The Agency's Financial Statements for 2012

IAEA
International Atomic Energy Agency

GC(57)/12

Report by the Board of Governors

In accordance with Financial Regulation 11.03(b) [1], the Board of Governors hereby transmits to the Members of the Agency the report of the External Auditor on the Agency's financial statements for 2012.

The Board has examined the report by the External Auditor and the report by the Director General on the financial statements, and also the financial statements themselves, and submits the following draft resolution for the consideration of the General Conference.

The General Conference,

Having regard to Financial Regulation 11.03(b),

Takes note of the report of the External Auditor on the Agency's financial statements for the year 2012 and of the report of the Board of Governors thereon [*].

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[*] GC(57)/12

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[1] INFCIRC/8/Rev.3

Fifty-seventh regular session

The Agency's Financial Statements For 2012

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REPORT OF THE DIRECTOR GENERAL ON THE AGENCY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Introduction

1. In accordance with Financial Regulation 11.03, I have the honour to submit the financial statements of the International Atomic Energy Agency (hereafter 'IAEA' or the Agency) for the year ended 31 December 2012.

2. For the second successive year, the financial statements of the Agency have been prepared on an accrual basis in accordance with International Public Sector Accounting Standards (IPSAS). Prior to 2011 the financial statements were prepared in accordance with the United Nations System Accounting Standards (UNSAS). The budget continues to be prepared on a modified cash basis.

3. The Report of the External Auditor, with his unqualified opinion on the financial statements, is submitted in accordance with Financial Regulation 11.03.

4. The International Atomic Energy Agency ('IAEA' or 'the Agency') is a not-for-profit autonomous intergovernmental organization established on 29 July 1957 upon the entry into force of its Statute as approved on 23 October 1956 by the Conference on the Statute of the International Atomic Energy Agency. It is part of the United Nations Common System and the relationship with the United Nations is regulated by the "Agreement Governing the Relationship Between the United Nations and the International Atomic Energy Agency" which came into force on 14 November 1957.

5. The Agency's mandate sets out three core activities that underpin the Agency's programme:

   (i) *Safeguards and Verification* – verifying that safeguarded nuclear material and activities are not used for military purposes.

   (ii) *Safety and Security* – helping countries to upgrade nuclear safety and security, and to prepare for and respond to nuclear and radiological emergencies.

   (iii) *Science and Technology* – helping countries mobilize peaceful applications of nuclear science and technology.

6. The Agency carries out its mandate within a results-based framework ensuring effectiveness, accountability and transparency. This framework must be supported by high quality financial reporting and management information. The more comprehensive financial statements prepared under IPSAS are a key enabler to allow the Agency to deliver its mandate in an improved manner.

7. During 2012, the Agency continued to focus on the effective implementation of programmatic activities and improve the efficiency related to the processes supporting such implementation. Within this context, the following are some of the more significant items reflected in the Agency's financial statements:

   (i) Revenue from voluntary contributions, excluding contributions related to the IAEA LEU Bank for which one-time large contributions were accepted in 2011, increased to €157.1 million in 2012 from €148.0 million in 2011 (a 6.1% increase). This increase, coupled with the increase in deferred revenue from 2011 associated with voluntary contributions transferred subject to conditions (€16.9 million) shows the continued relevance and importance of the Agency to its Member States and other donors.

(ii) The carrying amount of the Agency's property, plant and equipment increased to €73.5 million in 2012 from €47.2 million in 2011 (a 56% increase). This increase was largely the result of the continued investment in the Nuclear Materials Laboratory (NML) in Seibersdorf, which is expected to be commissioned in 2013 and placed in service during 2014.

(iii) The Agency's cash, cash equivalents and investments balance increased to €472.6 million in 2012 from €404.4 million in 2011 (a 16.9% increase). The increase in cash and investments is mostly due to a €51.3 million increase in contributions received as advances.

(iv) The Agency's After-Service Health Insurance (ASHI) liability increased to €135.5 million in 2012 from €111.2 million in 2011 (a 21.9% increase). The increase in the liability was driven primarily by the reduction in the discount rate utilized in calculating the estimated liability, reflecting the significant reduction in interest rates in the global economic environment. This liability remains unfunded.

Financial Performance

8. The Agency's overall surplus of revenue over expenses in 2012 narrowed to €36.2 million from €150.7 million primarily as a result of:

(i) A reduction in voluntary contribution revenue for the IAEA LEU Bank of €81.1 million from €81.2 million in 2011 to €0.1 million in 2012; and

(ii) A €41.9 million increase in expenses, from €404.3 million in 2011 to € 446.2 million in 2012. This was due primarily to an increase in staff costs to support the Agency's programmatic activities (€13.8 million) and an increase in the transfers of equipment to development counterparts (€12.1 million).

9. Comparative information for the prior period has been provided in Statement II, Statement of Financial Performance. Financial Statement VIIb provides details of financial performance by fund, and this is summarized below:

Table 1: Summary Financial Performance by Fund for the Period Ended 31 December 2012

	(expressed in millions of euros)						
	RB & WCF	**TCF**	**EBF**	**TC-EB**	**TF/RF/SF**	***Inter-fund Elimination***	**TOTAL IAEA**
Total Revenue	328.9	61.1	85.9	12.2	0.3	*(6.0)*	482.4
Total Expenses	322.6	57.0	57.6	14.3	0.7	*(6.0)*	446.2
Surplus/(Deficit) from operations for the year	**6.3**	**4.1**	**28.3**	**(2.1)**	**(0.4)**	**-**	**36.2**

10. The Extrabudgetary (EB) Programme Fund (EBF) recorded a surplus of €28.3 million for 2012 due to revenue recognized during the year against which the expenses will be incurred in future periods.

11. The minor deficits under Technical Cooperation Extrabudgetary (TC-EB) and the Trust Funds, Reserve Funds and Special Funds (TF/RF/SF) are mainly due to the timing difference between recognizing revenue and expenses.

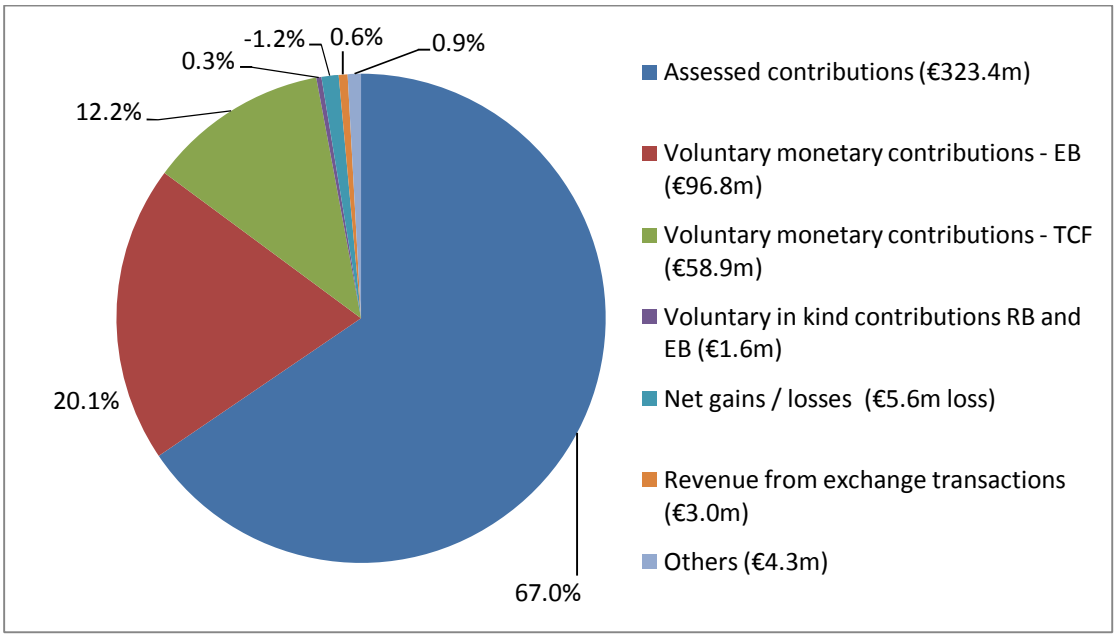
Revenue Analysis

12. Total revenue in 2012 was €482.4 million, a reduction of €72 million, or 13 %, from €554.4 million in 2011. The reduction, primarily resulted from large one-time contributions towards the IAEA LEU Bank, which were accepted and recorded as revenue in 2011, and is described in more detail in paragraph 14. In 2012, as shown in Figure 1, the majority of total revenue consisted of:

(i) Assessed contributions of €323.4 million (67.0%); and

(ii) Voluntary contributions of €157.3 million (32.6%).

Figure 1: Revenue Sources



13. Within voluntary contributions, extrabudgetary monetary contributions amounted to €96.8 million, and voluntary monetary contributions for the Technical Cooperation Fund (TCF) were €58.9 million. Voluntary contributions also include €1.6 million of in-kind contributions, primarily pertaining to the free use of premises in Austria and Monaco.

14. Table 2 compares 2011 and 2012 revenue. The decline in 2012 revenue was mainly due to the decrease in the IAEA LEU Bank voluntary contributions. The Board of Governors approved the establishment of the IAEA LEU Bank in December 2010 (GOV/2010/70). Its purpose is to serve as a mechanism of last resort to back up the commercial market without distorting the market, in the event that a Member State's supply of low enriched uranium is disrupted and cannot be restored by commercial means. The majority of the contributions for this (€81.2 million) were accepted and recorded as revenue in 2011 for use in future periods.

Table 2: Comparative Revenue Analysis

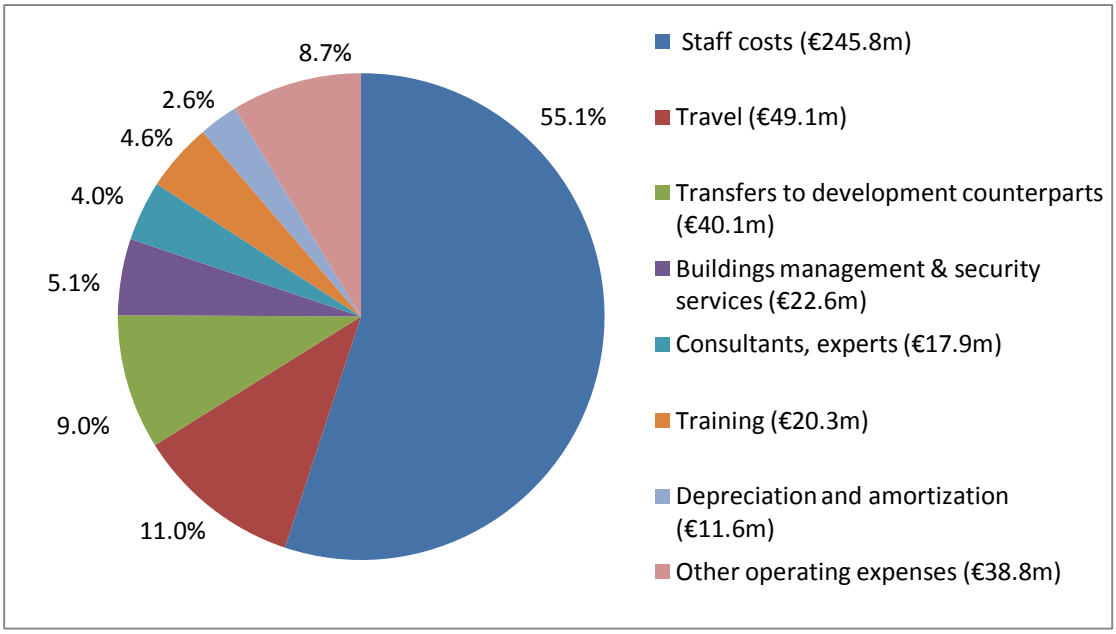
	(expressed in millions of euros)		
Revenue	**2012**	**2011**	**Change**
Assessed contributions	323.4	311.7	11.7
Voluntary contributions	157.3	230.3[1]	(73.0)
Other contributions	3.6	0.4	3.2
Revenue from exchange transactions	3.0	3.2	(0.2)
Interest revenue	0.7	1.6	(0.9)
Net gains / (losses)	(5.6)	7.2	(12.8)
Total revenue	**482.4**	**554.4**	**(72.0)**

[1] The €230.3 million includes €81.2 million of one-time contributions received for the IAEA LEU Bank. Excluding this one-time contribution, voluntary contributions revenue increased €9.1 million in 2012.

Expense Analysis

15. In 2012, total expenses were €446.2 million, an increase of €41.9, or 10.4%, over 2011. As shown in Figure 2, 2012 staff costs of €245.8 million represent 55.1% of total expenses. Staff costs include the costs of post-employment and other long-term employee benefits which better accounts for the true cost of employing staff on an annual basis.

Figure 2: Expense Analysis



16. Table 3 compares 2011 expenses to 2012 and the following paragraphs describe the major changes year to year.

Table 3: Comparative Expense Analysis

	(expressed in millions of euros)			
Expenses	**2012**	**2011**	**Change**	**Change %**
Staff costs	245.8	232.0	13.8	5.9%
Travel	49.1	42.5	6.6	15.4%
Transfers to development counterparts	40.1	28.0	12.1	43.2%
Buildings management and security services	22.6	19.2	3.4	17.5%
Consultants, experts	17.9	18.4	(0.5)	-2.7%
Training	20.3	15.3	5.0	32.7%
Depreciation and amortization	11.6	9.0	2.6	28.5%
Other operating expenses	38.8	39.9	(1.1)	-2.7%
Total expenses	**446.2**	**404.3**	**41.9**	**10.4%**

17. During 2012, staff costs increased by €13.8 million (5.9%) primarily due to: i) the annual increase in staff salaries (about 2%); and (ii) the increase in the number of Professional staff compared to 2011.

18. Equipment and other project assets that are procured by the IAEA and transferred to Member States, primarily under the TC programme, increased by €12.1 million (43.2%) compared to 2011. In 2011, the implementation of AIPS and IPSAS had an impact on the initiation of 2011 obligations, which resulted in lower goods delivered to counterparts and the corresponding expenses.

19. Travel expenses increased by €6.6 million (15.4%) in 2012 mainly due to increased programmatic activity in Nuclear Techniques for Development and Environmental Protection.

20. Training expenses increased by €5.0 million (32.7%) in 2012 due to an increased number of fellowship placements and the associated training required with the increased delivery of goods to development counterparts in 2012.

21. Other operating expenses declined by €1.1 million, to €38.8 million from 2011 levels. Included in other operating expense are: institutional contractual services (information technology, scientific and technical requirements, etc.) of €12.4 million that represent expenses where the Agency has engaged third parties to perform work on its behalf; supplies and materials (€6.0 million); equipment and software maintenance (€5.0 million); and purchase of minor equipment and software not meeting the capitalization criteria (€5.0 million).

22. The €41.9 million increase in 2012 expenses by fund is summarized as follows:

(i) The Regular Budget (RB) fund increased by €13.8 million to €322.6 million;

(ii) TCF increased by €10.6 million to €57.0 million;

(iii) EB fund increased by €16.1 million to €57.6 million;

(iv) TC-EB fund increased by €3.3 million to €14.3 million;

(v) TF/RF/SF fund increased by €0.2 million to €0.7 million; and

(vi) Eliminations were reduced by €2.1 million compared to 2011.

Budgetary Performance

23. The Regular Budget of the Agency continues to be prepared on a modified cash basis, and is presented in the financial statements as Statement V, Statement of Comparison of Budget and Actual Amounts. In order to facilitate a comparison between the budget and the financial statements that are prepared under IPSAS, reconciliation of the budget to the Cash Flow Statement is included in Note 35 to the financial statements.

24. The original Regular Budget appropriations for 2012 were approved for €341.5 million (€331.5 million in 2011) at an exchange rate of €1 = $1. The final budget for 2012 was recalculated to €327.2 million, at the UN average rate of €0.7777 to $1. As shown in Note 35a to the financial statements, there were no movements of the Regular Budget appropriations between major programmes.

25. As shown in detail in Statement Va for the operational portion of the RB, the 2012 expenditures were €307.1 million (€300.1 million in 2011). The unutilized balances shown in Table 4 for the operational portion of the RB amounts to €9.7 million and will be carried over into the second year of the biennium (2013) to meet programmatic needs. As indicated in Statement Vb of the capital portion of the Regular Budget, the Agency expended €6.6 million, leaving an unobligated balance of €1.6

million which will be kept in the Reserve for the Major Capital Investment Fund (MCIF) to support major capital investments. The utilization rates by major programme are provided below.

Table 4: Budget Utilization Rates for 2012

Major Programme	Utilization Rates	
	Operational Portion	Capital Portion
MP1 - Nuclear Power, Fuel Cycle and Nuclear Science	97.3%	-
MP2 - Nuclear Techniques for Development and Environmental Protection	94.7%	-
MP3 - Nuclear Safety and Security	96.1%	-
MP4 - Nuclear Verification	98.6%	78.1%
MP5 - Policy, Management and Administration	96.0%	98.2%
MP6 - Management of Technical Cooperation for Development	95.4%	-
Total Agency	**96.9%**	**80.6%**

Financial Position

26. The financial position of the Agency by fund can be summarized as follows:

Table 5: Summary Financial Position by Fund as at 31 December 2012

	(expressed in millions of euros)							
	RB & WCF	TCF	EBF	TC-EB	TF/RF/SF	2012 TOTAL	2011 TOTAL	CHANGE
Current Assets	145.1	70.6	277.3	39.3	2.7	535.0	468.9	66.1
Non-current Assets	84.1	-	36.8	-	0.7	121.6	86.6	35.0
Total Assets	**229.2**	**70.6**	**314.1**	**39.3**	**3.4**	**656.6**	**555.5**	**101.1**
Current Liabilities	72.8	6.3	20.5	3.7	-	103.3	64.1	39.2
Non-current Liabilities	193.2	-	42.4	3.6	-	239.2	187.6	51.6
Total Liabilities	**266.0**	**6.3**	**62.9**	**7.3**	**-**	**342.5**	**251.7**	**90.8**
NET ASSETS/EQUITY	**(36.8)**	**64.3**	**251.2**	**32.0**	**3.4**	**314.1**	**303.8**	**10.3**

27. The significant areas of change in the Agency's financial position from 2011 to 2012 are the following:

a) Current assets increased by €66.1 million, mainly due to the increase in cash, cash equivalents and investments of €68.2 million to €472.6 million;

b) Non-current assets increased by €35.0 million, mostly due to the increase in property, plant and equipment (PP&E) of €26.3 million; and

c) Total liabilities increased by €90.8 million due to two main factors

(i) Deferred revenue (current and non-current liabilities) increased by €51.3 million to €112.1 million; and

(ii) Employee benefit liabilities (current and non-current liabilities) increased by €36.9 million to €212.0 million.

28. Further details of these changes are provided in the specific sections below.

Net Assets/ Equity

29. The Agency's net assets/equity increased from €303.8 million as at 31 December 2011 to €314.1 million as at 31 December 2012. The €10.3 million increase was primarily due to the net surplus of €36.2 million less the €25.1 million in actuarial losses for post-employment benefits.

30. The negative net assets/equity position of €36.8 million for the RB fund, as shown in Table 5, is primarily due to the significant unfunded staff post-employment benefits liabilities that are recognized in the financial statements.

31. The net assets/equity balance of the EBF increased by €27.5 million to a balance of €251.2 million, primarily due to contributions received or pledged for the extrabudgetary projects against which expenses are expected to be incurred in future years.

Cash, Cash Equivalents, and Investments

32. In 2012, the cash, cash equivalents and investments values increased by €68.2 million to €472.6 million, which accounts for 72.0% of the total assets of the Agency at 31 December 2012. 63.3% of the total cash, cash equivalents and investments balances pertained to extrabudgetary funds, and are therefore earmarked for specific projects.

33. The 2012 increase was mainly due to an increase of €51.3 million in contributions received as advances. In 2012, there was a shift from investments in instruments with original maturity less than three months towards investments in instruments with original maturity of 3 to 12 months because short term interest rates were zero or negative during the second half of 2012.

Contributions and Receivables

34. Overall, the total net receivables decreased by €2.1 million to €45.7 million and are mostly assessed contributions receivable, voluntary contributions receivable and receivables from exchange transactions.

35. Revenue from assessed contributions for the current year Regular Budget amounted to €323.4 million. The rate of collection of assessed contributions for 2012 was 93.9% (93.2% in 2011). Total gross assessed contributions receivable at 31 December 2012 were €25.8 million (€21.2 million in 2011), which increased by €4.6 million primarily due to a substantial increase in outstanding amounts from one Member State, which were received in February 2013. The Agency calculated an allowance of €4.7 million (€4.6 million in 2011) against all assessed contributions receivable as at 31 December 2012.

Figure 3: Assessed Contributions Collection Rate (percent)

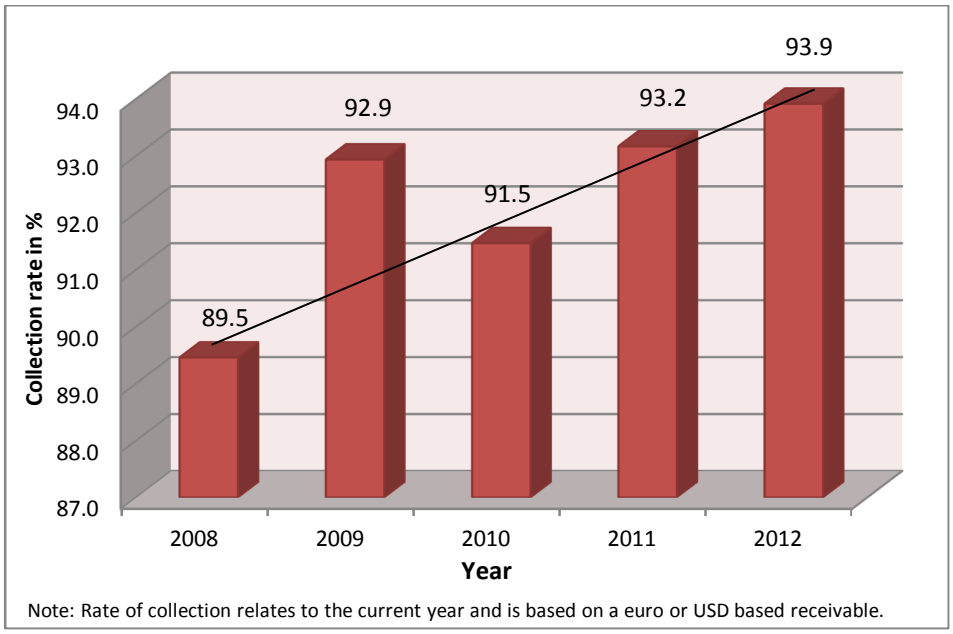
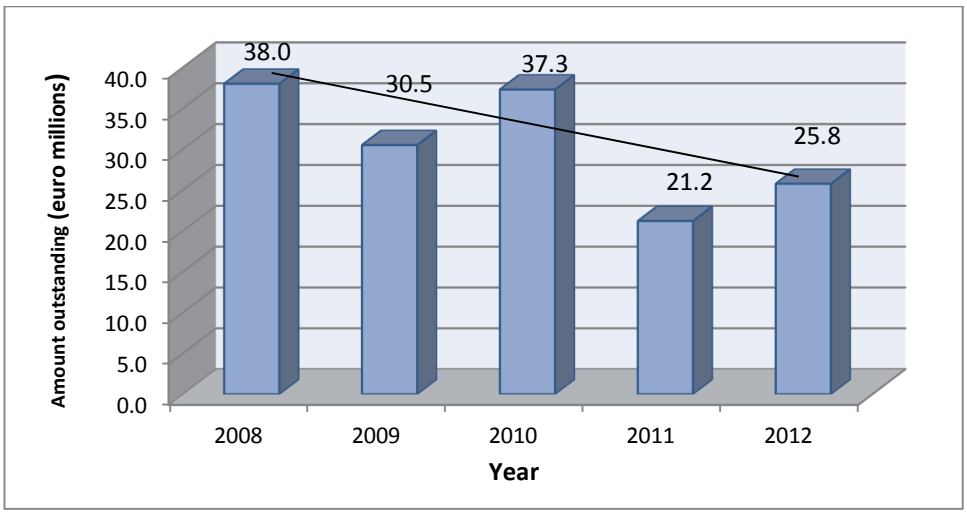


Figure 4: Gross Assessed Contributions Receivable (expressed in euro millions)



36. TCF contributions receivable decreased by €3.2 million to €0.7 million, primarily due to collection of amounts outstanding for prior years. The receivables from extrabudgetary contributions at 31 December 2012 amounted to €14.5 million (€18.1 million in 2011). The decrease was due to the receipt from a Member State of an amount outstanding related to the IAEA LEU Bank.

Property, Plant & Equipment (PP&E)

37. In 2012, the net carrying values of PP&E increased by €26.3 million to €73.5 million, which represents 11.2% of total Agency assets. As shown in Table 6, 2012 PP&E values are composed mainly of assets under construction with a net carrying value of €27.8 million, Buildings with a net carrying value of €16.3 million, and inspection equipment with a net carrying value €10.6 million.

Table 6: Comparative PP&E Analysis

Property, plant and equipment	(expressed in millions of euros)		
Class	**2012**	**2011**	**Change**
Buildings	16.3	16.2	0.1
Communication and IT equipment	8.5	6.6	1.9
Inspection equipment	10.6	9.5	1.1
Laboratory equipment	7.5	6.7	0.8
Assets under construction	27.8	5.1	22.7
Other equipment	2.8	3.1	(0.3)
	73.5	**47.2**	**26.3**

38. The 2012 increase in PP&E is mostly attributable to the costs incurred for the construction of the Nuclear Materials Laboratory (NML) in Seibersdorf. Total NML project costs that are categorized as assets under construction increased from €3.1 million in 2011 to €24.8 million as of 31December 2012. The NML construction is targeted to be completed in mid-2013 and, once put into service, will be categorized under the Buildings class. The Buildings class includes the buildings at Seibersdorf, Austria, and the Clean Laboratory Extension (CLE) which was commissioned in June 2011.

39. The buildings at the Vienna International Centre are not part of these assets. These premises are leased for a nominal rent from the Government of Austria and are shared by other UN organizations. The Agency has taken transitional provisions under IPSAS 17 for these buildings. A detailed disclosure regarding this lease is provided in Note 11 of the Agency's annual financial statements.

Deferred Revenue

40. The 2012 increase of €51.3 million in deferred revenue from 2011 was mainly due to:

(i) An increase of €33.1 million in contributions, primarily Regular Budget, that have been received by the Agency in advance; and

(ii) An increase of €16.9 million in extrabudgetary contributions received from donors that are subject to conditions. In accordance with IPSAS, these contributions cannot be recorded as revenue until their conditions of are fulfilled.

Employee Benefit Liabilities

41. The Agency has significant liabilities relating to post-employment and other long term employee benefits, amounting to €212.0 million at the end of 2012, an increase of €36.9 million during the year. The change is mainly due to a lower discount rate in the actuarial assumptions, which reflects the declining interest rates in the current economic environment. The lower discount rate in the actuarial assumptions increased the liabilities for the After Service Health Insurance (ASHI) by €24.3 million and the post-employment repatriation and separation entitlements by €10.8 million.

42. The funding of these long term contractual obligations with employees, both current and past, remains an issue for the Agency. The main unfunded liability continues to be ASHI, which amounted to €135.5 million as at 31 December 2012.

Risk Management

43. The financial statements prepared under IPSAS provide details of how the Agency manages its financial risk, including credit risk, market risk (foreign currency exchange and interest rate) and liquidity risk. From an overall perspective, the Agency's investment management prioritizes capital

preservation as its primary objective, ensuring sufficient liquidity to meet cash operating requirements, and then earning a competitive rate of return on its portfolio within these constraints.

(signed) YUKIYA AMANO
Director General

STATEMENT OF THE DIRECTOR GENERAL'S RESPONSIBILITIES AND CONFIRMATION OF THE FINANCIAL STATEMENTS WITH THE FINANCIAL REGULATIONS OF THE INTERNATIONAL ATOMIC ENERGY AGENCY AS AT 31 DECEMBER 2012

The Director General's responsibilities

The Director General is required by the Financial Regulations to maintain such accounting records as are necessary in accordance with the accounting standards generally in use throughout the United Nations system and to prepare annual Financial Statements. He is also required to give such other financial information as the Board may require or as he may deem necessary or useful.

In line with the Financial Regulations the Agency has adopted the International Public Sector Accounting Standards (IPSAS) effective January 2011.

To lay the foundations for the financial statements, the Director General is responsible for establishing detailed Financial Rules and procedures to ensure effective financial administration, the exercise of economy, and the effective custody of the Agency's assets. The Director General is also required to maintain an internal financial control which shall provide an effective examination of financial transactions to ensure: the regularity of the receipt, custody and disposal of all funds and other financial resources of the Agency; and the conformity of expenditures with the appropriations approved by the General Conference, the decisions of the Board on the use of funds for the Technical Cooperation Programme or other authority governing expenditures from extrabudgetary resources; and the economic use of the resources of the Agency.

Confirmation of the Financial Statements with the Financial Regulations

We hereby confirm that the following appended financial statements, comprising Statements I to VIIb, and supporting Notes, were properly prepared in accordance with Article XI of the Financial Regulations, with due regard to the International Public Sector Accounting Standards.

(signed) YUKIYA AMANO
Director General

(signed) BETTINA TUCCI BARTSIOTAS
Director, Division of Budget and Finance

19 March 2013

PART I

Letter from the External Auditor to the Chairperson of the Board of Governors

The Chairperson of the Board of Governors
International Atomic Energy Agency
A-1400 VIENNA
Austria

2 April 2013

Sir,

I have the honour to transmit the financial statements of the International Atomic Energy Agency for the year ended 31 December 2012 which were submitted to me by the Director General in accordance with Financial Regulation 11.03(a). I have audited these statements and have expressed my opinion thereon.

Further, in accordance with Financial Regulation 12.08, I have the honour to present my report on the Financial Statements of the Agency for the year ended 31 December 2012.

Please accept the assurances of my highest consideration.

(signed) Vinod Rai
Comptroller and Auditor General of India,
External Auditor

AUDIT OPINION

CERTIFICATE OF THE EXTERNAL AUDITOR ON THE FINANCIAL STATEMENTS OF THE INTERNATIONAL ATOMIC ENERGY AGENCY FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2012

To the General Conference of the International Atomic Energy Agency

We have audited the accompanying financial statements of the International Atomic Energy Agency (IAEA), which comprise the statement of financial position at 31 December 2012, and the statement of financial performance, statement of changes in equity, statement of cash flow, statement of comparison of budget and actual amounts, statements of segment reporting by major programme/fund for the year ended 31 December 2012 and notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards (IPSAS). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the International Atomic Energy Agency as at 31 December 2012, and its financial performance and of its cash flows for the year ended 31 December 2012 in accordance with IPSAS.

Report on Other Legal and Regulatory Requirements.

Further, in our opinion, the transactions of the International Atomic Energy Agency that have come to our notice or which we have tested as part of our audit have, in all significant respects, been in accordance with the IAEA Financial Regulations.

In accordance with the Article XII of the Financial Regulations, we have also issued a long-form Report on our audit of the International Atomic Energy Agency.

(signed) Vinod Rai
Comptroller and Auditor General of India
External Auditor
India

New Delhi, 2 April 2013

PART II

Financial Statements

Text of a Letter dated 19 March 2013 from the Director General to the External Auditor

Sir,

Pursuant to Financial Regulation 11.03(a), I have the honour to submit the financial statements of the International Atomic Energy Agency for the year ended 31 December 2012, which I hereby approve. The financial statements have been prepared and signed by the Director, Division of Budget and Finance, Department of Management.

Accept, Sir, the assurances of my highest consideration.

(signed) Yukiya Amano
Director General

STATEMENT I: STATEMENT OF FINANCIAL POSITION
As at 31 December 2012
(expressed in euro'000s)

	Note	31-12-2012	31-12-2011
Assets			
Current assets			
Cash and cash equivalents	4	169 335	261 662
Investments	5	303 253	142 754
Accounts receivable	6, 7	45 100	47 102
Advances and prepayments	8	12 196	11 862
Inventory	9	5 064	5 537
Total current assets		534 948	468 917
Non-current assets			
Accounts receivable	6, 7	612	695
Advances and prepayments	8	28 641	27 841
Investment in common services entities	10	3 938	3 916
Property, plant & equipment	11	73 472	47 155
Intangible assets	12	15 001	6 964
Total non-current assets		121 664	86 571
Total assets		**656 612**	**555 488**
Liabilities			
Current liabilities			
Accounts payable	13	16 700	14 563
Deferred revenue	14	69 456	35 122
Employee benefit liabilities	15, 16	16 499	13 230
Other financial liabilities	17	714	994
Provisions	18	-	201
Total current liabilities		103 369	64 110
Non-current liabilities			
Deferred revenue	14	42 615	25 663
Employee benefit liabilities	15, 16	195 503	161 898
Provisions	18	1 000	-
Total non-current liabilities		239 118	187 561
Total liabilities		**342 487**	**251 671**
Net Assets		**314 125**	**303 817**
Equity			
Fund balances	19, 20	247 338	184 021
Reserves	21	66 787	119 796
Total equity		**314 125**	**303 817**

The accompanying Notes are an integral part of these statements.

(signed) BETTINA TUCCI BARTSIOTAS
Director, Division of Budget and Finance

STATEMENT II: STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 31 December 2012
(expressed in euro'000s)

	Note	31-12-2012	31-12-2011
Revenue			
Assessed contributions		323 409	311 728
Voluntary contributions	22	157 250	230 276
Other contributions	23	3 583	410
Revenue from exchange transactions	24	2 995	3 263
Interest revenue	25	695	1 564
Net gains/ (losses)	26	(5 558)	7 201
Total revenue		**482 374**	**554 442**
Expenses			
Staff costs	27	245 825	231 967
Consultants, experts		17 842	18 345
Travel	28	49 119	42 547
Transfers to development counterparts	29	40 080	27 995
Buildings management and security services	30	22 573	19 213
Training	31	20 311	15 255
Depreciation and amortization	11, 12	11 601	9 025
Other operating expenses	32	38 833	39 918
Total expenses		**446 184**	**404 265**
Share of surplus/ (deficit) in common services entities	33	22	534
Net surplus/(deficit)		**36 212**	**150 711**
Expense analysis by major programme	**Statement**		
Nuclear Power, Fuel Cycle & Nuclear Science	6	47 790	45 146
Nuclear Techniques for Development and Environmental Protection	6	85 933	63 710
Nuclear Safety and Security	6	75 548	67 634
Nuclear Verification	6	136 815	121 734
Policy, Management and Administration Services a/	6	102 394	107 302
Shared Services and expenses not directly charged to major programmes	6	21 862	19 190
Eliminations	6	(24 158)	(20 451)
Total expenses by major programme		**446 184**	**404 265**

a/ Includes Management of Technical Cooperation for Development

The accompanying Notes are an integral part of these statements.

(signed) BETTINA TUCCI BARTSIOTAS
Director, Division of Budget and Finance

STATEMENT III: STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2012
(expressed in euro'000s)

	Note	31-12-2012	31-12-2011
Equity at the beginning of the year	19, 20, 21	303 817	146 616
Valuation gains/(losses) on investments	21	13	(16)
Actuarial gains/(losses) on employee benefit liabilities	21	(25 101)	6 513
Adjustment to revenue/ expenses for prior years		(88)	-
Net revenue recognized directly in equity		(25 176)	6 497
Net surplus/(deficit) for the year	19	36 212	150 711
Receipts of working capital fund from new Member States		8	-
Credits to member states		(736)	(7)
Equity at the end of the year	19, 20, 21	**314 125**	**303 817**

The accompanying Notes are an integral part of these statements.

(signed) BETTINA TUCCI BARTSIOTAS
Director, Division of Budget and Finance

STATEMENT IV: STATEMENT OF CASH FLOW
For the year ended 31 December 2012
(expressed in euro'000s)

	31-12-2012	31-12-2011
Cash Flows from Operating Activities		
Net Surplus/(Deficit)	36 212	150 711
Adjustment to prior period revenue/expenses	(88)	-
Depreciation and amortization	11 601	9 025
Discount amortization	(109)	(73)
Impairment	10	2
Actuarial gains/(losses) on employee benefit liabilities	(25 101)	6 513
Increase/(decrease) in doubtful debts allowance	(715)	517
(Gains)/losses on disposal of PPE and Intangibles	(26)	18
In-kind revenue	(119)	(445)
Share of deficit/(surplus) in common service entities	(22)	(534)
Unrealized foreign-exchange (gains)/losses on cash and cash equivalents	5 379	(5 301)
(Increase)/decrease in receivables	2 800	6 036
(Increase)/decrease in inventories	470	(1 409)
(Increase)/decrease in prepayments	(1 134)	(4 820)
Increase/(decrease) in contributions received in advance	51 287	(13 177)
Increase/(decrease) in accounts payable	2 137	(18 721)
Increase/(decrease) in employee benefit liabilities	36 874	6 961
Increase/(decrease) in other liabilities and provisions	519	(31)
Net Cash Flows from Operating Activities	**119 975**	**135 272**
Cash Flows From Investing Activities		
Purchase or construction of PPE and Intangibles	(45 860)	(25 960)
Sale of PPE and Intangibles	42	14
Investments	(160 377)	(9 668)
Net Cash Flows from Investing Activities	**(206 195)**	**(35 614)**
Cash Flows From Financing Activities		
Working Capital Receipts	8	-
Cash Surplus Payments	(736)	(7)
Net cash flows from financing activities	**(728)**	**(7)**
Net increase/(decrease) in cash and cash equivalents	(86 948)	99 651
Cash and cash equivalents at beginning of the period	261 662	156 710
Unrealized foreign-exchange gains/(losses) on cash and cash equivalents	(5 379)	5 301
Cash and cash equivalents and bank overdrafts at end of the period	**169 335**	**261 662**

The accompanying notes are an integral part of these statements.

(signed) BETTINA TUCCI BARTSIOTAS
Director, Division of Budget and Finance

STATEMENT Va: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
(REGULAR BUDGET FUND OPERATIONAL PORTION) a/
For the year ended 31 December 2012

(expressed in euro'000s)

	Approved Budget	Final Budget	Actuals (Expenditure)	Variance
MP1-Nuclear Power, Fuel Cycle and Nuclear Science	33 725	32 095	31 238	858
MP2-Nuclear Techniques for Development and Environmental Protection	38 664	37 024	35 051	1 973
MP3-Nuclear Safety and Security	33 999	32 339	31 063	1 275
MP4-Nuclear Verification	128 781	122 931	121 152	1 779
MP5-Policy, Management and Administration Services	75 355	72 840	69 937	2 903
MP6-Management of Technical Cooperation for Development	20 390	19 566	18 666	900
Total Agency programmes	**330 914**	**316 795**	**307 107**	**9 688**
Reimbursable work for others	2 385	2 247	2 966	(719)
Total Regular Budget fund operational portion	**333 299**	**319 042**	**310 073**	**8 969**

Note a/: The accounting basis and the budget basis are different. This statement of Comparison of Budget and Actual amounts is prepared on the modified cash basis (further information provided in Note 35).

The accompanying notes are an integral part of these statements

(signed) BETTINA TUCCI BARTSIOTAS
Director, Division of Budget and Finance

STATEMENT Vb: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (REGULAR BUDGET FUND CAPITAL PORTION) a/

For the year ended 31 December 2012
(expressed in euro'000s)

	Approved Budget	Final Budget	Actuals (Expenditure)	Variance
MP4-Nuclear Verification	7 138	7 138	5 575	1 563
MP5-Policy, Management and Administration Services	1 016	1 016	997	19
Total Regular Budget capital portion	**8 154**	**8 154**	**6 572**	**1 582**

Note a/: The accounting basis and the budget basis are different. This statement of Comparison of Budget and Actual amounts is prepared on the modified cash basis (Note 35).

The accompanying notes are an integral part of these statements

(signed) BETTINA TUCCI BARTSIOTAS
Director, Division of Budget and Finance

STATEMENT VI: STATEMENT OF SEGMENT REPORTING BY MAJOR PROGRAMME

For the year ended 31 December 2012

(expressed in euro'000s)

	Nuclear Power, Fuel Cycle and Nuclear Science	Nuclear Techniques for Development and Environmental Protection	Nuclear Safety and Security	Nuclear Verification	Policy, Management and Administration Services a/	Shared Services and Expenses not Directly Charged to Major Programmes b/	Eliminations c/	Total
Expense								
Staff costs	23 627	23 498	31 952	93 236	62 647	10 865	-	245 825
Consultants, experts	3 877	4 390	5 860	671	1 794	1 250	-	17 842
Travel	8 538	14 136	15 887	8 425	2 021	112	-	49 119
Transfers to development counterparts	5 343	25 679	8 242	187	629	-	-	40 080
Buildings management and security services	4	1 506	29	1 385	17 965	1 684	-	22 573
Training	1 653	8 521	5 599	1 394	3 029	115	-	20 311
Depreciation and amortization	220	818	354	7 527	2 247	435	-	11 601
Other operating expenses	4 528	7 385	7 625	23 990	12 062	7 401	(24 158)	38 833
Total Expense	**47 790**	**85 933**	**75 548**	**136 815**	**102 394**	**21 862**	**(24 158)**	**446 184**
Assets								
Property, Plant, Equipment and Intangibles	**917**	**2 417**	**1 720**	**60 252**	**18 091**	**5 076**	**-**	**88 473**
Asset additions								
Property, Plant, Equipment and Intangibles	**652**	**1 082**	**1 003**	**35 040**	**3 976**	**4 301**	**-**	**46 054**

a/ Includes Management of Technical Cooperation for Development.

b/ Expenses not directly charged to major programmes primarily include expenses tracked centrally pertaining to shared services, reimbursable work for others, doubtful debt expenses etc.

c/ Major programme expenses are shown inclusive of allocated shared services costs and programme support costs. Eliminations column includes elimination of programme support costs and other transactions occurring between major programmes to reconcile to total expenses in the statement of financial performance.

The accompanying Notes are an integral part of these statements.

