

# 12 Month Progress Report

## Operation Jarek

### Broken Hill City Council

*Please update this schedule with information about the status of each item as at May 2015. Include details of the latest action/update in respect of each initiative, dates where relevant and attach copies of any documents referred to, where possible, in support of implementation of particular initiatives. Please provide the name of a contact person in your agency from whom we can seek more detail if needed. Please return this document to the ICAC in writing and electronically to swalker@icac.nsw.gov.au by no later than 29 May 2015.*

#### **Recommendation 1.**

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

#### Summary of progress

The recommendation is being: <check one>

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

#### Action taken to implement recommendation

Council developed a Statement of Business Ethics in 2012, which has since been sent to suppliers with all hardcopy purchase orders. The statement will in future be included in all tender documentation made available to prospective tenderers. Reference will also be made to the statement on all electronically transmitted purchase orders sent to suppliers.

Council Employees will receive a copy of the statement as part of an annual refresh on their commitment to Council's Code of Conduct. It will also be specifically included in corporate orientation sessions for new staff.

#### Supporting material

- Statement of Business Ethics
- Copy of order referencing Council's Statement of Business Ethics

#### Evaluation of implementation (Progress update)

Evaluation of the Effectiveness of Council's internal communications undertaken by Council's Human Resources Department on an annual basis when it conducts the Code of Conduct refresher program. Evaluation is by the way of pre and post refresher surveys, the results of which will be reviewed by management with 3 months of the survey being conducted.

## Update

- Statement is now included in all tender documentation (Tender document templates require further development)
- Statement has been loaded to Council's website under the 'Business' section
- Purchase Order template has been updated with link to statement on Council's website
- Code of Conduct refresh and sign off was completed in March 2015. Included with the Code of Conduct brochure will be a copy of the Statement of Business Ethics

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### Recommendation 2.

That councils develop a proactive and comprehensive supplier engagement framework.

#### Summary of progress

The recommendation is being: *<check one>*

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

#### Action taken to implement recommendation

In January 2015 Council commenced a full procurement review which included a review of the Purchasing Policy and the Statement of Business Ethics. (Review Project Plan attached).

A Procurement Policy (attached) has now been developed which will replace the existing Purchasing Policy. The new policy was endorsed by Council on 29/04/2015 for 28 days public consultation and is scheduled to return to Council in June for final adoption.

#### Supporting material

Procurement Policy & Procedure Review – Project Plan  
Draft Procurement Policy  
Draft Procurement Procedure

#### Evaluation of implementation (Progress update)

In addition to the new Procurement Policy the following associated procedures have been developed and will be implemented following final adoption of the policy:

- Procurement Procedure (attached)
- Engaging Consultants Procedure (attached)
- Purchase card ( P-Card) Procedure (attached)
- Tendering Procedure (to be developed)



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### 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.

### Summary of progress

The recommendation is being: *<check one>*

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

### Action taken to implement recommendation

Council's code of Conduct and Gifts and Benefits Policy provide the appropriate information and are well understood by employees. Employees recommit to the Code of Conduct annually.

Training in relation to the Code and the Policy is included in Council's corporate orientation program for new and existing employees. Training incorporates examples of everyday situations involving gifts and benefits that could be encountered in performance of their roles.

### Supporting material

Gifts and Benefits Policy  
Code of Conduct

### Evaluation of implementation (Progress update)

The corporate orientation program was redeveloped in 2013 and released in 2014. The new format includes pre-work for each participant to read the code of conduct and answer a quiz. During the orientation training there is a 30 minutes module of code of conduct. This module has been updated to include clearer case studies on gifts and benefits and the statement of business ethics.

Council is also trialling the LGNSW online induction module which will be used to refresh all employees on the purpose of Code of Conduct training.

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### Recommendation 4.

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

### Summary of progress

The recommendation is being: *<check one>*

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

### Action taken to implement recommendation

Council is satisfied that its Code of Conduct and Gifts and Benefits Policy provide adequate safeguards in relation to the receipt of gifts.

The Policy specifically refers to “Designated Persons” within Council, who are directly involved in tendering procurement and planning and development matters. These designated Persons are prohibited from accepting gifts and benefits of any kind, regardless of value.

Due to the number of staff with financial delegations, Council is of the view that it is unrealistic to expect that all staff who hold such delegations be prohibited from receiving gifts of any kind, as this would have detrimental consequences.

### Supporting material

Gifts and Benefits Policy  
Code of Conduct

### Evaluation of implementation (Progress update)

The two policies run in supportive tandem and provide adequate safeguards in relation to gifts and benefits.

