

**Donegal County Council  
Internal Audit Department**



**FINAL REPORT**  
**DONEGAL COUNTY COUNCIL**  
**IA20/1 Purchase Cards 2019**

September, 2020

## **Table of Contents**

1.	Executive Summary .....	4
2.	Assurance Rating .....	4
3.	Background.....	4
4.	Introduction and Scope.....	5
5.	Audit Objectives .....	5
6.	Methodology .....	6
7.	Relevant Legislation, Guidance and Circulars .....	6
8.	Policy & Procedures.....	7
8.1	Eligibility and Application process .....	7
8.2	Procurement.....	7
8.3	Administration & Financial Management .....	8
8.3.1	Transaction Processes .....	8
8.3.2	Bank Reconciliation .....	9
8.4	Cancellation/Amendment procedures .....	10
9.	Findings.....	10
9.1	Statistical Analysis.....	10
9.1.1	Purchase Card Spend for 2019 .....	11
9.1.2	Analysis by Directorate .....	12
9.1.3	Analysis of 2019 Purchase Card Spend .....	13
9.1.4	Top 25 Cardholders by Expenditure Value in 2019 .....	16
9.1.5	Purchase Card Transaction Profile .....	17
9.1.6	Analysis of the Top 25 Suppliers 2019 .....	19
9.2	Transaction Analysis .....	21
9.3	Breaches of Procurement Policy.....	22
9.4	Breaches of the Credit Limit.....	26
9.5	Cross-Border Purchases .....	27
9.6	Purchase of Tools .....	27
9.7	Recording and Coding of Transactions on Payment Systems .....	28
9.8	Refunds and Credits on Account .....	29
10.	Conclusions and Recommendations .....	29
10.1	Policy and Procedures.....	29

10.2	Administration & Financial Management.....	29
10.3	Purchase Card Transaction Profile .....	30
10.4	Analysis of the Top 25 Suppliers .....	31
10.5	Transaction Analysis.....	31
10.6	Breaches of Procurement Policy .....	31
10.7	Breaches of the Credit Limit .....	33
10.8	Cross-Border Purchases.....	33
10.9	Purchase of Tools.....	34
10.10	Recording and Coding of Transactions on Payment Systems ....	34
11.	Acknowledgement.....	35
	Appendix 1 – Circulation List .....	36
	Appendix 2 – Audit Classification .....	37
	Appendix 3 – IA20/1 – Purchase Cards - Summary Recommendations ...	38
	Appendix 4 - Multiple transactions over €700 threshold .....	42

## **1. Executive Summary**

This audit was carried out as part of the 2020 Internal Audit Work Programme. The objective of this audit was to assess Donegal County Council's Procurement Card Programme and assess the use of Purchase Cards by DCC staff.

The audit focused on the administration and usage of Purchase Cards (PCards) within the organisation over the course of a 12 month period from January to December 2019. The audit also examined the systems and controls in place to ensure that PCard transactions are being processed within the organisation in accordance with the regulations and procedures in place.

The draft audit was circulated to relevant staff on 31<sup>st</sup> August, 2020. Internal Audit requested that responses be returned by 14<sup>th</sup> September, 2020. The responses and comments received have been included in the completion of this report.

## **2. Assurance Rating**

This audit has been assigned an assurance rating of:

**Level 3 – Limited**

See **Appendix 2** for Classification of Audit Assurance.

On the basis of the audit work carried out and for the period covered in this audit, Internal Audit cannot provide assurance that the risk management, control and governance framework is adequate for the use of Purchase Cards within Donegal County Council.

The policies and processes that currently exist are not being applied consistently and weaknesses exist in the controls in place. Remedial action is required to improve the effectiveness of risk management and overall governance of Purchase Card usage within the organisation.

## **3. Background**

Donegal County Council operates a Procurement Payment Card Programme for staff to make low-value purchases to expedite procurement of goods and a quick turnaround time for paying suppliers. Purchase Cards are a form of company charge card that allows goods and services to be procured without using a traditional purchasing process. Purchase Cards offer a mechanism to process low-value transactions at a lower cost than traditional methods.

Purchasing cards offer a mechanism to process low-value transactions at a lower cost than traditional methods.

These cards can create administrative efficiencies by:

1. Reducing the number of purchase-orders raised
2. Reducing the number of pay orders issued
3. Facilitating reduced processing time
4. Providing users with a more immediate and flexible method of executing low value, high-frequency purchases

Purchase Cards are most efficient when used to purchase goods and services that are high in volume and low in value. These Cards achieve administrative efficiencies by reducing the number of Purchase Orders generated and form part of the Electronic Funds Transfer (EFT) process. Purchase Cards also reduce exposure to late-payment interest.

The cards are allocated to approved staff members and are managed by administrative staff using the Lighthouse CRM system.

Purchases are recorded on the system, allocated to a budget (job code) and then transferred to the Agresso system for payment. As at 1<sup>st</sup> June 2020 there are currently 239 Purchase Cards in use by Donegal County Council staff.

#### **4. Introduction and Scope**

Purchase Cards enable staff to procure lower value goods and services on a "real time" bases and the process forms part of Donegal County Council's system for supplier payment. Internal Audit's analysis was based on card spend in 2019.

Donegal County Council's Purchase Card service provider is Bank of Ireland. For the period examined in this report, there were 223 Purchase Cards (PCards) in use by 219 members of staff. The total amount of procured goods and services using these Cards was €1,333,229.62 for the period in question. In 2019 there were 10,408 PCard transactions posted to the Agresso system for purchases by DCC staff.

The scope of this audit was primarily confined to an examination of Donegal County Council's administration of Purchasing Cards as well as an analysis of card usage by examining individual invoices.

#### **5. Audit Objectives**

The audit objectives were to:

- Carry out a thorough assessment of Donegal County Council's Purchase Cards policy and procedures
- To assess compliance with these policies and procedures
- To establish if the controls in place are adequate and are operating efficiently and effectively
- Establish if the current use of Purchase Cards complies with best practice in terms of established procurement directives

- Establish if Purchase Cards achieve savings and value-for-money objectives
- Identify any control weaknesses in the operation of Purchase Card systems in terms of administration and financial management
- Make recommendations for improvement where appropriate

## **6. Methodology**

The audit was approached as follows:

- Donegal County Council Policy and Procedures documents were examined
- Donegal County Council's financial management system (Agresso) was interrogated. The resulting data was cleansed, analysed and interpreted for the purposes of providing relevant statistics and drawing relevant conclusions
- The Lighthouse online CRM system for Purchase Card Transactions was interrogated. The resulting data was analysed and interpreted for the purposes of providing relevant statistics and comparing transaction details to Agresso
- Internal Audit conducted interviews with relevant administrative personnel in Finance and across all other Directorates within the organisation
- Specific high-value transactions and supporting documentation (invoices, receipts, Purchase Orders etc.) were examined

## **7. Relevant Legislation, Guidance and Circulars**

- Office of Government Procurement – 'Framework Agreement for the Provision of Purchasing Card Programmes to the Irish Public Sector' (14<sup>th</sup> December 2017)
- Donegal County Council – 'Procurement Policy & Procedures for Goods & Services' (Updated 2019)
- Donegal County Council – 'Procurement Payment Card Programme Policy (Version 2.0, 2016)
- Donegal County Council – 'National Procurement Frameworks and Contracts' (Document circulated internally in 2012)
- Department of Public Expenditure & Reform – Circular 16/13: 'Revision of arrangements concerning the use of Central Contracts put in place by the National Procurement Service' (September 2013)
- Department of Public Expenditure & Reform – 'Public Procurement Guidelines for Goods and Services' (Version 2: January 2019)
- Department of Public Expenditure & Reform – Circular 06/12: 'Public Procurement (Framework Agreements)' (July 2012)
- Bank of Ireland 'Conditions of Use' for Purchase Cards
- Collector General – 'eTC Guidelines & Procedures' (July 2016)
- Department of Finance Circular 43/2006 - 'Tax Clearance Procedures - Public Sector Contracts' (Updated 26<sup>th</sup> July 2012)
- Department of Finance Circular 44/2006 – 'Tax Clearance Procedures - Grants, Subsidies and Similar Type Payments' (Updated 26<sup>th</sup> July 2012)

## **8. Policy & Procedures**

### **8.1 Eligibility and Application process**

Donegal County Council has not restricted Purchase Card eligibility to any class or grade of employee. It is not a mandatory requirement that any class or grade of employee be a Card holder/user.

A Purchase Card application form is available from [REDACTED]; the form is completed by the applicant, approved by their Line Manager and returned to Finance. This form is then approved by the [REDACTED] who acts as the Purchase Card Administrator. Finally, the form is then submitted to Bank of Ireland for processing with the new card being issued to the applicant after a period of 3-5 working days.

A copy of Donegal County Council's Purchase Card Policy Document is then sent to the applicant and their approver. They are advised to review this document before using their new card. Purchase Cards have a Single Transaction Limit (STL) of €700 apart from the card used by the Head of Finance which has a limit of €10,000 for emergency purposes.

Most PCards have a monthly limit of €3,500. This limit can be increased, subject to Line Manager approval. In order to facilitate higher value purchases, a PCard Exception form must be filled out in this instance. The form is sent to Bank of Ireland by the [REDACTED] Finance, the bank then confirms if the increase has been approved and the duration of same if it is for short-term purposes (e.g. accommodation).

Each Purchase Card incurs an annual Government Stamp Duty (GSD) of €30; there is a charge of €120 on the "Gold Card" which is operated by [REDACTED]; this card provides the user with the advantage of no transaction fees for frequent use. Donegal County Council is not charged any other direct fees in respect of operating Purchasing Cards.

