

Waverley Council

PO Box 9, Bondi Junction, NSW 1355 DX 12006 Bondi Junction.
Telephone: 9369 8000 Fax: 9387 1820 TTY: 9389 9827 (For hearing impaired)
Website: www.waverley.nsw.gov.au



14 May 2013

A meeting of the **WAVERLEY COUNCIL AUDIT COMMITTEE** will be held in the Bronte Room, Level 2, Waverley Council Chambers, Corner Bondi Road & Paul Street, Bondi Junction at:

10.00AM, FRIDAY, 24 MAY 2013

COMMITTEE MEMBERS:

Independent Members: Mr N Hall (Chair)
Mr M Bass

Councillor Member: Cr B Mouroukas
Cr T Kay (Alternate)

ATTENDEES:

Mr T Reed – General Manager
Mr I Mead – Divisional Manager, Finance & Information
Systems & Services
Mr S Helweh – Senior Internal Auditor
Mr S Kidnapillai – Senior Internal Auditor

INVITEE: Mr G Mottau – Director, Hill Rogers Spencer Steer:

QUORUM: Two Committee members.

APOLOGIES: By telephone or email to the following:

Tony Reed, General Manager
Ph: 9369 8056 or email tonyr@waverley.nsw.gov.au

Robert Russo, Governance Manager
Ph: 9369 8121 or email robertr@waverley.nsw.gov.au

AGENDA

A-1305.A Apologies

A-1305.DI Declarations of Interest

The Chair will call for Declarations of Interest.

A-1305.1 Confirmation of Minutes of Previous Meeting – 1 March 2013

PAGE 6

Recommendation: That the Minutes of the Waverley Council Audit Committee Meeting of 1 March 2013; a copy of which was distributed to each Committee member, be received and that such Minutes be confirmed as a true record of the proceedings of that meeting.

A-1305.2 Matters Arising from Previous Minutes

A-1305.2.1 Confidential Internal Audit Follow-up Report – Property Management (A10/0627)

ISSUED SEPARATELY

At the last meeting of the Audit Committee held on 1 March 2013 the Committee considered the confidential Internal Audit Follow-up Report on Property Management. At that meeting the Committee resolved the following:

“THAT:

- (i). The report be deferred to the May meeting of the Committee.
- (ii). The original date of the review and the follow-up date be included in the report.
- (iii). Revised implementation dates be included in the report.
- (iv). Updated commentary be included in the report.
- (v). The lead Directors and relevant support staff be invited to attend.”

Confidential Internal Audit Follow-up Report on Property Management has been distributed separately with the agenda.

Recommendation: That:

1. The Committee receive and note this information.

2. The Committee receive and note the Confidential Internal Audit Follow-up Report on Property Management, which has been distributed separately with the agenda.
3. The Internal Audit Follow-up Report on Property Management be treated as confidential in accordance with the provisions of Section 6.4(d) of Waverley Council's Audit Committee Charter for the following reasons:
 - (a). The report contains commercial information of a confidential nature that would, if disclosed prejudice the commercial position of the person who supplied it.
 - (b). It is not in the public interest to reveal commercially sensitive information about Council's internal operations and business interests, which if disclosed may prejudice Council's effective operation of its functions.
4. The correspondence and reports relevant to the subject business be withheld from the public as provided by Section 6.4 of the Audit Committee Charter.

A-1305.2.2

ISSUED SEPARATELY

Confidential Internal Audit Follow-up Report – On-Street Parking (A10/0631)

At the last meeting of the Audit Committee held on 1 March 2013 the Committee considered the confidential Internal Audit Follow-up Report about On-Street Parking. At that meeting the Committee resolved the following:

“THAT:

- (i). The report be deferred to the May meeting of the Committee.
- (ii). The original date of the review and the follow-up date be included in the report.
- (iii). Revised implementation dates be included in the report.
- (iv). Updated commentary be included in the report.
- (v). The lead Directors and relevant support staff be invited to attend.”

Confidential Internal Audit Follow-up Report about On-Street Parking has been distributed separately with the agenda.

