

### 3 AUGUST 2020 ACTION PLAN UPDATE – RESPONSE TO VICTORIAN AUDITOR GENERAL’S OFFICE (VAGO) FRAUD & CORRUPTION AUDIT 2019

#### Questions?

If you would like to ask questions about the VAGO report and this action plan, or meet with Officers working on the actions please contact Council on 1800 065 993.

The following plan combines the actions from:

1. the Victorian Auditor General’s Report ‘Fraud and Corruption Control - Local Government, June 2019’
2. Council resolutions at its Special Meeting of 2 July 2019
3. Council’s Audit Committee recommendations from its 5 July 2019 meeting
4. Input from the internal working group formed to implement this plan.

| VAGO RECOMMENDATION  | WHAT WE WILL DO                           | TIMELINE | CURRENT STATUS  | PROOF WE HAVE DONE THE WORK   |
|--|---|----------|---|---|
| 1. Require councillors to certify that their expense claims are incurred in the context of relevant legislative provisions. Councils must require councillors 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. | Revise the Councillor Expenditure Policy. |          | <p><b>Completed</b></p> <p>New Councillor Support, Resources, Expenditure and Reimbursement Policy 2019 adopted by Council 15 October 2019.</p> <p>Both policies require strong evidence to support claims and new forms are attached to the policies.</p> <p>The Audit Committee received the first quarterly report of Councillor expenses at its 20 December 2019 meeting.</p> | <p>Audit Committee minutes from 12 September 2019</p> <p>Council minutes for 15 October 2019</p> <p>Audit Committee minutes from 20 December 2019</p> |

| VAGO RECOMMENDATION   | WHAT WE WILL DO  | TIMELINE  | CURRENT STATUS   | PROOF WE HAVE DONE THE WORK   |
|---|--|---|--|---|
| 2. 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. | Review the Purchasing Card policy for review by the Audit Committee and adoption by Council. | Purchasing Card Policy 2019 adopted by Council at its 15 October 2019 meeting.<br>Financial delegations reviewed to reduce the number of corporate purchasing cards by 8. | <b>Completed</b>   | Audit Committee minutes from 12 September 2019<br><br>Council Minutes 15 October 2019   |
| 3. Document and develop formalised reporting over credit and fuel card use and incorporate, where appropriate, data analytics to identify anomalies.                                | Include details of reporting and auditing processes in all reviewed policies.                |   | <b>Completed</b><br>The Councillor Support, Resources, Reimbursement and Reporting of Expenses Policy 2019 and Purchasing Card Policy 2019 were adopted by Council on 15 October 2019.<br>Both include a section on monthly random audits and quarterly reports to the Audit Committee.<br><br>The Motor Vehicle CEO Directive was approved on 7 February 2020 and includes a new section around the use and auditing of fuel cards.<br>The Audit Committee received the first quarterly report of CEO purchasing card transactions at its 20 December 2019 meeting. | Audit Committee meeting minutes from 12 September 2019<br><br>Council Minutes 15 October 2019<br><br>Audit Committee minutes 20 December 2019 |

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| <p>4. Improve the Fleet Policy's fuel card controls by:</p> <ul style="list-style-type: none"> <li>• requiring staff to confirm they understand the terms of use and consequences of misuse</li> <li>• assigning each fuel card to a specific vehicle or equipment</li> <li>• maintaining accurate motor vehicle and fuel card listings</li> <li>• updating cardholder names with fuel suppliers when the council reassigns a vehicle and fuel card to another employee</li> <li>• collecting fuel transaction data as accurately as possible, including odometer readings</li> <li>• having regular, routine processes to monitor fuel card use</li> <li>• conducting data analytics over fuel card transactions</li> <li>• conducting periodic internal audits on fuel cards as a fraud and corruption control.</li> </ul> <p>Also review the Policy's requirements for staff contributions towards private use of vehicles and to ensure equity and consistency.</p> | <p>Revise the Fleet Management Policy and its fuel card provisions for review by the Audit Committee and adoption by Council.</p> |          | <p><b>Completed</b></p> <p>The new Motor Vehicle CEO Directive was approved on 7 February 2020.</p> <p>A new section on fuel card use has been inserted to clearly identify roles and responsibilities.</p> <p>The Directive also includes new systems for the monthly auditing of fuel card use.</p> <p>Staff contributions have also been reviewed to ensure equity and consistency, while being benchmarked against other like Councils.</p> |                             |

