

# APPENDIX C

## Scope of this audit

### Objective

To determine whether fraud controls over local government grants are well-designed and operating as intended.

#### Who we examined

A selection of 6 Victorian councils:

- Hume
- Knox
- Loddon
- Southern Grampians
- Warrnambool
- West Wimmera.

#### Their key responsibilities

Councils can distribute public funding to individuals, community groups and businesses through grant programs. The law requires, and communities expect, councils to deliver grant programs with integrity and accountability.

#### What we examined

We looked at a selection of their grant programs from the last 5 years to see if their fraud controls are well-designed and consistently applied.

## How we assessed performance

To form our conclusion against our objective, we used the following lines of inquiry and associated evaluation criteria:

Line of inquiry	Criteria
Councils' fraud and corruption controls over local government grants are well-designed.	<p>Councils:</p> <ol style="list-style-type: none"><li>1. have clearly documented grant management frameworks/processes that cover the life cycle of grants and have clear accountabilities</li><li>2. provide staff who administer grant programs with appropriate training/guidance to be aware of and address fraud and corruption risks, including conflicts of interest</li><li>3. have clear and equitable eligibility criteria for their grant programs that logically relate to the purpose of the grant and are equitably communicated to potential recipients</li><li>4. have grant assessment and approval processes that are transparent, equitable, consistent and clearly communicated to potential recipients</li><li>5. review and evaluate grant programs to assess their outcomes and if they are equitable.</li></ol>
Councils' grant programs are free from fraud and corruption.	<ol style="list-style-type: none"><li>1. Administration of the grant program/s was free from conflicts of interest.</li><li>2. No council officer/councillor received a dishonest benefit associated with the grant program/s.</li><li>3. Grant recipients used grant money in compliance with grant requirements.</li></ol>

## Our methods

As part of the audit we:

- reviewed records from a selection of grant programs across 6 audited councils
- examined councils' policies and training programs
- interviewed grant officers at each council.

We randomly selected 6 councils to achieve a spread of council types and sizes.

The selection of grant programs we looked at is listed in Figure C1. This included reviewing how councils assessed and acquitted 130 applications. We chose the largest-value grant programs and programs that had fraud risk factors, such as having no limit on the amount of funding per applicant.

FIGURE C1: List of grant programs we reviewed

Council	Program	2020–21 spending
Hume	Conserving our rural environment	\$424,480
	Small to medium business quick response	\$985,741
	Event sponsorship	\$20,000
Knox	Community development fund	\$436,066
	Community partnership funding grants	\$2,920,050 <sup>1</sup>
Loddon	Halls and recreation reserves	\$120,898
	Community grants	\$179,931
	Community planning	\$161,559
Southern Grampians	Greater grants program	\$154,640
Warrnambool	Community development fund	\$255,428
	Individual or group assistance fund	\$400
West Wimmera	Community strengthening grants	\$34,175
	Business assistance scheme	\$3,675
	Streetscape scheme <sup>2</sup>	\$0
	Council contributions and donations <sup>3</sup>	\$51,559

Notes: <sup>1</sup>Funding provided over 4 years (2018 to 2022). <sup>2</sup>West Wimmera did not receive any applications for this grant program in 2020–21. <sup>3</sup>West Wimmera recognises these programs as sponsorships or donations that are separate from its 3 formal grant programs.

Source: VAGO, based on data provided by councils.

We also performed data analysis on grant records to identify any matches between council staff and councillor names with grant applicants. This was to identify any potential conflicts of interest that councils did not manage and inform our further inquiries. We did not, and the analysis did not intend to, find any instances of fraud.

We conducted our audit in accordance with the *Audit Act 1994* and ASAE 3500 *Performance Engagements* to obtain reasonable assurance to provide a basis for our conclusion.

We complied with the independence and other relevant ethical requirements related to assurance engagements. We also provided a copy of the report to the Department of Premier and Cabinet.

Unless otherwise indicated, any individuals referred to in this report by name or position are not the subject of adverse comment or opinion.

## Cost and time

The full cost of the audit and preparation of this report was \$725,000. The duration of the audit was 11 months from initiation to tabling.