Recommendation: That:

1. The Committee receive and note this information.
2. The Committee receive and note the Confidential Internal Audit Follow-up Report about On-Street Parking, which has been distributed separately with the agenda.
3. The Internal Audit Follow-up Report about On-Street Parking be treated as confidential in accordance with the provisions of Section 6.4(d) of Waverley Council's Audit Committee Charter for the following reasons:
 - (a). The report contains commercial information of a confidential nature that would, if disclosed prejudice the commercial position of the person who supplied it.

- (b). It is not in the public interest to reveal commercially sensitive information about Council's internal operations and business interests, which if disclosed may prejudice Council's effective operation of its functions.
4. The correspondence and reports relevant to the subject business be withheld from the public as provided by Section 6.4 of the Audit Committee Charter.

A-1305.2.3
Council's response to ICAC on Operation Jarek

PAGE 11

At the February 2013 meeting of the Committee the General Manager advised that ICAC had released its report about Operation Jarek, an investigation into allegations that staff from a number of local councils and other public authorities accepted secret benefits from suppliers and that staff from two local councils facilitated payment of false invoices from suppliers.

At the February meeting, the General Manager advised that Council had received the recommendations contained in the ICAC report and was required to respond to the ICAC about the actions we have taken in regard to the recommendations. He said that Council's response to the ICAC would be submitted to the Audit Committee.

At the last meeting of the Audit Committee held on 1 March 2013 Council's response to the ICAC was not available. The Committee subsequently decided to defer the matter to this meeting for consideration.

A copy of Council's response to the ICAC dated 25 February 2013 is attached.

Recommendation: That the Committee receive and note this information and Council's response to the ICAC.

A-1305.3
Internal Audit's Progress Report (A10/0345)

PAGE 27

Report dated 13 May 2013 from Internal Audit providing an update on progress with FY2013 Audit Plan.

Recommendation: That the Committee receive and note this progress report.

A-1305.4
Schedule of Meeting Dates for 2013 (A09/1105)

At its last meeting the Committee adopted the following schedule of meeting dates for 2013.

- 10.00am, Friday, 24 May 2013

- 10.00am, Friday, 26 July 2013
- 10.00am, Friday, 18 October 2013
- 10.00am, Friday, 6 December 2013

Recommendation: That the Committee receive and note this information.

A-1305.5

GENERAL BUSINESS

**MINUTES OF THE WAVERLEY COUNCIL
AUDIT COMMITTEE MEETING HELD AT THE
WAVERLEY COUNCIL CHAMBERS ON
FRIDAY, 1 MARCH 2013**

Voting Members Present:

| | |
|----------------|----------------------------|
| Mr N Hall | Independent Member (Chair) |
| Mr M Bass | Independent Member |
| Cr B Mouroukas | Waverley Council |

Also Present:

| | |
|------------------|---|
| Cr T Kay | Waverley Council |
| Ms B Kelly | Director, Corporate & Technical Services |
| Mr S Helweh | Senior Internal Auditor |
| Mr S Kidnapillai | Senior Internal Auditor |
| Ms J Reid | Governance & Integrated Planning Officer / Assistant Committee Secretary |
| Mr R Russo | Governance Manager / Committee Secretary |

Invitees:

| | |
|----------------|---|
| Mr R Esdaile | Divisional Manager – Maintenance & Construction (for Item A-1303.3 – Confidential Internal Audit Report – Asset Management – Kerb and Gutter) |
| Mr S Field | Divisional Manager, Business & Services (for Item A-1303.2.1 – Confidential Internal Audit Report – Fleet Management) |
| Mr D Joannides | Divisional Manager – Technical Services (for Item A-1303.3 – Confidential Internal Audit Report – Asset Management – Kerb and Gutter) |

At the commencement of proceedings at 10.03am, those present were as listed above.

At 11.58am Cr Kay left the meeting and did not return.

**A-1303.A
Apologies**

Apologies were received and accepted from:

| | |
|-------------|--|
| Mr T Reed | General Manager |
| Mr I Mead | Divisional Manager, Finance & Information Systems & Services |
| Mr G Mottau | Director, Hill Rogers Spencer Steer |

A-1303.DI
Declarations of Interest

The Chair called for Declarations of Interest and none were received.

