

# 12 Month Progress Report

## Operation Jarek

### Waverley Council

*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 will be:

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

#### Action taken to implement recommendation

1. Waverley Council reviewed related policies and procedures and are readily accessible on Council's website.
2. A reference to Council's Statement of Business Ethics is included on Council's Terms and Conditions and Purchase Orders.
3. Waverley Council has reviewed the active creditor list and removed all inactive accounts

#### Supporting material

The Code of Conduct and Statement of Business Ethics referenced on our purchase orders and tender documents and available on our website.

#### Evaluation of implementation (Progress update)

Included on Purchase Orders and available on the Web page

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### Recommendation 2.

That councils develop a proactive and comprehensive supplier engagement framework.

### Summary of progress

The recommendation will be:

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

### Action taken to implement recommendation

All staff who hold a financial delegation have had intensive training in Council's purchasing Policy specifically including supplier engagement

Council currently provide open briefing sessions as part of the tender process. There are also provisions to provide feedback to unsuccessful tenderers.

Council also has a statement of Business Ethics document that is available to suppliers.

Supervisors are no longer able to Purchase non-stock items and have them stored in Council Stores. Any item that is used on a regular basis and not project specific, will need to be in Councils inventory system

### Supporting material

The Statement of Business Ethics is noted in Councils Tender and Quotation Documentation. Also all Purchase Orders sent to suppliers have a reference to this Statement.

### Evaluation of implementation (Progress update)

Staff have been trained in Supplier Engagement via the Gifts & Benefits Policy and Code of Conduct.

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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 will be:

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

#### Action taken to implement recommendation

- Council's Code of Conduct has been reviewed and implemented.
- During 2013 all staff members with delegated authority were required to attend formal training on Council's reviewed code of conduct and purchasing procedure
- Council has implemented an on line system where all staff with delegated authority are asked a series of questions relating to Council's purchasing Policy and Code of Conduct. Staff are required to pass this course and if not required to retrain formally.

Council has undertaken a number of steps to improve the awareness of Council's gift and benefits policies.

- On 10 December 2012 an email reminder was sent by Divisional Manager, Governance and Integrated Planning advising of Council's gift policy and referring staff to Council's Code of Conduct for further information.
- Council provides training on its gifts and benefits policy for all new staff members through its mandatory corporate induction program.
- Refresher training is conducted with staff members every four years.

#### Supporting material

- Code of Conduct for Staff, Delegates and Volunteers
- Code of Conduct for councillors

#### Evaluation of implementation (Progress update)

The Code of Conduct has been reviewed and communicated to staff.

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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 will be:

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

#### Action taken to implement recommendation

Council has implemented and communicated a Policy of zero tolerance on Council staff with a financial delegation receiving a gift or benefit

#### Supporting material

Council's revised "Managing Gifts and Benefits" which forms part of Council's Code of Conduct

#### Evaluation of implementation (Progress update)

All staff with a financial delegation have attended training in 2013.

At induction new staff are informed of Councils Code of Conduct and Gifts Policy.

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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 will be:

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

#### Action taken to implement recommendation

- Council has implemented an on line system where all staff with delegated authority are asked a series of questions relating to Council's purchasing Policy and Code of Conduct. Staff are required to pass this course with over 80% and if unsuccessful required to retrain formally.
- Staff members are trained in the code of conduct at corporate induction and undergo refresher training every 4 years.
- The Development Assessment team receive targeted refresher training every 2 years.
- The staff members receive copies of the Code of Conduct. As part of the training staff members review case studies and examine and discuss the disciplinary outcomes relating to Council's gifts policy and the consequences for accepting gifts.
- New staff are trained at induction.

#### Supporting material

Code of Conduct for staff members

#### Evaluation of implementation (Progress update)

All staff with a financial delegation have attended training in 2013.

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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 will be:

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

#### Action taken to implement recommendation

- In 2013 Procurement Training Workshops for existing staff involved in engaging suppliers. Training included Council's gifts policy and techniques to respond and deal with suppliers.
- Learning & Development developed and implemented a Procurement - E-Learning module for completion by staff involved in engaging suppliers.
- Procurement Manager conducts random procurement audits and reports compliance issues to the executive

#### Supporting material

- Training program
- Online evaluation survey
- Assessment activity
- E-Learning Procurement module completed by new starters and as a refresher tool for existing staff

#### Evaluation of implementation (Progress update)

- Procurement Manager conducts random procurement audits and reports compliance issues to the executive
- Assessment activity to check understanding in training session of over 80%.
- Online evaluation survey

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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 will be:

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

#### Action taken to implement recommendation

Council engaged a consultant to do a full review of our stores processes to respond to the ICAC enquiry.

The recommendations that have been implemented are:

1. Previously staff with Delegated Authority could raise a Purchase Order and Stamp the invoice approved as long as it was in that persons delegated authority. Council has implemented a two stage process in its electronic Purchasing Process and the system will not allow a Purchase Order to be raised and approved by the same person – the system requires a person raising an order to refer the order to the next level Manager.
2. Previously many items held within the store area were not listed as stock items in Councils inventory system. We have increased a number of stock lines with minimum and maximum inventory holdings, this helps to reduce the risk of Supervisors and Team Leaders from over ordering.
3. Previously Councils Purchasing Policy required a Purchase Order for Goods and Services above \$5,000. This has been reviewed and as of early 2013 to Council Purchase Orders are required for purchases of Goods and Services above \$1,000.

