IRENA
International Renewable Energy Agency

INTERNATIONAL RENEWABLE ENERGY AGENCY
Tenth meeting of the Council
Abu Dhabi, 23 – 24 November 2015

Report of the Director-General
on the Status of Implementation of the External Audit Recommendations

I. Introduction

1. Pursuant to Article XII.C of the IRENA Statute, the Assembly through its decision A/3/DC/11 appointed Deloitte & Touche as the External Auditor of IRENA to audit the annual financial statements of IRENA and of its Staff Provident Fund for the four year period 2013 to 2016.

2. Pursuant to Financial Regulation 12.1, the Director-General submitted IRENA annual financial statements for the year ending 31 December 2014 to the External Auditor. The External Auditor audited the 2014 financial statements and issued its report on those financial statements expressing an unqualified audit opinion. The Director-General submitted the External Auditor's report and the corresponding 2014 audited financial statements, together with the Director-General's report thereon, to the ninth meeting of the Council (C/9/6).

3. The External Auditor also addressed a management letter to the Director-General on 23 June 2015 that included audit findings and recommendations. The present report provides Members with a status of external audit recommendations as contained in the management letter, along with actions taken by the Secretariat to implement those recommendations.

II. Recommendations and findings of the External Auditor for the financial year 2014

4. As part of the process of auditing the annual financial statements, the External Auditor considered IRENA's internal control and accounting mechanisms and expressed an opinion thereon. Based on its assessment, the External Auditor issued recommendations primarily related to the status of the United Arab Emirates (UAE) bid contribution subsequent to 2015; the finalisation of the IRENA headquarters occupancy agreement; assessed contributions receivable collection process; update of IRENA internal policies following the ERP implementation; and the enhancement of segmental reporting within the annual financial statements. The External Auditor also followed up and cleared all its prior year IT related recommendations and further recommended the periodic review of access to the interim budget tracking application. These recommendations, along with the progress made on their implementation, are presented in the Annex to this report. The External Auditor made six recommendations, three of which have been fully implemented and the other three are under implementation and will be fully implemented by end of the first quarter of 2016.

Status of implementation of the external audit recommendations

No.	Audit recommendations	Management action taken to implement the recommendation	Current status
1.	We recommend that management performs a detailed analysis to assess the impact on the Agency's ability to carry out its activities in the future as a result of potential changes in the amounts funded come the end of the Government of UAE bid commitment.	The end of 2015 is marking the end of certain bid commitments by the UAE. The Secretariat has been in discussions with the UAE Government regarding post-2015 arrangements, and there is agreement by the UAE to provide continued funding at certain levels that are yet to be finalised. The commitments by the UAE that have so far been finalised include USD 2.5 million annually for five years, housing allowance for UAE-based staff, certain elements in support of the IT infrastructure and full provision of internet services, in addition to continuing bid commitments for governing bodies and other related meetings in Abu Dhabi as well as IRENA premises and related costs.	Under implementation: Fourth quarter 2015
2.	In March 2015, IRENA relocated to its permanent headquarters made available by the Government of the UAE. As at the completion of our audit, the occupancy agreement had not been finalised. We recommend management finalise and execute the occupancy agreement as soon as possible.	Discussions have taken place between the Government of the UAE and the Secretariat on specific aspects that will be reflected in the occupancy agreement. A draft of the occupancy agreement has been prepared and, as at the cut-off date of this report, was still under discussion. It is hoped that the IRENA Secretariat and the UAE Government conclude the discussions of the occupancy agreement by early 2016.	Under implementation: First quarter 2016
3.	We recommend management have a process in place whereby, on a periodic basis, an assessment of all outstanding balances is performed documenting why management believes amounts are recoverable (in the case that a provision is required against an amount, management should document how	Management has adopted a standard process where due annual assessed contribution notifications are sent out to Members during January of each year, following the determination by the Assembly of the annual scale of contributions. Thereafter and throughout the year, regular follow up actions are carried out by management during May and September, and	Fully implemented and on-going reviews.

