

12 Month Progress Report

Operation Jarek Yass Valley Council

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:

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

Action taken to implement recommendation

As detailed in February 2013, Council is providing an information sheet together with copies of both the Procurement Policy and the Statement of Business Ethics to all existing and any new suppliers. Further refinements to this process during 2013 have resulted in the inclusion of two additional information sheets.

Supporting material

- Important Notice to New Suppliers (see Appendix A – Item 1)
- Yass Valley Council Accounts Payable Trading Terms – Purchase Order Requirements (see Appendix A – Item 2)
- Invoicing and Payments (see Appendix A – Item 3)
- Procurement Policy (see Appendix A – Item 4)
- Statement of Business Ethics (see Appendix A – Item 5)
- Purchasing Guidelines (see Appendix A – Item 8)

Evaluation of implementation (Progress update)

These actions seem to be working reasonably well, particularly the new **Yass Valley Council Accounts Payable Trading Terms – Purchase Order Requirements**. Anecdotal evidence indicates that we are finding increased numbers of suppliers not prepared to supply goods or services without a purchase order. Education is an ongoing activity in this regard. Council hosted an ICAC workshop for key staff during 2013 and continues to highlight to all staff the importance of following Council purchasing protocols.

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Recommendation 2

That councils develop a proactive and comprehensive supplier engagement framework.

Summary of progress

The recommendation is being:

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

Action taken to implement recommendation

As previously reported, physical access to Stores has been restricted. Fencing and security measures have been upgraded since the ICAC investigation. Work is commencing on 20 February to install a boom gate system with automatic swipe access cards. This will further restrict access to the Depot area. This work is expected to be completed in late March/early April 2014.

Cold calls by suppliers continue to be banned at the Depot and all sales representatives presenting at this location are referred to Business Services management at Council's main office in order to schedule an appointment.

Suppliers continue to be advised to forward all emails about products to a generic email address accessible by multiple Council officers eg stores@yass.nsw.gov.au. All suppliers have been advised that they should not provide goods without receiving a prior official Council purchase order i.e. no verbal orders.

The decision against holding open supplier forums, industry briefings, seminars or supplier training has been reviewed and it is still considered that the costs outweigh the benefits in this regard.

Supporting material

Nil

Evaluation of implementation (Progress update)

Staff changes have seen delays in the development of a formal Supplier Engagement Framework, although the principles that underlie these have already been embedded in practice. The full framework is expected to be adopted by 30 June 2014.

Council's Business Services Manager has delegated regular supervision of Stores to the Business Services Coordinator who advises that he is currently attending and monitoring the Store, on average, weekly. For the Workshop which is a considerably smaller inventory unit, visits and monitoring are maintained as a fortnightly protocol. Neither area has posed any significant risk since the ICAC investigation.

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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:

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

Action taken to implement recommendation

Council's Gifts and Benefits policy which was rewritten in 2011 to reflect the issues raised during the ICAC investigation has been since reviewed and amended in the context of the ICAC recommendations.

As previously reported to the ICAC, all staff received training regarding the Code of Conduct and Gifts and Benefits in the context of the ICAC investigation in November 2011. Council is providing follow up training for key staff with financial delegation and/or with procurement responsibilities together with new staff on March 4th and 5th 2014.

Again as previously reported, all new staff are provided with a copy of the Gifts and Benefits Policy at induction and must acknowledge in writing both their receipt and understanding of this policy. Additionally, the induction process itself is being reviewed and a new Employee Handbook produced which also clearly states Council's position with regard to gifts and benefits.

Supporting material

- Gifts and Benefits Policy February 2013 (see Appendix A – Item 6)
- Yass Valley Council Employee Handbook (see Appendix A – Item 7)
- Employee Induction Acknowledgement (see Appendix A - Item 8)

Evaluation of implementation (Progress update)

Feedback from staff indicates that Council's current policy on Gifts and Benefits is clearly understood by all employees. During 2012 there were 37 Declaration of Gifts and Benefits forms completed with the vast majority being token gifts with a value of less than \$20 which were variously retained for Council use or shared with staff and customers (eg chocolates, pens and calendars). A number of gifts were refused outright. During 2013 the number of declarations fell to 4 which, given the education provided to both staff and suppliers, is indicative of a decline in the offering of gifts and benefits. Three of these declarations referred to gifts with a token value of less than \$20 and one declaration concerned the refusal of a gift/benefit.

