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Project Financial Management: Annual Progress Report Including Review of the Conceptual Framework on Financial Reporting and Auditing of IFAD-Financed Projects

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Abbreviations and acronyms

DEM+	enhanced Development Effectiveness Matrix
FM	financial management
FY	financial year
ICP	IFAD Client Portal
MDB	multilateral development bank
NSO	non-sovereign operation
SAI	supreme audit institutions

I. Introduction and summary

1. IFAD reports annually to the Audit Committee on: (i) the application of project financial management (FM) assurance policies and practices, including developments and the results of the most recent project audit cycle; and (ii) the ongoing applicability of the Conceptual Framework on Financial Reporting and Auditing of IFAD-Financed Projects. The fourth consecutive annual review confirmed the ongoing adequacy and applicability of the principles included in the framework.
2. The review identified the need to update the definition of the term “borrower” in order to capture its applicability to private sector and subnational entities, as follows:
“Borrower: A Member State, a subnational entity or a private sector entity that receives a loan, with appropriate safeguards.”
3. IFAD has instituted various initiatives to fundamentally reform the project FM function, thereby reinforcing IFAD’s added-value approach on development impact. Through these initiatives, the Fund is focusing attention on using country systems rather than individual transactional approaches, while enhancing financial discipline. The extensive reforms currently in progress include: revising FM policies and procedures; innovating IT systems and adopting change-management practices to facilitate adaptation in internal and external mindsets, and enhance staff skills.
4. Exceptional measures in response to COVID-19 have continued to afford borrowers and recipients flexibility, while maintaining remote arrangements to ensure that missions can continue despite security constraints while ensuring minimum fiduciary standards. These measures have benefited from broad consultation and harmonization with other development finance institutions’ initiatives as joint responses to the conditions imposed by the pandemic. That said, IFAD’s limited ability to conduct in-person missions now may result in the increased identification of ineligible expenditures in future missions.
5. Many projects have been granted COVID-19-related extensions for the submission of project audit reports, which creates difficulties for direct year-to-year comparison analysis. Nevertheless, the timeliness and quality of audit and accounting standards is generally considered adequate as a result of IFAD’s capacity-building efforts. In fact, 96 per cent of project audit reports due in financial year (FY) 2020 were received, leaving only ten outstanding and overdue at the time of reporting. With regard to the quality of financial reporting, 48 per cent of all financial reports were assessed as satisfactory or highly satisfactory – a decrease from 53 per cent in FY 2019. Nonetheless, 48 per cent was the average in the years before the COVID-19 outbreak.
6. The proportion of qualified audit reports increased to 11 per cent compared to 5 per cent in FY 2019; however, the size of the dataset in FY 2019 was exceptionally small due to COVID-19-related extensions. While this proportion is comparable to previous years,¹ IFAD is following up with mandatory action plans whenever required.

II. Financial management practices and oversight

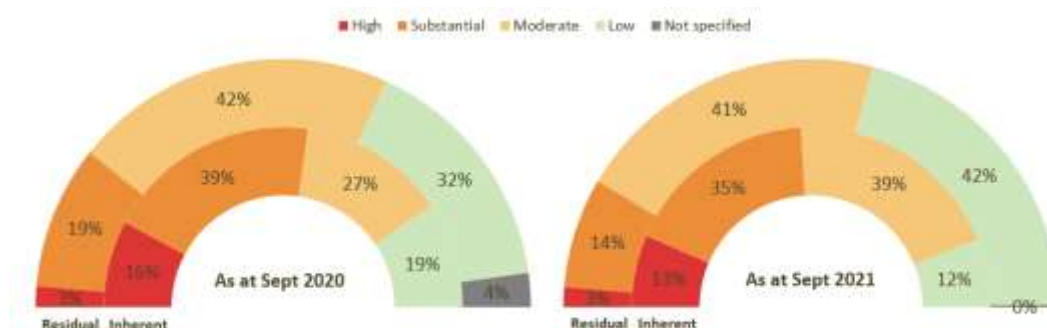
7. Effective FM arrangements are vital to the achievement of IFAD’s development and strategic objectives. Their purpose is to ensure that adequate funds are available to projects at the right time, and that process risks are identified and mitigated through appropriate controls and mitigation actions, such that funds provided are used for the intended purpose with due attention to considerations of economy, efficiency and social equity.

