EXECUTIVE SUMMARY

The Office of the Inspector General (OIG) conducted an audit of the management of Accounts Payable (AP) in FAO between December 2020 and July 2021. The audit covered governance aspects of the AP function and the operational management of AP by the Shared Services Centre (CSLC) in Budapest from January 2019 to December 2020. The management of AP processes by Decentralized Offices (DOs) is regularly reviewed as part of DO audits. Therefore, the DOs were not in the scope of this audit but OIG has incorporated its findings from DO audits in this report as warranted.

Specifically, the objective of the audit was to assess the adequacy and effectiveness of the governance, risk management and control processes to ensure that:

- FAO pays the correct, legitimate vendor;
- the payment is processed for the goods or services received;
- the correct amount is disbursed;
- the payment is processed on time;
- the risk of fraud is reduced; and
- the expenditure is correctly accounted for in the corporate system.

The main policy that governs FAO’s financial administration is Manual Section 202 ‘Financial Regulations and Financial Rules’. The policy contains provisions on invoices, payments and payee management.

Main observations and conclusions

OIG is of the opinion that the governance arrangements, procedures established and controls applied for the management of AP in FAO need some improvement to improve the effectiveness and efficiency of the function and reduce the risk of fraud.

At the governance level, the audit concluded that centralizing the AP function in CSLC would bring significant benefits in terms of procedural efficiency and effectiveness and in reducing fraud risks. An eventual centralization would need to be a joint project by CSLC and the Finance Division (CSF), and undertaken in a phased approach. The audit also identified opportunities for improving the segregation of duties and management of risks in the AP function.

At the operational level, the audit concluded that the established procedures and controls were adequately applied by CSLC. However, OIG did identify some discrepancies in the existing policies as regards the definition of criteria for the use of unmatched invoices as well as opportunities for streamlining the processing and monitoring of invoices.

Agreed actions

The report contains nine actions that management has agreed to undertake. Management has committed to fully implement all actions by 31 December 2022. The priority action is that CSLC and CSF jointly develop a proposal to centralize the AP function.

Mika Tapio
Inspector General

15 October 2021