



Public Accounts and Estimates Committee

Fraud and corruption control in local government: a follow up of two Auditor-General reports

Inquiry

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About the Committee

Functions

The Public Accounts and Estimates Committee is a Joint Parliamentary Committee constituted under the *Parliamentary Committees Act 2003* (Vic).

The Committee is comprised of nine Members of Parliament drawn from both the Legislative Assembly and the Legislative Council.

The Committee scrutinises matters of public administration and finance to improve outcomes for the Victorian community. Under the legislation, the Committee is required to inquire into, consider and report to the Parliament on:

- any proposal, matter or thing concerned with public administration or public sector finances
- the annual estimates or receipts and payments and other budget papers and any supplementary estimates of receipts or payments presented to the Assembly and the Council
- audit priorities for the purposes of the *Audit Act 1994* (Vic).

The Committee also has a number of obligations and responsibilities regarding the Victorian Auditor-General and the Victorian Auditor-General's Office (VAGO). A key responsibility is conducting follow-up inquiries into selected VAGO performance audits.

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Terms of reference

Inquiry into fraud and corruption control in local government: a follow up of two Auditor-General reports

Under sections 14(1) and 33(3) of the *Parliamentary Committees Act 2003* (Vic), the Public Accounts and Estimates Committee will inquire into, consider, and report by no later than 20 November 2025 on:

1. The 2019 report of the Auditor-General on *Fraud and Corruption Control in Local Government*.
2. The 2022 report of the Auditor-General on *Fraud Control over Local Government Grants*.
3. The actions taken by Victorian integrity and government agencies to address the issues raised in the findings and recommendations of the two audits.

The Committee will not consider individual complaints as part of the Inquiry. Allegations of council fraud or corruption should be directed to the appropriate integrity agency.

Chair's foreword

Fraud and corruption controls are the quiet machinery of integrity. When controls are weak, allowing fraud and corruption to occur, the consequences reach far beyond Council offices; they erode public confidence, weaken financial management, and diminish the standing of local government itself.

This Inquiry was undertaken to assess how Victorian Councils have progressed since the Auditor-General's 2019 and 2022 audits on fraud and corruption control. Those audits identified serious weaknesses in oversight, transparency, and prevention. The Committee has found genuine progress, but also wide variation in practice, and capability across the sector.

Councils operate in vastly different circumstances, yet community expectation of integrity is the same everywhere. The Committee heard that small rural and regional Councils continue to face systemic barriers to resourcing for developing policies and systems, training staff and monitoring risks through audits and data analytics. For other Councils, systems are in place but are not necessarily implemented consistently or robustly. The Committee has recommended practical measures to strengthen supports for Councils to ensure that they are all meeting minimum quality standards. Those measures will give the community greater confidence that their Council is preventing and detecting any wrongdoing.

A recurring theme throughout the Inquiry was the need for stronger coordination, leadership and legislative compliance. Local Government Victoria, integrity agencies and peak bodies all have roles in supporting Councils, but the support must be coherent and accessible to all Councils. Strengthening these agencies is essential if prevention and oversight are to be more than aspirational.

Ultimately, integrity in local government depends as much on culture as on compliance. Systems can be designed, but they must also be lived. Leadership, transparency and accountability are not optional features of public service; they are the foundation of trust between communities and their elected representatives.

I would like to thank my fellow Committee colleagues for their commitment and hard work on this Inquiry—Mr Nick McGowan, Deputy Chair, Ms Jade Benham; Mr Michael Galea; Mr Mathew Hilakari; Ms Lauren Kathage; Mr Aiv Puglielli; Mr Meng Heang Tak; and Mr Richard Welch.

On behalf of the Committee, I thank all Councils, witnesses, agencies and individuals who contributed their time and expertise to this Inquiry. I also thank the Secretariat for its dedication and professionalism in preparing this report.

A handwritten signature in black ink, appearing to read 'S. Connolly', with a stylized, flowing script.

Sarah Connolly
Chair

Executive summary

Introduction

The Public Accounts and Estimates Committee undertook a follow-up inquiry into two Victorian Auditor-General's Office (VAGO) audits that examined fraud and corruption controls in Councils:

- *Audit report no. 40: Fraud and Corruption Control – Local Government (2019)*
- *Audit report no. 316: Fraud Control over Local Government Grants (2022).*

A subset of Councils were audited by VAGO and recommendations were directed at all Victorian Councils. Since those audits, there have been legislative reforms and changes in the financial landscape of the local government sector, both of which have influenced how Councils responded to the audit recommendations.

Implementation of VAGO recommendations

Chapter 2 outlines the extent to which Councils have implemented VAGO's recommendations. Audited Councils implemented all recommendations they were subject to. There was strong uptake of recommendations across all Councils, although some areas showed weaker or more variable implementation, namely:

- justification, approval and reporting of Councillor and executive expenses
- training for Council staff
- internal fraud detection processes.

Resource limitations (including budget, skills and staffing) in Councils was a common barrier to implementing best practice fraud and corruption controls. That was especially true for small rural and regional Councils, which also faced unique challenges related to segregation of duties and managing conflicts of interest.

Guidance provided to Councils

Chapter 3 examines the training, education and guidance provided to Councils to support compliance with legislation and implementation of best practice fraud and corruption controls. While Councillor training has improved, more content on fraud and corruption awareness is needed at induction. Training for Council staff varies across Councils, often hindered by limited resources. The inconsistency in training quality across providers affects learning outcomes in Councils, thus a more streamlined approach to delivery of training is needed.

Fraud and corruption controls vary among Councils. Some Councils lack robust controls, particularly in areas with minimal best practice guidance, such as expense policies, governance procedures and transparency practices including reporting. Councils are seeking more guidance to ensure compliance with the *Local Government Act 2020* (Vic), and Local Government Victoria is considered the most appropriate agency to develop the additional guidance materials needed. Encouraging and supporting the employment of governance officers is also crucial for embedding strong fraud and corruption controls.

Information security controls were identified as a risk area, as Councils are not subject to Part 4 of the *Privacy and Data Protection Act 2014* (Vic). Amendments to that Act would facilitate stronger, more consistent information security across Councils.

Internal oversight

Chapter 4 assesses the internal oversight mechanisms within Councils for detecting and managing fraud and corruption. The 2024 *Councillor Conduct Framework* aims to manage misconduct internally, potentially reducing reliance on external integrity agencies, though its impact is yet to be assessed. Council Audit and Risk Committees (ARCs) play a key role in ensuring the quality and integrity of policies and procedures related to fraud and corruption controls, but their effectiveness varies due to the absence of standard terms of reference. Transparency of ARC activities and limited availability of independent members to serve on ARCs were also of note.

Internal audits and data analytics on expenses help detect fraud, and fraud and corruption incident registers track occurrences, yet resource limitations hinder many Councils from performing those functions. Nevertheless, some Councils have developed bespoke integrity functions, demonstrating a commitment to best practice.

Transparency and reporting

Chapter 5 examines the role of transparency in preventing fraud and corruption and the processes for reporting fraud and corruption to integrity agencies. Key transparency issues included a lack of minimum standards for public information disclosure by Councils, inadequate reporting of personal interest returns and insufficient public awareness of conflicts of interest in decision making. While record keeping for grant administration is improving, there is still insufficient scrutiny of those processes.

Reporting suspected incidents of fraud and corruption to integrity agencies primarily occurs through the Public Interest Disclosure system. The conditions under which whistleblowers have protection under this system are difficult to understand, not always communicated clearly and not sufficient. There are also unclear legislative mechanisms to protect whistleblowers from reprisal. The gaps in whistleblower protections can deter individuals from reporting fraud and corruption.

Integrity agencies and investigations

Chapter 6 highlights the role of Victorian integrity agencies in providing oversight of Councils. The Local Government Inspectorate (LGI), the Victorian Ombudsman (VO) and the Independent Broad-based Anti-corruption Commission (IBAC) receive, refer and investigate complaints, but only LGI can prosecute for breaches of the *Local Government Act 2020* (Vic) (the Act). Despite cooperative efforts, improvements to legislation could increase efficiency of those processes.

Resource limitations hinder the effectiveness of LGI and the VO to provide early intervention that prevents serious issues arising in Councils. This means LGI cannot fulfill its core role to investigate breaches of the Act. Many complaints are returned to Councils, which often lack the capacity for internal investigations. Increasing funding for LGI and the VO is essential to ensure robust external oversight of Councils. Meanwhile, legislative restrictions limit the public reporting of investigation and audit outcomes and delay communication to the Minister for Local Government, which may hinder the exposure of fraud and corruption and timeliness of Ministerial interventions.

Disciplinary actions

Chapter 7 discusses the disciplinary actions that can be taken in response to fraud, corruption and Councillor misconduct. The Local Government Inspectorate (LGI) faces resource constraints, limiting prosecutions to only severe cases. The principle-based *Local Government Act 2020* (Vic) further hinders court proceedings, making it harder to prove cases, so intermediate penalties are needed. Although LGI's new power to issue infringement notices is a positive step, its scope is limited.

Ministerial interventions such as the appointment of municipal monitors offer options for correcting Council governance issues, but their appropriateness and effectiveness require closer examination to ensure optimal use to address challenges.

Findings and recommendations

2 Implementation of VAGO recommendations

FINDING 1: At the time of this Inquiry, all recommendations in the Victorian Auditor-General's Office audit reports no. 40 (2019) and no. 316 (2022) had been implemented by Councils subject to those audits, with Hume and Warrnambool City Councils taking until 2024 to implement all recommendations from audit report no. 316. **13**

FINDING 2: Small rural and regional Councils face systemic barriers to implementing best practice fraud and corruption controls. **16**

RECOMMENDATION 1: Local Government Victoria collaborate with peak bodies to develop a strategy for supporting rural and regional Councils with the unique challenges they face in implementing best practice fraud and corruption controls. The strategy should:

- be developed in consultation with rural and regional Councils
- provide solutions for how those Councils can implement appropriate segregation of duties in their context
- provide solutions for how those Councils can manage conflicts of interest in their context.

16

3 Guidance provided to Councils

FINDING 3: The *Local Government Amendment (Governance and Integrity) Act 2024* (Vic) requires Councillors to complete induction training and ongoing professional development training. Local Government Victoria's guidance on training for Councillors does not make fraud and corruption awareness a mandatory part of induction training. As such, Councillors are not necessarily receiving comprehensive fraud and corruption awareness training upon commencement. **20**

RECOMMENDATION 2: Local Government Victoria update the *Guidance on the mandatory training for Mayors, Deputy Mayors and Councillors* to make the learning domain on 'Preventing fraud and corruption' a mandatory part of Councillor induction training. **20**

FINDING 4: Councils face systemic barriers in providing sufficient and tailored fraud and corruption control training to staff. These include staff turnover, evolving legislative requirements, lack of internal expertise to deliver training and budget constraints hindering access to regular external training.

21

FINDING 5: Peak bodies, integrity agencies and private companies provide fraud and corruption awareness training, including mandatory Councillor training. This training is not coordinated and varies in quality among providers. Consequently, learning outcomes are not consistent across Councils.

22

FINDING 6: Multiple local government sector stakeholders see benefit in having more Victorian Government support to streamline the provision of training on fraud and corruption prevention to Councillors and Council staff.

24

RECOMMENDATION 3: Local Government Victoria consult with sector stakeholders to facilitate a more streamlined approach to the provision of training on fraud and corruption prevention and awareness that:

- avoids duplication of effort
- optimises cost-efficiency for Councils
- ensures a minimum standard of quality
- is scalable to the various Council contexts
- enables all Council staff to receive training.

The new approach should be implemented by the next Council election cycle.

24

FINDING 7: There is variability in how Councils are implementing fraud and corruption control policies, procedures and systems, partly due to systemic barriers including unfamiliarity with legislation, lack of in-house capability and limited budget, particularly in small rural and regional Councils.

26

FINDING 8: Local Government Victoria is currently developing Model Governance Rules.

29

RECOMMENDATION 4: Local Government Victoria include standard procedures for declaring a conflict of interest and a specific procedure for grant assessments in its Model Governance Rules currently under development.

29

FINDING 9: Gaps in the sector guidance available to Councils include minimum standards or templates for expenses policies and reporting tools. **29**

RECOMMENDATION 5: Local Government Victoria develop guidance materials, including templates, that support Councils to develop appropriate expenses policies and reporting tools. **29**

FINDING 10: Employing governance officers and ensuring they are supported through professional development is a crucial way to strengthen fraud and corruption controls in Councils. **31**

RECOMMENDATION 6: The Victorian Government consider ways to encourage all Councils to employ suitably skilled governance officers. **31**

FINDING 11: Knowledge sharing through forums such as communities of practice is an effective way to support capability uplift and continuous improvement across the local government sector, and while it is currently occurring, it lacks state-level coordination and support. **33**

RECOMMENDATION 7: Local Government Victoria undertake consultation with sector stakeholders to determine the best approach for strengthening and expanding knowledge-sharing forums, including ways that ensure access is affordable for all Councils. **33**

FINDING 12: Establishing shared services among Councils, such as shared Information and Communications Technology systems, creates information security risks that need to be controlled. **33**

RECOMMENDATION 8: Local Government Victoria (LGV) undertake or commission a risk assessment for shared services across Councils, particularly shared Information and Communications Technology systems. Based on these assessments, LGV provide guidance to Councils on the minimum information security controls required to establish shared services. **34**

FINDING 13: Information security controls are inconsistent across Councils and not sufficiently robust, which increases the risk of fraud and corruption. **35**

FINDING 14: Councils are not subject to Part 4 of the *Privacy and Data Protection Act 2014* (Vic) and, therefore, are not obliged to follow the Victorian Protective Data Security Standards.

35

RECOMMENDATION 9: The Victorian Government seek to amend the *Privacy and Data Protection Act 2014* (Vic) to include Councils in Part 4 so that they are required and supported to implement consistent information security controls.

35

4 Internal oversight

FINDING 15: Victorian Council Audit and Risk Committees lack standardised terms of reference, leading to inconsistencies in their operations and effectiveness.

39

RECOMMENDATION 10: Local Government Victoria ensure its forthcoming guidance materials for Audit and Risk Committees (ARCs) incorporate the suggestions provided to the Inquiry to improve consistency in the activities of ARCs by having:

- minimum frequency for ARC meetings—at least quarterly
- standing agenda items related to fraud and corruption controls and suspected incidents
- standing agenda item for follow up on Victorian Auditor-General's Office audit recommendations
- a dedicated staff member—ideally a governance officer—responsible for reporting to the ARC.

39

FINDING 16: There are a limited number of people qualified to sit as independent members on Audit and Risk Committees (ARCs), leading to them having insufficient independent representation and people being members of multiple ARCs simultaneously. **40**

FINDING 17: There is currently no legislative limitation on tenure terms for individual members, or for serving on multiple Audit and Risk Committees across different Councils. **41**

RECOMMENDATION 11: Local Government Victoria develop a strategy through consultation with sector stakeholders to address the problems stemming from insufficient supply of suitably qualified people to serve as independent members on Council Audit and Risk Committees (ARCs), in particular, individuals serving on multiple ARCs simultaneously. The strategy should be completed and communicated to the sector by the next Council election cycle.

41

FINDING 18: There is insufficient visibility and scrutiny of Council Audit and Risk Committee membership and activities.

42

RECOMMENDATION 12: The Victorian Government seek to amend the *Local Government Act 2020* (Vic) to mandate that Councils publish information about their Audit and Risk Committees, including:

- membership
- annual work plan
- register of potential or perceived conflicts of interest for independent members.

42

FINDING 19: Councils vary in their capability and capacity to undertake audits of fraud controls and perform data analytics to detect fraud, with only about half of Councils currently performing analytics on credit card and fuel card use.

43

FINDING 20: Approximately one third of Victorian Councils do not have a fraud and corruption incident register.

43

RECOMMENDATION 13: Local Government Victoria include in its forthcoming guidance material for Council Audit and Risk Committees directions on how they should be involved in the establishment and oversight of incident registers.

44

FINDING 21: The emergence of bespoke internal oversight mechanisms in some Victorian Councils is indicative of a shift in the local government sector towards adoption of best practice.

44

FINDING 22: Although it is too early to evaluate the impact of the *Councillor Conduct Framework*, it represents progress towards standardising conduct across Victorian Councils and a mechanism for early intervention that reduces reliance on integrity agencies.

47

5 Transparency and reporting of fraud and corruption

FINDING 23: Under the *Local Government Act 2020* (Vic), there are no mandated minimum standards for what information Councils must report publicly.

50

FINDING 24: It is difficult for the public to assess the expenditure and planned expenditure by local government based on the lack of specificity in existing budget reporting by Councils, and to consider if money is appropriately allocated and expended in line with initial budgets.

53

RECOMMENDATION 14: The Victorian Government consider making changes that increase the level of detail provided by Councils in their budgets so that the public is able to assess Council expenditure and planned expenditure.

53

FINDING 25: Although the *Local Government Act 2020* (Vic) requires relevant individuals to disclose conflicts of interest (COIs) according to the Council's Governance Rules, COIs are typically not reported publicly. This erodes public trust in Councils and undermines transparency.

54

RECOMMENDATION 15: Local Government Victoria develop minimum standards for the information that Councils must report publicly, including conflicts of interest registers.

54

FINDING 26: There is low compliance among Councils with provisions regarding personal interest returns (PIRs) in the *Local Government Act 2020* (Vic), and Councils do not report PIRs in a consistent manner.

55

RECOMMENDATION 16: Local Government Victoria develop guidelines to standardise the way that Councils report their personal interest returns to improve compliance with provisions in the *Local Government Act 2020* (Vic).

55

FINDING 27: Responsibilities for oversight of fraud and corruption controls related to grant assessment and management in Councils are unclear.

56

FINDING 28: Many Councils are now using third party grants management systems, which facilitates consistent record keeping that can be used for internal audits.

56

RECOMMENDATION 17: Local Government Victoria (LGV) provide clear instructions to Audit and Risk Committees (ARCs) about their role and responsibilities in oversight of Council grants. Those instructions should be included in LGV's forthcoming guidance for ARCs currently under development.

57

FINDING 29: Council culture can foster confidence among staff to report fraud and corruption through promoting openness, displaying strong leadership and governance frameworks, providing accessible and confidential reporting channels and ensuring an adequate and timely response.

59

FINDING 30: An effective Public Interest Disclosure system is a crucial mechanism for addressing fraud and corruption, especially in instances where a Council does not have a safe 'speak up' culture.

59

FINDING 31: Information provided on the Independent Broad-based Anti-corruption Commission's webpage about the confidentiality of a whistleblower's identity could potentially be misleading to someone considering making a disclosure.

60

FINDING 32: When a Public Interest Disclosure is determined by a relevant agency to not be a Public Interest Complaint, the discloser's identity does not need to be kept confidential, which may deter an individual from making a disclosure.

60

FINDING 33: An individual who makes a Public Interest Disclosure (PID) is protected from reprisal under Part 6 of the *Public Interest Disclosures Act 2012* (Vic) even if it is not determined to be a Public Interest Complaint (PIC). However, prosecution for reprisal against a whistleblower is only possible if the PID is assessed as a PIC, meaning that in practice not all whistleblowers are protected from reprisal, and that is not clearly communicated on the Independent Broad-based Anti-corruption Commission's webpage about making disclosures.

61

FINDING 34: An individual who has made a Public Interest Disclosure could still face reprisal in the workplace from their employer or manager if they are able to justify the action as unrelated to a disclosure. This may deter individuals from making a disclosure.

61

RECOMMENDATION 18: The Independent Broad-based Anti-corruption Commission improve its public-facing information to ensure it clearly outlines to potential whistleblowers the inherent risks of making a disclosure under current legislation and how the protections they receive against reprisal work in practice.

62

FINDING 35: The *Public Interest Disclosures Act 2012* (Vic) does not outline guidelines on how reprisals against whistleblowers are to be handled and by which entity.

62

RECOMMENDATION 19: The Victorian Government seek to amend the *Public Interest Disclosures Act 2012* (Vic) to ensure that whistleblowers are protected in practice against reprisal, with clear guidelines set concerning how reprisal is to be handled and by which entity.

62

FINDING 36: Unlike other Australian and international jurisdictions, the *Public Interest Disclosures Act 2012* (Vic) does not provide for whistleblowers to make disclosures to journalists if it is in the public interest, or if government agencies fail to act on a complaint.

62

RECOMMENDATION 20: The Victorian Government seek to amend the *Public Interest Disclosures Act 2012* (Vic) to allow whistleblowers to disclose information to journalists where the relevant authorities are unable or unwilling to resolve a complaint. The Queensland or Western Australian models could be adopted in Victoria.

62

FINDING 37: There is no requirement for Councils to report losses due to fraud and corruption to the Victorian Auditor-General's Office. This differs from Victorian Government departments and authorities which do have this requirement under the *Standing Directions of the Minister for Finance 2016*.

65

FINDING 38: Councils are not required to report financial losses due to fraud to the Local Government Inspectorate, however, Council Chief Executive Officers must report suspected corruption to the Independent Broad-based Anti-corruption Commission.

65

6 Integrity agencies and investigations

FINDING 39: The Local Government Inspectorate lacks sufficient resources to routinely monitor Council compliance with the *Local Government Act 2020* (Vic).

70

FINDING 40: The Local Government Inspectorate and the Victorian Ombudsman both lack sufficient resources to undertake early intervention activities with individual Councils that would foster good administration and minimise the likelihood of serious fraud and corruption issues arising.

70

FINDING 41: There is a lack of clarity in the governing legislation of Victorian integrity agencies on which agency should handle each type of complaint.

72

RECOMMENDATION 21: The Victorian Government consider reviewing and updating the governing legislation of Victorian integrity agencies to increase clarity in the definitions used to determine which agency should handle different types of complaints. They should do this in consultation with the Public Interest Disclosure Consultative Group.

72

FINDING 42: Uncertain timeframes for receiving outcomes of Public Interest Disclosure assessments and investigations by integrity agencies are a source of frustration and risk for Councils, and that can erode trust in the integrity agencies.

74

RECOMMENDATION 22: The Public Interest Disclosure Consultative Group, led by the Independent Broad-based Anti-corruption Commission, determine a better way to communicate with Councils about the progress and outcomes of Public Interest Disclosures and investigations.

74

RECOMMENDATION 23: The Public Interest Disclosure Consultative Group and Prevention Education Advisory Group develop and deliver a tailored education program to Councils about complaints handling processes. That education should build Council understanding about expected timeframes for communication of Public Interest Disclosure and investigation outcomes, as well detailed information on whistleblower protections. It should be made available to all Councillors and Council staff before the next local government election cycle.

74

FINDING 43: Most complaints about Councils received by the Independent Broad-based Anti-corruption Commission are referred elsewhere for investigation, going in roughly equal proportions to the Local Government Inspectorate, the Victorian Ombudsman and the Council itself.

75

FINDING 44: The Local Government Inspectorate's budget has decreased year-on-year since 2021, and it does not have sufficient resources to fulfill its role in investigating and prosecuting breaches of the *Local Government Act 2020* (Vic).

76

RECOMMENDATION 24: The Victorian Government review the Local Government Inspectorate's funding to determine if it has sufficient resources to enforce the *Local Government Act 2020* (Vic) via investigations and prosecutions as well as perform preventative activities for early intervention.

76

FINDING 45: Many Councils, particularly those with less resources, are struggling to undertake internal investigations due to cost, skill shortages and fear of compromising external investigations should matters need to be escalated to integrity agencies.

77

FINDING 46: The Victorian Ombudsman could provide more support to Councils about complaints handling if it had more resources.

77

RECOMMENDATION 25: The Victorian Government increase funding to the Victorian Ombudsman so that it can increase delivery of preventative activities for Councils that support good governance and complaints handling.

77

FINDING 47: If the Victorian Auditor-General's Office audit management letters were publicly reported, it would increase transparency on how effectively Councils are managing fraud and corruption risks and their finances more broadly.

78

RECOMMENDATION 26: The Victorian Auditor-General's Office consider the feasibility of publicly sharing management letters related to audits of Victorian Councils to provide increased transparency on the effectiveness of Council fraud and corruption controls and Council financial management more broadly.

78

RECOMMENDATION 27: The Victorian Auditor-General's Office include in its annual public reporting on Local Government financial audit results, information about the specific fraud and corruption control weaknesses at individual Councils and any failure of those Councils to action audit recommendations.

78

FINDING 48: The Independent Broad-based Anti-corruption Commission can only publicly report on the outcomes of investigations through Special Reports to Parliament, meaning the outcomes of some investigations are not made public. Publicly reporting outcomes of all investigations would improve transparency and help expose corruption in Councils.

79

FINDING 49: The *Ombudsman Act 1973* (Vic) does not provide for the Victorian Ombudsman (VO) to publicly report on the reasons for dismissing or discontinuing an investigation. It's important for the VO to be transparent concerning the rationale for ceasing an investigation to counter any negative public criticism.

80

RECOMMENDATION 28: The Victorian Government seek to amend the *Ombudsman Act 1973* (Vic) to empower the Victorian Ombudsman to publicly report on the reasons for dismissing or discontinuing an investigation.

80

FINDING 50: The Independent Broad-based Anti-corruption Commission cannot promptly inform the Minister for Local Government about identified fraud or corruption, delaying necessary actions.

80

RECOMMENDATION 29: The Victorian Government seek to amend the relevant legislation to enable the Independent Broad-based Anti-corruption Commission to report fraud or corruption directly to the Minister for Local Government, enabling faster action and serving as a stronger deterrent.

81

7

Disciplinary actions

FINDING 51: The shift to more principles-based legislation in the *Local Government Act 2020* (Vic) (the Act) has made it harder for the Local Government Inspectorate to successfully prosecute for breaches of the Act.

87

FINDING 52: The Local Government Inspectorate's budget constraints and the cost of prosecution mean it can only prosecute the most serious offences and, consequently, there are minimal consequences for perpetrators of 'lesser' offences.

87

FINDING 53: The *Local Government Amendment (Governance and Integrity) Act 2024* (Vic) gave the Local Government Inspectorate powers to issue infringement notices for failure to lodge personal interests returns, which is an intermediate penalty that will strengthen its ability to enforce implementation of that fraud and corruption control.

88

FINDING 54: Current penalties for Councils are not considered adequate by the local government sector to deter fraud and corruption.

90

FINDING 55: A forthcoming report by the Local Government Inspectorate will present its findings from the *Councillor Conduct Framework* review that will potentially lead to reforms of penalties for breaches of the *Local Government Act 2020* (Vic).

90

RECOMMENDATION 30: The Victorian Government support reforms to penalties for breaches of the *Local Government Act 2020* (Vic) based on recommendations from the Local Government Inspectorate’s *Councillor Conduct Framework* review. **90**

FINDING 56: The effectiveness of municipal monitors in resolving Council governance issues is unknown. **92**

FINDING 57: There is no publicly available framework for the appointment of municipal monitors to Councils by the Minister for Local Government. **93**

FINDING 58: There has been an increase in appointment of municipal monitors. **93**

RECOMMENDATION 31: The Victorian Government consider whether there is any benefit in developing a framework for the appointment of municipal monitors to Councils and that the framework be published publicly. **93**

Acronyms

ARC	Audit and Risk Committee
CCP	Councillor Conduct Panel
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CMI	Chief Municipal Inspector
COI	Conflict of Interest
Cth	Commonwealth
FinPro	Local Government Finance Professionals
FOI	Freedom of Information
FTE	Full-Time Equivalent
IAP	Internal Arbitration Process
IBAC	Independent Broad-based Anti-corruption Commission
ICT	Information and Communications Technology
IOC	Integrity and Oversight Committee
KC	King's Counsel
LGI	Local Government Inspectorate
LGV	Local Government Victoria
MAV	Municipal Association of Victoria
NSW	New South Wales
OVIC	Office of the Victorian Information Commissioner
PCCR	Principal Councillor Conduct Register
PDP	Privacy and Data Protection
PIC	Public Interest Complaint
PID	Public Interest Disclosure
PIDCG	Public Interest Disclosure Consultative Group
PIR	Personal Interest Return
Qld	Queensland
VAGO	Victorian Auditor-General's Office
VCAT	Victorian Civil and Administrative Tribunal
VLGA	Victorian Local Governance Association

Acronyms

VO	Victorian Ombudsman
VPDSF	Victorian Protective Data Security Framework
VPDSS	Victorian Protective Data Security Standards
VPSC	Victorian Public Sector Commission

Chapter 1

Introduction

1.1 Background

1.1.1 Role of the Committee

The Public Accounts and Estimates Committee (the Committee) is responsible for conducting follow-up inquiries into selected audits undertaken by the Victorian Auditor-General's Office (VAGO). Follow-up inquiries examine the extent to which VAGO's recommendations have been implemented and identify any broader issues affecting implementation. Follow-up inquiries also consider any new issues that may have arisen since the audit reports were tabled.

1.1.2 Inquiry scope

On 11 November 2024, the Committee resolved to undertake a follow-up inquiry into two performance audits by VAGO that examined fraud and corruption controls in Councils:

- *Audit report no. 40: Fraud and Corruption Control – Local Government (2019)*
- *Audit report no. 316: Fraud Control over Local Government Grants (2022).*

Both audits examined a selection of Councils (see Chapter 2). VAGO directed recommendations in both audit reports to all Victorian Councils, as opposed to only the audited Councils. This Inquiry examines the extent to which all Victorian Councils have implemented those recommendations. The Committee also resolved to examine the actions taken by Victorian integrity and Government agencies to address the issues identified by the two audits.

The VAGO audits—and this Inquiry—examine fraud and corruption controls in Councils. Controls are mechanisms that are put in place to prevent and detect fraud and corruption. Examination of actual instances of fraud and corruption was out of scope.

1.1.3 Terms of Reference

Under sections 14(1) and 33(3) of the *Parliamentary Committees Act 2003* (Vic), the Public Accounts and Estimates Committee resolved to inquire into, consider, and report by no later than 20 November 2025 on:

1. The 2019 report of the Auditor-General on *Fraud and Corruption Control in Local Government*.

2. The 2022 report of the Auditor-General on *Fraud Control over Local Government Grants*.
3. The actions taken by Victorian integrity and government agencies to address the issues raised in the findings and recommendations of the two audits.

The Committee did not consider individual complaints as part of the Inquiry.

1.1.4 Fraud and corruption in the context of Councils

Local government is made up of Councils and forms one of the three tiers of government in Australia, being the closest tier to individual communities. In the Victorian Constitution, local government is recognised as

a distinct and essential tier of government consisting of democratically elected Councils having the functions and powers that the Parliament considers are necessary to ensure the peace, order and good government of each municipal district.¹

Councils deliver a broad range of essential services and functions, including:

- local infrastructure and asset management
- community services and public health enforcement
- waste management and environmental services
- urban planning and development.²

Elected officials (Councillors) and Council staff make funding decisions that affect the lives and interests of all Victorians. Fraudulent and corrupt behaviour in Councils can affect communities by disrupting business continuity, deterring potential suppliers, impacting critical community services and threatening a Council's ongoing financial stability.³ It also erodes public trust in local government.⁴ Fraudulent behaviour in relation to community grants undermines the fairness and effectiveness of Council investment in community programs.

The community expects, and the law requires, that Council decisions are made with integrity and are in the public interest. Victorian Councils reported to this Inquiry that in the 2023–24 financial year they had distributed over \$62.5 million dollars in grants to individuals, businesses and community groups.⁵ Given the magnitude of community

¹ *Constitution Act 1975* (Vic) pt IIA s 74A(1).

² Parliamentary Education Office, *Three levels of government: governing Australia*, (n.d.), <<https://peo.gov.au/understand-our-parliament/how-parliament-works/three-levels-of-government/three-levels-of-government-governing-australia>> accessed 7 January 2025.

³ Independent Broad-based Anti-Corruption Commission, *Impacts of corruption*, (n.d.), <<https://www.ibac.vic.gov.au/impacts-corruption>> accessed 7 January 2025; Attorney-General's Department, Commonwealth Fraud and Prevention Centre, *Explore the fraud problem*, 2025, <<https://www.counterfraud.gov.au/explore-fraud-problem>> accessed 7 January 2025.

⁴ Ibid.

⁵ Public Accounts and Estimates Committee, *Inquiry into Fraud and Corruption Control in Local Government Survey*, online survey, Microsoft Forms, Washington, 2025, <forms.office.com>.

funding that Councils administer, and the potential for personal interests to sway decisions, it is critical that Councils have effective fraud and corruption controls in place.⁶

1.2 The Committee's approach to this Inquiry

1.2.1 Council questionnaire and survey

The Committee resolved to use a questionnaire and survey to gather information from audited and non-audited Councils respectively to determine the extent to which they had implemented VAGO's recommendations. The questionnaire and survey included questions with open-ended responses to gather additional information from Councils about factors that have affected their implementation of recommendations. Lists of the questionnaire and survey questions along with the results are provided in **Appendix A** (audit report no.40) and **Appendix B** (audit report no.316).

On 4 March 2025, the Committee sent audited Councils a questionnaire template to fill in that requested detailed information about the implementation status of recommendations for the audit that they were subject to. It also asked for information about any additional improvements made since they last reported back to VAGO in 2019 and 2023. Questionnaire responses were received from all audited Councils by 23 April 2025.

On 4 March 2025, the Committee sent all non-audited Councils (79 total) an online survey to be completed by 15 April 2025. The survey consisted of both closed-ended and open-ended questions relating to the recommendations from both audits. Of the 79 Victorian Councils invited to answer the survey, only two declined to participate: Buloke Shire and Northern Grampians Shire.

1.2.2 Submissions

The Committee called for written submissions on 3 February 2025, with a closing date of 7 March 2025. Thirteen submissions were received from a range of stakeholders including Victorian Government agencies, integrity agencies, a ratepayer association, local government professional groups and members of the public. These submissions can be accessed on the Committee's website. The full list is also set out in **Appendix D** of this report.

1.2.3 Hearings

The Committee held two public hearings in Melbourne on 31 March and 28 July 2025. Details of the witnesses that appeared are contained in **Appendix E** and transcripts of the hearings have been published on the Committee's website.

⁶ Office of the Auditor-General, *Western Australian Auditor General's Report no. 5 of 2019–20 Fraud Prevention in Local Government*, Perth, August 2019, p. 6.

At the public hearings, the Committee heard from witnesses with diverse expertise and experience in fraud and corruption control, including Victoria's integrity agencies, Local Government Victoria, academics and the mayors and Chief Executive Officers (CEO) of both audited and non-audited Councils.

Several witnesses invited to attend the hearings either chose to decline or were unable to attend, including:

- Victoria Police
- Municipal Association of Victoria⁷
- Representatives from the Hobsons Bay City Council executive staff⁸
- Queensland Department of Local Government, Water and Volunteers.

The Committee thanks every Council member, Council staff member and individual witness that invested a significant amount of their time, experience, expert opinion and insight to inform this Inquiry. The value of this Inquiry relied heavily on those generous contributions.

1.3 Developments since the VAGO audits

1.3.1 Legislative reform in 2020 and 2024

In October 2020, the Victorian Parliament passed the *Local Government Act 2020* (Vic) (the Act) to improve service delivery, innovation, collaboration and sustainability across the sector and the community. It replaced the *Local Government Act 1989* (Vic) that was in force at the time of the 2019 VAGO audit. The 2020 Act is principles-based legislation that is less prescriptive than the 1989 Act. The implications of this are discussed in Chapter 3 and Chapter 7.

The 2020 Act introduced changes regarding:

- financial management and community engagement
- behavioural standards for elected representatives
- Council and Councillor accountability
- election processes and candidate requirements
- transparency of Council decisions.⁹

⁷ The Municipal Association of Victoria (MAV) was invited to attend a public hearing on 31 March 2025. This did not provide sufficient time for MAV to survey and collate member views in a discussion paper for Board approval, since the first meeting of the new Board was on 27 March 2025. However, MAV did provide evidence to the Inquiry via submission.

⁸ The Mayor of Hobsons Bay City Council did agree to attend the 28 July 2025 hearing independently from the Council executive.

⁹ Introduction Print Explanatory Memorandum, *Local Government Bill 2019* (Vic).

In June 2024, the *Local Government Amendment (Governance and Integrity) Act 2024* (Vic) introduced several new reforms to strengthen Council leadership, capability and Councillor conduct.¹⁰ These reforms also aimed to improve early intervention and dispute resolution approaches and strengthen oversight mechanisms.¹¹ These changes occurred after both the 2019 and 2022 VAGO audits.

The 2024 amendments were made in response to reports and recommendations of the Independent Broad-based Anti-corruption Commission (IBAC)¹² and the Chief Municipal Inspector highlighting the need for stronger processes and powers to resolve conduct issues and better training so Councillors can perform their roles effectively.¹³ That was precipitated by events following Council elections in 2020, when 56 Councillors had resigned, 12 Councils had municipal monitors appointed, one Council was suspended and one Council was dismissed due to governance issues.¹⁴

The following changes came into effect under the *Local Government Amendment (Governance and Integrity) Act 2024* (Vic):

- On the recommendation of the Minister for Local Government, the Governor in Council has the power to suspend an individual Councillor or disqualify a person who has been dismissed from taking office if a municipal monitor or commission of inquiry finds them causing serious risks to health and safety or hindering Council functions.
- New powers for the Chief Municipal Inspector, including the power to table reports in Parliament and issue infringements for minor offences.¹⁵

Additional changes came into effect on 26 October 2024, including ongoing mandated training for Mayors and Councillors and improvements to the *Councillor Conduct Framework*.¹⁶

¹⁰ Department of Government Services, *Annual Report 2023–2024*, Melbourne, 2024, p. 24.

¹¹ Ibid.

¹² Victorian Government, *Government response to the Independent Broad-based Anti-corruption Commission's Operation Sardon Special Report*, Melbourne, 2023, < <https://www.premier.vic.gov.au/sites/default/files/2024-03/Government-IBAC-Operation-Sardon-response-.pdf> > accessed 30 September 2025; The 2023 *Operation Sardon Special Report* investigated allegations of corrupt conduct involving Councils and property developers in the City of Casey and made critical recommendations for both state and local government regarding Council governance and transparency in decision making.

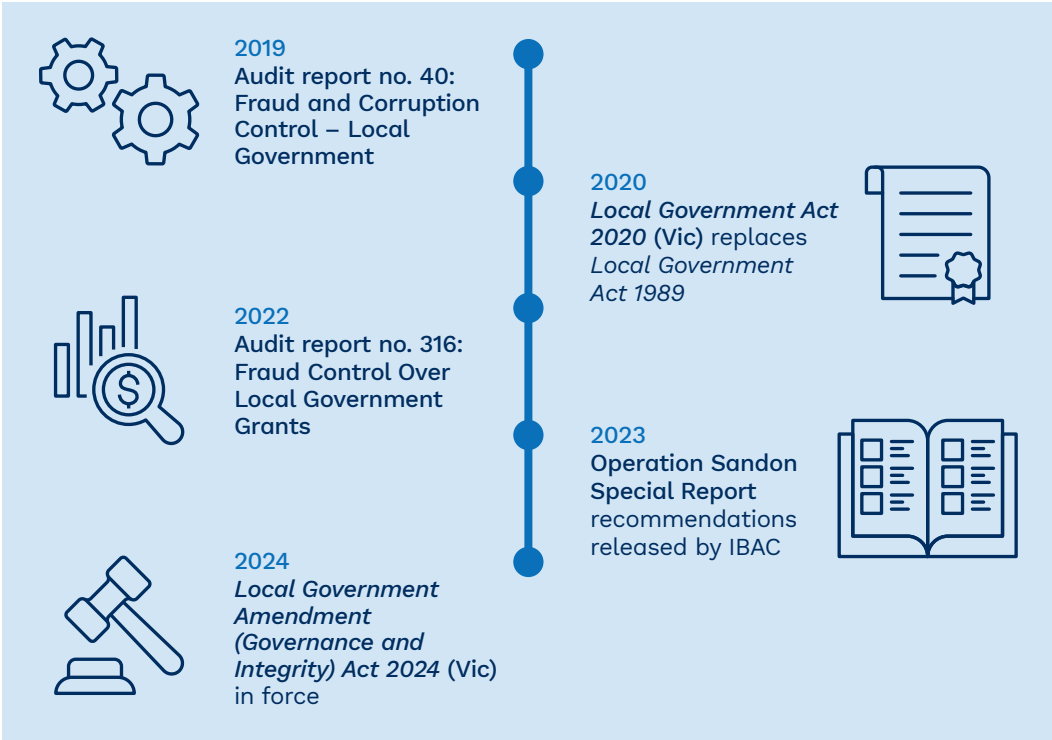
¹³ Hon Jacinta Allan, *Improving governance and integrity in local councils*, media release, Victorian Government, Melbourne, 21 June 2024, <<https://www.premier.vic.gov.au/improving-governance-and-integrity-local-councils>> accessed 30 September 2025.

¹⁴ Ibid.

¹⁵ Department of Government Services, *Annual Report 2023–2024*, pp. 24–25.

¹⁶ Ibid., p. 25.

Figure 1.1 Timeline of VAGO audits and reform to the *Local Government Act* (Vic)



Source: Public Accounts and Estimates Committee.

Table 1.1. below provides an overview of the legislation, regulations and standards that guide fraud and corruption controls in Councils.

Table 1.1 Legislation, regulations and audit standards

Instrument	Requirements / Guidance
<i>Local Government Act 2020 (Vic)</i>	Mandatory compliance The Act describes the roles, functions and powers of Councils and includes provisions relevant to fraud and corruption controls, including conflicts of interest, the role of audit committees, financial management, Councillor reimbursements, and codes of conduct and accountability for Council staff and Councillors.
<i>Local Government Act 1989 (Vic)</i>	Mandatory compliance This Act has been superseded by the <i>Local Government Act 2020 (Vic)</i> . However, the previous Act remains in force until all existing cases or appeals raised under it have been finalised. ^a It is applicable to only those pre-existing cases.
<i>Local Government Amendment (Governance and Integrity) Act 2024 (Vic)</i>	Mandatory compliance The Amendment Act makes various amendments to the <i>Local Government Act 2020 (Vic)</i> to support improved governance, accountability and Councillor behaviour across the local government sector. It includes reforms to strengthen Council leadership, capability and Councillor conduct, improve early intervention and effective dispute resolution and strengthen oversight mechanisms.

