APPENDIX A
Submissions and comments

We have consulted with Hume, Knox, Loddon, Southern Grampians, Warrnambool and West Wimmera, and we considered their views when reaching our audit conclusions. As required by the *Audit Act 1994*, we gave a draft copy of this report, or relevant extracts, to those agencies and asked for their submissions and comments.

Responsibility for the accuracy, fairness and balance of those comments rests solely with the agency head.

Responses were received as follows:

Response provided by the Chief Executive Officer, Hume

Our File: HCC17/649 (IN22/16060)
Enquiries: Megan Kruger
Telephone: 0455 556 034

HUME
CITY COUNCIL

1079 PASCOE VALE ROAD
BROADMEADOWS
VICTORIA 3047

Postal Address:
PO BOX 119
DALLAS 3047

Telephone: 03 9205 2200
Facsimile: 03 9309 0109
www.hume.vic.gov.au

Friday, 29 April 2022

Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
Level 31, 35 Collins Street
MELBOURNE VIC 3000

Dear Mr Greaves

RE: **PERFORMANCE AUDIT *FRAUD CONTROL OVER LOCAL GOVERNMENT GRANTS* – HUME CITY COUNCIL SUBMISSION**

Hume City Council thanks the Victorian Auditor-General's Office (VAGO) for providing the Proposed Performance Audit Report – *Fraud control over local government grants* and for offering Council the opportunity to provide comment to be included in the report.

The learning and recommendations of the audit will ensure that Council is able to deliver a best practice grants program with a focus on preventing fraud and corruption. I am pleased to submit Hume City Council's action plan to address recommendations from *Fraud control over local government grants*, as attached.

Council thanks the Audit team for their collaborative and constructive approach and for the opportunity to provide comment on the performance audit.

Yours sincerely

SHEENA FROST
CHIEF EXECUTIVE OFFICER

Encl

Hume City Council action plan to address recommendations from *Fraud control over local government grants*

No.	VAGO recommendation	Action	Completion date
1	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 (see Section 2.1)	Partially agreed. Council already requires staff and Councillors to declare conflicts of interest for each grant application they access or approve. However, it is noted that this is through Conflict of Interest policies and not an overarching grants policy. The conflict of interest requirements for all grants will be included in the overarching grant policy.	June 2022
2	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 (see Section 2.2)	Partially agreed. Hume City Council already has eligibility and assessment criteria for all its grants programs. However, it is noted that Council does not have an overarching grants policy which provides centralised guidance about these matters. The overarching grant policy will include the requirements, including record keeping requirements, for assessing each application and communicating outcomes.	June 2022
3	Exclude councillors from assessing and making recommendations on grant applications (see Section 2.2)	Agreed. The proposed Grant-giving Policy (to be considered by Council in June 2022) states that decision makers (i.e. Councillors) are not involved in the assessment of grant programs.	June 2022

4	Verify that all grant recipients use grant funds for their intended purpose (see Section 2.3)	Agreed. A mandatory requirement for financial acquittals will be included in the overarching grants policy.	June 2022
5	Evaluate the benefits of: • recurring grants and require recipients to seek future funding through existing competitive grant programs • non-recurring grants (if appropriate) and consider their risks and value (see sections 2.2 and 2.3)	Agreed. A requirement to evaluate Council's grant programs will be included in the overarching grant policy. The Evaluation Framework will be developed by June 2023.	June 2022 / June 2023

| 6 | 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 (see sections 2.2 and 2.3) | Agreed.

The overarching grant policy will include the requirements, including record keeping requirements, for assessing each application and communicating outcomes.

