
Project procurement and financial management: Annual progress report, including review of the Conceptual Framework on Financial Reporting and External Audit of IFAD-Financed Projects

Document: EB 2025/146/R.32

Agenda: 15

Date: 31 October 2025

Distribution: Public

Original: English

FOR: INFORMATION

Action: The Executive Board is invited to take note of the report on project procurement and financial management.

Technical questions:

Janet Muir

Director
Procurement and Financial Management Division
e-mail: j.muir@ifad.org

Enzo De Laurentiis

Chief Procurement and Financial Management
Officer, a.i.
Procurement and Financial Management Division
e-mail: e.delarentiis@ifad.org

Project procurement and financial management: Annual progress report, including review of the Conceptual Framework on Financial Reporting and External Audit of IFAD-Financed Projects

I. Introduction

1. IFAD reports annually to the Audit Committee on:
 - (i) The application of project procurement and financial management assurance policies and practices, including developments, trends and results of the most recent project audit cycle; and
 - (ii) The ongoing applicability of the Conceptual Framework on Financial Reporting and External Audit of IFAD-Financed Projects.
2. The current annual review confirmed the continuing adequacy and applicability of the principles spelled out in this framework.
3. IFAD's policies and practices for managing project procurement and financial management are fundamental to fulfilling its fiduciary responsibilities, ensuring efficient, transparent use of funds for their intended purposes. These arrangements frequently rely on the public procurement and financial systems of borrowing countries when appropriate. The core objective is to achieve each project's development goals in line with IFAD's mandate.
4. Finance officers serve as finance ambassadors, liaising with ministries and supporting projects with financial management arrangements. They oversee project implementation with a principles-based approach. The assurance measures include review of regular financial reporting during project implementation and external audits, and field mission participation. They also manage lending term discussions and loan negotiations, including the uptake of the Borrowed Resource Access Mechanism (BRAM).
5. Procurement officers act as custodians of IFAD's project procurement framework, ensuring that operations adhere to the principles of fairness, transparency, competition and value for money. They support borrowers and project management units in procurement planning and execution, while exercising oversight through assurance measures such as risk-based assessments, review of procurement plans, prior and post reviews, and participation in field missions. They also play a capacity-building role, balancing fiduciary accountability with support for timely and efficient project delivery.
6. As of January 2025, financial management and project procurement functions, which used to be under separate divisions and departments, were consolidated into the Procurement and Financial Management Division (PFM). The aim is to provide a holistic view of fiduciary risks and streamline oversight across all stages of project implementation. Increased efficiency and collaboration have been already observed, while efforts towards additional alignment and recalibration are ongoing.

II. Procurement and financial management function recalibration

7. The ongoing recalibration exercise aims to foster a strong culture of accountability, collaboration, learning and continuous improvement. While compliance remains key to fiduciary oversight, the PFM recalibration promotes a problem-solving approach that balances control with fit-for-purpose development solutions and capacity-strengthening goals. Fiduciary management is more effective if it focuses primarily on systemic issues and their root causes rather than only on individual instances of non-compliance.
8. This modern approach to compliance helps to drive a culture of innovation and partnership, consistent with the Operational Agility Initiative spearheaded by IFAD's President. The approach extends beyond PFM by promoting proactive engagement with internal stakeholders such as the Office of Audit and Oversight and the Department for Country Operations (DCO), and external parties such as peer multilateral development banks (MDBs) and supreme audit institutions in client countries. Experience in other MDBs has shown that this approach also supports a preventative focus on fraud and corruption aided by effective feedback loops on closed investigations and internal audit findings.
9. In summary, the PFM recalibration strategy will generate institutional value by promoting a culture shift towards risk-based, results-oriented fiduciary assurance.
10. Several initiatives are under way to effectively manage the integration of the two functions.¹ An in-person PFM retreat was held to unify the division under this shared identity and define strategic priorities. Recalibration working groups developed recommendations and these were actively discussed during the retreat and refined into action plans.
11. PFM will focus on the following key priorities as it delivers on the action plan:
 - (i) Implementing a phased and agile transition plan that minimizes disruption while ensuring smooth integration of the new fiduciary function and coordinating quality assurance and fiduciary risk assessments.
 - (ii) Prioritizing capacity-building programmes to equip both PFM and project staff with the procurement and financial management skills to effectively implement IFAD projects.
 - (iii) Continuing to benchmark against MDBs to ensure that IFAD's fiduciary model remains aligned with best practices in the sector.
12. The recalibration process is ongoing with concrete action plans across three implementation pillars: (i) people and culture; (ii) business processes; and (iii) fiduciary systems. The action plan is actively monitored and managed on a continual basis (see annex I for details). The progress and outcomes will be presented in the next year's annual PFM paper to be submitted to the Audit Committee.

