

The Agency's Financial Statements for 2013



IAEA

International Atomic Energy Agency

GC(58)/5

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 2013.

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 2013 and of the report of the Board of Governors thereon [*].

[*] GC(58)/5

[1] INFCIRC/8/Rev.3

Fifty-eighth regular session

The Agency's Financial Statements For 2013

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REPORT OF THE DIRECTOR GENERAL ON THE AGENCY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013.

2. For the third successive year, the financial statements of the Agency have been prepared on an accrual basis in accordance with the International Public Sector Accounting Standards (IPSAS). The budget, as well as the budgetary basis information contained in the financial statements, 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 IAEA is a not-for-profit autonomous intergovernmental organization founded in 1957 in accordance with a decision of the General Assembly of the United Nations. 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 statutory objective is to seek to accelerate and enlarge the contribution of atomic energy to peace, health and prosperity throughout the world and to ensure, so far as it is able, that assistance provided by it or at its request or under its supervision or control is not used in such a way as to further any military purpose. To fulfil this statutory objective, the Medium Term Strategy for 2012-2017 sets out the following six strategic objectives:

- Facilitating access to nuclear power;
- Strengthening promotion of nuclear science, technology and applications;
- Improving nuclear safety and security;
- Providing effective technical cooperation;
- Strengthening the effectiveness and improving the efficiency of the Agency's safeguards and other verification activities; and
- Providing efficient, innovative management and strategic planning.

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

7. During 2013, the Agency continued to focus on the effective implementation of programmatic activities and to 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) In 2013, the Nuclear Material Laboratory (NML) in Seibersdorf was commissioned and was officially inaugurated in September 2013. As a result, the NML has been capitalized in the financial statements. The commissioning of the NML is a significant achievement for the Agency as it draws it much closer to realizing the goal of strengthening safeguards analytical capabilities in Seibersdorf.
- (ii) Revenue from voluntary contributions increased to €166.4 million in 2013 from €158.8 million in 2012 (a 4.8% increase). Additionally, voluntary contributions transferred subject to conditions increased by €12.9 million during the year. These increases show the continued relevance and importance of the Agency to its Member States and other donors.
- (iii) 2013 saw an overall increase in IPSAS based expenditures of €10.7 million (a 2.4% increase over 2012). These increases were primarily due to:
 - i. An increase in the overall amount of available funding. During 2013, the operational portion of the Regular Budget increased by €3.0 million and carryover funds of €9.0 million from 2012 were available and utilized to support activities in 2013.
 - ii. An increase in the overall regular budget utilization rate to 99.0% in 2013 as compared to 96.9% in 2012, as expected for the second year of the biennium. The major programmes (MPs) that experienced the most pronounced increases in utilization rates were MP2 (4.7%), MP3 (3.0%), MP5 (3.7%) and MP6 (3.9%).
 - iii. Increased implementation activity under the Technical Cooperation Fund (TCF). The TCF experienced an increase in IPSAS based expenditure of 6.8% in 2013 as compared to 2012 as a result of increased expenditures in the areas of transfers to development counterparts, non-staff travel and consultants.
 - iv. An increase in property, plant and equipment (PP&E); intangible assets and the related depreciation and amortization expense. As the Agency continues to invest in key major capital investments, including buildings, equipment and software, the financial statements will present these items as assets that will provide benefit to the Agency for many years in the future.
- (iv) The Agency's after service health insurance (ASHI) and other post-employment repatriation liabilities slightly decreased to €184.9 million at 31 December 2013 from €189.6 million at 31 December 2012 due primarily to an increase in the discount rate utilized in the actuarial calculation of such liabilities. As these liabilities remain completely unfunded as of 31 December 2013, the Regular Budget and Working Capital Fund (RB & WCF) group is in a negative net asset position.

Summary of Financial Performance

8. The Agency's overall surplus of revenue over expenses declined slightly in 2013 to €34.4 million from €37.8 million in 2012 primarily as a result of:

- (i) A €10.7 million increase in expenses to €456.9 million in 2013 from €446.2 million in 2012 as discussed in paragraph 7(iii); offset by
- (ii) An increase of €6.8 million in the Agency's revenue to €490.8 million in 2013 from €484.0 million in 2012. This increase was due mainly to increases in revenue from voluntary

monetary contributions related to the Agency's Technical Cooperation activities and to the Low Enriched Uranium (LEU) Bank, offset by expected reductions in revenue from National Participation Costs (NPCs).

9. Financial Statement II, the Statement of Financial Performance, provides further information on the Agency's overall financial performance for 2013 compared to 2012.

10. Financial Statement VIIb provides details of financial performance by fund. A summary of the Financial Performance by Fund for 2013 is given in Table 1:

Table 1: Summary Financial Performance by Fund for the period ended 31 December 2013

	(expressed in millions of euros)							
	RB & WCF	TCF	EBF	LEU Bank	TC-EB	Trust, Reserve and Special Funds	Inter-fund Elimination	TOTAL IAEA
Total revenue from all sources a/	334.1	61.9	84.7	4.2	11.1	0.3	(5.5)	490.8
Total expenses	330.4	60.9	55.6	1.4	13.2	0.9	(5.5)	456.9
Share of surplus/(deficit) in common service entities	0.5	-	-	-	-	-	-	0.5
Net surplus/(deficit) for the year	4.2	1.0	29.1	2.8	(2.1)	(0.6)	-	34.4

a/ Total revenue includes assessed, voluntary and other contributions; revenue from exchange transactions, interest revenue and net gains/(losses).

11. The Extrabudgetary Fund (EBF) recorded a surplus of €29.1 million for 2013 due to revenue recognized during the year against which the expenses will be incurred in future periods.

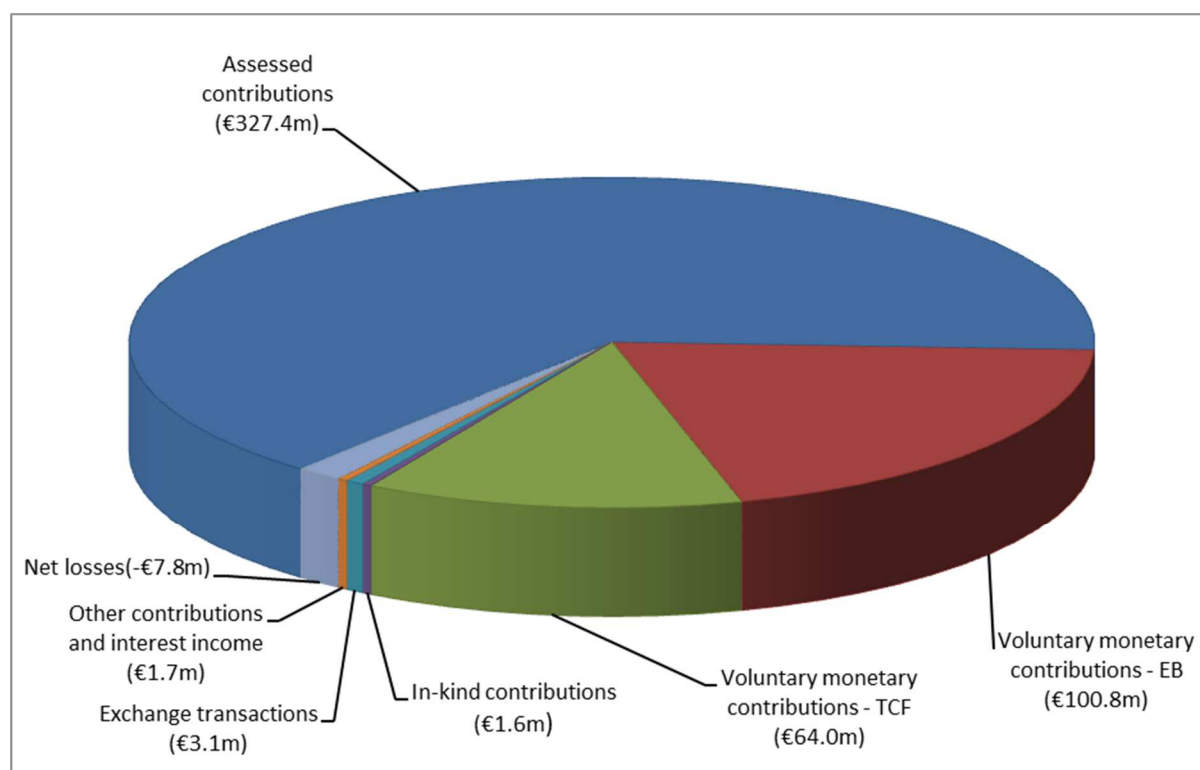
12. The minor deficits under Technical Cooperation Extrabudgetary (TC-EB) and the Trust Funds, Reserve Funds and Special Funds (TF/RF/SF) are mainly due to the timing difference between recognizing revenue and expenses.

Revenue Analysis

13. Total revenue in 2013 was €490.8 million, an increase of €6.8 million (1.4%) from €484.0 million in 2012. In 2013, as depicted in Figure 1, the majority of total revenue consisted of:

- (i) Assessed contributions of €327.4 million; and
- (ii) Voluntary contributions of €166.4 million.

Figure 1: Revenue Sources for the period ended 31 December 2013



14. Within voluntary contributions, extrabudgetary monetary contributions amounted to €100.8 million, and voluntary monetary contributions for the TCF were €64.0 million. Voluntary contributions also include €1.6 million of in-kind contributions, primarily pertaining to the free use of premises in Austria and Monaco.

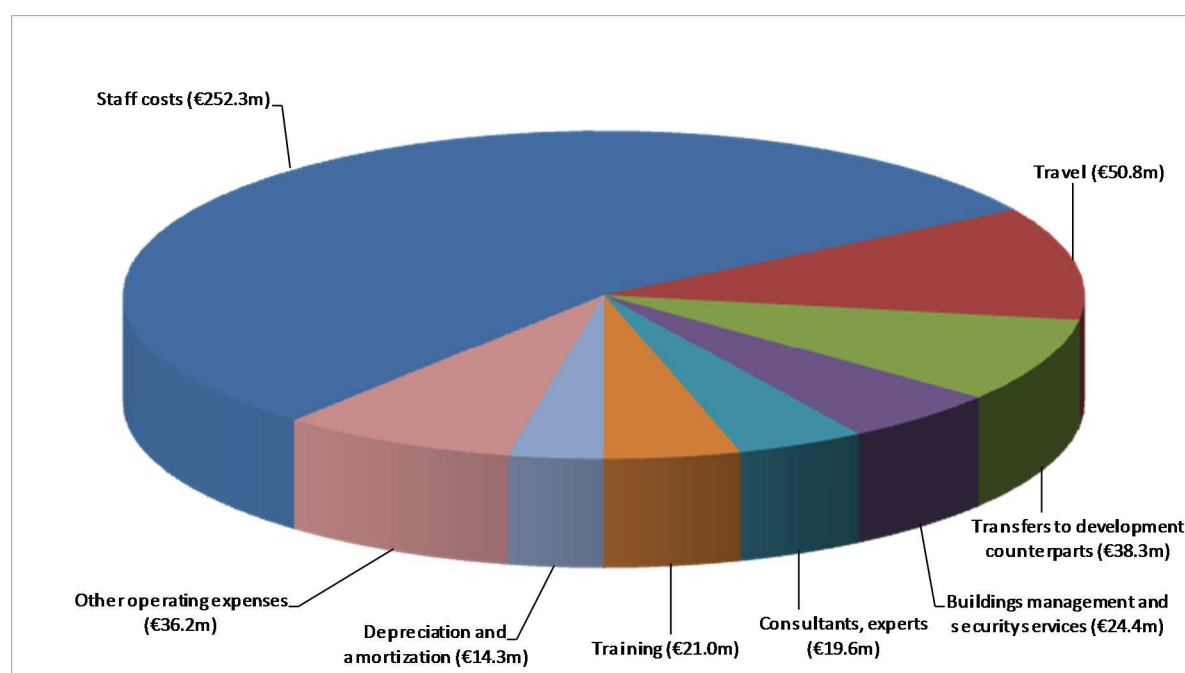
15. Table 2 compares 2013 and 2012 revenue. The primary increase in revenue relates to voluntary contributions, primarily related to the TCF.

Table 2: Comparative Revenue Analysis

Revenue	(expressed in millions of euros)		
	2013	2012	Change
Assessed contributions	327.4	323.4	4.0
Voluntary contributions	166.4	158.9	7.5
Other contributions	1.0	3.6	(2.6)
Revenue from exchange transactions	3.1	3.0	0.1
Interest revenue	0.7	0.7	0.0
Net gains/(losses)	(7.8)	(5.6)	(2.2)
Total revenue	490.8	484.0	6.8

Expense Analysis

16. In 2013, total expenses were €456.9 million, an increase of €10.7 million (2.4%) over 2012. As depicted in Figure 2, 2013 staff costs of €252.3 million represent 55.2% of total expenses. Staff costs include the accrued 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 for the period ended 31 December 2013

17. Table 3 compares 2013 expenses to 2012 and the following paragraphs describe the major changes year to year.

Table 3: Comparative Expense Analysis

Expenses	(expressed in millions of euros)			
	2013	2012	Change	Change %
Staff costs	252.3	245.8	6.5	2.6%
Travel	50.8	49.1	1.7	3.5%
Transfers to development counterparts	38.3	40.7	(2.4)	-6.0%
Buildings management and security services	24.4	22.4	2.0	8.9%
Consultants, experts	19.6	17.9	1.7	9.9%
Training	21.0	20.3	0.7	3.5%
Depreciation and amortization	14.3	11.6	2.7	23.6%
Other operating expenses	36.2	38.4	(2.2)	-5.7%
Total expenses	456.9	446.2	10.7	2.4%

18. During 2013, staff costs increased by €6.5 million (2.6%) due to the increased staff costs under extrabudgetary activities and a higher volume of implementation of regular budget activities in 2013 as compared to 2012.

19. Travel expenses increased by €1.7 million (3.5%) and consultant and expert expenses increased by €1.8 million (9.9%) in 2013, mainly due to the increase in Technical Cooperation implementation activities during 2013.

20. Depreciation and amortization expenses increased by €2.7 million (23.6%) in 2013 due to depreciation associated with the NML and the overall increased amount of PP&E and intangible assets capitalized by the Agency.

21. The €10.7 million increase in 2013 expenses by fund was primarily driven by the following increases:

- (i) RB Fund increased by €7.8 to €330.4 million; and
- (ii) TC Fund increased by €3.9 million to €60.9 million.

Budgetary Performance

22. 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 36b to the financial statements.

23. The original operational portion of the Regular Budget appropriation for 2013 was approved for €337.9 million (€333.3 million in 2012) at an exchange rate of €1 = \$1. The final budget for the operational portion of the Regular Budget appropriation for 2013 was recalculated to €322.0 million, at the UN average rate of €0.7550 to \$1. There were no changes between the original capital portion of the Regular Budget appropriation and the final budget for 2013. As shown in Note 36a to the financial statements, there were no movements of the Regular Budget appropriations between major programmes.

24. The utilization rates for 2013 on a budgetary basis by major programme are provided in the table below.

Table 4: Budget Utilization Rates for 2013

Major Programme	Regular Budget Utilization Rates	
	Operational Portion	Capital Portion
MP1 - Nuclear Power, Fuel Cycle and Nuclear Science	98.1%	-
MP2 - Nuclear Techniques for Development and Environmental Protection	99.4%	-
MP3 - Nuclear Safety and Security	99.1%	-
MP4 - Nuclear Verification	98.7%	78.1%
MP5 - Policy, Management and Administration Services	99.7%	17.2%
MP6 - Management of Technical Cooperation for Development	99.3%	-
Total Agency	99.0%	29.5%

25. As shown in detail in Statement Va for the operational portion of the Regular Budget, the 2013 expenditures were €319.9 million (€310.1 million for 2012). The unutilized balances shown in Statement Va of €3.1 million (excluding reimbursable work for others) will be transferred to the Major Capital Investment Fund (MCIF) in 2015, should there be final savings from the 2013 Regular Budget appropriation.

26. As indicated in Statement Vb for the capital portion of the Regular Budget, the 2013 expenditures were €2.5 million. The unutilized balance of €5.9 million will be kept in the MCIF to support major capital investments. The unobligated balance of the capital portion of the Regular Budget is primarily the result of the majority of the 2013 expenses related to the ongoing implementation of the Agency-wide Information System for Programme Support (AIPS) being spent out of funds carried over within the MCIF from prior years.

Financial Position

27. A summary of the financial position of the Agency is presented in Table 5.

Table 5: Summary Financial Position as at 31 December 2013

	(expressed in millions of euros)		
	2013	2012	Change
Current Assets	541.4	534.9	6.5
Non-current Assets	148.0	121.7	26.3
Total Assets	689.4	656.6	32.8
Current Liabilities	77.5	103.1	(25.6)
Non-current Liabilities	251.5	239.4	12.1
Total Liabilities	329.0	342.5	(13.5)
Net Assets/Equity	360.4	314.1	46.3

28. As seen in Table 5, the overall financial position of the Agency continues to be quite healthy as of 31 December 2013. This financial health can be seen in the following key indicators:

- (i) The overall net assets value, calculated as total assets less total liabilities, is €360.4 million;
- (ii) Total current assets represent nearly 700% of total current liabilities. This signifies that the Agency has sufficient resources to cover its liabilities expected to come due in the upcoming 12 months.

29. Additionally, the total cash, cash equivalents and investments balances represent 67.6% of the Agency's total assets. This signifies that the Agency's liquid assets are sufficient to meet the Agency's requirements.

30. The significant areas of change in the Agency's financial position in 2013 from 2012 are the following:

- (i) Current assets increased by €6.5 million mainly due to the increase in accounts receivable from non-exchange transactions;
- (ii) Non-current assets increased by €26.3 million mostly due to the increases in PP&E of €16.3 million and in intangible assets of €9.7 million. The increase in PP&E was primarily attributable to continued activity related to the Nuclear Material Laboratory in Seibersdorf, while the increase in intangible assets primarily related to internal software development in the Department of Safeguards and the continued implementation of AIPS; and

- (iii) Total liabilities decreased by €13.5 million due to two main factors:
- i. Accounts payable decreased by €7.4 million to €9.3 million.
 - ii. Employee benefit liabilities (current and non-current liabilities) decreased by €5.0 million to €207.0 million due primarily to the increase in the discount rate used in the actuarial valuation of long-term liabilities.

Table 6: Net Assets/Equity by Fund as at 31 December 2013

	(expressed in millions of euros)						TOTAL IAEA
	RB & WCF	TCF	EBF	LEU Bank	TC-EB	Trust, Reserve and Special Funds	
Net Assets/Equity	(19.1)	65.4	194.2	88.0	29.1	2.8	360.4

31. As seen in Table 6, all fund groups, other than the Regular Budget and Working Capital Fund, have positive net assets. This signifies the overall health of these fund groups.

32. Despite the overall good health of the Agency's financial position, the Regular Budget Fund and Working Capital Fund group has an indicator of concern with respect to its long term financial health. This specific financial health can be seen by the fact that the Regular Budget and Working Capital Fund group has negative net assets/equity – total liabilities exceed total assets by €19.1 million.

33. The primary driver for these negative net assets is that the liability for ASHI and other post-employment repatriation and separation liabilities, which stands at €184.9 million as at 31 December 2013, is completely unfunded.

34. A discussion of the significant components of the Agency's financial position is contained in the following sections:

Cash, Cash Equivalents and Investments

35. In 2013, the cash, cash equivalents and investments balances slightly decreased by €6.5 million to €466.1 million at 31 December 2013. The balance of €466.1 million accounts for 67.6% of the total assets of the Agency at 31 December 2013 (72.0% at 31 December 2012). Of the total cash, cash equivalents and investments balances, 68.9% pertained to extrabudgetary funds, and are, therefore, earmarked for specific projects.

36. In 2013, there was a shift from investments in instruments with original maturities of three months or less towards investments in instruments with original maturities between three and twelve months to take advantage of higher interest rates. Despite this shift, the weighted average period to maturity of the total cash, cash equivalents and investments' holdings of the Agency remained under 3 months as of 31 December 2013.

Contributions and Receivables

37. Overall, the total net receivables from non-exchange transactions increased by €12.1 million to €49.1 million at 31 December 2013. This balance at 31 December 2013 is comprised of receivables from both assessed and voluntary contributions.

38. As of 31 December 2013, the rate of collection of the assessed contributions for 2013 was 92.8% (93.9% at 31 December 2012 for the assessed contributions for 2012). Total gross assessed contributions receivable at 31 December 2013 were €36.6 million, which represented a €10.8 million increase from €25.8 million in 2012. The increase was due to an increase in outstanding amounts from a number of Member States relating to the current year.

39. The Agency calculated an allowance for doubtful debts of €3.0 million against all assessed contributions receivable as at 31 December 2013 (€4.7 million in 2012). The reduction in the allowance is due to the write off of the old outstanding receivables from the former Socialist Federal Republic of Yugoslavia.