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|--|--|----------|--|--|
| <p>5. 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.</p> | <p>The Discretionary Expenditure Guide has been amended in response to this recommendation. Staff alcohol expenses are not to be reimbursed under any circumstances.</p>   |          | <p><b>Completed</b><br/>The adopted Councillor Expenditure Policy 2019 and Purchasing Card Policy 2019 prohibit the purchase of alcohol and limit the purchase of meals. A revised CEO Directive for Cash Handling and Receipting prohibits the reimbursement of expenses related to the purchase of alcohol and states meals cannot be reimbursed through this means.</p> | <p>Revised Discretionary Expenditure Guide published February 2019<br/>Doc 395119</p> <p>Audit Committee meeting minutes from 12 September 2019</p> <p>Council Minutes 15 October 2019</p> |
| <p>6. Ensure that annual reports accurately capture expenses relating to senior management remuneration packages including vehicle contribution amounts.</p>   | <p>Expenses have been calculated and presented for the 2016-17 and 2017-18 Annual Reports as specified by the Local Government Act (Planning and Reporting) Regulations 2014. Calculations will be posted on the website once independently and approved by the Audit Committee.</p> |          | <p><b>Completed</b><br/>The Annual Report 2018-19 was adopted by Council at its 15 October 2019 meeting and provides a detailed breakdown of councillor expenses and incorporates the required notation relating to vehicle contributions by senior management remuneration packages.</p>  | <p>Calculations signed off by AFS and Associates, Council's internal auditors, on 26 August 2019.</p> <p>Council Minutes 15 October 2019</p>   |

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|---|--|----------|---|---|
| 7. Ensure all council staff and councillors receive fraud and corruption awareness training at least every two years.   | Diarise training for all staff and Councillors.<br>Ensure fraud and corruption training is part of the Councillor Induction process following elections and for staff when they commence employment with the Shire.  |          | <b>Completed</b>  | Training diarised through the online education portal for staff through the Human Resources database.   |
| 8. Develop or maintain fraud and corruption incident registers to accurately record suspected incidents, their handling, and all relevant supporting documentation.                               | Develop a register and procedures as to how this is to be managed, which may require amendments to Council's Fraud Policy.   |          | <b>Completed</b><br>Register created. Template for the register reviewed and noted by the Audit Committee on 12 September 2019.   | Register created in Infowise 8 May 2019 - folder 31935 and document 588435<br><br>Audit Committee Minutes 12 September 2019   |
| 9. 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. | Expenses will be calculated and presented for the 2016-17 and 2017-18 Annual Reports as specified by the Local Government Act (Planning and Reporting) Regulations 2014.<br>Calculations will be posted on the website once independently and approved by the Audit Committee.<br>In future summaries of Councillor expenses will be reviewed and authorised by Audit Committee in accordance with policy. |          | <b>Completed</b><br>The Audit Committee reviewed and recommended the publication of Councillor expenses for 2016-17, 2017-18 and 2018-19 at its extra ordinary meeting on 22 November 2019.<br>The Audit Committee received and reviewed the first quarterly report of Councillor expenses at its 20 December 2019 meeting. | Calculations signed off by AFS and Associates, Council's internal auditors, on 26 August 2019.<br><br>Calculation methodology referred to VAGO in a letter dated 17 October 2019 for their review and comment.<br><br>Audit Committee Minutes for 22 November 2019 and 20 December 2019 meetings. |

**ADDITIONAL COUNCIL AND AUDIT COMMITTEE RECOMMENDATIONS**

| <b>RECOMMENDATION</b>   | <b>WHAT WE WILL DO</b>  | <b>TIMELINE</b> | <b>CURRENT STATUS</b>   | <b>PROOF WE HAVE DONE THE WORK</b>   |
|---|---|-----------------|---|--|
| 10. Cease all sales and the provision of vehicles to council staff as part of exit packages.  | Immediately cease this practice.  |                 | <b>Completed</b>  | Management Team directed by CEO to prohibit practice June 2019.  |
| 11. Letter and copy of the plan to be sent to Auditor General once the Audit Committee and Council has considered, and agreed to, the Action Plan.            |   |                 | <b>Completed</b><br>Letter sent 21 October 2019.  | Draft action plan considered by the Audit Committee 12 September 2019 and approved for distribution to the Auditor General. Council endorsed the Audit Committee recommendations at its 15 October 2019 meeting.<br><br>Council Minutes 15 October 2019. |
| 12. Draft a communications plan once the Council policies have been reviewed to adopt best practice in the provision of information and community engagement. | Create a VAGO Action Plan link on Council's website. Provide regular updates on progress of this Action Plan and links to relevant Council policies and procedures as they are adopted. |                 | <b>Completed</b><br>Link to VAGO Action Plan created and action plan updates to be provided as work is completed. |  |

