



STRATHBOGIE SHIRE COUNCIL

**MINUTES OF A SPECIAL MEETING OF THE STRATHBOGIE SHIRE COUNCIL HELD
ON TUESDAY 2 JULY 2019 AT THE EUROA COMMUNITY CONFERENCE CENTRE
COMMENCING AT 5.00 P.M.**

- Chair:** Amanda McClaren (Mayor) *(Lake Nagambie Ward)*
- Councillors:** Debra Bower *(Lake Nagambie Ward)*
Malcolm Little *(Hughes Creek Ward)*
John Mason *(Seven Creeks Ward)*
Kate Stothers *(Honeysuckle Creek Ward)*
Alistair Thomson *(Mount Wombat Ward)*
Graeme (Mick) Williams *(Seven Creeks Ward)*
- Officers:** Phil Howard - Acting Chief Executive Officer (ACEO)
David Roff - Group Manager, Corporate and Community (GMCC)
Jeff Saker - Group Manager, Community Assets (GMCA) *(attended meeting at 5.09 p.m.)*

BUSINESS

1. Welcome
2. Acknowledgement of Traditional Land Owners
*'I acknowledge the Traditional Owners of the land on which we are meeting.
I pay my respects to their Elders, past and present'*
3. Apologies
Nil.
4. Disclosure of Interests
Nil.
5. Petitions
Nil.

A handwritten signature in black ink, consisting of a stylized, cursive scribble.

6. Reports of Council Officers
 - 6.1 Climate Change
 - 6.2 Infrastructure
 - 6.3 Private Enterprise
 - 6.4 Public Institutions
 - 6.5 Housing and Recreation
 - 6.6 Tourism
 - 6.7 Organisation
7. Urgent Business
8. Closure of Meeting to the Public to consider matters listed for consideration in accordance with Section 89(2)(d) of the Local Government Act 1989
9. Confirmation of 'Closed Portion' Decision/s

An audio recording of this meeting is being made for the purpose of verifying the accuracy of the minutes of the meeting, as per Local Law No. 1 - Meeting Procedure (2014) or as updated from time to time through Council Resolution



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6. REPORTS

6.7 ORGANISATION

6.7.1 Council Response and Proposed Actions to the Victorian Auditor-General's Office Fraud and Corruption Control Audit – Local Government June 2019

Author and Department

Group Manager Corporate & Community / Corporate & Community

Disclosure of Conflicts of Interest in relation to advice provided in this report

The author of this report and officers/contractors providing advice in relation to this report do not have a direct or indirect interest, as provided in accordance with the *Local Government Act 1989*.

Summary

The Victorian Auditor-General's Office (VAGO) recently released an audit report on Fraud and Corruption Control in Local Government. Strathbogie Shire Council was randomly selected with three other Councils (Shepparton, Wyndham and Wellington) to participate in the audit. The findings were released on 19 June 2019 on VAGO's website and were made available to the public and media. The full report can be found on <https://www.audit.vic.gov.au/report/fraud-and-corruption-control-local-government>

The report highlighted a number of transactions for Strathbogie that were not aligned with policy or formal guidelines. Even though VAGO found no fraud or corruption, they did document in detail failings in process and management of expenditure and authorisation.

At a Special Council Meeting held on 25 June 2019 Council suspended standing orders to hear from concerned ratepayers and the general public. The comments made on the night reinforced the negative feelings of the community in relation to a number of the findings contained in the audit report.

Council is taking the report and findings very seriously. In this regard Council now wishes to put in place an action plan to address all of the concerns contained in the report and demonstrate to the community that the organisation is committed to change and to repairing the reputational damage.

The action plan, if resolved, will be carefully monitored and appropriately and regularly reported to the Audit Committee and Council. This action plan will be consistent and complimentary with the agreed action plan contained within the VAGO audit report. This report will also be properly overseen by Council.

The full Council action plan is contained in the recommendation below and the VAGO action plan that is contained in their report is attached to this report.

6.7.1 Council Response and Proposed Actions to the Victorian Auditor-General's Office Fraud and Corruption Control Audit – Local Government June 2019 (cont.)