¹ FY 2016 – 6 per cent; FY 2017 – 10 per cent; FY 2018 – 15 per cent, FY 2019 – 5 per cent.

8. The project FM risk-based assurance framework, which falls within IFAD’s programme delivery risk domain,² underpins the risk assessment and activities of the Financial Management Services Division (FMD). With the adoption of four-point risk scale and identification of inherent³ and residual⁴ FM risk, comparison with last year shows an improvement: the proportion of projects above IFAD’s residual risk appetite (moderate) reduced from 22 per cent to 17 per cent.

Figure 1

FM risk profiles of investment projects (as of 30 September 2020 and 2021)



9. **FMD structural reform.** With recommendations from internal and external reviews,⁵ FMD is carrying out structural reforms to fundamentally improve the project FM function and to bolster IFAD’s promotion of good governance (see annex I). This will result in important changes in project FM:
- (i) Project FM practices will be transformed, focusing on enhanced project fiduciary discipline, relying more on country systems and internal controls, and avoiding parallel mechanisms and individual transaction approaches.
 - (ii) Projects’ financial discipline will be enhanced with regular financial performance reporting and monitoring, underpinned by the re-integration of finance officers into disbursement processes.
 - (iii) Mutual reliance within corporate risk assurance frameworks will be strengthened, especially with regard to project procurement. IFAD will foster a mindset shift to be less risk adverse, emphasizing implementation support and harmonizing with the practices of other international financial institutions (IFIs).
10. This will be achieved through:
- (i) Change-management practices aimed at cementing adaptation in internal and external mindsets, adding value to project implementation rather than focusing on more rigid compliance;
 - (ii) Integrating IT tools and automation, building integrated fiduciary corporate systems (e.g. procurement, FM and anticorruption);
 - (iii) Revamping FM policies and procedures to reflect a principles-based approach rather than prescriptive rules, and appropriate delegation of authority for all stakeholders; and

² Risks to the ability to achieve the expected results in IFAD-supported projects, programmes or strategies, and the risk of unintended consequences.

³ Inherent risk is the risk of the control area under assessment, before and/or without any mitigation measures or controls applied by IFAD and governments to actively reduce residual risk. It is the inherent risk rating that drives IFAD’s disbursement controls at the time of withdrawal application processing.

⁴ Residual risk is the amount of risk that remains after all efforts have been made to identify and eliminate risk, i.e. through mitigating controls, to be implemented by governments and IFAD to actively reduce inherent risk.

⁵ IFAD Office of Audit and Oversight, *Disbursement Process Review* (IFAD, 2019); Alvarez & Marsal, *Business Process Re-engineering Report* (2019); P. Birmingham, *IFAD FMD Re-organization Options* (2020); and P. Birmingham, *IFAD Disbursement Controls* (2021).

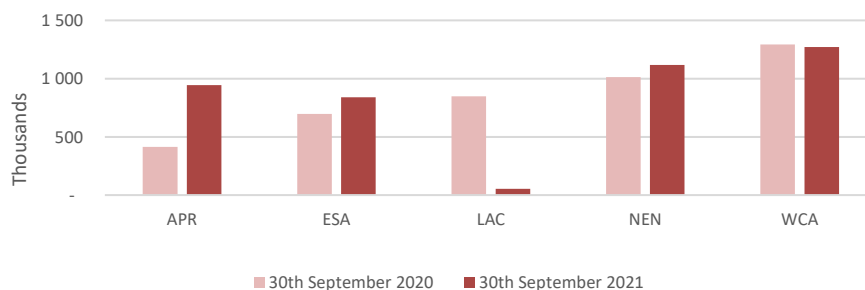
(iv) Upgrading technical and soft skills of staff in order to meet future needs.

IFAD will update the Audit Committee on the progress of the reforms.

11. **Ineligible expenditure.** FMD tracks and monitors potential and/or confirmed ineligible expenditure.⁶ Supervision missions and annual external project audits are the two most effective mechanisms for identifying ineligible expenditure and are therefore key tools within the risk-based assurance framework. One structural reform will be to update the definition of eligible expenditures considering the: productivity of expenditures; impact on development effectiveness; and country capacity to comply with IFAD fiduciary standards. This is expected to have positive effects on implementation.
12. The total amount of unconfirmed and confirmed ineligible expenditure is highly volatile throughout the year as amounts recorded are continuously reviewed, adjusted, confirmed and resolved. At the time of reporting, the total amount outstanding was US\$4.2 million, which is similar to the amount reported in 2020 (US\$4.3 million). The number of projects impacted increased, although the number of countries was unchanged.⁷ There was a large drop in the Latin America and the Caribbean region due to the resolution of some large-volume cases, while an increase in the Asia and the Pacific region stemmed from a single project that experienced a cross-financing issue with the government.