#### Supporting material

Councils Executives have endorsed the above changes in Council Purchasing Procedure

#### Evaluation of implementation (Progress update)

Random Procurement Audits are conducted 12 times per year as part of the Procurement Managers workplan.

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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 will be:

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

#### Action taken to implement recommendation

Council has an E-Procurement system for managing purchasing. Council has introduced a requirement to raise a Purchase Order for goods greater than \$1,000. Previously Purchase Orders were only raised for goods greater than \$5,000. All Purchase Orders now require approval from a second person with the appropriate financial delegation.

Council uses a number of E Procurement methods

1. Tenders on line for all tenders and high value quotations where applicable
2. Vendor Panel for quotes on goods and services where applicable
3. Use Finance one for purchase orders and authorities

The change in policy regarding purchase orders to be included in Procurement Training for Managers and Supervisors.

#### Supporting material

Council currently has Finance One as its e-procurement operating system

#### Evaluation of implementation (Progress update)

E-Procurement is currently in place.

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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 will be:

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

#### Action taken to implement recommendation

Council has implemented a transaction report which identifies all stock issues by employee payroll number.

Council currently has a reporting system which identifies a person with financial delegation and the transactions they have approved for a period of time.

#### Supporting material

The report is available in Council Finance One Accounts Payable System

#### Evaluation of implementation (Progress update)

Reports are run and evaluated 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 will be:

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

#### Action taken to implement recommendation

The consultant engaged by Council identified improvements to Council's inventory management system.

The following recommendations have been implemented by Council:

1. Previously many stock lines were not individually sized. The inventory system has been amended and now all clothing and shoes are individually sized. This allows supervisors to check current issues against previous issues.
2. The transaction slip that is required at the stores to obtain stock items has been reviewed and amended so that each line now requires an employee's payroll number. Council has developed a report that can be distributed to supervisors to check what each employee has been issued from the stores over a period of time.
3. Minimum and Maximum stock levels are on each stock item.

#### Supporting material

Council engaged an external consultant to identify area of improvement within Councils Store.

#### Evaluation of implementation (Progress update)

Council has reviewed stock holding and removed redundant stock.

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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 will be:

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

#### Action taken to implement recommendation

In order to minimise non stock items any items that are regularly ordered will be held in Council's inventory system.

Staff who order non stock items are required to raise a purchase requisition which is forwarded to the next level manager for approval. In addition items that are project based and not regularly used the staff will be required to record on a project inventory list information such as amounts purchased, received, used and any items that require return to Council store or disposal according to policy. This list will be approved at the end of the process by the next level manager.

The project inventory list will be electronically recorded in Council's system.

#### Supporting material

Stores requisition are filed and held within the store. The electronic transaction is recorded in Councils inventory system.

#### Evaluation of implementation (Progress update)

The Manager is responsible for ensuring this process is undertaken. Team meetings are held to reinforce this process.

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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 will be:

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

#### Action taken to implement recommendation

Council has a secure premise for the stores. The movement of goods is managed through Council's finance one – inventory management system. Staff members are required to present a "stores requisition" slip signed by an appropriate supervisor prior to any stock item being issued. Stock is clearly labelled

#### Supporting material

Transaction dockets are available and are held in Councils store. These transactions can also be viewed in Councils Finance One inventory system.

#### Evaluation of implementation (Progress update)

Stores is secured at all times by staff and security system and all transactions are recorded electronically.

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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 will be:

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

#### Action taken to implement recommendation

Waverley Council's financial officers including the Corporate Procurement Manager and Financial Services Manager conduct a bi-annual stocktake of our Store outside normal business hours. Stores staff members assist to facilitate the stocktake.

#### Supporting material

The Finance Manager and Procurement Manager sign off on the counts being correct at each stock take.

#### Evaluation of implementation (Progress update)

The Finance Manager and Procurement Manager are both bi-annual stock takes

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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 will be:

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

#### Action taken to implement recommendation

Council undertakes a bi-annual stock take by staff members outside the Stores. Council believes this review is adequate.

#### Supporting material

Stock takes are conducted bi-annual and records of the events are available.

#### Evaluation of implementation (Progress update)

Stock take conducted every 6 months and daily monitoring by management

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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 will be:

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

### Action taken to implement recommendation

- Items added to stock lines prevent supervisors dealing with suppliers and ensures inventory is only purchased as required.
- Approval process reviewed and implemented with a two step approval process.
- Training for all relevant staff.
- Stock line descriptors have been reviewed with redundant lines removed and minimum and maximum levels implemented.
- Council's internal auditor has already undertaken a review of our procurement processes and inventory management.

### Supporting material

Code of Conduct and Purchasing Procedure

### Evaluation of implementation (Progress update)

Stock lines are checked during stock take

Register of staff training

Internal Audit Report