(signed) BETTINA TUCCI BARTSIOTAS
Director, Division of Budget and Finance

COMPARATIVE STATEMENT VI: STATEMENT OF SEGMENT REPORTING BY MAJOR PROGRAMME

For the year ended 31 December 2011

(expressed in euro'000s)

	Nuclear Power, Fuel Cycle and Nuclear Science	Nuclear Techniques for Development and Environmental Protection	Nuclear Safety and Security	Nuclear Verification	Policy, Management and Administration Services a/	Shared Services and Expenses not Directly Charged to Major Programmes b/	Eliminations c/	Total
Expense								
Staff costs	20 949	21 061	30 208	86 718	61 782	11 249	-	231 967
Consultants, experts	4 495	4 301	5 502	829	2 345	873	-	18 345
Travel	8 679	8 867	13 078	7 659	4 146	118	-	42 547
Transfers to development counterparts	5 866	13 643	8 209	6	271	-	-	27 995
Buildings management and security services	10	1 502	71	1 488	16 104	38	-	19 213
Training	1 689	5 497	4 203	1 315	2 514	37	-	15 255
Depreciation and amortization	152	603	263	6 142	1 853	12	-	9 025
Other operating expenses	3 306	8 236	6 100	17 577	18 287	6 863	(20 451)	39 918
Total Expense	**45 146**	**63 710**	**67 634**	**121 734**	**107 302**	**19 190**	**(20 451)**	**404 265**
Assets								
Property, plant, equipment and intangibles	**484**	**2 153**	**1 070**	**32 831**	**16 370**	**1 211**	**-**	**54 119**
Asset additions								
Property, plant, equipment and intangibles	**452**	**1 524**	**880**	**20 185**	**2 340**	**1 142**	**-**	**26 523**

a/ Includes Management of Technical Cooperation for Development.

b/ Prior year amounts have been reclassified for comparison purposes. Expenses not directly charged to major programmes primarily include expenses tracked centrally pertaining to shared services, reimbursable work for others, doubtful debt expenses etc.

c/ Major programme expenses are shown inclusive of allocated shared services costs and programme support costs. Eliminations column includes elimination of programme support costs and other transactions occurring between major programmes to reconcile to total expenses in the statement of financial performance.

The accompanying notes are an integral part of these statements.

(signed) BETTINA TUCCI BARTSIOTAS
Director, Division of Budget and Finance

STATEMENT VIIa: STATEMENT OF SEGMENT REPORTING BY FUND - FINANCIAL POSITION

As at 31 December 2012
(expressed in euro'000s)

	Regular Budget Fund and Working Capital Fund	Technical Cooperation Fund	Extra Budgetary Programme Fund	Technical Cooperation Extrabudgetary Fund	Trust Funds, Reserve Funds and Special Funds	Total
ASSETS						
Cash and cash equivalents	75 786	38 957	42 610	9 264	2 718	169 335
Investments	29 500	26 632	222 842	24 279	-	303 253
Accounts receivable	29 612	1 475	11 181	3 444	-	45 712
Advances and prepayments	38 812	827	102	1 096	-	40 837
Inventory	580	2 721	547	1 207	9	5 064
Property, plant & equipment	36 209	12	36 667	-	584	73 472
Intangible assets	14 771	-	157	-	73	15 001
Investment in common service entities	3 938	-	-	-	-	3 938
TOTAL ASSETS	229 208	70 624	314 106	39 290	3 384	656 612
LIABILITIES						
Accounts payable	7 769	2 696	3 129	3 097	9	16 700
Deferred revenue	48 974	3 563	55 336	4 198	-	112 071
Employee benefit liabilities	208 919	5	3 078	-	-	212 002
Other financial liabilities	301	12	401	-	-	714
Provisions	-	-	1 000	-	-	1 000
TOTAL LIABILITIES	265 963	6 276	62 944	7 295	9	342 487
NET ASSETS	(36 755)	64 348	251 162	31 995	3 375	314 125
EQUITY						
Fund balances	(64 934)	42 363	241 884	24 677	3 348	247 338
Reserves	28 179	21 985	9 278	7 318	27	66 787
TOTAL EQUITY	(36 755)	64 348	251 162	31 995	3 375	314 125

The accompanying notes are an integral part of these statements

(signed) BETTINA TUCCI BARTSIOTAS
Director, Division of Budget and Finance

COMPARATIVE STATEMENT VIIa: STATEMENT OF SEGMENT REPORTING BY FUND - FINANCIAL POSITION

As at 31 December 2011
(expressed in euro'000s)

	Regular Budget Fund and Working Capital Fund	Technical Cooperation Fund	Extra Budgetary Programme Fund	Technical Cooperation Extrabudgetary Fund	Trust Funds, Reserve Funds and Special Funds	Total
ASSETS						
Cash and cash equivalents	79 711	12 719	137 576	28 110	3 546	261 662
Investments	-	43 600	91 414	7 740	-	142 754
Accounts receivable	26 032	3 621	16 473	1 668	3	47 797
Advances and prepayments	37 534	1 102	167	900	-	39 703
Inventory	633	3 434	574	874	22	5 537
Property, plant & equipment	32 867	3	14 185	-	100	47 155
Intangible assets	6 811	-	56	-	97	6 964
Investment in common service entities	3 916	-	-	-	-	3 916
TOTAL ASSETS	187 504	64 479	260 445	39 292	3 768	555 488
LIABILITIES						
Accounts payable	9 299	2 459	1 195	1 597	13	14 563
Deferred revenue	22 829	1 694	32 650	3 612	-	60 785
Employee benefit liabilities	172 607	13	2 508	-	-	175 128
Other financial liabilities	579	6	407	2	-	994
Provisions	201	-	-	-	-	201
TOTAL LIABILITIES	205 515	4 172	36 760	5 211	13	251 671
NET ASSETS	(18 011)	60 307	223 685	34 081	3 755	303 817
EQUITY						
Fund balances	(81 371)	33 087	208 597	21 402	2 306	184 021
Reserves	63 360	27 220	15 088	12 679	1 449	119 796
TOTAL EQUITY	(18 011)	60 307	223 685	34 081	3 755	303 817

The accompanying notes are an integral part of these Statements

(signed) BETTINA TUCCI BARTSIOTAS
Director, Division of Budget and Finance

STATEMENT VIIb: STATEMENT OF SEGMENT REPORTING BY FUND - FINANCIAL PERFORMANCE

For the year ended 31 December 2012
(expressed in euro'000s)

	Regular Budget Fund and Working Capital Fund	Technical Cooperation Fund	Extra Budgetary Programme Fund	Technical Cooperation Extrabudgetary Fund	Trust Funds, Reserve Funds and Special Funds	Elimination a/	Total
REVENUE							
Assessed contributions	323 409	-	-	-	-	-	323 409
Voluntary monetary contributions	-	58 924	84 019	12 705	-	-	155 648
Voluntary in-kind contributions	1 497	-	105	-	-	-	1 602
Other contributions	287	3 296	-	-	-	-	3 583
Revenue from exchange transactions	2967	7	-	-	21	-	2 995
Interest revenue	230	91	352	22	-	-	695
Internal revenue including programme support costs	1094	-	4568	-	349	(6 011)	-
Net gains/(losses)	(584)	(1 262)	(3 154)	(557)	(1)	-	(5 558)
TOTAL REVENUE	328 900	61 056	85 890	12 170	369	(6 011)	482 374
EXPENSES							
Staff costs	223 434	1	22 389	1	-	-	245 825
Consultants, experts	8 235	5 027	3 542	1 038	-	-	17 842
Travel	18 520	17 247	11 015	2 337	-	-	49 119
Transfers to development counterparts	8 003	20 211	3 557	7 769	540	-	40 080
Buildings management and security services	22 569	2	1	1	-	-	22 573
Training	2 770	12 398	3 740	1 403	-	-	20 311
Depreciation and amortization	9 572	2	1 836	-	191	-	11 601
Other operating expenses	29 457	2 129	11 535	1 706	17	(6 011)	38 833
TOTAL EXPENSES	322 560	57 017	57 615	14 255	748	(6 011)	446 184
Share of surplus/ (deficit) in common services entities	22	-	-	-	-	-	22
Net surplus/(deficit)	6 362	4 039	28 275	(2 085)	(379)	-	36 212

a:/ Fund expenses are shown inclusive of programme support costs and transactions occurring between funds. This column includes elimination of programme support costs and other transactions occurring between funds to reconcile to total expenses in the statement of financial performance.

The accompanying notes are an integral part of these Statements.

(signed) BETTINA TUCCI BARTSIOTAS
Director, Division of Budget and Finance

COMPARATIVE STATEMENT VIIb: STATEMENT OF SEGMENT REPORTING BY FUND - FINANCIAL PERFORMANCE

For the year ended 31 December 2011
(expressed in euro'000s)

	Regular Budget Fund and Working Capital Fund	Technical Cooperation Fund	Extra Budgetary Programme Fund	Technical Cooperation Extrabudgetary Fund	Trust Funds, Reserve Funds and Special Funds	Elimination	Total
REVENUE							
Assessed contributions	311 728	-	-	-	-	-	311 728
Voluntary monetary contributions	-	57 628	157 103	13 658	-	-	228 389
Voluntary in-kind contributions	1 442	-	445	-	-	-	1 887
Other contributions	245	165	-	-	-	-	410
Revenue from exchange transactions	3 249	14	-	-	-	-	3 263
Interest revenue	924	176	424	40	-	-	1 564
Internal revenue including programme support costs	715	-	2 907	-	274	(3 896)	-
Net gains/(losses)	(2 467)	1 738	8 485	(553)	(2)	-	7 201
TOTAL REVENUE	315 836	59 721	169 364	13 145	272	(3 896)	554 442
EXPENSES							
Staff costs	211 679	6	20 261	21	-	-	231 967
Consultants, experts	9 436	5 307	2 650	952	-	-	18 345
Travel	18 208	15 840	6 917	1 582	-	-	42 547
Transfers to development counterparts	5 890	11 678	3 548	6 719	160	-	27 995
Buildings management and security services	19 210	-	3	-	-	-	19 213
Training	2 158	9 895	2 318	884	-	-	15 255
Depreciation and amortization	8 060	-	916	-	49	-	9 025
Other operating expenses	34 157	3 622	4 869	906	260	(3 896)	39 918
TOTAL EXPENSES	308 798	46 348	41 482	11 064	469	(3 896)	404 265
Share of surplus/ (deficit) in common services entities	534	-	-	-	-	-	534
Net surplus/(deficit)	7 572	13 373	127 882	2 081	(197)	-	150 711

The accompanying notes are an integral part of these Statements.

(signed) BETTINA TUCCI BARTSIOTAS
Director, Division of Budget and Finance

PART III

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NOTE 1: Reporting entity

1. The International Atomic Energy Agency ('IAEA' or 'the Agency') is a not-for-profit autonomous intergovernmental organization established on 29 July 1957 upon the entry into force of its Statute as approved on 23 October 1956 by the Conference on the Statute of the International Atomic Energy Agency. The IAEA is a part of the United Nations Common System and its relationship with the United Nations is regulated by the 'Agreement Governing the Relationship Between the United Nations and the International Atomic Energy Agency' which entered into force on 14 November 1957.

2. The Agency's mandate sets out three core activities that underpin the Agency's programme:

(1) *Safeguards and Verification* – verifying that safeguarded nuclear material and activities are not used for military purposes.

(2) *Safety and Security* – helping countries upgrade nuclear safety and security, and prepare for and respond to emergencies.

(3) *Science and Technology* – helping countries mobilize peaceful applications of nuclear science and technology.

3. The statements on segment reporting by major programme and by fund provide further detail on how these core activities are managed and financed.

NOTE 2: Basis of preparation

4. These financial statements have been prepared on the accrual basis of accounting in accordance with the requirements of the International Public Sector Accounting Standards (IPSAS). Where IPSAS is silent concerning any specific matter, the appropriate International Financial Reporting Standard (IFRS) or International Accounting Standard (IAS) is applied.

5. The International Public Sector Accounting Standards Board (IPSASB) has introduced IPSAS 28 (Financial Instruments: Presentation), IPSAS 29 (Financial Instruments: Recognition and Measurement), and IPSAS 30 (Financial Instruments: Disclosures). IPSASB requires entities to apply these standards for annual financial statements covering periods beginning on or after 1 January 2013, and also encourages earlier application. The Agency has already applied these standards in preparing these financial statements.

Accounting convention

6. The financial statements have been prepared using the historical cost convention.

Presentation

7. Certain prior-year amounts have been reclassified to conform to the current year's presentation.

Functional currency and translation of foreign currencies

Functional and presentation currency

8. The financial statements are presented in euro, and all values are rounded to the nearest thousand euro (euro'000s). The functional currency of the Agency (including all Fund groups) is the euro.

Transactions and balances

9. Foreign currency transactions are translated into euro using the United Nations Operational Rates of Exchange (UNORE), which approximates the exchange rates prevailing at the dates of the transactions. The UNORE are set once a month, and revised mid-month if there are significant exchange rate fluctuations relating to individual currencies.

10. Monetary assets and liabilities denominated in foreign currencies are translated into euro at the UNORE year-end closing rate.

11. Both realized and unrealized foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Financial Performance.

Materiality and use of judgment and estimates

12. Materiality is central to the Agency's financial statements. The Agency's accounting materiality framework provides a systematic method to identify, analyse, evaluate, endorse and periodically review materiality decisions across a number of accounting areas.

13. The financial statements necessarily include amounts based on judgments, estimates and assumptions by management. Changes in estimates are reflected in the period in which they become known.

NOTE 3: Significant accounting policies

Assets

Cash and cash equivalents

14. Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Investments

15. The Agency's investments comprise term deposits, treasury bills and other discounted notes, all with original maturities ranging between three and twelve months.

16. The term deposits are classified as 'loans and receivables'; this classification requires initial recognition at fair value plus transaction costs and subsequent measurement at amortized cost using the effective interest rate method.

17. In 2011, the treasury bills were classified as 'available-for-sale'. Accordingly, these investments were recorded at fair value as on 31 December 2011, which resulted in the recording of an unrealized loss (excess of carrying cost over the fair market value) of €16 000 directly in net assets/equity as on that date. All treasury bills held on 31 December 2011 matured during 2012.

18. During 2012, based on the Agency's history, intent and ability to hold all treasury bills to maturity, it was determined that all such investment instruments – treasury bills and other discounted notes – acquired during 2012 and later would be classified as 'held-to-maturity' for the purposes of IPSAS 29 Financial Instruments: Recognition and Measurement. Under the 'held-to-maturity' classification, these investments are initially recorded at fair value plus transaction costs and are subsequently recorded at amortized cost using the effective interest method.

19. As the change in classification related only to investment instruments acquired during 2012, prior year amounts have not been restated. However, had this accounting policy been applied retrospectively, the recorded value of investments and net assets/equity as on 31 December 2011 would have been higher by approximately €16 000.

Accounts receivable

20. The Agency classifies its receivables as 'loans and receivables'. Receivables are recognized at their nominal value unless the effect of discounting is material.

21. Allowances for doubtful accounts are recognized when there is objective evidence that a receivable is impaired. In particular, for assessed contribution receivables, an allowance is recognized based on historical collection experience. Impairment losses are recognized in the Statement of Financial Performance.

Advances and prepayments

22. The Agency classifies its advances and prepayments as 'loans and receivables'. Advances are recognized at their nominal value unless the effect of discounting is material.

Inventories

23. Inventories are stated at the lower of cost and either current replacement cost or net realizable value.

24. Current replacement cost, which is used for inventories to be distributed to beneficiaries at no or nominal charge, is the cost the Agency would incur to acquire the asset on the reporting date.

25. Net realizable value, which is used for inventories to be sold at broadly commercial terms or used by the Agency, is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

26. Cost is determined using a weighted average cost formula unless the inventory items are unique in nature, in which case the specific identification method is used.

27. These policies apply to the Agency's major inventory categories as follows:

Inventory item	Valuation method	Cost formula
Project inventories in transit to counterparts	Lower of cost or current replacement cost	Specific identification method
Other inventories	Lower of cost or net realizable value	Weighted average cost

28. In addition to the above-mentioned major inventory categories, the Agency also produces and holds publications and reference materials. The inventories of publications and reference materials are not recognized as assets in these financial statements. Amounts spent on the acquisition and/or production of publications and reference material inventories are expensed when incurred.

29. A charge for impairment is recorded in the Statement of Financial Performance in the year in which the inventory is determined to be impaired due to obsolescence or excess quantities relative to demand.

Property, plant and equipment

Measurement of costs at recognition

30. Property, plant and equipment (PP&E) items are stated at historical cost less accumulated depreciation and any recognized impairment loss. For donated assets, fair value as of the date of acquisition is utilized as a proxy for historical cost. Construction in progress assets are recorded at cost and will only begin to depreciate from the date they are placed into service. Heritage assets are not capitalized. PP&E assets are capitalized in the financial statements if they have a cost equal to or greater than €3000, except specific PP&E items of computer equipment and furniture which are considered group items and capitalized irrespective of costs.

31. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the Agency and the cost of the item can be measured reliably. Repairs and maintenance costs are charged to the Statement of Financial Performance during the financial period in which they are incurred.

Depreciation method and useful life

32. Depreciation is charged so as to allocate the cost of assets over their estimated useful lives using the straight-line method. The estimated useful lives for the different PP&E classes are as follows and are subject to annual review:

Asset Class	Useful Life (Years)
Communications and IT Equipment	4
Vehicles	5
Furniture and Fixtures	12
Buildings	5 years (for prefabricated and containerized structures) and 15 to 100 years for others
Leasehold Buildings and Improvements	Shorter of lease term or useful life
Inspection Equipment	5
Laboratory Equipment	5
Other Equipment	5

Intangible assets

Measurement of costs at recognition

33. Intangible assets are carried at cost less accumulated amortization and any recognized impairment loss. For donated intangible assets, fair value as of the date of acquisition is used as a proxy for cost. Intangible assets under development are recorded at cost and will only begin to amortize once they are placed in service. Intangible assets are capitalized in the financial statements if they have a cost equal to or greater than €3000, except for internally developed software for which the capitalization threshold has been set at €25 000.

34. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the Agency and the cost of the item can be measured reliably. Maintenance costs are charged to the Statement of Financial Performance during the financial period in which they are incurred.

Amortization methods used and useful life

35. Amortization is provided on a straight-line basis on all intangible assets of finite life, at rates that will allocate the cost or value of the assets to their estimated residual values. The estimated useful lives of major classes of intangible assets are as follows and are subject to annual review:

Software acquired separately	5
Software internally developed	5

Verification and Impairment of Assets

36. Asset verification is an internal control measure that ensures the existence, location and condition of the assets and supports the ongoing maintenance of assets within the Agency. The Agency has physical verification procedures that are followed to ensure that assets are accurately recorded in the asset register and reflected in the financial statements

37. Assets that are subject to depreciation or amortization are reviewed annually for impairment to ensure that the carrying amount is still considered to be recoverable. Impairment occurs through complete loss, major damage or obsolescence. In case of complete loss, full impairment is recorded. In the case of major damage or obsolescence, impairment is recognized when the impairment exceeds €25 000. An impairment loss is recognized in the Statement of Financial Performance for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use. This impairment loss can be reversed in the subsequent periods if the recoverable service amount increases, to the extent of such increase, subject to a maximum of the impairment loss recognized.

Leases

Finance leases

38. Leases of tangible assets, for which the Agency has substantially all the risks and rewards of ownership, are classified as finance leases.

Operating leases

39. Leases where the lessor retains a significant portion of the risks and rewards inherent in ownership are classified as operating leases. Payments due under operating leases are charged to the Statement of Financial Performance as an expense.

Investments in associates and interests in joint ventures

Associates

40. An associate is an entity over which the Agency has significant influence but does not control.

41. The Abdus Salam International Centre for Theoretical Physics at Trieste (ICTP) was established jointly by IAEA, UNESCO and the Italian Government in 1964. The IAEA has significant influence in relation to the ICTP through its representation on the Steering Committee which governs the ICTP, along with the material funding it provides, which is recognized as an expense in the Statement of Financial Performance. The ICTP is therefore an associate of the IAEA. However, the ICTP has no formal ownership structure, dissolution provisions or other means of enabling any interest the IAEA may have in the ICTP to be reliably measured. Accordingly, the equity method of accounting, required by IPSAS 7 Investments in Associates, does not apply.

Joint ventures

42. A joint venture is a contractual arrangement whereby the Agency and one or more parties undertake an economic activity that is subject to joint control. The Agency has joint venture activities which are classified in three different forms:

- For jointly controlled operations where the Agency is the operator, the Agency recognizes in its financial statements the assets it controls, the liabilities and expenses it incurs, and recognizes any revenue according to the agreed billing arrangements. Where another organization is the operator, the Agency’s expense and liability recognition is limited to the agreed billing arrangements.
- For jointly controlled assets, the Agency recognizes its share of the asset and any associated depreciation.

- For jointly controlled entities, the Agency applies the equity method of accounting. The investment in the jointly controlled entity is therefore initially recognized at cost, and the carrying amount is increased or decreased to recognize the Agency's share of the surplus or deficit of the jointly controlled entity for each reporting period. The Agency's share of the surplus or deficit of the jointly controlled entity is recognized in the Agency's Statement of Financial Performance.

43. The IAEA is party to a joint venture arrangement with the United Nations (UN), the United Nations Industrial Development Organization (UNIDO) and the Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO) on the Vienna International Centre premises and related common services activities. The Agency has classified the premises and activities as follows:

Joint venture activity	**Classification**
Vienna International Centre premises, including any additions to the premises arising from Buildings Management Services, Major Repairs and Replacement Fund and Security Services activities.	Jointly controlled asset. The Agency's share is 53.868%. However, these premises have not been capitalized in the Agency's books (refer to Note 12).
Buildings Management Services	Jointly controlled operation, operated by UNIDO.
Major Repairs and Replacement Fund (MRRF)	Jointly controlled entity. The Agency's share is 53.868%. The main objective of this fund is to make capital additions to the VIC Buildings. The accounting treatment for MRRF should be aligned to the accounting treatment of the VIC Building. Since the VIC Building has not been capitalized in these financial statements, the MRRF has also not been equity accounted for. All disbursements by the Agency to the MRRF during the year have been expensed.
Catering Services	Jointly controlled entity, operated by UNIDO. The Agency's share is 53.868%. It has been included in the financial statements on the basis of the equity accounting method.
Commissary	Jointly controlled entity, operated by the Agency. The Agency's share is 53.868%. It has been included in the financial statements on the basis of the equity accounting method.
Medical Service	Jointly controlled operation, operated by the Agency.
Printing	Jointly controlled operation, operated by the Agency.
Security Services	Jointly controlled operation, operated by the UN.
Conference Services	Jointly controlled operation, operated by the UN.

44. More details on the jointly controlled entities, including their latest summary financial information, are provided in Note 11.

Liabilities

Accounts payable

45. Accounts payable are financial liabilities in respect of goods or services that have been received by the Agency, but not paid for. They are designated as 'other financial liabilities' and therefore are initially recognized at fair value and, when applicable, subsequently measured at amortized cost using the effective interest rate method. As the Agency's accounts payable generally fall due within 12 months, the impact of discounting is immaterial, and nominal values are applied to initial recognition and subsequent measurement.

Other financial liabilities

46. Other financial liabilities primarily include unspent funds held for future refunds and other miscellaneous items such as unapplied cash receipts. They are designated similar to accounts payable, and are recorded at nominal value as the impact of discounting is immaterial.

Employee benefit liabilities

47. The Agency recognizes the following categories of employee benefits:

- Short term employee benefits due to be settled within twelve months after the end of the accounting period in which employees render the related service;
- Post-employment benefits;
- Other long-term employee benefits; and
- Termination benefits.

Short-term employee benefits

48. Short-term employee benefits comprise first-time employee benefits (assignment grants), regular monthly benefits (wages, salaries, allowances), compensated absences (paid sick leave, maternity leave) and other short-term benefits (education grant, reimbursement of taxes) and the current portion of long-term benefits provided to current employees. Short-term employee benefits are expected to be settled within 12 months of the reporting date and are measured at their nominal values based on accrued entitlements at current rates of pay. These are treated as current liabilities.

Post-employment benefits

49. Post-employment benefits comprise the Agency's contribution to the After-Service-Health-Insurance (ASHI) plan, repatriation grants and end-of-service allowances, along with separation based travel and shipping costs. The liability recognized for these benefits is the present value of the defined benefit obligations at the reporting date. The defined benefit obligations are calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality euro corporate bonds with maturity dates approximating those of the individual benefits.

50. Actuarial gains and losses arising from changes in actuarial assumptions are recognized directly in equity.

Long-term employee benefits

51. Long-term employee benefits are benefits that are payable beyond 12 months of the reporting date such as annual leave and home leave. Annual leave benefits are calculated on the same actuarial basis as other post-employment benefits, except that actuarial gains and losses are recognized immediately in the Statement of Financial Performance. Home leave benefits are calculated in-house, and are not discounted as the effect of discounting is not material. Long-term employee benefits are normally treated as non-current liabilities. Some elements of normally long-term benefits may be expected to be settled within 12 months of the reporting date. These elements which are expected to be settled within 12 months after the end of the reporting date are treated as current liabilities.

United Nations Joint Staff Pension Fund

52. The Agency is a member organization in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to for the staff of the United Nations and the other organizations admitted to the membership in the UNSFJP. The Pension Fund is a funded, multi-employer defined benefit plan. As specified in Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies referred to in Article 57, paragraph 2, of the Charter of the United Nations and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

53. The plan exposes participating organizations to actuarial risks associated with the current and former staff of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. The Agency and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify the Agency's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence the Agency has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. The Agency's contributions to the plan during the financial period are recognized as expenses in the Statement of Financial Performance.

Termination benefits

54. Termination benefits are benefits that are payable if the Agency terminates an appointment before the retirement date/contract expiry date. These benefits may include termination indemnities and compensation in lieu of notice of termination.

Provisions

55. Provisions are recognized when the Agency has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. The amount of the provision is the best estimate of the expenditures expected to be required to settle the present obligation at the reporting date. This estimate is discounted where the effect of the time value of money is material.

Contingent liabilities and contingent assets

Contingent liabilities

56. Any possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Agency, are disclosed.

Contingent assets

57. Any probable assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Agency, are disclosed.

Revenue

Non-exchange revenue

Assessed contributions from Member States

58. Revenue from assessed contributions from Member States is recorded as of the first day of the year to which they relate.

Voluntary contributions

59. Revenue from voluntary contributions is recognized upon the signing of a binding pledge agreement between the Agency and the third party providing the contribution, provided the agreement does not impose any conditions on the Agency. Revenue from voluntary contributions relating to the Technical Cooperation Fund is recognized at the later of the first day of the target year to which it relates or the date a binding pledge is received.

60. Voluntary contributions that include conditions on their use, such that the funds must be returned to the donor if such conditions are not met, are initially treated as deferred revenue and then recognized as revenue when the conditions are satisfied.

61. Voluntary contributions made to the Extrabudgetary Programme Fund, Technical Cooperation Extrabudgetary Fund, and Trust Funds, Reserve Funds and Special Funds are generally received for a specific purpose and the related assets therefore have restrictions on their use.

National Participation Costs

62. National Participation Costs (NPCs) are charges to the Member States receiving technical assistance, calculated as 5% of the Member States' national programme, including national projects and fellows and scientific visitors funded under regional or interregional activities. They were introduced in 2005 thereby replacing Assessed Programme Costs (APCs). Least Developed Countries (LDCs) are exempted from NPCs.

63. The Agency follows a two year cycle for charging 5% NPC on the Member States' national programme. A majority of the new projects are charged in the first year of the two year cycle. Revenue from these NPC charges is recorded as of the first day of the two year cycle to which those charges relate. All other NPC charges, including the national projects and the fellows and scientific visitors funded under regional or interregional activities as well as supplementary new projects, are recorded as revenue as of the first day of the year to which they relate.

Goods and services in-kind contributions

Goods-in-kind

64. Goods that are donated to the Agency are recognized as revenue if the item value is worth €3 000 or more, with a corresponding increase in the appropriate asset, when such donations are received by the Agency. Revenue is recognized at fair value, measured as of the date the donated goods are recognized. Fair value is generally measured by reference to the price of the same or similar goods in an active market.

65. The Agency is provided with the use, under lease type arrangements with governments, of some of its buildings and facilities. The Agency's treatment of these arrangements is set out in the leases section previously described.

Services-in-kind

66. Services that are donated to the Agency are not recognized as revenue although disclosures around the nature and type of these services are provided.

Exchange revenue

67. Revenue from the sale of goods is recognized when significant risk and rewards of ownership of the goods are transferred to the purchaser.

68. Revenue from services is recognized when the service is rendered according to the estimated stage of completion of that service, provided that the outcome can be reliably estimated.

Interest revenue

69. Interest revenue is recognized over the period that it is earned. Interest on treasury bills is recognized using the effective interest rate method.

Expenses

Exchange expenses

70. Exchange expenses arising from the purchase of goods and services are recognized at the point that the supplier has performed its contractual obligations, which is when the goods and services are delivered and accepted by the Agency. For some service contracts, this process may occur in stages.

Non-exchange expenses

71. The Agency incurs non-exchange expenses primarily in the transfer of project inventories to development counterparts. An expense is recognized when the project inventories clear customs in the recipient country, which is considered the point at which the Agency transfers control over such inventories to the recipients.

72. Other non-exchange expenses are incurred primarily in provision of grants to fund research and fellowship agreements. An expense is recognized at the point that the Agency has authorized the funds for release, or has a binding obligation to pay, whichever is earlier. Where grant recipients must meet performance criteria before the final installment is paid, the final installment is recognized as an expense upon certification of fulfillment of performance criteria.

73. For yearly non-exchange funding agreements such as the Agency's funding of the ICTP, an expense is recognized for the period to which the funding relates.

Fund accounting and segment reporting

74. A fund is a self-balancing accounting entity established to account for the transactions of a specified purpose or objective. Funds are segregated for the purpose of conducting specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The financial statements are prepared on a fund accounting basis, showing at the end of the period the consolidated position of all funds. Fund balances represent the accumulated residual of revenue and expenses.

75. Segment reporting information is presented on the basis of the Agency's activities on both a major programme basis and a source of funding (Fund Groups) basis.

Major Programmes

76. The Agency's six major programmes form the structure for Regular Budget appropriations. The six major programmes are:

(1) Nuclear Power, Fuel Cycle and Nuclear Science - Major Programme 1 provides core scientific and technical support to Member States in the fields of nuclear power, nuclear fuel cycle and material technologies, research reactor operation and nuclear science. It builds capacity for energy system analysis and planning as well as for infrastructure development for new power and research reactors. It ensures broad Member State access to nuclear information and publications in these and other areas, and provides Member States with guidance and assistance for managing nuclear knowledge.

(2) Nuclear Techniques for Development and Environmental Protection - Major Programme 2 supports the Millennium Development Goals (MDGs) by assisting Member States to use nuclear techniques.

(3) Nuclear Safety and Security - Major Programme 3 establishes and continuously improves Agency safety standards and security guidance. The Agency provides for application of safety standards to its own operations, as well as — upon request — to activities carried out by Member States. This major programme also provides for international preparedness for effectively responding to and mitigating the consequences of a nuclear and radiological incident or emergency, and for supporting global efforts to improve nuclear security.

(4) Nuclear Verification - Major Programme 4 supports the Agency's statutory mandate to establish and administer safeguards designed to ensure that special fissionable and other materials, services, equipment, facilities and information made available by the Agency or at its request or under its supervision or control are not used in such a way as to further any military purpose. Under this major programme, the Agency carries out information analysis, verification and evaluation activities, and manages safeguards instrumentation and analytical services required for implementing safeguards. Strategic planning and development activities enable the Agency to improve the overall effectiveness and efficiency of the safeguards system.

(5) Policy, Management and Administration Services - Major Programme 5 comprises policy, management and administration functions. Firstly, leadership under the Director General to provide the coordination necessary to maintain a one-house approach, the strategic planning of programmes and the formulation of associated budgets, the setting of priorities, the evaluation

and assessment of performance, and the maintenance of physical and information security. Secondly, services provided to Member States and the Agency's Policy-making Organs — particularly the General Conference and the Board of Governors, its committees and working groups — to enable them to effectively discharge their statutory responsibilities. Thirdly, the necessary support in terms of legal, financial, human resources, conference and document services, procurement and general services to the implementation and delivery of the Agency's programmes. Fourthly, the internal audit, investigation, evaluation and management services provided to senior management and, through evaluations, also to the Board of Governors. Finally, the management and interchange of information within the Secretariat, and between the Secretariat and Member States, the media and the general public.

(6) Management of Technical Cooperation for Development – Major Programme 6 covers the management of the technical cooperation programme (TCP), which comprises national, regional and interregional projects funded from the Technical Cooperation Fund (TCF) and extrabudgetary contributions.

Fund Groups

77. Agency activities across these six major programmes are financed through five fund groups. The funds are established on the basis of resolutions passed by the General Conference and are administered in accordance with the Financial Regulations adopted by the Board of Governors, and Financial Rules issued by the Director General. Each Fund Group has differing parameters relating to how the revenue may be utilized. The five groups of funds are described below.

(1) Fund Group I (Regular Budget Fund and Working Capital Fund) is the principal means of financing Agency activities and enables the Agency to meet obligations arising from authorized appropriations. The Regular Budget Fund is based on an annual Regular Budget approved by the General Conference and financed from assessed contributions and miscellaneous income. The Working Capital Fund, which serves to finance appropriations pending the receipt of contributions, and for purposes which are determined from time to time by the Board of Governors with the approval of the General Conference, is financed from advances by Member States.

(2) Fund Group II (General Fund – Technical Cooperation Fund) is the main financing mechanism for the Agency's technical cooperation activities by Member States. Fund Group II is based on General Conference approved one year allocations which are financed primarily from voluntary contributions where Member States are asked to pledge contributions against their indicative share of the allocation, along with national participation costs and miscellaneous income.

(3) Fund Group III (General Fund – Extrabudgetary Programme Fund) is a financing mechanism to enable donor countries and international organizations to make voluntary contributions for activities in support of programmes within the Regular Budget as nominated by the donor. These contributions are available for these programmes until they are actually used and in consultation with the donor concerned.

(4) Fund Group IV (General Fund – Technical Cooperation Extrabudgetary Fund) is a financing mechanism to enable donor countries and international organizations to make voluntary contributions for activities in support of projects approved by the IAEA Board of Governors as nominated by the donor. They are available for these projects until they are actually used and in consultation with the donor concerned.

(5) Fund Group VI (Trust Funds, Reserve Funds and Special Funds) relates to funds for specific activities that have been approved by the IAEA Board of Governors.

Budget comparison

78. The Agency's budget and accounting bases differ. Budgets within the Agency are approved on a modified cash basis, rather than the full accrual basis of IPSAS.

79. While the Agency's financial statements cover all activities of the Agency, budgets are separately approved annually for Fund Group I (classified according to major programme) and Fund Group II (based on target for voluntary contributions). There are no approved budgets relating to Fund Groups III, IV and VI. All fund groups are administered in accordance with the Financial Regulations adopted by the Board of Governors, and Financial Rules issued by the Director General.

80. Statement V (Statement of Comparison of Budget with Actual Amounts) compares the final budgets for the Regular Budget Fund to actual amounts calculated on the same basis as the corresponding budgetary amounts. As the bases used to prepare the budget and financial statements differ, Note 36b provides a reconciliation between the actual amounts presented in that note to the actual amounts presented in the Statement of Cash Flows.

NOTE 4: Cash and cash equivalents

	(expressed in euro'000)	
	31-12-2012	**31-12-2011**
Cash at bank and on hand	54 519	29 461
Money market funds	-	42 670
Term deposits with original maturity less than 3 months	114 816	189 531
Total cash and cash equivalents	**169 335**	**261 662**

81. The short term interest rates for triple A (AAA) euro denominated money market funds and short duration term deposits became zero or negative during the second half of 2012. As a result, cash and cash equivalents balances were reduced with a corresponding increase in instruments with maturity from 3 to 12 months.

82. Some cash is held in currencies which are either legally restricted or not readily convertible to euro. At 31 December 2012, the euro equivalent of these currencies was €1.324 million (€1.434 million at 31 December 2011), based on the respective United Nations operational rates of exchange.

NOTE 5: Investments

	(expressed in euro'000)	
	31-12-2012	**31-12-2011**
Term deposits with original maturity from 3 to 12 months	245 572	54 954
Treasury bills with original maturity from 3 to 12 months	57 681	87 800
Total investments	**303 253**	**142 754**

83. The increase in investments during the year is a result of:

- A shift from investments in instruments with maturity less than 3 months (reported in cash and cash equivalents in Note 4 above) towards investments in instruments with maturity from 3 to 12 months; and
- The additional cash flow generated during the year, primarily from contributions received in advance, being invested in instruments with maturity from 3 to 12 months, pending their utilization.

NOTE 6: Accounts receivable

	(expressed in euro'000)	
	31-12-2012	**31-12-2011**
Receivables from non-exchange transactions		
Assessed contributions receivable		
Regular Budget	25 761	21 156
Working Capital Fund	30	63
Allowance for doubtful accounts	(4 705)	(4 608)
Net assessed contributions receivable	21 086	16 611
Voluntary contributions receivable		
Extrabudgetary	14 502	18 057
Technical Cooperation Fund	682	3 940
Allowance for doubtful accounts	(22)	(646)
Net voluntary contributions receivable	15 162	21 351
Other receivables		
Assessed programme costs	1 187	1 394
National participation costs	716	231
Safeguards agreements receivable	110	179
Allowance for doubtful accounts	(1 187)	(1 394)
Net other receivables	826	410
Total net receivables from non-exchange transactions	**37 074**	**38 372**
Receivables from exchange transactions		
Accounts receivable - exchange transactions	8 921	9 689
Allowance for doubtful accounts	(283)	(264)
Total net accounts receivable from exchange transactions	**8 638**	**9 425**
Total net accounts receivable	**45 712**	**47 797**
Composition of accounts receivable		
Current	45 100	47 102
Non-current	612	695
Total net accounts receivable	**45 712**	**47 797**

84. The assessed contributions receivable for Regular Budget increased during the year by €4.605 million to €25.761 million primarily due to a substantial increase in outstanding balances from one Member State, which were received in February 2013.

85. The extrabudgetary voluntary contributions receivable reduced during the year by €3.555 million to €14.502 million primarily due to receipt of an amount outstanding since 2011 from a Member State donor towards the IAEA Low Enriched Uranium (LEU) Fuel Bank. This decrease was partially offset by an increase in the receivable for 2012 from a major non-Member State donor.

86. The voluntary contributions receivable for the Technical Cooperation Fund decreased by €3.258 million to €0.682 million primarily due to collection of amounts outstanding for prior

years during 2012. Additionally, the €0.646 million of outstanding receivables attributable to the former Yugoslavia were written off in the current year, which resulted in a decrease to the gross accounts receivable balance and an equivalent decrease in the allowance for doubtful accounts.

87. Accounts receivable – exchange transactions primarily include income tax and value added tax (VAT) recoverable from various national governments.

88. Non-current receivables comprise the non-current portion (i.e., receivable after 31 December 2013) of assessed contribution receivables for which a payment plan has been agreed.

NOTE 7: Receivables information

Allowance for doubtful debts

(expressed in euro'000s)

	2012					2011				
	Opening Allowance for Doubtful Debt	Doubtful Debt Expense During the Year	Amounts Written Off as Uncollectible	Doubtful Debt Expense Reversed	Closing Allowance for Doubtful Debt	Opening Allowance for Doubtful Debt	Doubtful Debt Expense During the Year	Amounts Written Off as Uncollectible	Doubtful Debt Expense Reversed	Closing Allowance for Doubtful Debt
Receivables from non-exchange transactions										
Assessed contributions receivable										
Regular Budget	4 608	97	-	-	4 705	4 690	-	-	(82)	4 608
Related to assessed contributions receivable	4 608	97	-	-	4 705	4 690	-	-	(82)	4 608
Voluntary contributions receivable										
Technical Cooperation Fund	646	22	(646)	-	22	-	646	-	-	646
Related to voluntary contributions receivable	646	22	(646)	-	22	-	646	-	-	646
Other receivables										
Assessed programme costs	1 394	-	-	(207)	1 187	1 705	-	-	(311)	1 394
Related to other receivables	1 394	-	-	(207)	1 187	1 705	-	-	(311)	1 394
Total related to receivables from non-exchange transactions	**6 648**	**119**	**(646)**	**(207)**	**5 914**	**6 395**	**646**	**-**	**(393)**	**6 648**
Related to receivables from exchange transactions	**264**	**19**	**-**	**-**	**283**	**-**	**300**	**(36)**	**-**	**264**
Related to total receivables	**6 912**	**138**	**(646)**	**(207)**	**6 197**	**6 395**	**946**	**(36)**	**(393)**	**6 912**

Aging of receivables

(expressed in euro'000s)

	As at 31 December 2012					As at 31 December 2011				
		Outstanding for					Outstanding for			
	Carrying amount	< 1 year	1-3 years	3-5 years	> 5 years	Carrying amount	< 1 year	1-3 years	3-5 years	> 5 years
Receivables from non-exchange transactions										
Assessed contributions receivable										
Regular Budget	25 761	17 326	3 012	459	4 964	21 156	13 977	1 503	501	5 175
Working Capital Fund	30	8	22	-	-	63	61	2	-	-
Total assessed contributions receivable	25 791	17 334	3 034	459	4 964	21 219	14 038	1 505	501	5 175
Voluntary contributions receivable										
Extra-budgetary	14 502	14 299	203	-	-	18 057	18 057	-	-	-
Technical Cooperation Fund	682	625	28	1	28	3 940	2 334	911	2	693
Total voluntary contributions receivable	15 184	14 924	231	1	28	21 997	20 391	911	2	693
Other receivables										
Assessed programme costs	1 187	-	-	-	1 187	1 394	-	-	-	1 394
National participation costs	716	479	28	160	49	231	-	152	54	25
Safeguards agreements contributions	110	110	-	-	-	179	179	-	-	-
Total other receivables	2 013	589	28	160	1 236	1 804	179	152	54	1 419
Total receivables from non-exchange transactions	**42 988**	**32 847**	**3 293**	**620**	**6 228**	**45 020**	**34 608**	**2 568**	**557**	**7 287**
Receivables from exchange transactions	**8 921**	**6 148**	**2 358**	**160**	**255**	**9 689**	**5 993**	**2 414**	**1 131**	**151**
Total receivables	**51 909**	**38 995**	**5 651**	**780**	**6 483**	**54 709**	**40 601**	**4 982**	**1 688**	**7 438**

Management of credit risk relating to receivables

89. Assessed contributions comprise the majority of the Agency receivables; they are due and payable within 30 days of receipt of the assessment letter or as of the first day of the financial year whichever is later. As of 1 January the following year, the unpaid balance is considered one year in arrears. Under Article XIX.A of the Statute, a Member State loses its voting rights when its arrears equal or exceed the assessed amounts for the previous two years.

90. To facilitate the payment of arrears of assessed contributions, payment plans are available whereby arrears are consolidated and made payable in annual installments over a period of up to 10 years. As long as the Member State with payment plans pays the annual installment of the arrears, the current year's assessed contribution and any outstanding advances due to the Working Capital Fund, voting rights may be reinstated by the General Conference. As at 31 December 2012, the carrying value of receivables that would otherwise be past due whose terms have been renegotiated is €0.677 million (€0.794 million as at 31 December 2011).

NOTE 8: Advances and prepayments

	(expressed in euro'000s)	
	31-12-2012	**31-12-2011**
Vienna International Centre common services	27 611	27 223
Other international organizations	1 181	1 014
Staff	6 182	6 145
Health insurance premium reserve account	2 557	1 913
Commissary	809	809
Travel	163	197
Other	2 334	2 402
Total advances and prepayments	**40 837**	**39 703**
Advances and prepayments composition		
Current	12 196	11 862
Non-current	28 641	27 841
Total advances and prepayments	**40 837**	**39 703**

91. The Vienna International Centre (VIC) based organizations (VBOs) have an agreement whereby the costs of the VIC common services rendered by each organization such as Buildings Management Services, UN Security Services, Medical Services, etc., are to be shared according to the established cost sharing ratios. The ratios are derived each year based on key factors such as number of employees, total space occupied, etc. Cost sharing ratios for the Agency for 2012 and 2011 were 53.868% and 53.804%, respectively.

