

# The City of Sydney's Plan for 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.

### Summary of response

The recommendation will be:

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

### Action proposed

- The City's Statement of Business Ethics proactively communicates to suppliers the standards of ethical behavior that the City expects. The Statement is available both electronically and as a hard copy brochure called 'Our Statement of Business Ethics'.
- A link to the Statement of Business Ethics is included in all Request For Quotation (RFQ) and Request For Tender (RFT) documentation that the City issues.
- Each year a letter is sent to all active suppliers to the City of Sydney Council, which informs them of the City's Gifts and Benefits Procedure. This letter will be revised to include reference to the 'Our Statement of Business Ethics' brochure, which outlines the behaviours expected of suppliers and of City staff.
- All procurement documentation, including RFQ and RFT documentation, includes links to the City's code of conduct and Gifts and Benefits Procedure.

### Supporting material

1. City of Sydney 'Our Statement of Business Ethics'.
2. Standard letter to suppliers.
3. City of Sydney code of conduct.

### Proposed evaluation methods

- Performance reviews and audits of supply contracts are completed in line with an agreed internal contract review and audit program.
- Responsibility for evaluation rests with the City's Chief Financial Officer.

# The City of Sydney's Plan for Implementation of Recommendations - Operation Jarek

## 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

### Action proposed

The City's Procurement unit is currently investigating the most appropriate way to engage with suppliers on a more proactive basis. From July 2013 onwards the unit intends sending a revised standard letter to all active suppliers to the City, which references the brochure 'Our Statement of Business Ethics'. The brochure outlines behaviours expected of suppliers and of City staff.

### Supporting material

1. Standard letter to suppliers

### Proposed evaluation methods

- The standard letter to active suppliers will be reviewed annually.
- Responsibility for evaluation rests with the City's Chief Financial Officer.

# The City of Sydney's Plan for Implementation of Recommendations - Operation Jarek

## **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

### Action proposed

- The City's Gifts and Benefits Procedure defines expected behaviours with regard to the consideration and recording by City staff of offers of gifts and benefits. The Procedure is currently being revised following the adoption by the City of the Model Code of Conduct issued by the Division of Local Government. Provisions relating to the offer of gifts and benefits and the acceptance by staff of 'token' gifts described in the code will be incorporated in the revised Gifts and Benefits Procedure.
- We are reviewing the content of our regular face to face training to include guidance for staff about appropriate behaviours and actions with regard to offers of gifts and benefits. The updated training program will be delivered to all City staff during 2013.
- The City maintains an electronic Gifts and Benefits Register and staff record all offers of gifts and benefits on the Register, and whether the gift or benefit was accepted, donated or refused. The Register is reviewed each week by the Manager Governance and any identified issues are addressed immediately.
- Each fortnight the Governance unit publishes topical fraud and corruption scenarios in the City's staff newsletter 'Round the Square'. The scenarios ask staff to determine 'what would you do' in various situations. Throughout the year, specifically prior to Christmas, scenarios are published regarding the offer of gifts and benefits to staff.

### Supporting material

1. Gifts and Benefits Procedure
2. Gifts and Benefits Register – sample
3. Fraud and corruption scenario about gifts and benefits

### Proposed evaluation methods

- Face to face code of conduct training will be delivered to all City staff during 2013.
- The City's Gifts and Benefits Register is reviewed on a weekly basis.

## The City of Sydney's Plan for Implementation of Recommendations - Operation Jarek

- Responsibility for ensuring all staff receive code of conduct training rests with the City's Director Workforce and Information Services.
- Responsibility for reviewing codes and policies on gifts and benefits rests with the City's Director Legal and Governance.