Instrument	Requirements / Guidance
<i>Local Government (General) Regulations 2015</i> (Vic)	Mandatory compliance The <i>Local Government (General) Regulations 2015</i> (Vic) require Councils to make specific documents available for public inspection, including a document containing details of overseas or interstate travel undertaken by a Councillor or Council staff member within the previous 12 months.
<i>Protected Disclosure Act 2012</i> (Vic)	Mandatory compliance The purpose of the <i>Protected Disclosure Act 2012</i> (Vic) is to encourage and facilitate disclosures of improper conduct by public officers, public bodies and others, and to provide protections for people who make disclosures. If a body can receive protected disclosures, it must have effective procedures to facilitate the making of disclosures, including notifications to Independent Broad-based Anti-corruption Commission (IBAC).
<i>Independent Broad-based Anti-corruption Commission Act 2011</i> (Vic)	Mandatory compliance The <i>Independent Broad-based Anti-corruption Commission Act 2011</i> (Vic) requires all relevant principal officers of public-sector bodies, which includes Council Chief Executive Officers, to notify IBAC of any matter they suspect on reasonable grounds involves corrupt conduct.
Australian Accounting Standards Board AASB 124 Related Party Disclosures	Mandatory compliance The objective of the Accounting Standard is to ensure that financial statements contain disclosures to draw attention to the possibility that an entity's financial position may have been affected by the existence of transactions with related parties. The Accounting Standard also requires that Councils note in their annual report total remuneration for key management personnel, including non-financial benefits, such as motor vehicles.
Commonwealth Fraud and Corruption Control Framework 2024	Better practice Established under the <i>Public Governance, Performance and Accountability Act 2013</i> (Cth), the Commonwealth Fraud and Corruption Control Framework 2024 supports Australian Government entities to effectively manage the risks of fraud and corruption. The framework came into effect on 1 July 2024. Although it is designed for Commonwealth entities, the framework also provides universal best practice guidelines on fraud and corruption control arrangements for public entities under its <i>Resource Management Guide 201: Preventing, detecting and dealing with fraud and corruption</i>.
Australian Standard 8001:2021 Fraud and Corruption Control	Better practice The <i>Australian Standard 8001:2021 Fraud and Corruption Control</i> (the Standard) provides guidance on controlling fraud and corruption within an entity. The Standard views fraud and corruption control as 'a holistic concept involving implementation and continuous monitoring and improvement across three key themes—prevention, detection and response'. Established in 2003 and intended to apply to all organisations operating in Australia, the Standard was updated in 2021 to provide minimum requirements for organisations wishing to develop, implement and maintain an effective fraud and corruption control system. The update also included guidance on the roles of governing bodies and whistleblower protection.^b

Source: Victorian Civil and Administrative Tribunal, *Local Government Act 1989 and 2020 (review and original jurisdiction)*, (n.d.), <<https://www.vcat.vic.gov.au/case-types/review-and-regulation/application-for-review-of-a-decision/local-government-act-1989-review-referral-and-original-jurisdiction-order>> accessed 30 September 2025; Standards Australia, *Standards Australia publishes revised fraud and corruption control standard*, 2021, <<https://www.standards.org.au/news/standards-australia-publishes-revised-fraud-and-corruption-control-standard>> accessed 30 September 2025.

1.3.2 Changes in the financial landscape of the local government sector

Most Victorian Councils are operating in a financially sustainable manner since the introduction of rate capping in 2015. However, some have experienced a decline in key short and medium-term financial sustainability indicators in recent years.¹⁷ Across the sector, adjusted underlying results, unrestricted cash and cash balances are declining, meaning the sector's ability to pay for ongoing operating costs from their own-source revenue is decreasing.¹⁸

VAGO's 2025 audit into *Financial Management of Local Councils* determined that there are increasing financial risks for Councils that are already struggling to meet their sustainability targets, particularly those in small shires, risking their capacity to meet obligations to their communities.¹⁹

The local government sector is primarily funded through rates and charges, as well as government grants, to deliver services to the local community. In the 2022–23 financial year, Victorian Councils recorded revenue of \$13.9 billion.²⁰ Of that, own-source revenue (such as rates and charges) made up 81.9% of total revenue (\$11.4 billion). The second-largest revenue stream for Councils was government grants and contributions, totalling \$2.5 billion.²¹ In contrast, during the 2017–18 financial year, own-source revenue made up only 50% of total Council revenue.²² That is a significant swing towards reliance on own-source revenue over grant funding for Councils since 2019, when VAGO audit report no. 40 was published.

Resource constraints due to increasing financial pressures on Councils have affected their capacity and capability to implement fraud and corruption controls. The effects of these constraints are discussed throughout this report, particularly in Chapter 3 and Chapter 4.

In 2024, the Legislative Council Economy and Infrastructure Committee undertook its *Inquiry into Local Government Funding Services*. That inquiry highlighted increasing budgetary pressures on Councils and recommended increasing the number of untied funding grants from the Victorian Government.

¹⁷ Victorian Auditor-General's Office (VAGO), *Financial Management of Local Councils*, 2025, <<https://www.audit.vic.gov.au/report/financial-management-local-councils>> accessed 30 September 2025

¹⁸ Ibid.

¹⁹ Ibid., pp. 10–24.

²⁰ Parliamentary Budget Office, *Local government responsibilities, revenue and expenditure*, submission to the Parliament of Victoria, Economy and Infrastructure Committee, Inquiry into Local Government funding and services, 2024, <<https://pbo.vic.gov.au/response/6857>> accessed 30 September 2025.

²¹ Ibid.

²² VAGO, *Fraud and Corruption Control – Local Government*, 2019, <<https://www.audit.vic.gov.au/report/fraud-and-corruption-control-local-government>> accessed 30 September 2025.

Chapter 2

Implementation of VAGO recommendations

2.1 Overview

This chapter examines the extent to which Victorian Councils have implemented recommendations from two Victorian Auditor-General's Office (VAGO) audit reports: *Fraud and Corruption Control – Local Government* (2019) and *Fraud Control over Local Government Grants* (2022). Both audits identified gaps in Councils' fraud and corruption controls and made wide-ranging recommendations aimed at strengthening expense policies, grant program oversight, training and fraud detection.

Audited Councils have since reported full implementation of all recommendations, though some took longer than others to address issues such as Councillor expenses and ward-based grant allocation. Non-audited Councils also demonstrated strong uptake of the recommendations, indicating broad awareness and responsiveness to VAGO's findings. However, implementation was uneven in several areas. Implementation of controls related to Council expenses were often partial or inconsistent, particularly around Councillor expense certification, Chief Executive Officer (CEO) expenditure reporting and data analytics. Training for Council staff has also been lagging, primarily due to resource limitations.

Small rural and regional Councils faced the greatest systemic barriers to implementing VAGO recommendations. Limited budgets, workforce constraints and the realities of small community settings made it difficult to segregate duties or manage conflicts of interest effectively. The Committee highlights the need for tailored support, recommending that Local Government Victoria and peak bodies develop a strategy to address these unique challenges and help small rural and regional Councils strengthen fraud and corruption controls in ways that are practical and sustainable.

2.2 Overview of VAGO audit reports no. 40 and no. 316

2.2.1 *Audit report no. 40: Fraud and Corruption Control – Local Government*

In 2018–19, the Victorian Auditor-General's Office (VAGO) undertook an audit into *Fraud and Corruption Control – Local Government*, tabling the final independent assurance report to Parliament in June 2019.

The objective of this audit was to determine if the fraud and corruption controls implemented by a selection of Councils were well designed and operating as intended. VAGO audited four Councils: Greater Shepparton City, Strathbogie Shire, Wellington Shire and Wyndham City.

The audit focused primarily on provisions related to expenditure, policies and processes for senior Council staff and Councillors under the *Local Government Act 1989* (Vic) (the Act), which was the legislation in place at the time of the audit. Council activities were audited for the period July 2015 to June 2018, although the testing period was extended up to February 2019 where any anomalies were identified in the data.

VAGO identified gaps in the Councils' fraud and corruption controls, including instances where some Councils were not meeting obligations under the Act.¹ VAGO made 10 recommendations to all Victorian Councils and additional recommendations for individual audited Councils. VAGO recommended that:

1. Councils require Councillors to certify that their expense claims are incurred in the context of relevant legislative provisions. Councils must require Councillors to provide stronger evidence to support their claims, in particular for mileage reimbursements, including records pertaining to the claim and details of the business reason and who benefited from the expense.
2. Councils review and update fuel card policy and guidance to clearly outline fraud and corruption controls, and require staff to confirm that they understand the terms of use and consequences for misuse.
3. Councils review credit card policies and improve controls to ensure only allocated cardholders use their cards and there is appropriate segregation of duties over expenditure approvals.
4. Councils ensure the Council's Chief Financial Officer (CFO) or equivalent approves CEO expenditure and report all expenditure by, or on behalf of, the CEO to the Audit and Risk Committee (ARC) and/or the Council for periodic review.
5. Councils document and develop formalised reporting over credit and fuel card use and incorporate, where appropriate, data analytics to identify anomalies.
6. Councils improve fuel card controls by:
 - a. assigning each fuel card to a specific vehicle or equipment
 - b. maintaining accurate motor vehicle and fuel card listings
 - c. updating cardholder names with fuel suppliers when the Council reassigns a vehicle and fuel card to another employee

(Continued)

¹ Victorian Auditor-General's Office (VAGO), *Fraud and Corruption Control – Local Government*, 2019, <<https://www.audit.vic.gov.au/report/fraud-and-corruption-control-local-government>> accessed 30 September 2025.

- d. collecting fuel transaction data as accurately as possible, including odometer readings
 - e. having regular, routine processes to monitor fuel card use
 - f. conducting data analytics over fuel card transactions
 - g. conducting periodic internal audits on fuel cards.
7. Councils review and, as necessary, revise Council policies on the purchase and reimbursement of meals and alcohol considering community perceptions, and require, for transaction approval, clear evidence of the community benefit from this expenditure and appropriate supporting documentation.
 8. Councils ensure that annual reports accurately capture expenses relating to senior management remuneration packages including vehicle contribution amounts.
 9. Councils ensure all Council staff and Councillors receive fraud and corruption awareness training at least every two years.
 10. Councils develop or maintain fraud and corruption incident registers to accurately record suspected incidents of fraud and corruption, their handling, and all relevant supporting documentation.
 11. Greater Shepparton City Council, Strathbogie Shire Council, and Wyndham City Council publish Councillor expenses for the 2017–18 year on their websites immediately and ensure their 2018–19 annual reports comply with *Local Government (Planning and Reporting) Regulations 2014* (Vic).
 12. Strathbogie Shire Council cease all sales and the provision of vehicles to Council staff as part of exit packages.

2.2.2 ***Audit report no. 316: Fraud Control over Local Government Grants***

In 2021–22, VAGO undertook an audit into *Fraud Control over Local Government Grants*, tabling the final independent assurance report to Parliament in May 2022.

The objective of this audit was to determine if a selection of Councils had effective controls for their grant programs, to prevent fraud, ensure public money is spent appropriately and meet community expectations. VAGO audited six Councils: Hume City, Knox City, Loddon Shire, Southern Grampians Shire, Warrnambool City and West Wimmera Shire.

A selection of grant programs from the previous five years were reviewed to determine if fraud controls were designed for purpose and consistently applied. VAGO found that none of the Councils were consistently applying fraud controls to their grant programs, which unnecessarily exposed Councils to a higher risk of fraud.² In addition, Councils'

² VAGO, *Fraud Control over Local Government Grants*, 2022, <<https://www.audit.vic.gov.au/report/fraud-control-over-local-government-grants>> accessed 30 September 2025.

fraud controls were found to not always be fit for purpose or operating as intended. In some cases, they were missing entirely.³ From the audit findings, VAGO made nine recommendations to all Victorian Councils and one targeted recommendation to Loddon Shire. VAGO recommended that:

1. Councils improve their conflict of interest processes by:
 - a. requiring staff and Councillors to declare conflicts of interest for each grant application they assess or approve
 - b. documenting how the Council manages declared conflicts of interest.
2. Councils develop eligibility and assessment criteria for all their grant programs and:
 - a. assess and document each application against them
 - b. communicate assessment outcomes and reasons to unsuccessful applicants.
3. Councils exclude Councillors from assessing and making recommendations on grant applications.
4. Councils verify that all grant recipients use grant funds for their intended purpose.
5. Councils evaluate the benefits of:
 - a. recurring grants and require recipients to seek future funding through existing competitive grant programs
 - b. non-recurring grants (if appropriate) and consider their risks and value.
6. Councils document all funding decisions in a consistent and structured way within a centralised system to ensure their decision-making is transparent, including by recording:
 - a. the names of individuals involved in assessing or approving grant applications
 - b. if applicants met the eligibility criteria
 - c. how assessors and approvers scored applicants against the assessment criteria
 - d. what assessors and approvers considered to determine funding amounts
 - e. reasons why any funding decisions do not align with assessments.
7. Loddon Shire Council assesses the benefits of its ward-based approach to allocating grants and how this aligns with the Council's strategy.

³ VAGO, *Fraud Control over Local Government Grants*, 2022, <<https://www.audit.vic.gov.au/report/fraud-control-over-local-government-grants>> accessed 30 September 2025.

2.3 Implementation status of VAGO recommendations

For this Inquiry, the Committee collected information from all Victorian Councils through a questionnaire (audited Councils) and survey (non-audited Councils) to determine the extent to which they had implemented the recommendations from VAGO audit reports no. 40 and no. 316. **Appendix A** presents details of the implementation status of VAGO recommendations from audit report no. 40, while **Appendix B** presents the same for audit report no. 316.

2.3.1 Audited Councils

At the time of this Inquiry, the audited Councils had implemented all of VAGO's recommendations for the audit they were subject to.

VAGO audit report no. 40.

By January 2021, all four Councils self-reported to VAGO that they had implemented the recommendations.⁴ According to the Councils, they had implemented the majority of recommendations within four months of the audit tabling. However, Strathbogie Shire Council and Greater Shepparton City Council took over a year to implement two recommendations directed to each of them.⁵

VAGO audit report no. 316.

By December 2023, four of the six Councils self-reported to VAGO that they had implemented all recommendations, while Hume and Warrnambool City each had one pending.⁶ VAGO reported in August 2025 that Hume and Warrnambool City had implemented all recommendations.⁷

FINDING 1: At the time of this Inquiry, all recommendations in the Victorian Auditor-General's Office audit reports no. 40 (2019) and no. 316 (2022) had been implemented by Councils subject to those audits, with Hume and Warrnambool City Councils taking until 2024 to implement all recommendations from audit report no. 316.

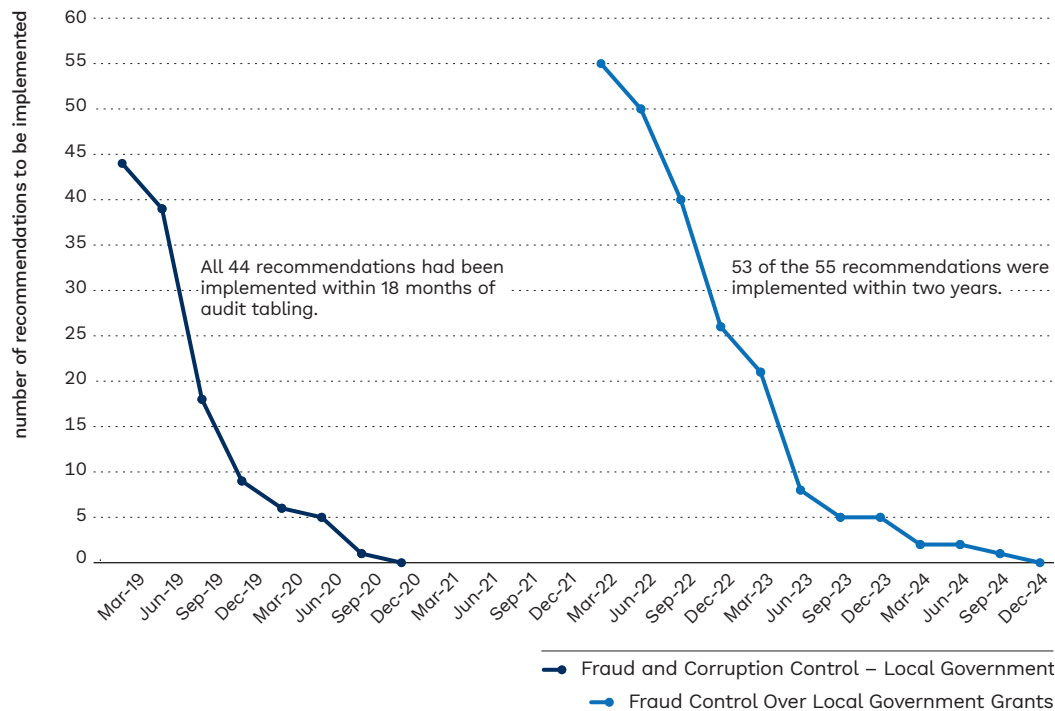
4 VAGO, *Responses to Performance Engagement Recommendations: Annual Status Update 2024*, data dashboard, Melbourne, 2024, <<https://www.audit.vic.gov.au/report/responses-performance-engagement-recommendations-annual-status-update-2024>> accessed 30 September 2025.

5 Ibid.

6 Ibid.

7 VAGO, *Responses to Performance Engagement Recommendations: Annual Status Update 2025*, data dashboard, Melbourne, 2025, <<https://www.audit.vic.gov.au/report/responses-performance-engagement-recommendations-annual-status-update-2025>> accessed 30 September 2025.

Figure 2.1 Number of recommendations addressed over time by audited Councils



Source: Victorian Auditor-General's Office, *Responses to Performance Engagement Recommendations: Annual Status Update 2024*, data dashboard, Melbourne, 2024, <<https://www.audit.vic.gov.au/report/responses-performance-engagement-recommendations-annual-status-update-2024>> accessed 30 September 2025; VAGO, *Responses to Performance Engagement Recommendations: Annual Status Update 2025*, data dashboard, Melbourne, 2025, <<https://www.audit.vic.gov.au/report/responses-performance-engagement-recommendations-annual-status-update-2025>> accessed 30 September 2025.

2.3.2 Non-audited Councils

Most non-audited Councils were aware of and responsive to VAGO's audit reports. Overall, there was strong uptake of VAGO's recommendations by non-audited Councils, indicating that they are striving for best practice in how they implement fraud and corruption controls. Recommendations with weaker uptake by Councils—or considerable variation in how a control was implemented—generally reflected the systemic barriers identified during this Inquiry. Below is an outline of areas where there was weaker or more variable implementation of recommendations.

Expense policies and procedures

VAGO made multiple recommendations about credit card and fuel card expenses, particularly in relation to policies and approval processes. There were comparatively lower implementation rates for some aspects of those recommendations, such as:

- development of a fuel card policy that outlines fraud controls
- requiring Councillors to certify that their expenses were incurred within the context of legislative provisions
- requiring that Councillors provide evidence of who benefited from the expense

- Chief Financial Officer (CFO) approval of CEO expenses
- reporting CEO expenses to the Audit and Risk Committee (ARC) or Council.

In addition, the way that some aspects of recommendations were implemented were quite variable, such as:

- evidence required to justify the purpose and community benefit of an expense
- who reviews and approves CEO expenses.

These results were not surprising given that there is not much guidance provided to Councils about how to develop expenses policies and procedures (see Chapter 3). The Act requires Councils to have an expenses policy but does not require separate credit card and fuel card policies, as recommended by VAGO. Councils can comply with the legislative obligations without fully adopting VAGO's recommendations. In the absence of best practice guidelines related to expenses policies, Councils noted that a barrier to developing in-house policies and procedures was the time, resources and skills required, especially in the context of recent legislative changes (see Chapter 3).

Training

There was strong implementation of VAGO's recommendation around Councillor training, reflecting that this became a mandatory requirement under the *Local Government Act 2020* (Vic) (the Act) after VAGO audit report no. 40. In contrast, fraud and corruption training for Council staff—which is not a requirement in the Act—was not as easy for Councils to implement, with the proportion of staff that had received training being quite variable across Councils. Limited time, resources and budgets within Councils were identified during this Inquiry as barriers to increasing training for staff, which was exacerbated by the challenge of keeping up to date with legislative changes in recent years (see Chapter 3).

Fraud detection

Fraud detection within Councils requires dedicated skills and procedures that many Councils did not have (see Chapter 3), which was reflected in the survey data. Implementation of data analytics on expenses was notably low, with 42% of Councils not undertaking analytics. Similarly, 41% of Councils did not have a staff member assigned responsibility for managing fraud risks. Some Councils (22%) were not even documenting and reporting on credit card and fuel card expenses. The specialised nature of fraud detection was also reflected in training provided to Council staff, with training on fraud risks being less common than training on conflicts of interest. Opportunities to support Councils in this space are discussed in Chapter 3.

2.3.3 Challenges faced by small rural and regional Councils

Key themes that emerged from Councils' evidence to this Inquiry was that limited resources were common barriers to implementing best practice fraud and corruption controls. These barriers are particularly problematic for small rural and regional Councils because they have:

- small budgets
- small workforces where staff have many roles and there is no capacity for specialised roles
- challenges attracting and retaining people with specialist skills to live and work in the Council's locality.

In addition, notable challenges posed by a small workforce where staff are members of a small, close-knit community include:

- difficulty having segregation of duties
- greater likelihood that conflicts of interest arise yet less ability to remove individuals from decision-making processes while maintaining meeting quorum.

Throughout this report, the Committee highlights areas where rural and regional Councils are in need of particular support. It recommends that Local Government Victoria collaborate with peak bodies to develop a strategy for supporting rural and regional Councils with the unique challenges they face in implementing best practice fraud and corruption controls.

FINDING 2: Small rural and regional Councils face systemic barriers to implementing best practice fraud and corruption controls.

RECOMMENDATION 1: Local Government Victoria collaborate with peak bodies to develop a strategy for supporting rural and regional Councils with the unique challenges they face in implementing best practice fraud and corruption controls. The strategy should:

- be developed in consultation with rural and regional Councils
- provide solutions for how those Councils can implement appropriate segregation of duties in their context
- provide solutions for how those Councils can manage conflicts of interest in their context.

Chapter 3

Guidance provided to Councils

3.1 Overview

This chapter examines how guidance materials, training and support are provided to Councils to prevent fraud and corruption. It considers training for Councillors and staff, the role of multiple providers and the extent of state-level coordination.

While recent reforms have introduced mandatory Councillor training (induction and ongoing professional development), fraud and corruption awareness is not required during induction. Training for staff is also inconsistent and often limited by both resourcing and in-house expertise. Councils vary in how they apply fraud and corruption controls under the principles-based *Local Government Act 2020* (Vic), with small rural and regional Councils particularly affected by capacity constraints.

This chapter explores opportunities to improve consistency and effectiveness of training, including stronger coordination by Local Government Victoria, clearer template policies and reporting tools, support for governance officers, expansion of knowledge-sharing forums and strengthened information security requirements.

3.2 Education and training

Educating and training Councillors and Council staff about fraud and corruption—what it is and how to prevent it—is fundamental to the implementation of fraud and corruption controls. It also grows awareness and thus increases the likelihood that people will report fraud and corruption when it occurs (for discussion of reporting see Chapter 5). Providing training to Councillors is particularly important given that they enter their roles without necessarily having prior experience or knowledge around public administration or their responsibilities related to fraud and corruption prevention.

3.2.1 Councillor training has progressed

Since the introduction of the *Local Government Amendment (Governance and Integrity) Act 2024* (Vic), Councillors are required to complete induction training within four months of commencement, as well as annual professional development training beginning in the first year of their mandate.¹

¹ *Local Government Act 2020* (Vic), ss 32, 33A.

Local Government Victoria published guidance on the mandatory Councillor training in October 2024, which sets out learning domains with content checklists and shows which domains should be included in induction and professional development training.² The guide's learning domain on 'Preventing fraud and corruption' is not set as part of induction training, instead being recommended for inclusion in professional development training every second year.³ This aligns to the Victorian Auditor-General's Office (VAGO)'s 2019 recommendation for Councillors to receive fraud and corruption awareness training at least every two years but does not ensure Councillors are aware of fraud and corruption controls early on in their role.⁴ The Victorian Local Governance Association (VLGA), Local Government Finance Professionals (FinPro) and Julie Eisenbise (Former Commissioner of Inquiry) all noted that it would be better if Councillors were receiving fraud and corruption training during induction.⁵

[T]he mandated induction module Councillor Conduct & Behaviour ... lacks sufficient detail on fraud and corruption prevention. We recommend that councillors be mandated to undertake Preventing Fraud and Corruption Training from induction.

Victorian Local Governance Association, *Submission 7*, received 7 March 2025, p. 3.

The guide's learning domain on 'Key integrity and accountability requirements' is included in induction, and its content checklist does include some topics related to fraud and corruption awareness (see Box.3.1).⁶ Since Councils can choose which content from the checklist they cover each year,⁷ the extent to which fraud and corruption awareness is covered during induction can be variable.

Based on evidence received in the Inquiry, the Committee believes more fraud and corruption content should be covered during induction, because in practice coverage is often insufficient.⁸ In particular, it is important that Councillors receive training around conflicts of interest and public interest returns as early as possible (for further discussion of personal interests see Section 5.2.4).

² Local Government Victoria, *Guidance on the mandatory training for Mayors, Deputy Mayors and Councillors*, Department of Government Services, Melbourne, 2024, pp. 27–41.

³ *Ibid.*, p. 34.

⁴ Victorian Auditor-General's Office (VAGO), *Fraud and Corruption Control – Local Government*, 2024, <<https://www.audit.vic.gov.au/report/fraud-and-corruption-control-local-government>> accessed 30 September 2025.

⁵ Victorian Local Governance Association (VLGA), *Submission 7*, received 7 March 2025, p. 3; Kathryn Arndt, Chief Executive Officer, VLGA, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 2; Julie Eisenbise, Commissioner of Inquiry, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, pp. 4–5; Local Government Finance Professionals (FinPro), Inquiry into fraud and corruption control in local government hearings, response to questions on notice received 23 April 2025, p. 3.

⁶ Local Government Victoria, *Guidance on the mandatory training for Mayors, Deputy Mayors and Councillors*, p. 33.

⁷ *Ibid.*, p. 12.

⁸ VLGA, *Submission 7*, p. 3; Kathryn Arndt, *Transcript of evidence*, p. 22; Julie Eisenbise, *Transcript of evidence*, pp. 4–5; FinPro, response to questions on notice, p. 3.

Box 3.1 Excerpt of content for Councillor training from *Guidance on the mandatory training for Mayors, Deputy Mayors and Councillors (2024)*

Key integrity and accountability requirements

This may include:

- Personal interests
- Conflicts of interest
- Managing confidential information
- Managing Council information (other than confidential information)
- Expenses, gifts and donations
- Any Council policies that support good governance
- Reporting breaches of integrity and accountability requirements
- Information, knowledge and skills relating to integrity and accountability requirements such as:
 - the roles of key integrity and accountability bodies for local government (for example, the Local Government Inspectorate, the Victorian Ombudsman, the Victorian Auditor-General's Office and the Independent Broad-based Anti-corruption Commission)
 - the role and powers of the Minister for Local Government
 - transparency and reporting requirements.

This may also include building on the information, knowledge and skills relating to integrity and accountability requirements addressed during induction, including conflicts of interest to:

- Explain why a Councillor cannot or should not participate in the decision-making process for a matter in which they have a conflict, during or outside Council meetings
- Ensure that Councillors understand their obligation to:
 - Familiarise themselves with donations and gifts from relevant persons
 - Assess whether those donations or gifts give rise to a conflict of interest for particular Council matters
 - Provide details of the nature of the conflict when declaring a conflict of interest in accordance with the Governance Rules.

Source: Local Government Victoria, *Guidance on the mandatory training for Mayors, Deputy Mayors and Councillors*, Department of Government Services, Melbourne, 2024, pp. 39–40.

FINDING 3: The *Local Government Amendment (Governance and Integrity) Act 2024* (Vic) requires Councillors to complete induction training and ongoing professional development training. Local Government Victoria's guidance on training for Councillors does not make fraud and corruption awareness a mandatory part of induction training. As such, Councillors are not necessarily receiving comprehensive fraud and corruption awareness training upon commencement.

RECOMMENDATION 2: Local Government Victoria update the *Guidance on the mandatory training for Mayors, Deputy Mayors and Councillors* to make the learning domain on 'Preventing fraud and corruption' a mandatory part of Councillor induction training.

3.2.2 Training for Council staff is limited by systemic barriers and is inconsistent across Councils

Throughout the Inquiry, evidence suggested there is a strong desire from Councils to receive more training and education about fraud and corruption controls and how to comply with legislation.⁹ This partly reflects the many recent reforms to the Act and that a principles-based approach was taken to shaping the new Act, leaving considerable room for interpretation and placing responsibility on Councils to develop their own frameworks and policies.¹⁰

Ensuring that Council staff receive fraud and corruption awareness training means they have the knowledge they need to identify and report fraud and corruption if they see it. It is important that Council staff are educated about the ways they can make reports to integrity agencies (Chapter 5). Furthermore, it is crucial that Council staff involved in decision making and advising Councillors are operating with full and up-to-date knowledge of legislative requirements and regulations related to fraud and corruption controls.

Unlike for Councillors, the Act does not mandate that Council staff receive training on fraud and corruption awareness. In contrast, VAGO recommended that Council staff should also receive training every two years.¹¹ Since the VAGO audits, many Councils have increased their training with most now providing training to staff and, of those, the majority have made the training compulsory.¹² Nonetheless, the proportion of

⁹ 59% (45 out of 76 Councils), Source: Public Accounts and Estimates Committee, *Inquiry into Fraud and Corruption Control in Local Government Survey*, online survey, Microsoft Forms, Washington, 2025, <forms.office.com>; Municipal Association of Victoria, *Submission 4*, received 7 March 2025, pp. 3–4; Local Government Inspectorate, *Inquiry into fraud and corruption control in local government hearings*, response to questions on notice received 25 April 2025, p. 5.

¹⁰ Local Government Inspectorate, response to questions on notice, p. 5.

¹¹ VAGO, *Fraud and Corruption Control – Local Government*, p. 15.

¹² See Appendix A, Recommendation 9.

Council staff that have received training in the last two years was variable.¹³ Barriers to keeping staff up to date with training were:

- staff turnover
- changes to legislative requirements
- insufficient staff or in-house expertise to deliver training internally
- budget constraints making it difficult to afford regular training from external providers.¹⁴

Another challenge is that training is most effective if it is less general and more tailored to specific roles and Council contexts, yet that can be comparatively resource intensive.¹⁵ Council governance managers and officers are particularly in need of tailored training and support given how crucial their roles are to having robust fraud and corruption controls.¹⁶ There is potential to address this challenge through making training more streamlined across the state (see Section 3.2.4).

FINDING 4: Councils face systemic barriers in providing sufficient and tailored fraud and corruption control training to staff. These include staff turnover, evolving legislative requirements, lack of internal expertise to deliver training and budget constraints hindering access to regular external training.

3.2.3 There are multiple training and education providers

There are multiple fraud and corruption control training providers, but no agency providing centralised coordination or regulation of them.¹⁷ Consequently, learning outcomes are not consistent across Councils.¹⁸

At the time of this Inquiry, training for Councillors and Council staff was being provided by the VLGA, FinPro, the Victorian Ombudsman (VO), the Municipal Association of Victoria (MAV), the Local Government Inspectorate (LGI) and private companies.¹⁹

¹³ Only 9% of Councils had 100% of Council staff complete training in the last two years, 44% had between 80–99% of staff trained. Only 53% of Councils had more than 80% of their staff trained, Source: Public Accounts and Estimates Committee, *Inquiry into Fraud and Corruption Control in Local Government Survey*.

¹⁴ Public Accounts and Estimates Committee, *Inquiry into Fraud and Corruption Control in Local Government Survey*; Municipal Association of Victoria, *Submission 4*, p. 4; Victorian Ombudsman, *Submission 9*, received 11 March 2025, p. 5; Kathryn Arndt, *Transcript of evidence*, p. 9; Port Phillip City Council, *Statement to the Parliamentary Inquiry into Fraud and Corruption Control in Local Government*, supplementary evidence received 28 July 2025, p. 2.

¹⁵ Public Accounts and Estimates Committee, *Inquiry into Fraud and Corruption Control in Local Government Survey*; Municipal Association of Victoria, *Submission 4*, p. 4; Cr Deidre Diamante, Mayor, Manningham City Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 9.

¹⁶ Michael Stefanovic, Chief Municipal Inspector, Local Government Inspectorate, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, pp. 14–15.

¹⁷ Kathryn Arndt, *Transcript of evidence*, p. 3.

¹⁸ Ibid.

¹⁹ VLGA, *Submission 7*, pp. 2–3; Kathryn Arndt, *Transcript of evidence*, p. 6; Margo Baragwanath, Ombudsman, Victorian Ombudsman, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 5; Victorian Ombudsman, *Submission 9*, p. 5; Municipal Association of Victoria, *Submission 4*, pp. 3–4; FinPro, *Submission 3*, received 7 March 2025, p. 2; Local Government Inspectorate, *Submission 5*, received 7 March 2025, p. 10.

Both VLGA and VO provide training on a cost-recovery model,²⁰ while the extent to which LGI and MAV can meet the training needs of the sector is constrained by each agency's funding and resources.²¹ FinPro training is accessed via paid membership²² and private companies operate on a cost-for-service model. Consequently, Councils need to pay to access much of their training needs or otherwise have the capability and capacity to design and deliver training in-house.

In addition to training, free educational materials and presentations are being provided to Councils by LGI, VO and the Independent Broad-based Anti-corruption Commission (IBAC), covering a range of topics including good governance, compliance with legislation and information about the roles and responsibilities of integrity agencies.²³ Notably, IBAC coordinates and chairs the Prevention Education Advisory Group which meets quarterly so that members can discuss collaborative opportunities for providing streamlined education initiatives to the local government sector.²⁴ The group's membership is IBAC, VO, VAGO, LGI, the Office of the Victorian Information Commissioner (OVIC) and the Victorian Public Sector Commission (VPSC).²⁵

FINDING 5: Peak bodies, integrity agencies and private companies provide fraud and corruption awareness training, including mandatory Councillor training. This training is not coordinated and varies in quality among providers. Consequently, learning outcomes are not consistent across Councils.

3.2.4 More state-level co-ordination is needed in the delivery of training

Multiple stakeholders identified the need for more collaboration and coordination in the provision of fraud and corruption prevention training to Councils so there is more structure, resource-efficiency and consistency.²⁶ MAV, VLGA and LGI suggested that funding and collaboration from the Victorian Government would be an enabler for this.²⁷

While LGI has been providing much-needed training to the sector, that has pulled resources away from its core oversight function of investigating reports of fraud

20 Kathryn Arndt, *Transcript of evidence*, p. 9; Margo Baragwanath, *Transcript of evidence*, p. 5; Victorian Ombudsman, *Submission 9*, p. 5.

21 Municipal Association of Victoria, *Submission 4*, p. 4; Local Government Inspectorate, *Submission 5*, p. 13.

22 FinPro, *Membership*, (n.d.), <<https://www.finpro.org.au/membership>> accessed 1 October 2025.

23 Local Government Inspectorate, *Submission 5*, pp. 10–11; Independent Broad-based Anti-corruption Commission (IBAC), *Inquiry into fraud and corruption control in local government hearings*, response to questions on notice received 23 April 2025, p. 3; Victorian Ombudsman, *Submission 9*, p. 5.

24 IBAC, response to questions on notice, pp. 3–4; Michael Stefanovic, *Transcript of evidence*, p. 3; Victorian Ombudsman, *Inquiry into fraud and corruption control in local government hearings*, response to questions on notice received 23 April 2025, p. 3.

25 IBAC, response to questions on notice, pp. 3–4.

26 Kathryn Arndt, *Transcript of evidence*, p. 3; Municipal Association of Victoria, *Submission 4*, p. 5; FinPro, response to questions on notice, pp. 3–4; Victorian Ombudsman, response to questions on notice, p. 3; Local Government Inspectorate, response to questions on notice, p. 8.

27 Kathryn Arndt, *Transcript of evidence*, pp. 9, 14; Municipal Association of Victoria, *Submission 4*, p. 5; Local Government Inspectorate, response to questions on notice, p. 8.

and corruption.²⁸ Notably, the *Local Government Act 2020* (Vic) does not prescribe an education function to LGI.²⁹ While VLGA is the only peak body that has a singular focus on supporting good governance in Councils, the training it provides is necessarily on a cost-recovery basis.³⁰

Local Government Victoria (LGV) is well-placed to take on the role of streamlining and co-ordinating provision of training to Councils.³¹ LGV is a portfolio of the Department of Government Services that provides policy advice to the department and Minister for Local Government.³² LGV also collaborates with integrity agencies on legislative reform and the development of guidance materials.³³ LGV's role includes administration of local government legislation,³⁴ providing guidance and templates to support Councils³⁵ and administration of the *Councillor Conduct Framework*.³⁶ As observed by LGI:

We believe there would be significant benefit in LGV streamlining education offerings across local government ... LGV are best placed to take the lead on education and advice to the sector given they draft the legislation / regulations and understand it best.³⁷

Aside from producing the guidance on the mandatory Councillor training, LGV was also leading the development of Model Governance Rules and a Model Transparency Policy for Councils at the time of the Inquiry.³⁸ Moreover, as a Victorian Government agency, LGV has the ability to request funding to support Councils' access to training.

The Committee believes it would be beneficial for LGV to consult with current training providers to determine a more streamlined approach to the provision of training that:

- avoids duplication of effort³⁹
- optimises cost-efficiency for Councils⁴⁰

²⁸ Local Government Inspectorate, *Submission 5*, pp. 10, 13; Michael Stefanovic, *Transcript of evidence*, p. 3; Local Government Inspectorate, response to questions on notice, p. 5.

²⁹ Local Government Inspectorate, response to questions on notice, p. 5.

³⁰ Kathryn Arndt, *Transcript of evidence*, p. 9.

³¹ Kathryn Arndt, *Transcript of evidence*, p. 5; Local Government Inspectorate, response to questions on notice, p. 8; Travis Derricott, Director, Financial Audit, VAGO, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 14; VAGO, Inquiry into fraud and corruption control in local government hearings, response to questions on notice received 23 April 2025, p. 3.

³² Local Government Victoria, *Local Government Victoria*, 2025, <<https://www.localgovernment.vic.gov.au>> accessed 1 October 2025.

³³ Local Government Victoria, Inquiry into fraud and corruption control in local government hearings, response to questions on notice received 30 April 2025, p. 2.

³⁴ Department of Government Services, *Submission 12*, received 28 March 2025, pp. 1, 3.

³⁵ *Ibid.*, p. 3.

³⁶ Mike Gooley, Executive Director, Local Government Victoria, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 2; Local Government Victoria, *Council governance and integrity: Councillor conduct framework*, 2024, <<https://www.localgovernment.vic.gov.au/council-governance/councillor-conduct-framework-and-councillor-conduct-panels>> accessed 1 October 2025.

³⁷ Local Government Inspectorate, response to questions on notice, p. 8.

³⁸ Local Government Victoria, response to questions on notice, p. 3; Local Government Victoria, *Council governance and integrity: Local Government Act 2020 Governance Resources*, 2024, <<https://www.localgovernment.vic.gov.au/council-governance/how-we-regulate-councils>> accessed 1 October 2025.

³⁹ Victorian Ombudsman, response to questions on notice, p. 3.

⁴⁰ Municipal Association of Victoria, *Submission 4*, p. 4.

- ensures minimum quality standards⁴¹
- is scalable to the various Council contexts, such as size and budget.⁴²

In doing this, consideration should be given to the appropriateness of having private companies providing training.⁴³

The Committee envisions LGV providing a coordination rather than a directive function, particularly in the case of the VO since LGV falls within the VO's jurisdiction.⁴⁴

FINDING 6: Multiple local government sector stakeholders see benefit in having more Victorian Government support to streamline the provision of training on fraud and corruption prevention to Councillors and Council staff.

RECOMMENDATION 3: Local Government Victoria consult with sector stakeholders to facilitate a more streamlined approach to the provision of training on fraud and corruption prevention and awareness that:

- avoids duplication of effort
- optimises cost-efficiency for Councils
- ensures a minimum standard of quality
- is scalable to the various Council contexts
- enables all Council staff to receive training.

The new approach should be implemented by the next Council election cycle.

3.3 Supporting best practice

3.3.1 Councils vary in how they implement fraud and corruption controls

With the *Local Government Act 2020* (Vic) (the Act) being principles-based, Councils have needed support to develop their in-house fraud and corruption control policies and procedures.⁴⁵ By avoiding being too prescriptive, the new Act provides flexibility for Councils to tailor their approach to their context, but this increases workload and duplication of effort across the sector.⁴⁶

⁴¹ Kathryn Arndt, *Transcript of evidence*, p. 3.

⁴² FinPro, response to questions on notice, p. 3.

⁴³ Kathryn Arndt, *Transcript of evidence*, p. 3.

⁴⁴ Victorian Ombudsman, response to questions on notice, p. 3.

⁴⁵ Local Government Victoria, response to questions on notice, pp. 3–4.

⁴⁶ Ibid.; Tony Rocca, President, FinPro, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 2.

The 2024 amendments to the Act addressed behavioural and cultural issues by introducing the Model Councillor Code of Conduct and mandatory Councillor training.⁴⁷ While that has been beneficial,⁴⁸ those changes alone cannot ensure good governance and culture. Having robust fraud and corruption controls in place is important because it mitigates the risk of poor governance.⁴⁹ Yet there are few minimum standards and no routine oversight by integrity agencies to ensure that Councils are implementing fraud and corruption controls that comply with the Act.⁵⁰

At the time of the VAGO audits, there was variation in the extent and quality of fraud and corruption controls being implemented by Councils. While progress has been made since those audits (see Chapter 2 and Appendices) there is still variation. The Committee heard from LGI that:

From our visits to Councils over the past two years there is significant variation in the quality and the veracity of fraud and corruption controls across the state.⁵¹

Survey responses from Councils provided to this Inquiry illustrate that Councils are using bespoke policies and processes that may allow for too much subjectivity in how they are applied.⁵² As noted by LGI, the principles-based Act ‘leaves much room for interpretation’.⁵³ For example, survey data showed there was notable variations among Councils in their approach to validating Councillor expenses and determining ‘community benefit’. A fifth of Councils (21%) indicated they did not require Councillors to certify that expense claims were incurred within the context of relevant provisions under the Act.⁵⁴ A quarter of Councils (25%) did not require Councillors to provide evidence of who benefited from an expense claim.⁵⁵ Descriptions of how Councils may determine ‘community benefit’ from expenses were also variable, with few Councils having any formalised criteria that expenses must meet, instead relying on expenditure passing the highly subjective ‘pub test’.⁵⁶

Systemic barriers explain some of the variation among Councils in the maturity of their fraud and corruption controls. For example, setting up Information and Communications Technology (ICT) systems that automate workflows can help ensure correct process is followed by Councillors and Council staff for some fraud and corruption controls, such as conflict of interest (COI) declarations and Councillor

⁴⁷ Department of Government Services, *Submission 12*, pp. 1–2; Michael Stefanovic, *Transcript of evidence*, p. 3.

⁴⁸ Local Government Inspectorate, *Submission 5*, p. 16; Victoria Elliot, Commissioner, IBAC, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 12.

⁴⁹ IBAC, *Submission 6*, received 7 March 2025, p. 9; Margo Baragwanath, *Transcript of evidence*, p. 15; Mike Gooley, *Transcript of evidence*, p. 2.