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	it has determined the level of provision required). The assessment should have an appropriate preparer and reviewer.	targeted follow up takes place during December of each year. As a result, IRENA has been achieving a very high level of collections, over 95%, as reported through the Director-General's to the Agency governing bodies. Management continues to invest additional efforts to fully collect outstanding amounts from Members through face to face meetings and contacts, email follow up contacts and during other meetings and similar opportunities. Management maintains adequate documentation on record to ensure the regularity of the contributions collections process, where receivables continue to be valid and fully collectible in management view.	
4.	We recommend management reviews its current guidance and process flows and identifies processes that will require updates post the Enterprise Resource Planning (ERP) implementation. Appropriate changes to such processes should be discussed and implemented accordingly and will help in avoiding some risks of error.	The ERP is aimed to provide real time integrated reporting with live data accessible to all Divisions and users. Work flows built into the ERP system are those aligned to established IRENA business processes with necessary controls configured to protect the integrity of data and processes. The ERP plan includes a phased implementation: the Finance and Procurement modules are being deployed and going-live in the fourth quarter of 2015 which will be followed by the Human Resources and Travel Modules. As required during and following the ERP implementation, management is reviewing, revising and updating as necessary applicable processes in light of the ERP implementation, and identifying gaps, following which policies and process manuals will be updated accordingly.	Under implementation: First quarter 2016

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5.	We recommend management reviews the detailed requirements of *IPSAS 18 Segmental Reporting* and benchmark current disclosures against disclosures being made by other UN agencies to enhance its segmental reporting.	On a regular basis, management reviews its continued compliance with the requirements of the International Public Sector Accounting Standards (IPSAS) when preparing the Agency's annual audited financial statements. As IPSAS continues to develop, management takes the necessary action to adjust its accounting policy and processes as required to ensure continued IPSAS compliance. During the 2014 financial statements preparation process, enhancements were made in the notes disclosures meeting the specific requirements of IPSAS 18, Segment Reporting. During 2015, this compliance process shall continue and further note disclosure information shall be presented while benchmarking with other international organisations that apply IPSAS for their financial accounting and reporting.	Fully implemented and on-going reviews.
6.	We recommend IRENA IT department to initiate and formalize the process of reviewing user access levels in the Budget application. Management may consider incorporating the below suggested user access review process: • IT department prepares a listing of all active users and the access levels assigned to their profiles in the Budget application; • This list is sent to all department heads for review in order to ensure that the	Management prepared and implemented a follow-up action plan to address this audit recommendation as follows: • A quarterly listing of all active users and the access levels assigned to their profiles in the Budget application is being prepared by ICT and sent to all relevant section heads for review in order to ensure that the listed users continue to be employed by the Agency and at the relevant access levels; • The head of the concerned section approves the presence of the users and adequacy of the access levels assigned to them and convey this to the Director of the Administration and Management Services (AMS) Division who will approve this authorization in writing and will document it and have it archived for future audits and management reviews;	Fully implemented.

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	listed users are still with IRENA and in the relevant access levels; • The head of department approves the presence of the users and adequacy of the access levels assigned to them. This approval should be documented and archived for future audits and management reviews; and • After approval is acquired, it is the responsibility of the IT team to reflect the presence and access levels of the users onto the Budget application. IRENA business management may consider assessing the frequency of this review based on the frequency of employees joining and leaving IRENA, as well as organizational, roles and responsibilities changes. Further, evidence of such reviews should be maintained for future reference.	• The Director of AMS will convey the approved authorization and access to the ICT team to enforce and reflect the presence and access levels of the users onto the Budget application. Furthermore, additional steps taken to enhance the quarterly review, the application access list and authorization include: a) A list of the Budget Application Users is sent to the Finance Section; b) Subsequent to the review conducted by the Finance Section regarding the need and adequacy of access to the budget application, the user access control list is updated based on business requirements.	