Council’s Gifts and Benefits Policy does specifically refer to ‘Designated Persons’ and specific prohibition of acceptance of gifts and benefits of any kind.

The operation of the two policies, declarations required in the event of gifts and benefits being offered and orientation and refresher training provide an adequate regime for honesty by staff both with and without financial delegations.



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### Recommendation 5.

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

### Summary of progress

The recommendation is being: *<check one>*

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

### Action taken to implement recommendation

Training in relation to the code and the Policy is included in Council's corporate orientation program for new and existing employees. Training highlights the disciplinary action that could be taken against employees who accept gifts. It also uses real life examples of the impacts that could be felt by employees found to have breached rules relating to gifts.

This message is reinforced with the annual Code of Conduct refresher program.

### Supporting material

Gifts and Benefits Policy  
Code of Conduct

### Evaluation of implementation (Progress update)

The disciplinary process is discussed during pre-work and orientation day.

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### 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.

### Summary of progress

The recommendation is being: *<check one>*

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

### Action taken to implement recommendation

A relational selling Fact Sheet has been developed and is used to educate employees.

### Supporting material

Relational Selling Fact Sheet (Attached)

### Evaluation of implementation (Progress update)

Fact sheet developed and provided to staff at induction. Will also be distributed and discussed more widely by June 30 2015.

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### 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.

### Summary of progress

The recommendation is being: *<check one>*

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

### Action taken to implement recommendation

All procurement methods are subject to systematic review and re-designed where appropriate.

### Supporting material

Procurement Policy & Procedure Review – Project Plan (Attached)

### Evaluation of implementation (Progress update)

Procurement Policy and Process Review commenced 27 January 2015. Associated Plan attached.

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### Recommendation 8.

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

### Summary of progress

The recommendation is being: <check one>

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

### Action taken to implement recommendation

Council has implemented e-procurement processes that allow for the electronic processing of purchase orders.

Council has also recently moved to transact more of its tendering business online, with all tenders now being submitted to Council electronically.

### Supporting material

Nil

### Evaluation of implementation (Progress update)

All purchase orders are processed electronically through our Financial Management software Authority. Authorisation requires the appropriate financial delegation and no staff member can authorise their own purchase orders. The system will manage the authorisation to be forwarded to the next staff member in the organisational hierarchy with the appropriate delegation for approval.

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### 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.

### Summary of progress

The recommendation is being: *<check one>*

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

### Action taken to implement recommendation

Reporting from Council's inventory management and electronic purchase order systems will be enhanced to provide more detailed information in relation to purchasing activities.

Stores and inventory management processes will also be reviewed and internal controls strengthened where appropriate to do so.

### Supporting material

Nil

### Evaluation of implementation (Progress update)

Following an independent review of Council's Store Operations in late 2014 Council made the decision to close the Store. Plans are in place for full closure of the store by June 30 2015.

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### Recommendation 10.

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

### Summary of progress

The recommendation is being: *<check one>*

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

### Action taken to implement recommendation

Council's inventory holdings have been reviewed and rationalised over the last 2 years. Obsolete inventory has been sold or otherwise disposed of.

A review of the stores function has led to changes in the operation of the stores and a reduction in the range and number of inventory items. Further review and analysis of inventory data will be undertaken to improve understanding of inventory use within Council.

Stores process will be mapped and documented and internal controls strengthened or improved as part of this work.

Random spot checks of the store will also be conducted on a regular basis.

### Supporting material

Nil

### Evaluation of implementation (Progress update)

Following an independent review of Council's Store Operations in late 2014 Council made the decision to close the Store. Plans are in place for full closure of the store by June 30 2015.

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#### Recommendation 11.

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

#### Summary of progress

The recommendation is being: *<check one>*

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

#### Action taken to implement recommendation

Council has reviewed its project management and supervisory methodology and the manner in which materials are ordered and used in the field.

Council has commenced the introduction of a formalised project management framework and will consider how it can be applied at an individual project level with regards to materials and inventory management.

The introduction of an asset management system in the near future should also better enable council to manager the allocation of materials and inventories to asset-related projects.

#### Supporting material

Nil

#### Evaluation of implementation (Progress update)

The implementation of the project management framework is improving planning and accountability across all areas of project management. Council's asset management system is being implemented in July 2015 and will build on the framework to enhance our planning capacity.

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### 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.

### Summary of progress

The recommendation is being: *<check one>*

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

### Action taken to implement recommendation

Whilst Council's store is general organised as described, there is a need to improve labelling and other aspects of the store's physical layout. A review of the store's physical operating environment will be conducted.