⁵⁰ Local Government Inspectorate, *Submission 5*, p. 16; Dean Hurlston, President, Council Watch, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 1; FinPro, *Submission 3*, p. 3.

⁵¹ Michael Stefanovic, *Transcript of evidence*, p. 2.

⁵² Public Accounts and Estimates Committee, *Inquiry into Fraud and Corruption Control in Local Government Survey*.

⁵³ Local Government Inspectorate, response to questions on notice, p. 5.

⁵⁴ See Appendix A.

⁵⁵ Ibid.

⁵⁶ Ibid.

expense reimbursements. While some Councils have been able to invest in this—at considerable expense⁵⁷—not all have the resources needed to establish such systems.

Systemic barriers that Councils have faced when trying to comply with legislative requirements and implement best practice controls (including implementing VAGO recommendations) were:

- time to familiarise with the new legislation and develop new internal policies, procedures and systems⁵⁸
- access to staff with the skills required to produce in-house policies, procedures and systems⁵⁹
- budget constraints for delivery of training, setting up new systems and employing staff in specialised roles—especially in small regional and rural Councils⁶⁰ and
- small workforce in some regional and rural Councils impacting the ability to segregate duties.⁶¹

FINDING 7: There is variability in how Councils are implementing fraud and corruption control policies, procedures and systems, partly due to systemic barriers including unfamiliarity with legislation, lack of in-house capability and limited budget, particularly in small rural and regional Councils.

3.3.2 Councils need more clarity to ensure compliance with the Act

Many Councils are seeking more state-level guidance to comply with new legislation and adopt best practice fraud and corruption controls. In response to the Committee's survey, 23 Councils expressed that the support they need from the Victorian Government and integrity agencies is more template policies, guidelines or procedures

⁵⁷ Public Accounts and Estimates Committee, *Inquiry into Fraud and Corruption Control in Local Government Survey*; Lincoln Fitzgerald, Chief Executive Officer, Loddon Shire Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 19; David Bezuidenhout, Chief Executive Officer, West Wimmera Shire Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 19; Andrew Mason, Chief Executive Officer, Warrnambool City Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 23.

⁵⁸ Public Accounts and Estimates Committee, *Inquiry into Fraud and Corruption Control in Local Government Survey*; Port Phillip City Council, supplementary evidence, p. 2.

⁵⁹ Kathryn Arndt, *Transcript of evidence*, p. 4; Lincoln Fitzgerald, *Transcript of evidence*, p. 14; Frances O'Brien, Commissioner of Inquiry, public hearing, 31 March 2025, *Transcript of evidence*, p. 4.

⁶⁰ Local Government Inspectorate, response to questions on notice, p. 11; East Gippsland Shire Council, *Inquiry into fraud and corruption control in local government*, supplementary evidence received 23 July 2025, pp. 1–2; Public Accounts and Estimates Committee, *Inquiry into Fraud and Corruption Control in Local Government Survey*.

⁶¹ East Gippsland Shire Council, supplementary evidence, p. 1; Borough of Queenscliffe Council, Yarriambiack Shire Council, Gannawarra Shire Council, Source: Public Accounts and Estimates Committee, *Inquiry into Fraud and Corruption Control in Local Government Survey*.

that provide consistency and clarity.⁶² That opinion was echoed by VLGA and FinPro.⁶³ Similarly, MAV highlighted that Councils need more Victorian Government investment in capacity building to help them meet legislative requirements.⁶⁴

Whilst [Councils] are all independent entities – and there are 79 of them – there is actually a need and a desire from the sector themselves to have more standardised policies and procedures, including reporting tools.

Kathryn Arndt, Chief Executive Officer, VLGA, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 4.

The LGI agrees that minimum standards and templates would assist Councils,⁶⁵ and that the Victorian Government has a responsibility to support Councils' governance practices given the introduction of a principles-based *Local Government Act 2020* (Vic) (the Act).⁶⁶ While guidance documents exist for many of the fraud and corruption controls required by the Act, there are few template policies that Councils can use. Guidance documents currently in use are:

- *Australian Standard AS 8001–2021: Fraud and Corruption Control*⁶⁷
- *Guidance on the Model Councillor Code of Conduct* (LGV, 2024)⁶⁸
- *In the Public Interest: A conflict of interest guide for Councillors, delegated committee members and Council staff* (LGV, 2020)⁶⁹
- *Managing Personal Interests in Local Government: A manual for Council managers and governance officers* (LGV, 2020)⁷⁰
- *Councils and complaints – a good practice guide, 2nd edition* (VO, 2021). This guide includes a template complaints policy that Councils can use.⁷¹

⁶² East Gippsland Shire Council, supplementary evidence, p. 2; Moira Shire Council, *Parliamentary Inquiry into fraud and corruption control in local government*, supplementary evidence received 23 July 2025, p. 3; Greater Shepparton City Council, *Written Statement – Inquiry into fraud and corruption control in local government*, supplementary evidence received 23 July 2025, p. 2; Carly Bloomfield, Manager, Governance, Wellington Shire Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 8; Bruce Dobson, Chief Executive Officer, Knox City Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 15; Matthew Morgan, Chief Executive Officer, Moira Shire Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 5; Cr Deirdre Diamante, *Transcript of evidence*, p. 2; Andrew Day, Chief Executive Officer, Manningham City Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 9; Robyn Borley, Director Governance and Performance, Port Phillip City Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 9; Public Accounts and Estimates Committee, *Inquiry into Fraud and Corruption Control in Local Government Survey*.

⁶³ Kathryn Arndt, *Transcript of evidence*, p. 4; Tony Rocca, *Transcript of evidence*, pp. 3, 13–24.

⁶⁴ Municipal Association of Victoria, *Submission 4*, pp. 4–5.

⁶⁵ Local Government Inspectorate, response to questions on notice, p. 6.

⁶⁶ *Ibid.*, p. 5.

⁶⁷ Standards Australia, *AS 8001:2021 Fraud and Corruption Control*, 2021, <<https://store.standards.org.au/reader/as-8001-2021>> accessed 1 October 2025.

⁶⁸ Local Government Victoria, *Guidance on the mandatory training for Mayors, Deputy Mayors and Councillors*.

⁶⁹ Local Government Victoria, *In the Public Interest*, October 2021, <https://www.localgovernment.vic.gov.au/_data/assets/pdf_file/0025/173635/Conflict-of-interest-guide-FINAL-October-2020.pdf> accessed 1 October 2025.

⁷⁰ Local Government Victoria, *Managing Personal Interests in Local Government*, October 2021, <https://www.localgovernment.vic.gov.au/_data/assets/pdf_file/0024/173634/Conflict-of-interest-manual-FINAL-October-2020-1.pdf> accessed 1 October 2025.

⁷¹ Victorian Ombudsman, *Councils and complaints – a good practice guide 2nd edition*, July 2021, <<https://www.ombudsman.vic.gov.au/learn-from-us/practice-guides/councils-and-complaints-a-good-practice-guide-2nd-edition>> accessed 1 October 2025.

The Committee heard that additional guidance documents are forthcoming. At the time of the Inquiry, LGV was co-designing Model Governance Rules and a Model Transparency Policy with the local government sector,⁷² both of which the Act requires Councils to have. The Committee notes that the Governance Rules—as per the Act—are expected to cover the procedure for declaring conflicts of interest.⁷³ It is unknown whether the Model Governance Rules will specify a procedure for declaring COI declarations for grants assessments, as per VAGO's recommendation.⁷⁴ The Committee believes that LGV should ensure that the Model Governance Rules contain a standard procedure for declaring COIs, including a specific procedure for grant assessments. In doing this, LGV should include guidance for instances where there are insufficient staff to remove an individual with a COI from the decision-making process, since this is a scenario sometimes faced by small rural and regional Councils.⁷⁵

Policies and procedures for reimbursement of Councillor expenses are a notable gap in the guidance documents either available or under development. The Act requires Councils to have an expenses policy and VAGO made multiple recommendations related to fuel card policies, credit card policies and processes for expense approval and reporting (see Chapter 2 for list of recommendations).⁷⁶ The Committee believes that fraud and corruption controls related to expenses could be strengthened if LGV provided a template expenses policy and a guidance document on best practice procedures.⁷⁷ LGV is the most appropriate agency to lead that work as it is the Victorian Government agency responsible for administering local government legislation and issuing guidance to Councils.⁷⁸

Reporting templates are the other gap in guidance available to Councils, such as for reporting of Councillor expenses, Councillor reimbursements and grant funding decisions. The Committee believes LGV should support Councils to have more consistent reporting and record keeping.⁷⁹ At present, Councils lack clarity in what they need to be measuring and recording to report on their fraud and corruption controls,

⁷² Local Government Victoria, response to questions on notice, p. 3; IBAC, *Submission 6*, p. 9.

⁷³ *Local Government Act 2020* (Vic) s 60.

⁷⁴ VAGO, *Fraud Control Over Local Government Grants*, May 2022, <<https://www.audit.vic.gov.au/report/fraud-control-over-local-government-grants>> accessed 2 October 2025.

⁷⁵ Cr Jodie Pretlove, Deputy Mayor, West Wimmera Shire Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 8.

⁷⁶ *Local Government Act 2020* (Vic) s 41.

⁷⁷ Tony Rocca, *Transcript of evidence*, p. 7; FinPro, response to questions on notice, p. 1; Local Government Inspectorate, response to questions on notice, p. 6; Moira Shire Council, supplementary evidence, p. 3; Greater Shepparton City Council, supplementary evidence, p. 2; Cardinia Shire Council, Inquiry into fraud and corruption control in local government hearings, response to questions on notice received 29 August 2025, p. 1; Greater Shepparton City Council, Inquiry into fraud and corruption control in local government hearings, response to questions on notice received 29 August 2025, p. 1; East Gippsland Shire Council, Inquiry into fraud and corruption control in local government hearings, response to questions on notice received 29 August 2025, p. 1.

⁷⁸ Department of Government Services, *Submission 12*, pp. 1, 3.

⁷⁹ Kathryn Arndt, *Transcript of evidence*, p. 4; East Gippsland Shire Council, supplementary evidence, p. 1; Nillumbik Shire Council, Inquiry into fraud and corruption control in local government hearings, response to questions on notice received 29 August 2025, pp. 1–2; Hobsons Bay City Council, Inquiry into fraud and corruption control in local government hearings, response to questions on notice received 29 August 2025, p. 1.

so Councillors are unsure what kind of reporting they can expect to see.⁸⁰ More consistency in reporting would have the additional benefit of enabling more efficient audits and compliance monitoring⁸¹ and ensure Councils can demonstrate their compliance to avoid unnecessary scrutiny.⁸²

The Committee notes that Council Audit and Risk Committees (ARCs) have a legislated responsibility to monitor the compliance of Council policies and procedures with the Act, regulations and overarching governance principles.⁸³ While the Committee recommends that LGV support Councils to have clearer understanding of what is required, it is expected that ARCs will check that internally developed policies and procedures are compliant with the Act. LGV is currently developing new guidance materials for ARCs,⁸⁴ which will support Councils to meet their legislative obligations related to how those Committees are established and function. For further discussion of ARCs see Chapter 4.

FINDING 8: Local Government Victoria is currently developing Model Governance Rules.

RECOMMENDATION 4: Local Government Victoria include standard procedures for declaring a conflict of interest and a specific procedure for grant assessments in its Model Governance Rules currently under development.

FINDING 9: Gaps in the sector guidance available to Councils include minimum standards or templates for expenses policies and reporting tools.

RECOMMENDATION 5: Local Government Victoria develop guidance materials, including templates, that support Councils to develop appropriate expenses policies and reporting tools.

⁸⁰ Andrew Day, *Transcript of evidence*, p. 9; Robyn Borley, *Transcript of evidence*, p. 9; East Gippsland Shire Council, response to questions on notice, p. 1.

⁸¹ Local Government Inspectorate, response to questions on notice, p. 13; FinPro, *Submission 3*, p. 3; East Gippsland Shire Council, response to questions on notice, p. 1.

⁸² Andrew Adason, Deputy Ombudsman, Victorian Ombudsman, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, pp. 7–8.

⁸³ *Local Government Act 2020* (Vic) s 54.

⁸⁴ Department of Government Services, *Submission 12*, p. 3; Local Government Victoria, response to questions on notice, p. 1.

3.3.3 Governance officers and knowledge sharing can facilitate best practice

Governance officers

Governance officers are an asset for Councils that have the capability to translate best practice guidance into bespoke policies and procedures and to provide advice to Councillors and Council executives.⁸⁵ Despite their utility, not all Councils have governance officers and the staff in those roles have variable levels of expertise.⁸⁶ The better supported governance officers are to fulfill their duties, the stronger a Council's fraud and corruption controls will be. Providing guidance and templates is one way that less experienced governance officers can be supported and is even more crucial for Councils that do not have governance officers.⁸⁷

The Committee heard that Councils are increasingly experiencing financial pressures⁸⁸ and that sacrificing roles such as governance officers is a way Councils can manage budgets.⁸⁹ Smaller Councils in regional and rural areas can be particularly disadvantaged with smaller budgets and may experience difficulty recruiting and retaining governance officers.⁹⁰

There are two main challenges facing regional and rural Councils when it comes to maintaining effective fraud and corruption control measures ... [access to] adequately qualified people to work in key roles in finance and governance with experience and knowledge of internal control structures and systems.

Moira Shire Council, *Parliamentary Inquiry into fraud and corruption control in local government*, supplementary evidence received 23 July 2025, p. 1.

⁸⁵ Cr John Schelling, Mayor, South Gippsland Shire Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 3; Cr Jarrod Bell, Mayor, Hume City Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 11; Cr Ben Blain, Mayor, Warrnambool City Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 12; Cr Denis Heslin, Mayor, Southern Grampians Shire Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 12.

⁸⁶ Kathryn Arndt, *Transcript of evidence*, p. 4; Lincoln Fitzgerald, *Transcript of evidence*, p. 14; Frances O'Brien, *Transcript of evidence*, p. 4.

⁸⁷ Kathryn Arndt, *Transcript of evidence*, p. 4.

⁸⁸ Public Accounts and Estimates Committee, *Inquiry into Fraud and Corruption Control in Local Government Survey*, Local Government Inspectorate, *Submission 5*, p. 8; Kathryn Arndt, *Transcript of evidence*, p. 7; West Wimmera Shire Council, *Council statement*, supplementary evidence received 21 July 2025, p. 2; South Gippsland Shire Council, *Inquiry into fraud and corruption control in local government – South Gippsland Shire Council Statement*, supplementary evidence received 16 July 2025, p. 1; Loddon Shire Council, *Parliamentary Inquiry into fraud and corruption control in local government*, supplementary evidence received 24 July 2025, p. 1; East Gippsland Shire Council, supplementary evidence, pp. 1–2; Hume City Council, supplementary evidence, p. 3.

⁸⁹ Local Government Inspectorate, *Submission 5*, p. 8.

⁹⁰ Dawn Bray, Manager, Strategy, Governance and Operations, Local Government Inspectorate, public hearing, 31 March 2025, *Transcript of evidence*, p. 15; Tanya Kovac, Acting Head of Local Government Programs and Policy, VLGA, public hearings, 31 March 2025, *Transcript of evidence*, p. 7; Julie Eisenbise, *Transcript of evidence*, p. 7; FinPro, *Submission 3*, pp. 1–2; VAGO, *Submission 8*, received 7 March 2025, p. 4; East Gippsland Shire Council, supplementary evidence, pp. 1–2; Moira Shire Council, supplementary evidence, pp. 1–3; South Gippsland Shire Council, supplementary evidence, p. 3.

The Committee believes that all Councils should be encouraged and supported to have governance officers. For Councils where employing a governance officer is not a viable option, alternative solutions may be needed. Potential solutions include initiatives that enable secondments and backfilling of governance officers across Councils. However, any solution must focus on overall expansion of the governance officer workforce rather than spreading the already limited capacity more thinly.⁹¹

I think the resource sharing discussion is useful, but it needs to be about understanding that there is not latency within the resourcing at the moment, so it is not like you are going to take one governance officer and stretch them across three councils. ... It is not about cost saving, it is about capacity building and adding value in there, because the resources are pretty tight at the moment.

Matthew Morgan, Chief Executive Officer, Moira Shire Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 10.

FINDING 10: Employing governance officers and ensuring they are supported through professional development is a crucial way to strengthen fraud and corruption controls in Councils.

RECOMMENDATION 6: The Victorian Government consider ways to encourage all Councils to employ suitably skilled governance officers.

Knowledge and resource sharing

Knowledge and resource sharing among Councils can support capability uplift and was suggested—or already being practiced—by multiple Councils.⁹² Notably, it can partially compensate for resource limitations experienced by small rural and regional Councils.⁹³

Councils indicated they would welcome investment and leadership from the Victorian Government to reinforce or formalise knowledge and resource sharing, anticipating that it would facilitate stronger and more consistent implementation of fraud and

⁹¹ Warrnambool City Council, *Parliamentary Inquiry into Fraud and Corruption Control in Local Government*, supplementary evidence received 7 July 2025, p. 2; Matthew Morgan, *Transcript of evidence*, p. 10; Sheena Frost, Chief Executive Officer, Hume City Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 20.

⁹² Public Accounts and Estimates Committee, *Inquiry into Fraud and Corruption Control in Local Government Survey*; Greater Shepparton City Council, supplementary evidence, pp. 2–3; Loddon Shire Council, supplementary evidence, p. 2; South Gippsland Shire Council, supplementary evidence, p. 2; Warrnambool City Council, supplementary evidence, p. 2; Knox City Council, *Parliamentary Inquiry into Fraud and Corruption Control in Local Government*, supplementary evidence received 7 July 2025, pp. 1, 3; Manningham City Council, *Manningham City Council's Statement*, supplementary evidence received 7 July 2025, p. 2; Nillumbik Shire Council, *Parliamentary Inquiry into Fraud and Corruption Control in Local Government*, supplementary evidence received 11 July 2025, pp. 2–3.

⁹³ Roberta Skliros, Assistant Auditor-General, Financial Audit, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 11; Tanya Kovac, *Transcript of evidence*, p. 7; Loddon Shire Council, supplementary evidence, p. 2.

corruption controls.⁹⁴ Examples of existing knowledge and resource sharing among Councils presented in evidence to the Committee were:

- The Governance Advisory Network, a community of practice for Councillors and governance officers, managed by VLGA, that facilitates peer-led sharing of best practice knowledge.⁹⁵
- The Northern Council Alliance, a group facilitating knowledge sharing and joint advocacy among seven Councils.⁹⁶
- The Eastern Region Group of Councils, a partnership among five Councils that involves integrated planning, shared services and joint procurement.⁹⁷
- A grants network for Councils in south-eastern region, facilitating discussion and knowledge sharing about practical tools, audit outcomes and policy frameworks.⁹⁸
- Informal collaboration among Councils in the Central Highlands to share knowledge.⁹⁹
- Shared ICT services between East Gippsland Shire and Wellington Shire.¹⁰⁰
- Shared procurement of ICT systems among Loddon Shire, Horsham Rural City and Hindmarsh Shire.¹⁰¹
- An ICT project currently underway to create a shared ICT framework for three Councils: Corangamite Shire, Moyne Shire and Warrnambool City.¹⁰²
- Local Government Professionals (LGPro), a member association for the local government sector workforce in Victoria that provides professional development.¹⁰³

While knowledge sharing for capability building is low risk, caution is needed when determining if and how to pursue shared systems and resources among Councils to ensure there is appropriate information security.¹⁰⁴ As noted by OVIC:

⁹⁴ Public Accounts and Estimates Committee, *Inquiry into Fraud and Corruption Control in Local Government Survey*; Loddon Shire Council, supplementary evidence; Manningham City Council, supplementary evidence p. 2; Greater Shepparton City Council, supplementary evidence, p. 3.

⁹⁵ VLGA, response to questions on notice, p. 4; VLGA, *Governance Advisory Network*, 2023, <<https://www.vlga.org.au/governance-leadership/local-government/governance-advisory-network>> accessed 2 October 2025.

⁹⁶ Nillumbik Shire Council, *Parliamentary Inquiry into Fraud and Corruption Control in Local Government*, supplementary evidence received 11 July 2025, p. 3; Northern Councils Alliance, *About Us*, (n.d.), <<https://www.northerncouncils.org.au/about>> accessed 2 October 2025.

⁹⁷ Andrew Day, *Transcript of evidence*, p. 4; Bruce Dobson, *Transcript of evidence*, p. 20; Eastern Region Group of Councils, *About Us*, (n.d.), <<https://easternregiongroup.org.au/about>> accessed 2 October 2025.

⁹⁸ Knox City Council, supplementary evidence, p. 3; Bruce Dobson, *Transcript of evidence*, pp. 6, 20.

⁹⁹ Public Accounts and Estimates Committee, *Inquiry into Fraud and Corruption Control in Local Government Survey*.

¹⁰⁰ Sarah Johnston, General Manager Business Excellence, East Gippsland Shire Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 8.

¹⁰¹ Lincoln Fitzgerald, *Transcript of evidence*, p. 19.

¹⁰² Warrnambool City Council, supplementary evidence, p. 2; Andrew Mason, *Transcript of evidence*, p. 19.

¹⁰³ Nillumbik Shire Council, supplementary evidence p. 3; Local Government Professionals, *Who we are and what we do*, 2025, <<https://www.lgpro.com/about/who-we-are-and-what-we-do>> accessed 2 October 2025.

¹⁰⁴ Nillumbik Shire Council, supplementary evidence, p. 2; Andrew Day, *Transcript of evidence*, p. 4; Matthew Morgan, *Transcript of evidence*, p. 9; Office of the Victorian Information Commissioner (OVIC), *Written Statement*, supplementary evidence received 7 July 2025, pp. 3–4.

Further exploration of centralisation [of services] across Councils must be prefaced by a comprehensive risk assessment. This process would ensure that risks are clearly identified, their root causes understood, and their potential impacts evaluated.¹⁰⁵

The Committee believes that leadership is needed from the Victorian Government to provide Councils with advice and guidance on how they should approach collaborating for capability uplift and make use of shared services.¹⁰⁶ The Committee recommends that LGV undertake consultation with Councils and peak bodies (especially MAV and VLGA) to determine the best approach for strengthening and expanding knowledge-sharing forums, including ways that ensure access is affordable for all Councils. At the same time, LGV should undertake or commission a risk assessment for the use of shared services and systems among Councils, after which guidance should be provided to Councils on the types of systems or services that can be shared, the conditions for sharing and the necessary information security controls. Small rural and regional Councils may require financial support from the Victorian Government to implement such initiatives.¹⁰⁷

When considering what focus areas should be prioritised for knowledge and resource sharing, consideration should be given to the areas raised as priorities by Councils during this Inquiry. These include governance and probity, internal audit, data analytics for fraud detection, grant management, procurement and cyber security.¹⁰⁸

FINDING 11: Knowledge sharing through forums such as communities of practice is an effective way to support capability uplift and continuous improvement across the local government sector, and while it is currently occurring, it lacks state-level coordination and support.

RECOMMENDATION 7: Local Government Victoria undertake consultation with sector stakeholders to determine the best approach for strengthening and expanding knowledge-sharing forums, including ways that ensure access is affordable for all Councils.

FINDING 12: Establishing shared services among Councils, such as shared Information and Communications Technology systems, creates information security risks that need to be controlled.

¹⁰⁵ OVIC, supplementary evidence, pp. 3–4.

¹⁰⁶ Public Accounts and Estimates Committee, *Inquiry into Fraud and Corruption Control in Local Government Survey*; Andrew Mason, *Transcript of evidence*, p. 4.

¹⁰⁷ Ibid.; Andrew Mason, *Transcript of evidence*, p. 23.

¹⁰⁸ Greater Shepparton City Council, supplementary evidence, pp. 2–3; Loddon Shire Council, supplementary evidence, p. 2; Knox City Council, supplementary evidence, p. 3; Manningham City Council, supplementary evidence, p. 2; Nillumbik Shire Council, supplementary evidence, p. 2; Andrew Day, *Transcript of evidence*, p. 4; Bruce Dobson, *Transcript of evidence*, p. 20.

RECOMMENDATION 8: Local Government Victoria (LGV) undertake or commission a risk assessment for shared services across Councils, particularly shared Information and Communications Technology systems. Based on these assessments, LGV provide guidance to Councils on the minimum information security controls required to establish shared services.

3.3.4 There are opportunities to strengthen information security controls

Councils hold a range of personal and sensitive information about community members and organisations that, if not managed securely, could be accessed and used for fraudulent and corrupt purposes.¹⁰⁹ In addition, inadequate information security controls make Councils more vulnerable to cyber-attacks and ransomware attacks.¹¹⁰

During the financial year 2024–25, complaints received by OVIC regarding Councils included the following issues:

- Unauthorised access to Council systems and misuse of personal information for non-legitimate purposes.
- Use of Council systems and personal information for personal benefit during a Council election.
- Council employees sending Council information to their personal email addresses for unknown purposes, including contact information databases and financial/invoice databases.
- Insufficient steps being taken to protect personal information.¹¹¹

At the time of this Inquiry, there were no legislative requirements for Councils to have any specific information security controls applied to the information held in their systems.¹¹² Councils are subject to Part 3 of the *Privacy and Data Protection Act 2014* (Vic) (PDP Act), which means they must follow the Information Privacy Principles.¹¹³ However, unlike many other Victorian Government agencies, Councils are excluded from Part 4 of the PDP Act, except for any matters related to their appointment as Committees of Management of Crown Land Reserves or as trustees of Cemetery Trusts.¹¹⁴ That means Councils do not have to follow the Victorian Protective Data Security Framework (VPDSF), submit a Protective Data Security Plan to OVIC or undertake a Security Risk Profile Assessment.¹¹⁵

¹⁰⁹ OVIC, *Submission 11*, received 14 March 2025, pp. 2, 6–7.

¹¹⁰ *Ibid.*, p. 6.

¹¹¹ *Ibid.*, p. 4.

¹¹² *Ibid.*, p. 6.

¹¹³ *Ibid.*, p. 2.

¹¹⁴ *Ibid.*, pp. 2–3.

¹¹⁵ *Ibid.*, p. 2; Sean Morrison, Victorian Information Commissioner, Office of the Victorian Information Commissioner, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 1.

If Councils were subject to Part 4 of the PDP Act it would bring Councils under the jurisdiction of OVIC,¹¹⁶ and they would be supported through the Victorian Protective Data Security Standards (VPDSS) Implementation Guide to put in place a suite of information security controls.¹¹⁷ As such, making that legislative change would create some standardisation of information security controls across Councils.¹¹⁸ Many Councils are already aware of the VPDSF and engage with OVIC to access education and resources, but legislative change would ensure that all Councils are following the same standard.¹¹⁹

The lack of a legislative requirement [for Councils] under Part 4 [of the PDP Act] also creates confusion across the sector, further compromising efforts to enhance information security.

Office of the Victorian Information Commissioner, *Submission 11*, received 14 March 2025, p. 6.

FINDING 13: Information security controls are inconsistent across Councils and not sufficiently robust, which increases the risk of fraud and corruption.

FINDING 14: Councils are not subject to Part 4 of the *Privacy and Data Protection Act 2014* (Vic) and, therefore, are not obliged to follow the Victorian Protective Data Security Standards.

RECOMMENDATION 9: The Victorian Government seek to amend the *Privacy and Data Protection Act 2014* (Vic) to include Councils in Part 4 so that they are required and supported to implement consistent information security controls.

¹¹⁶ OVIC, *Submission 11*, p. 8; Sean Morrison, *Transcript of evidence*, p. 1.

¹¹⁷ OVIC, *Submission 11*, p. 3.

¹¹⁸ Sean Morrison, *Transcript of evidence*, p. 5.

¹¹⁹ *Ibid.*, pp. 1, 4.

Chapter 4

Internal oversight

4.1 Overview

This chapter examines the internal oversight mechanisms that Councils use to prevent and detect fraud, corruption and misconduct. It considers the role of Audit and Risk Committees (ARCs), Councils' capacity to monitor fraud controls and data, and the introduction of the *Councillor Conduct Framework*.

While ARCs are mandated under the *Local Government Act 2020* (Vic), their operation is inconsistent, with variations in meeting frequency, independence of membership and transparency of activities. Councils also differ in their ability to undertake audits, apply data analytics, and maintain fraud and corruption incident registers. Smaller Councils are particularly affected by resource and capacity constraints, and some Councils have developed dedicated integrity functions that demonstrate best practice.

The chapter identifies opportunities to strengthen internal oversight in Councils, including standardising ARC charters and transparency requirements, addressing the limited pool of independent members, embedding incident registers, and building capacity for internal audits and data analytics. It also notes the potential of the *Councillor Conduct Framework* to provide earlier and more consistent management of misconduct, though its effectiveness is yet to be assessed.

4.2 Audit and Risk Committees

4.2.1 Audit and Risk Committees have a crucial oversight role yet their effectiveness varies among Councils

The *Local Government Act 2020* (Vic) (the Act) requires all Councils to establish an Audit and Risk Committee (ARC).¹ The functions and responsibilities of the ARC must include:

- monitoring compliance of Council policies and procedures with the Act
- monitoring Council financial and performance reporting
- monitoring and providing advice on risk management and fraud prevention systems and controls
- overseeing internal and external audit functions.²

¹ *Local Government Act 2020* (Vic) ss 53–54.

² *Local Government Act 2020* (Vic) s 54(2).

While Local Government Victoria (LGV) and other agencies provide guidance and advice to Councils, ARCs have a responsibility to advise the Council on how to implement fraud and corruption controls in that Council's specific context and circumstances.

[LGV] have provided a lot of guidance [on fraud and corruption controls] overall, and certainly in terms of the responsibilities under the Act. If you like, [Councils] being a third, independent tier of government, it is important that those audit risk committees are actually responsible for putting in the systems and processes.

Mike Gooley, Executive Director, Local Government Victoria, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 6.

The Act mandates that all ARCs be guided by a committee charter, designed and adopted by each Council to suit its needs. That charter must specify the functions and responsibilities of the Committee and outline an annual work program.³ An ARC must also undertake an annual assessment of its performance and prepare a biannual audit and risk report that describes its activities, including any findings and recommendations.⁴ Despite the inclusion of these mandatory elements, the Act does not specify how an ARC should operate or what should be included in the annual work program. Consequently, there are inconsistencies in the activities and effectiveness of ARCs.⁵ The Local Government Inspectorate (LGI) explained:

[T]here is a significant variation in the terms of reference for the audit and risk committees across the state. ... There is divergence in the number and duration of committee meetings, which suggests that there may be differing levels of oversight and in the detail and range of information and matters that are reported.⁶

Having greater standardisation of ARC charters could ensure more consistency in the activities and effectiveness of ARCs and, therefore, more consistency in the strength of fraud and corruption prevention across Councils. During the Inquiry, witnesses from a variety of organisations, including Councils, integrity agencies and professional bodies made suggestions for how to improve the effectiveness of ARCs, namely:

- setting a minimum frequency for ARC meetings, with quarterly meetings as the standard⁷
- having standing agenda items related to suspected fraud and corruption incidents⁸ and relevant VAGO audit reports⁹

³ *Local Government Act 2020* (Vic) s 54(2), (3).

⁴ *Local Government Act 2020* (Vic) s 54(4), (5).

⁵ Michael Stefanovic, Chief Municipal Inspector, Local Government Inspectorate, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 3; Local Government Inspectorate, *Submission 5*, received 7 March 2025, pp. 9–10.

⁶ Michael Stefanovic, *Transcript of evidence*, p. 3.

⁷ Tony Rocca, President, Local Government Finance Professionals (FinPro), public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 5.

⁸ Victoria Elliott, Commissioner, Independent Broad-based Anti-corruption Commission (IBAC), public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 16.

⁹ Tony Rocca, *Transcript of evidence*, p. 4; FinPro, Inquiry into fraud and corruption control in local government, response to questions on notice received 23 April 2025, p. 7.

- appointing a governance officer (or similar role) responsible for reporting to the ARC.¹⁰

While the Committee has determined that there would be benefits to greater standardisation of ARCs within the Act, particularly regarding fraud and corruption controls, it also recognises that differences in Councils' risks and needs must be accounted for in any legislative amendments. When asked by the Committee how ARCs could benefit from having standardised terms of reference to ensure they are operating consistently, LGV explained:

... Councils vary in size, complexity, resources, capacity and capability ... each ARC needs to tailor its Charter and work program according to the needs of its Council.¹¹

At the time of this Inquiry, LGV reported it was in the process of developing new guidance and training materials for ARCs to support them to operate more effectively.¹² The Committee believes it is prudent to wait and see whether that addresses the issues identified during this Inquiry before exploring potential changes to legislation. It recommends that LGV ensure its guidance materials incorporate the suggestions put forward during the Inquiry, as outlined above.

FINDING 15: Victorian Council Audit and Risk Committees lack standardised terms of reference, leading to inconsistencies in their operations and effectiveness.

RECOMMENDATION 10: Local Government Victoria ensure its forthcoming guidance materials for Audit and Risk Committees (ARCs) incorporate the suggestions provided to the Inquiry to improve consistency in the activities of ARCs by having:

- minimum frequency for ARC meetings—at least quarterly
- standing agenda items related to fraud and corruption controls and suspected incidents
- standing agenda item for follow up on Victorian Auditor-General's Office audit recommendations
- a dedicated staff member—ideally a governance officer—responsible for reporting to the ARC.

4.2.2 There is limited availability of suitable people to serve as independent members on Council Audit and Risk Committees

The Act specifies that the majority membership of an ARC, including the Chair, must be independent of Council, with expertise in financial management and risk, and

¹⁰ Victoria Elliott, *Transcript of evidence*, p. 16.

¹¹ Local Government Victoria, *Inquiry into fraud and corruption control in local government*, response to questions on notice received 5 September 2025, p. 1.

¹² Department of Government Services, *Submission 12*, received 28 March 2025, p. 3.

experience in the public sector. Remaining ARC members must be elected Councillors.¹³ It is critical that the independent members are experienced and possess appropriate skills and qualifications.¹⁴ Periodic changeover of independent members is also advisable.¹⁵

There is no legislative limit on tenure lengths for independent ARC members. Since independent members are not subject to the four-year Council election cycle that Councillors are, it is worthwhile having a mechanism to encourage turnover.¹⁶ There is similarly no legislative limit on independent members serving on multiple committees across different Councils.

While independent ARC members would ideally serve on one committee at a time for a fixed period, tension arises when acknowledging the small pool of appropriately experienced people in which to seek independent members for ARCs.¹⁷ Current and previous municipal monitors noted that due to the extent of their governance experience in local government, many of them had been members of multiple ARCs as independent members. John Watson, who at the time of this Inquiry was Chair of 10 Council ARCs and member of another four, noted that:

... there is a problem in the sector. It does not recognise the value of the expertise and skills that people bring as independent members. Some try to recruit locally, and that is not the wisest thing to do.¹⁸

Julie Eisenbise, who has also sat on ARCs,¹⁹ continued:

... audit committees are not necessarily valued that well, because financially they are not remunerated terribly well ... when you look at smaller Councils, they do not have the resources ... it is very difficult within a tight budget to ensure you are going to attract a good [independent member].²⁰

In some circumstances resourcing is so limited that Councils are forgoing independent members on ARCs completely, even though this does not comply with the Act.²¹

FINDING 16: There are a limited number of people qualified to sit as independent members on Audit and Risk Committees (ARCs), leading to them having insufficient independent representation and people being members of multiple ARCs simultaneously.

¹³ *Local Government Act 2020* (Vic) s 53 (3), (4).

¹⁴ Department of Government Services, *Submission 12*, p. 3.

¹⁵ *Ibid.*

¹⁶ *Ibid.*

¹⁷ *Ibid.*; Michael Stefanovic, *Transcript of evidence*, p. 3.

¹⁸ John Watson, Former Commissioner of Inquiry, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 6.

¹⁹ Julie Eisenbise, Former Commissioner of Inquiry, Inquiry into fraud and corruption control in local government, response to questions on notice received 22 April 2025, p. 2.

²⁰ Julie Eisenbise, Former Commissioner of Inquiry, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 7.

²¹ John Tanner AM, Former Commissioner of Inquiry, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 7.

FINDING 17: There is currently no legislative limitation on tenure terms for individual members, or for serving on multiple Audit and Risk Committees across different Councils.

RECOMMENDATION 11: Local Government Victoria develop a strategy through consultation with sector stakeholders to address the problems stemming from insufficient supply of suitably qualified people to serve as independent members on Council Audit and Risk Committees (ARCs), in particular, individuals serving on multiple ARCs simultaneously. The strategy should be completed and communicated to the sector by the next Council election cycle.

4.2.3 More transparency is needed for Council Audit and Risk Committee membership and activities

Under the previous *Local Government Act 1989* (Vic), Councils had to maintain a minimum standard of information that was publicly available through their website, but that requirement was removed from the 2020 Act.²² The publication of ARC operations and agendas is also not stipulated under the 2020 Act. This is problematic given the variable strength of ARC membership, activities and effectiveness, as outlined above.

Few Councils disclose information about their ARC membership and activities on their websites, and that lack of transparency can create the perception that there are issues.²³ Ensuring that there is transparency around ARCs is an important component of a robust framework for fraud and corruption control by ensuring there can be adequate scrutiny.²⁴ That includes the ability of integrity agencies to assess compliance without directly contacting Councils,²⁵ which is especially important given that the Local Government Inspectorate (LGI) is under-resourced (see Chapter 6). The Committee believes that consideration should be given to amending the Act to set minimum standards of information about ARCs that need to be published publicly by Councils.

The Independent Broad-based Anti-corruption Commission (IBAC) suggested in a 2019 review that Councils maintain a register of potential or perceived conflicts of interest for ARC members.²⁶ The Committee supports this suggestion, especially as it would help counterbalance the risks associated with having independent members sitting on multiple ARCs. That register could also be published publicly to allow more transparency and mitigate any perceived or actual risk.

²² Local Government Inspectorate, *Submission 5*, p. 20.

²³ Ibid., p. 9.

²⁴ Local Government Inspectorate, *Inquiry into fraud and corruption control in local government*, response to questions on notice received April 2025, p. 13.

²⁵ Ibid.

²⁶ IBAC, *Local government integrity frameworks review*, Melbourne, 2019, pp. 80, 84.

FINDING 18: There is insufficient visibility and scrutiny of Council Audit and Risk Committee membership and activities.

RECOMMENDATION 12: The Victorian Government seek to amend the *Local Government Act 2020* (Vic) to mandate that Councils publish information about their Audit and Risk Committees, including:

- membership
- annual work plan
- register of potential or perceived conflicts of interest for independent members.

4.3 Internal monitoring of fraud and corruption

4.3.1 Councils vary in their capability and capacity to perform audits and analytics

Audits and data analytics can work in tandem to detect and prevent fraud. Undertaking audits of fraud controls—either internally or by a contracted external auditor—is a way that Councils can ensure their controls are strong and help to prevent fraud.²⁷ Performing analytics on financial data can detect fraud, which is why the Victorian Auditor-General’s Office (VAGO) recommended that Councils use data analytics to identify anomalies in credit card and fuel card expenditure (audit report no. 40, recommendations 5 and 6).

Councils vary in their capacity and capability to perform these activities. As discussed in Section 3.2.4, Councils vary in their size, budgets and resourcing, with not all having staff with the specialist skills needed to perform fraud audits and data analytics.²⁸ This is particularly true for small rural and regional Councils that may not only lack the in-house skills needed but also have insufficient budget to outsource the activity. In contrast, some Councils have been able to set up systems and processes that enable them to perform routine data analytics.²⁹

[R]esource constraints remain a significant challenge in implementing proactive fraud detection measures, particularly in the area of data analytics.

Greater Shepparton City Council, *Written statement - Parliamentary inquiry into fraud and corruption control in local government*, supplementary evidence received 8 July 2025, p. 1.

²⁷ Tony Rocca, *Transcript of evidence*, p. 11.

²⁸ Public Accounts and Estimates Committee, *Inquiry into Fraud and Corruption Control in Local Government Survey*, online survey, Microsoft Forms, Washington, 2025, <forms.office.com>.

²⁹ Peter Stephenson, Municipal Monitor, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 2.

These barriers were reflected in survey responses to the Inquiry, which showed that only about half of Councils were using data analytics to identify anomalies in credit card and fuel card use (**Appendix A**). The Councils that were not using data analytics were predominantly rural and regional Councils.³⁰

For audits of fraud controls, an additional barrier is that Councils only have capacity to perform a certain number of audits a year, and fraud controls are one of many things that need to be audited.³¹ While best practice would be to have fraud controls as a recurring part of a Council's internal audit program,³² it is not clear how frequently Councils are able to do that.

FINDING 19: Councils vary in their capability and capacity to undertake audits of fraud controls and perform data analytics to detect fraud, with only about half of Councils currently performing analytics on credit card and fuel card use.

4.3.2 Not all Councils have a fraud and corruption incident register

VAGO recommended that Councils maintain fraud and corruption incident registers to accurately record suspected incidents of fraud and corruption, their handling and all relevant supporting documentation (audit report no. 40, recommendation 10). This supports Councils to track patterns of potential or actual fraud and corruption in their organisation. It is part of best practice outlined in the *Australian Standard on Fraud and Corruption Control*.³³

Survey responses to this Inquiry showed that 69% of Councils had an incident register. This is a positive sign, but it was unclear why approximately a third of Councils did not have one. The Committee notes that ARCs can play a role in supporting Councils to establish an incident register, and conversely an incident register provides valuable visibility to the ARC when fulfilling its function. Given that LGV was in the process of developing new guidance materials for ARCs at the time of the Inquiry, the Committee recommends that it include content on how ARCs should be involved in the establishment and oversight of incident registers.³⁴

FINDING 20: Approximately one third of Victorian Councils do not have a fraud and corruption incident register.

³⁰ Public Accounts and Estimates Committee, *Inquiry into Fraud and Corruption Control in Local Government Survey*.

³¹ John Watson, *Transcript of evidence*, p. 14.

³² Tony Rocca, *Transcript of evidence*, p. 11.

³³ Commonwealth Fraud Prevention Centre, *8001-2021 Fraud and Corruption Control Standards*, 2025, <<https://www.counterfraud.gov.au/library/8001-2021-fraud-and-corruption-control-standards>> accessed 3 Oct 2025.

³⁴ Department of Government Services, *Submission 12*, p. 3.

RECOMMENDATION 13: Local Government Victoria include in its forthcoming guidance material for Council Audit and Risk Committees directions on how they should be involved in the establishment and oversight of incident registers.

FINDING 21: The emergence of bespoke internal oversight mechanisms in some Victorian Councils is indicative of a shift in the local government sector towards adoption of best practice.

4.3.3 Some Councils have established bespoke integrity functions

Some Councils have been implementing bespoke internal oversight mechanisms, demonstrating their desire to adopt best practice approaches to fraud and corruption control. The Committee was told about a variety of ways that Councils have implemented dedicated internal oversight functions, roles or units. Case studies are provided below for illustration.