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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:

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

Action taken to implement recommendation

As previously stated, Council has reviewed its Gifts and Benefits Policy (February 2013) in the context of the ICAC recommendations, making minor amendments including detailing the consequences for staff of non-compliance. Council considers the existing policy to be the most practical approach for a small rural community and that this alternate implementation of the ICA recommendation effectively addresses this issue.

Supporting material

Gifts and Benefits Policy February 2013 (see Appendix A – Item 6)

Evaluation of implementation (Progress update)

The Gifts and Benefits Policy will be reviewed again in early 2015 to ensure that it remains both prescriptive and practical.

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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

As previously stated, the Gifts and Benefits Policy has been reviewed to include statements on the consequences of actions which are in contravention of the policy.

All staff received training in November 2011 in the context of the ICAC investigation, including the connection between violating the rules and the possibility of resultant investigations, disciplinary action or even the loss of job or entitlements.

New staff and key designated staff will receive refresher training in March 2013 (4th and 5th) as detailed in our progress plan to the ICAC in February 2013.

Supporting material

Gifts and Benefits Policy February 2013 (see Appendix A – Item 6)

Evaluation of implementation (Progress update)

Feedback from staff has resulted in the delivery of Code of Conduct and Gifts and Benefits training being reviewed to ensure that it is tailored to the different categories of staff with the first of these training sessions to occur in March 2014.

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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>*

- Implemented as described in the report (in an ongoing process)
- Implemented in an alternative way
- Partially implemented
- Not implemented

Action taken to implement recommendation

Code of Conduct and Gifts and Benefits training will incorporate the human and cultural elements of relational selling for identified staff. For those staff identified as being at risk of exposure to relational selling techniques, the ICAC delivered a full day training seminar during 2013. Options for further/ongoing training to reinforce the risks of relational selling and to facilitate relational selling awareness are currently being explored. Preparation of a guide to the risks of relational selling is also being considered but has not been formalised at this stage.

Additionally, Council's Senior Finance Officer is scheduled to attend an ICAC workshop in April with a view to developing risk management protocols to corruption prevention around procurement in the workplace.

Supporting material

Nil

Evaluation of implementation (Progress update)

Training feedback after the ICAC training seminar was generally positive. Performance monitoring is being conducted with the focus being on education rather than corrective action at this stage.

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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:

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

Action taken to implement recommendation

The E-Purchasing module within the current computer software package went live to staff on 26 October 2011. Since that date 10,595 electronic purchase orders have been created (19 February 2014). In its report to the ICAC in February 2013, Council provided a detailed seven step action plan regarding procurement processes. All of these steps have been fully implemented with official policies/procedures with the exception of Tendering which has been tasked to the Operations Division. At the time of reporting in 2013 a draft tendering procedure had been prepared but on reviewing this lengthy document it was considered that a different approach was required. Consequently, the tendering process has been subdivided.

Draft procedures have been prepared for:

- Tender Document Preparation
- Tender Process (advertising through to tender close)
- Tender Assessment

Procedures are also being developed for Project Pre commencement and Contract Management.

In 2013, Council engaged a consultant and commenced a culture review process which is currently in progress and involves all staff across the organisation. One of the most effective tools in identifying corruption risk and preventing corrupt practices is the establishment of an organisational culture which clearly rejects all forms of corruption. Council's Fraud Control policy also clearly states the expectations of staff in this regard.

A fraud and corruption risk assessment policy which is currently in draft form has been developed to identify corruption risk factors across the entire organisation and assist staff in both detection and prevention of fraud and corruption.

Supporting material

- Draft Tender Procedures (see Appendix A – Item 10)
- Fraud Control Policy (see Appendix A – Item 11)
- Draft Fraud and Corruption Risk Assessment Policy (see Appendix A – Item 12)

Evaluation of implementation (Progress update)

All procurement processes are constantly being reviewed for both effectiveness and appropriateness to the perceived level of risk.

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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

The E-Purchasing module within the current computer software package went live to staff on 26 October 2011. Since that date 10,595 electronic purchase orders have been created (19 February 2014). The possible introduction of e-procurement has been examined and at this point it has been determined that it is not a cost effective acquisition for council as the benefits are not significant enough to justify the substantial cost outlay . Council's current electronic purchasing module offers a substantial number of the compliance and internal control measures provided by e procurement. Compliance monitoring currently comprises a combination of reporting measures and staff interaction. These actions create opportunities for ongoing education and a personal presence across the organisation.