92. The advances for the VIC common services reflect the payments made by the Agency to the common services operated by other VBOs which have not yet been utilized by them for providing the services.

93. Staff advances primarily consist of advances pending settlement towards education grant and income taxes.

94. Vanbreda International provides health insurance coverage to staff members, and acts as custodian of the Health Insurance Premium Reserve Account. The purpose of the reserve account is to retain the excess of premiums paid over sums due to Vanbreda International and absorb future increases in premiums. The reserve account is owned 50% by the Agency (presented as a reserve in Note 21), and 50% by staff (presented as a liability in Note 15).

95. The Commissary advance is a non-current advance which represents the initial funds made available to the Commissary as of 1 October 1979.

NOTE 9: Inventory

	(expressed in euro'000s)	
	31-12-2012	**31-12-2011**
Project inventories in-transit to counterparts	4 494	4 909
Other inventories	570	628
Total inventory	**5 064**	**5 537**

96. Project inventories encompass all goods (e.g. equipment, supplies and software) that are procured by the Agency for transfer to recipient Member and non-Member States. The transfer of these project inventories, also known as 'field procurement', takes place mostly under the TC Programme, but also directly within the technical divisions in the framework of specific assistance programmes. Such goods that are in transit to third party recipients as on the reporting date are included in project inventories in-transit to counterparts. These project inventories are de-recognized when they clear customs in the recipient country, which is considered the point at which the Agency transfers control over such inventories to the recipients.

97. Other inventories include printing supplies, safeguards spare parts and maintenance materials.

98. The initial determination of the measured cost of reference material inventories based on estimated current replacement costs was approximately €4 million. However, due to the indeterminable remaining holding period and the related risks of obsolescence, the present value of the long term service potential of these assets, net of a required slow moving and obsolete inventory allowance cannot be reliably determined. Thus, reference materials are not recognized as assets and the costs of producing each type of reference material are expensed as incurred. The amount of labour and allocated overheads incurred by the Agency's laboratories for the production of reference materials during 2012 was approximately €0.168 million (€0.166 million in 2011).

99. No material impairment for inventory was recorded in 2012 or 2011.

NOTE 10: Investment in common services entities

	(expressed in euro'000s)	
	31-12-2012	**31-12-2011**
Investment in Commissary	3 357	3 294
Investment in Catering Services	581	622
Total investment in common services entities	**3 938**	**3 916**

The VIC Commissary

100. The Vienna International Centre (VIC) Commissary is an entity that is jointly controlled by the IAEA and other VIC based organizations (VBOs). The Commissary was established following an agreement effective as of 1 April 1972 between the IAEA and the Government of Austria. Pursuant to a Memorandum of Understanding, dated 31 March 1977, between the IAEA, the UN and UNIDO concerning the allocation of common services at the VIC, the responsibility for managing and operating the Commissary was assigned to the IAEA. The Commissary sells tax free household items for personal consumption to staff members of VBOs and other specified groups of individuals on a cost recovery basis.

101. On dissolution, any residual net equity is distributed to the Staff Assistance Funds of the IAEA and other VBOs based on the proportion of sales to respective VBOs' staff members over the five years preceding dissolution. While the IAEA has a potential ownership interest in its Staff Assistance Fund, it is not recognized as an asset. However, the IAEA has recognized its share in the surplus of the Commissary in 2012, using the equity method, in the Buildings Management Services (BMS) cost-sharing ratio for 2012, i.e., at 53.868%.

102. The Commissary has no legal personality of its own, its assets and liabilities are held in the IAEA's legal name. Therefore, the IAEA (along with other VBOs) is potentially exposed to any residual liabilities of the Commissary. Summary financial information is provided below:

Commissary Summary Financial Information	(expressed in euro'000s)	
	31-12- 2012 (provisional)	**31-12-2011 (final)**
Revenue	29 483	28 401*
Expense	29 426	27 450*
Net surplus/(deficit)	57	951*
Assets current	16 405	14 924
Assets non-current	477	457
Liabilities current	2 685	2 227*
Liabilities non-current	7 966	6 980*
Equity	6 231	6 174*

*These amounts are slightly different from the amounts disclosed in the Agency's Financial Statements for 2011, as the Commissary's accounts were finalized after the Agency's Financial Statements for 2011 were issued.

Catering Service

103. The Catering Service is an entity that is jointly controlled by the IAEA and other VBOs. The Catering Service provides food, beverages and services to staff members of VBOs and other specified groups of individuals, within the VIC premises through a contractor on a cost recovery basis.

104. On dissolution, any residual net equity will be distributed to the Staff Assistance Funds of the IAEA and other VBOs. While the IAEA has a potential ownership interest in its Staff Assistance Fund, it is not recognized as an asset.

105. The Catering Service has no legal personality of its own, its assets and liabilities are held in the legal name of UNIDO. Therefore, UNIDO, along with other VBOs, is potentially exposed to any residual liabilities of the Catering Service. Summary financial information is provided below:

	(expressed in euro'000s)	
Catering Services Summary Financial Information	**31-12- 2012 (provisional)**	**31-12-2011 (final)**
Revenue	6 482	5 934*
Expense	6 549	5 997
Net surplus/(deficit)	(67)	62
Assets current	1983	1 806
Assets non-current	388	479
Liabilities current	1 292	1 138*
Equity	1 079	1 146*

*These amounts are slightly different from the amounts disclosed in the Agency's Financial Statements for 2011, as the Catering Service's accounts were finalized after the Agency's Financial Statements for 2011 were issued.

Abdus Salam International Centre for Theoretical Physics at Trieste

106. The ICTP is an associate of the IAEA, however, as there is no formal ownership structure or other means of ascribing ownership interest, no equity accounting is required.

107. Summary financial information of the ICTP is provided below.

	(expressed in euro'000s)	
ICTP Summary Financial Information	**31-12- 2012 (provisional)**	**31-12-2011 (final)**
Revenue	27 645	28 020
Expense	28 911	27 528
Net surplus/(deficit)	(1 266)	492
Assets	15 103	14 959
Liabilities	12 499	11 086
Equity	2 604	3 873

108. The IAEA provided funding to ICTP of €2.373 million in 2012 and of €2.445 million in 2011. These funds are used to enhance the scientific capabilities through training and the

exchange of knowledge in nuclear related applications. These amounts are expensed in the books of the IAEA when paid.

NOTE 11: Property, Plant and Equipment

2012

(expressed in euro '000s)

	Buildings and Leasehold Improvements	Furniture & Fixtures	Communications & Information Technology Equipment	Inspection Equipment	Laboratory Equipment	Vehicles	Other Equipment	Assets under Construction	Total Property, Plant and Equipment
Cost at 1 January 2012	24 699	2 511	26 506	63 079	27 145	1 061	2 729	5 077	152 807
Additions	738	183	3 362	672	3 014	89	102	29 053	37 213
Disposals	-	-	(1 780)	(1 191)	(392)	(107)	(13)	-	(3 483)
Assets under Construction Capitalized	-	-	1 760	4 169	220	-	201	(6 350)	-
Other changes	-	-	3	68	(3)	-	(68)	-	-
Cost at 31 December 2012	**25 437**	**2 694**	**29 851**	**66 797**	**29 984**	**1 043**	**2 951**	**27 780**	**186 537**
Accumulated depreciation at 1 January 2012	8 504	1 565	19 913	53 551	20 473	709	937	-	105 652
Depreciation	606	191	3 185	3 883	2 338	110	484	-	10 797
Disposals	-	-	(1 778)	(1 185)	(317)	(91)	(13)	-	(3 384)
Impairment losses (Assets still not retired)	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	10	-	-	(10)	-	-
Accumulated depreciation 31 December 2012	**9 110**	**1 756**	**21 320**	**56 259**	**22 494**	**728**	**1 398**	**-**	**113 065**
Net carrying amount 31 December 2012	**16 327**	**938**	**8 531**	**10 538**	**7 490**	**315**	**1 553**	**27 780**	**73 472**

(expressed in euro'000s)

2011

	Buildings and Leasehold Improvements	Furniture & Fixtures	Communications & Information Technology Equipment	Inspection Equipment	Laboratory Equipment	Vehicles	Other Equipment	Assets under Construction	Total Property, Plant and Equipment
Cost at 1 January 2011	20 018	2 404	23 752	61 484	22 123	958	911	7 050	138 700
Additions	1 934	119	4 111	826	2 222	51	1 392	8 675	19 330
Disposals	-	(12)	(1 438)	(2 987)	(745)	(32)	(9)	-	(5 223)
Assets under Construction Capitalized	2 747	-	72	3 648	3 485	-	696	(10 648)	-
Other changes	-	-	9	108	60	84	(261)	-	-
Cost at 31 December 2011	**24 699**	**2 511**	**26 506**	**63 079**	**27 145**	**1 061**	**2 729**	**5 077**	**152 807**
Accumulated depreciation at 1 January 2011	7 958	1 392	18 835	52 752	19 682	632	676	-	101 927
Depreciation	546	182	2 484	3 786	1 536	107	270	-	8 911
Disposals	-	(9)	(1 408)	(2 987)	(745)	(30)	(9)	-	(5 188)
Impairment losses	-	-	2	-	-	-	-	-	2
Other changes	-	-	-	-	-	-	-	-	-
Accumulated depreciation 31 December 2011	**8 504**	**1 565**	**19 913**	**53 551**	**20 473**	**709**	**937**	**-**	**105 652**
Net carrying amount 31 December 2011	**16 195**	**946**	**6 593**	**9 528**	**6 672**	**352**	**1 792**	**5 077**	**47 155**

109. The largest PP&E projects with a value greater than €0.500 million, their completion status and their values on 31 December 2012 are as follows:

- *Nuclear Materials Laboratory (NML) (€24.770 million)* – (CIP): It is a project to construct a 9,550 square metres building housing 4,500 square metres of new sample and analysis laboratory as well as new fissile materials storage capability, laboratory support areas and office space. Costs incurred related to Infrastructure & Security and NML equipment are currently included in this project. (€3.117 million in 2011).
- *Storage Area Network (SAN) Expansion 2012 (ESU) (€1.039 million)* – (Complete): It is a project to replace aging storage systems and increase storage capacity.
- *JMOX (€0.869 million)* – (CIP): It is a project to develop an integrated Safeguards approach for a large mixed oxide fuel fabrication plant in Japan.

110. The 2012 increase in total PP&E assets is mostly attributable to the costs incurred for the construction of the Nuclear Materials Laboratory (NML) at Seibersdorf which started in 2011. Construction activities in 2012 amounted to €20.208 million for the NML Building which included Infrastructure and Security costs and €1.445 million in NML Equipment. The Construction in Progress (CIP) assets created for the Building and Equipment respectively hold the cumulative costs incurred for the project to date. The NML construction is targeted to be completed in mid-2013.

111. The above 2011 and 2012 PP&E tables do not include the cost of the VIC premises for which the IAEA has taken transitional provisions under IPSAS 17. The Agency has entered into a 'Headquarters Agreement' with the Austrian Government in 1979 for a 99-year lease for its share of the VIC premises for a nominal rent of 1 Austrian schilling per year. As part of the agreement, the Agency must operate its headquarters seat from Austria, otherwise it must return its share of the VIC premises to the Austrian Government. Since the Headquarters Agreement is essentially in the nature of a finance lease, the Agency was required to capitalize its share of the VIC buildings on the basis of the BMS cost-sharing ratio. However, the Agency has availed of transitional provisions under IPSAS 17 Property, Plant and Equipment for the VIC buildings, and accordingly has not recognized its share of the VIC buildings as an asset in the Statement of Financial Position. An external valuation of the depreciated replacement cost as at 1 January 2011 for the VIC buildings resulted in an amount of €311.686 million (the IAEA's share €166.840 million based on 2010 BMS cost-sharing ratio) and the fair rental value of the VIC land was €1.393 million per annum (the IAEA's share for the year €0.750 million based on 2012 BMS cost-sharing ratio).

112. In 2011 and 2012, there were no material impairments related to PP&E.

113. As on 31 December 2012, the gross value of fully depreciated PP&E which were still in use amounted to €84.866 million (€79.754 million as on 31 December 2011).

NOTE 12: Intangible assets

2012

	(expressed in euro '000s)				
	Computer Software Purchased	**Computer Software Internally Developed**	**Other Intangible Assets**	**Intangible Assets Under Development**	**Total Intangible Assets**
Cost at 1 January 2012	575	613	-	5 890	7 078
Additions	1 066	-	-	7 775	8 841
Disposals	-	-	-	-	-
Assets under Construction Capitalized	401	3 423	-	(3 824)	-
Cost at 31 December 2012	**2 042**	**4 036**	**-**	**9 841**	**15 919**
Accumulated amortization at 1 January 2012	73	41	-	-	114
Amortization	343	461	-	-	804
Accumulated amortization 31 December 2012	**416**	**502**	**-**	**-**	**918**
Net carrying amount 31 December 2012	**1 626**	**3 534**	**-**	**9 841**	**15 001**

2011

	(expressed in euro'000s)				
Movements for each class of intangible assets are as follows:	**Computer Software Purchased**	**Computer Software Internally Developed**	**Other Intangible Assets**	**Intangible Assets under Development**	**Total Intangible Assets**
Cost at 1 January 2011	-	-	-	-	-
Additions	**657**	-	-	**6 536**	**7 193**
Disposals	**(82)**	-	-	**(33)**	**(115)**
Assets under Construction Capitalized	-	**613**		**(613)**	-
Cost at 31 December 2011	**575**	**613**	**-**	**5 890**	**7 078**
Accumulated amortization at 1 January 2011	-	-	-	-	-
Amortization	**73**	**41**	**-**	**-**	**114**
Accumulated amortization 31 December 2011	**73**	**41**	**-**	**-**	**114**
Net carrying amount 31 December 2011	**502**	**572**	**-**	**5 890**	**6 964**

114. Projects with a value greater than €0.500 million, their completion status and their values on 31 December 2012 are as follows:

- *The Agency-wide Information System for Programme Support (AIPS) Plateau 2 (€4.140 million)* – (Completed and construction in progress - CIP): Plateau 2 of AIPS is made up largely of two domains: Programme and Project Planning and Monitoring and Contacts Management. With the first domain, the Agency introduced a new planning and budgeting system which was used to develop the programme and budget for the 2014-2015 biennium. This Plateau 2 domain was completed in August 2012 and €2.692 million of costs were capitalized. With the second domain, the Agency is consolidating contacts data across several systems and introducing centralized master data management. The entire Plateau is expected to be completed in the first quarter of 2013. (AIPS Plateau 2 costs under construction amounted to €0.659 million in 2011)

- *State Supplied Data Handling (SSDH) – Phase B (€0.958 million)* – (CIP): SSDH implements software solutions to process data supplied by the Member States.

- *Comprehensive Task Scheduling & Tracking (CTST) (€0.901 million)* – (CIP): The CTST project is delivering a complete integrated system allowing the Department of Safeguards (SG) to: plan and schedule the verification activities and the evaluation activities; track issues, actions, tasks, decisions; track physical and/or electronic documents and track the inspection packages.

- *Geospatial Exploitation System (GES) (€2.302 million)* – (CIP): GES provides a gateway to critical information for the Safeguards programme. Through an interactive 3D earth experience, users have access to site information from a global perspective. Through GES, it is possible to search and view satellite imagery archives, geographical information system (GIS) data such as imagery, building footprints, and non-spatial information such as open source reports and multimedia data (€0.937 million in 2011).

- *Safeguard Master Data (SGMD) (€1.015 million)* – (CIP): The purpose of SGMD is to manage core data for SG which is essential to ensure the quality of the State supplied data and inspection data. It is necessary for proper managing, planning and statistical purposes. It will be the central repository for Authority, Static and Location information which will be used by all safeguards applications. The SGMD product is consumed by other systems for further processing, and Safeguards users who will retrieve and/or maintain the Master Data.

115. In 2012, internally developed software continued within the Agency at comparable levels to 2011. These asset values will continue to grow as the Agency continues development of these software projects until they are completed and put in service. Once in service, the impact of amortization will reduce the growth of intangible asset values.

116. 18 new internal development software projects were initiated in 2012 with aggregate costs amounting to €1.483 million (34 projects amounting to €6.126 million in 2011). Of these 18 projects, 3 with aggregate costs in 2012 of €0.092 million were completed while the other 15 remain as CIP. Out of the 28 internal development projects outstanding in 2011, 18 of these remain as CIP resulting in a total of 33 projects that will continue in 2013 and are recognized as construction in progress (CIP) software as of 31 December 2012.

117. At 31 December 2011, €2.206 million was recorded against the ISIS Reengineering Project (IRP) as an in-progress project. In 2012, the IRP project management costs were allocated to specified Safeguards software projects that are continuing to be developed. Some of the larger projects are listed above.

118. According to IPSAS 31, an entity that has not previously recognized intangible assets and uses the accrual basis of accounting, shall apply this standard prospectively. The Agency has applied this standard prospectively from 01 January 2011, and accordingly, has recognized intangible assets acquired on or after that date. Intangible assets acquired prior to that date have not been recognized, due to lack of tracking mechanisms in place prior to 2011 necessary to provide a reliable cost determination. Hence, there were no 2011 opening balances for intangible assets.

119. In 2012, the Agency accepted a computer modeling program titled “Nuclear Power Human Resource Modeling Program” from the National Nuclear Security Administration, Department of Energy (DoE), USA. Because of the inability to reliably measure the value of the software, it was recorded in the assets register at zero value, and is disclosed here to acknowledge the considerable service potential it provides the Agency.

NOTE 13: Accounts payable

	(expressed in euro'000s)	
	31-12-2012	**31-12-2011**
Accruals	14 183	11 782
Staff	524	555
Other payables	1 993	2 226
Total accounts payable	**16 700**	**14 563**

120. Accruals represent the amount of goods and services delivered for which the invoices were not received by the reporting date.

121. Other payables primarily represent the amount of invoices processed but not paid as on the reporting date.

NOTE 14: Deferred revenue

	(expressed in euro'000s)	
	31-12-2012	**31-12-2011**
Contributions received in advance	64 582	31 495
Extrabudgetary contributions transferred subject to conditions	42 615	25 663
Other	4 874	3 627
Total deferred revenue	**112 071**	**60 785**
Deferred revenue composition		
Current	69 456	35 122
Non-current	42 615	25 663
Total deferred revenue	**112 071**	**60 785**

122. Contributions received in advance primarily include Regular Budget assessed contributions received in advance, as well as extra-budgetary contributions received from Member States that have not been formally accepted by the Agency. The increase in 2012 was primarily due to the fact that two major donors made advance payments in 2012 for their 2013 assessed contributions totaling €27.134 million, and another two major donors made advance payments towards the Technical Cooperation Fund amounting to €2.558 million. For extrabudgetary contributions, two major donors made additional payments to the Peaceful Uses Initiative that had not been formally accepted by the Agency as on 31 December 2012. The unaccepted contributions from these two donors increased by €4.689 million as at 31 December 2012.

123. In accordance with IPSAS 23 Revenue from non-exchange transactions, contributions received from donors, but subject to conditions, have been classified under deferred revenue. At the end of 2012, contributions received subject to conditions increased by €16.952 million, out of which approximately 98.5% was received from a non-Member State donor. These will be recognized as revenue, as and when the conditions are satisfied. Since these voluntary contributions relate to multi-year agreements, they have been classified as non-current.

124. 'Other' includes the funds received in advance to fund cost-free experts from a donor.

NOTE 15: Employee benefit liabilities

	(expressed in euro'000s)	
	31-12-2012	**31-12-2011**
After-service health insurance	135 537	111 182
Post-employment repatriation and separation entitlements	54 098	43 263
Annual leave	18 561	16 924
Health Insurance Premium reserve account - staff contributions	1 279	957
Accrued salaries	200	389
Other staff costs	2 327	2 413
Total employee benefit liabilities	**212 002**	**175 128**
Composition of employee benefit liabilities		
Current	16 499	13 230
Non-current	195 503	161 898
Total employee benefit liabilities	**212 002**	**175 128**

125. Liabilities for after-service health insurance, post-employment repatriation and separation entitlements, and annual leave have been recognized on the basis of actuarial valuation. These liabilities have increased during the year primarily due to changes in the actuarial assumptions (more details are provided in Note 16).

126. Liabilities for other staff costs as on 31 December 2012 consisted of primarily home leave accruals €0.981 million (€1.286 million as on 31 December 2011) and accruals for compensatory time-off € 0.744 million (€ 0.956 million as on 31 December 2011).

NOTE 16: Post-employment related plans

127. Post-employment related benefits include After-Service Health Insurance (ASHI), post-employment repatriation and separation benefits. These employee benefits are recorded as a liability and determined by professional actuaries based on personnel data and past payment experience.

128. The IAEA operates the ASHI scheme, which is a defined employee benefit plan. Under the scheme and in accordance with the Staff Regulations and Staff Rules, retirees of the Agency are eligible to obtain medical insurance through the Agency.

129. Repatriation and separation benefits are entitlements that staff members of the Agency are eligible to receive on separation from the service of the Agency. These include a repatriation grant and the related travel and removal costs on separation from the Agency, as well as end of service allowance that certain General Service staff members are entitled to, and which are based on length of service.

Actuarial valuations

130. Liabilities arising from ASHI, and repatriation and separation benefits are determined with assistance from professional actuaries. Actuarial assumptions are required to be disclosed in the

financial statements in accordance with IPSAS 25 Employee Benefits. The following assumptions and methods have been used to determine the value of post-employment and other separation-related employee benefit liabilities for the IAEA as at 31 December 2012:

Assumptions for ASHI

Parameter	31 December 2012	31 December 2011
Discount rate	2.85% – Market yields on 20-year tenure high quality euro corporate bonds on the reporting date	4.20% – Market yields on 20-year tenure high quality euro corporate bonds on the reporting date
Expected rate of salary increase	3.00%	3.00%
Expected rate of medical cost increase	3.00% –- 3.50% (range for the various plans)	3.00% – 4.40% (range for the various plans)

Assumptions for other post-employment repatriation and settlement entitlements

Parameter	31 December 2012	31 December 2011
Discount rate	1.85% – Market yields on 8-year tenure high quality euro corporate bonds on the reporting date	4.00% – Market yields on 9-year tenure high quality euro corporate bonds on the reporting date
Expected rate of salary increase	3.00%	3.00%
Expected rate of travel costs change	-3.00%	-3.00%

131. The following tables provide additional information and analysis on the employee benefit liabilities calculated by the actuary.

After Service Health Insurance

	(expressed in euro'000s)	
	31-12-2012	**31-12-2011**
Movement in defined benefit obligation comprises:		
Opening defined benefit obligation	111 182	106 033
Current service cost	6 084	5 790
Interest cost	4 618	4 557
Contributions from plan participants	2 786	2 841
Actuarial losses/(gains) recognized in net assets	16 051	(2 926)
Benefits paid	(5 184)	(5 113)
Closing defined benefit obligation	**135 537**	**111 182**
Expense for the period comprises:		
Current service cost	6 084	5 790
Interest cost	4 618	4 557
Total expense for the period	**10 702**	**10 347**

Post-employment repatriation benefits

	(expressed in euro'000s)	
	31-12-2012	**31-12-2011**
Movement in defined benefit obligation comprises:		
Opening defined benefit obligation	43 263	44 517
Current service cost	5 171	5 287
Interest cost	1 614	1 636
Actuarial losses/(gains) recognized in net assets	9 050	(3 587)
Benefits paid	(5 000)	(4 590)
Closing defined benefit obligation	**54 098**	**43 263**
Expense for the period comprises:		
Current service cost	5 171	5 287
Interest cost	1 614	1 636
Total expense for the period	**6 785**	**6 923**

132. Actuarial gains or losses arise when the actuarial assessment differs from the long term expectations on the obligations. They result from experience adjustments (differences between the previous actuarial assumptions and what has actually occurred) and the effects of change in actuarial assumptions.

133. Actuarial gains or losses relating to ASHI and post-employment repatriation and separation obligations are accounted for using the 'reserve recognition' approach, and are recognized through net assets/equity in the Statement of Financial Position and in the Statement of Changes in Net Assets/Equity in the year in which they occur. For 2012, actuarial losses recognized directly in net assets/equity for ASHI and post-employment repatriation and separation entitlements were €16.051 million and €9.050 million respectively (€2.926 million and €3.587 million respectively in 2011).

134. The actuarial losses in 2012 were primarily a result of using lower discount rates in 2012 as compared to 2011 reflecting the declining interest rates, partially offset by the actuarial gains due to the change in the increase in medical costs.

Sensitivity analysis

135. If the assumptions described above were to change, as per the actuarial report, the impact on the measurement of defined benefit obligations and current service and interest cost as per the table below:

		(expressed in euro'000s)	
Impact of change in assumptions:	**Change**	**After Service Health Insurance**	**Post-employment repatriation and separation entitlements**
Effect of discount rate change on defined benefit obligation	+ 1%	**(24 088)**	**(3 975)**
	- 1%	**32 391**	**4 604**
Effect of change in expected rate of medical costs on:			
- current service cost and interest cost component of liability	+ 1%	**3 468**	**n/a**
	- 1%	**(2 529)**	**n/a**
- total defined benefit obligation	+ 1%	**31 120**	**n/a**
	- 1%	**(23 692)**	**n/a**
Effect of increase in salaries (1%), shipping (1%) and travel costs (1%) on total defined benefit obligation		**n/a**	**4 513**
Effect of decrease in salaries (1%), shipping (1%) and travel costs (1%) on total defined benefit obligation		**n/a**	**(3 977)**

136. The Agency's best estimate of benefits payments expected to be made for the next 12 months for ASHI plans is €2.529 million, and for post-employment repatriation and separation entitlements is €5.847 million.

United Nations Joint Staff Pension Fund

137. The Pension Fund's Regulations (UNJSPF) state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the UNJSPF will be sufficient to meet its liabilities.

138. The IAEA's financial obligation to the UNJSPF consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9% for participants and 15.8% for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the UNJSPF. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an

assessment of the actuarial sufficiency of the UNJSPF as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

139. The latest actuarial valuation was performed as of 31 December 2011. The valuation revealed an actuarial deficit of 1.87% (0.38% in the 2009 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2011 was 25.57% of pensionable remuneration, compared to the actual contribution rate of 23.7%. The actuarial deficit was primarily attributable to the lower than expected investment experience in recent years.

140. At 31 December 2011, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 130% (140% in the 2009 valuation). The funded ratio was 86% (91% in the 2009 valuation) when the current system of pension adjustments was taken into account.

141. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2011, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26. The pensionable remuneration will be reviewed at the time of the next actuarial valuation as of 31 December 2013.

142. In July 2012, the Pension Board noted in its Report of the fifty-ninth session to the General Assembly that an increase in the normal age of retirement for new participants of the Fund to 65 is expected to significantly reduce the deficit and would potentially cover half of the current deficit of 1.87%. In December 2012, the General Assembly authorized the Pension Board to increase the normal retirement age to 65 for new participants of the Fund, with effect not later than from 1 January 2014, unless the General Assembly has not decided on a corresponding increase in the mandatory age of separation.

143. During 2012, contributions paid to UNJSPF amounted to €49.7 million (2011 €44.1 million). Expected contributions due in 2013 are €48.2 million.

144. The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the Pension Board on the audit every year. The UNJSPF publishes quarterly reports on its investments and these can be viewed by visiting the UNJSPF at www.unjspf.org.

NOTE 17: Other financial liabilities

	(expressed in euro'000s)	
	31-12-2012	**31-12-2011**
Balances held for future use/refund	402	409
Other	312	585
Total other financial liabilities	**714**	**994**

145. Balances held for future use/refund represent the surplus from closed projects, pending decision from the donor on how to utilize them and deposits received from other UN organizations towards implementation of inter-agency arrangements.

NOTE 18: Provisions

	(expressed in euro'000s)	
	31-12-2012	**31-12-2011**
Provision for ILOAT[2] cases	-	201
Other provisions	1 000	-
Total other provisions	**1 000**	**201**

146. The provision of €1.000 million as on 31 December 2012 represents an estimated amount to be incurred by the Agency for decontamination and restoration to original condition of the Seibersdorf Analytical Laboratory land in 2014, at the time of expiry of its lease with the Austrian Government.

[2] The Administrative Tribunal of the International Labour Organisation (ILOAT).

Note 19: Movements in fund balances

(expressed in euro'000)

	Regular Budget Fund and Working Capital Fund		Technical Cooperation Fund		Extrabudgetary Programme Fund		Technical Cooperation Extrabudgetary Fund		Trust Funds Reserve Funds and Special Funds		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Opening balance	(81 371)	(70 528)	33 087	24 544	208 597	79 186	21 402	17 501	2 306	3 853	184 021	54 556
Transfers to / (from) fund balances	10 075	(18 415)	5 237	(4 830)	5 012	1 529	5 360	1 820	1 421	(1 350)	27 105	(21 246)
Net surplus/ (deficit)	6 362	7 572	4 039	13 373	28 275	127 882	(2 085)	2 081	(379)	(197)	36 212	150 711
Closing balance	(64 934)	(81 371)	42 363	33 087	241 884	208 597	24 677	21 402	3 348	2 306	247 338	184 021
Included in fund balances are individual funds with specific purposes:												
Working Capital Fund	15 218	15 210	-	-	-	-	-	-	-	-	15 218	15 210
Major Capital Investment Fund	24 855	7 993	-	-	-	-	-	-	-	-	24 855	7 993
Nuclear Security Fund	-	-	-	-	34 339	25 287	-	-	-	-	34 339	25 287
IAEA Low Enriched Uranium (LEU) Bank	-	-	-	-	85 181	88 615	-	-	-	-	85 181	88 615
Research Institute Trust Fund	-	-	-	-	-	-	-	-	886	972	886	972
Equipment Replacement Fund	-	-	-	-	-	-	-	-	2 439	1 308	2 439	1 308
IAEA Nobel Cancer and Nutrition Special Fund	-	-	-	-	-	-	-	-	24	26	24	26

147. The Working Capital Fund was established in accordance with the Financial Regulations to be used for advances to the Regular Budget Fund to finance temporarily appropriations and for other purposes authorized by the General Conference. The Working Capital Fund level is approved by the General Conference and funded by Member State advances made in accordance with their respective base rates of assessment as determined by the General Conference. Each advance is carried to the credit of the respective Member State.

148. The Major Capital Investment Fund (MCIF) is a Reserve Fund established by the Board of Governors in accordance with the Financial Regulations to support major infrastructural investments (GOV/2009/1). The MCIF can be funded by the capital portion of the Regular Budget appropriations, or through other sources such as year-end savings from the operational portion of the Regular Budget appropriations.

149. The Nuclear Security Fund was established in accordance with the Financial Regulations to fund a range of activities with the objective of supporting the capacity of Member States to protect nuclear facilities, and nuclear material in use, storage or transport, against nuclear terrorism (GOV/2002/10).

150. The Board of Governors endorsed the establishment of the IAEA Low Enriched Uranium (LEU) Bank on 3 December 2010 (GOV/2010/70). Its purpose is to serve as a mechanism of last resort to back up the commercial market without distorting the market, in the event that a Member State's supply of LEU is disrupted and cannot be restored by commercial means and that such State fulfills certain eligibility criteria (GOV/2010/67).

151. The Research Institute Trust Fund was established in accordance with the Financial Regulations to enable multi-year funding availability for the purchase of equipment and supplies necessary for the Agency's research contract programme (GOV/2403).

152. The Equipment Replacement Fund was established as approved by the Board of Governors (GOV/2005/22).

153. The IAEA Nobel Cancer and Nutrition Special Fund was established in accordance with Financial Regulations to apply the Agency's share of the 2005 Noble Peace Price monetary award for the purposes of human resource development (through fellowships and training) in developing countries in applying nuclear techniques to the areas of cancer management and nutrition (GOV/2005/86).

NOTE 20: Movements in fund balances of individual funds with specific purposes

(expressed in euro'000)

	2012					2011				
	Opening Balance	Revenue a/	Transfers to / (from)	Expense	Closing Balance	Opening Balance	Revenue	Transfers to / (from)	Expense	Closing Balance
Working Capital Fund	15 210	-	8	-	15 218	15 210	-	-	-	15 210
Major Capital Investment Fund b/	7 993	5	19 501	(2 644)	24 855	10 906	-	(1 824)	(1 089)	7 993
Nuclear Security Fund	25 287	24 237	(87)	(15 098)	34 339	19 431	19 137	(1 129)	(12 152)	25 287
IAEA Low Enriched Uranium (LEU) Bank c/	88 615	(1 978)	-	(1 456)	85 181	-	88 804	(13)	(176)	88 615
Research Institute Trust Fund	972	346	111	(543)	886	1 066	289	(200)	(183)	972
Equipment Replacement Fund	1 308	22	1 312	(203)	2 439	2 761	-	(1 151)	(302)	1 308
IAEA Nobel Cancer and Nutrition Special Fund	26	-	-	(2)	24	26	-	-	-	26

a/ Revenue includes contributions, interest, foreign exchange gains and losses, etc.

b/ Transfers include transfer from reserve for MCIF EUR19.6 million as reported in 2011 Financial Statements (GC(56)/10) net of EUR 0.1 million movement to commitment reserve.

c/ Negative revenue is mainly due to unrealized foreign exchange losses in 2012

Note 21: Movements in reserves by fund group

	(Expressed in euro'000)											
	Regular Budget Fund and Working Capital Fund		Technical Cooperation Fund		Extrabudgetary Programme Fund		Technical Cooperation Extrabudgetary Fund		Trust Funds Reserve Funds and Special Funds		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Opening balance	63 359	38 456	27 220	22 390	15 089	16 502	12 679	14 500	1 449	212	119 796	92 060
Transfers to / (from)	(35 180)	24 903	(5 235)	4 830	(5 811)	(1 413)	(5 361)	(1 821)	(1 422)	1 237	(53 009)	27 736
Closing balance	28 179	63 359	21 985	27 220	9 278	15 089	7 318	12 679	27	1 449	66 787	119 796
Movements in reserves comprise:												
Reserve for MCIF opening balance	19 610	-	-	-	-	-	-	-	-	-	19 610	-
Transfers to/ (from)	(17 756)	19 610	-	-	-	-	-	-	-	-	(17 756)	19 610
Reserve for MCIF closing balance	1 854	19 610									1 854	19 610
Health insurance premium reserve opening balance	957	793	-	-	-	-	-	-	-	-	957	793
Transfers to / (from)	322	164	-	-	-	-	-	-	-	-	322	164
Health Insurance premium reserve closing balance	1 279	957	-	-	-	-	-	-	-	-	1 279	957
Commitments opening balance	33 378	31 018	27 222	22 390	14 971	16 318	12 679	14 302	1 449	201	89 699	84 229
Transfers to / (from)	(2 813)	2 360	(5 237)	4 832	(5 469)	(1 347)	(5 361)	(1 623)	(1 422)	1 248	(20 302)	5 470
Commitments closing balance	30 565	33 378	21 985	27 222	9 502	14 971	7 318	12 679	27	1 449	69 397	89 699
FX revaluation reserve opening balance	-	5 922	-	-	-	182	-	197	-	11	-	6 312
Transfers to / (from)	-	(5 922)	-	-	-	(182)	-	(197)	-	(11)	-	(6 312)
FX revaluation reserve closing balance	-	-	-	-	-	-		-	-	-	-	-

Note 21 (continued)

	(Expressed in euro'000)											
	Regular Budget Fund and Working Capital Fund		Technical Cooperation Fund		Extrabudgetary Programme Fund		Technical Cooperation Extrabudgetary Fund		Trust Funds Reserve Funds and Special Funds		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Cash surpluses reserve opening balance	2 221	(86)	-	-	-	-	-	-	-	-	2 221	(86)
Transfers to / (from)	(736)	2 307	-	-	-	-	-	-	-	-	(736)	2 307
Cash surpluses reserve closing balance	1 485	2 221	-	-	-	-	-	-	-	-	1 485	2 221
Commissary working capital reserve opening balance	809	809	-	-	-	-	-	-	-	-	809	809
Transfers to / (from)	-	-	-	-	-	-	-	-	-	-	-	-
Commissary working capital reserve closing balance	809	809	-	-	-	-	-	-	-	-	809	809
Investment Revaluation Reserve opening balance	-	-	(2)	-	(11)	2	-	1	-	-	(13)	3
Transfers to / (from)	-	-	2	(2)	11	(13)	-	(1)	-	-	13	(16)
Investment Revaluation Reserve closing balance	-	-	-	(2)	-	(11)	-	-	-	-	-	(13)
Reserve for actuarial gains/losses on employee benefit liabilities opening balances	6 384	-	-	-	129	-	-	-	-	-	6 513	-
Transfers to / (from)	(24 747)	6 384	-	-	(353)	129	-	-	-	-	(25 100)	6 513
Reserve for actuarial gains/losses on employee benefit liabilities closing balance	(18 363)	6 384	-	-	(224)	129	-	-	-	-	(18 587)	6 513
Reserve for carry-over of unobligated appropriations opening balance	-		-	-	-	-	-	-	-	-	-	-
Transfers to / (from)	10 550		-	-	-	-	-	-	-	-	10 550	-
Reserve for carry-over of unobligated appropriations closing balance	10 550		-	-	-	-	-	-	-	-	10 550	-

154. The reserves declined by €53.008 million in 2012 primarily due to:

- Transfer of the reserves to the MCIF;
- Decrease in the committed funds for open contracts for goods and services; and
- Recognition of actuarial losses on the post-employment employee benefit liabilities directly in equity.

155. The reserve for MCIF represents savings and unused balances from the annual budget appropriations identified in accordance with GC(53)/5 and GC(55)/5 to be transferred to the Major Capital Investment Fund to support major capital investments. The net decrease in 2012 of €17.756 million consists of an outflow of €19.6 million to the MCIF and an inflow of €1.854 million to the reserve account representing savings on liquidation of prior year obligations.

156. The health insurance premium reserve represents the Agency's share of the funds held by the Agency's contractual private health care provider Vanbreda related to health insurance premiums. The reserve increased by €0.322 million during 2012 (€0.164 million in 2011), primarily due to the excess of payments made over the premium due.

157. Commitments represent committed funds for open contracts for goods and services which have not been received by the Agency. During 2012, such future commitments decreased by €20.302 million (€5.470 million increase in 2011). This decrease is shown as a transfer from reserves to fund balances.

158. The cash surpluses reserve opening balances represent the 2010 cash surplus of €2.026 million and cash surpluses of prior years in the amount of €0.195 million that were withheld pending receipt of contributions from Member States. In 2012, €0.736 million was given back to Member States for their share of the cash surplus.

159. The Commissary working capital reserve represents the amount of the Agency's initial capital investment in the Commissary, which was provided in equal shares by the IAEA and UNIDO. The amount of investment from each organization was €0.809 million. There was no movement in this reserve during 2012 and 2011.

160. The investment revaluation reserve was used to record the difference between the market price and the carrying cost of investments categorized as 'available-for-sale' on the reporting date. The Agency changed its accounting policy with effect from 1 January 2012 and all investments are now categorized as 'held-to-maturity'. The opening balance in this reserve was transferred to Statement II. This reserve is not envisaged to be used again in the near future.

161. The liabilities arising from post-employment benefits and other long-term employee benefits are determined by independent actuaries. The reserve for actuarial gains/(losses) on employee benefit liabilities represents the balance of actuarial gains or losses relating to the ASHI and post-employment repatriation and separation benefit obligations. During 2012, a total of €25.101 million actuarial loss (€6.513 million actuarial gain in 2011) was recorded (refer to Note 16). This actuarial loss is mainly due to a change in the actuary assumptions relating to the applicable discount rate.

162. The reserve for carry-over of unobligated appropriation represents the balances of 2012 Regular Budget appropriations which are unused fund balance at year-end. These amounts will be made available to Regular Budget Fund – carryover of unobligated funds for obligations in future.

NOTE 22: Voluntary contributions

	(expressed in euro'000s)	
	31-12-2012	**31-12-2011**
Voluntary monetary contributions		
Technical Cooperation Fund	58 936	57 628
Extrabudgetary contributions for LEU Bank	99	81 235
Other extrabudgetary contributions	98 197	90 406
Refunds of unspent contributions	(1 584)	(880)
Total voluntary monetary contributions	**155 648**	**228 389**
Voluntary in-kind contributions		
Lease of premises	1 483	1 442
Other	119	445
Total voluntary in-kind contributions	**1 602**	**1 887**
Total voluntary contributions	**157 250**	**230 276**

163. Voluntary contributions consist of monetary and in-kind contributions.

164. The Board of Governors endorsed the establishment of the IAEA LEU Bank in December 2010 and most of the extrabudgetary contributions for the IAEA LEU Bank were accepted in 2011.

165. Revenue from other extrabudgetary contributions increased by €7.791 million during the year.

166. In-kind contributions comprise primarily the use of the Monaco premises for no rent, free utilities and maintenance, and the use of land at Seibersdorf (Austria) premises, provided on a nominal lease to the Agency. The contribution values are based on the fair rental value of similar premises. In these cases, an in-kind contribution is recognized as revenue, and a corresponding expense is also recognized. Other in-kind contributions received by the Agency include goods that qualify as PP&E, intangibles and project inventories for counterparts. Revenue is recognized for these contributions if the costs of the donated goods can be reliably measured and the goods have been transferred to the control of the Agency.

167. The above does not include the value of services-in-kind received by the Agency. Services-in-kind are not recorded as revenue and are only disclosed in Annex A4 to these financial statements. A majority of the services-in-kind relate to cost-free experts (CFEs) and their related travel costs that have been donated to the Agency. These CFE resources provide expertise at technical meetings and expert consultations for the Agency in specific areas that help support the Agency's initiatives.

NOTE 23: Other contributions

	(expressed in euro'000s)	
	31-12-2012	**31-12-2011**
National participation costs	3 296	165
Safeguard agreements	287	245
Total other contributions	**3 583**	**410**

168. The Agency follows a two-year cycle for charging National Participation Costs. Member States receiving technical assistance have been charged in 2012 for the 2012-2013 cycle.

NOTE 24: Revenue from exchange transactions

	(expressed in euro'000s)	
	31-12-2012	**31-12-2011**
Revenue from sale of goods		
Publications	388	326
Laboratory reference materials	281	298
	669	**624**
Revenue from jointly financed services		
Medical	723	692
Data processing	202	641
Printing	450	526
Financial	153	167
Housing	21	39
	1 549	**2 065**
Other miscellaneous revenue	**777**	**574**
Total revenue from exchange transactions	**2 995**	**3 263**

169. Revenue from jointly financed services includes receipts for services rendered to other UN system organizations on cost reimbursement basis for various services.