Case Study 4.1 Cardinia Shire Council

Cardinia Shire made fraud controls a recurring audit in its Strategic Internal Audit Plan and has recently established a dedicated Fraud Officer role. The Fraud Officer is responsible for receiving and investigating reports from Council staff, reporting fraud to the Audit and Risk Committee and being custodian of Council's fraud policy and fraud and corruption control plan.

Source: Cardinia Shire Council, *Statement to the Parliamentary Inquiry into Fraud and Corruption Control in Local Government*, supplementary evidence received 9 July 2025, p. 2.

Case Study 4.2 Manningham City Council

Manningham City has established an Integrity Service Unit into its corporate structure. It complements the Council's introduction of an annual assurance review program that has a focus on testing the effectiveness of fraud and corruption controls. Outputs of the reviews are reported to an Executive Risk Committee with oversight from the Audit and Risk Committee. Manningham explained that 'within our governance team, our risk and assurance team, is a map of standards and our practices, so that we can also monitor [our performance] on an ongoing basis'.

Source: Public Accounts and Estimates Committee, *Inquiry into Fraud and Corruption Control in Local Government Survey*; Manningham City Council, *Statement to the Parliamentary Inquiry into Fraud and Corruption Control in Local Government*, supplementary evidence received 7 July 2025, p. 1; Public Accounts and Estimates Committee, *Inquiry into Fraud and Corruption Control in Local Government Survey*; Cr Deirdre Diamante, Mayor, Manningham City Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 6.

Case Study 4.3 Hume City Council

During the last Council term, Hume City invested in a new integrity function within its corporate structure that supports the referral and management of complaints across Council. Hume City has also established a fraud control system which it has been promoting internally to raise awareness, and fraud and corruption controls have been incorporated into the scope of internal audits. Hume City acknowledged that it was privileged to be in the financial position to have a dedicated integrity function while ‘there would be many other smaller Councils that may not be able to.’

Source: Hume City Council, *Statement to the Parliamentary Inquiry into Fraud and Corruption Control in Local Government*, supplementary evidence received 4 July 2025, p. 3; Public Accounts and Estimates Committee, *Inquiry into Fraud and Corruption Control in Local Government Survey*.

The emergence of bespoke internal oversight mechanisms in some Victorian Councils is indicative of a shift in the local government sector towards adoption of best practice.

4.4 Councillor Conduct Framework

4.4.1 Councillor misconduct can be managed internally

The *Councillor Conduct Framework* (the Framework) provides a hierarchy for the management of Councillor conduct complaints to address varying levels of misconduct: misconduct, serious misconduct and gross misconduct. It enables Councils to manage relatively minor Councillor conduct issues internally, reducing the reliance on integrity agencies—particularly LGI—for less serious matters.³⁵

The Framework is established under the *Local Government Act 2020* (Vic) (the Act). Since the 2024 amendments to the Act, all Councillors are now required to follow the Model Councillor Code of Conduct.³⁶ It replaces the previous statutory requirement for each Council to create its own code and it sets clear standards for Councillor behaviour and responsibilities.³⁷

The mechanisms for managing the three different levels of Councillor misconduct are shown in Figure 4.1.

³⁵ Local Government Victoria, response to questions on notice received, p. 8; Local Government Victoria, *Councillor conduct framework*, 2025, <<https://www.localgovernment.vic.gov.au/council-governance/councillor-conduct-framework-and-councillor-conduct-panels>> accessed 3 October 2025.

³⁶ *Local Government Act 2020* (Vic) s 139.

³⁷ Local Government Victoria, *Guidance of the Model Councillor Code of Conduct*, 2024, <https://www.localgovernment.vic.gov.au/_data/assets/pdf_file/0016/211381/Guidance-on-the-Model-Councillor-Code-of-Conduct-2024-061124.pdf> accessed 3 October 2025, p. 5.

The Framework's internal arbitration process has been designed as an early intervention mechanism for less serious types of misconduct by Councillors, that may otherwise not be considered appropriate for LGI or IBAC to investigate. Councillor Conduct Panels are an independent process designed to deliver comprehensive and thorough assessments into allegations of serious misconduct. The costs of internal arbitration and Councillor Conduct Panels are paid by the Council.³⁸

In instances of alleged gross misconduct, Councils should refer complaints directly to the Chief Municipal Inspector, head of LGI, to undertake investigation for potential prosecution through the Victorian Civil and Administrative Tribunal (VCAT). LGI also has the power to investigate and initiate applications for Councillor Conduct Panels (CCPs) to be established in alleged instances of serious misconduct.

Given how recently the *Councillor Conduct Framework* came into effect, it is too early to determine its effectiveness or the financial implications for Councils.³⁹ Nonetheless, the Committee notes that the Framework is a positive step towards early intervention and reducing the reliance on integrity agencies, which is needed in the current environment where LGI is under-resourced (see Chapter 6). Furthermore, it is a mechanism through which disciplinary action can be taken for less serious behaviours of concern, which is valuable given the challenges faced by LGI in prosecuting matters (see Chapter 6).

FINDING 22: Although it is too early to evaluate the impact of the *Councillor Conduct Framework*, it represents progress towards standardising conduct across Victorian Councils and a mechanism for early intervention that reduces reliance on integrity agencies.

³⁸ Local Government Victoria, *Councillor conduct framework*, 2025, <<https://www.localgovernment.vic.gov.au/council-governance/councillor-conduct-framework-and-councillor-conduct-panels>> accessed 3 October 2025.

³⁹ Kathryn Arndt, Chief Executive Officer, Victorian Local Governance Association, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 12.

Chapter 5

Transparency and reporting of fraud and corruption

5.1 Overview

This chapter examines the importance of transparency and reporting in preventing fraud and corruption within Councils. It considers how open decision-making and proactive disclosure underpin community trust, while also noting the risks created by inconsistent practices under the *Local Government Act 2020* (Vic) and current Freedom of Information (FOI) settings.

The Committee highlights weaknesses in existing Council processes for declaring and managing personal interests and conflicts of interest, as well as the need for clearer minimum standards of public reporting. It also reviews improvements and ongoing gaps in transparency around Council grant administration, noting recent improvements to grant management systems but unclear responsibilities for grant oversight remain.

The chapter also explores the role of reporting in exposing fraud, corruption, and Councillor misconduct. It finds that Council culture strongly influences whether Councillors and Council staff feel safe to speak up and that current whistleblower protections are limited and inconsistently communicated. Strengthening protections for whistleblowers, and how those protections are communicated, are essential to improving reporting of fraud and corruption to integrity agencies.

5.2 Transparency

5.2.1 Transparency contributes to fraud and corruption prevention

Transparency is a fraud and corruption control in itself and is important for maintaining public trust.¹ Transparency in decision making is part of good governance and makes it harder to conceal fraud and corruption.²

After the *Local Government Act 2020* (Vic) (the Act) reforms, the Act became less prescriptive about what information is confidential and what must be disclosed, and instead assumes that all matters must be public, except in very specific and limited

1 Victorian Ombudsman, Inquiry into fraud and corruption control in local government hearings, response to questions on notice received 23 April 2025, p. 4.

2 Commonwealth Fraud Prevention Centre, *Public transparency*, 2025, <<https://www.counterfraud.gov.au/fraud-countermeasures/public-transparency>> accessed 1 October 2025.

circumstances.³ This means that Councils are expected to operate with transparency by default, unless the information in question is either confidential or if its availability would be contrary to the public interest.⁴ However, without clear guidelines there can be inconsistency in what information Councils make public, leaving the potential for Councils to conceal information. That is in part due to the Act now being less prescriptive about the use of confidential meetings and decisions.⁵

The Local Government Inspectorate (LGI) expressed concerns that there is no longer a minimum standard for information that must be made publicly available.⁶ Similarly, the Independent Broad-based Anti-corruption Commission (IBAC) previously called for Councils to have transparency rules and stronger record keeping for Council meetings.⁷ While Councils are required to operate with transparency as a default, monitoring compliance with that requirement is very difficult under current circumstances.

The Act requires Councils to have a transparency policy, with individual Councils being responsible for developing their own. A model policy is currently being developed by Local Government Victoria (LGV) to support consistency across Councils.⁸ The Committee believes that the Victorian Government should consider introducing mandatory minimum standards for public reporting by Councils and those minimum standards should be reflected in LGV's model transparency policy. Public reporting of a conflict of interest register should also be included (see Section 5.2.3).

FINDING 23: Under the *Local Government Act 2020* (Vic), there are no mandated minimum standards for what information Councils must report publicly.

5.2.2 Victoria has a 'pull' model for Freedom of Information rather than a 'push' model

Victoria's FOI legislation uses a 'pull' model, requiring formal requests to access government information.⁹ Conversely, a 'push' model requires organisations to proactively share a minimum standard of information with the public, typically through publishing on their websites.¹⁰ Evidence to the Inquiry from the Office of the Victorian

³ Local Government Victoria, Department of Government Services, *A principles-based Act*, 2025, <<https://www.localgovernment.vic.gov.au/council-governance/local-government-act-2020/principles-of-the-local-government-act-2020>> accessed 1 October 2025.

⁴ *Local Government Act 2020* (Vic) s 58.

⁵ John Watson, Former Commissioner of Inquiry, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 15.

⁶ Local Government Inspectorate, *Submission 5*, received 7 March 2025, p. 20.

⁷ Independent Broad-based Anti-corruption Commission (IBAC), *Submission 6*, received 7 March 2025, p. 9.

⁸ Local Government Victoria, Inquiry into fraud and corruption control in local government hearings, response to questions on notice received 30 April 2025, p. 3; Local Government Victoria, *Local Government Act 2020 Governance Resources*, 2025, <<https://www.localgovernment.vic.gov.au/council-governance/how-we-regulate-councils>> accessed 1 October 2025.

⁹ Office of the Victorian Information Commissioner (OVIC), OVIC Submission, Submission to the Parliament of Victoria, Integrity and Oversight Committee, Inquiry into the Freedom of Information Act 1982 (Vic), 2024, <<https://ovic.vic.gov.au/wp-content/uploads/2024/05/LRP-Full-review-of-FOI-Act-Executive-Summary-to-OVIC-submission-December-2023.pdf>> accessed 6 October 2025, p. 2.

¹⁰ Ibid.

Information Commissioner argued that a ‘pull’ model for access to information does not reflect best practice in the context of Council information sharing.¹¹

The Committee acknowledges that recent amendments to the *Freedom of Information Act 1982* (Vic) (the FOI Act) included the introduction of additional proactive release mechanisms more generally and an informal release mechanism is now available outside of the formal FOI process.¹²

Case Study 5.1 Frankston City Transparency Hub is an example of best practice

One solution to improve the transparency of Council information is the ‘transparency hub’ used by the Frankston City Council. It was developed as an outcome of the Council’s Accountability and Transparency Reform project in 2018 and is a ‘one stop shop’ on the Council website which informs constituents on the Council’s activities and performance. It provides easy access to key Council datasets and updates on decision making processes, budgets and Council-funded projects.

The transparency hub allows residents to search for information themselves, rather than only receiving what the Council chooses to share. It presents datasets without bias, allowing constituents to analyse data independently rather than view data breakdowns through the Council’s lens. This self-initiated implementation of a ‘push’ model promotes proactive and informal information release, making formal access requests a last resort and enhancing access to Council information.

Source: Frankston City Council, *Transparency Hub*, 2025, <<https://www.frankston.vic.gov.au/Council/Governance-and-transparency/Transparency-Hub>> accessed 1 October 2025.

Case Study 5.2 Wyndham City Information and Technology Services project illustrates problems that arise in the absence of minimum standards for public reporting

In 2018, Wyndham City Council invested in a \$19 million project to upgrade its Information and Technology Services to Oracle. It was expected to be completed within two years but ran over time and likely over budget. However, the actual cost overruns of the project could not be determined from Wyndham City’s public reporting. During the Inquiry hearings, concerns were raised about lack of transparency in how Wyndham City communicated changes to the project including the cost overruns.

(Continued)

¹¹ OVIC, Submission 11, received 14 March 2025, p. 5.

¹² OVIC, *News*, 2024, <<https://ovic.vic.gov.au/newsitem/new-changes-to-victorias-freedom-of-information-and-privacy-laws>> accessed 1 October 2025.

Case Study 5.2 Continued

In 2022, Wyndham City cancelled the original contract with Oracle and signed onto a new contract with TechnologyOne. Wyndham City's 2022–23 Annual Report's performance results stated that the Changing Systems project had changed scope and transitioned to The Wyndham Transformation Program, but it does not mention any project cost overruns or mention the change from Oracle to TechnologyOne. Furthermore, the Annual Report labelled the Changing Systems project as 'no longer relevant' even though the project expenditure was ongoing via the new contract with TechnologyOne. Lack of clarity and consistency in how Wyndham communicated about the project made understanding Council performance opaque for ratepayers. Similarly, the Council's financial reporting obfuscated the project's cost overruns as it was reported under the umbrella item of 'Information and Technology Services' without reporting on the budget and costs of the individual project.

Consequently, Wyndham ratepayers would not have been able to easily search for information about the project, including its budget. Based on the figures reported they would not be aware of the project's cost overruns. Introducing mandatory minimum standards for public reporting by Councils could circumvent transparency issues like those seen in this example by setting what information must be made public and how and where it should be reported. That consistency would enable ratepayers to have clarity in what information they can access and where to find it.

The expenditure of Councils is greater than some Victorian Government departments, yet the level of detail provided is comparatively minimal. This leaves ratepayers unable to determine if their Council is spending their money well, or even what they are spending money on.

Source: Stephen Wall, Chief Executive Officer, Wyndham City Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 4; Wyndham City Council, *Annual report 2018–19*, Melbourne, 2019, <https://www.wyndham.vic.gov.au/sites/default/files/2019-10/AnnualReport_2018_19_Final.pdf> accessed 22 October 2025, p. 85; Mathew Hilakari MP, Committee Member, public hearings, Melbourne, 28 July 2025, *Transcript of evidence*, p. 4; Cr Josh Gilligan, *Media Statement – Oracle*, Wyndham City Council, Melbourne, 28 July 2025; Wyndham City Council, *Annual report 2022–23*, Melbourne, 2023, <https://www.wyndham.vic.gov.au/sites/default/files/2023-10/Annual%20Report%202022-23%20-%20Final%20-%202023-10-19_0.pdf> accessed 22 October 2025, p. 106; Wyndham City Council, *Annual plan and Budget 2023–24*, Melbourne, 2023, <<https://www.wyndham.vic.gov.au/sites/default/files/2023-06/Adopted%20Budget%202023-24%20Attachment%20A.pdf>> accessed 22 October 2025, p. 18; Wyndham City Council, *Annual plan and Budget 2024–25*, Melbourne, 2024, <<https://www.wyndham.vic.gov.au/sites/default/files/2024-06/2024%20-%202025%20Annual%20Plan%20and%20Budget.pdf>> accessed 22 October 2025, p. 20.

FINDING 24: It is difficult for the public to assess the expenditure and planned expenditure by local government based on the lack of specificity in existing budget reporting by Councils, and to consider if money is appropriately allocated and expended in line with initial budgets.

RECOMMENDATION 14: The Victorian Government consider making changes that increase the level of detail provided by Councils in their budgets so that the public is able to assess Council expenditure and planned expenditure.

5.2.3 Undeclared and unmanaged personal interests remain an issue in Councils

Conflict of interest (COI) declarations and personal interest returns (PIRs) are an important component of Council transparency in decision making to ensure that decisions are made in the public interest and not used for personal benefit. A PIR is a record of the private interests of a person in public office that assists in improving probity.¹³ It is a routine disclosure not related to a specific decision. In contrast, a COI disclosure is related to a specific situation so that action can be taken to manage the COI and mitigate any potential influence on decision making.¹⁴ For example, a Councillor with a COI about a particular matter may be removed from the meeting when a funding decision is being made.

Concerns were raised about both COI and PIR processes and transparency during this Inquiry, indicating that more improvement is still needed since the Victorian Auditor-General's Office (VAGO) audits.

Conflict of interest disclosures

The Act requires relevant individuals to disclose COIs according to the Council's Governance Rules.¹⁵ However, VAGO's audits identified that COIs were not necessarily managed well, with particularly lax management of COIs during grant assessments. Since those audits, many Councils have been developing or reviewing their COI policies.¹⁶ Nonetheless, the way Councils declare, manage and report COIs can still vary. To strengthen COI procedures, the Committee has recommended that LGV provide more guidance to Councils, especially for grant assessments (see Chapter 3).

¹³ Local Government Victoria, *In the Public Interest: A conflict of interest guide for councillors, delegated committee members and council staff*, Melbourne, 2020, p. 25.

¹⁴ Ibid., pp. 9, 30–31.

¹⁵ *Local Government Act 2020* (Vic) s 130.

¹⁶ Public Accounts and Estimates Committee, *Inquiry into Fraud and Corruption Control in Local Government Survey*, online survey, Microsoft Forms, Washington, 2025, <forms.office.com>.

IBAC has noted that COIs are a key corruption risk for Councillors.¹⁷ As such, it is concerning that the Victorian Local Governance Association (VLGA)'s recent Councillor census—with responses from approximately half of Victoria's Councillors—showed that a common issue was lack of understanding about COI.¹⁸ IBAC believes Councillors need more education about declaring and managing COIs—an opinion that the Committee shares.¹⁹ The Committee has recommended that fraud and corruption awareness training become a mandatory component of Councillor induction training and emphasises that content about COI should be included in that training (see Chapter 3).

Improving transparency to community about COIs is also needed. The Victorian Ombudsman (VO) commonly receives complaints from community members that relate to suspected undeclared or unmanaged COIs.²⁰ To strengthen transparency, LGI recommends an online COI disclosures register that is updated live, including COIs for Councillors, officers and members of delegated committees.²¹ As per VAGO's recommendation 1 in audit report no. 316, the register should include COI declarations for all grants (see Chapter 2). Entries on the register should include enough detail for community members to understand the nature of the COI.²² The Committee supports this recommendation and further recommends that the register record whether the individual with the COI was removed from the decision-making process.

FINDING 25: Although the *Local Government Act 2020* (Vic) requires relevant individuals to disclose conflicts of interest (COIs) according to the Council's Governance Rules, COIs are typically not reported publicly. This erodes public trust in Councils and undermines transparency.

RECOMMENDATION 15: Local Government Victoria develop minimum standards for the information that Councils must report publicly, including conflicts of interest registers.

Personal interest returns

The Act requires Councillors, members of delegated committees, the Chief Executive Officer (CEO) and nominated officers²³ to lodge their initial and biannual PIRs with the Council CEO who must prepare a summary that is published on the Council website, including all details specified in the Act.²⁴ In 2020, LGI's compliance team did an audit

¹⁷ IBAC, *Submission 6*, p. 2; Victoria Elliott, Commissioner, IBAC, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 4.

¹⁸ Kathryn Arndt, Chief Executive Officer, Victorian Local Governance Association (VLGA), public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, pp. 3–4.

¹⁹ IBAC, *Submission 6*, pp. 8–9.

²⁰ Marlo Baragwanath, Victorian Ombudsman, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 5.

²¹ Local Government Inspectorate, *Submission 5*, p. 20.

²² Ibid.

²³ Nominated officers are staff who are nominated by the CEO to lodge personal interests returns. The CEO can only nominate staff who have a statutory or delegated power, duty or function. Source: Local Government Victoria, *In the Public Interest: A conflict of interest guide for councillors, delegated committee members and council staff*, p. 25.

²⁴ *Local Government Act 2020* (Vic) ss 133–135.

that showed low rates of compliance with section 81 of the *Local Government Act 1989* (Vic) (the 1989 Act); 51% of Councillors had submitted PIRs that were non-compliant based on data from 78 Councils between November 2016 to February 2020.²⁵ The LGI has not performed a further audit on the rate of legislative compliance concerning Councillor PIRs since 2020.

While the *Local Government Act 2020* (Vic) contained some changes to the specific matters that are disclosed in PIRs when compared to the 1989 Act,²⁶ it is unlikely that this resolved the underlying reasons for non-compliant PIRs.

To strengthen compliance of PIRs, LGI suggests increasing the training for Councillors, delegated committee members and nominated officers regarding the PIR process.²⁷ This should be combined with more standardisation of how Councils report PIRs on their websites, which will have the dual benefit of improving clarity for those submitting PIRs as well as providing better transparency to the community.²⁸ It is anticipated that Councils will welcome the clarity of having more consistency in PIR reporting, given that they are seeking more guidance from the Victorian Government (see Chapter 3).

FINDING 26: There is low compliance among Councils with provisions regarding personal interest returns (PIRs) in the *Local Government Act 2020* (Vic), and Councils do not report PIRs in a consistent manner.

RECOMMENDATION 16: Local Government Victoria develop guidelines to standardise the way that Councils report their personal interest returns to improve compliance with provisions in the *Local Government Act 2020* (Vic).

5.2.4 Transparency in grant assessment processes is improving but more oversight is needed

VAGO audit report no. 316 made multiple recommendations to improve transparency in grant assessment and management, including better management of COIs, establishing eligibility and assessment criteria, communicating outcomes to applicants based on those criteria and documenting funding decisions with sufficient justification.

Survey evidence to this Inquiry indicated that since the VAGO audit Councils have been making changes to improve the robustness and transparency of their grant assessment

²⁵ Local Government Inspectorate, *Submission 5*, p. 6; Local Government Inspectorate, *Personal interests returns: encouraging disclosure and increasing transparency*, 2021, <<https://www.lgi.vic.gov.au/sites/default/files/2021-10/LGI%20-Personal-Interests-Returns-Summary.pdf>> accessed 6 October 2025, p. 1.

²⁶ Local Government Victoria, *Managing personal interests in local government: a manual for council managers and governance officers*, 2020, <https://www.localgovernment.vic.gov.au/_data/assets/pdf_file/0024/173634/Conflict-of-interest-manual-FINAL-October-2020-1.pdf> accessed 6 October 2025, pp. 7–8.

²⁷ Local Government Inspectorate, *Submission 5*, pp. 16–17.

²⁸ Ibid.

and management processes.²⁹ This finding is supported by the Local Government Finance Professionals (FinPro) observation that there have been improvements in Council grants management.³⁰ Most Councils reported that they now require staff (and Councillors if applicable) to declare COIs for all grants and that the Council documents how those COIs are declared and managed. Most Councils also report that they now have eligibility and assessment criteria for all grant programs and document their assessments against those criteria, as well as communicating the outcome with justification to all applicants. The majority of Councils have also begun verifying that grant assessments are used for their intended purpose.³¹

The Committee notes the positive progress since the VAGO audits but also cautions that there is currently weak oversight of grant administration in Councils to ensure that best practice processes are being followed. There has also been no guidance provided by LGV since the VAGO audit, with LGV asserting that it is the responsibility of Council Audit and Risk Committees (ARCs) to provide grant-related fraud and corruption control advice to Councils.³² Since LGV is currently refreshing the guidance it provides to ARCs, the Committee believes that guidance must include clear instructions on how ARCs should be providing oversight of Council grants.³³

Many Councils are now using the 'SmartyGrants' system for their grant administration, which helps ensure transparent processes are followed and records are readily available for internal audits.³⁴ This is a positive step forward because conducting regular internal audits of funding patterns for community grants is an important fraud prevention mechanism (see Chapter 4).³⁵ If all Councils were using the same system, it would be possible to streamline education for Councils on how to conduct routine internal audits of grants and facilitate more knowledge sharing among Councils.

FINDING 27: Responsibilities for oversight of fraud and corruption controls related to grant assessment and management in Councils are unclear.

FINDING 28: Many Councils are now using third party grants management systems, which facilitates consistent record keeping that can be used for internal audits.

²⁹ Public Accounts and Estimates Committee, *Inquiry into Fraud and Corruption Control in Local Government Survey*.

³⁰ Tony Rocca, President, Local Government Finance Professionals (FinPro), public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, pp. 4–5.

³¹ Public Accounts and Estimates Committee, *Inquiry into Fraud and Corruption Control in Local Government Survey*.

³² Local Government Victoria, response to questions on notice, p. 1.

³³ Ibid.

³⁴ Tony Rocca, *Transcript of evidence*, pp. 4–5; Knox City Council, *Statement to the Parliamentary Inquiry into Fraud and Corruption Control in Local Government*, supplementary evidence received 28 July 2025, pp. 2–3; Loddon Shire Council, *Statement to the Parliamentary Inquiry into Fraud and Corruption Control in Local Government*, supplementary evidence received 28 July 2025, p. 1; West Wimmera Shire Council, *Statement to the Parliamentary Inquiry into Fraud and Corruption Control in Local Government*, supplementary evidence received 28 July 2025, p. 3; Public Accounts and Estimates Committee, *Inquiry into Fraud and Corruption Control in Local Government Survey*.

³⁵ IBAC, *Submission 6*, p. 3.

RECOMMENDATION 17: Local Government Victoria (LGV) provide clear instructions to Audit and Risk Committees (ARCs) about their role and responsibilities in oversight of Council grants. Those instructions should be included in LGV’s forthcoming guidance for ARCs currently under development.

5.3 Reporting fraud and corruption

5.3.1 Culture influences the likelihood of people reporting fraud and corruption

Empowering people to report fraud and corruption is an important mechanism through which wrongdoing is exposed and rectified.³⁶ Reporting works in tandem with transparency to detect and deter potential perpetrators of fraud and corruption.

Community members, Council staff and Councillors can all report suspected fraud and corruption by making a Public Interest Disclosure (PID) (see Section 6.2.3 for definition) to any agency authorised to receive disclosures. PIDs can be made to various integrity agencies for referral to IBAC to be assessed to determine whether they will be handled as a Public Interest Complaint (PIC).³⁷ Complaints handling among integrity agencies is discussed in Chapter 6.

If someone makes a disclosure to an agency that is not authorised to receive PIDs then the disclosure will not be protected under the *Public Interest Disclosures (PID) Act 2012* (Vic), unless it is referred onto an agency authorised to handle PIDs.³⁸

A Council’s culture influences people’s sense of confidence and safety to speak up about fraud and corruption.³⁹ As such, Council culture can be either an enabler or barrier to the reporting—and therefore detection—of fraud and corruption.⁴⁰ Since organisational culture cannot be directly controlled or regulated, it is important that anonymous reporting options are available and known to Councillors and Council staff. Some Councils have been leading in best practice by establishing platforms enabling anonymous internal reporting (see Case Study 5.3).⁴¹ But in instances where there is not a safe ‘speak up’ culture, the ability to make a PID to integrity agencies is crucial.

³⁶ IBAC, *Submission 6*, p. 3; Tony Rocca, *Transcript of evidence*, p. 5.

³⁷ IBAC, *Guidelines for handling public interest disclosures*, Melbourne, 2025, pp. 4–6.

³⁸ *Ibid.*, p.6.

³⁹ East Gippsland Shire Council, *Inquiry into Fraud and Corruption Control in Local Government*, supplementary evidence received 28 July 2025, p. 1; Greater Shepparton City Council, *Statement to the Parliamentary Inquiry into Fraud and Corruption Control in Local Government*, supplementary evidence received 28 July 2025, p. 2.

⁴⁰ IBAC, *Submission 6*, p. 3; Victoria Elliott, *Transcript of evidence*, p. 4; Peter Stephenson, Municipal Monitor, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 9; John Tanner, Former Commissioner of Inquiry, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 9.

⁴¹ FinPro, *Inquiry into fraud and corruption control in local government hearings*, response to questions on notice received 23 April 2025, p. 6.

Council and executive leadership play a vital role in shaping the organisational culture ... it sets the tone for ethical behaviour, accountability, and transparency across the organisation. When leaders demonstrate a clear commitment to integrity, it fosters a culture where fraud risks are actively managed, and ethical conduct is expected.

East Gippsland Shire Council, *Inquiry into Fraud and Corruption Control in Local Government*, supplementary evidence received 28 July 2025, p. 1.

Case Study 5.3 Anonymous reporting tools in Councils

Knox City Council launched a platform—called *Speak up at Knox*—that enables staff to anonymously report suspected fraud and corruption to workplace relations or governance teams. It enables secure, anonymous two-way communication with staff for case management and aims to reduce unreported incidents. Knox City Council explained that ‘[a]n anonymous platform reduces fear of victimisation. Anonymity encourages more reporting which increases the volume and diversity of information that may otherwise go unnoticed.’ The platform is helping Knox City Council to build organisational credibility and grow staff trust in the integrity of internal complaint handling.

Other Councils reported through the Inquiry’s survey that they had also implemented platforms enabling anonymous reporting of suspected fraud and corruption, namely: Boroondara City, Brimbank City and Latrobe City.

Source: Knox City Council, Inquiry into fraud and corruption control in local government hearings, response to questions on notice received 5 September 2025, p. 3; Public Accounts and Estimates Committee, *Inquiry into Fraud and Corruption Control in Local Government Survey*, online survey, Microsoft Forms, Washington, 2025, <forms.office.com>.

As is the case for internal reporting, people need to feel safe to have the confidence to make a PID to integrity agencies. They want to know they will be protected from any adverse consequences. Councillors highlighted the significant fear of reprisal as a barrier to reporting, including fear of job loss, bullying, reputational damage, risk to professional relationships and workplace conflict.⁴² Such concerns are valid given that there are known instances of Councillors being bullied for speaking up as a whistleblower.⁴³

Councillors noted factors that enable a culture of speaking up include:

- an organisational environment that encourages openness

⁴² Cr Daria Kellander, Hobsons Bay City Council, Inquiry into fraud and corruption control in local government hearings, response to questions on notice received 29 August 2025, p. 2; Cr Jarrod Bell, City of Hume, Inquiry into fraud and corruption control in local government hearings, response to questions on notice received 4 September 2025, p. 1; Cr Martin Taylor, City of Whittlesea, Inquiry into fraud and corruption control in local government hearings, response to questions on notice received 5 September 2025, p. 2.

⁴³ Tanja Kovac, Acting Head of Local Government Programs and Policy, VLGA, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 14.

- strong leadership which actively supports transparency and values and protects concerns being raised
- supportive and well communicated governance frameworks
- regular reinforcement of rights, responsibilities and protections
- accessible and confidential reporting channels and trust that reports will be responded to in an adequate, impartial and timely manner.⁴⁴

There are whistleblower protections in the PID Act, but the Committee believes there are shortcomings in the circumstances in which those protections apply.

FINDING 29: Council culture can foster confidence among staff to report fraud and corruption through promoting openness, displaying strong leadership and governance frameworks, providing accessible and confidential reporting channels and ensuring an adequate and timely response.

5

FINDING 30: An effective Public Interest Disclosure system is a crucial mechanism for addressing fraud and corruption, especially in instances where a Council does not have a safe 'speak up' culture.

5.3.2 Whistleblower protections are obscure and miscommunicated

Protections afforded to people making a PID are confidentiality of identity and protection from reprisal for making a disclosure. However, there are many nuances in the legislation about when and how those protections apply.

Confidentiality

The identity of a person who makes a PID is generally kept confidential while it is being assessed, but there are exceptions.⁴⁵ The person's identity no longer needs to be kept confidential if the PID is determined to not be a PIC.⁴⁶ If it is a PIC, then the person's confidentiality continues to be protected, with one of the exceptions being that it can be:

... disclosed by an investigating entity for the purpose of the exercise of functions under the Act that authorises that investigating entity to investigate a public interest complaint.⁴⁷

⁴⁴ Cr Daria Kellander, response to questions on notice, p. 2; Cr Rayane Hawli, Hobsons Bay City Council, Inquiry into fraud and corruption control in local government hearings, response to questions on notice received 2 September 2025, p. 2; Cr Jarrod Bell, response to questions on notice, p. 1; Cr Martin Taylor, response to questions on notice, p. 2.

⁴⁵ IBAC, *Guidelines for handling public interest disclosures*, Melbourne, 2025, pp. 19–21; *Public Interest Disclosures Act 2012* (Vic) ss 52–54.

⁴⁶ IBAC, *Guidelines for handling public interest disclosures*, p. 20; *Public Interest Disclosures Act 2012* (Vic) s 53(2)(c).

⁴⁷ IBAC, *Guidelines for handling public interest disclosures*, p. 20.

Given that those exceptions exist in the legislation, the information on IBAC's webpage about whistleblower protections could be considered misleading, as it states:

If we assess your complaint as a Public Interest Disclosure we'll never reveal your name as the person who made a disclosure.⁴⁸

In contrast, IBAC's guideline document for handling PIDs provides more nuanced and accurate information, but its placement on IBAC's website is targeted at PID co-ordinators rather than people who might potentially make a disclosure.⁴⁹

FINDING 31: Information provided on the Independent Broad-based Anti-corruption Commission's webpage about the confidentiality of a whistleblower's identity could potentially be misleading to someone considering making a disclosure.

FINDING 32: When a Public Interest Disclosure is determined by a relevant agency to not be a Public Interest Complaint, the discloser's identity does not need to be kept confidential, which may deter an individual from making a disclosure.

Protection from reprisal

Section 1 of the PID Act states that reprisal—action taken on a person making a disclosure—against a whistleblower is a criminal offence that can incur a fine of up to 240 penalty units, two years imprisonment or both.⁵⁰ A person convicted of reprisal may also be ordered to pay damages and to reinstate a whistleblower's employment.⁵¹ A public servant making a PID with reasonable grounds that reprisal will be taken against them may request a permanent or fixed-term employment transfer to another public service body.⁵²

IBAC's webpage on whistleblower protections states that a person who has made a disclosure assessed as being a PID has legal protections from being fired or bullied, from defamation and retaliation and has immunity from:

- facing civil or criminal liability and administrative actions, including disciplinary measures
- being charged with an offence under Victorian laws that require impartiality, confidentiality and violating any other obligation, whether by oath, law, or practice, that mandates confidentiality or restricts information disclosure.⁵³

⁴⁸ IBAC, *What is a public interest disclosure?*, 2025, <<https://www.ibac.vic.gov.au/public-interest-disclosure>> accessed 2 October 2025.

⁴⁹ IBAC, *Guidelines for handling public interest disclosures*.

⁵⁰ *Public Interest Disclosures Act 2012* (Vic) s 45.

⁵¹ *Public Interest Disclosures Act 2012* (Vic) s 46.

⁵² *Public Interest Disclosures Act 2012* (Vic) s 51.

⁵³ IBAC, *What is a public interest disclosure?*.

The immunity does not apply if the information provided is knowingly false or misleading.⁵⁴

However, there is nuance in how those protections can be afforded in practice. Section 45 of the PID Act specifies that prosecution for reprisal against a whistleblower is only possible if the PID also qualifies as a PIC.⁵⁵ This means that if someone makes a PID that is not assessed as being a PIC, then the discloser cannot access those protections in practice. This is particularly problematic given that the PID Act uses the same conditions to define a PID and a PIC, so it is not clear how IBAC determines if a PID is a PIC. The PID Act also lacks guidelines on handling reprisals or designating responsible entities.

The *Local Government Act 2020* (Vic) and *Ombudsman Act 1973* (Vic) do not empower the LGI or the VO to prosecute reprisal cases referred by IBAC for investigation. Moreover, there is no record of IBAC ever prosecuting for reprisal,⁵⁶ and no successful claims have been made in Victoria under the PID Act for reprisal.⁵⁷

Even when a discloser has the protections afforded to a PIC, they could still potentially face reprisal. Section 44 of the PID Act allows managers to take action against employees who have made a PID, provided the action is not due to the disclosure itself. This includes actions related to performance, training, employment conditions, discipline or workplace safety. However, there is potential for an employer or manager to justify an action as unrelated to a disclosure, even when in fact it was.

FINDING 33: An individual who makes a Public Interest Disclosure (PID) is protected from reprisal under Part 6 of the *Public Interest Disclosures Act 2012* (Vic) even if it is not determined to be a Public Interest Complaint (PIC). However, prosecution for reprisal against a whistleblower is only possible if the PID is assessed as a PIC, meaning that in practice not all whistleblowers are protected from reprisal, and that is not clearly communicated on the Independent Broad-based Anti-corruption Commission's webpage about making disclosures.

FINDING 34: An individual who has made a Public Interest Disclosure could still face reprisal in the workplace from their employer or manager if they are able to justify the action as unrelated to a disclosure. This may deter individuals from making a disclosure.

⁵⁴ *Public Interest Disclosures Act 2012* (Vic) s 72.

⁵⁵ *Public Interest Disclosures Act 2012* (Vic) s 45.

⁵⁶ Kieran Pender, Human Rights Law Centre, *The Cost of Courage: Fixing Australia's Whistleblower Protections*, 2023, <<https://www.hrlc.org.au/app/uploads/2025/04/2308-Cost-of-Courage-Whistleblower-Report.pdf>> accessed 30 October 2025, p. 11.

⁵⁷ Pender, Human Rights Law Centre, *The Cost of Courage: Fixing Australia's Whistleblower Protections*, p. 6.

RECOMMENDATION 18: The Independent Broad-based Anti-corruption Commission improve its public-facing information to ensure it clearly outlines to potential whistleblowers the inherent risks of making a disclosure under current legislation and how the protections they receive against reprisal work in practice.

FINDING 35: The *Public Interest Disclosures Act 2012* (Vic) does not outline guidelines on how reprisals against whistleblowers are to be handled and by which entity.

RECOMMENDATION 19: The Victorian Government seek to amend the *Public Interest Disclosures Act 2012* (Vic) to ensure that whistleblowers are protected in practice against reprisal, with clear guidelines set concerning how reprisal is to be handled and by which entity.

Whistleblowers in Victoria cannot make disclosures to media

The PID Act only covers disclosures to relevant government agencies, not the media. Whistleblowers who share confidential information with the media risk civil or criminal charges for breaching confidentiality. Disclosures outside the PID Act are limited to specific situations. It is not enough for a disclosure to involve a crime, civil wrong or serious public mischief; it must be made to a third party with a genuine interest in addressing the issue, usually not the media.⁵⁸

Commonwealth and Victorian state law lack a broad 'public interest' defence for breaches of confidence, meaning public interest in information access cannot be balanced against maintaining confidentiality.⁵⁹ In contrast, laws in the United Kingdom allow broader exceptions for public interest breaches.⁶⁰ Queensland and Western Australia also permit disclosures to journalists if it is a PID and agencies fail to act.⁶¹

FINDING 36: Unlike other Australian and international jurisdictions, the *Public Interest Disclosures Act 2012* (Vic) does not provide for whistleblowers to make disclosures to journalists if it is in the public interest, or if government agencies fail to act on a complaint.

RECOMMENDATION 20: The Victorian Government seek to amend the *Public Interest Disclosures Act 2012* (Vic) to allow whistleblowers to disclose information to journalists where the relevant authorities are unable or unwilling to resolve a complaint. The Queensland or Western Australian models could be adopted in Victoria.

⁵⁸ *Australian Football League v The Age Company Ltd* (2006) VR 419, 436.

⁵⁹ *British American Tobacco Australia Ltd v Gordon (No 3)* (2009) VSC 619.

⁶⁰ Trent Glover, 'The Scope of the Public Interest Defence in Actions for Breach of Confidence,' *James Cook University Law Review*, vol. 6, 1999, p. 109; Australian Law Reform Commission, *Serious Invasions of Privacy in the Digital Era: ALRC Final Report 123*, Australian Government, Canberra, 2014, p. 273.

⁶¹ *Public Interest Disclosure Act 2010* (Qld) s 20; *Public Interest Disclosure Act 2003* (WA) s 7A.

Broader context and reforms underway

The Human Rights Law Centre's 2023 report *The cost of courage* highlights significant inadequacies in Australia's whistleblower protection system.⁶² Despite three decades of enacted legislation, only one whistleblower has received court-ordered compensation, and no successful judgments have been made under Commonwealth protection regimes.⁶³ The report recommends comprehensive law reform to ensure accessible, consistent and comprehensive protections, the establishment of dedicated whistleblower protection institutions and the development of a supportive ecosystem.⁶⁴

Major reforms are in progress, with the first phase of amendments to the *Public Interest Disclosure Act 2013* (Cth) passed in June 2023 and further changes pending.⁶⁵ Additionally, a statutory review of the *Corporations Act 2001* (Cth) whistleblowing provisions commenced in 2024 and Queensland's laws were recently reviewed by Hon Alan Wilson KC.⁶⁶

In Victoria, a 2018 discussion paper by the Department of Premier and Cabinet proposed a pilot for government funding to provide whistleblowers with legal support. The Discloser Support Scheme recommended funding up to \$24,000 for legal advice on making a PID and participating in an investigation and \$2,000 for career transition and welfare costs.⁶⁷ The proposal was not progressed and the reasons for this are unclear.⁶⁸

5.3.3 Councils have concerns and confusion about the reporting system

In evidence to the Inquiry, multiple Councils and individual Councillors expressed their views on barriers to reporting fraud and corruption.⁶⁹ Some observed that the gaps in whistleblower protections are a deterrent to reporting, as well as perceptions that reporting processes can be slow or complex.⁷⁰ Some commented that they did not have

⁶² Pender, Human Rights Law Centre, *The Cost of Courage: Fixing Australia's Whistleblower Protections*.

⁶³ Ibid., p. 6.

⁶⁴ Ibid., p. 4.

⁶⁵ Commonwealth Ombudsman, *Changes to the PID Scheme*, Canberra, 2023, pp. 1–2; The Hon Michelle Rowland MP, Attorney General, *Commonwealth Ombudsman report on the operation of the Public Interest Disclosure Act*, media release, Commonwealth Government, Canberra, 31 July 2025; Australian Research Council, *The Public Interest Disclosure Act 2013*, 2025, <<https://www.arc.gov.au/about-arc/arc-strategies-and-policies/public-interest-disclosure-act-2013>> accessed 2 October 2025; Australian Parliamentary Library Bills Digests, *Public Interest Disclosure Amendment (Review) Bill 2022*, 13 February 2023, <<https://www.austlii.edu.au/cgi-bin/viewdoc/au/legis/cth/digest/pidab2022461/pidab2022461.html>> accessed 2 October 2025.

⁶⁶ Pender, Human Rights Law Centre, *The Cost of Courage: Fixing Australia's Whistleblower Protections*, pp. 11, 13.

⁶⁷ Ibid., p. 16.

⁶⁸ Ibid., p. 16.

⁶⁹ Cr Michael Disbury, Hobsons Bay City Council, Inquiry into fraud and corruption control in local government hearings, response to questions on notice received 25 August 2025, p. 2.

⁷⁰ Hobsons Bay City Council, Inquiry into fraud and corruption control in local government hearings, response to questions on notice received 4 September 2025, pp. 1–2; City of Port Phillip, Inquiry into fraud and corruption control in local government hearings, response to questions on notice received 1 September 2025, p. 2; Cr Rayane Hawli, response to questions on notice, p. 2; Public Accounts and Estimates Committee, *Inquiry into Fraud and Corruption Control in Local Government Survey*.

a clear understanding of how confidentiality was protected or how the PID process works.⁷¹

For example, at Warrnambool City Council an internal survey of staff in 2025 showed that only 66% understood their protections under the PID Act.⁷² Julie Eisenbise, a former commissioner of inquiry, similarly observed that staff in junior roles do not necessarily know how to report fraud and corruption if they see it.⁷³

These sentiments were reflected more broadly among Council staff across all Victorian Councils when IBAC conducted its 2024 *Perceptions of Corruption* survey. The responses showed that

There is a strong intention for employees to report corruption or misconduct, though most would only do so with tangible evidence and under anonymity, with a fear of personal repercussion still evident. Perceptions that corruption and misconduct would be taken seriously within Local Government have weakened compared to previous surveys.⁷⁴

A lesson that IBAC identified from that survey was that there is a need to 'raise awareness about systems and protections available to support employees making a complaint.'⁷⁵ This view was supported by Councillors providing evidence to the Inquiry.⁷⁶ The Committee agrees that there is clearly a need to build people's understanding and confidence for reporting fraud and corruption. However, there is a limit to what education can achieve without reforms to the PID Act to increase whistleblower protections, since individuals' concerns are not unfounded.

