



South Gippsland
Shire Council

Our ref: [D5657525](#)

29 August 2025

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

Via email only: paec@parliament.vic.gov.au

Dear Chair Connolly

**Parliamentary Inquiry into Fraud and Corruption Control in Local Government -
South Gippsland Shire Council Additional Questions**

I am writing in response to your correspondence dated the 22 August 2025, in which you included additional questions for South Gippsland Shire Council to answer in relation to the Parliamentary Inquiry into Fraud and Corruption Control in Local Government.

Additional Questions for South Gippsland Shire Council

Please find below responses to the Committee's additional questions:

1. Would standardisation across councils be beneficial? What things would you like to have standardised (e.g. policies, processes, reporting, grant assessment criteria)?

The introduction of the Model Councillor Code of Conduct has demonstrated the value of standardisation in supporting consistency and good governance across the local government sector.

Council supports Local Government Victoria's (LGV) current approach to the Model Governance Rules initiative, particularly its collaborative engagement with the sector throughout the development process.



Following the finalisation of the Model Governance Rules, Council encourages LGV to continue partnering with the sector to develop other model documents particularly those related to legislated policies, such as the Public Transparency Policy to further support good governance and compliance.

2. How does your council ensure that its Audit and Risk Committee is contributing to best practice controls? For example, how your ARC prioritises its work and meeting agendas and maintains transparency.

Council's Audit and Risk Committee plays a key oversight role, with the annual internal audit program ensuring that all areas of Council operations are regularly reviewed against best practice. This process strengthens Council's policies, procedures, and practices at a strategic level.

Council ensures that the independent members of the Audit and Risk Committee bring a diverse range of skills, extensive experience, and professional networks. This diversity supports the sharing of best practice approaches and enhances the quality of advice provided to Council.

The Committee is supported by Council staff and the appointed internal auditors in the development of its annual work plan and internal audit program. This collaborative approach helps to identify key risk areas and ensure that priority issues are appropriately addressed through the internal audit program. To promote transparency and accountability, all Audit and Risk Committee meeting minutes and biannual Chair's updates are made publicly available through reports presented at Council meetings.

3. How adequate do you believe the current consequences/penalties for breaches to the Local Government Act or instances of fraud and corruption are? What would you like to see changed?

Council supports the recent changes to enable the Local Government Inspectorate to issue infringement notices (small fines) for non-compliance with Personal Interest Returns requirements. We believe this approach should be extended to include other minor breaches of the Local Government Act, as a means of promoting a culture of compliance across the sector.

At the other end of the spectrum, serious breaches of the Local Government Act must be met with strong enforcement actions and prosecuted to the full extent of the law. It is critical that deliberate and corrupt conduct is not only investigated but also visibly penalised, to reinforce public confidence that such behaviour will not be tolerated.



While Operation Sandon has delivered valuable insights and learnings for the local government sector, the absence of prosecutions for alleged breaches under the former *Local Government Act 1989* risks undermining the culture of accountability and eroding community trust in the sector as a whole.

4. How adequate do you believe current whistleblower protections in the local government sector and how could these protections be improved?

The current protections under the *Public Interest Disclosures Act 2012* (PID Act), such as protection from detrimental action are adequate. Council does not believe that additional protections are required.

5. In its survey response, South Gippsland noted the recent establishment of a dedicated Governance and Integrity Unit (the Unit).

a. What led to your council deciding a Unit would be beneficial?

Council's decision to establish the Governance and Integrity Department was driven by a commitment to the early detection and prevention of potential fraudulent or corrupt conduct. By consolidating the functions of risk management, fraud prevention, governance, and Public Interest Disclosure oversight under a single senior officer, Council has created a more integrated and proactive approach to integrity management.

This structure also enhances organisational capability by aligning similar functions, enabling more targeted training, consistent support, and the development of specialised expertise across these critical areas.

b. How does the Unit differ to and interact with your Audit and Risk Committee?

The Governance and Integrity Department provides a more targeted and proactive approach to supporting Council through training, investigations, and day-to-day guidance. This focus enhances Council's ability to manage integrity risks and promote a strong governance culture.

Council's Audit and Risk Committee plays a key oversight role, with the annual internal audit program ensuring that all areas of Council operations are regularly reviewed against best practice. This process strengthens Council's policies, procedures, and practices at a strategic level.

As a standing agenda item, the Governance and Integrity Department provides regular reports to the Audit and Risk Committee. This enables the Committee to fulfil its oversight responsibilities and provide informed advice, supporting



Council's commitment to continuous improvement and the early detection and prevention of fraud and corruption.

6. South Gippsland noted in its witness statement that ambiguities and overlaps in reporting requirements can make it challenging for smaller councils to meet their obligations. Can you tell us more about what those ambiguities and overlaps are?

Current reporting requirements such as initial and biannual returns, candidate campaign donation disclosures, and mandatory training modules and declarations are designed to support the management of conflicts of interest and facilitate the early detection of corrupt or fraudulent behaviour within Councils. However, smaller Councils often face challenges in analysing the data collected through these mechanisms due to limited resources and capacity.

Additionally, the risk of conflicts of interest can be heightened in smaller communities, where there is a limited pool of suppliers, businesses, and potential contractors. This context increases the need for enhanced oversight and support.

Therefore, it is essential that integrity bodies such as the Independent Broad-based Anti-corruption Commission (IBAC) and the Local Government Inspectorate are adequately resourced to conduct sector-wide analysis and provide targeted support to smaller Councils. This would help ensure a consistent and proactive approach to integrity and accountability across the local government sector

Questions for all elected members of Council

Unfortunately, due to the short timeframe in which responses were required by Council was unable to coordinate responses to the two additional questions you requested all Councillors to consider.

If you have any questions in relation to this matter or require further information, please contact Council's Manager Governance & Integrity, Rhys Matulis on 03 5662 9816 or rhys.matulis@southgippsland.vic.gov.au

Yours sincerely

Cr John Schelling
Mayor