



Responses to Recommendations

Operation Jarek

Recommendation 1.

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

Summary of response

The recommendation will be:

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented
- Not implemented further - existing policies, procedures & practices already in place

Action proposed

Nil

Action Already Taken

Over the last 2 years Council has reviewed and/or developed new policies, procedures and supporting tools and practices to communicate to suppliers a clear set of supplier behaviour expectations and the associated consequences of non-compliance as detailed below.

Already existing quarterly review of Gifts and Benefits Register at Executive level will continue – this review shows how many letters rejecting offers have been sent to suppliers. The Division of Corporate Services is responsible for maintaining and reporting on the Gifts and Benefits Register.

Supporting material

- a. Corruption Prevention Policy (#DM1137086);
- b. Business Ethics Policy (#DM1154351);
- c. Purchasing and Tendering Guide (#DM1068115);
- d. Declaration of Gifts and Benefits Procedure (#DM1198559);
- e. Template letter returning offers or gifts (#DM1198609);
- f. Extract of Gifts and Benefits Register April – Dec 2012 (#DM654065);
- g. Extract of information on website as at 08/01/2013 (#E2013/1153).

Proposed evaluation methods

N/a

Recommendation 2.

That councils develop a proactive and comprehensive supplier engagement framework.

Summary of response

The recommendation will be:

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented
- Not implemented further - existing policies, procedures & practices already in place

Action proposed

Nil

Action Already Taken

Action already undertaken includes:

1. Council has visitor management processes in place that prohibit unsupervised access by any visitor to any Council office premises which adequately prevent suppliers having unsupervised access to Council offices.
2. Council's existing Declaration of Gifts and Benefits Procedure requires all offers to be declared, including rejected offers. The Register of Declarations is reviewed quarterly at Executive Level which provides effective oversight.
3. Council's Tender processes already provide for debriefs for unsuccessful tenderers where requested.
4. Relevant material for suppliers/contractors is available on Council's website, eg at the "Business with Council" entry point, on all pages providing information on current tenders, quotes or expressions of interest and on the Corruption Prevention Page.

Supporting material

- a. Extract of part 5.1.15 of Purchasing and Tendering Guide (part #DM1068115)

Refer also to Council's website.

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 response

The recommendation will be:

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented
- Not implemented further - existing policies, procedures & practices already in place

Action proposed

Nil

Action Already Taken

Byron Council has always adopted the Code of Conduct prescribed by the Local Government Act. Most recently, Council has revised its Code of Conduct in line with the new prescribed Code which commences on 1 March 2013.

Council has always had a Declaration of Gifts and Benefits Procedure, however, in 2011 Council reviewed and updated its Procedure. The current Procure is short and precise and capable of being easily understood. It very simply requires all offers to be declared and it is supported by simple template forms.

In addition, staff have been and continue to be regularly reminded via a range of communication methods (eg in team meetings, staff newsletters and the Executive Team meeting minutes distributed to all staff etc) of their obligations in plain language.

The Gifts and Benefits Register is reviewed by the Executive Team Quarterly. The Division of Corporate Services is responsible for maintaining and reporting on the Gifts and Benefits Register.

Code of Conduct complaints are reported annually as part of Council's Annual Report and Council will comply with the Division of Local Government's new reporting requirements as well. Council's new Complaint Coordinator, once appointed, will be responsible for ensuring Council complies with reporting requirements.

Supporting material

- a. Byron Shire Council Code of Conduct (#E2013/12377)
- b. Example extracts of Staff Newsletters Feb 12 'Declaring all offers of gifts and benefits' (part #DM1187716) and Dec 12 'The declaration of gifts and benefits procedure and how it relates to you' (part #E2012/26607)

See also Declaration of Gifts and Benefits Procedure.

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 response

The recommendation will be:

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented
- Not implemented further - existing policies, procedures & practices already in place

Action proposed

Nil

Action Already Taken

Council's Declarations of Gifts and Benefits Procedure already:

- a) requires every offer of a gift or benefit to be declared regardless of whether it was rejected or accepted;
- b) prohibits every Council officer from accepting any gift or benefit of any type for their personal use regardless of value;
- c) requires every gift or benefit valued over \$10.00 to be given/sent back;
- d) requires every gift or benefit valued under \$10.00 to be given/sent back or, if it would cost more than \$10 for Council to send it back, the item to be included in Council's stores (eg pens, notepads etc) and used by Council as a whole or is to be used in fund raising raffles or donations to charity if it can't be used by Council.

Supporting material

See:

- Declaration of Gifts and Benefits Procedure.
- Gifts and Benefits Register extract.

Recommendation 5.

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

Summary of response

The recommendation will be:

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented
- Not implemented further - existing policies, procedures & practices already in place

Action proposed

With the adoption of a revised prescribed Model Code of Conduct, Council will conduct corporate-wide training on the new Code and will ensure that information on disciplinary consequences of breaches of the Code is included in that training.

Action Already Taken

Specifically in relation to gifts and benefits, Council has been providing information to staff since Council conducted its own internal investigation in June 2011 via a variety of methods, and given the volume and repetition of the information provided there is a risk of effectiveness of more training being eroded by 'topic fatigue'.