While integrity agencies are already providing education and training to Councils, the Committee is of the opinion that they should roll out a dedicated education program to all Councils that provides in-depth information about PIDs and whistleblower protections.⁷⁷ That program should be made available to all Councillors and Council staff at all levels of employment. The Committee suggests this program be designed and delivered by the existing collaborations among integrity agencies, namely the

71 Cardinia Shire Council, Inquiry into fraud and corruption control in local government hearings, response to questions on notice received 29 August 2025, p. 2; East Gippsland Shire Council, supplementary evidence, p. 3; Hobsons Bay City Council, response to questions on notice, pp. 1-2; City of Hume, Inquiry into fraud and corruption control in local government hearings, response to questions on notice received 29 August 2025, p. 2; Nillumbik Shire Council, Inquiry into fraud and corruption control in local government hearings, response to questions on notice received 29 August 2025, p. 3; City of Port Phillip, response to questions on notice, p. 3; Wellington Shire Council, Inquiry into fraud and corruption control in local government hearings, response to questions on notice received 29 August 2025, pp. 2-3; Strathbogie Shire Council, Inquiry into fraud and corruption control in local government hearings, response to questions on notice received 4 September 2025 pp. 4-5; Cr Martin Taylor, response to questions on notice, pp. 1-2.

72 Warrnambool City Council, *Statement to the Parliamentary Inquiry into Fraud and Corruption Control in Local Government*, supplementary evidence received 7 July 2025, p. 1.

73 Julie Eisenbise, Former Commissioner of Inquiry, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 6.

74 IBAC, *Submission* 6, p. 5.

75 Ibid.

76 Cr Daria Kellander, response to questions on notice, p. 3; Cr Rayane Hawli, response to questions on notice, p. 2; Cr Jarrod Bell, response to questions on notice, p. 1.

77 Cr Daria Kellander, response to questions on notice, p. 2.

Public Interest Disclosure Consultative Group and the Prevention Education Advisory Group.⁷⁸

See Section 6.2.3 for the Committee's recommendation on developing and delivering a tailored education program to Councils about complaints handling processes.

5.3.4 Councils are not required to report losses due to fraud and corruption

Under the *Standing Directions of the Minister for Finance 2016*, Victorian public sector agencies are required to report instances of fraud, corruption and other losses above \$5000 in cash and \$50,000 in property to VAGO.⁷⁹ At present, there is no requirement for Councils to report such losses to VAGO or the LGI. However, Council CEOs must report suspected corruption to IBAC.⁸⁰ The Committee considers that VAGO's recommendations to strengthen fraud and corruption control in local government already addresses the need for increased reporting on fraud and corruption and other losses, and thus has not made any related recommendations.

FINDING 37: There is no requirement for Councils to report losses due to fraud and corruption to the Victorian Auditor-General's Office. This differs from Victorian Government departments and authorities which do have this requirement under the *Standing Directions of the Minister for Finance 2016*.

FINDING 38: Councils are not required to report financial losses due to fraud to the Local Government Inspectorate, however, Council Chief Executive Officers must report suspected corruption to the Independent Broad-based Anti-corruption Commission.

⁷⁸ Local Government Inspectorate, *Submission 5*, p. 10; IBAC, *Submission 6*, p. 6; IBAC, Inquiry into fraud and corruption control in local government hearings, response to questions on notice received 31 March 2025, pp. 3–4.

⁷⁹ Victorian Auditor-General's Office (VAGO), *Fraud and Corruption Control*, Melbourne, March 2018, p. 20.

⁸⁰ VAGO, *Fraud and Corruption Control—Local Government*, Melbourne, June 2019, p. 18.

Chapter 6

Integrity agencies and investigations

6.1 Overview

This chapter examines the role of Victoria's integrity agencies in overseeing Councils. It examines their preventative functions and their capacity to investigate fraud and corruption. It considers the responsibilities of the Local Government Inspectorate (LGI), Victorian Ombudsman (VO), Independent Broad-based Anti-corruption Commission (IBAC), and Victorian Auditor-General's Office (VAGO), as well as the way these agencies interact in handling complaints and investigations.

While all four agencies play important roles, LGI and the VO are particularly in need of more resources. Both are limited in their capacity to carry out their preventative functions. LGI is so under-resourced that it also has insufficient capacity to carry out investigations. Councils expressed frustration at delays and uncertainty in complaints handling, and many matters are referred back to Councils to manage internally, often without sufficient capacity or expertise. At the same time, legislative barriers constrain how agencies can share information about investigations with Councils, report outcomes publicly or alert the Minister to issues in a timely way.

The chapter highlights opportunities to strengthen the integrity system through increased resourcing for LGI and the VO, clearer legislative definitions to streamline complaint referrals, greater transparency of audit and investigation outcomes and reforms to enable earlier ministerial intervention when serious risks are identified. These changes would support more robust oversight, build public trust, and improve Councils' ability to prevent and respond to fraud and corruption.

6.2 Integrity agency roles and interactions

6.2.1 Four integrity agencies provide oversight of Victorian Councils

In Victoria, there are four integrity agencies providing oversight of Councils: the Local Government Inspectorate (LGI), the Victorian Ombudsman (VO), the Independent Broad-based Anti-corruption Commission (IBAC) and the Victorian Auditor-General's Office (VAGO).

Local Government Inspectorate

LGI is an independent government agency that is dedicated to handling complaints related to breaches of the *Local Government Act 2020* (Vic) (the Act) and is led by the

Chief Municipal Inspector.¹ It has powers to investigate and prosecute breaches of the Act by Councillors and Council staff. LGI's functions in relation to fraud and corruption controls are:

- investigation and prosecution of complaints related to potential offences under, or breaches of, the Act
- receipt and investigation of Public Interest Complaints related to the conduct of a Councillor or Council staff member
- governance examinations into any aspect of Council operations
- monitoring compliance with the Act, including personal interest returns, election campaign donation returns, and adoption of mandatory policies and procedures.²

Victorian Ombudsman

The VO is an independent officer of the Victorian Parliament that investigates the actions, decisions or conduct of the Victorian public sector and Councils, as per the *Ombudsman Act 1973* (Vic).³ The VO can receive complaints made by the public or the public sector and is the most community-facing of the integrity agencies, being a bridge that supports accountability of public institutions to the public they serve.⁴ The VO can investigate and make recommendations based on complaints, but it cannot prosecute or take enforcement action.⁵

Independent Broad-based Anti-corruption Commission

IBAC is an independent agency that investigates and exposes public sector corruption and police misconduct, which covers state and local government, police, Parliament and the Judiciary.⁶ It is required to prioritise allegations about serious or systemic corruption,⁷ and can only prosecute certain offences or refer matters to the Office of Public Prosecutions.⁸ Under the *Public Interest Disclosures Act 2012* (Vic), IBAC's responsibilities include assessing whether Public Interest Disclosures (PIDs) are Public Interest Complaints (PICs).⁹

1 Local Government Inspectorate, *About the Local Government Inspectorate*, 2024, <<https://www.lgi.vic.gov.au/about-local-government-inspectorate>> accessed 3 October 2025; Local Government Inspectorate, *Local government integrity agencies and what they do*, 2020, <<https://www.lgi.vic.gov.au/sites/default/files/2020-01/IntegrityAgencyFactSheet2020.pdf>> accessed 3 October 2025.

2 Local Government Inspectorate, *Submission 5*, received 7 March 2025, p. 3.

3 Margo Baragwanath, Ombudsman, Victorian Ombudsman, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 5; Local Government Inspectorate, *Local government integrity agencies and what they do*.

4 Margo Baragwanath, *Transcript of evidence*, p. 5; Victorian Ombudsman, *Submission 9*, 11 March 2025, p. 1.

5 Margo Baragwanath, *Transcript of evidence*, p. 5.

6 Independent Broad-based Anti-corruption Commission (IBAC), *About us*, 2025, <<https://www.ibac.vic.gov.au/about-us>> accessed 3 October 2025; IBAC, *Submission 6*, received 7 March 2025, p. 1.

7 IBAC, *Submission 6*, p. 6; IBAC, *What we investigate*, 2025, <<https://www.ibac.vic.gov.au/what-we-investigate>> accessed 3 October 2025.

8 IBAC, *Investigation outcomes*, 2025, <<https://www.ibac.vic.gov.au/investigation-outcomes>> accessed 3 October 2025.

9 IBAC, *Submission 6*, p. 6.

Victorian Auditor-General's Office

VAGO provides independent assurance to Parliament and the Victorian community by conducting financial and performance audits of public sector agencies including Councils.¹⁰ VAGO makes recommendations in reports tabled in Parliament, but it has no power to compel agencies to accept and implement those recommendations.¹¹ VAGO is not involved in receiving or handling complaints about Councils.

6.2.2 Preventative functions are under-resourced

Both LGI and the VO can play a role in preventing fraud and corruption through their preventative functions whereby they can examine governance and operations in individual Councils and advise them on how to improve. However, both agencies lack the resources needed to deliver effective prevention activities. This is concerning given the utility of early intervention to detect and prevent fraud and corruption.¹²

Across my career in the public sector and in integrity agencies I have learned that you cannot investigate your way out of maladministration or corruption. It really requires a sustained focus on prevention.

Margo Baragwanath, Ombudsman, Victorian Ombudsman, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 5.

LGI's functions of governance examinations and monitoring Council compliance with legislation can contribute to prevention of fraud and corruption, but those functions are severely limited by lack of resourcing (see Section 6.2.3). LGI must prioritise enforcement functions—primarily investigations—as per its responsibilities under the Act, so it has had minimal resources available for proactive, preventative work.¹³ Reductions in LGI's budget means it has decreased the number of staff tasked with governance examinations and compliance audits from four to one.¹⁴ Consequently, LGI is not able to monitor whether all Councils have their mandatory fraud and corruption controls in place and can only provide early intervention to a small number of Councils.¹⁵

¹⁰ Victorian Auditor-General's Office (VAGO), *Our role*, 2025, <<https://www.audit.vic.gov.au/our-role>> accessed 3 October 2025.

¹¹ Ben Hasker, Director, Parliamentary Reports and Services, VAGO, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 2.

¹² Local Government Inspectorate, *Submission 5*, pp. 15, 18; Margo Baragwanath, *Transcript of evidence*, p. 5; Victorian Ombudsman, Inquiry into fraud and corruption control in local government hearings, response to questions on notice received 23 April 2025, p. 4.

¹³ Michael Stefanovic, Chief Municipal Inspector, Local Government Inspectorate, public hearing, Melbourne 31 March 2025, *Transcript of evidence*, pp. 2–3; Local Government Inspectorate, Inquiry into fraud and corruption control in local government hearings, response to questions on notice received 23 April 2025, p. 5; Local Government Inspectorate, *Submission 5*, pp. 14–15.

¹⁴ Local Government Inspectorate, *Submission 5*, p. 14; Michael Stefanovic, *Transcript of evidence*, p. 2.

¹⁵ Local Government Inspectorate, *Submission 5*, p. 14.

While we are pivoting our focus from reactive work to proactive work internally, this places significant pressure on a small number of staff. It also means we can only provide early intervention for those councils that are in crisis, rather than catching issues that undermine good governance at an earlier stage.

Local Government Inspectorate, *Submission 5*, received 7 March 2025, p. 15.

Furthermore, there is no integrity agency monitoring whether Councils adopt VAGO's recommendations. LGI is best suited to do that work but cannot currently take it on.¹⁶

The VO would also like to be able to undertake more proactive work to prevent fraud and corruption.¹⁷ While the VO has been able to perform its core function of responding to and investigating complaints from community members, budget constraints mean it has not been able to deliver tailored and impactful preventative activities such as using data on sector trends to develop programs for Councils that help them improve their administration.¹⁸ The VO notes that its current budget is approximately 40% of that of the NSW Ombudsman despite serving a similar-sized population and local government sector.¹⁹

The Committee notes that the Victorian Government should review the funding provided to the VO and LGI to ensure that it is adequate and consider providing dedicated funding for integrity agencies—particularly LGI and the VO—to undertake preventative activities. Those activities should be more targeted than general education and training and instead focus on compliance monitoring and early intervention to support adoption of best practice before serious issues arise.

FINDING 39: The Local Government Inspectorate lacks sufficient resources to routinely monitor Council compliance with the *Local Government Act 2020* (Vic).

FINDING 40: The Local Government Inspectorate and the Victorian Ombudsman both lack sufficient resources to undertake early intervention activities with individual Councils that would foster good administration and minimise the likelihood of serious fraud and corruption issues arising.

See Sections 6.3.2 and 6.3.3 for recommendations related to these findings.

6.2.3 Complaints handling processes need improvement

Handling complaints related to Councils requires co-ordination among IBAC, LGI and the VO. LGI, IBAC and the VO can all receive PIDs about Councils and Councillors,

¹⁶ Local Government Inspectorate, *Submission 5*, p. 15.

¹⁷ Victorian Ombudsman, *Submission 9*, p. 5; Victorian Ombudsman, response to questions on notice, p. 7.

¹⁸ Victorian Ombudsman, *Submission 9*, p. 5.

¹⁹ Ibid.

and are increasingly operating with a ‘no wrong door’ approach to receiving PIDs.²⁰ When LGI or the VO receive a PID they must refer it to IBAC within 28 days to be assessed to determine whether it is a PIC (also known as a whistleblower complaint).²¹ See Box 6.1 for explanation of PIDs and PICs. Whistleblower protections are discussed in Chapter 5.

Box 6.1 What is a Public Interest Disclosure and a Public Interest Complaint?

The *Public Interest Disclosures Act 2012* (Vic) (PID Act) defines a Public Interest Disclosure (PID) as information that shows or tends to show that a person, public officer or public body:

- has engaged, is engaging or proposes to engage in improper conduct
- has taken, is taking or proposes to take detrimental action against a person making a disclosure—known as reprisals.

The PID Act defines improper conduct broadly, to capture both corruption and maladministration, so long as it is not trivial. PIDs can be made by public sector workers or members of the public to selected Victorian Government agencies and local Councils.

Following an assessment of the PID, IBAC may determine that the disclosure constitutes a Public Interest Complaint (PIC) and will be escalated to investigation.

Source: *Public Interest Disclosures Act 2012* (Vic); IBAC, *What is a public interest disclosure?*, (n.d.), <<https://www.ibac.vic.gov.au/public-interest-disclosure>> accessed 3 October 2025.

Once IBAC assesses a PID, it could be investigated by IBAC (if the corrupt conduct is serious or systemic) and handled as a PIC, dismissed (as per section 68 of the *Independent Broad-based Anti-corruption Commission (IBAC) Act 2011*) or referred to another agency to handle, such as LGI or the VO.²² For PIDs about Councils that do not become PICs, IBAC can consider treating the disclosure as a complaint under the IBAC Act, in which case it can refer the complaint to LGI, the VO, or back to the relevant Council.²³

²⁰ Michael Stefanovic, *Transcript of evidence*, p. 3; Blaga Naumoski, Director Governance, Communications and Community Safety, Nillumbik Shire Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 5; Nillumbik Shire Council, *Parliamentary Inquiry into Fraud and Corruption Control in Local Government*, supplementary evidence received 11 July 2025, p. 2.

²¹ PIDs can also be sent to the Integrity Oversight Victoria or the Integrity and Oversight Committee. Source: IBAC, *Guidelines for handling public interest disclosures*, 2025, <<https://www.ibac.vic.gov.au/publications-and-resources/article/guidelines-for-making-and-handling-protected-disclosures>> accessed 3 October 2025, p. 13.

²² IBAC, *Guidelines for handling public interest disclosures*, p. 15.

²³ *Ibid.*, p. 16.

IBAC, LGI and the VO typically cooperate well in their referral process to ensure complaints are handled by the appropriate agency.²⁴ Some complaints involve multiple allegations that variously fall within the remit of different integrity agencies and are, therefore, handled by more than one agency.²⁵ Nonetheless, the VO sometimes receives PICs referred from IBAC that it believes could be more effectively dealt with by a different agency, but it does not have the power to refer elsewhere.²⁶ The Committee notes that the Integrity and Oversight Committee (IOC) has already supported the VO's suggestion that discretionary powers be introduced that enable the VO to decide how it investigates PICs.²⁷ The Victorian Government's response to the IOC's report is due in November 2025.

Efficiency of the complaint referral process could potentially be improved if the relevant legislation was updated to have more clarity in the definitions used to determine which integrity agency should handle a complaint.²⁸ The integrity agencies are already part of a Public Interest Disclosure Consultative Group (PIDCG) that meets biannually to identify and resolve systemic and inter-agency practice issues that arise for key investigation bodies in the operation of the protected disclosure scheme under the PID Act and related legislation.²⁹ The Committee believes it would be best for that group to develop proposed changes to legislation to be submitted to the Victorian Government for consideration.

FINDING 41: There is a lack of clarity in the governing legislation of Victorian integrity agencies on which agency should handle each type of complaint.

RECOMMENDATION 21: The Victorian Government consider reviewing and updating the governing legislation of Victorian integrity agencies to increase clarity in the definitions used to determine which agency should handle different types of complaints. They should do this in consultation with the Public Interest Disclosure Consultative Group.

The complexity of the complaints handling system is likely the reason why some Councils have the perception that complaints are being 'handballed' among integrity agencies and why some are seeking more education about the process.³⁰

²⁴ Michael Stefanovic, *Transcript of evidence*, pp. 3, 11–12; Marlo Baragwanath, *Transcript of evidence*, pp. 11–12; Local Government Inspectorate, *Submission 5*, p. 10.

²⁵ Victoria Elliot, Commissioner, IBAC, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 14; Michael Stefanovic, *Transcript of evidence*, pp. 11–12.

²⁶ Victorian Ombudsman, response to questions on notice, pp. 5–6; Victorian Ombudsman, *Submission 9*, pp. 3–4.

²⁷ Parliament of Victoria, Integrity and Oversight Committee, *Performance of the Victorian integrity agencies 2022/23*, May 2025, pp. 79–80.

²⁸ Marlo Baragwanath, *Transcript of evidence*, p. 11.

²⁹ Local Government Inspectorate, *Submission 5*, p. 10; IBAC, *Submission 6*, p. 6; IBAC, Inquiry into fraud and corruption control in local government hearings, response to questions on notice received 23 April 2025, pp. 3–4.

³⁰ Andrew Day, Chief Executive Officer, Manningham City Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 1; Robyn Borley, Director Governance and Performance, Port Phillip City Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 2; Blaga Naumoski, *Transcript of evidence*, p. 5; Manningham City Council, *Manningham City Council's Statement*, supplementary evidence received 7 July 2025, p. 2; East Gippsland Shire Council, *Inquiry into fraud and corruption control in local government*, supplementary evidence received 23 July 2025, p. 2.

Many Councils expressed dissatisfaction with how long it takes for a complaint to be dealt with, especially given that the fraud or corruption issue could escalate while they wait and the Council is carrying that risk.³¹ For example, one Council related an instance where it made a report to the integrity agencies and it took nearly a year for the Council to be notified of the outcome, which resulted in it being handed back to the Council to handle internally.³²

Low level matters continue to fester becoming major issues rather than being dealt with in the initial stages of reporting and being resolved early.

Cardina Shire Council, Public Accounts and Estimates Committee, *Inquiry into Fraud and Corruption Control in Local Government Survey*.

[T]he timeliness of agency investigations into these types of complaints is critical, not only in limiting the severity of impact, but also the ability to maintain a level of trust in the integrity system.

Greater Shepparton City Council, *Written Statement – Parliamentary Inquiry into fraud and corruption control in local government*, supplementary evidence received 23 July 2025, p. 1.

6

The main reasons for potentially long delays appear to be that IBAC has an unbound timeframe to assess PIDs and LGI is under-resourced (discussed in Section 6.3.2). When LGI or the VO receive a PID they must notify IBAC within 28 days of receipt.³³ IBAC then assesses whether the PID is a PIC, but the PID Act does not stipulate a timeframe for that assessment step. IBAC reports that 69% of PIDs and PID notifications were assessed within 30 days in 2023–24, but it does not report on the average or maximum time taken to assess PIDs.³⁴ The IOC has previously noted shortcomings in IBAC's performance reporting on PID assessments.³⁵ If a PID was assessed within 30 days, then the earliest a Council could be notified of the outcome of their PID is within two months. If the PID is determined to be a PIC, the timeframe for notification could be even longer because:

IBAC must notify the discloser in writing and within a reasonable time. However, IBAC may decide not to notify the discloser or the entity that has notified the disclosure if it considers that notifying would have one of the adverse consequences set out

31 Public Accounts and Estimates Committee, *Inquiry into Fraud and Corruption Control in Local Government Survey*, online survey, Microsoft Forms, Washington, 2025, <forms.office.com>; Craig Lloyd, Chief Executive Officer, Whittlesea City Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, pp. 4–5; Matthew Morgan, Chief Executive Officer, Moira Shire Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 5; Rhys Matulis, Governance and Integrity Manager, South Gippsland Shire Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 7; Cr John White, Mayor, East Gippsland Shire Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 7; Sheena Frost, Chief Executive Officer, Hume City Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 20; Bruse Dobson, Chief Executive Officer, Knox City Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 20; David Bezuidenhout, Chief Executive Officer, West Wimmera Shire Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 21; Tony Doyle, Chief Executive Officer, Southern Grampians Shire Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 22; Stephen Wall, Chief Executive Officer, Wyndham City Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 7; Chris Teitzel, Director Corporate Services, Greater Shepparton City Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 7.

32 Chris Teitzel, *Transcript of evidence*, p. 7.

33 IBAC, *Guidelines for handling public interest disclosures*, p. 13.

34 IBAC, *Annual Report 2023/24*, 29 October 2024, <<https://www.ibac.vic.gov.au/annual-report-2023-24>> accessed 3 October 2025, p. 33.

35 Parliament of Victoria, *Performance of the Victorian integrity agencies 2022/23*, p. 16.

in subsection 59(4) of the IBAC Act. These adverse consequences include putting a person's safety at risk, or prejudicing an investigation under the IBAC Act.³⁶

The uncertainty for Councils about if, and when, they will be notified about the progress or outcome of a PID can be stressful and frustrating.³⁷ It can also erode Council trust in the integrity agencies.³⁸ The Committee acknowledges that there are sound reasons why information cannot always be shared with a discloser or Council that has made a PID. Nonetheless, integrity agencies should increase education to Councils about expected timeframes for notification regarding the outcome of PIDs and investigations, and the circumstances under which they will not be notified. This could be done via the integrity agencies' existing Prevention Education Advisory Group and PIDCG.³⁹

FINDING 42: Uncertain timeframes for receiving outcomes of Public Interest Disclosure assessments and investigations by integrity agencies are a source of frustration and risk for Councils, and that can erode trust in the integrity agencies.

RECOMMENDATION 22: The Public Interest Disclosure Consultative Group, led by the Independent Broad-based Anti-corruption Commission, determine a better way to communicate with Councils about the progress and outcomes of Public Interest Disclosures and investigations.

RECOMMENDATION 23: The Public Interest Disclosure Consultative Group and Prevention Education Advisory Group develop and deliver a tailored education program to Councils about complaints handling processes. That education should build Council understanding about expected timeframes for communication of Public Interest Disclosure and investigation outcomes, as well detailed information on whistleblower protections. It should be made available to all Councillors and Council staff before the next local government election cycle.

6.3 Investigations

6.3.1 The Independent Broad-based Anti-corruption Commission refers most complaints about Councils to other agencies for investigation

Investigations into allegations of fraud and corruption in Councils are crucial for exposing it when it occurs and as a pathway to prosecution so that perpetrators can

³⁶ IBAC, *Guidelines for handling public interest disclosures*, p. 16.

³⁷ Cr John White, *Transcript of evidence*, p. 7; Rhys Matulis, *Transcript of evidence*, p. 7; Craig Lloyd, *Transcript of evidence*, p. 4.

³⁸ Greater Shepparton City Council, supplementary evidence, p. 1.

³⁹ IBAC, response to questions on notice, pp. 3–4.

be penalised. Most allegations that IBAC received regarding Councils in recent years did not fall within its jurisdiction or contained insufficient detail,⁴⁰ so approximately 59% were dismissed, 29% were referred elsewhere and less than 1% were investigated by IBAC.⁴¹ Of the complaints that were referred elsewhere, roughly equal proportions went to LGI, the VO and to Councils: 33% went to LGI (if related to conflict of interest, misuse of position or improper governance), 34% went to the VO (if related to maladministration, unfairness, breaches of human rights or poor conduct in decision making) and approximately 32% went to back to the Council the complaint was about.⁴²

Only complaints handled by LGI or IBAC can ultimately be prosecuted in court, when necessary (see Chapter 7).

FINDING 43: Most complaints about Councils received by the Independent Broad-based Anti-corruption Commission are referred elsewhere for investigation, going in roughly equal proportions to the Local Government Inspectorate, the Victorian Ombudsman and the Council itself.

6.3.2 The Local Government Inspectorate is too under-resourced to sufficiently enforce legislation

LGI is the only integrity agency that can enforce the *Local Government Act 2020* (Vic). It is crucial that LGI has the capacity to fully perform its enforcement function to ensure there is robust regulation of Councils.⁴³ The matters LGI can investigate include conflicts of interest, misuse of position by Councillors, release of confidential information and electoral offences.⁴⁴ That includes investigation of PICs and other complaints referred from IBAC.

LGI's capacity to fulfill its functions is currently undermined by lack of resources.⁴⁵ Its budget has decreased year-on-year—being approximately \$800,000 less in 2024–25 compared to 2021–22—and at the time of the Inquiry it had a workforce of only 12 full-time equivalent (FTE) positions.⁴⁶ Meanwhile LGI's workload has increased, with a new function as of 2024 (issuing infringement notices for certain offences),⁴⁷ increases in the number of complaints received and the number of investigations.⁴⁸

⁴⁰ During the period 1 July 2018 to 27 February 2025, Source: IBAC, response to questions on notice, p. 6.

⁴¹ IBAC, response to questions on notice, p. 6.

⁴² Ibid., p. 7.

⁴³ Michael Stefanovic, *Transcript of evidence*, pp. 2–3.

⁴⁴ Local Government Inspectorate, *Submission 5*, p. 3.

⁴⁵ Ibid., pp. 14–15; Kathryn Arndt, Chief Executive Officer, Victorian Local Governance Association (VLGA), public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 13; Municipal Association of Victoria, *Submission 4*, received 7 March 2025, p. 5; Dean Hurlston, President, Council Watch, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 7; Cr Daria Kellander, Mayor, Hobsons Bay City Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 2; Tony Doyle, *Transcript of evidence*, p. 22; Cardinia Shire Council, *Parliamentary Inquiry into Fraud and Corruption Control in Local Government*, supplementary evidence received 9 July 2025, p. 2.

⁴⁶ Local Government Inspectorate, *Submission 5*, pp. 14, 24.

⁴⁷ Ibid., p. 2.

⁴⁸ Ibid., pp. 14–15, 21.

These resource constraints have affected LGI's ability to investigate complaints in an efficient and timely way and means that fewer matters can be prosecuted.⁴⁹ Given the significant cost and time it takes to prosecute a matter in court, LGI can only prosecute the most serious cases. Consequently, perpetrators of other offences face minimal or no consequence.⁵⁰ The penalties for fraud and corruption are discussed in Chapter 7.

Given the tight budget and resourcing constraints of the LGI, we must be selective in which matters we consider are significant enough to prosecute, and that have the most impact as a deterrent across the Local Government sector.

Local Government Inspectorate, Inquiry into fraud and corruption control in local government hearings, response to questions on notice received 23 April 2025, p. 10.

FINDING 44: The Local Government Inspectorate's budget has decreased year-on-year since 2021, and it does not have sufficient resources to fulfill its role in investigating and prosecuting breaches of the *Local Government Act 2020* (Vic).

RECOMMENDATION 24: The Victorian Government review the Local Government Inspectorate's funding to determine if it has sufficient resources to enforce the *Local Government Act 2020* (Vic) via investigations and prosecutions as well as perform preventative activities for early intervention.

6.3.3 Councils need more support for the significant proportion of complaints that are referred to them

A substantial number of complaints sent to integrity agencies are returned to Councils to investigate.⁵¹ The Committee heard from multiple Councils where this has been their experience.⁵² Council opinions differed on the appropriateness of that, but it was clear that Councils need more support to be equipped to manage internal investigations.⁵³ Councils noted that the frequency in which complaints are returned to them for investigation is a source of pressure.⁵⁴ They are limited in their capacity to adequately undertake internal investigations due to cost, limited resourcing, skills shortages and

⁴⁹ Local Government Inspectorate, *Submission 5*, p. 15; Local Government Inspectorate, response to questions on notice, pp. 9–11.

⁵⁰ Ibid.

⁵¹ In addition to complaints referred or returned directly from IBAC to Councils, Councils may have additional complaints referred to them by the Local Government Inspectorate and the Victorian Ombudsman. Source: IBAC, *Submission 6*, pp. 6–7.

⁵² Public Accounts and Estimates Committee, *Inquiry into Fraud and Corruption Control in Local Government Survey*; Greater Shepparton City Council, supplementary evidence, p. 2; Strathbogie Shire Council, *Parliamentary Inquiry into Fraud and Corruption Control in Local Government*, supplementary evidence received 24 July 2025, p. 3; Warrnambool City Council, *Parliamentary Inquiry into Fraud and Corruption Control in Local Government*, supplementary evidence received 7 July 2025, p. 2; Chris Teitzel, *Transcript of evidence*, pp. 7–8; Sheena Frost, *Transcript of evidence*, p. 20; Bruce Dobson, *Transcript of evidence*, p. 20; Tony Doyle, *Transcript of evidence*, p. 22; Matthew Morgan, *Transcript of evidence*, p. 5; Craig Lloyd, *Transcript of evidence*, p. 4.

⁵³ Chris Teitzel, *Transcript of evidence*, p. 8; Tony Doyle, *Transcript of evidence*, p. 22.

⁵⁴ Strathbogie Shire Council, supplementary evidence, p. 2; Greater Shepparton City Council, supplementary evidence, p. 1, East Gippsland Shire Council, supplementary evidence, p. 2.

the risk of compromising future investigations should complaints eventually need to be escalated to an integrity agency.⁵⁵

Given that a significant proportion of complaints related to fraud and corruption end up being handled internally by Councils, it is worth boosting the VO's capacity to perform complaint system reviews. Through those reviews the VO can proactively examine a Council's complaints-handling policies and procedures for comparison against the Australian Standard on complaints handling, then provide recommendations for improvement.⁵⁶ The VO currently has only 1.2 FTE positions allocated to perform those complaint system reviews, meaning they can only complete up to three reviews per year.⁵⁷

FINDING 45: Many Councils, particularly those with less resources, are struggling to undertake internal investigations due to cost, skill shortages and fear of compromising external investigations should matters need to be escalated to integrity agencies.

FINDING 46: The Victorian Ombudsman could provide more support to Councils about complaints handling if it had more resources.

RECOMMENDATION 25: The Victorian Government increase funding to the Victorian Ombudsman so that it can increase delivery of preventative activities for Councils that support good governance and complaints handling.

6.4 Reporting audit and investigation outcomes

6.4.1 Public reporting of VAGO audit findings would help expose fraud and corruption

As Victoria's independent auditor, VAGO annually audits the financial reports of all public bodies, including Councils. A critical step in the audit process is the provision of a management letter, which describes significant control and financial reporting weaknesses identified during the audit. It provides recommendations to address those weaknesses by assessing the issues as low, moderate or high and assigning a timeframe for action based on their severity.⁵⁸ This serves as a crucial feedback tool for public sector agencies to improve their operations, transparency and overall financial management.

⁵⁵ Strathbogie Shire Council, supplementary evidence, p. 2; Greater Shepparton City Council, supplementary evidence, p. 1; East Gippsland Shire Council, supplementary evidence, p. 2.

⁵⁶ Victorian Ombudsman, response to questions on notice, pp. 5–6.

⁵⁷ Ibid.

⁵⁸ Roberta Skliros, Assistant Auditor-General, Financial Audit, VAGO, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 5; VAGO, *Financial Audits*, (n.d.), <<https://www.audit.vic.gov.au/sites/default/files/Corporate%20publications/Financial-audits.pdf>> accessed 3 October 2025.

The management letter is presented to Council's management and Audit and Risk Committee, but is not made public.⁵⁹ It is separate from the audit opinion on financial statements, which is the statutory report required to be appended to the entity's financial report.⁶⁰ While VAGO reports annually on key themes and issues across the local government sector identified in its financial audits, it does not report on concerns related to specific Councils.⁶¹

If fraud is uncovered during a financial audit, VAGO has a framework to report these findings to the audited Council and, if necessary, to external bodies.⁶² However, VAGO's financial audits are not primarily designed to detect fraud.

The Committee notes that the *Australian Auditing Standard ASA 265: A27 concerning Communicating deficiencies in internal control to those charged with governance and management* does not outline confidentiality requirements. Rather, it sets out that public sector auditors may need to communicate internal control deficiencies identified during the audit to governing bodies.⁶³

FINDING 47: If the Victorian Auditor-General's Office audit management letters were publicly reported, it would increase transparency on how effectively Councils are managing fraud and corruption risks and their finances more broadly.

RECOMMENDATION 26: The Victorian Auditor-General's Office consider the feasibility of publicly sharing management letters related to audits of Victorian Councils to provide increased transparency on the effectiveness of Council fraud and corruption controls and Council financial management more broadly.

RECOMMENDATION 27: The Victorian Auditor-General's Office include in its annual public reporting on Local Government financial audit results, information about the specific fraud and corruption control weaknesses at individual Councils and any failure of those Councils to action audit recommendations.

⁵⁹ Roberta Skliros, *Transcript of evidence*, p. 5.

⁶⁰ VAGO, *Financial Audits*; Australian National Audit Office, *Financial statement audit information*, 2024, <<https://www.gnao.gov.au/financial-statement-audit-information>> accessed 3 October 2025.

⁶¹ VAGO, *Results of 2023–24 Audits: Local Government*, 2025, <<https://www.audit.vic.gov.au/report/results-2023-24-audits-local-government>> accessed 3 October 2025.

⁶² VAGO, *Submission 8*, received 7 March 2025, p. 3.

⁶³ Auditing and Assurance Standards Board, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management* (ASA 265: A27), 2021, <https://www.auasb.gov.au/media/gbch3ykv/asa_265_12_21.pdf> accessed 3 October 2025.

6.4.2 Public reporting of integrity agency investigation outcomes would improve transparency

The extent to which integrity agencies can communicate the outcomes of investigations publicly varies among agencies. IBAC can report publicly on some but not all investigations. The VO can publicly share investigation outcomes by tabling reports in Parliament. LGI has recently been given the power to table reports in Parliament following the 2024 amendments to the Act.⁶⁴

IBAC shares investigation outcomes with the public by tabling Special Reports in Parliament. Not all investigations lead to a Special Report, and in cases where systemic corruption vulnerabilities are found, IBAC makes private recommendations under Section 159 of the IBAC Act. Those recommendations cannot be publicly disclosed unless included in a Special Report, and only if the responsible entity fails to act on them.

According to IBAC, publicly reporting investigation recommendations, even those not resulting in a Special Report, would improve transparency and Council accountability. IBAC considered the current limitations on sharing recommendations from investigations as unnecessarily restrictive, hindering its role in prevention through exposing corruption.⁶⁵

The Committee notes that the IOC's *Inquiry into the Adequacy of the Legislative Framework for the Independent Broad-based Anti-corruption Commission* is currently investigating the feasibility of lowering the threshold for IBAC to publicly report on the outcomes of its investigations outside Special Reports. As such, no recommendation related to this will be made from this Inquiry.

FINDING 48: The Independent Broad-based Anti-corruption Commission can only publicly report on the outcomes of investigations through Special Reports to Parliament, meaning the outcomes of some investigations are not made public. Publicly reporting outcomes of all investigations would improve transparency and help expose corruption in Councils.

While the VO can publicly share investigation outcomes, it cannot report publicly on a matter where a decision has been made to dismiss it or discontinue an investigation, which it believes limits transparency.⁶⁶ The VO explained that

... being able to explain that a matter was discontinued due to insufficient evidence is important to countering any negative impact that a matter being raised with the Ombudsman might otherwise have. LGI has this power and exercises it by issuing a media release or writing a report, if it is in the public interest to do so and as appropriate.⁶⁷

⁶⁴ *Local Government Amendment (Governance and Integrity) Act 2024* (Vic) s 21; Michael Stefanovic, *Transcript of evidence*, p. 7.

⁶⁵ IBAC, *Submission 6*, p. 7.

⁶⁶ Victorian Ombudsman, *Submission 9*, p. 5.

⁶⁷ *Ibid.*

The Committee believes that the VO should be empowered to provide further transparency to the community on its reasons for discontinuing investigations, as can be done by LGI.

FINDING 49: The *Ombudsman Act 1973* (Vic) does not provide for the Victorian Ombudsman (VO) to publicly report on the reasons for dismissing or discontinuing an investigation. It's important for the VO to be transparent concerning the rationale for ceasing an investigation to counter any negative public criticism.

RECOMMENDATION 28: The Victorian Government seek to amend the *Ombudsman Act 1973* (Vic) to empower the Victorian Ombudsman to publicly report on the reasons for dismissing or discontinuing an investigation.

6.4.3 Legislative restrictions delay reporting of fraud and corruption to the Minister for Local Government

When integrity agencies identify fraud and corruption issues in Councils, informing the Minister for Local Government can lead to interventions to correct the issue, such as appointment of municipal monitors (see Chapter 7). Both LGI and the VO can report issues to the Minister in a timely way.⁶⁸ IBAC, however, faces legislative restrictions that delay reporting fraud or corruption to the Minister.⁶⁹

IBAC can only inform Parliament at the end of investigations when a final report is tabled in Parliament.⁷⁰ This is different to LGI and the VO, both of which can report to the Minister during investigations. Even if IBAC identified fraud or corruption early, it could take months before it can notify the Minister, which allows issues to persist unchecked. This situation may lead to a perception that fraud and corruption is not being acted on as well as decrease the speed with which the Minister can take further action, such as appointing a municipal monitor or commission of inquiry (See Chapter 7).

FINDING 50: The Independent Broad-based Anti-corruption Commission cannot promptly inform the Minister for Local Government about identified fraud or corruption, delaying necessary actions.

⁶⁸ Marlo Baragwanath, *Transcript of evidence*, p. 6; *Ombudsman Act 1973* (Vic), s 17; Michael Stefanovic, *Transcript of evidence*, p. 7.

⁶⁹ For example, the Victorian Ombudsman, Source: Marlo Baragwanath, *Transcript of evidence*, p. 6.

⁷⁰ Roberta Skliros, *Transcript of evidence*, pp. 7, 16.

RECOMMENDATION 29: The Victorian Government seek to amend the relevant legislation to enable the Independent Broad-based Anti-corruption Commission to report fraud or corruption directly to the Minister for Local Government, enabling faster action and serving as a stronger deterrent.

Chapter 7

Disciplinary actions

7.1 Overview

This chapter examines the mechanisms available for disciplinary action when Councillors or Council staff breach integrity obligations under the *Local Government Act 2020* (Vic) (the Act) or commit offences under the *Crimes Act 1958* (Vic). While serious fraud and corruption cases can potentially result in significant penalties, in practice the enforcement is often constrained by limited resources, complex legislation and the cost of prosecutions.

The Local Government Inspectorate (LGI) faces challenges prosecuting breaches of the Act due to the principles-based legislation and high costs of taking matters to court. As a result, not all breaches of the Act are prosecuted and less serious offences are addressed through warnings rather than court action. Recent reforms giving LGI new powers to issue infringement notices is a step towards having intermediate penalties, but it is too soon to determine the impact that will have. The *Councillor Conduct Framework* provides sanctions ranging from apologies to suspensions, but concerns remain that current penalties are insufficient, lack timeliness and fail to deter misconduct.

Ministerial interventions—such as the appointment of municipal monitors—offer a further enforcement layer. While they can stabilise governance issues, their increased use as an early intervention tool has raised questions about financial costs to Councils, transparency of appointment and long-term effectiveness. The Committee highlights the need for a clearer, published framework for such interventions.

7.2 Penalties

7.2.1 Prosecution and penalties can occur under two Acts

Instances of fraud and corruption in Councils can be offences under one of two Acts: The *Local Government Act 2020* (Vic) (LG Act) and the *Crimes Act 1958* (Vic). In Victoria, financial fraud matters occurring within Councils do not fall under the LG Act and are instead addressed under the Crimes Act. Each Act specifies the penalties for breaches of the legislation, as outlined in Table 7.1.

Table 7.1 Current penalties for breaches of the Victorian *Local Government Act 2020* and *Crimes Act 1958*

Relevant provision of legislation	Penalty
Local Government Act s 123 Misuse of position - A Councillor or delegate must not intentionally misuse their position to gain or attempt to gain an advantage for themselves or another person OR cause or attempt to cause detriment to the Council or another person. - Intent-based offence. - Misuse includes making improper use of information, improperly influencing staff, disclosing confidential information, using power that you do not formally have, unauthorised or improper use of public funds or participating in a decision where you have a conflict of interest.	Maximum five years prison or \$118,554 fine (600 penalty units). No mandatory minimum.
Local Government Act s 130 Disclosure of conflict of interest - A Councillor or delegate must not participate in decisions in which they hold a general or material conflict of interest, and they must disclose this conflict of interest. - Strict liability offence.	Maximum fine \$23,710.8 (120 penalty units). No prison sentence.
Local Government Act s 133 Personal interest returns Councillors, Chief Executive Officers (CEOs) and relevant staff must disclose relevant personal interests such as real estate or interest in companies.	Maximum fine \$11,855.4 (60 penalty units). No prison sentence.
Crimes Act s 320 Common bribery Non-Council actors must not offer money or favours to a public officer (including a Councillor) in an attempt to influence their position.	10 years maximum prison sentence. No mandatory minimum.
Crimes Act s 82 Obtaining financial advantage by deception - A person must not obtain dishonestly by deception a financial advantage for himself or another. - Intent based offence.	10 years maximum prison sentence.