### **8.2 Procurement**

Donegal County Council is subject to procurement frameworks and contracts in respect of certain supplies. Framework contracts may be put in place either at national or local level in the form of mini-competitions. The framework contracts currently in place include the following:

1. IT Software/Hardware & Consumables
2. Stationary, Office Supplies and Office Furniture
3. Personal Protective Equipment (PPE)
4. Cleaning Supplies & Janitorial Supplies
5. Advertising
6. Fuel Charge Card
7. Mobile phones & associated purchases (mini-competition)

All personnel are required to adhere to the specific procurement mechanisms in place for the supplies mentioned above, regardless of the purchase method use. Therefore, purchases made by Purchase Card must comply with the requirements in place as per the relevant framework contract. This normally requires that the good/service be purchased from a specific supplier or through an approved internal source such as I.S., the Reprographics Section or General Stores.

Internal Audit found evidence of Card purchases which do not comply with these procurement requirements.

**Comment from Finance:** *"Finance has used all the functionality available to ensure that purchases subject to frameworks are excluded".*

In addition to procurement guidelines, the policy document confirms that PCards should not be used for obtaining the following goods and services:

- Construction related activities
- Professional Services (where Professional Services Withholding Tax applies)
- Telecommunications equipment
- Cash advances
- Travel & Accommodation
- Items that are stocked in Central Stores or Machinery Stores

Internal Audit found evidence of PCard transactions involving telecommunications equipment, travel & accommodation and goods that are available through stores.

Additionally, there was a lack of evidence of quotations being sought for higher expenditure on goods through PCards. This may constitute a breach of DCC's Procurement Policy which states: "Quotations for goods with a value of under €5,000 may be requested verbally but must be documented".

### **8.3 Administration & Financial Management**

There are 98 Administrative staff who act as "receipters" for PCard transactions on the Lighthouse system. There are currently 80 Line Managers/Senior Managers who sign off on these transactions. Currently, the Purchase Card Programme is administrated by [REDACTED] and general maintenance of the Lighthouse system is carried out by [REDACTED] in the Finance Directorate.

#### **8.3.1 Transaction Processes**

1. The cardholder identifies the need for a product/service following procurement and Value for Money guidelines.

2. The cardholder uses their card in the merchant store or online where the goods/services are paid for instantaneously to complete a "Point of Sale (POS)" transaction. The cardholder is issued with an invoice and receipt from the merchant.
3. Both the invoice and receipt are forwarded to the relevant administrative staff (receipter) along with a brief description of the goods/services obtained. The relevant Job (budget) code for charging the item should also be included for the receipter.
4. The invoice and the VISA receipt (detailing the PCard number) are scanned and sent to Lighthouse along with the transaction details for future reference, the scans should also be saved into a folder for backup purposes.
5. The receipter selects the relevant supplier on Lighthouse and browses for the relevant scanned documents to attach to the transaction; a description of the goods/services is also entered onto the system.
6. The relevant Agresso Product, Job and Op codes are entered on the system in order to ensure the transaction is coded properly with the correct budget details.
7. The transaction status is then changed to "pending approval" on the system and an email is automatically generated sent to the relevant Line Manager alerting them of the transaction awaiting approval.

**Comment from Finance:** *"A new enhancement on the Lighthouse system is that a transaction cannot be approved without an invoice being attached or a supplier ID being selected – if either of these are missing from a transaction, the transaction will be returned to the receipter for review/amendment".*

8. Individual approved transactions are then included in the monthly direct debit figure taken by Bank of Ireland.

### **8.3.2 Bank Reconciliation**

When the Direct Debit amount is taken from the DCC bank account, the Assistant Staff Officer checks the amount against the monthly statement to ensure the amounts match. The DD amount is also checked on the Decal system operated by the bank, which provides a soft copy of the monthly statement for download.

The amount that appears on the Decal system is then uploaded onto the Agresso payments system and forms part of the monthly bank reconciliation.

1. On the 3<sup>rd</sup> of each month, DCC receives a hard copy monthly bank statement from Bank of Ireland outlining the expenditure for Purchase Card holders in the previous month.

2. A soft copy of the statement is then downloaded from the Bank of Ireland Decal system; this statement should match the Direct Debit amount taken on the 19<sup>th</sup> of the month.
3. The soft copy statement from Decal is loaded onto the Agresso system using Bank of Ireland's supplier ID [REDACTED]
4. These transactions are reconciled (matched off) against the transactions loaded from the Lighthouse system on a nightly basis after they are fully processed (i.e. receipted and approved).
5. When a PCard transaction has been receipted and approved on Lighthouse, it appears on the relevant supplier account on Agresso (i.e. the supplier/merchant ID).
6. The transaction appears as status "B" before it is manually matched off by [REDACTED]. When the status changes to "C" on Agresso the transaction has been reconciled and will be visible on the supplier account.

The current Purchase Card system does not automatically trigger the requirement for a supplier to submit a Tax Clearance Certificate when total payments to that supplier exceed €10,000 in a twelve-month rolling period.

**Comment from Finance:** *"(Finance is) unaware of a system in existence that can achieve this".*

#### **8.4 Cancellation/Amendment procedures**

When a staff member retires or no longer requires a PCard, they must notify [REDACTED] and return their card. This card is then destroyed with details retained on file in Finance. The bank is then notified by email and written confirmation of the card cancellation is provided by the bank by both email and hard copy in due course. This information is retained in a file in Finance for future reference. Government Stamp Duty of €30 still applies for the year in question when a card is cancelled as it covers the period April to April.

### **9. Findings**

#### **9.1 Statistical Analysis**

Public Sector agencies were tasked with the phasing out of cheque payments countrywide in 2014; the use of Electronic Fund Transfer payments is now the primary means of paying suppliers. The use of Purchase Cards also falls under these guidelines and assists in the overall process.

One of the main benefits of the Purchase Card system, as operated by Donegal County Council, is obtained in the form of convenience to the purchaser, by providing a convenient, flexible and immediate purchasing mechanism.

**Comment from Finance:** *"It's an incredibly efficient system to purchase low cost items that reduce transaction costs ticking all VFM buttons with respect to economy, efficiency & effectiveness".*

### 9.1.1 Purchase Card Spend for 2019

The following information was extracted from the Lighthouse and Agresso Payments systems and outlines Purchase Card spending for the period in question. The monetary amount for each month was obtained from the posting date rather than the transaction date for each individual month. The reason for this was to ensure that each transaction was recorded in the month where it was posted to the bank (e.g. if a transaction occurred on 31<sup>st</sup> January but was not posted to the bank until 1<sup>st</sup> February, the transaction amount would form part of February's records).

Also included in the table below is the amount for each month recorded on the DCal system, this is the amount which was processed by Finance and paid to Bank of Ireland.

Month	Lighthouse Amount (€)	DCal Amount (€)	Agresso Amount (€)
January	86,418.25	80,128.62	80,128.62
February	104,924.95	78,670.07	89,615.85
March	115,826.05	104,468.25	104,468.25
April	112,179.79	135,112.15	135,112.15
May	125,082.34	107,088.82	107,088.82
June	86,144.07	109,148.46	109,148.46
July	121,053.34	100,231.95	100,231.95
August	86,093.96	125,484.02	125,484.02
September	119,221.74	91,486.39	91,486.39
October	128,657.20	121,251.67	121,251.67
November	140,209.69	116,837.47	116,837.47
December	83,910.65	150,761.94	152,375.97

<b>Total</b>	<b>1,309,722.03</b>	<b>1,320,669.81</b>	<b>1,333,229.62</b>

A comparison between the figures on the different payments systems highlights variances between transactions charged to the Purchase Cards each month on Lighthouse and the monthly amount paid to Bank of Ireland through the Agresso system.

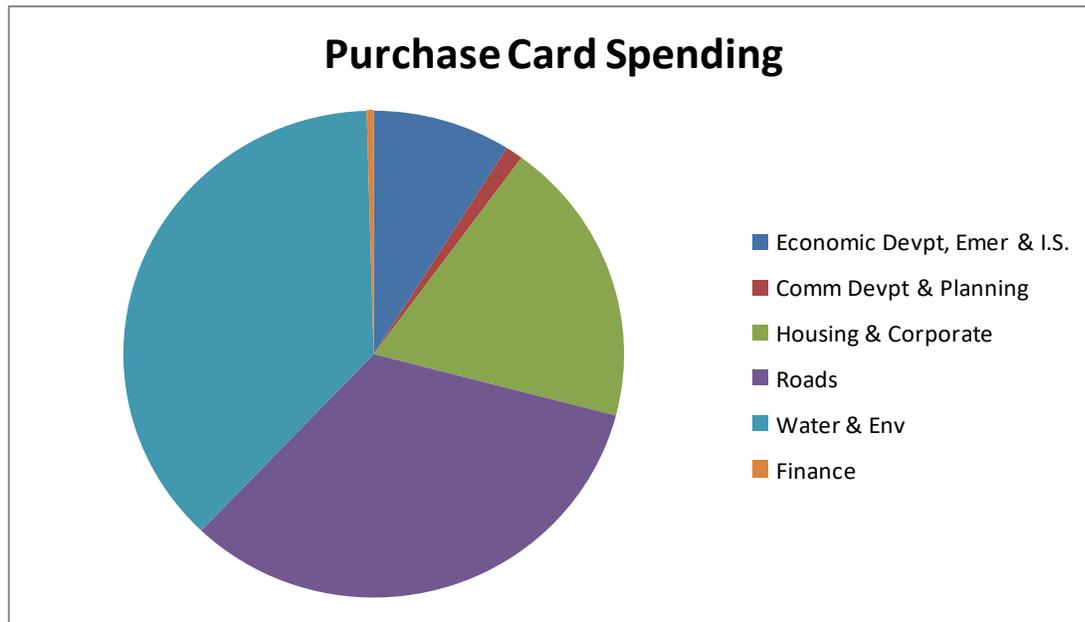
**Comment from Finance:** *"(These) variances are time based as the amount reflected on the Lighthouse system will always equal the amount of the monthly bank statement which is paid by Direct Debit on the 19<sup>th</sup> of each month. The entire system is regularly reconciled. There are no discrepancies".*

The figures charged by period on Agresso is €12,559.81 more than the monthly totals repaid to Bank of Ireland on the Decal system and €23,507.29 more than the total figure on Lighthouse. This appears to be a timing issue coinciding with end of year procedures; this may be further clarified by the Finance Directorate.

