ICAC Chaucer – March quarter 2011 progress report

Investigation into the solicitation and receipt of corrupt payments from a RailCorp contractor

Recommendation 1.

That RailCorp revises its procurement training for staff and contractors to explicitly address the risks for corruption and non-compliance in direct negotiations, including negotiations over scope of works.

Summary of response

The recommendation will be:

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

Action proposed

RailCorp will review and revise training material delivered to Procurement Cross Functional Teams to include further content on evaluation of tenders including the risks associated with negotiations and the implications of changes to the scope of works. A module will also be developed to update those people who have already been trained. In addition, all Category Managers and Procurement Managers engaged by Strategic Procurement & Supply will undertake specific negotiation training.

#	Milestone	Due Date for Completion
1	Review, revision and implementation of training material, including a module to update staff who have already been trained.	March 2010
2	Surveys of Procurement Cross Functional Team members to ascertain whether the training met their needs during the entire tender evaluation process.	June 2010
3	Negotiation training for Category Managers and Procurement Managers.	March 2010
4	Surveys of Category and Procurement Managers on the effectiveness of negotiation training.	June 2010

Supporting material

- Revised training material.
- Results of the surveys.

Proposed evaluation methods

- Surveys of business representatives on Procurement Cross Functional Teams.
- Surveys of Category and Procurement Managers.

ICAC Chaucer - Recommendation 1 - Progress update - March quarter 2011

#	Milestone	Original Due Date	Implementation Status	Progress Update	Supporting Material Provided
1	Review, revision and implementation of training material, including a module to update staff who have already been trained.	March 2010	Implemented March 2010	Nothing further to add to previous comments.	*No supporting material is provided with this progress report*
2	Surveys of Procurement Cross Functional Team members to ascertain whether the training met their needs during the entire tender evaluation process.	June 2010	Implemented June 2010	Nothing further to add to previous comments.	*No supporting material is provided with this progress report*
3	Negotiation training for Category Managers and Procurement Managers.	March 2010	Implemented March 2010 and ongoing	Nothing further to add to previous comments.	*No supporting material is provided with this progress report*
4	Surveys of Category and Procurement Managers on the effectiveness of negotiation training.	June 2010	Implemented June 2010	Nothing further to add to previous comments.	*No supporting material is provided with this progress report*

ICAC Chaucer - March quarter 2011 progress report

Investigation into the solicitation and receipt of corrupt payments from a RailCorp contractor

Recommendation 2.

That RailCorp establishes and publicises a way for tender evaluation committee members to obtain advice should they have a query about whether proper procedure is being followed for a tender.

Summary of response

The recommendation will be:

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

Action proposed

RailCorp will provide for advice on procurement procedures and policies to be provided by the Quality Manager within Strategic Procurement & Supply. Training materials will be updated to include information about this advisory resource. As an interim measure until training materials are updated, a job aid will be distributed to all members of Procurement Cross Functional Teams.

Calls to the advice service will be logged to provide information on possible continuous improvement initiatives.

#	Milestone	Due Date for Completion
1	Completion and publication of a job aid supporting the new advice service.	December 2009
2	Review and revision of training materials.	March 2010
3	Surveys of business representatives on Procurement Cross Functional Teams to ascertain whether the advice service was useful	June 2010

Supporting material

- Job aid to support advice service as an interim measure.
- Revised training material.
- Report on calls to the advisory service.

Proposed evaluation methods

- Surveys of business representatives on Procurement Cross Functional Teams.

ICAC Chaucer - Recommendation 2 - Progress update - March quarter 2011

#	Milestone	Original Due Date	Implementation Status	Progress Update	Supporting Material Provided
1	Completion and publication of a job aid supporting the new advice service.	December 2009	Implemented December 2009	Nothing further to add to previous comments.	*No supporting material is provided with this progress report*
2	Review and revision of training materials.	March 2010	Implemented March 2010	Nothing further to add to previous comments.	*No supporting material is provided with this progress report*
3	Surveys of business representatives on Procurement Cross Functional Teams to ascertain whether the advice service was useful	June 2010	Implemented June 2010	Nothing further to add to previous comments.	*No supporting material is provided with this progress report*

ICAC Chaucer - March quarter 2011 progress report

Investigation into the solicitation and receipt of corrupt payments from a RailCorp contractor

Recommendation 3.

That RailCorp makes it a requirement that staff and contractors receive training in both ARIBA (RailCorp's new electronic procurement system) and its new Procurement Procedures before they obtain users rights in ARIBA.

Summary of response

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

Action proposed

All staff, including contractors, engaged by Strategic Procurement & Supply and Procurement Shared Services as well as business representatives selected to participate on Procurement Cross Functional Teams will receive mandatory training.

This mandatory training will cover the use of the Ariba procurement solution, RailCorp's Procurement Procedures and Probity and Ethics training. The business rules will be updated to require that training be completed prior to being granted access to the system or commencing a sourcing event.