Figure 3: Assessed Contributions Collection Rate (percent)

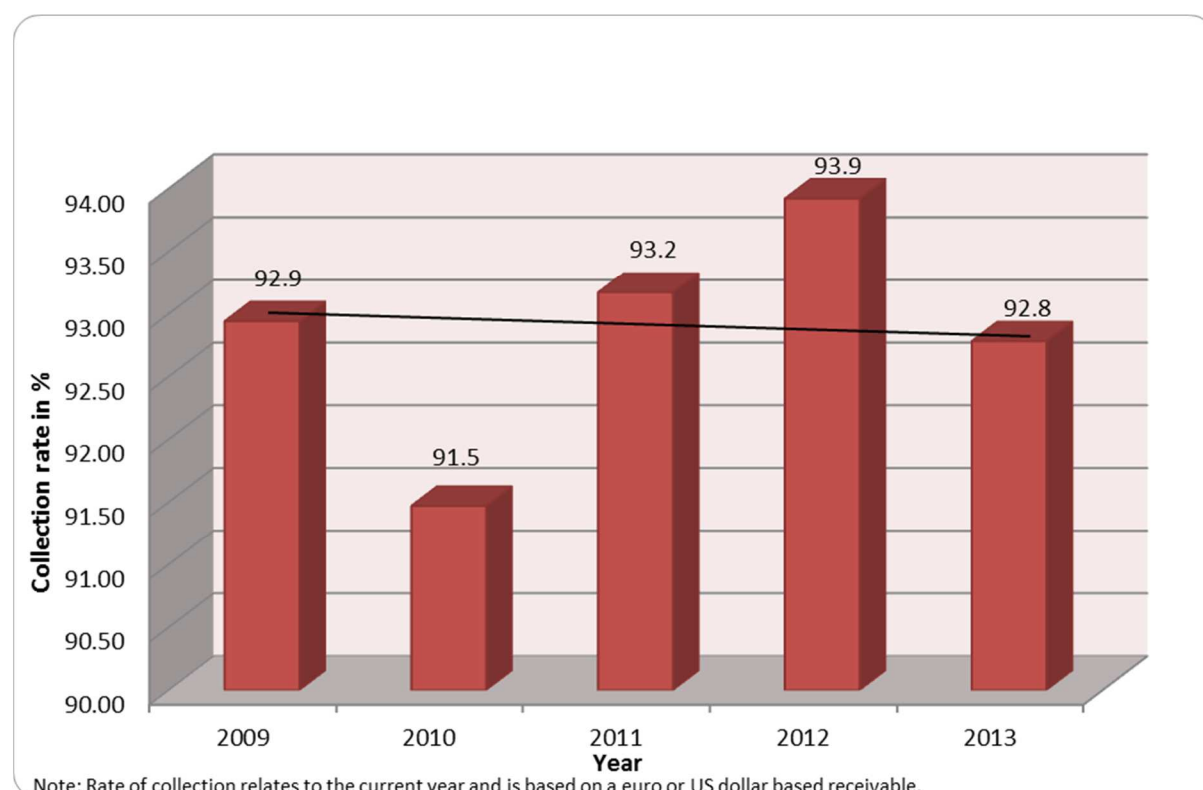
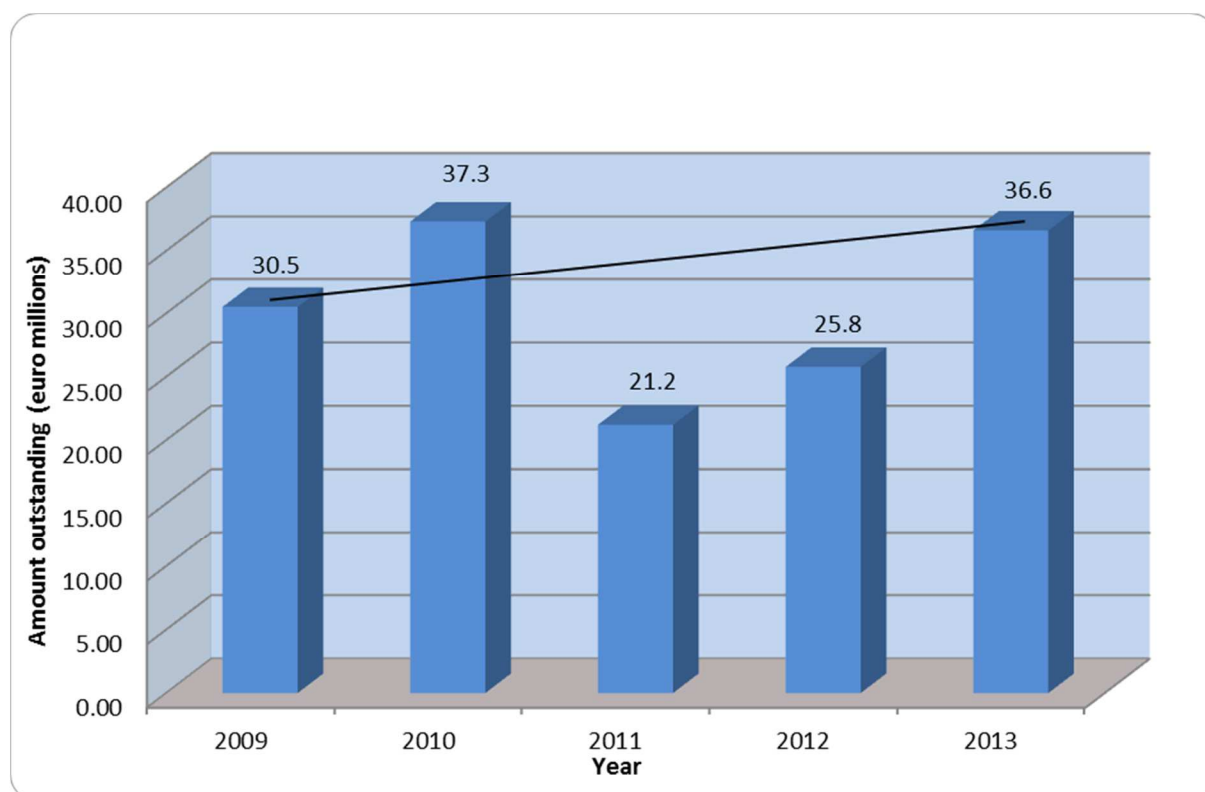


Figure 4: Gross Assessed Contributions Receivable (expressed in euro millions)



Property, Plant and Equipment (PP&E)

40. In 2013, the net carrying value of PP&E increased by €16.3 million to €89.8 million which represents 13.0% of total Agency assets as of 31 December 2013 (11.2% as of 31 December 2012). This increase is mostly attributable to the costs incurred for the construction of the NML in Seibersdorf. As at 31 December 2012, 24.8 million of total NML project costs were categorized as Assets under construction. During 2013, an additional cost of €16.2 million was incurred in the construction of the NML. In July 2013, it was determined that the NML was available for use. As such, during 2013, €40.2 million of costs associated with the NML were capitalized and began depreciating. An additional €0.8 million of costs associated with the NML remain as Assets under construction as these particular components are not yet available for use as of 31 December 2013.

Table 7: Comparative PP&E Analysis

Property, plant and equipment Class	(expressed in millions of euros)		
	2013	2012	Change
Buildings	56.0	16.3	39.7
Communication and IT equipment	9.1	8.5	0.6
Inspection equipment	9.9	10.6	(0.7)
Laboratory equipment	8.1	7.5	0.6
Assets under construction	3.8	27.8	(24.0)
Other equipment	2.9	2.8	0.1
	89.8	73.5	16.3

41. 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 12 of the Agency's annual financial statements.

Employee Benefit Liabilities

42. The Agency has significant employee benefit liabilities, amounting to €207.0 million at the end of 2013, a decrease of €5.0 million during the year. The change is mainly due to a slightly higher discount rate in the actuarial assumptions which reflects the slight increase in long-term interest rates during the year. The change in assumptions resulted in actuarial gains related to ASHI of €11.4 million and the post-employment repatriation and separation entitlements of €3.4 million.

43. The funding of these long term contractual obligations with employees, both current and past, remains an issue for the Agency. The main unfunded liabilities continue to be ASHI and other post-employment repatriation benefits, which amounted to €184.9 million as at 31 December 2013.

Risk Management

44. 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.

Summary

45. In summary, the financial statements presented here show the Agency's strong overall health. The financial statements show strong regular budget utilization and continued growth in revenue from voluntary contributions. They reflect the Agency's commitment to fiscal responsibility and present the significant milestone of commissioning the NML in Seibersdorf during 2013. We are proud of our accomplishments during 2013 and look forward to the accomplishments of 2014.

(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 2013**

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

21 March 2014

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

21 March 2014

Sir,

I have the honour to transmit the financial statements of the International Atomic Energy Agency for the year ended 31 December 2013 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 2013.

Please accept the assurances of my highest consideration.

(signed) Shashi Kant Sharma
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 2013

To the General Conference of the International Atomic Energy Agency

Report on the Financial Statements

We have audited the accompanying financial statements of the International Atomic Energy Agency (IAEA), which comprise the statement of financial position at 31 December 2013, 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 2013 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 2013, and its financial performance and of its cash flows for the year ended 31 December 2013 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) Shashi Kant Sharma
Comptroller and Auditor General of India
External Auditor
India

New Delhi, 21 March 2014

PART II

Financial Statements

Text of a Letter dated 21 March 2014 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 2013, 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 2013
(expressed in euro'000s)

	Note	31-12-2013	31-12-2012
Assets			
Current assets			
Cash and cash equivalents	4	91 321	169 335
Investments	5	374 771	303 253
Accounts receivable from non-exchange transactions	6, 7	48 674	36 462
Accounts receivable from exchange transactions	8	6 413	8 638
Advances and prepayments	9	12 940	12 196
Inventory	10	7 313	5 064
Total current assets		541 432	534 948
Non-current assets			
Accounts receivable from non-exchange transactions	6, 7	464	612
Advances and prepayments	9	28 618	28 641
Investment in common services entities	11	4 400	3 938
Property, plant & equipment	12	89 793	73 472
Intangible assets	13	24 666	15 001
Total non-current assets		147 941	121 664
Total assets		689 373	656 612
Liabilities			
Current liabilities			
Accounts payable	14	9 267	16 700
Deferred revenue	15	53 446	69 456
Employee benefit liabilities	16, 17	14 235	16 499
Other financial liabilities	18	394	410
Provisions	19	161	-
Total current liabilities		77 503	103 065
Non-current liabilities			
Deferred revenue	15	55 494	42 615
Employee benefit liabilities	16, 17	192 786	195 503
Other financial liabilities	18	304	304
Provisions	19	2 947	1 000
Total non-current liabilities		251 531	239 422
Total liabilities		329 034	342 487
Net assets		360 339	314 125
Equity			
Fund balances	20, 21	278 331	247 338
Reserves	22	82 008	66 787
Total equity		360 339	314 125

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 2013
(expressed in euro'000s)

	Note	31-12-2013	31-12-2012
Revenue			
Assessed contributions		327,374	323,409
Voluntary contributions	23	166,361	158,834
Other contributions	24	1,043	3,583
Revenue from exchange transactions	25	3,091	2,995
Interest revenue	26	752	695
Net gains/(losses)	27	(7,797)	(5,558)
Total revenue		490,824	483,958
Expenses			
Staff costs	28	252,321	245,825
Consultants, experts		19,600	17,842
Travel	29	50,826	49,119
Transfers to development counterparts	30	38,275	40,729
Buildings management and security services	31	24,364	22,371
Training	32	21,012	20,311
Depreciation and amortization	12, 13	14,344	11,601
Other operating expenses	33	36,184	38,386
Total expenses		456,926	446,184
Share of surplus (deficit) in common services entities	34	462	22
Net surplus/(deficit)		34,360	37,796
Expense analysis by Major Programme			
Nuclear Power, Fuel Cycle and Nuclear Science	35	47,199	47,790
Nuclear Techniques for Development and Environmental Protection	35	91,774	85,933
Nuclear Safety and Security	35	80,050	75,548
Nuclear Verification	35	131,331	136,815
Policy, Management and Administration a/	35	107,889	102,394
Shared Services and expenses not directly charged to major programmes	35	24,424	21,862
Eliminations	35	(25,741)	(24,158)
Total expenses by Major Programme		456,926	446,184

a/ Includes project management and technical assistance for the Technical Cooperation Programme.

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 2013
(expressed in euro'000s)

	31-12-2013	31-12-2012
Equity at the beginning of the year	314 125	303 817
Valuation gains/(losses) on investments	-	13
Actuarial gains/(losses) on employee benefit liabilities	14 797	(25 101)
Refunds of prior year voluntary contributions recognized directly in equity	(1 779)	(1 584)
Prior year adjustments	239	(88)
Net revenue recognized directly in equity	13 257	(26 760)
Net surplus/(deficit) for the year	34 360	37 796
Receipts of Working Capital Fund from new Member States	-	8
Credits to Member States	(1 403)	(736)
Equity at the end of the year	360 339	314 125

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 2013
(expressed in euro'000s)

	31-12-2013	31-12-2012
Cash flows from operating activities		
Net surplus/(deficit)	34 360	37 796
Refunds of prior year voluntary contributions recognized in equity	(1 779)	(1 584)
Prior year adjustments	239	(88)
Depreciation and amortization	14 344	11 601
Discount amortization	(52)	(109)
Impairment	30	10
Actuarial gains/(losses) on employee benefit liabilities	14 797	(25 101)
Increase/(decrease) in doubtful debts allowance	(2 117)	(715)
(Gains)/losses on disposal of PP&E and intangibles	664	(26)
In-kind revenue	(63)	(119)
Share of deficit/(surplus) in common service entities	(462)	(22)
Unrealized foreign exchange (gains)/losses on cash and cash equivalents	6 800	5 379
(Increase)/decrease in receivables	(7 722)	2 800
(Increase)/decrease in inventories	(2 252)	470
(Increase)/decrease in prepayments	(722)	(1 134)
Increase/(decrease) in contributions received in advance	(2 827)	51 287
Increase/(decrease) in accounts payable	(7 433)	2 137
Increase/(decrease) in employee benefit liabilities	(4 981)	36 874
Increase/(decrease) in other liabilities and provisions	(278)	519
Net cash flows from operating activities	40 546	119 975
Cash flows from investing activities		
Purchase or construction of PPE and intangibles	(38 861)	(45 860)
Sale of PPE and intangibles	(30)	42
Investments	(71 466)	(160 377)
Net cash flows from investing activities	(110 357)	(206 195)
Cash flows from financing activities		
Working Capital receipts	-	8
Cash surplus payments	(1 403)	(736)
Net cash flows from financing activities	(1 403)	(728)
Net increase/(decrease) in cash and cash equivalents	(71 214)	(86 948)
Cash and cash equivalents at beginning of the period	169 335	261 662
Unrealized foreign exchange gains/(losses) on cash and cash equivalents	(6 800)	(5 379)
Cash and cash equivalents and bank overdrafts at the end of the period	91 321	169 335

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 2013
(expressed in euro'000s)

	RB Current Year				RB Carryover		
	Approved Budget	Final Budget	Actuals (Expenditure)	Variance	RB Carry Over	Actuals (Expenditure)	Variance
MP1-Nuclear Power, Fuel Cycle and Nuclear Science	34 105	32 287	31 667	620	858	833	25
MP2-Nuclear Techniques for Development and Environmental Protection	39 113	37 298	37 065	233	1 973	1 857	116
MP3-Nuclear Safety and Security	34 435	32 596	32 287	309	1 277	1 251	26
MP4-Nuclear Verification	130 629	124 097	122 522	1 575	1 778	1 584	194
MP5-Policy, Management and Administration Services	76 517	73 679	73 475	204	2 903	2 859	44
MP6-Management of Technical Cooperation for Development	20 717	19 793	19 654	139	900	635	265
Total Agency programmes	335 516	319 750	316 670	3 080	9 689	9 019	670
Reimbursable work for others	2 417	2 259	3 200	(941)			
Total Regular Budget fund operational portion	337 933	322 009	319 870	2 139	9 689	9 019	670

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 is provided in Note 36).

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 2013
(expressed in euro'000s)**

	Approved Budget	Final Budget	Actuals (Expenditure)	Variance b/
MP4-Nuclear Verification	1 683	1 683	1 314	369
MP5-Policy, Management and Administration Services	6 658	6 658	1 148	5 510
Total Regular Budget capital portion	8 341	8 341	2 462	5 879

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 36).

b/ Refer to Note 36c for a discussion of the variance between final budget and actuals.

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 2013
(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
Expenses								
Staff costs	24 167	25 313	34 317	90 909	65 618	11 997	-	252 321
Consultants, experts	4 028	4 683	6 986	328	1 812	1 763	-	19 600
Travel	8 790	13 530	18 931	7 798	1 668	109	-	50 826
Transfers to development counterparts	4 825	28 101	5 155	-	188	6	-	38 275
Buildings management and security services	11	16	41	1 200	21 308	1 788	-	24 364
Training	1 538	9 439	6 927	1 149	1 853	106	-	21 012
Depreciation and amortization	318	850	580	8 649	2 827	1 120	-	14 344
Other operating expenses	3 522	9 842	7 113	21 298	12 615	7 535	(25 741)	36 184
Total expenses	47 199	91 774	80 050	131 331	107 889	24 424	(25 741)	456 926
Assets								
Property, plant & equipment, and intangibles	1 378	3 059	2 172	81 766	19 791	6 293	-	114 459
Asset additions								
Property, plant & equipment, and intangibles	779	1 492	1 037	30 178	4 605	2 336	-	40 427

a/ Includes project management and technical assistance for the Technical Cooperation Programme.

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 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
Expenses								
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	5 992	25 679	8 242	187	629	-	-	40 729
Buildings management and security services	4	23	29	1 385	19 246	1 684	-	22 371
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	3 879	8 868	7 625	23 990	10 781	7 401	(24 158)	38 386
Total expenses	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 project management and technical assistance for the Technical Cooperation Programme.

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

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

As at 31 December 2013

(expressed in euro'000s)

	Regular Budget Fund and Working Capital Fund	Technical Cooperation Fund	Extrabudgetary Programme Fund	Low Enriched Uranium Bank	Technical Cooperation Extrabudgetary Fund	Trust Funds, Reserve Funds and Special Funds	Total
Assets							
Cash and cash equivalents	66 121	590	6 310	9 809	6 558	1 933	91 321
Investments	12 000	64 363	176 835	98 299	23 274	-	374 771
Accounts receivable	40 245	1 104	8 692	59	5 451	-	55 551
Advances and prepayments	38 195	937	127	-	2 294	5	41 558
Inventory	561	4 487	1 684	-	542	39	7 313
Property, plant & equipment	36 547	9	52 473	5	-	759	89 793
Intangible assets	24 038	8	541	-	-	79	24 666
Investment in common service entities	4 400	-	-	-	-	-	4 400
Total assets	222 107	71 498	246 662	108 172	38 119	2 815	689 373
Liabilities							
Accounts payable	5 346	2 092	1 435	5	389	-	9 267
Deferred revenue	32 150	3 952	44 059	20 116	8 663	-	108 940
Employee benefit liabilities	203 398	15	3 517	91	-	-	207 021
Other financial liabilities	295	1	402	-	-	-	698
Provisions	41	-	3 067	-	-	-	3 108
Total liabilities	241 230	6 060	52 480	20 212	9 052	-	329 034
Net assets	(19 123)	65 438	194 182	87 960	29 067	2 815	360 339
Equity							
Fund balances	(51 399)	38 560	178 546	87 887	22 039	2 698	278 331
Reserves	32 276	26 878	15 636	73	7 028	117	82 008
Total equity	(19 123)	65 438	194 182	87 960	29 067	2 815	360 339

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 2012

(expressed in euro'000s)

	Regular Budget Fund and Working Capital Fund	Technical Cooperation Fund	Extrabudgetary Programme Fund	Low Enriched Uranium Bank	Technical Cooperation Extrabudgetary Fund	Trust Funds, Reserve Funds and Special Funds	Total
Assets							
Cash and cash equivalents	75 786	38 957	30 302	12 308	9 264	2 718	169 335
Investments	29 500	26 632	129 969	92 873	24 279	-	303 253
Accounts receivable	29 612	1 475	11 157	24	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	36 666	1	-	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	208 900	105 206	39 290	3 384	656 612
Liabilities							
Accounts payable	7 769	2 696	3 116	13	3 097	9	16 700
Deferred revenue	48 974	3 563	35 336	20 000	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	42 931	20 013	7 295	9	342 487
Net assets	(36 755)	64 348	165 969	85 193	31 995	3 375	314 125
Equity							
Fund balances	(64 934)	42 363	156 702	85 182	24 677	3 348	247 338
Reserves	28 179	21 985	9 267	11	7 318	27	66 787
Total equity	(36 755)	64 348	165 969	85 193	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

STATEMENT VIIIb: STATEMENT OF SEGMENT REPORTING BY FUND - FINANCIAL PERFORMANCE
For the year ended 31 December 2013
(expressed in euro'000s)