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|--|------------------------|-----------------|---|---|
| <p>13. Audit Committee to review whether the number of independent members be increased from 3 to 4 at its September meeting.</p>  |                        |                 | <p><b>Completed</b><br/>The Audit Committee's recommendations that Council increase the number of independent representatives from three to four and the number of Councillor representatives from one to two formed the basis of a resolution by Council on 15 October 2019.</p>   | <p>Audit Committee Meeting Minutes 12 September 2019<br/><br/>Council Minutes 15 October 2019</p> |
| <p>14. Internal audit implications:</p> <ul style="list-style-type: none"> <li>• ensure there is an annual credit card audit</li> <li>• AFS to employ data analytics in forthcoming audits</li> <li>• VAGO actions to be added to audit status report</li> <li>• undertake a fleet management audit as a priority</li> <li>• review audit budget and program.</li> </ul> |                        |                 | <p><b>Completed</b><br/>An annual purchasing card audit has been placed on the internal audit program for the next three years. AFS to use data analytics in forthcoming fleet management and purchasing card audits in 2019-20. Fleet management policy scheduled for 19-20 February 2020. The audit program for the next three years was endorsed by the Audit Committee at its 20 December 2019 meeting.</p> | <p>Audit Committee minutes 20 December 2019</p>   |

| ADDITIONAL COUNCIL AND AUDIT COMMITTEE RECOMMENDATIONS   |   |  |                  |   |
|--|---|--|------------------|---|
| RECOMMENDATION   | WHAT WE WILL DO   | TIMELINE   | CURRENT STATUS   | PROOF WE HAVE DONE THE WORK   |
| 15. Reimbursement of senior executive rental costs referred to the Auditor General and investigated by the internal auditors, AFS.   |   |  | <b>Completed</b> | Council Minutes 15 October 2019 (Confidential Item)<br>The rental costs have been repaid and recovered in full. |
| 16. Arrange meeting with Audit Committee following the Special Meeting of the Audit Committee on 4 July 2019 to discuss any other recommendations and to review the Committee's Charter. | Review Audit Committee Charter to include new responsibilities around review and authorisation of CEO, Mayor and Councillor expenses. | Meeting held 12 September 2019   | <b>Completed</b> | Audit Committee Minutes 12 September 2019<br><br>Council Minutes 15 October 2019                                |
| 17. Meeting with VAGO on actions taken in response to audit by 1 July 2020.  |   | 3 August 2020  | <b>Completed</b> | Virtual meeting held with three VAGO representatives 3 August 2020  |
| 18. Refer former senior executive's rent reimbursement to AFS (Council's internal auditor) for investigation and report back to Council.   |   | Advice received from AFS and Associates 19 July.<br>Matter considered through a confidential item to Council on 15 October 2019. | <b>Completed</b> | Council Minutes 15 October 2019 (confidential item)   |

**ADDITIONAL COUNCIL AND AUDIT COMMITTEE RECOMMENDATIONS**

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|---|---|-----------------|---|---|
| 19. Review Petty Cash Spend CEO Directive | Reinforce amendments to the Discretionary Expenditure Policy prohibiting purchase of alcohol and around the reimbursement of meals. |                 | <p><b>Completed</b></p> <p>The revised CEO Directive for Cash Handling and Receipting was approved on 3 October 2019 after being endorsed by the Executive Management Team on 28 August 2019 and noted by the Audit Committee on 12 September 2019.</p> <p>The Directive prohibits the reimbursement of expenses related to the purchase of alcohol and states meals cannot be reimbursed through this means.</p> | Audit Committee Minutes 12 September 2019 |

**ADDITIONAL COUNCIL AND AUDIT COMMITTEE RECOMMENDATIONS**

| <b>RECOMMENDATION</b>                          | <b>WHAT WE WILL DO</b>  | <b>TIMELINE</b>   | <b>CURRENT STATUS</b>   | <b>PROOF WE HAVE DONE THE WORK</b>   |
|--|---|---|---|--|
| 20. Review disposal of Council Property Policy | Review policy to: <ul style="list-style-type: none"> <li>• prohibit 'gifting' or selling of Council property (eg cars, IT equipment) to staff or Councillors</li> <li>• avoid Council being a part of the transaction to dispose property.</li> </ul> |   | <b>Completed</b><br>The new Disposal of Council Assets Policy was approved by the Audit Committee at its meeting of 22 November 2019 and adopted by Council at its 17 December 2019 meeting. The policy includes a clause specifically around gifting or selling of cars to staff, Councillors or contractors unless the item is to be sold via public auction undertaken by an independent third party (eg an auctioneer). | Audit Committee Minutes for the 22 November 2019 meeting and minutes for the 17 December 2019 Council meeting. |
| 21. Review Gifts Policy                        | Broaden policy to explicitly prohibit the purchase of gifts by Shire staff or Councillors for suppliers (such as meals and hospitality).  | Draft policy to be submitted to Council for consideration in December 2019. | <b>Completed</b><br>A new Gifts, Benefits and Hospitality Policy 2019 was approved by the Audit Committee at its meeting of 22 November 2019 and adopted by Council at its 17 December 2019 meeting. The new policy includes provisions around supplier and public tender / expression of interest processes, linking the prohibition of gifts/hospitality to and from suppliers to staff or Councillors.                   | Audit Committee Minutes for the 22 November 2019 meeting and minutes for the 17 December 2019 Council meeting. |

## SUMMARY OF PROGRESS

|                   |    |
|-------------------|----|
| Actions completed | 21 |
| Actions underway  | -  |