# The City of Sydney's Plan for Implementation of Recommendations - Operation Jarek

## 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**

### Action proposed

- The Model Code of Conduct issued by the Division of Local Government and recently adopted by the City of Sydney Council does not prohibit staff holding financial delegations from receiving gifts and benefits.
- The City's Gifts and Benefits Procedure defines expected behaviours with regard to the consideration and recording by City staff of offers of gifts and benefits. The Procedure is currently being revised following the adoption by the City of the Model Code of Conduct to incorporate a number of changed provisions. Provisions relating to the offer of gifts and benefits and the acceptance by staff of 'token' gifts described in the Code will be incorporated in the revised Gifts and Benefits Procedure.
- Many positions at the City require financial delegations to enable the incumbent staff members to exercise their duties. The City considers that the guidance provided to staff in relation to the risk of fraud or corruption is sufficient and prohibition on the receipt of gifts is unnecessary
- Following consideration by Council of the Model Code of Conduct issued by the Division of Local Government, the receipt of token gifts or benefits may be appropriate by staff who hold financial delegations.
- City staff are directed to follow the City's Gifts and Benefits Procedure and will receive face to face code of conduct training in 2013 which will include guidance for staff about appropriate behaviours and actions with regard to offers of gifts and benefits.

### Supporting material

1. Gifts and Benefits Procedure
2. Register of Delegations from the Chief Executive Officer to City Staff

### Proposed evaluation methods

- Face to face code of conduct training will be delivered to all City staff during 2013.
- The City's Gifts and Benefits Register is reviewed on a weekly basis.
- Responsibility for ensuring all staff receive code of conduct training rests with the City's Director Workforce and Information Services.

## The City of Sydney's Plan for Implementation of Recommendations - Operation Jarek

- Responsibility for reviewing delegations and policy regarding gifts and benefits rests with the City's Director Legal and Governance.

# The City of Sydney's Plan for 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.

### Summary of response

The recommendation will be:

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

### Action proposed

- The current mandatory code of conduct training for new employees focuses on the consequences of inappropriately accepting gifts and benefits and includes real life examples of situations where gifts and benefits may be offered to staff during the course of their employment at the City. Consequences of inappropriate acceptance of gifts and benefits and appropriate behaviours and actions with regard to offers are discussed throughout the training.
- A new City of Sydney code of conduct came into effect on 1 March 2013:
  - the current mandatory code of conduct training has been updated to include changes to the code;
  - real life scenarios of corrupt conduct are used throughout the training (including inappropriate acceptance of gifts and benefits) and consequences are discussed;
  - all City staff will attend code of conduct training in 2013.

### Supporting material

1. City of Sydney code of conduct

### Proposed evaluation methods

- Training is evaluated at the conclusion of each monthly training session. Evaluation will be conducted at the conclusion of the training program delivering code of conduct training to all staff in 2013.
- Responsibility for ensuring all staff receive code of conduct training rests with the City's Director Workforce and Information Services.
- Responsibility for reviewing the content of mandatory code of conduct training rests with the City's Director Legal and Governance.

# The City of Sydney's Plan for Implementation of Recommendations - Operation Jarek

## 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

### Action proposed

- A new City of Sydney code of conduct came into effect on 1 March 2013:
  - the current mandatory code of conduct training has been updated to include changes to the code;
  - real life scenarios of corrupt conduct are used throughout the training (including inappropriate acceptance of gifts and benefits) and consequences are discussed;
  - all City staff will attend code of conduct training in 2013.
- The City also provides 'Introduction to Procurement' and 'Advanced Procurement' training, the latter conducted by City Procurement staff and representatives from the Independent Commission Against Corruption.
- In future, both courses will have greater emphasis on relational selling and gift giving and procurement processes.

### Supporting material

1. City of Sydney code of conduct

### Proposed evaluation methods

- Training is evaluated at the conclusion of each training session.
- Records of staff attending training are maintained to ensure that relevant staff have received the appropriate training.
- Responsibility for ensuring all staff receive code of conduct training rests with the City's Director Workforce and Information Services.
- Responsibility for ensuring relevant staff attend procurement training rests with the Chief Financial Officer.



# The City of Sydney's Plan for Implementation of Recommendations - Operation Jarek

## 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

### Action proposed

- Policies and procedures to address fraud and corruption risks in procurement are in place (detailed below) and are reviewed regularly by Procurement staff, Legal Services, internal and external auditors.
- The Manager Procurement and the City's Manager Risk and Assurance have recently conducted a review of the City's high-risk procurement activities. The findings of the review were presented to the City's Executive Governance Subcommittee in December 2012.