	Regular Budget Fund and Working Capital Fund	Technical Cooperation Fund	Extrabudgetary Programme Fund	Low Enriched Uranium Bank	Technical Cooperation Extrabudgetary Fund	Trust Funds, Reserve Funds and Special Funds	Elimination a/	Total
Revenue								
Assessed contributions	327 374	-	-	-	-	-	-	327 374
Voluntary monetary contributions	-	63 956	82 938	7 561	10 344	-	-	164 799
Voluntary in-kind contributions	1 518	-	44	-	-	-	-	1 562
Other contributions	953	90	-	-	-	-	-	1 043
Revenue from exchange transactions	3 055	-	-	-	36	-	-	3 091
Interest revenue	208	153	208	168	15	-	-	752
Internal revenue including programme support costs	1 047	-	4 116	-	-	321	(5 484)	-
Net gains/(losses)	(53)	(2 261)	(2 654)	(3 534)	704	1	-	(7 797)
Total revenue	334 102	61 938	84 652	4 195	11 099	322	(5 484)	490 824
Expenses								
Staff costs	227 017	17	24 240	1 010	37	-	-	252 321
Consultants, experts	7 872	6 145	3 895	94	1 590	4	-	19 600
Travel	18 812	17 942	10 920	251	2 891	10	-	50 826
Transfers to development counterparts	7 014	22 965	2 399	-	5 651	246	-	38 275
Buildings management and security services	24 294	7	6	-	-	57	-	24 364
Training	2 450	12 058	4 419	1	2 084	-	-	21 012
Depreciation and amortization	11 780	5	2 304	-	-	255	-	14 344
Other operating expenses	31 161	1 736	7 454	63	943	311	(5 484)	36 184
Total expenses	330 400	60 875	55 637	1 419	13 196	883	(5 484)	456 926
Share of surplus/(deficit) in common services entities:	462	-	-	-	-	-	-	462
Net surplus/(deficit)	4 164	1 063	29 015	2 776	(2 097)	(561)	-	34 360

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 VIIIb: 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	Extrabudgetary Programme Fund	Low Enriched Uranium Bank	Technical Cooperation Extrabudgetary Fund	Trust Funds, Reserve Funds and Special Funds	Elimination a/	Total
Revenue								
Assessed contributions	323 409	-	-	-	-	-	-	323 409
Voluntary monetary contributions	-	58 936	85 492	99	12 705	-	-	157 232
Voluntary in-kind contributions	1 497	-	105	-	-	-	-	1 602
Other contributions	287	3 296	-	-	-	-	-	3 583
Revenue from exchange transactions	2 967	7	-	-	-	21	-	2 995
Interest revenue	230	91	216	136	22	-	-	695
Internal revenue including programme support costs	1 094	-	4 568	-	-	349	(6 011)	-
Net gains/(losses)	(584)	(1 262)	(941)	(2 213)	(557)	(1)	-	(5 558)
Total revenue	328 900	61 068	89 440	(1 978)	12 170	369	(6 011)	483 958
Expenses								
Staff costs	223 434	1	21 183	1 206	1	-	-	245 825
Consultants, experts	8 235	5 027	3 524	18	1 038	-	-	17 842
Travel	18 520	17 247	10 830	185	2 337	-	-	49 119
Transfers to development counterparts	8 003	20 211	3 557	-	8 418	540	-	40 729
Buildings management and security services	22 367	2	1	-	1	-	-	22 371
Training	2 770	12 398	3 732	8	1 403	-	-	20 311
Depreciation and amortization	9 572	2	1 836	-	-	191	-	11 601
Other operating expenses	29 659	2 129	11 497	38	1 057	17	(6 011)	38 386
Total expenses	322 560	57 017	56 160	1 455	14 255	748	(6 011)	446 184
Share of surplus/(deficit) in common services entities	22	-	-	-	-	-	-	22
Net surplus/(deficit)	6 362	4 051	33 280	(3 433)	(2 085)	(379)	-	37 796

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

PART III

Notes to the Financial Statements

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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 founded in 1957 in accordance with a decision of the General Assembly of the United Nations. The IAEA is a 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.

2. The Agency's statutory objective is to seek to accelerate and enlarge the contribution of atomic energy to peace, health and prosperity throughout the world and to ensure, so far as it is able, that assistance provided by it or at its request or under its supervision or control is not used in such a way as to further any military purpose. To fulfil this statutory objective, the Medium Term Strategy for 2012-2017 sets out the following six strategic objectives:

- Facilitating access to nuclear power;
- Strengthening promotion of nuclear science, technology and applications;
- Improving nuclear safety and security;
- Providing effective technical cooperation;
- Strengthening the effectiveness and improving the efficiency of the Agency's safeguards and other verification activities; and
- Providing efficient, innovative management and strategic planning.

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.

Accounting convention

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

Presentation

6. Certain prior-year amounts have been reclassified to conform to the current year's presentation. These include:

- Deposits received amounting to €0.304 million, which were included in current other financial liabilities in 2012, have been reclassified to non-current other financial liabilities.
- Refunds of prior year contributions amounting to €1.584 million, which were netted off in revenue in 2012, have been reclassified to equity.

- Imputed lease rent amounting to €1.483 million, which was included in buildings management expenses in 2012, has been reclassified to other operating expenses.
- Cleaning services amounting to €1.281 million, which were included in other operating expenses in 2012, have been reclassified to buildings management expenses.
- Field procurement transportation services amounting to €0.649 million, which were included in other operating expenses in 2012, have been reclassified to transfers to development counterparts.

Functional currency and translation of foreign currencies

Functional and presentation currency

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

Transactions and balances

8. Foreign currency transactions are translated into euros using the United Nations Operational Rates of Exchange (UNORE), which approximate the exchange rates prevailing on 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.

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

10. 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

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

12. 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

13. 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

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

15. 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 method. As term deposits are purchased at face value, no discount amortization is required.

16. The treasury bills and other discounted notes are 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.

Accounts receivable

17. Receivables are recognized at their nominal value unless the effect of discounting them to their net present value is material.

18. 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

19. Advances and prepayments are recognized at their nominal value unless the effect of discounting is material.

Inventories

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

21. 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.

22. 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.

23. 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.

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

Inventory item	Valuation method	Cost formula
<i>Project inventories in transit to counterparts</i>	Lower of cost or current replacement cost	Specific identification method
<i>Safeguards spare parts and maintenance materials</i>	Lower of cost or net realizable value	Weighted average cost
<i>Printing supplies</i>	Lower of cost or net realizable value	Weighted average cost

25. The Agency manages its Safeguards spare parts and maintenance materials inventory primarily in a centralized fashion. Inventories managed in central locations with a cost of €0.100 million or greater are capitalized. Currently, such inventories are comprised of batteries and cables. Other minor inventory items centrally managed or held in decentralized locations are not capitalized due to the immateriality of such balances.

26. 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.

27. 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.

Investments in associates and interests in joint ventures

Associates

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

29. The Abdus Salam International Centre for Theoretical Physics at Trieste (ICTP) was established jointly by the 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

30. 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.

31. 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 (VIC) premises and related common services activities. The Agency has classified the premises and activities as follows:

Joint venture activity	Classification
VIC premises, including any additions to the premises arising from Buildings Management Services (BMS), 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).
BMS	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.

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

Property, plant and equipment

Measurement of costs at recognition

33. Property, plant and equipment (PP&E) items are stated at historical cost less accumulated depreciation and any recognized impairment loss. For donated assets, the 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 available for use. Heritage assets are not capitalized. PP&E items are capitalized in the financial statements if they have a cost equal to or greater than €3 000, except specific PP&E items of computer equipment and furniture which are considered group items and capitalized irrespective of costs.

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. 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

35. 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

36. Intangible assets are carried at cost less accumulated amortization and any recognized impairment loss. For donated intangible assets, the 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 available for use. Intangible assets are capitalized in the financial statements if they have a cost equal to or greater than €3 000, except for internally developed software for which the capitalization threshold has been set at €25 000.

37. 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 method and useful life

38. 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 useful lives. The estimated useful lives of major classes of intangible assets are as follows and are subject to annual review:

Asset Class	Useful Life (Years)
Software acquired separately	5
Software internally developed	5

Verification and impairment of assets

39. 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 to ensure that assets are accurately recorded in the asset register and reflected in the financial statements.

40. 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

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

Operating leases

42. 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.

Liabilities

Accounts payable

43. 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 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

44. 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

45. 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

46. 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). 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

47. 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 plans 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 plans.

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

Other long-term employee benefits

49. Other long-term employee benefits are benefits that are payable beyond 12 months such as annual leave and home leave. Annual leave benefits are calculated on the same actuarial basis as other post-employment benefit plans, 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.

Termination benefits

50. Termination benefits are the benefits payable if the Agency terminates employment before the retirement date/contract expiry date. These are recognized when the IAEA gives notice to an employee that the contract will be terminated early, or if termination is across a number of staff, when a detailed plan for termination exists.

United Nations Joint Staff Pension Fund

51. The Agency is a member organization participating 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 employees. 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 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.

52. The plan exposes participating organizations to actuarial risks associated with the current and former employees 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.

Provisions

53. 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

54. 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

55. 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

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

Voluntary contributions

57. 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 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.

58. 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.

59. 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.

60. During 2013, the Agency changed its accounting policy with respect to refunds of voluntary contributions for which revenue was recognized in prior years. Beginning in 2013, all such refunds are recorded as direct adjustments to equity, rather than as reductions in revenue. As a result of this change in accounting policy, 2012 amounts have been restated with a resulting increase in revenue from voluntary contributions and a direct adjustment to equity of €1.584 million.

National Participation Costs

61. National Participation Costs (NPCs) represent contributions from Member States related to the approved technical cooperation national programme for each Member State. As NPCs comprise only 5% of the approved technical cooperation national programme (including national projects, fellows and scientific visitors funded under regional or interregional activities), such contributions are considered non-exchange revenue. Revenue from NPCs is recognized when the projects comprising the technical cooperation national programme have been approved by the Technical Assistance and Cooperation Committee of the Board of Governors (TACC) and the amounts become due to the Agency, which is generally on 1 January following the TACC meeting in the preceding year. Since a majority of the projects are approved as of the first year of a biennium, NPC revenue will generally be higher in that year compared to the second year of the biennium.

Goods and services in-kind contributions

Goods-in-kind

62. 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.

63. 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

64. Services that are donated to the Agency are not recognized as revenue although disclosures related to the nature and types of these services are provided.

Exchange revenue

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

66. 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

67. Interest revenue is recognized over the period that it is earned. Interest on treasury bills and other discounted notes is recognized using the effective interest method.

Expenses

Exchange expenses

68. 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

69. 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.

70. 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 instalment is paid, the final instalment is recognized as an expense upon certification of fulfilment of performance criteria.

71. 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.

Apportionment of common costs

72. Common costs incurred centrally by the Agency are apportioned to each of the Agency's segments (i.e. each Major Programme) in a systematic and rational manner to ensure that i) segment reporting is accurate (i.e. costs are shared by Major Programmes appropriately); ii) presentation of expenditures is made based on the nature of expense; and iii) inter-segment transactions are eliminated from the consolidated financial statements.

Fund accounting and segment reporting

73. 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.

74. 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

75. 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 scientific and technical support, services and advice for reliable and safe operation of existing power and research reactors and fuel cycle facilities; expanded use of nuclear power, particularly for countries currently without nuclear power or with only small programmes; development of advanced and innovative reactors and their fuel cycles, including through the International Project on Innovative Nuclear Reactors and Fuel Cycles (INPRO); capacity building for energy analysis and planning; objective consideration of the role of nuclear power for sustainable development; and development of nuclear science, nuclear knowledge management, and nuclear information and communication.

(2) *Nuclear Techniques for Development and Environmental Protection* - Major Programme 2 provides Member States with science based advice, education and training materials, standards and reference materials, and technical documents, building on a core foundation of adaptive and applied research and development. The overall objectives of this major programme continue to support the peaceful uses of nuclear science and technologies.

(3) *Nuclear Safety and Security* - Major Programme 3 establishes and continuously improves Agency nuclear safety standards and security guidance. The Agency provides for application of these standards and guidance to its own operations, and assists, upon request, Member States in implementing them in their own activities. The Agency promotes international instruments related to nuclear safety and security. This major programme also helps coordinate 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, 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 verification, information analysis and evaluation activities, and provides safeguards instrumentation as well as analytical services required for implementing safeguards. These activities enable the Agency to establish information upon which safeguards conclusions can be drawn. In addition, the Agency supports the efforts of the international community with other verification tasks.

(5) *Policy, Management and Administration Services* – Under the leadership, direction and authority of the Director General, Major Programme 5 seeks to achieve the goals and objectives of its Member States. This requires effective coordination to ensure a one-house approach, particularly with respect to:

- Overall policies;
- Interactions with Member States;
- Policy and strategy planning, including risk management, in line with the Medium Term Strategy;
- The setting of priorities;
- The development and implementation of programmes;
- The evaluation and assessment of performance; and
- Management of the exchange of information within the Secretariat, between the Secretariat and Member States, and for the benefit of the media and the general public.

(6) *Management of Technical Cooperation for Development* – Major Programme 6 encompasses the development, implementation and management of the Technical Cooperation projects in the framework of biannual Technical Cooperation programmes. The Technical Cooperation Programme consists of national, regional and interregional projects funded from the Technical Cooperation Fund (TCF) and extrabudgetary contributions.

76. For purposes of segmental disclosure, Major Programme 5 and Major Programme 6 are shown as a single segment – Policy, Management and Administration.

Fund Groups

77. Agency activities across these six major programmes are financed through six 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 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 is financed from assessed contributions and miscellaneous income. The Working Capital Fund, which serves to finance appropriations pending the receipt of assessed 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 IIIa (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.

(4) *Fund Group IIIb (General Fund – Low Enriched Uranium Extrabudgetary Programme Fund)* is a financing mechanism to enable donor countries and international organizations to make voluntary contributions specific to the activities of the LEU Bank.

(5) *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.

(6) *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 IIIa, IIIb, 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 and 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 Flow.

NOTE 4: Cash and cash equivalents

	(expressed in euro'000)	
	31-12-2013	31-12-2012
Cash in current accounts at bank and on hand	19 101	10 889
Cash in call accounts	36 224	43 630
Term deposits with original maturities of 3 months or less	26 000	114 816
Treasury bills with original maturities of 3 months or less	9 996	-
Total cash and cash equivalents	91 321	169 335

81. The decrease of €78.014 million (46.1%) in the total cash and cash equivalents is due to a shift towards term deposits and other investments with original maturities between 3 and 12 months (refer to Note 5). This shift was mainly driven by the continued very low interest rates on term deposits with original maturities of less than 3 months. Despite this shift, the weighted average period to maturity of the total cash and cash equivalents and investments holdings of the Agency remained under 3 months as per Note 38.

82. Some cash is held in currencies which are either legally restricted or not readily convertible to euros. At 31 December 2013, the euro equivalent of these currencies was €1.006 million (€1.324 million at 31 December 2012), based on the respective United Nations operational rates of exchange.

NOTE 5: Investments

	(expressed in euro'000)	
	31-12-2013	31-12-2012
Term deposits with original maturities between 3 and 12 months	290 794	245 572
Treasury bills with original maturities between 3 and 12 months	65 854	57 681
Other discounted notes	18 123	-
Total investments	374 771	303 253

83. The increase of €71.518 million (23.6%) in investments is the result of a shift from investments in instruments with original maturities of 3 months or less (reported in cash and cash equivalents in Note 4 above) towards investments in instruments with original maturities between 3 and 12 months.

NOTE 6: Accounts receivable from non-exchange transactions

	(expressed in euro'000)	
	31-12-2013	31-12-2012
Assessed contributions receivable		
Regular Budget	36 599	25 761
Working Capital Fund	13	30
Allowance for doubtful accounts	(2 985)	(4 705)
Net assessed contributions receivable	33 627	21 086
Voluntary contributions receivable		
Extrabudgetary	14 213	14 502
Technical Cooperation Fund	730	682
Allowance for doubtful accounts	(164)	(22)
Net voluntary contributions receivable	14 779	15 162
Other receivables		
Assessed programme costs	842	1 187
National participation costs	366	716
Safeguards agreements receivable	366	110
Allowance for doubtful accounts	(842)	(1 187)
Net other receivables	732	826
Total net accounts receivable from non-exchange transactions	49 138	37 074
Composition of accounts receivable from non-exchange transactions		
Current	48 674	36 462
Non-current	464	612
Total net accounts receivable from non-exchange transactions	49 138	37 074

84. The assessed contributions receivable for the Regular Budget increased during the year by €10.838 million to €36.599 million, primarily due to a substantial increase in outstanding balances from one Member State.

85. Non-current receivables comprise the non-current portion (i.e. receivable after 31 December 2014) of assessed contribution receivables for which a payment plan has been agreed.

NOTE 7: Non-exchange receivables information

Allowance for doubtful debts

(expressed in euro'000s)

	2013					2012				
	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										
<i><u>Assessed contributions receivable</u></i>										
Regular Budget	4 705	-	(1 348)	(372)	2 985	4 608	97	-	-	4 705
<i>Related to assessed contributions receivable</i>	4 705	-	(1 348)	(372)	2 985	4 608	97	-	-	4 705
<i><u>Voluntary contributions receivable</u></i>										
Technical Cooperation Fund	22	-	-	-	22	646	22	(646)	-	22
Extrabudgetary	-	142	-	-	142	-	-	-	-	-
<i>Related to voluntary contributions receivable</i>	22	142	-	-	164	646	22	(646)	-	22
<i><u>Other receivables</u></i>										
Assessed programme costs	1 187	-	(289)	(56)	842	1 394	-	-	(207)	1 187
<i>Related to other receivables</i>	1 187	-	(289)	(56)	842	1 394	-	-	(207)	1 187
Total related to receivables from non-exchange transactions	5 914	142	(1 637)	(428)	3 991	6 648	119	(646)	(207)	5 914

Aging of receivables

		(expressed in euro'000s)									
		As at 31 December 2013					As at 31 December 2012				
		Carrying amount	< 1 year	Outstanding for 1-3 years	3-5 years	> 5 years	Carrying amount	< 1 year	Outstanding for 1-3 years	3-5 years	> 5 years
Receivables from non-exchange transactions											
<u>Assessed contributions receivable</u>											
Regular Budget		36 599	27 501	6 016	430	2 652	25 761	17 326	3 012	459	4 964
Working Capital Fund		13	1	10	2	-	30	8	22	-	-
<i>Total assessed contributions receivable</i>		36 612	27 502	6 026	432	2 652	25 791	17 334	3 034	459	4 964
<u>Voluntary contributions receivable</u>											
Extrabudgetary		14 213	9 978	4 235	-	-	14 502	14 299	203	-	-
Technical Cooperation Fund		730	603	99	7	21	682	625	28	1	28
<i>Total voluntary contributions receivable</i>		14 943	10 581	4 334	7	21	15 184	14 924	231	1	28
<u>Other receivables</u>											
Assessed programme costs		842	-	-	-	842	1 187	-	-	-	1 187
National participation costs		366	26	177	103	60	716	479	28	160	49
Safeguards agreements contributions		366	366	-	-	-	110	110	-	-	-
<i>Total other receivables</i>		1 574	392	177	103	902	2 013	589	28	160	1 236
Total receivables from non-exchange transactions		53 129	38 475	10 537	542	3 575	42 988	32 847	3 293	620	6 228

Management of credit risk relating to non-exchange receivables

86. 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.

87. To facilitate the payment of arrears of assessed contributions, payment plans are available whereby arrears are consolidated and made payable in annual instalments over a period of up to 10 years. As long as the Member State with payment plans pays the annual instalment 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 2013, the carrying value of receivables that would otherwise be past due the terms of which have been renegotiated is €0.612 million (€0.677 million as at 31 December 2012).

NOTE 8: Accounts receivable from exchange transactions

	(expressed in euro'000)	
	31-12-2013	31-12-2012
Accounts receivable - VAT refunds	1 905	3 964
Accounts receivable - income tax refunds	3 575	3 837
Accounts receivable - others	1 022	1 120
Allowance for doubtful accounts	(89)	(283)
Total net accounts receivable from exchange transactions	6 413	8 638
Composition of accounts receivable from exchange transactions		
Current	6 413	8 638
Non-current	-	-
Total net accounts receivable from exchange transactions	6 413	8 638

88. The allowance for doubtful debts showed the following movements during 2013 and 2012:

	(expressed in euro'000)	
	2013	2012
Opening balance as on 1 January	283	264
Doubtful debt expense during the year	88	19
Amounts written off as uncollectible	(17)	-
Doubtful debt expense reversed	(265)	-
Closing balance as on 31 January	89	283

89. The aging of the accounts receivable from exchange transactions was as follows:

	(expressed in euro'000)	
	31-12-2013	31-12-2012
Outstanding for:		
Less than 1 year	4 288	6 148
1 - 3 years	1 086	2 358
3 - 5 years	1 039	160
More than 5 years	89	255
Gross carrying value	6 502	8 921

NOTE 9: Advances and prepayments

	(expressed in euro'000s)	
	31-12-2013	31-12-2012
Vienna International Centre common services	27 396	27 611
Other international organizations	2 311	1 181
Staff	6 376	6 182
Health insurance premium reserve account	2 289	2 557
Commissary	809	809
Travel	35	163
Other	2 342	2 334
Total advances and prepayments	41 558	40 837
Advances and prepayments composition		
Current	12 940	12 196
Non-current	28 618	28 641
Total advances and prepayments	41 558	40 837

90. The VIC based organizations (VBOs) have an agreement whereby the costs of the VIC common services rendered by each organization, such as BMS, 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. The cost-sharing ratio for the Agency for 2013 has not yet been finalized and, hence, the cost-sharing ratio for 2012 (53.868%) has been used for the calculations.

91. 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.

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

93. 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 22) and 50% by staff (presented as a liability in Note 16).

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

NOTE 10: Inventory

	(expressed in euro'000s)	
	31-12-2013	31-12-2012
Project inventories in-transit to counterparts	6 799	4 494
Safeguards spare parts and maintenance materials	457	488
Printing supplies	57	82
Total inventory	7 313	5 064

95. 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 Technical Cooperation 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.