III. Procurement and financial management project risk and performance

13. **Procurement and financial management risk profiles.** The project procurement and financial management risk-based assurance framework, which

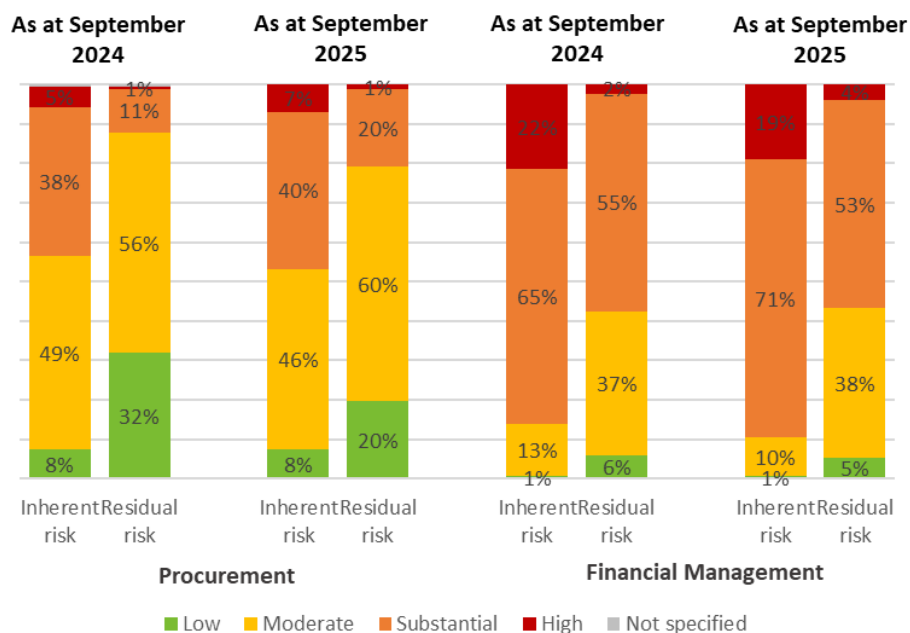
¹ Namely: (i) monthly PFM townhall meetings to share recalibration progress; (ii) three pulse surveys assessing staff engagement, communication, satisfaction and perception with regard to recalibration, with results shared transparently; (iii) office reorganization at headquarters to bring all PFM staff together on the same floor; (iv) development of a combined PFM dashboard; and (v) weekly PFM information sessions to exchange knowledge and have active discussion on key topics.

falls within IFAD's programme delivery risk domain,² underpins the activities of PFM. A consistent distinction is made between inherent³ and residual risks. Residual risk⁴ ratings reflect mitigation benefits actually in place, ensuring that these efforts are prioritized during the implementation period.

14. There has been a slight change in the risk profile in 2025 compared to the previous year (2024). The percentage of projects with high or substantial inherent risk increased slightly for both financial management (from 86 to 90 per cent) and procurement (from 43 to 47 per cent). The shift reflects riskier country environments and project arrangements without mitigation measures, which is aligned with IFAD mandate to support the most vulnerable population in rural areas in challenging country contexts. The proportion of projects with high or substantial residual financial management risk decreased slightly, from 58 to 57 per cent, while it increased from 12 to 21 per cent for procurement, mainly due to new projects where mitigation strategies had not yet been executed. Procurement and financial management risk ratings continue to influence the volume and timing of checks and balances, including the frequency of missions and disbursement modalities.

Figure 1

Procurement and financial management risk profiles of investment projects available for disbursement as of September 2024 and 2025



15. **Risk-based fiduciary assurance.** Fiduciary oversight is a principles- and risk-based process throughout the project disbursement, supervision and auditing stages. While submission of quarterly interim financial reports is mandatory for project financial monitoring and liquidity management, ex ante validation of disbursement requests – accompanied by reports on participation in missions and on implementation support – is carried out in alignment with corporate risk assurance frameworks. As a result, despite operating in high-risk environments, most projects achieve results that are moderately satisfactory or above,

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

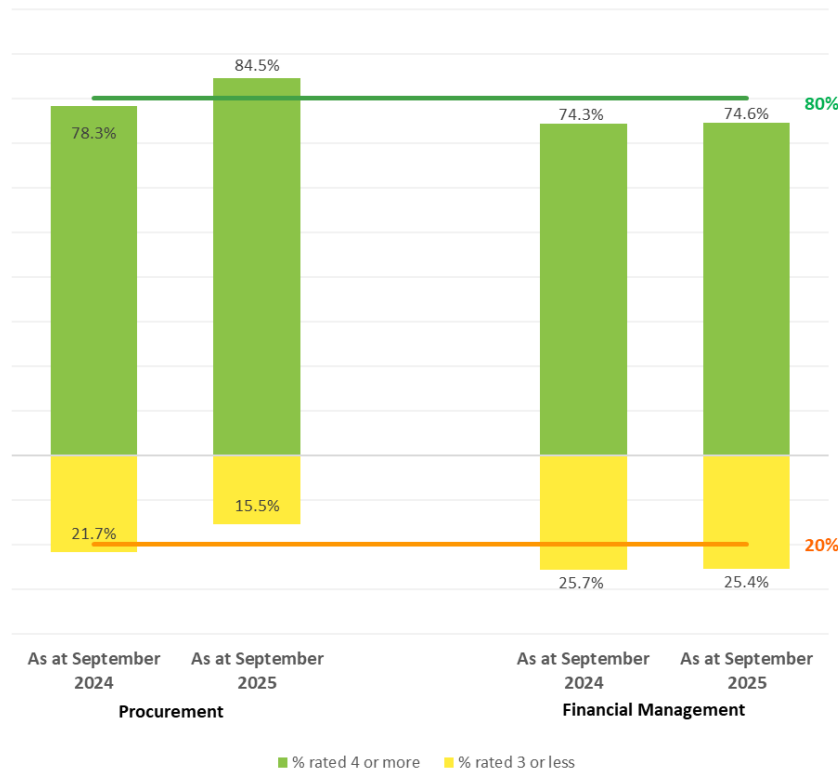
³ Inherent risk is the risk that the project procurement and financial management system will not operate as intended due to factors related to the project implementation environment, over which IFAD has limited control. It is the level of initial risk without factoring in the effect of any mitigation measures or controls applied or to be applied by the borrower.