### Supporting material

The City of Sydney has extensive documentation and training in place as listed below.

1. Procurement Manual (available on request)
2. Procurement and Contracts Management Policy
3. Contract Management Manual (available on request)
4. Purchase Card Policy
5. Petty Cash Policy
6. Petty Cash Procedures
7. Accounts Payable Policy
8. Training Course: Introduction to Procurement )
9. Training Course: Advanced Procurement ) Overviews available
10. Training Course: Contract Management Refresher )

### Proposed evaluation methods

- A review of accounts payable functions will be conducted in 2013 as a part of the City's Internal Audit Program to assess the efficacy of the City's fraud and corruption prevention controls in this area.
- Internal Audit will report the findings of the account payable functions review to the Audit Risk and Compliance Committee in 2013.

# The City of Sydney's Plan for 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 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

### Action proposed

- Since 2006 the City has used an e-procurement system to record, manage and maintain purchases made by staff on behalf of the City.
- Guidance on the use of the e-procurement system is summarised in the City's Contracts Management Manual and Procurement Manual.
- Staff receive mandatory training in the use of the e-procurement system before they are provided with access to the system.

### Supporting material

1. Contracts Management Manual (available on request)
2. Procurement Manual (available on request)
3. Training Course: Introduction to Procurement )
4. Training Course: Advanced Procurement ) Overviews available
5. Training Course: Contract Management Refresher )

### Proposed evaluation methods

- The City's Compliance and Reporting Officer undertakes weekly checks on the orders placed via the e-procurement system to ensure compliance by staff with procurement policies and procedures.
- City business unit managers are able to view activity reports of procurement transactions undertaken by and on behalf of their business units. Reports are available categorised by requestor, cost centre and approver.
- Responsibility for ongoing evaluation of the e-procurement system rests with the City's Chief Financial Officer.

# The City of Sydney's Plan for Implementation of Recommendations - Operation Jarek

## 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:

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

### Action proposed

- Since 2006 the City has used an e-procurement system to record, manage and maintain purchases made by staff on behalf of the City.
- City business unit managers are able to view activity reports of procurement transactions undertaken by and on behalf of their business units. Reports are available categorised by requestor, cost centre and approver.
- Guidance on the use of the e-procurement system is summarised in the City's Contracts Management Manual and Procurement Manual.
- Staff receive mandatory training in the use of the e-procurement system before they are provided with access to the system.

### Supporting material

1. Contracts Management Manual (available on request)
2. Procurement Manual (available on request)
3. Training Course: Introduction to Procurement )
4. Training Course: Advanced Procurement ) Overviews available
5. Training Course: Contract Management Refresher )

### Proposed evaluation methods

- The City's Compliance and Reporting Officer undertakes weekly checks on the orders placed via the e-procurement system to ensure compliance by staff with procurement policies and procedures.

# The City of Sydney's Plan for 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.

### Summary of response

The recommendation will be:

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

### Action proposed

- Each of the City's business units with responsibility for purchasing stock has undertaken a review of stock control mechanisms currently in place with a view to improving controls and minimising waste.
- A review is currently under way of the overall inventory management system in operation at the City. This is due to be completed in November 2013.
- Each City business unit has a Fraud and Corruption Prevention Plan, which includes an assessment of purchasing and stock control mechanisms and risks. Stock control reviews and stock-take cycles are also included in each business unit's Fraud Control Plan.
- A Stock Control Procedure has been developed by the City's Fleet Services section in consultation with staff and can now be implemented and used as a model for other business units.

### Supporting material

1. Draft Fleet Services Stock Control Procedure
2. Strategy and Assets unit Fraud Control Plan

### Proposed evaluation methods

- Business unit managers undertake an annual stocktake and reconciliation of in/out data.
- Trend analysis is conducted of year on year consumption rates.
- Responsibility for conducting stocktakes and reviews of control mechanisms rests with the manager of each business unit.
- Annual reporting is to the Director City Operations in line with the annual sign-off and review of Fraud Control Plans that are in place for each of the City's business units.