Figure 2

Unconfirmed and confirmed ineligible expenditures by region*
(Thousands of United States dollars)



* The following abbreviations are used for regions: Asia and the Pacific (APR); East and Southern Africa (ESA); Latin America and the Caribbean (LAC); Near East, North Africa and Europe (NEN); West and Central Africa (WCA).

13. **Remedies.** Ineligible expenditure and late submission of audit reports are common reasons for remedial action by IFAD. Where non-compliance is identified, early engagement is sought with projects, and where possible, soft remedies that avoid a more detrimental impact on project implementation are considered.⁸ In the case of confirmed ineligible expenditures, IFAD seeks appropriate justification or refunds.
14. Over the last 18 months, as a direct result of the COVID-19 outbreak, FMD has put in place a slowdown of the formal escalation of non-compliance cases by affording more time for resolution than would normally be tolerated. At the time of writing, the only country subject to suspension measures stemming from FM issues is the Bolivarian Republic of Venezuela, due to the failure to submit project audit reports for 2017 and 2018.
15. Exceptional measures in response to COVID-19, approved by the President of IFAD in April 2020, have afforded borrowers flexibility while ensuring adherence to

⁶ Ineligible expenditures are those that are not in line with IFAD's eligibility criteria as defined in the General Conditions for Agricultural Development Financing, section 4.07.

⁷ In 2021, the total number of projects impacted is 59 projects across 33 countries, which is consistent with the 2020 total of 46 projects across 32 countries.

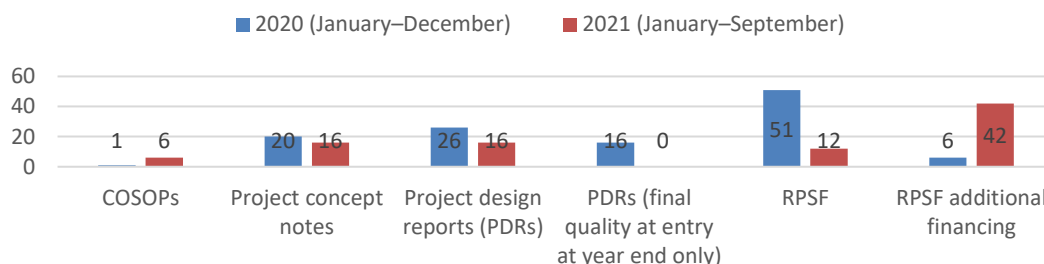
⁸ Soft remedies may include: withdrawing the borrower's right to use an advance account; requesting substitute expenditure that meets IFAD's eligibility criteria; and reducing statement of expenditure threshold allowances.

minimum fiduciary standards. An overview and the status of approved exceptions are provided in annex II.