⁴ Residual risk is the level of risk remaining after recognizing the actual implementation of the mitigation measures/controls. It thus reflects the actual risk identified at the time of the assessment. Residual risk is assessed at design and during implementation.

84.5 per cent in procurement and 74.6 per cent in financial management. PFM is closely collaborating with DCO and the Office of Enterprise Risk Management to provide customized and practical support to projects rated moderately unsatisfactory or below, with the objective of maintaining such cases below 20 per cent in accordance with corporate standards.

Figure 2

Procurement and financial management performance of investment projects available for disbursement as of September 2024 and 2025



16. **Project capacity-building.** PFM, as a unified fiduciary division, ensures that procurement and finance officers jointly conduct capacity-building training for consultants and project staff at multiple levels. It has introduced in-person regional PFM workshops for project staff, external auditors and ministry representatives, focusing on key topics and sharing best practices on international standards.
17. Additionally, the BUILDPROC initiative, a capacity-building programme in project procurement jointly run by IFAD and the International Training Centre of the International Labour Organization (ITCilo), serves as a best practice representing the main procurement professionalization platform among MDBs and is now being shared with peer institutions.⁵ The programme has been scaled up under a second phase (BUILDPROC II). It continues to offer a three-tier certification pathway and is introducing an advanced module on “Project Procurement Strategy for Sustainable Development”, aimed at cultivating a strategic mindset in procurement. The expanded phase seeks to broaden access to procurement knowledge through improved knowledge management tools.

IV. Procurement practices and oversight

18. **Risk assessment in country strategic opportunities programmes (COSOPs) and project design.** During COSOP and project design, procurement risk assessments are carried out to identify strengths and weaknesses of national

⁵ The Asian Development Bank has joined the programme, and the World Bank and European Bank for Reconstruction and Development are also considering participation.

systems and implementing agencies, guiding the preparation of procurement arrangements including strategy, planning, risk mitigation and oversight. This approach ensures that IFAD is adaptive, aligning its procurement support and oversight with country capacities and contexts to ensure fit-for-purpose arrangements across the portfolio.

Figure 3

Procurement frameworks by region* for projects designed (Jan–Sep 2025 – 19 projects)



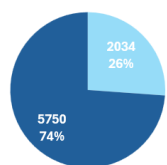
* The following abbreviations are used for regions: Asia and the Pacific (APR); East and Southern Africa (ESA); Latin America and the Caribbean (LAC); Near East, North Africa and Europe (NEN); West and Central Africa (WCA).

19. **Quality assurance.** Procurement aspects of COSOPs and design reports are subject to corporate quality assurance. Reviews focus on verifying the completeness and consistency of key procurement deliverables, including the availability of risk assessments, social environmental and climate assessment risk integration, clarity of proposed arrangements and systems, and the inclusion of a procurement strategy. The review also ensures that the required documents are uploaded to IFAD systems.
20. Arrangements are rated as pass, conditional pass, or fail, with conditional passes requiring corrective actions before project approval. As of September 2025, procurement has completed quality reviews of 8 COSOPs and 19 project design reports (PDRs). Common causes for fail or conditional ratings often stem from unclear or inconsistent articulation of the procurement framework or missing or incomplete documents.
21. **Prior review process.** Procurement assurance during implementation is exercised through a risk-based prior review system. High-value or high-risk contracts identified in the procurement plan require IFAD's no objection before award. These reviews, carried out through the Online Project Procurement End-To-End System (OPEN) by the regional senior procurement officer, check compliance with agreed procurement activities and methods.
22. Prior review thresholds are determined during design, informed by risk assessments, and are formalized in the financing agreement. They are then communicated to the borrower through the project procurement arrangements letter, and entered into the system for automated application. Thresholds may be adjusted at any time during implementation in response to updated procurement risk assessments during supervision. Over 70 per cent of contracts (in terms of both number and amount) awarded in 2024 were managed through the prior review process.