Council is moving all its grant streams to SmartyGrants by the end of 2022 to assist with this recommendation. | June 2022 / December 2022 |

8	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 (see Section 2.4)	Agreed. The development of an overarching grants policy has commenced. The policy is to be presented to Council for adoption in June 2022 following the publication of this Report so that all recommendations can be discussed publicly.	June 2022
9	Include grant-related fraud risks in their risk management and fraud and corruption plans and assign responsibility for managing these risks (see Section 2.4)	Agreed. Council's Corporate and Departmental Risk Registers are being updated in 2022. This will include consideration of a specific risk in relation to grants.	Dec 2022
10	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 (see Section 2.4).	Agreed. 1. Fraud and corruption training for Councillors will be included in the Councillor training calendar. 2. Fraud risks in grant programs will be included in future fraud and conflict of interest training. 3. Fraud training will be rolled out to all staff involved in grants programs	1. August 2022 2. June 2023 3. June 2022

2 May 2022

Mr. Andrew Greaves
Auditor-General
VAGO
Level 31, 35 Collins Street
MELBOURNE VIC 3000

Dear Mr. Greaves

Proposed Performance Audit Report – Fraud Control over Local Government Grants

I refer to your correspondence of 13 April 2022 and the opportunity to comment on the proposed report of this Performance Audit.

Grants are an important and tangible way that Council can directly support its residents and community groups to achieve broader community benefit. Council is committed to ensuring best practice effective controls are in place for its many grant programs to prevent fraud and corruption, with the objective of providing its community with confidence that public funds are being spent as intended.

We have now reviewed the proposed report and its recommendations and Council has also provided an action plan that addresses the recommendations.

Council is appreciative of the opportunity to participate in and work with VAGO officers during this performance audit.

Please contact Matt Kelleher, Director City Strategy and Integrity on 9298 8102 should you have any queries on this matter.

Yours sincerely

Cr Susan Laukens
Mayor

Enquiries: Matt Kelleher, Director City Strategy and Integrity
Document ID: D22-102217

Knox City Council, ABN 24 477 480 661, 511 Burwood Highway, Wantirna South Victoria 3152,
Telephone 03 9298 8000, Fax 03 9800 3096, Email knoxcc@knox.vic.gov.au, DX 18210 KNOX, knox.vic.gov.au

Knox City Council action plan to address recommendations from *Fraud control over local government grants*

No.	VAGO recommendation	Action	Completion date
1	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 (see Section 2.1)	*Accepts* Council will finalise the Conflict of Interest Guide which: • Reinforces the requirement to declare a conflict of interest in the manner prescribed by the Local Government Act 2020 and Council's Governance Rules. • Nominates grant allocations as a high risk activity that requires proactive measures to be in place requiring individuals to proactively consider actual, potential or perceived conflicts of interest; and document that assessment. • Requires management strategies / plans be put in place with a scale and scope commensurate to the conflict that has been declared.	August 2022

| 2 | 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 (see Section 2.2) | *Accepts*

Council will continue to develop assessment criteria for all Council grants programs. These will be documented and shared with applicants and assessors.

Council will record the reasons for decisions and share these with unsuccessful applicants.

Council will record the reasons for funding recommendations by grant assessment panels where the initial individual assessment differs from the final recommendation.

All assessment records will be attached to each funding round in the SmartyGrants system to ensure transparency and a complete record of the funding round. Such documents may include meeting minutes and tools used by assessment panels such as assessment spreadsheets.

This approach will be addressed in Council's draft Grants Framework. | August 2022 |
| 3 | Exclude councillors from assessing and making recommendations on grant applications (see Section 2.2) | *Partially Accepts*

Council has previously resolved to defer consideration of the Grants Framework to enable consideration be given to any feedback and recommendations emanating from this audit.

Council will consider this recommendation in its draft Grants Framework which will be presented for a Council decision. | August 2022 |

4	Verify that all grant recipients use grant funds for their intended purpose (see Section 2.3)	*Accepts* Council will continue to ensure that all grant recipients use grant funds for their intended purpose through a consistent acquittal processes. Acquittal processes and consequences of non-compliance are covered in Council's draft Grants Framework.	August 2022
5	Evaluate the benefits of: • recurring grants and require recipients to seek future funding through existing competitive grant programs • non-recurring grants (if appropriate) and consider their risks and value (see sections 2.2 and 2.3)	*Accepts* Council will continue to monitor its grant programs and evaluate benefits to the community and alignment with Council goals as recorded in our Community and Council Plans. Ongoing monitoring and evaluation will be done via a partnership model of grant management; feedback from applicants, assessors and other relevant stakeholders; regular review of relevant grant documents; and consideration of the funding environment.	Ongoing

| 6 | 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 (see sections 2.2 and 2.3) | *Accepts*

Council will continue to utilise SmartyGrants as a centralised grant management tool. This will allow Council to continue:
- recording the name of assessors; their initial assessment of assigned grants; and reasons for their assessment;
- recording all details of eligibility checks.