### 9.1.2 Analysis by Directorate

<b>Directorate</b>	<b>No. of card users</b>	<b>Overall spend (€)</b>	<b>Average spend per user</b>
Economic Development, Emergency Services & Information Systems	41	125,758.62	3,067.28
Community, Development & Planning Svcs.	7	13,084.43	1,869.20
Housing, Corporate & Cultural Svcs.	45	245,693.62	5,459.86
Roads & Transportation	34	436,341.38	12,833.57
Water & Environment	88	506,823.50	5,759.36
Finance	3	5,527.37	1,842.46

## Purchase Card Spending



The Roads and Water & Environment Directorates are by far the largest card users in terms of the amount spent on transactions. Together they equate to over 70% of the total Purchase Card spend for 2019.

Although the total spend for the Water & Environment Directorate is higher than Roads, the individual spend for users in Roads is much higher at €12,833.57, which is more than twice the spend per capita. Further analysis, by interrogating individual transactions, would indicate that the higher spend is due to individual purchases of more expensive goods and services.

### 9.1.3 Analysis of 2019 Purchase Card Spend

The following information obtained from the Agresso Financial System provides an analysis of the categories of goods and services purchased using Purchase Cards in 2019. The information is based on the Product Codes and Accounts Elements selected when transactions were recorded on the Agresso System.

Materials (A/c Element 70000), Energy (A/c Element 86000), Entertainment Expenses and Travelling & Subsistence Expenses (73440 & 73400) collectively make up over 65% of the total Purchase Card Expenditure for 2019. These Account Elements have been broken down into more detail below.

## Materials (Account Element 70000)

According to Agresso, spending on materials accounts for the highest use of Purchase Cards within DCC. A total of €717,912.62 was charged to this account element in 2019 which equates to 54% of the total figure for Purchase Cards on the system.

Further analysis shows that the top 25 products most commonly purchased under this heading are:

<b>Product Code</b>	<b>Name</b>	<b>Total</b>	<b>No. of Transactions</b>
EA003	ELECTRICAL MATERIALS	91,315.93	794
TB043	*Service of Life Jackets	45,660.47	626
FD065	PLUMBING FITTINGS	40,699.5	371
HA014	PLUMBING MATERIALS	33,221.01	420
HA003	CENTRAL HEATING FITTINGS	19,558.19	190
CF036	TWINWALL PIPES	18,296.04	107
FD064	WATER MAIN FITTINGS	17,901.66	182
FD061	WATER FITTINGS - OTHER	17,405.29	162
FD060	POLYTHENE DUCTING	16,369.67	82
HA002	CARPENTRY MATERIALS	13,663.44	75
FD032	PIPING - PVC	9,560.21	61
RD009	SIGNS - OTHER	9,360.70	52
MA007	BATTERIES	9,243.73	181
FB008	POSTS - TIMBER	8,152.43	74
PA002	PAINT - GLOSS/EMULSION ETC	8,116.90	129
CF003	CEMENT - BAG	7,681.42	165
TA007	TIMBER - ROUGH	7,562.07	91
FD027	METAL PRODUCTS	7,338.96	51
TB014	SAW	7,227.16	78
FD048	STEEL CASTINGS/FITTINGS	6,917.18	33
FD078	BOLTS/NUTS/WASHERS	6,807.11	183
FD023	MANHOLE COVER	6,752.54	50
CB009	GRAMOXONE WEEDKILLER	6,651.13	59
FD007	COUPLING	6,507.52	59
CF005	CONCRETE - 20N	6,145.40	38

As evidenced by the information obtained from Agresso, electrical materials constitute the biggest spend under this area by a large margin, it is also the product with the highest number of transactions.

The monetary amounts for some of the product codes compared to the number of transactions involved indicate that there may be coding errors for some products – e.g. the spend on Product Code CF003 – bags of cement, averages at €46.55 per transaction, while the actual cost of a 25kg bag of cement is around €5-€6.00.

**\*Note:** There is also large expenditure under product code "TB043" The description for this product at the time of this audit was "Service of Life Jackets". On first inspection this seems like a disproportionate amount given the limited use of the product within DCC. However, on further inspection, the description of this account element was changed in error from "TOOLS-OTHER". This was flagged with the Finance Directorate and the description was changed back to its original form.

It should be noted that outdoor based staff avail of a tool allowance as part of their salary reimbursement; this is intended for the purchase of tools as required by their work duties. Purchases of this nature are analysed further at a later point in this document.

It should also be noted that there is a considerable spend on products that are subject to procurement guidelines and available from Machinery Yard Stores such as cleaning and safety products. This practice is in contradiction to DCC procurement guidelines and will also be analysed further later in this report.

#### Energy (Account Element 86000)

The majority of the expenditure under this heading is on fuel for council fleet. It should be noted that Donegal County Council operates a fuel card scheme for staff operating council vehicles and machinery and any purchases of fuel for these vehicles contravenes procurement guidelines. This is discussed in more detail under the "Transaction Analysis" heading of this report.

There is also a procurement protocol in place for heating oil which is ordered through the Local Government EGov website. A figure of €2,509.62 was spent on purchases of this nature using PCards in 2019 which also constitutes a breach of procurement guidelines.

#### Entertainment & Associated Expenses (Account Element 74500)

A figure of €68,768.25 was spent under this account element in 2019. Over 55% of the total spend for the year was associated with the Stranorlar Regional Training Centre in relation to training courses. The expenditure under this account element is primarily for the provision of refreshments for the various courses provided by the Training Centre.

The majority of the rest of the expenditure under this Account Element was in the Economic Development and Community and Enterprise sections.

#### Travelling & Subsistence Expenses (Account Elements 73400 & 73440)

A total of €34,354.87 was spent on travel and accommodation for staff in 2019. The majority of this amount was spent on accommodation and miscellaneous charges on foreign trips. There was also a total of €419.30 reimbursed to staff for mileage as part of PCard expenditure. However, on further analysis these transactions related to miscellaneous travel expenses such as car parking and toll charges.

It should be noted that staff mileage and accommodation is normally paid through the staff travel and subsistence system on the DCC intranet and the PCard policy document states that travel and accommodation expenditure should not be made on PCards. This expenditure will be discussed in more detail under the "Transaction Analysis" heading of this report.

#### 9.1.4 Top 25 Cardholders by Expenditure Value in 2019

The following table shows the top 25 Purchase Cardholders by Euro expenditure value for 2019.

Card number	Section	No. Transactions	Amount
██████████	Roads	212	61,433.03
██████████	Corporate	286	50,493.48
██████████	Roads	260	43,377.80
██████████	Roads	378	41,508.90
██████████	Roads	367	33,433.39
██████████	Water & Environment	192	29,304.25
██████████	Economic Devpt, Emergency & I.S.	109	27,559.70
██████████	Roads	328	27,412.29
██████████	Roads	251	24,072.24
██████████	Water & Environment	227	23,020.02
██████████	Housing	213	21,574.73
██████████	Roads	282	21,476.34
██████████	Corporate	124	21,008.51
██████████	Roads	224	20,615.52
██████████	Water & Environment	92	19,953.22

	Economic Devpt, Emergency & I.S.	113	19,191.46
	Water & Environment	241	19,014.53
	Water & Environment	122	18,894.76
	Roads	176	18,482.74
	Water & Environment	102	17,031.72
	Housing	169	16,820.52
	Water & Environment	95	16,418.43
	Roads	165	16,341.68
	Water & Environment	95	15,599.60
	Water & Environment	109	15,461.39
	Roads	241	15,134.80
<b>Total</b>		<b>5,173</b>	<b>654,635.05</b>

The following points are relevant:

1. The top 25 Cardholders by expenditure (11% of total Cardholders) are responsible for 49% of the total spend in 2019.
2. Roads Service Supervisors are the officer grade with the highest Purchase Card Spend.

### 9.1.5 Purchase Card Transaction Profile

In order to establish a spending pattern for Purchase Cards, a comparison between 2019 expenditure and the previous four years was carried out.