#	Milestone	Due Date for Completion
1	Updating business rules to require mandatory completion of training.	December 2009
2	Review and revision of training materials (in line with recommendation 1).	March 2010
3	Audit compliance to the business rules.	June 2010

Supporting material

- Updated business rules.
- Revised training material.
- Results of training attendance audit

Proposed evaluation methods

- Audit of the training records

ICAC Chaucer - Recommendation 3 - Progress update – March quarter 2011

#	Milestone	Original Due Date	Implementation Status	Progress Update	Supporting Material Provided
1	Updating business rules to require mandatory completion of training.	December 2009	Implemented in December 2009	Nothing further to add to previous comments.	*No supporting material is provided with this progress report*
2	Review and revision of training materials (in line with recommendation 1).	March 2010	Implemented in March 2010	Nothing further to add to previous comments.	*No supporting material is provided with this progress report*
3	Audit compliance to the business rules.	June 2010	Implemented in September 2010	Nothing further to add to previous comments.	*No supporting material is provided with this progress report*

ICAC Chaucer - March quarter 2011 progress report

Investigation into the solicitation and receipt of corrupt payments from a RailCorp contractor

Recommendation 4.

That RailCorp implements a system of random auditing to be done by senior managers of their middle managers' procurement approvals. Internal Audit should then audit the senior managers' audit. When approving officers approve orders that vary from standard procedures, penalties should be enforced.

Summary of response

The recommendation will be:

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

Action proposed

This recommendation will be implemented in line with recommendation 23 of the Monto Report.

The audit of approvals will take the form of compliance verification. The July 2009 goal setting for the RailCorp Performance and Development Process (PDP) has been modified to include this requirement. RailCorp will provide managers with access to the Ariba procurement solution to allow them to undertake compliance verifications.

Where compliance verification indicates that approvals do not comply with RailCorp's procedures, the manager will, in the first instance, be performance managed to achieve compliance. Continued non-compliance will be actioned under the terms of the manager's performance contract.

#	Milestone	Due Date for Completion
1	Implementation of compliance verification process.	March 2010
2	Internal Audit reports of compliance verifications.	June 2010

Supporting material

- Training material provided to managers to enable them to undertake compliance verifications.
- Sample compliance reports prepared by managers and audited by Internal Audit.

Proposed evaluation methods

- Internal Audit reports of compliance verifications.

ICAC Chaucer - Recommendation 4 - Progress update – March quarter 2011

#	Milestone	Original Due Date	Implementation Date	Progress Update	Supporting Material Provided
1	Implementation of compliance verification process.	March 2010	Revised to *March 2011 (in line with corresponding Monto recommendation)*	Mandatory Performance Indicators have been included in relevant senior managers' Performance Development plans, including reviews of middle manager procurement approvals. A process has been developed to support these reviews. A method of performing these reviews within the ARIBA environment has been developed and implemented. The Chief Executive and Group General Managers are now actively reviewing subordinate procurement approvals. In addition the solution is being rolled out to General Managers as required, based on a risk assessment of role. The Chief Executive monitors completion of these reviews.	*GM Rollout plan, training slides, Purchase Order compliance audits, GM Dashboard reports.*
2	Internal Audit reports of compliance verifications.	June 2010	Revised to *March 2011 (in line with corresponding Monto recommendation*	Internal Audit has developed and implemented the terms of reference for their review of the senior manger reviews.	*Internal Audit Terms of Reference dated 24th March 2011.*

ICAC Chaucer - March quarter 2011 progress report

Investigation into the solicitation and receipt of corrupt payments from a RailCorp contractor

Recommendation 5.

That within two years of ARIBA becoming fully operational, a performance/operations review is undertaken to ascertain whether ARIBA assists RailCorp and individual managers to detect fraud and corruption. Copies of the final report should be sent to the Commission and the relevant Minister.

Summary of response

The recommendation will be:

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

Action proposed

RailCorp is in the process of developing a compliance framework which will apply to procurement transactions. This will include the development of reports of non-compliance from the Ariba procurement system.

#	Milestone	Due Date for Completion
1	Development of Procurement Compliance Framework.	March 2010
2	Independent assessment of the Procurement Compliance Framework.	June 2010
3	Development and implementation of compliance reports.	June 2010
4	Independent report on compliance with the Procurement Compliance Framework the effectiveness of the compliance reports generated from the Ariba procurement solution.	March 2012

Supporting material

- Procurement Compliance Framework.
- Sample compliance reports.
- Procurement Compliance Framework audit report.

Proposed evaluation methods

- Independent assessment of the framework.
- Independent report on compliance with the framework and effectiveness of the compliance reports.

ICAC Chaucer - Recommendation 5 - Progress update – March quarter 2011

#	Milestone	Original Due Date	Implementation Status	Progress Update	Supporting Material Provided
1	Development of Procurement Compliance Framework.	March 2010	Implemented September 2010	Nothing further to add to previous comments	*No supporting material is provided with this progress report*
2	Independent assessment of the Procurement Compliance Framework.	June 2010	Implemented December 2010	Nothing further to add to previous comments	*No supporting material is provided with this progress report*
3	Development and implementation of compliance reports.	June 2010	Implemented September 2010.	Nothing further to add to previous comments	*No supporting material is provided with this progress report*
4	Independent report on compliance with the Procurement Compliance Framework the effectiveness of the compliance reports generated from the Ariba procurement solution.	March 2012	*Due March 2012*	An independent report on the effectiveness of the compliance reports available from Ariba will be undertaken by March 2012.	*No supporting material is provided with this progress report*