would point out is that we partnered with Horsham and Hindmarsh on our IT platforms as a better way to be able to procure. A lot of things are based on licensing. The cost per licence for an organisation our size is quite high. If we partner with multiple organisations, we can get a much better licensing rate with the main providers. We have also partnered with Bendigo around our security operations centre so we had 24-hour monitoring. Because we cannot afford to do that on our own, how can we partner with other councils to actually do it much more efficiently? So we are coming from a long way back, but we have taken huge steps forward in the last couple of years through those partnerships, and we look to councils such as Knox for best practice to learn from others who have already been there.

The CHAIR: We will go to Southern Grampians.

Tony DOYLE: Very similar response to the others: the Essential Eight, a lot of staff training, testing of staff through emails. It is an area that makes me really nervous. I do not feel, as a rural council, we have sufficient funding to devote to this area that would be ideal, but I think we do a pretty good job given those financial restraints. Like I think it was Loddon that just spoke, we have aligned all our systems with two other councils, that being Northern Grampians and the Borough of Queenscliffe, to get those economies of scale in our procurement but also to be able to work collaboratively in our back office, which has been a really good step forward for us.

The CHAIR: Thank you. We have got Warrnambool.

Andrew MASON: Yes, very little. We have basically the same response to the others. Similarly to Loddon and Southern Grampians, we are also doing a shared ICT project with Moyne and Corangamite, which will mean that we will have a common operating system that will be cloud based, which will give us some improved protection.

The CHAIR: Thank you. And we have got West Wimmera.

David BEZUIDENHOUT: I think this IP space was certainly an area where we had tremendous sort of growth and upgrade over the last few years. So four years ago we were in a situation where we had one internal IT resource overlooking all hardware and software and trying to manage everything, and that was identified in our council as a risk. We had fairly robust discussions with our audit and risk committee and decided to actually appoint a third party to come in and help us to manage that complex space. Since then we have had major upgrades on our hardware and software, and I think all those normal checks and balances that were mentioned by other councils in terms of identifying phishing emails and training staff. At this stage I think it is really day and night from where we were, say, four years ago to where we are at the moment. But it does come at a cost to make use of these third parties with that expertise to help us, but it is just such a complex space, and I think criminals around the world do not wait for anybody. I think this is a space that develops so fast and so rapidly that we just have to make use of those experts to help us in this space. Thank you.

Meng Heang TAK: Thank you, Chair. If I may, I understand that Knox is also a member of a grants network across the south-eastern councils that enables sharing of knowledge and resources, and we heard also from Loddon shire about the collaborations. If I can go back to Knox, Chair, can you tell the committee in what way this network has contributed to consistency and continuous improvement across councils?

Bruce DOBSON: Certainly – through you, Chair. We are a member of two regional groupings out of the eastern region of Melbourne and also down the south-east corridor, and both at a CEO level but also at a staff level in specific areas of interest our officers will regularly get together and share experiences of how different people in different councils are doing different things and just try and out of that identify how we can do things better collectively. We have not partnered formally with other councils around cyber at this stage, but there is a lot of knowledge sharing that happens, and across the whole council business, really, cyber being one area, recognising that we are all doing similar things, we are not competing against each other, and it is a perfect environment to be able to try to learn from each other. So there is sharing through regional groupings or areas of interest, and there are other organisations like LGPro that offer special interest groups for certain functions. They are all really valuable to be able to share knowledge and try to improve how we do things.

Meng Heang TAK: Thank you. Apart from shared knowledge, are there any other benefits of that network that you can think of or that are already being implemented?

Bruce DOBSON: Well, by sharing knowledge and learning from each other I would like to think that our processes are collectively improving and that we are better prepared in the space of cyber to deal with the threats that exist.

Meng Heang TAK: Thank you. I think that is all from me, Chair.

The CHAIR: Okay. Thank you, Mr Tak. Does Mr Welch or Ms Benham have anything?

Jade BENHAM: Yes, I do, if I can, just about the integrity agencies that were talking about, and again the experiences will be very different between mayors and CEOs, no doubt, and rural to metro councils. There were a couple that mentioned before the under-resourcing of the integrity agencies that local government deals with. Is there confidence from the local government sector that any inquiries or investigations will be dealt with, particularly with suspected fraud and corruption, in an appropriate and a timely manner?