A-1303.1
Confirmation of Minutes of Previous Meeting – 7 December 2012

DECISION: That the Minutes of the Waverley Council Audit Committee Meeting held on 7 December 2012; a copy of which was distributed to each Committee member, be received and that such Minutes be confirmed as a true record of the proceedings of that meeting.

A-1303.2
Matters Arising from Previous Minutes – 7 December 2012

A-1303.2.1
Confidential Internal Audit Report – Fleet Management (A11/0693)

At the last meeting of the Audit Committee held on 7 December 2012 the Committee considered the confidential Audit Internal Report on Fleet Management. At that meeting the Committee resolved the following:

“In regard to the internal audit report on Fleet Management the Committee believes that there are many ineffective management processes that could be improved including restricting petrol cards to biofuel purchases only, the fleet size and composition mix of the fleet, and the structure and pricing of lease back vehicles, and that these issues be addressed with the Divisional Manager, Business and Services.”

The Committee has requested that the previously considered confidential internal report be included on this agenda and the responsible Executive Officer be invited to attend the meeting.

Confidential Internal Audit Report on the review of the Fleet Management issued October 2012 was distributed separately with the agenda.

Mr S Field, Divisional Manager, Business & Services was in attendance for this Item.

DECISION: That:

1. The Committee receive and note this information.
2. The Committee receive and note the Confidential Internal Audit Report on the review of the Fleet Management, which has been distributed separately with the agenda.
3. The Internal Audit Report on the review of the Fleet Management be treated as confidential in accordance with the provisions of Section 6.4(d) of Waverley Council's Audit Committee Charter for the following reasons:

- (a). The report contains commercial information of a confidential nature that would, if disclosed prejudice the commercial position of the person who supplied it.
 - (b). It is not in the public interest to reveal commercially sensitive information about Council's internal operations and business interests, which if disclosed may prejudice Council's effective operation of its functions.
4. The correspondence and reports relevant to the subject business be withheld from the public as provided by Section 6.4 of the Audit Committee Charter.
 5. Based on the documents tabled, the Committee does not see evidence of any significant analysis being undertaken, on a very high cost decision in this instance, to incrementally purchase back the fleet at the end of the current lease for each item of plant.
 6. Generally, for all Internal Audit Reports submitted to the Committee, Management are requested to indicate in the "Management Action Plan" column, whether they disagree with the detailed findings and accept the risk identified or provide an action plan to address the issue.

**A-1303.3
Internal Audit's Progress Report (A10/0345)**

Report dated 19 February 2013 from Internal Audit providing an update on progress with FY13 Audit Plan.

Messrs Esdaile and Joannides were in attendance for the Internal Audit Report on Asset Management – Kerb and Gutter.

DECISION: That:

1. The Committee receive and note this progress report.
2. The Committee receive and note the following confidential Internal Audit reports which have been distributed separately with the agenda, on the review of:
 - (a). Business Continuity Management
 - (b). Accounts Payable
 - (c). Asset Management – Kerb and Gutter
 - (d.) Property Management – Follow up
 - (e). On Street Parking – Follow up
3. The above Internal Audit reports be treated as confidential in accordance with the provisions of Section 6.4(d) of Waverley Council's Audit Committee Charter for the following reasons:
 - (b). The reports contain commercial information of a confidential nature that would, if disclosed prejudice the commercial position of the person who supplied it.
 - (c). It is not in the public interest to reveal commercially sensitive information about Council's internal operations and business interests, which if disclosed may prejudice Council's effective operation of its functions.

4. The correspondence and reports relevant to the subject business be withheld from the public as provided by Section 6.4 of the Audit Committee Charter.

5. In regard to the Internal Audit Report on:

(a). Business Continuity Management

THAT:

- (i). The report be received and noted.
- (ii). The Committee expressed its concern on the considerable time it has taken to reach the progress to date and the target dates proposed.

(b). Accounts Payable

- (i). That the report be received and noted.

