

Orange City Council

Plan for Implementation of Recommendations

Operation Jarek

This document should be returned to the ICAC in writing and electronically to ckenny@icac.nsw.gov.au by no later than 29th February 2013.

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 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

The amended Gifts and Benefits Policy

Proposed evaluation methods

Responsible Officer	Completion date	Evaluation
Manager Administration and Governance	30 April 2013	Policy changed, letters to suppliers sent
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

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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 Strategic and Operational Purchasing Policy will be amended to reflect the above, as well as Council's Statement of Business Ethics. A covering letter will be sent to all suppliers advising of the new requirements.

Proposed evaluation methods

Responsible Officer	Completion date	Evaluation
Manager Administration and Governance	30 April 2013	Policy changed, letters to suppliers sent
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

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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-inducted 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

Amended Strategic Gifts and Benefits Policy, training material and information to be included in the staff induction and staff newsletter to reinforce the new requirements.

Proposed evaluation methods

Responsible Officer	Completion date	Evaluation
Manager Administration and Governance	30 April 2013	Policy changed, letters to suppliers sent
Human Resources Manager	Ongoing	Monthly check of new/existing staff understanding of policy requirements
Manager Administration and Governance	Annual	As part of regular review of Gifts and Benefits Policy, conduct random survey with staff to check compliance/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

Amended Strategic Gifts and Benefits Policy, training material and information to be included in the staff induction and staff newsletter to reinforce the new requirements.

Proposed evaluation methods

Responsible Officer	Completion date	Evaluation
Manager Administration and Governance	30 April 2013	Policy changed
Manager Human Resources	Ongoing	Include questions about gifts and benefits policy as part of annual staff survey to determine level of understanding/compliance

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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

Amended Policy and training material

Proposed evaluation methods

Responsible Officer	Completion date	Evaluation
Manager Administration and Governance	30 May 2013	Survey of staff attending training to ensure they understand the policy and consequences of non-compliance

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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

Training material

Proposed evaluation methods

Responsible Officer	Completion date	Evaluation
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

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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

Revised Purchasing Policy, staff sub-delegations and explanatory letters to staff from the General Manager, ERM program

Proposed evaluation methods

Responsible Officer	Completion date	Evaluation
Manager Administration and Governance	30 June 2013	Risk Action Plan developed in relation to procurement, and risk treatments being implemented by relevant Managers
Manager Financial Services	Ongoing	Implementation of Risk Treatment Plans in relation to the procurement process

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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
Manager Financial Services	Ongoing	Regular reporting and spot checks to ensure all purchasing is conducted via the electronic system

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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

Regular report production

Proposed evaluation methods

Responsible Officer	Completion date	Evaluation
Manager Financial Services	30 May 2013 then quarterly	Production of reports for Managers

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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

System reports

Proposed evaluation methods

Responsible Officer	Completion date	Evaluation
Manager Financial Services	30 June 2013 and ongoing	Monthly checks on inventory and regular spot checks of stock levels for various items

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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

Revised Operational Purchasing Policy.

Proposed evaluation methods

Responsible Officer	Completion date	Evaluation
Manager Financial Services	30 April 2013	Spot checks of goods received documentation
Manager Financial Services	30 June 2013	Assessment of non-store items for possible inclusion in inventory lists held at Store

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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
Store Supervisor	June 2013	Regular review of all out of hours access to the Store and provision of monthly reports to Managers

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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 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
Manager Financial Services	Ongoing	Monthly stocktake reports and annual stocktake, any variances to be reported to Director Corporate and Commercial Services

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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 implemented as described in the report

Action proposed

Refer Recommendation 13

Supporting material

Refer Recommendation 13

Proposed evaluation methods

Refer Recommendation 13

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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
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.