Council will record the reasons for funding recommendations by grant assessment panels where the initial individual assessment differs from the final recommendation.

All assessment records will be attached to each funding round in SmartyGrants to ensure transparency and a complete record. In addition to assessment records (that are recorded in SmartyGrants), other such documents may include meeting minutes and tools used by assessment panels such as assessment spreadsheets. | August 2022 |

8	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 (see Section 2.4)	*Accepts* As Council has advised VAGO, a draft Grants Framework Policy has been developed. Council has previously resolved to defer consideration of the Grants Framework to enable consideration be given to any feedback and recommendations resulting from this audit. Council will consider this recommendation in its draft Grants Framework.	August 2022
9	Include grant-related fraud risks in their risk management and fraud and corruption plans and assign responsibility for managing these risks (see Section 2.4)	*Accepts* This will be incorporated in Council's Risk Management Framework and Fraud and Corruption Framework.	December 2022

10	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 (see Section 2.4).	*Accepts* Council will refine existing Conflict of Interest training packages and rollout out as mandatory training that addresses these points, on a cyclical basis.	December 2022

Response provided by the Mayor, Loddon

Municipal Offices:
41 High Street, Wedderburn, Victoria
PO Box 21, Wedderburn VIC 3518

Telephone: 03 5494 1200
Facsimile: 03 5494 3003

Email: loddon@loddon.vic.gov.au

ABN: 90 925 450 534

www.loddon.vic.gov.au

Doc ID:DOC/22/39247

2 May 2022

Andrew Greaves
Auditor-General
Victoria Auditor-General's Office
Level 31/35 Collins Street
MELBOURNE VIC 3000

Dear Mr Greaves

Re: Loddon Shire Council Proposed Performance Audit Report Fraud control over local government grants

Loddon Shire Council welcomed the opportunity to be included in the "Fraud control over local government grants" audit recently undertaken, and the improvements that could be incorporated into our grants programs from the recommendations arising from the audit. Although I do raise concerns of some accuracy within the report, both from a contextual and factual perspective.

As a small rural Council we rely heavily on the volunteer effort of our community groups, and to support this Loddon Shire Council has various community support programs. We have recently engaged with our volunteers as part of a volunteerism strategy with the overwhelming response from volunteers being that there is too much bureaucracy. We therefore need find a balance between the recommendations of this audit alongside the willingness and capacity of our volunteers.

Our Community Support Policy is currently being drafted and there are around 15 different programs identified in that policy, ranging from financial support, non-financial support, competitive programs, and "as of right" programs determined through the annual budget process and supporting policy.

Noting the significant contribution that we provide to our volunteer community groups that provide Council with their significant volunteer effort, in 2019 Council commenced implementation of the SmartyGrants program for grants management. This program has become a valuable tool for:
- Managing grants and allocations consistently
- Providing all documentation in a single portal
- Providing a consistent approach for applications and assessment.

Acknowledging this implementation was still in progress during the audit period, we have continued, and will continue, to build on the capability of this program. This continuous improvement initiative will be complemented by the recommendations from the audit report, to improve our grants management process.

Council staff have assessed the 10 recommendations in the audit report and provided responses to each of them, and I look forward to monitoring progress of those actions to improve on the current process of grant management.

Should you have any queries in relation to this matter please feel free to contact Lincoln Fitzgerald, Chief Executive Officer on 03 5494 1200.