LGI is responsible for the investigation and prosecution of breaches of the LG Act. The Independent Broad-based Anti-corruption Commission (IBAC) can investigate and prosecute breaches of the Crimes Act and can also refer matters to the Office of Public Prosecutions.¹ Victoria Police can also be involved in prosecuting breaches of the Crimes Act.²

¹ Independent Broad-based Anti-corruption Commission (IBAC), Inquiry into fraud and corruption control in local government, response to questions on notice received 23 April 2025, pp. 4–5; IBAC, *Investigation outcomes*, 2025, <<https://www.ibac.vic.gov.au/investigation-outcomes>> accessed 3 October 2025.

² IBAC, response to questions on notice received, pp. 4–5.

IBAC indicated it is adequately resourced to perform its role in preventing fraud and corruption in Councils.³ LGI investigates a greater number of complaints about Councils than IBAC (see Chapter 6) and reported to the Committee that multiple factors limit its ability to prosecute breaches of the LG Act.

7.2.2 The Local Government Inspectorate faces barriers to prosecuting breaches of the Local Government Act

The Committee heard from LGI that it faces multiple barriers to prosecuting breaches of the *Local Government Act 2020* (Vic) (the Act). The primary factors are the principle-based Act and the cost of prosecution.⁴

Principle-based Act

When the Act was reformed into more principle-based legislation, it introduced grey areas into the meaning and interpretation of some provisions that has affected the ability of LGI to prove an offence in court.⁵

Examples outlined by LGI were the ‘human element’ introduced into the provisions around conflicts of interest and confidential information.⁶ The conflict of interest provisions have a ‘fair-minded person’ test to determine whether a breach has occurred:

[A] relevant person has a general conflict of interest in a matter if an impartial, fair-minded person would consider that the person’s private interests could result in that person acting in a manner that is contrary to their public duty.⁷

Similarly, the confidential information provisions have a test for what someone should ‘reasonably know’:

[A] person who is, or has been, a Councillor, a member of a delegated committee or a member of Council staff, must not intentionally or recklessly disclose information that the person knows, or should reasonably know, is confidential information.⁸

In both cases, these tests are difficult for LGI to prove in court or at a Councillor Conduct Panel due to the scope for differences in interpretation about a person’s motives and understanding. As a result, LGI has less confidence in its ability to successfully prosecute a case, and must determine the merit of proceeding to prosecution given the cost of taking a matter to court.⁹ In doing this, LGI uses its Prosecution Policy which explicitly considers factors such as: whether there is

³ IBAC, response to questions on notice received, p. 3.

⁴ Local Government Inspectorate, *Submission 5*, received 7 March 2025, pp. 15–16; Local Government Inspectorate, Inquiry into fraud and corruption control in local government, response to questions on notice received April 2025, pp. 9–10.

⁵ Ibid.; Local Government Inspectorate, response to questions on notice, pp. 11–12.

⁶ Local Government Inspectorate, response to questions on notice, pp. 11–12.

⁷ Ibid.; *Local Government Act 2020* (Vic) s 127.

⁸ Local Government Inspectorate, response to questions on notice, p. 12; *Local Government Act 2020* (Vic) s 125(1).

⁹ Local Government Inspectorate, response to questions on notice, pp. 10–12.

admissible, substantial and reliable evidence; whether there is reasonable prospect of a conviction (a *prima facie* case is not enough); and whether it would be in the public interest.¹⁰

Cost of prosecution

Given LGI's budget constraints (see Chapter 6), it can only afford to prosecute the most serious breaches of the Act.¹¹ Instances of less serious non-compliance—such as non-compliance of personal interests returns—are typically not prosecuted, which can lead to perceptions that there are minimal consequences for those 'lesser' offences.¹²

LGI provided the Committee with examples of prosecution costs, illustrating that a summary offence can cost around \$7,000 to progress to the Mention stage then could increase to over \$20,000 if it is a Contested Matter.¹³ Meanwhile prosecution of an Indictable Offence is much greater, with the last one undertaken by LGI costing about \$80,000.¹⁴

Warnings

In the absence of prosecution, LGI can issue warnings for breaches of the Act. Official warnings are issued for:

... matters where a breach of the Act is substantiated but an alternative to a prosecution is considered to better serve the public interest. Warnings are used as an educational tool in making recipients aware of their obligations under the Act and of the consequences for further transgressions.¹⁵

LGI advised the Committee that based on its experience, most Councillors and Council staff that receive an official warning do amend their behaviour, which prevents escalation of the issue.¹⁶ However, LGI is less confident that issuing warnings is a deterrent to others who might engage in fraudulent or corrupt behaviour.¹⁷

[I]n terms of sending a message to others across the sector, or addressing behaviours of individuals that wish to 'test the system', the issue of a warning will not have the impact that a prosecution with significant penalties applied would.

Local Government Inspectorate, Inquiry into fraud and corruption control in local government, response to questions on notice received April 2025, p. 10.

¹⁰ Local Government Inspectorate, response to questions on notice, pp. 9, 16–18.

¹¹ Local Government Inspectorate, *Submission 5*, p. 15.

¹² Ibid.

¹³ Local Government Inspectorate, response to questions on notice, p. 10.

¹⁴ Ibid.

¹⁵ Local Government Inspectorate, *Local Government Inspectorate Annual Report 2021–22, 2023*, <<https://www.lgi.vic.gov.au/sites/default/files/2023-02/LGI-Annual-Report-20212022.pdf>> accessed 3 October 2025, p. 9.

¹⁶ Local Government Inspectorate, response to questions on notice, p. 10.

¹⁷ Ibid.

FINDING 51: The shift to more principles-based legislation in the *Local Government Act 2020* (Vic) (the Act) has made it harder for the Local Government Inspectorate to successfully prosecute for breaches of the Act.

FINDING 52: The Local Government Inspectorate's budget constraints and the cost of prosecution mean it can only prosecute the most serious offences and, consequently, there are minimal consequences for perpetrators of 'lesser' offences.

See Section 7.2.5 for the Committee's recommendation on reforms to penalties for breaches of the Act.

7.2.3 The Local Government Inspectorate has new powers to issue infringement notices

The 2024 amendments to the *Local Government Act 2020* (Vic) (the Act) gave LGI the power to issue infringement notices for certain offences.¹⁸ That includes for failure to lodge an initial or biannual personal interest return (PIR).¹⁹ This is a positive change given the ongoing issues with undeclared PIRs (see Chapter 5). The other offences for which an infringement notice can be issued are related to electoral provisions.²⁰

Issuing infringement notices is a stronger enforcement mechanism than issuing warnings yet does not require prosecution. It is an intermediate penalty and LGI anticipates that issuing infringement notices will contribute to deterring others from similar offences.²¹ At the time of the Inquiry, LGI was still unable to exercise this new power because work to establish the necessary systems and procedures with Fines Victoria was ongoing.²²

While this has been a positive step forward, LGI noted that disciplinary actions for non-compliance with PIRs could be further improved by amending the Act to introduce non-monetary sanctions (such as temporary suspension) for Councillors who are repeat offenders.²³ Such reforms would enable LGI to exercise enforcement actions that are proportional to the severity of the behaviour.²⁴ The Committee is withholding from making any recommendation about this given the forthcoming review of the conduct framework system currently being prepared by LGI (see Section 7.2.5).

¹⁸ Local Government Inspectorate, *Submission 5*, p. 13; *Local Government (Infringement Notices) Regulations 2024* (Vic).

¹⁹ *Ibid.*

²⁰ *Ibid.*

²¹ Local Government Inspectorate, *Submission 5*, p. 17.

²² *Ibid.*, p. 13.

²³ *Ibid.*, p. 17.

²⁴ *Ibid.*

FINDING 53: The *Local Government Amendment (Governance and Integrity) Act 2024* (Vic) gave the Local Government Inspectorate powers to issue infringement notices for failure to lodge personal interests returns, which is an intermediate penalty that will strengthen its ability to enforce implementation of that fraud and corruption control.

7.2.4 Sanctions for Councillor misconduct are set by the Councillor Conduct Framework

The *Councillor Conduct Framework* was established under the Act and sets the processes for managing councillor misconduct (see Section 4.3, Figure 4.1). It specifies the possible sanctions for misconduct, serious misconduct and gross misconduct.

Gross misconduct is referred to LGI for investigations and potential prosecution through the Victorian Civil and Administrative Tribunal (VCAT), which can lead to disqualification (up to eight years) or the office of a Councillor being vacated. In contrast, sanctions for misconduct and serious misconduct can be issued without the need for prosecution.²⁵

Misconduct by a Councillor is managed through internal arbitration, for which possible sanctions include apology, suspension (up to three months) and training.²⁶ Disciplinary actions from previous determinations of general misconduct have included the temporary suspension of Councillors and verbal or written apologies.²⁷

Serious misconduct by a Councillor is managed through a Councillor Conduct Panel (CCP), for which possible sanctions include apology, suspension (up to 12 months), training, mediation and reprimand.²⁸ Disciplinary actions resulting from previous determinations of serious misconduct through a CCP have included the temporary suspension of Councillors, the requirement for Councillors to undergo remedial training and to issue written or verbal public apologies.²⁹

7.2.5 Current penalties lack intermediate options and are not timely

The Committee heard from multiple stakeholders, including Councils, that the current penalty landscape is not sufficient to deter fraud and corruption or enforce the Act. Key issues were that the severity of the penalties is often perceived as being disproportionate to the offence, and that there is too much of a delay between the offence occurring and the penalty being issued.

²⁵ Local Government Victoria, *Councillor Conduct Framework Overview*, (n.d.), <https://www.localgovernment.vic.gov.au/data/assets/pdf_file/0017/212165/Councillor-Conduct-Framework-Overview-Summary.pdf> accessed 3 October 2025, p. 1.

²⁶ Ibid.

²⁷ McCabe and Others & Goss (Internal Arbitration Process pursuant to Part 6 of the *Local Government Act 2020*, Dr Lily O'Neill, IAP 2024–30, 9 May 2025); Iser vs Byrne (Internal Arbitration Process pursuant to Part 6 of the *Local Government Act 2020*, Louise Martin, IAP 2024–33, 9 September 2024).

²⁸ Local Government Victoria, *Councillor Conduct Framework Overview*, p. 1.

²⁹ Chief Municipal Inspector (Vic) vs Modica, (Councillor Conduct Panel pursuant to Part 6 of the *Local Government Act 2020*, Diana Price, CCP 2022–4, 14 February 2023); Lund vs Ferguson, (Councillor Conduct Panel pursuant to Part 6 of the *Local Government Act 2020*, Diana Price, CCP 2023–9, 29 May 2024).

Multiple Councils expressed opinions that the severity of penalties is not sufficient, in part due to the small number of cases that are prosecuted.³⁰ Some expressed concern that when matters are investigated or prosecuted, the penalties are not issued in a timely way due to the length of investigations (see Chapter 6 for discussion of investigations).³¹ Those sentiments were shared by a former commissioner of inquiry and LGI.³²

[A] key concern is the delay between the occurrence of misconduct and the enforcement of those penalties. This lag can allow inappropriate behaviour to persist longer than it should. ... Faster resolution would enhance accountability and serve as a more effective deterrent against future misconduct.

Wellington Shire Council, Inquiry into fraud and corruption control in local government, response to questions on notice received 29 August 2025, p. 2.

Furthermore, LGI noted that even when matters are prosecuted, the penalties may not be of sufficient weight to be a deterrent.³³ LGI explained that for offences under the Act

[T]he Court does not hold the same weight for these types of offences as they do for Crimes Act related offences in that the punishment can be very minor, such as a good behaviour bond or a small fine that in no way justifies the expense to achieve the outcome.³⁴

To address this issue, LGI has been undertaking a review of the *Councillor Conduct Framework* with a view to introduce a range of sanctions that include more intermediate options.³⁵ The models being proposed are based on extensive sector consultation. The report is not yet available but is anticipated to be tabled in Parliament, although a timeframe was not provided to the Committee.³⁶

³⁰ Cr Blair Colwell, Councillor, Whittlesea City Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 10; Craig Lloyd, Chief Executive Officer, Whittlesea City Council, public hearing, Melbourne, 28 July 2025, *Transcript of evidence*, p. 10; East Gippsland Shire Council, Inquiry into fraud and corruption control in local government, response to questions on notice received 1 September 2025 p. 2; Hobsons Bay City Council, Inquiry into fraud and corruption control in local government, response to questions on notice received 4 September 2025, pp. 1-2; Hume City Council, Inquiry into fraud and corruption control in local government, response to questions on notice received 5 September 2025 p. 2; Nillumbik Shire Council, Inquiry into fraud and corruption control in local government, response to questions on notice received 29 August 2025, p. 2; Port Phillip City Council, Inquiry into fraud and corruption control in local government, response to questions on notice received 1 September 2025, p. 2.

³¹ Nillumbik Shire Council, response to questions on notice, p. 2; Wellington Shire Council, Inquiry into fraud and corruption control in local government, response to questions on notice received 29 August 2025, p. 2.

³² John Watson, Former Commissioner of Inquiry, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 12; Dawn Bray, Manager Strategy, Governance and Operations, Local Government Inspectorate, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 11; Local Government Inspectorate, *Submission 5*, p. 17.

³³ Local Government Inspectorate, *Submission 5*, p. 17; Local Government Inspectorate, response to questions on notice, pp. 9-10.

³⁴ Local Government Inspectorate, response to questions on notice, pp. 9-10.

³⁵ Dawn Bray, *Transcript of evidence*, p. 10; Local Government Inspectorate, *Councillor Conduct Framework Examination*, 2024, <<https://www.lgi.vic.gov.au/summer-2024-local-government-integrity-matters/councillor-conduct-framework-examination>> accessed 3 October 2025.

³⁶ Michael Stefanovic, Chief Municipal Inspector, Local Government Inspectorate, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 10; Local Government Inspectorate, response to questions on notice, p. 1.

FINDING 54: Current penalties for Councils are not considered adequate by the local government sector to deter fraud and corruption.

FINDING 55: A forthcoming report by the Local Government Inspectorate will present its findings from the *Councillor Conduct Framework* review that will potentially lead to reforms of penalties for breaches of the *Local Government Act 2020* (Vic).

RECOMMENDATION 30: The Victorian Government support reforms to penalties for breaches of the *Local Government Act 2020* (Vic) based on recommendations from the Local Government Inspectorate's *Councillor Conduct Framework* review.

7.3 Ministerial interventions

7.3.1 Municipal monitors can be used to correct governance issues

Municipal monitors are a mechanism available to the Victorian Government to intervene in Council operations when governance issues arise. Their remit is broader than addressing fraud and corruption, but their role in improving Council governance can have flow on effects for the integrity of a Council's fraud and corruption controls. Municipal monitors can be appointed to Councils to help correct emerging governance issues. When there are more serious governance failures, commissions of inquiry are established to investigate.³⁷

Municipal monitors are an individual person or panel appointed by the Minister for Local Government under Section 179 of the *Local Government Act 2020* (Vic) (the Act).³⁸ Governance issues that can trigger the appointment of monitors include:

- poor relationships among Councillors or between Councillors and Council staff
- breaches of the Councillor Code of Conduct and related behaviour issues
- ineffective performance of functions
- problematic meeting procedures and decision-making processes
- inadequate governance rules
- unclear separation of Council executive staff roles and responsibilities, and
- failure to meet statutory obligations.³⁹

³⁷ Local Government Inspectorate, *Independent reviews and reports*, 2025, <<https://www.localgovernment.vic.gov.au/council-governance/independent-reports>> accessed 6 October 2025.

³⁸ Ibid.

³⁹ *Local Government Act 2020* (Vic) ss 179, 180; Local Government Inspectorate, *Independent reviews and reports* (see individual terms of reference).

The Minister may appoint monitors in response to a specific event, such as the resignation of a CEO or following an independent investigation.⁴⁰ The Minister may also appoint a monitor upon the advice of the Local Government Inspectorate (LGI) or Councils themselves.⁴¹ The key roles of a municipal monitor are to:

- observe the Council's governance processes and practices
- provide advice to the Council on how to improve its governance
- report findings, Council progress and remaining issues back to the Minister with recommendations for further action.⁴²

Based on a monitor's report, the Minister may direct Councils to provide financial statements, projections and action plans.⁴³ If a monitor's final report indicates that governance issues are too severe or systemic to be resolved, they may recommend further intervention, which could include the suspension of Councillors, undertaking a commission of inquiry, and the dismissal of the Council and appointment of administrators.⁴⁴

7.3.2 The effectiveness of municipal monitors is unclear

Evidence for the extent to which monitors improve Council governance is primarily qualitative and documented in their final reports and ministerial statements. Monitors were observed to be effective in addressing governance issues to improve Council operations at Colac Otway Shire,⁴⁵ Horsham Rural City⁴⁶ and Moonee Valley,⁴⁷ where

⁴⁰ Hon Jacinta Allan, *Monitor to be appointed to Horsham Rural City Council*, media release, Victorian Government, Melbourne, 13 August 2024; Hon Melissa Horne, *Statement from the Minister for Local Government*, media release, Victorian Government, Melbourne, 31 October 2023; Hon Jacinta Allan, *Monitors re-appointed to Glenelg Shire Council*, media release, Victorian Government, Melbourne, 15 April 2024; Hon Jacinta Allan, *Moonee Valley City Council municipal monitors extended*, media release, Victorian Government, Melbourne, 28 July 2024; Hon Jacinta Allan, *Monitor appointed to Colac Otway Shire Council*, media release, Victorian Government, Melbourne, 10 July 2024.

⁴¹ *Local Government Act 2020 (Vic)* ss 179, 189; Local Government Victoria, *Municipal Monitor appointed to Strathbogie Shire Council*, Department of Jobs, Precincts and Regions, 2021, <https://www.localgovernment.vic.gov.au/_data/assets/pdf_file/0025/185416/Strathbogie-Municipal-Monitor-Report-FINAL-with-redactions.pdf> accessed 6 October 2025; Hon Jacinta Allan, *Monitors to oversee CEO appointment at Geelong Council*, media release, Victorian Government, Melbourne, 25 January 2023; Hon Jacinta Allan, *Monitor appointment to Colac Otway Shire Council*; Hon Daniel Andrews, *Municipal Monitor for South Gippsland Shire Council*, media release, Victorian Government, Melbourne, 18 June 2018; Hon Daniel Andrews, *Monitor appointed to City of Whittlesea*, media release, Victorian Government, Melbourne, 13 December 2019.

⁴² Local Government Inspectorate, *Independent reviews and reports*.

⁴³ *Local Government Act 2020 (Vic)* s 175(3); Darebin City Council, *Municipal Monitor Report*, 28 April 2023, <<https://www.darebin.vic.gov.au/About-council/News-and-Media/News/Municipal-monitor-report>> accessed 6 October 2025.

⁴⁴ Local Government Inspectorate, *Independent reviews and reports*; Hon Jacinta Allan, *Strathbogie Council suspended, administrator appointed*, media release, Victorian Government, 5 December 2023; Hon Nick Staikos, *Statement from the Minister for Local Government*, media release, Victorian Government, 16 April 2025; Hon Jacinta Allan, *Dismissal of the Casey City Council*, media release, Victorian Government, 18 February 2020; Parliament of Victoria, *Commission of Inquiry into Moira Shire Council*, March 2023, <https://www.parliament.vic.gov.au/4960eb/globalassets/tailed-paper-documents/tailed-paper-7105/commission_of_inquiry_into_moira_shire_council_-_final_report_for_tabling_2023_xw0vhwgq.pdf> accessed 6 October 2025, p. 4; Local Government Victoria, *Commission of Inquiry into Whittlesea City Council*, May 2025, <<https://www.localgovernment.vic.gov.au/council-governance/independent-reports/commission-of-inquiry-into-whittlesea-city-council>> accessed 6 October 2025.

⁴⁵ Hon Nick Staikos, *Statement from the Minister for Local Government*, media release, Victorian Government, 17 April 2025.

⁴⁶ Hon Melissa Horne, *Statement from the Minister for Local Government*, media release, Victorian Government, 29 March 2023.

⁴⁷ Hon Nick Staikos, *Statement from the Minister for Local Government*, media release, Victorian Government, 1 May 2025.

no further interventions were required. Yet there have also been cases where the effectiveness of appointing a monitor was unclear, with multiple Councils needing repeated appointments of monitors.⁴⁸ That suggests monitors may not always provide lasting solutions. One possible reason for that is Council culture can be an underlying cause of governance issues, and changing culture is a lengthy process that may not be fully resolved by the end of a monitor's term. There should be consideration around the implementation of monitor's recommendations to ensure lasting changes at Councils.

The Committee notes that there has been no evaluation of the impact of monitors on Council governance. Undertaking an evaluation to determine the circumstances under which municipal monitors are effective at improving Council governance could improve decision making about when and why monitors are appointed.

FINDING 56: The effectiveness of municipal monitors in resolving Council governance issues is unknown.

7.3.3 Clearer criteria are needed for appointment of municipal monitors

The Act does not contain criteria for the Minister for Local Government to follow when deciding to appoint municipal monitors. Prior to the *Local Government Amendment (Improved Governance) Act 2015* (Vic), the appointment of monitors under the *Local Government Act 1989* (Vic) lacked clear legislative provisions. Then, the *Local Government Amendment (Governance and Integrity) Act 2024* (Vic) strengthened the Minister's ability to respond to governance issues, particularly those relating to Councillor conduct. Key changes included expansion of a monitor's powers to request information and report on individual Councillor conduct, while enhancing their immunity from personal liability.⁴⁹

According to the Department of Government Services, the 2024 amendments were made following a period of increased governance issues in Councils.⁵⁰ Those governance issues were associated with a spike in the appointment of monitors in 2024, with monitors appointed to 11 Councils compared to four in the previous Council term (2020–2024).⁵¹ The Victorian Local Governance Association has suggested that reflects a shift in rationale for when monitors are being used:

I know previously the sector and also the ministers of the day would have thought that that was a last resort, a punitive action to take, whereas over recent years it has been seen more as a preventative, I guess, assistance to the sector.⁵²

⁴⁸ Local Government Inspectorate, *Independent reviews and reports*, (see City of Whittlesea, City of Geelong, City of Darebin, Strathbogie Shire, City of Casey, Horsham Shire).

⁴⁹ *Local Government Amendment (Governance and Integrity) 2024 Act* (Vic) s 19.

⁵⁰ Department of Government Services, *Submission 12*, received 28 March 2025, p. 2.

⁵¹ Ibid.

⁵² Kathryn Arndt, Chief Executive Officer, Victorian Local Government Association, public hearing, Melbourne, 31 March 2025, *Transcript of evidence*, p. 10.

Ministerial press releases appear to confirm that monitors are increasingly being used for early intervention (see **Appendix C**). While early intervention is beneficial, doing it through the use of monitors comes at a cost to Councils as they pay for monitor salaries at a daily rate of approximately \$1,335.⁵³

The Committee notes that there may be more cost-effective mechanisms for early intervention to address governance issues, such as through the preventative functions of integrity agencies (see Chapter 6).

The Committee acknowledges the benefit of the Minister having flexibility to appoint monitors, however, it also suggests there should be a framework for the appointment of municipal monitors to ensure that the intervention justifies the costs.

FINDING 57: There is no publicly available framework for the appointment of municipal monitors to Councils by the Minister for Local Government.

FINDING 58: There has been an increase in appointment of municipal monitors.

RECOMMENDATION 31: The Victorian Government consider whether there is any benefit in developing a framework for the appointment of municipal monitors to Councils and that the framework be published publicly.

**Adopted by the Public Accounts and Estimates Committee
Parliament of Victoria, East Melbourne
27 October 2025**

⁵³ Lisa Gandolfo, Deputy Secretary Consumer Affairs and Local Government, Department of Government Services, 2023–24 Financial and Performance Outcome hearings, response to questions on notice received 29 November 2024, p. 1.

Appendix A

VAGO audit report no. 40

Fraud and Corruption Control— Local Government (2019)

A.1 Overview

The outcomes of initial implementation of Victorian Auditor-General's Office (VAGO) recommendations by audited Councils have been compared to contemporary data collected through a questionnaire on the status of recommendations and approaches taken to implementation—completed by the audited Councils for this Inquiry. These findings and outcomes have also been supplemented with survey data collected from all non-audited Victorian Councils, to determine any current sector-wide trends relating to the original VAGO recommendations.

In 2025, as part of this Inquiry, a questionnaire was sent to the audited Councils and a survey was sent to the non-audited Councils. All audited Councils responded to the questionnaire and 72 non-audited Councils responded to the survey.

Recommendations from VAGO audit report no. 40

[Recommendation 1:](#) Expense claims

[Recommendation 2:](#) Fuel card policy

[Recommendation 3:](#) Credit card policy

[Recommendation 4:](#) CEO expenditure approval

[Recommendation 5:](#) Monitoring credit card and fuel card use

[Recommendation 6:](#) Fuel card controls

[Recommendation 7:](#) Meals and alcohol

[Recommendation 8:](#) Remuneration packages

[Recommendation 9:](#) Training

[Recommendation 10:](#) Incident registers

[Recommendation 11:](#) Publishing Councillor expenses (Shepparton, Strathbogie, Wyndham)

[Recommendation 12:](#) Exit packages (Strathbogie)

Recommendation 1

All Councils require Councillors to certify that their expense claims are incurred in the context of relevant legislative provisions. Councils must require Councillors to provide stronger evidence to support their claims, in particular for mileage reimbursements, including records pertaining to the claim and details of the business reason and who benefited from the expense.

Status of implementation – Recommendation 1

Audited Council	Status	Completion date
Shepparton	Complete	7/05/2019
Strathbogie	Complete	15/10/2019
Wellington	Complete	1/08/2019
Wyndham	Complete	8/10/2019

Source: Victorian Auditor-General's Office, *Responses to Performance Engagement Recommendations: Annual Status Update 2024*, data dashboard, Melbourne, 2024, <<https://www.audit.vic.gov.au/report/responses-performance-engagement-recommendations-annual-status-update-2024?section=#data-dashboard>> accessed 30 September 2025.

VAGO findings from 2019 audit

Under the previous *Local Government Act 1989* (Vic) (the Act), Councils were required to adopt and maintain a policy that articulates the types of Councillor expenses that must be reimbursed by the Council, and the procedures Councillors must follow to be eligible for reimbursement. At the time of the audit, VAGO determined that this policy should also outline the support a Council will provide to Councillors and Mayors, including access to resources and Council facilities.¹

The maintenance of accurate financial records is a reporting requirement under the Act. VAGO determined that inadequate documentation to support expense or mileage reimbursement claims and approvals occurred in all audited Councils. This included instances of failing to confirm that Councillor reimbursement claims were reasonable and bona fide, and that Councillor expenses were incurred during the performance of their duties.

1 Victorian Auditor-General's Office, *Fraud and Corruption Control – Local Government*, 2019, <<https://www.audit.vic.gov.au/report/fraud-and-corruption-control-local-government>> accessed 30 September 2025.

Table A.1 Findings from VAGO audit

Audited Council	Findings from 2019 audit
Shepparton	- Three examples of reimbursements at Shepparton, from a selection of 12, were missing Councillor claim forms. - Requires Councillors to provide logbooks to support reimbursement claims, however none of the five approved claims tested had any supporting evidence attached, such as a receipt or tax invoice.
Strathbogie	- Six examples of reimbursements, from a selection of 20, were missing detail on the business reason for the incurred expense. - Did not have clear requirements for supporting documentation for mileage claims and had no requirement for odometer readings. - None of the 10 approved mileage claims reviewed had supporting documentation, such as a receipt or tax invoice.
Wellington	No requirement to provide supporting documentation for mileage reimbursement, such as a receipt or odometer reading.
Wyndham	Evidence for mileage reimbursement was opaque, with the policy stating only that 'appropriate records' are required for approval.

Audited Council outcomes since 2019 – Committee questionnaire findings

Table A.2 Responses to Committee questionnaire provided by audited Councils, 2025

Audited Council	Policy changes at March 2025	Reported outcomes
Shepparton	- Reviewed the Councillor Expense Policy to strengthen details captured and include requirement for supporting evidence such as odometer readings, copies of invitations and minutes to confirm Councillor attendance. - Implemented online process for claim forms to aid record keeping and to ensure mandatory fields for supporting evidence/description of expenditure are submitted with every reimbursement claim.	The Council reports that expense claim processes have been streamlined, increasing capacity for Councillors to submit claims accurately and in accordance with requirements under the <i>Local Government Act</i> (1989, 2020).
Strathbogie	- Reviewed the Councillor Expense Policy to include CEO approval prior to reimbursement and shortened timeframes to submit claims, adopted 2024. - Implemented online process for claim forms to aid record keeping and to ensure mandatory fields for supporting evidence/description of expenditure are submitted with every reimbursement claim. - Expense policy is now reviewed annually by the Audit and Risk Committee (ARC) and the Council, to ensure policy is up-to-date and Councillors are aware of obligations.	The Council reports that implementation of tighter timeframes for submission has ensured claims are reviewed and approved closer to the expense date, limiting delayed claims, accumulation of reimbursement and better aligning with budget and reporting requirements.
Wellington	- Reviewed the Councillor Expense and Administration Policy, updating relevant expense claim forms. In particular, the policy now explicitly defines 'Council business' to provide clarity on what can be claimed. No reimbursements will be approved without sufficient supporting evidence. - Mileage claims must now relate directly to Council business and are cross referenced with relevant calendar diaries to verify.	The Council reports that the updated policy makes eligible expenses much clearer to Councillors and staff approving claims, ensuring that only valid expenses are reimbursed.

Audited Council	Policy changes at March 2025	Reported outcomes
Wyndham	- Reviewed the Councillor Expense and Reimbursement Form completed by Councillors. - Reimbursement claims are regularly reported to the ARC, Council and are made publicly available on the Council website.	The Council reports that the updated policy and making claims publicly accessible has contributed to more accurate and transparent recording and reporting of Councillor expenses.

Progress towards recommendation by non-audited Councils since 2019 – Committee survey findings

Table A.3 Survey questions sent to non-audited Councils by the Committee, 2025

Survey question	Yes	No	Total responses
Does your Council require Councillors to certify that their expense claims are incurred within the context of relevant provisions under legislation?	79% (57)	21% (15)	72
Does your Council provide mileage reimbursements to Councillors?	94% (68)	6% (4)	72
Sub-question (if answer to main question was yes): Does your Council require Councillors to provide records or receipts pertaining to mileage reimbursement claims?	90% (61)	10% (7)	68 ^a
Does your Council require Councillors to provide a business reason for expense claims?	96% (69)	4% (3)	72
Does your Council require Councillors to provide evidence of who benefited from the expense claim?	75% (54)	25% (18)	72

a. Percentages calculated from total number of Councils who responded yes to providing mileage reimbursements.

Table A.4 Committee findings from survey: Council actions to ensure certification

Council actions to ensure certification ^a	Total
Expense claim forms	75% (54)
Receipts	36% (26)
Explicit declarations	60% (43)
Executive approval	26% (19)
Independent validation	14% (10)
No detail provided	21% (15)

a. Councils undertake multiple actions – reflected in totals.

Table A.5 Committee findings from survey: Council actions to ensure validity

Council actions to ensure validity ^a	Total
Calendar validation	24% (17)
Receipt matching	44% (32)
Require a business reason	36% (26)
Reviewed internally	54% (39)
Mileage verified	8% (6)
Spot checks	1% (1)
No detail provided	25% (18)

a. Councils undertake multiple actions – reflected in totals.

Table A.6 Committee findings from survey: Internal audit of expenses claim policy undertaken

Internal audit of expenses claim policy undertaken	Total
In the last five years	50% (36)
More than five years	19% (14)
Never ^a	25% (18)
Unknown	6% (4)

a. Reasons for never undertaking an internal audit included: very few claims made to Council, regular reporting to ARC as an alternative and Councils being subject to administration

Recommendation 2

All Councils review and update fuel card policy and guidance to clearly outline fraud and corruption controls and require staff to confirm they understand the terms of use and consequences for misuse.

Status of implementation – Recommendation 2

Audited Council	Status	Completion date
Shepparton	Complete	8/07/2020
Strathbogie	Complete	9/02/2020
Wellington	Complete	1/08/2019
Wyndham	Complete	31/07/2019

Source: Victorian Auditor-General's Office, *Responses to Performance Engagement Recommendations: Annual Status Update 2024*, data dashboard, Melbourne, 2024, <<https://www.audit.vic.gov.au/report/responses-performance-engagement-recommendations-annual-status-update-2024?section=#data-dashboard>> accessed 30 September 2025.

VAGO findings from 2019 audit

Councils issue fuel cards for all Council vehicles, covering fleet vehicles as well as private-use vehicles assigned to individuals as part of their remuneration package. Private-use vehicles can be used for both Council business and private purposes, making it crucial to have fuel card controls in place to prevent their misuse.

Not all audited Councils had documented fuel card policies or guidelines. The policies or guidelines that did exist were either out of date or did not detail the consequences for misusing fuel cards. There were gaps in the controls and restrictions placed on fuel card use, making it easier for fraudulent behaviour to occur. In addition, there were instances where required documentation was not provided to justify fuel card expenses.

None of the four audited Councils had routine processes to monitor fuel card use to detect misuse.

Table A.7 Findings from VAGO audit

Audited Council	Findings from 2019 audit
Shepparton	- Fuel card did not have a mandatory PIN. - Multiple fuel types were able to be purchased on a single fuel card, preventing accurate tracking of fuel purchased for vehicles versus other equipment.
Strathbogie	- Poor record management of motor vehicles and fuel cards, including: - odometer readings were not available for analysis - fuel card transactions were not separated from other expense data - records of which employee was assigned to a fuel card not being kept up to date. - Instances of fuel cards being used for non-fuel product purchases.

Audited Council	Findings from 2019 audit
Wellington	- Multiple transactions on single fuel card in a single day with fuel volume exceeding vehicle tank capacity. - Multiple fuel types were able to be purchased on a single fuel card, preventing accurate tracking of fuel purchased for vehicles versus other equipment.
Wyndham	Fuel card did not have a mandatory PIN.

Audited Council outcomes since 2019 – Committee questionnaire findings

Table A.8 Responses to Committee questionnaire provided by audited Councils, 2025

Audited Council	Policy changes at March 2025	Reported outcomes
Shepparton	The recommendation to implement a fuel card policy has not been met.	The Council reports that an operational fuel card policy will be introduced in 2025–26.
Strathbogie	- Implemented a new motor vehicle use directive to adhere to recommendations in 2020, with specific requirements around fuel card use and evidentiary declaration form. Fuel cards are now audited monthly. - An online fuel card portal has been implemented to provide greater governance oversight and reporting of use.	The Council reports that tighter controls have resulted in greater governance of fleet management and fuel card use, and has provided better awareness around terms of use, obligations and consequences for misuse.
Wellington	- Fleet guidelines clearly stipulate the parameters for fuel card use. - An induction training course on the procurement of fuel and use of fuel cards has been introduced, as well as fraud training to ensure the terms of use are understood.	The Council reports that no instances of fraud relating to fuel card use have been detected.
Wyndham	- The Motor Vehicle and Plant Policy was updated to implement VAGO's recommendation. - Regular fuel exception reporting is carried out to identify anomalies such as fuel consumption, litres used compared to tank capacity and product purchasing limits on fuel cards.	The Council reports that changes to policy and more stringent usage oversight have allowed greater control to hold staff accountable if wrongdoing occurs.

Progress towards recommendation by non-audited Councils since 2019 – Committee survey findings

Table A.9 Survey questions sent to non-audited Councils by the Committee, 2025

Survey question	Yes	No	Total responses
Does your Council have a fuel card policy that clearly outlines fraud and corruption controls?	63% (45)	38% (27)	72
Does your Council require staff to confirm they understand the terms of use under the fuel card policy and the consequences of misuse?	74% (53)	26% (19)	72

Table A.10 Committee findings from survey: Last update of fuel card policy

Last update of fuel card policy	Total
In the last five years	69% (50)
More than five years	15% (11)
No fuel card policy	15% (11)

Table A.11 Committee findings from survey: Frequency of fuel card policy reviews or updates

How often is fuel card policy reviewed or updated	Total
1 year	8% (6)
2 years	18% (13)
3 years	14% (10)
4 years	39% (28)
5+ years	6% (4)
No fuel card policy	15% (11)

Table A.12 Committee findings from survey: Consequences of misuse of fuel cards

Consequences of misuse of fuel cards ^a	Total
Disciplinary action stated in Code of Conduct	78% (56)
Disciplinary action stated in other policy	13% (9)
Suspension of access	8% (6)
Retraining	3% (2)
No detail provided	13% (9)

a. Councils undertake multiple actions – reflected in totals

Recommendation 3

All Councils review credit card policies and improve controls to ensure only allocated cardholders use their cards and there is appropriate segregation of duties over expenditure approvals.

Status of implementation – Recommendation 3

Audited Council	Status	Completion date
Shepparton	Complete	15/07/2019
Strathbogie	Complete	15/10/2019
Wellington	Complete	1/08/2019
Wyndham	Complete	31/07/2019

Source: Victorian Auditor-General's Office, *Responses to Performance Engagement Recommendations: Annual Status Update 2024*, data dashboard, Melbourne, 2024, <<https://www.audit.vic.gov.au/report/responses-performance-engagement-recommendations-annual-status-update-2024?section=#data-dashboard>> accessed 30 September 2025.

VAGO findings from 2019 audit

Credit cards are an efficient way for Council staff to make low-value purchases that do not require going through procurement processes. There are fraud and corruption risks associated with credit card use that need to be controlled through policies and processes.

All four audited Councils had a credit card policy. Three Councils had a policy that clearly stated what counted as adequate documentation for a purchase, specifying that the receipt must itemise what was purchased and that an electronic funds transfer at point of sale (EFTPOS) receipt is not adequate. One Council—Strathbogie—had a credit card policy that did not clearly define what was considered sufficient supporting documentation for a transaction. The VAGO audit found instances of credit card transactions with inadequate supporting documentation at all four Councils.

None of the Councils had formalised processes to conduct data analytics over credit card transactions, although Wyndham had begun setting up a process for routine checks. There were also insufficient controls in place to ensure that only the allocated cardholder used the card.

Audited Council outcomes since 2019 – Committee questionnaire findings

Table A.13 Responses to Committee questionnaire provided by audited Councils, 2025

Audited Council	Policy changes at March 2025	Reported outcomes
Shepparton	- Updated Council Credit Card Corporate Procedure Policy in 2019 in response to the audit recommendation, with an additional review undertaken in 2023. - Cardholders are required to review and accept policy requirements annually to maintain access through an automated reminder process.	The Council reports that awareness of control mechanisms and requirements for card holders have improved under the new policy.
Strathbogie	- Replaced previous Purchasing Card Policy with a purchasing card CEO directive and procedure to raise greater awareness of obligations and education for staff. - Councillors do not have access to purchasing cards.	The Council reports an increase in staff and Councillor awareness of obligations for users of purchasing cards and improved controls to monitor use.
Wellington	An automated credit card system is now in place where supervisors must undertake a monthly review into team member credit card usage.	The Council reports an increase in transparency over credit card purchases.
Wyndham	- Updated Purchasing Card Policy in 2022 to clearly outline roles, responsibilities and procedures for managing credit cards. - Introduced mandatory policy and guideline reviews prior to staff members being issued a credit card. - Implemented a standardised credit card usage form requiring cardholder authorisation.	The Council reports that credit card users are now well informed of corporate requirements and the expectations of using corporate credit cards.

Progress towards recommendation by non-audited Councils since 2019 – Committee survey findings

Table A.14 Survey questions sent to non-audited Councils by the Committee, 2025

Survey question	Yes	No	Total responses
Does your Council have a credit card policy that includes controls to ensure only allocated card holders use their cards?	94% (68)	6% (4)	72
Is there appropriate segregation of duties between card users and expenditure approvers in your Council's credit card policy?	99% (71)	1% (1)	72

Table A.15 Committee findings from survey: How segregation is implemented

How segregation is implemented ^a	Total
Manager approval	75% (54)
External approval	26% (19)
External review prior to manager approval	31% (22)
No detail provided	1% (1)

a. Councils undertake multiple actions – reflected in totals.

Recommendation 4

All Councils ensure the Council’s chief financial officer (CFO) or equivalent approves chief executive officer (CEO) expenditure and report all expenditure by, or on behalf of, the CEO to the Audit and Risk Committee and/or the Council for periodic review.

Status of implementation – Recommendation 4

Audited Council	Status	Completion date
Shepparton	Complete	13/11/2019
Strathbogie	Complete	15/10/2019
Wellington	Complete	1/08/2019
Wyndham	Complete	09/09/2019

Source: Victorian Auditor-General's Office, *Responses to Performance Engagement Recommendations: Annual Status Update 2024*, data dashboard, Melbourne, 2024, <<https://www.audit.vic.gov.au/report/responses-performance-engagement-recommendations-annual-status-update-2024?section=#data-dashboard>> accessed 30 September 2025.

VAGO findings from audit

Segregation of duties ensures that an individual who incurs an expense does not also approve the expenditure, and it is an important way to prevent fraud and corruption. At the three Councils where CEOs had a credit card, it was required that the mayor approve CEO transactions. However, VAGO considered that it would be better practice for the Councils’ CFOs or equivalent to approve CEO expenditure and for Councils to refer the full transaction history to their ARC or Council for periodic review.

Table A.16 Table A.16 Findings from VAGO audit

Audited Council	Findings from 2019 audit
Shepparton	• CEO had credit card. • No issues identified.
Strathbogie	• CEO had credit card. • Instances of weak controls over CEO expenditure, including at times poor segregation of duties (i.e. CEO approving their own expenditure).
Wellington	• CEO had credit card. • No issues identified. CEO transactions are submitted to the ARC, which is an example of good practice.
Wyndham	• CEO did not have a credit card, but an administrative officer had one to make purchases on behalf of the CEO, which were then approved by the CEO. • Instances of weak controls over CEO expenditure, including at times poor segregation of duties (i.e. CEO approving their own expenditure).

Audited Council outcomes since 2019 – Committee questionnaire findings

Table A.17 Responses to Committee questionnaire provided by audited Councils, 2025

Audited Council	Policy changes at March 2025	Reported outcomes
Shepparton	CEO expenditure is now reported to the Council Audit and Risk Committee (ARC) on a bi-annual basis and captured in its annual work plan.	The Council reports that including CEO expenditure in public minutes of the ARC have improved visibility and public transparency.
Strathbogie	CEO no longer holds a purchasing card, and expenditure must be approved by the CFO and People and Governance Director and reported quarterly to the ARC.	The Council reports tighter controls around expenditure, reimbursement and reporting on CEO expenditure to Council.
Wellington	CEO expenditure is reviewed by the CFO prior to approval and is now tabled on a periodic basis to the ARC for discussion.	The Council reports increased transparency and oversight over CEO credit card usage.
Wyndham	- CEO no longer holds a credit card. - All travel-related expenditure is now published on the Council website, including any travel or conference expenditure incurred by the CEO.	The Council reports that rescinding CEO credit card use has improved accountability and transparency.