# The City of Sydney's Plan for Implementation of Recommendations - Operation Jarek

## **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

### Action proposed

- City Operations business units are the primary purchasers and consumers of stock, with the Fleet Services area identified as the highest and most diverse consumer.
- Appropriate solutions have been developed for each business unit based on:
  - individual and grouped stock values;
  - mobility of stock items;
  - attractiveness of stock items;
  - consumption rates and turnover of stock; and
  - ease of review and access to data.
- Stock control reviews and stock-take cycles have been embedded in each business unit's Fraud Control Plan.
- A Stock Control Procedure has been developed by the City's Fleet Services section in consultation with staff and can now be implemented and used as a model for other business units.

### Supporting material

1. Draft Fleet Services Stock Control Procedure
2. Strategy and Assets unit Fraud Control Plan

### Proposed evaluation methods

- Annual review of the Stock Control Procedure.
- Cyclic stocktakes and reconciliation of in/out data.
- Trend analysis for year on year consumption rates.
- Inclusion of stock control in the City's Internal Audit Program.
- Spot checks by business unit and section managers.
- Responsibility for implementation rests with the manager of each business unit.

## The City of Sydney's Plan for Implementation of Recommendations - Operation Jarek

- Annual reporting is to the Director City Operations in line with the annual sign-off and review of Fraud Control Plans for each business unit and the annual review of the Fleet Services Stock Control Procedure.

# The City of Sydney's Plan for Implementation of Recommendations - Operation Jarek

## 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:

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

### Action proposed

- All stock items are clearly labelled and securely stored.
- Only authorised team leaders can access store areas after core business hours.
- Stock movements for store items are recorded.
- Electronic barcoding and control of high-risk core stock items is currently under investigation along with the integration of stock control systems with the City's procurement and asset management systems. Investigation of electronic barcoding and integration with other systems will be finalised in May 2013. If viable, implementation is likely to take place in the first quarter of the 2013/14 financial year.
- Deployment of a standardised approach to stock control for all operational business units has commenced.

### Supporting material

1. Draft Fleet Services Stock Control Procedure

### Proposed evaluation methods

- Annual review of the Fleet Services Stock Control Procedure.
- Cyclic stocktakes and reconciliation of in/out data.
- Trend analysis for year on year consumption rates.
- Inclusion of stock control within the City's Internal Audit Program.
- Spot checks by business unit and section managers.
- Responsibility for implementation rests with the manager of each business unit.

## The City of Sydney's Plan for Implementation of Recommendations - Operation Jarek

- Annual reporting is to the Director City Operations in line with the annual sign-off and review of Fraud Control Plans for each business unit and the annual review of the Fleet Services Stock Control Procedure.



# The City of Sydney's Plan for Implementation of Recommendations - Operation Jarek

## 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

### Action proposed

- The Fleet Services Stock Control Procedure indicates that independent staff from the City's Finance Division review stocktakes undertaken on core stock and high-risk items, such as Fleet parts.
- Venue Management liquor stocks are independently audited.
- Inventory control, stock-takes and trend analysis on decentralised consumable items e.g. Personal Protective Equipment, will be undertaken locally and endorsed by business unit managers.

### Supporting material

1. Draft Fleet Services Stock Control Procedure

### Proposed evaluation methods

- Annual review of the Fleet Services Stock Control Procedure.
- Inclusion of stock control within the City's Internal Audit Program.
- Spot checks by business unit and section managers verifying the involvement of independent Finance Division staff for core stock items and high-risk items.
- Responsibility for implementation rests with the manager of each business unit.
- The responsibility for provision of independent Finance Division staff for stock-takes on core stock and high-risk items rests with the Chief Financial Officer.
- Annual reporting is to the Director City Operations in line with the annual sign-off and review of Fraud Control Plans for each business unit and the annual review of the Fleet Services Stock Control Procedure.

# The City of Sydney's Plan for Implementation of Recommendations - Operation Jarek

## 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 (*Yet to be implemented*)

### Action proposed

- Residual risk will be assessed after the implementation and standardisation of new stock control procedures across all areas.
- Stock control will be considered and a risk management plan established in the City's on-line corporate risk management system after the implementation and standardisation of new procedures.
- Random spot checks will be undertaken by business unit and section managers.