96. Reference materials are not recognized as assets and the costs of producing each type of reference material are expensed as incurred. This is due to the fact that 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 in view of an indeterminable remaining holding period and the related risks of obsolescence. The amount of labour and allocated overheads incurred by the Agency's laboratories for the production of reference materials during 2013 was approximately €0.114 million (€0.168 million in 2012).

97. Inventories as on 31 December 2013 included donated inventories of €0.074 million which are carried at their fair value less costs to sell.

98. Total inventory expense for 2013 and 2012 was as follows:

	(expressed in euro'000s)	
	31-12-2013	31-12-2012
Project inventories in-transit to counterparts	28 558	30 243
Safeguards spare parts and maintenance materials	55	68
Printing supplies	81	82
Total inventory expense	28 694	30 393

99. Expense related to project inventories in-transit to counterparts is included in Transfers to development counterparts in the Statement of Financial Performance (refer to Note 30) and expenses related to printing supplies and Safeguards spare parts and maintenance materials is

included in Other operating expenses in the Statement of Financial Performance (refer to Note 33).

100. No material impairment for inventory was recorded in 2013 or 2012.

NOTE 11: Investment in common services entities

	(expressed in euro'000s)	
	31-12-2013	31-12-2012
Investment in Commissary	3 788	3 357
Investment in Catering Services	612	581
Total investment in common services entities	4 400	3 938

The VIC Commissary

101. The VIC Commissary is an entity that is jointly controlled by the IAEA and other 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.

102. 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 2013, using the equity method, in the BMS cost-sharing ratio for 2012, i.e. at 53.868%, as the cost-sharing ratio for 2013 has not yet been finalized.

103. 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- 2013 (provisional)	31-12-2012 (final)
Revenue	29 764	29 470*
Expense	29 333	29 413*
Net surplus/(deficit)	431	57
Assets current	15 746	16 405
Assets non-current	729	477
Liabilities current	1 420	2 685
Liabilities non-current	8 024	7 966
Equity	7 031	6 231

*These amounts are slightly different from the amounts disclosed in the Agency's Financial Statements for 2012, as the Commissary's accounts were finalized after the Agency's Financial Statements for 2012 were issued.

Catering Service

104. 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.

105. 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.

106. 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:

Catering Services Summary Financial Information	(expressed in euro'000s)	
	31-12- 2013 (provisional)	31-12-2012 (final)
Revenue	6 691	6 482
Expense	6 806	6 377*
Net surplus/(deficit)	(115)	105*
Assets current	2 217	2 112*
Assets non-current	307	388
Liabilities current	1 387	1 249*
Equity	1 137	1 251*

*These amounts are slightly different from the amounts disclosed in the Agency's Financial Statements for 2012, as the Catering Service's accounts were finalized after the Agency's Financial Statements for 2012 were issued.

Abdus Salam International Centre for Theoretical Physics at Trieste

107. The ICTP at Trieste 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.

108. Summary financial information of the ICTP is provided below:

ICTP Summary Financial Information	(expressed in euro'000s)	
	31-12- 2013 (provisional)	31-12-2012 (final)
Revenue	27 998	27 645
Expense	30 873	28 911
Net surplus/(deficit)	(2 875)	(1 266)
Assets current	11 572	13 868
Assets non-current	1 009	1 235
Liabilities current	4 913	4 601
Liabilities non-current	15 796	7 898
Equity	(8 128)	2 604

109. The Agency provided funding to ICTP of €2.368 million in 2013 and €2.373 million in 2012. 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 12: Property, Plant and Equipment

	(expressed in euro '000s)								
	Buildings and Leasehold Improvements	Furniture and Fixtures	Communications and Information Technology Equipment	Inspection Equipment	Laboratory Equipment	Vehicles	Other Equipment	Assets under Construction	Total Property, Plant and Equipment
Cost at 1 January 2013	25 437	2 694	29 851	66 797	29 984	1 043	2 951	27 780	186 537
Additions	17 058	478	3 053	619	1 591	286	251	4 831	28 167
Disposals	-	-	(3 296)	(1 624)	(940)	(215)	(67)	-	(6 142)
Assets under construction capitalized	23 326	-	1 304	2 621	1 542	-	52	(28 845)	-
Cost at 31 December 2013	65 821	3 172	30 912	68 413	32 177	1 114	3 187	3 766	208 562
Accumulated depreciation at 1 January 2013	9 110	1 756	21 320	56 259	22 494	728	1 398	-	113 065
Depreciation	711	227	3 814	3 863	2 534	108	497	-	11 754
Disposals	-	-	(3 296)	(1 624)	(940)	(150)	(67)	-	(6 077)
Accumulated depreciation at 31 December 2013	9 821	1 983	21 838	58 498	24 088	686	1 828	-	118 742
Accumulated impairment at 1 January 2013	-	-	-	-	-	-	-	-	-
Impairment	26	-	1	-	-	-	-	-	27
Accumulated impairment at 31 December 2013	26	-	1	-	-	-	-	-	27
Net carrying amount at 31 December 2013	55 974	1 189	9 073	9 915	8 089	428	1 359	3 766	89 793

2012

(expressed in euro '000s)

	Buildings and Leasehold Improvements	Furniture and Fixtures	Communications and 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 at 31 December 2012	9 110	1 756	21 320	56 259	22 494	728	1 398	-	113 065
Net carrying amount at 31 December 2012	16 327	938	8 531	10 538	7 490	315	1 553	27 780	73 472

110. The PP&E projects with a value greater than €0.500 million, their values and their completion status on 31 December 2013 are as follows:

- *Nuclear Material Laboratory (NML) (€41.034 million)* – (Complete (€40.208 million) and construction in progress – CIP (€0.826 million)): It is a project to construct a 9 550 square metre building housing 4 500 square metres of new sample and analysis laboratory as well as new fissile material storage capability, laboratory support areas and office space. The building was commissioned and made available for use in July 2013, and accordingly it was capitalized at that date. At the time of commissioning, not all components of the building had been completed; therefore, a number of additional components of the building were capitalized upon their completion. As of 31 December 2013, the €0.826 million related to components of the building not yet completed remained as CIP. Out of the total capitalized cost of €40.208 million, €33.578 million related to the NML building while the remaining €6.630 million related to infrastructure and security. The total cost of NML as of 31 December 2012 was €24.770 million, all of which was recognized as CIP at that date.

The total capitalized cost of the NML includes a €1.387 million provision for decommissioning costs. This provision is based upon the present value of estimated costs that are expected to be incurred at the end of the useful life of the NML.

- *JMOX (€0.869 million)* – (CIP): This is a project to develop an integrated Safeguards approach for a large mixed oxide fuel fabrication plant in Japan. No development activity took place on this project in 2013 due to uncertainty of the future of the Japanese nuclear energy programme. Further action on this project will be taken once the decision on continuing the construction and commissioning of the facility is confirmed (€0.869 million CIP in 2012).

111. The 2013 increase in the net carrying amount of PP&E is primarily attributable to the costs incurred for the construction of the NML at Seibersdorf which started in 2011, as discussed above.

112. The above 2013 and 2012 PP&E tables do not include the cost of the VIC premises for which the IAEA has availed of transitional provisions under IPSAS 17. The Agency 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 is €167.899 million based on the 2012 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 is €0.750 million). Since the initial adoption of IPSAS, the IAEA has spent amounts on improvements and additions to the VIC premises. The IAEA has availed of the transitional provisions under IPSAS 17 for these amounts as the improvements and additions are integral to the VIC. Therefore, all such amounts have been expensed as incurred. Upon capitalization of the VIC buildings, these amounts will also be capitalized.

113. In 2013, impairments of some components of the Seibersdorf building, and Communications and IT Equipment due to damage, obsolescence or loss were recognized amounting to €0.027 million. There were no material impairments related to PP&E in 2012.

114. As at 31 December 2013, the gross value of fully depreciated PP&E items, which were still in use, amounted to €87.644 million (€84.866 million as at 31 December 2012).

NOTE 13: Intangible assets

2013

	(expressed in euro '000s)			
	Computer Software Purchased	Computer Software Internally Developed	Intangible Assets Under Development	Total Intangible Assets
Cost at 1 January 2013	2 042	4 036	9 841	15 919
Additions	1 483	1 196	9 581	12 260
Assets under construction capitalized	590	6 918	(7 508)	-
Cost at 31 December 2013	4 115	12 150	11 914	28 179
Accumulated amortization at 1 January 2013	416	502	-	918
Additions	-	5	-	5
Amortization	671	1 919	-	2 590
Accumulated amortization at 31 December 2013	1 087	2 426	-	3 513
Net carrying amount at 31 December 2013	3 028	9 724	11 914	24 666

2012

	(expressed in euro '000s)			
	Computer Software Purchased	Computer Software Internally Developed	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 at 31 December 2012	416	502	-	918
Net carrying amount at 31 December 2012	1 626	3 534	9 841	15 001

115. Projects with a value greater than €0.500 million, their values and their completion status on 31 December 2013 are as follows:

- *State Supplied Data Handling (SSDH) – Phase B (€2.668 million) – (CIP)*: SSDH implements software solutions to process the Treaty on the Non-Proliferation of Nuclear Weapons (NPT), non-NPT and other voluntarily reported data supplied by Member States (€0.958 million and €0.170 million CIP in 2012 for SSDH Phase B and SSDH Reporting Database Implementation, respectively, merged into a single project in 2013).
- *Geospatial Exploitation System (GES) (€2.303 million) – (Complete)*: The GES provides a gateway to critical information for the Safeguards programme. Through an interactive 3-D earth experience, users have access to site information from a global perspective. The GES was designed to provide a capability to efficiently and effectively manage the complete image analysis cycle from initial task requests for analysis through digital report dissemination. Through GES, it is possible to search and view satellite imagery archives, geographic information system (GIS) data such as imagery, building footprints and non-spatial information such as open source reports and multimedia data (€2.302 million CIP in 2012).
- *Field Activity Reporting (FAR) (€2.235 million) – (CIP)*: FAR deals with the reporting on the verification activities conducted during inspections and complementary access. FAR is composed of the Computerized Inspection Reporting System (CIRS), Containment Data Management System (CDMS), data exchange to and from Material Balance Evaluation System (MBES), and data exchange to and from Destructive Analysis Samples Status Tracking (DASST) system. The development activities carried out thus far were dedicated to CIRS and CDMS (€0.092 million and €0.193 million CIP in 2012 for CIRS and CDMS, respectively, merged into a single project in 2013).
- *Safeguard Master Data (SGMD) (€1.848 million) – (CIP)*: The purpose of SGMD is to manage core data for Safeguards which is essential to ensure the quality of State supplied data and inspection data. It is necessary for proper managing, planning and statistical purposes. It will be the central repository for authority 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 (€1.015 million CIP in 2012).
- *The Agency-wide Information System for Programme Support (AIPS) Plateau 2 Contacts Management (€1.790 million) – (Complete)*: Plateau 2 of AIPS was 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 completed in August 2012. With the second domain, the Agency has consolidated contacts data across several systems and introduced centralized master data management. This domain was completed in July 2013. Related software purchases were recorded as separate assets including the €0.126 million reported in 2012. AIPS Plateau 2 Contacts Management was recorded as CIP, amounting to €1.448 million in 2012.
- *AIPS Plateau 3 Implementation (€1.439 million) – (CIP)*: The third stage of the AIPS project covering Human Resources and Payroll, jointly known as "human capital management" or HCM, began in 2013. The Plateau 3 vision is for systems and processes that will help the Agency transfer effort away from work of a processing and control nature towards activities providing substantive programmatic benefits. The benefits include fully electronic Human Resources processes, eliminating paper-based systems, and full automation of payroll processes, making them less labour-intensive and more secure.

- *Comprehensive Task Scheduling & Tracking (CTST) (€1.112 million) – (Complete):* The CTST project is delivering a complete integrated system allowing the Department of Safeguards to: plan and schedule verification activities and evaluation activities; track issues, actions, tasks and decisions; track physical and/or electronic documents; and track inspection packages. The project was completed in May 2013 (€0.901 million CIP in 2012).
- *Electronic State File (€0.899 million) – (CIP):* The State File aligns with the overall goal of reaching a secure, integrated and collaborative environment for the Department of Safeguards and aims to provide the department with an integrated view of all information related to a State. Additionally, it will allow views of information across States and enable the provision of Safeguards information to Agency stakeholders outside the Department of Safeguards (€0.352 million CIP in 2012).

116. In 2013, internally developed software activities continued within the Agency at comparable levels to 2012. These asset values will continue to increase until development of these software projects are completed and put in service. The 2013 increase in total intangible assets is mostly attributable to these projects, amounting to €9.596 million. Once in service, the impact of amortization will reduce the growth of intangible asset values.

117. 25 new projects were initiated in 2013 with aggregate costs amounting to €3.331 million (18 projects amounting to €1.483 million in 2012). Of these 25 projects, 12 with aggregate costs in 2013 of €1.068 million were completed while the other 13 remain as CIP. Out of the 33 internal development projects outstanding in 2012, 10 of these remain as CIP resulting in a total of 23 projects that will continue in 2014 and are recognized as CIP software as of 31 December 2013.

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 1 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.

NOTE 14: Accounts payable

	(expressed in euro'000s)	
	31-12-2013	31-12-2012
Accruals	8 489	14 183
Staff	40	524
Other payables	738	1 993
Total accounts payables	9 267	16 700

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

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

NOTE 15: Deferred revenue

	(expressed in euro'000s)	
	31-12-2013	31-12-2012
Contributions received in advance	53 419	64 582
Extrabudgetary contributions transferred subject to conditions	55 494	42 615
Other	27	4 874
Total deferred revenue	108 940	112 071
Deferred revenue composition		
Current	53 446	69 456
Non-current	55 494	42 615
Total deferred revenue	108 940	112 071

121. Contributions received in advance primarily include Regular Budget assessed contributions received in advance, as well as extrabudgetary contributions received from Member States that have not been formally accepted by the Agency. The decrease in 2013 was primarily due to the fact that a major donor had made advance payments in 2012 for its 2013 assessed contributions, but did not make advance payments in 2013 for its 2014 assessed contributions. This decrease was partially offset by extrabudgetary contributions made by two major donors to the Peaceful Uses Initiative that had not been formally accepted by the Agency as on 31 December 2013.

122. 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 2013, contributions received subject to conditions increased by €12.879 million, out of which approximately 96% 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.

123. The line item 'Other' in 2012 consisted primarily of funds received in advance to fund cost-free experts (CFEs) from a donor. These were accepted in 2013 and accordingly recognized as revenue.

NOTE 16: Employee benefit liabilities

	(expressed in euro'000s)	
	31-12-2013	31-12-2012
After service health insurance	133 111	135 537
Post-employment repatriation and separation entitlements	51 746	54 098
Annual leave	18 374	18 561
Health insurance premium reserve account - staff contributions	1 144	1 279
Accrued salaries	191	200
Other staff costs	2 455	2 327
Total staff related liabilities	207 021	212 002
Composition of employee benefit liabilities		
Current	14 235	16 499
Non-current	192 786	195 503
Total employee benefit liabilities	207 021	212 002

124. Liabilities for ASHI, post-employment repatriation and separation entitlements, and annual leave have been recognized on the basis of actuarial valuation. These liabilities have decreased during the year, primarily due to changes in the actuarial assumptions (more details are provided in Note 17).

125. Liabilities for other staff costs as on 31 December 2013 consisted of primarily home leave accruals €1.379 million (€0.981 million as on 31 December 2012) and accruals for compensatory time-off €0.680 million (€ 0.744 million as on 31 December 2012).

NOTE 17: Post-employment related plans

126. Post-employment related benefits include 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.

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

128. 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 an end of service allowance that certain general service staff members are entitled to, and which are based on length of service.

Actuarial valuations

129. 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 2013:

Assumptions for ASHI

Parameter	31 December 2013	31 December 2012
Discount rate	3.55% – Market yields on 20-year tenure high quality euro corporate bonds on the reporting date	2.85% – 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% – 3.90% (range for the various plans)	3.00% – 3.50% (range for the various plans)

Assumptions for other post-employment repatriation and settlement entitlements

Parameter	31 December 2013	31 December 2012
Discount rate	2.35% – Market yields on 8-year tenure high quality euro corporate bonds on the reporting date	1.85% – Market yields on 8-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	-1.00%	-3.00%

130. 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)	
	31-12-2013	31-12-2012
Movement in defined benefit obligation comprises:		
Opening defined benefit obligation	135 537	111 182
Current service cost	7 802	6 084
Interest cost	3 825	4 618
Contributions from plan participants	2 462	2 786
Actuarial losses/(gains) recognized in net assets	(11 443)	16 051
Benefits paid	(5 072)	(5 184)
Closing defined benefit obligation	133 111	135 537
Present value of funded obligations	-	-
Fair value of plan assets	-	-
Present value of unfunded obligations	133 111	135 537
Unrecognized actuarial gains/(losses)	-	-
Unrecognized past service cost	-	-
Net after service health insurance liability	133 111	135 537
Amounts recognized in the Statement of Financial Position:		
Assets	-	-
Liabilities	133 111	135 537
Net Liability	133 111	135 537
Expense for the period comprises:		
Current service cost	7 802	6 084
Interest cost	3 825	4 618
Total expense for the period	11 627	10 702

Post-employment repatriation benefits

	(expressed in euro'000s)	
	31-12-2013	31-12-2012
Movement in defined benefit obligation comprises:		
Opening defined benefit obligation	54 098	43 263
Current service cost	6 558	5 171
Interest cost	916	1 614
Actuarial losses/(gains) recognized in net assets	(3 354)	9 050
Benefits paid	(6 472)	(5 000)
Closing defined benefit obligation	51 746	54 098
Present value of funded obligations	-	-
Fair value of plan assets	-	-
Present value of unfunded obligations	51 746	54 098
Unrecognized actuarial gains/(losses)	-	-
Unrecognized past service cost	-	-
Net post-employment repatriation benefits liability	51 746	54 098
Amounts recognized in the Statement of Financial Position:		
Assets	-	-
Liabilities	51 746	54 098
Net Liability	51 746	54 098
Expense for the period comprises:		
Current service cost	6 558	5 171
Interest cost	916	1 614
Total expense for the period	7 474	6 785

131. 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.

132. 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 Equity in the year in which they occur. For 2013, actuarial gain recognized directly in net assets/equity for ASHI and post-employment repatriation and separation entitlements amounted to €11.443 million (actuarial loss €16.051 million in 2012) and €3.354 million (actuarial loss €9.050 million in 2012), respectively.

133. The actuarial gains in 2013 were primarily a result of higher discount rates utilized in 2013 as compared to 2012, reflecting the increase in long-term interest rates, partially offset by the actuarial loss due to the assumption of a higher rate of medical cost increase.

134. The actuarial losses in 2012 were primarily a result of lower discount rates utilized 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 would be 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%	(23 177)	(3 751)
	- 1%	31 534	4 329
Effect of change in expected rate of medical costs increase on:			
- current service cost component of liability	+ 1%	2 757	n/a
	- 1%	(1 928)	n/a
- interest cost component of liability	+ 1%	896	n/a
	- 1%	(679)	n/a
- total defined benefit obligation	+ 1%	31 174	n/a
	- 1%	(23 359)	n/a
Effect of increase in salaries (1%), shipping (1%) and travel costs (1%) on total defined benefit obligation		n/a	4 263
Effect of decrease in salaries (1%), shipping (1%) and travel costs (1%) on total defined benefit obligation		n/a	(3 768)

136. The following tables provide the details of the defined benefit obligation and the experience adjustments for the current period and previous two periods.

After service health insurance

	(expressed in euro'000s)		
	2013	2012	2011
Defined benefit obligation	133 111	135 537	111 182
Plan assets at fair value	-	-	-
Surplus/(deficit)	(133 111)	(135 537)	(111 182)
Remeasurement losses/(gains) due to experience adjustments	258	(1 205)	(6 299)
Remeasurement due to experience adjustments as a percentage of defined benefit obligation	0.19%	-0.89%	-5.67%

Post-employment repatriation benefits

	(expressed in euro'000s)		
	2013	2012	2011
Defined benefit obligation	51 746	54 098	43 263
Plan assets at fair value	-	-	-
Surplus/(deficit)	(51 746)	(54 098)	(43 263)
Remeasurement losses/(gains) due to experience adjustments	(1 455)	562	(3 393)
Remeasurement due to experience adjustments as a percentage of defined benefit obligation	-2.81%	1.04%	-7.84%

137. The Agency's best estimate of benefits payments expected to be made for the next 12 months for ASHI plans is €2.9 million, and for post-employment repatriation and separation entitlements is €5.6 million.

138. The post-employment benefit liabilities represent a material unfunded liability of the Agency. Consistent with many other UN Organizations, the Agency is in the process of examining the possible approaches for addressing these long-term unfunded liabilities; however no approach has yet been formalized.

United Nations Joint Staff Pension Fund

139. The Pension Fund's Regulations 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 Pension Fund will be sufficient to meet its liabilities.

140. 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 Pension Fund. 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 Pension Fund 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.

141. 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.

142. 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.

143. 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.

144. 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 and April 2013, the General Assembly authorized an increase to age 65 in the normal retirement age and in the mandatory age of separation respectively for new participants of the Fund, with effect not later than from 1 January 2014. The related change to the Pension Fund's Regulations was approved by the General Assembly in December 2013 and will be reflected in the actuarial valuation of the Fund as of 31 December 2013.

