

12 Month Progress Report

Operation Jarek

Lithgow City Council

RECEIVED

- 5 MAR 2014

I.C.A.C. RECORDS &
PROPERTY

Please update this schedule with information about the status of each item as at February 2014. 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 our agency from who we can seek more detail if needed. Please return this document to the ICAC in writing and to ckenny@icac.nsw.gov.au by no later than 28th February 2014.

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 will be:

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

Action taken to implement recommendation

1. Governance Policy 9.3 Business Ethics is publically available on the internet, available on request by phone, Admin Centre which states:

Council Expects Tenderer's, Suppliers, Consultants & Contractors to:

Respect the conditions expressed in Council documents supplied;

Respect the obligation of Council to abide by its policies and procedures;

Prevent the misuse or disclosure of privileged information, including confidential Council information;

Refrain from offering councillors or staff inducements which may give any impression of unfair advantage;

Abstain from collusive practices;

Avoid the disclosure of potential conflicts of interest;

Provide accurate information where required;

Not to act fraudulently or secretly

2. Letter will be sent to all existing creditors, individually, advising of Business Ethics Policy
3. On engaging creditor 'supplier documentation' will refer to 'Policy 9.3 Business Ethics'
3. 'Suppliers Purchase Order' will refer to 'Policy 9.3 Business Ethics'

Supporting material

Lithgow City Council Governance Policy 9.3 Business Ethics

Copy of letter sent to all suppliers advising of Policy 9.3 Business Ethics

Evaluation of implementation (Progress update)

To be reviewed by performance audit by 30 September 2014

Lithgow City Council's Finance Department will conduct and prepare a report on the performance audit by 30 September 2014. A report will be presented to EMT (Executive Management Team) and the Internal Audit Committee.

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Recommendation 2.

That councils develop a proactive and comprehensive supplier engagement framework.

Summary of progress

The recommendation will be:

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

Action taken to implement recommendation

1. Governance Policy 9.3 Business Ethics is publically available on the internet, available on request by phone, Admin Centre
2. Letters will be sent to all existing creditors individually advising of Business Ethics Policy
3. On engaging creditor 'supplier documentation' will refer to 'Policy 9.3 Business Ethics'
3. 'Suppliers Purchase Order' will refer to 'Policy 9.3 Business Ethics'

Supporting material

Governance Policy 9.3 Business Ethics

Evaluation of implementation (Progress update)

To be reviewed by performance audit by 30 September 2014

Lithgow City Council's Finance Department will conduct and prepare a report on the performance audit by 30 September 2014. A report will be presented to EMT (Executive Management Team) and the Internal Audit Committee.

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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 will be:

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

Action taken to implement recommendation

1. The Internal Audit Bureau (IAB) conducted an internal audit on Lithgow City Councils Gifts & Benefits Policy 9.7, the register and practices on site in Dec 2011
2. A Decision Making Guide was included in the Policy following its review
3. An associated IAB Gifts & Benefits Action Plan was developed in Dec 2011
4. Policy 9.7 Gifts & Benefits was reviewed January 2012
5. Training was provided to all employees (Feb 2012) and Councillors (Oct 2012)
6. Reporting of gift declarations has been completed to EMT as required on a six monthly basis, namely Feb & Nov 2012

Supporting material

Gifts & Benefits Policy 9.7
Gifts & Benefits Register
Gifts & Benefits Decision Making Guide
Gifts Declaration report to Management Feb 2012 & Nov 2012 and each 6 months thereafter

Evaluation of implementation (Progress update)

To be reviewed by performance audit by 30 September 2014

Lithgow City Council's Finance Department will conduct and prepare a report on the performance audit by 30 September 2014. A report will be presented to EMT (Executive Management Team) and the Internal Audit Committee.

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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 will be:

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

Action taken to implement recommendation

1. Policy 9.7 Gifts & Benefits states:

Token Gifts & Benefits:

You may accept gifts or benefits of a nominal or token value that is less than \$30 that does not create a sense of obligation on your part

2. Council may need to reconsider Clause 4.3 Token Gifts & Benefits in Policy 9.7 Gifts & Benefits and state in Policy 9.7 that all staff holding financial delegations are prohibited from receiving gifts of any kind.

Supporting material

Gifts & Benefits Policy 9.7

Gifts & Benefits Register

Evaluation of implementation (Progress Update)

Lithgow City Council's Finance Department will conduct and prepare a report on the performance audit by 30 September 2014. A report will be presented to EMT (Executive Management Team) and the Internal Audit Committee.

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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 will be:

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

Action taken to implement recommendation

1. Policy 9.7 Gifts & Benefits states:

Non Compliance with Gifts & Benefits Policy:

Failure to comply with the terms of this policy may result in one or more of the follow:

Disciplinary action

Dismissal

Criminal prosecution

Investigation by ICAC

2. Training provided to all employees (Feb 2012) follow up training will continue on a regular basis

Supporting material

Gifts & Benefits Policy 9.7

Training Power Point Presentation

Evaluation of implementation (Progress update)

To be reviewed by performance audit by 30 September 2014

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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 will be:

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

Action taken to implement recommendation

1. Policy 9.7 Gifts & Benefits states:

Gifts of Value:

Council employees regarded as being employed in areas of 'high risk' including rangers, building inspectors, inspectorial staff, plant or machinery purchase officers. Positions such as these must be especially aware that they cannot accept gifts and benefits.