All inventory movements are electronically recorded in Council's inventory management system.

### Supporting material

Nil

### Evaluation of implementation (Progress update)

Following an independent review of Council's Store Operations in late 2014 Council made the decision to close the Store. Plans are in place for full closure of the store by June 30 2015.

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### Recommendation 13.

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

### Summary of progress

The recommendation is being: *<check one>*

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

### Action taken to implement recommendation

Nil. Annual stocktakes are already undertaken by the Procurement Manager, independent of Council's Storeperson.

### Supporting material

Nil

### Evaluation of implementation (Progress update)

Following an independent review of Council's Store Operations in late 2014 Council made the decision to close the Store. Plans are in place for full closure of the store by June 30 2015.

A final stocktake by staff independent to the Store has been undertaken prior to its closure.

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### 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.

### Summary of progress

The recommendation is being: *<check one>*

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

### Action taken to implement recommendation

Refer recommendation 10

### Supporting material

Nil

### Evaluation of implementation (Progress update)

Following an independent review of Council's Store Operations in late 2014 Council made the decision to close the Store. Plans are in place for full closure of the store by June 30 2015.

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### 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.

### Summary of progress

The recommendation is being: *<check one>*

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

### Action taken to implement recommendation

Further consideration will be given to the risks identified in the report and Council's exposure to such risks. Specific risks will be included in Council's corporate risk assessment documentation.

This plan for implementation of the recommendations from the Operation Jarek report will be included on the agenda for consideration at the next meeting of Council's Audit Committee, like to be held in early August 2013.

### Supporting material

Risk Assessment – Procurement Policy and Procedure review completed 25 January 2015 – TRIM D15/3845 (Attached)

Draft Procurement Audit Schedule developed - January 2015 - TRIM D15/1055 (Attached)

### Evaluation of implementation (Progress update)

Corporate Risk Officer to assess risks and include in Corporate Risk documentation.

Risk Assessment – Procurement Policy and Procedure review completed 25 January 2015 – TRIM D15/3845

Draft Procurement Audit Schedule developed - January 2015 - TRIM D15/1055



# PROJECT PLAN

## Procurement Policy & Procedure Review

### Project Management Framework Phase2 - Planning

## 1 PROJECT OVERVIEW

Project Title:	
Business Unit:	Finance
Project Manager:	Anne Johansson (Business Systems Analyst)
Directorate:	Finance
Project Sponsor:	Sharon Hutch ( Deputy General Manager)
Asset Owner:	NA
Project Brief Approval Date:	28 January 2015
TRIM Reference	D15/4479 (Container 11/663)

### 1.1 Background/Context

In 2011 there was an ICAC Investigation into allegations that staff from a number of local councils and other public authorities accepted secret benefits from suppliers (Operation Jarek)(October 2012). Broken Hill City Council was included in this investigation and together with a number of Council's from across NSW received a number of recommendations from ICAC in regards to procurement processes (ICAC Report Ref TRIM D12/15751).

Also in 2011 Council engaged UHY Norton Chartered Accountants to review Council's Procurement processes and provided a number of recommendations to procurement processes (UHY Norton Report Ref: TRIM D11/9922)

Some recommendations or parts of recommendations from both reports have been implemented but there are still a number of changes that should be implemented based on the recommendations from both ICAC and UHY Norton.

There is also a need to ensure that Council's procurement processes are cost effective, follow Best practice Principles and are documented in way that all staff and other stakeholders are aware of their responsibilities when engaging in procurement activities for Council.

To ensure that this is the case the Deputy General Manager has requested a full review of Council's procurement processes.

## 1.2 Objectives

To ensure that:

- Council's procurement processes are cost effective
- appropriate policies, guidelines and processes are in place
- all stakeholders are aware of and adhere to their responsibilities when procuring items for Council.

## 1.3 Business Drivers

Planning documents can be found -Community Strategic Plan D14/12594, Delivery Program D14/12580'Operational Plan D14/12916.