Sheena FROST: Through you, Chair, it is difficult to say that it would be done in a timely fashion, and that is because of the resourcing constraints. I think a personal observation would be I think the obligations on the integrity agencies – the mandatory reporting requirements that every CEO sitting here has on any suspected fraud and corruption, and therefore you are not meant to act on anything until you have reported it and get a receipt back from IBAC around what you meant to do with it – and the demands on the sector, the integrity agency system, are probably quite high, and the resourcing does not seem to match that. Therefore it feels like a risk at times when you are reporting something to go, ‘As soon as I put this in I may not get a report; I may not know what to do in a timely fashion.’ That said, you try to develop good, strong relationships so you can discharge your obligations but at the same time understand: how can I operate or conduct myself in a way so that I am not allowing a potential risk to still exist? So it is, I would say, quite difficult at the moment, and there has been an increasing trend around working with the agencies, but they are authorising: ‘Here’s how we’re happy for you to investigate this matter,’ almost on their behalf. That has been relatively recent. I feel that has been a relatively recent development.

Jade BENHAM: Does that then affect your working relationship with those agencies?

Sheena FROST: In our case it has not, simply because I am conscious – as we flagged in our submission, we upped our resources a couple of years ago in the governance and integrity space.

Jade BENHAM: So you have a team now?

Sheena FROST: We have a team. I should say we did not consult our colleagues here, but we are very conscious we are large and at times have the ability to move resources to areas of greater need in order to respond to that. I have the ability to have done that in a way that is not afforded to my councillor colleagues here, and that is something they could only dream of. Even with the resources, governance professionals generally are hard to find in this sector – the good ones are really, really hard to find – and that is an additional pressure. It is very hard to find great governance people, and when you find them you want to keep them. We need to be sharing them across the resources, or they work in the agencies themselves, so it is a really thin spread of great professionals.

Jarrod BELL: If I can just do 20 seconds and say – I know it is written in our submission, but I want to reiterate it here – I do not know if it is our place to make a suggestion or a recommendation, but we do say that we do know that there is great knowledge and capability, or at least the understanding of the systems, within those integrity agencies and within LGV. It is not so much for the big guys at the table – and I do not want to make this sound like we are trying to be charitable – but we think there should definitely be an opportunity for almost a semipermeable membrane, with officers in the government departments being able to move, when there is a complaint or an investigation underway, to go to places like our smaller shires so that they can embed the knowledge and embed the ability to get the job done and then move on to the next job, meaning that the smaller shires do not need to divert resources from often where they need to be in serving the community. That is in our submission, so I will not speak any more.

Jade BENHAM: Like a secondment?

Jarrod BELL: Yes, a secondment – that is exactly the word I am looking for.

Jade BENHAM: Great – love it. Knox.

Bruce DOBSON: I share a lot of what Sheena has said. I would describe that we have got a pretty good relationship with the oversight agencies. We can pick up the phone and know who to call and have a discussion and seek some guidance on what might be the appropriate action. The area of mandatory reporting really, as Sheena has described, can be frustrating at times, not because of the agency's ill intent around what they are doing but just simply the workload they have to be able to respond in a timely way. So it does leave you thinking from a risk point of view. If you have got a situation where you have got an obligation to report it through to an agency, you have to; you cannot do anything with that until you hear back from the agency. It creates an inherent risk within the organisation during that gap period. More often than not – in fact I think in all the situations I can think of – it has been referred back to us to do the investigation ourselves and to keep the agency informed as to what transpires. So yes, the timeliness – and that is not a criticism of the agencies; I understand the resource pressure they are under – is a concern.

Jade BENHAM: Loddon.

Lincoln FITZGERALD: We have had, very thankfully, very little reason to engage with the integrity agencies. When the advice has been good and timely. I really do not have much more.

Jade BENHAM: Okay. Great. Thank you.

Dan STRAUB: Can I just jump in and ask the Chair maybe to be excused for a moment?

The CHAIR: Of course, Mr Straub.

Jade BENHAM: We will go to West Wimmera.

