

# 24 Month Progress Report

## Operation Jarek

### Narrandera Shire Council

Please update this schedule with information about the status of each item as at 27 May 2016. 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 [ckenny@icac.nsw.gov.au](mailto:ckenny@icac.nsw.gov.au) by no later than 27 May 2016.

#### 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

As advised in the 12 month report Council has amended its "Statement of Business Ethics" Policy ES90. Contractor register listing includes standard of behaviour and ethical principles and includes schedule agreement.

#### Supporting material

Copies of the Statement of Business Ethics Policy ES90, Contractor Register Listing and Contractor Agreement were forwarded in the 12 month report.

#### Evaluation of implementation (Progress update)

Included in the Internal Auditors Review Plan with investigations being conducted on cyclical review basis.

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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

The supplier engagement is driven by the purchaser. Access to the workplace has been limited to sales people through the following actions:

- Meetings are by appointment only
- Meetings to be held in open offices with 2 or more council offices 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)

Included in the Internal Auditors Review Plan with investigations being conducted on cyclical review basis.

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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. Council Gift and Benefits policy was reviewed and updated in accordance with Recommendation 3.

Greater emphasis has been placed on training for staff exposed to suppliers.

#### Supporting material

An easy to follow flow chart was added to the Policy. A copy of the policy was provided in the 12 month report.

#### Evaluation of implementation (Progress update)

Refresher Code of Conduct courses were provided across the organisation through Kath Roach.

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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
- Not implemented

#### Action taken to implement recommendation

As previously advised in the 12 month report it was felt that the present Code of Conduct adequately covers the areas of token and non-token gifts.

#### Supporting material

This is listed as a set item on the Executive Leadership Team meetings. A sample of the Agenda was previously sent in the 12 month review.

#### Evaluation of implementation (Progress update)

The Executive Leadership Team examines the Gift Register on a quarterly 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 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

As previously advised that this is considered to be 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 to suppliers.

### Supporting material

Gifts and Benefits Policy updated to include clauses of 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

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

#### Supporting material

Identified those staff that could be exposed to relational selling.

#### Evaluation of implementation (Progress update)

Identified staff at risk:

- Storeman
- Plant Manager
- Purchasing Officer
- Relief Storeman

Incumbents received specific training above generic training.

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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

As advised in the 12 month report the Procurement process was reviewed with a new procurement manual developed, a copy of which was provided in the 12 month report. In house training has been conducted. All staff have been 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.

#### Supporting material

Procurement Manual and flow charts previously forwarded in the 12 month report

#### Evaluation of implementation (Progress update)

Included in the Internal Auditors Review Plan with investigations being conducted on cyclical review basis

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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

As indicated in the 12 month report paper order books have been eliminated. Orders are placed electronically through the procurement system with this process requiring to offices to sign an order. The wording on the order was 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

A copy of the purchasing manual was provided in the 12 month report.

#### Evaluation of implementation (Progress update)

Included in the Internal Auditors Review Plan with investigations being conducted on cyclical review basis.



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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

Council does not have the resources to purchase a new software system. As previously advised order history including requisitioning officer can be extracted by query but the licensing software which operates the system is not user friendly. This will be considered when there is an upgrade to the system.

### Supporting material

A sample query history report sorting requisitioning officer showing orders placed was provided in the 12 month return

### Evaluation of implementation (Progress update)

Included in the Internal Auditors Review Plan with investigations being conducted on cyclical review

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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

As advised in the 12 month report the Position Description for the Storeman was amended to ensure regular analysis of the appropriate stock level and documentation of the analysis are to form part of the annual performance assessment for the position. The Supervisor Works Manager is also required to undertake spot checks of the store and procurement process.

### Supporting material

The Works Manager and Storeman's amended Position Descriptions providing improved controls and checks and balances as indicated above were forwarded in the 12 month report.