145. During 2013, contributions paid to UNJSPF amounted to €50.7 million (2012 €49.7 million). Expected contributions due in 2014 are €49.2 million.

146. The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the UNJSPF 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 18: Other financial liabilities

	(expressed in euro'000s)	
	31-12-2013	31-12-2012
Deposits received	304	304
Others	394	410
Total other financial liabilities	698	714
Composition of other financial liabilities		
Current	394	410
Non-current	304	304
Total other financial liabilities	698	714

147. As on 31 December 2013, others consisted primarily of claims received from insurance companies pending payment to the beneficiaries €0.224 million and balances held for refund to donors €0.167 million. As on 31 December 2012, others consisted primarily of unapplied cash receipts €0.204 million and balances held for refund to donors €0.098 million.

NOTE 19: Provisions

	(expressed in euro'000s)	
	31-12-2013	31-12-2012
Provision for ILOAT cases	41	-
Provision for asset disposal and site restoration	3 067	1 000
Total provisions	3 108	1 000
Composition of provisions		
Current	161	-
Non-current	2 947	1 000
Total provisions	3 108	1 000

148. Provisions for asset disposal and site restoration as on 31 December 2013 included an amount of €1.387 million which represents the present value of the estimated costs expected to be incurred for dismantling/decommissioning of the NML at the end of its useful life. Also included in the provisions are €1.000 million estimated costs to be incurred by the Agency for decontamination and restoration to original condition of the Seibersdorf Analytical Laboratory land in 2015, at the time of expiry of its lease with the Austrian Government, and €0.680 million estimated costs for disposal of glove boxes over the next two years.

149. In February 2014, the Administrative Tribunal of the International Labour Organization (ILOAT) gave a ruling against the Agency in respect of an appeal case filed by a former Agency staff member. Based on this decision, the Agency will be required to make a payment of €0.041 million to the former staff member in 2014. Therefore, a provision for this amount has been recorded in 2013.

Note 20: Movements in fund balances

(expressed in euro'000s)

	Regular Budget Fund and Working Capital Fund		Technical Cooperation Fund		Extrabudgetary Programme Fund		Low Enriched Uranium Bank		Technical Cooperation Extrabudgetary Fund		Trust Funds, Reserve Funds and Special Funds		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Opening balance	(64 934)	(81 371)	42 363	33 087	156 702	119 982	85 182	88 615	24 677	21 402	3 348	2 306	247 338	184 021
Transfers to/(from) fund balances	9 371	10 075	(4 866)	5 225	(7 171)	3 440	(71)	-	(541)	5 360	(89)	1 421	(3 367)	25 521
Net surplus/(deficit)	4 164	6 362	1 063	4 051	29 015	33 280	2 776	(3 433)	(2 097)	(2 085)	(561)	(379)	34 360	37 796
Closing balance	(51 399)	(64 934)	38 560	42 363	178 546	156 702	87 887	85 182	22 039	24 677	2 698	3 348	278 331	247 338
Included in fund balances are individual funds with specific purposes:														
Working Capital Fund	15 218	15 218	-	-	-	-	-	-	-	-	-	-	15 218	15 218
Major Capital Investment Fund	41 539	27 513	-	-	-	-	-	-	-	-	-	-	41 539	27 513
Nuclear Security Fund	-	-	-	-	36 562	34 339	-	-	-	-	-	-	36 562	34 339
Programme Support Cost Sub-fund	-	-	-	-	4 271	5 052	-	-	-	-	-	-	4 271	5 052
Research Institute Trust Fund	-	-	-	-	-	-	-	-	-	-	924	886	924	886
Equipment Replacement Fund	-	-	-	-	-	-	-	-	-	-	1 774	2 439	1 774	2 439

150. The Working Capital Fund was established in accordance with the Financial Regulations to be used for advances to the Regular Budget Fund to temporarily finance 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.

151. 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.

152. The Nuclear Security Fund (NSF) 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).

153. The Programme Support Cost Sub-fund was established in 2009 under the Extrabudgetary Programme Fund to record all income and expenditures related to programme support costs in accordance with Financial Regulation 8.03.

154. 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).

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

Note 21: Movement in fund balances of individual funds with specific purposes

(expressed in euro'000s)										
	2013					2012				
	Opening Balance	Revenue a/	Transfers to/(from)	Expense	Closing Balance	Opening Balance	Revenue	Transfers to/(from)	Expense	Closing Balance
Working Capital Fund	15 218	-	-	-	15 218	15 210	-	8	-	15 218
Major Capital Investment Fund	27 513	8 433	10 027	(4 434)	41 539	8 998	8 179	14 218	(3 882)	27 513
Nuclear Security Fund	34 339	20 579	(3 484)	(14 872)	36 562	25 287	24 237	(87)	(15 098)	34 339
Programme Support Cost Sub-Fund	5 052	4 143	(363)	(4 561)	4 271	3 605	4 576	37	(3 167)	5 052
Research Institute Trust Fund	886	291	4	(257)	924	972	346	111	(543)	886
Equipment Replacement Fund	2 439	31	(86)	(610)	1 774	1 308	22	1 312	(203)	2 439

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

156. Transfers to the MCIF balance include:

- Transfer from the MCIF commitment reserve (€6.593 million) to adjust for the commitment level as of 31 December 2013;
- Transfer from the reserve for the MCIF (€1.854 million) as reported in the 2012 Financial Statements; and
- Transfer from reserve for carryover of unobligated balances €1.581 million, which was a rectification of a 2012 transfer.

157. Transfers from the NSF balance primarily include movement to the NSF commitment reserve to adjust for the commitment level as of 31 December 2013.

Note 22: Movements in reserves by fund group[illegible]

158. The reserves increased by €15.221 million in 2013 primarily, due to recognition of actuarial gains on the post-employment employee benefit liabilities directly in equity and an increase in the committed funds for open contracts for goods and services, partially offset by transfer of the reserves to the MCIF.

159. The reserve for the 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 MCIF to support major capital investments. The net increase in 2013 of €1.226 million consists of an outflow of €1.854 million to the MCIF and an inflow of €3.080 million to the reserve account representing 2013 Regular Budget unused appropriations.

160. 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 decreased by €0.135 million during 2013 (€0.322 million increase in 2012), primarily due to withdrawals from the reserve to partially offset the increase in the premium due to the insurance company.

161. Commitments represent committed funds for open contracts for goods and services which have not been received by the Agency. During 2013, such future commitments increased by €12.380 million (€20.302 million decrease in 2012). This increase is shown as a transfer from fund balances to the reserves.

162. The cash surplus reserve opening balances represent the accumulated cash surplus for prior years amounting to €1.485 million that were withheld pending receipt of contributions from Member States. Out of this, €1.403 million was returned to Member States for their share of the cash surplus during the course of the year. The closing balance as on 31 December 2013 is the net of 2012 final cash deficit of €1.094 million and the remaining prior-years' cash surplus of €0.082 million withheld.

163. 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 2013 and 2012.

164. 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 2013, a total of €14.797 million actuarial gain (€25.100 million actuarial loss in 2012) was recorded (refer to Note 17). This actuarial gain is mainly due to a change in the actuary assumptions relating to the applicable discount rate.

165. The reserve for carry-over of unobligated appropriation as on 31 December 2012 represents the balances of 2012 Regular Budget appropriations which were unused at 2012 year-end. These amounts were made available to the Regular Budget Fund – carryover of unobligated funds for obligations in 2013. Out of this, €9.019 million was utilized/obligated during the year, and the balance, €0.670 million, was used to offset the final cash deficit for 2012.

NOTE 23: Voluntary contributions

	(expressed in euro'000s)	
	31-12-2013	31-12-2012
<i>Voluntary monetary contributions</i>		
Technical Cooperation Fund	63 956	58 936
Extrabudgetary contributions for LEU Bank	7 561	99
Other extrabudgetary contributions	93 282	98 197
<i>Total voluntary monetary contributions</i>	164 799	157 232
<i>Voluntary in-kind contributions</i>		
Lease of premises	1 499	1 483
Other	63	119
<i>Total voluntary in-kind contributions</i>	1 562	1 602
Total voluntary contributions	166 361	158 834

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

167. The IAEA LEU Bank was established in December 2010. Contributions amounting to €7.561 million were received from a donor in 2013.

168. Revenue from other extrabudgetary contributions decreased by €4.915 million during the year.

169. The above amounts do not reflect the impact of the refund of unused portions of extrabudgetary contributions to donors for voluntary contributions for which revenue was recognized in prior years. During 2013 and 2012, such refunds amounted to €1.779 million and €1.584 million, respectively. In accordance with the Agency's accounting policy for such refunds, these amounts were recognized as direct adjustments to equity.

170. In-kind contributions primarily comprise 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.

171. The above does not include the value of services-in-kind received by the Agency. Services-in-kind are not recorded as revenue. A majority of the services-in-kind relate to CFEs, invited speakers, trainers and expert consultants and their related travel costs that have been donated to the Agency. These resources provide expertise at technical meetings and expert consultations for the Agency in specific areas that help support the Agency's initiatives.

NOTE 24: Other contributions

	(expressed in euro'000s)	
	31-12-2013	31-12-2012
National participation costs	90	3 296
Safeguards agreements	953	287
Total other contributions	1 043	3 583

172. Revenue from NPCs is recognized when the projects comprising the technical cooperation national programme have been approved by the TACC and the amounts become due to the Agency, which is generally on 1 January following the TACC meeting. Since a majority of the projects are approved as of the first year of the biennium, NPC revenue is generally higher in that year compared to the second year of the biennium. This is why 2013, being the second year of the biennium, had a much lower NPC revenue compared to 2012.

173. Revenue from the application of Safeguards agreements was higher in 2013 due to introduction of new cost calculation methodology with effect from 1 January 2013.

NOTE 25: Revenue from exchange transactions

	(expressed in euro'000s)	
	31-12-2013	31-12-2012
<i>Revenue from sale of goods</i>		
Publications	330	388
Laboratory reference materials	247	281
	577	669
<i>Revenue from jointly financed services</i>		
Medical	773	723
Data processing	-	202
Printing	483	450
Financial	213	153
Housing	20	21
	1 489	1 549
<i>Other miscellaneous revenue</i>	1 025	777
Total revenue from exchange transactions	3 091	2 995

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

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

NOTE 26: Interest revenue

	(expressed in euro'000s)	
	31-12-2013	31-12-2012
Term deposits	555	457
Discounted notes	64	123
Call accounts and others	133	115
Total interest revenue	752	695

176. The increase of €0.057 million (8.2%) in the total interest revenue is the result of higher average balances in time deposits with commercial banks as compared to highly rated government and supranational credits during 2013. Additionally, cash at the bank in 2013 had higher interest rates than in 2012.

NOTE 27: Net gains/ (losses)

	(expressed in euro'000s)	
	31-12-2013	31-12-2012
Unrealized foreign exchange gains/(losses)	(7 058)	(6 404)
Realized foreign exchange gains/(losses)	(75)	820
Gains/(losses) on sale or disposal of property, plant and equipment	(664)	26
Net gains/(losses)	(7 797)	(5 558)

177. Net unrealized foreign exchange losses in 2013 and 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 this period.

NOTE 28: Staff costs

	(expressed in euro'000s)	
	31-12-2013	31-12-2012
<i>Professional staff</i>		
Fixed term salaries	121 013	113 716
Temporary assistance salaries	367	1 023
Common staff costs: contributions to the UNJSPF and other pension schemes	23 514	22 804
Common staff costs: other	31 702	31 572
<i>Total professional staff</i>	<u>176 596</u>	<u>169 115</u>
<i>General services staff</i>		
Fixed term salaries	49 916	48 847
Temporary assistance salaries	1 048	2 035
Common staff costs: contributions to the UNJSPF and other pension schemes	10 360	10 354
Common staff costs: other	14 401	15 474
<i>Total general services staff</i>	<u>75 725</u>	<u>76 710</u>
Total staff costs	<u>252 321</u>	<u>245 825</u>

178. 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.).

NOTE 29: Travel

	(expressed in euro'000s)	
	31-12-2013	31-12-2012
Staff travel		
Duty travel staff	11 487	11 776
Safeguards inspection and equipment maintenance	5 707	5 936
Total staff travel	<u>17 194</u>	<u>17 712</u>
Non-staff travel		
For technical cooperation projects	18 117	16 481
Consultants	12 020	11 247
Other non-staff	3 495	3 679
Total non-staff travel	<u>33 632</u>	<u>31 407</u>
Total travel expenses	<u>50 826</u>	<u>49 119</u>

179. 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.

180. 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.

NOTE 30: Transfers to development counterparts

	(expressed in euro'000s)	
	31-12-2013	31-12-2012
Project inventories distributed to development counterparts	28 558	30 243
Services to development counterparts	1 827	1 844
Research and technical contracts	5 082	6 019
ICTP	2 368	2 373
Other grants	440	250
Total transfers to development counterparts	38 275	40 729

181. The expense on distribution of project inventories to counterparts was lower by €1.702 million in 2013, as some of the shipped goods had not cleared customs in the recipient country as of 31 December 2013, and they have been recognized as the Agency's inventory in the Statement of Financial Position. Moreover, the year 2012 had seen an increased delivery of goods to the counterparts due to catch-up activity from 2011 - the first year under IPSAS and the new Enterprise Resource Planning (ERP) system.

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

NOTE 31: Buildings management and security services

	(expressed in euro'000s)	
	31-12-2013	31-12-2012
Buildings Management Services VIC	15 056	13 343
Buildings Management Services non-VIC	2 487	2 588
Security Services VIC	6 624	6 330
Security Services non-VIC	197	110
Total Buildings Management and Security Services	24 364	22 371

183. BMS - VIC and Security Services - VIC represent the IAEA's share of expenditure of these common services being operated by other VBOs. BMS is jointly-controlled, operated by UNIDO and is responsible for the maintenance and upkeep of the VIC premises. UN Security Services is jointly-controlled, operated by the United Nations Office at Vienna (UNOV) and is responsible for security at the VIC premises.

184. BMS - 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 32: Training

	(expressed in euro'000s)	
	31-12-2013	31-12-2012
Training of development counterparts	19 253	18 450
Training - staff	1 759	1 861
Total training	21 012	20 311

185. Training of development counterparts includes stipends, tuition, travel, training fees and other training related costs.

NOTE 33: Other operating expenses

	(expressed in euro'000s)	
	31-12-2013	31-12-2012
Supplies and materials	6 455	5 960
Information technology contractual services	6 389	5 156
Scientific and technical contractual services	1 683	3 485
Other institutional contractual services	2 970	3 721
Equipment and software maintenance	4 914	5 037
Purchase of minor equipment and software	4 153	4 986
Communication and transport	2 806	3 588
Leased equipment	1 101	1 094
Lease of premises	1 586	1 520
Interpretation services	871	1 314
Representation and hospitality	551	525
Printing supplies, Safeguards spare parts and maintenance materials inventory consumption	136	150
Increase/(decrease) in provisions and allowances	(401)	52
Other operating expenses	2 970	1 798
Total other operating expenses	36 184	38 386

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

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

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

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

190. 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.

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

192. The 2013 decrease in provisions and allowances pertained primarily to reversal of allowances for doubtful debt on Regular Budget assessed contributions and certain exchange receivables.

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

NOTE 34: Share of surplus/(deficit) in common services entities

	(expressed in euro'000s)	
	31-12-2013	31-12-2012
Share of surplus in the Commissary	431	62
Share of surplus in Catering Services	31	(40)
Total share of surplus in common services entities	462	22

194. Commissary and Catering Services are common services that have been deemed to be jointly controlled by the VBOs (refer to Note 11). The above represents the IAEA's share in the net surplus/(deficit) earned by the Commissary and Catering Services during 2013 and 2012 on the basis of the BMS cost-sharing ratio for 2012, i.e. 53.868%.

Note 35: Segment reporting by major programme - composition by fund

2013

For the period ending 31 December 2013
(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								
Expenses	32 629	39 215	33 452	121 061	100 011	4 032	-	330 400
Property, Plant & Equipment and Intangibles	1 094	2 703	1 759	30 122	18 614	6 293	-	60 585
Additions to Property, Plant & Equipment and Intangible:	533	1 345	714	12 397	4 157	2 336	-	21 482
Technical Cooperation Fund								
Expenses	5 821	40 004	12 517	6	2 569	(42)	-	60 875
Property, Plant & Equipment and Intangibles	-	10	-	-	7	-	-	17
Additions to Property, Plant & Equipment and Intangible:	-	10	-	-	-	-	-	10
Extrabudgetary Programme Fund								
Expenses	5 397	5 770	29 830	10 229	4 378	33	-	55 637
Property, Plant & Equipment and Intangibles	279	344	413	51 644	333	-	-	53 013
Additions to Property, Plant & Equipment and Intangible:	242	137	323	17 781	12	-	-	18 495
Low Enriched Uranium Bank								
Expenses	1 332	9	10	35	33	-	-	1 419
Property, Plant & Equipment and Intangibles	5	-	-	-	-	-	-	5
Additions to Property, Plant & Equipment and Intangible:	4	-	-	-	-	-	-	4
Technical Cooperation Extrabudgetary Fund								
Expenses	2 009	6 518	4 237	-	288	144	-	13 196
Property, Plant, Equipment and intangibles	-	-	-	-	-	-	-	-
Additions to Property, Plant & Equipment and Intangible:	-	-	-	-	-	-	-	-
Trust Funds, Reserve Funds and Special Funds								
Expenses	11	258	4	-	610	-	-	883
Property, Plant & Equipment and Intangibles	-	2	-	-	837	-	-	839
Additions to Property, Plant & Equipment and Intangible:	-	-	-	-	436	-	-	436
Intra-fund elimination of shared services expenses between the major programmes	-	-	-	-	-	20 257	(20 257)	-
Inter-fund elimination of shared services expenses	-	-	-	-	-	-	(5 484)	(5 484)
Total Expenses	47 199	91 774	80 050	131 331	107 889	24 424	(25 741)	456 926
Total PP&E and Intangibles	1 378	3 059	2 172	81 766	19 791	6 293	-	114 459
Total Additions to PP&E and Intangibles	779	1 492	1 037	30 178	4 605	2 336	-	40 427

a/ Includes Management of Technical Cooperation for Development.

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								
Expenses	32 122	37 830	32 002	123 039	93 710	3 857	-	322 560
Property, Plant & Equipment and Intangible:	874	2 120	1 533	24 349	17 028	5 076	-	50 980
Additions to Property, Plant & Equipment and Intangible:	609	1 007	902	10 852	3 302	4 301	-	20 973
Technical Cooperation Fund								
Expenses	5 870	35 758	10 996	-	4 564	(171)	-	57 017
Property, Plant & Equipment and Intangible:	-	2	-	-	9	-	-	11
Additions to Property, Plant & Equipment and Intangible:	-	-	-	-	11	-	-	11
Extrabudgetary Programme Func								
Expenses	4 844	5 600	28 209	13 776	3 720	11	-	56 160
Property, Plant & Equipment and Intangible:	42	293	187	35 903	399	-	-	36 824
Additions to Property, Plant & Equipment and Intangible:	42	75	101	24 188	12	-	-	24 418
Low Enriched Uranium Bank								
Expenses	1 453	-	-	-	-	2	-	1 455
Property, Plant & Equipment and Intangible:	1	-	-	-	-	-	-	1
Additions to Property, Plant & Equipment and Intangible:	1	-	-	-	-	-	-	1
Technical Cooperation Extrabudgetary Func								
Expenses	3 485	6 218	4 341	-	197	14	-	14 255
Additions to Property, Plant & Equipment and Intangible:	-	-	-	-	-	-	-	-
Trust Funds, Reserve Funds and Special Funds								
Expenses	16	527	-	-	203	2	-	748
Property, Plant & Equipment and Intangible:	-	2	-	-	655	-	-	657
Additions to Property, Plant & Equipment and Intangible:	-	-	-	-	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 Expenses	47 790	85 933	75 548	136 815	102 394	21 862	(24 158)	446 184
Total PP&E and Intangibles	917	2 417	1 720	60 252	18 091	5 076	-	88 473
Total Additions to PP&E and Intangibles	652	1 082	1 003	35 040	3 976	4 301	-	46 054

a/ Includes Management of Technical Cooperation for Development.

NOTE 36: Budget

195. The Regular Budget consists of an operational and a capital portion, 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 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 MPs 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

196. The capital portion of the Regular Budget is a part of the 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 MCIP.

NOTE 36a: Movements between original and final budgets (Regular Budget)

197. 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 2013. The amount in each appropriation section comprises a 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 euros, can only be determined at the end of the budget year.

The table below illustrates the revaluation of the 2013 Regular Budget appropriations for 2013.

(expressed in euro'000s)

Operational portion	Approved Budget	Revalued Budget Final a/	Variance
MP1-Nuclear Power Fuel Cycle and Nuclear Science	34 105	32 287	(1 818)
MP2-Nuclear Techniques for Development and Environmental Protection	39 113	37 298	(1 815)
MP3-Nuclear Safety and Security	34 435	32 596	(1 839)
MP4-Nuclear Verification	130 629	124 097	(6 532)
MP5-Policy Management and Administration Services	76 517	73 679	(2 838)
MP6-Management of Technical Cooperation and Development	20 717	19 793	(924)
Total Agency programmes	335 516	319 750	(15 766)
Reimbursable work for others	2 417	2 259	(158)
Total Regular Budget operational portion	337 933	322 009	(15 924)

a/ General Conference Resolution GC(56)/RES/5 of September 2012 - revalued at the United Nations average rate of exchange of €0.7550/US\$1. There were no transfers between major programmes. The difference between the approved budget and the final budget is due to revaluation only.