Yours faithfully,

Cr Dan Straub
MAYOR

Loddon Shire Council action plan to address recommendations from *Fraud control over local government grants*

No.	VAGO recommendation	Action	Completion date
1	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 (see Section 2.1)	**Partially agree** **Current practice:** There is a conflict of interest declaration process embedded in the grants management program (SmartyGrants) for staff, and this will continue to be used to identify any staff related conflicts of interests during the application and assessment process. Council reports have a standing conflict of interest declaration for the authors of reports, and the Council Governance Rules incorporate how conflict of interests are managed at Council Meetings. This is in addition to the general conflict of interest process that is in place for all other conflicts of interests that staff and Councillors must manage. **Action arising:** Management of conflicts of interest will be incorporated into the Community Support Policy that is currently under development. SmartyGrants will be interrogated to ascertain its capability in identifying conflicts of interest and extracting conflict of interest data through reporting.	 30 September 2022 30 June 2022

No.	VAGO recommendation	Action	Completion date
2	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 (see Section 2.2)	**Partially agree:** **Current practice:** Acknowledging there are clear eligibility criteria embedded in the community grants program and "as of right" allocations, it is also acknowledged that community planning program eligibility criteria can be strengthened. However, all eligibility criteria will be reviewed to ensure they are still valid for each program. **Action arising:** Progressively review the eligibility criteria (which may incorporate review of certain policies) across all community support programs to assess their validity and rigour around assessment. Incorporate any changes into the SmartyGrants program and operational procedures.	Full assessment to be undertaken between 1 July 2022 and 30 November 2022 Following each program's assessment
3	Exclude councillors from assessing and making recommendations on grant applications (see Section 2.2)	**Partially agree** **Current practice:** Acknowledging the comments in the audit report, it is not standard practice for Councillors at Loddon Shire to be involved in assessing grant applications. Standard practice is assessment by staff and a report authored by staff, which is presented to the Council for consideration and decision on the allocation of competitive grants throughout the year. In addition to this, there are other "as of right" allocations that the Council considers through the annual budget process and policy reviews.	

No.	VAGO recommendation	Action	Completion date
		Action arising: Develop procedures for operationalising the Community Support Policy that clearing outline the process for assessment and approval of grants.	30 September 2022
4	Verify that all grant recipients use grant funds for their intended purpose (see Section 2.3)	**Partially Agree**	
		Current practice: Council has acquittal processes in place for all competitive grants.	
		Action arising: An acquittal process will be incorporated into the Community Support Policy and procedures for competitive grants; acknowledging that some allocations are "as of right" allocations and not subject to the same requirements.	30 September 2022
5	Evaluate the benefits of: • recurring grants and require recipients to seek future funding through existing competitive grant programs • non-recurring grants (if appropriate) and consider their risks and value (see sections 2.2 and 2.3)	**Partially agree:**	
		Current practice: As documented there are a suite of competitive (non-recurring) and "as of right" (recurring) grants in current practice.	
		The recurring grants are designed to support the significant volunteer effort of our community groups, while minimising their volunteer effort to continually request funds to operate their various functions, which if not undertaken by volunteers, would fall within Council' remit.	
		However, it is acknowledged that evaluation is an important part of any process, and the recommendations in the report will be considered.	
		Action arising: Progressively undertake a cost-benefit analysis (which may incorporate review of certain policies) across all community support programs to assess their value to Council.	Full assessment to be undertaken between 1 July 2022 and 30 November 2022

No.	VAGO recommendation	Action	Completion date
6	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 (see sections 2.2 and 2.3)	**Partially agree:** **Current practice:** The SmartyGrants program was first implemented in 2019 and is progressively being improved to utilise all functionality. The items identified in the audit report are noted, and will be incorporated into standard practice through development of procedures for the Community Support Policy. **Action arising:** Incorporate into the procedures supporting the Community Support Policy, information required to be documented during the decision-making process. Investigate SmartyGrants functionality to assess whether the items identified can be marked as mandatory fields in the program.	31 October 2022 30 November 2022
7	Assesses the benefits of its ward-based approach to allocating grants and how this aligns with the council's strategy (see Section 2.2).	**Partially agree:** **Current practice:** Council has been providing a cash-backed community planning program since 2003/2004, and the program has delivered significant community-led projects over many years, which have been identified through the community planning groups developing their specific Community Plans for their town or region. The $50K annual ward allocation (with wards being based on population spread) along with the $500K strategic fund which is rotated throughout each ward annually has	

No.	VAGO recommendation	Action	Completion date
		not been challenged by our community to date. However, while evaluating the value of all other community support programs, the community planning program will also be evaluated. **Action arising:** Undertake a cost-benefit analysis of the community planning program to assess its value.	To be undertaken with all other community support programs between 1 July 2022 and 30 November 2022
8	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 (see Section 2.4)	**Agree** **Current practice:** Council has a Community Support Policy under development, and will consider the items identified in this report in finalisation of the policy and development of procedures to support the policy. **Action arising:** Finalise the Community Support Policy and procedures.	30 September 2022