Figure 4

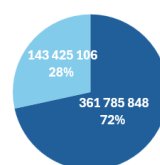
Prior review versus post review (contracts awarded in 2024)

Prior and post review awarded contracts – number of contracts



■ Prior Review ■ Post Review

Prior and post review awarded contracts – contract amounts United States dollars

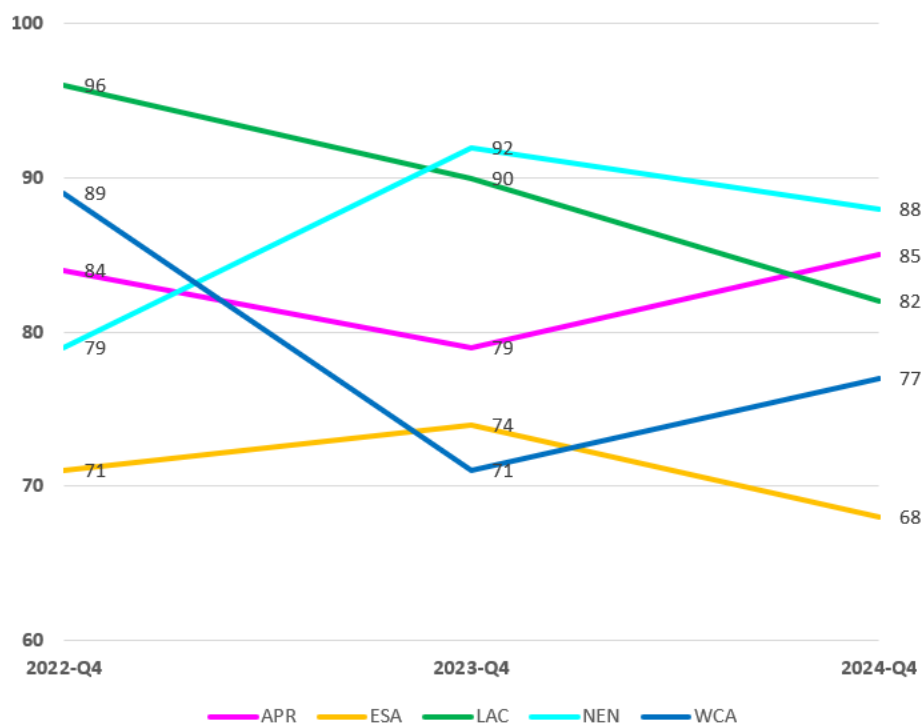


■ Prior Review ■ Post Review

23. **Vendor screening.** Vendor screening is a safeguard to ensure that only eligible and reputable firms participate in IFAD-financed procurement. Implementing agencies must confirm that prospective bidders, suppliers and consultants are not on IFAD's Sanctions List or other MDB debarment lists before any contract is awarded. Screening is carried out automatically through the OPEN platform at key stages of the cycle, notably when preparing shortlists and before contract award. The system has been enhanced to integrate vendor screening with sanctions and eligibility databases, ensuring that ineligible firms cannot be awarded contracts.
24. **Supervision (post review) and implementation support.** Procurement assurance during implementation is further delivered through supervision and implementation support missions. Implementation support missions provide technical assistance to project units, helping to resolve bottlenecks and strengthen capacity. Supervision missions are the formal fiduciary checkpoints, covering post reviews of a sample of contracts to verify compliance with agreed procedures. Supervision missions are also the stage at which risk assessments are updated, based on which procurement and prior review thresholds may be adjusted. Performance ratings also feed into the project's procurement risk profile, informing remedial measures and action plans to ensure that fiduciary oversight remains proportionate to the evolving risk environment.
25. Most frequent issues include weak or unrealistic procurement planning; delays in executing procurement activities; limited staffing and capacity and high staff turnover; and weak contract management. To improve performance in the portfolio, PFM will focus on prioritizing implementation support, exploring longer-term staffing solutions, aligning procurement planning with annual workplans and budgets, and implementing stronger contract monitoring through OPEN.

Figure 5

Percentage of projects rated moderately satisfactory or above in procurement in 2022–2024 by region



26. **Misprocurement and non-compliance.** According to IFAD's procurement framework, misprocurement may be declared when borrowers or implementing

agencies fail to comply with agreed procedures. Such cases include contract awards without due process, inappropriate use of non-competitive methods, or prohibited practices. Misprocurement can lead to cancellation of financing for the affected contract and, in some cases, ineligibility of the related expenditures.

27. Updated procedures to address misprocurement will be issued in the 2025 revision of the IFAD Project Procurement Manual, and, in 2026, a module and workflow will be developed in the OPEN platform to support this process, including integration with the financial management processes for declaring ineligible expenditures. The OPEN module will also enable PFM to generate data and conduct analysis on misprocurement. In the meantime, teams are operating under interim procedures issued by the PFM Director to ensure consistent handling of issues until the revised manual and OPEN module are in place.
28. **Strategic initiatives.** Several initiatives are strengthening procurement oversight and harmonization. Enhancements to the OPEN platform are improving efficiency and transparency. IFAD remains an active member of the Heads of Procurement of the Multilateral Development Banks working group, contributing to harmonized global policy. IFAD has also entered into mutual reliance arrangements with the World Bank, Caribbean Development Bank and European Investment Bank to reduce costs and align oversight, and will continue to explore agreements with others. Through BUILDPROC, IFAD supports capacity-building to strengthen national procurement systems. Together, these initiatives promote transparency, reduce administrative burden and build borrower capacity.

