

ORANGE CITY COUNCIL

24 Month Final Report

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 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:

- Implemented as described in the report

Action proposed – Council's Commitment

Council currently communicates with prospective suppliers regarding expected behaviour and applicable penalties for non-compliance. All expression of interest, quotations and tender documents include information for prospective suppliers on Council policies including the Code of Conduct and Statement of Business Ethics. These documents clearly articulate Council's position on this matter.

Council's Gifts and Benefits Policy will be amended to make clear Council's position on the offer of gifts to Council delegates from suppliers, and the consequences for suppliers of acting outside of Council's Policy. This will also be referenced in Council's Purchasing Policy.

Council will write to all contractors and suppliers, clearly articulating Council's position and providing the Gifts and Benefits Policy, and setting out the consequences of giving of gifts or other problem behaviours, as set out in the ICAC Jarek Report.

It is proposed to print an extract of Council's Gifts and Benefits Policy, and Statement of Business Ethics, on all purchase requisitions.

Supporting material

Council has reviewed the above policies to include the above changes. Council secured training for all Orange City Council staff in relation to Code of Conduct (including a session on gifts and benefits) in late 2014.

Supporting material attached:

Council's amended Gifts and Benefits Policy
Council's amended Statement of Business Ethics
Council's amended Procurement Policy

Proposed evaluation methods

Responsible Officer	Completion date	Evaluation	Comment March 2015
Manager Administration and Governance	30 April 2013	Policy changed, letters to suppliers sent	Policy changed. Letters to suppliers sent August 2013
Manager Administration and Governance	Ongoing	Spot checks with relevant staff on offers of gifts. Any breaches of Gifts and Benefits Policy reported to Director Corporate and Commercial Services	Checks undertaken on a regular basis. Breaches dealt with via disciplinary process on three occasions

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Recommendation 2

That councils develop a proactive and comprehensive supplier engagement framework.

Summary of response

The recommendation will be:

- Implemented as described in the report

Action proposed

A review of Council's Statement of Business Ethics and Purchasing Policies will be undertaken, to include requirements for:

- Meetings with suppliers to be by appointment only
- Meetings with suppliers to occur in public areas of Council buildings, not workplaces
- Meetings with suppliers to be attended by more than one Council staff member
- Suppliers wishing to demonstrate a new product will be instructed to send details of that product to Council's generic email address at council@orange.nsw.gov.au, and any such emails will be provided to both the Purchasing Officer and relevant staff member(s)

The amended Statement of Business Ethics and Purchasing Policies will be provided to all suppliers, and an extract included on purchase requisitions.

Supporting material

Council's amended Statement of Business Ethics

Council's amended Procurement Policy

Proposed evaluation methods

Responsible Officer	Completion date	Evaluation	Comment March 2015
Manager Administration and Governance	30 April 2013	Policy changed, letters to suppliers sent	Policy updated. Letter to suppliers sent August 2013.
Purchasing Officer	Ongoing	Spot checks with relevant staff on supplier behaviour/compliance. A report of any breach to be provided to the Director Corporate and Commercial Services within one day	A number of gifts offered to staff have been returned, with letters from Council advising of breaches of the Code of Conduct and Gifts and Benefits Policy.

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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:

- Implemented as described in the report

Action proposed

Council's Strategic Gifts and Benefits Policy will be reviewed to ensure the policy contains simple rules that cannot be misinterpreted. Designated staff with purchasing responsibilities will be prohibited from accepting any gift. Training will be undertaken with staff on the new requirements, as well as information provided to all new staff as part of the induction to Orange City Council.

The amended Policy will make very clear Council's position on the offering of gifts to Council delegates, and the consequences of suppliers acting outside the Policy. This will be outlined on Council's website.

Staff understanding of requirements will be assessed as part of the re-induction of Council staff (all Council staff are re-induced every three years, part of this process will include an assessment of compliance with Council policies such as the Code of Conduct, Gifts and Benefits etc).

Supporting material

Council's amended Gifts and Benefits Policy

Proposed evaluation methods

Responsible Officer	Completion date	Evaluation	Comment March 2015
Human Resources Manager	Ongoing	Monthly check of new/existing staff understanding of policy requirements	All new staff inducted and requirements of policy explained. Regular reminders via email, intranet about accepting gifts and benefits has been undertaken, particularly around Christmas time.
Manager Administration and Governance	Annual	As part of regular review of Gifts and Benefits Policy, conduct random survey with staff to check compliance and	Review of a number of services in relation to management of gifts and benefits, resulting in further training and information provided.

		understanding	
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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:

- Implemented as described in the report

Action proposed

Council's Strategic Gifts and Benefits Policy will be reviewed to ensure designated staff with purchasing responsibilities will be prohibited from accepting any gift. Training will be undertaken with staff on the new requirements, as well as information provided to all new staff as part of the induction to Orange City Council.