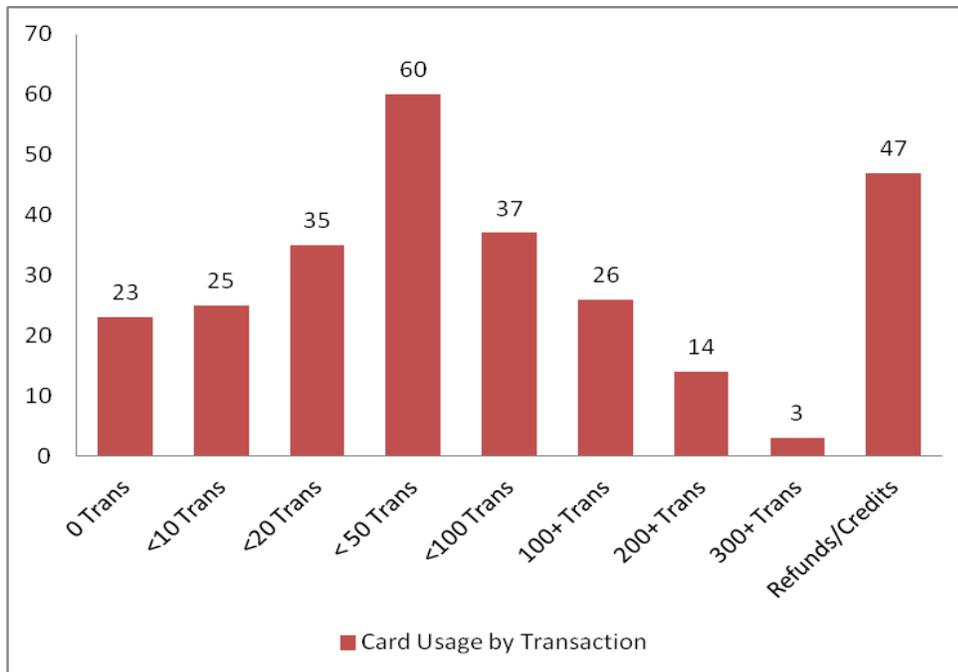
<b>Year</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Amount (€)</b>	648,193.05	733,238.10	872,529.97	1,238,835.94	1,333,229.62
<b>No. of Transactions</b>	4,993	5,647	9,038	11,429	10,408

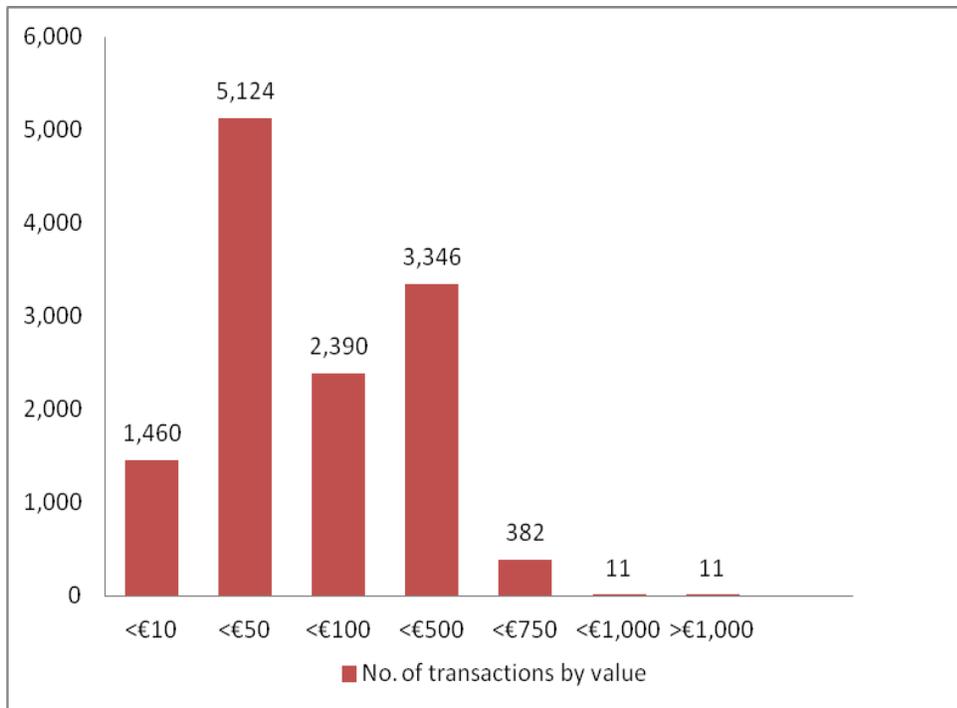
The following was the percentage increase in spend and transaction volume year on year for the same period:

Year	2016	2017	2018	2019
Amount	13.12%	18.99%	41%	7.61%
No. of Transactions	13.09%	60.04%	26.45%	-8.93%

As evidenced by this research, the biggest increase in actual spend took place in 2018 while the biggest increase in transaction volume was between 2016 and 2017. Finance confirmed that the majority of the increased spend was as a result of the response to the major flood emergency in Inishowen which occurred in August 2017.

In order to ascertain the volume of transactions, frequency of PCard use and spend per user, IA analysed the usage patterns for all cards in 2019. The table and graph below detail the information obtained:





\*These transactions do not include the Government charge of €30 per card and also include transactions from 2018 which were posted to Agresso in 2019.

### Commentary

The following points are relevant:

1. 23 cards (10%) had no usage in 2019 (excluding Government charges).
2. 25 cards (just under 12%) had less than 10 transactions in 2019.
3. The majority of usage is between 20 and 100 transactions (46%).
4. 40% of the total transactions processed in 2019 are for purchases less than €50.
5. 8 of the top 10 most frequent users (200 transactions +) are staff from the Roads Directorate.

### **9.1.6 Analysis of the Top 25 Suppliers 2019**

The following table provides an analysis of the top 25 Suppliers by monetary value paid by Purchase Card by Donegal County Council in 2019. The last column in the table indicates if Donegal County Council sought Tax Clearance details from the Supplier.

Donegal County Council is obliged to seek Tax Clearance details for any Supplier paid in excess of €10,000 in any 12-month rolling period. There is no automatic, systemised mechanism for flagging this requirement if payments by Purchase Card exceed the threshold, or if a combination of Card payments and purchase-to-pay payments exceed the threshold.

**Comment from Finance:** "Transactions are loaded into each supplier so that we do know if tax clearance is required".

The following table provides Purchase Card usage statistics in respect of each of the top 25 Suppliers paid by Purchase Card for 2019. The table also indicates if the Supplier also currently operates a charge-account with Donegal County Council.

<b>Name</b>	<b>Amount (€)</b>	<b>Agresso Supplier ID</b>	<b>Tax Clearance [Y/N]</b>
[REDACTED]	49,473.71	402822	Y
[REDACTED]	31,094.57	572706	Y
[REDACTED]	30,660.30	137297	Y
[REDACTED]	27,254.54	507252	Y
[REDACTED]	27,172.23	520045	Y
[REDACTED]	26,839.35	517683	Y
[REDACTED]	23,763.58	560520	Y
* [REDACTED]	22,119.22	183633	N
[REDACTED]	20,243.67	558277	Y
[REDACTED]	20,154.86	505558	Y
[REDACTED]	18,611.26	523150	Y
[REDACTED]	17,202.68	316148	Y
[REDACTED]	17,188.98	506061	Y
[REDACTED]	17,062.20	585366	Y
[REDACTED]	16,968.89	597833	Y
[REDACTED]	16,243.66	607502	Y
[REDACTED]	15,559.29	146193	Y
[REDACTED]	15,314.79	411147	Y
[REDACTED]	13,255.89	501356	Y
[REDACTED]	13,001.65	519239	Y
[REDACTED]	12,442.49	522597	Y
[REDACTED]	12,373.38	518625	Y
[REDACTED]	12,327.60	400925	Y
[REDACTED]	11,853.85	522325	Y
[REDACTED]	11,732.22	525157	Y

\*Supplier did have tax clearance details on file at some point during the year.

## Commentary

The following points are relevant:

1. A total of 1,188 suppliers were paid in 2019.
2. The top 25 suppliers account for almost 38% of total transactions for 2019.
3. There was 413 transactions involving the top suppliers by expenditure in 2019.
4. All of the top 25 suppliers by expenditure have an existing supplier account on the Agresso system.
5. Payments of €10,000 or more were made to 1 Supplier with no tax clearance details on file.

**Comment from Finance:** *"Tax clearance is at a point in time. This supplier may have been compliant most of the time".*

### **9.2 Transaction Analysis**

A sample of 50 individual transactions was obtained and further analysed on the Lighthouse system in order to obtain information on the following areas:

- The coding of transactions on Agresso (product and budget information)
- Analysis of product/service expenditure
- Analysis of invoices and sales orders from suppliers

From the 50 transactions that were checked, the following issues were evident:

- A total of twelve of the transactions examined included the purchase of goods that are available internally through general stores
- Five of the transactions examined did not have valid invoices attached or did not have information available on the sales confirmation/receipt
- Six transactions involved the purchase of electrical materials – this would tie-in with the information obtained from the Account Element check on Agresso
- Six transactions were for the purchase of fuel (diesel and heating oil)
- One transaction was part of a larger payment of €2,262 for the purchase of wastewater pumps. It is unclear if procurement guidelines were followed for this transaction
- Two separate transactions totalling €4,199.08 were for conference room hire in the UK and USA. Supporting documentation in relation to procurement was not attached to the invoices
- A payment of €2,727.84 was made for sponsorship of an event in the USA – a Chief Executive Order was attached to the transaction
- Seven transactions involved the purchase of various tools

**Comment from Finance:** *"In some instances if items are not readily available in the Stores Department, then the PCard may be used to purchase the items".*

### 9.3 Breaches of Procurement Policy

As stated previously, Donegal County Council is subject to procurement frameworks and contracts in respect of certain supplies. Framework contracts may be put in place either at national or local level. The Council's PCard Policy document also lists a number of goods and services which should not be procured using the cards.

