

12 Month Progress Report

Operation Jarek

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 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 by no later than 28 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 is being: *<check one>*

- Implemented as described in the report

Action taken to implement recommendation

Council has amended its policy in relation to Gifts and Benefits, and its Statement of Business Ethics (copies attached). The Statement of Business Ethics includes a comment about consequences of non-compliance. Letters outlining key elements of these policies have been forwarded to Council's suppliers (copy attached).

Supporting material

Reviewed policies and letters to suppliers attached.

Evaluation of implementation (Progress update)

A review of gifts and benefits being offered to staff has taken place, and it is intended to provide additional training to staff in relation to various elements of the Code of Conduct, with a focus on gifts and benefits.

12 Month Progress Report

Operation Jarek

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

Action taken to implement recommendation

The Statement of Business Ethics and Purchasing Policies have been reviewed to incorporate the elements suggested in the Jarek Investigation Report.

Supporting material

Copies of policies attached.

Evaluation of implementation (Progress update)

The letter sent to suppliers outlines the new requirements for interacting with Council staff.

Council intends to undertake further work on developing its Contractor Management framework, which will include an emphasis on procurement.

12 Month Progress Report

Operation Jarek

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

Action taken to implement recommendation

The Gifts and Benefits Policy has been reviewed, and circulated to all staff. Information is provided on Council's intranet, and is included in the induction process for new staff.

A review of the gifts and benefits register in January identified that an area of Council's operations was not complying with the policy. Individual letters to all staff in that area were provided, together with a copy of the Code of Conduct and the Gifts and Benefits Policy.

Supporting material

Reviewed Gifts and Benefits policy.

Evaluation of implementation (Progress update)

Ongoing education and reinforcement is planned in relation to gifts and benefits, as the audit conducted in January identified some anomalies, particularly in areas such as Childcare. Plans are underway to undertake formal training in Code of Conduct, which will focus on gifts and benefits as a key element.

12 Month Progress Report

Operation Jarek

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

Action taken to implement recommendation

Council's Gifts and Benefits Policy now specifically precludes any member of the purchasing team from accepting any gift.

Supporting material

Amended policy.

Evaluation of implementation (Progress update)

Following the formal training on Code of Conduct/Gifts and Benefits to be undertaken in the near future, a staff survey is planned.

12 Month Progress Report

Operation Jarek

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

Action taken to implement recommendation

The Gifts and Benefits Policy has been reviewed, and circulated to all staff. Information is provided on Council's intranet, and is included in the induction process for new staff. This information includes the disciplinary consequences of non-compliance.

Supporting material

Reviewed policy

Evaluation of implementation (Progress update)

The audit undertaken in January identified issues that are being addressed.

12 Month Progress Report

Operation Jarek

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

Action taken to implement recommendation

Work has been done to develop training material for relational selling workshops to be conducted with staff.

Supporting material

Draft material attached.

Evaluation of implementation (Progress update)

Positions have been identified to participate in the relational selling workshops. These have not been conducted, but are planned to be finalised this financial year.

12 Month Progress Report

Operation Jarek

Recommendation 7 and Recommendation 8.

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

Action taken to implement recommendation

Council's On-line requisition system has been implemented and rolled-out to the majority of Council staff, with only those staff members without computer access outstanding.

Delegation limits have been reviewed as part of the Purchasing Policy, with limits now in place for all staff, up to the General Manager.

The Enterprise Risk Management process has undertaken an initial risk assessment of the fraud and corruption risks across Council. This is under development, with a number of issues raised for further consideration.

Evaluation of implementation (Progress update)

The on-line requisition implementation has been slower than intended, due to a number of system issues emerging throughout the roll-out process. These issues have (or are) being resolved, with the new system providing enhanced reporting opportunities.

12 Month Progress Report

Operation Jarek

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

Action taken to implement recommendation

Commencement of the on-line requisition implementation.

Evaluation of implementation (Progress update)

The reporting feature of the on-line requisition process is not yet functional, given the operational issues the system has experienced. It is intended that regular reports will be produced for managers.

The on-line requisition process does prevent staff attempting to raise orders above their delegation, and if the job number they are using does not have sufficient funds. The delegation limits also mean that supervisors are responsible for approving requisitions, again, within their set delegation limits.

12 Month Progress Report

Operation Jarek

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

Action taken to implement recommendation

A number of changes have been made to the operation of the Store. This function is now the responsibility of Technical Services. Stock takes and spot checks are undertaken by Finance Staff, who are in a different division and not related to the Store.

Council has increased the stock base at the Store, to restrict the adhoc acquisition of goods from suppliers. Amendments to the Purchasing Policy have been drafted to put in place greater controls over adhoc purchasing.

Council has reviewed a number of areas in the budget, to centralise control of procurement, including advertising, recruitment, cleaning contract, legal services etc.

Consideration was given to a bar code system for stock, however, the changes made to the Council's current system have provided similar benefits, so it is not planned to implement a bar coding system at this stage.

Evaluation of implementation (Progress update)

Regular (monthly) checks and spot checks are occurring by independent Finance staff. A number of developments have been made to the inventory system which will now allow Council to monitor slow-moving stock, variations etc.

12 Month Progress Report

Operation Jarek

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

Action taken to implement recommendation

Council has amended its process in relation to left-over stock. Any item unused is not either returned to the supplier, or provided to Council's Store. The policy in relation to this matter is being finalised.

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

Action taken to implement recommendation

Store items and storage bins are being labelled clearly and correctly. After-hours access to the Store has been reviewed. A bar coding system is planned for future consideration.

12 Month Progress Report

Operation Jarek

Recommendations 13 and 14.

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 implemented as described in the report

Action taken to implement recommendation

Monthly stocktake reports are conducted (an example can be provided if required) by Finance staff, who are independent of the Store. Any variations found are discussed with Store staff, and explanations are documented and authorised (and countersigned) by responsible Managers where applicable. The monthly stocktake process is conducted over 30 randomly selected Store items. Council's Finance staff are in discussions with Council's external auditor over the need for a full stocktake being conducted on an annual basis.

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 implemented as described in the report

Action taken to implement recommendation

Council's Enterprise Risk Management program has identified a range of topics/areas to be reviewed over the two year implementation period. Relational selling and gift giving, procurement and inventory management are listed as part of the Fraud and Corruption Risk Assessment, as well as a number of other operational areas (for example, the operation of services such as the Caravan Park, major capital projects etc).

Council's Internal Auditor is involved in the ERM program, and is part of the team looking at the fraud and corruption risks across the organisation.

12 Month Progress Report

Operation Jarek

Evaluation of implementation (Progress update)

The initial risk assessment has been undertaken, with further risk assessment workshops scheduled. The result of this risk assessment will be an action plan to be implemented by various Council staff.