

Implementation of Recommendations

Operation Jarek

Recommendation 1

That Councils communicate to suppliers a clear set of supplier behaviour expectations and the associated consequences for non-compliance.

Implementation Status

The recommendation has been implemented as described in the report

Action

Council has since 2009 twice written to all suppliers and provided them a copy of Council's Statement of Business Ethics and advised that no gifts should be provided to staff. Each year Council will send the current version of the Statement of Business Ethics (at that time) to all of Council's creditors. Council's order also has a statement printed on IT relating to gifts.

Evaluation methods

1. Number of breaches of Council's purchasing policies. Council's Purchasing Officer reviews all purchase orders and can identify trends/anomalies and bring them to management's attention. Internal Audit reviews will also monitor purchasing procedures.
2. Regular reviews of procurement processes will be undertaken by Internal Auditor as part of the three year Audit Plan
3. Feedback will be sourced from Council's Purchasing Officer, others involved in the procurement process and Council's Senior Managers on response by creditors to Council's adopted policies and procedures.

Recommendation 2

That Councils develop a proactive and comprehensive supplier engagement framework.

Implementation Status

The recommendation has been partially implemented.

Action

Council has in place a Statement of Business Ethics, Code of Conduct, Purchasing Manual and a Gifts and Benefits Policy. Tenders are now conducted through the Tenderlink Facility, which ensures all communications are handled electronically

Implementation of Recommendations

Operation Jarek

through the Tenderlink System and this is available to all parties. Council's Purchasing Manual is available on Council's website.

New creditors to Council must be approved by the employee's supervisor (or someone in authority) prior to being added to the system. Creditors section will verify ABN and other information is correct.

Council orders include the following statement

*Council's policy does not allow the receipt of gifts by staff members.
Breaches of this policy may jeopardise further business undertakings with Council.*

Council also has the following documents which govern staff/supplier interaction.

1. BRC Statement of Business Ethics
2. BRC Code of Conduct
3. BRC Purchasing Manual
4. BRC Gifts and Benefits Policy

Evaluation method

Internal Audit review as part of the rolling 3 year audit program.

Recommendation 3

That councils review their codes and policies on gifts and benefits to ensure they effectively communicated expected behaviour in a way that the intended audience can easily grasp.

Implementation Status

The recommendation has been Implemented as described in the report

Action

Council has reviewed its Gifts and Benefits Policy, Code of Conduct and Statement of Business Ethics since the fraud occurred. Regular updates have been provided in the staff newsletter on Gifts and Benefits and Code of Conduct in simple English. All new staff undertake a session on the Code of Conduct and Gifts and Benefits Policy as part of their compulsory induction. Council is part of a group of four Central West Councils trialling a system of online training and one of the proposed courses covers the Code of Conduct. This will provide an avenue for Council to regularly provide refresher training to all staff.

Implementation of Recommendations

Operation Jarek

All staff who have a role in procurement procedures have been advised they must not receive any gifts. Any proffered gifts are to be refused and management advised.

Council has the following documents/procedures which cover gifts and benefits

1. BRC Statement of Business Ethics
2. BRC Code of Conduct
3. BRC Gifts and Benefits Policy
4. BRC Internal Audit Plan

Evaluation methods

- Refer to supporting material listed above
- Internal Audit Review as part of three year Internal Audit Plan
- Reports on the number of staff completing online training on Code of Conduct.

Recommendation 4

That councils ensure their policy provides that all staff who hold financial delegations are prohibited from receiving gifts of any kind.

Implementation Status

The recommendation has been implemented as described in the report

Action

Council has placed an exclusion on the receipt of gifts onto all staff that have a role in the procurement of goods and services.

Council's induction sessions include advice that gifts are not to be accepted from suppliers by staff involved in the procurement process.

Council has in place the following documents and procedures which cover gifts and benefits

1. BRC Statement of Business Ethics
2. BRC Code of Conduct
3. BRC Gifts and Benefits Policy
4. Staff induction session handouts

Evaluation method

Internal audit review as part of the rolling internal 3 year audit plan

Implementation of Recommendations

Operation Jarek

Recommendation 5

That councils ensure that staff training on gifts has a focus on the disciplinary consequences of accepting gifts.

Implementation Status

The recommendation has been Implemented as described in the report

Action

Council's training on gifts includes advising staff of the potential for disciplinary action if Council's policy is ignored. Council is part of a group of four Central West Councils trialling a system of online training and one of the proposed courses covers the Code of Conduct. This will provide an avenue for Council to regularly provide refresher training to all staff.

Supporting material

1. Staff induction session handouts
2. On-line training module

Evaluation method

Feedback from Human Resources Section concerning understanding by induction session participants.

Recommendation 6

That councils assess which of their staff members operate in an environment where relational selling is commonplace, and equip these staff to recognise and respond to these sales tactics, including the offer of gifts.

Implementation Status

The recommendation has been partially implemented.

Action

Council has implemented a policy where all staff with a role in the procurement process cannot receive gifts of any value which emanate from their procurement role.

Implementation of Recommendations

Operation Jarek

Courses in training staff on relational selling practices have only recently been identified and at the present time Council is pursuing dates for courses.

Supporting material

1. BRC Code of Conduct
2. BRC Gifts and Benefits Policy

Evaluation methods

- a) Breaches of policy identified
- b) Identification of relevant training courses and attendance records at those courses

Recommendation 7

That councils, if they have not already done so, analyse their procurement processes to identify points of corruption risk and take steps to improve the design of their procurement processes.