Council had also already reviewed its Induction Program and issues a copy of the Code of Conduct and Gifts and Benefits Procedure to each new starter.

Supporting material

See:

- Declaration of Gifts and Benefits Procedure.
- Code of Conduct.

Proposed evaluation methods

Council-wide facilitated training session on the revised Council Code of Conduct delivered within 6 months. Organisational Support Division will be responsible for development of the training, coordination, monitoring and reporting.

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 response

The recommendation will be:

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented
- Not implemented further - existing policies, procedures & practices already in place

Action proposed

Nil

Action Already Taken

See above. Staff have been and continue to be regularly provided with training and regular reminders (eg in team meetings, staff newsletters and the Executive Team meeting minutes distributed to all staff etc).

There can be a limit to the effectiveness of providing information if the 'topic fatigue' sets in. So due to the volume of information and reminders already provided, and with the exception of the proposed Council-wide training on the revised Code of Conduct, no further action is proposed at this time.

Supporting material

See above.

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 response

The recommendation will be:

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented
- Not implemented further - existing policies, procedures & practices already in place

Action proposed

Nil

Action Already Taken

In 2001 Council substantially reviewed its Purchasing and Tendering Guide and the revised guide was implemented by staff and included comprehensive training. The Purchasing and Tendering Guide was further reviewed in 2012 as a management action to consider any deficiencies and amendments.

Also in 2011, Council had undertaken reviews of its key procurement steps and either confirmed that existing 'checks' were in fact operational as intended and/or introduced new steps at key points in the procurement process including for example:

- review of delegations and generally a reduction in financial delegations for all non-management staff;
- review of Council's electronic purchasing systems and confirmation that electronic delegations accorded with actual delegations such that an individual cannot approve a purchase order or receipt that is above their financial delegations;
- implementation of a "Purchase Order History Officer or Supplier" report that can be automatically generated by any supervisor at any time to view 'live' the purchasing history of individual staff and/or the history of purchasing from individual suppliers; etc.

Supporting material

See copy Purchasing and Tendering Guide.

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 response

The recommendation will be:

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented
- Not implemented further - existing policies, procedures & practices already in place

Action proposed

A review of the Council's Accounts Payable systems is already scheduled to be undertaken by the Council's Internal Auditor in June 2013. When completed, that review will be reported to Council's Internal Audit Committee which has an independent external chair.

Action Already Taken

Council has since 1 July 2011 used the Authority product as its corporate software for the operation of its corporate financial systems. The Authority software has been developed by Civica as a local government software product. The Authority product includes a number of modules which are used to maintain and keep the accounting records of Council. Council also operates a number of non-financial modules purchased as part of the Authority product.

The Authority financial modules operated by Council include Property, Payroll, Accounts Payable, Accounts Receivable, Inventory, Purchasing and General Ledger. The subsidiary ledger modules are integrated to the General Ledger module.

Council purchased and has operated the Purchasing Module since 1 July 2001. The Purchasing Module is an e-procurement system. With the exception of 10 to 20 payments generated each week by cheque requisitions (cheques through the Accounts payable Module) all other purchases and subsequent payments to suppliers, contractors and other creditors are generated through the Authority Purchasing module. Further detail in relation to the cheque requisition system is provided below.

Purchasing Module

A summary of the operation of the e-procurement process within the Purchasing module is provided below:-

- Requisitions are entered by staff with the appropriate delegation to access this module.
- Requisitions are approved by a staff member, with the appropriate delegated authority. The Purchasing module includes a system that does not allow staff to approve a requisition that is for an amount higher than the purchasing limit contained in the staff member's delegation of authority from the General Manager (ie if the

delegation limit is \$2,000 then a staff member is unable to approve any payment in excess of that amount.)

- The purchasing delegation limit within the Purchasing module is maintained by Finance staff
- Requisitions when approved generate a purchase order.
- The purchase order when generated is generally forwarded to the supplier, contractor or consultant for the supply or provision of the requested goods or services.
- The goods and services are generally recorded within the Purchasing module as being received, when the good is received or the service provided.
- The payment to the creditor is then processed upon the receipt of an invoice by the Accounts Payable staff by means of a cheque or EFT.
- Invoices that relate to stores items are countersigned by the Works Manager prior to the invoice being submitted to the accounts payable section for processing.
- Payments are not processed unless the goods or service requisitioned has been recorded as being received.
- Creditors within the Module are given a creditor account number with the name and address details of the creditor being recorded in the Name and Address Register. (Entry of data into the Name and Address Register, and therefore entry of supplier information, is restricted to Finance, IT and Records staff).
- Staff requisitioning, approving purchases and receipting goods are identified by their unique employee number which is password protected.
- Council has created a report that can identify all transactions with a particular supplier or all transactions approved by a particular staff member.
- The authority to access and the monetary limits for purchasing, delegated by the General Manager, are built into the approval process for the Purchasing Module.