RECOMMENDATION

That Council:

1. confirms it has accepted the resignation of the current Chief Executive Officer (CEO), Steve Crawcour, effective on 27 June 2019.
2. appoints Phil Howard as Acting CEO until the appointment of the permanent CEO (envisaged to happen later this year) or for no more than a 12 month period as per Section 94 (4A) of the *Local Government Act 1989*.
3. confirm that the remuneration for the Acting CEO will be as per his current terms and conditions with an additional allowance equivalent to \$20,000 per annum for the period of Acting as the CEO.
4. endorse the following further process improvements (above those recommended by VAGO and agreed by the CEO):
 - a. That the CEO expenses be approved by the Group Manager Corporate & Community.
 - b. That the Mayor expenses to be approved by the CEO.
 - c. That Councillors expenses to be approved by the CEO.
 - d. That the Councillors, CEO and Mayor expenses to be authorised by the Audit Committee and details of the expenses and result of Audit Committee review to be attached to Audit Committee Minutes for noting by Councillors, subject to review of the Audit Committee Charter and consultation with the Audit Committee.
 - e. That all purchase of gifts for suppliers is prohibited immediately.
 - f. That all staff and Councillors be advised that it is prohibited to seek reimbursement for the purchase of alcohol under any circumstances (as per the updated CEO Directive).
 - g. That Council direct the Acting-CEO to review the financial contribution towards the private use of Council motor vehicles with the view to adopting a consistent policy.
 - h. notes the Councillor (in response to the parking fine) has recompensed Council and agrees to only submit expenses that are consistent with the Councillors' Expense Entitlement Policy.

6.7.1 Council Response and Proposed Actions to the Victorian Auditor-General's Office
Fraud and Corruption Control Audit – Local Government June 2019 (cont.)

RECOMMENDATION (cont.)

- i. That the Councillor (in relation to the telephone expenses) repays the total amount claimed, as per the VAGO report, which is \$3,474.23 less payment received of \$328, equalling \$3,146.23. In addition that the Councillor agrees only to submit expenses that are consistent with the Councillors' Expense Entitlement Policy.
5. after the Special Meeting of the Audit Committee (date to be confirmed), meet with Council's Audit Committee to discuss these changes, any further recommendations they may have and review the current Charter.
6. direct the Acting-CEO to review the Corporate Purchasing Card Policy with the aim of minimising the number of Corporate Cards in the organisation, including identifying essential requirements and best practice.
7. ensures that disclosure of all Councillor expenses and Mayoral expenses for 2016/17 and 2017/18 to be disclosed as well as category classification required by legislation. Historical and future Councillor expenses will be posted on the website as per the VAGO recommendation 11.
8. prohibits immediately the selling of council property to staff or Councillors.
9. endorse VAGO recommendations and action plan contained in the Fraud and Corruption Control in Local Government report (as attached).
10. request a further meeting with VAGO in 12 months to review the actions undertaken by Council and the effectiveness of them.
11. insists on high integrity in its operations and elected Council, and meeting all probity expectations that the community have. It is hoped that these actions are a step forward to achieving this.

6.7.1 Council Response and Proposed Actions to the Victorian Auditor-General's Office Fraud and Corruption Control Audit – Local Government June 2019 (cont.)

CRS MASON/WILLIAMS -

Amendment:

RECOMMENDATION

That Council:

1. confirms it has accepted the resignation of the current Chief Executive Officer (CEO), Steve Crawcour, effective on 27 June 2019.
2. appoints Phil Howard as Acting CEO until the appointment of the permanent CEO (envisaged to happen later this year) or for no more than a 12 month period as per Section 94 (4A) of the *Local Government Act 1989*.
3. confirm that the remuneration for the Acting CEO will be as per his current terms and conditions with an additional allowance equivalent to \$20,000 per annum for the period of Acting as the CEO.
4. endorse the following further process improvements (above those recommended by VAGO and agreed by the CEO):
 - a. That the CEO expenses be approved by the Group Manager Corporate & Community.
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 - c. That Councillors expenses to be approved by the CEO.
 - d. That the Councillors, CEO and Mayor expenses to be authorised by the Audit Committee and details of the expenses and result of Audit Committee review to be attached to Audit Committee Minutes for noting by Councillors, subject to review of the Audit Committee Charter and consultation with the Audit Committee.
 - e. That all purchase of gifts for suppliers is prohibited immediately.
 - f. That all staff and Councillors be advised that it is prohibited to seek reimbursement for the purchase of alcohol under any circumstances (as per the updated CEO Directive).
 - g. That Council direct the Acting-CEO to review the financial contribution towards the private use of Council motor vehicles with the view to adopting a consistent policy.

6.7.1 Council Response and Proposed Actions to the Victorian Auditor-General's Office
Fraud and Corruption Control Audit – Local Government June 2019 (cont.)

RECOMMENDATION (cont.)

- h. notes that the Councillor (in response to the parking fine) has recompensed Council, as per the VAGO report, and agrees to only submit expenses that are consistent with the Councillors Expense Entitlement Policy.
 - i. notes that the Councillor (in relation to the telephone expenses) has recompensed Council, as per the VAGO report, and agrees to only submit expenses that are consistent with the Councillors Expense Entitlement Policy.
5. after the Special Meeting of the Audit Committee on Thursday 4 July 2019, meet with Council's Audit Committee to discuss these changes, any further recommendations they may have and review the current Charter.
 6. direct the Acting-CEO to review the Corporate Purchasing Card Policy with the aim of minimising the number of Corporate Cards in the organisation, including identifying essential requirements and best practice.
 7. ensures that disclosure of all Councillor expenses and Mayoral expenses for 2016/17 and 2017/18 to be disclosed as well as category classification required by legislation. Historical and future Councillor expenses will be posted on the website as per the VAGO recommendation 11.
 8. prohibits immediately the selling of council property to staff or Councillors.
 9. endorse VAGO recommendations and action plan contained in the Fraud and Corruption Control in Local Government report (as attached).
 10. request a further meeting with VAGO in 12 months to review the actions undertaken by Council and the effectiveness of them.
 11. insists on high integrity in its operations and elected Council, and meeting all probity expectations that the community have. It is hoped that these actions are a step forward to achieving this.
 12. that all Councillors agree to submit expenses that are only consistent with the Councillors Expense Entitlement Policy.
 13. that the \$21,700 of the former executive's rent reimbursement is referred to the internal Auditor for investigation.

36/19

ON BEING PUT, THE AMENDMENT BECAME THE MOTION

37/19

ON BEING PUT, THE MOTION WAS CARRIED

6.7.1 Council Response and Proposed Actions to the Victorian Auditor-General's Office Fraud and Corruption Control Audit – Local Government June 2019 (cont.)

Background

VAGO commenced preparation of the Fraud and Corruption Control in Local Government report in November 2018 and released its findings 19 June 2019. The full report is available on VAGO's website (see summary section for link).

In conclusion VAGO found that there are gaps in the fraud and corruption controls at the audited councils and in some cases important controls are not working. 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. While VAGO did not find fraud or corruption in the transactions they examined, they identified:

- expenditure where it was unclear to us how residents and ratepayers benefited
- practices that may not meet public expectations
- non-compliance with legislative requirements aimed at ensuring transparency over council practices to their communities and regulators.
- 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.

Alternative Options

Council considers there is no alternative but to respond strongly (as per the recommendations in this report) to the findings of the VAGO report.

Risk Management

Unless addressed adequately, there is a high risk of reputational damage to Council and the possibility of controls not being satisfactory and best practice to stop fraud and corruption.

Strategic Links – policy implications and relevance to Council Plan

The author of this report considers that the report is consistent with Council Policies and key strategic documents.

Best Value / National Competition Policy (NCP) / Competition and Consumer Act 2010 (CCA) implications

The author of this report considers that the report is consistent with Best Value, National Competition Policy and Competition and Consumer Act requirements.