V. Financial management practices and oversight

29. **Ineligible expenditures.** PFM regularly tracks and monitors potential and/or confirmed ineligible expenditures,⁶ which are often identified through supervision missions and external project audits.
30. The total amount of ineligible expenditures fluctuates as the expenditures are reviewed and adjusted. At the time of reporting, the confirmed outstanding amount was US\$4.3 million,⁷ along with the unconfirmed amount of US\$6.2 million.⁸ The main reasons are insufficient or missing supporting documentation, misprocurement and financing of taxes.⁹
31. **Remedies.** IFAD takes remedial action mainly in the event of ineligible expenditure and late submission of audit reports. When non-compliance is identified, early engagement with projects and ministries is sought to encourage prompt compliance, and where possible, soft remedies are considered, to avoid a more detrimental impact on project implementation.¹⁰
32. When delays arise in the submission of audit reports, warning notices are issued to borrowers for delays beyond 90 days, with formal suspension of the right to withdraw funds due after 180 days. As reported last year, the only country subject to suspension measures stemming from unresolved financial management issues was the Bolivarian Republic of Venezuela, due to its failure to submit project audit reports for 2017 and 2018; these measures are still in effect.

⁶ The term “ineligible expenditures” refers to the use of financing for expenditures not compliant with the financing agreement or otherwise not in line with the General Conditions for Agricultural Development Financing, section 4.07.

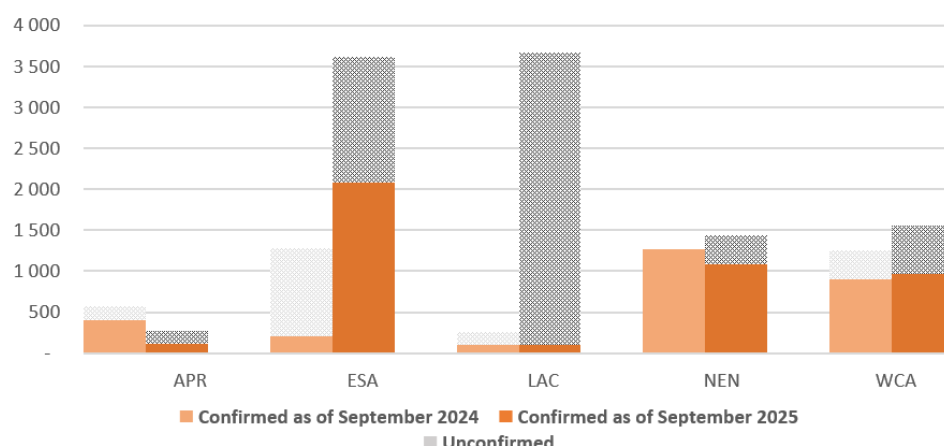
⁷ Legacy cases from Yemen (US\$1.1 million, due to a remaining unjustified outstanding balance) and Afghanistan (US\$107,000, due to penalty fees not applied to the designated account and financing of taxes) are included.

⁸ Unconfirmed potential ineligible expenditures are now also consolidated and monitored in the IFAD system for transparency and proactive follow-up action.

⁹ There was a notable increase in confirmed amounts in ESA due to financing of taxes from the Programme for Rural Irrigation Development and the Financial Access for Rural Markets, Smallholders and Enterprise Programme in Malawi (US\$1.1 million), and mismanagement of resources from the Livelihoods Resilience Project in South Sudan (US\$0.7 million).

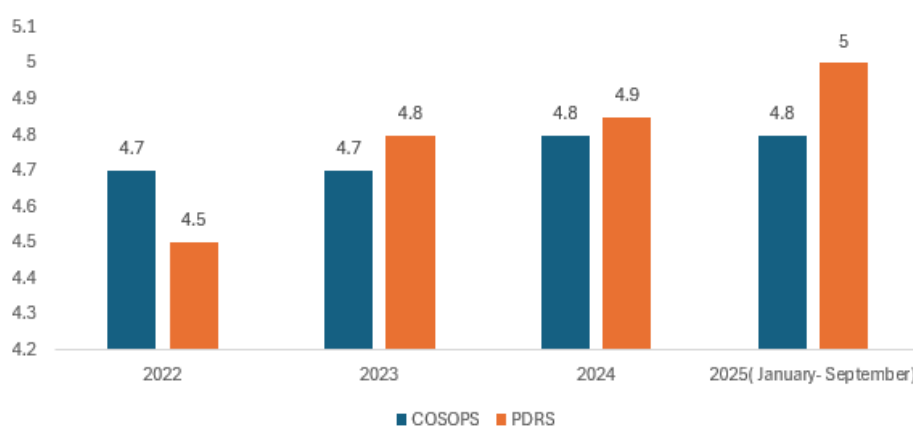
¹⁰ Soft remedies may include temporarily putting on hold the borrower's right to use an advance account and requesting substitute expenditures that meets IFAD's eligibility criteria.

Figure 6
Unconfirmed and confirmed ineligible expenditures by region
(Thousands of United States dollars)



33. **Participation in design and supervision.** The design of projects and regular supervision missions facilitate closer monitoring of financial management aspects in the field, strengthen fiduciary assurance and allow for the development of closer relationships with project teams. The finance and procurement officers continue to be core project delivery team members and participate to all missions either in person or in representation by external accredited consultants who are supervised by staff. Since the recalibration, a more integrated approach has been adopted and is already enhancing the quality of fiduciary oversight and support to the projects with a united fiduciary voice on key fiduciary issues. The risk-based assurance framework continues to be applied in managing and supporting the projects.