Internal Audit found the following Purchase Card transactions that were in breach of these policies during 2019.

#### Telecommunications equipment, Cameras and ancillary equipment

A total of €1,721.75 was spent on the purchase of digital cameras; almost a third of this expenditure was in the Water and Environment Directorate. These issues were also highlighted in a previous audit carried on PCards in 2014.

#### I.C.T Consumables and I.T Equipment

Information & Communication Technology (I.C.T) Consumables are subject to a national framework contract. To ensure that purchases are appropriate and constitute best value for money, all I.C.T consumables and I.T equipment should be sourced through Donegal County Council's I.S. Section.

Internal Audit found 27 PCard transactions totalling €2,256.82 in this category. The transactions consisted of hardware and software purchases, inkjet printers, toner cartridges, storage media and other sundries.

**Comment from Finance:** *"This equipment is barred. If, however, it is purchased through a generic shop, this restriction can be bypassed".*

#### Stationery and Office Supplies

Stationery, Office Supplies and Office Furniture are subject to national framework contracts. Local authorities are eligible to avail of these contracts. To ensure that all purchases are appropriate and constitute best value for money, all stationery, paper and office supplies should be sourced through Donegal County Council's Reprographics Department.

Internal Audit found 148 PCard transactions totalling €11,468.32 in this category. The purchases consisted mainly of paper and other sundry stationery materials. However, there was also purchases office furniture and fittings totalling €4,125.03 as part of the overall spend in this area.

**Comment from Finance:** *"In some instances if the items are not readily available in the Reprographic Department, then the PCard may be used to purchase the items".*

### Cleaning and Janitorial Supplies

Donegal County Council adheres to a national framework contract for the supply of cleaning and janitorial supplies; this is overseen by the Office of Government Procurement (OGP). All products of this nature should be sourced through the Machinery Yard Stores in Lifford.

Internal Audit found 253 separate transactions totalling €18,736.97 that involved the purchase of cleaning products. The majority of these purchases used the Agresso product code "CD020-CLEANING MATERIALS-OTHER", which could be classed as a miscellaneous code.

### Personal Protective Equipment

The OGP also operates a framework contract for the supply of Personal Protective Equipment (PPE) which Donegal County Council is obliged to operate. All PPE should be also be sourced through the Machinery Yard Stores in Lifford.

There were 188 separate transactions totalling €22,140.63 for PPE in 2019. The largest spend on a particular product was €6,608.17 on PVC and disposable gloves.

It should be noted that all PPE sourced through Machinery Yard Stores is subject to relevant safety guideline, it is unclear whether the PPE sourced by other sections adheres to these guidelines.

**Comment from Finance:** *"In some instances if the items are not readily available in Stores, then the PCard may be used to purchase the items".*

### Mobile Phones and Equipment

Donegal County Council is currently engaged in a contract for mobile phone services with Vodafone Ireland Limited. All mobile telephony requirements should be sourced through Donegal County Council's Finance Section. Purchase Cards should not be used to purchase mobile telephony related products or services.

A total of €1,455.53 was spent by Purchase Card on mobile phone hardware and associated costs in 2019. The majority of this spend was under the Product Codes "CE010-MOBILE PHONE COSTS" and "CE015-TELEPHONE COSTS", although further analysis is not provided on some of the transactions involved it would appear that the majority of the expenditure under these categories is the purchase of telephone equipment.

There was also two separate transactions totalling €896.11 for the purchase of "Walkie talkies", it is unclear if telecommunications of this nature are covered under the mobile phone or I.T. frameworks in place.

**Comment from Finance:** *"Cardholders may procure (phone) covers from other non-mobile phone outlets such as a generic outlet e.g. Tesco.*

*In some instances the cardholders pay for the phone covers personally as they cannot purchase it using their PCard & they recoup the money via an Agresso PO – approved by their line manager. (Finance considers) it good practice for mobile phone users to purchase a phone cover for their handset. Please note that Finance also considered providing mobile phone covers for users for a period in recent times but this proved unsuccessful as the handsets models are up-dated so frequently, it was impossible to carry covers for all models”.*

## Fleet Fuel

The purchase of diesel fuel is subject to a national framework contract. Donegal County Council operates a Fuel Purchasing Card System provided by the Maxol Group, there are currently 35 separate garages countywide that accept these cards.

Fuel Purchasing Cards are issued to members of staff who are authorised to purchase diesel for Donegal County Council fleet vehicles, there are currently 245 Fuel Cards in use by DCC staff.

The framework contract allows Donegal County Council to purchase diesel fuel at a reduced price. Additional security controls are attached to the Fuel Purchasing Card System that are not attached to Purchase Card System (e.g. restricted fuel types and the requirement to specify a registration number & odometer reading).

The table below displays the value of Road Diesel, Green Diesel and other fuels that were purchased using Purchase Cards during 2019.

<b>Agresso Product Code</b>	<b>Agresso reference</b>	<b>Description</b>	<b>Total (€)</b>
FE001	NON-ROAD DIESEL (REDUCED VAT RATE)	Diesel for agricultural/construction machinery	46,771.76
FE002	ROAD DIESEL – STANDARD RATE	White Diesel (DERV)	11,357.81
FE003	GAS CYLINDER – FUEL ONLY	Gas	5,060.79
FE004	KEROSENE	Kerosene heating oil	324.53
FE005	LPG	Liquefied Petroleum Gas	697.15
FE006	PETROL	Petrol	13,514.44
FE009	HEATING OIL	Home heating oil	4,140.00

FE016	MARKED GAS OIL	Bunker oil/Heavy oil (MGO)	2,528.16
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Marked Gas Oil (MGO - Green Diesel) and Unmarked Diesel (D.E.R.V or Road Diesel) should be purchased at Service Stations using Fuel Purchasing Cards. Fuel Purchasing Cards cannot be used to purchase LPG (Petrol).

Internal Audit found 30 separate PCard transactions for the purchase of road diesel by 22 separate members of staff who also have fuel cards; it is unclear as to why this purchase method was used. It should also be noted that IA was made aware that a number of fleet drivers do not have access to a Maxol service station due to their home location; they have been given dispensation to use other fuel providers.

From further analysis of the different fuel product codes it is apparent that there is an issue with miscoding on Agresso amongst the different fuel elements, especially under product code: "FE016 – MARKED GAS OIL" which on cursory evidence seems to be used for the purchase of non-road (agricultural) diesel in some instances.

#### Advertising (Print Media Only)

Donegal County Council currently operates a contract with Spark Foundry (formerly Mediavest) which is a media communications agency based in Dublin, in respect of print-media advertising.

There was a total expenditure of €5,537.57 on different forms of advertising using PCards during 2019. A sum of €1,663.40 was spent on purchasing local newspapers by the County Secretariat under this heading.

The majority of the remaining expenditure was under the Library and Tourism sections of DCC.

**Comment from Finance:** *"The County Secretariat uses the PCard for convenience instead of the requisition route on Agresso for the purchase of newspapers".*

#### Travel & Accommodation

Donegal County Council operates a staff travel & subsistence expenses system provided by the Local Government Computer Services Board (LGCSB). The system is intranet-based. Members of staff normally claim travel & subsistence expenses on a monthly basis in arrears. Best practice requires that all staff travel & subsistence expenses should be processed using one dedicated system.

As per PCard policy document, no transactions should be carried out for Travel and Accommodation purposes. Internal Audit found 149 separate transactions totalling €34,354.87 for expenditure under this heading.

The majority of this expenditure (€25,912.64) was for international flights and foreign subsistence, it should be noted that expenses of this nature can be claimed through the LGCSB travel system on the intranet.

A cursory check on a sample number of travel and subsistence claims on the system for the period involved did not show evidence of any duplicate expenditure on the Lighthouse and Travel Systems; however a more in-depth audit may be required in this regard.

The fact that travel & subsistence expenses are being processed through these two separate systems may impact on the transparency of how these expenses are reimbursed to staff.

#### **9.4 Breaches of the Credit Limit**

As stated in above, a limit of €700 applies to individual Card transactions. There is also a monthly credit limit of €3,500 for most Purchase Cards.

Internal Audit found that the Purchase Card transaction limit of €700 was breached on 21 occasions during 2019; in transactions totalling €25,152.43.

The following table provides details on individual transactions that breached the transaction limit.

<b>Payment Value</b>	<b>No of Trans</b>	<b>Total Value €</b>
>€700	15	11,925.92
>€1,000	1	1,643.41
>€2,000	5	11,583.10
>€3,000	0	0

There was also evidence that cardholders are splitting purchases into several transactions in order to avoid breaching the transaction limit. It is possible to avoid exceeding the transaction limit by splitting purchases into separate transactions of €700 or less. Internal Audit identified at least 101 occasions involving 41 separate card holders where the sum of the payments made to a supplier on the same date by the same cardholder exceeded the €700 transaction limit.

A breakdown of these transactions is included in the table included in **Appendix 4**.

While there is a valid reason for using a PCard in this manner in some instances (e.g. ordering stock for different directorates), the practice is commonplace across the organisation and contravenes the PCard usage policy.

It should also be noted that many of these “split transactions” involve purchasing goods which are available through framework agreements such as cleaning supplies and fuel.

## 9.5 Cross-Border Purchases

The PCard policy document states that: “Cards should only be used for purchases within the State (including Internet Sites)”

Tax implications are the main reason for avoiding cross-border transactions using Purchase Cards. There is potential for VAT requirements to be overlooked when making cross-border purchases using PCards (VAT Act 1972).

