

**INTERNATIONAL RENEWABLE ENERGY AGENCY**

Seventh session of the Assembly  
Abu Dhabi, 14 – 15 January 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 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 2015 (“2015 financial statements”) to the External Auditor. The External Auditor audited the 2015 financial statements and issued its report on those financial statements, expressing an unqualified audit opinion. The External Auditor’s report and the corresponding audited 2015 financial statements, together with the Director-General’s report thereon, have been submitted to the Assembly through document A/7/7.
3. The External Auditor also addressed a management letter to the Director-General during April 2016 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 2015 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 no new recommendations arising from the 2015 audit. However, the External Auditor followed up on the implementation of the outstanding recommendations arising from the 2014 audit mainly:
  - a. the recommendation related to the finalisation of the IRENA headquarters occupancy agreement in Abu Dhabi; and
  - b. the update of IRENA internal policies and processes following the ERP implementation.
5. The two outstanding recommendations, along with the progress made on their implementation, are presented in the Annex to this report which is being submitted, through the Council, to the Assembly for its consideration.

## ANNEX

*Status of implementation of the external audit recommendations*

No.	Audit recommendations	Management action taken to implement the recommendation	Current status
1.	<p>In March 2015, IRENA relocated to its permanent headquarters made available by the Government of the United Arab Emirates. As at the completion of our audit, the occupancy agreement had not been finalised. We recommend management finalize and execute the occupancy agreement as soon as possible.</p>	<p>During 2015, discussions continued with the Government of the United Arab Emirates (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.</p>	On-going
2.	<p>We recommend management reviews its current guidance and process flows and identifies processes that will require updates post the ERP implementation. Appropriate changes to such processes should be discussed and implemented accordingly and will help in avoiding some risks of error.</p> <p>We also recommend management perform a review of previous costs incurred and capitalised as part of the previous ERP migration plan and ensure that any items that need to be expensed are done so appropriately</p>	<p>The ERP implementation project at IRENA is a key initiative aimed at enhancing the efficiency and effectiveness of resource utilization in support of the work programme implementation. 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. Any change to the established business processes will be discussed, approved and documented.</p> <p>The previous ERP implementation plan included Finance, Procurement, Human Resources and Travel Modules. The business process map documents developed as part of the previous attempt to implement the ERP remain relevant, while needing revisions in some cases. Following the implementation of a new ERP system, management will review and expense any previously capitalised items where appropriate and in line with IRENA Financial Regulations and Procedures.</p>	On-going