

# *Kilkenny County Council*

## **Internal Audit Report - Review of Procurement Compliance and Valid Invoices**

**Date:** 22<sup>nd</sup> November 2021

### **Report Distribution**

Tim Butler, *Director of Corporate Services*

Martin Prendiville, *Head of Finance*

Kevin Hanley, *Head of Procurement*

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 a random sample of payments included in the weekly payments schedule for week ending 26<sup>th</sup> November 2020. The approvers of these purchase orders were requested to forward evidence that procurement procedures outlined in Kilkenny County Council's Procurement guidelines were complied with.

Procurement results are included in Appendix A. Kilkenny County Council's Procurement and Tendering Thresholds are included in Appendix B.

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

### **Scope & Limitations of scope**

Internal Audit examined a random sample of 29 payment transactions contained in w/e 26<sup>th</sup> November 2020 payments run.

**Audit Risk**

- Non compliance with procurement directives and legislation.
- Not achieving VFM.
- Potential Revenue fines/penalties, in the case of a Revenue Audit.
- 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.

**Internal Audit Opinion**

Internal Audit's findings and recommendations are detailed below. Based on this review the audit opinion for Procurement Compliance & Valid Invoices is reasonable assurance. There is a sufficient framework of key controls for objectives to be met. Risks are managed but could be stronger. Controls are generally applied but some lapses in the application of controls have been observed.

This report was distributed to the Finance Directorate and includes their Management Action Plan.

The report was approved by the Management Team on 1<sup>st</sup> March 2022.

The Audit Committee reviewed the Audit Report at their meeting of 7<sup>th</sup> March 2022.

*Brigid Webster, Internal Auditor*

# Findings, Recommendations and Management Comments

**Procurement:** A random sample of 29 invoices were examined from payments run w/e 26<sup>th</sup> November 2020. The full results of this check are included in Appendix A. Over a third of invoices examined were not compliant with Kilkenny County Councils approved procurement procedures.

Total	Compliant	Non Compliant
Number of invoices	18	11
% Number of invoices	62%	38%

<i>Findings</i>	<i>Implications</i>	<i>Recommendations</i>	<i>Management Action Plan &amp; Timeframe</i>
<p><b>Procurement Findings</b></p> <p><b>1.</b> 18 transactions were compliant 11 transactions were non-compliant</p> <ul style="list-style-type: none"> <li>➤ No verbal quotes were obtained for 6 transactions between €1000 - €5000 (See Item No's 4, 5, 7, 8, 9, &amp; 10 on Appendix A).</li> <li>➤ No written quotes were obtained in relation to 3 suppliers engaged by Kilkenny County Council for transactions valued between €5000 - €25,000 (See Item No's 1, 2 &amp; 6 on Appendix A).</li> </ul>	<p>Non-compliance with Kilkenny County Council's Procurement Procedures and Procurement Guidelines for Goods &amp; Services 2019.</p> <p>Not achieving VFM.</p>	<p>All sections should adhere to Kilkenny County Council's Procurement Procedures and obtain the required quotes and ensure that these are available for audit, in line with Appendix B.</p> <p>All approvers of requisitions should ensure procurement procedures for each threshold has been adhered to.</p>	<p><b>It is the responsibility of each Directorate to ensure procurement compliance for their areas of responsibility.</b></p>

<b>Findings</b>	<b>Implications</b>	<b>Recommendations</b>	<b>Management Action Plan &amp; Timeframe</b>
<ul style="list-style-type: none"> <li>➤ 1 supplier was paid €161,602.76 and Kilkenny County Council did not tender for these goods (See Item No 11 on Appendix A).</li> <li>➤ No evidence of procurement was available for 1 grant application (See No 3 on Appendix A).</li> </ul>	<p>Non-compliance with Procurement Procedures.</p> <p>Non-compliance with Department Grant Scheme.</p>	<p>In instances where Sections encounter issues with Procurement, the Procurement Unit should be contacted for advice and guidance.</p> <p>Kilkenny County Council must ensure that all Grant projects are delivered in accordance with Public Procurement Requirements.</p>	<p>Noted. Advice will be sought in future instances</p> <p>This issue has now been resolved by the Community Section in Kilkenny County Council.</p>
<p><b>2.</b> Individual Sections are obtaining 'casual' or 'one off' quotes for some services.</p> <ul style="list-style-type: none"> <li>➤ 1 supplier for Printing Services was paid €67,000 in 2020</li> <li>➤ A further supplier was paid €92,000 for Cleaning Services in 2020</li> </ul>	<p>Kilkenny County Council may not be achieving VFM.</p>	<p>Internal Audit notes that the Printing Services Panel was discontinued by the OGP in 2021. The Council should tender for Printing Services given the current spend on these services across the organisation.</p> <p>The National Framework is not being utilized for Cleaning Services. Therefore, this needs to be reviewed and procurement regularised by way of tender.</p>	<p>The tender documents for printing services are currently being prepared and requests for tenders will be issued in March/April.</p> <p>None of the cleaning contractors on the framework are based locally. It is intended to carry out a separate tender process in the coming months.</p>
<p><b>3.</b> Canteen Services in County Hall are currently operating on a temporary/interim solution basis, due to Covid19 Restrictions.</p>	<p>Kilkenny County Council may not be receiving best value.</p>	<p>Procurement for Canteen Services in County Hall should take place.</p>	<p>Noted. With COVID limited services were provided for staff as there were reduced numbers in the office.</p> <p>A tender will be undertaken later in 2022</p>

