

# *Kilkenny County Council*

Internal Audit Report No. [REDACTED] **Review of Procurement Compliance and Valid Invoices**

**Date:** 17<sup>th</sup> July 2019

## **Report Distribution**

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Audit Committee Members

Local Government Auditor

## **Objectives**

Internal Audit examined a weekly payment run to provide reasonable assurance that procurement procedures are being complied with.

## **Approach**

Internal Audit reviewed payments included in the weekly payments schedule for weekending 29<sup>th</sup> March. All approvers of purchase orders for these payments were requested to forward evidence that procurement procedures outlined in Kilkenny County Councils Procurement guidelines were complied with. Procurement guidelines relating to goods and services are included in Appendix A.

In addition to this, all invoices were examined to ensure the invoices were valid on the date of payment. A list of information required for VAT invoices are listed in Appendix B.

## **Scope & Limitations of scope**

Internal Audit examined relevant payment transactions included in payments run w/e 29<sup>th</sup> March 2019. Payments not subject to procurement rules such as grant payments and expenses payments were excluded.

**Audit Risk**

- Non compliance with procurement directives and legislation.
- Not achieving VFM.
- Potential revenue fines/penalties.
- Insufficient audit trail.

**Co-operation of Management and staff**

Internal Audit received full co-operation from Council Management and staff throughout the course of this review and would like to thank them for their assistance.

# Findings

## Procurement

1. A sample of 51 invoices were examined from payments run w/e 29<sup>th</sup> March 2019. The sample invoices chosen were based on invoice values greater than €1k. Payments such as staff payments and grant payments were also excluded. The full results of this check are included in Appendix A. Over a third of the number of invoices examined were not compliant with Kilkenny County Councils approved procurement procedures.

Total	Compliant	Non Compliant
Number of invoices	32	19
% Number of invoices	63%	37%
Value of invoices	731,569	67,496
% Value of invoices	92.5%	7.5%

2. All high value invoices were procured correctly by using either a government framework or by way of a local tender process. Only 7.5% of the total value of the invoices examined were found to be non-compliant. The Procurement Dept. takes an active role in assisting the procurement of large capital projects which would explain the high compliance rate for the larger value invoices.
3. The majority of the non-compliant invoices have a value of less than €5k. Even though the value of the non-compliant invoices are relatively small, they collectively total over €67k in this particular payment week.

4. Over 40% of the non compliant invoices relate to housing maintenance services. A government framework is currently being prepared for electrical and plumbing services which will improve compliance levels.
5. There is a procurement module available in a gresso that is not being used by Kilkenny County Council. This allows purchase requisitions to be pre approved by the Procurement Dept. Staff requesting a purchase requisition would need to upload evidence of compliance with procurement procedures. Internal Audit is aware that staff resources are limited in the procurement dept but this module can be restricted to specific procurement account elements which would ease the administrative burden. This would help build a culture of best practice in relation to procurement in the organisation.

## ***Management Actions***

*While the procurement unit has historically focussed on the high value purchases, there will be a focus on improving the compliance in the smaller purchases areas in 2020 when we intend to proceed with the roll out of Quick Quotes – an electronic system to better manage the numerous purchases made through quotations.*

*I confirm that new frameworks for Electrical and Plumbing are being rolled out at the moment which will improve compliance in the Housing area.*

*Additional staff resources would need to be assigned to the procurement unit if the procurement module available for Agresso was enabled.*

*I would suggest that the Internal Audit undertakes further reviews of other payment runs in 2020 and that these reviews should become a regular part of the Internal Audit work programme. This will help us measure the impact of QuickQuotes.*

## **Valid Invoices**

1. The list of information that must be included on a valid VAT invoice are included in Appendix B. Internal Audit examined 291 payment transactions included in the payments run for w/e 29<sup>th</sup> March 2019. 64 invoices were deemed to be invalid. This is approx 22% of the payments made in the weekly payment run. Payment of an invalid invoice could be liable for penalties in the case of a Revenue Audit. Revenue would take into account the materiality of the invoices in relation to the overall spend of the council. However, this could be an unnecessary penalty when valid invoices can easily be identified.
2. 11 invoices had no invoice number included. This could lead to potential duplication of payment.
3. 13 invoices had no tax reference number included which is an obligation of the Taxes Consolidation Act 1997.
4. 40 invoices were subject to the reverse charge mechanism and had indicated this on the invoice. However, none had included the councils VAT no. which is a requirement for these types of invoices.
5. 31 invoices had no date stamp which could affect compliance with prompt payments requirements.

## **Management Actions**

A letter will be sent to all active suppliers in Q1 2020 specifying the information to be included on the VAT invoice. Stricter checks will be carried out by the Accounts Payable Team on all invoices received. Non compliant invoices will not be processed and will be returned to the supplier.

The Accounts payable team will ensure that the date stamp will be put on all invoices prior to processing.