16. **Design and supervision.** Remote FM design and supervision guidelines were issued in April 2020 to support remote procedures, which became pivotal to ensure operational delivery in the wake of the pandemic. Since issuance of the guidelines, FMD has participated in over 180 remote missions in more than 77 countries. FMD has also participated in remote design missions. In some cases, follow-up missions are envisaged to supplement the assurance received.
17. **FM capacity-building.** Capacity-building is normally conducted at the project and country levels and also at the subregional and regional levels. It has long been one of FMD's primary value added functions. In 2021, at the time of reporting, FMD had held ten virtual regional workshops and over 50 training sessions for project financial staff, FM consultants and external auditors. The cumulative number of participants is approximately 1,000. While the virtual settings allowed trainings to be organized more frequently and to be accessible to more participants from each project, finance officers made use of innovative presentation techniques to deliver content in an engaging manner.
18. The Chartered Institute of Public Finance and Accountancy is leading the development of a professional certification programme, predominantly for project finance staff working with projects rated as having high or substantial inherent FM risk. The programme supports improvement of the overall FM risk profile of IFAD's project portfolio through capacity-building. This initiative is funded by an IFAD grant entitled "Achieving Project Excellence in Financial Management" (APEX). Activities started in February 2021 with an overall target of providing training to all active projects by the end of the grant implementation period (2023). Six cohorts were launched in the four official IFAD languages, with more than 150 project finance managers attending remotely. Priority was given to representatives of projects with high or substantial FM risk. As of September 2021, two cohorts successfully completed the training. IFAD has started to monitor the results against baseline data and will provide additional information in future reports to the Audit Committee.
19. **Divisional structure.** To better support regional offices, two anchor units at headquarters were launched in 2021 – one (the Financial Operations Unit) to support global operational teams and the other (the Financial Management, Policies and Procedures and Quality Assurance team) dedicated to policies and procedures, and quality assurance:
 - (i) The Financial Operations Unit oversees the global portfolio with an operational focus, monitoring workforce planning and operational key performance indicators (KPIs), including portfolio reviews. The biannual regional portfolio review has been extended to include the Programme Management Department, the Office of Enterprise Risk Management, the Financial Controller's Division and the Office of Audit and Oversight, providing a richer array of perspectives. Based on the rich feedback received in the first round, the second round of reviews planned for November will provide a platform for examining follow-up actions and performance. Enhancements have been made to monitor KPIs and major statistics with FM and budget dashboards. In addition, regular support on non-sovereign operations (NSOs) has been provided, delivering FM due diligence reviews for four NSOs introduced into the pipeline by the Operational Strategy and Policy Guidance Committee.
 - (ii) The Financial Management, Policies and Procedures, and Quality Assurance team is the custodian of project FM policies, procedures and knowledge management. It forms an integral part of IFAD's corporate quality assurance processes for quality at entry of projects. The enhanced Development Effectiveness Matrix (DEM+) assessment was extended during 2020 to cover

country strategy opportunities programmes, the Rural Poor Stimulus Facility, original proposals and additional financing.

Figure 3
FM DEM+ reviews performed by document type



20. Following FMD’s first full year of performing DEM+ reviews (2020), an in-depth analysis of best practices and common weaknesses was conducted as a benchmark and learning tool for future designs and quality reviews. A slight increase in the global average (across all regions) was noted in 2021, although average scores still fall between 4 (moderately satisfactory) and 5 (satisfactory). The team shares lessons learned regularly and is developing additional learning tools with a view to improving quality at design even further.

Table 1
Rating of FM DEM+ reviews, FY 2020-2021

DEM+ review	Average rating (all regions)	
	2020 (January–December)	2021 (January–September)
Project concept note	4.2	4.6
Project design report	4.4	4.6

21. **Development finance.** FMD continued to enrich its development finance offering through technical inputs on various topics; co-leading discussions on graduation, debt analyses, resource allocation mechanisms and differentiation of financing conditions; and supporting the roll-out of new instruments such as results-based lending, regional operations, and NSOs. FMD also proactively monitors COVID-19 debt initiatives and trends at the global and country levels.
22. Recent initiatives include diversified lending operations, including three results-based lending projects, two regional lending operations, four NSOs and lending to subnational entities. These pilots provide practical lessons and insights, contributing to the formalization of related FM requirements and guidelines.
23. **Transparency.** In accordance with the Eleventh Replenishment of IFAD’s Resources’ commitment to increase transparency and accountability over the use of donor funds, IFAD systematically publishes project audit reports on IFAD’s website, and continues to increase the level and accessibility to information concerning IFAD’s financing data.
24. **Strategic engagement.** Strategic engagement continued in 2021 virtually with multilateral development banks (MDBs) and through international forums to promote dialogue on harmonization of requirements and emerging practices at the global and country levels. This includes the re-establishment of links with the Public Financial Management Assessment (PEFA) Secretariat for training on the use of PEFA, and an agreement with the World Bank to hold a workshop on the introduction of country system reliance. IFAD also interacts with the members of the IFI/MDB Financial Management Harmonization Working Group on a quarterly basis.