Cheque Requisitions

The type of payments processed as cheque requisitions through the Accounts Payable module (rather than through the Purchasing module) are for the following purposes:

- Refund of bonds and other funds held in Trust
- Remittance of tax payments including payroll tax deductions
- Reimbursement of expenses including payments to employees
- Payments to Councillors
- Reimbursement of expenses to S355 Committees
- Payments from suspense accounts ie remittance of superannuation contributions, levies collected on behalf of other authorities
- Reimbursement of Petty Cash float
- Payment of utilities and fuel accounts ie electricity, telephone and Starcard accounts
- Payment of a creditor for a one off payment

Payments made as cheque requisitions are subject to a separate approval process which requires the preparation of a cheque requisition request and the approval by a responsible officer with the appropriate delegation and the Finance Manager and/or the responsible Executive Manager or the General Manager. This process was the subject of a review requested by the General Manager in July 2011. The review was undertaken by the Executive Manager Corporate Management and the recommendations reported to the General Manager in memorandum (#DM1136022) dated 31 August 2011. The recommendations were considered by the Executive Team and adopted by the General Manager. The review and the adopted recommendations were reported to the external auditor as well as to the Internal Audit Committee meeting held on 18 October 2011. No further review of this part of the procurement system is proposed in the short term.

Supporting material

- a. Memorandum dated 31 August 2011 to the General Manager from Executive Manager Corporate Management (#DM1136022)
- b. Report 4.3 to the Internal Audit Committee meeting held on 18 October 2011 (#DM1151526)

Proposed evaluation methods

Audit of Council's accounts payment system conducted by Council's external/contracted Auditors completed by 30 June 2013 (subject to any resolution of the Council or Internal Audit Committee to the contrary) and their final report is presented to the next available Internal Audit Committee meeting. Corporate Management Division will be responsible for ensuring that this audit is completed and reported.

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 response

The recommendation will be:

<check one>

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented
- Not implemented further - existing policies, procedures & practices already in place

Action proposed

Nil

Action Already Taken

Council already has the capacity which allows any staff member to generate a report showing the orders placed by any individual staff member across all costs centres. It also allows any staff member to generate a report showing all orders placed by any staff member with a particular supplier. The "Purchase Order History Officer or Supplier" report that can be automatically generated by any supervisor at any time to view 'live' purchasing and supplier data.

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 response

The recommendation will be:

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented
- Not implemented further - existing policies, procedures & practices already in place

Action Already Taken

General access to the store is limited by a gate and has the signage to advise that there is to be no unauthorised access and in June 2011 Council put in place additional systems for stores and inventory control, eg requirement for dual signatures, increased electronic reporting etc. Council also already has independent stock taking procedures in place.

Council has reassessed the risk post the making of the recommendations and has determined that other actions on Council's Corporate Risk Register are higher priority at this time than a review of inventory management systems.

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 response

The recommendation will be:

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented
- Not implemented further - existing policies, procedures & practices already in place

Action proposed

Nil. Council has reassessed this particular risk and has determined that other actions on Council's Corporate Risk Register are higher priority at this time than a review of inventory management systems.

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 response

The recommendation will be:

<check one>

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented
- Not implemented further - existing policies, procedures & practices already in place

Action proposed

Nil

Action Already Taken

Review of stores in 2011 resulted in development and implementation of a new two-signature system requiring all stock issued from the store to be approved by the person being issued the item as well as one of their supervisors.

Council already has a labelling system and general access to the store is already limited by a gate and there is signage warning against unauthorised access to the store etc.

Council already had and continues to use an electronic stores inventory management system using the Authority software. A backup manual, paper system exists to allow for situations where the computer system is unavailable.

Recommendation 13.

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

Summary of response

The recommendation will be:

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented
- Not implemented further - existing policies, procedures & practices already in place

Action proposed

Nil

Action Already Taken

Council already has adequate stocktake systems in place, conducted by finance team personnel (independent of stores officers) who have appropriate levels of understanding of stock take systems.

Supporting material

Byron Shire – Stock take Count Instructions (#DM1135348)
Byron Shire – Stock take Procedures (#DM1135353)

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 response

The recommendation will be:

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented
- Not implemented further - existing policies, procedures & practices already in place

Action proposed

Nil. Council has assessed the residual risk and determined not to take any further action on this recommendation at this time due to other higher corporate-wide risk priorities.

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 response

The recommendation will be:

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented
- Not implemented further - existing policies, procedures & practices already in place

Action proposed

This response to the Jarek recommendations will be reported to Council's Internal Audit Committee (which has an independent Chair) and they can determine whether they want to consider changing Council's Internal Audit Plan to include any or all of these items.

Action Already Taken

Council's exposure to risk as identified by the internal Council investigation concluded in June 2011. That process, endorsed at the time by the ICAC, preceded the Operation Jarek public enquiry. The risk as identified through that process, was assessed as being comparatively minor and the internal investigation already resulted in a number of reviews and audits of, and improvements to, the systems referred to. In addition, the results of Council's internal investigation and identified risks were reported to the full Council.

Supporting material

Report No 12.4 to Council Ordinary meeting 30/06/2011 with attachment (#DM1093618).

Proposed evaluation methods

Copy of this document, Response to Recommendations, reported to first available Internal Audit Committee meeting. Organisational Support Division will be responsible for completion of the reporting.