170. Other miscellaneous revenue includes refunds of expenditures charged to previous fiscal periods, refund of maternity leave from social security, and other sundry credits.

NOTE 25: Interest revenue

	(expressed in euro'000s)	
	31-12-2012	**31-12-2011**
Term deposits	457	1 245
Discounted notes	123	73
Money market funds and others	115	246
Total interest revenue	**695**	**1 564**

171. The decline in interest revenue for 2012 over 2011 reflects the prevailing low interest rate environment. The European Central Bank cut its deposit facility rate to zero per cent (0%) in early July 2012 bringing market rates for short term investors between negative and close to zero while the United States Federal Reserve continued with its accommodative monetary policy keeping its federal funds rate between 0 and 0.25%. Please also refer to Notes 4, 5, and 37.

NOTE 26: Net gains/(losses)

	(expressed in euro'000s)	
	31-12-2012	**31-12-2011**
Unrealized foreign exchange gains/(losses)	(6 404)	6 029
Realized foreign exchange gains/(losses)	820	1 190
Gains/(losses) on sale or disposal of property, plant and equipment	26	(18)
Total gains	**(5 558)**	**7 201**

172. Net unrealized foreign exchange losses in 2012 were primarily due to the translation of the Agency's cash and investment holdings in US dollars, and the related depreciation in the US dollar vis-à-vis the euro during the year.

173. Net unrealized foreign exchange gains in 2011 were mostly due to the translation of the Agency's cash and investment holdings in US dollars, and the related appreciation in the US dollar vis-à-vis the euro during that year.

NOTE 27: Staff costs

	(expressed in euro'000s)	
	31-12-2012	**31-12-2011**
Professional staff		
Fixed term salaries	113 716	104 629
Temporary assistance salaries	1 023	1 530
Common staff costs: contributions to UNJSPF and other pension schemes	22 804	19 804
Common staff costs: other	31 572	25 347
Total professional staff	169 115	151 310
General services staff		
Fixed term salaries	48 847	47 102
Temporary assistance salaries	2 035	2 236
Common staff costs: contributions to UNJSPF and other pension schemes	10 354	9 999
Common staff costs: other	15 474	21 320
Total general services staff	76 710	80 657
Total staff costs	**245 825**	**231 967**

174. Staff costs include salaries, post adjustments, entitlements, pensions and health plan contributions for Professional and General Services category staff. Also included are staff travel expenses which form part of staff entitlements and are not related to duty travel (home leave, family visit, education grant, interview, separation etc.).

175. There was a change in the methodology for allocation of common staff costs to the Professional and General Services category staff during 2012. This change in the allocation methodology was the primary reason for an increase in 'Professional staff common staff costs: other', and an offsetting decrease in 'General Service staff common staff costs: other', during the year.

NOTE 28: Travel

	(expressed in euro'000s)	
	31-12-2012	**31-12-2011**
Staff travel		
Duty travel staff	11 776	10 310
Safeguards inspection and equipment maintenance	5 936	5 109
Total staff travel	17 712	15 419
Non-staff travel		
For technical cooperation projects	16 481	14 762
Consultants	11 247	7 652
Other non-staff	3 679	4 714
Total non-staff travel	31 407	27 128
Total travel expenses	**49 119**	**42 547**

176. Staff travel expenses are comprised mostly of the regular duty travel of staff on various missions, such as technical meetings, research coordination meetings, liaison meetings, emergency assistance, conferences/symposia and project travel.

177. Non-staff travel costs are the associated travel costs of the consultants or experts the Agency utilizes to support technical cooperation projects or attend technical meetings or conferences.

178. 2012 travel expenses were higher for staff and non-staff travel mainly due to the increased programmatic activity related to the Nuclear Techniques for Development and Environment Protection initiatives.

NOTE 29: Transfers to development counterparts

	(expressed in euro'000s)	
	31-12-2012	**31-12-2011**
Project inventories distributed to development counterparts	31 438	22 001
Research and technical contracts	6 019	3 301
International Centre for Theoretical Physics funding	2 373	2 445
Other grants	250	248
	40 080	**27 995**

179. In 2012, there was increased delivery of goods to the counterparts resulting in increased expenses in 2012 compared to 2011. The first year under IPSAS and the new ERP system had an impact on the initiation of the obligations to deliver goods to the counterparts which resulted in lower transfers to development counterparts' expenses in 2011.

180. Research and technical contracts are awarded to the institutes in the Member States to perform research work or technical services consistent with the activities and mandate of the Agency.

NOTE 30: Buildings management and security services

	(expressed in euro'000s)	
	31-12-2012	**31-12-2011**
Buildings management services - VIC	12 062	9 020
Buildings management services - non-VIC	4 071	2 558
Security services VIC	6 330	7 538
Security services non-VIC	110	97
	22 573	**19 213**

181. Buildings management services - VIC and Security Services - VIC represent the IAEA's share of expenditure of these Common Services being operated by other VBOs. Buildings Management Services is jointly-controlled, operated by UNIDO and responsible for the maintenance and upkeep of the VIC premises. UN Security Services is jointly-controlled, operated by UNOV and responsible for security at the VIC premises.

182. Building management services - non-VIC represent the Agency's expenditure on the maintenance of its offices other than the IAEA Headquarters, primarily Seibersdorf, Toronto, Tokyo, New York and Geneva.

NOTE 31: Training

	(expressed in euro'000s)	
	31-12-2012	**31-12-2011**
Training of development counterparts	18 450	13 238
Training - staff	1 861	2 017
	20 311	**15 255**

183. Training of development counterparts includes stipends, tuition, travel, training fees and other training related costs. In 2012, training expenses were higher compared to 2011 primarily due to the increase in the placement of fellowships and the increase in the implementation of projects with counterparts.

NOTE 32: Other operating expenses

	(expressed in euro'000s)	
	31-12-2012	**31-12-2011**
Supplies and materials	5 960	7 204
Information technology contractual services	5 156	5 107
Scientific and technical contractual services	3 485	3 828
Other institutional contractual services	3 721	3 194
Equipment and software maintenance	5 037	4 720
Purchase of minor equipment and software	4 986	4 209
Communication and transport	4 237	3 156
Leased equipment	1 131	1 492
Interpretation services	1 314	1 121
Representation and hospitality	525	443
Printing supplies, Safeguards spare parts and maintenance materials inventory consumption	150	175
Increase/(decrease) in allowances	52	553
Other operating expenses	3 079	4 716
Total other operating expenses	**38 833**	**39 918**

184. Supplies and materials mainly comprise of scientific and technical supplies, and also include office and communication materials and supplies.

185. Information technology contractual services primarily comprise of expenses for support of AIPS, and other support services.

186. Scientific and technical contractual services consist of activities supporting scientific research work at the Agency, such as research reports and studies.

187. Other institutional contractual services are expenses primarily related to cleaning, translation, medical and other services.

188. Purchase of minor equipment and software relates to the expenses incurred on purchase of items of equipment and software that do not meet the capitalization criteria.

189. Communication and transport relate to costs for telephone, mail and transport of goods.

190. Other operating expenses primarily relate to general laboratory utility costs.

NOTE 33: Share of surplus/(deficit) in common services entities

	(expressed in euro'000s)	
	31-12-2012	**31-12-2011**
Share of surplus/(deficit) in the VIC Commissary	62	498
Share of surplus/(deficit) in the VIC Catering Services	(40)	36
Total share of surplus in common services entities	**22**	**534**

191. Commissary and Catering Services are common services that have been deemed to be jointly controlled by the VBOs (refer to Note 10). The above represents the IAEA's share in the net surplus/(deficit) earned by the Commissary and Catering Services during 2012 and 2011 on the basis of BMS cost sharing ratio for those years, i.e. 53.868% and 53.804% respectively.

Note 34: Segment reporting by major programme - composition by fund

2012

for the period ending 31 December 2012

(expressed in euro'000s)

	Nuclear Power, Fuel Cycle and Nuclear Science	Nuclear Techniques for Development and Environmental Protection	Nuclear Safety and Security	Nuclear Verification	Policy, Management and Administration a/	Shared Services and Expenses not Directly Charged to Major Programmes	Eliminations	Total
Regular Budget								
Expense	32 122	37 830	32 002	123 039	93 710	3 857	-	**322 560**
PPE and Intangibles	874	2 120	1 533	24 349	17 028	5 076	-	**50 980**
Additions PPE and Intangibles	609	1 007	902	10 852	3 302	4 301	-	**20 973**
Technical Cooperation Fund								
Expense	5 870	35 758	10 996	-	4 564	(171)	-	**57 017**
PPE and Intangibles	-	2	-	-	9	-	-	**11**
Additions PPE and Intangibles	-	-	-	-	11	-	-	**11**
Extrabudgetary Programme Fund								
Expense	6 297	5 600	28 209	13 776	3 720	13	-	**57 615**
PPE and Intangibles	43	293	187	35 903	399	-	-	**36 825**
Additions PPE and Intangibles	43	75	101	24 188	12	-	-	**24 419**
Technical Cooperation Extrabudgetary Fund								
Expense	3 485	6 218	4 341	-	197	14	-	**14 255**
PPE and Intangibles	-	-	-	-	-	-	-	**-**
Additions PPE and Intangibles	-	-	-	-	-	-	-	**-**
Trust Funds, Reserve Funds and Special Funds								
Expense	16	527	-	-	203	2	-	**748**
PPE and Intangibles	-	2	-	-	655	-	-	**657**
Additions PPE and Intangibles	-	-	-	-	651	-	-	**651**
Intra-fund elimination of shared services expenses between the major programmes	-	-	-	-	-	18 147	(18 147)	**-**
Inter-fund elimination of shared services expenses	-	-	-	-	-	-	(6 011)	**(6 011)**
Total Expense	**47 790**	**85 933**	**75 548**	**136 815**	**102 394**	**21 862**	**(24 158)**	**446 184**
Total PPE and Intangibles	**917**	**2 417**	**1 720**	**60 252**	**18 091**	**5 076**	**-**	**88 473**
Total Additions PPE and Intangibles	**652**	**1 082**	**1 003**	**35 040**	**3 976**	**4 301**	**-**	**46 054**

a/ Includes Management of Technical Cooperation for Development

2011

for the period ending 31 December 2011
(expressed in euro'000s)

	Nuclear Power, Fuel Cycle and Nuclear Science	Nuclear Techniques for Development and Environmental Protection	Nuclear Safety and Security	Nuclear Verification	Policy, Management and Administration a/	Shared Services and Expenses not Directly Charged to Major Programmes	Eliminations	Total
Regular Budget								
Expense	30 711	34 956	30 881	112 183	97 785	2 282	-	**308 798**
PPE and Intangibles	482	1 876	948	19 444	15 717	1 211	-	**39 678**
Additions PPE and Intangibles	452	1 206	744	5 947	1 688	1 142	-	**11 179**
Technical Cooperation Fund								
Expense	6 094	22 529	11 159	1	6 212	353	-	**46 348**
PPE and Intangibles	2	1	-	-	-	-	-	**3**
Additions PPE and Intangibles	-	36	3	-	-	-	-	**39**
Extrabudgetary Programme Fund								
Expense	4 700	3 094	21 304	9 550	2 834	-	-	**41 482**
PPE and Intangibles	-	273	122	13 387	459	-	-	**14 241**
Additions PPE and Intangibles	-	278	133	14 238	501	-	-	**15 150**
Technical Cooperation Extrabudgetary Fund								
Expense	3 641	2 955	4 283	-	185	-	-	**11 064**
PPE and Intangibles	-	-	-	-	-	-	-	**-**
Additions PPE and Intangibles	-	-	-	-	-	-	-	**-**
Trust Funds, Reserve Funds and Special Funds								
Expense	-	176	7	-	286	-	-	**469**
PPE and Intangibles	-	3	-	-	194	-	-	**197**
Additions PPE and Intangibles	-	4	-	-	151	-	-	**155**
Intra-fund elimination of shared services expenses between the major programmes	-	-	-	-	-	16 555	(16 555)	**-**
Inter-fund elimination of shared services expenses	-	-	-	-	-	-	(3 896)	**(3 896)**
Total Expense	**45 146**	**63 710**	**67 634**	**121 734**	**107 302**	**19 190**	**(20 451)**	**404 265**
Total PPE and Intangibles	**484**	**2 153**	**1 070**	**32 831**	**16 370**	**1 211**	**-**	**54 119**
Total Additions PPE and Intangibles	**452**	**1 524**	**880**	**20 185**	**2 340**	**1 142**	**-**	**26 523**

a/ Includes Management of Technical Cooperation for Development

NOTE 35: Budget

192. The Regular Budget consists of an operational and a capital component, the latter to fund major infrastructure investments. Regular Budget estimates, in accordance with the structure of the Agency's programme of work, are presented in the six Major Programmes (MPs). MPs 1 - 4 are scientific and technical in nature:

MP 1 – Nuclear Power, Fuel Cycle and Nuclear Science

MP 2 – Nuclear Techniques for Development and Environmental Protection

MP 3 – Nuclear Safety and Security

MP 4 – Nuclear Verification

Other major programmes provide managerial and administrative services that facilitate the work of the scientific and technical MPs:

MP 5 – Policy, Management and Administration Services

MP 6 – Management of Technical Cooperation for Development

193. The capital component of the Regular Budget consists of the Major Capital Investment Fund (MCIF). This is a Reserve Fund established in accordance with Financial Regulation 4.06, to support major infrastructure investments that comply with the Agency's Major Capital Investment Plan (MCIP).

NOTE 35a: Movements between original and final budgets (Regular Budget)

194. Each year, the General Conference approves a budget for the Agency which is allocated in appropriation sections. The Director General may incur expenditure within the limits stated in the appropriation sections and for the purposes for which they are voted. The Director General cannot make transfers between any of the appropriation sections without the prior approval of the Board of Governors. No transfers between the appropriation sections were made during 2012. The amount in each appropriation section comprises euro component and a US dollar component expressed as a euro equivalent on the basis of the average US dollar-to-euro UNORE experienced during the budget year. Therefore, the authority granted by the General Conference, expressed in euro, can only be determined at the end of the budget year

195. The table below illustrates the revaluation of the 2012 Regular Budget appropriations for 2012.

For the period ended 31 December 2012

(expressed in euro'000s)

Operational portion	Approved budget	Revalued/Final budget a/	Variance b/
MP1-Nuclear Power Fuel Cycle and Nuclear Science	33 725	32 095	(1 630)
MP2-Nuclear Techniques for Development and Environmental Protection	38 664	37 024	(1 640)
MP3-Nuclear Safety and Security	33 999	32 339	(1 660)
MP4-Nuclear Verification	128 781	122 931	(5 850)
MP5-Policy, Management and Administration Services	75 355	72 840	(2 515)
MP6-Management of Technical Cooperation and Development	20 390	19 566	(824)
Total Agency programmes	**330 914**	**316 795**	**(14 119)**
Reimbursable work for others	2 385	2 247	(138)
Total Regular Budget operational portion	**333 299**	**319 042**	**(14 257)**

Capital portion	Approved budget	Revalued/Final budget a/	Variance
MP4-Nuclear Verification	7 138	7 138	-
MP5-Policy, Management and Administration Services	1 016	1 016	-
Total Regular Budget capital portion	**8 154**	**8 154**	**-**

Note a/ General Conference Resolution GC(55)RES/5 of September 2012 - revalued at the UN average rate of €0.7777/$1.

Note b/ There were no transfers between major programmes. The variance between the approved budget and the final budget is due to revaluation only.

NOTE 35b: Reconciliation between the actual amounts on comparable basis and the cash flow statement

196. As required under IPSAS 24 Presentation of Budget Information in Financial Statements, the actual amounts presented on a comparable basis to the budget shall, where the financial statements and the budget are not prepared on a comparable basis, be reconciled to net cash flows from operating, investing and financing activities, identifying separately any basis, timing and entity differences. There may also be differences in formats and classification schemes adopted for presentation of financial statements and the budget.

197. The reconciliation between the actual amounts on a comparable basis in the Comparison of Budget and Actual Amounts and the actual amounts in the Cash Flow Statement for the period ended 31 December 2012 is presented below:

	(expressed in euro'000s)		
	Operational	**Investing**	**Financing**
Current year budget results (Statement Va and Vb - variances) a/	10 551	-	-
Basis Difference	(14 362)	-	-
Presentation Difference	61 587	(47 179)	(14 408)
Entity Difference	62 199	(159 016)	13 680
Actual Amount in the Statement of Cash Flows	**119 975**	**(206 195)**	**(728)**

a/ IPSAS 24 requires a reconciliation to be presented between the actual amounts (Actuals/Expenditure Statement Va and Vb) and the net cash flows. The reconciliation in this note compares the variance between budget and actuals (Statement Va and Vb) and the net cash flows (Statement IV). If the literal requirement of IPSAS 24 is followed, the Agency's revenues (substantial part of the cash flows) would appear as reconciling differences. This would distort the clarity and the ability of the readers of financial statements to draw conclusions from such presentation. The logical requirement of the Standard is to demonstrate the differences between the accounting basis used in the preparation of the budget and the accounting basis used in the financial statements. We believe that the given reconciliation achieves a fair presentation.

198. **Basis differences** capture the differences resulting from preparing the budget on a modified cash basis. In order to reconcile the budgetary results to the Cash Flow Statement, the non-cash elements such as unliquidated obligations, payments against prior year obligations and outstanding assessed contributions are included as basis differences.

199. **Timing differences** occur when the budget period differs from the reporting period reflected in the financial statements. For the purposes of comparison of budget and actual amounts, there are no timing differences for the Agency.

200. **Presentation differences** are differences in the format and classification schemes in the Statement of Cash Flow and the Statement of Comparison of Budget and Actual Amounts.

201. **Entity differences** represent cash flows of fund groups other than the Regular Budget Fund that are reported in the Financial Statements. The financial statements include results for all Fund Groups.

NOTE 35c: Budget to actuals variance analysis

202. Excluding reimbursable work for others, the Agency expended €313.7 million from the 2012 Regular Budget for a combined resource utilization rate of 96.5%. For the operational portion of the Regular Budget, the 2012 expenditure was €307.1 million, leaving an unobligated balance of €9.69 million which will be carried over into the second year of the biennium (2013) to meet programmatic needs. The Agency expended €6.6 million of the capital portion of the Regular Budget, leaving an unobligated balance of €1.58 million, mainly from funds reserved for JMOX, to be kept in the Reserve for Major Capital Investment Fund (MCIF) to support major capital investments.

203. All major programmes experienced an underutilization of the Regular Budget, mainly in the area of staff costs due to delays in recruitment.

NOTE 35d: Major Capital Investment Fund (MCIF)

204. The Major Capital Investment Fund (MCIF) is a Reserve Fund established in accordance with Financial Regulation 4.06, allowing the establishment of such Reserve Funds, which allows the retention ('carryover') of funds beyond the end of the biennium. The Director General will incur expenditures from the MCIF to implement the Major Capital Investment Plan (MCIP) in compliance with the Financial Regulations and Rules.

205. The MCIP is a long term plan which outlines the Agency's major capital projects. It is a mechanism which facilitates long term planning, allows for the accumulation and retention of funds beyond the end of a budget biennium to make them available when needed. Furthermore it helps to ensure that appropriations are planned for and managed in a manner that the amounts requested each year are more stable and predictable.

206. The MCIF is reviewed by the Board in the framework of the established programme and budget approval process to determine, inter alia, the adequacy of the fund balance and the level of appropriations required for the capital Regular Budget after considering such factors as extrabudgetary contributions received or pledged for items in the MCIP, rate of implementation, and adjustments to the MCIP due to changes in circumstances or prioritization.

207. The following table presents the financial status of the MCIF at the end of the 2012 financial year.

Comparison of budget and actual amounts a/

	(expressed in euro'000s)		
	Reserve for MCIF	**Capital Portion in the Regular Budget**	**Total**
Resources:			
Opening balance 1 January 2012 b/	9 046	-	9 046
2012 Regular Budget Capital Portion c/	-	8 153	8 153
Transfers to MCIF d/	19 610	-	19 610
Total resources	28 656	8 153	36 809
Expenditure:			
MP2-Nuclear Techniques for Development and Environmental Protection	472	-	472
MP4-Nuclear Verification	1 859	5 575	7 434
MP5-Policy, Management and Administration	5 094	997	6 091
Total expenditure	7 425	6 572	13 997
Unallocated balance 31 December 2012	**21 231**	**1 581**	**22 812**

a/ The accounting basis and the budget basis are different. This note is prepared on the modified cash basis.

b/: Note 36d - GC(56)/10 dated July 2012 - page 85

c/: GC(55)/RES/5 dated September 2011

d/: Note 22 - GC(56)/10 dated July 2012 - page 70

NOTE 36: Related parties

Key management personnel

208. Key management personnel are the Director General and the six Deputy Directors General, as they have authority for planning, directing and controlling the activities of the Agency (or significant parts thereof).

209. The aggregate remuneration paid to key management personnel includes: net salaries, post adjustment, entitlements such as allowances, grants and subsidies, and employer pension and health insurance contributions. Key management personnel remuneration incorporates housing allowances and representation allowances paid as part of salaries despite a representative aspect to these allowances being present.

(expressed in euro'000s)

	Number of Individuals	Compensation and Post Adjustment	Entitlements	Pension and Health Plans	Total Remuneration	Outstanding Advances Against Entitlements	Outstanding Loans
2012	**7**	**1 159.5**	**168.0**	**257.9**	**1 585.4**	**7.9**	**-**
2011	**7**	**1 136.6**	**299.0**	**238.9**	**1 674.5**	**6.5**	**-**

210. No close family member of the key management personnel was employed by the Agency during the year.

211. Advances are those made against entitlements in accordance with staff rules and regulations. Advances against entitlements are widely available to all IAEA staff.

NOTE 37: Financial instrument disclosures

212. All financial assets and liabilities are designated as amortized cost. Given the short term nature of the Agency's financial assets and liabilities, their carrying value represents a reasonable estimate of their fair value.

213. The Agency's activities expose it to credit risk, liquidity risk, currency risk, and interest rate risk. Detailed information on the Agency's management of each of these risks and related exposures are provided in the following sections. From an overall perspective, the Agency's investment management objective prioritizes capital preservation as its primary objective, ensuring sufficient liquidity to meet cash operating requirements, and then earning a competitive rate of return on its portfolio within these constraints. Capital preservation and liquidity are emphasized over the rate of return. Currently, no investment can be longer than one year.

a) Credit risk management

214. Credit risk refers to the risk that a counterparty to a financial instrument will default on its contractual obligations resulting in a financial loss to IAEA. The carrying value of financial assets equates to the maximum exposure to credit risk as at balance date.

215. To manage credit risk relating to investment of cash, the Agency has an investment policy that restricts investments to particular types of financial instruments along with investment ceilings per issuer depending on the credit quality of the issuer. Credit risk relating to management of accounts receivable is discussed further in Note 7.

Agency Policy on Allowable Financial Instruments		**Carrying Value of Cash, Cash Equivalents and Investments a/ (expressed in euro'000s)**	
Issuer	**Credit quality b/**	**31-12-2012**	**31-12-2011**
Government debt less than one year	AAA	37 681	87 800
Bank for International Settlements	AAA	74 571	91 211
Government money market funds	AAA mmf	-	42 670
Government debt less than one year	AA	20 000	-
Commercial bank short term deposits	a and up	329 447	162 456
Commercial bank short term deposits	a-	-	15 100
Commercial bank short term deposits	bbb+	-	5 600
Total		**461 699** c/	**404 837** c/

a/ Excluding imprest accounts and cash in bank current accounts

b/ Credit quality is expressed as the long term rating for issuers, with the following exceptions:

- Credit quality for commercial banks is expressed as Fitch viability ratings.
- Credit quality for Government money market fund is expressed by the money market fund scale.
- Bank for International Settlements has not been rated by a Rating Agency, however, its debt trades at AAA levels due to the special status of this institution, which is the bank of central banks around the world.

c/ 57.4% of the balance as at 31 December 2012 was denominated in euros and 43.6% was denominated in US dollars (51.2% and 48.8% respectively as at 31 December 2011).

216. The following table gives the details of exposures to a single issuer of over 10% of the total portfolio at the end of the year (given the increasing size of the portfolio, the investment ceilings per issuer were changed from fixed to variable during 2012, hence the threshold of 10% of the portfolio replaces the threshold of €25 million used in the 2011 financial statements):

Issuer	Industry	Carrying Value (expressed in euro'000s)	
		31-12-2012	31-12-2011
United States of America a/	Government	37 681	57 814
Bank for International Settlements	Financial Institution (central banks)	74 571	91 211
JP Morgan Asset Management (Europe) b/	Government money market funds	-	42 670
Total		112 252	191 695

a/ The exposure to United States of America (T bills) was not more than 10% of the portfolio as at 31 December 2012. However, the exposure to this counterparty is presented to provide a comparison with the balance held with the same counterparty as at 31 December 2011.

b/ The underlying credit risks of the Government money market fund issued by JP Morgan Asset Management (Europe) are the different instruments held by this money market fund which are composed of highly rated European government papers plus reverse repos over-collateralized by highly-rated European government debt.

b) Currency risk management

217. The Agency undertakes transactions denominated in foreign currencies and must therefore manage its exposure to exchange rate fluctuations. The Agency's general strategy for managing exchange rate risk is to ensure that revenues are received or converted in the market in the same currencies as anticipated expenses. The principal mechanisms are the split assessment system for the Regular Budget Fund, the split indicative shares for the Technical Cooperation Fund which started in 2011, where a portion of the assessments and indicative shares is set in US dollars, and the cash holdings of Extrabudgetary contributions generally being held in the expected currency of the disbursements.

218. Foreign currency revenue inflows are translated at differing exchange rates to the related foreign currency expense outflows which occur at a later date. The foreign exchange gains and losses associated with foreign currency holdings during the window between these inflows and outflows therefore do not represent a true economic risk to the Agency due to the currency management strategy outlined above.

219. The carrying amounts of the Agency's cash, cash equivalents and investments translated to euro at end of the period are set out below. Some of these are denominated in currencies that cannot be readily converted into euro (‘illiquid currencies’).

Total cash, deposits and other investments currency denominations

(expressed in euro'000s)

	Euro	US Dollar	Others	Illiquid Currencies	Total
As at 31-12-2012	272 410	198 605	249	1 324	472 588
As at 31-12-2011	207 528	194 964	490	1 434	404 416

c) Liquidity risk management

220. Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

221. Liquidity risk is primarily managed on an individual fund basis. For all funds except the Regular Budget, commitments can generally only be made once funds are available and therefore liquidity risk is minimal. For the Regular Budget, the appropriation based framework for expense authorisation ensures that expenses do not exceed revenue streams for any given year, while the working capital fund is a mechanism for providing liquidity, should issues arise around the timing of cash outflows and cash inflows (relating primarily to member state assessed contributions). The working capital fund provides a liquidity buffer for the Agency's Regular Budget of approximately three weeks cash flow. It was not utilized in either 2012 or 2011.

Maturity analysis of the Agency's financial liabilities and financial assets

222. The Agency's financial liabilities were approximately 44% of financial assets as at 31 December 2012 (42% as at 31 December 2011). Most of the financial liabilities are long-term in nature. The Agency's short-term financial liabilities (due within 12 months) were less than 7% of its short-term financial assets as at 31 December 2012 and 2011.

223. As at 31 December 2012, the average period to maturity of the Agency's cash and investments portfolio for euro and US dollar was 54 days and 68 days respectively (35 days and 78 days respectively at 31 December 2011).

d) Interest rate risk management

224. The Agency seeks to earn a risk-adjusted competitive market rate of return on its investment portfolio; however, capital preservation and liquidity are to be emphasized over the rate of return. Moreover, the Agency's return on the investment portfolio as a short-term fixed income investor is subject to the general level of short-term interest rates in euros and US dollars.

225. The investing horizon is based upon anticipated liquidity demands plus market conditions, and is limited to financial assets with a maturity period of one year or less. Within these settings, during 2012, the Agency earned an average rate of 0.14% per annum on its euro cash and investments (0.77% per annum in 2011) and an average rate of 0.15% per annum on its USD cash and investments (0.18% per annum in 2011). The Agency (as with any short-term fixed income investor) is exposed to changes in interest rates on floating rate financial assets and as fixed rate financial assets mature and require reinvestment.

NOTE 38: Commitments

226. Commitments include purchase orders and service contracts that are not delivered as at end of the reporting period. As on 31 December 2012, the Agency had commitments of €69.397 million (€89.699 million as on 31 December 2011). The details by funding source (Fund Group) are provided below:

	(expressed in euro'000s)	
Fund Group	**Commitment Amount 31-12-2012**	**Commitment Amount 31-12-2011**
Regular Budget Fund and Working Capital Fund	30 565	33 378
Technical Cooperation Fund	21 985	27 222
Extra-budgetary Programme Fund	9 502	14 971
Technical Cooperation Extra-budgetary Fund	7 318	12 679
Trust Funds, Reserve Funds and Special Funds	27	1 449
Total	**69 397**	**89 699**

Capital commitments

227. Out of the above, capital commitments were as follows:

	(expressed in euro'000s)	
	31-12-2012	**31-12-2011**
Scientific and Technical Equipment	4 319	9 584
Construction Contracts	11 693	9 056
Communications & IT Equipment	341	1 990
Furniture and Fixtures	283	270
Software	895	120
Security & Safety Equipment	563	-
Vehicles	93	61
Total capital commitments	**18 187**	**21 081**

Operating lease commitments

228. The following table gives the details of the Agency's operating leases:

	(expressed in euro'000s)	
	31-12-2012	**31-12-2011**
Accommodation operating leases	1 475	1 324
Other leases	3 066	3 276
Total operating lease commitments	**4 541**	**4 600**
Operating lease commitments by term		
Less than one year	1 600	1 388
One to five years	2 854	3 212
Over five years	87	-
Total operating lease commitments	**4 541**	**4 600**

229. Accommodation operating lease commitments pertain to the Agency's offices, primarily in New York, Toronto, Geneva and Tokyo.

230. Other leases primarily represent the rental of office equipment like photocopiers and printing equipment.

NOTE 39: Prior period items

231. Certain errors pertaining to prior years were detected during the year. These were not material enough (net impact €0.088 million) to warrant restatement of prior year statements, and hence were recorded in the current year. They included the following:

- Rectification of accounts receivable overstated in the prior years €0.532 million;
- Amounts overcharged to expenses in the prior years, pertaining to items that should have been capitalized €0.317 million;
- Amounts overcharged to staff expense accounts in the prior years €0.202 million; and
- Amounts undercharged to expenses in prior years, pertaining to items incorrectly capitalized in prior years €0.075 million.

NOTE 40: Contingent liabilities and contingent assets

Contingent liabilities

232. As at 31 December 2012, there were 18 appeals cases against the Agency with the International Labour Organization Administrative Tribunal (ILOAT) relating to various claims from staff members or former staff members. Out of these 18 appeals, 17 cases are still unresolved and one case was decided in favour of the staff member in February 2013 which was not a significant amount and will be expensed on payment. Additionally, there are three cases from staff members with the Joint Appeals Board. If the claimants for the remaining unresolved appeals are ultimately successful, it is estimated that the cost to the Agency would be approximately €5.185 million. Furthermore there are two unresolved settlement claims against

the Agency amounting to €0.527 million. The total cost, should the unresolved appeals and settlement claims be decided against the Agency, is therefore estimated to be €5.712 million.

Contingent assets

233. The Agency's contingent assets consist primarily of pledges received that are subject to further parliamentary/other approvals from the donors (€27.963 million), and pledges received that have not yet been formally accepted by the Agency (€4.612 million).

NOTE 41: Events after the reporting date

234. The Agency's reporting date is 31 December 2012. The financial statements were authorized for issuance by the Director General on 19 March 2013, the date at which they were submitted to the External Auditor.

235. There were no significant events impacting the financial statements, favourable or unfavourable, between the reporting date and the financial statements issuance date.

NOTE 42: Ex-gratia payments

236. No ex-gratia payments have been made during the reporting period.

PART IV

Annexes to the Financial Statements

ANNEX A1

REVENUE FROM CONTRIBUTIONS
FOR THE PERIOD ENDING 31 DECEMBER 2012
(expressed in euro)

Donors	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB)		TOTAL
				EB RB	EB TC	
I. **Member States**						
Afghanistan, Islamic Republic of	10 852	-	-	-	-	10 852
Albania	27 743	6 550	22 825	-	80 000	137 118
Algeria	341 237	80 562	46 415	-	-	468 214
Angola	27 132	21 610	-	-	-	48 742
Argentina	790 504	172 578	54 259	170 900	-	1 188 241
Armenia	13 872	3 267	91 721	-	-	108 860
Australia	6 164 912	1 211 125	-	-	-	7 376 037
Austria	2 713 484	537 079	-	-	-	3 250 563
Azerbaijan	38 841	-	63 294	-	282 050	384 185
Bahrain	122 829	-	35 569	-	-	158 398
Bangladesh	27 132	6 550	-	-	-	33 682
Belarus	110 972	26 200	42 331	-	-	179 503
Belgium	3 428 264	380 883	-	258 505	-	4 067 652
Belize	2 774	-	12 094	-	-	14 868
Benin	8 140	-	-	-	-	8 140
Bolivia	19 420	-	15 511	-	-	34 931
Bosnia and Herzegovina	36 065	8 099	24 603	-	-	68 767
Botswana	47 162	11 135	22 053	-	13 541	93 891
Brazil	4 431 964	1 594 205	64 622	-	-	6 090 791
Bulgaria	102 648	24 234	(13 161)	120 000	30 000	263 721
Burkina Faso	8 140	1 869	-	-	-	10 009
Burundi	2 713	-	-	-	-	2 713
Cambodia	8 140	-	-	-	-	8 140
Cameroon	30 517	6 853	44 573	-	-	81 943
Canada	10 228 520	-	-	3 970 224	-	14 198 744
Central African Republic	2 713	-	-	-	-	2 713
Chad	5 426	908	-	-	-	6 334
Chile	647 814	-	41 613	8 040	212 040	909 507
China	8 528 159	2 013 393	76 401	300 800	146 318	11 065 071
Colombia	385 626	54 180	72 942	-	-	512 748
Congo	9 697	-	-	-	-	9 697
Costa Rica	91 552	11 774	52 160	-	311 860	467 346
Cote d'Ivoire	27 743	6 550	25 553	-	-	59 846
Croatia	258 007	59 758	17 638	-	75 000	410 403
Cuba	188 653	32 791	70 907	-	484 325	776 676
Cyprus	145 602	28 819	-	-	-	174 421
Czech Republic	958 880	219 773	16 336	91 741	122 675	1 409 405
Democratic Republic of the Congo	8 140	-	-	-	-	8 140
Denmark	2 346 176	464 377	-	1 076 485	-	3 887 038
Dominican Republic	110 972	-	20 961	-	-	131 933
Ecuador	105 423	24 889	31 763	-	-	162 075
Egypt	252 459	59 603	36 555	-	-	348 617
El Salvador	49 937	23 892	18 284	-	-	92 113
Eritrea	2 714	647	-	-	-	3 361
Estonia	105 423	24 889	46 343	3 730	-	180 385
Ethiopia	21 706	5 201	-	-	-	26 907
Finland	1 806 786	340 172	-	172 772	-	2 319 730
France	19 530 495	3 069 483	-	1 416 355	-	24 016 333
Gabon	37 099	-	7 877	-	-	44 976
Georgia	16 646	3 738	34 780	-	-	55 164
Germany	25 572 973	5 213 085	-	2 092 190	-	32 878 248
Ghana	16 646	3 930	41 071	-	3 925	65 572
Greece	2 152 750	1 524	-	79 386	-	2 233 660
Guatemala	74 907	17 720	19 296	-	-	111 923
Haiti	8 140	-	-	-	-	8 140

Annex A1 (continued)

Donors	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB)		TOTAL
				EB RB	EB TC	
Holy See	3 306	1 774	-	-	-	5 080
Honduras	22 194	-	23 022	-	-	45 216
Hungary	799 067	186 251	(880)	-	60 000	1 044 438
Iceland	132 366	26 199	-	-	-	158 565
India	1 428 758	337 312	-	883 500	-	2 649 570
Indonesia	635 312	139 320	52 994	-	120 589	948 215
Iran, Islamic Republic of	624 215	20 000	52 881	-	150 000	847 096
Iraq	52 711	12 445	55 906	-	464 772	585 834
Ireland	1 588 385	-	-	10 000	-	1 598 385
Israel	1 224 383	124 994	28 397	10 000	250 000	1 637 774
Italy	15 943 397	3 264 945	-	100 000	-	19 308 342
Jamaica	36 065	-	11 989	-	-	48 054
Japan	39 967 689	7 926 866	-	11 793 184	714 785	60 402 524
Jordan	36 065	8 515	39 815	-	54 719	139 114
Kazakhstan	202 522	48 785	64 313	50 000	-	365 620
Kenya	33 291	23 340	59 539	-	250 257	366 427
Korea, Republic of	7 040 074	1 426 536	(16 789)	3 751 103	804 424	13 005 348
Kuwait	837 216	165 709	35 125	-	-	1 038 050
Kyrgyzstan	2 774	-	16 325	-	-	19 099
Latvia	102 648	24 234	13 240	-	-	140 122
Lebanon	88 778	20 959	53 897	-	-	163 634
Lesotho	2 714	656	-	-	-	3 370
Liberia	2 713	-	-	-	-	2 713
Libya	353 871	83 528	(10 904)	-	-	426 495
Liechtenstein	29 777	5 895	-	-	-	35 672
Lithuania	174 781	41 263	28 737	-	-	244 781
Luxembourg	287 895	56 983	-	-	-	344 878
Madagascar	8 140	1 963	-	-	-	10 103
Malawi	2 714	-	-	-	-	2 714
Malaysia	696 328	159 814	24 820	-	-	880 962
Mali	8 140	1 963	-	-	-	10 103
Malta	45 661	10 281	4 750	-	45 000	105 692
Marshall Islands	2 774	-	-	-	-	2 774
Mauritania, Islamic Republic of	2 714	656	-	-	-	3 370
Mauritius	30 517	7 205	49 644	-	75 000	162 366
Mexico	6 480 997	1 468 301	38 326	-	-	7 987 624
Monaco	9 928	1 963	-	412 475	-	424 366
Mongolia	5 549	1 310	88 898	-	-	95 757
Montenegro	11 097	2 620	66 491	-	-	80 208
Morocco	155 360	36 679	20 629	-	-	212 668
Mozambique	8 140	1 869	-	-	-	10 009
Myanmar	16 279	3 930	-	-	-	20 209
Namibia	22 194	5 240	27 062	-	-	54 496
Nepal	16 279	-	-	-	-	16 279
Netherlands	5 916 723	1 113 969	-	360 000	-	7 390 692
New Zealand	870 298	-	-	43 263	-	913 561
Nicaragua	8 140	1 869	46 399	-	-	56 408
Niger	5 426	1 246	-	-	-	6 672
Nigeria	208 071	49 122	41 050	-	1 367 817	1 666 060
Norway	2 776 366	549 524	-	2 399 638	-	5 725 528
Oman	268 285	54 363	59 529	-	-	382 177
Pakistan	219 169	49 219	119 309	-	140 430	528 127
Palau	2 853	656	-	-	-	3 509
Panama	58 260	-	27 170	-	-	85 430
Paraguay	19 420	-	20 128	-	-	39 548
Peru	241 363	10 184	32 343	-	-	283 890
Philippines	241 363	60 758	39 968	-	-	342 089
Poland	2 213 881	522 670	20 551	50 000	-	2 807 102
Portugal	1 590 319	336 605	-	-	-	1 926 924
Qatar	430 190	-	20 386	-	-	450 576

Annex A1 (continued)

Donors	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB)		TOTAL
				EB RB	EB TC	
Republic of Moldova	5 549	1 310	42 635	-	-	49 494
Romania	474 403	112 001	66 618	-	-	653 022
Russian Federation	5 109 295	955 177	-	2 102 018	-	8 166 490
Saudi Arabia	2 283 046	523 980	522	-	-	2 807 548
Senegal	16 279	3 930	-	-	-	20 209
Serbia	99 875	23 547	53 906	-	-	177 328
Seychelles	5 707	1 310	19 127	-	-	26 144
Sierra Leone	2 714	-	-	-	-	2 714
Singapore	1 068 852	211 557	14 018	-	-	1 294 427
Slovakia	380 077	85 354	20 458	210 740	50 000	746 629
Slovenia	327 602	64 843	34 607	-	-	427 052
South Africa	1 029 261	242 995	70 671	1 489 868	433 303	3 266 098
Spain	10 132 555	-	-	261 000	155 000	10 548 555
Sri Lanka	49 937	11 790	37 602	-	3 870	103 199
Sudan	27 132	6 230	-	-	53 803	87 165
Sweden	3 395 170	685 664	-	182 581	-	4 263 415
Switzerland	3 603 641	666 869	-	71 524	-	4 342 034
Syrian Arab Republic	66 584	14 953	50 798	-	-	132 335
Tajikistan	5 549	1 310	30 023	-	30 037	66 919
Thailand	557 633	131 650	46 531	-	-	735 814
The former Yugoslav Republic of Macedonia	19 420	4 585	55 597	-	-	79 602
Tunisia	80 454	18 634	34 032	-	-	133 120
Turkey	1 650 701	390 502	(921)	-	1 241 606	3 281 888
Uganda	16 279	3 930	-	-	325 297	345 506
Ukraine	233 039	54 235	52 067	130 200	-	469 541
United Arab Emirates	1 247 546	-	47 680	810 000	-	2 105 226
United Kingdom of Great Britain and Northern Ireland	21 062 620	4 168 915	-	3 355 902	-	28 587 437
United Republic of Tanzania	21 706	5 240	-	-	-	26 946
United States of America	82 728 284	16 313 155	-	43 903 762	4 374 725	147 319 926
Uruguay	74 200	17 496	36 039	15 100	-	142 835
Uzbekistan	27 743	6 501	51 034	-	69 527	154 805
Venezuela, Bolivarian Republic of	840 608	-	29 609	-	91 440	961 657
Vietnam	86 823	20 959	65 143	-	-	172 925
Yemen	27 132	6 550	-	-	-	33 682
Zambia	10 852	2 620	-	-	-	13 472
Zimbabwe	8 323	1 963	26 071	-	-	36 357
Sub Total:	**323 235 737**	**58 934 138**	**3 296 116**	**82 156 986**	**13 088 135**	**480 711 112**
II. New Member States						
Dominica	3 225	-	-	-	-	3 225
Fiji	12 924	-	-	-	-	12 924
Lao People's Democratic Republic	2 714	1 209	-	-	-	3 923
Papua New Guinea	6 437	-	-	-	-	6 437
Rwanda	2 726	-	-	-	-	2 726
Togo	2 715	-	-	-	-	2 715
Trinidad and Tobago	142 169	-	-	-	-	142 169
Sub Total:	**172 910**	**1 209**	**-**	**-**	**-**	**174 119**
III. Other Donors						
European Commission	-	-	-	2 975	360 000	362 975
International Organizations	-	-	-	2 603 946	42 081	2 646 027
Other Sources	-	-	-	42 051	-	42 051
Sub Total:	**-**	**-**	**-**	**2 648 972**	**402 081**	**3 051 053**
GRAND TOTAL:	**323 408 647**	**58 935 347**	**3 296 116**	**84 805 958**	**13 490 216**	**483 936 284**