## ***Appendix A – Procurement Compliance***

Supplier Name	Invoice Amount	Procurement procedures adhered to:	Section	Reason for non compliance
BRENSTONE (LISMAINE) LTD	5969.24	✘	Castlecomer Area Office	Quotes not obtained - supplier chosen based on proximity to location.
SIGNIATEC - NON RCT ONLY	1845	✘	Community	Verbal quotes not obtained - only one quote documented
SCANLON BROS LTD - RCT	1150	✘	Facilities Management	Only one quote received.
BILLY MURPHY	5000	✘	Abbey Quarter	Specialised consultancy service for Development at Abbey Quarter.
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DAVID GERTBERG - NON RCT	1816	✘	Housing	Short term agreement. Difficult to obtain quotes due to nature of work.
DAVID GERTBERG - NON RCT	1604.89	✘	Housing	Short term agreement. Difficult to obtain quotes due to nature of work.
DAVID GERTBERG - NON RCT	1816	✘	Housing	Short term agreement. Difficult to obtain quotes due to nature of work.
D DRAINS SERVICES - RCT	1320	✘	Housing	Emergency Works - CCTV & cleaning works
DAVID MULCAHY ELECTRICAL	2761.38	✘	Housing	Routine & emergency Electrical Housing Maint works. No quotes obtained. No framework in place.
O BYRNE SERVICES LTD - RCT ONLY	3089.87	✘	Housing	Routine & emergency Electrical Housing Maint works. No quotes obtained. No framework in place.
GROUND INVESTIGATIONS IRE	6531.3	✘	Housing	No copy of the Chief Executive/Delegated order approving purchase.
MARTIN HAYES T/A HARRY HAYES ELEC - RCT ONLY	1706	✘	Housing	Routine & emergency Electrical Housing Maint works. No quotes obtained. No framework in place.
MARTIN HAYES T/A HARRY HAYES ELEC - RCT ONLY	1124	✘	Housing	Routine & emergency Electrical Housing Maint works. No quotes obtained. No framework in place.
MARTIN DOWLING	6180.71	✘	Housing	Routine & emergency Electrical Housing Maint works. No quotes obtained. No framework in place.
COLFIX	5306.1	✘	Ferrybank Area Office	No quotes obtained. Supplier chosen based on quality of materials.
HEALTHMATIC - NON RCT	6242.5	✘	Roads	Maintenance company for the public toilets. €22K p.a. No contract in place.

KILKENNY BLOCK CO LTD -	1783.18	✘	Callan Area Office	No framework in place. Supplier chosen based on location.
TOTAL HIGHWAY MAINT	7250	✘	Roads	No recommendation or Delegated Order and 1 further quote required.
BUI BOLG LTD	4500	✓	Corporate	Compliant
LANGTONS	2194.9	✓	Corporate	Compliant
MCSTAN CONSTRUCTION	53112.67	✓	Abbey Quarter	Compliant
MALONE O REGAN	10084.77	✓	Abbey Quarter	Compliant
MSC FIRE	1043.04	✓	Fire Services	Compliant
CIRCLE K IRELAND ENERGY LTD	6483.95	✓	Fire Services	Compliant
MUNSTER JOINERY IRE - RCT	1498	✓	Housing	Compliant
MMS MEDICAL LTD	2144	✓	Housing	Compliant
TIERNEY & O NEILL LTD - RCT	5890	✓	Housing	Compliant
QUARRYVIEW DEV	5609.75	✓	Housing	Compliant
ASPECT HOTEL	3474.8	✓	Housing	Compliant
MUNSTER JOINERY IRE - RCT	1498	✓	Housing	Compliant
JOHN SOMERS CONST	57940	✓	Housing	Compliant
P HENNESSY BUILDING	8075	✓	Housing	Compliant
THOMAS KELLY & SONS LTD	385018	✓	Housing	Compliant
QUARRYVIEW DEV	27184.86	✓	Housing	Compliant
ASPECT HOTEL	3474.8	✓	Housing	Compliant
SORD DATA SYSTEMS LIMITED	5092.2	✓	IT Dept	Compliant
SORD DATA SYSTEMS LIMITED	1182.03	✓	IT Dept	Compliant
SORD DATA SYSTEMS LIMITED	7318.5	✓	IT Dept	Compliant
VODAFONE ECS NON RCT	11747.68	✓	IT Dept	Compliant
CIRCLE K IRELAND ENERGY LTD	42836.97	✓	Stores	Compliant
BENNETTSBRIDGE LIMESTONE	5393.96	✓	Parks	Compliant
KILCARRIG QUARRIES LTD	6697.35	✓	Roads	Compliant
ENERGIA	48702.66	✓	Roads	Compliant
KILCARRIG QUARRIES LTD	1217.7	✓	Roads	Compliant
SHELLUMSRATH GEN ENG	4640	✓	Roads	Compliant
AGK LTD - RCT ONLY	1960	✓	Roads	Compliant
MJ SCANNELL SAFETY	3853.34	✓	Roads	Compliant



3CEA	4000	✓	Roads	Compliant
AIRTRICITY UTILITY	6325	✓	Roads	Compliant
INST OF ASPHALT TECH	1375	✓	Roads	Compliant

## ***Appendix B – Valid Vat Invoice***

### **The Value-Added Tax (VAT) invoice must show:**

- the date of issue
- a unique sequential number
- the supplier's full name, address and registration number
- the customer's full name and address
- in the case of a reverse charge, the customer's VAT number and a notation that a 'reverse charge applies'. (This does not apply to construction services subject to Relevant Contracts Tax)
- in the case of an intra-Community supply of goods, the customer's VAT number and a notation that this is an 'intra-Community supply of goods'
- the quantity and nature of the goods supplied/ the extent and nature of the services rendered
- the VAT exclusive unit price
- the payment received net of VAT
- the discounts or price reductions
- the breakdown by the rate of VAT
- the total VAT payable in respect of the supply
- the date on which the goods or services were supplied

- in the case of early payment prior to the completion of the supply, the date on which the payment on account was made, if that date differs from the date of issue of the invoice

- in the case where a tax representative is liable to pay the VAT in another Member State, the full name and address and the Member State's VAT number of that representative must be shown.

### **VAT invoices where the reverse charge applies**

In the case of the supply of goods or services for which VAT is accounted for under the reverse charge mechanism, the VAT payable is not displayed on the invoice issued.

### **Foreign currency on a VAT invoice**

If you issue an invoice in a foreign currency, it must also show the corresponding figures in Euro.