<b><i>Findings</i></b>	<b><i>Implications</i></b>	<b><i>Recommendations</i></b>	<b><i>Management Action Plan &amp; Timeframe</i></b>
<p><b>4.</b></p> <ul style="list-style-type: none"> <li>➤ The Procurement Section arranges information sessions and advises relevant Sections regarding training as it becomes available. When new frameworks are introduced information sessions for the relevant staff are held.</li> <li>➤ The current Procedure Manual for Procurement was adopted in 2017.</li> <li>➤ There is a Procurement module in Agresso that is not in use by Kilkenny County Council. This allows pre-approval of purchase requisitions by the Procurement Department.</li> </ul>	<p>Ensures staff are aware of their obligations under procurement requirements.</p> <p>Some recent changes in Procurement Guidelines need to be included in the current Procedure Manual.</p> <p>Evidence of compliance with procurement would have to be uploaded by staff when requesting a purchase requisition.</p>	<p>Ongoing Procurement and Technical Training should continue.</p> <p>Kilkenny County Council's Procurement Procedure Manual should be reviewed and updated.</p> <p>Internal Audit are aware that staff resources are limited in the Procurement Department however the use of this module would help build a culture of best practice in relation to procurement in the organisation.</p>	<p>Training is ongoing at local and OGP level.</p> <p>The procurement procedure manual will be updated on Q2 2022.</p> <p>We intend to carry out a review of this module in 2022 to establish if it is feasible to implement with the existing resources.</p>

<b><i>Findings</i></b>	<b><i>Implications</i></b>	<b><i>Recommendations</i></b>	<b><i>Management Action Plan &amp; Timeframe</i></b>
<p><b>Valid Invoices</b> The sample of 29 invoices were checked for compliance with the information required in Appendix C. 19 invoices were deemed invalid.</p> <ul style="list-style-type: none"> <li>➤ 3 invoices had no tax reference number included.</li> <li>➤ 19 invoices had no date stamp</li> <li>➤ In 1 case the customer address was omitted from the invoice</li> </ul>	<p>Payment of an invalid invoice could be liable for penalties in the case of a Revenue Audit.</p> <p>This is an obligation of the Taxes Consolidation Act 1997.</p> <p>This could affect compliance with prompt payment requirements. It is a requirement of the sections P2P Procedures that all invoices are date stamped.</p> <p>Invalid invoice</p>	<p>Kilkenny County Council must check all invoices to ensure compliance with the requirements in Appendix C.</p> <p>Relevant staff should be made aware of the requirements for Valid Vat Invoices as detailed in Appendix C.</p> <p>Invalid invoices should not be processed. Invoices should be returned to the supplier for correction and re-submission for payment.</p>	<p>A review has been carried out by the Finance team. All invoices are now subject to verification. Staff have been made aware of the requirements for valid VAT invoices. Any invalid invoices are returned to the supplier or relevant department within Kilkenny County Council.</p>

## Appendix A – Procurement Compliance

Supplier Name	Invoice Amount	Procurement procedures adhered to	Section	Reason for non-compliance
1. PENHOUSE DESIGN	€5,868.50	X	Library	No quotes obtained - supplier chosen based on tender process in another LA
2. TRAVEL GUIDES LTD	€5,142.50	X	Tourism	No quotes obtained - emergency response to COVID
3. BLACK & WHITES GAA CLUB	€23,770.00	X	Community	Grant paid without evidence of quotes on file from Community Group
4. INSIDE JOB CATERING	€2,699.22	X	Corporate	Temporary/interim arrangement in place due to Covid19 Restrictions
5. MICHAEL FOGARTY	€1,244.00	X	Housing	No quote sought as works were initially deemed to be under €1,000, but extra works undertaken increased the cost
6. ACTION CHIMNEYS - RCT ONLY	€6,300.00	X	Housing	Tender not sought as works were deemed emergency
7. MORONEY ELECTRICAL	€1,059.00	X	Kilkenny Area Office	Only one quote requested, three quotes required
8. IRN PUBLISHING	€1,406.10	X	Health & Safety	Irish Health & Safety publication/ subscription that is unique, there is nothing comparable available
9. CHEMHAZ SOLUTIONS LTD	€1,210.00	X	Water Services	No quotes - Water Services not aware of another Company that can undertake work, but will investigate further
10. FANTASY LIGHTS	€2,115.60	X	Kilkenny Area Office	Fantasy Lights are currently the only supplier for the replacements lights
11. KILKENNY LIMESTONE QUARRIES LTD	€161,602.76	X	Kilkenny Area Office	No Quotes obtained for the purchase of kerbs and paving - supplier chosen based on Design Consultant Specification and time constraints
12. EDWARD BYRNE HORTICULTURIST - NON RCT ONLY	€2,600.00	✓	Library	Compliant
13. ELECTRONIC SECURITY PRODUCTS - NON RCT ONLY	€1,572.49	✓	Library	Compliant
14. THINKING TOYS LTD	€854.64	✓	Library	Compliant

