

Plan for Implementation of Recommendations

Operation Jarek

Please complete this schedule with information about how your agency plans to implement each of the ICAC's corruption prevention recommendations arising from the investigation into Operation Jarek. The implementation plan should include details of the actions, timeframes and how your agency proposes to evaluate the effectiveness of the implementation of each recommendation. Please provide the name of a contact person in your agency from whom we can seek more detail if needed. This document should be returned to the ICAC in writing and electronically 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 response

The recommendation will be:

<check one>

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

Action proposed

Comment: Council has a "Statement of Business Ethics" Policy ES90 first adopted in 2005. It was found that the policy appeared to address the requirement with the exception of making people aware of the consequences for non-compliance. While some contracts have in their terms the requirement to abide by Councils Code of Conduct and Statement of Business Ethics there is no process to have all suppliers sign an acknowledgement of the Statement of Business Ethics as a matter of course.

Actions – The Statement of Business Ethics Policy was reviewed and amended at Councils February Ordinary Meeting and now incorporates consequences for non-compliance.

Newly drafted contractor management documentation in line with Recommendation 1 has also been put together. It includes a section titled Standards of Behaviour and Ethical Principles. This will be adopted and incorporated in all NSC/Contractor relationships.

The document has been structured into two parts:

1. Expression of Interest
2. Contract Agreement

Both documents require greater input by the Contractor.

Supporting material

A copy of the reviewed and amended Statement of Business Ethics Policy is **enclosed**.

The two newly drafted contractor management documents are also **enclosed**.

Proposed evaluation methods

Follow up staff survey to confirm understanding and implementation.

WHS/Risk Officer – 8 months approximately November 2014.

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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
- X Partially implemented
- Not implemented

Action proposed

Comment and or Actions: Supplier engagement is to be 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 officers

Supporting material

Incorporate into Contractor Management Documents.

Proposed evaluation methods

Follow up as per recommendation 1

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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
- X Partially implemented
- Not implemented

Action proposed

Comment and or Actions: Currently detailed in the Code of Conduct. Nevertheless Councils Gifts and Benefits and Hospitality Policy has been reviewed and amended in accordance with the recommendations 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 has been added to the policy. A copy of the reviewed and amended policy is **enclosed**.

Proposed evaluation methods

HR Section to Review Code of Conduct training and implementation.

Schedule Code of Conduct refresher for all staff.

New Council provided with Code of Conduct training at induction.

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 response

The recommendation will be:

<check one>

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

Action proposed

Comment and or Actions: This would require a review of the Code of Conduct and a cross reference and sign off to those employees with financial delegations. Provision would need to be made to allow registration of unsolicited gifts. Some staff in this bracket also receive token gifts from overseas delegations such as from China, which gift exchange is part of their culture. Refusal of such gifts can bring offence.

In some instances staff have accepted token gifts but then handed the gift in to be used for charitable fundraising. It is felt that the present Code of Conduct covers areas of token and non-token gifts adequately.

Supporting material

Current Code of Conduct and gifts and benefits policy clearly spells out requirements for accepting or not accepting gifts.

Proposed evaluation methods

Executive Services 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 response

The recommendation will be:

<check one>

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

Action proposed

Comment and or Actions: It is felt 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 be communicated to suppliers.

Supporting material

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

Proposed evaluation methods

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 response

The recommendation will be:

<check one>

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

Action proposed

Comment and or Actions: 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

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

Proposed evaluation methods

As per recommendation 1. 2014 November review.

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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

Comment and or Actions: Procurement process has been reviewed. New procurement manual (**copy enclosed**) and has been distributed to staff along with in house training. 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 the relief storeman at the depot to create a second break in the process.

Supporting material

New procurement manual

Proposed evaluation methods

WHS/Risk Officer to test key points. Review November 2014.

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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

Comment and or Actions: 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 has been amended requiring the requisitioning officer to certify that they have delegation to commit 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

Copying of purchasing manual provided.

Proposed evaluation methods

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

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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
- X Partially implemented
- Not implemented

Action proposed

Comment and or Actions: 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 by requisitioning officer showing orders placed

Proposed evaluation methods

To be referred to 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 response

The recommendation will be:

<check one>

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

Action proposed

Comment and or Actions: The Position Description for the Storeman 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 audits of the store and procurement process.

Supporting material

Works Manager and Storeman's Position descriptions amended to improve controls and further checks and balances

Proposed evaluation methods

Annual Performance review of the Works Manager and Storeman's positions.

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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
- X Not implemented

Action proposed

Comment and or Actions: The recommendation is for the majority of materials to go through the stores inventory. This greatly increases control and the ability to bring back into stock unused materials. It also allows analysis of material usage as all material going through the store can be reported. There are not unknown quantities being costed direct to works. This would also require a significant increase in the volume of transactions.

Items currently charged direct to works have a purchase order and goods received processed. This is a minimal amount of paperwork and has no accountability once the goods received (GR) are signed. Once the GR is signed the purchasing and creditors staff are out of the picture and the goods are in the control of the officer who's budget has been charged with the goods.

To allow the process as recommended the store catalogue would need to be increased substantially and many items created for one off transactions. The compromise is to ensure that any items that exist in the catalogue are purchased through stores and issued and not charged directly to jobs.

Supporting material

N/A

Proposed evaluation methods

N/A

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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 response

The recommendation will be:

<check one>

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

Action proposed

Comment and or Actions: 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.

Supporting material

Access to Stores Policy to be developed to include key list.

Proposed evaluation methods

Undertake periodic stocktakes.

Where possible have one stocktake per annum extensively reviewed by the External Auditor.

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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

Comment and or Actions: 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

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

Proposed evaluation methods

Stocktake reviewed annually by External Auditor.

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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
- X Implemented in an alternative way
- Partially implemented
- Not implemented

Action proposed

Comment and or Actions: See spot checks above in 13

Supporting material

Position Description of Work's Manager amended to incorporate stocktake spot checks.

Proposed evaluation methods

To be evaluated in annual performance review of the Works Manager.

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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
- X Partially implemented
- Not implemented

Action proposed

Comment and or Actions: It is agreed that this area will be added to in the internal audit process.

Supporting material

A review of procurement policies and procurement processes has been completed – copies of Councils procurement documentation has been provided. The gift policy has been reviewed along with the management of inventory.

Proposed evaluation methods

Risks in the areas of procurement, inventory management and gift giving and relational selling to be referred to the WHS/Risk Officer for identification with these areas to be monitored by the Internal Audit Committee.