<b>Council Resolution:</b> <i>(Please include Minute number and Date)</i>	<b>Not Applicable</b>
<b>Main CSP Theme</b>	Our Leadership
<b>CSP Objective 1</b>	4.1 - Openness and transparency in decision making
<b>CSP Objective 2</b>	Not Applicable
<b>4 year Delivery Program:</b>	DP Action Item No: 4.1.1.13 DP Action: Maintain good governance and best practice methods and ensure compliance with various guidelines and legislation
<b>1 Year Operational Plan:</b>	OP Action Item No:L20 OP Action: Develop and review Council policies to ensure best practice and relevance
<b>Relevant Council Policies</b>	Ref: Purchasing Policy (D12/11933)
<b>Relevant Council Plans, Strategies &amp; Resolutions</b>	Ref: Community Strategic Plan D14/12594, Delivery Program D14/12580'Operational Plan D14/12916.
<b>External Drivers</b>	ICAC Operation Jarek Report Ref TRIM D12/15751, UHY Norton Report Ref: TRIM D11/9922

## 1.4 Benefits

<b>Tangible:</b>	Decrease in wastage Improved productivity.
<b>Return on Investment (ROI):</b>	Reduced risk to Council for corruption or inappropriate use of Council resources
<b>Intangible:</b>	Improved business process

## 1.5 Impacts

Short Term (Project Period) – Additional work load for Project Team members – this will need to be managed by individuals to ensure project deadlines are met.

Medium Term – Availability of clear and consistent policies and procedures which once implemented will reduce the resources required for procurement.

Long Term – Reduction in the cost of procurement, reduced risk of corruption or fraud.

## 1.6 Alternative Solutions Considered

Alternative Solution	Description	Reason Rejected
Alternative 1	Nil	
Alternative 2	Nil	
Take No Action	Continue as usual	This option could put Council at risk for mismanagement of Council resources and continued use of inefficient processes

## 1.7 Internal Stakeholders

Stakeholder	Role
Finance Operations Coordinator	Project Team member and link to Finance Operations Team
Finance Operations Team	Provide input/feedback on any proposed changes to processes
Staff responsible for procurement of Goods & Services	Provide input/feedback on any proposed changes to processes
Staff responsible for approving procurement of Goods & Services	Provide input/feedback on any proposed changes to processes
Deputy General Manager (In the absence of CFO)	To ensure that procurement processes align with relevant accounting practices and legislation.
Elected Members	Endorsement and adoption of any changes to policy

## 1.8 External Stakeholders

Stakeholder	Role
Suppliers/Creditors	Should be made aware of any changes to procurement activities that affect the way they deal with Council
Community	Provide feedback on draft policy during public display period

## 2 SCOPE MANAGEMENT

### 2.1 Deliverables

Deliverable	Measure
Project Plan	Written Project Plan with including key deliverables and timeframes for completion
Recommendations for Process Improvement	A set of clear and achievable recommendations for improvements to procurement processes
Draft Procurement Policy	New Procurement Policy adopted by Council
Final Report	Project closure report on outcomes of project completed within timeframes

### 2.2 Inclusions

Review of procurement policy and procedures

### 2.3 Exclusions

Implementation of process changes

Review of Warnock Street Store Operations

### 2.4 Scope Change

Variations to the scope of the project may be identified by the project team throughout the project and approval sought from the Deputy General Manager.

### 3 TIME MANAGEMENT

#### 3.1 Schedule / Work Breakdown

Milestone	Activity	Required By	
Project commencement	<ul style="list-style-type: none"> <li>Confirm scope of project</li> <li>Develop Plan Outline</li> <li>Development Risk Assessment for project</li> </ul>	29/01/15	✓
	Draft Project Plan	05/02/15	✓
Preparation Tasks	Draft Financial delegations	05/02/15	✓
	Draft Purchasing Card requirements	05/02/15	✓
	<u>Orders</u>	12/02/15	✓
	<ul style="list-style-type: none"> <li>Ordering</li> </ul>	19/02/15	✓
	<ul style="list-style-type: none"> <li>Quoting (Excludes Tendering)</li> </ul>	19/02/15	✓
	<ul style="list-style-type: none"> <li>Receipting</li> </ul>	26/02/15	✓
	<ul style="list-style-type: none"> <li>Invoicing</li> </ul>	05/03/15	Process defined, procedures to be finalised
Processes Reviews	Credit Cards <ul style="list-style-type: none"> <li>Corporate Cards</li> <li>Virtual Cards</li> <li>Purchasing Cards</li> </ul>	12/03/15	Process defined, procedures to be finalised
	Payment Requisitions	19/03/15	Process defined, procedures to be finalised
	Tendering <ul style="list-style-type: none"> <li>Assessment</li> <li>Tender Requirements</li> <li>Templates</li> </ul>	26/03/15	Templates being developed
	Petty Cash	26/03/15	Process defined, procedures to be finalised
	Store's Requisitions	02/04/15	NA
Policy Development	Draft policy developed	1/04/15	✓
	Draft policy to STRATPOL & ELT for endorsement	08/04/15	✓

