



30 September 2025

Ms Sarah Connolly
Chair
Public Accounts and Estimates Committee
Parliament House, Spring Street
EAST MELBOURNE VIC 3002

Via email: PAEC@parliament.vic.gov.au

Dear Ms Connolly,

Parliamentary Inquiry into Fraud and Corruption Control in Local Government

Please find below/attached Hobsons Bay City Council's written statement addressing the Committee's areas of interest.

1. Unique challenges to maintaining effective fraud and corruption control measures being faced by metropolitan councils

Metropolitan councils, by virtue of their size and diverse workforce, deliver an extensive range of services and oversee significant procurement activities. This complexity naturally introduces multiple potential points for fraud and corruption risks to emerge. The frequent use of contractors and consultants means that some of these risks lie beyond the council's immediate oversight, particularly if contract management frameworks are not robust and consistently enforced.

Additional barriers include:

- High staff turnover, which disrupts continuity, erodes organisational knowledge, and increases the likelihood of compliance lapses and weakened internal controls.
- Changing regulatory requirements, which can create confusion or inconsistencies in policy implementation and necessitate ongoing updates to procedures and staff education.
- Technological challenges, such as outdated systems, fragmented data, or insufficient cybersecurity measures, that can hinder effective risk detection and management.
- Complex reporting lines and governance structures, which may lead to unclear accountability and diluted responsibility for fraud and corruption controls.

Collectively, these factors make it challenging for metropolitan councils to maintain strong, effective fraud and corruption control measures, highlighting the importance of continual investment in governance, training, and systems improvement.

2. The impact of council and council executive on establishing a culture of effective fraud and corruption control measures

The Listening and Support work conducted by Hobsons Bay City Council illustrates the significant consequences that governance failures can have on the ability to effectively manage fraud and corruption risks. When governance structures lack robustness or transparency, gaps may emerge in accountability, oversight, and internal controls, making it harder to detect and respond to fraudulent or corrupt activity. This not only undermines trust in council processes but also exposes the organisation to financial and reputational harm.

In response to these findings and recommendations, an Improvement Action Plan (IAP) has been developed to address identified weaknesses and ensure that governance standards are strengthened. The IAP sets out clear actions, timelines, and responsibilities for remedying shortcomings highlighted in the Auditor-General's reports, with a focus on embedding best-practice fraud and corruption controls, enhancing staff training, and improving reporting mechanisms. By proactively implementing the IAP, Council demonstrates its commitment to restoring integrity and building a culture of continuous improvement in governance and risk management.

Key pieces of control that are already in place or under development include but not limited to:

- Reconstitution of the Audit and Risk Committee.
- Review of the CEO Selection and remuneration policy and reestablishment of appropriate committee that includes an independent chair.
- Establishment of capital works framework.
- Review of community grants policy.
- Review of fleet and plant management framework that includes adequate controls regarding fuel cards.
- Review of procurement and contract management framework.
- Review of delegations and associated framework that underpins these delegations.
- Review of overall policy framework.
- Review of governance rules for Council meetings.

3. Barriers to implementing best practice cybersecurity measures to mitigate fraud and corruption risk

Implementing best-practice cybersecurity measures presents significant financial challenges, with substantial upfront investment and ongoing costs required for programs, continuous monitoring, and specialised personnel.

As outlined in the Draft Annual Report, Council IT is proactively strengthening cyber security through a targeted program of strategic enhancements. Recent initiatives include the introduction of a sophisticated, 24/7 threat monitoring and response system covering the entire Council network, comprehensive upgrades to the firewall architecture to enable real-time threat detection and prevention, and the deployment of AI-powered protection for the Council's website to secure online forms and public-facing portals from malicious activity. These actions demonstrate Council IT's strong and ongoing commitment to maintaining a resilient, secure digital environment.

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

The Victorian local government sector operates within a complex integrity framework, with multiple agencies responsible for oversight, investigation, and reporting of fraud and corruption. Key bodies include the Independent Broad-based Anti-corruption Commission (IBAC), the Local Government Inspectorate (LGI), the Victorian Auditor-General's Office (VAGO), and the Victorian Ombudsman. Each agency has its own distinct jurisdiction, legislative mandate, and reporting pathways, but there is significant potential for overlap and confusion both for councils and members of the public seeking to report suspected misconduct.

Councils are required to maintain strong working relationships with each of these agencies. IBAC is primarily responsible for investigating serious corruption and police misconduct, while LGI focuses on breaches of the Local Government Act and councillor conduct. VAGO undertakes audits of council operations and financial management, identifying systemic weaknesses and opportunities for improvement, and the Ombudsman investigates complaints about administrative actions by councils.

While the presence of multiple agencies provides comprehensive coverage and multiple avenues for reporting, it can also create uncertainty about which agency is the most appropriate for a given matter. This complexity can lead to delays in reporting, duplication of investigation efforts, or matters falling between the cracks. There is ongoing concern about whether council staff, councillors, and the broader community have sufficient understanding of the specific roles and jurisdictions of each agency. Uncertainty around reporting responsibilities may hinder timely and effective responses to fraud and corruption risks.

To address these challenges, there is a need for ongoing education and communication from both councils and integrity agencies to clarify reporting pathways and support consistent application of reporting protocols. Clearer guidance and streamlined referral processes would help ensure that issues are reported to the correct agency promptly and that investigations proceed efficiently, reinforcing the overall integrity of the local government sector.

5. Proposed approaches to resourcing across councils, including knowledge and skills sharing models

Effective resourcing across councils is best achieved through collaborative models and shared service arrangements, which offer practical and sustainable solutions to common challenges. One approach is the creation of regional knowledge hubs or working groups, which allow councils to exchange best practices, policy templates, and insights on critical topics such as fraud control, procurement, and governance. These forums not only support peer mentoring and professional development but also foster ongoing sector-wide learning. Hobsons Bay staff, for example, regularly participate in LGPRO Special Interest Groups and Western Regional collaboration groups, contributing to and benefiting from these networks.

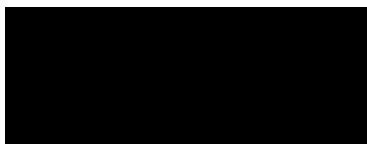
Additionally, secondment and staff exchange programs encourage the cross-pollination of knowledge and skills, build capacity across the sector, and address gaps in specialist expertise. Such initiatives, often formalised through Memoranda of Understanding or sector-wide agreements, have proved particularly valuable for Hobsons Bay during periods of senior staff shortages.

Sector-wide training and accreditation schemes—such as those focused on fraud risk management, whistleblower protection, and cyber security—further promote consistent standards, reduce duplication, and ensure staff remain up to date with best practice. While LGPRO currently provides sector-wide training, there is an opportunity for future accreditation to strengthen quality control and governance practices within councils.

By embracing these collaborative models, councils can better manage resource limitations, drive continuous improvement, and nurture a culture of knowledge-sharing. Ultimately, these approaches enhance risk management and governance frameworks, delivering greater transparency, accountability, and improved outcomes for local communities.

We thank the Committee for this opportunity to share our experiences and perspectives.

Yours sincerely



Kerry Thompson
Interim Chief Executive Officer