



MEDIA STATEMENT

Changes Urged to Tackle Corruption Risks in Local Government

26 February 2015

A Corruption and Crime Commission report, tabled by the Minister for Local Government in State Parliament today, calls for greater external oversight of procurement by Western Australian local governments in order to combat “systemic weaknesses” identified across that sector. Those weaknesses currently leave the sector vulnerable to fraud, corruption and misconduct.

The Minister described the Commission’s report as a “wake-up call”.

The report references case studies of Commission investigations relating to procurement that “demonstrate how the processes of local governments can be exploited by employees, suppliers and contractors, to obtain benefits dishonestly”.

It also relies on an independent external audit by RSM Bird Cameron on the risk management of five of Western Australia’s largest metropolitan local governments. The audit found that all five councils had procurement policies and internal audits but had not identified their key fraud and misconduct risks.

The audit identified specific weaknesses in financial governance related to procurement in some Cities but not others.

In its analysis the Commission said a whole-of-sector approach with a focus on prevention was needed.

The Commission recommended that the jurisdiction of the Auditor General be extended to specifically include local government, thus bringing Western Australia into line with Queensland, South Australia, Tasmania and Victoria. The proposed change echoes previous recommendations made by the Public Accounts Committee in 2006.

The power of external auditing is demonstrated by the results of the independent audit obtained by the Commission.

The Commission also recommends that the Department of Local Government and Community actively oversee internal risk management reviews prepared by local governments to ensure they include effective assessment of misconduct risks arising from procurement, and clearly identify mechanisms to reduce those risks.

The proposed new measures would complement recent improvements to internal risk management that local government CEOs are required to undertake – and combat

the risk posed if the CEO is the person engaging in misconduct, as has occurred in the past.

The report details case studies of local government misconduct in procurement as follows.

- A Building Coordinator operating in “an environment of unqualified trust” who colluded with building contractors to fraudulently obtain financial benefits for himself in excess of \$600,000 including work on an extension to his home, two vehicles, three tractors, a bobcat and overseas travel.
- A Maintenance Officer who owned a private company to which a Town unknowingly paid more than \$46,000 for work that was either not done, carried out by another contractor, or was performed by the Officer himself during work hours. There was no independent verification that the work was done.
- A former CEO who fraudulently obtained more than \$41,000 worth of goods, services and money over a two-year period by using his corporate credit card for private expenditure including veterinary bills, clothes and airfares; making “payments” to a fictitious business while directing the funds to his personal account; and creating and paying false invoices.
- State and local government employees who acted outside procurement policies and arrangements in spending at least \$620,000 over a three-year period purchasing toner cartridges with a group of related companies. The companies provided many of the employees with gifts and used unethical sales techniques. The same toner would have cost \$415,000 less if procurement policies had been applied.
- A former CEO who spent more than \$1 million on software from a company, despite having authorisation to spend only \$200,000, and who received a range of gifts and benefits from the software company including a business class flight to London to attend a conference (where he delivered a paper) and tickets to cricket at Lords in London.
- An employee awarded work valued at more than \$56,000 to a favoured contractor without obtaining quotes, and another who provided information about competing quotes to businesses owned by his personal associates so they could quote slightly less.

These case studies demonstrate the risk of corruption in a local government sector that employs more than 9,000 full-time equivalent employees and controls community assets worth more than \$10 billion.

A copy of the report is available on the Commission Website <http://www.ccc.wa.gov.au/Publications/Reports/Pages/default.aspx>.

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