### Supporting material

To be developed.

### Proposed evaluation methods

- Records of spot checks by business unit and section managers.
- Scheduled reviews of auditable risk management plans for stock control within the City's corporate risk management system - INCOM Enterprise Risk Management.
- Responsibility for implementation will rest with the manager and section manager of each business unit.
- Implementation and standardisation of new stock control procedures is likely to occur before May 2013.
- The inclusion of specific risk management plans for each business unit in the City's corporate risk management enabling the assessment of residual risk is likely to occur before end June 2013.

## The City of Sydney's Plan for Implementation of Recommendations - Operation Jarek

- Annual reporting is to the Director City Operations in line with the annual sign-off and review of Fraud Control Plans for each business unit and the annual review of the Fleet Services Stock Control Procedure.

# The City of Sydney's Plan for 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.

### Summary of response

The recommendation will be:

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

### Action proposed

- Policies and procedures to address fraud and corruption risks in procurement are in place (detailed below) and are reviewed regularly by Procurement staff, Legal Services, internal and external auditors.
- The Manager Procurement and the City's Manager Risk and Assurance have recently conducted a review of the City's high-risk procurement activities. The findings of the review were presented to the City's Executive Governance Subcommittee in December 2012.
- The City's code of conduct training includes real life scenarios of corrupt conduct including inappropriate acceptance of gifts and benefits and an explanation of relational selling. Consequences are discussed. All City staff will attend code of conduct training in 2013.
- The City provides 'Introduction to Procurement' and 'Advanced Procurement' training; the latter conducted by City Procurement staff and representatives from the Independent Commission Against Corruption. In future, both courses will have greater emphasis on relational selling and gift giving and procurement processes.
- The City's Gifts and Benefits Procedure defines expected behaviours with regard to the consideration and recording by City staff of offers of gifts and benefits. The Procedure is currently being revised. Clear guidance relating to the offer of gifts and benefits and the acceptance by staff of 'token' gifts described in the Code will be incorporated in the revised Gifts and Benefits Procedure.

### Supporting material

1. City of Sydney code of conduct
2. Gifts and Benefits Procedure
3. Training Course: Introduction to Procurement )
4. Training Course: Advanced Procurement ) Overviews available
5. Training Course: Contract Management Refresher )
6. Procurement Manual (available on request)
7. Procurement and Contracts Management Policy
8. Contract Management Manual (available on request)

## The City of Sydney's Plan for Implementation of Recommendations - Operation Jarek

9. Purchase Card Policy
10. Petty Cash Policy
11. Petty Cash Procedures
12. Accounts Payable Policy

### Proposed evaluation methods

- A review of accounts payable functions will be conducted in 2013 as a part of the City's Internal Audit Program to assess the efficacy of the City's fraud and corruption prevention controls in this area. Internal Audit will report the findings of the account payable functions review to the Audit Risk and Compliance Committee in 2013.
- Face to face code of conduct training will be delivered to all City staff during 2013.
- The City's Gifts and Benefits Register is reviewed on a weekly basis.
- Responsibility for ensuring all staff receive code of conduct training rests with the City's Director Workforce and Information Services.
- Responsibility for reviewing codes and policies on gifts and benefits rests with the City's Director Legal and Governance.
- Responsibility for ensuring relevant staff attend Procurement training rests with the Chief Financial Officer.

# The City of Sydney's Plan for Implementation of Recommendations - Operation Jarek

## **List of supporting material**

1. City of Sydney 'Our Statement of Business Ethics'
2. Standard letter to suppliers
3. City of Sydney code of conduct
4. Gifts and Benefits Procedure
5. Gifts and Benefits Register - sample
6. Fraud and corruption scenario about gifts and benefits
7. Register of Delegations to Staff
8. Procurement and Contracts Management Policy
9. Purchase Card Policy
10. Petty Cash Policy
11. Petty Cash Procedures
12. Accounts Payable Policy
13. Draft Fleet Services Stock Control Procedure
14. Strategy and Assets unit Fraud Control Plan