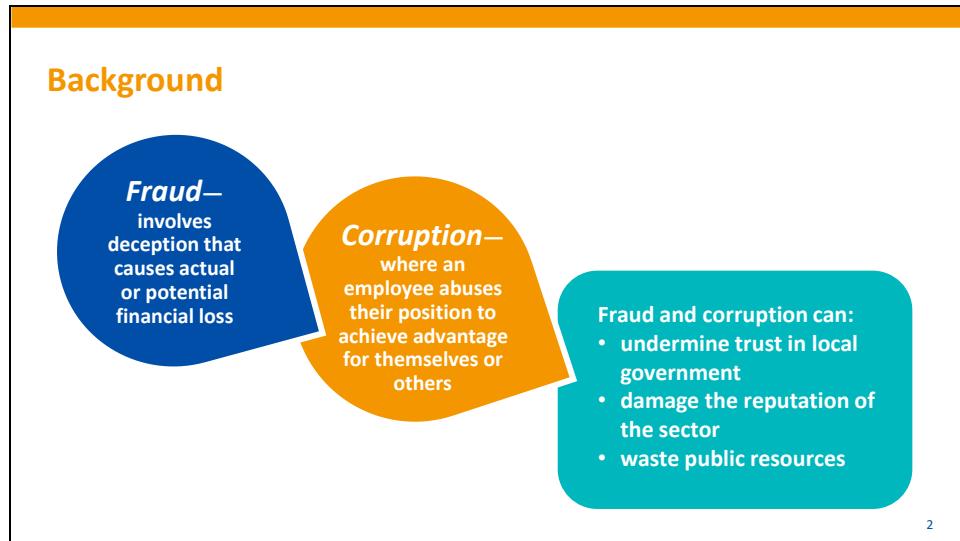




This presentation provides an overview of the Victorian Auditor-General's report *Fraud and Corruption Control—Local Government*.



Elected councillors and local government employees make decisions and perform functions that affect the lives and interests of all Victorians.

The community expects—and the law requires—that they will do this responsibly and with integrity, accountability, impartiality, and in the public interest.

When fraud or corruption occurs in the local government sector, it not only wastes valuable resources, but also undermines trust and damages the reputation of the sector.

Fraud is dishonest activity involving deception that causes actual or potential financial loss by an entity or others.

Corruption is dishonest activity in which an employee of an entity acts contrary to its interests, abusing their position of trust to achieve personal gain or advantage.

Fraud and corruption exposed by the Independent Broad-based Anti-corruption Commission (IBAC), along with investigations by the Victorian Ombudsman, and successful prosecutions by the Local Government Inspectorate, show us that the local government sector cannot be complacent about fraud and corruption.

Focus of this audit



What we looked at

Whether local councils' fraud and corruption controls are well designed and operating as intended

Primary focus on councillor and senior council staff expenditure and processes

3

Our audit examined whether local councils' fraud and corruption controls are well designed and operating as intended.

We primarily focussed on expenditure and processes involving councillors and senior council staff.

Focus of this audit



Who we looked at

- Greater Shepparton City Council
- Strathbogie Shire Council
- Wellington Shire Council
- Wyndham City Council

Our audited councils were Greater Shepparton City Council, Strathbogie Shire Council, Wellington Shire Council and Wyndham City Council.



We found that there are gaps in the fraud and corruption controls at the audited councils and in some cases important controls are not working.

While we did not find fraud or corruption in the transactions we examined, we found:

- expenditure where it was unclear how residents and ratepayers benefitted
- practices that may not meet public expectations
- non-compliance with legislative and policy requirements.

The failure of these controls can foster a culture in which fraud and corruption can occur and go undetected and result in financial loss or reputational damage to the councils.

We concluded that some individuals in positions of authority need to take a broader view of their obligations. They must appreciate that they are accountable to ratepayers and residents and consider how their communities may perceive their actions.

Weak controls for approving transactions

-  Councils do not consistently require and adequately scrutinise supporting documentation
-  We found examples where there was no segregation of duties between the person who incurred the expense and the person who approved the expense
-  No formalised processes to conduct data analytics over credit and fuel card transactions

6

We found the councils do not consistently require, and adequately scrutinise, supporting documentation to confirm that expenditure is valid. We saw examples where claim forms were missing and where the business reason or council event for which the expense was incurred was not evident. We also found mileage claims with no evidence of log books or fuel receipts. In some instances, it was not clear who benefitted from the expense.

We also identified examples where there was no segregation of duties for transaction approvals, and the individual who incurred the expense on a credit card, also approved the expenditure.

At the time of our audit, the councils did not have formalised processes to conduct data analytics over credit and fuel card transactions to detect suspicious or unusual activity.

Councillor entitlements and expenditure



Financial allowances

We found examples where there could be a perception of 'double-dipping' or excessive entitlements

7

We identified examples where there could be a perception of 'double dipping' or excessive entitlements. We found, for example, a councillor that was reimbursed their entire private telephone bill despite having a work mobile provided, and in another council, councillors being provided an \$800 annual printing allowance despite having access to printers at council offices.

Compliance with legislation



Compliance with legislation and council policies

We found three councils did not detail in their 2017-18 annual reports each councillors' expenses in five categories as required by legislation.

8

Only one of the four audited councils, Wellington, met the legislative requirement to detail in its 2017-18 annual report each councillors' expenses in five categories – travel, car mileage, childcare, information and communication technology, and conference and training expenses. Where councils did not do this, it limits public scrutiny and transparency of their expenses.

We also found transactions contrary to council policies such as purchasing alcohol and meals without appropriate approvals or clear business reasons

Recommendations	
10	recommendations to all audited councils
	<ul style="list-style-type: none">• require stronger evidence to support councillor reimbursement claims• review fuel and credit card policies, strengthen controls and develop reporting• increase scrutiny over CEO expenditure and ensure segregation of duties• review council policies on meals and alcohol to ensure benefit to community
1	recommendation to Shepparton, Strathbogie and Wyndham
	<ul style="list-style-type: none">• publish councillor expenses for 2017–2018 on websites and comply in future
1	recommendation to Strathbogie
	<ul style="list-style-type: none">• stop selling and providing cars to staff

9

We made a total of 12 recommendations, all of which were accepted. The recommendations include strengthening controls for approving transactions such as requiring adequate supporting documentation, appropriate segregation of duties, and monitoring controls to identify potential fraud and corruption. We also recommend that the councils comply with relevant legislative requirements and council policies for approving and disclosing councillor expenditure.

For further information, please view the full report on our website:
www.audit.vic.gov.au

*For further information, please see the full report of this audit on our website,
www.audit.vic.gov.au.*