Supporting material

Procurement Procedures (see Appendix A – Item 13)

Evaluation of implementation (Progress update)

Purchasing practices together with purchase orders are monitored on a weekly basis as a minimum standard. Most regularly, monitoring occurs daily. Wherever errors or omissions are detected our focus continues to be on education and this occurs across all internal and external council locations as required.

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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

The following actions previously detailed to the ICAC as 'proposed' have been implemented in their entirety:

- Both Council's Procurement Policy and Purchasing Guidelines have been provided on Council's Intranet and to all staff with financial delegation. These documents support a comprehensive suite of procedures for each step in the procurement process including reporting.
- A procurement compliance role has been created in Finance and a wide range of transactions are monitored on a weekly basis to ensure compliance. Advice and training for staff is also provided as required.
- All maintenance to the e-purchasing module is performed only by the Finance Manager and/or Senior Finance Officer and detailed records are kept for audit purposes. All creditor maintenance is restricted to the same two staff with detailed records kept of all changes.

Supporting material

- Procurement Policy (see Appendix A – Item 4)
- Purchasing Guidelines (see Appendix A – Item 8)

Evaluation of implementation (Progress update)

Reports showing orders placed by any individual across all cost centres are reviewed regularly. A report has been created which details purchase order creation date against invoice date and this is very useful in targeting which staff require further education. Currently being developed is a report detailing purchase order approver against the certified receiver of goods/services to ensure correct separation of duties. In the interim, this is being monitored manually and compliance is excellent in this area which we consider to be of vital importance.

Inevitably, occasional breaches in process do occur and in these instances the staff member concerned is provided with further education on the processes which constitute transparent procurement activity. Most process breaches are relatively minor and do not involve separation of duty issues.

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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

As detailed previously:

- Council has implemented separation of processes at all locations where stock is held with every purchase (whether for goods or services, to be physically sighted/received by a staff member other than the person approving the order.
- Usage reports for stock items are now analysed to provide a data base for max/min stock holdings and this information has been introduced to the inventory control system. Lead times have also been incorporated to ensure the elimination of wasteful stock holdings
- The Store has been completely reorganised with all like items stored in a common location and all items clearly identified with their stock number. Shelf and bin numbers are now recorded for all items at each location within the inventory control module. Outdoor areas in stores have been fenced and locked to ensure that correct issue procedures are followed. Access to the indoor area of Stores is also secured with keys to both held only by the Stores Officer and relevant managers.
- All inventory activity is now trackable. All stock issues must be physically signed for by the receiving staff member ensuring accountability and these are then processed through the inventory control module. Manual issue sheets are uploaded to Council's computer data base for reference so that managers are able to verify data. There are minimal quantities of 'non-stock' items remaining at Stores (Council held an externally managed public auction during 2013 in order to divest its holdings of these items).
- No item is able to be held at Stores unless it is a stock item ensuring that all items are able to be tracked through the inventory control system
- Stocktakes are undertaken annually in June. Counting is performed by teams of staff who have no direct role in the running of the Store. Each team has three members (counter, recorder, supervisor). Staff with knowledge of Stores and the inventory are available to assist with item/location identification only, and do not undertake any counting or recording.

Supporting material

- Inventory Management Procedures (see Appendix A – Item 14)
- Stocktake Procedure (see Appendix A – Item 15)

Evaluation of implementation (Progress update)

Evaluation consists of continual monitoring of the physical condition of the Store together with monitoring through stock issue reports and stock item master files. Detailed transaction histories are available for all items. Increased monitoring and use of tools such as lead times and max/min holding requirements is resulting in increased turnovers and a resultant reduction in waste. This monitoring is performed by the Business Services management team. In most instances, the Store is monitored at a minimum on a weekly basis and the Workshop fortnightly.

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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

Council holds the relevant managers responsible for pull-based inventory (i.e. non stock) items from the point of ordering to job completion and actively discourages the unnecessary holding of non stock items.