2. Training provided to all employees (Feb 2012) follow up training will continue on a regular basis

Supporting material

Gifts & Benefits Policy 9.7

Evaluation of implementation (Progress update)

To be reviewed by performance audit by 30 November 2014

Lithgow City Council's Finance Department will conduct and prepare a report on the performance audit by 30 November 2014. A report will be presented to EMT (Executive Management Team) and the Internal Audit Committee.

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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 will be:

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

Action taken to implement recommendation

1. Purchasing Standard Working Procedure (SWP) reviewed in Dec 2011 and again in Feb 2012 following IAB Audit
2. Training provided to all employees (Feb 2012) follow up training will regularly continue
3. Orders monitored on a monthly basis for compliance and reported.
Disciplinary action taken by GM on a monthly basis

Supporting material

Standard Working Procedure – Purchasing
Electronic orders
Monthly reporting to General Manager

Evaluation of implementation (Progress update)

Lithgow City Council's Finance Department will conduct and prepare a report on the performance audit by 30 November 2014. A report will be presented to EMT (Executive Management Team) and the Internal Audit Committee.

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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 will be:

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

Action taken to implement recommendation

1. All purchases are completed using e-procurement since 2003.
2. No purchases are completed without an electronic order authorised by the correct personnel;
3. Orders are monitored on a monthly basis for compliance and reported to GM
4. Disciplinary action taken by GM on a monthly basis

Supporting material

Electronic orders
Monthly reporting to General Manager

Evaluation of implementation (Progress update)

To be reviewed by performance audit on an annual basis

Lithgow City Council's Finance Department will conduct and prepare a report on the performance audit by 30 November 2014. A report will be presented to EMT (Executive Management Team) and the Internal Audit Committee.

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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 will be:

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

Action taken to implement recommendation

Reports are written and available to be produced by Managers as required

Supporting material

Copy of report produced on request

Evaluation of implementation (Progress update)

To be reviewed annually

Lithgow City Council's Finance Department will conduct and prepare a report on the performance audit by 30 November 2014. A report will be presented to EMT (Executive Management Team) and the Internal Audit Committee.

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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 will be:

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

Action taken to implement recommendation

1. Stores listing provided to EMT and available at any time
2. Operations Manager to review stock & quantities held & report back to EMT (Management)
3. Operations Manager has prepared a list of non stock items stockpiled at work sites. Materials are restricted to roadbase which is purchased under contract.
4. Stocktakes are conducted in Dec & June by two administration personnel with assistance of the storeman, relief store person and Depot Manager.

Supporting material

Stores listing of all available stock
List of all non stock items complied
Bi annual stocktakes
Disposal of surplus or outdated stores

Evaluation of implementation (Progress update)

To be reviewed annually

Lithgow City Council's Finance Department will conduct and prepare a report on the performance audit by 30 December 2014 A report will be presented to EMT (Executive Management Team) and the Internal Audit Committee.

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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 will be:

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

Action taken to implement recommendation

All items purchased received and stockpiled on the job site and not in stores are accounted for through the ordering system and are charged to individual jobs. They are not listed as stock items but have to go through the same purchase system with its relevant checks. There is no connection between the officers ordering materials for on site jobs and the officers receipting the delivery of materials

Supporting material

List of all non stock items has been compiled

Evaluation of implementation (Progress update)

Lithgow City Council's Finance Department will conduct and prepare a report on the performance audit by 30 December 2014. A report will be presented to EMT (Executive Management Team) and the Internal Audit Committee.

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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 will be:

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

Action taken to implement recommendation

1. Organisation of store items has been reviewed and stock items have been clearly labelled by location, bin and product number
2. Installation of bar coding and use of bar code readers to be introduced into the stores system in 2014/15.

Supporting material

Organisation of store items reviewed and labelled by location, bin and product number
Investigation and report with regard to bar coding and bar codes

Evaluation of implementation (Progress update)

To be reviewed by performance audit by 30 December 2014

Lithgow City Council's Finance Department will conduct and prepare a report on the performance audit by 30 December 2014. A report will be presented to EMT (Executive Management Team) and the Internal Audit Committee.

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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 will be:

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

Action taken to implement recommendation

Stocktakes are conducted in Dec & June by two administration personnel with assistance of the storeman, relief store person and Depot Manager.

In future only administration personnel will be involved

Supporting material

Stocktakes

Evaluation of implementation (Progress update)

To be reviewed by performance audit by 30 November 2014

Lithgow City Council's Finance Department will conduct and prepare a report on the performance audit by 30 November 2014. A report will be presented to EMT (Executive Management Team) and the Internal Audit Committee.

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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 will be:

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

Action taken to implement recommendation

Administration Officers have commenced spot checks on a regular basis each year at random intervals

Supporting material

Documentation of random spot checks

Evaluation of implementation (Progress update)

To be reviewed by performance audit by 30 September 2014

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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 will be:

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

Action taken to implement recommendation

1. Internal Audits conducted in past year:

Procurement, Project & Contract Management

Sec 94 / Sec 64 and Development Applications

Gifts & Benefits Register

Asset Management

Records Management

2. Lithgow Council is committed to the CTA Internal Audit Committee and the continuation of the effective Internal Audit program

3. Policies & SWP reviewed in past year and will be completed annually:

Code of Conduct

9.3 Business Ethics

9.7 Gifts & Benefits

SWP Purchasing including Delegations

Supporting material

Internal Audits

Policy reviews

Evaluation of implementation (Progress update)

To be reviewed by performance audit by 30 December 2014

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