Progress towards recommendation by non-audited Councils since 2019 – Committee survey findings

Table A.18 Survey questions sent to non-audited Councils by the Committee, 2025

Survey question	Yes	No	Total responses
Does your CFO (or equivalent) approve CEO expenditure?	60% (43)	40% (29)	72

Table A.19 Committee findings from survey: Authority for CEO expenditure approval

Authority for CEO expenditure approval ^a	Total ^b
Other senior Council executive (e.g. finance director)	34% (10)
Council	7% (2)
Mayor	72% (21)
Audit and Risk Committee	3% (1)
No CEO expenditure	3% (2)

a. Councils undertake multiple actions – reflected in totals.

b. Percentage of total from 'no' responses (29) in Table A.18.

Table A.20 Committee findings from survey: CEO expenditure reporting

CEO expenditure reported to: ^a	Total
Senior Council executive (e.g. finance director)	8% (6)
Council	20% (14)
Mayor	8% (6)
Audit and Risk Committee	46% (33)
No formal reporting	26% (19)

a. Councils undertake multiple actions – reflected in totals.

Table A.21 Committee findings from survey: Frequency of reporting on CEO expenditure

Frequency of reporting on CEO expenditure	Total
Monthly	10% (7)
Quarterly	49% (35)
Bi-annually	4% (3)
Annually	7% (5)
As-occurs	6% (4)
Never	25% (18)

Recommendation 5

All Councils document and develop formalised reporting over credit card and fuel use and incorporate, where appropriate, data analytics to identify anomalies.

Status of implementation – Recommendation 5

Audited Council	Status	Completion date
Shepparton	Complete	5/08/2020
Strathbogie	Complete	9/02/2020
Wellington	Complete	1/08/2019
Wyndham	Complete	09/09/2019

Source: Victorian Auditor-General's Office, *Responses to Performance Engagement Recommendations: Annual Status Update 2024*, data dashboard, Melbourne, 2024, <<https://www.audit.vic.gov.au/report/responses-performance-engagement-recommendations-annual-status-update-2024?section=#data-dashboard>> accessed 30 September 2025.

VAGO findings from 2019 audit

As per Recommendations 3 and 4.

Audited Council outcomes since 2019 – Committee questionnaire findings

Table A.22 Responses to Committee questionnaire provided by audited Councils, 2025

Audited Council	Policy changes at March 2025	Reported outcomes
Shepparton	- Reporting on credit card usage and policy compliance by cardholders is now reported to the Council Executive Leadership Team on an annual basis. - The number of credit cards on issue has been reduced and remains low for Council staffing size. Delegations are now in place limiting the issue of cards to those in supervisory positions or executive assistants.	The Council reports that increased reporting and limiting the number of credit cards on issue have fostered increased focus on controls and compliance.
Strathbogie	- Purchasing responsibility is now administered by the People and Governance Director, adhering to obligations set out in the purchasing card CEO directive and procedure. - Fuel cards are now managed through an online fuel card portal which provides alerts and analytics to identify anomalies.	The Council reports that implementing a new directive and online portal has given greater oversight of card usage and increased awareness of user obligations and consequences of misuse.
Wellington	- All credit card transactions are now validated by two delegates with seniority above the card holder. - Credit card holders are subjected to random spot checks to review all transactions made in a month, to ensure compliance with obligations. Any purchase over \$1000 is also flagged for review.	The Council did not note any specific outcomes.

Audited Council	Policy changes at March 2025	Reported outcomes
Wyndham	- Credit card compliance is now reported to the ARC each quarter. - Transactions are reviewed after weekends to identify any out-of-hours spending or bill splitting.	The Council reports full compliance with these policies.

Progress towards recommendation by non-audited Councils since 2019 – Committee survey findings

Table A.23 Survey questions sent to non-audited Councils by the Committee, 2025

Survey question	Yes	No	Total responses
Does your Council document and report on credit and fuel card use?	78% (56)	22% (16)	72
Sub-question (if answer to main question was yes):			
Does your Council have a formal reporting process for credit and fuel card use?	75% (42)	25% (14)	56 ^a
Does your Council use data analytics, where appropriate, to identify anomalies in credit and fuel card use?	58% (42)	42% (30)	72

a. Percentages calculated from total number of Councils who responded yes to documenting and reporting credit and fuel card use.

Table A.24 Committee findings from survey: Frequency of formal reporting on credit card use

Frequency of formal reporting on credit card use	Total
Monthly	25% (14)
Quarterly	34% (19)
Bi-annually	4% (2)
Annually	2% (1)
As-occurs	5% (3)
No detail provided	30% (17)

Table A.25 Committee findings from survey: Frequency of formal reporting on fuel card use

Frequency of formal reporting on fuel card use	Total
Monthly	41% (23)
Quarterly	21% (12)
Bi-annually	0% (0)
Annually	4% (2)
As-occurs	4% (2)
No detail provided	30% (17)

Recommendation 6

All Councils improve fuel card controls by:

- Assigning each fuel card to a specific vehicle or equipment
- Maintaining accurate motor vehicle and fuel card listings
- Updating cardholder names with fuel suppliers when the Council reassigns a vehicle and fuel card to another employee
- Collecting fuel transaction data as accurately as possible, including odometer readings
- Having regular, routine processes to monitor fuel card use
- Conducting data analytics over fuel card transactions
- Conducting periodic internal audits on fuel cards.

Status of implementation – Recommendation 6

Audited Council	Status	Completion date
Shepparton	Complete	8/07/2020
Strathbogie	Complete	9/02/2020
Wellington	Complete	1/08/2019
Wyndham	Complete	9/09/2019

Source: Victorian Auditor-General's Office, *Responses to Performance Engagement Recommendations: Annual Status Update 2024*, data dashboard, Melbourne, 2024, <<https://www.audit.vic.gov.au/report/responses-performance-engagement-recommendations-annual-status-update-2024?section=#data-dashboard>> accessed 30 September 2025.

VAGO findings from 2019 audit

As per Recommendation 2.

Audited Council outcomes since 2019 – Committee questionnaire findings

Table A.26 Responses to Committee questionnaire provided by audited Councils, 2025

Audited Council	Policy changes at March 2025	Reported outcomes
Shepparton	- Accurate fuel card records are logged and stored within a dedicated fleet management software program. - Fuel cards are now assigned to specific vehicles and fuel use is monitored monthly by the Fleet Coordinator to ensure it aligns with mileage claims.	The Council reports improvements to recordkeeping and oversight of where fuel is being used and by which vehicle.
Strathbogie	All controls recommended by VAGO have been implemented, including the establishment of a fuel card portal to streamline data analytics and internal auditing.	The Council did not note any specific outcomes.
Wellington	- All actions recommended by VAGO have been implemented. - Monthly analysis of fuel usage is also undertaken upon receipt of fuel statements from Smartfleet.	The Council reports that GPS vehicle tracking is scheduled to be implemented in the future, but did not note any other specific outcomes.
Wyndham	- Fuel cards are now assigned to vehicles not drivers and have a specific volume limit and other transaction controls placed on them. - A new asset management system has been introduced which details fuel consumption and tank capacity and can be reported against to identify any anomalies. - Council decommissioned on-site fuel which did not have adequate controls in place to monitor.	The Council reports that regular fuel card and transaction reporting now takes place, giving greater control to identify anomalies and hold staff accountable if wrongdoing is detected.

Progress towards recommendation by non-audited Councils since 2019 – Committee survey findings

Table A.27 Committee findings from survey: Recommended fuel card controls implemented

Recommended fuel card controls implemented: ^a	Total
Assigning each fuel card to a specific vehicle or equipment	100% (72)
Maintaining accurate motor vehicle and fuel card listings	97% (70)
Updating cardholder names with fuel suppliers when the Council reassigns a vehicle and fuel card to another employee	47% (34)
Collecting fuel transaction data as accurately as possible, including odometer readings	92% (66)
Having regular, routine processes to monitor fuel card use	86% (62)
Conducting data analytics over fuel card transactions	46% (33)
Conducting periodic internal audits on fuel cards	56% (40)

a. Councils undertake multiple actions – reflected in totals.

Table A.28 Committee findings from survey: Additional fuel card controls implemented

Additional fuel card controls implemented^a	Total
Internal guidance provided for staff	18% (13)
Fuel levels checked	15% (11)
External GPS tracking	11% (8)
Purchase restrictions on cards	21% (15)
Dual approval required for usage	1% (1)

a. Councils undertake multiple actions – reflected in totals.

Recommendation 7

All Councils review and, as necessary, revise Council policies on the purchase and reimbursement of meals and alcohol considering community perceptions, and require, for transaction approval, clear evidence of the community benefit from this expenditure and appropriate supporting documentation.

Status of implementation – Recommendation 7

Audited Council	Status	Completion date
Shepparton	Complete	17/09/2019
Strathbogie	Complete	10/10/2019
Wellington	Complete	1/08/2019
Wyndham	Complete	1/09/2019

Source: Victorian Auditor-General's Office, *Responses to Performance Engagement Recommendations: Annual Status Update 2024*, data dashboard, Melbourne, 2024, <<https://www.audit.vic.gov.au/report/responses-performance-engagement-recommendations-annual-status-update-2024?section=#data-dashboard>> accessed 30 September 2025.

VAGO findings from 2019 audit

VAGO's testing of credit card transactions identified instances of potentially inappropriate use of Council funds, including discretionary spending on alcohol and meals. Councils do not have consistent policies on the purchase of alcohol and meals, and VAGO identified transactions that did not comply with Council policies and guidelines.

Table A.29 Findings from VAGO audit

Audited Council	Findings from 2019 audit
Shepparton	No alcohol purchases on credit cards identified.
Strathbogie	- The Council's guidelines state that alcohol is not considered a reasonable expense and that an exemption required CEO approval. Multiple transactions were identified with purchases of alcohol. - Multiple transactions were identified where meal purchases exceeded the allowance.
Wellington	- No policy prohibiting the purchase of alcohol. - Multiple transactions were identified with purchases of alcohol.
Wyndham	- The Council's guidelines permit the purchase of alcohol under certain circumstances (approved Council function; official business considered 'essential to facilitate the conduct of Council activities'; pre-approved by the CEO for Council-related activities). - Multiple transactions identified with purchases of meals and alcohol for which the description did not represent an activity that was 'essential to facilitate the conduct of Council activities'.

Audited Council outcomes since 2019 – Committee questionnaire findings

Table A.30 Responses to Committee questionnaire provided by audited Councils, 2025

Audited Council	Policy changes at March 2025	Reported outcomes
Shepparton	- The Councillor Expense Policy was reviewed in response to recommendations, now requiring all expenses to be supported by evidence which demonstrates that it was incurred while performing official duties. - As per Recommendation 1, an online process for claim forms has been implemented to aid record keeping and to ensure mandatory fields for supporting evidence/description of expenditure are submitted with every reimbursement claim.	The Council reports that expense claim processes have been streamlined, making it easier for Councillors to submit claims accurately and in accordance with policy requirements.
Strathbogie	- Implementation of a Councillor Expenses Policy and staff discretionary CEO directive. - Both policies are regularly reviewed to ensure they are up-to-date and meet obligations.	The Council reports that expenditure is now reported in line with the new policy and CEO directive, and that all CEO directives are available to staff during onboarding induction and through the staff portal, to ensure staff have access to review their obligations.
Wellington	- The Councillor Expense and Administration Policy and Meal Allowance Policy were reviewed to ensure appropriate supporting documentation is required for reimbursement. - Councillors do not have access to Council credit cards. - Alcohol purchased with a Council credit card will not be reimbursed unless organised in advance via written request and with a legitimate business reason provided.	The Council reports that all claims for reimbursement of alcohol have been rejected since implementation.
Wyndham	- The Councillor Expenses and Entitlements Policy was adopted to align with requirements under the <i>Local Government Act 2020</i>, last reviewed in 2024. - Costs associated with providing meals prior to Council meetings are also reviewed regularly to ensure they are appropriate.	The Council reports that policy and procedures now meet community expectations and provide greater transparency of expenditure.

Progress towards recommendation by non-audited Councils since 2019 – Committee survey findings

Table A.31 Survey questions sent to non-audited Councils by the Committee, 2025

Survey question	Yes	No	Total responses
Does your Council's policy consider community perception in meal and alcohol expenditure approval?	71% (51)	29% (21)	72
Does your Council require evidence of the community benefit from this expenditure?	32% (23)	68% (49)	72
Does your Council require Councillors to provide supporting documentation for meal and alcohol reimbursements?	99% (71)	1% (1)	72

Table A.32 Committee findings from survey: Last update of meal and alcohol purchase policy

Last update of meal and alcohol purchase policy	Total
In the last five years	93% (67)
More than five years	7% (5)

Recommendation 8

All Councils ensure that annual reports accurately capture expenses relating to senior management remuneration packages including vehicle contribution amounts.

Status of implementation – Recommendation 8

Audited Council	Status	Completion date
Shepparton	Complete	17/09/2019
Strathbogie	Complete	31/10/2020
Wellington	Complete	19/06/2019
Wyndham	Complete	9/09/2019

Source: Victorian Auditor-General's Office, *Responses to Performance Engagement Recommendations: Annual Status Update 2024*, data dashboard, Melbourne, 2024, <<https://www.audit.vic.gov.au/report/responses-performance-engagement-recommendations-annual-status-update-2024?section=#data-dashboard>> accessed 30 September 2025.

VAGO findings from 2019 audit

VAGO's testing of reimbursements identified instances of potentially inappropriate use of Council funds, including selling and providing vehicles to staff as part of exit packages, at times below market value, and associated expenditure. This practice can be perceived as improper conduct and was mainly identified at one of the four Councils (Strathbogie).

Some Council employees are assigned private-use vehicles, for which an employee makes annual contributions that are negotiated as part of their employment package and contract. To ensure transparency, Councils should report on Council employee total remuneration packages in their annual reports.

Table A.33 Findings from VAGO audit

Audited Council	Findings from 2019 audit
Shepparton	- Had a strict policy that prohibited Council employees from purchasing Council vehicles, and they did not sell or provide vehicles as part of exit packages. - No issues with the way vehicle contributions were calculated.
Strathbogie	- Instances identified where the Council sold or provided vehicles to staff by agreement when they left the Council, at times below market value. - Issues identified in approach to calculating employee contributions to private-use vehicles. Lack of transparency in contributions made by employees, and the Council was not consistently following its policy.
Wellington	- Had a strict policy that prohibited Council employees from purchasing Council vehicles, and they did not sell or provide vehicles as part of exit packages. - Issues identified in approach to calculating employee contributions to private-use vehicles. No record showing how the contribution amounts were calculated, and contributions for general managers had remained at 2012 levels.

Audited Council	Findings from 2019 audit
Wyndham	- Wyndham advises that they usually do not sell or provide vehicles to staff but noted one instance of the Council selling a vehicle to a staff member in 2015, for which they obtained a vehicle valuation and sold the car at the valued amount. - Executives were on novated vehicle leases. A novated lease is a private arrangement between a Council officer and a company that does not impact on Council expenditure.

Audited Council outcomes since 2019 – Committee questionnaire findings

Table A.34 Responses to Committee questionnaire provided by audited Councils, 2025

Audited Council	Policy changes at March 2025	Reported outcomes
Shepparton	- A process review into annual reporting was undertaken to ensure reporting was compliant. - Senior management remuneration is subject to external auditing each year by VAGO and has not received any adverse audit feedback or business improvement recommendations.	The Council reports that it continues to disclose senior management remuneration appropriately.
Strathbogie	- Annual reports now accurately capture expenses relating to senior management remuneration packages and vehicle contribution amounts. - Expenditure is subject to external auditing by VAGO annually.	The Council reports that the audit prompted greater awareness of the importance of these notes and inclusions for publication in the Annual Report.
Wellington	Annual reports were reviewed to ensure they accurately reflect expenses relating to remuneration packages.	The Council did not note any specific outcomes.
Wyndham	All key management personnel remuneration is now recorded in the Annual Report and is compliant with obligations outlined by Local Government Victoria and the Australian Accounting Standards.	The Council reports that reporting has improved transparency of expenditure by Council.

Progress towards recommendation by non-audited Councils since 2019 – Committee survey findings

Table A.35 Survey questions sent to non-audited Councils by the Committee, 2025

Survey question	Yes (%)	No (%)	Total responses
Did your Council accurately report on expenses relating to senior manager remuneration packages, including vehicle contribution amounts, in its 2023–24 Annual Report?	89% (64)	11% (8)	72

Table A.36 Committee Findings from survey: How accurate remuneration reporting is ensured

How accurate remuneration reporting is ensured ^a	Total
Internal auditing of payroll data	68% (49)
External auditing	60% (43)
Executive review	17% (12)
No detail provided	13% (9)

a. Councils undertake multiple actions – reflected in totals.

Recommendation 9

All Councils ensure Council staff and Councillors receive fraud and corruption awareness training at least every two years.

Status of implementation – Recommendation 9

Audited Council	Status	Completion date
Shepparton	Complete	2/10/2019
Strathbogie	Complete	30/06/2020
Wellington	Complete	1/08/2019
Wyndham	Complete	9/09/2019

Source: Victorian Auditor-General's Office, *Responses to Performance Engagement Recommendations: Annual Status Update 2024*, data dashboard, Melbourne, 2024, <<https://www.audit.vic.gov.au/report/responses-performance-engagement-recommendations-annual-status-update-2024?section=#data-dashboard>> accessed 30 September 2025.

VAGO findings from 2019 audit

Fraud and corruption training raised staff awareness and knowledge. Training had been provided at all Councils, albeit in various formats, but was only mandatory at three of the four Councils. Not all Councils had a routine training program.

Table A.37 Findings from VAGO audit

Audited Council	Findings from 2019 audit
Shepparton	- Fraud and corruption training was mandatory. All staff to receive training at minimum every two years. - Last provided training in 2017.
Strathbogie	- Fraud and corruption policy referenced training but it was not mandatory. - Last provided training in 2018.
Wellington	- Fraud and corruption training was mandatory. Part of induction process then online training was mandatory every two years. - Face-to-face training delivered in 2017.
Wyndham	- Fraud and corruption training was mandatory. Part of induction process. - External company delivered training to all staff in 2019.

Audited Council outcomes since 2019 – Committee questionnaire findings

Table A.38 Responses to Committee questionnaire provided by audited Councils, 2025

Audited Council	Policy changes at March 2025	Reported outcomes
Shepparton	- Mandatory all-staff training, specifically focused on public interest disclosures and fraud and corruption risk, was last conducted in 2024 through an external training provider. - Councillors receive mandatory training through their induction process, last held in 2024 after local government elections, as per <i>Local Government Act 2020</i> (Vic) (the Act) requirements.	The Council reports that mandatory training is consistently delivered every two years and at the commencement of Councillor terms. Mandatory training has resulted in a greater understanding of expected behaviours, risks to Council and avenues to report suspected fraud or corruption.
Strathbogie	- Mandatory probity, fraud and corruption training is now delivered to Council staff every two years, last undertaken in 2024. - Councillors now receive mandatory training from IBAC and LGI upon commencement of their term, last undertaken in 2025. - Councillors also participated in the VLGA Councillor Readiness Program including the module on Councillor conduct, integrity and behaviour.	The Council reports that providing additional mandatory training in fraud and corruption, beyond that required by the Act, means staff and Councillors have developed greater awareness of fraud and corruption risks and of the work of relevant integrity agencies.
Wellington	- An online fraud and corruption course is allocated to all staff at commencement, with refresher training undertaken every two years. This module was last reviewed in 2024 and updated to ensure that all content is up-to-date and relevant. - All current Councillors participated in face-to-face training on conduct and integrity obligations for Councillors upon commencement in 2024. This training will be followed up with tailored fraud and corruption for Councillor training, with refresher training to be undertaken every two years.	The Council did not note any specific outcomes.
Wyndham	- Fraud awareness training is a mandatory module for all staff which is to be completed upon commencement and refreshed every two years. Councillors are provided similar training modules as part of their ongoing mandatory training. - Council has also adopted a Fraud and Corruption Control Policy which clearly outlines obligations and reporting avenues, for the education and reference of staff. - A dedicated fraud and corruption webpage has been established on the staff intranet with links to relevant resources, training modules and a whistleblower hotline.	The Council reports a zero-tolerance culture in relation to fraud and corruption, and that reporting of improper conduct is encouraged. Staff have developed greater awareness of fraud and corruption controls and how to identify improvement opportunities within their business processes, activities and functions.

Progress towards recommendation by non-audited Councils since 2019 – Committee survey findings

Table A.39 Survey questions sent to non-audited Councils by the Committee, 2025

Survey question	Yes	No	Total responses
Does your Council require staff and Councillors to receive fraud and corruption awareness training at least every two years?	81% (58)	19% (14)	72
Sub-question: (if answer to main question was yes): Is this training mandatory?	90% (52)	10% (6)	58 ^a

a. Percentages calculated from total number of Councils who responded yes to requiring training every two years.

Table A.40 Committee findings from survey: Percentage of Council staff who have completed fraud and corruption awareness training in the last two years

Percentage of Council staff who have completed fraud and corruption awareness training in the last two years ^a	Total
100%	9% (5)
80–99%	44% (26)
60–79%	20% (12)
<60%	15% (9)
Unknown	7% (4)

a. At 31 March 2025.

Table A.41 Committee findings from survey: Percentage of Councillors who have completed fraud and corruption awareness training in the last two years

Percentage of Councillors who have completed fraud and corruption awareness training in the last two years ^a	Total
100%	92% (54)
65%	2% (1)
0%	7% (4)

a. At 31 March 2025.

Recommendation 10

All Councils develop of maintain fraud and corruption incident registers to accurately record suspected incidents of fraud and corruption, their handling, and all relevant supporting documents.

Status of implementation – Recommendation 10

Audited Council	Status	Completion date
Shepparton	Complete	7/05/2019
Strathbogie	Complete	28/08/2019
Wellington	Complete	19/06/2019
Wyndham	Complete	9/09/2019

Source: Victorian Auditor-General's Office, *Responses to Performance Engagement Recommendations: Annual Status Update 2024*, data dashboard, Melbourne, 2024, <<https://www.audit.vic.gov.au/report/responses-performance-engagement-recommendations-annual-status-update-2024?section=#data-dashboard>> accessed 30 September 2025.

VAGO findings from 2019 audit

To align with the Australian Standard for fraud and corruption control, Councils should maintain a fraud and corruption incident register. However, only one of the four audited Councils had a maintained register.

Table A.42 Findings from VAGO audit

Audited Council	Findings from 2019 audit
Shepparton	• Did not have a fraud and corruption incident register.
Strathbogie	• Did not have a fraud and corruption incident register.
Wellington	• Established a fraud and corruption incident register in 2018, but it was unclear if incidents were being registered.
Wyndham	• Had used a fraud and corruption incident register since at least 2015.

Audited Council outcomes since 2019 – Committee questionnaire findings

Table A.43 Responses to Committee questionnaire provided by audited Councils, 2025

Audited Council	Policy changes at March 2025	Reported outcomes
Shepparton	- Establishment of a fraud register, which captures all records relating to incidents of suspected fraud, including any internal/external communication and investigation records with appropriate securities applied. - Council officers have undertaken internal training and received communication to ensure those more likely to encounter fraud risks (such as finance and HR staff) are aware of their responsibilities and reporting processes.	The Council reports that understanding of how to manage and report fraud incidents has increased across the organisation.
Strathbogie	- Establishment of a fraud and corruption control case register in addition to regular reviewing of the Fraud and Corruption Policy and Control System Procedures. - The register is subject to securities to monitor and record suspected incidents and reported quarterly to the ARC.	The Council reports that the development of a register has increased awareness of fraud and corruption risks for staff, tightened controls and led to more regular reporting.
Wellington	Establishment of a fraud and corruption incident register in 2022, with obligations outlined in its Fraud and Corruption Control Policy.	The Council reports that no incidents have been identified since establishment of the register.
Wyndham	- Establishment of a fraud and corruption incident register. - A full review of the Council's Fraud and Corruption Policy and procedures is currently underway, which will include the incident register.	The Council reports that no incidents have been identified since establishment of the register.

Progress towards recommendation by non-audited Councils since 2019 – Committee survey findings

Table A.44 Survey questions sent to non-audited Councils by the Committee, 2025

Survey question	Yes	No	Total responses
Does your Council maintain a fraud and corruption incident register?	69% (50)	31% (22)	72
Sub-question (if answer to main question was yes): Does the register record all suspected incidents of fraud and corruption, their handling and all relevant supporting documentation?	88% (44)	12% (6)	50 ^a

a. Percentages calculated from total number of Councils who responded yes to maintaining a fraud and corruption incident register.

Table A.45 Committee findings from survey: Council additional processes to ensure incident registers are kept up to date and accurate

Council additional processes to ensure incident registers are kept up to date and accurate^a	Total
Reporting policy	48% (24)
Reported to fraud committee/ARC	50% (25)
Executive review	30% (15)
Staff training	8% (4)
Regular internal audits	12% (6)
No detail provided	12% (6)

a. Councils undertake multiple actions – reflected in totals.

Recommendation 11

Greater Shepparton City, Strathbogie Shire and Wyndham City Councils publish Councillor expenses for the 2017–18 year on their websites immediately and ensure their 2018–19 annual reports comply with *Local Government (Planning and Reporting) Regulations 2014*.

Status of implementation – Recommendation 11

Audited Council	Status	Completion date
Shepparton	Complete	7/06/2019
Strathbogie	Complete	22/11/2019
Wyndham	Complete	31/03/2020

Source: Victorian Auditor-General's Office, *Responses to Performance Engagement Recommendations: Annual Status Update 2024*, data dashboard, Melbourne, 2024, <<https://www.audit.vic.gov.au/report/responses-performance-engagement-recommendations-annual-status-update-2024?section=#data-dashboard>> accessed 30 September 2025.

VAGO findings from 2019 audit

Councils have a legislative requirement to report Councillor expenses in their annual reports. One of the four audited Councils (Wellington) complied with the Regulations, which limits external scrutiny of Councillor expenses. The other three Councils did not detail expenses by the five categories as required.

Audited Council outcomes since 2019 – Committee questionnaire findings

Table A.46 Responses to Committee questionnaire provided by audited Councils, 2025

Audited Council	Policy changes at March 2025	Reported outcomes
Shepparton	- Immediate action was undertaken to rectify non-compliance by publishing a summary document of Councillor expenses for the applicable years. - This information is now captured in annual report templates to ensure ongoing inclusion in published reports.	The Council reports that the inclusion of Councillor expenses in annual reporting has improved Council compliance with the <i>Local Government Act 2020</i> (the Act) and public transparency.
Strathbogie	- Non-compliance has been rectified to report Councillor expenses for the applicable years. - Expenses are now published on the Council website and included in annual reporting requirements to align with VAGO recommendation.	The Council reports that inclusion of Councillor expenses has increased public transparency, developed greater awareness within the Council of obligations under the Act and streamlined monitoring and reporting.

Audited Council	Policy changes at March 2025	Reported outcomes
Wyndham	• Non-compliance has been rectified to report Councillor expenses for the applicable years. • Councillor expenses and reimbursements are now reported to the ARC and published on the Council website every quarter, with details of both expenses and reimbursements also included in the Annual Report.	The Council reports that policies now meet legislative requirements and have increased the accuracy and transparency of reporting on Councillor expenses and reimbursements.

Recommendation 12

Strathbogie Shire Council cease all sales and the provision of vehicles to Council staff and part of exit packages.

Status of implementation – Recommendation 12

Strathbogie Shire Council completed this recommendation on 17 December 2019.²

VAGO findings from 2019 audit

As per Recommendation 8.

Audited Council outcomes since 2019 – Committee questionnaire findings

Table A.47 Responses to Committee questionnaire provided by audited Councils, 2025

Audited Council	Policy changes at March 2025	Reported outcomes
Strathbogie	- A new Disposal of Council Assets Policy was approved by the ARC in November 2019 and adopted by Council at its December 2019 meeting. The policy was last reviewed in 2022 and scheduled for review this year. - The policy includes a clause specifically around gifting or selling of cars to staff, Councillors or contractors unless the item is to be sold via public auction undertaken by an independent third party (e.g. an auctioneer).	The Council reports that the new policy now provides clear guidance, promoting greater awareness of obligations within the Council and increasing public transparency.

Committee survey findings on knowledge of audit

Table A.48 Survey questions sent to non-audited Councils by the Committee, 2025

Survey question	Yes	No	Total responses
Was your Council aware of this audit prior to being notified of this Inquiry (prior to 2025)?	94% (68)	6% (4)	72
Sub-question (if answer to main question was yes):			
Did your Council consider VAGO's findings to determine if its recommendations are applicable to the Council's operations?	97% (66)	3% (2)	68 ^a

a. Percentages calculated from total number of Councils who responded yes to being aware of the 2019 VAGO audit.

2 Victorian Auditor-General's Office, *Responses to Performance Engagement Recommendations: Annual Status Update 2024*, data dashboard, Melbourne, 2024, <<https://www.audit.vic.gov.au/report/responses-performance-engagement-recommendations-annual-status-update-2024?section=#data-dashboard>> accessed 30 September 2025.

Table A.49 Committee findings from survey: Council actions taken when made aware of audit

Council actions taken when made aware of audit	Total
Assessed by staff for relevance, no further action	4% (3)
Reviewed against existing policies, no updates made	57% (41)
Updated existing policies to reflect recommendations	31% (22)
No action taken	3% (2)

Appendix B

VAGO audit report no. 316

Fraud Control Over Local Government Grants (2022)

B.1 Overview

The outcomes of initial implementation of Victorian Auditor-General's Office (VAGO) recommendations by audited Councils have been compared to contemporary data collected through a questionnaire on the status of recommendations and approaches taken to implementation—completed by the audited Councils for this inquiry. These findings and outcomes have also been supplemented with survey data collected from all non-audited Victorian Councils, to determine any current sector-wide trends relating to the original VAGO recommendations.

In 2025, as part of this Inquiry, a questionnaire was sent to the audited Councils and a survey was sent to the non-audited Councils. All audited Councils responded to the questionnaire and 71 non-audited Councils responded to the survey. One Council, Mitchell Shire, had not administered any grants in the last five years which excluded it from the survey scope. Therefore, only 70 responses from Councils have been included in the survey data analysis regarding grant management.

Recommendations from VAGO audit report no. 316

[Recommendation 1:](#) Conflict of interest processes

[Recommendation 2:](#) Eligibility and assessment criteria

[Recommendation 3:](#) Councillor exclusion

[Recommendation 4:](#) Verify use of funds

[Recommendation 5:](#) Evaluation of benefits

[Recommendation 6:](#) Document funding decisions

[Recommendation 7:](#) Ward-based approach (Loddon)

[Recommendation 8:](#) Grant policy

[Recommendation 9:](#) Fraud risk management

[Recommendation 10:](#) Training

Recommendation 1

All Councils improve their conflict of interest processes by:

- requiring staff and Councillors to declare conflicts of interest for each grant application they assess or approve
- documenting how the Council manages declared conflicts of interest.

Status of implementation – Recommendation 1

Audited Council	Status	Completion date
Hume	Complete	8/08/2022
Knox	Complete	10/05/2022
Loddon	Complete	26/04/2023
Southern Grampians	Complete	14/12/2022
Warrnambool	Complete	15/12/2022
West Wimmera	Complete	31/12/2023

Source: Victorian Auditor-General's Office, Responses to Performance Engagement Recommendations: Annual Status Update 2025, data dashboard, Melbourne, 2025, <<https://www.audit.vic.gov.au/report/responses-performance-engagement-recommendations-annual-status-update-2025>> accessed 30 September 2025.

VAGO findings from 2022 audit

Councillors and Council staff are expected to declare any conflicts of interest (COI) when they are involved in assessing or approving a grant application so that the risk of fraud can be assessed. None of the audited Councils had an overarching grant policy that outlined specifically how staff should declare conflicts for grants, which may leave staff unsure what to do. Furthermore, none of the audited Councils had reviewed their grant records to detect potential fraud.

While VAGO observed instances of good practice in some Councils for some projects, there was generally inconsistency within and among Councils in how COIs were managed.

Audited Council outcomes since 2022 – Committee questionnaire findings

Table B.1 Responses to Committee questionnaire provided by audited Councils, 2025

Audited Council	Policy changes at March 2025	Reported outcomes
Hume	- All staff are now required to declare COI against all grants within the assessment platform and prior to any grant being discussed at panel meetings. - Councillors are provided a list of applicants and must declare any COI prior to being able to review application information or to discuss applications at Council meetings. - Improvements were made to the staff COI form to include clear instruction on how to complete COIs, management plans and approval criteria. All forms are stored for record keeping and reviewed regularly to ensure they remain effective.	The Council reports that awareness of COI requirements amongst staff has increased, resulting in a small increase in the number of COIs declared and more frequent requests to discuss potential COIs or bias risks from grant assessors.
Knox	- COI guidelines have been implemented across the organisation since May 2022. - Community members appointed to grant assessment panels are given grant specific COI training at commencement of their role. - In-system COI declarations have been implemented for assessors and staff to identify any COIs arising during the assessment process.	The Council reports an uplift in understanding COI and COI declarations from both assessors and staff involved in reviewing and assessing grants.
Loddon	- COI declaration processes for staff involved in grant assessments and approvals have been implemented and embedded into Council grants management software. A COI register has also been established. - Community Grants Guidelines were reviewed, giving Council officers authority over application approvals and removing Councillors from any decision-making. - The Community Support Policy was also reviewed to strengthen COI declaration processes and include standing COI declarations in Council report templates. - Council Governance Rules now incorporate how COIs are managed at Council meetings.	The Council reports improved awareness and utilisation of documentation processes around COI for staff and Councillors and minimised corruption risk associated with varied Council processes, including community grants where Councillors were removed from decision-making.
Southern Grampians	- Staff are required to declare any COIs prior to assessing any grants in the electronic portal. Staff with a COI are not permitted to participate in assessment or discussion of the application. - Any Council staff who have assisted grant applicants with their applications cannot participate in grant assessment. - Councillors are provided COI training as part of induction, and processes to declare COIs are outlined in the Council's Governance Rules. - Councillors are now excluded from grant assessment processes. Councillors also undertook COI training in 2022 in response to the VAGO recommendations.	The Council notes that appropriate record keeping is now better adhered to.

Audited Council	Policy changes at March 2025	Reported outcomes
Warrnambool	- All reporting templates include a section where staff must declare COIs, and that obligation is outlined in the Staff Code of Conduct. - Councillors must declare COIs on all items, including the awarding of grants. - All COIs are documented in meeting minutes, disclosure forms and are recorded in the COI register.	The Council reports that their policies provide greater accountability in relation to community grants processes.
West Wimmera	- Council's Grant Policy was comprehensively reviewed and updated in 2024 to include processes for COI. A COI section has also been included as a mandatory declaration in the application assessment process, facilitated by SmartyGrants, with officers automatically excluded where COIs exist. - Councillors are required to declare any COIs at the beginning of meetings and forums where grant applications will be discussed. - Councillors and staff are required to complete COI forms, which are added to the Council COI Register.	The Council reports that processes are working as intended, with COIs being successfully declared and staff with a COI being excluded from assessment, since the implementation of policy amendments.

Progress towards recommendation by non-audited Councils since 2022 – Committee survey findings

Table B.2 Survey questions sent to non-audited Councils by the Committee, 2025

Survey question	Yes	No	Total responses
Does your Council require staff to declare conflicts of interest for each grant application they assess and/or approve?	100% (70)	0% (0)	70
Does your Council require Councillors to declare conflicts of interest for each grant application they assess and/or approve?	87% (61)	13% (9)	70
Does your Council document how conflicts of interest are declared and managed?	100% (70)	0% (0)	70

Table B.3 Committee findings from survey: How conflicts of interest are documented and managed in Councils

How conflicts of interest are documented and managed in Councils ^a	Total
Conflict of interest declaration form	99% (69)
Conflicted staff/Councillor excluded from assessment	50% (35)
Management plan developed where exclusion not possible/practical	31% (22)
Conflicts formally recorded	84% (59)

a. Councils undertake multiple actions – reflected in totals.

Recommendation 2

All Councils develop eligibility and assessment criteria for all their grant programs and:

- assess and document each application against them
- communicate assessment outcomes and reasons to unsuccessful applicants.

Status of implementation – Recommendation 2

Audited Council	Status	Completion date
Hume	Complete	8/08/2022
Knox	Complete	31/08/2022
Loddon	Complete	26/04/2023
Southern Grampians	Complete	14/12/2022
Warrnambool	Complete	15/12/2022
West Wimmera	Complete	19/04/2023

Source: Victorian Auditor-General's Office, Responses to Performance Engagement Recommendations: Annual Status Update 2025, data dashboard, Melbourne, 2025, <<https://www.audit.vic.gov.au/report/responses-performance-engagement-recommendations-annual-status-update-2025>> accessed 30 September 2025.

VAGO findings from 2022 audit

To ensure fairness in how grants are awarded, Councils should have eligibility and assessment criteria that are used consistently and document the assessment outcome.

Four of the six audited Councils had eligibility criteria for the grant programs that VAGO reviewed, with the exceptions being Loddon and West Wimmera. Loddon and West Wimmera did not use eligibility criteria or an open competitive process for their grant programs, instead relying on the assessors' individual discretion to determine grant recipients. That assessment process lacked transparency.

None of the audited Councils had standard practices to document the reason for assessors' recommendations, especially reasons for changes in a recommendation. Furthermore, only three of the audited Councils (Loddon, Warrnambool and West Wimmera) consistently sent letters to applicants that explained why they were unsuccessful. These shortcomings in documenting and communicating the outcome of grant applications represents a lack of transparency.

Audited Council outcomes since 2022 – Committee questionnaire findings

Table B.4 Responses to Committee questionnaire provided by audited Councils, 2025

Audited Council	Policy changes at March 2025	Reported outcomes
Hume	- Implementation of a Grant Giving policy in 2022 which outlines standard processes for all grant programs: all assessment criteria is published publicly; assessment is undertaken in a dedicated grant assessment portal; discussion and final recommendations from panel meetings are recorded; and every applicant is now informed of assessment outcomes. - Grant criteria are included on all assessment forms to guide assessors. - Assessor induction has been improved to clarify each criterium and its weighting. - Development of an evaluation framework to assess the effectiveness of each grant program and ensure Council resources are being allocated appropriately to maximise community benefit.	The Council reports that anticipated benefits of the new approach will be visible following the next round of grant programs.
Knox	- Council continues to develop assessment criteria for all grant programs. The criteria are available for applicants, assessors and decision makers. - Council will continue to record the reasons for decisions and share these with unsuccessful applicants. - The reasons for funding recommendations by grant assessment panels are recorded when the initial assessment recommendation differs to the final recommendation. - At the conclusion of each funding round, all relevant records such as panel meeting minutes and assessment spreadsheets are filed.	The Council did not report any specific outcomes.
Loddon	- Reviewed eligibility criteria across all community support programs to assess validity and rigour around assessment, and implemented changes to the grants assessment platform. - Process mapping was undertaken for the Event Promotion Scheme and Community Grants programs to provide clear operation processes for Council staff. - The Community Support Policy was reviewed to include eligibility and assessment criteria for all grant programs, which has been embedded into the grants assessment platform.	The Council reports that changes have improved transparency of the community grant and community support programs.
Southern Grampians	- Council programs already included eligibility and assessment criteria prior to the audit. They were also reviewed in 2022 during an update to the Community Partnership Grants Policy. - Strengthening of communication to grant applicants was addressed during the review.	The Council reports that assessment outcomes and reasoning are now better communicated to unsuccessful applicants.

Audited Council	Policy changes at March 2025	Reported outcomes
Warrnambool	- Council has established grants guidelines for all programs and a comprehensive grants program workflow. - All guidelines and workflows are contained in reports that are tabled at open Council meetings to aid transparency. - Grants guidelines have been reviewed to ensure their adherence to VAGO recommendations and iteratively improved.	The Council reports greater clarity for community and Council in relation to eligibility, process and expected outcomes.
West Wimmera	- During the application process, applicants are now referred to the relevant grant guidelines for information on eligibility. Applicants are also advised to contact Council to discuss and ensure applicants have an accurate idea of the grant eligibility criteria if they are unsure. - Councillors are advised of the identity of grant applicants, providing them an opportunity to declare any perceived or actual COIs prior to discussion of applications.	The Council reports increased visibility of grant eligibility criteria for potential applicants, staff and Councillors. This has increased transparency of the assessment and determination processes, increased awareness of the requirement to declare potential COIs.

Progress towards recommendation by non-audited Councils since 2022 – Committee survey findings

Table B.5 Survey questions sent to non-audited Councils by the Committee, 2025

Survey question	Yes	No	Total responses
Does your Council use eligibility and assessment criteria for all its grant programs?	99% (69)	1% (1)	70
Does your Council document applications against the eligibility and assessment criteria?	99% (69)	1% (1)	70
Does your Council communicate assessment outcomes and reasons to unsuccessful applicants?	99% (69)	1% (1)	70

Recommendation 3

All Councils exclude Councillors from assessing and making recommendations on grant applications.

Status of implementation – Recommendation 3

Audited Council	Status	Completion date
Hume	Complete	8/08/2022
Knox	Complete	27/06/2022
Loddon	Complete	9/06/2023
Southern Grampians	Complete	14/12/2022
Warrnambool	Complete	15/12/2022
West Wimmera	Complete	19/04/2023

Source: Victorian Auditor-General's Office, Responses to Performance Engagement Recommendations: Annual Status Update 2025, data dashboard, Melbourne, 2025, <<https://www.audit.vic.gov.au/report/responses-performance-engagement-recommendations-annual-status-update-2025>> accessed 30 September 2025.

VAGO findings from 2022 audit

Based on a recommendation from a 2022 Local Government Inspectorate report,¹ Councillors should not be involved in the assessment process for community grants. The VAGO audit observed that Councillors had been involved in grant assessments at four of the audited Councils: Hume, Knox, Loddon and West Wimmera.

Audited Council outcomes since 2022 – Committee questionnaire findings

Table B.6 Responses to Committee questionnaire provided by audited Councils, 2025

Audited Council	Policy changes at March 2025	Reported outcomes
Hume	- Councillors no longer play an active assessment role. Officers assess all applications and make recommendations to Council for review. - A Councillor Review Panel has been established to check probity of the Officer Assessment Panel and assist oversight of the assessment process.	The Council reports that removing Councillors from active assessment has strengthened the grants assessment process. Checks and balances have been improved to ensure equity and effectiveness in the distribution of grants, as has the fairness, consistency and transparency of the assessment process.

1 Local Government Inspectorate, *Protecting Integrity: Yarriambiack Shire Council Investigation*, 2019, <<https://www.lgi.vic.gov.au/protecting-integrity-yarriambiack-shire-council-investigation>> accessed 30 September 2025.