Implementation Status

The recommendation has been implemented as described in the report

Action

Council has undertaken a significant review of all its procurement processes and implemented significant changes in all areas. Some of the changes include electronic purchasing, removal of the ability of any person to create an order and then do a goods received docket for those goods. .

Evaluation method

- Ongoing Internal Audits

Implementation of Recommendations

Operation Jarek

Recommendation 8

That councils if they have not already done so, consider introducing e-procurement as an efficient method of controlling possible vulnerabilities in their system.

Implementation Status

The recommendation has been implemented as described in the report

Action

Council has implemented a system of E-procurement. The new system commenced in November 2010.

Evaluation method

Review undertaken by Internal Auditor as part of the three year rolling audit plan

Recommendation 9

That councils, if they have not already done so, review which reports are available to the managers of stores and ensure they (councils) can generate a report showing the orders placed by any individual across all cost centres.

Implementation Status

The recommendation has been implemented as described in the report

Action

A report has been developed and is available to Managers which shows the orders placed by an individual across all cost centres. Also to assist Managers a report has been developed to show all suppliers who have had orders (in aggregate) of more than \$150,000 for the year. Other management reports are being developed through the internal Audit and Risk Management Committee.

Evaluation methods

- Report is produced on a regular basis for management
- Review undertaken by Internal Auditor as part of the three year rolling audit plan

Implementation of Recommendations

Operation Jarek

Recommendation 10

That councils, if they have not already done so, analyse inventory management systems with a view to improving controls and reducing waste.

Implementation Status

The recommendation has been implemented as described in the report

Action

Systems have been reviewed by the Internal Auditor and updated. A further audit will be undertaken in 12 -18 months time to ensure that things are working as they have been designed.

Stores area has been re-arranged, random counts are occurring. Non stores/returned items are now returned into stock and located within the stores area. All stock items are now located in fully locked and secure areas.

Supporting material

- Internal Audit Report on store processes
- Stores Stocktake Procedures Manual

Evaluation methods

Internal Audit Review as part of three year rolling Internal Audit program

Recommendation 11

That councils examine options for control of their pull-based inventory and implement an option that is suitable for their operations.

Implementation Status

The recommendation has been implemented as described in the report

Action

Council has altered purchasing procedures to ensure staff that have delegated authority to purchase cannot do goods received dockets (i.e. processes are segregated)

More items have been transferred to stock (push) from prior "pull" status e.g. safety gloves, barrier mesh and guide posts

Unused "pull" based inventory returned to supplier or stock when job is completed

Implementation of Recommendations

Operation Jarek

Evaluation method

Internal Audit Review as part of three year rolling Internal Audit program

Recommendation 12

That councils, if they have not already done so, organise their stores so that all items are labelled clearly, stock is securely stored and movement of all goods in or out of the store is recorded on an integrated inventory management system.

Implementation Status

The recommendation has been implemented as described in the report

Action

Council has undertaken a review of its store and compound and systematically listed all items in order and stock lists are printed in that order when stock counts are done. The items are listed by the row of shelving and then also the particular bin.

A store layout has been drafted by Council's Engineering section.

Access to the store is restricted to store personnel only and two staff members who require after hours access. A new entry has been installed requiring the use of an electronic security fob and a new security gate has also been installed in the shed.

Staff names are printed on stores issue dockets and a signature is required for all issues.

Evaluation methods

1. Review of six monthly stocktake
2. Internal Audit Review as part of three year rolling Internal Audit program

Recommendation 13

That councils ensure stocktakes are conducted independently of store officers and by staff knowledgeable about the principles of stocktaking.

Implementation Status

The recommendation has been implemented as described in the report

Implementation of Recommendations

Operation Jarek

Action

Council's Manager Corporate Governance undertakes the Stock take process and is an active participant in the count. A team of staff from the main office are utilised to provide the independence and the Store personnel are only used as advisors to assist with the location and identification of the store items. Stocktakes are undertaken on all items in the store every six months.

Supporting material

Stores Stocktake Procedures Manual

Evaluation methods

1. Review of stocktake results
2. Internal Audit Review as part of three year rolling Internal Audit program

Recommendation 14

That council management assesses the residual risk in its store and, if appropriate for the organisation, conducts random spot checks or cycle counts on select aspects of inventory management.

Implementation Status

The recommendation has been implemented as described in the report.

Action

Process is in place where Manager Corporate Governance conducts spot checks of random items in the store. Store personnel are given notice that an inspection will be happening but are not advised of which items will be checked or what will be inspected. e.g. stores issue dockets, good receipt dockets, item physical balances, orders etc.

Evaluation method

1. Inspection report prepared following inspection.

Implementation of Recommendations

Operation Jarek

Recommendation 15

That councils, if they have not already done so, consider the risks highlighted by this report, namely,

- relational selling and gift giving
- procurement processes
- inventory management

and, where they consider the council is at risk, add these topics to their internal audit programs.

Implementation Status

The recommendation has been partially implemented

Action

Council has reviewed risks that exist in its procurement/stores system. Currently procurement processes and inventory management are included as part of the three year rolling Internal Audit program. Council is yet to finalise this recommendation due to the lack of suitable training courses with respect to relational selling. Council has adopted a position whereby any staff member with a role in the procurement process must not receive any gifts of any value.

Supporting material

1. Internal Audit Stores review
2. Gifts and Benefits Policy
3. Code of Conduct

Evaluation method

1. Internal Audit Review as part of three year rolling Internal Audit program