

30 September 2020

In reply please quote reference:
Ref: A5692792

Ms Marlo Baragwanath
Chief Executive Officer
Independent Broad-based Anti-corruption Commission
GPO Box 24234
Melbourne VIC 3001

By email: [REDACTED]

Dear Ms Baragwanath

Corruption Risks Associated with Procurement in Local Government

I am writing further to a recommendation made in the IBAC report, *Special report on corruption risks associated with procurement in local government* (the Report), that I advise IBAC on how Darebin City Council (the Council) has strengthened procurement policies, systems and practices to address corruption vulnerabilities identified by IBAC in the Report.

I note the Report resulted from two IBAC investigations, including Operation Dorset which commenced in 2015 and related to allegations of corruption involving a project manager then employed by the Council. In July 2019, I provided a response to a draft of the Report which was included in the Report that was subsequently tabled in Parliament on 30 September 2019.

As I noted in my response to the draft, the activities subject of the Report occurred more than 5 years ago now. In my response, I advised that the Council is committed to ensuring that corruption is mitigated and eliminated across the organisation and has been a key focus of mine since commencing as the Chief Executive Officer (CEO) in 2017. In that response, I outlined many key process changes and controls implemented by the Council since my commencement as the CEO, with the aim of demonstrating to IBAC our commitment to continuous improvement, transparency and accountability in procurement activities.



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Since responding to the draft report, I have continued to maintain focus on the Council's commitment to improving processes to mitigate risks of corruption, not only in relation to vulnerabilities identified in procurement processes, but across the organisation more broadly. The following information is provided as further evidence of our ongoing commitment.

Chief Integrity and Conduct Officer

Established in early 2020, the Chief Integrity and Conduct Officer is a new position responsible for ensuring the conduct of both the Council and the Council administration is exemplary and that our dealings are lawful, transparent, accountable and fair. This role, unique within local government in Victoria, is a senior officer position that reports directly to me and works with the Executive Management Team (EMT), Mayor, Councillors, Managers and leaders across the organisation to strengthen processes of our everyday business.

██████████ commenced in this role in June 2020, bringing to it an extended career in law enforcement and anti-corruption, including a significant period with IBAC. ██████████ will focus on addressing conduct issues as they arise and will be a valuable resource across the organisation providing advice and support to managers and staff while promoting a focus on integrity across the organisation.

Manager Organisational Culture & Transformation

Established in 2018, the role of Manager Organisational Culture & Transformation was introduced to make culture more visible across the organisation by incorporating our values into every aspect of our operations including; staff engagement and development, policies and decision making and service delivery to the community. We know that when values are actively put into practice, they become the moral compass of the organisation and shape the behaviours, decisions and performance of all employees.



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Recommendation 1 – Further Information

Recommendation 1 of the Report was that I respond within 12 months as to how the Council has strengthened procurement policies, systems and practices to address corruption vulnerabilities and specified six key areas for consideration. In addition to my initial response that was included in the Report, below I provide further examples in response to each of the areas outlined in the recommendation.

a. Robust information management processes are in place to accurately document all procurement activities in an auditable manner.

The following policies and processes have been implemented to document procurement activities in an auditable manner:

- In December 2019, a new Social and Sustainable Procurement policy was adopted by Council.
- Conflict of Interest declarations, including confidentiality of information forms, are a mandatory requirement for those participating in tender evaluations.
- Where staff request access to contract folders in councils document management system, they must provide a declaration of Conflict of Interest prior to granting access.
- Evaluation of tender submissions, including clarification and questions, are all directly managed through the chairperson of the evaluation team, usually the procurement officer using secure systems to request and receive confidential information.

The addition of a new supplier module to our accounts payable system and a revised Creditor Creation form has been implemented to provide additional scrutiny of information, reasoning and evidence to validate bank account details.

In addition, after two years of considered planning and project scoping, a new integrated finance system has been procured to replace existing systems. The new system includes improved procurement controls from purchases through to payment. The system is due to go live in July 2021.

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- b. Key elements of the procurement processes are segregated and regular checks are conducted to test the effectiveness of those mechanisms, which may include periodically rotating managers with significant responsibilities for procurement.**

The follow actions taken by the Council assist to ensure segregation of duties and potential risks associated with staff in key positions not taking leave:

- When a financial delegate (officer) is a scoring member on an evaluation panel, they are not permitted to sign off the Expenditure Approval Report as the final approver (Financial Delegate). This requires sign off from the next line manager for approval.
- Negotiation, clarifications and Best and Final Offers (BAFO) are coordinated by the chairperson to ensure visibility and the process is conducted in a systematic and transparent manner.
- The *Darebin City Council Enterprise Agreement 2018 – 2022* provides for staff to accrue up to 8 weeks annual leave. Leave balances are actively monitored and reported to General Managers and, where necessary, steps taken to ensure staff take time off and leave is not stockpiled.
- It is general practice to backfill staff while on annual leave and managers are encouraged to consider backfilling with staff from across the organisation, not just their business unit or portfolio. In most instances this is done via competitive Expression of Interest process.