Audited Council	Policy changes at March 2025	Reported outcomes
Knox	- Councillors no longer participate in the assessment of grants. - A Grants Framework Policy was adopted in June 2022, which supports the VAGO recommendation to separate the processes of grant assessment and decision making.	The Council reports that two annual grant rounds have been successfully completed with no Councillors involved in the assessment or decision-making process.
Loddon	- Community Grants Guidelines were amended in 2022 to remove Councillors from any decision-making processes. - The Community Support Policy has also removed Councillor assessment or recommendations associated with grant application outcomes since 2023.	The Council reports that the new approach, where Councillors provide overarching strategic assessment criteria but only officers administrate grant programs, has helped remove subjective views and perceived or actual bias.
Southern Grampians	- Councillors no longer participate in assessment or making recommendations on grant applications. - Policy and guidelines were reviewed to identify any possible gaps in transparency, and grant applications proceed to Council meetings only to be noted.	The Council did not report any specific outcomes.
Warrnambool	Councillors have never participated in the assessment or recommendation stages of the grants process.	The Council did not report any specific outcomes.
West Wimmera	- Grant eligibility assessment is conducted exclusively by Council staff, with any application not complying with criteria excluded from further consideration and applicants notified. - Only grants that meet all criteria proceed to Council for determination.	The Council reports that implementation of this recommendation has ensured that grant eligibility is assessed by Council staff rather than by Councillors.

Progress towards recommendation by non-audited Councils since 2022 – Committee survey findings

Table B.7 Survey questions sent to non-audited Councils by the Committee, 2025

Survey question	Yes	No	Total responses
Have Councillors been involved in assessing or making recommendations on grant applications for any of your grant programs in 2023–24?	23% (16)	77% (54)	70

Recommendation 4

All Councils verify that all grant recipients use grant funds for their intended purpose.

Status of implementation – Recommendation 4

Audited Council	Status	Completion date
Hume	Complete	8/08/2022
Knox	Complete	31/08/2022
Loddon	Complete	26/04/2023
Southern Grampians	Complete	14/12/2022
Warrnambool	Complete	15/12/2022
West Wimmera	Complete	19/04/2023

Source: Victorian Auditor-General's Office, Responses to Performance Engagement Recommendations: Annual Status Update 2025, data dashboard, Melbourne, 2025, <<https://www.audit.vic.gov.au/report/responses-performance-engagement-recommendations-annual-status-update-2025>> accessed 30 September 2025.

VAGO findings from 2022 audit

Checking whether grant recipients use funding as intended can help Councils recover leftover or misspent funding. To do this, Councils should have monitoring and acquittal processes for grants.

None of the audited Councils consistently monitored how grant recipients were using funding, and only two (Knox and Southern Grampians) had an acquittal process that was used at the end of all their grant programs. Knox City Council did have a monitoring process for its largest grant program— an example of better practice— but not for its other grant programs.

Audited Council outcomes since 2022 – Committee questionnaire findings

Table B.8 Responses to Committee questionnaire provided by audited Councils, 2025

Audited Council	Policy changes at March 2025	Reported outcomes
Hume	- The existing acquittal process for community grants was reviewed to ensure effectiveness. These acquittal processes have now been standardised across all grant programs. - Language in acquittal documentation now refers to the process as 'end of grant' reporting, in recognition that some community members benefit from simplified language. Acquittal/end of grant support sessions are also offered to assist grant recipients to document and submit acquittal data, such as receipts.	The Council reports that offering acquittal support, in combination with the new evaluation framework, will provide a whole-of-Council view over the effectiveness of grant programs and expenditure over time.

Audited Council	Policy changes at March 2025	Reported outcomes
Knox	- Expectations, processes and consequences of non-compliance are now outlined in the Grants Framework Policy. - Internal acquittal guidelines were developed and implemented in September 2023, to assist internal processes for acquittal management and timeframes. These include appropriate escalation procedures for acquittals that remain outstanding beyond 12 months.	The Council reports that acquittals are adequately managed within the Grant Framework Policy and internal acquittal guidelines.
Loddon	- The Community Support Policy was updated to include acquittal processes for each program. - Upon review of all competitive grants acquittals, any unspent funds are recalled. - Processing mapping was adopted by the Council to clarify all steps from grant submission to completion, including acquittal and recall steps.	The Council reports stronger and better documented processes and criteria around the requirements for grant acquittals and the returning of unspent funds.
Southern Grampians	Acquittal processes were already incorporated into the grants process, but were reviewed during the policy update to ensure the process was efficient.	The Council did not report any specific outcomes.
Warrnambool	Grant guidelines outline acquittal requirements, including verification that grant funds have been used for their intended purpose.	The Council reports that guidelines have improved transparency and guarantee probity and appropriateness of expenditure.
West Wimmera	- All grants have an online acquittal process which is monitored and recorded by staff to ensure all grants are used for their intended purpose and expended in accordance with grant criteria. - Reporting functionality through SmartyGrants is utilised to confirm acquittals are provided by all successful applicants in accordance with grant criteria.	The Council reports that all applicants are now aware of the acquittal process and the requirement that they must demonstrate all grant funds have been expended in accordance with the grant criteria.

Progress towards recommendation by non-audited Councils since 2022 – Committee survey findings

Table B.9 Survey questions sent to non-audited Councils by the Committee, 2025

Survey question	Yes	No	Total responses
Does your Council have a standardised process for verifying grant recipients are using funds for their intended purpose?	94% (66)	6% (4)	70

Table B.10 Committee findings from survey: How appropriate use of grant funds is verified by Councils

How appropriate use of grant funds is verified by Councils ^a	Total
Acquittal evidence	93% (65)
Applicants excluded from further funding rounds until current grant finalised	11% (8)
Outcomes are published publicly	1% (1)
Restrictions on permitted use of funds	1% (1)
No verification	7% (5)

a. Councils undertake multiple actions – reflected in totals.

Recommendation 5

All Councils evaluate the benefits of:

- recurring grants and require recipients to seek funding through existing competitive grant programs
- non-recurring grants, if appropriate, and consider their risks and value.

Status of implementation – Recommendation 5

Audited Council	Status	Completion date
Hume	Complete	20/07/2023
Knox	Complete	31/12/2022
Loddon	Complete	15/09/2023
Southern Grampians	Complete	14/12/2022
Warrnambool	Complete	7/02/2023
West Wimmera	Complete	20/05/2023

Source: Victorian Auditor-General’s Office, Responses to Performance Engagement Recommendations: Annual Status Update 2025, data dashboard, Melbourne, 2025, <<https://www.audit.vic.gov.au/report/responses-performance-engagement-recommendations-annual-status-update-2025>> accessed 30 September 2025.

VAGO findings from 2022 audit

None of the audited Councils had regularly evaluated their grant programs as they had not made it a requirement, and instances where grant programs had been evaluated were ad hoc. That meant Councils were not evaluating whether the programs they were funding were delivering the intended community benefits. At Warrnambool City Council, recurring grants were being paid without any evaluation of their benefits of whether the grant amount was still appropriate.

Audited Council outcomes since 2022 – Committee questionnaire findings

Table B.11 Responses to Committee questionnaire provided by audited Councils, 2025

Audited Council	Policy changes at March 2025	Reported outcomes
Hume	• As noted previously, Council established a Grants Giving Policy in 2020 and a new evaluation framework. • Concurrent to the development of the evaluation framework, new functionality was implemented in the grants assessment portal which will lead to smoother integration of questions between application and acquittal forms and easier reporting for both financial and non-financial data.	The Council reports that due to the recent adoption of the new framework, initial outcomes will not be apparent until the end of 2025, following its inclusion in the next round of grants.

Audited Council	Policy changes at March 2025	Reported outcomes
Knox	- Council continues to evaluate the benefits of grants programs on an ongoing basis with no end date. - Council monitors and benchmarks its grants programs to evaluate the benefits to community and alignment with the Council and health and wellbeing plans.	The Council did not report any specific outcomes.
Loddon	- External consultants were engaged to undertake cost-benefit analysis across a range of Council community support programs and assess their value to Council. - The report identified that program processes were working well, but provided the Council with a range of recommendations to further improve programs, which will be considered in future reviews of the Community Support Policy. - Annual reports are made to Council on the implementation and outcomes of Community Support Policy evaluations.	The Council reports additional assurance for Council regarding Community Support Program integrity, and continuous improvement opportunities for future policy reviews.
Southern Grampians	- The Council clearly distinguishes between operational assistance subsidies and competitive grants, with each supported by separate policies and funding allocations within the budget. - The delineation will be further defined in future amendments to the guidelines.	The Council reports community has a better understanding of the budget process and how to make a budget submission to be considered by Council, rather than a grant application, where appropriate.
Warrnambool	- Council has limited exposure to two community organisations it has supported on an ongoing basis in the past. - Negotiations are ongoing around these recurring grants, working towards the implementation of VAGO recommendations.	The Council did not report any specific outcomes.
West Wimmera	- Council grant policy and guidelines do not allow for recurrent grant funding. - Each grant application can only apply to a particular round/financial year and relates to a single activity. Funding under some grant guidelines is also unavailable to any applicant who was successful in a consecutive financial year.	The Council reports that applicants are more aware of the grant criteria which assists them in deciding whether to seek grant funding for a particular project, including understanding the implications for applications in the following year.

Progress towards recommendation by non-audited Councils since 2022 – Committee survey findings

Table B.12 Survey questions sent to non-audited Councils by the Committee, 2025

Survey question	Yes	No	Total responses
Does your Council require previous recipients of grant funding to reapply through existing competitive grant programs?	97% (68)	3% (2)	70
Does your Council regularly evaluate the benefits of recurring grant programs?	80% (56)	20% (14)	70
Does your Council regularly evaluate the benefits of non-recurring grants, if applicable, and consider their risks and value?	60% (42)	40% (28)	70

Table B.13 Committee findings from survey: Frequency of recurring grant program evaluation by Councils

Frequency of recurring grant program evaluation by Councils	Total
Bi-annually	14% (10)
Annually	50% (35)
On program commencement	11% (8)
No detail provided	24% (17)

Table B.14 Committee findings from survey: Frequency of non-recurring grant program evaluation by Councils

Frequency of non-recurring grant program evaluation by Councils	Total
Bi-annually	6% (4)
Annually	31% (22)
4-yearly	1% (1)
On program commencement	10% (7)
Not evaluated	40% (28)
No detail provided	11% (8)

Recommendation 6

All Councils document all funding decisions in a consistent and structured way within a centralised system to ensure their decision-making is transparent, including by recording:

- the names of individuals involved in assessing or approving grant applications
- if applicants met the eligibility criteria
- how assessors and approvers scored applicants against the assessment criteria
- what assessors and approvers considered to determine funding amounts
- reasons why any funding decisions do not align with assessments.

Status of implementation – Recommendation 6

Audited Council	Status	Completion date
Hume	Complete	8/08/2022
Knox	Complete	31/08/2022
Loddon	Complete	26/04/2023
Southern Grampians	Complete	14/12/2022
Warrnambool	Complete	15/12/2022
West Wimmera	Complete	31/12/2023

Source: Victorian Auditor-General's Office, Responses to Performance Engagement Recommendations: Annual Status Update 2025, data dashboard, Melbourne, 2025, <<https://www.audit.vic.gov.au/report/responses-performance-engagement-recommendations-annual-status-update-2025>> accessed 30 September 2025.

VAGO findings from 2022 audit

Transparency in grant management can be supported by having a grant management system that documents COI, assessment decisions, applicant correspondence, and documentation about spending acquittal. While five of the six audited Councils used a centralised grant management system (the exception being West Wimmera), all except one (Knox) had had incomplete records in their systems.

Audited Council outcomes since 2022 – Committee questionnaire findings

Table B.15 Responses to Committee questionnaire provided by audited Councils, 2025

Audited Council	Policy changes at March 2025	Reported outcomes
Hume	- Most recommended items were already in place but were reviewed to ensure consistency across grant programs. - Councillor Review Panel reports are also being standardised across grant programs wherever possible, to promote Councillor familiarity with the format and enable better analysis.	The Council reports that processes are more consistent across all programs and show continuous improvement towards best practice grants delivery.
Knox	- Officers have developed an Assessment and Decision Matrix which is used internally to validate assessor recommendations relating to: level of funding provided; recommendations and scoring; and funding decisions and assessments. - Council records the reasons for funding recommendations by grant assessment panels where the initial individual assessment differs from the final recommendation.	The Council reports that the new matrix provides greater transparency and consistency in the decision-making processes.
Loddon	- The Community Support Policy was updated in 2023 to include VAGO recommendations. - The Council grants platform, SmartyGrants, facilitates the recording and storage of all applicant data and includes mandatory fields to alert applicants of assessment criteria, before they can proceed to the formal application process. - All information provided by assessors is recorded to ensure the decision-making process is transparent. - Process mapping has been undertaken and adopted to ensure all steps within grant submission processes are consistent and structured across all grants programs.	The Council reports implemented changes have continued transparency in the assessment of grant applications.
Southern Grampians	- The Council's grant funding software facilitates the recording of details recommended by VAGO. - Amended grants guidelines have strengthened the requirement to ensure all fields are completed, as well as any additional notations regarding changes to key milestones after approval.	The Council reports better transparency and documentation for the decision-making process.
Warrnambool	- Council implements the recommendation through its Grants Policy and Grants Guidelines. - All grants assessments and outcomes are tabled at open Council meetings to ensure transparency.	The Council reports that tabling at a public forum has increased transparency and clarity to community groups.
West Wimmera	- The Council utilises SmartyGrants to enable consistent reporting and transparent recording of grant applications. - Grant determinations are also subject to formal Council resolution and recorded in accordance with obligations under the <i>Local Government Act 2020</i>.	The Council reports that by centralising recording and reporting of grant assessments and acquittals in a single register has ensured full visibility of applications, their assessment outcomes and the status of acquittal processes.

Progress towards recommendation by non-audited Councils since 2022 – Committee survey findings

Table B.16 Survey questions sent to non-audited Councils by the Committee, 2025

Survey question	Yes	No	Total responses
Does your Council use a centralised system to record and store documentation of funding decisions to ensure decision making is transparent and undertaken in a consistent and structured way?	97% (68)	3% (2)	70

Table B.17 Committee findings from survey: Recommended documentation controls implemented by Councils

Recommended documentation controls implemented by Councils: ^a	Total
The names of individuals involved in assessing or approving grant applications	96% (67)
If applicants met the eligibility criteria	97% (68)
How assessors and approvers scored applicants against the assessment criteria	94% (66)
What assessors and approvers considered to determine funding amounts	94% (66)
Reasons why any funding decisions do not align with assessments	93% (65)
None	1% (1)

a. Councils undertake multiple actions – reflected in totals.

Recommendation 7

Loddon Shire Council assesses the benefits of its ward-based approach to allocating grants and how this aligned with the Council's strategy.

B

Status of implementation

Loddon Shire Council completed this recommendation on 15 September 2023.²

VAGO findings from 2022 audit

Loddon Shire Council was allocating grant funding based on wards, with each ward having a grant budget roll over each year irrespective of whether it had projects approved in previous years. That approach may not have been delivering the best value for money.

Audited Council outcomes since 2022 – Committee questionnaire findings

Table B.18 Responses to Committee questionnaire provided by audited Councils, 2025

Audited Council	Policy changes at March 2025	Reported outcomes
Loddon	- As noted in Recommendation 5, external consultants were engaged to undertake cost-benefit analysis across a range of Council community support programs and assess their value to Council, with recommendations made. - Annual reports are made to Council on the implementation and outcomes of Community Support Policy evaluations.	The Council reports additional assurance for Council regarding Community Support Program integrity, and continuous improvement opportunities for future policy reviews.

2 Victorian Auditor-General's Office, *Responses to Performance Engagement Recommendations: Annual Status Update 2025*, data dashboard, Melbourne, 2025, <<https://www.audit.vic.gov.au/report/responses-performance-engagement-recommendations-annual-status-update-2025>> accessed 30 September 2025.

Recommendation 8

All Victorian Councils develop their own overarching grant policy that details:

- when and why the Council uses grants to achieve its strategy
- how the Council will administer grant programs across their life cycle
- the risk-based approach the Council uses to determine if it will evaluate each grant program
- staff and Councillors' roles in managing grants
- relevant Council policies and procedures, including policies and procedures for declaring conflicts of interest.

Status of implementation – Recommendation 8

Audited Council	Status	Completion date
Hume	Complete	8/08/2022
Knox	Complete	27/06/2022
Loddon	Complete	26/04/2023
Southern Grampians	Complete	14/12/2022
Warrnambool	Complete	15/12/2022
West Wimmera	Complete	19/04/2023

Source: Victorian Auditor-General's Office, Responses to Performance Engagement Recommendations: Annual Status Update 2025, data dashboard, Melbourne, 2025, <<https://www.audit.vic.gov.au/report/responses-performance-engagement-recommendations-annual-status-update-2025>> accessed 30 September 2025.

VAGO findings from 2022 audit

One of the ways Councils can manage fraud risks is by having an overarching grant policy that provides guidance to staff involved in administering grants. Only one of the six audited Councils (West Wimmera) had an overarching grant policy, yet even that policy lacked some key elements such as guidance on managing COI. Hume, Knox and Loddon had draft overarching grant policies at the time of the audit.

Audited Council outcomes since 2022 – Committee questionnaire findings

Table B.19 Responses to Committee questionnaire provided by audited Councils, 2025

Audited Council	Policy changes at March 2025	Reported outcomes
Hume	• Council developed an overarching Grants Policy which was adopted in August 2022. The new policy addresses all points identified in the VAGO audit.	The Council reports improved consistency in assessing and evaluating grant applications.

Audited Council	Policy changes at March 2025	Reported outcomes
Knox	- As noted previously, the Council has developed and adopted a Grants Framework Policy since 2022 which incorporates VAGO recommendations. - Minor non-substantive administrative changes have been made to the policy to incorporate items that apply to all grants programs, such as child safety.	The Council did not report any specific outcomes.
Loddon	All recommendations were incorporated into the Council's 2023 review of the Community Support Policy.	The Council reports improved clarity and transparency for organisation, Councillors and the community around grant processes.
Southern Grampians	Council reviewed its policy and considered all recommendations from the VAGO audit for appropriateness for inclusion in the existing overarching grant policy.	The Council reports that policy and guidelines were reviewed following consideration of the recommendations.
Warrnambool	- Implemented recommendations through the Grants Policy adopted in 2022. - This policy will be further reviewed in 2026.	The Council reports that the policy has allowed for a single overarching point of reference to provide a strategic basis for Council's approach to grants.
West Wimmera	- Council has adopted an overarching grants policy in which reference is made to individual grant guidelines specifying the criteria for particular grant streams. - Grant policy and guidelines are actively reviewed to ensure compliance with VAGO guidelines, community engagement principles and best practice.	The Council reports that the grant process now has increased visibility and transparency, ensuring the increased awareness internally and externally of all relevant grant criteria.

Progress towards recommendation by non-audited Councils since 2022 – Committee survey findings

Table B.20 Committee findings from survey: Recommended overarching policy controls implemented by Councils

Recommended overarching policy controls implemented by Councils: ^a	Total
When and why the Council uses grants to achieve its strategy	94% (66)
How the Council will administer grant programs across their life cycle	91% (64)
The risk-based approach the Council uses to determine if it will evaluate each grant program	64% (45)
Staff and Councillors' roles in managing grants	84% (59)
Relevant Council policies and procedures, including policies and procedures for declaring conflicts of interest	90% (62)
No grants policy	10% (7)

a. Councils undertake multiple actions – reflected in totals.

Recommendation 9

All Victorian Councils include grant-related fraud risks in their risk management and fraud and corruption plans and assign responsibility for managing these risks.

Status of implementation – Recommendation 9

Audited Council	Status	Completion date
Hume	Complete	6/12/2024
Knox	Complete	9/06/2022
Loddon	Complete	12/05/2023
Southern Grampians	Complete	16/06/2023
Warrnambool	Complete	29/04/2024
West Wimmera	Complete	31/12/2023

Source: Victorian Auditor-General’s Office, Responses to Performance Engagement Recommendations: Annual Status Update 2025, data dashboard, Melbourne, 2025, <<https://www.audit.vic.gov.au/report/responses-performance-engagement-recommendations-annual-status-update-2025>> accessed 30 September 2025.

VAGO findings from 2022 audit

Only four of the six audited Councils had risk registers and none of those included grant-related fraud as a risk. Similarly, all of the audited Councils had policies for fraud and corruption, but none covered fraud control for grant programs.

While five of the audited Councils had clearly defined roles and responsibilities for managing and reporting fraud in their general fraud and corruption policies, the omission of grant-related fraud from those policies meant that responsibility for that was unclear.

Audited Council outcomes since 2022 – Committee questionnaire findings

Table B.21 Responses to Committee questionnaire provided by audited Councils, 2025

Audited Council	Policy changes at March 2025	Reported outcomes
Hume	- Council updated its Strategic Risk and Operational Risk Register to capture three strategic grant-related fraud risks: inadequate planning and management of resources; failure to maintain social licence to operate under an investigation of major fraud or corruption; and failure to meet legislation or other standards. - An additional operational risk was also included in the Operational Risk Register to specifically mention the risk of inappropriate management of Council-awarded grants.	The Council reports that amendments have allowed more regular oversight and review of the risks by risk owners and controllers every quarter.

Audited Council	Policy changes at March 2025	Reported outcomes
Knox	- The Council's Fraud and Corruption Control Framework was updated to include grant related fraud risks in 2022. - Council continues to monitor fraud risks in relation to grants.	The Council did not report any specific outcomes.
Loddon	- Following an organisational, all staff training session on Fraud and Corruption Prevention and Awareness, risk registers were reviewed and updated to ensure fraud related risks were included, including those specific to grant processes. - These risks are managed and routinely reviewed as part of standard review processes in line with the Council's Risk Management Framework.	The Council reports a higher awareness of risks associated with grant processes and the accurate capture of risk in the risk registers.
Southern Grampians	- The Council Risk Register has been amended to incorporate the possibility of fraud and corruption as well as an assessment of residual risk. - Grant related fraud risks have also now been included in risk management plans.	The Council reports that responsibility for managing these risks has now been assigned to a position, increasing accountability and transparency.
Warrnambool	Grant risks are identified and controls are now in place via the corporate risk register.	The Council reports a heightened awareness and understanding of the risk associated with grant programs.
West Wimmera	- A Risk Register has been developed which incorporates fraud and corruption as a specific organisational risk. The register also allocates responsibility for the identification and management of risk to individual officers. - The Fraud and Corruption Control Policy and procedures now include mechanisms to detect and minimise any risk.	The Council reports increased visibility and awareness of the potential for fraud and corruption in all aspects of Council operations including the grant process. This increased awareness has been referenced in relation to the employee code of conduct for staff, and the Model Councillor Code of Conduct for elected representatives.

Progress towards recommendation by non-audited Councils since 2022 – Committee survey findings

Table B.22 Survey questions sent to non-audited Councils by the Committee, 2025

Survey question	Yes	No	Total responses
Are grant related fraud risks explicitly included in your Council's risk management and/or fraud and corruption risk management policy with responsibility assigned for managing these risks?	59% (41)	41% (29)	70
Are grant related fraud risks included in your Council's risk management register?	70% (49)	30% (21)	70

Recommendation 10

All Victorian Councils develop mandatory training for staff and Councillors that covers:

- declaring and managing conflicts of interest
- fraud risks specific to grant programs
- the Council's relevant policies and procedures.

Status of implementation – Recommendation 10

Audited Council	Status	Completion date
Hume	Complete	8/08/2022
Knox	Complete	31/12/2022
Loddon	Complete	30/03/2023
Southern Grampians	Complete	8/06/2022
Warrnambool	Complete	13/02/2023
West Wimmera	Complete	1/12/2022

Source: Victorian Auditor-General's Office, Responses to Performance Engagement Recommendations: Annual Status Update 2025, data dashboard, Melbourne, 2025, <<https://www.audit.vic.gov.au/report/responses-performance-engagement-recommendations-annual-status-update-2025>> accessed 30 September 2025.

VAGO findings from 2022 audit

Training is an important way to ensure staff know how to manage grant-related fraud. All audited Councils had delivered fraud training, but none had ensured that all staff had completed it.

Audited Council outcomes since 2022 – Committee questionnaire findings

Table B.23 Responses to Committee questionnaire provided by audited Councils, 2025

Audited Council	Policy changes at March 2025	Reported outcomes
Hume	• Fraud and corruption training is mandatory for Councillors through the induction training and two years into their term. • Online training modules have been developed for fraud and corruption and COI. All staff involved in assessing grants are required to undertake this training annually, prior to being provided access to the grants portal. Program managers are also required to undertake program-specific training ahead of assigning any grants for assessment. • Training is reviewed annually.	The Council reports that introduction of the review process provides opportunity for continuous improvement. Assessors have improved understanding in their role, but room for further consistency in criteria interpretation has been identified.

Audited Council	Policy changes at March 2025	Reported outcomes
Knox	Community members appointed to grant assessment panels are given grant-specific training on COI at the commencement of each grant round.	The Council reports an uplift in understanding of COI and COI declarations from both assessors and staff involved in reviewing and assessing grants.
Loddon	- Face-to-face fraud and corruption control training was last delivered to all Council staff in 2023. Training was delivered by a specialist external provider and covered fraud and corruption awareness, as well as how to report. - Several online learning and development modules are also undertaken every two years by Council staff. - Training records and attendance are recorded to ensure ongoing monitoring and timely refresher training is undertaken. - Councillors receive fraud and corruption training that covers COIs during the first year of their term as part of their extended induction activities.	The Council reports an increase in accessibility to consistent training for staff, which aligns with the organisations Anti-Fraud and Corruption Policy.
Southern Grampians	- Council has revised its mandatory training program to include fraud, probity and declaring COIs for all Councillors, executive staff, senior leaders and key staff involved in 'high risk' areas of Council administration. - Policies are now updated to reflect these revisions.	The Council reports that Councillors and staff have clearer understanding of expectations and have been declaring and managing COI risks better.
Warrnambool	- Council has introduced mandatory fraud and corruption training for all staff. Staff are provided copies of the Code of Conduct upon commencement and provided regular updates through contract and procurement training around COIs. - Staff with specific involvement in grants processes undertake training and are made aware of their obligations under the grants policy. - Councillors undertake compulsory training regarding COI conduct.	The Council reports a more consistent approach to consideration of COIs and fraud and corruption risks across the organisation.
West Wimmera	- A Code of Conduct module has been included in compulsory training for all staff, which includes a section on fraud and corruption. - All Councillors and Council staff undertake COI training at the beginning of the Council term, with newly elected members also undertaking fraud and corruption training and an overview of the Councillor Code of Conduct during their induction.	The Council reports that employees and Councillors are better aware of, and consistently reminded of, the potential for fraud and corruption and of their personal responsibilities to minimise any potential for fraud and corruption to occur.

Progress towards recommendation by non-audited Councils since 2022 – Committee survey findings

Table B.24 Committee findings from survey: Controls included in Council's mandatory staff training

Council's mandatory training for staff includes: ^a	Total
Declaring and managing conflicts of interest	90% (63)
Fraud risks specific to grant programs	31% (22)
The Council's relevant policies and procedures	81% (57)
No mandatory training	33% (23)

a. Councils undertake multiple actions – reflected in totals.

Table B.25 Committee findings from survey: Controls included in Council's mandatory Councillor training

Council's mandatory training for Councillors includes: ^a	Total
Declaring and managing conflicts of interest	89% (62)
Fraud risks specific to grant programs	23% (16)
The Council's relevant policies and procedures	79% (55)
No mandatory training	33% (23)

a. Councils undertake multiple actions – reflected in totals.

Table B.26 Committee findings from survey: Percentage of Council staff who have completed fraud and corruption awareness training in the last two years

Percentage of Council staff who have completed fraud and corruption awareness training in the last two years	Total
100%	11% (8)
80–99%	39% (27)
60–79%	29% (20)
<60%	10% (7)
Unknown	9% (6)
No detail provided	3% (3)

Table B.27 Committee findings from survey: Percentage of Councillors who have completed fraud and corruption awareness training in the last two years

Percentage of Councillors who have completed fraud and corruption awareness training in the last two years	Total
100%	84% (59)
90–99%	3% (2)
0%	11% (8)
Unknown	1% (1)

Committee survey findings on knowledge of audit

Table B.28 Survey questions sent to non-audited Councils by the Committee, 2025

Survey question	Yes	No	Total responses
Was your Council aware of this audit prior to being notified of this Inquiry (prior to 2025)?	96% (68)	4% (3)	71
Sub-question: (if answer to main question was yes): Did your Council consider VAGO's findings to determine if its recommendations are applicable to the Council's operations?	96% (65)	4% (3)	68 ^a

a. Percentages calculated from total number of Councils who responded yes to being aware of the 2022 VAGO audit.

Table B.29 Committee findings from survey: Council actions taken when made aware of audit

Council actions taken when made aware of audit	Total
Assessed by staff for relevance, no further action	8% (6)
Reviewed against existing policies, no updates made	34% (24)
Updated existing policies to reflect recommendations	49% (35)
No action taken	8% (6)

Appendix C

Media releases pertaining to the appointment of municipal monitors

C.1 Prior to introduction of the *Local Government Act 2020* (Vic)

Between 2016 and 2019, Victorian Government press releases noted that seven out of the eight monitor appointments made by the Minister for Local Government followed either the conclusion of an investigation by an integrity agency, the completion of a Commission of Inquiry or a recommendation by the Chief Municipal Inspector (CMI).

Relevant media releases

- Hon Daniel Andrews, *Monitor to be appointed to Casey Council*, media release, Victorian Government, Melbourne, 22 June 2016, <<https://www.premier.vic.gov.au/monitor-to-be-appointed-to-casey-council-0>> accessed 6 October 2025.
- Hon Daniel Andrews, *Monitor to assist Central Goldfields Shire*, media release, Victorian Government, Melbourne, 11 October 2016, <<https://www.premier.vic.gov.au/monitor-assist-central-goldfields-shire>> accessed 6 October 2025.
- Hon Daniel Andrews, *Monitor appointed to Central Goldfields Shire*, media release, Victorian Government, Melbourne, 21 July 2017, <<https://www.premier.vic.gov.au/monitor-appointed-central-goldfields-shire>> accessed 6 October 2025.
- Hon Daniel Andrews, *Minister puts Rural City of Ararat on notice*, media release, Victorian Government, Melbourne, 9 August 2017, <<https://www.premier.vic.gov.au/minister-puts-rural-city-ararat-notice>> accessed 6 October 2025.
- Hon Daniel Andrews, *Monitors to guide Geelong's new council*, media release, Victorian Government, Melbourne, 7 September 2017, <<https://www.premier.vic.gov.au/monitors-guide-geelongs-new-council>> accessed 6 October 2025.
- Hon Daniel Andrews, *Municipal monitor appointed to Frankston City Council*, media release, Victorian Government, Melbourne, 12 December 2017, <<https://www.premier.vic.gov.au/municipal-monitor-appointed-frankston-city-council>> accessed 6 October 2025.

- Hon Daniel Andrews, *Municipal monitor for South Gippsland Shire Council*, media release, Victorian Government, Melbourne, 18 June 2018, <<https://www.premier.vic.gov.au/municipal-monitor-south-gippsland-shire-council>> accessed 6 October 2025.
- Hon Daniel Andrews, *Municipal appointed to City of Whittlesea*, media release, Victorian Government, Melbourne, 13 December 2019, <<https://www.premier.vic.gov.au/monitor-appointed-to-city-of-whittlesea-0>> accessed 6 October 2025.

C.2 Following the introduction of the *Local Government Act 2020* (Vic)

In contrast, between 2021 and 2025, press releases for 13 out of the 23 monitor appointments made during this period noted that monitors had been implemented to support for good governance processes and practices within Councils or to facilitate a better understanding of the Council's role and to improve Council performance.

In two instances, the monitor appointment was to assist with the hiring or guiding of a new Council Chief Executive Officer, while three appointments were to guide newly elected Councillors. Only two appointments followed an integrity agency investigation or CMI recommendation, and one followed a Council suspension.

Relevant media releases

- Hon Mary-Anne Thomas, *Municipal monitor to guide Strathbogie Shire Council*, media release, Victorian Government, Melbourne, 9 September 2021, <<https://www.premier.vic.gov.au/municipal-monitor-guide-strathbogie-shire-council>> accessed 6 October 2025.
- Hon Shaun Leane, *Municipal monitor appointed to South Gippsland Council*, media release, Victorian Government, Melbourne, 5 November 2021, <<https://www.premier.vic.gov.au/municipal-monitor-appointed-south-gippsland-council>> accessed 6 October 2025.
- Hon Shaun Leane, *Municipal monitor appointed to Yarra City Council*, media release, Victorian Government, Melbourne, 29 November 2021, <<https://www.premier.vic.gov.au/municipal-monitor-appointed-yarra-city-council>> accessed 6 October 2025.
- Hon Shaun Leane, *Municipal monitors to be appointed at three councils*, media release, Victorian Government, Melbourne, 8 April 2022, <<https://www.premier.vic.gov.au/municipal-monitors-be-appointed-three-councils>> accessed 6 October 2025.
- Hon Melissa Horne, *Horsham Rural City Council municipal monitor*, media release, Victorian Government, Melbourne, 1 July 2022, <<https://www.premier.vic.gov.au/horsham-rural-city-council-municipal-monitor>> accessed 6 October 2025.

- Hon Melissa Horne, *Monitors to oversee CEO appointment at Geelong Council*, media release, Victorian Government, Melbourne, 25 January 2023, <<https://www.premier.vic.gov.au/monitors-oversee-ceo-appointment-geelong-council>> accessed 6 October 2025.
- Hon Melissa Horne, *Municipal monitor appointed to Strathbogie Shire Council*, media release, Victorian Government, Melbourne, 16 May 2023, <<https://www.premier.vic.gov.au/municipal-monitor-appointed-strathbogie-shire-council>> accessed 6 October 2025.
- Hon Melissa Horne, *Statement from the Minister for Local Government*, media release, Victorian Government, Melbourne, 31 October 2023, <<https://www.premier.vic.gov.au/statement-minister-local-government-3>> accessed 6 October 2025.
- Hon Melissa Horne, *Monitors appointed to Moonee Valley City Council*, media release, Victorian Government, Melbourne, 29 January 2024, <<https://www.premier.vic.gov.au/monitors-appointed-moonee-valley-city-council>> accessed 6 October 2025.
- Hon Melissa Horne, *Monitors appointed to Brimbank City Council*, media release, Victorian Government, Melbourne, 13 February 2024, <<https://www.premier.vic.gov.au/monitors-appointed-brimbank-city-council>> accessed 6 October 2025.
- Hon Melissa Horne, *Strathbogie Shire Council administrator re-appointed*, media release, Victorian Government, Melbourne, 7 March 2024, <<https://www.premier.vic.gov.au/strathbogie-shire-council-administrator-re-appointed>> accessed 6 October 2025.
- Hon Melissa Horne, *Geelong municipal monitors appointed*, media release, Victorian Government, Melbourne, 9 April 2024, <<https://www.premier.vic.gov.au/geelong-municipal-monitors-appointed>> accessed 6 October 2025.
- Hon Melissa Horne, *Municipal monitor appointed to Buloke Shire Council*, media release, Victorian Government, Melbourne, 6 May 2024, <<https://www.premier.vic.gov.au/municipal-monitor-appointed-buloke-shire-council>> accessed 6 October 2025.
- Hon Melissa Horne, *Municipal monitor appointed to Colac Otway Shire Council*, media release, Victorian Government, Melbourne, 10 July 2024, <<https://www.premier.vic.gov.au/monitor-appointed-colac-otway-shire-council>> accessed 6 October 2025.
- Hon Melissa Horne, *Moonee Valley City Council municipal monitors extended*, media release, Victorian Government, Melbourne, 28 July 2024, <<https://www.premier.vic.gov.au/moonee-valley-city-council-municipal-monitors-extended>> accessed 6 October 2025.
- Hon Melissa Horne, *Municipal monitors for Casey, Strathbogie and Whittlesea*, media release, Victorian Government, Melbourne, 2 September 2024, <<https://www.premier.vic.gov.au/municipal-monitors-casey-strathbogie-and-whittlesea>> accessed 6 October 2025.

- Hon Nick Staikos, *Statement from the Minister for Local Government*, media release, Victorian Government, Melbourne, 29 May 2025, <<https://www.premier.vic.gov.au/statement-minister-local-government-10>> accessed 6 October 2025.
- Hon Nick Staikos, *Monitors appointed for Kingston*, media release, Victorian Government, Melbourne, 22 August 2025, <<https://www.premier.vic.gov.au/monitors-appointed-kingston>> accessed 6 October 2025.

Appendix D

Submissions

1	Name withheld
	Right of reply to <i>Submission 1</i> : City of Yarra
	Right of reply to <i>Submission 1</i> : Merri-Bek City Council
2	Name withheld
3	Local Government Finance Professionals
4	Municipal Association of Victoria
5	Local Government Inspectorate
6	Independent Broad-based Anti-corruption Commission
7	Victorian Local Governance Association
8	Victorian Auditor-General's Office
9	Victorian Ombudsman
10	Council Watch
11	Office of the Victorian Information Commissioner
12	Department of Government Services (Vic)
13	Alison Joseph

Appendix E

Public hearings

Monday, 31 March 2025

Davui Room, 55 Saint Andrews Place, East Melbourne, Victoria

Name	Title	Organisation
Roberta Skliros	Assistant Auditor-General, Financial Audit	Victorian Auditor-General's Office
Peter Graham	Deputy Assistant Auditor-General, Parliamentary Reports and Services	Victorian Auditor-General's Office
Travis Derricott	Director, Financial Audit	Victorian Auditor-General's Office
Ben Hasker	Director, Parliamentary Reports and Services	Victorian Auditor-General's Office
Michael Stefanovic	Chief Municipal Inspector	Local Government Inspectorate
Dawn Bray	Manager Strategy, Governance and Operations	Local Government Inspectorate
Victoria Elliott	Commissioner	Independent Broad-based Anti-corruption Commission
Alison Byrne	Chief Executive Officer	Independent Broad-based Anti-corruption Commission
Marlo Baragwanath	Ombudsman	Victorian Ombudsman
Andrew Adason	Deputy Ombudsman	Victorian Ombudsman
Peter Stephenson	Municipal monitor	
Julie Eisenbise	Former Commissioner of Inquiry	
Frances O'Brien KC	Former Commissioner of Inquiry	
John Tanner AM	Former Commissioner of Inquiry	
John Watson	Former Commissioner of Inquiry	
Kathryn Arndt	Chief Executive Officer	Victorian Local Governance Association
Tanja Kovac	Acting Head of Local Government Programs and Policy	Victorian Local Governance Association
Tony Rocca	President	Local Government Finance Professionals
Mike Gooley	Executive Director	Local Government Victoria
Dean Hurlston	President and Chief Executive Officer	Council Watch

Monday, 28 July 2025

Legislative Council Committee Room, Parliament House , Spring Street,
East Melbourne, Victoria

Name	Title	Organisation
Cr Shane Sali	Mayor	Greater Shepparton City Council
Chris Teitzel	Director Corporate Services	Greater Shepparton City Council
Cr Scott Jeffrey	Deputy Mayor	Strathbogie Shire Council
Rachelle Quattrocchi	Chief Executive Officer	Strathbogie Shire Council
Cr Scott Rossetti	Mayor	Wellington Shire Council
Carly Bloomfield	Manager Governance	Wellington Shire Council
Cr Josh Gilligan	Deputy Mayor	Wyndham City Council
Stephen Wall	Chief Executive Officer	Wyndham City Council
Cr Jarrod Bell	Mayor	Hume City Council
Sheena Frost	Chief Executive Officer	Hume City Council
Joel Kimber	Head of Government Relations and Advocacy	Hume City Council
Cr Lisa Cooper	Mayor	Knox City Council
Bruce Dobson	Chief Executive Officer	Knox City Council
Cr Dan Straub	Mayor	Loddon Shire Council
Lincoln Fitzgerald	Chief Executive Officer	Loddon Shire Council
Cr Denis Heslin	Mayor	Southern Grampians Shire Council
Tony Doyle	Chief Executive Officer	Southern Grampians Shire Council
Cr Ben Blain	Mayor	Warrnambool City Council
Andrew Mason	Chief Executive Officer	Warrnambool City Council
Cr Jodie Pretlove	Deputy Mayor	West Wimmera Shire Council
David Bezuidenhout	Chief Executive Officer	West Wimmera Shire Council
Cr John White	Mayor	East Gippsland Shire Council
Sarah Johnston	General Manager Business Excellence	East Gippsland Shire Council
Janelle Skipworth	Manager Governance and Regulatory Services	East Gippsland Shire Council
Matthew Morgan	Chief Executive Officer	Moira Shire Council
Amanda Finn	Manager Governance, Risk and Performance	Moira Shire Council
Beau Mittner	Manager Finance	Moira Shire Council
Cr John Schelling	Mayor	South Gippsland Shire Council
Rhys Matulis	Governance and Integrity Manager	South Gippsland Shire Council
Cr Jack Kowarzik	Mayor	Cardinia Shire Council
Peter Benazic	Interim Chief Executive Officer	Cardinia Shire Council

Name	Title	Organisation
Cr John Dumaresq	Mayor	Nillumbik Shire Council
Carl Cowie	Chief Executive Officer	Nillumbik Shire Council
Blaga Naumoski	Director Governance, Communications and Community Safety	Nillumbik Shire Council
Melika Sukunda	Chief Financial Officer	Nillumbik Shire Council
Cr Blair Colwell	Councillor	City of Whittlesea Council
Craig Lloyd	Chief Executive Officer	City of Whittlesea Council
Cr Daria Kellander	Mayor	Hobsons Bay City Council
Cr Deirdre Diamante	Mayor	Manningham City Council
Andrew Day	Chief Executive Officer	Manningham City Council
Cr Bryan Mears	Deputy Mayor	Port Phillip City Council
Robyn Borley	Director Governance and Performance	Port Phillip City Council
Dr Allan Yates	Managing Director	Ethikos
Brett Whitworth	Deputy Secretary, Local Government	Office of Local Government, New South Wales
Sean Morrison	Victorian Information Commissioner	Office of the Victorian Information Commissioner

Extract of proceeding

The Committee divided on the following questions during the consideration of this report. Questions agreed to without division are not recorded in these extracts.

Committee meeting – 27 October 2025

Aiv Puglielli MLC moved that the Committee add a recommendation to Chapter 7:

The Victorian Government commission an independent evaluation of the impact of municipal monitors on governance and culture in the local government sector.

The question was put.

The Committee divided.

Ayes	Noes
Aiv Puglielli MLC	Sarah Connolly MP
Jade Benham MP	Michael Galea MLC
Richard Welch MLC	Mathew Hilakari MP
	Lauren Kathage MP

Resolved in the negative.

Sarah Connolly MP moved that the Committee edit Recommendation 2 in Chapter 7 to read:

The Victorian Government consider whether there is any benefit in developing a framework for the appointment of municipal monitors to Councils and that the framework be published publicly.

The question was put.

The Committee divided.

Ayes	Noes
Sarah Connolly MP	Aiv Puglielli MLC
Michael Galea MLC	Jade Benham MP
Mathew Hilakari MP	
Lauren Kathage MP	
Richard Welch MLC	

Resolved in the affirmative.

