



Government  
Services

# Department of Government Services

**Parliamentary Inquiry into Fraud and Corruption  
Control in Local Government – March 2025**

# Opening Statement outline

- Role of DGS
- Council governance and integrity

# The role of the Department of Government Services

# The role of DGS in local government

- DGS supports the Minister for Local Government by:
  - providing policy advice to government
  - administering the local government legislation on behalf of the Minister for Local Government
  - supporting local government operational integrity
  - administration of the councillor conduct framework concerning councillor behaviour
  - allocating significant Commonwealth financial assistance grants to Victorian councils through the Victorian Local Government Grants Commission
  - providing advice on setting the annual rate cap under the *Fair Go Rates System*
  - administering a range of grant and loan funding programs to support council service and infrastructure delivery
  - administering the Local Government Performance Reporting Framework.
- DGS works with Local Government Inspectorate, IBAC, VAGO and the Victorian Ombudsman to share information that supports policy making and advice to the Minister for Local Government.

# Minister for Local Government powers - *fraud and corruption*

- The Minister for Local Government has specific intervention powers relating to the *governance* of elected councils including:
  - Appointment of a municipal monitor
  - Suspension of councillors
  - Appointment of a commission of inquiry
  - Ministerial referral to integrity agencies
- DGS advises the Minister on the use of these powers.
- It is possible that fraud and corruption are a result of poor governance systems and practices. If this is the case, the Minister could consider making a governance direction, introducing legislation to dismiss a Council, or to make reforms to the legislative and regulatory framework.
- There are legislative thresholds and legal processes the Minister is required to meet before the exercise of any intervention.

# The role of DGS in local government - *fraud and corruption*

- DGS and the Minister are responsible for the appointment of arbiters and members of the Councillor Conduct Panel which comprise the councillor conduct framework under the *Local Government Act 2020*.
- The councillor conduct framework provides a hierarchy for the management of councillor conduct complaints to address different levels of misconduct.
- This includes alleged breaches of the conflict of interest requirements and allegations of directing staff in the exercise of their statutory powers, which could also amount to corrupt conduct or fraud.
- There are processes under the Act to enable the Principal Councillor Conduct Registrar, arbiters and councillor conduct panels to refer matters to the CMI or other integrity agencies where it's considered that the conduct would be more appropriately dealt with by that agency.

# Council governance and integrity

# Recent governance and integrity amendments

- *Local Government Amendment (Governance and Integrity) Act 2024* amended the *Local Government Act 2020*.
- The *Local Government (Governance and Integrity) Regulations 2020* also amended in 2024.
- These amendments are described in the DGS' written submission to the Inquiry.
- The key reforms included:
  - The introduction of **ongoing mandated training for mayors and councillors**
  - The introduction of a **model councillor code of conduct**
  - **stronger powers for the Minister to address councillor conduct**
  - **enhanced enforcement powers of the Chief Municipal Inspector.**



# Local Government Audit and Risk Committees

- Audit and Risk Committees (ARCs) are vital to local government risk management and fraud prevention.
- Clear legislative provisions under the *Local Government Act 2020* provide that the ARC Charter must specify the functions and responsibilities of the ARC. This includes s.54 (2)(c) which requires the ARC to monitor and provide advice on:
  - Risk management; and
  - Fraud prevention systems and controls.
- Councils are responsible for ensuring their Audit and Risk Committees are operating effectively.
- DGS is currently refreshing departmental guidance on Audit and Risk Committees in response to a recommendation by the Auditor-General from their 'Results of 2022-23 Audits: Local Government'.

# Thank you