Council has directed considerable time and resources to developing responsible and appropriate processes to monitor and control the purchase of stock items. With these systems in place and working successfully we are moving towards implementing similar processes for pull-based items which are surplus to job requirements. Business Services management has created separate, secure areas within the stores location for the storage of physical items. They will commence creating a separate 'virtual' location within the inventory control module to enable these items to become part of the inventory database, subject to the same monitoring requirements as all other stock. Non stock items are never acquired and held at the Store as occurred prior to the ICAC investigation.

Supporting material

Nil

Evaluation of implementation (Progress update)

The Business Services management team monitors compliance with processes currently in place both physically and administratively. They will develop and implement the processes for controlling and monitoring pull-based inventory.

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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

As has been detailed elsewhere in this report and in previous reports supplied to the ICAC, the Stores has been completely reorganised physically. Complete details are kept and monitoring for all stock receipts and issues. Access is restricted. Unannounced visits by either Business Services or Finance staff occur regularly.

Detailed reporting is available, and used, for the movement of all stock in and out of Stores.

Supporting material

See photos on following page

Evaluation of implementation (Progress update)

Site inspections are carried out by Business Services staff at least once per week at the Store and at least once per fortnight at the Workshop. Business Services staff regularly monitor stock issue data to ensure compliance with Council policies and procedures and appropriate 'need' for product.

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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

- Council has had clearly defined parameters for the conduct of stocktakes in place since the commencement of the ICAC investigation. Staff working in the section where the stocktake is being undertaken are not permitted to participate in the actual stocktake process. They are, however, required to be available to provide any information requested by the stocktake team.
- Stocktakes at all locations are organised by the Senior Finance Officer in consultation with the relevant manager. The Senior Finance Manager establishes independent teams commensurate with the size of the stocktake being undertaken. The Senior Finance Officer has university qualifications in accounting, Cert IV in Local Government (Procurement) and substantial stocktaking experience.

Supporting material

Stocktake Procedure (see Appendix A – Item 15)

Evaluation of implementation (Progress update)

Monitoring of actual stocktake results in comparison with previous stocktakes. Comparison of discrepancy percentages across locations. Comparisons with industry standards.

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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

Random stocktakes are undertaken by, or at the direction of, the Senior Finance Officer during the year. These generally focus on high stock holding, high turnover or high value items together with a random selection of items which would not ordinarily draw attention.

Supporting material

Stocktake Procedure (see Appendix A – Item 15)

Evaluation of implementation (Progress update)

Both stocktake and random stock count results are evaluated on completion. Education and directions are provided to staff as required. Staff controlling the Store and Workshop have been advised on good stock control techniques such as daily location counts after issues. Business Services, which has management responsibility for both the Store and the Workshop, has been tasked with ensuring ongoing monitoring of risk levels and associated compliance at both locations.

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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

Council has developed a series of documents to assist in highlighting and monitoring risk across all areas of Council operations.

As previously reported strict separation of duties requirements apply to a number of functions council wide (not restricted to procurement and inventory). Specified annual leave requirements have been included in position descriptions for identified staff in high risk areas.

Supporting material

- Fraud Control Policy (see Appendix A – Item)
- Corruption Prevention Policy
- Fraud and Corruption Risk Assessment

Evaluation of implementation (Progress update)

Council is awaiting the outcome of negotiations with the Regional Organisation of Councils regarding the sharing internal audit capability between Councils. This has been delayed given the Local Government Reform recommendations and the review of the Local Government Act, both of which will influence the way these services may be delivered.

APPENDIX A

SUPPORTING MATERIAL INDEX

Document No.	Document Name	Reference
1	Important Notice to New Suppliers	Recommendation 1
2	YVC Accounts Payable Trading Terms	Recommendation 1
3	Invoicing and Payments	Recommendation 1
4	Procurement Policy	Recommendations 1 and 9
5	Statement of Business Ethics	Recommendation 1
6	Gifts and Benefits Policy	Recommendations 3, 4 and 5
7	YVC Employee Handbook	Recommendation 3
8	Purchasing Guidelines	Recommendations 1 and 9
9	Employee Induction Acknowledgement	Recommendation 3
10	Draft Tender Procedures	Recommendation 7
11	Fraud Control Policy	Recommendations 7 and 15
12	Draft Fraud and Corruption Risk Assessment	Recommendations 7 and 15
13	Procurement Procedures	Recommendation 8
14	Inventory Management Procedures	Recommendation 10
15	Stocktake Procedure	Recommendations 10, 13 and 14