### Evaluation of implementation (Progress update)

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

In the last 12 months the internal Auditor conducted a review of Inventory Management for the Store and Depot and provided 13 recommendations. A quoted comment from the Internal Auditor is as follows:

*That NSC conducts a detailed stocktake of its entire Depot and other areas where materials are stored including the NSC Workshop area and the water and sewer facilities (as identified in this report above). Presently, in certain areas, NSC has a vast number of material and items that are simply unaccounted for.*

*As part of this stocktake process a determination needs to be made as to whether some items will ever be used for future works and if not, a decision should be made to appropriately dispose of the items in question.*

When reviews are undertaken by the Internal Auditor they are listed for future Internal Audit Committee Meetings where an Exception Report is required on the progress of implementing these recommendations.

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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

As advised in the 12 month report - Project Management controls have been introduced. Council also 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

The Project Management Policy was provided in the 12 month report.

#### Evaluation of implementation (Progress update)

Included in the Internal Auditors Review Plan with investigations being conducted on cyclical review

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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

As previously advised the store is being kept organised with stock labelled and stored clearly. The Storeman is the only authorised Council Officer to have access to the Store. This was previously an issue where other staff had access but is now corrected. Purchaser Orders are raised and items booked into stock as received. All done through the Practical software system – the store stock is to correspond with what is in Practical.

### Supporting material

Access to the Store Policy to be developed with key list.

### Evaluation of implementation (Progress update)

In the last 12 months the internal Auditor conducted a review of Inventory Management for the Store and Depot and provided 13 recommendations. A quoted comment from the Internal Auditor is as follows:

*That NSC conducts a detailed stocktake of its entire Depot and other areas where materials are stored including the NSC Workshop area and the water and sewer facilities (as identified in this report above). Presently, in certain areas, NSC has a vast number of material and items that are simply unaccounted for.*

*As part of this stocktake process a determination needs to be made as to whether some items will ever be used for future works and if not, a decision should be made to appropriately dispose of the items in question.*

When reviews are undertaken by the Internal Auditor they are listed for future Internal Audit Committee Meetings where an Exception Report is required on the progress of implementing these recommendations. Progress has been made in implanting the Internal Auditors recommendations.

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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

As indicated in the 12 month report stocktakes are undertaken twice a year with corporate services staff involved in the process. Spot checks to the stores compliance with procurement has been introduced as part of the procedures by the Storeman's Supervisor.

#### Supporting material

Copy of stocktake sheets signed off by two independent Finance Officers previously provided.

#### Evaluation of implementation (Progress update)

The following comments are provided by the Internal Auditor who conducted an audit in the last 12 months:

*That NSC conducts a detailed stocktake of its entire Depot and other areas where materials are stored including the NSC Workshop area and the water and sewer facilities.*

When reviews are undertaken by the Internal Auditor they are listed for future Internal Audit Committee Meetings where an Exception Report is required on the progress of implementing these recommendations. Progress has been made in implanting the Internal Auditors recommendations.

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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

As indicated in the 12 month report stocktakes are undertaken twice a year with corporate services staff involved in the process. Spot checks to the stores compliance with procurement has been introduced as part of the procedures by the Storeman's Supervisor.

#### Supporting material

The position description of the Works Manager which was amended to include stocktake spot checks was forwarded in the 12 month report.

#### Evaluation of implementation (Progress update)

To be evaluated in the Performance review of the Works Manager. To be listed on cyclical basis in the Internal Audit process.

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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

This area was reviewed by the Internal Auditor and the implementation of the recommendations are progressed and listed as a regular item on the Internal Audit Committee Agenda.

### Supporting material

As advised in the 12 month report the procurement policy and the process of procurement were reviewed and updated. The gift policy was reviewed and updated along with the management of inventory. A project Management policy was also developed and adopted in that time.

### Evaluation of implementation (Progress update)

In the last 12 months the Internal Auditor conducted a review on Inventory Management, procurement processes and Councils Gifts and Benefits Policies. The recommendations and their implementation from these reviews are being worked through and listed as regular item on the Internal Audit Committee Agenda where exception reports are required on their progress.