

12 Month Progress Report

Operation Jarek

Walgett Shire Council

Please update this schedule with information about the status of each item as at May 2015. 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 29 May 2015.

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
- X Not implemented

Action taken to implement recommendation

Council has 4050 registered creditors. These will be reviewed and any suppliers who have been active over the last 12 months will be forwarded a letter advising of council's expectations for the supply of goods and services. New suppliers will be advised when the creditor is established.

Supporting material

Under development

Evaluation of implementation (Progress update)

Confirmation of list of suppliers advised. Incorporation of document into new creditors establishment procedures.

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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

X Partially implemented

Not implemented

Action taken to implement recommendation

More effective stores operations and fuel management procedures have been implemented and are reflected in significantly improved stocktake reports. Stores finance officer is now in a position to devote more time to management and improvement of purchasing and contract arrangements after an initial focus on store operations..

Supporting material

Evaluation of implementation (Progress update)

Improved contract arrangements and pricing of goods and services. Continuing improvement in stocktakes and allocation of issued stores.

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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>*

X Implemented as described in the report

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

Action taken to implement recommendation

Councils Code of Conduct has been reviewed and adopted by the Council. It specifically addresses the offering of gifts to staff and the behaviour expected of staff if that occurs. In addition to workplace behaviour training conducted in May 2013, a payroll memorandum reminding staff of the need to remain familiar with the requirements of the code of conduct was circulated in May 2015. Copies are provided at each workplace and the memorandum included a link to the document on council's web site.

Supporting material

Council Code of Conduct and May 2015 payroll memorandum.

Evaluation of implementation (Progress update)

Monitoring of gift register and emphasis given to this aspect as part of staff 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 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

Councils Code of Conduct does not specifically prohibit staff who hold financial delegations from receiving gifts of any kind. There is a significant number of staff who have modest delegations for operational effectiveness and council is of the view that the current Code of Conduct covers the receipt of gifts by staff adequately.

Supporting material

Council Code of Conduct and May 2015 payroll memorandum.

Evaluation of implementation (Progress update)

Monitoring of gift register and emphasis given to this aspect as part of staff induction.

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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

Council is of the view that specific documented disciplinary consequences for accepting gifts is not required as it is clearly stated in the code of conduct that disciplinary procedures may result from breaches of the code including the requirements relating to acceptance of gifts.

Supporting material

Council Code of Conduct and May 2015 payroll memorandum.

Evaluation of implementation (Progress update)

Monitoring of gift register and emphasis given to this aspect as part of staff induction.

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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>*

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

Action taken to implement recommendation

The current stores staff are the same staff that were in those positions at the time of the conduct of the Jarek enquiry and subsequent determinations. They are well aware that these sales tactics exist and their obligations not to accept gifts or provide favourable levels of purchasing to specific suppliers. This was reinforced by disciplinary action in respect of one staff member after the public inquiry. Oversighting of the stores and purchasing function by the stores finance officer further diminishes the risk of 'incentive' type sales tactics being successful.

Supporting material

Council Code of Conduct and May 2015 payroll memorandum.

Evaluation of implementation (Progress update)

Ongoing oversight by Stores Finance Officer and the further development of specific contract arrangements with individual suppliers.

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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

Stores finance officer is now in a position to devote more time to management and improvement of purchasing and contract arrangements after an initial focus on store operations. A new Purchasing and Procurement policy and Procedures was adopted by Council on 25/11/2014. Major purchasing contracts are determined through public tender processes with contracts also being entered into on a group basis through the Orana Regional Organisation of Councils (OROC) and Regional Procurement.

Supporting material

Council Purchasing and Procurement Policy and Guidelines.

Evaluation of implementation (Progress update)

Review and further development of purchasing and procurement by the stores finance officer in accordance with Purchasing and Procurement Policy and Guidelines.

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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

Council purchase orders are generated electronically through the authority accounting system. Staff have a specific level of delegation which increases with seniority. Purchase orders are also reviewed by creditors and the senior finance officer before invoices are forwarded for approval by authorised signatories.

Supporting material

Nil

Evaluation of implementation (Progress update)

Absence of negative comment from internal and external auditors on this area of councils operations.

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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 utilises the Authority finance system which can generate specific reports as required including non-standard reports. The Stores Finance Officer has access to all relevant reports including purchasing and fuel usage .

Supporting material

Nil

Evaluation of implementation (Progress update)

Production of reports as required.

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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

The Stores Finance Officer has made improvements to both the layout of the store and stores operations. This has included substantial 'in store' time to observe and direct the implementation of improvements. Stocktakes are now undertaken half yearly and detailed analysis is provided in the stocktake report to the council.

Supporting material

Nil

Evaluation of implementation (Progress update)

Improved stocktake results and performance reviews of relevant staff.

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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

This recommendation forms part of the overall stores operations improvement process being undertaken by the Stores Finance Officer. Operational effectiveness and the need to ensure that costs are allocated to jobs in a timely manner require that some materials are directly costed to jobs. Increased oversight and accountability by supervisory staff is a key component of improving this area.

Supporting material

Nil

Evaluation of implementation (Progress update)

Staff performance appraisals relating to the effectiveness of staff and job supervision.

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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

The review of stores operations including the layout and display of stock within the store has been substantially completed. This area will be further improved when the new works depot and store is completed in 2015.

Supporting material

Nil

Evaluation of implementation (Progress update)

Continuing oversight of stores operations including on-site visits by the the stores finance officer. This includes from time to time the stores finance officer 'filling in' and undertaking the regular duties of store personnel.

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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

Half yearly stocktakes are conducted independently of stores operational staff by the stores finance officer with direct oversight by the senior finance officer. The change to half yearly stocktakes has been made possible by the success of the total review of stores operations.

Supporting material

Nil

Evaluation of implementation (Progress update)

Improved stocktake results and ongoing analysis of stocktake reports

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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

Half yearly stocktakes have increased the level of direct oversight. The Stores Finance Officer regularly visits the store and undertakes checks and investigations as required.

Supporting material

Nil

Evaluation of implementation (Progress update)

Continuing oversight of stores operations including on-site visits by the stores finance officer. This includes from time to time the stores finance officer 'filling in' and undertaking the regular duties of store personnel.

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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

Stores operations and associated governance aspects were one of the first areas addressed by council's internal audit committee. The appointment of the Stores Finance officer was fundamental to implementing the committee recommendations.

Supporting material

Nil

Evaluation of implementation (Progress update)

Ongoing improvement in stores operations and stocktakes.