Milestone	Activity	Required By	
	Draft policy to Audit Committee for endorsement	16/04/15	✓
	Draft policy to Council for endorsement for public display	<del>June</del> April Council Meeting	✓
	Draft policy Public Display period	<del>July</del> May 2015	
	Draft policy to Council for final adoption	<del>July/August</del> June Council Meeting (Date TBC)	
Miscellaneous	Review Statement of Business Ethics	13/05/2015	
Project Closure	Project Closure Report	30/08/15	

## 4 COST MANAGEMENT

### 4.1 Total Project Cost

Expense Type	Estimated Cost (+/-20%)	Proposed Cost Centre
Staff Resources internal FTE hours	Less than 5,000	<i>Operational</i>
Procurement - materials, consultants, contracts etc	0	<i>Operational</i>
Other – approvals, government charges, licences, internal Council charges	0	<i>Operational</i>
<b>Total (+/-20%)</b>	Less than 5,000 FTE hours	

### 4.2 Ongoing Costs

Expense Type	Estimated Cost (+/-20%)	Proposed Cost Centre
Operational - additional staff time, plant, equipment and materials		
Asset management - painting, repairs, replacement		
Utilities - gas, water, electricity		
<b>Total (+/-20%)</b>	0	

### 4.3 Proposed Funding Source and Amounts

Budget Source	Amount (\$)	Proposed Account
Capital		
Grant		
Operational		Existing budgets
Other		
<b>Total</b>		

### 4.4 Availability of Additional Funds

N/A

## 4.5 Cash Flow Projection

Financial Year	Period	Estimated Amount (\$)
N/A	1	
	2	
	3	
	4	
	5	
	6	
	7	
	8	
	9	
	10	
	11	
	12	
Total		

## 5 HUMAN RESOURCE MANAGEMENT

### 5.1 Project Roles and Responsibilities

*Describe in specific terms the key roles and responsibilities of the project team*

Project Role	Name	Position	Key Responsibilities
Project Sponsor	Sharon Hutch	Deputy General Manager	To participate in project meetings and provide guidance and approvals as required
Project Owner (Client)	Shelley Squire	Finance Operations Coordinator	To lead review of processes and policy change
Project Manager	Anne Johansson	Business Systems Analyst	To provide guidance and support to project team to ensure timeframes and required outcomes are achieved
Project Team Member	Andrew Bruggy	Manager Infrastructure Strategy	To participate in project meetings and provide ongoing input and feedback
	Gerald Vandeheuval	Manager Information Services	To participate in project meetings and provide ongoing input and feedback and assist with system testing and implementation of system changes
Advisor	Ellen McCallum	Corporate Risk Officer	To provide risk related advice (on an as required basis)

### 5.2 Task Activity Allocation

Activity	Assigned To	Deadline
Task allocation to be determined during regular meetings of stakeholder group		

## 6 PROCUREMENT AND CONTRACT MANAGEMENT

N/A

### 6.1 Type and Value of Goods/Services required

Type	Estimated Value (\$)	Sourcing Strategy
Professional Services/Consultancies/Design		Current Contract, Quotation, Open Tender
Construction / Asset Creation		Current Contract, Quotation, Open Tender
Materials		Current Contract, Quotation, Open Tender
IT Hardware/Software		Current Contract, Quotation, Open Tender
Plant & Equipment		Current Contract, Quotation, Open Tender
Other		Current Contract, Quotation, Open Tender

## 7 RISK MANAGEMENT – Refer to D15/3845

### 7.1 Constraints

### 7.2 Assumptions

### 7.3 Risk Register

### 7.4 Related Projects/Activities

Project/Activity	Dependency/Relationship

### 7.5 Approvals & Licences

Approval/Licences	Date Required	Process

## 8 COMMUNICATIONS MANAGEMENT

### 8.1 Internal Stake Holders Engagement

Stakeholder	Issue/Opportunity	Decision Information Required	Timing
Councillors	Councillor workshop	Provide overview of changes to policy prior to reporting to Council (If required)	May 2015 (If required)
	Policy amendments must be adopted by Council	Adoption of Procurement Policy	June 2015
General Manager	Update on status/progress of project. Feedback Opportunity	Ensure that opportunity is given for General Manager to be kept informed and to provide feedback prior to implementation of process/policy changes	Monthly (STRATPOL Meetings)
ELT	Update on status/progress of project. Feedback Opportunity	Ensure that opportunity is given for ELT to be kept informed and to provide feedback prior to implementation of process/policy changes	Monthly (STRATPOL Meetings)
STRATPOL	Update on status/progress of project. Feedback Opportunity	Ensure that opportunity is given for STRATPOL to be kept informed and to provide feedback prior to implementation of process/policy changes	Monthly (STRATPOL Meetings)
Council Staff	Update on status/progress of project. Feedback Opportunity - Email - GM's Forums - Newsletter	Ensure that opportunity is given for Council Staff to be kept informed and to provide feedback prior to implementation of process/policy changes	As required