(c). Asset Management - Kerb and Gutter

THAT:

- (i). The report be received and noted.
- (ii). The Committee expressed its appreciation to Messrs Esdaile and Joannides for their attendance and the information provided.

(d). Property Management – Follow up

THAT:

- (i). The report be deferred to the May meeting of the Committee.
- (ii). The original date of the review and the follow-up date be included in the report.
- (iii). Revised implementation dates be included in the report.
- (iv). Updated commentary be included in the report.
- (v). The lead Directors and relevant support staff be invited to attend.

(e). On Street Parking – Follow up

THAT:

- (i). The report be deferred to the May meeting of the Committee.
- (ii). The original date of the review and the follow-up date be included in the report.
- (iii). Revised implementation dates be included in the report.
- (iv). Updated commentary be included in the report.
- (v). The lead Directors and relevant support staff be invited to attend.

6. The Committee requests the General Manager to attend the May Audit Committee meeting.

A-1303.4
Council's response to ICAC on Operation Jarek

At the last meeting of the Committee the General Manager advised that ICAC had released its report about Operation Jarek, an investigation into allegations that staff from a number of local councils and other public authorities accepted secret benefits from suppliers and that staff from two local councils facilitated payment of false invoices from suppliers.

The General Manager advised that Council had received the recommendations contained in the ICAC report and was required to respond to the ICAC about the actions we have taken in regard to the recommendations. He said that Council's response to the ICAC would be submitted to this meeting of the Audit Committee.

At the time of printing the agenda Council's response to the ICAC was still to be finalised.

A copy of Council's response was to be tabled at the meeting or forwarded by email prior to the meeting, if available.

DECISION: That:

1. The Committee receive and note this information.
2. In the absence of the report that this matter be deferred to the May meeting of the Audit Committee.

A-1303.5
Schedule of Meeting Dates for 2013 (A09/1105)

At its last meeting the Committee adopted the following schedule of meeting dates for 2013.

- 10.00am, Friday, 24 May 2013
- 10.00am, Friday, 26 July 2013
- 10.00am, Friday, 18 October 2013
- 10.00am, Friday, 6 December 2013

DECISION: That the Committee receive and note this information.

A-1303.6 **GENERAL BUSINESS**

There were no items of General Business.

THE MEETING CLOSED AT 1.45PM

25 February 2013

Private and Confidential
The Commissioner
Independent Commission Against Corruption
GPO Box 500
SYDNEY NSW 2001



BY EMAIL: ckenny@icac.nsw.gov.au

Dear Sir/Madam

Operation Jarek

Please find the enclosed completed schedule with information about how Waverley Council plans to implement each of the ICAC's corruption prevention recommendations arising from the investigation into Operation Jarek.

If you would like more information on the proposed action plans, please contact Mark Wood (Director, Public Works and Services) on 8306 3608 or Carolyn Forshaw (HR Partner) on 9369 8180.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Tony Reed", written in a cursive style.

Tony Reed
General Manager

Plan for Implementation of Recommendations

Operation Jarek

Please complete this schedule with information about how your agency plans to implement each of the ICAC's corruption prevention recommendations arising from the investigation into Operation Jarek. The implementation plan should include details of the actions, timeframes and how your agency proposes to evaluate the effectiveness of the implementation of each recommendation. Please provide the name of a contact person in your agency from whom we can seek more detail if needed. 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:

<check one>

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

Action proposed

1. Waverley Council will communicate to current suppliers regarding supplier behaviour expectations and the associated consequences of non compliance. Council will investigate whether this correspondence can be sent via the remittance advice.
2. Waverley Council to review related policies and procedures as included on Council's website.
3. A reference to Council's Statement of Business Ethics to be included on Council's Terms and Conditions and Purchase Orders.

Supporting material

The Statement of Business Ethics referenced on our tender documents and available on our website.

Proposed evaluation methods

Actions to be completed by 30 June 2013

Plan for Implementation of Recommendations

Operation Jarek

Recommendation 2.

That councils develop a proactive and comprehensive supplier engagement framework.

Summary of response

The recommendation will be:

<check one>

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

Action proposed

- 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 that will also be printed on all purchase orders
- Supervisors will no longer be 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.

