

**INTERNATIONAL RENEWABLE ENERGY AGENCY**

Fourteenth meeting of the Council  
Abu Dhabi, 28 – 29 November 2017

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

1. Pursuant to Article XII.C of the Statute of the International Renewable Energy Agency (hereafter “Agency” or “IRENA”), the Assembly through its decision A/3/DC/11, appointed Deloitte & Touche (M.E.) 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 from 2013 to 2016.
2. Pursuant to Financial Regulation 12.1, the Director-General submitted the annual financial statements of IRENA for the year ending 31 December 2016 (“2016 financial statements”) to the External Auditor. The External Auditor audited the 2016 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 audited 2016 financial statements, together with the Director-General’s report thereon, to the thirteenth meeting of the Council (C/13/6).
3. The External Auditor also addressed a management letter to the Director-General in April 2017 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.
4. As part of the process of auditing the 2016 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 related to the password settings in the IRENA information technology environment; the ownership of all service accounts in the IRENA information technology environment; and the review of the useful life of IRENA assets. The External Auditor also followed up on the implementation of the outstanding recommendation arising from the 2015 audit in relation to the finalisation of the IRENA headquarters occupancy agreement in Abu Dhabi.
5. These recommendations, along with the progress made on their implementation, are presented in the Annex to this report.

**ANNEX***Status of implementation of the external audit recommendations*

No.	Audit recommendations	Management action taken to implement the recommendation	Current status
1.	In March 2015, IRENA relocated to its permanent headquarters made available by the Government of the United Arab Emirates (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.	During 2016, discussions continued with the Government of the UAE in an effort to finalise the occupancy agreement, to be concluded by IRENA and the Government of the UAE pursuant to the Headquarters Agreement. To date, discussions are continuing on the text of the occupancy agreement with a view to its conclusion as soon as possible.	On-going
2.	We recommend that management reviews the useful life of the Agency's assets to ensure that depreciation rates are reasonable.	<p>The useful lives currently being used are in keeping with generally accepted accounting practice. However, IRENA is currently reviewing the useful lives of its assets to ensure their depreciation rates continue to be reasonable.</p> <p>IRENA is conducting an extensive review of assets with a view to writing-off assets that are obsolete and/or no longer in use. This effort is expected to result in write-offs of obsolete and fully depreciated assets, with the aim of removing some assets from the statement of financial performance during the fourth quarter of 2017 and the first quarter of 2018.</p>	Under implementation: Fourth quarter 2017 and first quarter 2018
3.	We recommend IRENA IT Management to consider updating the password policy to reflect IRENA's management requirements and align it with the actual password settings in place.	The account lockout threshold is now set to three attempts as per the current password policy.	Fully implemented
4.	We recommend IRENA IT Management to map the service account to a specific user to promote accountability of actions performed on the applications. Moreover, we further recommend to create a formal accountability document detailing the ownership of this service account.	The service account has been assigned to a specific user and a formal accountability document was established.	Fully implemented