## 8.2 Engagement External Stakeholders

Stakeholder	Interest	Timing	How
Community	Possible change to process/policy which effects Creditors	Following adoption of policy	Email/Letter to creditors (if required)
Community Groups	NA		
Unions/Associations	NA		
External Government Agencies	NA		

## **APPENDICES**

- i Risk Register (D15/3845)

TRIM Registration Details	
Notes/Task	Task to Business Unit Manager/Sponsor for Approval.
Précis	Procurement Policy & Procedure Review
Subject	Project



**HAZARD IDENTIFICATION, RISK ASSESSMENT AND CONTROL PLAN**

**LOCATION/ACTIVITY/PROCESS:** Procurement Policy and Procedure Review

**DATE:** 28 January 2015

**EMPLOYEE COMPLETING ASSESSMENT:** Ellen McCallum

**MANAGER:** Sharon Hutch

POTENTIAL HAZARDS	Associated Risks	Likelihood Rating	Consequence Rating	Risk Rating	RECOMMENDED CONTROLS	Residual Risk
No compliant policies	Council in disrepute Legal Implications Lack of best values Local government responsibilities	Likely	Moderate	High	In reviewing policies and procedures consider all Acts and legislation  Final check align with compliance  Submit to Audit Committee for endorsement	Low
Created unclear policies and procedures	People work outside of policies and procedures  Staff and suppliers are tempted into relational selling  Temptation of fraudulent acts	Likely	Moderate	High	Policies and procedures tested prior to adoption  Random personnel for testing across functional areas	Low

Lack of communication and training	<p>People will work outside of policies and procedures</p> <p>Continuation of current practices</p>	Likely	Moderate	High	<p>Detailed communication and training schedule</p> <p>Policy and procedures ongoing training inclusion</p> <p>Compliance</p>	Low
Lack of appropriate input from relevant functional areas	<p>Policy and procedure does not encompass all organisational requirements</p>	Possible	Moderate	Moderate	<p>Senior Management Support to enforce co-operation and participation</p>	Low
Not completed in a timely framework	<p>Lack of co-operation</p> <p>Miss opportunity of streamlining work practices</p> <p>Low staff motivation and moral</p>	Likely	Minor	Moderate	<p>Develop timeframe</p> <p>Comply with timeframe</p> <p>Discuss and review on a regular basis</p>	Low





**HAZARD IDENTIFICATION, RISK ASSESSMENT AND CONTROL PLAN**

**LOCATION/ACTIVITY/PROCESS:** Procurement Policy and Procedure Review

**DATE:** 28 January 2015

**EMPLOYEE COMPLETING ASSESSMENT:** Ellen McCallum

**MANAGER:** Sharon Hutch

POTENTIAL HAZARDS	Associated Risks	Likelihood Rating	Consequence Rating	Risk Rating	RECOMMENDED CONTROLS	Residual Risk
No compliant policies	Council in disrepute Legal Implications Lack of best values Local government responsibilities	Likely	Moderate	High	In reviewing policies and procedures consider all Acts and legislation  Final check align with compliance  Submit to Audit Committee for endorsement	Low
Created unclear policies and procedures	People work outside of policies and procedures  Staff and suppliers are tempted into relational selling  Temptation of fraudulent acts	Likely	Moderate	High	Policies and procedures tested prior to adoption  Random personnel for testing across functional areas	Low

Lack of communication and training	<p>People will work outside of policies and procedures</p> <p>Continuation of current practices</p>	Likely	Moderate	High	<p>Detailed communication and training schedule</p> <p>Policy and procedures ongoing training inclusion</p> <p>Compliance</p>	Low
Lack of appropriate input from relevant functional areas	Policy and procedure does not encompass all organisational requirements	Possible	Moderate	Moderate	Senior Management Support to enforce co-operation and participation	Low
Not completed in a timely framework	<p>Lack of co-operation</p> <p>Miss opportunity of streamlining work practices</p> <p>Low staff motivation and moral</p>	Likely	Minor	Moderate	<p>Develop timeframe</p> <p>Comply with timeframe</p> <p>Discuss and review on a regular basis</p>	Low







# Statement of Business Ethics

## **What can you expect from us**

The Broken Hill City Council will ensure that all its policies, procedures and practices related to tendering, contracting and the purchase of goods and services are consistent with best practice and the highest standards of ethical conduct.