Supporting material

Council's amended Gifts and Benefits Policy

Proposed evaluation methods

Responsible Officer	Completion date	Evaluation	Comment March 2015
Manager Administration and Governance	30 April 2013	Policy changed	Policy updated.
Manager Human Resources	Ongoing	Include questions about gifts and benefits policy as part of annual staff survey to determine level of understanding/compliance	Staff survey planned in next quarter. Particular focus on gifts and benefits over the last few months has seen training for all Orange City Council staff, and gifts/benefits offered being declared. Many staff have taken the option of not accepting any gifts, and many gifts have been returned to suppliers with an explanatory letter from Council, and request that no further gifts be offered.

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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:

- Implemented as described in the report

Action proposed

Review of the Strategic Gifts and Benefits Policy will include reference to disciplinary consequences of non-compliance in accordance with Council's Code of Conduct.

The training provided to staff on the new policy, and the ongoing information provided as part of the staff induction and re-induction process will include a focus on the disciplinary consequences of acting outside the policy.

Training will include reference to the Jarek investigation, and to the high personal and professional costs of accepting gifts in contravention of Council's policy.

Supporting material

Council's amended Gifts and Benefits Policy

Proposed evaluation methods

Responsible Officer	Completion date	Evaluation	Comment March 2015
Manager Administration and Governance	30 May 2013	Survey of staff attending training to ensure they understand the policy and consequences of non-compliance	Training for all staff in Code of Conduct and gifts and benefits was undertaken in late 2014. Checks of gift and benefit declarations has been a key focus over the past few months. Instances of breaches of the Gifts and Benefits Policy have been dealt with on a disciplinary basis on three occasions, with a strong message being sent to staff about the importance of complying with the policy.

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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:

- Implemented as described in the report

Action proposed

An assessment of staff will be undertaken to identify those positions/staff at risk of being subject to relational selling. These staff members will undergo a targeted training and mentoring program to assist them to deal with suppliers, and ensure they are equipped to refuse a gift if offered.

Supporting material

Draft training material

Proposed evaluation methods

Responsible Officer	Completion date	Evaluation	Comment March 2015
Manager Administration and Governance	30 June 2013	Survey of staff attending training to ensure they understand the Purchasing Policy and have strategies for dealing with supplier behaviour	Training on Code of Conduct did cover Gifts and Benefits. Staff likely to be subject to relational selling have been identified, and training material developed. Sessions to be undertaken over the coming months.

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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:

- Implemented as described in the report

Action proposed

A review of the operation of the Council Store is currently underway. Also, an on-line requisition system is to be introduced which will be based on the appropriate staff delegation and authorisation processes. This system will also allow for regular reporting on purchasing for review by relevant Line Managers. It is proposed that the system will produce reports on instances of non-compliance with the Purchasing Policy requirements, or attempted non-compliance, for review by the Director Corporate and Commercial Services.

Relevant Council staff will be attending training on Managing Inventory and Stores Management, being conducted by Local Government Procurement.

The procurement process is also under review in terms of segregation of duties and the enforcement of delegation limits. Staff delegations have been reviewed and staff will receive information about their level of sub-delegation. In relation to purchasing this will cover exactly what they have approval to authorise.

As part of the introduction of the Enterprise Risk Management program across Council, the procurement process will be analysed to identify possible risks and to develop risk treatment options.

Supporting material

Council's amended Procurement Policy

Proposed evaluation methods

Responsible Officer	Completion date	Evaluation	Comment March 2015
Manager Administration and Governance	30 June 2013	Risk Action Plan developed in relation to procurement, and risk treatments being implemented by relevant Managers	A comprehensive risk action plan has been developed across all fraud and corruption risks. This action plan is being implemented by various staff members.
Manager Financial Services	Ongoing	Implementation of Risk Treatment Plans in relation to the procurement process	Risk Treatment Plans are implemented by staff assigned particular tasks. This is monitored via reporting to Directors on a regular basis, and followed up by Council's Enterprise Risk Management Officer.

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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:

- Implemented as described in the report

Action proposed

The implementation of on-line requisitions is underway (see Recommendation 7)

Council currently utilises online procurement management strategies including using Tenderlink, online ordering of stationery supplies etc.

Supporting material

On-line requisition system

Proposed evaluation methods

Responsible Officer	Completion date	Evaluation	Comment March 2015
Manager Financial Services	Ongoing	Regular reporting and spot checks to ensure all purchasing is conducted via the electronic system	Weekly checks of procurement are being undertaken to verify use of the on-line requisitioning system. Instances of non-use are investigated and reported as appropriate, per Council's adopted Purchasing Policy.