Proposed evaluation methods

Plan for Implementation of Recommendations

Operation Jarek

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:

<check one>

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

Action proposed

- Council's Code of Conduct will be reviewed by June 2013.
- Council intends to develop a good governance strategy which includes living our values through high standards of conduct and behaviour including management of gifts and benefits. This strategy is to be completed by June 2013.

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

1. 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.
2. Council provides training on its gifts and benefits policy for all new staff members through its mandatory corporate induction program.
3. All new staff members are required to read Code Conduct and sign they understand. Then during formal 2 day induction there is a 2 hour training module on Code of Conduct.
4. Refresher training is conducted with staff members every four years.

Supporting material

Code of Conduct for Staff, Delegates and Volunteers pp38 - 43

Code of Conduct for councillors pp23-26

Proposed evaluation methods

Plan for Implementation of Recommendations

Operation Jarek

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:

<check one>

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

Action proposed

Waverley Council adopted a revised Code of Conduct on 19 February 2013. Personal Benefit including Gifts and Benefits is detailed in section 7.

7.5 You must not:

- (a) Seek or accept a bribe or other improper inducement
- (b) Seek gifts or benefits of any kind
- (c) Accept any gift or benefit that may create a sense of obligation on your part or may be perceived to be intended or likely to influence you in carrying out your public duty
- (d) Accept any gift or benefit of more than token value
- (e) Accept an offer of cash or a cash-like gift, regardless of the amount

Staff members are requested to decline all gifts and benefits but recognises in some circumstance this may be impractical in these cases staff are required to record the gift or benefit in Councils Gift Register. The Code of conduct sets out clear criteria on how to manage any gifts or benefits. Each department has separate gift register with each Director responsible for submitting an annual return to the General Manager.

Supporting material

Waverley Council Code of Conduct section 7 pages 20-23

Mandatory training on Code of Conduct for all new staff members (part of induction) and existing staff members (every 4 years)

Proposed evaluation methods

Plan for Implementation of Recommendations

Operation Jarek

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:

<check one>

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

Action proposed

- 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.

Supporting material

Code of Conduct for staff members

Proposed evaluation methods

- New Starters area assessed at the training session to evaluate their knowledge of the policy.
- Observations are conducted throughout the year by the Supervisor/Manager.

Plan for Implementation of Recommendations

Operation Jarek

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:

<check one>

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

Action proposed

- Learning and Development to organise Procurement Training Workshops for existing staff involved in engaging suppliers. Training to include Council's gifts policy and techniques to respond and deal with suppliers.
- Relevant staff members to be trained in Procurement procedures in April/May 2013.
- Learning and Development to develop Procurement - E-Learning module for completion by new starters involved in engaging suppliers.

Supporting material

- Training program for procurement to be developed.
- Online evaluation survey to be developed.
- Assessment activity to be developed.
- Written training materials to be developed – Steps and techniques for staff members to refer to when having difficult conversations with suppliers.
- E-Learning Procurement module to be completed by new starters and as a refresher tool for existing staff members

Proposed evaluation methods

- Assessment activity to check understanding in training session.
- Online evaluation survey to be conducted in Oct/Nov 2013
- Managers to sign off observations to ensure understanding and that techniques are being utilised.

Plan for Implementation of Recommendations

Operation Jarek

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:

<check one>

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

Action proposed

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 is currently being reviewed and a recommendation to Councils Executive Team that 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

Proposed evaluation methods

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

Plan for Implementation of Recommendations

Operation Jarek

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:

<check one>

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

Action proposed

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

Proposed evaluation methods

Policy regarding the value of purchase orders to be updated by 31 March 2013

Plan for Implementation of Recommendations

Operation Jarek

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:

<check one>

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

Action proposed

- Council currently has a reporting system which identifies a person with financial delegation and the transactions they have approved for a period of time.
- Managers can request from our Financial Services section for these reports to be generated.