No.	VAGO recommendation	Action	Completion date
9	Include grant-related fraud risks in their risk management and fraud and corruption plans and assign responsibility for managing these risks (see Section 2.4)	**Agree** **Current practice:** A fraud risk register is in place but does not address fraud related to the grants process. **Action arising:** The fraud risk register will be reviewed and grant related risk items identified and analysed through the Risk Management Committee.	31 October 2022
10	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 (see Section 2.4).	**Partially Agree** **Current practice:** There is a mandatory fraud and corruption control training program in place for Councillors and staff which is required to be undertaken every two years. **Action arising:** The fraud and corruption control training program will be reviewed in line with the recommendations in the audit report. It will be tailored for the various risks associated with teams within the Council. Fraud and corruption control training will be directed to Councillors and staff for completion. An improved process around monitoring training records for completion will be implemented, which will incorporate hard deadlines for completion and follow up of all training not completed.	30 September 2022 31 October 2022 31 October 2022

Southern Grampians
SHIRE COUNCIL

Business Centre:
Brown Street, Hamilton 3300
Telephone: (03) 5573 0444
Facsimile: (03) 5572 2910
TTY: (03) 5573 0458

Address all correspondence to:
Locked Bag 685, Hamilton, Vic, 3300
council@sthgrampians.vic.gov.au
www.sthgrampians.vic.gov.au

D/22/27800

2 May 2022

Mr Andrew Greaves
Auditor General
Victorian Auditor-General's Office
Level 31/35 Collins Street
Melbourne   VIC 3000

Dear Mr Greaves,

Proposed Performance Audit Report - Fraud control over local government grants.

Thank you for your letter dated 14 April 2022 inviting submissions and comments in relation to the recommendation contained in the Proposed Performance Audit Report Fraud control over local government grants.

Council welcomes the findings and recommendations of the report on how we can improve the governance processes associated with the distribution of vital grants to our community.

Council is committed to providing open and transparent processes and will consider each of the recommendations when reviewing its Greater Grants Policy and associated guidelines and procedures.

No.	VAGO recommendation	Action	Completion date
1	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 (see Section 2.1)	**COUNCIL ACCEPTS RECOMMENDATION** Staff are required to declare any conflicts of interest when they are assessing grants via the electronic portal – guidelines will be update to reflect this. Councillor Code of Conduct training will be expanded to ensure coverage relating to fraud, probity and conflict of interest during induction period and again provided mid-term. Documentation regarding action taken once a declaration is made will be reviewed and strengthened to ensure appropriate record keeping is adhered to.	31 December 2022

2

No.	VAGO recommendation	Action	Completion date
2	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 (see Section 2.2)	**COUNCIL ACCEPTS RECOMMENDATION** Council programs already have eligibility and assessment criteria, however this will be reviewed as part of the Policy and Guidelines Review. Strengthening of communication will be addressed in the review of the Policy & Guidelines.	31 December 2022
3	Exclude councillors from assessing and making recommendations on grant applications (see Section 2.2)	**COUNCIL ACCEPTS RECOMMENDATION** Councillors are currently excluded from assessing and making recommendations on grant applications, however the revised Policy and Guidelines will review case studies from the VAGO report to identify any possible gaps in transparency.	31 December 2022
4	Verify that all grant recipients use grant funds for their intended purpose (see Section 2.3)	**COUNCIL ACCEPTS RECOMMENDATION** Acquittal processes are already incorporated into the Greater Grants Process however when reviewing the Policy and Guidelines, ways to make this process more efficient will be examined.	31 December 2022
5	Evaluate the benefits of: • recurring grants and require recipients to seek future funding through existing competitive grant programs • non-recurring grants (if appropriate) and consider their risks and value (see sections 2.2 and 2.3)	**COUNCIL PARTIALLY ACCEPTS RECOMMENDATION** Council distinguishes clearly between operational assistance subsidies and competitive grants supported by separate policies and funding allocations within its adopted budget. This delineation will be further defined in the amended guidelines.	31 December 2022
6	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 (see sections 2.2 and 2.3)	**COUNCIL ACCEPTS RECOMMENDATION** The existing grant funding software has the capacity to record this information. Amended guidelines will strengthen the requirement to ensure all fields are completed as well as any additional notations regarding changes made during or after key milestones in the approval process.	31 December 2022

