

INTERNATIONAL RENEWABLE ENERGY AGENCY

Third meeting of the Council
Abu Dhabi, 05 – 06 June 2012

**Chair's Summary of the Outcome of
the Finance Committee Meeting
held on 4 June 2012**

Context: Pursuant to decision A/1/DC/10/Rev.1, the Finance Committee met on 4 June 2012 to review and provide recommendations to the Council on the Liquidation Financial Statements of the Preparatory Commission for IRENA, the IRENA 2011 Financial Statements and the Director-General's report on the Working Capital Fund.

Objective: The main objective of this meeting was to review the Liquidation Financial Statements of the Preparatory Commission for IRENA, the IRENA 2011 Financial Statements and agree on the level of the Working Capital Fund, as well as any other business.

Outcome: A set of views and comments captured by the Chair in his summary below to be presented to the Council at its meeting on 6 June 2012.

The following views and comments were made on the three items discussed at the Finance Committee meeting held on 4 June 2012:

1. Liquidation Financial Statements of the Preparatory Commission for IRENA

- The Finance Committee welcomed completion of the Liquidation process with the issuance of Liquidation financial statements and positive audit opinion thereon.
- In regards to recovery/settlement of amounts pending for two former staff members, the Secretariat indicated that the amounts have been confirmed by the External Auditors. The Secretariat clarified that the former staff member had not complied with the Organisation's Staff Regulations and Financial Regulations in authorising an invalid payment to be processed.
- The Finance Committee recommended that Council recommends to the Third Assembly to take note, with appreciation, on the Liquidation of Preparatory Commission Financial Statements.

2. IRENA 2011 Financial Statements

- The Finance Committee welcomed attaining positive audit opinion and noted compliance with the International Public Sector Accounting Standards as a positive achievement for IRENA.
- Efforts will be continued to encourage Members to make payments of their outstanding assessments. The Secretariat will follow up and will remind Members that according to the IRENA Statute, Members would temporarily lose voting rights in case their debt exceeds 2 year assessment.

- The Secretariat clarified that the exchange rate risks are managed by limiting conversion of the funds from the currency of receipt of funds. No hedging instruments are currently used.
- Stable and relatively high net assets value over the reporting period demonstrated good position.
- On the clarification sought regarding impact of new Members joining IRENA: the Secretariat explained that 7 new Members have joined since the 2nd Assembly adding some USD 230,000 to miscellaneous income.
- A footnote included in the contributions statistics of the 2011 Work Programme review report had not been included in the Annex I of Financial Statements. The Secretariat will provide clarifications on this point to the Member.
- A clarification was sought on whether specific assessment of the management and internal controls were given as part of the external audit. The Secretariat clarified that the auditors had conducted relevant testing and management letter from the External Auditors is due to be received shortly. A summary of findings and recommendations including management action will be provided to the Finance Committee and the Council.
- The Finance Committee decided to include monitoring of the audit recommendations as a regular activity of the Finance Committee in the TORs.
- The Secretariat clarified that available cash is being invested in interest bearing accounts, while the investment policy is being drafted for approval by the 3rd Assembly. It has also noted that in the absence of an approved investment policy, the Secretariat is not allowed to pursue more aggressive investment approach, yet.

3. Working Capital Fund (WCF)

- The Assembly at its second session addressed Director-General's report on the Working Capital Fund of IRENA (A/2/5). Through its decision A/2/DC/2, it requested the Council to review the proposed level of the Working Capital Fund and its financing mechanism.

There were three main questions related to WCF discussed in the Finance Committee:

- Should IRENA have a WCF?
 - The need for the WCF was well understood and unanimously supported by members of the Finance Committee.
- What should be the level of WCF?

- The level of WCF was proposed at USD 1.6 million.
- It was noted that according to the Joint Inspection Unit report on WCF for the whole United Nations system, the usual practice is to provide for at least 1 month operational requirement as part of WCF.
- In the case of IRENA, considering budget approval timing, the cash shortage may arise during January to mid-February, extending this period of potential cash shortage to over one month, roughly coinciding with current operational requirement of the proposed USD 1.6 million.
- What is the mechanism for funding WCF?
 - According to Financial Regulation 9.5, WCF is funded by advances from Members made in accordance with the scale of assessment.
 - The proposal to utilise cash surplus of 2011 and where necessary the 2010 operating reserve reappropriations to fund WCF was discussed. The Finance Committee noted that the remaining unused balance of cash surplus is to be reappropriated to Members and that almost the entire proposed level of WCF can be funded from the cash surplus of 2011.
 - In general the proposal to utilise cash surplus of 2011 was supported by the Finance Committee.
 - A draft decision on the WCF to be considered for the third session of the Assembly has been finalised.

4. Any other business

Biennial Work Programme and Budget Cycle

- The Finance Committee discussed an earlier proposal of the Director-General (C/2/9) on the introduction of the biennial work programme and budget cycle, which was initially reviewed at the second Council meeting. There was unanimous support for the proposal of biennial work programme budget to be implemented in IRENA as soon as possible.
- Some of advantages of biennial work programme and budget:
 - Longer programming/budgeting cycle, which is more consistent with strategic planning, and which would give a more reasonable timeframe for monitoring programme implementation outcomes and impacts;
 - Better review of results based budget indicators;
 - Efficiencies for budget preparation by the Secretariat and review by the Members once every two years instead of annually.

- For the timeline, FC recommends 2014-2015 as the first biennial budget cycle which will allow preparation of the first biennial work programme and budget during 2013.
- Recommendation: The Finance Committee recommended that the Council request the Secretariat to make a proposal on biennial Work Programme and Budget for its consideration at the fourth Council meeting, towards consideration by the Assembly at its third session, with the aim of having a biennial Work Programme and Budget of IRENA for 2014 – 2015 with a moderate increase taking into consideration that IRENA is a new agency.