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- c. Suppliers are sourced in a way that complies with competition requirements set out in legislation and/or procurement policies and procedures.**

To strengthen processes to ensure suppliers are sourced in a way that complies with competition requirements, the Council has introduced the following policies and processes:

- The new procurement policy adopted by Council in late 2019 provides direction and underpins the conduct and accountable practices by council.
- Procuring of goods, services or works between \$50,000 and \$200,000, the Local Government threshold, requires the inclusion of a procurement officer to oversee and support the evaluation process.



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- Procurement plans are a mandatory requirement when the intended procurement value is \$150,000 or more. A strategic procurement plan approved by the CEO and engaging a probity advisor is required when the value exceeds \$1,000,000.
- Monthly reviews of creditor spend examined by category to identify trends to aggregate into new and organisational wide contracts.
- A revised creditor creation form contains additional rigor to ensure information is captured to mitigate potential risks and fraud with bank account information.

d. Audits and risk assessments are conducted to help identify system vulnerabilities that may not have been detected through regular monitoring processes.

As previously advised, the Council has appointed a new Internal Auditor, HLB (Mann Judd) and upon their appointment, they developed a risk profile and appetite plan for procurement.

Recently, as part of the annual internal audit plan, the Internal Auditor conducted a review of the Council's Fraud and Corruption Control Framework. That review resulted in recommendations that were fully endorsed by the Audit and Risk Committee (Committee) in August 2020. It is anticipated recommendations will be actioned by April 2021 with outcomes progressively reported to the Committee.

As previously advised, I provide a CEO Quarterly Audit Report (confidential) to the Committee that includes a section reporting on any identified procurement risks for discussion and, where appropriate, investigation.

Quarterly reporting provided to the Committee includes:

- A new governance chart covering Conflict of Interest protocols and processes.
- How council engages with industries and provides information/education sessions.
- Status reporting of perceived or actual instances of corruption reported to IBAC.
- A program of enterprise-wide training and education across all departments of council.
- Procurement overseeing activities of engagements including, contract management activities, breach of policy activities, exemption from policies activities and the use of empanelled contractors.



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- Conduction data analytics reporting which alerts opportunities for cumulative expenditure of like categories.
- Visibility through the use of a new procurement tender database and contract registering procedures.
- Training including staff drop-in sessions.
- Probity advisor reporting on all tenders where the value exceeds \$1,000,000.

e. Training for all employees involved in procurement effectively covers relevant policies and procedures including the council’s procurement policy, conflict of interest procedures, code of conduct, and the responsibilities of financial delegates.

As previously advised, in addition to structured staff procurement training programs, lunchtime ‘pop-up’ information session have been conducted for all staff on procurement processes and requirements. These sessions were well attended; however, have been put on hold during the Coronavirus pandemic in part because of the need to focus on successfully migrating 600+ staff to remote working but also because of the significant pressure the pandemic has put on all of our services as we have worked to respond to significant new community need. This initiative will be re-established in the near future.

In January 2020 training commenced covering procurement fundamentals, officer conduct, integrity and the new Sustainable and Social Procurement guidelines.

Online procurement training is to commence this financial year for all responsible staff, covering procurement related topics including; Procurement Essentials, Contract Management, Probity and Tender Evaluation Responsibilities.

As previously advised, training and information sessions are now available to our suppliers and the community. This also includes information on our procurement policy and what it means for suppliers.



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f. Regular communication with employees and suppliers regarding their responsibilities to report suspected corrupt conduct and how to make a report.

Staff are provided with information during education and training sessions as referred to above. Suppliers are educated on conduct of suppliers and council at tender briefing sessions. Further sessions specific to “doing business with Council” are planned post Covid19.

The Chief Integrity and Conduct Officer has commenced providing training, beginning with the EMT and managers, on mandatory reporting requirements for suspected corrupt conduct and Public Interest Disclosures. It is intended that training will be provided across the organisation, tailored to the needs of staff and the roles they perform, and will become part of the regular ongoing compliance training provided to all staff.

Conclusion

I trust that this response demonstrates the City of Darebin’s deep and ongoing commitment to strengthening our resistance to fraud and corruption and to promoting an organisation driven by our values.

Please do not hesitate to contact me directly should you have any further queries.

Yours sincerely



**Sue Wilkinson
Chief Executive Officer
Darebin City Council**



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