




Speech By
Glenn Butcher

MEMBER FOR GLADSTONE

Record of Proceedings, 17 March 2016

INFRASTRUCTURE, PLANNING AND NATURAL RESOURCES COMMITTEE

Report, Motion to Take Note

 **Mr BUTCHER** (Gladstone—ALP) (3.52 pm): I rise to speak to report No. 17 of the Infrastructure, Planning and Natural Resources Committee titled *Consideration of the Queensland Audit Office report to parliament 19 for 2014-15: fraud management in local government*. The Queensland Audit Office report found the following—

The most common types of fraud committed against councils are the misappropriation of council assets including theft, and corruption by employees who use their positional authority or their access to information for personal benefit. Corruption can involve preferential treatment in the allocation of work, receiving gifts, kickbacks or bribes from suppliers to council employees or elected officials, or unauthorised disclosure of council information to third parties.

The report stated further that it is considered—

... a serious threat to councils because it is difficult to detect and can create the most financial and reputational damage.

The report stated further—

Councils have a high inherent risk of corruption because of the high volume of goods and services they procure from local suppliers and their proximity to those suppliers.

As a result, councils have to be particularly vigilant in their procurement practices. Some local councils have only limited resources by which they can check for fraud. As the member for Burleigh mentioned, the Queensland Audit Office sent out a survey to 77 councils. Fifty-five of those councils responded to the survey, 11 councils partially responded to the survey, and 11 councils did not even bother to respond to the survey. During the committee hearing the Queensland Audit Office was questioned about that matter at length. The Queensland Audit Office did not know why those councils had not put in a response to the survey. Those councils that did not respond were small councils located in regional Queensland. That is quite concerning because, as we talked about during the committee process, these councils have the highest risk of this type of fraud occurring.

The committee discussed the issue that matters referred to in the Queensland Audit Office report were not addressed: there was still fraud happening in some of our councils that was not being reported, these councils were not reporting that fraud and there was no detail as to how that fraud could be stopped. In its report the Queensland Audit Office made the following recommendations—

1. The Department of Infrastructure, Local Government and Planning pursue amendment of the Local Government Regulation 2012 and the City of Brisbane Regulation 2012 to require:
 - loss as a result of fraud to be a reportable loss to the Auditor-General and to the Minister responsible for local government
 - councils to keep written records of alleged and proven losses arising from fraud.
2. All councils assess themselves against the findings in this report as a priority and where needed develop, revise or update their:

- policies and procedures for fraud and corruption management
- fraud and corruption control plans
- fraud risk assessments
- data analytics capability for fraud detection.

It is vitally important for councils to have good systems in place to detect and record instances of fraud. The regulatory changes, as recommended, will provide a consistent framework for reporting loss as a result of fraud and better record keeping. I take on board the comments of the chair of the committee, the member for Mirani. In terms of fraud in local councils, not only do the ratepayers lose out because they have to replace the money that has been taken through fraud but also it affects the credibility of councillors.