David BEZUIDENHOUT: I think from our point of view also, when we have had to make contact to ask questions or clarify anything, the relationship certainly with those agencies has been very good, and they are very helpful. I think we definitely share the same concern with respect to the timeliness of responses, but again we see it in that context of resource availability. It is definitely a concern. If, for instance, a councillor or somebody else has reported a matter, then it is definitely not helpful if it takes months and months and months to action it or to investigate it and potentially for consequences to follow. I think the resourcing issue and the time issue definitely remain a concern.

Jade BENHAM: Thank you. Warrnambool.

Andrew MASON: Look, very similarly to everyone else, we have had similar experiences. The only thing that I would add I think is that what we have found is both the inspectorate and IBAC, and in fact the Ombudsman, have been quite enthusiastic and supportive around running training and awareness sessions in regions, so that has been a positive. Yes, I agree with the comments about the mandatory reporting potentially bogging up the system and creating a risk profile, but generally, I cannot add much more.

Jade BENHAM: Great. Thank you. Southern Grampians.

Tony DOYLE: Very similar to everyone else – a very strong, positive relationship, very supportive. Particularly in the case of the inspectorate, I very much get the impression when I talk to them that they are having to triage problems. There are some things that we discuss that I get the impression they would probably like to devote some resources to but just do not have the resources to do that. I think that is something to really think about. Likewise, with the mandatory reporting, I do think they are a lot quicker with their responses on that now and are quite rightfully pushing a fair bit back onto the council to investigate, which I think makes sense. It is good they have sped that response up, because I know about a year ago you were left waiting, carrying a risk, for some weeks.

Jade BENHAM: Terrific. Thank you. Enjoy Sheepvention this week. It is one of the great events in regional Victoria. I am a big fan. That is all. Thank you, Chair.

Tony DOYLE: Thank you.

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

Mathew HILAKARI: Thanks so much, everyone, for your attendance today. I will start off where Ms Benham finished up, which was around risk. I am just hoping to hear from all councils. What is the area that you feel is most at risk or most vulnerable or challenging related to potential corruption and fraud or actual corruption and fraud at your council? We might start with those in the room, because it is a little bit easier to start here. I am keen also to hear, if you have got a clear idea and view on what that is, what are some of the things that could be a solution to that.

Sheena FROST: Thank you for the question. In terms of the most at-risk fraud and corruption, it will be around cybersecurity, despite all the investments that we have been talking about, and the ability for that to be a significant corruption risk, then financial and procurement issues and conflicts of interest. From our perspective, at our size and volume, they would be sitting as one, two and three, because with obviously hundreds of millions of dollars in our expenditure, vendor relationships and so forth it is really important that we have a system of high trust and high integrity in order for people to have faith in that system.

Mathew HILAKARI: Is there anything missing at the moment in the systems that you have, whether that is at a local level, whether it is a state government level, that could mitigate against those risks?

Sheena FROST: I am thinking to myself about obvious missing components. It sounds very low level, but again it is probably a bit of the working out what is actually important or not in terms of – we have talked about mandatory reporting and the overall regulatory environment – having the space to be focused on the most important risk areas. At the moment I would say in some cases – personal view; it has not been through council – it can feel like we have got a lot of regulatory reporting compliance, and that may distract away from focusing on the areas of highest risk. Being able to focus on the most important things in the most meaningful way is how we can help break the system.

Bruce DOBSON: Just to add to that, cyber has been mentioned. I think those financial cycles which have large volumes of transactions, so procurement through to paying people, payroll and just those general financial accounts I think would be the areas of greatest inherent risk. We have all therefore looked at what controls we put in place to address those inherent risks that exist to try to bring the risk down to a manageable level, and that involves a whole lot of things. We will have internal processes. We will have an internal audit program which cycles around different things over time. We will not look at everything every year, but we will have six or seven reviews undertaken each year and cover off those key cycles as part of that. Obviously the management review and reporting, exception reporting and those types of things, identify where there might be any anomalies. Those things take resource effort to make sure that those controls are in place, but they are regularly assessed and need to be.

Mathew HILAKARI: Thank you.