Figure 7
Financial management enhanced development effectiveness matrix (DEM+) average ratings (all regions) by year



34. **Quality assurance.** As part of the corporate quality assurance processes, PFM continues to conduct DEM+ reviews of both financial management and procurement throughout the different stages of the design phase of the projects to ensure that the quality of financial management and procurement arrangements are comprehensive and adequate. The process enabled the division to build learning into PFM's work and IFAD's work as whole through quarterly learning notes. There has been a noticeable improvement in the quality of financial management (FM) and procurement project designs since the start of DEM+ reviews.

35. Regional deep dives continue to be a channel for tailored learning on specific challenges in each region. This includes sharing of lessons from DEM+ reviews, enhanced understanding of various new policies and guidelines as well as knowledge and skills transfer. This facilitates the harmonization of approaches across the decentralized teams. Two deep dives will be held this year, for WCA and ESA.
36. As part of PFM's quality assurance procedures, project audit reports are subject to internal peer review on a sample basis, with the object of developing a standardized approach.
37. **Lending term operations.** PFM is responsible for the financial side of loan negotiations. Finance officers, supported by headquarters staff, assist governments in understanding and deciding on financial conditions, including those of the BRAM. They have facilitated successful loan negotiations aiming for the timely delivery of the Thirteenth Replenishment of IFAD's Resources (IFAD13), US\$1.1 billion from the performance-based allocation system and US\$0.2 billion from the BRAM in 2025.
38. **Strategic engagement.** Strategic engagement with MDBs in 2025 has been ongoing through virtual meetings, in-person events, and international forums. Seven working group sessions were held this year for MDB harmonization and MDB FM technology. One MDB harmonization meeting was held in person to discuss artificial intelligence (AI) use in FM practices and audit and assurance approaches in MDB operations.

VI. Project audit reports for financial year 2025¹¹

39. **Audit arrangements.** External audit of IFAD-financed projects is a key tool for fiduciary assurance, given that it has greater geographical coverage than supervision missions. IFAD's review of project audit reports includes:
 - (i) Reliance on country systems – i.e. the use of Supreme Audit Institutions, currently at 48 per cent (see annex II, table 1);
 - (ii) Adherence to international standards (financial reporting and audit); and
 - (iii) Assessment of audit quality and the timeliness of audit report submission.
40. The main findings for the 202 projects analysed for financial year (FY) 2024 are summarized below.
41. **Timeliness.** As of 30 September 2025, 91 per cent (183) of project audit reports due for FY 2024 had been received, leaving 19 overdue; 71 per cent were received on time, compared with 75 per cent for FY 2023 (see annex II, table 2). The decrease was attributed to delays in processes by some supreme audit institutions or in signing audit contracts with private auditors before the end of the financial year.
42. The timeliness of internal PFM review of audit reports is closely monitored, with 62 per cent of audit reports signed off on within the prescribed timeline of 60 days, compared with 67 per cent for FY 2023.
43. **Exceptions to the General Conditions for Agricultural Development Financing on project audit report due dates.** In December 2024, the Programme Delivery Risk Committee and the Enterprise Risk Management Risk Committee endorsed a proposal permitting exceptions to the general conditions for project audit report submissions. This allows extensions beyond the required six months from the financial year-end up to a maximum of nine months in specific cases where additional time is considered necessary to enhance audit report quality and timeliness while maintaining accountability. The delegation of authority is

¹¹ Financial year 2024 covers all financial periods ending between 1 January and 31 December 2024.

moved from the President to the Associate Vice-President and Chief Financial Officer, Financial Operations Department. As of now, no exceptions have been discussed or approved.

44. **Audit report findings.** The percentage of qualified audit opinions in FY 2024 was similar to that of the previous year (8 per cent), as reported in annex II, table 3. Eleven projects received qualified audit opinions with exceptions.
45. Analysis shows that the main control issues are recurrent and common across all five regions. They include: (i) weak internal controls over project implementation or non-compliance with approved procedures; (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) ineligible expenditures. To address these issues, IFAD will heighten its capacity-building efforts across all regions to strengthen internal controls, ensure compliance with approved procedures and aim to improve procurement practices and accounting systems. Focused reviews and targeted interventions will also be undertaken to ensure adherence to international accounting standards aimed at the efficient resolution of ineligible expenditures.
46. **Quality of financial reporting.** In 2024, the overall quality of project financial reporting remained consistent with that of the previous year. The quality and timeliness of audit reports demonstrated modest improvement. However, the statistics are expected to deteriorate once the ratings from the 19 overdue audits are incorporated. Greater complexity in the financing mix, deficiencies in project accounting systems and weak technical capacities have contributed to this trend. Challenges in fragile, conflict-affected and de facto states, which comprise over one third of IFAD's portfolio, also played a part. Further analysis of these trends is provided in annex II.