Financial / Budgetary Implications

The cost of the proposed actions will be contained in current budget allocations.

Economic Implications

The author of this report considers that this will not have any major economic implications.

Environmental / Amenity Implications

N/A.

6.7.1 Council Response and Proposed Actions to the Victorian Auditor-General's Office
Fraud and Corruption Control Audit – Local Government June 2019 (cont.)

Community Implications

The purpose of this report is to try and address the issues and concerns of the community in relation to the findings in the VAGO report.

Victorian Charter of Human Rights and Responsibilities Act 2006

The author of this report considers that the recommendation is consistent with human rights under the *Victorian Charter of Human Rights and Responsibilities Act 2006*.

Legal / Statutory Implications

Any relevant statutory obligations are governed by the *Local Government Act 1989*.

Consultation

The Audit Committee will be consulted over any relevant changes under their Charter.

Attachments

- Action Plan specific to VAGO recommendations (as contained in the full report).



RESPONSE provided by the CEO, Strathbogie—continued

OFFICIAL: Sensitive

Council statement: Strathbogie is appreciative of its inclusion in this thorough audit process undertaken by VAGO. Council's policies and procedures relating to fraud and corruption control have been (or will be) updated as detailed in the table appearing below.

Notwithstanding that only 4 councils were randomly selected to participate in the audit process, all Victorian councils will benefit from reviewing their policies and procedures by reference to VAGO's recommendations and conclusions contained in this audit report.

No	VAGO recommendation	Action	Completion date
1	Require councilors to certify that their expense claims are incurred in the context of relevant legislative provisions. Councils must require councilors to provide stronger evidence to support their claims, in particular for mileage reimbursements, including records pertaining to the claim and details of the business reason and who benefited from the expense.	Agreed. Review current policy, guidelines and templates against best practice in Local Government with help and assistance from Council's audit committee and internal auditors. Audit Committee to formally endorse and then Council adopt.	30 November 2019
2	Review and update fuel card policy guidance to clearly outline fraud and corruption controls, and require staff to confirm that they understand the terms of use and consequences for misuse.	Agreed. Review current policy, guidelines and templates against best practice in Local Government. Implement new CEO directive and audit requirement and ensure staff are adequately trained and confirm their understanding.	31 December 2019
3	Review credit card policies and improve controls to ensure only allocated cardholders use their cards and there is appropriate segregation of duties over expenditure approvals.	Agreed. New policy and controls drafted for Audit Committee discussion and endorsement on 31 May 2019. Then to Council for adoption in July 2019.	31 July 2019
4	Ensure the council's Chief Financial Officer or equivalent approves CEO expenditure and reports all expenditure by, or on behalf of, the CEO to the Audit and Risk Committee and/or the council for periodic review.	Agreed. Policies to be amended to have a Director/Group Manager approve the CEO's expenses, and audit committee to review quarterly. Note: The Chief Financial Officer is a third level staff member who is employed by the CEO. To mitigate any risk for the organisation it is felt more appropriate that the Director / Group Manager signs off on the CEO's expenditure and then report it to the Audit Committee.	31 August 2019
5	Document and develop formalised reporting over credit and fuel card use and incorporate, where appropriate, data analytics to identify anomalies.	Agreed. Implement controls and reporting as recommended. CEO directive to be developed with help from internal auditors.	31 December 2019
6	Improve fuel card controls by: <ul style="list-style-type: none"> • assigning each fuel card to a specific vehicle or equipment • maintaining accurate motor vehicle and fuel card listings • updating cardholder names with fuel suppliers when the council reassigns a vehicle and fuel card to another employee • collecting fuel transactions data as accurately as possible, including odometer readings • having regular, routine processes to monitor fuel card use conducting data analytics over fuel card transactions • conducting periodic internal audits on fuel cards. 	Agreed. As above plus we are in the process of reviewing fleet management processes to allocate responsibility and improve accountability.	31 December 2019