3

No.	VAGO recommendation	Action	Completion date
8	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 (see Section 2.4)	**COUNCIL ACCEPTS RECOMMENDATION** Council will revise its Policy and consider all recommendations from the VAGO audit for appropriateness for inclusion.	31 December 2022
9	Include grant-related fraud risks in their risk management and fraud and corruption plans and assign responsibility for managing these risks (see Section 2.4)	**COUNCIL ACCEPTS RECOMMENDATION** The Risk Register will be amended to incorporate the possibility of fraud and corruption as well as an assessment of residual risk.	31 December 2022
10	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 (see Section 2.4).	**COUNCIL ACCEPTS RECOMMENDATION** Council is already considering a revised training program to include (amongst other things) fraud, probity and declaration of conflicts of interest for all Councillors, Executive Officers, Senior Leaders and key staff involved in "high risk" areas of council administration.	31 December 2022

It is pleasing to note Council's positive performance in a number of areas and looks forward to strengthening its performance in this area. We would like to that the Audit Team for their constructive and collaborative approach in undertaking this audit.

Yours sincerely

EVELYN ARNOLD
ACTING CHIEF EXECUTIVE OFFICER

BRUACH COLLITON
MAYOR

Date: 29th April 2022

WARRNAMBOOL
CITY COUNCIL

Mr. Andrew Greaves
Auditor – General
Victorian Auditor-General Office
Level 31/35 Collins Street
MELBOURNE VIC 3000

Dear Mr. Greaves

RE: FRAUD CONTROL OVER LOCAL GOVERNMENT GRANTS

Thank you for the opportunity provided to Warrnambool City Council to participate in the VAGO fraud control over Local Government grants review. The Council is satisfied with the outcomes from the report and does not wish to add anything further.

It is pleasing to note that Council began implementing some of the findings prior to the audit commencing, particularly around reviewing the value to the community of some of its long standing grant allocations.

We would like to thank the efforts of the VAGO team for their approach with Council that allowed for cooperative and constructive discussion.

Should you require any further information or wish to discuss this please do not hesitate to contact me.

Yours faithfully

Peter Schneider
Chief Executive Officer

Warrnambool City Council action plan to address recommendations from *Fraud control over local government grants*

No.	VAGO recommendation	Action	Completion date
1	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 (see Section 2.1)	**Agree.** **Warrnambool City Council has overarching conflicts of interest processes in its code of conduct for staff and Councillors.** **Council will develop specific processes relating to grants which will documented through the development of a grants policy and procedure.**	September 2022
2	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 (see Section 2.2)	**Agree.** **Warrnambool City Council currently has eligibility and assessment criteria for all grant programs.** **This requirement will be formalised through the development of a grants policy and procedure.**	September 2022
3	Exclude councillors from assessing and making recommendations on grant applications (see Section 2.2)	**Agree.** **Warrnambool City Council does not have Councillors assessing grant applications.** **This business rule will be formalised through the development of a grants policy and procedure.**	September 2022

4	Verify that all grant recipients use grant funds for their intended purpose (see Section 2.3)	**Agree.** **Warrnambool City Council will develop a framework to actively monitor large grants (greater than $50k) to ensure the funds are being used for their intended purpose. Grants below this threshold will be verified through an acquittal process.** **This business rule will be formalised through the development of a grants policy and procedure.**	September 2022
5	Evaluate the benefits of: • recurring grants and require recipients to seek future funding through existing competitive grant programs • non-recurring grants (if appropriate) and consider their risks and value (see sections 2.2 and 2.3)	**Agree.** **Warrnambool City Council has stopped a number of non-competitive grants and is continuing to review the remaining recurring grants.** **The review will include looking at value to the community provided through the grant and following this, a decision will be made to either move the grant to a competitive stream or enter into a multi-year funding agreement with requirements around monitoring and reporting outcomes along with an acquittal process.**	March 2023

| 6 | 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 (see sections 2.2 and 2.3) | **Agree.**
Warrnambool City Council will develop an overarching grant policy to detail the process of documenting all funding decisions in a consistent and structured way. It will investigate a common system to ensure decision-making is transparent. | September 2022 |