25. **Strategic developments:**
- (i) In October 2021, IFAD participated in the INTOSAI-Donor Steering Committee, which highlights the importance of capacity-building to supreme audit institutions (SAIs).
 - (ii) The Debt Management Facility Stakeholders' Forum and the annual MDBs' Meeting on Debt Issues⁹ covered several topics of interest, including debt policies, practices and trends, and the implications of COVID-19 for debt sustainability. IFAD participated in the panel for one of the events.
26. **IT tools and systems.** IFAD's FM control and oversight processes rely on updated IT tools. Initiatives are ongoing for "smart" tools to mainstream manual processes.
27. As part of the FM reform, the following system developments are simultaneously in progress:
- (i) Ineligible expenditures – improving the menu to better monitor nature and oversight;
 - (ii) Country fiduciary summary – increasing auto-population of data;
 - (iii) Audit report notice – adding an automated notification and reminder system;
 - (iv) Financial Management Dashboard "My Projects" page – providing updated indicators on pending items;
 - (v) FM consultant page – streamlining the information repository and optimizing the consultants' input workflow; and
 - (vi) Ensuring adequate Audit Report Tracking System reviews for grant-specific processes and creating recipient due diligence and European Commission verification records.
28. **IFAD Client Portal (ICP).** Roll-out efforts continued despite the COVID-19 outbreak with notable results, reaching 100 per cent of eligible clients (88 countries and 2 institutions) at the end of Q2 2021 – six months ahead of the targeted schedule. The overall level of coverage stands at 96 per cent of IFAD projects. The ICP has proved indispensable for the continuance of operations since the COVID-19 outbreak. Countries and/or projects that were not live on ICP encountered greater difficulties in managing processes offline, and alternative mechanisms were required to ensure that fund flows experienced as little disruption as possible.¹⁰

III. Project audit reports for financial year 2020¹¹

29. **Audit arrangements.** External audit is independent of project management and has greater geographical coverage than supervision missions, particularly at the decentralized level. IFAD's review of project audit reports provides key management information, including:
- (i) Progress in relying on country systems, i.e. use of SAIs, currently 43 per cent (see annex III, table 1);
 - (ii) Adherence to international standards (financial reporting and audit); and

⁹ The Debt Management Facility brings together IFIs, bilateral bodies and developing countries. The MDBs' Meeting on Debt Issues was attended by representatives from the World Bank, International Monetary Fund, Inter-American Development Bank, African Development Bank, Asian Development Bank, Arab Monetary Fund, European Investment Bank, European Commission, and Central American Bank for Economic Integration.

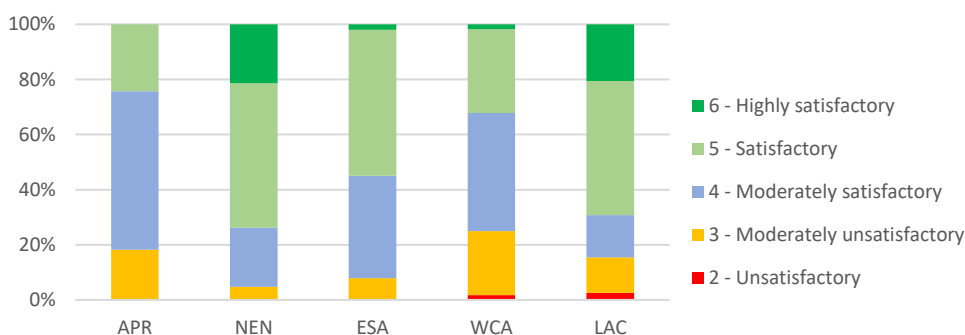
¹⁰ The Financial Controller's Division introduced electronic submission of withdrawal applications through secure cloud-sharing; FMD introduced electronic submission of project audit reports through government e-mail accounts.

¹¹ The term "financial year 2020" covers all financial periods ending between 1 January and 31 December 2020. It should be noted that 71 projects that would normally fall within this dataset were excluded because of extensions to the audit due date provided under IFAD's COVID-19 exceptional measures. See annex II for more details.

