

# 24 Month Final Report – Lithgow City Council

## Operation Jarek

Please update this schedule with information about the current status of each item listed. 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](mailto:swalker@icac.nsw.gov.au) by no later than 28 February 2015.

### 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:

<check one>

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

### Action proposed

1. Governance Policy 9.3 Business Ethics is publicly available on the internet, available on request by phone, and at Council's Administration Centre, which states:

Council expects tenderers, suppliers, consultants and 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

Council is in the process of contacting creditors individually to provide advice relating to

Business Ethics Policy 9.3. Upon engaging creditors, Council will advise of Business Ethics Policy 9.3 via supplier documentation and on all supplier purchase order documentation.

## 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

## Proposed evaluation methods

Council's Audit Committee and Internal Audit has recently been reconstituted. A review of procurement practices will form part of the 3 year Internal Audit Program.

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#### Recommendation 2.

That councils develop a proactive and comprehensive supplier engagement framework.

#### Summary of response

The recommendation will be:

<check one>

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

#### Action proposed

1. Governance Policy 9.3 Business Ethics is publicly available on the internet, available on request by phone and at Council's Administration 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'.
4. 'Suppliers Purchase Order' will refer to 'Policy 9.3 Business Ethics'

#### Supporting material

Governance Policy 9.3 Business Ethics

#### Proposed evaluation methods

To be included in the 3 year Internal Audit Program.

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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 response

The recommendation will be:

<check one>

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

#### Action proposed

1. The Internal Audit Bureau (IAB) conducted an internal audit on Lithgow City Council's Gifts & Benefits Policy 9.7, the register and practices on site in December 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 December 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 Council's Executive Management Team as required on a six monthly basis, commencing in February 2012.

#### Supporting material

Gifts & Benefits Policy 9.7  
Gifts & Benefits Register  
Gifts & Benefits Decision Making Guide  
Gifts Declaration Report to Management.

## Proposed evaluation methods

Reviewed annually by Council's Executive Management Team including copies of recent declarations. A review of the Gifts & Benefits Policy 9.7 occurs routinely in accordance with Council policy review processes.

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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 response

The recommendation will be:

<check one>

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

### Action proposed

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.

### Supporting material

Gifts & Benefits Policy 9.7

Gifts & Benefits Register

### Proposed evaluation methods

A report on declarations is presented to Council's Executive Management Team on a yearly basis.

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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 response

The recommendation will be:

<check one>

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

### Action proposed

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 following:

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

### Proposed evaluation methods

Online training is provided by the Organisational Development team for all staff. It includes an evaluation section.



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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 response

The recommendation will be:

<check one>

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

#### Action proposed

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 (February 2012), follow up training will continue on a regular basis.

#### Supporting material

Gifts & Benefits Policy 9.7

#### Proposed evaluation methods

Training has been delivered. Employment of ArcBlue Program, to review procurement processes. Arc Blue procurement review will commence shortly. This includes a training component and evaluation of contractor negotiations.

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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 response

The recommendation will be:

<check one>

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

### Action proposed

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

### Supporting material

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

### Proposed evaluation methods

Introduction has occurred. New ordering process has eliminated risk of corruption. No standing orders exist, ongoing review by General Manager.

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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 response

The recommendation will be:

<check one>

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

#### Action proposed

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 the General Manager.
4. Disciplinary action taken by General Manager on a monthly basis.

#### Supporting material

Electronic orders

Monthly reporting to General Manager

#### Proposed evaluation methods

Council as implemented the use of Local Government Procurement E-tendering for contracts.

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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 response

The recommendation will be:

<check one>

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

#### Action proposed

Reports are written and available to be produced by managers as required.

#### Supporting material

Copy of report produced on request.

#### Proposed evaluation methods

Reports are generated on an ongoing basis.

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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 response

The recommendation will be:

<check one>

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

### Action proposed

1. Stores listing provided to Executive Management Team.
2. Operations Manager to review stock and quantities held and report back to Executive Management Team.
3. Operations Manager has prepared a list of non stock items stockpiled at work sites. Materials are restricted to road base which is purchased under contract.
4. Stocktakes are conducted in December and 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 compiled.  
Bi annual stocktakes.  
Disposal of surplus or outdated stores.

### Proposed evaluation methods

It has been reviewed annually by Council's Executive Management Team, and to be reviewed through the Internal Audit Program.

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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 response

The recommendation will be:

<check one>

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

#### Action proposed

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 systems 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.

#### Proposed evaluation methods

Stores processing will continue to be reviewed through External Audit and reviewed in the Internal Audit Program. Stores processed will also be a component of the Arc Blue program commencing in 2015/16.

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#### **Recommendation 12.**

That councils, if they have not already done so, organise their stores so that all items are labeled 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

#### Action proposed

1. Organisation of store items has been reviewed and stock items have been clearly labeled 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 2015/16.

#### Supporting material

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

#### Proposed evaluation methods

Bar coding has been included in the 2015/16 Budget and will be scheduled for implementation.

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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 response

The recommendation will be:

<check one>

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

#### Action proposed

Stock takes are conducted in December and June by two administration personnel with assistance of the Storeman, Relief Store Person and Depot manager.

#### Supporting material

Stocktakes.

#### Proposed evaluation methods

Stocktakes are performed by independent officers including Finance staff twice per year.



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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 response

The recommendation will be:

<check one>

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

#### Action proposed

Due to limited resources, spot checks by staff have not been implemented.

#### Supporting material

Documentation of random spot checks.

#### Proposed evaluation methods

Spot checks are performed periodically by Council's auditors.

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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 response

The recommendation will be:

<check one>

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

#### Action proposed

1. Internal Audits conducted in past years:

Procurement, Project & Contract management

Sec 94/Sec 64 and Development Applications

Gifts & Benefits Register

Asset Management

Records management

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

Code of Conduct

9.3 Business Ethics

9.7 Gifts and Benefits

SWP Purchasing including Delegations

## Supporting material

Internal Audits

Policy Reviews

## Proposed evaluation methods

To be included in Council's 3 year Internal Audit Program.