Supporting material

The report is available in Council Finance One Accounts Payable System

Proposed evaluation methods

Finance One has an existing report

Plan for Implementation of Recommendations

Operation Jarek

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:

<check one>

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

Action proposed

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 can develop 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 in 2011 to identify areas of improvement within Council's Store. Many of the findings have been implemented

Proposed evaluation methods

Review to be conducted to identify implementation progress

Plan for Implementation of Recommendations

Operation Jarek

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:

<check one>

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

Action proposed

- Council has in place a minimum and maximum level for all stock items. From this a suggested re-order report can be pulled from the system each week which identifies stock that has reached its minimum. Only those items that have reached their minimum are purchased to replenish stock holdings.
- A number of direct purchase items are now ordered via the stores inventory system and are accountable

Supporting material

The suggested re-order report is a standard report in Finance One

Proposed evaluation methods

The suggested re -order report is in use at Councils store

Plan for Implementation of Recommendations

Operation Jarek

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:

<check one>

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

Action proposed

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.

Supporting material

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

Proposed evaluation methods

Reports to be issued to supervisors at regular intervals on issues from the stores by Council staff

Plan for Implementation of Recommendations

Operation Jarek

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:

<check one>

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

Action proposed

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.

Proposed evaluation methods

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

Plan for Implementation of Recommendations

Operation Jarek

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:

<check one>

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

Action proposed

Council undertakes a bi-annual stock take by staff members outside the Stores. Council believes this review is adequate and will conduct a number of random audits during each year.

Supporting material

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

Proposed evaluation methods

The Fleet and Stores Manager to conduct random audits each year. This is to commence by July 2013.

Plan for Implementation of Recommendations

Operation Jarek

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:

<check one>

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

Action proposed

- Council's internal auditor has already undertaken a review of our procurement processes and inventory management.
- The audit committee to determine if the internal auditor will review rational selling and gift giving.

Supporting material

Proposed evaluation methods

REPORT TO AUDIT COMMITTEE

Internal Audit's Progress Report (A10/0345)

Report dated 13 May 2013 from Internal Audit providing an update on progress with FY2013 Audit Plan.

Recommendation: That the Committee receive and note this progress report.

Progress on Audit Plan

Since the last meeting of the Committee held on 1 March 2013, the Senior Internal Auditors have compiled a summary of the reviews and their status in the table below:

| Audit Name | Date Commenced | Status | | | | | Awaiting Management Response* |
|------------------------------------|----------------|----------|-----------|-----------|-----------|-----------|-------------------------------|
| | | Planning | Fieldwork | Reporting | Completed | Finalised | |
| Accounts Payable | October 2012 | ✓ | ✓ | ✓ | ✓ | ✓ | N/A |
| Asset Management - Kerb and Gutter | August 2012 | ✓ | ✓ | ✓ | ✓ | ✓ | N/A |
| Business Continuity Management | October 2012 | ✓ | ✓ | ✓ | ✓ | ✓ | N/A |
| Waverley Pavilion | February 2013 | ✓ | ✓ | ✓ | x | x | N/A |
| Property Investment Strategy | February 2013 | ✓ | ✓ | ✓ | x | x | N/A |
| Follow Up Reviews | | | | | | | |
| Property Management | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| On Street Parking | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

* only relevant for follow-up reviews.

Over the last couple of months, the Internal Audit function has been finalising a couple of follow-up reports that remained outstanding. The follow-up reports were issued to the responsible officers and all new commentary has been updated and reflected in the reports for the purposes of this meeting.

In addition, Internal Audit has been involved in annual planning activities for the upcoming financial year and beyond. The annual planning process involved discussions with the executive team members including one on one interviews, professional experience, research and SSROC peer discussions to understand what reviews could be looked at for Waverley Council. The annual audit planning process is currently not based on a risk management framework due to the work in progress by Waverley Council of establishing such a framework. Therefore, there is no nexus between the reviews and any risk management with the exception of professional experience.

REPORT TO AUDIT COMMITTEE

The current SSROC resource-sharing model will continue, with both part time Internal Auditors, completing the work over the full five days per week. It is anticipated that the five day shared arrangement at Waverley Council is the current model until any further notice by SSROC.

Recommendation: That the Committee receive and note this progress report.

Sam Helweh
Senior Internal Auditor