Supplier Name	Invoice Amount	Procurement procedures adhered to	Section	Reason for non-compliance
15. KILKENNY MODERN PRINTERS	€127.05	✓	Kilkenny Area Office	Compliant
16. JAMES MURPHY	€1,016.40	✓	Kilkenny Area Office	Compliant
17. PESTKILL	€675.60	✓	Kilkenny Area Office	Compliant
18. TALENTPOOL LTD	€425.00	✓	Leo	Compliant
19. EJ IRELAND ACCESS SOLUTIONS LTD	€1,818.27	✓	Callan/Thomastown AO	Compliant
20. EDDIE POWER BER	€241.75	✓	Housing	Compliant
21. JANET (POLLY) MINETT POWELL	€1,950.00	✓	Heritage & Arts	Compliant
22. MUNSTER & LEINSTER CLEANING SERVICES	€218.33	✓	Kilkenny Area Office	Compliant
23. EDWIN BRENNAN	€340.50	✓	Fire Service	Compliant
24. PAT GANNON AUCTIONEER	€302.50	✓	Housing	Compliant
25. BRENSTONE (LISMAINE) LTD	€532.40	✓	Water Services	Compliant
26. ELINOR WESTERHOLT	€4,900.00	✓	Kilkenny Area Office	Compliant
27. INTERIOR GREEN	€652.12	✓	Facilities Management	Compliant
28. DAVID CUMMINS	€2,500.00	✓	LEO	Compliant
29. HELEN COMERFORD LAMBERT	€3,000.00	✓	Heritage & Arts	Compliant



# Appendix B – KCC Quotation & Tendering Thresholds

## KCC Quotation and Tendering Thresholds and Requirements

The following are the KCC thresholds for the processing of quotations and tenders (contracts with an estimated value ex vat below the current EU thresholds as indicated below)

THRESHOLD	PROCEDURE
Less than €1,000	Verbal quotation. Note to be made on file of verbal quotations received and all necessary paper work to be kept for audit.
Between €1,000 and €5,000	Note to be made on file of verbal quotations received from three or more suppliers or service providers. Documenting of quotations and all necessary paper work to be kept for audit.
Between €5,000 and €25,000 for <b>SUPPLIES OF GOODS &amp; GENERAL SERVICES</b>	At least 3 written quotations – All necessary paper work including Chief Executive Order or Delegated Order to be kept for audit.
Between €5,000 and €50,000 for <b>WORKS or WORKS RELATED CONSULTANCY SERVICES</b>	No advertising of quotations is required. No necessity to enter quotations received in the Corporate Services tender book.
Between €25,000 and EU Threshold €214,000 for <b>SUPPLIES OF GOODS &amp; GENERAL SERVICES</b>  Between €50,000 and EU Threshold of €5,350,000 for <b>WORKS</b> contracts and between €50,000 and the EU Threshold of €214,000 for <b>WORKS RELATED CONSULTANCY SERVICES</b>	Formal advertising inviting tenders using <a href="http://www.etenders.gov.ie">www.etenders.gov.ie</a> .  All necessary paper work including Chief Executive Order or Delegated Order to be kept for audit.  <b>Open Procedure mandatory for Supplies of Goods &amp; General Services</b> contracts (€25,000 to €125,000) and <b>Works</b> contracts (€50,000 to €250,000)

Above EU Threshold for Supplies, Services and Works or works related services e.g. Engagement of Engineering Consultants	Formal advertising inviting tenders on OJEU via <a href="http://www.etenders.gov.ie">www.etenders.gov.ie</a> .  All necessary paper work to be kept for audit.
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## *Appendix C – 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 a intra-Community supply of goods, the customer's VAT number and a notation that this is an 'intra-Community supply of goods'
- in the case of triangulation, an explicit reference to EC triangulation simplification and an indication that the person in receipt of the goods is liable to account for the VAT due on the supply
- 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
- where an early payment is made prior to the completion of the supply, the date on which the payment on account was made. This is the case only if that date differs from the date of issue of the invoice
- the full name and address and the Member State's VAT number of the tax representative. This is the case where a tax representative is liable to pay the VAT in another Member State.

## **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.

## **VAT invoices where the special schemes apply**

Where the margin scheme or the special scheme for auctioneers applies to a supply of goods, the invoice issued must not include an amount of VAT payable. The invoice in relation to the margin scheme should be endorsed as follows:

'Margin scheme — second-hand goods'. The invoice in relation to the auctioneer's scheme should be endorsed as follows:

'Margin scheme — auction goods'.

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

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