Note: Excludes refunds and contributions recorded as Deferred Revenue

ANNEX A2

STATUS OF OUTSTANDING CONTRIBUTIONS FOR THE PERIOD ENDING 31 DECEMBER 2012

(expressed in euros)

Donors	Working Capital Fund (WCF)	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Assessed Programme Costs (APCs)	Extrabudgetary (EB)		TOTAL
						EB RB	EB TC	
I. Member States								
Afghanistan, Islamic Republic of	-	10 283	-	-	-	-	-	10 283
Albania	-	1 763	13 225	384	-	-	30 000	45 372
Algeria	-	-	-	20 323	-	-	-	20 323
Angola	-	-	-	-	-	-	-	-
Argentina	-	-	-	-	-	7 540	-	7 540
Armenia	-	-	-	-	-	-	-	-
Australia	-	-	-	-	-	-	-	-
Austria	-	-	-	-	-	-	-	-
Azerbaijan	-	-	-	-	-	-	-	-
Bahrain	-	122 612	-	-	-	-	-	122 612
Bangladesh	-	-	-	-	-	-	-	-
Belarus	-	-	-	-	-	-	-	-
Belgium	-	-	-	-	-	10 000	-	10 000
Belize	-	10 199	-	595	-	-	-	10 794
Benin	-	11 185	-	-	-	-	-	11 185
Bolivia	152	119 118	-	16 160	209 671	-	-	345 101
Bosnia and Herzegovina	-	-	8 099	14 250	-	-	-	22 349
Botswana	-	-	-	-	-	-	-	-
Brazil	-	4 400 110	-	-	-	-	11 687	4 411 797
Bulgaria	-	-	-	(13 161)	-	-	30 000	16 839
Burkina Faso	-	14 896	3 899	-	-	-	-	18 795
Burundi	152	10 088	-	-	-	-	-	10 240
Cambodia	-	127 996	-	-	-	-	-	127 996
Cameroon	-	67 582	6 853	42 219	-	-	-	116 654
Canada	-	-	-	-	-	-	-	-
Central African Republic	152	25 162	641	-	-	-	-	25 955
Chad	-	-	-	-	-	-	-	-
Chile	-	-	-	-	-	-	-	-
China	-	-	-	-	-	70 000	-	70 000
Colombia	-	-	-	3 295	-	-	-	3 295

Annex A2 (continued)

Donors	Working Capital Fund (WCF)	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Assessed Programme Costs (APCs)	Extrabudgetary (EB)		TOTAL
						EB RB	EB TC	
Congo	-	15 588	-	-	-	-	-	15 588
Costa Rica	-	83 664	-	14 105	-	-	149 292	247 061
Cote d'Ivoire	-	-	-	-	-	-	-	-
Croatia	-	-	-	-	-	-	75 000	75 000
Cuba	-	348 503	-	-	-	-	378 854	727 357
Cyprus	-	-	-	-	-	-	-	-
Czech Republic	-	-	-	-	-	-	-	-
Democratic Republic of the Congo	-	23 405	-	-	-	-	-	23 405
Denmark	-	-	-	-	-	-	-	-
Dominican Republic	2 586	1 167 175	-	21 896	154 277	-	-	1 345 934
Ecuador	-	-	-	10 927	-	-	-	10 927
Egypt	-	-	-	149	-	-	-	149
El Salvador	1 893	594 704	-	-	9 382	-	-	605 979
Eritrea	-	-	-	-	-	-	-	-
Estonia	-	-	-	33 189	-	-	-	33 189
Ethiopia	-	-	-	-	-	-	-	-
Finland	-	-	-	-	-	10 000	-	10 000
France	-	-	-	-	-	110 000	-	110 000
Gabon	-	139 952	-	12 532	-	-	-	152 484
Georgia	-	197 588	-	-	-	-	114 477	312 065
Germany	-	-	-	-	-	25 000	-	25 000
Ghana	-	16 521	-	19 877	-	-	-	36 398
Greece	-	-	-	-	-	-	-	-
Guatemala	-	502 969	-	8 144	110 475	-	-	621 588
Haiti	-	5 532	203	-	-	-	-	5 735
Holy See	-	-	-	-	-	-	-	-
Honduras	-	24 824	-	10 057	-	-	-	34 881
Hungary	-	-	-	(880)	-	-	-	(880)
Iceland	-	-	-	-	-	-	-	-
India	-	4 642	200	-	-	52 700	-	57 542
Indonesia	-	-	-	-	-	-	-	-
Iran, Islamic Republic of	-	1 226 815	-	-	-	-	150 000	1 376 815
Iraq	-	-	-	28 645	-	-	464 772	493 417
Ireland	-	-	-	-	-	-	-	-
Israel	-	-	-	-	-	-	-	-
Italy	-	-	-	-	-	14 000	-	14 000
Jamaica	-	54 762	-	19	-	-	-	54 781
Japan	-	-	-	-	-	339 634	-	339 634
Jordan	-	35 290	8 400	-	-	-	-	43 690
Kazakhstan	-	-	-	12 636	-	-	-	12 636

Annex A2 (continued)

Donors	Working Capital Fund (WCF)	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Assessed Programme Costs (APCs)	Extrabudgetary (EB)		TOTAL
						EB RB	EB TC	
Kenya	-	-	11 610	36 389	-	-	-	47 999
Korea, Republic of	-	1 270 094	427 132	(7 602)	-	1 028 422	366 255	3 084 301
Kuwait	-	33 472	-	-	-	-	-	33 472
Kyrgyzstan	-	17 099	-	73 571	6 802	-	-	97 472
Latvia	-	-	-	-	-	-	-	-
Lebanon	-	-	20 675	-	-	-	-	20 675
Lesotho	-	2 683	-	-	-	-	-	2 683
Liberia	-	183 196	-	-	-	-	-	183 196
Libya	-	8 609	-	(14 733)	-	-	-	(6 124)
Liechtenstein	-	-	-	-	-	-	-	-
Lithuania	-	-	-	-	-	-	-	-
Luxembourg	-	-	-	-	-	-	-	-
Madagascar	-	14 518	1 900	-	-	-	-	16 418
Malawi	-	7 755	1 317	-	-	-	-	9 072
Malaysia	-	-	-	-	-	-	-	-
Mali	-	5 804	4 607	-	-	-	-	10 411
Malta	-	-	-	-	-	-	45 000	45 000
Marshall Islands	-	5 578	-	-	-	-	-	5 578
Mauritania, Islamic Republic of	-	-	334	-	-	-	-	334
Mauritius	-	-	-	3 876	-	-	15 080	18 956
Mexico	-	-	-	-	-	-	-	-
Monaco	-	-	-	-	-	-	-	-
Mongolia	-	-	-	-	-	-	-	-
Montenegro	-	21 645	2 584	47 704	-	-	-	71 933
Morocco	-	-	-	-	-	-	-	-
Mozambique	-	-	-	-	-	-	-	-
Myanmar	-	-	-	-	-	-	-	-
Namibia	-	22 007	5 169	-	-	-	-	27 176
Nepal	457	39 313	-	-	-	-	-	39 770
Netherlands	-	-	-	-	-	10 000	-	10 000
New Zealand	-	-	-	-	-	-	-	-
Nicaragua	-	9 571	-	-	-	-	-	9 571
Niger	-	-	-	-	-	-	-	-
Nigeria	-	-	-	-	-	-	-	-
Norway	-	-	-	-	-	285 000	-	285 000
Oman	-	-	-	-	-	-	-	-
Pakistan	-	-	-	57 578	-	-	-	57 578
Palau	-	10 453	647	-	-	-	-	11 100
Panama	-	1 300	-	-	-	-	-	1 300
Paraguay	304	298 302	5 127	26 379	55 991	-	-	386 103

Annex A2 (continued)

Donors	Working Capital Fund (WCF)	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Assessed Programme Costs (APCs)	Extrabudgetary (EB)		TOTAL
						EB RB	EB TC	
Peru	-	571 089	-	-	111 887	-	-	682 976
Philippines	-	-	-	-	-	-	-	-
Poland	-	-	-	13 152	-	-	-	13 152
Portugal	-	-	-	-	-	-	-	-
Qatar	-	-	-	-	-	-	-	-
Republic of Moldova	-	-	-	64 471	-	-	-	64 471
Romania	-	-	-	34 844	39 132	-	-	73 976
Russian Federation	-	-	-	-	-	2 433 000	-	2 433 000
Saudi Arabia	-	-	-	-	-	-	-	-
Senegal	-	16 410	6 441	-	-	-	-	22 851
Serbia	-	-	-	18 623	-	-	-	18 623
Seychelles	-	-	-	5 005	-	-	-	5 005
Sierra Leone	-	148 905	-	-	-	-	-	148 905
Singapore	-	-	-	1 263	-	-	-	1 263
Slovakia	-	-	-	-	-	-	-	-
Slovenia	-	201 513	63 964	-	-	-	-	265 477
South Africa	-	-	-	-	-	30 000	40 000	70 000
Spain	-	8 450 032	-	-	-	22 620	-	8 472 652
Sri Lanka	-	-	-	-	170 692	-	-	170 692
Sudan	-	97 760	8 713	-	-	-	-	106 473
Sweden	-	-	-	-	-	10 000	-	10 000
Switzerland	-	-	-	-	-	-	-	-
Syrian Arab Republic	-	9 777	14 953	26 270	-	-	-	51 000
Tajikistan	-	-	-	-	-	-	6 669	6 669
Thailand	-	-	-	-	-	-	-	-
The Former Yugoslav Republic of Macedonia	-	38 213	7 727	55 904	-	-	-	101 844
Tunisia	-	-	-	-	-	-	-	-
Turkey	-	-	-	(12 034)	-	-	772 522	760 488
Uganda	457	37 222	3 877	-	-	-	325 297	366 853
Ukraine	-	-	-	-	-	-	-	-
United Arab Emirates	-	-	-	-	-	754 000	-	754 000
United Kingdom of Great Britain and Northern Ireland	-	-	-	-	-	57 224	-	57 224
United Republic of Tanzania	-	21 378	5 169	-	-	-	-	26 547
United States of America	-	-	-	-	-	490 445	-	490 445
Uruguay	-	-	-	-	-	15 080	6 727	21 807

Annex A2 (continued)

Donors	Working Capital Fund (WCF)	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Assessed Programme Costs (APCs)	Extrabudgetary (EB)		TOTAL
						EB RB	EB TC	
Uzbekistan	-	217 728	-	28 932	-	-	19 212	265 872
Venezuela, Bolivarian Republic of	15 619	2 012 136	-	-	-	-	89 098	2 116 853
Vietnam	-	-	9 958	-	-	-	-	9 958
Yemen	-	21 508	13 225	-	-	-	-	34 733
Zambia	-	8 221	2 584	-	-	-	-	10 805
Zimbabwe	-	-	-	1 154	-	-	-	1 154
Sub Total	**21 772**	**23 166 219**	**659 233**	**716 107**	**868 309**	**5 774 665**	**3 089 942**	**34 296 247**
II. New Member States								
Dominica	152	3 219	-	-	-	-	-	3 371
Fiji	608	12 878	-	-	-	-	-	13 486
Lao People's Democratic Republic	-	-	-	-	-	-	-	-
Papua New Guinea	304	6 439	-	-	-	-	-	6 743
Rwanda	152	2 703	-	-	-	-	-	2 855
Togo	152	2 703	-	-	-	-	-	2 855
Trinidad and Tobago	6 692	141 667	-	-	-	-	-	148 359
Sub Total	**8 060**	**169 609**	**-**	**-**	**-**	**-**	**-**	**177 669**
			-	-	-	-	-	
III. Former Member States								
Korea, Democratic People Republic of	-	128 576	22 345	-	29 943	-	-	180 864
Yugoslavia, Former	-	2 296 834	-	-	288 565	-	-	2 585 399
Sub Total	**-**	**2 425 410**	**22 345**	**-**	**318 508**	**-**	**-**	**2 766 263**
				-		-	-	
IV. Other Donors								
European Commission	-	-	-	-	-	4 750 000	-	4 750 000
International Organizations	-	-	-	-	-	547 944	339 528	887 472
Other Sources	-	-	-	-	-	-	-	-
Sub Total	**-**	**-**	**-**	**-**	**-**	**5 297 944**	**339 528**	**5 637 472**
GRAND TOTAL	**29 832**	**25 761 238**	**681 578**	**716 107**	**1 186 817**	**11 072 609**	**3 429 470**	**42 877 651**

ANNEX A3

STATUS OF ADVANCE PAYMENTS
FOR THE PERIOD ENDING 31 DECEMBER 2012
(expressed in euros)

Donor	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB)		TOTAL
				EB RB	EB TC	
I. Member States						
Algeria	-	86 074	-	-	-	86 074
Argentina	-	-	-	209 603	54 259	263 862
Armenia	14 332	3 495	11 912	-	-	29 739
Australia	6 205 864	1 307 850	-	-	-	7 513 714
Bangladesh	4 101	3 346	-	-	-	7 447
Bolivia	-	-	-	-	50 000	50 000
Bosnia and Herzegovina	1 977	-	-	-	-	1 977
Botswana	-	-	66	-	-	66
Bulgaria	106 036	25 860	-	-	-	131 896
Canada	10 292 169	-	-	-	-	10 292 169
Chile	2 706	-	475	-	-	3 181
China	-	40 826	-	-	-	40 826
Colombia	-	7 668	-	-	-	7 668
Cote d'Ivoire	28 596	7 078	-	-	7 658	43 332
Cuba	-	13 848	3 714	-	-	17 562
Czech Republic	-	-	-	-	78 986	78 986
Denmark	2 360 579	496 154	-	-	-	2 856 733
Eritrea	2 784	-	-	-	-	2 784
Estonia	109 013	25 901	-	-	-	134 914
France	-	-	-	211 800	-	211 800
Gabon	20 708	-	-	-	-	20 708
Georgia	17 187	4 193	-	-	-	21 380
Germany	-	-	-	14 880	-	14 880
Holy See	3 327	1 772	-	-	-	5 099
Hungary	702 463	-	6 106	-	-	708 569

Annex A3 (continued)

Israel	-	-	6 149	-	-	6 149
Japan	-	-	-	2 966 877 a/	-	2 966 877
Kazakhstan	-	-	-	270 177	-	270 177
Korea, Republic of	-	-	-	259 771	158 603	418 374
Kuwait	-	-	4 533	-	-	4 533
Latvia	106 076	25 860	-	-	-	131 936
Lesotho	-	45	-	-	-	45
Lithuania	-	44 087	-	-	-	44 087
Malaysia	-	-	6 121	-	-	6 121
Malta	-	-	4 750	-	-	4 750
Mexico	37 651	-	8 809	-	-	46 460
Morocco	-	-	10 842	-	11 516	22 358
Mozambique	5 785	2 158	-	-	-	7 943
Myanmar	34	30	-	-	-	64
Netherlands	5 950 543	1 249 644	-	-	-	7 200 187
New Zealand	875 648	-	-	15 733 a/	-	891 381
Nicaragua	-	-	554	-	-	554
Niger	315	-	-	-	-	315
Norway	-	-	-	1 029 746	-	1 029 746
Oman	271 006	58 009	-	-	-	329 015
Pakistan	-	55 375	1 908	-	-	57 283
Panama	-	-	1 059	-	-	1 059
Portugal	84 560	-	-	-	-	84 560
Russian Federation	-	-	-	-	315 674	315 674
Slovakia	134 040	-	-	-	-	134 040
Slovenia	-	-	3 640	-	-	3 640
Sri Lanka	-	12 636	-	-	-	12 636
Switzerland	5 006	-	-	-	-	5 006
Tajikistan	5 732	1 400	8 963	-	-	16 095
Turkey	6 262	-	1 432	-	-	7 694
United Kingdom of Great Britain and Northern Ireland	21 183 473	-	-	-	-	21 183 473
United Republic of Tanzania	-	8 033	-	-	-	8 033
United States of America	313 558	-	-	6 511 611 a/	-	6 825 169
Zimbabwe	1 271	-	-	-	-	1 271
Sub Total	**48 852 802**	**3 481 342**	**81 033**	**11 490 198**	**676 696**	**64 582 071**

Annex A3 (continued)

II. New Member States						
Lao People's Democratic Republic	-	699	-	-	-	699
Sub Total	**-**	**699**	**-**	**-**	**-**	**699**
GRAND TOTAL	**48 852 802**	**3 482 041**	**81 033**	**11 490 198**	**676 696**	**64 582 770**

a/ Includes unallocated contributions to the Peaceful Uses Initiative (PUI)

ANNEX A4

CONTRIBUTIONS-IN-KIND
FOR THE PERIOD ENDING 31 DECEMBER 2012
(expressed in euro)

Donor	Goods-in-kind			Services-in-kind			TOTAL
	PPE	Inventory	Other Goods	Human Resources	Type II Fellowships	Meetings/ Facilities	
I. Member States:							
Albania	-	-	-	5 824	-	-	5 824
Algeria	-	-	-	36 254	-	-	36 254
Angola	-	-	-	26 140	-	-	26 140
Argentina	-	-	60	225 424	-	-	225 484
Armenia	-	-	-	22 922	-	-	22 922
Australia	-	-	1 435	386 343	-	-	387 778
Austria	-	-	355 850	51 498	-	-	407 348
Azerbaijan	-	-	-	3 200	-	-	3 200
Bahrain	-	-	-	18 071	-	-	18 071
Bangladesh	-	-	-	22 480	-	-	22 480
Belarus	-	-	-	37 750	-	-	37 750
Belgium	-	-	270	300 692	-	2 654	303 616
Benin	-	-	-	1 600	-	-	1 600
Bolivia	-	-	-	7 967	-	-	7 967
Bosnia and Herzegovina	-	-	-	4 900	-	-	4 900
Botswana	-	-	-	7 800	-	-	7 800
Brazil	-	-	145	257 215	-	3 303	260 663
Bulgaria	-	-	40	75 142	-	-	75 182
Burkina Faso	-	-	-	8 620	-	-	8 620
Cambodia	-	-	-	1 000	-	-	1 000
Cameroon	-	-	-	9 400	-	-	9 400
Canada	-	-	3 875	827 722	2 337	-	833 934
Chile	-	-	170	35 320	-	-	35 490
China	-	-	500	589 674	-	-	590 174
Colombia	-	-	-	6 400	-	-	6 400
Congo	-	-	-	400	-	-	400
Costa Rica	-	-	-	2 800	855	-	3 655
Côte d'Ivoire	-	-	-	12 038	-	-	12 038
Croatia	-	-	-	55 534	-	-	55 534
Cuba	-	-	-	25 070	31 668	-	56 738

Annex A4 (continued)

Donor	Goods-in-kind			Services-in-kind			TOTAL
	PPE	Inventory	Other Goods	Human Resources	Type II Fellowships	Meetings/ Facilities	
Czech Republic	-	-	60	152 173	-	-	152 233
Democratic Republic of the Congo	-	-	-	1 200	-	-	1 200
Denmark	-	-	-	42 562	-	-	42 562
Dominican Republic	-	-	-	3 600	-	-	3 600
Ecuador	-	-	-	12 602	-	-	12 602
Egypt	-	-	-	90 983	-	-	90 983
El Salvador	-	-	-	7 511	-	-	7 511
Estonia	-	-	-	10 279	-	-	10 279
Ethiopia	-	-	-	1 800	-	-	1 800
Finland	-	-	455	274 588	-	1 213	276 256
France	-	-	1 615	1 087 957	11 777	1 000	1 102 349
Gabon	-	-	-	3 000	-	-	3 000
Georgia	-	-	-	8 246	-	-	8 246
Germany	-	-	3 765	779 955	16 889	8 764	809 373
Ghana	-	-	-	35 905	-	-	35 905
Greece	-	-	40	21 036	6 635	-	27 711
Guatemala	-	-	-	4 800	327	-	5 127
Haiti	-	-	-	1 400	-	-	1 400
Hungary	-	-	17 460	205 492	-	-	222 952
Iceland	-	-	25	5 082	-	-	5 107
India	-	-	415	234 207	-	-	234 622
Indonesia	-	-	50	75 588	-	-	75 638
Iran, Islamic Republic of	-	-	-	200 539	-	2 426	202 965
Iraq	-	-	-	18 818	-	-	18 818
Ireland	-	-	65	26 288	-	-	26 353
Israel	-	-	-	37 035	-	-	37 035
Italy	-	-	680	320 427	14 853	2 354	338 314
Jamaica	-	-	-	4 200	-	-	4 200
Japan	-	-	885	1 740 178	-	11 017	1 752 080
Jordan	-	-	25	37 958	-	-	37 983
Kazakhstan	-	-	-	38 313	-	-	38 313
Kenya	-	-	-	19 950	-	-	19 950
Korea, Republic of	-	-	805	655 568	-	2 262	658 635
Kuwait	-	-	-	10 100	-	-	10 100
Kyrgystan	-	-	-	5 400	-	-	5 400

Annex A4 (continued)

Donor	Goods-in-kind			Services-in-kind			TOTAL
	PPE	Inventory	Other Goods	Human Resources	Type II Fellowships	Meetings/ Facilities	
Latvia	-	-	-	7 050	-	-	7 050
Lebanon	-	-	-	7 152	-	-	7 152
Libya	-	-	-	22 736	-	-	22 736
Lithuania	-	-	25	49 747	-	-	49 772
Louxembourg	-	-	-	15 044	-	-	15 044
Madagascar	-	-	-	25 200	-	-	25 200
Malawi	-	-	-	11 500	-	-	11 500
Malaysia	-	-	50	80 510	-	1 372	81 932
Mali	-	-	-	3 000	-	-	3 000
Malta	-	-	-	3 550	-	-	3 550
Mauritius	-	-	-	2 200	-	-	2 200
Mexico	-	-	85	88 258	1 358	-	89 701
Monaco	-	-	1 130 290	54 000	-	749 188	1 933 478
Mongolia	-	-	-	35 348	-	-	35 348
Montenegro	-	-	-	10 816	-	-	10 816
Morocco	-	-	-	20 647	-	-	20 647
Mozambique	-	-	-	9 500	-	-	9 500
Myanmar	-	-	-	1 200	-	-	1 200
Namibia	-	-	-	3 000	-	-	3 000
Netherlands	-	-	220	185 284	-	-	185 504
New Zealand	-	-	25	48 326	-	-	48 351
Nicaragua	-	-	-	2 600	-	-	2 600
Niger	-	-	-	2 000	-	-	2 000
Nigeria	-	-	-	48 069	-	-	48 069
Norway	-	-	135	136 919	-	-	137 054
Oman	-	-	-	18 796	-	-	18 796
Pakistan	-	-	60	107 128	-	-	107 188
Panama	-	-	-	3 413	-	-	3 413
Paraguay	-	-	-	19 600	-	-	19 600
Peru	-	-	-	12 002	641	1 689	14 332
Philippines	-	-	-	30 056	-	-	30 056
Poland	-	-	-	83 236	-	-	83 236
Portugal	-	-	-	24 926	-	-	24 926
Republic of Moldava	-	-	-	2 800	-	-	2 800
Qatar	-	-	-	12 060	-	-	12 060

Annex A4 (continued)

Donor	Goods-in-kind			Services-in-kind			TOTAL
	PPE	Inventory	Other Goods	Human Resources	Type II Fellowships	Meetings/ Facilities	
Romania	-	-	25	154 661	-	-	154 686
Russian Federation	-	-	100	779 343	-	14 000	793 443
Saudi Arabia	-	-	-	23 139	-	5 066	28 205
Senegal	-	-	-	25 078	-	-	25 078
Serbia	-	-	-	6 839	-	-	6 839
Singapore	-	-	-	15 233	-	-	15 233
Slovakia	-	-	-	126 562	-	1 508	128 070
Slovenia	-	-	90	65 396	-	-	65 486
South Africa	-	-	-	196 590	-	-	196 590
Spain	-	-	385	260 440	101 187	-	362 012
Sri Lanka	-	-	-	7 411	-	-	7 411
Sudan	-	-	-	36 003	-	-	36 003
Sweden	-	-	2 890	313 034	-	-	315 924
Switzerland	-	-	1 665	201 334	6 861	-	209 860
Syrian Arab Republic	-	-	-	12 180	-	-	12 180
Tajikistan	-	-	-	7 885	-	1 583	9 468
Thailand	-	-	-	82 147	-	2 915	85 062
The Former Yugoslav Republic of Macedonia	-	-	-	6 036	-	-	6 036
Trinidad and Tobago	-	-	-	1 000	-	-	1 000
Togo	-	-	-	5 330	-	-	5 330
Tunisia	-	-	-	23 001	-	-	23 001
Turkey	-	-	-	72 582	-	1 991	74 573
Uganda	-	-	-	3 800	-	-	3 800
Ukraine	-	-	-	144 852	-	-	144 852
United Arab Emirates	-	-	-	174 212	-	-	174 212
United Kingdom of Great Britain and Northern Ireland	-	-	3 500	510 388	1 508	3 465	518 861
United Republic of Tanzania	-	-	-	15 000	-	-	15 000
United States of America	-	105 188	3 810	1 496 671	360 103	17 322	1 983 094
Uruguay	-	-	-	9 424	3 192	-	12 616
Uzbekistan	-	-	-	5 800	-	-	5 800
Venezuela	-	-	-	6 005	-	-	6 005
Vietnam	-	-	25	50 470	-	-	50 495
Zambia	-	-	-	3 000	-	-	3 000
Zimbabwe	-	-	-	9 538	-	-	9 538
Sub-total:	**-**	**105 188**	**1 532 070**	**15 277 997**	**560 191**	**835 092**	**18 310 539**

Annex A4 (continued)

Donor	Goods-in-kind			Services-in-kind			TOTAL
	PPE	Inventory	Other Goods	Human Resources	Type II Fellowships	Meetings/ Facilities	
II. Other donors:							
EC (European Commission)	13 996	-	-	15 915	-	101	30 013
International Organizations	-	-	600	33 009	-	1 438	35 047
Other	-	-	-	6 711	-	-	6 711
Sub-total:	**13 996**	**-**	**600**	**55 635**	**-**	**1 539**	**71 771**
GRAND TOTAL	**13 996**	**105 188**	**1 532 670**	**15 333 632**	**560 191**	**836 632**	**18 382 309**

Annex A5

REGULAR BUDGET FUND
(expressed in euro)

Calculation of Provisional cash surplus / (deficit) for 2012	
Receipts	309 284 219
Disbursements	(286 808 477)
Excess (shortfall) of receipts over disbursements	22 475 742
Unliquidated obligations	(29 837 027)
Transfer to reserve for carry over of unobligated balances	(10 550 381)
Provisional 2012 cash deficit	(17 911 666)

Calculation of Final Cash Surplus for 2011	
Prior year provisonal cash deficit	(13 968 908)
Receipt of:	
Contributions all prior years	12 720 948
Savings on liquidation of prior years' obligations	726 680
Miscellaneous income	521 280
Final cash surplus for 2011	-
Prior years cash surpluses a/	1 485 686
Total cash surpluses	1 485 686

a/ withheld pending receipt of contributions

PART V

Report of the External Auditor on the audit of the Financial Statements

REPORT OF THE EXTERNAL AUDITOR ON THE AUDIT OF THE FINANCIAL STATEMENTS OF THE INTERNATIONAL ATOMIC ENERGY AGENCY FOR THE YEAR ENDED 31 DECEMBER 2012

OFFICE OF THE
COMPTROLLER AND AUDITOR
GENERAL OF INDIA

Our audit aims to provide independent assurance and to add value to the International Atomic Energy Agency management by making constructive recommendations.

For further information please contact:

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Executive Summary

Scope and Approach of the Audit

We have adopted a risk based execution strategy formulated to add value to the performance of IAEA while providing independent assurance to the General Conference. The study of internal controls was an integral part of our audit process. We conducted risk analysis of the Organization which informed our audit plan.

In addition to certifying the accounts of the Agency, our audit coverage includes areas on economy, efficiency and effectiveness of the financial procedures, the accounting system, the internal financial controls and the general administration and management of the Agency. These areas have been covered under the categories of (a) Financial Audit, (b) Performance Audit and (c) Compliance Audit.

The audit has been conducted in accordance with the International Standards of Auditing issued by the International Federation of Accountants (IFAC) and adopted by the Panel of External Auditors of the United Nations, its Specialized Agencies and the International Atomic Energy Agency, auditing standards of the International Organization of Supreme Audit Institutions (INTOSAI), Article XII of the Financial Regulations of the IAEA and the Additional Terms of Reference governing the audit of IAEA, set out in the Annex to the Financial Regulations.

Audit has been carried out through a three stage process of Planning, Execution and Reporting. The recommendations, as given in this report, have been finalized after obtaining the response of the Management on our audit findings. The implementation of the recommendations will be monitored periodically.

Key Audit Recommendations

Financial Issues

Recommendation 1
The Agency may consider introducing a system of physical verification which covers a reasonable proportion of total assets, so that the stipulation viz 'verification of assets to take place over a period of two years cycle' in the Agency's Administrative Manual is followed.

Recommendation 2

The Agency may consider adopting segment reporting under IPSAS 18 for the activities relating to operation of LEU Bank.

Recommendation 3

The Agency may consider revisiting the policy and devise an appropriate accounting treatment for refund of unspent contributions in line with the requirement of IPSAS 1.

Procurement Services

Recommendation 4
We recommend that the Agency adopt a more inclusive and vigorous engagement process between the AIPS administrators and the users that ensures that the system delivers optimum functional effectiveness and efficiency and alleviates any misgivings the users may have in this regard.

Recommendation 5

In order to improve the overall efficiency of the procurement system, Agency may take steps for better organisation of the electronic purchase order files and for complete integration and harmonisation of AIPS and 'Livelink' system.

Recommendation 6

Suitable steps may be taken to ensure that the built-in functionality of AIPS reflects real time processing of purchase orders, receipt of supplies and releasing payments, total expenditure incurred with effective validation controls built in.

Recommendation 7

The Agency may put in place an efficient post-award contract performance monitoring system to exercise effective control over receipt of supplies, receipt of invoice, matching of invoice with purchase order, release of payments to vendors.

Technical Cooperation

Recommendation 8
The Agency may like to examine the aspect of projects addressing the same/similar issues in various regions so as to achieve maximum benefit from the limited human and financial resources at the disposal of the Agency.

Recommendation 9

As the Agency does not have field representation, it is important that it works in close conjunction with other UN organizations so as to leverage synergies and to maximise benefits from projects carried out in partnerships.

Recommendation 10

The Agency needs to more actively assist the MSs in designing the key documents (Logical Framework Matrix, Work Plans) better. Systemic mechanisms for ensuring adequate compliance with TC project design elements like LFM may be put in place.

Recommendation 11

Ensuring timely initiation and completion of the projects is the conjoined responsibility of the MSs and the Agency. While recognising the Agency's constraints vis-à-vis the timely initiation of projects and their completion on schedule, there is a need to engage the MSs more actively to achieve for timely initiation and completion of counterpart actions.

Recommendation 12

As an indicator of the progress of a project, the Agency may consider adopting a more accurate measure of performance like ratio of inputs such as human resources, equipment etc. provided vis-à-vis those planned.

Recommendation 13

While recognising the Agency's constraints in ensuring the submission of PPARs, the monitoring of projects as envisaged in the PCMF through the submission of PPAR is extremely crucial to the successful and timely delivery of the projects. It is recommended that the Agency may further work towards establishing a mechanism with the MSs for furnishing periodic information, including PPAR, as prescribed to ascertain the progress of a project under implementation.

Recommendation 14

Development of a systematic results assessment of completed projects should be inbuilt into the project cycle so that such review is ensured as envisaged in the TC Programme cycle.

Recommendation 15

The decision to limit active national projects to eight during 2012-13 had been taken to rationalise the number of projects for a country given the resource constraints, both financial as well as human and to ensure some parity in the number of projects among countries. It is recommended that the Agency adheres to the limit set for number of active projects in a country and to rationalize further the number of projects in the TC programme, as a key element for further improving results and impact for the benefit of MSs.

Recommendation 16

The Agency may engage with the MSs pro-actively to ensure that the minimum NPC is paid within time so that the project stays on schedule.

Recommendation 17

The Agency may consider undertaking an evaluation of the number of personnel it requires to discharge the current obligations towards the projects and then take it forward by requesting for additional manpower, if need be.

Recommendation 18

The fellowship reports should be centrally monitored in order to assess the utility of the fellowship.

Nuclear Safety & Security

Recommendation 19

The Agency may wish to undertake an exercise to determine areas, currently funded by extra-budgetary resources, where the impact of funding fluctuations would have detrimental effect on its activities.

Recommendation 20

The Agency may consider assessing whether and how much of a reduction in extra-budgetary funding could realistically happen and devise appropriate strategy to meet that shortfall.

Recommendation 21

The Agency may consider reassessing the risk scores from the perspective of 'likelihood' and suitably revise the scores, wherever necessary, during the next quarterly review.

Recommendation 22

The Agency may also consider redefining the risk element more appropriately so that the risk element becomes less open ended, wherever necessary.

Recommendation 23

The Agency may consider revisiting existing Risk Mitigation Strategies whenever a risk materializes.

Recommendation 24

The Agency may review the risks which are being duplicated both at MP3 level/ department level and also at the Agency level, and in consultation with the Risk Management Group and Senior Strategic Officer decide on the course of action to be followed in cases of such duplications.

Recommendation 25

The Agency may consider removing archived risks from the Risk Register.

Recommendation 26

The Agency may consider re-formulating the existing Performance Indicators, where appropriate, to ensure that they are well-aligned to the 'SMART' framework.

Recommendation 27

The Agency may consider re-examining the project-level PIs to ensure that their definitions are coherent with PIs at Sub-programme and Programme level.

Recommendation 28

The Agency may consider a reasonable time-frame within which the Action Plan on Nuclear Safety gets completed and the main activities would become a normal part of IAEA functioning.

Recommendation 29

The nature of on-going activities is such that some of these can be absorbed in the normal activities of IAEA and monitored accordingly.

Recommendation 30

For improved transparency, status of all IAEA Action Plan activities may be reported on the 'Dashboard'.

Recommendation 31

The Agency may consider requesting Member States to provide information regarding their progress in the implementation of the Action Plan.

Recommendation 32

The Agency may consider reporting on the progress made by Member States in implementing the Action Plan to the General Conference/BOG at suitable intervals.

Recommendation 33

IEC may continue its efforts to increase awareness regarding it being a focal point in a nuclear or radiological emergency.

Recommendation 34

IEC may continue to update the details regarding the NCAs / CPs / NWAs (National Warning Points) so as to ensure arrangements regarding communication channels are in working order.

Recommendation 35

IEC may ensure that summary logs in the prescribed format are created immediately after an event.

Recommendation 36

The Agency may increase its efforts to ensure greater registration with RANET.

Recommendation 37

The Agency may consider, (a) reviewing the contracts entered into for consultants and, (b) ensuring that, in future, consultants are only hired in cases where expertise is not available within the department in order to fully meet the criteria specified in the Administrative Manual.

Recommendation 38

The databases should be peer reviewed by teams from staff members from Sections other than the ones maintaining the databases. The OIOS may also be requested to evaluate and examine the databases.

Laboratory Activities at Seibersdorf and Monaco

Recommendation 39
The risk identified by NAHU in the Risk Register for the DOL needs to be reviewed to include risks relating to calibrations.

Recommendation 40

The modernisation plan may be reviewed to amplify capacity constraints, link to the identified risks and cover equipment, expansion (space requirements) and human resource needs.

Recommendation 41

An appropriate method may be found to indicate in the risk register that the risk item "Delivery of Laboratory Services" pertains to all the NA Laboratories.

Recommendation 42

The identified risk of lack of co-ordination in non-programme areas in the laboratory at Seibersdorf and the envisaged risk mitigation measures may be appropriately updated in the risk register.

Recommendation 43

The modernisation plan for the NA laboratories may be developed further, being an identified major risk mitigation measure.

Recommendation 44

The identified risks for SGAS may be formalised by including these in the risk register with mitigation measures, as and when they are reviewed and finalised.

Recommendation 45

NAEL needs to revise the action plan that had emerged from the internal gap analysis of June 2010 and fix fresh milestones in line with the goal of obtaining accreditation by the second quarter of 2014.

Recommendation 46

FAO/IAEA laboratories need to undertake a gap analysis in consultation with the QSM, of the existing quality management procedures vis-a-vis the formal accreditation requirements foreseen. For this purpose, a more co-ordinated engagement between the QSM and these laboratories is called for.

Recommendation 47

The NSAL may undertake a gap analysis in consultation with the QSM, of the existing quality management procedures vis-à-vis the foreseen formal accreditation requirements.

Recommendation 48

The timelines for each stage of sample workflow in respect of different categories of nuclear material and environmental samples may be prescribed by SG and incorporated in the quality manual of the SGAS in so far as the steps relate to them.

Recommendation 49

SGAS may address the issue of making timelines consistent for the NWALs in respect of both the nuclear material and environment samples.

Recommendation 50

The data maintained for different stages of the sampling workflow may be linked in SG to implement an end to end sample tracking process.

Recommendation 51

SG may explore the feasibility of working out a per sample costing.

Recommendation 52

As timely shipment of SG equipment and samples impacts overall timeliness of sample analysis and safeguards reporting, we recommend that the short term issues may be resolved through further consultation with MTPS. For the long term, clear and measurable performance criteria for freight forwarder, in respect of SG shipments, should be fixed in consultation with MTPS and incorporated in the contract to avoid recurrence of similar problems.

Recommendation 53

The identified short term solution of solidification of liquid wastes may be pursued by the SGAS with prescribed timelines. As a long term solution, efforts must continue for seeking support of member states for disposal of the radioactive waste produced by the NML.

Recommendation 54

The response measures to radiation incidents in the Agency such as departmental/divisional instructions and procedures on how to proceed in case of radiological incidents covering various areas identified in the Interim Report i.e. 'emergency response practices', 'developing a reporting chain for lab incidents', 'establishing a new monitoring program for the contaminated staff including better communication with the contaminated staff', 'better co-ordination between the Medical Centre and the RPO and the NSRW Radiation Safety and Monitoring Section', may be implemented in a time-bound manner.

Recommendation 55

The SGAS Training Tracking System is a welcome initiative and can address holistic training needs, including Radiation Protection Training. We recommend that this may be designed and implemented to streamline and strengthen Radiation Protection Training.

Recommendation 56

The Radiation protection training may be re-started and appropriate arrangements be made for oversight of radiation protection procedures and practices by designated RPO/ RPAs.

Recommendation 57

The establishment of a network for the measurement PCs may be pursued with MTIT.

Recommendation 58

The old/obsolete equipment should be listed and intimated to MTGS for write off. For retention of obsolete items in store for other use, modalities may be discussed with MTGS.

Recommendation 59

Expected life span of laboratory equipment may be included in asset records and provision may be made in AIPS to generate laboratory-wise asset lists and allow viewing of the asset list by the laboratory.

Introduction

1. The audit of the International Atomic Energy Agency (IAEA) was assigned to the Comptroller and Auditor-General of India (CAG) for the financial periods 2012–2013 in accordance with the Financial Regulation 12.01 (Article XII) and the Additional Terms of Reference governing the External Audit set out in the Annex to these Regulations. The CAG of India may make such observations as deemed necessary for the financial consequences of existing administrative practices in accordance/compliance with paragraph 5 of the Additional Terms of Reference governing the External Audit.

2. The Agency is the world's center of cooperation in the nuclear field. It was set up as the world´s "Atoms for Peace" organization in 1957 within the United Nations family. The Agency works with its Member States and multiple partners worldwide to promote safe, secure and peaceful nuclear technologies. It is part of the United Nations Common System and the relationship with the United Nations is regulated by the "Agreement Governing the Relationship with the United Nations and the International Atomic Energy Agency" which came into force on 14 November 1957.

3. The Agency's statutory mandate sets out three core activities that underpin the Agency's programme:

A. **Safeguards and Verification** – verifying that safeguarded nuclear material and activities are not used for military purposes.

B. **Safety and Security** – helping countries to upgrade nuclear safety and security, and to prepare for and respond to emergencies.

C. **Science and Technology** – helping countries mobilize peaceful applications of nuclear science and technology.

4. A detailed risk analysis of the Agency was conducted in September/October 2012 which informed the audit plan for the year. During the period from November 2012 to March 2013, we conducted a detailed performance review of the laboratory activities at Seibersdorf and Monaco. Besides performance and financial audits, we also audited the Departments of Technical Cooperation, Nuclear Safety and Security Procurement Services. This report contains the results of these audits conducted during the year.

5. The working relationship with the Secretariat has been constructive and the audits performed at IAEA Headquarters, Vienna were facilitated by the excellent cooperation from the Secretariat. Coordination with the Office of Internal Oversight Services has been continual and comprehensive. Professional reliance was placed, wherever necessary, on the work of internal oversight.

6. Important findings arising from the audits performed were, after detailed discussions with the concerned managements, conveyed to them through Management Letters. The more significant of these findings, appropriately aggregated, have been incorporated in this report.

Audit opinion on the 2012 Financial Statements

7. According to the terms of reference for the External Auditor, I am required to express an opinion on the IAEA financial statements for the financial period ended 31 December 2012. Audit of the financial statements for the financial period 2012 revealed no weaknesses or errors which I considered material to the accuracy, completeness and validity of the financial statements as a whole. Accordingly, I have placed an unqualified audit opinion on the Agency's financial statements for the financial period ended 31 December 2012.

Financial Matters

Adoption of IPSAS

8. The Agency carries out its mandate within a results-based framework ensuring effectiveness, accountability and transparency. This framework needs to be supported by high quality financial reporting and management information. Financial statements prepared under IPSAS are a key enabler to allow the Agency to deliver its mandate in an improved manner. The adoption of IPSAS represents a best management practice and is expected to lead to greater harmonization in the presentation of financial statements between UN system organizations and better comparability of financial statements with other international organizations and national governments. Financial Statements prepared in accordance with IPSAS provide greater insight into the actual assets, liabilities, revenues and expenses of the Agency. This is the second year since the adoption of IPSAS by the Agency in 2011.

Fund Accounting and Segment Reporting

9. A fund is a self-balancing accounting entity established to account for the transactions of a specified purpose or objective. Funds are segregated for the purpose of conducting specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The financial statements are prepared on a fund accounting basis, showing at the end of the period the consolidated position of all funds. Fund balances represent the accumulated residual of revenue and expenses. The financial statements contain segment reporting providing information on the basis of Agency's activities on both a major programme basis and a source of funding basis. The Agency's six major programmes namely i) Nuclear Power, Fuel Cycle and Nuclear Science; ii) Nuclear Techniques for Development and Environmental Protection; iii) Nuclear Safety and Security; iv) Nuclear Verification; v) Policy, Management and Administration Services; and vi) Management of Technical Cooperation for Development are financed through the five fund groups. The Funds have been established on the basis of resolutions passed by the General Conference and are administered in accordance with the Financial Regulations adopted by the Board of Governors and Financial Rules issued by the Director General. Each Fund Group has differing parameters about how the revenue can be utilized.

