

City of Port Phillip – Response to PAEC Follow-Up Questions

Parliamentary Inquiry into Fraud and Corruption Control in Local Government

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

Yes, standardisation across councils would be beneficial, particularly in areas that directly impact fraud and corruption controls. Consistent frameworks for fraud and corruption policies, grant assessment criteria, and incident reporting protocols would help reduce ambiguity and improve sector-wide accountability.

Shared templates and guidance for risk registers, Audit and Risk Committee charters (especially regarding fraud oversight), and Public Interest Disclosure procedures would support better benchmarking, collaboration, and alignment with integrity agency expectations. Standardised reporting formats and terminology would also enhance transparency and comparability across the sector.

However, it is important that any standardisation allows for local flexibility, enabling councils to tailor approaches to their unique risk profiles, community needs, and governance structures.

To support this, we recommend:

- Development of a sector-wide fraud control maturity framework.
- Updates to the Victorian Government Risk Management Framework (VGRMF) to explicitly incorporate fraud and corruption prevention.
- Collaborative delivery models with MAV and LGPro to co-design consistent training programs.

2. How does your council ensure that its Audit and Risk Committee is contributing to best practice controls?

Our Audit and Risk Committee (ARCo) plays a critical role in overseeing fraud and corruption controls. Under our Committee Charter, ARCo develops an annual forward work plan that shapes meeting agendas and ensures coverage of key responsibilities. Items may be added or removed with the Chair's approval, ensuring responsiveness and governance rigour.

ARCo prioritises its agenda using inputs from strategic risk assessments, internal audit findings, and emerging sector issues. The Committee receives regular updates on incident registers, audit recommendations, and compliance reviews. Transparency is maintained through clear reporting lines to Council and public availability of meeting outcomes where appropriate.

Recent internal audits confirmed that key elements of our fraud control framework are in place, and identified opportunities for improvement, including refresher training and a continuous fraud awareness communication plan.

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?

While the Local Government Act 2020 provides a legislative framework for addressing misconduct, the current system of consequences and penalties can be difficult to navigate. Penalty units vary in value and application, and the system lacks visibility for councillors and the community.

There is also inconsistency in how breaches are investigated and enforced. The Local Government Inspectorate and Chief Municipal Inspector investigate serious misconduct, while IBAC steps in for matters involving serious corruption. However, the timeliness and transparency of these processes can vary, and outcomes are not always well understood or enforced.

An example is Operation Sardon - despite driving significant reform, the individuals involved were not sanctioned.

To improve public confidence and sector accountability, we recommend:

- Clearer guidance on escalation pathways and enforcement mechanisms.
- Greater transparency around investigation outcomes and sanctions.
- Review of penalty thresholds to reflect the seriousness of breaches.
- Improved education for councillors and staff on misconduct implications.
- Balanced protections against vexatious complaints.

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

Current whistleblower protections under the Public Interest Disclosure framework provide a necessary safeguard, but practical barriers remain. Staff and councillors may hesitate to report due to fear of reprisal, lack of clarity on the process, or concerns about confidentiality.

Council manages PIDs confidentially through a designated coordinator and is only notified if IBAC chooses to investigate. This limits visibility and feedback loops. Councillor feedback also highlighted concerns about disempowerment, lack of evidence access, and community frustration when allegations are deemed operational and not escalated.

To improve protections and uptake, we recommend:

- Bespoke training tailored to different workforce cohorts.
- Simplified reporting channels and greater visibility of support services.
- Co-development of resources with MAV and LGPro.
- Clearer guidance on councillor roles in fraud reporting.
- Improved transparency and resourcing for integrity agencies.

Councillor Feedback Summary

Three councillors provided input to PAEC's follow-up questions. One requested confidentiality, so therefore responses are summarised anonymously.

Confidentiality in Meetings

- Councillor 1 expressed discomfort when decisions feel predetermined, e.g. single-vendor contracts. Raised concerns about lack of transparency in officer meetings and questioned the purpose and duration of confidentiality.
- Councillor 2 felt Port Phillip has the balance right, with clauses to release confidential decisions when appropriate. Emphasised the need for discretion in divisive environments.
- Councillor 3 supported confidentiality for commercial matters but advocated for public discussion of general issues before moving to confidential. Suggested faster declassification of items.

Speak-Up Culture and Integrity Agencies

- Councillor 1 felt disempowered when receiving community allegations, citing lack of access to evidence and operational barriers. Expressed concern about councillor board obligations and lack of confidence in integrity agencies due to backlogs.
- Councillor 2 described a strong speak-up culture and robust ARCo processes. Raised concerns about transparency of local political groups and underfunding of integrity agencies.
- Councillor 3 had not encountered corruption directly but had made a complaint to the LGA Inspectorate and was disappointed with the outcome. Noted limitations of the Ombudsman and hoped agencies were "without reproach."

These perspectives reinforce the need for clearer protocols, improved transparency, and stronger support mechanisms for councillors navigating integrity concerns.