198. There were no changes between the original approved budget and the final budget for the capital portion of the Regular Budget appropriation for 2013.

NOTE 36b: Reconciliation between the actual amounts on a comparable basis and the cash flow statement

199. 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.

200. 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 2013 is presented below:

	(Expressed in euro'000s)		
	Operational	Investing	Financing
Actual net surplus as per the Statement of Comparison of Budget and Actual Amounts a/	2 139	-	-
Basis difference	(231)	-	-
Presentation difference	173	11 730	(11 903)
Entity difference	38 465	(122 087)	10 500
Actual amount in the Statement of Cash Flow	40 546	(110 357)	(1 403)

a/ IPSAS 24 requires a reconciliation to be presented between the actual amounts (Actuals/Expenditure Statement Va) and the net cash flows. The reconciliation in this note compares the variance between budget and actuals (Statement Va) 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.

201. **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 year-end unliquidated obligations, payments against prior-year obligations, outstanding assessed contributions and transfer to the MCIF are included as basis differences.

202. **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.

203. **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.

204. **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 36c: Budget to actuals variance analysis

205. Excluding reimbursable work for others, the Agency expended €316.670 million from the operational portion of the 2013 Regular Budget for a resource utilization rate of 99.0% leaving an unencumbered balance of €3.080 million. In 2012, unobligated balances of €9.689 million were carried over into 2013 to meet programmatic needs, out of which, €9.019 million were expended for a utilization rate of 93.1% and, thus, leaving an unencumbered balance of €0.670 million. The minor budgetary underutilizations in the operational portion were experienced in staff costs and consultancies due to delays in filling vacant positions. The additional revenue of €0.941 million, under Reimbursable Work for Others, represents expenditure in addition to those for which provision were made in the 2013 Regular Budget and which were entirely financed from other VBOs and projects financed from the Technical Cooperation Fund and extrabudgetary resources.

206. Under the capital portion of the 2013 Regular Budget, €2.462 million was expended (obligations plus actuals) out of the allotted revalued total of €8.341 million, representing an implementation rate of 29.5%. This included:

- In Major Programme 4, €1.314 million was allotted and fully expended on the Enhancing Capabilities of the Safeguards Analytical Services (ECAS) project. The full allotment amount of €0.369 million for acquiring monitoring equipment and supplies for JMOX mixed oxide fuel fabrication plant in Japan remained unspent due to the uncertainty in the future of the Japanese nuclear energy programme.
- In Major Programme 5, €6.658 million was allotted and €1.148 million expended. The variance related primarily to the AIPS project, for which expenditures during 2013 were primarily funded from the carryforward of the MCIF.

NOTE 36d: Major Capital Investment Fund (MCIF)

207. The MCIF is a Reserve Fund established in accordance with Financial Regulation 4.06 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 MCIP in compliance with the Financial Regulations and Rules^[1].

208. 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.

209. 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.

210. The MCIF is funded by multiple sources as originally described in GC(53)/5, including appropriations in the capital Regular Budget, any savings from annual Regular Budget appropriations and any other source as the Board may determine.

211. The following table presents the financial status of the MCIF at the end of the 2013 financial year.

^[1] The MCIP 2013-2021 is provided in the Agency's Budget Update for 2013 GC(56)/4 dated July 2012.

Comparison of budget and actual amounts a/

(expressed in euro'000s)	
Resources:	
Opening balance 1 January 2013 b/	21 827
2013 Regular Budget Capital Portion c/	8 341
Transfers to the MCIF d/	1 854
Total resources	32 022
Expenditure:	
MP1-Nuclear Power, Fuel Cycle and Nuclear Science	256
MP2-Nuclear Techniques for Development and Environmental Protection	370
MP4-Nuclear Verification	8 168
MP5-Policy, Management and Administration	4 922
Total expenditure during 2013	13 715
Available resources at 31 December 2013	18 306
Allocation of available resources at 31 December 2013	
Allocated to Major Programmes	13 605
Unallocated	4 701

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

b/ Closing balance reported as per Note 35d - GC(57)/12 dated July 2013 - page 88 is €22.812 million. The difference of €0.985 million to the opening balance reported in 2013 is an adjustment of available resources due to an inaccurate transfer to MCIF in 2012.

c/ GC(56)/RES/5 dated Sep 2012.

d/ Unliquidated obligations savings from 2011 appropriation year that were recorded in the Reserve for MCIF as of 31 December 2012.

NOTE 37: Related parties

Key management personnel

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

213. 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 the fact that a portion of these amounts are used for official purposes.

(expressed in euro'000s)

	Number of Individuals	Compensation and Post Adjustment	Entitlements	Pension and Health Plans	Total Remuneration	Outstanding Advances Against Entitlements	Outstanding Loans
2013	8*	1 219.3	238.0	262.3	1 719.6	-	-
2012	7	1 159.5	168.0	257.9	1 585.4	7.9	-

* One member of the key management personnel retired during the year, and was replaced. At any point of time during the year, there were not more than 7 key management personnel. One member of the key management personnel was employed by the Agency at the level of a Director for a part of the year, before he became a member of the key management personnel. The remuneration drawn by him as a Director is included in the above.

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

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

NOTE 38: Financial instrument disclosures

216. All financial assets and liabilities are carried at their 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.

217. 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 the related exposures is 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

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

219. To manage credit risk relating to its portfolio, 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. In addition, during 2013, the Agency set a maximum ceiling of 70% for exposure with commercial banks in cash equivalents and investments as well as maximum country ceilings for exposures with commercial banks, taking into account that the minimum allowed country rating is AA-. In this regard, as at 31 December 2013, the total exposure of the Agency with commercial banks was 65.1% and the

highest exposure with commercial banks in any single country was 14.2% in an AAA country. The credit risk relating to management of non-exchange accounts receivable is discussed further in Note 7.

The Agency's credit quality on cash equivalents and investments	Carrying value and percentage of cash equivalents and investments (expressed in euro'000s)			
Credit quality a/	31-12-2013		31-12-2012	
	Carrying value	Percentage	Carrying value	Percentage
AAA	98 981	22.14%	112 252	24.31%
AA+	9 996	2.24%	-	-
AA	46 984	10.51%	48 000	10.40%
AA-	95 731	21.42%	115 117	24.93%
A+	144 874	32.41%	152 130	32.95%
A	50 425	11.28%	34 200	7.41%
	446 991 b/	100%	461 699 b/	100%

a/ Credit quality is expressed as the issuer default/long term rating, with the exception of the Bank for International Settlements (BIS). The BIS 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.

b/ 59.66% of the balance as at 31 December 2013 was denominated in euros and 40.34% was denominated in US dollars (57.4% and 42.6%, respectively, as at 31 December 2012).

The total cash equivalents and investments as at 31 December 2013 decreased by €14.708 million (or 3.2%) from 31 December 2012. This decline of cash equivalents and investments is due to the shift of some balances to cash at the bank generating attractive interest rates in 2013 combined with the revaluation of the US dollar holdings at a weaker exchange rate on 31 December 2013 as compared to the exchange rate at the end of 2012.

220. The following table gives the details of exposures to any single issuer of over 10% of the total portfolio:

Issuer	Industry	Carrying value (expressed in euro'000s)			
		31-12-2013		31-12-2012	
		Carrying value	Percentage	Carrying value	Percentage
Belgium a/ Bank for International Settlements	Government	46 984	10.51%	20 000	4.33%
	Financial Institution (central banks)	61 987	13.87%	74 571	16.15%
	Total	108 971	24.38%	94 571	20.48%

a/ The exposure to Belgium (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 in the same counterparty as at 31 December 2013.

b) Currency risk management

221. 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 being the split assessment system for the Regular Budget Fund, where a portion of the assessments is set in US dollars, and the cash holdings of extrabudgetary contributions generally being held in the expected currency of the disbursements.

222. 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.

223. The carrying amounts of the Agency's foreign currency denominated financial assets and financial liabilities translated to euros at end of the period are set out below. Some financial assets are denominated in difficult-to-use currencies ('illiquid currencies') that cannot be readily converted into euros.

Total cash, deposits and other investment currency denominations

(expressed in euro'000s)

	Euros	US dollars	Illiquid currencies	Others	Total
As at 31-12-2013	282 054	182 749	1 006	283	466 092
As at 31-12-2012	272 410	198 605	1 324	249	472 588

The decline of €6.496 million (1.4%) in total cash, cash equivalents and investments at 31 December 2013 as compared to the balance at 31 December 2012 is due to the revaluation of the US dollar holdings at a weaker exchange rate on 31 December 2013 as compared to the exchange rate at the end of 2012. If the exchange rate at the end of both years had been the same, this balance would have slightly increased at 31 December 2013 compared to the balance at 31 December 2012.

c) Liquidity risk management

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

225. Liquidity risk is generally 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 authorization 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 around two weeks cash flow. It was not utilized in either 2013 or 2012.

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

226. The Agency's financial liabilities were approximately 42% of financial assets as at 31 December 2013 (44% as at 31 December 2012). Most of the financial liabilities are long-term in nature. The Agency's short-term financial liabilities (due within 12 months) were less than 5% of its short-term financial assets as at 31 December 2013 (<7% as at 31 December 2012).

227. As at 31 December 2013, the weighted average period to maturity of the Agency's cash and cash equivalents and investments holdings for euros and US dollars was 71 days and 37 days, respectively (54 days and 68 days, respectively at 31 December 2012).

d) Interest rate risk management

228. The Agency seeks to earn a risk adjusted competitive market rate of return on its investment portfolio; however, as stated above, 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.

229. The investing horizon is based on 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 2013, the Agency earned an average rate of 0.14% per annum on its euro cash and investments (0.14% per annum in 2012) and an average rate of 0.19% per annum on its US dollar cash and investments (0.15% per annum in 2012). The Agency (as with any short-term fixed income investor) is exposed to changes in interest rates on floating rate financial assets and also on fixed rate financial assets as they mature and require reinvestment.

NOTE 39: Commitments

230. Commitments include purchase orders and service contracts that are not delivered as at end of the reporting period. As on 31 December 2013, the Agency had commitments of €81.777 million (€69.397 million as on 31 December 2012). The details of commitments by funding source (fund group) are provided below:

Fund Group	(expressed in euro'000s)	
	31-12-2013	31-12-2012
Regular Budget Fund and Working Capital Fund	31 976	30 565
Technical Cooperation Fund	26 878	21 985
Extrabudgetary Programme Fund	15 708	9 491
Low Enriched Uranium Bank	70	11
Technical Cooperation Extrabudgetary Fund	7 028	7 318
Trust Funds, Reserve Funds and Special Funds	117	27
Total commitments	81 777	69 397

Capital commitments

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

	(expressed in euro'000s)	
	31-12-2013	31-12-2012
Scientific and Technical Equipment	10 378	4 319
Construction Contracts	6 276	11 693
Communications & IT Equipment	1 973	341
Software	1 555	895
Security & Safety Equipment	167	563
Furniture and Fixtures	92	283
Vehicles	92	93
Total capital commitments	20 533	18 187

Operating lease commitments

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

	(expressed in euro'000s)	
	31-12-2013	31-12-2012
Office facility operating leases	499	1 475
Other leases	2 297	3 066
Total operating lease commitments	2 796	4 541
<i>Operating lease commitments by term</i>		
Less than one year	1 139	1 600
One to five years	1 581	2 854
Over five years	76	87
Total operating lease commitments	2 796	4 541

233. Office facility operating lease commitments pertain to the Agency's offices, primarily in New York, Washington DC, Toronto, Geneva and Tokyo. The future lease commitments are lower in 2013 as compared to 2012 because some of the lease contracts are near their expiry date, and new lease contracts are still under negotiation.

234. Other leases primarily represent the rental of office equipment such as photocopiers and printing equipment.

NOTE 40: Prior period items

235. During 2013, it was identified that a transfer from fund balances to reserve for carryover of unobligated balances was overstated in 2012 by €1.581 million. As this transfer did not have any impact on net equity, the adjustment was deemed to be immaterial. This amount was transferred back from reserves to fund balance in 2013.

236. Certain other minor errors pertaining to prior years were detected during the year. These were not material enough to warrant restatement of prior-year statements, and, hence, were recorded in the current year. The impact of these errors was that assets (primarily cash, PP&E and intangibles) were understated by €0.239 million as of 31 December 2012. The impact of such an understatement on the Statement of Financial Performance was an overstatement of expenses for 2012 (primarily BMS and other operating expenses) by €0.163 million. The remaining €0.076 million related primarily to first time recognition of certain items of PP&E. As such, the impact would have been to adjust the opening fund balance as of 1 January 2012.

NOTE 41: Contingent liabilities and contingent assets

Contingent liabilities

237. As at 31 December 2013, there were 14 appeals cases against the Agency with the ILOAT relating to various claims from staff members or former staff members. Out of these 14 appeals, 12 cases are still unresolved. One case was decided in favour of the former staff member in February 2014, for which a provision of €0.041 million was recognized in the 2013 financial statements (refer to Note 19). The other case was decided in favour of the Agency. Additionally, there is one case from a staff member 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 €4.2 million.

Contingent assets

238. The Agency's contingent assets consist primarily of pledges received that are subject to further parliamentary/other approvals from the donors (€22.9 million), and pledges received that have not yet been formally accepted by the Agency (€1.1 million).

NOTE 42: Events after the reporting date

239. The Agency's reporting date is 31 December 2013. The financial statements were authorized for issuance by the Director General on 21 March 2014, the date at which they were submitted to the External Auditor.

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

NOTE 43: Ex-gratia payments

241. 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 year ended 31 December 2013
(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	11 179	-	-	-	-	11 179
Albania	28 657	6 918	-	-	-	35 575
Algeria	352 480	85 092	7 647	-	-	445 219
Angola	27 948	6 918	-	-	-	34 866
Argentina	819 372	197 899	(615)	130 390	20 000	1 167 046
Armenia	14 329	9 237	-	-	-	23 566
Australia	6 219 489	1 288 835	-	160 284	-	7 668 608
Austria	2 737 508	567 281	-	-	-	3 304 789
Azerbaijan	40 121	18 507	-	-	-	58 628
Bahrain	124 333	-	-	-	-	124 333
Bangladesh	27 948	6 918	-	-	-	34 866
Belarus	114 627	27 672	-	-	-	142 299
Belgium	3 458 612	1 333 170	-	557 002	-	5 348 784
Belize	2 865	-	-	-	-	2 865
Benin	8 385	-	-	-	-	8 385
Bolivia	20 059	-	3 598	-	50 000	73 657
Bosnia and Herzegovina	37 253	8 994	(2 614)	-	-	43 633
Botswana	48 717	11 761	4 166	-	7 963	72 607
Brazil	4 593 803	-	(7 530)	-	-	4 586 273
Bulgaria	106 030	25 597	-	26 138	-	157 765
Burkina Faso	8 385	2 106	-	-	3 005	13 496
Burundi	2 795	-	-	-	-	2 795
Cambodia	8 385	-	-	-	-	8 385
Cameroon	31 523	3 929	(4 029)	-	9 077	40 500
Canada	10 319 081	1 907 675	-	2 563 714	-	14 790 470
Central African Republic	2 795	-	-	-	-	2 795
Chad	5 590	-	-	-	182 939	188 529
Chile	671 470	159 961	6 823	7 640	7 830	853 724
China	8 809 124	2 126 612	(13 948)	205 442	-	11 127 230
Colombia	398 331	46 507	4 011	-	-	448 849
Congo	9 816	-	-	-	-	9 816
Costa Rica	94 567	-	(687)	-	-	93 880
Côte d'Ivoire	28 657	6 637	(15 706)	-	112 886	132 474
Croatia	266 508	30 374	-	-	15 000	311 882
Cuba	194 867	41 067	20 717	-	-	256 651
Cyprus	146 887	30 440	-	-	-	177 327
Czech Republic	993 895	232 447	-	85 500	174 783	1 486 625
Democratic Republic of the Congo	8 385	-	-	-	4 855	13 240
Denmark	2 366 944	490 491	-	-	-	2 857 435
Dominica	3 273	-	-	-	-	3 273
Dominican Republic	114 627	-	1 656	-	-	116 283
Ecuador	108 896	27 970	(9 972)	-	-	126 894
Egypt	260 777	62 954	(2 588)	-	133 909	455 052
El Salvador	51 582	-	-	-	-	51 582
Eritrea	2 795	714	-	-	-	3 509
Estonia	108 896	26 289	-	5 000	80 000	220 185
Ethiopia	22 358	5 535	-	-	-	27 893
Finland	1 819 443	389 368	-	117 332	-	2 326 143
France	19 700 061	4 158 287	-	1 439 153	-	25 297 501
Gabon	38 454	-	(2 814)	-	-	35 640
Georgia	17 194	4 151	-	-	-	21 345
Germany	25 799 358	5 246 772	-	2 035 980	-	33 082 110
Ghana	17 194	4 151	39 969	-	76 400	137 714
Greece	2 179 112	-	-	-	-	2 179 112
Guatemala	77 375	16 543	391	-	-	94 309
Haiti	8 385	-	-	-	-	8 385
Holy See	3 335	1 754	-	-	-	5 089
Honduras	22 926	-	5 233	-	-	28 159
Hungary	828 244	195 321	-	-	-	1 023 565
Iceland	133 534	27 672	-	-	-	161 206
India	1 475 829	356 280	-	-	-	1 832 109
Indonesia	656 243	135 720	(2 930)	-	70 500	859 533
Iran, Islamic Republic of	644 780	-	-	-	-	644 780
Iraq	54 448	13 144	-	-	-	67 592
Ireland	1 602 448	-	-	125 000	-	1 727 448
Israel	1 235 220	130 545	-	-	-	1 365 765
Italy	16 084 546	3 065 796	-	121 000	-	19 271 342
Jamaica	37 254	-	3 524	-	-	40 778
Japan	40 318 177	8 424 614	-	7 225 003	902 980	56 870 774
Jordan	37 253	8 994	643	-	51 520	98 410

ANNEX A1 (continued)

Donors	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB)		TOTAL
				EB RB	EB TC	
Kazakhstan	209 195	50 923	-	-	-	260 118
Kenya	31 523	15 080	12 499	-	210 804	269 906
Korea, Republic of	7 126 288	1 506 754	-	2 122 003	96 580	10 851 625
Kuwait	844 622	-	-	-	127 000	971 622
Kyrgyzstan	2 865	-	(17 933)	-	-	(15 068)
Lao People's Democratic Republic	2 795	691	-	-	-	3 486
Latvia	106 030	25 597	-	-	-	131 627
Lebanon	91 702	22 138	-	-	-	113 840
Lesotho	2 795	691	-	-	-	3 486
Liberia	2 795	-	-	-	-	2 795
Libya	366 794	85 344	(3 621)	-	-	448 517
Liechtenstein	30 051	6 226	-	-	-	36 277
Lithuania	180 538	43 584	-	-	10 000	234 122
Luxembourg	290 439	60 187	-	-	-	350 626
Madagascar	8 385	2 076	-	-	-	10 461
Malawi	2 795	691	-	-	-	3 486
Malaysia	721 757	168 800	-	-	7 670	898 227
Mali	8 385	2 076	-	-	-	10 461
Malta	47 328	11 162	-	-	-	58 490
Marshall Islands	2 865	-	-	-	-	2 865
Mauritania, Islamic Republic of	2 795	-	-	-	-	2 795
Mauritius	31 523	7 609	7 669	-	22 473	69 274
Mexico	6 717 659	1 584 193	3 919	-	-	8 305 771
Monaco	10 017	2 076	-	331 982	-	344 075
Mongolia	5 732	1 384	-	-	300 000	307 116
Montenegro	11 462	-	-	-	-	11 462
Morocco	160 478	38 741	(27 269)	-	-	171 950
Mozambique	8 385	2 076	-	-	-	10 461
Myanmar	16 768	4 151	-	-	-	20 919
Namibia	22 926	366	-	-	-	23 292
Nepal	16 768	-	-	-	-	16 768
Netherlands	5 969 108	1 236 949	-	108 460	-	7 314 517
New Zealand	878 009	-	-	76 809	-	954 818
Nicaragua	8 385	2 076	41 385	-	-	51 846
Niger	5 590	1 384	-	-	-	6 974
Nigeria	214 926	51 885	(5 915)	-	61 663	322 559
Norway	2 800 945	580 426	-	1 053 096	-	4 434 467
Oman	271 571	57 420	(506)	-	-	328 485
Pakistan	226 389	54 652	1 908	2 292	384 545	669 786
Palau	2 958	-	1 908	-	-	4 866
Panama	60 180	24 584	(1 313)	-	-	83 451
Papua New Guinea	6 544	-	-	-	-	6 544
Paraguay	20 059	23 808	-	-	-	43 867
Peru	249 315	21 821	1 553	-	-	272 689
Philippines	249 315	63 872	12 205	-	-	325 392
Poland	2 286 820	552 062	-	50 000	-	2 888 882
Portugal	1 609 795	269 320	-	-	-	1 879 115
Qatar	434 001	-	-	-	-	434 001
Republic of Moldova	5 732	1 384	-	-	-	7 116
Romania	490 034	118 298	-	30 000	-	638 332
Russian Federation	5 154 537	991 420	-	2 372 304	637 660	9 155 921
Rwanda	2 795	-	-	-	-	2 795
Saudi Arabia	2 366 415	553 445	3 803	-	-	2 923 663
Senegal	16 768	4 151	-	-	-	20 919
Serbia	103 165	25 065	-	-	100 000	228 230
Seychelles	5 916	1 409	769	-	-	8 094
Sierra Leone	2 795	-	-	-	-	2 795
Singapore	1 078 314	223 454	-	-	-	1 301 768
Slovakia	392 600	97 878	-	-	-	490 478
Slovenia	330 506	34 245	-	-	-	364 751
South Africa	1 063 170	256 660	(13 025)	50 000	-	1 356 805
Spain	10 222 267	-	-	176 000	120 000	10 518 267
Sri Lanka	51 582	12 453	-	-	279 363	343 398
Sudan	27 948	6 918	-	-	-	34 866
Sweden	3 421 891	713 650	-	50 000	-	4 185 541
Switzerland	3 635 550	786 279	-	533 000	-	4 954 829
Syrian Arab Republic	68 776	-	3 252	-	-	72 028
Tajikistan	5 732	1 384	17 732	-	-	24 848
Thailand	576 004	139 053	1 908	-	-	716 965
The Former Yugoslav Republic of Macedonia	20 059	4 843	-	-	-	24 902
Tunisia	83 105	20 062	2 332	-	-	105 499
Turkey	1 705 083	415 057	-	-	22 110	2 142 250
Uganda	16 768	4 151	-	-	1 825	22 744
Ukraine	240 717	58 484	-	-	-	299 201
United Arab Emirates	1 258 588	257 799	-	7 571 765	-	9 088 152