Using the Lighthouse system, Internal Audit found that there were 276 transactions totalling €34,209.43 in 2019 involving UK based suppliers.

The biggest expenditure in this area was for refreshments (€4,190.34) while travel and accommodation costs (€3,646.52) and tools purchases (€2,266.37) also showed significant expenditure. It should be noted that there were also numerous sterling transactions for goods that were covered under a framework agreement including: I.T. software & hardware purchases, fuel and other products available through stores.

**Comment from Finance:** *“There are instances where certain goods can only be sourced outside of the state or indeed can be sourced outside the state at a much cheaper cost to the Council – in this instance from a value for money perspective the PCard is a suitable option.*

*In relation to the Tax/VAT implications for these out of state purchases the Lighthouse system can deal with these transactions correctly by enabling the Council to correctly self account the VAT where applicable.”*

## 9.6 Purchase of Tools

A number of “Outdoor based” employees are eligible to claim an annual ‘Tool Allowance’. The allowance is paid to members of staff who are required to purchase their own tools in connection with their normal duties of employment.

The annual allowance is €674.88 for each employee, the total Tool Allowance payable for 2019 was €14,706.76 for 22 employees. This Allowance is taxable and is paid through Payroll. A total of 18 employees receive this allowance and also have been assigned a Purchase Card.

Internal Audit carried out a spot check in relation to the number of Purchase Card transactions carried out by members of staff in receipt of a Tool Allowance. Twelve staff members in receipt of the tool allowance purchased tools using their PCards in 2019 using the product code “TB043 – TOOLS OTHER”. There were 116 separate transactions totalling €9,140.58.

The use of the TB043 and associated subanalysis did not provide sufficient detail on the types of products being purchased. A check of a sample number of invoices indicated that the product code was used for the purchase of a number of hardware products which would not necessarily be classed as tools.

**Note:** Internal Audit did not undertake an examination of tools purchased through the standard Purchase-to-Pay system in respect of the above members of staff. It is unclear therefore if further tool purchases by staff members in receipt of a Tool Allowance have been made using the standard Purchase-to-Pay mechanism.

## 9.7 Recording and Coding of Transactions on Payment Systems

Internal Audit analysed the Lighthouse and Agresso Systems to determine the number of transactions posted in 2019.

Month	No. of Postings Lighthouse	No. of Postings Agresso
January	897	515
February	960	722
March	1,134	854
April	1,325	1,159
May	1,318	959
June	857	822
July	1,107	803
August	904	871
September	1,170	857
October	1,281	902
November	1,275	1041
December	859	903
<b>Total</b>	13,087	10,408
<b>Average</b>	1,091	867

From this query it can be confirmed that the Lighthouse system provides a more "real time" analysis of transactions. The variance in the transaction volume for the year is mostly down to the length of time it takes for invoices to be put on the Agresso system for payment, i.e. the time between when the transaction physically takes place and when it is entered onto the system for payment.

It is essential that the Product Code selected at time of posting accurately describes the good(s) or service(s) purchased. On comparison with the previous audit carried out in this area in 2014, it is evident that there has been an improvement in the coding of transactions. This can be attributed to a number of factors including the implementation of the Lighthouse system which is a more automated means of recording transactions and the limited number of system "receipters" which ensures a consistent approach to coding transactions.

However, it should also be noted that Internal Audit found individual instances of miscoding and some isolated examples of poor coding practice which may lead to issues from a reporting and budgetary perspective.

### **9.8 Refunds and Credits on Account**

If a refund is made to a card, the transaction is recorded on the Lighthouse system as a "credit transaction", the letters "CR" appear beside the refunded amount.

The transaction is then coded by the card receptor in the normal manner, i.e. it is charged to the relevant job code like a standard transaction, therefore the job code is charged twice but a journal is carried out in the background to reverse the original transaction thus nullifying the charge against it.

## **10. Conclusions and Recommendations**

It is recommended that the findings in this report be considered and that appropriate remedial action be taken where necessary.

### **10.1 Policy and Procedures**

#### **Conclusion**

There is a lack of a consistent approach to Purchase Card distribution throughout Donegal County Council. There can be multiple cardholders within the same section, office or line-management structure. There are instances where staff, sections and offices make regular use of PCards whereas their counterparts/colleagues within the same function/directorate do not make use of these Cards.

#### **Recommendation**

It is recommended that the Policies and Procedures in relation to the allocation and approval of PCards are reviewed with a view to identifying staff grades which will use the cards in an appropriate manner.

### **10.2 Administration & Financial Management**

#### **Conclusion**

Although the role of transaction "receptors" across the directorates has improved the recording of PCard transactions, the overall oversight of the cards is the responsibility of [REDACTED]. The role of the Purchase Card Administrator is not sufficiently clear. It does not appear that the PCard Administrator, or any other individual for that matter, has any official role in terms of enforcing PCard discipline.

**Response from Finance:** *"Line managers [...] sign off on transactions. Policy sets out the rules. The policy sets no such function for the Administrator"*.

**Comment from Internal Audit:** *"The statement that the Administrator's role is not highlighted in the policy in place does not deflect from the fact that role requires definition. It is the opinion of Internal Audit that policy should be amended to clearly define the role"*.

### **Recommendation**

It is recommended that Line Managers across all Directorates have a greater role in the administration and oversight of PCards within Donegal County Council. Regular monitoring, usage reports and spot checks carried out by Line Managers would ensure that issues such as coding errors, card misuse and spending issues are addressed and kept to a minimum.

**Response from Finance:** *"Line managers sign off on all transactions after the receipts have coded them. This is similar to requisitions but with the advantage of more information as all backing docs are scanned and can be viewed"*.

## **10.3 Purchase Card Transaction Profile**

### **Conclusion**

Analysis of usage and purchasing trends suggests that PCards are being used appropriately in the main, with the majority and frequency of payments being what is expected of the system i.e. frequent, low-value purchases at a cheaper process cost than traditional methods.

However, there are a small number of cards where there was no usage for the period in question. There are also a large number of transactions in 2019 where PCards were not the most appropriate means of obtaining the goods/services involved e.g. "higher spend" items where appropriate backup documentation was not attached to the transaction.

### **Recommendation**

It is recommended that regular reports are run by either PCard administrative staff in Finance or across all Directorates to assess card usage and spending patterns. Line Managers can use this analysis to ascertain the need for PCards among certain staff grades and to identify and correct inappropriate card purchases.

## **10.4 Analysis of the Top 25 Suppliers**

### **Conclusion**

There is currently no means of highlighting transactions to any supplier which total more than €10,000 in a 12 month period, suppliers of this nature require tax clearance approval.

**Comment from Internal Audit:** *"After clarification from Finance (see comment under 9.1.6), it was found that Finance do keep records of transactions totalling more than €10,000 in a year".*

### **Recommendation**

A running total for all suppliers should be kept by card receipters. When a supplier is coming close to or exceeding the €10,000 limit Finance should be contacted to ensure that the supplier in question is tax compliant.

## **10.5 Transaction Analysis**

### **Conclusion**

Analysis of the sample transactions highlighted several issues such as a lack of financial documentation, proof of procurement guidelines not being followed and the purchasing of products which are available under framework agreements.

### **Recommendation**

It is recommended that "refresher" training is provided to all staff involved in the PCard process, i.e. card users, receipters and Line Managers. This would ensure that all relevant staff are familiar with the processes involved in the use of PCards and the various regulations involved in the procurement process, thus ensuring greater consistency in the process.

## **10.6 Breaches of Procurement Policy**

### **Conclusion**

IA found evidence of numerous breaches of DCC procurement policy across a number of Directorates. These transactions took place despite the goods/services in question being highlighted in the PCard Policy Document. These transactions involved a wide range of framework products such as I.T. and office equipment, PPE gear and cleaning products.

While IA accepts that the purchase of some of these products was necessary in some instances from an emergency or timeframe perspective, the sheer volume and total value involved suggests that either staff are unaware of the agreements in place or are choosing to ignore the policies involved in some instances.

## **Recommendations**

It is recommended that [REDACTED] liaises with Management in relation to making relevant staff aware of the current framework agreements in place across the organisation. A thorough review of all transactions contrary to these guidelines should also be carried out.

It is further recommended that regular checks of PCard transactions are carried out by Line Managers and framework breaches highlighted and corrected. Further breaches by staff should be dealt with in the appropriate manner by Senior Management.

### **10.6.1 Travel & Accommodation**

#### **Conclusion**

Donegal County Council reimburses staff for travel and out of pocket expenses through its travel system available to staff through the intranet facility on their PC. The PCard Policy document states that Travel & Accommodation expenses should not be reclaimed using PCards.

However, IA found a large number of transactions for travel and accommodation as well as paying for other expenses of this nature through the PCard process. Best practice would suggest that all staff travel & subsistence expenses should be processed using one dedicated system.

Similar to framework breaches, IA accepts that using PCards for travel and accommodation is necessary in some instances (e.g. paying for expenses in advance, time restrictions etc.), however the volume of transactions suggest that staff are paying for these charges in this manner on a regular basis. This creates a number of issues in relation to transparency and possible duplicate transactions.

#### **Recommendation**

It is recommended that the Finance and HR Directorates provide further clarification in relation to the policy for staff claiming Travel and Subsistence expenses. There seems to be some ambiguity as to the expenses staff can claim for and which system to use for these claims.

One possible solution is to permit the payment of some foreign travel expenses in advance of the business trip taking place (e.g. air travel and hotel costs). Claiming expenses of this nature through the PCard process without a valid reason should not be permitted under the PCard policy.