Detailed Audit Findings

Financial Issues

10. Financial audit was conducted with a view to satisfy that

a. the financial statements are in accordance with the books and records of the Agency, and

b. that the financial transactions reflected in the statements have been in accordance with the financial rules and regulations, budgetary provisions, and other applicable directives.

I. Physical verification and impairment procedures for Property, Plant and Equipment (PPE)

11. As of 31 December 2012, the Net Book Value (NBV) of the Agency's PPE stood at € 73,472,000. The Agency's Administrative Manual stipulates that verification of assets will normally take place over a period of two years cycle. As against the above stipulation, it is observed that MTGS assets which were physically verified were only 450 in 2011 and 579 in 2012 respectively out of approximately 32,000 assets. In case of SG, 84 per cent of the 37879 assets were physically verified in 2012.

12. Evidently, the system of physical verification conducted by the Agency for MTGS assets does not seem to provide the coverage envisaged. It was recommended during the Interim financial audit to introduce a system of physical verification which covers a reasonable proportion of total assets, and thereby provides the required assurance. It was also recommended to improve the Agency's impairment procedures keeping in view the provisions of IPSAS 21, which states that an entity shall assess, at each reporting date, whether there is any indication that an asset may be impaired. The strengthening of the physical verification system will also facilitate the dovetailing of the impairment procedures with the physical asset verification routine. It was further recommended that the Agency may reconsider the adequacy and effectiveness of the system of physical verification on the basis of the certificate furnished by the custodian of the assets.

Recommendation 1

The Agency may consider introducing a system of physical verification which covers a reasonable proportion of total assets, so that the stipulation viz 'verification of assets to take place over a period of two years cycle' in the Agency's Administrative Manual is followed.

13. The Agency, in reply, accepted that the current MTGS procedures were considered interim and an AIPS change request had been submitted and was being developed that would allow for an expanded verification process from the 2013 cycle. Once this AIPS change request is completed, the self-verification process would be implemented. It was further mentioned that the statistical random sample gave a level of coverage with 95% confidence.

II. Segment reporting for LEU Bank activities

14. The Agency has a balance of € 101,375,500 as on 31st December 2012 out of the contribution received from the Member countries towards establishment and operation of Low Enriched Uranium (LEU) Bank after adjusting an allocated expenditure of € 1,631,838. As on 31st December 2012, the investments out of the above balances stood at € 92,873,222.

15. The LEU Bank has been established by the Agency to ensure uninterrupted supply of low enriched uranium to the Member States for the purpose of power generation. The Agency has been mandated to make a market intervention to arrange for the supply of the fuel in case the member countries experience any difficulty in procuring the fuel for nuclear power generation. The member countries have pledged the amount to the Agency with a specific purpose which is clearly defined in its application.

16. Operation of LEU Bank is a distinguishable activity for which it is appropriate to separately report financial information for the purpose of (a) evaluating the entity's past performance in achieving its objectives, and (b) making decisions about the future allocation of resources, by adopting segment reporting for the activities connected with LEU Bank as recommended in the Interim Financial Audit report. This would keep the Member States informed about the application of resources entrusted with the Agency for the purposes of contribution and will also set in process the decision towards further requirement of funds for the same purpose.

Recommendation 2

The Agency may consider adopting segment reporting under IPSAS18 for the activities relating to operation of LEU Bank.

17. The Agency agreed to review and assess the impact of inclusion of the LEU Bank as a separate segment. The Agency further stated that because there was no major activity in 2012, they proposed to carry out this assessment in 2013.

III. Accounting for offsetting transactions

18. In accordance with paragraph 48 of IPSAS 1, assets and liabilities, and revenue and expenses, shall not be offset unless required or permitted by an IPSAS. We observed that € 1,584,000 representing unspent contributions of previous years had been offset against the voluntary contributions received during the year, and the net voluntary contribution was exhibited in the Financial Statement of Performance. The treatment of refund of unspent contribution by way of netting off was not in line with the provisions of IPSAS 1.

19. The Agency replied that the current accounting practice of reducing revenue in cases of refund of unspent contributions was based on the 'Agency's accounting policy on IPSAS 23-Revenue from non-exchange transactions' which was written as part of the Agency's IPSAS implementation project, and approved by the IPSAS Steering Committee. The said policy considered various options and then concluded that recognizing a reduction of revenue and a liability for the return of unused funds would best reflect the substance of the transaction. The

Agency further stated that it was open to revisiting this accounting policy in the coming year, based on the experience gained over the past two years.

Recommendation 3

The Agency may consider revisiting the policy and devise an appropriate accounting treatment for refund of unspent contributions in line with the requirement of IPSAS 1.

IV. Other issues

20. As per paragraph 88 of IPSAS 1, as a minimum, the face of the statement of financial position, among other things, shall include line items that present the receivables and payables under the exchange and non-exchange transactions. The line items under accounts receivable: € 45,712,000, advances and pre-payments: € 40,837,000 and accounts payable: € 16,700,000 presented in Financial Statement 1 are to be depicted accordingly in the financial statement1.

21. The Agency, in its reply, stated that they proposed to re-look at the proforma for Financial Statement I in 2013, and would consider breaking down the receivables into exchange and non-exchange components on the face of the Statement. It was further stated that accounts payable, and advances and prepayments consist of exchange transactions only.

22. As per paragraph 56 of IPSAS 2 on cash flows, an entity is required to disclose the components of cash and cash equivalents. It is observed that Note 4 on cash and cash equivalents does not disclose separately the cash held of
€ 43,629,627 in investment in call accounts.

23. The Agency stated that it plans to separate out the call accounts from the 'cash at bank and on hand' and disclose it as another component of cash and cash equivalents in the 2013 financial statements.

24. In terms of Financial Rule 110.65, the Director-MTGS and the Director-SGTS shall report, at the earliest possible opportunity, to the Property Survey Board (PSB), all significant partial impairments of property and equipment and any total impairment, i.e. total loss of utility, when the property or equipment has not yet fully depreciated. The PSB shall recommend further actions on the level of impairment to be recorded and on possible sale or disposal measures, in line with Financial Rule 110.66, to be approved by DDG-MT.

25. During the year 2012, there were impairments of € 5,943 recorded under the SG inspection equipment and € 877 under the Communications and IT equipment. However, six assets of SG with NBV of € 5,943 were not submitted to the PSB for impairment approval erroneously as required under the rules stated above.

Procurement Services

26. We conducted the audit of Department of Procurement Services with the objective of providing reasonable assurance that all procurement activities were processed in a manner that was compliant with the applicable Financial Rules and Regulations of the Agency, its

Administrative Manual, the Agency wide Annual Procurement Strategy, agreements with vendors and general principles of sound public sector financial management.

I. Improvements in the Procurement Module in the AIPS

27. The Agency-wide Information System for Programme Support (AIPS): Plateau 1 of the Agency's enterprise resource planning, known as AIPS, went live in January 2011, as scheduled. This resulted in the retirement of a number of existing legacy information systems and represented a major milestone in terms of the Agency's management reform. With the automation and business process re-engineering induced by AIPS, clerical and secretarial tasks have been reduced and clearances follow the workflow of the software. The Agency has been operating in an increasingly paperless environment and it is envisaged that a broader number of services will be available both in-house as well as online for Member States.

28. While reviewing the functions of Procurement Services through AIPS, we observed that a number of utilities/modules, such as iProcurement, iSupplier RFQ/Bid Evaluation, Purchase Order Process and Reporting, required further improvements/modifications.

29. On this matter being raised by us, we were informed by the Management that these were the perceived problems of the user department which would be analysed to determine if these needed to be addressed and thereafter find the most cost-effective solution.

30. While acknowledging that the Agency has a formal process of dealing with change requests from users, we feel that there is scope for enhancing user satisfaction by ensuring that the system fulfils the functional requirements of each user group within the Agency.

Recommendation 4

We recommend that the Agency adopt a more inclusive and vigorous engagement process between the AIPS administrators and the users that ensures that the system delivers optimum functional effectiveness and efficiency and alleviates any misgivings the users may have in this regard.

31. Agency stated that it puts a high priority on ensuring the users of AIPS have significant input into the system requirements related to functional effectiveness and efficiency. The AIPS team would continue to regularly meet with all key AIPS users and ensure that the process in place to interact with the user community (e.g. AIPS User Forum) continues to be effective. Additional AIPS related training and other user focussed initiatives were planned for 2013. This would ensure greater interaction between the AIPS team and the user community, as well as improve the overall AIPS support process.

II. Procurement document filing system

32. MTPS document filing system called 'Livelink' is the repository of all the documents, which in the manual system comprised the paper files of the Agency. AIPS provides for a connectivity link from a particular PO/BPA/CPA to the connected documents placed in the

'Livelink'. Thus, the system in place is complete only when the two different systems are fully functional and integrated. With the Agency having dispensed with the manual document filing system, managing the files in electronic format in an efficient manner becomes inevitable. The efficiency with which the transactions are processed in AIPS and the efficiency with which the document filing is done in 'Livelink' with a visible connectivity by right links at right places, would determine the overall efficiency of the procurement system.

33. In the course of test check of documents connected with the purchase orders, BPAs and CPAs, we observed that the integration of AIPS system and the 'Livelink' is not fully harmonised to provide a user friendly navigation enabling linkage of a particular purchase transaction with its documentation files.

Recommendation 5

In order to improve the overall efficiency of the procurement system, Agency may take steps for better organisation of the electronic purchase order files and for complete integration and harmonisation of AIPS and 'Livelink' system.

34. The Agency accepted that there should be effective integration and harmonisation of electronic purchase order files in Livelink with AIPS, and stated that to that end, it was in the process of identifying the most effective solution for ensuring such integration and harmonisation. It was further mentioned that the Livelink system would continue to be used on an interim basis for MTPS electronic filing.

III. Other Procurement Transactions

35. We analysed 9,403 purchase orders placed between 1 January 2011 and 31 October 2012. This sample was generated from AIPS from a link provided to us by MTPS. Out of these 9,403 cases, 7,214 purchases had been completed with shipments received and payments made to the vendors. Our analysis yielded the following results:

Delay in receipt of supplies

36. There were instances of excessive delays ranging between 378 days and 4004 days in receipt of supplies from the contracted date of delivery. We came across 91 purchase orders in respect of BPAs and CPAs, placed on or after 1 April 2011 which indicated that these were post AIPS orders – assuming that data entered into AIPS in the first three months of 2011 was import of pre AIPS orders into AIPS; and 1161 post 1 April 2011 orders in respect of cases other than BPAs and CPAs.

Contracted Delivery date before the date of issue of purchase orders

37. We noticed 269 purchase orders, in which the date of contracted delivery had been shown as a date before the date of placement of the order though the supplies were shown to have been received after the date of order.

Recommendation 7

The Agency may put in place an efficient post-award contract performance monitoring system to exercise effective control over receipt of supplies, receipt of invoice, matching of invoice with purchase order, release of payments to vendors.

Excessive contracted delivery time

38. We noticed 410 cases of BPAs/CPAs orders placed after 1 April 2011 where the time limit for delivery date had been fixed with a range between 31 and 618 days. Similarly, in 1068 cases of other than BPA/CPA orders placed after1 April 2011 the time limit for delivery had been fixed with a range between 31 and 2111 days. Though such unusual high time limits had been fixed for delivery, the supplies had been received in advance of the contracted date in a number of cases.

39. In response to our above observations, the Management attributed the following reasons for our findings:

a. The report used by us was a summary for statistical purposes and did not contain full information for each purchase order. Therefore, the report used by us could not be used to reach the conclusions indicated regarding delivery dates and management of delivery; and

b. The aberrations arose from pre-AIPS data uploaded to AIPS.

40. Having reviewed the above reasons, we observe the following:

a. Our findings are based on data extracted from the AIPS from a link provided to us by the MTPS. This data included information on all the milestones pertaining to each individual purchase transaction. We excluded all transactions uploaded into AIPS prior to 1 April 2011 to exclude pre-AIPS transactions from our analysis. The Management's assertions that data could not be captured in AIPS due to technical reasons or that the data being aberrant, raises issues regarding system control in the procurement process.

b. This also implies that in circumstances when data cannot be uploaded in AIPS, the procurement administration continues to work for some part, outside AIPS, and on more than one system.

Recommendation 6

Suitable steps may be taken to ensure that the built-in functionality of AIPS reflects real time processing of purchase orders, receipt of supplies and releasing payments, total expenditure incurred with effective validation controls built in.

41. The Agency stated that it believed that the built-in functionality, including the validation controls in the Procure-to-Pay cycle, was in place and operating effectively in AIPS. The Agency would, however, review the built-in functionalities and validation controls of AIPS to ensure that they are fully utilised.

42. In response, the Agency stated that it believed that effective system preventative and detective controls were in place related to the points raised above. However, it would develop, within AIPS, additional reports allowing monitoring of delivery and supplier performance.

IV. Quality Assurance

43. The Quality Assurance Unit of the MTPS was abolished in 2010 as a part of the re-organization of MTPS. In the current set-up, quality assurance is the responsibility of the *individual* contracting officers and their section heads.

44. In view of the fact that procurement administration through AIPS is yet to stabilize, we view the establishment of an independent quality assurance function within MTPS, as desirable.

Technical Cooperation

45. The audit of the Department of Technical Cooperation was conducted with the objective to assess efficiency in TCP functions resulting from TCP processes, identify areas of improvement that could further streamline and support TCP activities and whether TCP activities were planned and implemented in a manner that was compliant with the applicable Agency's Financial Rules, Regulation, Agency's Administrative manual, agreements with vendors and general principles of sound public sector financial management.

I. Various projects in regions addressing the same/similar issues

46. We noticed that there were numerous projects addressing same/similar issues which were active simultaneously in various regions. Deploying of similar inputs in the same region/country, in addition to resulting in duplication of efforts, raises the issue of conceptualization and implementation of such related projects. This is especially significant since these projects involve a monetary and human resource commitment from the Agency. Thus, the design/implementation of these overlapping projects needs to be reviewed. The streamlining of these projects would not only avoid duplication and result in better project delivery but also effect savings for the Agency in terms of monetary outgo, human resource commitment etc.

Recommendation 8

The Agency may like to examine this aspect so as to achieve maximum benefit from the limited human and financial resources at the disposal of the Agency.

47. The Agency accepted the recommendation and stated that the Department would examine the extent of possible duplication and, if needed and feasible, address the issue.

II. Lack of coordination between TCP and other United Nations/International organizations

48. Nuclear technology today touches all aspects of life from environment to energy, health, agriculture, animal husbandry, industry, water resources etc. The IAEA is the nodal agency facilitating the peaceful use of Nuclear Technology throughout the world. However, in order to

maximise the benefits and to achieve positive synergy between the efforts of the Agency through its Technical Cooperation Programme and the efforts of other UN/International organizations' in the similar field of activity, it is important to build partnerships. The Agency also subscribes to the One UN theme. It has, on its Programme Cycle Management Framework (PCMF) site, listed out the potential partnerships between various fields of activity and the organizations with which the Agency could collaborate with.

49. During the course of audit, we found no evidence on record to show that the Agency had actively engaged with other UN organizations in joint project formulation and execution. This militates against the One UN theme which aims at arriving at synergies between various UN organizations so as to maximise outputs and reduce duplicitous expenditure. Lack of partnerships with the other UN agencies may result in less than optimal utilisation of resources and duplication of efforts.

50. The Management stated that all efforts are being done under United Nations Development Assistance Framework (UNDAF) process and in specific cases, as much as feasible, given the constraints for the IAEA.

Recommendation 9

As the Agency does not have field representation, it is important that it works in close conjunction with other UN organizations so as to leverage synergies and to maximise benefits from projects carried out in partnerships.

51. The Agency accepted the recommendation and stated that it would continue using these mechanisms, work even more closely with the UN Organization's Resident Office/UNCT[3], and endeavour to further strengthen the role to increase the effectiveness of the TC programme.

III. Incomplete Project design document

52. The Agency adopted the Logical Framework Approach (LFA) and the Logical Framework Matrix (LFM) in order to streamline project planning and execution. The Agency recognises that the LFA helps stakeholders to think through and analyse the 'logic' of a project in a systematic and structured way, first by conducting a detailed analysis of a number of elements, and second by relating the results of these analyses to each other and to the project's overall objective. The LFM provides a consistent scheme for analysing problem situations and of ensuring that all factors essential for project success are addressed. It is a cause-effect logic chain that requires project designers to link the various project design elements in a strictly hierarchical and logical fashion. The TC project design elements are: objective, outcome(s), output(s), activities and inputs. The Agency has devised templates for Work plan and LFM to bring about greater uniformity in project designs and to make available comprehensive information regarding a project at a given place for ease of planning and implementation of TC projects.

53. However, across the TC Projects that were examined by us, it was observed that various rows and columns in these documents were either completely left blank or the same information was being repeated. It was, therefore, not possible to conclude from the data in these documents whether the inputs etc., were actually provided in any sequential/logical manner. Lack of data

[3]United Nations Country Teams

deprives the Department of an effective monitoring and execution tool for the projects. This deficiency assumes significance in view of the various capacity building modules arranged for the Agency staff as well as the Counterparts and the MSs for making this key design document.

54. The Management stated that the quality of the content of information related to TC projects (design, implementation) depends strongly on the quality of the information submitted by MSs. The Department does not yet have any mechanism for enforcing compliance in a more effective way.

55. It was further stated that in accordance with the guidance received for designing the 2009-11 TC cycle, entering Project Inputs and Assumptions in the LFM was not mandatory. The same applied for the cycle 2012-13.

56. However, if key fields in a critical document like LFM are left blank, it reduces the efficacy of this document and compromises the Agency's ability to effectively execute and monitor the projects.

Recommendation 10

The Agency needs to more actively assist the MSs in designing this key document better. Systemic mechanisms for ensuring adequate compliance with TC project design elements like LFM may be put in place.

57. The Agency accepted the recommendation.

IV. Ground work for take-off of projects not completed timely

58. On an examination of the project cycle of some sampled projects, it was noticed that projects experienced slow implementation. The delayed take off of the projects also has an impact on timely completion of the project. The Agency replied that delays were largely on account of non-completion of counterpart activities. Time over-runs have a bearing not only on providing timely inputs to the MS, but also stretch the available human resources of the Agency more thinly over the projects. This could impact the quality of inputs and monitoring.

Recommendation 11

Ensuring timely initiation and completion of the projects is the conjoined responsibility of the MSs and the Agency. While recognising the Agency's constraints vis-a`-vis the timely initiation of projects and their completion on schedule, there is a need to engage the MSs more actively to achieve for timely initiation and completion of counterpart actions.

59. The Agency accepted the recommendation.

V. Adequacy of the Implementation Rate as an indicator of project achievement

60. Implementation Rate is used within the Agency for judging the performance of a project. It indicates the rate of financial expenditure only and not the progress made in delivering actual outputs". It is thus only a measure of the quantum of money spent, out of the budget available at a given point in time. Being a mere calculation of the money spent on the project vis-a`-vis the budget allotted at a given point in time, this ratio is not even an accurate financial indicator of the progress of a project. This is so because the funds which are made available to a project invariably undergo numerous revisions. Thus, this rate loses its relevance in the context of measuring outcomes against a fixed goal post as the goal post is continually shifting.

Recommendation 12

As an indicator of the progress of a project, the Agency may consider adopting a more accurate measure of performance like ratio of inputs such as human resources, equipment etc. provided vis-a`-vis those planned.

61. The Agency accepted the recommendation and stated that it was identifying and developing other more meaningful indicators for project implementation, such as output achievement versus planned.

VI. Project monitoring

(a) Periodical Monitoring of Live Projects

62. In the programme implementation stage (Phase III), monitoring the progress of the projects is a key requirement. The Department has devised a format named Project Progress Assessment Report (PPAR) which is to be submitted on a periodical basis by the concerned project recipient to report on the progress of the project.

63. To ascertain the status of furnishing PPAR for the projects which were completed during the year 2012 and active projects, a test check was conducted and an examination of the records relating to five projects revealed that PPAR was not furnished in any case.

64. The Management stated that the main inputs for any project review should be furnished by the Counterparts in respective Member States and the Agency has limited control over and no means of enforcing the provision of such information. Further, it was stated that the matter has been brought to the attention of MSs repeatedly and during discussions on the most recent General Conference resolution on TC, MSs took note of that shortcoming and added a provision to that effect to the resolution.

Recommendation13.

While recognising the Agency's constraints in ensuring the submission of PPARs, the monitoring of projects as envisaged in the PCMF through the submission of PPAR is extremely crucial to the successful and timely delivery of the projects. It is recommended that the Agency may further work towards establishing a mechanism with the MSs for furnishing periodic information, including PPAR, as prescribed to ascertain the progress of a project under implementation.

65. The Agency accepted the recommendation.

(b) Programme Review of completed projects

66. According to the TC Programme Cycle Management Framework (PCMF) as developed by the Agency, the TC Programme Cycle Management comprises the following stages – (i) Programme Planning & Approval (PCMF Phases I & II), (ii) Programme Implementation (PCMF Phases III), and (iii) Programme Review (PCMF Phases V).

67. Programme Review is a segment of the TC programme cycle which includes a) independent evaluation, b) self-assessment, c) impact assessment and d) follow-up adjustments and implementation of recommendations.

68. Programme review through a systematic results assessment of projects would enable the Agency to appraise the effectiveness, efficiency and sustainability which are defined quality criteria in the TC Projects. This is a crucial function within the TC Programme Cycle. This process would also enable the Department to obtain inputs in planning for future projects in the same Country/Region/Interregional. However, test check of some of the projects in audit did not reveal any programme review post completion of the project in the manner as prescribed above. The project achievement as given in TC PRIDE (Technical Cooperation Project Information Dissemination Environment) against these projects only gives a generic description of the project and broad achievements not buttressed by any statistics.

69. The Management stated that project level independent evaluations are not in place (at project level) due to the high number of projects in the TCP and that initiatives for closing the gaps of project evaluation level were being considered and would be piloted during 2013/14, including mechanisms as field monitoring missions, self-evaluations and/or peer-reviews.

Recommendation 14

Development of a systematic results assessment of completed projects should be inbuilt into the project cycle so that such review is ensured as envisaged in the TC Programme cycle.

70. The Agency accepted the recommendation and stated that the TC monitoring and evaluation tools were being developed and tested in 2013. Evidence-based reporting on TC projects results is expected to be in place by 2014.

VII. Sanction of new TC projects during 2012

71. The Agency had, in its Note Verbale dated 16 Mar, 2010, announced its intent to limit the active TC projects in a country to eight during the 2012-13 Programme Cycle. However an analysis of the projects sanctioned during the year 2012 revealed that many countries which were not amongst the least developed countries (LDCs), had active projects ranging from 9 to 14 during the year. Thus these countries received more projects than were considered feasible by the Agency. It is to further emphasise that these countries were in fact not LDCs and were developing countries where the limit for total number of TC Projects could have been adhered to.

72. In response, the Management stated that: *(1)The guidelines for 2012-2013 (paragraph 9) state that "The number of project concepts should take into account the limit of eight for the total number of active national projects at any point in time." The External Auditors have interpreted these guidelines in the context of compliance, rather than principles requiring judgement of conditions and circumstances.(2) The Auditors have interpreted 'active' to mean all projects contained in the country programme, including footnote-a/projects*[4] *-not funded, and projects in-closure, which are operationally completed. (3) While clarifying the number of active projects, in various cases it was stated that:*

a. *Project is in closure,*

b. *The projects are shown as on-going in PCMF, but are under closure in TCPRIME*

73. While we accept some departure from the intent in exceptional circumstances, these departures should be reduced to a minimum. Further, only active projects were identified while making the above comment, based on the data provided by the Agency. As regards the reply outlined above for point number three (3), it is stated that there is no uniformity in the data maintained in PCMF/AIPS and that maintained by the Divisions and Programme Management Officers (PMOs). Projects "in closure" will have to be treated as active for all purposes till finally closed, in all places.

Recommendation 15

The decision to limit active national projects to eight during 2012-13 had been taken to rationalise the number of projects for a country given the resource constraints, both financial as well as human and to ensure some parity in the number of projects among countries. It is recommended that the Agency adheres to the limit set for number of active projects in a country and to rationalize further the number of projects in the TC programme, as a key element for further improving results and impact for the benefit of MSs.

74. The Agency accepted the recommendation and stated that the TC Department would continue working, together with MSs, on finding the proper level for the number of TC projects per cycle that is manageable for the TC programme.

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[4]Footnote-a/projects are the projects approved by the Board of Governors for which no immediate funds are available, for which financing is sought from extra budgetary resources or, should circumstances permit, TCF resources. Also known as unfunded projects.

VIII. Information regarding National Participation Costs (NPCs)

75. As per the guidelines contained in GOV/2004/46 dated 11 June 2004, the National Participation Cost (NPC) is assessed at 5 % of the core funding of the national TC projects. Further, the MSs have the option of paying NPCs in one instalment before commencement of the project or 2.5% at the beginning and the balance, on the basis of actual disbursements, on the completion of the project and the project implementation would commence on receipt of the first payment. Accordingly, projects are activated only when at least the minimum payment of NPC is received by the Agency.

76. Thus, the NPC for the project starting in 2012 would have to be paid by 1.1.2012 for the project to be activated as per schedule. From the information furnished by TC Department on the status of payment of NPC for projects commencing from the year 2012 by 84 countries, 54 countries paid their NPC only after January 2012 and two countries were yet to make payment (December 2012).

77. The Management stated that delayed payment of NPCs are delaying the start of national projects and the lost time is not usually able to be recovered, which means the end dates of the projects are also extended.

Recommendation 16

The Agency may engage with the MSs pro-actively to ensure that the minimum NPC is paid within time so that the project stays on schedule.

78. Accepting the recommendation, the Agency stated that the TC Department would continue encouraging MSs to pay NPCs on time so that projects can start as per work plan.

IX. Human Resource issues in TC Department

79. The Agency provides technical cooperation to 1092 on-going TC projects and these projects have to be administered and managed by the staff within the Agency. As per the data available on "Oasis" (On-line Administrative Staff Information System) intranet, there are 46 PMOs in the various divisions in the Department. Two consultants in the divisions also discharge the duties of PMO, taking the total of PMOs to 48. This also includes 11 members who are Section Heads (SHs) in addition to being PMOs for some projects.

80. The Department stated that there exists no explicit policy for work distribution amongst PMOs and projects are distributed by Regional Directors on the basis of workload, experience of PMOs and complexity of projects. This is an internal management decision in each division. Technical Division uses the same approach in addition to the corresponding technical field.

81. Going by the total number of active projects and putting together all the available managers for these projects (including the SHs), who would understandably have lesser number of projects as PMOs) this works out to approximately 23 projects per PMO per year on an average. This is a fairly large average by itself. However, as admitted by the Agency, in the absence of an explicit policy, there is no rational work distribution within the TC Department. Thus, work distribution between the PMOs becomes ad-hoc. This could impact the quality of input provided by the Agency.

Recommendation 17

The Agency may consider undertaking an evaluation of the number of personnel it requires to discharge the current obligations towards the projects and then take it forward by requesting for additional manpower, if need be.

82. The Agency accepted the recommendation and stated that the TC Department had initiated a management review with the Office of Internal Oversight, which would determine the potential workload that would be associated if the Department or the Secretariat as a whole engaged in the systematic evaluation of outcomes and impacts of TC projects.

X. Monitoring of receipt of Fellowship reports

83. One of the significant ways in which the Agency aims at enhancing the HR potential of the MS is through Fellowships. A total of 1141 Fellows were availing/ availed fellowships from the various cooperation programmes managed by the Department in 2012. A total amount of €5,468,746.31 was disbursed to these 1141 Fellows during 2012. The end date of the fellowships of 907 fellows fell in 2012. As per the UN Handbook for fellowship officers, the fellows have to submit mid-term and final reports during and after completion of the term of fellowship respectively. The purpose of these reports is to make the Fellows responsive to the inputs provided during the course of the training/fellowship, as also be a means whereby the outcomes from such support is assessed.

84. We observed that there was no consolidated data available with the Agency regarding the submission or otherwise of these reports. The receipt and follow-up of these reports was not being monitored anywhere centrally. Given the fact that there was a substantial monetary outgo from the Agency as also from MSs, and more importantly as the purpose of these fellowships is to enhance the HR capacity of the recipient country, lack of any centralized data on fellowship reports handicaps management in assessing whether the fellowships were fruitful or not.

Recommendation 18

The fellowship reports should be centrally monitored in order to assess the utility of the fellowship.

85. Accepting the recommendation, the Agency stated that the TC Department would work on the development of a central mechanism to monitor compliance as regards submission of reports and subsequently the possibility of a central evaluation of the utility of the TC fellowship programme.

Nuclear Safety and Security

86. The over-all objective of the audit of the Department of Nuclear Safety and Security was to provide reasonable assurance that the actions and activities undertaken by the Department were

in accordance with established policy, programmes, rules and procedures of the Agency and met all requirements, including contractual and technical, in all material aspects.

I. Funding from Extra-budgetary (EB) sources

87. The Agency seeks to achieve its goals in the field of nuclear safety and security through the Department of Nuclear Safety and Security. Major Programme 3 (MP 3) — Nuclear Safety and Security, promotes the worldwide achievement and maintenance of high levels of nuclear safety and security to protect people, society and the environment.

88. The MP3 directly implements the Agency's statutory functions of establishing standards of safety and in providing for their application. MP 3 is funded through the regular budget and extra-budgetary contributions. The Agency's Programme and Budget 2012-13 under Major Programme (MP) 3 - Nuclear Safety and Security (NSS) for the year 2012 reflects the following figures in the Summary of Programme Structure and Resources.

Total resources for MP 3 (2012)

(All figures in Euros)

Programme	2012	
	Regular Budget at 2012 prices	**Extra Budgetary**
MP 3 - NSS	33, 998, 536	29, 631, 845

89. Thus, currently, 53 per cent of the MP 3 - NSS resources comes from the regular budget while 47 per cent of the funding comes from extra-budgetary sources, i.e. voluntary contributions mostly from Member State governments. Further, as per the IAEA's Programme and Budget 2012-13, approximately 80 per cent of the IAEA's total expenditure on nuclear security for the biennium 2012-2013 will be from extra-budgetary contributions.

90. Demands for the Agency's services in the area of nuclear safety and security have been growing on account of introduction of new nuclear power plants, rapid expansion of existing nuclear power programmes, emergence of new threats to nuclear security, etc. The Department has already experienced or will witness a significant increase in responsibilities / activities on account of the Nuclear Security Plan 2010-2013 and Action Plan on Nuclear Safety 2011. Many of these activities are not able to be funded through the regular budget and consequently, the Department is increasingly dependent upon extra-budgetary contributions. As per the Agency's Programme and Budget 2012-2013, such extra-budgetary contributions can be *'unpredictable, often tied to restrictive conditions and, thus, may involve some risk for the programme.'*

91. The Report prepared by an independent Commission at the request of the Director General of the International Atomic Energy Agency in May 2008, Reinforcing the Global Nuclear Order for Peace and Prosperity: The Role of the IAEA to 2020 and Beyond, stated that, *"A thorough reform of the funding of the Agency has become all the more urgent …….Without additional and reliable funding, the IAEA will not be able to:……..• Play its essential role in combating nuclear terrorism and in ensuring the safety of nuclear power plants and other nuclear facilities. The staffing of these vital programs currently has to rely to a very large extent on unpredictable voluntary funding……"*

92. In the context, of reducing dependence on extra-budgetary funding, we sought to verify:

i. whether the possibilities of introducing new and innovative funding mechanisms had been explored;

ii. whether efforts to reduce the conditions attached to such extra budgetary contributions have been made; and

iii. whether a sensitivity analysis had been done for impact of variation in extra budgetary support to the strategic plan for nuclear safety and security.

93. In response to our analysis of the Regular Budget and Extra-budgetary resources from 2009-2012 wherein we observed that over all there has been no significant reduction in the funding from extra-budgetary resources, the Department also agreed on dependence and increase in extra-budgetary sources and stated that, *"the EB (extra-budgetary) funding doubled in 2012/ 13 vs. 2010 and this is in relation to the following considerations:*

a. *Increase in the demand for support for countries embarking in a nuclear power programme;*

b. *The issuance and subsequent implementation of the directive on Nuclear Safety in EU;*

c. *Implementation of the Nuclear Safety Action Plan in response to Fukushima Daiichi accident in all areas of nuclear safety.*"

94. It further stated that the "Agency is aware that reliance of EB contribution present some risks and this was recognised and reflected in the risk register with efforts of mitigations."

95. Keeping in mind the above analysis and response of the Department, the following observations are made:

a. While the Department is sensitive to the risks attached with extra-budgetary funding, we did not come across any specific efforts made by the Management to actually assess what would be the impact of variations in extra budgetary support on various activities and whether there was a need to re-assess priorities on this account.

b. Perusal of documents and interviews with staff also revealed that in case of certain events happening[5], for example, increased number of requests for assistance by Member States in self-assessments, increased number of requests for IAEA Operational Safety Review Team (OSART) Missions etc., additional resources would be required, which could be able to be met only from extra-budgetary funds. This implied that dependence on extra-budgetary resources can only increase in the future. Incidentally, the Core Activities unfunded in the regular budget have also gone up in recent years. As these are also identified with a view to obtaining extra-budgetary funding, it would appear that future actions, far from reducing dependence on extra-budgetary funding, would actually increase it.

c. The IAEA / Department has had zero or near zero growth budgets in the immediate past and financial constraints are faced by the Member States due to the prevailing economic situation. Yet, there is likely expansion in activities. In the present 'equilibrium', extra-budgetary funding has come to be almost an 'accepted' fact of functioning. If the objective of reducing dependence on extra-budgetary resources is pursued actively, realistically, this

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[5] The likelihood of these events happening is also high.

would mean adverse implications for the scale of the Department's activities, as corresponding increase in the regular budget is considered to be unlikely.

Recommendation 19

The Agency may wish to undertake an exercise to determine areas, currently funded by extra-budgetary resources, where the impact of funding fluctuations would have detrimental effect on its activities.

Recommendation 20

The Agency may consider assessing whether and how much of a reduction in extra-budgetary funding could realistically happen and devise appropriate strategy to meet that shortfall.

II. Risk management

96. IAEA operates in a challenging environment and is exposed to threats from both the internal and the external environment which may have implications for the Agency's performance and reputation. To address these, a systematic approach to risk management has been put in place with the objective of adding value to decision-making and to provide assurance to Agency stakeholders that important risks for the Agency are appropriately dealt with.

97. The initial risk management policy was established in October 2009. Risk management, as a structured and organisation-wide concept, was introduced in IAEA during the 2010-11 biennium and policy for the same was amended in 2012. The Risk Management Policy provides the main principles for the Agency's risk management approach, delineates the mechanisms for implementation and review, and also provides guidelines on Risk management.

98. The Policy states that risk can relate to strategic, programmatic and operational objectives and all activities undertaken by the Agency to meet these objectives. It provides for the establishment of a Risk Register by all the Departments of the Agency so that all relevant areas of risk falling under various Deputy Directors' General responsibility are included in the Risk Register. The Risk Register is a record of all risk related activities which are undertaken by the Agency under its regular budget programme, technical co-operation programme and activities funded by extra budgetary resources. According to the Agency's Risk Management Policy, the risk management process needs to be integrated with the Agency's planning process and the Risk Register is to be used as an input for the Agency's Programme Planning and Budgeting process.

99. Risk management in the department of NS was one of the focus areas for our audit. Based on our analysis, the following issues were noticed:

100. As per the Agency's Risk Management Policy, during risk prioritisation, the scores are given based on a two axis matrix, the first based on the 'Impact' the risk event is likely to cause to IAEA and the second based on the 'Likelihood' of occurrence of the Risk Event. The 'likelihood' is further categorised into 'Low', ' Medium' and 'High', based on the assessment of the probability of occurrence of the Risk event.

101. While scrutinising the available Risk Register of 11 February 2013 (the latest Risk register) with respect to the element of 'Likelihood', it was observed that for some of the 'risks'

which were perceived to be low on the 'likelihood' score, had already been reported to have materialised.

102. In response to the issue, the Department replied,

a. *"This comparison is not quite correct, as country specific action plans and emergency response plan are different things. A country specific action can for example contain the update on the emergency response plan in the country amongst many other things. However, there may be some other risks related to weak plans or to lacking of such plans. During our revision of the Risk register we should decide whether to raise these or not (as they were stated as an issue in the SR2012, they have materialized, so they are not risks but problems to address).*

b. *As for risk 3.1-2, the SR2012 clearly say that many states have not performed threat assessment. This means that we underestimated the likelihood of that risk ("low"). Since it has materialized, it should be dealt with as an issue. "Low" likelihood does not make sense, but risk guidelines are not clear about what to do with the risk once an event has occurred."*

103. The fact remains that a lot of risks will remain dependent upon action of entities outside the control of the Agency.

Recommendation 21

The Agency may consider reassessing the risk scores from the perspective of 'likelihood' and suitably revise the scores, wherever necessary, during the next quarterly review.

Recommendation 22

The Agency may also consider redefining the risk element more appropriately so that the risk element becomes less open ended, wherever necessary.

Recommendation 23

The Agency may consider revisiting existing Risk Mitigation Strategies whenever a risk materializes.

104. Based on quarterly reviews, risks which are no longer considered worthwhile for pursuing as separate risks are closed or archived. Following were the risk items reported to be removed/ archived during 2012 and analysed by us. Our comments for each of these are in last column of table below:

Risk Items Closed/Archived

Programme reference	Risk Short Name	Justification for archiving	Audit comment
3.2.02	Increased staff lapse factor	The risk is included in the agency level HR risks	Similar 'risk' element i.e. 3.1.14, ' Failure' to employ leading edge staff' is retained
3.2.04	Member States do not perform self-assessment	The risk is combined with 3.2.3 as per NSNI suggestion	Risk 3.2.3 is 'the Agency does not have enough resources to support Member States' self-

			assessment', and is therefore different than risk 3.2.04
3.3.01	A major accident	Duplicates Agency wide Reputational Risk identified in Nov 2011	Similar risk element 3.1.10 (description of 3.1.10) is retained.
3.3.03	Lack of Human resources	Duplicates agency wide cross cutting risk 3.1.14 identified in Nov 2011	Similar risk elements 3.1.8 and 3.3.4 were retained
3.3.04	Dependence of core activities on extra budgetary support	Duplicates agency wide Programme/ Project related Risk 3.1.13 identified in Nov 2011	Similar risks, i.e. 3.1.13, 3.3.4 and 3.5.1, were retained

105. Thus, it appeared that the Agency did not follow a uniform policy in dropping/ archiving some of the risks. In others (3.2.04), the rationale was not clear. Although the above risk elements were reported as closed/ archived during 2012, it was observed that all these items were part of the Risk Register of 11 February 2013.

106. In response, the Department stated:

a. *"Risk 3.2-2 is archived because MP3-wide risk 3.1-14 appeared. The latter one is not archived.*

b. *Risk 3.2-4 was combined with 3.2-3 at NSNI request. We agree that in their current wording these are different risks. However, the details for the risk 3.2-3 say: "In order to perform self-assessment, Member States need Agency assistance in self-assessment training and reviews of completed self-assessments…" This means that the risk of IAEA not having resources is "primary", and if we mitigate this risk (which includes reviews of completed self-assessments), it will take care of the archived risk of MS not performing self-assessments.*

c. *Risk 3.3-1 – risk 3.1-10 is an MP3-wide one.*

d. *Risk 3.3-3 – risk 3.1-14 is an MP3-wide one.*

e. *Risk 3.3-4 – risk 3.1-8 is an MP3-wide one".*

107. The Department further accepted and stated that the Risk Register of 11 February 2013 should have provided information as to which risks are open and which are archived.

108. In our opinion, the risks of 'member states not performing self-assessment' is different than the risk of the 'Agency not having enough resources to support member states self-assessment', as there are possibilities wherein the member states have not performed self-assessments although there were no constraints from the Agency's side. While, obviously, the final decision for dropping a particular risk would lie with the Department/ Agency, we feel it could be done in a more rational and consistent way.

109. We also feel that the Agency should apply a consistent approach in identifying and categorizing Agency level and Project level risks in order to avoid possible overlaps.

110. On archived risks remaining live in the Risk Register, we feel that if a risk is closed/ archived after careful consideration, then it needs to be removed from the Risk Register. Otherwise the Risk Register will continue increasing in size. Nevertheless, a separate Register for archived Risks may be maintained.

Recommendation 24

The Agency may review the risks which are being duplicated both at MP3 level/ department level and also at the Agency level, and in consultation with the Risk Management Group and Senior Strategic Officer decide on the course of action to be followed in cases of such duplications.

Recommendation 25

The Agency may consider removing archived risks from the Risk Register.

III. Performance Indicators

111. The underlying basis for the Agency undertaking any programme of work is to achieve some objective. This programme, associated with sub-programmes and projects, would be achieved through a planned series of tasks.

112. In 2000, the Agency introduced the Results Based Approach to Programme Development1 which involves formulating biennial programmes that are driven by a number of desired results that are articulated at the outset of the process, and against which actual performance is measured at the end of the biennium. The Programme management cycle consists of three consecutive and interrelated stages: (i) planning and development; (ii) implementation and monitoring; (iii) performance assessment and evaluation. Performance assessment is the process of assessing or measuring or verifying achievement of outcomes using performance indicators and the parameters affecting them. The formulation of outcomes and performance indicators is a fundamental step in the results based approach.

113. In general, Performance Indicators (PIs) at the Programme and Sub-programme level are indicated in the Agency's Programme and Budget for the biennium. These sub-programmes are typically implemented through projects. The Agency's Programme and Budget document specifies Main Outputs for the projects while the concerned division / section formulates Performance Indicators for the project.

114. On the basis of the PIs indicated in the Agency's Programme and Budget 2012-13, information provided, comparison and analysis done, following observations are made.

III.A Formulation of Performance Indicators

115. Typically, effectiveness of performance indicators are measured by widely accepted '**SMART**' framework, meaning that the indicators should be **S**pecific, **M**easurable (observable), **A**ttainable, **R**ealistic and **T**ime-based. This is also reflected in the Guidelines on Programme Performance, issued by the Office of Programme Development and Performance Assessment of the Agency in February 2006. Assessment of performance indicators employed by different

divisions of NS against the SMART framework revealed that the indicators did not fulfil the SMART criteria.

a. The PIs in the Agency's Programme and Budget 2012-13 documents for Sub-programme 3.1.1 were not quantified. For example, in PI, *'decreased number of deficiencies identified in EPR capabilities and arrangements at the national, regional and international levels'*, the extent of decrease was not specified.

b. Though base-line data exists for many of the PIs, in the absence of a clear numeric target for the upcoming year with reference to a base-line figure, the PI would lose much of its relevance and also value in assessing performance. An example of such an indicator was the PI for Project 3.2.2.1, Evaluation of design and safety assessment of nuclear facilities, i.e. '*Number of states using safety assessment standards and guides',* which does not specify the specific numeric target.'

