

Parliamentary Inquiry into Fraud and Corruption Control in Local Government

(Proposed opening statement for 31 March 2025)

Thank you for the invitation to appear before the Public Accounts and Estimates Committee as part of its Inquiry into Fraud and Corruption Control in Local Government.

I have enjoyed a long career involving local government including roles as a Council Chief Executive Officer, Executive Director of Local Government Victoria, Chair of Administrators at Brimbank City Council, Chair of the Victorian Local Government Grants Commission and as a Municipal Monitor at Darebin City Council. I have also sat on a Commission of Inquiry (South Gippsland) and a Local Government Panel (Sunbury/Hume).

Currently I Chair 10 local government Audit and Risk committees and sit as an independent member on 4 more.

In my opinion and experience, instances of fraud and corruption are relatively rare in Victorian local government.

Since local government amalgamations in 1994, 12 councils have been dismissed:

Nillumbik	1998	Central Goldfields	2017
Darebin	1998	South Gippsland	2019
Glen Eira	2005	Casey	2020
Brimbank	2009	Whittlesea	2020
Wangaratta	2013	Moira	2023
Greater Geelong	2016	Strathbogie	2023

In almost every case, the reason for the intervention was a failure of good governance rather than because of fraud or corruption at the council level.

Whilst there have been cases of fraud or corrupt conduct by both councillors and council employees, they have been relatively rare and before recent strengthening of legislation and oversight.

In my opinion, the vast majority of councillors have a genuine desire to serve their communities.

Whilst no case of fraud or corruption is acceptable, there are existing integrity bodies (Auditor-General, Local Government Inspectorate, IBAC) and the Police to deal with them if they occur.

Within councils, audit and risk committees working with internal auditors and management monitor and on a rolling internal audit program basis review and make any appropriate recommendations to improve systems, processes and procedures to reduce risks including risks of fraud and corruption. In my experience audits of such areas as of procurement, contract management, payroll, grants management and planning procedures are increasingly

regular in the internal audit cycle and between audits are closely monitored by audit and risk committees.

The Local Government Act 2020 strengthened the role of audit and risk committees and, policy requirements around key matters such as procurement.

In my opinion the main concern and challenge for the local government sector at an integrity level, is not the risk of fraud and corruption but rather an unfortunate recent increase in bad behaviour, incivility by Councillors towards each other and council staff, breakdowns in relationships between councils and Chief Executive Officers and generally failures by councillors to observe their own codes of conduct. Bad behaviour has a recurring reason for the increased trend for Municipal Monitors to be appointed by the Minister for local Government.

By my count, since 2013 monitors have been appointed 26 times across 19 councils.

In my Darebin Monitors report, I made a number of recommendations to strengthen councillor Codes of Conduct, and I was pleased that they were substantially supported by similar recommendations by the Local Government Inspectorate and IBAC. The Local Government Act 2020 has since been amended.

Thank you

John Watson MAICD