**Response from Finance:** *"PCards are used in certain instances where it is not possible to attain suitable flights/accommodation through Club Travel e.g. specific destinations or flight times may not always be suitable or indeed the flight/accommodation may be acquired at a cheaper rate than Club Travel can provide at that specific time.*

*Certain staff involved in specific Council projects may, have at times, to secure/book accommodation for multiple individuals at short notice, it is not always feasible for these staff to bear the cost of this on their own personal card & wait for a month to recoup the expenditure. In these instances, staff have signed a PCard Exception Form to grant them permission to use their PCard for such expenditure where the need arises".*

## **10.7 Breaches of the Credit Limit**

### **Conclusion**

Although there was a small number of individual transactions where the €700 limit was breached, IA found evidence of a larger number of transactions where staff made several transactions on the same date to the same supplier which totalled more than €700.

### **Recommendation**

Similar to the recommendation under the "Purchase Card Transaction Profile" heading, it is recommended that regular reports are carried out by Administrative staff and checked by Line Managers to ensure that transactions of this nature are highlighted and corrected where necessary.

## **10.8 Cross-Border Purchases**

### **Conclusion**

The PCard Policy document states that cards are only to be used for transactions in the Republic of Ireland; however it is evident from this audit that staff are using their cards for online purchases from foreign-based suppliers including the UK.

The use of cross-border and UK-based suppliers creates issues in relation to VAT payments (and under other liabilities) under the VAT Act (1972).

### **Recommendation**

It is recommended that the Finance Directorate provides information and clarification to staff in relation to VAT implications for foreign PCard transactions with particular emphasis on cross-border and UK transactions. The PCard policy manual should be updated to reflect these changes.

## **10.9 Purchase of Tools**

### **Conclusion**

Internal Audit found evidence that PCard holders who are also in receipt of an Annual Tool Allowance used their cards for product purchases using the product code "TB043" which is normally used for the purchase of various tools.

However, from interrogating the data it appears as if the product code is used as a miscellaneous code for the purchase of a wide range of hardware products in addition to tool purchases. It is unclear therefore, if it is common practice for staff in receipt of the Annual Tool Allowance to procure additional tools through the PCard process.

### **Recommendation**

It is recommended that the HR section provide clarity to relevant staff in relation to the Annual Tool Allowance and the legislation pertaining to same. Relevant administration staff should also be reminded that each transaction must be correctly coded to include relevant subanalysis.

## **10.10 Recording and Coding of Transactions on Payment Systems**

### **Conclusion**

As noted in this report there has been a marked improvement in both the turnaround times and coding of PCard transactions on the current financial systems in use since the last audit was conducted in 2014. The introduction of the Lighthouse system has ensured there is greater consistency in how transactions are recorded and has also ensured greater reporting functionality.

However, in the course of the audit it was necessary for a "data cleanse" to be carried out by IA staff in order to ascertain financial information in relation to PCard use. This would indicate that there are issues remaining in relation to consistency in how transactions are recorded and coded to the various budgets on the system.

### **Recommendation**

It is recommended that the Lighthouse User Manual is made available to DCC staff through the Intranet function on staff P.C's.

Training should also be provided to all new administrative staff who are being assigned to the "receiver" function on the system.

## **11. Acknowledgement**

I would like to acknowledge the assistance and co-operation of staff from the Finance Directorate and other administrative staff across the different Directorates in the course of this Audit.

*Sean Canning*

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**Sean Canning,  
A/INTERNAL AUDITOR.**

**Appendix 1 – Circulation List**

**21/09/2020**

**Final Report sent to:**

[Redacted]

**Copied to:**

[Redacted]

**31/08/2020**

**Draft Report sent to:**

[Redacted]

**Copied to:**

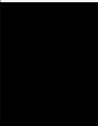
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## Appendix 2 – Audit Classification

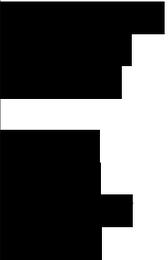
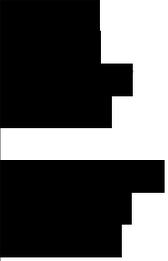
Level	Definition
1. Substantial	<p>Evaluation Opinion:</p> <ul style="list-style-type: none"> <li>- There is a robust system of risk management, control and governance</li> <li>- The systems in place should ensure that objectives are fully achieved</li> <li>- The control processes tested are being applied consistently</li> </ul>
2. Adequate	<p>Evaluation Opinion:</p> <ul style="list-style-type: none"> <li>- There is a generally adequate system of risk management, control and governance</li> <li>- The systems in place should ensure that essential objectives are fully achieved</li> <li>- The control processes tested are, in general, being applied consistently</li> <li>- However, there are some weaknesses in control that are placing some objectives at risk. There is a risk that some objectives may not be fully achieved</li> <li>- Some improvements are required to enhance the adequacy and/or effectiveness of risk management, control and governance</li> </ul>
3. Limited	<p>Evaluation Opinion:</p> <ul style="list-style-type: none"> <li>- There is a weak system of risk management, control and governance</li> <li>- There is considerable risk that objectives will not be achieved</li> <li>- The control processes that exist are not being applied consistently</li> <li>- There are some significant weaknesses in control in a number of areas</li> <li>- Prompt action is required to improve the adequacy and effectiveness of risk management, control and governance</li> </ul>
4. Unsatisfactory	<p>Evaluation Opinion:</p> <ul style="list-style-type: none"> <li>- There is an inadequate system of risk management, control and governance</li> <li>- The system has failed or there is a real and substantial risk that the system will fail to meet its objectives</li> <li>- Systems/processes are open to significant error or abuse</li> <li>- Urgent action is required to improve the adequacy and effectiveness of risk management, control and governance</li> </ul>
5. No Assurance	<p>Evaluation Opinion:</p> <ul style="list-style-type: none"> <li>- Internal Audit has been unable to form an opinion on the system of risk management, control and governance</li> <li>- Internal Audit has been unable to access or has been prevented from accessing essential information required to form an opinion</li> <li>- Internal Audit has not received the cooperation of staff/management</li> </ul>

**Appendix 3 – IA20/1 – Purchase Cards - Summary Recommendations**

	<b><i>Material Issues Identified</i></b>	<b><i>Actions Undertaken or to be undertaken</i></b>	<b><i>Timeline</i></b>	<b><i>Responsible Director &amp; Service</i></b>
1	<p><b><u>10.1 Policy and Procedures</u></b></p> <p>The Policies and Procedures in relation to the allocation and approval of PCards need to be reviewed with a view to identifying staff grades which will use the cards in an appropriate manner.</p>	<p>A list of Purchase Card holders per directorate has been circulated, together with a spreadsheet on the level of usage per individual card holder.</p> <p>Directorates have been requested to indicate instances where Purchase Cards may be withdrawn and where Purchase Cards should be provided – in order to gain efficiency benefits. The provision of a Purchase Card is not determined by an individual’s grade; rather, it is determined by an individual’s role/duties.</p>	In train, for completion in Q1 2021	
2	<p><b><u>10.2 Administration &amp; Financial Management</u></b></p> <p>Line Managers across all Directorates should have a greater role in the administration and oversight of PCards within Donegal County Council.</p>	Line managers sign off on all transactions after the receipters have coded them. This is similar to requisitions but with the advantage of more information as all backing docs are scanned and can be viewed.	Concluded	
3	<p><b><u>10.3 Purchase Card Transaction Profile</u></b></p> <p>Regular reports should be run by either PCard administrative staff in Finance or across all Directorates to assess card usage and spending patterns.</p>	It is acknowledged that more detailed and more frequent reports are required, with appropriate follow-up action being taken in order to improve the effectiveness of the Purchasing Card facility and to improve	Resource to be identified in early 2021	

		adherence to policy and procedures.		
4	<p><b><u>10.4 Analysis of the Top 25 Suppliers</u></b></p> <p>A running total for all suppliers should be kept by card receipters. When a supplier is coming close to or exceeding the €10,000 limit Finance should be contacted to ensure that the supplier in question is tax compliant.</p>	<p>This would not be feasible in isolation, given that individual suppliers may be paid by many different card-holders and through the Purchase-to-Pay cycle also.</p> <p>All Purchase Card transactions are recorded against individual supplier accounts on the Agresso FMS. Finance identifies when tax clearance is required and appropriate action can be taken.</p>	Concluded	
5	<p><b><u>10.5 Transaction Analysis</u></b></p> <p>Refresher training be provided to all staff involved in the PCard process, i.e. card users, receipters and Line Managers.</p>	<p>Finance Section will consider what additional guidance documentation and oversight regime is necessary in order to encourage good practice. [See also No. 3 (10.3) herein]</p>	Q1/Q2 2021	
6	<p><b><u>10.6 Breaches of Procurement Policy</u></b></p> <p>The Procurement Officer should liaise with Management in relation to making relevant staff aware of the current framework agreements in place across the organisation. A thorough review of all transactions contrary to these guidelines should also be carried out.</p> <p>It is further recommended that regular checks of PCard transactions are carried out by Line Managers and framework breaches highlighted and corrected.</p>	<p>The Procurement Officer is regularly and actively engaged in disseminating procurement information and advising staff on procurement procedure. Furthermore, it is intended to form a Procurement Steering Group at a cross-directorate level in early 2021.</p>	Q1/Q2 2021	