OFFICIAL: Sensitive

RESPONSE provided by the CEO, Strathbogie—continued

OFFICIAL: Sensitive

7	Review, and as necessary revise, council policies on the purchase and reimbursement of meals and alcohol considering community perceptions, and require, for transaction approval, clear evidence of the community benefit from this expenditure and appropriate supporting documentation	Agreed. New discretionary guidelines implemented and educated to staff in February 2019. Also refer recommendation 3 in relation to Credit Cards.	Partially done and by 30 June 2019
8	Ensure that annual reports accurately capture expenses relating to senior management remuneration packages including vehicle contribution amounts	Agreed.	To be completed by 30 June 2019
9	Ensure all council staff and councillors receive fraud and corruption awareness training at least every two years	Agreed. Human Resources department to manage and diarise for all staff.	Done
10	Develop or maintain fraud and corruption incident registers to accurately record suspected incidents of fraud and corruption, their handling, and all relevant supporting documentation	Agreed and completed in May 2019.	Done
11	Publish councillor expenses for the 2017–18 year on their websites immediately and ensure their 2018–19 annual reports comply with Local Government (Planning and Reporting) Regulations 2014	Agreed.	To be completed by 30 June 2019
12	Cease all sales and the provision of vehicles to council staff as part of exit packages.	Agreed. HR and senior management have been advised that this practice is now prohibited.	Done

OFFICIAL: Sensitive

5.35 p.m.

CRS STOTHERS/THOMSON -

Motion:

That Standing Orders be suspended for thirty (30) minutes to allow community members the opportunity to raise questions with Councillors in relation to the recently released Victorian Auditor-General's Office (VAGO) report into Fraud and Corruption Control in Local Government

38/19

ON BEING PUT, THE MOTION WAS CARRIED

6.05 p.m.

CRS WILLIAMS/MASON -

Motion:

That Standing Orders be resumed.

39/19

ON BEING PUT, THE MOTION WAS CARRIED

7. URGENT BUSINESS

Nil.



8. CLOSURE OF MEETING TO THE PUBLIC TO CONSIDER MATTERS LISTED FOR CONSIDERATION IN ACCORDANCE WITH SECTION 89(2) OF THE LOCAL GOVERNMENT ACT 1989

6.07 p.m.

CRS MASON/WILLIAMS –

That Council, in conformance with Section 89(2) of the Local Government Act 1989, resolve to close the meeting to members of the public for the purpose of considering items relating to:-

- **Ground(s) under section 89(2):**
89(2)(d) *Contractual Matters*

C.P. 1 Nagambie Bowls Club

- Supply and Installation of Synthetic Turf

40/19

ON BEING PUT, THE MOTION WAS CARRIED

6.25 p.m.

Councillor Williams left the meeting.

6.27 p.m.

Cr Williams returned to the meeting.

6.30 p.m.

CRS THOMSON/LITTLE -

That Council open the meeting to members of the public and resume normal business.

43/19

ON BEING PUT, THE MOTION WAS CARRIED

9. CONFIRMATION OF 'CLOSED PORTION' DECISION/S

Closed Portion Decision/s -

C.P. 1 Nagambie Bowls Club
- Supply and Installation of Synthetic Turf

CRS STOTHERS/THOMSON -

Amendment:

RECOMMENDATION

1. That Council works with Sports Victoria to devolve the Community Sports Infrastructure grant to Nagambie Bowls Club.
2. That once this occurs, Council agrees to work with the Nagambie Bowls Club to ensure the grant requirements are met.
3. That in the event that Sports Victoria does not agree, Council embark on a tender process.

41/19

ON BEING PUT, THE AMENDMENT BECAME THE MOTION

42/19

ON BEING PUT, THE MOTION WAS CARRIED

RECOMMENDATION

CRS BOWER/STOTHERS -

That the decision/s of Council's 'Closed Portion' considerations be confirmed.

44/19

ON BEING PUT, THE MOTION WAS CARRIED

THERE BEING NO FURTHER BUSINESS, THE MEETING CLOSED AT 6.31 P.M.

Confirmed as being a true and accurate record of the Meeting


.....
Chair

.....16.07.19.....
Date



