

Kilkenny County Council

Internal Audit Report [REDACTED] **Review of Amendments to Supplier Details**

Date: 11th September 2018

Report Distribution

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Audit Committee Members

Local Government Auditor

Objectives

The objective of the audit is to provide reasonable assurance that key controls are in place in relation to amendments to supplier details. There is a risk that fraud may occur if supplier bank details are fraudulently amended.

Approach

Internal Audit spoke with staff processing supplier amendments. Supplier amendments carried out in Q1 2018 were examined.

Scope & Limitations of scope

Internal Audit examined supplier amendments between the period 1st Jan to 31st March 2018 (totalling 80 claims);

Audit Risk

- Potential fraudulent amendments.
- Errors in amendments resulting in an incorrect supplier being paid.
- No authorisation for amendments.

Co-operation of Management and staff

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

Findings & Recommendations

<i>Finding</i>	<i>Implication</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
<ul style="list-style-type: none"> • Kilkenny County have no formal policy in place for Supplier Amendments. • There is no formal process to check that supplier amendments have been carried out correctly. • The automated alert system (Intel Agent) that notifies management by email when suppliers details have been amended has not been operational since 2016. <p>Internal Audit examined supplier amendments between the period 1st Jan to 31st March 2018 (totalling 80 claims). Overall, there are good checks and controls in place. The following were noted:</p> <ul style="list-style-type: none"> • In 5 cases supplier bank account details were amended by email - supplier 1000380,7116,1002603,7088 & 4498. • 2 cases of remittance details amended by email - supplier 7434 & 8927. • 1 case of a company's address, contact details (remittance) and banks account no. changing on foot of a received official company email - supplier 8927. 	<ul style="list-style-type: none"> • Amendments are not carried out correctly or consistently. • Staff are not aware of the procedure in relation to supplier amendments. • Possible errors not being discovered. • Potential for fraudulent changes to bank details. 	<ul style="list-style-type: none"> • Policy for supplier amendments should be prepared and circulated to staff. This should include documentation required from supplier to amend details. • The system for automated email alerts being sent to management when a supplier amendment is carried out should be restored immediately. • A report of all changes to supplier details should be run before each payment run. This report should be reviewed by a supervisor along with supporting documentation. 	<ul style="list-style-type: none"> • A procedures manual for supplier set up and amendments is in place. It is currently being reviewed and will be revised/updated and made available to all staff by end of February 2019. • Intel Agent is now working and alerts are now being issued. • Supplier amendments are verified by one staff member and checked by another in the Finance Department. With Intel Agent now up and running, an additional “spot checking” exercise on supplier amendments will be carried out on a weekly basis by a Supervisor in the Finance Department.

<i>Finding</i>	<i>Implication</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
		<ul style="list-style-type: none"> • Staff should receive training in relation to potential mandate fraud. All changes to bank details should be treated with suspicion and authorised by a supervisor. • Changes in bank details should be on company headed paper signed by an appropriate person. Alternatively, suppliers should submit the top part of their bank statement which would show the account details. • All supplier amendments should be verified by calling back the supplier using existing records on our system (not on supplier amendment letter/email). Name and position of person who verified changes should be recorded. • A periodic review of suppliers should be undertaken and remove old/dormant accounts. This reduces the likelihood of any old supplier information being used. 	<ul style="list-style-type: none"> • In addition to revising the procedures manual to cover this area, the Head of Finance intends to issue a circular to all staff on this topic in February 2019 • The Supplier Amendment form is being revised and will be a “stand alone” document going forward. It will also require further authentication from Companies, including copy bank statements. • The call back is part of our procedures and the verifications recommended will be implemented. • To be implemented

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