		The proposals at No. 3 (10.3) herein should also address these recommendations.		
7	<p><b><u>10.6.1 Travel &amp; Accommodation</u></b></p> <p>The Finance and HR Directorates should provide further clarification in relation to the policy for staff claiming Travel and Subsistence expenses.</p>	<p>On occasion, Purchase Cards are used in instances where it is not possible to attain suitable flights or accommodation through Club Travel (centralised procurement mechanism for foreign travel requirements).</p> <p>Along with additional guidance on Travel &amp; Subsistence Expenses, the proposals at No. 3 (10.3) herein should also address this recommendation.</p> <p>PCards are used in certain instances where it is not possible to attain suitable flights /accommodation through Club Travel.</p>	Q1/Q2 2021	 
8	<p><b><u>10.7 Breaches of the Credit Limit</u></b></p> <p>Regular reports should be carried out by Administrative staff and checked by Line Managers to ensure that transactions of this nature are highlighted and corrected where necessary.</p>	The proposals at No. 3 (10.3) herein should also address this recommendation.	Q1/Q2 2021	
9	<p><b><u>10.8 Cross-Border Purchases</u></b></p> <p>The Finance Directorate should provide information and clarification to staff in relation to VAT implications for foreign PCard transactions with particular emphasis on cross-border and UK transactions. The PCard policy manual should be updated to reflect these changes.</p>	Currently, it is not permitted to use Purchasing Cards to procure goods or services outside the State. However, it is acknowledged that exceptions to this rule have been permitted where no other reasonable option exists.	Q2 2021	

		It is planned to permit some online and cross-border purchasing functionality in limited circumstances in the near future – subject to the outcome on Brexit and assurances that the system can be operated in a tax-compliant manner.		
10	<p><b><u>10.9 Purchase of Tools</u></b></p> <p>The HR section should provide clarity to relevant staff in relation to the Annual Tool Allowance and the legislation pertaining to same. Relevant administration staff should also be reminded that each transaction must be correctly coded to include relevant subanalysis.</p>	<p>The terms and conditions of the Tool Allowance will be examined and appropriate action taken.</p> <p>Finance Sections will continue to provide regular advice and assistance in terms of recording transactions on the Agresso FMS.</p>	Q1 2021	
11	<p><b><u>10.10 Recording and Coding of Transactions on Payment Systems</u></b></p> <p>The Lighthouse User Manual be made available to DCC staff through the Intranet function on staff P.C's.</p> <p>Training should also be provided to all new administrative staff who are being assigned to the "receiver" function on the system.</p>	<p>Finance will develop an Intranet resource to provide widespread access to guidance, policy and procedures documents relating to Purchasing Cards.</p> <p>Agresso training on Purchasing Cards will be provided as part of a wider Agresso FMS training exercise planned to be delivered during 2021.</p>	Throughout 2021	

#### Appendix 4 - Multiple transactions over €700 threshold

Date	No. of Trans	Total Amount (€)	Supplier	Card No.
16/01/2019	3	1,050	[REDACTED]	[REDACTED]
23/01/2019	2	827.25	[REDACTED]	[REDACTED]
23/01/2019	12	1,235.94	[REDACTED]	[REDACTED]
23/01/2019	2	783.13	[REDACTED]	[REDACTED]
24/01/2019	3	1,107.00	[REDACTED]	[REDACTED]
25/01/2019	9	763.50	[REDACTED]	[REDACTED]
11/02/2019	11	2,173.34	[REDACTED]	[REDACTED]
11/02/2019	2	1,010.20	[REDACTED]	[REDACTED]
22/02/2019	3	973.51	[REDACTED]	[REDACTED]
04/03/2019	2	1,380	[REDACTED]	[REDACTED]
07/03/2019	4	1,428.89	[REDACTED]	[REDACTED]
08/03/2019	2	853.40	[REDACTED]	[REDACTED]
13/03/2019	2	943.78	[REDACTED]	[REDACTED]
13/03/2019	3	1,185.97	[REDACTED]	[REDACTED]

14/03/2019	4	1,392.41	[REDACTED]	[REDACTED]
15/03/2019	2	967.90	[REDACTED]	[REDACTED]
15/03/2019	5	921.72	[REDACTED]	[REDACTED]
22/03/2019	2	1,377.60	[REDACTED]	[REDACTED]
22/03/2019	4	761.81	[REDACTED]	[REDACTED]
22/03/2019	2	917.97	[REDACTED]	[REDACTED]
22/03/2019	2	1,000	[REDACTED]	[REDACTED]
26/03/2019	4	1,107.41	[REDACTED]	[REDACTED]
26/03/2019	24	989.13	[REDACTED]	[REDACTED]
29/03/2019	4	603.50	[REDACTED]	[REDACTED]
01/04/2019	4	1,180	[REDACTED]	[REDACTED]
05/04/2019	2	913.28	[REDACTED]	[REDACTED]
11/04/2019	2	800	[REDACTED]	[REDACTED]
17/04/2019	2	930	[REDACTED]	[REDACTED]
17/04/2019	4	1,734.30	[REDACTED]	[REDACTED]
17/04/2019	2	964.06	[REDACTED]	[REDACTED]

19/04/2019	2	812		
30/04/2019	2	1,201.89		
30/04/2019	4	1,660.50		
01/05/2019	2	1,039.35		
03/05/2019	2	834.84		
13/05/2019	3	2,100		
29/05/2019	2	1,120		
14/06/2019	2	1,000		
19/06/2019	7	2,600.22		
19/06/2019	2	713.40		
26/06/2019	2	1,096.30		
05/07/2019	2	1,080.00		
11/07/2019	3	1,303.80		
17/07/2019	6	3,074.50		
22/07/2019	6	1,958.16		

24/07/2019	2	775.60	[REDACTED]	[REDACTED]
25/07/2019	2	737.75	[REDACTED]	[REDACTED]
26/07/2019	3	761.25	[REDACTED]	[REDACTED]
29/07/2019	2	939.46	[REDACTED]	[REDACTED]
29/07/2019	2	1,000	[REDACTED]	[REDACTED]
31/07/2019	3	1,542.93	[REDACTED]	[REDACTED]
01/08/2019	2	961.86	[REDACTED]	[REDACTED]
01/08/2019	2	782.12	[REDACTED]	[REDACTED]
02/08/2019	2	878.22	[REDACTED]	[REDACTED]
07/08/2019	2	745.00	[REDACTED]	[REDACTED]
09/08/2019	2	811.50	[REDACTED]	[REDACTED]
13/08/2019	2	889.00	[REDACTED]	[REDACTED]
13/08/2019	2	748.15	[REDACTED]	[REDACTED]
15/08/2019	2	1,132.34	[REDACTED]	[REDACTED]
22/08/2019	2	1,365.00	[REDACTED]	[REDACTED]
27/08/2019	2	991.94	[REDACTED]	[REDACTED]

30/08/2019	2	779.70	[REDACTED]	[REDACTED]
03/09/2019	3	1,528.40	[REDACTED]	[REDACTED]
06/09/2019	2	883.48	[REDACTED]	[REDACTED]
09/09/2019	2	731.57	[REDACTED]	[REDACTED]
20/09/2019	3	1,597.77	[REDACTED]	[REDACTED]
25/09/2019	3	954.96	[REDACTED]	[REDACTED]
25/09/2019	3	889.90	[REDACTED]	[REDACTED]
27/09/2019	7	2,305.92	[REDACTED]	[REDACTED]
27/09/2019	2	1,120.53	[REDACTED]	[REDACTED]
03/10/2019	9	3,000	[REDACTED]	[REDACTED]
07/10/2019	2	885.00	[REDACTED]	[REDACTED]
14/10/2019	2	1,000	[REDACTED]	[REDACTED]
15/10/2019	2	826.56	[REDACTED]	[REDACTED]
15/10/2019	2	754	[REDACTED]	[REDACTED]
16/10/2019	3	1,236.20	[REDACTED]	[REDACTED]

18/10/2019	2	836.40	[REDACTED]	[REDACTED]
18/10/2019	2	969.60	[REDACTED]	[REDACTED]
23/10/2019	2	800	[REDACTED]	[REDACTED]
25/10/2019	3	1,178.20	[REDACTED]	[REDACTED]
29/10/2019	2	615	[REDACTED]	[REDACTED]
29/10/2019	2	748.20	[REDACTED]	[REDACTED]
31/10/2019	3	981.43	[REDACTED]	[REDACTED]
06/11/2019	11	4,723.20	[REDACTED]	[REDACTED]
13/11/2019	3	2,010.40	[REDACTED]	[REDACTED]
14/11/2019	8	1,025	[REDACTED]	[REDACTED]
14/11/2019	3	1,637.99	[REDACTED]	[REDACTED]
15/11/2019	2	1,150.91	[REDACTED]	[REDACTED]
15/11/2019	2	716	[REDACTED]	[REDACTED]
20/11/2019	2	897.90	[REDACTED]	[REDACTED]
21/11/2019	3	1,748.08	[REDACTED]	[REDACTED]
22/11/2019	2	968.72	[REDACTED]	[REDACTED]

22/11/2019	2	800	[REDACTED]	[REDACTED]
27/11/2019	2	866.88	[REDACTED]	[REDACTED]
02/12/2019	2	807.86	[REDACTED]	[REDACTED]
03/12/2019	3	1,050	[REDACTED]	[REDACTED]
05/12/2019	2	961.86	[REDACTED]	[REDACTED]
13/12/2019	3	1,779.32	[REDACTED]	[REDACTED]
16/12/2019	2	703.70	[REDACTED]	[REDACTED]
19/12/2019	2	1,400	[REDACTED]	[REDACTED]
19/12/2019	2	814.16	[REDACTED]	[REDACTED]