

24 Month Progress Report

Operation Jarek

Broken Hill City Council

Please update this schedule with information about the status of each item as at May 2016. 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 27 May 2016.

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
- Employees will be asked to complete Code of Conduct training online, as part of broader compliance training. This is scheduled to be completed before June 2016.

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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 previously provided).

A Procurement Policy (previously provided) has now been developed and has replaced the existing Purchasing Policy. The new policy was endorsed by Council on 29/04/2015 for 28 days public consultation and was adopted in June 2015.

Supporting material

Procurement Policy & Procedure Review – Project Plan
Procurement Policy (previously provided)
Procurement Procedure (previously provided)

Evaluation of implementation (Progress update)

In addition to the new Procurement Policy the following associated procedures have been developed and implemented:

- Procurement Procedure (previously provided)
- Engaging Consultants Procedure (previously provided)
- Purchase card (P-Card) Procedure (previously provided)
- Tendering Procedure (under development) in accordance with proposed Procurement Framework. Standard Tender and Quotation templates developed together with draft process steps. Project works continuing.

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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 (previously provided)

Code of Conduct (previously provided)

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 (previously provided)

Code of Conduct (previously provided)

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 (previously provided)

Code of Conduct (previously provided)

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 (previously provided)

Evaluation of implementation (Progress update)

Fact sheet developed and provided to staff at induction.

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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 (previously provided)

Evaluation of implementation (Progress update)

Procurement Policy and Process Review commenced 27 January 2015. Associated Plan previously provided. The actions in the plan were completed and implemented in August 2015

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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 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. The Store was closed in June 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. The Store was closed in June 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 introduced 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 was scheduled to be implemented in July 2015 and will build on the framework to enhance our planning capacity.

Update

The 2013/14 Local Government Code of Accounting Practice and Financial Reporting (Update 22) advised that the Report on Infrastructure Assets (Special Schedule 7) would be audited from 2015 onwards. In order to comply with this requirement Council was required to undertake Levels of Service Consultation with the community (undertaken late 2015) and implementation of Council's asset management system was delayed so that the results of the consultation could inform future asset planning.

The asset management system is currently being developed and is scheduled to be implemented in early 2017.

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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. The Store was closed in June 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. The Store was closed in June 2015.

A final stocktake by staff independent to the Store was taken 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. The Store was closed in June 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 (previously provided)

Procurement Audit Schedule - 2016 - TRIM D15/1055 (Attached)

Evaluation of implementation (Progress update)

Procurement Policy and procedures have been adopted by council and implementation was conducted throughout the organisation. Implementation of contracts, service and supplier agreements are in place to prevent any fraud issues and reduce any associated risks. Annual training conducted for Code of Conduct, Statement of Ethical Principles and Conflict of Interest.

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

Procurement Audit Schedule - 2016 - TRIM D15/1055

The Human Resources Manager conducted training for supervisors on relational selling in March 2015, and Train the Train style tools and resources for them to discuss with their team D15/25861 and D15/15/25885