Council's employees are bound by Council's comprehensive *Code of Conduct* and *Code of Business Practice*. When doing business with the private sector, Council employees are accountable for their actions and are expected to:

- Use public resources effectively and efficiently
- Deal fairly, honestly and ethically with all individuals and organisations
- Avoid any conflicts of interest (whether real or perceived)

In addition, all Council procurements activities are guided by the following core business principles:

- All potential suppliers will be treated with impartiality and fairness and given equal access to information and opportunities to submit bids.
- All procurement activities and decision will be fully and clearly documented to provide an audit trail and to allow for effective performance review of contracts
- Tenders will not be called unless Council has a firm intention of proceed to contract
- The Council will not disclose confidential or proprietary information.

## **What we expect from you**

Council requires that all private sector providers of goods and services observe the following principles when doing business with Council:

- Act ethically, fairly and honestly in all dealings with the Council
- Respect the conditions set out in documents supplied by Council
- Respect the obligations of Council employees to abide by Council's *Procurement Policy* and *Tendering Policy*
- Abstain from collusive practices

- Take all reasonable measures to prevent the disclosure of confidential Council information
- Refrain from offering Council employees or Councillors any financial or other inducement which may give any impression of unfair advantage
- Refrain from discussing Council business or dealing in the media, except with Council's consent
- Assist the Council to prevent unethical practices in our business relationships

## **Why you should comply with this Statement**

You should be aware of the consequence of not complying with Council's ethical requirements when doing business with the Council. Demonstrated corrupt or unethical conduct could lead to:

- Termination of contracts
- Loss of future work
- Loss of reputation
- Investigation for corruption
- Matters being referred for criminal investigation

## **Finding out more about Council's business practices**

If you have any questions regarding this Statement or to provide information about suspected corruption conduct, please contact Council's General Manager directly by letter, phone, fax or email at the contact details shown below.

The General Manager  
Broken Hill City Council  
PO Box 448  
BROKEN HILL NSW 2880  
Tel: (08) 8080 3300  
Fax: (08) 8080 3424  
Email: [council@brokenhill.nsw.gov.au](mailto:council@brokenhill.nsw.gov.au)

Many of Council's policies, including Code of Conduct, Code of Business Practices, Tendering and Procurement Policy are available for viewing or download on Council's website at [www.brokenhill.nsw.gov.au](http://www.brokenhill.nsw.gov.au)

# RELATIONAL SELLING

Definition: Relationship selling refers to the sales technique which focuses on the interaction between the buyer and the sales person rather than the price or details of the product.

Specifically the status of the relationship, the degree of familiarity/ personal connection between the parties increases the likelihood of customer loyalty, repeat business or referral.

## Fast Facts

- Deliberate tactic used to build a relationship with a customer
- Often involves specific training for sales people to be able to emulate caring, authentic relationships or perception of positive friendships
- Interest in a customer's personal affairs, interests and families are used to establish common ground, trust and connection
- It is a sales process that occurs over time rather than through a single transaction; likely to be found in competitive markets where there is little difference between price or products in that market
- Used to make a customer feel valued, their needs are understood, supported and that their jobs are easier as a result of the relationship
- Customer fears are used to gain sales e.g. fear of not being able to meet budget may result in discounts being offered for future sales
- Customers start to feel dependant on the relationship in order to perform
- Most often inducements are offered to create a positive feeling after each transaction – this may include gifts of increasing value.

