

# 12 Month Progress Report

## Operation Jarek

### NARRANDERA SHIRE COUNCIL

*Please update this schedule with information about the status of each item as at May 2015. 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 29 May 2015.*

#### **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 has reviewed and amended its "Statement of Business Ethics" Policy ES90.

Contractor register listing includes code of conduct and ethical behaviour acknowledgement.

Section 25 of the Contractor Agreement includes standard of behaviour and ethical principles and includes schedule of agreement.

#### Supporting material

Attached Statement of Business Ethics – Policy ES90

Contractor Register listing

Contractor Agreement

#### Evaluation of implementation (Progress update)

Independent Internal Auditor to review and evaluate process in April/May 2015.

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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

Supplier engagement is driven by the purchaser. Suppliers engaged only when presentation to all staff concerned. Access to be limited for salespeople at workplaces through the following adopted workplace actions:

- Meetings with suppliers by appointment only
- Meetings to be in open offices with two or more council staff being present
- Suppliers to provide product details to a generic point rather than numerous offices

### Supporting material

Incorporated into Contractor Management Documents

### Evaluation of implementation (Progress update)

Independent Internal Auditor to review and evaluate process in April/May 2015.

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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

Currently detailed in the Code of Conduct. Councils Gifts and Benefits Policy has been reviewed and amended in accordance with the recommendation 3.

The Training on the code to be at the appropriate level for each workplace with additional emphasis to comprehension and understanding.

A greater emphasis is to be placed on training for those, who are, or may be exposed to suppliers.

### Supporting material

An easy to follow guideline flow chart was added to the policy. A copy of the policy is attached

### Evaluation of implementation (Progress update)

HR Section have reviewed Code of Conduct training and implementation

Schedule Code of conduct refresher fo all staff

Council provided with code of conduct training

Code of conduct training provided to all new staff at induction.

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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
- X Not implemented

### Action taken to implement recommendation

This would require a review of the Code of Conduct and a cross reference and sign off for those employees with financial delegations. Provision would need to be made to allow registration of unsolicited gifts. Some staff and Councillors in this bracket also receive token gifts from overseas delegations in particular from China, where it is part of their culture to provide token gifts. Refusal of such gifts can bring offence.

It is felt that the present Code of Conduct covers areas of token and non-token gifts adequately.

### Supporting material

Listed as a permanent item on Council weekly Executive Leadership Team meetings – sample agenda attached.

### Evaluation of implementation (Progress update)

Executive Leadership Team to Monitor

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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

It is considered that this is an extension of Recommendation 1. The Statement of Business Ethics has been expanded to reflect the consequences of its breach of the code. The updated policy and the resultant consequences of its breach has been communicated to all staff and will also communicated to suppliers.

### Supporting material

Gifts and Benefits Policy updated with clauses that shows disciplinary outcomes should the policy be breached.

### Evaluation of implementation (Progress update)

Review as per recommendation 1

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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

Is seen as an extension of Recommendation 3 where those staff exposed to suppliers (especially those who may be relational selling) to receive additional training.

### Supporting material

Identified relevant training for those staff that could be exposed to relational selling.

### Evaluation of implementation (Progress update)

Identified staff t risk:

- Storeman
- Plant Manager
- Purchasing Officer
- Relief Storeman.

Incumbents to receive specific training above generic training to be instigated by Human Resources.

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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

Procurement process was reviewed with a new procurement manual developed, a copy of which is attached. In house training was conducted and all staff were provided with copies of the procurement manual. The procurement process from the Depot has been broken up with the storeman working one day per week at the Office and processing purchase requests generated in the office while office staff process requests generated at the depot. This system also puts a relief storeman at the Depot to create a second break in the process. Payment of creditors invoices not covered by a purchase order now requires 2 signatures for certification.

### Supporting material

Procurement Manual and flow charts

### Evaluation of implementation (Progress update)

Internal Auditor to assess processes in April/May 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

*Paper Order Books have been eliminated. Orders are placed through the procurement system with the process requiring two officers to sign an order. The wording on the order was amended requiring the requisitioning officer to certify that they have delegation to commi the funds, and are the budget holder for the cost centre being charged and sufficient funds are available in the budget to meet the commitment.*

### Supporting material

Copy of Purchasing Manua provided.

### Evaluation of implementation (Progress update)

Finance staff minitor purchasing system on an ongoing basis to ensure that orders conform to the purchasing policy and are within delegated financial limits.

Internal Auditor to review processes in April/May 2015.



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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

Order history including requisitioning officer can be extracted by query but the licensing software which operates the system is not user friendly.

### Supporting material

A sample query history report sorting requisitioning officer showing orders placed

### Evaluation of implementation (Progress update)

Internal Auditor to evaluate in April/May 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

The Position Description for the Storeman was amended to ensure that regular analysis of appropriate stock level and documentation of the analysis are to form part of the annual performance assessment for the position. The Works Manager to undertake spot checks of the store and procurement process.

### Supporting material

Works Manager and Storeman's Position Descriptions were amended to improve controls and further checks and balances.

### Evaluation of implementation (Progress update)

Annual Performance review of the Works Manager and STOREMAN'S POSITIONS.

Internal Auditor to evaluate April/May 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

Introducing Project Management control. Council has a Risk Management Policy framework and system which is to be applied in the concept formation, approval. Planning, delivery, cost quality and assurance control monitoring and evaluation of projects.

### Supporting material

Project Management Policy.

### Evaluation of implementation (Progress update)

To be evaluated by Internal Auditor April/May 2015.

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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

The store has and is being kept organised with stock labelled and stored clearly. Access to the store was an issue in the past but this has been resolved with only the Storeman having access. Purchase Order raised and items booked into stock as received. All done through Practical – store stock to correspond with what is in Practical.

### Supporting material

Access to Stores Policy is being developed to include key list.

### Evaluation of implementation (Progress update)

Where possible have one stocktake per annum extensively reviewed by the Internal Auditor. Internal Auditor to review April/May 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

Stocktakes are undertaken twice a year with Corporate Services staff involved in the process. Spot Checks of stores and compliance with procurement is to be introduced as part of the procedures by the Storeman's Supervisor.

#### Supporting material

Copy of Stocktake sheets signed off by two independent Finance Officers.

#### Evaluation of implementation (Progress update)

Internal Auditor to evaluate in review to be undertaken April/May 2015

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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

See spot checks in recommendation 13

### Supporting material

Position Description of Works Manager amended and incorporates to undertake stocktake spot checks.

### Evaluation of implementation (Progress update)

To be evaluated in the Performance review of the Works Manager. Internal Auditor to review April/May 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

*It is agreed for this area to be added to the Internal Audit process.*

### Supporting material

Procurement policies and process reviewed and updated. The gift policy was reviewed along with the management of inventory. Project Management Policy developed and adopted.

### Evaluation of implementation (Progress update)

Internal Auditor to evaluate in April/May 2015