ANNEX A1 (continued)

Donors	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB)		TOTAL
				EB RB	EB TC	
United Kingdom of Great Britain and Northern Ireland	21 249 089	4 403 347	-	4 268 788	-	29 921 224
United Republic of Tanzania	22 358	5 716	-	-	8 033	36 107
United States of America	83 460 678	16 400 553	-	48 068 291	4 054 172	151 983 694
Uruguay	76 908	18 138	2 975	-	-	98 021
Uzbekistan	28 657	6 843	-	-	47 144	82 644
Venezuela, Bolivarian Republic of	868 303	803 472	2 530	-	50 250	1 724 555
Viet Nam	89 433	22 138	8 129	-	-	119 700
Yemen	27 948	-	-	-	-	27 948
Zambia	11 179	2 767	-	-	-	13 946
Zimbabwe	8 597	2 076	(1 722)	-	75 050	84 001
Sub Total:	327 194 074	63 951 086	90 117	81 669 368	8 519 989	481 424 634
II. New Member States						
Fiji	13 087	5 352	-	-	-	18 439
San Marino	9 801	-	-	-	-	9 801
Swaziland	9 783	-	-	-	-	9 783
Togo	2 795	-	-	-	-	2 795
Trinidad and Tobago	143 964	-	-	-	-	143 964
Sub-total:	179 430	5 352	-	-	-	184 782
III. Other Donors						
European Commission	-	-	-	5 849 363	1 800 000	7 649 363
International Organizations	-	-	-	2 848 671	22 479	2 871 150
Other Sources	-	-	-	132 081	1 140	133 221
Sub-total:	-	-	-	8 830 115	1 823 619	10 653 734
GRAND TOTAL:	327 373 504	63 956 438	90 117	90 499 483	10 343 608	492 263 150

Note: Excludes refunds and contributions recorded as deferred revenue.

STATUS OF OUTSTANDING CONTRIBUTIONS

As at 31 December 2013

(expressed in euro)

Donor	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	-	-	-	-	-	-	-	-
Albania	-	-	-	-	-	-	-	-
Algeria	-	-	-	170	-	-	-	170
Angola	-	-	-	-	-	-	-	-
Argentina	-	-	-	(615)	-	-	-	(615)
Armenia	-	-	-	-	-	-	-	-
Australia	-	-	-	-	-	-	-	-
Austria	-	-	-	-	-	-	-	-
Azerbaijan	-	-	-	-	-	-	-	-
Bahrain	-	245 538	-	-	-	-	-	245 538
Bangladesh	-	-	-	-	-	-	-	-
Belarus	-	-	-	-	-	-	-	-
Belgium	-	-	-	-	-	10 000	-	10 000
Belize	-	8 248	-	595	-	-	-	8 843
Benin	-	19 477	-	-	-	-	-	19 477
Bolivia	152	138 954	-	13 316	201 606	-	-	354 028
Bosnia and Herzegovina	-	153 223	-	-	-	-	-	153 223
Botswana	-	-	-	-	-	-	-	-
Brazil	-	8 380 176	-	(7 530)	-	-	11 238	8 383 884
Bulgaria	-	-	-	(13 161)	-	-	30 000	16 839
Burkina Faso	-	-	-	-	-	-	-	-
Burundi	152	12 852	-	-	-	-	-	13 004
Cambodia	-	107 964	-	-	-	-	-	107 964
Cameroon	-	61 571	-	25 829	-	-	-	87 400
Canada	-	-	-	-	-	-	-	-
Central African Republic	152	27 926	616	-	-	-	-	28 694
Chad	-	5 539	-	-	-	-	183 057	188 596
Chile	-	-	-	6 348	-	-	-	6 348
China	-	-	-	(13 948)	-	11 767	-	(2 181)
Colombia	-	-	-	2 280	-	-	-	2 280

ANNEX A2 (continued)

Donor	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	-	-	-	-	-	-	-	-
Costa Rica	-	125 222	-	-	-	-	-	125 222
Côte d'Ivoire	-	-	-	(15 706)	-	-	-	(15 706)
Croatia	-	383 687	-	-	-	-	15 000	398 687
Cuba	-	378 791	-	3 101	-	-	364 283	746 175
Cyprus	-	-	-	-	-	-	-	-
Czech Republic	-	-	-	-	-	-	-	-
Democratic Republic of the Congo	-	-	-	-	-	-	-	-
Denmark	-	-	-	-	-	-	-	-
Dominica	152	6 455	-	-	-	-	-	6 607
Dominican Republic	2 586	1 280 529	-	23 552	148 344	-	-	1 455 011
Ecuador	-	-	-	955	-	-	-	955
Egypt	-	-	-	(2 439)	-	-	-	(2 439)
El Salvador	1 893	645 713	-	-	9 021	-	-	656 627
Eritrea	-	-	-	-	-	-	-	-
Estonia	-	-	-	20 765	-	-	-	20 765
Ethiopia	-	-	-	-	-	-	-	-
Finland	-	-	-	-	-	50 000	-	50 000
France	-	-	-	-	-	356 000	-	356 000
Gabon	-	157 338	-	9 718	-	-	-	167 056
Georgia	-	197 588	-	-	-	-	110 074	307 662
Germany	-	-	-	-	-	-	-	-
Ghana	-	28 651	-	53 996	-	-	72 500	155 147
Greece	-	466 751	-	-	-	-	-	466 751
Guatemala	-	579 484	-	8 535	106 226	-	-	694 245
Haiti	-	-	195	-	-	-	-	195
Holy See	-	-	-	-	-	-	-	-
Honduras	-	15 527	-	15 290	-	-	-	30 817
Hungary	-	-	-	(880)	-	-	-	(880)
Iceland	-	-	-	-	-	-	-	-
India	-	4 642	200	-	-	15 000	-	19 842
Indonesia	-	-	-	(2 930)	-	-	717	(2 213)
Iran, Islamic Republic of	-	1 253 049	-	-	-	-	-	1 253 049
Iraq	-	-	-	-	-	-	30 000	30 000
Ireland	-	-	-	-	-	-	-	-
Israel	-	-	-	-	-	-	-	-
Italy	-	-	-	-	-	104 000	-	104 000
Jamaica	-	91 602	-	-	-	-	-	91 602
Japan	-	-	-	-	-	770 033	-	770 033
Jordan	-	31 795	4 644	643	-	-	50 750	87 832

ANNEX A2 (continued)

Donor	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	
Kazakhstan	-	102	-	-	-	-	-	102
Kenya	-	-	-	48 888	-	-	-	48 888
Korea, Republic of	-	1 230 106	457 740	(7 602)	-	454 132	177 625	2 312 001
Kuwait	-	873 174	-	-	-	-	-	873 174
Kyrgyzstan	-	19 932	-	55 638	6 540	-	-	82 110
Lao People's Democratic Republic	-	2 779	-	-	-	-	-	2 779
Latvia	-	-	-	-	-	-	-	-
Lebanon	-	90 618	22 436	-	-	-	-	113 054
Lesotho	-	5 402	-	-	-	-	-	5 402
Liberia	-	185 960	-	-	-	-	-	185 960
Libya	-	-	-	(18 354)	-	-	-	(18 354)
Liechtenstein	-	-	-	-	-	-	-	-
Lithuania	-	-	-	-	-	-	-	-
Luxembourg	-	-	-	-	-	-	-	-
Madagascar	-	22 810	3 899	-	-	-	-	26 709
Malawi	-	10 519	-	-	-	-	-	10 519
Malaysia	-	-	-	-	-	-	-	-
Mali	-	9 504	6 544	-	-	-	-	16 048
Malta	-	-	-	-	-	-	-	-
Marshall Islands	-	8 248	-	-	-	-	-	8 248
Mauritania, Islamic Republic of	-	2 779	333	-	-	-	-	3 112
Mauritius	-	-	-	-	-	-	14 500	14 500
Mexico	-	-	-	-	-	-	-	-
Monaco	-	-	-	-	-	80 000	-	80 000
Mongolia	-	-	-	-	-	-	300 000	300 000
Montenegro	-	32 981	2 533	28 934	-	-	-	64 448
Morocco	-	-	-	(27 269)	-	-	-	(27 269)
Mozambique	-	2 662	-	-	-	-	-	2 662
Myanmar	-	-	-	-	-	-	-	-
Namibia	-	-	-	-	-	-	-	-
Nepal	-	48 444	-	-	-	-	-	48 444
Netherlands	-	-	-	-	-	24 999	-	24 999
New Zealand	-	-	-	-	-	-	-	-
Nicaragua	-	-	-	40 831	-	-	-	40 831
Niger	-	-	-	-	-	-	-	-
Nigeria	-	212 925	50 920	(5 915)	-	-	-	257 930
Norway	-	-	-	-	-	10 000	-	10 000
Oman	-	-	-	(506)	-	-	-	(506)
Pakistan	-	-	-	-	-	-	65 250	65 250
Palau	-	628	-	1 908	-	-	-	2 536

ANNEX A2 (continued)

Donor	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	
Panama	-	11 101	-	-	-	-	-	11 101
Papua New Guinea	304	12 908	-	-	-	-	-	13 212
Paraguay	-	279 092	-	18 479	53 838	-	-	351 409
Peru	-	414 872	-	-	85 859	-	-	500 731
Philippines	-	-	-	-	-	-	-	-
Poland	-	-	-	13 152	-	-	-	13 152
Portugal	-	1 211 819	-	-	-	-	-	1 211 819
Qatar	-	-	-	-	-	-	-	-
Republic of Moldova	-	5 680	1 358	-	-	-	-	7 038
Romania	-	217 272	-	30 060	37 627	-	-	284 959
Russian Federation	-	-	-	-	-	1 543 000	-	1 543 000
Rwanda	152	5 467	-	-	-	-	-	5 619
Saudi Arabia	-	-	-	-	-	-	-	-
Senegal	-	32 992	10 338	-	-	-	-	43 330
Serbia	-	426 185	-	-	-	-	-	426 185
Seychelles	-	-	-	-	-	-	-	-
Sierra Leone	-	10 568	-	-	-	-	-	10 568
Singapore	-	-	-	-	-	-	-	-
Slovakia	-	-	-	-	-	-	-	-
Slovenia	-	228 242	82 023	-	-	-	-	310 265
South Africa	-	-	-	(13 025)	-	-	40 000	26 975
Spain	-	-	-	-	-	197 750	100 000	297 750
Sri Lanka	-	20 237	-	-	164 127	-	-	184 364
Sudan	-	80 214	11 069	-	-	-	-	91 283
Sweden	-	-	-	-	-	10 000	-	10 000
Switzerland	-	-	-	-	-	-	-	-
Syrian Arab Republic	-	68 389	14 953	29 522	-	-	-	112 864
Tajikistan	-	-	-	-	-	-	6 412	6 412
Thailand	-	-	1 000	-	-	-	-	1 000
The Former Yugoslav Republic of Macedonia	-	86 567	12 267	34 009	-	-	-	132 843
Tunisia	-	-	-	-	-	-	-	-
Turkey	-	-	-	(12 034)	-	-	665 765	653 731
Uganda	-	48 444	4 511	-	-	-	-	52 955
Ukraine	-	-	-	-	-	-	-	-
United Arab Emirates	-	-	-	-	-	-	-	-
United Kingdom of Great Britain and Northern Ireland	-	-	-	-	-	-	-	-
United Republic of Tanzania	-	16 710	5 716	-	-	-	-	22 426
United States of America	-	14 315 092	-	-	-	262 636	-	14 577 728
Uruguay	-	-	-	-	-	-	6 468	6 468
Uzbekistan	-	181 641	-	21 892	-	-	18 473	222 006

ANNEX A2 (continued)

Donor	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	
Venezuela, Bolivarian Republic of	-	863 409	-	-	-	-	108 723	972 132
Viet Nam	-	-	-	-	-	-	-	-
Yemen	-	49 271	12 972	-	-	-	-	62 243
Zambia	-	-	-	-	-	-	-	-
Zimbabwe	-	7 278	2 037	(568)	-	-	-	8 747
Sub-total	5 543	36 161 315	708 304	365 924	813 188	3 899 317	2 370 835	44 324 426
II. New Member States								
Fiji	-	-	-	-	-	-	-	-
San Marino	456	9 760	-	-	-	-	-	10 216
Swaziland	456	9 760	-	-	-	-	-	10 216
Togo	152	5 467	-	-	-	-	-	5 619
Trinidad and Tobago	6 692	284 003	-	-	-	-	-	290 695
Sub-total	7 756	308 990	-	-	-	-	-	316 746
III. Former Member States								
Korea, Democratic People's Republic of	-	128 576	21 485	-	28 791	-	-	178 852
Yugoslavia, Former	-	-	-	-	-	-	-	-
Sub-total	-	128 576	21 485	-	28 791	-	-	178 852
IV. Other Donors								
European Commission	-	-	-	-	-	4 275 000	3 000 000	7 275 000
International Organizations	-	-	-	-	-	389 319	219 110	608 429
Other Sources	-	-	-	-	-	59 500	-	59 500
Sub-total	-	-	-	-	-	4 723 819	3 219 110	7 942 929
GRAND TOTAL	13 299	36 598 881	729 789	365 924	841 979	8 623 136	5 589 945	52 762 953

ANNEX A3

STATUS OF DEFERRED REVENUE

As at 31 December 2013

(expressed in euro)

Member States	Contributions received in advance					Extrabudgetary contributions transferred subject to conditions			
	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB)		Total contributions received in advance	EB RB	EB TC	Total EB contributions transferred with conditions
				EB RB	EB TC				
I. Member States									
Algeria	395 828	91 373	-	-	-	487 201	-	-	-
Angola	28 671	7 460	-	-	-	36 131	-	-	-
Argentina	5 431	139 861	60 000	28 560	-	233 852	-	-	-
Armenia	21 295	4 846	11 912	-	-	38 053	-	-	-
Australia	6 940 061	-	-	-	-	6 940 061	-	-	-
Brazil	-	-	52 000	-	-	52 000	-	-	-
Bulgaria	136 159	31 150	7 631	-	-	174 940	-	-	-
Canada	9 920 308	-	-	-	-	9 920 308	-	-	-
Chile	4 663	-	-	-	-	4 663	-	-	-
China	-	106 663	-	-	32 466	139 130	-	-	-
Congo	50	-	-	-	-	50	-	-	-
Costa Rica	-	-	22 357	-	-	22 357	-	-	-
Côte d'Ivoire	43 060	7 614	3 674	-	-	54 348	-	-	-
Croatia	-	-	13 287	-	-	13 287	-	-	-
Czech Republic	-	-	-	-	111 275	111 275	-	-	-
Democratic Republic of the Congo	41	-	-	-	-	41	-	-	-
Denmark	2 245 050	449 941	-	-	-	2 694 991	-	-	-
Dominican Republic	-	-	-	7 257	-	7 257	-	-	-
Egypt	-	-	36 198	-	-	36 198	-	-	-
Eritrea	4 932	692	-	-	-	5 624	-	-	-
Estonia	113 950	26 304	-	-	-	140 254	-	-	-
France	-	-	-	382 600	-	382 600	-	-	-
Holy See	3 468	1 746	-	-	-	5 214	-	-	-
Hungary	791 184	177 208	6 106	-	-	974 498	-	-	-
India	-	-	-	36 800	-	36 800	-	-	-
Iran, Islamic Republic of	17 679	10 000	-	-	-	27 679	-	-	-
Iraq	-	-	30 000	-	-	30 000	-	-	-
Israel	-	-	6 149	-	-	6 149	-	-	-
Jamaica	-	7 614	-	-	-	7 614	-	-	-
Japan	-	-	-	4 159 995 a/	-	4 159 996	-	-	-

ANNEX 3 (continued)

Member States	Contributions received in advance						Extrabudgetary contributions transferred subject to conditions		
	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB)		Total contributions received in advance	EB RB	EB TC	Total EB contributions transferred with conditions
				EB RB	EB TC				
Jordan	-	-	13 124	-	-	13 124	-	-	-
Kazakhstan	-	-	-	270 200 a/	-	270 200	-	-	-
Kenya	-	-	9 557	-	-	9 557	-	-	-
Korea, Republic of	-	-	-	603 464	118 853	722 317	-	-	-
Kuwait	-	-	4 533	-	-	4 533	-	-	-
Latvia	136 332	31 150	-	-	-	167 482	-	-	-
Libya	3 337	-	3 162	-	-	6 498	-	-	-
Lithuania	1 065	48 455	89	-	-	49 609	-	-	-
Malaysia	-	-	6 121	-	-	6 121	-	-	-
Malta	46 481	10 383	4 750	-	-	61 614	-	-	-
Mauritius	-	8 307	37 563	-	-	45 870	-	-	-
Mexico	481 802	98 903	62 996	-	-	643 701	-	-	-
Mongolia	-	-	12 340	291 100	-	303 440	-	-	-
Morocco	-	-	37 599	-	11 516	49 115	-	-	-
Netherlands	5 487 256	1 073 042	-	-	-	6 560 298	695 234	-	695 234
New Zealand	842 140	-	-	-	-	842 140	-	-	-
Niger	221	-	-	-	-	221	-	-	-
Nigeria	-	-	-	-	50 000	50 000	-	-	-
Norway	-	-	-	1 284 214	-	1 284 214	564 461	-	564 461
Pakistan	245 643	57 185	13 504	-	-	316 331	-	-	-
Panama	-	-	1 059	-	-	1 059	-	-	-
Romania	-	-	4 973	-	-	4 973	-	-	-
Russian Federation	-	-	14 815	-	-	14 815	-	-	-
Saudi Arabia	2 594 676	575 925	15 094	-	-	3 185 695	-	-	-
Serbia	-	-	5 733	-	-	5 733	-	-	-
Seychelles	7 671	-	-	-	-	7 671	-	-	-
Singapore	1 288 540	256 120	-	-	-	1 544 660	-	-	-
Slovakia	46 485	114 216	15 219	-	-	175 920	-	-	-
Slovenia	-	-	3 640	-	-	3 640	-	-	-
Spain	-	-	-	276 000	-	276 000	-	-	-
Sri Lanka	-	16 613	16 387	-	-	33 000	-	-	-
Sweden	250 301	-	-	-	-	250 301	34 859	559 560	594 419
Tajikistan	9 150	2 077	10 766	-	-	21 993	-	-	-
Turkey	-	-	1 432	-	-	1 432	-	-	-
United States of America	-	-	-	9 673 745 a/	-	9 673 745	37 693	-	37 693

ANNEX 3 (continued)

Member States	Contributions received in advance					Extrabudgetary contributions transferred subject to conditions			
	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB)		Total contributions received in advance	EB RB	EB TC	Total EB contributions transferred with conditions
				EB RB	EB TC				
Uruguay	-	-	-	5 280	-	5 280	-	-	-
Venezuela, Bolivarian Republic of	-	-	53 238	-	-	53 238	-	-	-
Zambia	549	-	-	-	-	549	-	-	-
Sub-total	32 113 479	3 354 848	597 008	17 019 215	324 110	53 408 661	1 332 247	559 560	1 891 807
II. New Member State									
Fiji	10 001	-	-	-	-	10 001	-	-	-
Sub-total	10 001	-	-	-	-	10 001	-	-	-
III. Other Donors									
European Commission	-	-	-	-	-	-	45 820 453	7 778 594	53 599 047
International Organizations	-	-	-	-	-	-	3 210	-	3 210
Sub-total	-	-	-	-	-	-	45 823 663	7 778 594	53 602 257
GRAND TOTAL	32 123 480	3 354 848	597 008	17 019 215	324 110	53 418 662	47 155 910	8 338 154	55 494 064

a/ Includes unallocated contributions to the Peaceful Uses Initiative.

