International Renewable Energy Agency

19 January 2014

INTERNATIONAL RENEWABLE ENERGY AGENCY
Fourth session of the Assembly
Abu Dhabi, 18 – 19 January 2014

Status Report of the Director-General on Audit Recommendations and Actions Taken

I. Introduction

1. Pursuant to Article XII.C. of the IRENA Statute, the Assembly at its second session appointed the Office of the Auditor General of Norway as External Auditor of the Agency for two years (A/2/DC/12). Accordingly, the Director-General submitted to the Office of the Auditor General of Norway the IRENA financial statements for examination pursuant to Interim Financial Regulation 13.1. These financial statements covered the period from 1 January 2012 to 31 December 2012 and were prepared in accordance with the International Public Sector Accounting Standards (IPSAS).

2. The Office of the Auditor General of Norway performed the audit on these statements and issued the "Report by the Independent External Auditor on the Financial Statements of IRENA." The Director-General submitted the External Auditor's report and the audited financial statements, together with the Director-General's explanatory note, to the fifth meeting of the Council for its consideration and onward transmission to the fourth Assembly (C/5/3).

3. The External Auditor also addressed a management letter to the Director-General dated 14 May 2013 regarding recommendations and findings. The present document provides Members with a status report on audit recommendations as contained in the management letter, along with actions taken by the Secretariat to implement the recommendations of the External Auditor.

II. Recommendations and Findings of the External Auditor for financial year 2012

4. The Office of the Auditor General of Norway examined IRENA's internal control mechanisms, noting that IRENA as a fairly new organization had managed to take the necessary steps to ensure the efficiency of its administrative functions and that this would be further strengthened by the implementation of Enterprise Resource Planning (ERP). The External Auditor observed that "the involvement of IRENA management within these issues has been crucial for the improvement that

has been achieved" and that continued management involvement would be vital for maintaining and further enhancing organizational development.

5. The External Auditor further stated that its overall findings did not point to serious weaknesses or shortcomings in the internal control. However, some areas were identified where the calculations of accrual should be subject to greater attention and the level of transparency should be improved, all of which, along with the progress made on each recommendation, are excerpted and summarized in the table that follows.

Topic	Audit observations	Audit recommendations	Actions taken to implement the recommendations	Status
1. Voluntary contributions	"Contributions that exceed obligations given as mandatory assessment or in accordance with bid agreements, either as voluntary in-kind or cash contributions, should always be accompanied by a written confirmation from the contributor in order to recognize contribution as assets belonging to the Agency."	"[R]ecommend that IRENA on a regular basis provides the relevant documentation in this respect to avoid offsetting for amounts pending clarification."	- Management accepted the recommendation. - Follow-up was undertaken with Members for written confirmations, and all outstanding confirmations have been received. - There is a system in place to ensure continuous compliance with the recommendation.	Fully Implemented
2. Accruals – Repatriation grant, leave pay, relocation grant, education grant	The auditors identified issues regarding the following accruals disclosed in the Financial Statements: - Miscalculation of accruals for repatriation grant amounting to USD 14,100 - Leave pay was miscalculated by approximately USD 10,250 - Miscalculation of accruals for relocation grant amounting to USD 3,300 - Education grant accrual is miscalculated with net amount of approximately USD 1,000	"[R]ecommend that IRENA establishes routines which will improve the internal control function within these areas."	- Management accepted the recommendation, noting the discrepancies identified amount to USD 28,650. - Management took immediate action to make corrections, which were reflected in the Audited 2012 Financial Statements. - Additional internal control procedures have been implemented to ensure accrual calculations are correct. They now require approval by a reviewer different from the person performing the calculations. Implementation of the ERP system in the course of 2014 will minimize the risk of human error.	Fully implemented

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3. Presentation of assessed contribution – dues and overpayments	"The audit team considers that IRENA's presentation of contributions in Annex I [of the Financial Statements] could have been presented in a more informative way…"	Present Annex I "in a more informative way in terms of columns that easily show the assessed contribution for each member state for prior and current periods, adjusted for the actual payment made by the member state. Any differences between the actual payment and the assessments should be presented either as dues or overpayments."	- Management accepted the recommendation and took immediate action to reflect adjustments in the 2012 Audited Financial Statements, where the presentation suggested by the auditors is now reflected in Annex I. - Future statements will follow the same presentation.	Fully implemented
4. Payroll – Transfers to Provident Fund	"There is a lack of traceability between the Excel sheets used for payroll (including underlying sheets) and the actual transfers to the Provident Fund. The calculations of the amounts to be transferred are correct, but the supporting documentation is not always compliant with the amount transferred."	"[R]ecommend that the amount transferred to the Provident Fund for each month should be directly traceable to the underlying salary sheets and Provident Fund calculation."	- Management accepted the recommendation. - Management has made changes to payroll and Provident Fund calculation sheets, which are reviewed each month, and calculations are now clearly traceable in the salary sheets.	Fully implemented

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5. Procurement	- The auditors observed that due to limited time before expiry of the existing health insurance contract, the "Director-General approved the CRC [Contract Review Committee] recommendation to negotiate conditions with the existing supplier in order to extend the existing contract." - In relation to another procurement process, the auditors further observed that "a confirmed bank guarantee was not fulfilled by the supplier."	"[S]trongly underline the importance of starting the procurement process in proper time to ensure required health insurance coverage based on real competition among providers." "[R]ecommend that IRENA establishes a procedure to make sure that committed guarantees are fulfilled in accordance with the initial agreements."	- Management has accepted the recommendations. - The process began in July 2013. Requests for proposals have been launched for health insurance services, with proper schedule of benefits and technical evaluation criteria, with lead time of over 3 months prior to expiration of existing contracts. - A system has been put in place to ensure that committed guarantees are fulfilled in accordance with agreements, as part of full compliance with the terms of the contract.	Fully implemented