Dan STRAUB: I do agree with the other councils. I think for a small council like Loddon it is the resourcing around those controls that we would definitely struggle with. We have put a lot of measures in place to make sure we are doing our utmost, but we do not have that team of people that can really identify and solely identify those risks that come from within the departments. I think the resourcing would be the biggest part that we would struggle with.

Mathew HILAKARI: Thank you. Southern Grampians.

Tony DOYLE: Cybersecurity has been mentioned, but probably for us I think robust procurement processes. It is an area that we work really hard on to make sure we have really got a very tight process around. I think with the amount of money we spend every year on procurement, it has probably got to be our most significant risk.

Mathew HILAKARI: Thank you. And Warrnambool.

Andrew MASON: At a low level I think the biggest risks remain the timesheet fraud and misuse of resources. At a bigger level, cybersecurity I agree is a huge issue. I think that one of the things that could be done is, particularly for rural and regional councils, the cost of doing an uplift of an IT system is so huge that continued state support is really important. The rural councils transformation program provided funding for us to do a project with Moyne and Corangamite. If we had not had funding from the state government, I doubt that we would have been able to afford to do what we are doing, so I can give that a plug. It is something that can and should continue to happen.

Mathew HILAKARI: Thank you so much. And finally, West Wimmera.

David BEZUIDENHOUT: I agree with those three points that were mentioned by Hume in terms of cybersecurity and financials, specifically the procurement space, and conflict. And then also the whole issue of resourcing for small councils. At the end of the day we as small councils have to comply with the same *Local Government Act*, with all the other rules and regulations and legislation in place. Nobody asked the question of whether you only have one single person in a governance team and one single person helping you with IT and one single person helping you in that HR space. It is really trying to do a lot with a small number of resources. Therefore we are heavily reliant on funding opportunities to help us to actually implement good finance systems and do good document control systems and help us to make those things happen. But yes, I think otherwise it is more or less in line with the other responses. Thank you.

Mathew HILAKARI: Thank you so much for that. I might actually go in the reverse order now so it is fair on the way through. We have heard mentioned a number of times that size is a real challenge for councils and those resource capacities, and we have also heard that there is a fair bit of sharing going on across the sector, which is really great to hear. Are there other things that could be happening within the sector that could contribute to that sharing, and what does that look like? Because if that size challenge exists – as you said, there is one governance person maybe, whereas we hear at a council like Hume they are able to thankfully employ a couple of people just to be concentrated on cyber – is there more sharing that needs to go on in the sector, or is size just a problem that cannot be overcome? I might start with West Wimmera.

David BEZUIDENHOUT: I think we definitely always would support any sharing if we can do it and if it is practical. Sometimes unfortunately it is not that practical. For instance, I think there was funding available a couple of years ago for a finance system, but Horsham Rural City Council were with us in that same group and their requirement for a finance system was a lot different to our requirement for a finance system, so at the end of the day we had to lean towards a system that is a little bit smaller and a little bit more user-friendly and, in a sense, had to try to partner with other councils. For instance, when we had a problem with a rates officer, we could link with Ararat that was making use of the same finance system and the same rates system and make use of one of their resources to help us in that rates space because they had the same finance system, but we could not do it with Horsham Rural City Council.

At the end of the day you still have to implement systems that you can actually manage. And it is always trying to find those systems in a small council that are easy to train staff in and that are user-friendly but that are still going to help you to have the necessary robustness and governance around them to still comply with all acts and with all legislation. We do it on a continuous basis. I have got a monthly meeting with the six or seven councils around me, and each and every opportunity that we can to go out on joint procurement, we definitely make use of it and leverage it wherever we can. But sometimes circumstances of different councils are different, and you have to take that into consideration.

Mathew HILAKARI: Thank you. I might throw to Warrnambool.

The CHAIR: I am just going to jump in there. I hate to be the bearer of bad news, but our 2 hours together are up. I am going to call it time there, as the committee is going to take a short break before beginning its afternoon sessions. I do want to thank all of you for coming along today, particularly those that have travelled a very long way in person. Thank you. I will not ask you what time you got up this morning to come in.

The CHAIR: 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 now take a short break of 30 minutes before recommencing this hearing. I declare this hearing adjourned.

Witnesses withdrew.