

Special report on corruption risks associated with donations and lobbying

IBAC's special report sets out recommendations for significant improvements to donations and lobbying regulations in Victoria. These recommendations are based on analysis of Victoria's regulatory framework, the experience of other Australian and comparable international jurisdictions and broader research, and will ensure Victorian legislation is in line with other states and territories.

Donations and lobbying can be used to gain privileged access to decision-makers within a political party, especially if it is currently in government, by elevating a donor's or lobbyist's profile.

Candidates and political parties actively solicit donations through fundraising activities, requests for in-kind support, direct payments and via associated entities. Together these factors have the potential to compromise a member of parliament or councillor once elected.

Victoria is one of only three Australian states where there is no electoral expenditure cap. At the local government level, there is no requirement for donors to make a declaration of any kind.

Constraints must be put in place to limit the disproportionately privileged access some lobbyists have to decision-makers. Lobbying regulations must be transparent and hold both lobbyists and decision-makers to account in order to protect the public interest.

Just as importantly, political donations must be transparent and carefully scrutinised because political parties and their supporters are always looking for new ways to supplement their income or identify loopholes to allow greater contributions to be made and received.

IBAC has identified significant regulatory weaknesses and areas of risk in relation to donations and lobbying in Victoria, and has made important recommendations aimed at increasing transparency and protecting against improper influence in political decision-making.

This is a summary of IBAC's special report on corruption risks associated with donations and lobbying. The full report is available on [IBAC's website](#).



Corruption risks associated with political donations – areas for reform



At the state government level, Victoria's current rules on political donations do not place any limit on expenditure. While at the local government level, there is no requirement for donors to make a declaration of any kind. IBAC's special report identifies several areas for reform:

Donors and candidates concealing donations (state and local government)

- Splitting payments using different entities
- Providing support in-kind
- Donations made to political parties with a request to direct to particular candidates
- Using third-party campaigners at the local government level
- Financial support not currently defined as a political donation at the local government level

Compliance, enforcement and timely public reporting (state and local government)

- Over-reliance on candidate declarations at the local government level
- Limitations of the current reporting and monitoring process

Parties and candidates soliciting donations (state government)

- Use of associated entities to attract donations and other contributions
- Regulations around fundraising events

Pressure to fundraise with no limits set on expenditure (state government)

- Funding arrangements for state elections
- Expenditure caps

Corruption risks associated with lobbying – areas for reform



Victoria's very limited regulation of lobbying already falls short of the legislative regimes in place in NSW and QLD, noting that both of those states have committed to further reforms following recent reviews. IBAC's special report identifies several areas for reform:

The scope of lobbying regulation is too narrow (state and local government)

- Narrow definition of 'lobbying activity' and 'lobbyist'
- Unregulated lobbying undertaken by MPs

Lobbying enables privileged access to decision-makers (state and local government)

- Access to senior members of the government via networking forums and other fundraising events

Lobbying provides access to decision-makers and others that is not transparent (state and local government)

- Lack of transparency around access to elected officials, ministerial advisers and electorate officers

The current controls on lobbying are ineffective (state government)

- Payment of 'success fees' to lobbyists
- Lobbyists' involvement in political activities
- Cooling-off periods
- Enforcement of lobbying regulation

Recommendations

Following IBAC's analysis of Victoria's regulatory framework for donations and lobbying, the experience of other Australian and international jurisdictions and broader research, IBAC makes the following recommendations (summarised):



Recommendation 1

The government reviews the existing regulations for political donations to improve transparency and accountability at both the state and local levels of government through legislative reforms, including:

- (a) promoting consistent donation regulations at the state and local level
- (b) deterring donors from attempting to split donations, and detect schemes designed to circumvent the general cap
- (c) ensuring that campaign donations and expenditure are reported in a way that provides sufficient information to monitor compliance with donation caps
- (d) deterring donors and candidates from attempting to use third-party campaigners to circumvent the declaration requirements and donation cap
- (e) providing a disclosure scheme that resembles 'real-time' reporting for state and local donors and candidates
- (f) ensuring appropriate measures are in place to facilitate effective monitoring
- (g) deterring donors and candidates from attempting to use 'fundraising' events to circumvent the declaration requirements and donation cap

Recommendation 2

The Department of Premier and Cabinet, together with the Department for Jobs, Precincts and Regions, examines and make recommendations that identify:

- (a) best practice models at the state and local levels of government:
 - for campaign expenditure
 - for monitoring and enforcement of donations
 - to deter donors and candidates from attempting to make in-kind contributions to circumvent the declaration requirements and donation caps
- (b) steps that can be taken to ensure donations from political parties and associated entities registered in other jurisdictions comply with the *Electoral Act 2002*.

Recommendation 3

The government introduces legislation to regulate lobbying at both the state and local levels of government, including:

- (a) increasing the transparency and accountability of lobbying activities
- (b) that lobbying is appropriately defined in legislation
- (c) ensure members of parliament who initiate meetings with a minister, or their adviser, maintain records of those meetings
- (d) that lobbyists document their contacts with government representatives, and that this information is published via a register
- (e) mandating the monthly publication of summaries of ministerial diaries and ministerial staff diaries
- (f) that interactions between a lobbyist and a minister or their staff are transparent
- (g) that interactions between lobbyists and electorate officers are transparent
- (h) prohibiting success fees being given or promised to lobbyists in return for a certain outcome or decision
- (i) that a lobbyist cannot lobby an elected official whose election they have supported directly or indirectly (e.g. donations or in-kind support)

Recommendation 4

The Department of Premier and Cabinet, examines and make recommendations in relation to the Victorian lobbying and enforcement framework, including:

- (a) identifying a preferred model for establishment of a new lobbying regulator
- (b) identifying an appropriate instrument for the lobbyists' code of conduct
- (c) ensuring the cooling-off period for lobbying activities is appropriate

Many of the reforms proposed in relation to donations and lobbying are complex and interact with each other, suggesting that the recommendations must be considered as a whole. IBAC looks forward to a positive and constructive response from both state and local government on these issues and the recommendations made in the special report.

For a detailed list of the recommendations and to read the special report visit the IBAC website at www.ibac.vic.gov.au

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- investigating serious corruption and police misconduct
- informing the public sector, police and the community about the risks and impacts of corruption and police misconduct, and ways in which it can be prevented.

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