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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:

- Implemented as described in the report

Action proposed

The on-line requisition system being implemented will allow for reports to be generated showing the requisitions requested by an individual across all cost centres. It is proposed to produce regular reports for review by relevant Line Managers.

Supporting material

Proposed evaluation methods

Responsible Officer	Completion date	Evaluation	Comment March 2015
Manager Financial Services	30 May 2013 then quarterly	Production of reports for Managers	Reports are developed and made available for review by managers and directors.

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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:

- Implemented as described in the report

Action proposed

It is proposed to review system reports on stock usage, valuation, minimum and maximum order levels, average turnover, slow moving stock etc to improve the efficiency of Council's inventory management.

Investigation is underway into the feasibility of expanding the range of store items to reduce (with a view to eliminating) adhoc purchases by staff from external suppliers. Council is also investigating inventory control mechanisms to monitor stock movements, such as a bar code system.

A review of Council's budgeting system is underway, and it is proposed to centralise a range of common activities to provide greater control and monitoring. Such activities include advertising, cleaning, legal services etc.

Supporting material

Proposed evaluation methods

Responsible Officer	Completion date	Evaluation	Comment March 2015
Manager Financial Services	30 June 2013 and ongoing	Monthly checks on inventory and regular spot checks of stock levels for various items	A system of monthly stocktakes of a random sample of store items has been implemented.

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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:

- Implemented as described in the report

Action proposed

Council proposes to review the procedure for receiving goods, both in the Store, at other workplaces and also on job sites, to ensure that all goods received are processed through the Store. Outcomes of this review will be incorporated into the Purchasing Policy.

Council's Audit and Risk Management Committee have also considered Council's process for managing "left-over" materials with a view to these being managed through Council's Store. This consideration was given following an internal audit review of these processes.

Supporting material

Council's amended operational Purchasing Policy

Proposed evaluation methods

Responsible Officer	Completion date	Evaluation	Comment March 2015
Manager Financial Services	30 April 2013	Spot checks of goods received documentation	Checks of good received at the Store are completed by Store staff. For goods delivered directly to job sites, the project manager checks the goods received documentation is correct.
Manager Financial Services	30 June 2013	Assessment of non-store items for possible inclusion in inventory lists held at Store	Council has determined not to carry non-store items. Any excess non-store stock used on a job is returned to the supplier and recorded appropriately.

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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:

- Implemented as described in the report

Action proposed

It is proposed to review the lay-out and security of Council's Store including after-hours access, location of high-turnover and more valuable items etc.

Council's investigation into inventory control systems, such as bar coding, will provide greater security and management of inventory items.

Supporting material

Proposed evaluation methods

Responsible Officer	Completion date	Evaluation	Comment March 2015
Store Supervisor	June 2013	Regular review of all out of hours access to the Store and provision of monthly reports to Managers	Out of hours access to the Store has been reviewed and restricted. Access is monitored by the Manager Plant and Depot.

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Recommendation 13 and 14

That councils ensure stocktakes are conducted independently of store officers and by staff knowledgeable about the principles of stocktaking.

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:

- Implemented as described in the report

Action proposed

Council's Finance Staff currently undertake an independent cyclical stocktake of 30 randomly selected Store items each month. A report is produced on the findings, and checked by the Manager Financial Services, with any discrepancies followed up. This action was implemented following consultation with Council's External Auditors.

It is proposed to implement random spot checks on Store Items.

Supporting material

Monthly stocktake reports

Proposed evaluation methods

Responsible Officer	Completion date	Evaluation	Comment March 2015
Manager Financial Services	Ongoing	Monthly stocktake reports and annual stocktake, any variances to be reported to Director Corporate and Commercial Services	A system of monthly stocktakes has been implemented. Variances are reported as appropriate.

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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:

- Implemented as described in the report

Action proposed

The initial implementation phase of the Enterprise Risk Management Program will include an assessment of the risks identified in the Operation Jarek Report, as well as an assessment of the procurement process.

The resulting risk evaluation will feed into Council's Internal Audit Program. The councils of Bathurst, Orange and Dubbo jointly employ an Internal Auditor, so the information from this review, and Council's risk assessment, will be shared across the three councils.

Supporting material

ERM Risk Register and Risk Treatment Plans

Proposed evaluation methods

Responsible Officer	Completion date	Evaluation	Comment March 2015
Manager Administration and Governance	September 2013	Risk Treatment Plans and actions implemented by various Council Officers. Review as part of the Annual Risk Register review and Internal Audit Program.	The Enterprise Risk Management program includes an assessment of risks relating to the Jarek investigation, and governance risks generally. These risks are identified and managed through the enterprise risk management process which includes the development of action plans and regular reporting to management.