III.B Discrepancies between the PIs in the Agency's Programme and Budget 2012-13 and those reported

116. As already stated above, the Agency's Programme and Budget 2012-13 indicates PIs for Programmes and Sub-programmes. The divisions / sections implement the Programmes and Sub-programmes through projects, for which they specify performance indicators. We made a comparison of the PIs indicated in the Agency's Programme and Budget 2012-13 with those provided to us. We observed that there were instances where the Sub-programme level PIs were not further mapped with corresponding Project PIs. Thus, there was a gap between the PIs at programme level and those at project level.

III.C Non-reporting of performance at sub-programme and programme level

117. The performance reports furnished did not indicate achievement against sub programme and programme level PIs in all cases.

Recommendation 26

The Agency may consider re-formulating the existing Performance Indicators, where appropriate, to ensure that they are well-aligned to the 'SMART' framework.

Recommendation 27

The Agency may consider re-examining the project-level PIs to ensure that their definitions are coherent with PIs at Sub-programme and Programme level.

IV. Status of Action Plan

118. At the June 2011 IAEA Ministerial Conference on Nuclear Safety, a Ministerial Declaration was adopted which requested the Director General, inter alia, to prepare a draft

Action Plan on Nuclear Safety. The draft Action Plan was presented to the General Conference in its 55th regular session where it was unanimously endorsed by all Member States on 22 September 2011. The ultimate goal of the Action Plan is to strengthen the global nuclear safety framework. While nuclear safety remains the responsibility of individual countries, the Agency is to play a leading role in shaping a safer nuclear future throughout the world. The Director General announced, on 26 September 2011, the formation of a dedicated Nuclear Safety Action Team to ensure proper coordination among all stakeholders and to oversee the prompt implementation of the Action Plan.

119. The Nuclear Safety Action Team has developed a schedule that focuses on the activities of the IAEA Secretariat to implement the Action Plan. The schedule has been developed with the cooperation of representatives from all relevant Departments and Offices of the IAEA Secretariat. The implementation of these activities in the Action Plan will require close cooperation between the IAEA Secretariat, Member States and other relevant stakeholders. The IAEA Secretariat considers that this schedule will be a '*living document. Further activities may be added in future as well as the need to reflect updates to the Nuclear Safety Action Plan from emerging lessons learned in the light of the Fukushima accident*.'[6]

120. Additionally, the Secretariat has developed a public web site called 'Action Plan Dashboard', to report on the status of the actions and their associated activities.

121. An analysis of all the 172 activities for IAEA scheduled under the Action Plan was done to determine whether a target date was specified or not and whether the activity was open-ended and on-going. The current status of activity with respect to the target date and whether the activity was being reported on the 'Dashboard' was taken from the Dashboard i.e. the public website for progress on the Action Plan. The results are summarised below:

a. Although specific activities had target dates, there was no over-all duration for the Action Plan itself, i.e. time by which a significantly large number of activities would be completed. Thus, the Action Plan was not time-bound.

b. Out of 172 activities,

   i. targets were fixed for 107 activities,

   ii. 31 activities were of such nature that these were termed as on-going activities. Hence, no targets were fixed, and

   iii. no targets were fixed for 34 activities. Most of the 34 activities related to Member States.

c. For those activities with targets (107),

   i. 63 were stated to be achieved within their target dates, and

   ii. in case of 13 activities due dates were in the future,

d. Thus, till date, i.e. after approximately one and half years of implementation of the plan, 37 per cent of the 172 activities were reported to have been completed.

[6] Source: The Secretariat Activities for the Implementation of the IAEA Action Plan on Nuclear Safety, Revised Version 05.04.2012

e. In the case of 31 activities, target dates as fixed were not achieved. The delays ranged from 2 to 14 months (as on 21-2-2013).

f. Viewing the achievement action wise, it was seen that the achievement of the sub-actions ranged from zero to 58 per cent. None of the sub-actions under the action 'Member States Planning to Embark on a Nuclear Power Programme' had been achieved while maximum achievement was under the action on 'IAEA Safety Standards.'

g. It was noted that 59 activities were not being reported on the 'Dashboard'.

h. For 23 activities, although the target dates were fixed, achievement of the same could not be ascertained as these were not reported on the 'Dashboard'.

122. In response, the Department stated that, *'The schedule used as a baseline for this audit observation has been developed with tentative timeframes that focused on the activities of the IAEA Secretariat, which were considered necessary to fully implement the Action Plan on Nuclear Safety, ideally fully funded. This schedule has been developed in cooperation with representatives from all relevant Departments and Offices of the IAEA Secretariat. The implementation of these activities for each of the actions in the Action Plan requires funding as well as close cooperation between the IAEA Secretariat, Member States and other relevant stakeholders. The IAEA Secretariat considered this schedule a 'living' document as to permit future modifications of established timeframes due to the limited availability of funds.*
In view of this, the 172 activities scheduled under the Action Plan - given the budget available - we undertook a selection process based on their priority and those needed in the short-term period have been fully implemented. Remaining activities - whose time-frames have been reconsidered – have been partially budgeted within the "IAEA Budget Update 2013". Furthermore, the activities identified as necessary but unfunded have been merged into project proposals submitted to Member States which contributed to implement the Action Plan on Nuclear Safety.
Hence, the document "Secretariat Activities for the Implementation of the IAEA Action Plan on Nuclear Safety, Revised Version 05.04.2012" was initiated as a planning tool taking into account the potentiality of the ideal budget as fully available. Therefore, given its nature, could not be considered as a baseline for an auditing observation.'

123. We appreciate the Department view that modifications of time-frames were necessary due to limited availability of funds. However, we consider the document adequate for our analysis because the 'revised' version of this document was issued in April 2012. We also note that the Department continues to report progress / achievements against these 172 activities on its website as of February 2013.

Recommendation 28

The Agency may consider a reasonable time-frame within which the Action Plan on Nuclear Safety gets completed and the main activities would become a normal part of IAEA functioning.

Recommendation 29

The nature of on-going activities is such that some of these can be absorbed in the normal activities of IAEA and monitored accordingly.

Recommendation 30

For improved transparency, status of all IAEA Action Plan activities may be reported on the 'Dashboard'.

V. Action Plan on Nuclear Safety- Action Points by Member States

124. The success of the Action Plan in strengthening nuclear safety is dependent on its implementation through the full cooperation and participation of Member States.

125. The Action Plan further noted that transparency in all aspects of nuclear safety through timely and continuous sharing and dissemination of objective information, including information on nuclear emergencies and their radiological consequences, is of particular importance to improve safety and to meet the high level of public expectation. Nuclear accidents may have trans-boundary effects; therefore it is important to provide adequate responses based on scientific knowledge and full transparency.

126. Progress on the implementation of the Action Plan was reported to the September 2012 meeting of the Board of Governors and the 2012 General Conference and is to be reported subsequently on an annual basis as may be necessary. In addition, IAEA reported on progress to the Board of Governors meetings held in November 2011, March 2012, June 2012 and November 2012.

127. While appreciating the constraints faced by the Agency in eliciting information from the MSs on implementation of the Action Plan, we feel that Agency should devise implementation mechanism designed to sensitize MSs to encourage them to share critical information that impacts upon Agency's mandate.

Recommendation 31

The Agency may consider requesting Member States to provide information regarding their progress in the implementation of the Action Plan.

Recommendation 32

The Agency may consider reporting on the progress made by Member States in implementing the Action Plan to the General Conference/BOG at suitable intervals.

VI. Incident and Emergency Centre (IEC)

128. The IAEA fulfils its functions and responsibilities with regard to Emergency Preparedness and Response through the Agency's Incident and Emergency System (IES) and the Incident and Emergency Centre (IEC). The IEC serves as the Agency's focal point for emergency preparedness and response and as custodian of the IES. In this regard, we appreciate the efforts made by the IEC in establishing adequate infrastructure required to fulfil its role for emergency response including emergency assistance.

129. One of the prime response actions include exchange/sharing of information (e.g. official information and information on potential radiological consequences and prognosis of likely emergency progression) among the Secretariat and States/relevant international organizations. For this purpose, practical mechanisms and specific arrangements have been set out. In particular, the Operations Manual for Incident and Emergency Communication (IEComm) defines mechanisms and channels for communication among the Secretariat and States/relevant international organizations.

130. Operational arrangements, action by Member States and action by IAEA, are tabulated in case of twelve sets of event types[7]. Each State and international organization party to the Early Notification (CENNA) and Assistance Conventions (CANCARE) must designate and make known to the IAEA its point of contact (CP) and competent authorities (NCA). The IAEA Secretariat also strongly encourages all other and non-Member States of the IAEA to designate their National Warning Points and National Competent Authorities for these purposes and to make them known to the IAEA.

131. The IEC expects to receive initial information from an NCA informing it about events with apparent, suspected or potential radiological consequences and/or request for assistance. The IEC also receives information communicated by The International Nuclear and Radiological Event Scale (INES) national officers on events rated at INES level 2 or above and/or that have attracted international media interest. In the case of events with potential or suspected radiological consequences a State may, at its own discretion, request the IAEA to provide and/or facilitate assistance and/or to inform other States.

132. The IES operates in three modes: Normal/Ready mode, Basic response mode and Full response mode depending upon the magnitude and potential consequences of the event.

133. In 2012, 219 events came to the knowledge of the Agency through the existing communication channels. Out of the 219 events, response actions were taken in 32 events. Besides an over-view of the 219 events, we did a brief analysis on a sample of 11 events out of 32 events where IEC played a role (34 *per cent* approximately) in terms of time in which the events were reported, whether the communication was received from the designated National Competent Authority, whether IEC or some other department was the recipient of such communication, action taken by IEC, requests for assistance and action taken thereof, usage of Response and Assistance Network (RANET) resources, status of communication channels, etc. In this regard, the following observations are made:

134. All the 219 events were such that there was no obligation to report the event under CENNA, although a Member State could voluntarily give this information. We noted that out of

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[7] Four emergency classes and one other event type specific to nuclear installations; six types of radiological events (not specific to nuclear installations) and one type for a criminal or other unauthorized act using radioactive material

these 219 events, 160 were reported through the Illicit Trafficking Database (ITDB), 26 were through NEWS[8], while 33 were reported by means other than NEWS or ITDB. This implied that majority of the 'first knowledge' or intimation of the event was not through the established IEC channels with NCAs or CPs. The Department agreed and stated that, *"Yes correct, we are also looking at the information from other systems because we are aware that there are numerous reporting systems in the secretariat and we know that some MSs might not use the correct channels (the IEC's) in case of an emergency."*

135. Out of the 219 events, response actions were taken in 32 events. Most of the 32 cases fell under the six types of radiological events (not specific to nuclear installations) and the IEC activation mode in all cases was 'Normal / Ready'. There was also no requirement to refer to the Joint Radiation Emergency Management Plan of the International Organizations (the Joint Plan). No case was, thus, an 'emergency'. Hence, in 2012, the IEC did not operate either in 'Basic' or in 'Full Response' mode; it only operated in 'Normal/ Ready' mode.

136. The results of our analysis with respect to the 11 test-checked cases are as follows:

a. In 6 cases, the IEC did not receive the initial information until much after the event. In one case (Trinidad and Tobago), the incident was reported more than a year after the event took place[9]. Excluding the Trinidad and Tobago case, the events came to the knowledge of IEC with a time-gap ranging from a few days to one and a half months. We, however, appreciate that the time taken for IEC staff to respond was as prescribed.

b. IEC received the initial information from an NCA only in three cases. In all other cases, initial information was sent by sources other than NCA/CP.

c. No press release was issued by IAEA in any case.

137. While going through the records related to the 11 cases, we noted that summary logs indicating the action taken in a common format were not prepared. However, we were informed that IEC has developed a common format and is employing the same in 2013.

138. In this regard, reference is invited to the ConvEx, i.e. standard drills and exercises which are prepared, performed and evaluated to test key response objectives. Results of the exercises held in September 2010 showed that only 36 *per cent* of Member States responded and of those who responded, only 49 *per cent* were successful. Despite the detailed guidelines given by IEC, a similar exercise in August 2012 showed that majority of Member States did not respond and of those who responded, many had communication problems. In addition to other issues, it was also found that usually the mode of response was not the USIE.

139. Some of the states where these 11 events took place had not participated in the ConvEx type exercises in 2012 (details for earlier years were not made available). In addition, we noted

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[8] Nuclear Event Web-based System, or NEWS, is a joint project of the IAEA, OECD/NEA and World Association of Nuclear Operators that provides authoritative information on nuclear and radiological events, using the International Nuclear and Radiological Event Scale, or INES.

[9] At the time of the request for assistance, Trinidad and Tobago was not an IAEA MS, nor party to the Assistance Convention. Decision of the DGOP was to provide assistance to Trinidad and Tobago.

that though efforts had been made by IEC to notify countries of problems/lapses noticed[10] during the ConvEx type exercises, the countries did not take action as suggested by IAEA.

140. The IEC has strengthened its internal mechanisms to respond to accidents / incidents / events. But, emergency response is not dependent upon the actions of IEC alone. Much of its (and IAEA's) reputation, credibility and success will depend on how fast it is approached with initial information. The system cannot be termed as being conducive to achieving its aims[11] if the concerned NCAs / CPs / NWAs (National Warning Points) are unable to follow the procedures prescribed by the IEC, since in a real-life situation, these gaps may materialise into real-time failures.

141. The Response and Assistance Network (RANET) has been established by the IAEA as the operational tool through which to implement the Assistance Convention. The RANET manual (EPR-RANET 2010) provides the necessary guidance and framework to allow parties to fulfil their obligations under the Assistance Convention, most specifically: *"Each State Party shall make known to the Agency and to other State Parties, directly or through the Agency, its competent authorities and point of contact authorities to make and receive requests for assistance and to accept offers of assistance."*

142. Parties to the Assistance convention may meet this obligation by identifying the established National Assistance Capabilities (NAC) existing within their country that could potentially be made available to provide international assistance following a nuclear accident or radiological incident or emergency. However, even though 105 Member States and 4 international organisations are party to the Assistance Convention, only 22 have registered with RANET.

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[10] For example, it was suggested to the United Kingdom that they employ USIE to submit reports, however, UK did not adopt this practice in the event reported by it (Uranium nail at port).

[11] The prime objectives of the IAEA's IES are to facilitate the (1) exchange of official real-time information among States/relevant international organizations; (2) facilitation and coordination/provision of assistance/advice to States/relevant international organizations upon request; and (3) provision of relevant, timely, authenticated, verified, consistent and appropriate public information to Member States, international organizations, the media and the public.

Recommendation 33

IEC may continue its efforts to increase awareness regarding it being a focal point in a nuclear or radiological emergency.

Recommendation 34

IEC may continue to update the details regarding the NCAs / CPs / NWAs (National Warning Points) so as to ensure arrangements regarding communication channels are in working order.

Recommendation 35

IEC may ensure that summary logs in the prescribed format are created immediately after an event.

Recommendation 36

The Agency may increase its efforts to ensure greater registration with RANET.

VII. Hiring of consultants

143. According to IAEA Administrative Manual, experts and consultants may be engaged to: (i) provide advice in a field where the required expertise or training is not available within the Secretariat; or (ii) provide specific services for a limited period of time or on a project basis; or (iii) support other programmatic needs.

144. In this regard, we observed that not only has the total number of consultants been rising but the number of consultants and experts with Special Service Agreements (SSA) and with Contractual Service Agreements (CSA) has also been increasing continuously, as can be seen from the following table.

Increase in hires of consultants

YEAR	ALL CONSULTANTS*				SSA*			
	Hired	Hired in 2010 but contract ended in current year	Hired in 2011 but contract ended in current year	Total	Hired	Hired in 2010 but contract ended in current year	Hired in 2011 but contract ended in current year	Total
2010	189	--	--	**189**	77	--	--	**77**
2011	214	27	--	**241**	74	22	--	**96**
2012	219	2	41	**262**	79	2	26	**107**

**Data taken from table provided by Department for all consultants more than 10 days*

145. It was also noticed that:

1. the total expenditure for consultants / experts increased from Euro 5,502,000 in 2011 to Euro 5,860,000 in 2012 in Department of NS.

2. While actual staff costs increased by 1.83 per cent in 2012, expenditure on consultants / experts increased by 6.50 per cent.

3. The proportion of total expenditure on consultants / experts as a proportion of total costs (Staff + consultants) increased from 15.41 per cent in 2011 to 16 per cent.

146. In several cases, consultants stay with the Agency for long periods. A brief analysis of the duration of all contracts between 2010 and 2012 is given below.

Duration of contracts

Number of Days	Number of Consultants
Less than 100	471
100 - 199	94
More than 200	103

147. We noted that the Department hired consultants for activities for which the expertise was presumably available within it. For example, to act as rapporteur, provide support and attend a topical meeting, act as technical assistant, to assist in the organisation of a conference, to coordinate the development of training guides etc.

148. In The Agency's Financial Statements for 2011, the external auditor had stated that "In my opinion the *use of consultants in the Agency all in all exceeds what was originally foreseen."*

Recommendation 37

Given the above, we recommend that the Agency may consider, (a) reviewing the contracts entered into for consultants and, (b) ensuring that, in future, consultants are only hired in cases where expertise is not available within the department in order to fully meet the criteria specified in the Administrative Manual.

VIII. Database

149. While interacting with different Sections of the Department of NS, it emerged that a lot of significant information is contained in the databases being maintained in different Sections. Accordingly, an audit requisition was issued for seeking the information regarding the details of databases. The purpose was to see:

i. Whether there was any duplication in the information contained in the databases.

ii. The information contained was regularly being updated or not.

iii. To what extent databases are being used by the Member States and/ or other user groups and justify investments of time and money in the databases so created.

150. The analysis of information received shows that:

i. There are 21 databases/ software/ web based applications running in the Department, out of which eight are web enabled applications for exchange/ dissemination of information, two

were downloadable tools for utilisation by Member States, one was under development and remaining are databases.

ii. For databases /non web enabled tools/ web enabled tools with restricted access, there was general reluctance to provide access to us. The Department stated that, *'This was the case only when the databases were marked as CONFIDENTIAL as agreed with Member States.*'

151. While we do appreciate the importance and confidentiality of some of information contained in the databases, we are disinclined to accept the position of denial of access. We could not pursue access rights in view of lack of time.

Recommendation 38

The databases should be peer reviewed by teams from staff members from Sections other than the ones maintaining the databases and the scope of peer review may inter alia contain the issues discussed above. The OIOS may also be requested to evaluate and examine the databases.

Laboratory Activities at Seibersdorf and Monaco

152. The objectives of the audit of Laboratory Activities of Safeguard Analytical Services and Nuclear Sciences and Application at Seibersdorf and Monaco were to:

i. Assess whether managerial action has been undertaken to identify risks, to respond to identified risks and to monitor and report on risk related issues, in line with the Agency's Risk Management Policy, as notified in March 2012;

ii. Assess the Quality Assurance framework adopted by the laboratories;

iii. Identify the areas of improvement in radiation protection practices and procedures, and training to the lab staff working on radiation protection practices and safety; and

iv. Identify areas of improvement in IT systems and inventory management that could further streamline and support lab activities.

I. Risk Management

153. The Agency introduced its current Risk Management Policy on 29th March 2012, which has been incorporated in Part I, Section 18 of the Administrative Manual. The Policy states that risk can relate to strategic, programmatic and operational objectives and all activities undertaken by the Agency to meet these objectives. It provides for the establishment of a Risk Register by all the Departments of the Agency so that all relevant areas of risk falling under various Deputy Directors' General responsibility are included in the Risk Register. The Risk Register is a record of all risk related activities which are undertaken by the Agency under its regular budget programme, technical co-operation programme and activities funded by extra budgetary resources. According to the Agency's Risk Management Policy, the risk management process

needs to be integrated with the Agency's planning process and the Risk Register will be used as an input for the Agency's Programme Planning and Budgeting process.

I.A Risk Management at the Dosimetry Laboratory

154. The Agency has formalised its responsibility to play a key role in disseminating radiation measurement procedures to the Member States by establishing a joint IAEA/WHO Network of Secondary Standards Dosimetry Laboratories (SSDLs) and by signing the Mutual Recognition Arrangement (MRA) of the Comité International des Poids et Mesures (CIPM). To operate the Dosimetry Laboratory at the highest quality levels, a Quality Management System has been introduced following the requirements of ISO/IEC 17025.

155. A review of the Summary of the Risk Register of the Agency for the Biennium 2012-13 (for all programmes) shows that a risk, 'Less than optimal response of the Dosimetry Laboratory to the requests for a dosimetry audit by radiotherapy", has been listed by NAHU. Due to the limited capacity of the Dosimetry Laboratory (mostly staffing levels) and an overwhelming number of requests for the IAEA/WHO Thermo Luminescent Dosimeters (TLD) postal dose audit of beam calibrations, there is a risk that some requests by radiotherapy hospitals in Member States will be addressed in a limited fashion or delayed. This may result in a negative effect on the quality of radiation treatment of cancer patients in these hospitals who will have a limited opportunity to participate in an external audit.

156. NAHU has stated in the risk register that its request for recruiting staff to support Dosimetry Laboratory work (core activity unfunded, P&B 2012-2013) is an already existing response measure. An additional measure would be to adapt the human resources to the level of requests by Member States for a dosimetry audit.

157. We noticed one of the early references to capacity issues in the Programme Evaluation Report of the Agency's activities in Dosimetry, December 2003. One of the conclusions was that the Agency should be prepared for the onslaught for needs of its services, precipitated by the growing incidence of cancer in developing countries. It recommended that the Dosimetry and Medical Radiation Physics (DMRP) section should begin a programme to provide dosimetric services for high dose brachytherapy, specifically with Iridium-192 (Ir-192).

158. On inquiry about capacity constraints faced by them, DOL stated that due to capacity constraints, TLD audits are not offered to laboratories that are not members of the IAEA/WHO SSDL Network. The DOL is able to check beams only once every two years and the audit is restricted to not more than three beams per hospital. DOL is stretched to capacity with routine calibrations, comparisons, quality control measurements, and therefore, there is little or no time available for offering structured training. DOL also mentioned its inability to check electron beams, tomotherapy units and Gamma Knives, X ray knives and Cyber knives. We found instances of requests for audit of gamma knife and electron beams and tomotherapy units.

159. In response to an audit query regarding proposals for modernization of the laboratory, DOL furnished a draft document, dated 16.11.2012, relating to modernisation as also a modernisation plan that was stated to be presently submitted to the Deputy Director General, NA.

160. The draft modernization plan mentions that for dosimetry audits, the Agency provides verification services only for Cobalt-60 (Co-60) and high energy photon beams in reference conditions using TLDs. The current services do not allow the verification of doses in electron beams or in small and irregular fields used for complex treatments. There is a need for capacity

building in radiation dosimetry, especially for calibration of instruments in medical application and in dose auditing methodologies for new technologies.

161. The draft modernization plan states that the modernisation of the Dosimetry Laboratory will:

a. expand its calibration capabilities to include linear accelerator (LINAC) beams and high dose rate brachytherapy (HDR) sources to meet the demands of Member States; and

b. offer systematic and competence-based training on dosimetry and implementation of quality management systems in calibration laboratories, based on ISO-17025 to promote quality dosimetry in Member States.

162. DMRP reports to SSDLs Scientific Committee (SSC) (2008, 2010&2012) also show an increasing number of requests from countries for audits of linear accelerator beams.

163. We observed that in addition to the stated risk for TLD audits, there are also concerns regarding calibrations done by DOL. From the documents furnished, we observed the following concerns regarding calibrations:

a. For external beam radiotherapy, the Agency's calibration services are based on a Co-60 beam. However, the worldwide trend is to provide calibrations in high energy photon and electron beams generated by linear accelerator as per the most recent international dosimetry protocol.

b. For brachytherapy calibrations, the Agency provides only low dose rate brachytherapy based on Cesium-137 (Cs-137). The use of Cs-137 low dose rate brachytherapy is being reduced and gradually replaced by high dose rate brachytherapy based on Ir-192 or Co-60.

c. According to the data available in the Directory of Radiotherapy Centres (DIRAC), the use of High Dose Rate (HDR) units across countries is high in most of the 18 regions identified except countries in South Asia and North America. DOL further stated that LDR machines are being phased out and there is a gap for HDR calibrations. Currently some users are taking calibrations from manufacturers and this approach is sub-optimal.

164. During interaction, DMRP stated that a survey would be done to assess the expected volume of calibrations for linear accelerator (LINAC) and high dose rate (HDR). Typically, the requests from Member States will increase gradually and is expected to reach a plateau in about 3-5 years. It was also explained that the modernization plan is in a very nascent stage and would be developed further.

Recommendation 39

The risk identified by NAHU in the Risk Register for the DOL needs to be reviewed to include risks relating to calibrations.

Recommendation 40

The modernisation plan may be reviewed to amplify capacity constraints, link to the identified risks and cover equipment, expansion (space requirements) and human resource needs.

165. The Agency noted the need for the initiative as recommended by audit.

I.B Risk Management by other Laboratories

166. In the summary risk register of the Agency for the Biennium 2012-13, risk in respect of the programme, '2.1 Food and Agriculture' has been identified as 'Delivery of Laboratory services.' The detailed description states that within the current management structure of the laboratories, there could be difficulties in delivering laboratory services as expected. Against the risk, the already existing response measure states that a concept for the 'Modernization of the Laboratory' has been drafted to examine laboratory needs, including equipment, facilities and supporting management structure to ensure that the laboratory is able to meet the needs of Member States. The additionally needed response measure says that the concept will be further defined and an action plan put in place. It was clarified by NA that this item actually pertains to all the laboratories of NA. Since the software has been designed to accept risk items only at programme level, the risk was entered against Food and Agriculture (NAFA), considered to be the most representative. The acting Deputy Director General explained in the exit meeting that the modernization has the support of the Director General and the proposals for modernisation of NA laboratory were still at a nascent stage and would be developed further.

167. We requested for the underlying documentation that led to the identification of the above mentioned risk. NAFA stated in their reply that in response to a request from Director General's Office for Policy (DGOP), the Deputy Director General, NA conducted an exercise with senior managers in March 2012 to identify the department's risks. As a result of these discussions, "the need for increased non-programmatic co-ordination in Seibersdorf was identified as the top risk for NA". In the past, there was a Director for the Seibersdorf laboratories. However, this position was discontinued, thereby putting programme management directly under the Division concerned to make more efficient use of budget and staff resources. It has since been found that there is still a need for a coordinator to be based in Seibersdorf for all the laboratories to deal with administrative matters. This is supported by the 2012 Internal Audit of 'Seibersdorf Laboratories after realignment', by Office of Internal Oversight Services (OIOS).

168. In view of this identified risk, the need for enhancing the supporting management structure, mentioned in the risk register can be further amplified, with a description of the risk mitigation, which could include the appointment of a coordinator, as envisaged by NA .

Recommendation41

An appropriate method may be found to indicate in the risk register that the risk item "Delivery of Laboratory Services" pertains to all the NA Laboratories.

Recommendation42

The identified risk of lack of co-ordination in non-programme areas in the laboratory at Seibersdorf and the envisaged risk mitigation measures may be appropriately updated in the risk register.

Recommendation43

The modernisation plan for the NA laboratories may be developed further, being an identified major risk mitigation measure.

I.C Risk Management in Laboratories under the SGAS

169. In respect of SGAS, no risks have been included in the Risk Register. The SGAS, however, intimated that for the biennium 2014-15 they have been asked to identify risks on a project basis. The SGAS has, accordingly, identified risks, which are currently being reviewed, as below:

a. Inability to fulfil project goals because of shortage of funds; 95% of budget ceiling will not allow to satisfy mission critical requirements in terms of staff expertise, supplies (chemicals), equipment (replacement) and contracts.

b. Probability of laboratory related accidents involving radioactive material or dangerous substances which significantly impact laboratory operations.

170. The identified risks need to be suitably incorporated in the Risk Register along with risk mitigation measures, at the conclusion of the aforementioned review.

Recommendation 44

The identified risks for SGAS may be formalised by including these in the risk register with mitigation measures, as and when they are reviewed and finalised.

171. The Agency agreed with the recommendation and stated that the SGAS would include additional risks (beyond project specific) in the Safeguards Central Risk Register.

II. Quality Management at the Laboratories

172. The Medium Term Strategy Document of the Agency, 2012-17, states that the Secretariat will continue to vigorously pursue opportunities to improve its efficiency, both in its programme activities, as well as in its management practices. The Secretariat will use best practice tools, including a comprehensive application of quality management, and benchmarking, and it will continue its commitment to a more systematic approach to identifying, quantifying and reporting on efficiency gains.

II.A Quality management at the NA

173. The NA Quality Policy Statement for laboratories in Seibersdorf and Monaco includes, *"To ensure that the management of the laboratories, the services provided to its counterparts in Member States and within the Secretariat, and its calibrations and measurements are maintained and performed in accordance with the principles of a quality system established in compliance with relevant quality standards such as ISO"*

174. As part of our audit process, the mechanisms in place to achieve the quality management goals encapsulated in the policy statement ware reviewed. It was intimated that from September 2012, the NA department had centralised its quality management system under a Quality Systems Manager in the Office of the Deputy Director General, NA. The Quality Systems Manager also stated that for the NA Environment Laboratories, quality accreditations under ISO 17025, ISO Guide 34: 2009 are planned.

II.B Dosimetry Laboratory

175. Recognizing the importance of quality in the various applications of radiation and radioisotopes, the Dosimetry Laboratory in Seibersdorf operates a quality management programme in accordance with ISO/IEC 17025: 2005 Standard, "General requirements for the competence of testing and calibration laboratories". The quality manual and the S***tandard Operating Procedures (***SOPs) are updated regularly as required under ISO 17025 standards.

176. The DOL is subject to internal quality audits and regular external audits. We observed that compliance to quality procedures was found satisfactory in the audit reports received. IAEA has also formalised its responsibility to play a key role in disseminating radiation measurement procedures to the Member States by establishing a joint IAEA/WHO Network of Secondary Standards Dosimetry Laboratories (SSDLs) and by signing the Mutual Recognition Arrangement (MRA) of the Comité International des Poids et Mesures (CIPM). DOL is advised by the SSC (the SSDLs Scientific Committee) which meets every two years. Compliance of SSC recommendations have been followed up by the DOL. The Dosimetry Laboratory's Quality Management System has been reviewed and accepted by the Joint Committee of the Regional Metrology Organizations and the Bureau International des poids et Measures (JCRB) and also peer reviewed by EURAMET (European Association of National Metrology Institutes).

177. We derived assurance from review of the documentation furnished by DOL that the Quality Management System is well established.

II.C IAEA Environment Laboratories (NAEL)

178. It was clarified that there would be a single quality manual for all NAEL laboratories as per requirements of 17025:2005 and ISO Guide34:2009. The same is currently under preparation. There was also a need to establish quality manager functions in the Terrestrial Environment Laboratory (TEL), Seibersdorf and Monaco separately. Action to appoint a quality manager at Monaco is in process.

179. In response to the request for reports on any internal or external quality audits, it was stated that the NAEL laboratories continuously participate in relevant proficiency schemes.

IAEA is also a signatory to the Mutual Recognition Arrangement (MRA) with the International Committee for Weights and Measures (CIPM), which allows the NAEL to participate in the highest metrological laboratory inter-comparisons involving national metrology institutes or designated organizations. The quality system at NAEL is under implementation and currently no internal audits are being performed. However, as an integral part of quality system implementation, a gap analysis between the current status of laboratory operations and ISO 17025:2005 was performed in Monaco Laboratories in 2010.

180. We reviewed the status of the gap analysis conducted. Certain areas requiring action were included in the action plan of June 2010 as preparatory actions for obtaining the ISO certification. The review revealed that most of the items in the action plan are yet to be completed or are indicated as on-going. It has also been stated that the term 'on-going' is used in cases where actions do not have a definite end.

181. One of the items not yet completed is the quality policy statement which was to be prepared by November 2010. A list of measurement capabilities for all NAEL Sections was also to be prepared by December 2010 which has not been prepared as yet. In respect of these items, a further target date has also not been mentioned. Regular internal audits have not yet been initiated. As part of the on-going measures, the issues listed include organizational structure, including responsibilities and authorities related to Reference Material (RM), production and organization of inter laboratory comparison (ILC) which needed to be reviewed and adjusted at NAEL level in line with the requirements of the ISO Guide 34, Clause 4.2 and ISO 17025, Clause 4.1. The action was to be completed by March 2011. Draft Standard Operating Procedures (SOPs) for γ-ray spectrometry, quality control, and handling of radioactive standard solutions are yet to be reviewed, updated and approved, which was targeted by October 2010. The task of establishing common policy and procedures on homogeneity and stability testing, and identifying services that can be efficiently utilized, e.g. sterilizations, sample preparation, bottling, etc., is also shown as on-going. Likewise, the report of analysis, to be prepared as per the format prescribed in ISO 17025 (clause 5.10.2 and 5.10.3), was also to be introduced by July 2010. This and most other action points are stated to be on-going.

182. In our opinion, all these activities are of the nature that would require a closure at some point of time for the accreditation related activities to be firmed up. It was informed that after the realignment in 2010, the IAEA Environment Laboratories (NAEL) exist in their current organizational structure only since 1 January 2010. During 2010 and 2011, three out of four Section Head posts were not occupied and therefore no major managerial decision/action related to the quality management implementation could be taken. It has been confirmed only in October 2012 that the implementation of the quality system according to the ISO Standard 17025 and ISO Guide 34 in relevant NAEL areas would be carried out. Similar action is also proposed for the Terrestrial Laboratory at Seibersdorf for which a project plan is planned to be prepared.

Recommendation 45

NAEL needs to revise the action plan that had emerged from the internal gap analysis of June 2010 and fix fresh milestones in line with the goal of obtaining accreditation by second quarter of 2014.

II.D The FAO/IAEA Agriculture & Biotechnology Laboratories.

183. The FAO/IAEA Agriculture & Biotechnology Laboratories (ABL) in the Joint FAO/IAEA Division of Nuclear Techniques in Food and Agriculture (NAFA), have stated that they are dedicated primarily to research, development and training; they do not perform routine analysis, and have no formal accreditation/certification under a Quality Assurance (QA) system since these activities evolve on a continuous basis according to the demands of Member States. QA matters are the responsibility of the Quality Systems Manager of the IAEA Department of Nuclear Sciences and Applications (NA), within the office of Deputy Director General, NA. The four FAO/IAEA Agriculture & Biotechnology Laboratories heads are in on-going discussions with the Quality Systems Manager regarding options and requirements for implementing quality systems in the laboratories (not currently covered in the Joint FAO/IAEA Division Programme and Budget).

184. The laboratories are not subjected to formalized quality assurance testing but are subjected to regular internal audits. The laboratories are also subjected to peer reviews in terms of refereed scientific publications. The two internal audit reports referred to by NAFA are related to Seibersdorf Laboratories and one external program review 'Evaluation of Contributions and Role of the FAO/IAEA Agriculture and Biotechnology Laboratory, 2010, final report', are not in the nature of internal quality audit reports.

185. The Head of the Food and Environment Protection Laboratory (FEPL) stated during discussion that the quality manual was last updated in 2004 and was based on the 'Good Laboratory Practices Standards'. Thereafter, the FEPL has restructured its quality management on the basis of ISO 17025 standard as its work is more closely related to this standard. The existing quality manual has not been updated due to staff constraints. A staff member has recently been designated as QA officer for FEPL to assist the Quality Systems Manager for the NA laboratory and the SOPs are currently under revision.

186. Though the FAO/IAEA ABL have stated that they do not perform routine analysis, yet a QA system under formal accreditation in line with the stated intent of the Quality Systems Manager is foreseen at the department level. In view of the stated objective to move towards a formal accreditation system for all the NA laboratories, a gap analysis is indicated, as done in the case of NAEL in 2010. This has to be followed up with appropriate action plan for implementing the requisite quality management procedures leading to accreditation.

187. NAFA has stated in its reply that while the intent of NA may be to establish a QA system under formal accreditation within the department, this should be applied to those areas/activities of the department/laboratories where such a QA system would be appropriate and relevant. As ABL is dedicated primarily to R&D and related training, QA does not apply. It should be the role of the departmental Quality Systems Manager (QSM) to ascertain, in cooperation with the laboratory heads and senior management, which areas/activities within these laboratories may and should be integrated within a QA system. This cooperation with the QSM is on-going (and has been for several years) and that no such areas/activities have yet been designated/proposed by the QSM.

Recommendation 46

FAO/IAEA laboratories need to undertake a gap analysis in consultation with the QSM, of the existing quality management procedures vis-a-vis the formal accreditation requirements foreseen. For this purpose, a more co-ordinated engagement between the QSM and these laboratories is called for.

II.E The Nuclear Spectrometry and Applications Laboratory (NSAL)

188. The Nuclear Spectrometry and Applications Laboratory (NSAL) in the Division of Physical and Chemical Sciences, has indicated that the quality management documentation and quality management system have not been revised or updated mainly due to the realignment of the Seibersdorf Laboratories in 2010 and the ensuing staff movements. In the old set up, the responsibilities for quality management related issues were entrusted to two staff members who were trained for this purpose. The departure of both staff members after restructuring of the laboratories and the following long recruitment gap resulted in lack of trained staff to perform laboratory calibration and quality assurance duties.

189. Regarding any future plan to update the quality manual, it was stated by the NSAL that upon the recruitment of a new staff member, the revision of the current documentation related to quality management in the Electronic Calibration Laboratory had been initiated. The quality control procedures for electronic calibration were updated in collaboration with the Dosimetry Laboratory at Seibersdorf. For an extensive update of the current documentation, it was necessary to train the staff member, which was planned during 2013. However, as this staff member was in the process of leaving the laboratory, the work would be entrusted to the person who would be appointed in his place. No external/internal audits had been performed since the realignment of the laboratories in 2010.

190. It is evident from the reply of the NSAL that it has been unable to initiate action on updating its quality manuals or have any quality audits after the realignment of the laboratory. In view of the stated objective of the Management to move towards a formal accreditation system for all the NA laboratories, a gap analysis is required to be conducted, as has been done in the case of NAEL in 2010. This has to be followed up with appropriate action plan for implementing the requisite quality management procedures leading to accreditation.

Recommendation 47

The NSAL may undertake a gap analysis in consultation with the QSM, of the existing quality management procedures vis-a-vis the foreseen formal accreditation requirements.

II.F Laboratories under Safeguard Analytical Services (SGAS)

191. It was ascertained during the course of audit that the SGAS routinely conducts internal quality audits and participates in inter-laboratory comparisons, and is subjected to regular external audits from the internal and external quality audits. We derived assurance that the results from the laboratories are highly reliable. The quality standard followed by the laboratories is ISO 9001-2008 and activities to implement ISO 17025 are on-going.

192. On reviewing the documents, we noticed some concerns about timely analysis of samples at the laboratories under the SGAS and the NWAL. The Programme and Budget (P&B) document 2012-13, sub-programme 4.1.7, Safeguards Analytical Services mentions ‘Precise, accurate and timely analysis of nuclear material and environmental samples’ as an outcome, and ‘Number and quality of nuclear material and environmental samples and sub-samples analysed

and reported', 'average reporting time, including shipping and handling, of analytical results for nuclear material and environmental samples from the Safeguards Analytical Laboratories (SAL) and the Network of Analytical Laboratories (NWAL)' as the performance indicators to evaluate the outcome. The P&B 2014-15 lists revised performance indicators against the above mentioned outcome. The revised performance indicators are 'degree of usage of laboratory analysis capacity' and 'percentage of safeguards samples analyzed within agreed timelines'.

II.G Timeliness of samples analysis

193. Timeliness of analysis is pursued by SGAS with inspectors, NWALs and in the internal meetings with other departments of SG. The 2012 'Audit/Assessment Report' by Quality Austria (consultant engaged by the Agency) also mentions this issue. In the presentation, 'TM on Bulk Analysis 2012' in respect of samples analysed at NWALs during 2008-2012, median delays of 87 days on routine samples (bulk); 31 days on high priority samples (bulk); 28 days on particle analysis routine samples and 19 days on particle analysis high priority samples were reported.

194. SGAS has taken several steps for improving the timeliness:

a. Interim storage backlog of samples has been reduced
b. Dual analysis has been suspended for Environmental Sampling (ES) from enrichment facilities
c. Fraction of high priority versus routine is reviewed
d. Shipping and freight issues are being reviewed
e. Discussions are held with NWAL on improvements
f. Selected NWALs are being visited to study the conditions resulting in delays

195. There have been improvements in timelines in analysis of samples by the NWAL in 2012 as a consequence of the steps taken.

196. During discussions, it was stated by the Management that timelines for analysis of NM and ES samples are provided in the SGAS Quality Manual. We observed that timeline is mentioned as a quality principle in paragraph 2.3.2 and paragraph 2.3.3 of the manual, but the exact timelines prescribed for each activity from collection and receipt of sample to the reporting of the results is not listed in the SGAS Quality Manual.

(a) Environmental Samples

197. The timelines in respect of the ES at NWALs are mentioned in the document SG-SGAS-9006, 'Qualification procedure for the Network of Analytical Laboratories for Environmental Sampling'. It mentions time of completion in respect of high priority and routine priority bulk environment samples for different categories of tests. The document, 'TM on Bulk Analysis 2012' provides for a 15 day allowance for shipping of samples to NWAL. However, timelines for the multiple activities prior to the shipment of the sample to NWAL and after the results are received from the NWAL could not be found from the information provided.

198. Based on our discussions held at the SGAS, we broke up the sample analysis process into various steps and requested for the following information (dates, time taken) for each sample analysis performed by NWALs for the last three years for the environmental samples.

Table 1: Information requested for ES

			Date on which (for columns 4-13)									
Number /id of sample sent to NWAL	Category of sample	Priority assigned to the sample	Sample collected in the field	Sample shipped to SGAS	Shipped sample received at SGAS	Requisite papers/complete documents received	Screening of the samples	Screening results reported on	Receipt of analytical instructions and readying for shipment	sample shipped to NWAL	Sample results obtained from NWAL	Results communicated to concerned parties
1	2	3	4	5	6	7	8	9	10	11	12	13

199. Information pertaining to 791 environment samples was received (not differentiated into categories) in the following columns:

a. Receipt date (of sample and the associated documents in complete form by the SGAS)

b. Sampling date (by the inspectors)

c. Shipment date (to the NWAL)

d. Results date (when results are received from NWAL)

200. The sampling date in the data provided ranged from 6 September 2010 to 19 December 2011. The data furnished was analysed, restricting the scope to the columns of data provided.

201. We observed that 80 % of the samples took 120 or more days from sample collection to results stage. Considering the maximum of 105 days (including shipping) prescribed for routine priority FT-TIMS[12] particle analysis samples as the base criteria, 29 percent of cases still fall outside the maximum limit for analysis by NWAL (time between shipment date and results received).