Procurement and financial management recalibration action plan

- **People and culture:**
 - The focus of the recalibration is not to move resources from one function to another, but to integrate and create efficiencies and greater fiduciary oversight across policies, systems and processes.
 - Change management will continue to be an ongoing focus to ensure alignment and collaboration in the team.
 - The Knowledge Management Strategy, developed in 2025, will support team collaboration through upskilling, training and cross-knowledge sharing. Training will cover business process changes from working group recommendations approved by divisional management. These sessions will follow pilot completion, staff guidance updates, and amendments to delegation of authority as needed. Technical workshops are scheduled for the fourth quarter of this year and early next year.
 - Mechanisms for feedback on fiduciary developments in projects will be enhanced to facilitate the incorporation of lessons learned into subsequent guidance and policy frameworks.
 - The workload of the headquarters anchor team will be rationalized to ensure there is sufficient fiduciary oversight of all non-country grants, supplementary fund grants and non-sovereign operations to minimize financial and donor reputational risks.
 - The mid- to long-term staffing plan to address the persistent understaffing in procurement will continue to be implemented in close coordination with Management to strengthen implementation support capacity and specifically support country teams with fragile and complex portfolios for prior review where risks are high.
- **Business processes:**
 - Fiduciary risk assessments will be strengthened with a review of root case analysis for projects with unsatisfactory performance ratings, including in fragile and conflict-affected contexts. A divisional risk control self-assessment will be updated under the guidance of the Office of Enterprise Risk Management, with a view to developing alternative assurance mechanisms for fragile and conflict-affected contexts, and joint monitoring and tracking of ineligible expenditures arising from misprocurement and weak financial controls during project implementation.
 - Continued flexible use of consultants is encouraged to support financial management and procurement oversight of the growing supplementary funds portfolio.
 - Wider adoption of principles-based fiduciary work is encouraged by rationalizing divisional delegation of authority to regional teams, updating staff guidance on fiduciary ratings and designing materiality thresholds for deviations.
 - Mission planning will be harmonized with selection criteria on needs-based requirements and reporting structures. Financial management and procurement manuals and guidelines will be updated accordingly.
 - Common or shared planning tools and procedures for the integrated Procurement and Financial Management Division (PFM) team will be implemented.

- **Fiduciary systems:**

- Following the full integration of the two fiduciary functions into the new division, system integration and enhanced use of digital tools (artificial intelligence (AI) and Oracle Business Intelligence) were among the key recalibration recommendations. Currently, the two functions operate using different systems that are not interconnected; the procurement function utilizes a more automated Online Project Procurement End-To-End System (OPEN) platform, whereas the financial management (FM) function is managed across four separate systems.
- The long-term objective is to establish a unified fiduciary intake system while in the medium and short run, the aim is to increase automation of the two functions and fully integrate related processes to support information-sharing and improve data analytics for informed decision-making.
- The IT governance committee recently approved the proposal to extract misprocurement from OPEN and integrate it into ineligible expenditures in financial management dashboard. This will facilitate combined reporting, which will be implemented by PFM.
- A capital budget submission has been initiated for the automation of FM workflows and the development of an AI tool to enhance data analysis, risk assessments and Management oversight. PFM has prepared a project initiation document for capital budget funding in 2026.

Project audit reports – financial year 2025

Table 1

Audit arrangements for financial years 2023 and 2024

(Audit reports received and signed off on as at 30 September 2025)

Region	Financial year 2024			Financial year 2023		
	Undertaken by government auditors ^a	Undertaken by private auditor ^b	Total	Undertaken by government auditors	Undertaken by private auditor	Total
Asia and the Pacific	33	18	51	31	20	51
East and Southern Africa	23	13	36	23	19	42
Latin America and the Caribbean	2	10	12	8	20	28
Near East, North Africa and Europe	5	16	21	12	19	31
West and Central Africa	7	18	25	14	35	49
Total	70	75	145	88	113	201
Percentage	48%	52%	100%	44%	56%	100%

^a Includes nine audits conducted by national entities that are not the Supreme Audit Institutions (previous year: 10 audits).^b One audit was outsourced by government auditors to a private firm for financial year 2022 (previous year: 2).

Table 2

Timeliness of project audit report submission for financial years 2023 and 2024

(As at 30 September 2025 and 2024)

Audit reports	2024		2023	
	Number	%	Number	%
Received on time	144	71	157	75
Received with delay	39	19	46	22
Subtotal	183	90	203	97
Still due as at 30 September	19	9	6	3
Total reports due for year	202	100	209	100

Table 3

Audit opinion expressed on project financial statements for financial years 2023 and 2024

(Audit reports received and signed off on as at 30 September 2025)