## Relationship Marketing



## Example:

### Operation Jarek

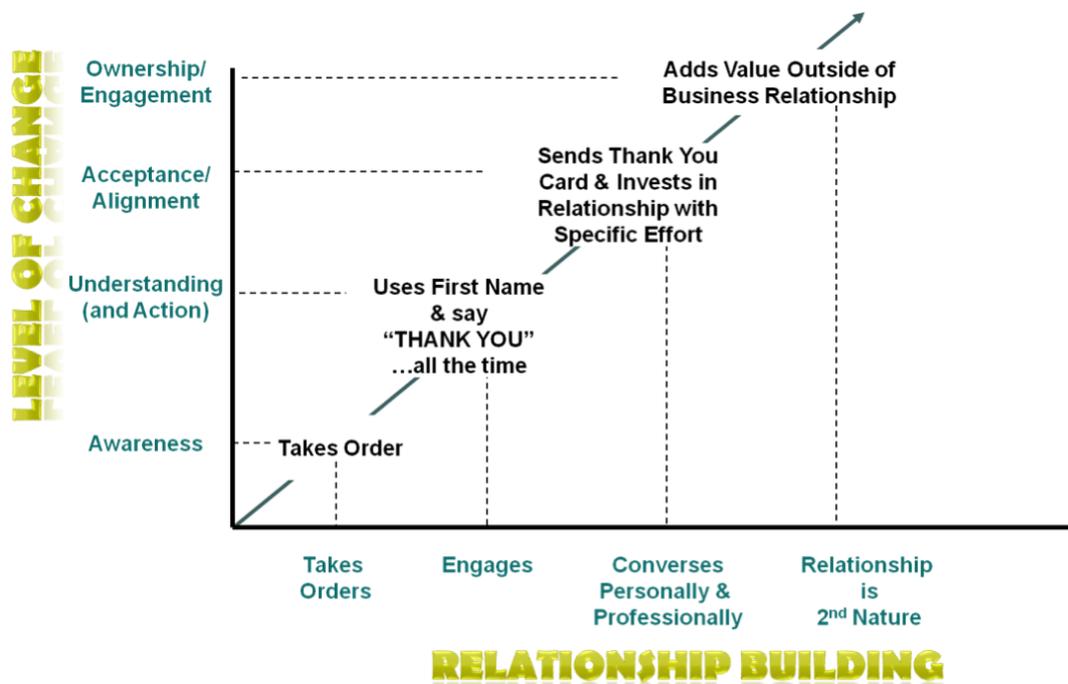
Through Operation Jarek, the Independent Commission Against Corruption (ICAC) found that public officials across NSW had accepted gifts from companies that supplied goods to the public authorities (mostly Councils) for which they worked. Corrupt conduct findings were made against 41 people. The gifts included TV's, camcorders, DVD players, iPads, iPhones and gift vouchers. Such inducements were made to secure continual orders/purchases. In addition schemes where identified were cash incentives were received (to the value of \$323,000) for participating with sales persons to falsify invoices.

The Commission found the use of relational selling widespread. Evidence showed that sales people were trained to ask questions about a buyer's family, hobbies and health to pretend to have an interest in these matters.

Sales people would suggest sending gifts to the buyer's home rather to their workplace, order to hide the arrangement from the employer.

### Example: Sales Training Materials

#### COACHING & EVOLUTION OF RELATIONSHIP BUILDING



## **Your responsibilities as an employee**

Relational Selling occurs in many industries and circumstances.

Not all situations result in questionable conduct.

As an employee of Council it is important that you can recognise this sales technique so that you can avoid undue influence on your decisions of when and who to purchase products from.

Employees are to avoid placing themselves into situations where they are at risk of the perception or likelihood of corruption. All employees are reminded that Council

- has a policy on the receipt and declaration of gifts
- Employees need to feel comfortable about saying no to inducements
- Council has a Statement of Business Ethics which employees can use to set expectations of supplier conduct
- If you suspect that you are being enticed to purchase through gifts and you are not able to say no or re-establish a professional boundary you need to refer this matter to your immediate supervisor.

Exercise: positive feelings experienced as a result of inducements

This exercise is designed to:

Provide participants with a greater awareness of the purpose and impact of relational selling.

In your group review each of the following inducements and see if you can identify goals/benefits for a sales person when offering a sales incentive and the range of positive feelings a buyer (customer) may experience as a result of relational selling or being offered inducements. After you complete the exercise can you think of any other inducements and their impact?

e.g Thank you card send to you for personally referring another customer.



SALES PERSON	CUSTOMER
extra business	Feels that effort is valued
Increased perception of being trustworthy, reliable	Special as someone has taken time to acknowledge you

Free Shipping:

Gift certificate:

Discounted price:

Cash back offers:

Dinner:

Increase sales volume	Feels that effort is valued
Increased perception that service is valuable	Special as someone has taken time to acknowledge you
Increase perception that product is good	Relief in perception of saving money for company or self
Increased commission based on sales volume or increased customer base	Satisfied with increased cash that would not have had if not for sale
Increased inducements for achieving sales volume targets	Feeling liked and accepted
	Increased sense of social standing if gifts are offered or provided for friends and family
	Feelings of attraction or intimacy