- (iii) Level of reliance of the audit work, through assessment of audit quality and timeliness of audit report submission.
30. Exceptional measures approved as a result of COVID-19 afforded projects the possibility to request an extension to the legal due date for submission of unaudited and audited financial statements. Extension requests were considered for an initial period of three months, with the possibility of a further three months, provided these projects had an additional desk review. In 2020, 138 projects were given COVID-19-related extensions, of which 104 were between one and three months, and 34 were between four and six months. During 2021, up to the time of reporting, 71 projects had been given extensions – 66 ranging between one and three months, and five ranging from four to six months. A breakdown of all FM-related exceptional measures and a summary of the approved audit extensions are provided in annex II.
 31. While the dataset reported in the last report was unintendedly small due to the result of these extensions (141 projects for FY 2019 compared to 226 for FY 2018), 267 projects were analysed for FY 2020, including the projects given COVID-19-related extensions.
 32. **Timeliness.** At the time of writing, 96 per cent (257) of project audit reports due for FY 2020 had been received, leaving 10 outstanding and overdue. Sixty-three per cent of these were received on time (see annex III, table 2).
 33. Timeliness of the internal FMD review and sign-off of audit reports is also closely monitored in accordance with internal procedures that require audit sign-off within 60 days from audit submission. This year, the proportion of audit reports signed off within the prescribed timeline slightly decreased to 67 per cent from 73 per cent last year. However, this is still a remarkable improvement considering the small amount analysed in 2019, with 171 signed off on time, compared to 88 for FY 2019.
 34. **Audit reports.** The percentage of qualified audit opinions has steadily increased (FY 2016 – 6 per cent; FY 2017 – 10 per cent; and FY 2018 – 15 per cent). Only six projects (5 per cent) of the 121 projects analysed received a qualified audit opinion in FY 2019. However, considering the size of the dataset available for analysis at the time, it is difficult to draw comparisons. As reported in annex III, table 3 at the time of reporting in FY 2020, 11 per cent received a qualified audit opinion. This represents an increase from FY 2019 but is comparable to previous years.
 35. Despite difficulties in directly comparing and drawing conclusions due to the reduced dataset available the past year, experience has shown that these main control issues tend to reoccur from one year to another and are often common to all five regions. These include: (i) weak internal controls or lack of compliance; (ii) inadequate procurement procedures and/or poor contract management; (iii) ineffective use of accounting systems; (iv) failure to provide adequate supporting documentation; (v) limited use of or deviation from international accounting standards; and (vi) ineligibility of expenditure.
 36. APEX, the capacity-building certification programme (see paragraph 18), is a targeted initiative intended to tackle these issues at source.
 37. **Quality assurance.** As part of FMD's quality assurance procedures, project audit reports are subject to internal ex ante peer review on a sample basis, which in addition to serving as a quality review, is also intended to promote standardization and professional exchange among finance officers. The most recent peer review of 40 audit reports indicated that, with few exceptions, the assessments of accounting and auditing standards and audit opinions were deemed reasonable.

38. Further assurance on the quality of project audit reports and relevance of audit and financial reporting arrangements applied was sought through the fourth annual independent review of project external audit reports, conducted in late 2020. The reviewer focused on three objectives: (i) variance analysis of audit and financial reporting with the World Bank to identify areas for improvement; (ii) a quality review of peer reviews; and (iii) preparation of an intelligence report to identify emerging threats to SAI independence. The findings were discussed at length through two divisional learning events and were made available to finance officers as a tool to support the design of new projects and the assessment of those being implemented.
39. **Quality of financial reporting.** In FY 2020, 43 per cent of financial reports were prepared using international standards (FY 2019– 49 per cent), while 31 per cent were prepared using national or regional standards (FY 2019 –27 per cent). Other standards or “modifications/deviations from international standards” were used in 26 per cent of projects (FY 2019 – 24 per cent).
40. The quality of financial reporting assessed as satisfactory or highly satisfactory peaked in FY 2019 at 53 per cent, but overall showed a gradual improvement from 45 per cent in FY 2016 to 47 per cent in FY 2020. The proportion of audit reports assessed as moderately satisfactory was 38 per cent compared to 35 per cent in FY 2019, whereas those rated as either moderately unsatisfactory or unsatisfactory increased slightly from 12 per cent in FY 2019 to 15 per cent.¹²

Figure 4
Quality of financial reporting FY 2020¹³



41. Quality and timeliness of audit reports is measured as part of IFAD’s corporate methodology for the assessment of project performance. This indicator consists of two elements: the quality of the audit work; and timeliness of the audit report submission. Even a high-quality audit report is penalized if submitted late.¹⁴
42. Taking into account the limitations of the dataset in FY 2019, the quality and timeliness of audit reports improved in FY 2020, with: 50 per cent of audits rated highly satisfactory or satisfactory (39 per cent in FY 2019 and 49 per cent in FY 2018), 31 per cent rated moderately satisfactory (36 per cent in FY 2019 and 34 per cent in FY 2018); and 18 per cent rated moderately unsatisfactory or unsatisfactory (25 per cent in FY 2019 and 17 per cent in FY 2018).¹⁵