202. However, the extended time taken in the ES analysis is spread over all stages of sample analysis. In about 5% of the cases, the time taken between sampling date and receipt date is in excess of 60 days. In about 62 % cases, the time taken to ship the samples to NWALs exceeds 60 days. In the absence of prescribed timelines for any stage other than the sample analysis, the exact cases of delay cannot be pointed out. In our opinion there is merit in prescribing timelines for each stage.

Nuclear Material (NM) Samples

203. The SG had conducted, in 2011, an Internal Quality Audit on 'Reporting analytical results from SGAS' (SGIQA/2011/02) to review the process of reporting SGAS laboratory analysis results to Safeguards Division of Information Management (SGIM-IDS) and Safeguard (SG) operations. The audit identified that 5% of the working papers relating to shipment of samples were missing and 20% were incomplete when samples were received at Seibersdorf. This generates some delays for shipment and analysis of samples.

204. In reply to our request for providing timelines, the SGAS stated that for Nuclear Material (NM) samples, results must be reported in time for the evaluation of the results to be included in the State Implementation Report (SIR), usually by the end of first quarter of the following year.

[12]Fission Track Technique with Thermo Ionization Mass Spectrometry

Exact timeliness requirements for each activity are not relevant since the NM sample material and/or analytical instructions often vary.

205. We observed that in the entire process from collection of sample to final reporting, the timelines are prescribed only in respect of the analysis of NM by NWALs in the document SG-SGAS-9017, 'Qualification procedure for the Network of Analytical Laboratories for Nuclear Material Analysis.' It mentions time to completion in respect of high priority and routine priority in the following categories:

Table 2: Timeliness for nuclear material sample analysis (including shipment of samples by SGAS to NWAL)

	Time to completion	
Action	High Priority (a)	Routine Priority (b)
Receipt of sample by NWAL	Start*	Start*
Uranium (U) Sample	30 days	60 days
Plutonium (P) Sample	60 days	90 days
Mixed U and P Samples	60 days	90 days

*Receipt date is intimated to IAEA

206. We again broke up the sample analysis process into various steps on the basis of our discussion at the SGAS and requested for the following information for each sample analysis performed for the last three years.

Table 3: Information requested NM Samples

		Dates on Which (3-11)									
Sample id*	Category of sample	Priority assigned to the sample	Sample collected in the field	Sample shipped to SGAS	Shipped sample received at SGAS	Requisite papers/complete documents received	Sample sent to SGAS	Analysis completed by SGAS	Analysis results verified	Results intimated to the concerned party	Remarks
1	2	3	4	5	6	7	8	9	10	11	12

*Due to concerns regarding confidentiality of samples, serial numbers or pseudo ids could be given

207. Information comprising 165 records pertaining to 483 samples (distinguished as uranium, plutonium and others) was received. The sampling date in the data given ranged from 22 September 2010 to 28 September 2011. The data was provided in the following four columns in respect of DA (Destructive Analysis) samples:

i. Sample taken (by the inspectors in the field)

ii. Received in the Safeguards Analytical Laboratory (SAL) (sample and the associated documents received in complete form by the SGAS)

iii. SAL report date (on which the sample analysis was completed and reported)

iv. IFC evaluated (by SGIM for reporting to SG-Operations)

208. The data furnished was analysed, restricting the scope to the columns of data provided. It was found that 370out of 411 (90%) uranium samples were analysed within the timelines goal of 60 days; 36 out of 59 (61%) plutonium samples were analysed within the timelines goal of 90 days and 9 out of 12 (75%) mixed samples were analysed within the timelines goal of 90 days. While there was some scope for improving the timeliness, other stages took longer. 283 out of the total 483 samples (58%) took more than 60 days to reach SGAS (with full documentation). This included 37 samples that took more than one year. However, in the absence of any prescribed timelines for this stage, there is no criterion to decide how many cases are 'delayed'. The overall time taken for U samples from sample date to evaluation date varied from 34 days to 562 days.

209. The SGAS stated in its reply that it pursued timeliness of samples in cooperation with many other stakeholders in the Department of Safeguards and beyond (NWAL). It was also aware of issues and problems associated with timeliness and had taken corrective actions. Whereas some activities were under the direct control of SGAS (e.g. analytical work performed at the nuclear material laboratory or environmental sample laboratory), other activities were not under such direct control and responsibilities were shared. SGAS also stated that timeliness goals had only been formulated for the analytical process, either at NWAL or at the Safeguards laboratories. Further, more, analytical requests on some uranium samples may be split between the NML and NWAL laboratory. If NWAL results are reported directly back to SGIM-NFC, NML may not be informed and the sample remains in an open status. This is the explanation for the outlier sample given in the report (562days).

210. We are of the opinion that there is a case for prescribing timelines for different stages of the sample workflow from sample collection to reporting, over and above the timelines already

prescribed for the sample analysis by NWALs. This would ensure better monitoring of the stages leading to the final goal of meeting the year end SIR deadline.

Recommendation 48

The timelines for each stage of sample workflow in respect of different categories of nuclear material and environmental samples may be prescribed by SG and incorporated in the quality manual of the SGAS in so far as the steps relate to them.

211. The Agency agreed with the recommendation and stated that timeliness goals for each stage in the sample workflow would be incorporated in the SGAS Quality Manual.

212. It was also pointed out that in the qualification criteria of NWALs for nuclear material samples, the time limits for laboratories to report results included shipping time whereas in case of the environmental samples, the time limit for reporting excluded the shipping time. A uniform criteria is required to be adopted for the two time limits. SGAS accepted that this was an inconsistency and it would address the issue of making timelines consistent for the NWALs in respect of both the nuclear material samples and environment samples.

Recommendation 49

SGAS may address the issue of making timelines consistent for the NWALs in respect of both the nuclear material and environment samples.

213. Agreeing to the recommendation, the Agency stated that consistent NM and ES analysis timeliness requirements with respect to shipping times would be included in the next version of the guidelines.

II.H Tracking of samples

214. The Internal Quality Audit on 'Reporting analytical results from SGAS' (SGIQA/2011/02) states that responsibilities for tracking samples during the entire process are not clearly defined in any procedure. Every actor viz. SGAS-ESL (Environmental Sample Laboratory), SGAS-NML (Nuclear Material Laboratory), SGAS-CSS (Coordination and Support Section), Safeguards Division of Information Management (SGIM-IDS) and Safeguard (SG) Operations has developed its own system to track information and has access to only partial information. It is also brought out in the above report that in cases when the NWAL reports results directly to SGIM-IDS, no information is sent to SG-ESL or SG-NML. In some cases neither the SGIM-IDS nor the SG-CSS had information about the planned completion date of pending analysis.

215. The access to compartmentalised information also came up for discussions during audit when we were provided with partial data by the SGAS. The 'Quality Management System Questionnaire of the Qualification procedures for the NWAL in respect of ES and NM', includes the laboratory's system for tracking samples from receipt to disposal as one of the parameters on which the NWAL laboratory has to provide evidence supporting its quality management system. The questionnaire is based on ISO 17025 requirements. SGAS stated in the exit meeting that such a tracking system was being developed. Presently, it also has information regarding sample

collection date and reporting date of results but that is taken from the documents related to collection of samples by inspectors and evaluation date is taken from the evaluation group. A consolidated database has been planned within SGAS and is presently being used as a prototype. SGAS also clarified that the date of receipt in NWAL (the ESL and the NML) would be added in the planned database. Links also need to be established with the data maintained by the evaluation wing.

216. We suggested that data for all the different stages of the sampling workflow should be centralized and accessed, with appropriate controls to ensure confidentiality, by all the concerned departments, to ensure an end to end tracking system. SGAS stated in the exit conference that for an end to end sample tracking database in SG, it was a better alternative to keep the information compartmentalised and have smart links between the databases of the different sections. We stressed on the necessity for an end to end tracking system, which could be viewed from a single or multiple databases, depending on operational and confidentiality requirements. It could be decided by SG as to who would have the full view of the sample timelines and results, from collection of samples to reporting to the concerned party.

Recommendation 50

The data maintained for different stages of the sampling workflow may be linked in SG to implement an end to end sample tracking process.

217. The Agency agreed with the recommendation and stated that SGAS was currently working on a comprehensive database for tracking sample logistics through all stages of the process.

II.I Cost of analysing Samples at SGAS

218. SGAS was also requested to intimate cost of analysing samples (NM and ES) at SGAS. SGAS replied that a "per-sample" cost is not worked out because of the variable and non-variable components. The infrastructure and staffing needed for one sample is the same as for hundred samples. We appreciate that the case of working out costs would be difficult. However, it is also a fact that fixed costs are known and variable costs can be arrived at or approximated. A per sample cost would help determine efficiencies in analysis of samples and identify the specific processes and process delays that may be increasing costs. In the exit meeting, the SGAS stated that the issue was not SGAS specific. Safeguards-Concepts and Planning (SGCP) was dealing with the issue. It was also stated that study for ascertaining a method for 'per sample' costing has been underway in SG for some time.

Recommendation 51

SG may explore the feasibility of working out a per sample costing.

219. The Agency stated that SG has developed a model for sample cost, based on fixed and variable components. SGAS further stated that they agreed that potential for improvement exists across the entire regime, and action has already been taken to coordinate activities with other stakeholders to improve over all timeliness.

II.J Shipment

220. We observed that a short term issue affecting timelines and delivery of services related to the shipping agent of the Agency. SGAS had initiated a Corrective Action Report (CAR) on 21 June 2012 on 'Mission-critical problems with shipment of SG samples and equipment through SDV'. The CAR states that the IAEA contracted a new freight forwarder – SDV in February 2011 for shipment of SG samples and equipments. SDV services are deficient and frequently in breach of contract being late. Stress on IAEA staff results from continuous SDV enquiries and services are generally more costly giving rise to external complaints (NWAL). SDV was found lacking in competence to handle dangerous goods (IATA class 7 - radioactive and/or fissile materials). Several instances of delay and breach of contract were quoted by the SGAS which have occurred between the period July 2011 to January 2012.

221. The overlying cause was determined by the SGAS to be vendor delivery issues in that SDV was not able to meet all SG specific requirements. SGAS stated that a more detailed cause analysis could not be performed by them as the procurement process and vendor selection process are owned by Procurement Division (MTPS). It also tested the performance of another company after consultation with their logistics team and MTPS. The results of the test performance were in favour of the other company and MTPS was informed of the outcome. However, SGAS has stated that they were informed by MTPS that SDV had to be used as a selected agent of choice. The CAR mentions that Division of Technical Support (SGTS) and SGAS strongly suggest to contract a separate, qualified shipping agent for SG purpose, capable of providing professional services. Further, Safeguards Departmental Quality Manager also categorised the severity level of the problem as critical because events described in the CAR-2012-010 adversely impacted SG's inspection and sampling.

222. Information requests by us on this matter, issued to both SGAS and MTPS, elicited responses with strong difference of opinion on the suitability and scope of the services provided by SDV to SGAS under the freight forwarder arrangement. While MTPS perceived that SGAS/SGTS were gradually getting reconciled to working with SDV, SGAS/SGTS were in favour of changing the contractor or amending the contract.

223. SGAS has intimated that the CAR process within SG has run its course, and the matter has remained unresolved. An inter-office memorandum (IOM) is currently being drafted from Deputy Director General, SG to Deputy Director General, MT. MTPS stated that in the first half of 2013, it would, in cooperation with OIOS, Division of Budget and Finance (MTBF) and the operational stakeholders [SG, Department of Management (MT), Technical Cooperation (TC), etc.], conduct a comprehensive assessment of not just SDV's performance but a variety of operational, legal, and financial issues concerning how shipments are handled by the Agency. The report would provide the basis of a decision in mid-2013 on whether to extend the SDV contract or float a new tender, and if so, according to what statement of work, and legal and accounting modalities.

Recommendation 52

As timely shipment of SG equipment and samples impacts overall timeliness of sample analysis and safeguards reporting, we recommend that the short term issues may be resolved through further consultation with MTPS. For the long term, clear and measurable performance criteria for freight forwarder, in respect of SG shipments, should be fixed in consultation with MTPS and incorporated in the contract to avoid recurrence of similar problems.

224. The Agency agreed with the recommendation and stated that further consultations with MTPS were taking place to resolve the shipping issues.

III. Radiation Protection and Safety

225. At the Agency level, the IAEA Administrative Manual C:\Users\CAG\AppData\Local\Microsoft\Windows\Temporary Internet Files\Content.IE5\V9IS1YBL\REFERENCE FILES\Part X\section 1.pdf and the IAEA procedures and guidelines for the Internal Regulation of Radiation Safety govern the overall framework of radiation safety for the protection of individuals, including occupationally exposed persons and members of the public, against exposure to ionizing radiation as a result of Agency activities based on the safety standards established by the Agency.

226. Provision 29 of the Administrative Manual provides that each Director in Charge shall appoint a Radiation Protection Officer (RPO) who shall be appropriately trained to assist him/her in the fulfilment of responsibilities. The responsibilities of the RPO are given in the document, 'Procedures and Guidelines for the Internal Regulation of Radiation Safety' (RSR-RPO.01-06.2007).

227. Currently, the 'Radiation Health and Safety officer' stationed at Headquarters (VIC) is the Radiation Protection Officer for the laboratories, both at Seibersdorf and at Monaco.

III.A Radiation Protection at the SGAS

228. We were apprised by the Management that there was an incident related to radiation safety in August 2012 at the SGAS Seibersdorf laboratories, where a staff member was contaminated by a small amount of radioactive liquid while handling radioactive waste. The staff member was de-contaminated and other steps involving other persons exposed to the leakage as well as procedures involving decontamination of the premises were carried out. SGAS prepared an Internal Interim Report on the incident.

229. Later, an Internal Quality Audit (IQA) was carried out in September 2012 (SGIQA/2012/02-Radiation Protection) which listed 3 severe non-conformities, 4 minor non-conformities and 4 potential improvement opportunities.

230. We requested for the follow-up done by the SGAS in respect of the areas listed in the IQA report. In response, SGAS furnished the updated (21 September 2012) Internal Interim Report (referred to as the Interim Report hereinafter). The key vulnerabilities identified related to:

(a) Storage and disposal of radioactive waste

231. The Interim Report states that the immediate cause of the contamination was the handling of a leaking container holding plutonium in a concentrated process solution (CPS). The resultant spread of contamination occurred following the initial emergency actions to place a new plastic bag over the leaking bottle. The report states that contamination of this kind is not expected within the Fissile Material Storeroom (FMS). The FMS is designed for storage of sealed sources and enclosed materials and is not licensed for the storage of radioactive solutions.

232. Nevertheless, SGAS management was obliged to store the CPS bottles in FMS because of the lack of fissile unit capacity in NML for storage. The root cause of the event is the continued operation of the NML for a period of 8 years with no readily available disposal options for accumulated plutonium process solutions (PS). Although this material was regularly inspected and repackaged due to degradation of the containers, the Report says that long-term storage of plutonium process solutions cannot be indefinitely maintained.

233. The Report also states that a procedure for solidifying liquid waste was developed in 2011, tested and made ready for application to the PS and CPS. Authorisation was formally granted for the solidification procedure in August 2012. The Report also acknowledges that the accumulation of the solidified material will nevertheless remain as a waste and will continue to accumulate, placing pressure on the fissile material storage limits. This has physical security and criticality safety implications. An end solution must be sought for the management of the radioactive waste produced by the NML operation. We observed that efforts made by the Agency in this regard have been mentioned in the report but these have so far not been successful.

Recommendation 53

The identified short term solution of solidification of liquid wastes may be pursued by the SGAS with prescribed timelines. As a long term solution, efforts must continue for seeking support of member states for disposal of the radioactive waste produced by the NML.

234. The Agency agreed with the recommendation and stated that solidification of concentrated process solutions is on-going. In addition, long-term solutions for analytical residue are being pursued with Member States.

235. The SGAS responded that the IAEA accepts that there is an on-going issue with respect to the accumulation of material. Under the current Safeguards arrangements, the Agency takes ownership of the material at the time of sampling. After the analysis has been performed, the Agency is responsible for all wastes accumulated. It is now opening discussions with the Member States support programs, with a view to making an arrangement that allows the shipment of the material to a facility for treatment and storage. As there are a number of legal and technical issues involved, this is being driven by the Director General of the Agency.

(b) Reporting and monitoring of radiation incidents

236. The Division of Radiation, Transport and Waste Safety/Radiation Safety and Monitoring Section (NSRW/RSM) Health Physics Actions Log, at page 24 of the Interim Report, points to the need for a formal procedure relating to reporting of laboratory incidents. It mentions that the SGAS Technician (T1) who got contaminated went to the type B laboratory DM34, cut off the contaminated trousers and discarded it in a radioactive waste bin in the lab. T1 then went to shower in DM20, to start decontamination where, by coincidence, the NSRW/RSM Health Physics Specialist (HPS) found T1. Later, HPS informed the head of DML that an event had happened (without full details, as they were not known at that time).

237. As per the Internal Quality Audit (IQA), one of the severe non-conformities was that departmental/divisional instructions and procedures on how to proceed in case of radiological incidents, as required by the Administrative Manual, do not exist. SGAS clarified that

procedures for emergencies can only exist in a very generic way, since individual incidents are not foreseeable and are subject to the Radiation Protection Officer (RPO) decision.

238. Regarding incident-related monitoring and internal dose assessment, the following issues have been identified by the SGAS:

a. There were no written detailed instructions for the monitoring program which had to be followed by the contaminated staff in case of an incident. SGAS clarified that what was lacking was a discussion between the Radiation Protection Officer and the internal dosimetry monitoring service on the monitoring arrangements necessary. This would be improved by the development of a simple immediate action procedure detailing the monitoring required. This procedure would be developed by consulting all the relevant stakeholders and the person involved in the contamination event.

b. A final report for the dose assessment of the contaminated staff would be prepared by the Division of Radiation, Transport and Waste Safety (NSRW), Radiation Safety Section and submitted to the Division Director and Radiation Protection Officer, SGAS. The dose assessment report will be included as a separate annexure to the final investigation report.

c. The SGAS, RPO and SG should, for operational and investigation purposes, be able to assess the dose of the Occupationally Exposed Workers (OEWs). Even though NSRW is approved by the Regulator for the official dose assessment, there is no prohibition for SG to be able to use independent dose assessment software tools strictly for operational purposes. SGAS clarified that they would still be using the same data that the internal dosimetry service provider was using. It would be forced to wait for weeks for information from the service provider on the level of contamination in the urine and the feces, which would be necessary for taking proper remedial action.

239. The Interim Report listed a set of recommendations and actions that included developing instructions and procedures related to radiological incidents, namely, ‘Review emergency response practices’, and ‘Developing a reporting chain for lab incidents’. The Interim Report states that the former is yet to be started and the latter has been started. The Report also says that in case of an incident, a new monitoring program for the contaminated staff should be agreed and established and better co-ordination is desired between the Medical Centre and the RPO, and the NSRW Radiation Safety and Monitoring Section.

240. In response to our request for the follow-up on the issues raised in the IQA, SGAS intimated that procedures written by the RPO regarding radiation protection practices have not yet been formally approved and distributed. Further, the RPO is now being assisted by the departmental quality manager in turning these developed procedures into a Safeguards quality management format.

241. In respect of one of the other minor conformities regarding formal communication from and to the Radiation Safety Regulator (RSR) on radiological incidents not being organized in a systematic way, SGAS showed us a document which has recently established a procedure to be followed in reporting to the RSR.

242. SGAS is preparing a final report on the incident.

Recommendation 54

The response measures to radiation incidents in the Agency such as departmental/divisional instructions and procedures on how to proceed in case of radiological incidents covering various areas identified in the Interim Report i.e. 'emergency response practices', 'developing a reporting chain for lab incidents', 'establishing a new monitoring program for the contaminated staff including better communication with the contaminated staff', 'better co-ordination between the Medical Centre and the RPO and the NSRW Radiation Safety and Monitoring Section', may be implemented in a time-bound manner.

243. The Agency agreed with the recommendation and stated that a number of newly implemented procedures and activities, addressing the recommendations have been implemented to further improve the safety culture.

(c) Radiation protection training

244. The IAEA Radiation Protection regulations assign the responsibility for ensuring that occupationally exposed workers receive radiation protection training, to the Director in Charge of the Laboratory, who is advised by the Radiation Protection Officer (RPO) for the facility. The Director can opt for the training to be prepared and delivered by the RPO or by members of NSRW in line with their general support service agreement.

245. The issue of radiation protection training is also recognized as an issue requiring action in the Interim Report. The SGAS also initiated a CAR 2012-004, 'Insufficient procedures for radiation protection and industrial safety training'. As a follow-up, a system has been developed to assess the training of all occupationally exposed persons. There was an issue that the RPO did not have access to training records. SGAS has stated that this was a gap that has now been addressed with the Safeguards training tracking system. The aim is to have at one place, one method, one system of training tracking for the organisation as opposed to lots of individuals with spread sheets and databases. This would help the RPO to assess when the staff would need the radiation protection refresher training. A formal industrial safety training package has also been suggested. The RPO will attend the next training session offered by the RP training specialists and will identify any gaps in the personal protection training, and then feed that back into the course content through the course manager.

246. SGAS further stated that the CAR is being closed and its implementation is being monitored. The interim report also states that work related to the radiation protection training has started. We were informed that the first training session had been held with 45 participants and the remaining would be training in February 2013.

Recommendation 55

The SGAS Training Tracking System is a welcome initiative and can address holistic training needs, including Radiation Protection Training. We recommend that this may be designed and implemented to streamline and strengthen Radiation Protection Training.

247. The Agency agreed with the recommendation and stated that the RPO of SGAS was using a tracking system for RP training and has been granted access to the departmental training system.

III.B Radiation Protection at the IAEA Environment Laboratories (NAEL), Monaco

248. It was intimated by the NAEL laboratory that the levels of radioactive materials kept in the laboratories in Monaco are relatively low and therefore the general risk for radiation exposure is minimal. The level of the sources used and the nature of the practices correspond to a low risk facility. The RPO had assessed that the radiological risk is far outweighed by conventional safety risks.

(a) Radiation protection training

249. We were informed that the usual periodicity of training on radiation protection issues at Monaco is once a year. The training is mandatory for all OEWs in NAEL Monaco. The training is given by the RPO or members of the Radiation Safety and Monitoring Section (RSM) in NSRW on the occasion of their visits to the Monaco facilities, according to the contract existing between NAEL and NSRW. Until 2009, these group training courses were held at least once every year. During the last three years, the annual group training was not held because of changes in the organizational structure of NA and Safeguards Analytical Laboratories and some uncertainty in responsibilities for training. In 2012, a second visit of the new RSM officer was scheduled but had to be postponed to the second quarter of 2013. During the first visit, in addition to consultation, inspection and calibration operations, the RSM officer had identified, with NAEL OEWs, the training requirements in order to prepare targeted training material for the next visit.

(b) Oversight of radiation protection functions by RPO

250. NAEL intimated that systems and procedures for radiation protection were under review. The new organisation foresees an RPO based in Monaco and several RPAs (Radiation Protection Assistants) in the laboratories. The RPO and RPAs will receive specialized training. The procedures would be based on the Agency's Rules and Regulations and would be compatible to European regulations based on the European Atomic Energy Community (EURATOM) treaty. The Safety Analysis Report of the IAEA Environment Laboratories mentions that "the routine radiation protection functions of physical surveillance, personnel dosimetry, radioactive materials control and radioactive waste handling are assigned to a number of technical staff who perform them in addition to their normal work. The adequate execution of these functions is controlled routinely by the Director of RIML and, in addition, by the Radiation Health and Safety Officer stationed at Headquarters, who visits the Laboratory on a regular basis."

251. NAEL stated that the RPO is physically located at Seibersdorf and visited the Monaco laboratories several times when he was under the former Nuclear Sciences & Applications Agency's Laboratories (NAAL) Division, and once with the Radiation Safety Regulator of the IAEA. After realignment of the laboratories (2010), no further visit occurred, although these were planned. The NAEL consults the RPO whenever needed and, in order to compensate for visits, telephone conferences and video conferences are held.

252. The facts show that after the re-alignment in 2010, a regular setup for radiation protection and training has not yet crystallised.

Recommendation 56

The Radiation protection training may be re-started and appropriate arrangements be made for oversight of radiation protection procedures and practices by designated RPO/ RPAs.

IV. Other Issues

IV.A Information Systems

253. The IT systems used by the laboratories can be divided into three broad categories.

a. Applications and databases hosted on the central servers of VIC.

b. Applications and databases hosted on local servers linked to the central servers at VIC

c. Applications on standalone PCs or local networks which are not connected in any way to the central servers of the VIC.

254. The first two sets of applications and databases are under standardised systems administration with centralized back up facility and business continuity plan.

255. The third category of applications relate mostly to laboratory measurements. The applications are diverse in nature, both old and new, depending on the age of the laboratory equipment to which they are connected. They also function on very old to current PCs using different operating systems (OS), including many older versions of Windows. Due to this diversity, most of them require specific interventions for proper functioning which require administration rights.

256. We noticed that the laboratory had devised different procedures and systems to handle the measurement data. In Dosimetry Laboratory (DOL), the measurement PCs are on a LAN and measurement data is transferred to shared folders located on IAEA servers. In NAFA laboratories, in some cases, data is backed up by users on their hard drives. The recorded data is also transferred by the laboratory staff from the standalone equipment, via hard drives or other suitable electronic storage media, to the N-drive hosted by Division of Information Technology (MTIT) or the S-drive hosted by Seibersdorf IT. In MEL, Monaco, the measurement PCs are connected by a peer-to-peer network that facilitates handling of data files and sharing resources. Measurement data files are backed up on MTIT servers and DVDs. In NSAL, the experimental data is automatically saved in predefined folders in a local server and thereafter, the data is stored on a RAID 5 disk farm.

257. All these methods have an element of vulnerability. The transfer of measurement data from the measurement PCs/LANs to the IAEA servers requires manual intervention which introduces a risk of omission or error. This can be minimised by connecting all of them to a central server with centralised administration.

258. NAFA and NSAL stated that a system for networking and providing back-up facilities for the measurement PCs has been under discussion for some time.

Recommendation 57

The establishment of a network for the measurement PCs may be pursued with MTIT.

IV.B Equipment management

259. We performed a physical inspection of a sample of equipment in the DOL and MEL, Monaco. A few minor discrepancies were addressed by the respective laboratories. In DOL, it was found that some old equipment that is not in use is kept in the store, without being written off as it may furnish spare parts or even may be considered to be "exhibit items", with historical value. It is considered especially interesting for young, scientific trainees to see at first-hand, some of these historical items. DOL stated that they would inform MTGS to write-off such items that are no longer in use and also intimate that such items would be kept in DOL for internal purposes.

260. Such an arrangement is to be discussed with Division of General Services (MTGS)/Project Management Unit (PMU) as existing arrangements do not have any such specific provision, and agreed and formalised modalities have to be worked out with MTGS, who are responsible for disposal and transfer of agency property.

Recommendation 58

The old/obsolete equipment should be listed and intimated to MTGS for write off. For retention of obsolete items in store for other use, modalities may be discussed with MTGS.

261. NAHU agreed with the recommendation and stated that it should also be addressed to MTGS. We agree that this issue also involves MTGS and should be resolved jointly. The matter may be initiated by NAHU as it plans to retain the old equipment and should be resolved jointly with MTGS.

262. We also observed that:

a. the laboratories are unable to view their inventory on AIPS and have to obtain this information from MTGS.

b. MTGS intimated that the asset records are established around custodianship and by Department/ Division/Section/Unit.

c. Paragraph 11 of Administrative Manual VI/2 states that information on life span of the equipment is to be maintained. In the information provided by MTGS, the life span of the equipment was not mentioned though useful life of equipment as per depreciation norms was included. The useful life of laboratory equipment is five years whereas several items are in use for more than 15-20 years.

263. In our opinion, the laboratories, as administrative units, should be able to view their inventory data, showing a comprehensive list of their assets and the life span of the lab equipment. This would facilitate monitoring and replacement of lab equipment, which is managed by the concerned laboratory.

264. MTGS stated that that the previous Asset Management software had been developed substantially to provide an Asset Management Solution. It was replaced by AIPS, which is being rebuilt by addressing functional priorities. They would work with AIPS support unit to enable lab heads to have viewing rights.

Recommendation 59

Expected life span of laboratory equipment may be included in asset records and provision may be made in AIPS to generate laboratory-wise asset lists and allow viewing of the asset list by the laboratory.

Other Matters

I. Cases of Fraud and Presumptive Fraud

265. The Management reported to us that although weak internal controls continue to be identified, they did not find evidence of intentional clear-cut fraud cases in 2012. One case reported to the Office of Internal Oversight Services (OIOS) in 2011 on presumptive procurement fraud, was closed in 2012. We have been informed that the Management has taken appropriate action against the staff member involved in this case. In 2012, OIOS received four reports of presumptive fraud against the Agency. Of these, two pertained to alleged unjustified payments towards staff members and were closed by OIOS as unsubstantiated. The remaining two reports (presumptive procurement fraud) are currently OIOS cases under investigation.

II. Losses, Write-offs and ex gratia Payments

II.A Write-offs and Losses

266. Receivables amounting to € 126894.12 were written off in 2012. They comprise the following:

US Tax Advances	€ 43,007.97
Payroll items	€ 34,590.62
Receivables – Laboratory invoices	€ 14,927.68
Training Courses, Experts & Other TC Components	€ 12,434.38
Travel related items	€ 10,601.46
UNDP TCF Projects	€ 9,304.47
AMEX charges	€ 928.79
Receivables – Publication invoices	€ 887.04
Printing Charges	€ 211.71

II.B Safeguards Equipment

267. A total of four Safeguards capitalized items were reported lost during 2012 with original value of € 3,731.44 and a book value of € 141.70. In addition, ten expensed items with original value of € 7,483.22 were reported as lost.

II.C Other Equipment

268. There was also one other capitalized item that was reported as being lost in 2012 with original value of € 1,189 and a book value of € 718.36.

III. Ex-Gratia Payments

269. No ex-gratia payments were made during 2012.

Response of the Management indicating action taken on past external auditor's recommendations

270. Response of the Management indicating action taken on past external auditor's recommendations is given in **Annex**.

Acknowledgement

271. I wish to record my appreciation for the cooperation and assistance extended by the Director-General, and the staff of the International Atomic Energy Agency during my audit.

(signed)

Vinod Rai

Comptroller and Auditor General of India

External Auditor

2 April 2013

Annex

Response of the Management indicating action taken on past external auditor's recommendations

Laboratory Activities at Seibersdorf and Monaco.

Year 2011		
Recommendation	**Management Response**	**Our Comments**
Finalize security improvements at Seibersdorf laboratory complex with an effective access control to the IAEA premises and a state-of-the-art video monitoring system for the perimeter.	Secretariat has consequently taken action to improve the security situation fundamentally. Assured that the two open issues would be resolved in the near future.	External Auditors in their Report on IAEA Accounts 2011-GOV/2012/12 dated 13April 2012 had stated that IAEA Secretariat had addressed most of the issues raised in past external audit reports regarding the physical security of the Seibersdorf complex through the concrete fence, effective lighting system, temporary vehicle barrier etc. The report mentioned that a video assessment component for surveillance purposes is in the procurement phase and should be operational by the end of 2012. We ascertained from the SG Security co-ordinator that the camera assessment component is in the procurement phase. The successful bidder has been identified and deployment will take place in 2014. Status may be checked in subsequent audits. We were also briefed on the enhanced security system that would be implemented after construction of the new NML under the ECAS project, within the IAEA premises. The new security setup would have enhanced access control features.

Nuclear Safety and Security

1. Rec. No.	2. Recommendation	3. Management response	4. Our Comments
Rec. 28/ EA 2012001	Initiate an implementation and action plan to eliminate identified deficiencies	On accepting the recommendation, Implementation plan has been prepared; all identified deficiencies have been addressed. Continuous improvement of the IES is on-going under responsibility of the IEC. The recommendation is considered to be implemented.	Recommendation is implemented
Rec. 29/ EA 2012001	Accelerate the adoption of new ONS management process.	1. The recommendation is accepted. 2. a. New management processes have been discussed with DDG and DGOP. b. formal submission of IOM requesting restructuring submitted in Sept 2012. c. revised IOM in preparation to take account of proposed further increase to Programme 3.5 in 2014. 3. DGOP/DIR-MTPI to respond to IOM. 4. Further action rests outside NSNS.	Action in progress
Rec. 56/ EA 2012001	Verify the physical protection of RPMs against damage.	1. The recommendation is accepted. 2. a. Guidance document on siting of RPMS revised to emphasise the need to consider protection against vehicles. b. Protection checked by NTS/NSNS Staff during field visits prior to acceptance of RPM installation. 3. None. 4. The recommendation is considered to be implemented.	Recommendation is implemented.

Technical Cooperation Programme

Project Code	Recommendation	Present status as intimated by the Department
EA2012001	Continue to achieve a greater degree of cooperation in the UNDAF process. (EA report summary para. 47, detail para. 252) Supersedes recommendation 2010.15-18.	1. The recommendation is partially accepted 2. 28 UNDAFs were signed in all regions so far; there is now participation in 91 on-going or planned processes and outreaches to the RC and UNCT 3. UNDAF is important; however, an actual, practical impact (benefit) of signing and being part of the UNDAF is not yet on the horizon. UNDAF Process is very time and resources consuming and the IAEA has no field representation. 4. The recommendation is considered to be implemented.
EA2012001	Strive for long term joint programming and to harmonize the Common Country Assessment and Country Program Framework. (EA report summary para. 49, detail para. 256) Supersedes recommendation 2010.15-18.	1. The recommendation is partially accepted. 2. Efforts are being made in order to assess and understand its feasibility: Joint programming activities were initiated, with UNIDO on supporting cleaner production, with the National Cleaner Production Centres, with FAO on the Global Soil Partnership, with UNESCO in the area of water resource management, with UNICEF on nutrition issues and with UNCCD on land degradation and desertification issues. 3. Member States buy-in of joint programming has to be strengthened and may require policy changes. 4. Recommendation is considered to be in progress.
EA2012001	Issue clear instructions to participating staff concerning cooperation with UNCTs (EA report summary para. 50, detail para. 259) Supersedes recommendation 2010.15-18.	1. The recommendation is partially accepted 2. All relevant staff is aware of the mechanisms to reach out to UN agencies. 3. Given actual constraints for direct participation with UNCTs (see response to recommendation 30), there is no need for further instructions. 4. Recommendation is considered to be implemented.

EA2012001	Ensure representing the Agency in the UNCTs is a fixed component of the PMO's tasks. Consider underlining UNDAF collaboration work in the PMOs' job descriptions. (EA report summary para. 51, detail para. 260) Supersedes recommendation 2010.15-18.	1. The recommendation is not accepted. 2. There are not enough resources in TC for sustaining this type of engagement. 3. In addition, the representation/participation of the Agency in UNCTs depends on the UNCT's interest in and/or approval of the Agency's participation. 4. Recommendation is considered to be closed.
EA2012001	Integrate structured data about UNDAFs into PCMF to improve reporting and monitoring. (EA report summary para. 52, detail para. 263) Supersedes recommendation 2010.15-18.	1. The recommendation is not accepted 2. There are not enough resources in TC for this type of engagement and TC doesn't see the benefits of it. 3. Recommendation is considered to be closed.
EA2012001	Improve NLOs knowledge of UN priorities and scope of operations. (EA report summary para. 53, detail para. 266) Supersedes recommendation 2010.15-18.	1. The recommendation is accepted. 2. TC briefings to NLOs include a session on the UN agencies' multi-annual planning, and how the IAEA can engage in the UNDAF process. 3. All opportunities to convey this message to MSs stakeholders are used by TC officers. 4. Recommendation is considered to be implemented.
EA2012001	Ensure that the UNCTs are fully informed of the Agency's capabilities. (EA report summary para. 54, detail para. 268) Supersedes recommendation 2010.15-18.	1. The recommendation is partially accepted. 2. TC PMOs have been requested to use all field visits to increase outreach to headquarters of UN organizations as well as at country level. 3. Constraints apply 4. Recommendation is considered to be implemented.

EA2012001	Continue collaboration efforts with other UNOs to link to UNDAF and use the number of linkages as an indicator of the extent of collaboration. (EA report summary para. 55, detail para. 270) Supersedes recommendation 2010.15-18.	1. The recommendation is partially accepted. 2. It is being addressed as an ongoing activity and reported as needed. 3. However, the "number of linkages" is not considered as an indicator, as targets cannot be defined. 4. Recommendation is considered to be implemented.
EA2012001	Continue to provide training courses for CPs and NLOs to increase know-how for TC project design and implementation. (EA report summary para. 56, detail para. 271) Supersedes recommendation 2010.15-18.	1. The recommendation is accepted. 2. It is being addressed as an on-going activity for the preparation of each new TC Cycle. 3. Recommendation is considered to be implemented.
EA2012001	Encourage greater involvement of local user groups in the PCMF process. (EA report summary para. 57, detail para. 275) Supersedes recommendation 2010.15-18.	1. The recommendation is not accepted. 2. This is in the responsibility of the MS at NLO level 3. Recommendation is considered to be closed.
EA2012001	Provide clear guidance to NLOs and CPs about their role in procurement procedures. (EA report summary para. 58, detail para. 277) Supersedes recommendation 2010.15-18.	1. The recommendation is accepted. 2. Additional guidelines will be prepared during 2013. 3. Recommendation is considered to be in progress.

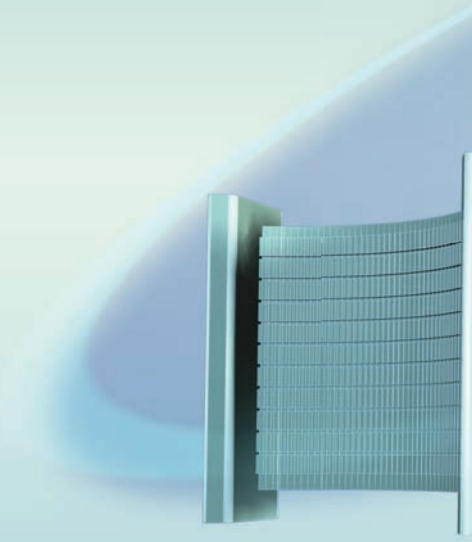
EA2012001	Ensure that PPRs are consistently provided and PKIs defined for TC projects. Consider using incentives as well as sanctions to reduce non-compliance. (EA report summary para. 59, detail para. 279) Supersedes recommendation 2010.19.	1. The recommendation is accepted. 2. Revamped PPR (now called PPAR: Project Progress Assessment Report) was launched in May 2012. 3. Follow-up and monitoring of submission of PPAR is in place. 4. Recommendation is considered to be implemented.
EA2012001	Provide all new CP staff with the NLO guidance document to facilitate their work. (EA report summary para. 60, detail para. 281) Supersedes recommendation 2010.15-18.	1. The recommendation is not accepted. 2. National staff (CP) should be provided information by the NLO, not the Agency. 3. Guidance documents are made available to MSs. 4. Recommendation is considered to be closed.
EA2012001	Ensure adequate project management knowledge is available to all participants in TC projects. (EA report summary para. 61, detail para. 284) Supersedes recommendation 2010.15-18.	1. The recommendation is accepted. 2. Training manuals, guidelines and tools are available in PCMF, in addition training is offered at regular intervals. 3. Periodic review and update of documents is conducted as needed. 4. Recommendation is considered to be implemented.
EA2012001	Increase efforts to inform National Project Coordinators on how they can benefit from Regional Designated Centres. (EA report summary para. 62, detail para. 286) Supersedes recommendation 2010.15-18.	1. The recommendation is partially accepted. 2. This issue is very project specific. 3. Further internal discussion within TC department is needed. 4. Recommendation is considered to be in progress.
EA2012001	Intensify Quadripartite Forum cooperation and implement the agreed action plan. (EA report summary para. 63, detail para. 288) Supersedes recommendation 2010.15-18.	1. The recommendation is not accepted. 2. The Action Plan should be implemented by the relevant Agreements. 3. Recommendation is considered to be closed.

EA2012001	Strictly implement the improved procedures and verify compliance in a follow up audit. (EA report summary para. 73, detail para. 348) Supersedes recommendation 2010.26-28.	1. The recommendation is accepted as shared by NS and TC. 2. All procurement action for radioactive sources under TC goes through NS clearance in the PCMF. 3. This is an acknowledged ongoing responsibility of NS. 4. Recommendation is considered to be implemented.
EA2011001	The mechanism of designated centres (DCs) needs to be introduced at the national project coordinators (NPC) level in all its aspects. Details for utilization should be established and made available to the personnel concerned (paras. 148-149)	1. The recommendation is not accepted 2. TC would prefer to keep flexibility and not make long term commitment with possible suppliers. 3. Not considered a priority in the short term 4. Recommendation is considered to be closed

Acronyms

ABL	Agriculture & Biotechnology Laboratories
BIPM	Bureau International des poids et Measures
CAR	Corrective Action Report
CIPM	Comite International des Poids et Measures
CPS	Concentrated Process Solution
CSS	Coordination and Support Section
DDG	Deputy Director General
DGOP	Director's General Office for Policy
DIRAC	Directory of Radiotherapy Centres
DMRP	Dosimetry and Medical Radiation Physics
DOL	Dosimetry Laboratory
ESL	Environment Sample Laboratory
EURAMET	European Association of National Metrology Institutes
EURATOM	European Atomic Energy Community
FEPL	Food and Environmental Protection Laboratory
FMS	Fissile Material Storeroom
ILC	Inter laboratory Comparison
IQA	Internal Quality Audit
JCRB	Joint Committee of the Regional Metrology Organizations and the BIPM
LINAC	Linear Accelerator
MEL	Monaco Environment Laboratory
MRA	Mutual Recognition Arrangement
MTIT	Division of Information Technology
MTPS	Procurement Services
NA	Nuclear Sciences and Applications Department
NAAL	Nuclear Sciences & Applications Agency's Laboratories
NAEL	IAEA Environmental Laboratories
NAFA	Nuclear Techniques in Food and Agriculture
NAHU	Human Health Division
NM	Nuclear Material
NML	Nuclear Material Laboratory
NSAL	Nuclear Spectrometry and Applications Laboratory
NSRW	Division of Radiation, Transport and Waste Safety
NWALs	Network of Analytical Laboratories

OEWS	Occupationally exposed workers
OIOS	Office of Internal Oversight Services
P&B	Programme and Budget
QA	Quality Assurance
QSM	Quality System Manager
RM	Reference Material
RPA	Radiation Protection Assistant
RPO	Radiation Protection Officer
RSA	Radiation Safety Regulator
RSM	Radiation Safety and Monitoring Section
SAL	Safeguards Analytical Laboratories
SG	Safeguard Department
SGAS	Safeguard Analytical Services
SGCP	SG-Concepts and Planning
SGIM	Safeguards Division of Information Management
SGTS	Division of Technical Support
SOPs	Standard Operating Procedures
SOW	Statement of Works
SSC	SSDLs Scientific Committee
SSDLs	Secondary Standards Dosimetry Laboratories
TEL	Terrestrial Environment Laboratory
TLD	Thermo Luminescent Dosimeters
VIC	Vienna International Centre



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