8	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 (see Section 2.4)	**Agree.** **Warrnambool City Council will develop an 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**	September 2022
9	Include grant-related fraud risks in their risk management and fraud and corruption plans and assign responsibility for managing these risks (see Section 2.4)	**Agree.** **Grant related fraud risks will be added to Councils risk register and monitored on an ongoing basis.**	September 2022
10	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 (see Section 2.4).	**Agree.** **Following the development of the grant policy and procedure, training will be provided to staff and councillors.**	December 2022

WEST WIMMERA SHIRE COUNCIL

Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
Level 31/35 Collins Street
MELBOURNE VIC 3000

Dear Mr Greaves,

RE: Performance Audit – Fraud Control Over Local Government Grants

Thank you for the opportunity provided to West Wimmera Shire Council to participate in the VAGO Performance Audit of Fraud Control Over Local Government Grants. West Wimmera Shire Council acknowledges and supports the review's conclusions.

West Wimmera Shire Council acknowledges the important role local governments play in supporting their local communities, particularly in small rural municipalities such as ours. We welcome the recommendations in the report as an opportunity to improves councils' processes around providing this support to the community.

I wish to thank the VAGO team for their professional and cooperative conduct over the course of this review, and we welcome your continued feedback as we work toward implementation of the recommendations.

Council aims to address the recommendations of the report via the attached Action Plan. Please do not hesitate to contact Melanie Jordan, Chief Financial Officer, on 13 99 72 if you wish to further discuss this submission.

Yours sincerely

David Bezuidenhout
CHIEF EXECUTIVE OFFICER

West Wimmera Shire Council action plan to address recommendations from *Fraud control over local government grants*

No.	VAGO recommendation	Action	Completion date
1	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 (see Section 2.1)	Agree. Question to be added to assessment criteria sheet for all grant programs: 'Do you have a conflict of interest with this application?' Update policy to include that anyone with conflict of interest will be removed from scoring of that application. Programs will be managed through a centralised grant management system.	31 December 2022
2	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 (see Section 2.2)	Partially agree. Review of Business Assistance Program - assessment criteria to be introduced. Review of Streetscape Scheme – improvements to be made to assessment criteria. Council does currently communicate assessment outcomes and reasons to unsuccessful applicants as noted in the report.	31 December 2022

3	Exclude councillors from assessing and making recommendations on grant applications (see Section 2.2)	Agree. Assessment for each grant program will be conducted by officers and recommendation will be presented to Councillors	31 December 2022
4	Verify that all grant recipients use grant funds for their intended purpose (see Section 2.3)	Agree. Ensure there is an acquittal process and payment milestones requiring substantiation, for all grant programs, sponsorships, donations and other community support.	30 June 2023
5	Evaluate the benefits of: - recurring grants and require recipients to seek future funding through existing competitive grant programs - non-recurring grants (if appropriate) and consider their risks and value (see Sections 2.2 and 2.3)	Partially agree. Review of all community funding and assess suitability to be eligible for Council's grant programs, or other funding programs and controls required.	30 June 2023

6	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 (see Sections 2.2 and 2.3)	Agree. Implement a centralised system to administer Council's grant programs to increase transparency. Ensure that all funding decisions are consistent with Council goals as outlined in the Council Plan and documented as such.	31 December 2022

8	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 (see Section 2.4)	Agree. Council will develop an overarching grant policy to provide a framework for managing council's grant programs and other community financial assistance.	31 December 2022
9	Include grant-related fraud risks in their risk management and fraud and corruption plans and assign responsibility for managing these risks (see Section 2.4)	Agree. Council will include grant-related fraud risks into the risk register and fraud and corruption control plan, along with the assignment of responsibility.	31 December 2022

10	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 (see Section 2.4)	Agree. Council will build these requirements into its existing mandatory training program for staff and councillors.	30 June 2023