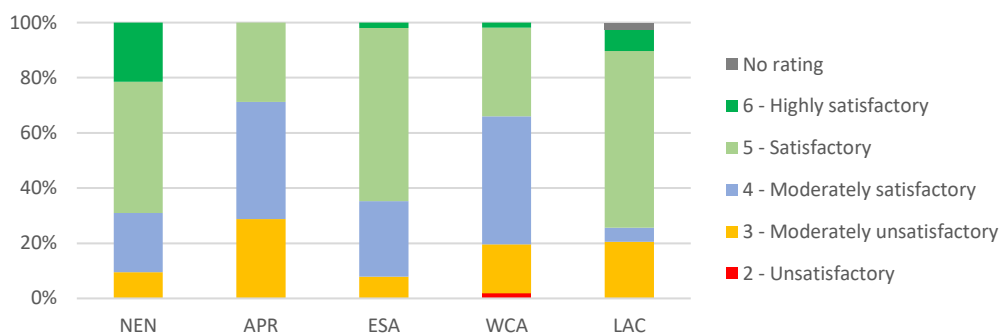
¹² See paragraph 44 for a description of IFAD actions in the case of poor performers.

¹³ Ratings were based on the 254 audit reports.

¹⁴ Audit reports submitted after the due date cannot be rated higher than 3 (moderately unsatisfactory).

¹⁵ The increase in audits rated 3 (moderately unsatisfactory) from 16 per cent in FY 2018 to 23 per cent in FY 2019 was due to the revised procedures (issued in 2019), which require a mandatory rating of 3 (moderately unsatisfactory) if an audit report is not submitted by the due date. Prior to the change in procedures, a rating of 3 (moderately unsatisfactory) was mandatory if the audit was not submitted within 15 days from the audit due date.

Figure 5
Quality and timeliness of audit, FY 2020¹⁶



43. In FY 2020, 87 per cent of audit reports used international standards (the same as FY 2019), 2 per cent used national or regional standards (16 per cent in FY 2019) and 11 per cent used other audit standards (none in FY 2019).
44. Seven out of 256 projects analysed had been requested to implement a mandatory action plan to address issues identified by the auditors and/or IFAD (8 requests in FY 2019 and 21 in FY 2018).

IV. Conceptual Framework on Financial Reporting and Auditing of IFAD-Financed Projects

45. **Annual review.** The Conceptual Framework on Financial Reporting and Auditing of IFAD-Financed Projects was approved by the Executive Board in December 2017.¹⁷ In accordance with the commitment made to the Audit Committee and Executive Board, IFAD has performed an annual review each year since to ensure the ongoing relevance of its principles.
46. The fourth consecutive annual review confirmed the ongoing adequacy and applicability of the principles contained in the framework.
47. The review identified the need to update the definition of the term “borrower” in order to capture its applicability to private sector entities and subnational entities as follows (added text is underlined and deleted text is shown in strikethrough):

“Borrower: A Member State, a subnational entity, or a private sector entity that receives a loan ~~is called the borrower. A political subdivision of a Member State may be designated as the borrower,~~ with appropriate safeguards.”
48. Since the General Conditions for Agricultural Financing are not applicable to private sector entities, the financial reporting and audit requirements are included as a positive obligation under each contract (loan, subscription agreement, or guarantee).

¹⁶ Ratings based on 254 audit reports.

¹⁷ See document EB 2017/122/R.33.