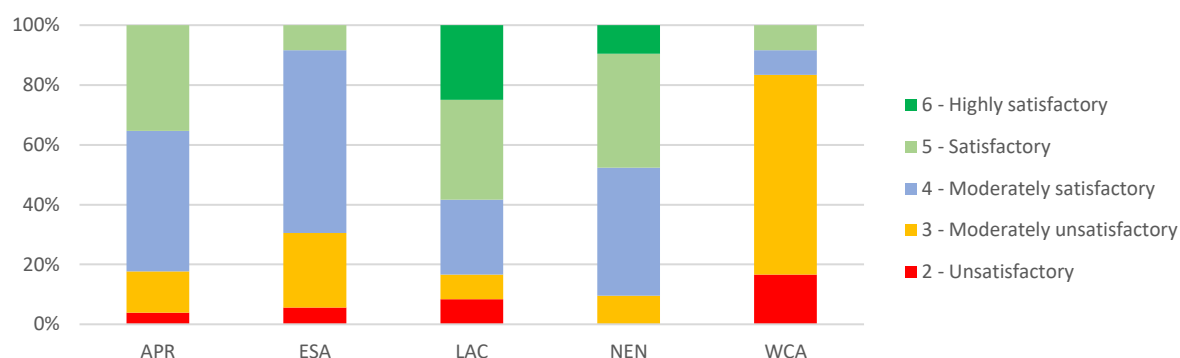
Region	Financial year 2024			Financial year 2023		
	Audit reports received	Unqualified	Qualified	Audit reports received	Unqualified	Qualified
Asia and the Pacific	51	48	3	47	46	1
East and Southern Africa	36	31	5	39	37	2
Latin America and the Caribbean	12	11	1	14	13	1
Near East, North Africa and Europe	21	20	1	28	23	5
West and Central Africa	25	24	1	28	24	4
Total	145	134	11	156	143	13
Percentage	100	92	8	100	92	8

Quality of financial and audit reports - 2025

1. In financial year (FY) 2024, 61 per cent of financial reports were prepared using international standards (FY 2023: 58 per cent) and 25 per cent using national or regional standards (FY 2023: 32 per cent). Other standards or "modifications/deviations from international standards" were used in 14 per cent of projects.
2. The quality of financial reporting rated satisfactory or highly satisfactory slightly increased from 26 per cent in FY 2023 to 28 per cent in FY 2024. The proportion of reports rated moderately satisfactory was 41 per cent, compared to 46 per cent in FY 2023, while those rated either moderately unsatisfactory or unsatisfactory increased slightly from 29 per cent in FY 2023 to 31 per cent.

Figure 1

Quality of financial reporting FY 2024¹²

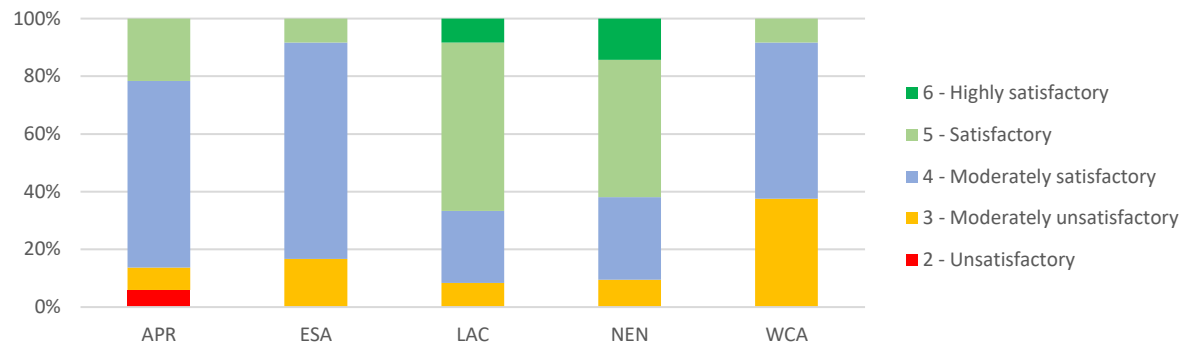


3. The quality and timeliness of audit reports are measured as part of IFAD's corporate methodology for the assessment of project performance. This indicator consists of two elements: the quality of the audit work and the timeliness of audit report submission. Even a high-quality audit report is penalized if submitted late.¹³
4. The quality and timeliness of audit reports slightly improved in FY 2024 for those reviewed and signed off so far, thanks to the continuous efforts of PFM and DCO to sign the audit contracts with private auditors before the end of the financial year, with 82 per cent of audits rated moderately satisfactory or above (78 per cent in FY 2023). However, this rate is projected to deteriorate once the ratings from the 19 overdue audits are also taken into account once received. Mandatory action plans are put into place as needed to underpin minimum standards, including timely submission, and to address internal control weaknesses.

¹² Ratings were based on the 145 audit reports received and signed off on as at 30 September 2025.

¹³ Audit reports submitted after the due date cannot be rated higher than 3 (moderately unsatisfactory).

Figure 2
Quality and timeliness of audit, FY 2024¹⁴



5. In FY 2024, 83 per cent of auditors utilized international standards (2023: 87 per cent) and 17 per cent adhered to national or regional standards (2023: 13 per cent) for the audits, with 145 audit reports received and signed off on as at 30 September 2025. The final proportion may change upon completion of the review of 38 audits and the receipt of 19 overdue audits.
6. **Transparency.** In keeping with IFAD’s commitment to increasing transparency and accountability in the use of donor funds, the Fund systematically discloses project audit reports on its website.

¹⁴ Ratings were based on the 145 audit reports received and signed off on as at 30 September 2025.