Financial management structural reforms 2020-2021

Table 1
Financial management structural reforms 2020-2021

<i>Topic</i>	<i>Project</i>
Financial management (FM) role in project cycle	Strengthen the Financial Management Services Department's role in project cycle
FM policies and procedures	Integrate FM policies and procedures into Operations Manual Introduce principles-based and simplified FM policies FM policies for new instruments (regional operations/results-based lending)
Disbursements	Enhance IFAD's risk framework and holistic fiduciary assurance Enhance withdrawal application process Internally change disbursement roles and processes Introduce straight-through processing (STP) for low- and moderate-risk projects Reduce use of direct payments Simplify and automate the letter to the borrower/recipient
Taxes	Implement as norm of financing taxes
Ineligibles	Update definition of ineligible expenditures
Forex	Change methodology for managing foreign exchange risks
Interim financial reports (IFRs)	Increase use of IFRs
Straight-through processing	Increase use of STP

Exceptional measures in financial management in response to COVID-19

1. As approved by the President of IFAD, the following financial management exceptional measures in response to the COVID-19 pandemic have been rolled out, starting in April 2020. The measures – all of which are subject to prior approval – are as follows:
 - (i) On a case-by-case basis, and subject to additional desk review or remote supervision by the Financial Management Services Division, up to six months' delay permitted for the submission of audited financial statements/audited statements of expenditure (grants);
 - (ii) Acceptance of electronic submission of project documents such as audited financial statements from recognized government e-mail accounts; and
 - (iii) Performance of remote supervision and implementation support missions, as well as remote midterm review and project design, where deemed necessary.
2. Further to the above measures, on an exceptional basis, IFAD has slowed down the escalation of non-compliance cases as a result of the additional time provided for the resolution of outstanding issues.

Table 1

Number of approved exceptional extensions for audit report submission as at 30 September 2021

Region/ division	No. of projects that received an exceptional extension for audit report submission		No. of projects that did not request an extension	Total audits due in period (Jun–Dec 2020)
	1 to 3 months from original due date	4 to 6 months from original due date		
Asia and the Pacific	18	4	32	54
East and Southern Africa	12	6	33	51
Latin America and the Caribbean	14	9	6	29
Near East, North Africa and Europe	13	5	21	39
West and Central Africa	16	4	20	40
Non-regional grants	31	6	106	143
Total	104	34	218	356
Percentage of total audits due from June through December 2020	29%	10%	61%	100%

Region/division	No. of projects that received an exceptional extension for audit report submission		No. of projects that did not request an extension	Total audits due in period (Jan–Sept 2021)
	1 to 3 months from original due date	4 to 6 months from original due date		
Asia and the Pacific	17	1	31	49
East and Southern Africa	7	1	17	25
Latin America and the Caribbean	15	1	15	31
Near East, North Africa and Europe	11	0	20	31
West and Central Africa	1	0	43	44
Non-regional grants	15	2	141	158
Total	66	5	253	324
Percentage of total audits due from January through September 2021	20%	2%	78%	100%

Project audit reports – financial year (FY) 2020

Table 1

Audit arrangements for financial year 2019 and 2020

(Audit reports received and signed off)

Region	Financial year 2020			Financial year 2019		
	Undertaken by government auditors ^a	Undertaken by private auditor ^b	Total	Undertaken by government auditors	Undertaken by private auditor	Total
Asia and the Pacific	43	23	66	28	16	44
East and Southern Africa	25	26	51	21	15	36
Latin America and the Caribbean	12	27	39	0	7	7
Near East, North Africa and Europe	14	28	42	2	17	19
West and Central Africa	15	41	56	1	14	15
Total	109	145	254	52	69	121
Percentage	43%	57%	100%	43%	57%	100%

^a Includes 13 audits that were performed by national entities that are not the supreme audit institutions (prior year: three audits).^b Includes five audits that were outsourced by government auditors to a private firm (prior year: three audits).

Table 2

Timeliness of project audit report submission FY 2019-2020

(Audit reports received)

Audit reports	2020		2019	
	Number	%	Number	%
Received on time	169	63%	84	60%
Received with delay	88	33%	44	31%
Subtotal	257	96%	128	91%
Still due at 30 September	10	4%	13	9%
Total reports due for year	267	100%	141	100%

Table 3

Audit opinion expressed on project financial statements FY 2019 and 2020

(Audit reports received and signed off)

Region	Financial year 2020			Financial year 2019		
	Audit reports received	Unqualified	Qualified	Audit reports received	Unqualified	Qualified
Asia and the Pacific	49	47	2	44	42	2
East and Southern Africa	36	34	2	36	35	1
Latin America and the Caribbean	15	13	2	7	6	1
Near East, North Africa and Europe	35	30	5	19	18	1
West and Central Africa	40	31	9	15	14	1
Total	175	155	20	121	115	6
Percentage	100%	89%	11%	100%	95%	5%