ANNEX A4

STATUS OF CASH SURPLUS
As at 31 December 2013
(expressed in euro)

<u>Calculation of provisional cash surplus/(deficit) for 2013</u>	
Receipts	296 387 968
Disbursements	(290 810 718)
Excess (shortfall) of receipts over disbursements	5 577 250
Unliquidated obligations	(29 058 675)
Transfer of 2013 RB unused appropriation to reserve for the MCIF	(3 080 780)
Provisional 2013 cash deficit	(26 562 205)

<u>Calculation of final cash surplus for 2012</u>	
Prior year provisonal cash deficit	(17 911 666)
Receipt of:	
Contributions all prior years	14 890 880
Savings on liquidation of prior year's obligations	946 681
Savings on unobligated balances of carryover appropriations	670 716
Miscellaneous income	308 950
Final cash surplus/(deficit) for 2012	(1 094 439)
 Prior years cash surpluses a/	 82 793
 Total cash surpluses/(deficit)	 (1 011 646)

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 2013**



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.

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Response of the Management indicating action taken on past external auditor's recommendations	171

EXECUTIVE SUMMARY

This report presents the results of the Comptroller and Auditor General of India's audit of the IAEA for the financial period ended December 2013. The Comptroller and Auditor General (CAG) of India has been entrusted with the responsibility of audit of the Agency's accounts for the financial years 2012 and 2013 in accordance with Financial Regulations 12.01 (Article XII) and the Additional Terms of Reference governing the External Audit set out in the Annex to these Regulations. 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. Besides financial audit, the audit covered the areas of Human Resources, Safeguards, ECAS projects and AIPS.

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 our opinion, the financial statements present fairly, in all material aspects, the financial position of the Agency's operations as on 31 December 2013. I have placed an unqualified audit opinion on the Agency's financial statements for the financial period ended 31 December 2013.

The audit of the other areas mentioned above yielded the following important findings.

Based on its legal opinion, the Agency transfers (i) appropriations from its capital regular budget, and (ii) savings from annual regular budget appropriations, to the Major Capital Investment Fund (MCIF). The Agency needs to re-visit this procedure for funding of MCIF, with a view to ensuring that there is sufficient authorisation from the Agency's Governing Bodies and Financial Regulations to make such transfers.

Further, the Agency also needs to consider reporting MCIF as a separate segment particularly considering its growing importance in the years to come.

Keeping in view significant employee benefit liabilities to be met in future, there is an urgent need to develop a long term funding strategy for meeting the employee liabilities adequately, over a period of time.

The Agency is dependent on the knowledge, skills and expertise of the consultants, even in core areas of its functioning, which shows that it has not been able to transfer or develop such expertise in-house.

The Agency does not have a strategy for transferring and developing knowledge in areas where it regularly needs consultants nor does it have a well-defined succession plan to fill in the skill gap left by the departure of a staff member.

The Department of Safeguards needs to formulate a clear policy on development of State Level Approaches (SLAs) and bring about consistency in the implementation of safeguards processes across its different Divisions. The Agency can benefit from enhanced efficiencies in its safeguards efforts if it brings about more granularity to the costing of these operations.

The laboratories of the Agency render crucial analytical service to the Agency in the testing of nuclear material and environmental samples. It is, therefore, to be expected that the laboratories provide analytical support in a cost-effective, timely and reliable manner. Towards this end, the Agency has undertaken a project to enhance the capabilities of the safeguards analytical services. While the Clean Laboratory Extension Project has been completed, there are several areas of concern as regards the transition to the new Nuclear Material Laboratory, which unless addressed expeditiously, could pose serious challenge to the achievement of the transition schedule.

Though the Agency is set to invest Euros 33.8 million in its ERP system, AIPS, and hopes to achieve benefits of an estimated Euros 5.8 million every year, it is yet to formulate a Benefits Realisation Plan setting out the strategy for obtaining these benefits by leveraging AIPS. Although an initial listing of benefits to be realized by the implementation of the first two plateaus of AIPS has been prepared, no formal assessment, including the monetary benefits, has yet been completed.

Centralising data under AIPS provides an opportunity to better manage the data and bring about improvements in data quality. However, the data quality related to certain attributes within the Contacts Domain is low for which the Agency needs to put in efforts by collecting and updating information on key fields and eliminating duplicate records.

The Programme and Project Management (PPM) Domain of AIPS has simplified the formulation of Programme and Budget using AIPS Hyperion Solution and has been found to be useful by the project managers. However, there is an expressed level of discontentment from the Project Managers interviewed in connection with the audit with the adequacy and ease of use of the reports supporting financial project monitoring, which has led to project managers continue to use other tools for their financial project monitoring needs.

SUMMARY OF RECOMMENDATIONS

Financial Matters

Recommendation 1

The Agency may consider obtaining explicit budgetary approval for transfer of whole or a part of the capital regular budget to MCIF during future biennia.

Recommendation 2

The Agency may examine its procedure for transferring savings from budgetary appropriations to MCIF and report in greater detail to the member states on the funding of the MCIF including savings from budgetary appropriations. The examination should be focussed on ensuring that there is sufficient authorisation from the Agency's Governing Bodies to make such transfers, including under Regulation 7.02 (b) (4).

Recommendation 3

The Agency may consider setting some prudential limit to the accumulation of fund under the MCIF after analysing the capital and other infrastructure plans under the MCIP and the likely funding requirement.

Recommendation 4

The Agency may consider reporting MCIF as a separate segment particularly considering its growing importance in the years to come.

Recommendation 5

We recommend that the Agency may consider the implementation of a long term funding strategy for meeting the employee liabilities adequately, over a period of time.

Recommendation 6

The PSC allotments for a year should normally cover the entire projected PSC revenue for that year. The Agency should appropriately review the PSCs revenue and the past carried forward balance in order to ensure the matching of costs with revenue in future.

Recommendation 7

Extra budgetary support in the form of PSC should be adequately shown in the Agency's Programme.

Recommendation 8

The Agency may consider including a statement of investments held at the end of financial year in the Notes to the financial statements in compliance with the requirement of regulation 9.03.

Recommendation 9

The Agency may institute a rigorous and formal process for measurement of net realisable value or current replacement cost of inventory items before 2014 closure.

Recommendation 10

The Agency may review the arrangement with Vanbreda in terms of the rationale for extending the advance to them.

Human Resource Management

Recommendation 11

- a) Consultants may be engaged only in those areas where Agency has no or limited expertise and knowledge; or to supplement staff resources for specific projects.
- b) A provision for knowledge transfer may be added so that the Agency is not dependant on particular consultants repetitively or for a longer duration. The need for appropriate succession management and knowledge transfer to the regular staff of the Agency should also be assessed and suitable measures taken.
- c) Engaging former staff and retirees as consultants may be reviewed with the goal of ensuring that thorough succession planning is put in place so that the departure of a regular staff member does not leave a skill gap in the Agency. The Management may ensure that staff who are approaching retirement complete their assignments before retiring, to reduce the need for consultants.
- d) Upper age limit of consultants should be strictly adhered to except in rare cases with the approval of Director General.

Recommendation 12

Efforts may be made to increase the percentage of women employees in the Agency, especially in the professional category of posts.

Recommendation 13

Agency may take additional measures to ensure that all staff complies with the requirements of its Ethics Policy.

Safeguards

Recommendation 14

- a) The department may consider discontinuing maintenance of a separate Risk Register for itself.
- b) The department may ensure that all risks identified by it feature in the Agency's Risk Register.

- c)** The department may ensure that the risk owners are identified in all cases.

Recommendation 15

- a)** The department may clearly lay down its policy for development and implementation of ‘State Level Approaches’.
- b)** The department may develop performance targets for SLAs based on technical objectives prioritized for states.

Recommendation 16

- a)** Operations Divisions may continue to align their practices and processes with the Departmental processes to ensure consistency in implementation of safeguards processes.
- b)** A set of standard activities with appropriate timelines may be included in the AIP template for effective oversight.
- c)** Process timelines in respect of reporting the results and conclusions of inspection activities to the states may be drawn up.
- d)** Performance indicators for the States where Integrated Safeguards have not been implemented may be reviewed in order to make them specific.

Recommendation 17

The integrity of AIPSPLAN data may be ensured and baseline data, outcomes, performance indicators and targets may be defined and regularly updated to facilitate regular monitoring.

Recommendation 18

- a)** The department may use the cost model to establish internal benchmarks to identify opportunities for efficiency improvements and cost savings
- b)** The department may initiate measures to reduce allocated costs by mapping such costs to specific activities.

Recommendation 19

The Department may ensure that proper control is exercised over equipment inventory and the equipment database is timely updated in respect of the status of equipment in the field.

Recommendation 20

The Department may consider formalising the departmental procedures for Training Needs Analysis to better capture competencies and processes applied in the Department and to optimize staff management for effective safeguards implementation, and the data base maintained by the training section may be improved upon to make it more useful for the Department.

ECAS Project

Recommendation 21

The monthly progress reporting mechanism may be strengthened by incorporating key financial and physical targets relevant to the project which would help in assessing the achievements.

Recommendation 22

The Agency may consider formulating specific terms of reference for the periodicity of meetings of the Project Board to improve its effectiveness.

Recommendation 23

- a)* The Agency may evolve a well-defined technical evaluation procedure which should clearly lay down its communication strategy with bidders and underline the need for formulating factors against which the bidders can be objectively evaluated so as to ensure transparency and fairness in decision making
- b)* A mechanism may be put in place for the compliance of observations made by PAC to ensure transparency in evaluation of bids and award of contracts.

Recommendation 24

- a)* ECAS PMG may update the transition schedule to reflect the existing situation.
- b)* ECAS PMG may report the delays in the monthly progress reports as a regular part of the template.
- c)* ECAS PMG may intensify its efforts to finalise the extension of services of the TC.
- d)* ECAS PMG may expedite the recruitment of transition personnel keeping in mind the transition requirements and status of achievement of schedule.

AIPS Project

Recommendation 25

A benefit assessment study may be conducted to identify the impact of AIPS business processes on staffing requirement

Recommendation 26

Further training may be provided on SLiM to persuade users to rely on SLiM for mailing list/distribution management.

Recommendation 27

A clear roadmap for legacy applications currently in use may be prepared in the light of experience gained from AIPS implementation, and communicated to all internal stakeholders.

Recommendation 28

The feasibility of integrating the remaining legacy applications using Contacts data which are currently operating independent of AIPS may be re-examined, and a final decision taken based on the costs and benefits of such integration.

Recommendation 29

- a)* Data quality parameters may be devised for assessing the quality of contacts related data.
- b)* AIPS application may be enhanced to track the data quality improvement effected by the individual users, and a process be put in place to incentivise users to improve the Contacts data quality.
- c)* Agency may ensure that the MDM Unit fulfils its assigned responsibility for improving contacts data quality, apart from its existing role focused around Supplier data management.
- d)* Suitable time bound targets may be set for improvements in data quality by collecting and updating information on key fields, and eliminating duplication of data.

Recommendation 30

The search facility for contacts as available in Contacts online may be improved to provide greater flexibility. One suggested improvement is providing 'AND/OR' clause for multiple search parameters, as was already available in the Agency Contacts system.

Recommendation 31

- a)* Extensive training may be provided on the correct use of Hyperion and Oracle Projects components for project management and monitoring. This training content may be prepared jointly by technology experts and selected SMEs (business-users) to identify the correct feature sets that need to be used from each of the two software solutions forming AIPS PPM offering. This training content should cover all aspects of Project Management and Monitoring that is expected to be done for a typical project. This should include the ideal Project structure in terms of Tasks/Sub-Tasks etc. and its linkages with activities, outputs, and schedules spanning the two distinct components of Oracle Projects and Hyperion Software.
- b)* The current set of reports made available through the PPM Dashboard and Planning Dashboard may be reviewed. The dashboard may be redesigned to reflect the standard dashboard best practices with judicious mix of visual display and numeric/text data.
- c)* Dashboards may be customized for different categories of users.

- d)* New financial monitoring reports may be made available on the dashboard, which at a glance provide the relevant information to the Project Managers.
- e)* The dashboard reports may reduce the data overload by relying on the identity of the user logged in to the system to show only data relevant to that user. For instance, for a Project manager with three projects, the financial status of only these projects may be shown at the first instance.
- f)* The dashboard should suitably present both financial and non-financial progress of the Project.
- g)* The reports may be made interactive through drill downs using the available analytical reporting and graphing features of OBIEE.

Recommendation 32

- a)* The Performance Indicators set for the projects included in 2014-15 may be reviewed. Projects which necessarily have qualitative performance indicators may be identified and the PIs may be modified accordingly.
- b)* The update frequency of Performance Indicators may be reviewed.
- c)* The RAG Status against each PI, available in Hyperion Software, may be utilized for periodic updates of the qualitative dimension of outcome achievement. The PI achievement and the RAG Status may be prominently displayed on the dashboard to provide balanced focus to both financial and non-financial performance of program and projects.

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 2014–2015 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 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:

- Safeguards and Verification – verifying that safeguarded nuclear material and activities are not used for military purposes.
- Safety and Security – helping countries to upgrade nuclear safety and security, and to prepare for and respond to emergencies.
- 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 and May 2013 which informed the audit plan for the year. During the period from June 2013 to March 2014, we conducted the audit of the 'Agency Wide Information System for Programme Support (AIPS)', and the departments of 'Safeguards' and 'Human Resources' and the project – 'Enhancing Capabilities of the Safeguards Analytical Services (ECAS)'. This report contains the significant findings of these audits conducted during the year.

5. The audit was 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 and Auditing Standards of the International Organization of Supreme Audit Institutions (INTOSAI).

6. 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.

7. 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 2013 Financial Statements

8. 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 2013. Audit of the financial statements for the financial period 2013 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 2013.

Financial Matters

Adoption of IPSAS

9. 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 third year since the adoption of IPSAS by the Agency in 2011.

Fund Accounting and Segment Reporting

10. 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.

Performance against Key Indicators

Surplus

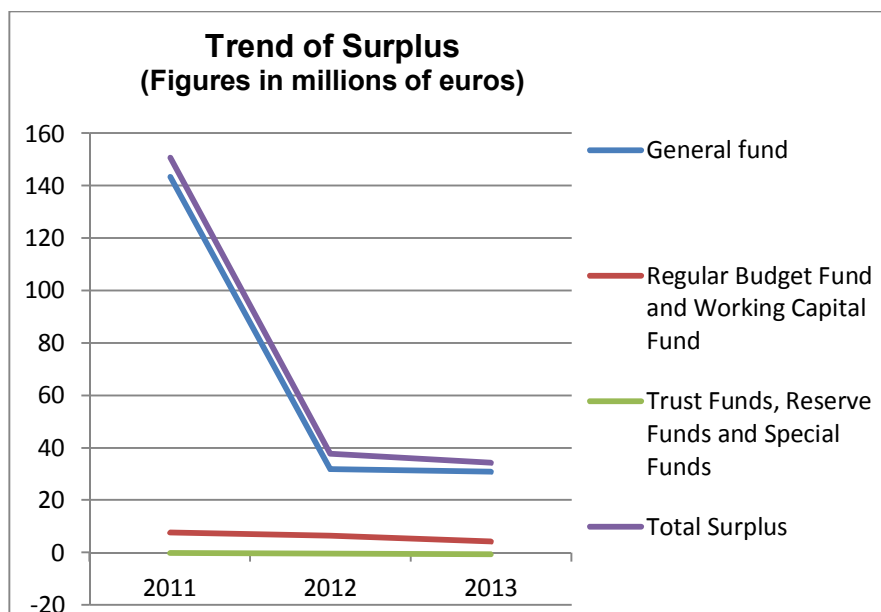
11. The surplus is the difference between the revenue and expenses of Agency during the year. The surplus has been showing a decreasing trend from 2011. The surplus for 2011 was €150.71 million which decreased to €37.80 million in 2012 and €34.36 million in 2013. This change was mainly due to decrease in voluntary contribution from 230.28 million in 2011 to €158.83 million in 2012 and to €166.36 million in 2013.

The surplus for 2013 has decreased by €3.44 million as compared to 2012. This change was mainly a result of i) increase in contribution revenue of €8.95 million (from €485.83 million in 2012 to €494.78 million in 2013) and ii) an increase of €10.75 million in spending (from €446.18 million in 2012 to €456.93 million in 2013)

Analysis of the surplus/deficit across different segments is shown in Table 1.

TABLE 1 (Figures in € millions)				
Segments		2011	2012	2013
Regular Budget Fund and Working Capital Fund				
Revenue		315.84	328.90	334.10
Expense		308.80	322.56	330.40
Share of surplus in common services		0.53	0.02	0.46
Surplus		7.57	6.36	4.16
Surplus/(deficit) in other funds				
General fund		143.34	31.81	30.76
Trust Funds, Reserve Funds and Special Funds		(0.20)	(0.38)	(0.56)
Total Surplus		150.71	37.79	34.36

12. As can be seen from above, most of the surplus of the Agency comes from the “Other Funds”. The share of Regular Budget Fund and the Working Capital Fund in the total surplus was only five percent in 2011 which increased to 12 percent in 2013.



Revenue

13. Total revenue in 2013 was €490.82 million, which represented a 1.42 per cent increase compared to 2012 (€483.96 million). The increase was mainly due to increase in assessed contribution by €3.97 million and voluntary contribution by €7.56 million. Assessed contribution was the main component of revenue with 66.69 per cent.

Expenses

14. There was 2.41 per cent increase in expenses in 2013 as compared to 2012. Staff cost with €252.32 million accounted for 55.22 per cent of agency's expenses and has shown an increase of €6.50 million from 2012. The second largest component was travel with €50.83 million which represented 11.12 per cent of the expenses in 2013. Transfer to development counterparts decreased to €38.28 million in 2013 from €40.73 million in 2012. 'Other Operating Expenses' were €36.18 million and has shown a decrease of €2.20 million as compared to 2012. These expenses included supplies and materials, contractual services, maintenance and communication and transport.

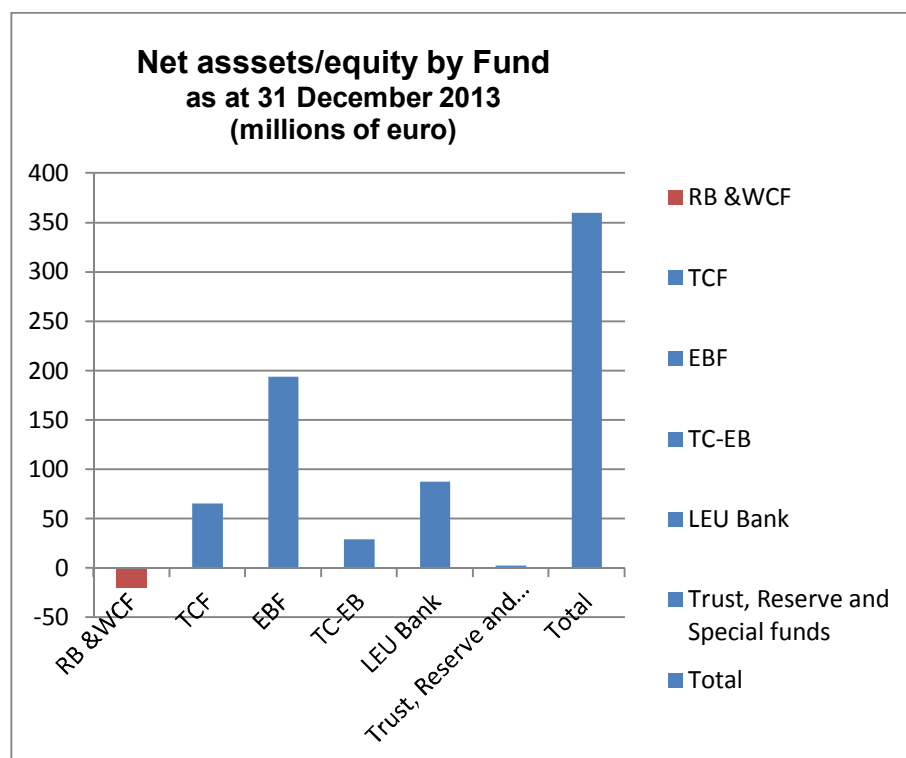
15. During 2013, of the six major programmes, 'Nuclear Verification' was the programme in which the agency spent most. The amount spent on nuclear verification was € 131.33 million which decreased as compared to €136.82 million expended in 2012. This was followed by 'Policy Management and Administration Services' where the expenditure was € 107.89 million in 2013 which had increased from € 102.39 million in 2012.

Equity

16. The equity of the Agency increased from €314.1 million as on 31 December 2012 to €360.4 million as on 31 December 2013. It consisted of reserves and fund balances. The Reserves of the Agency stood at €82 million on 31 December 2013, registering a 22.79 per cent increase compared to the 2012 balance of €66.79 million primarily due to recognition of actuarial gains on the post-employment employee benefit liabilities. The Agency establishes various funds in accordance with its financial regulations to support wide range of activities. Fund balances stood at €278.33 million on

31 December 2013 registering a 12.5 per cent increase compared to the previous year's balance of €247.34 million.

All fund groups, other than the Regular Budget and Working Capital Fund, have positive equity balance. The Regular Budget and Working Capital Fund group had negative equity of €19.1 million in 2013 and of €36.8 million in 2012.



Assets and Liabilities

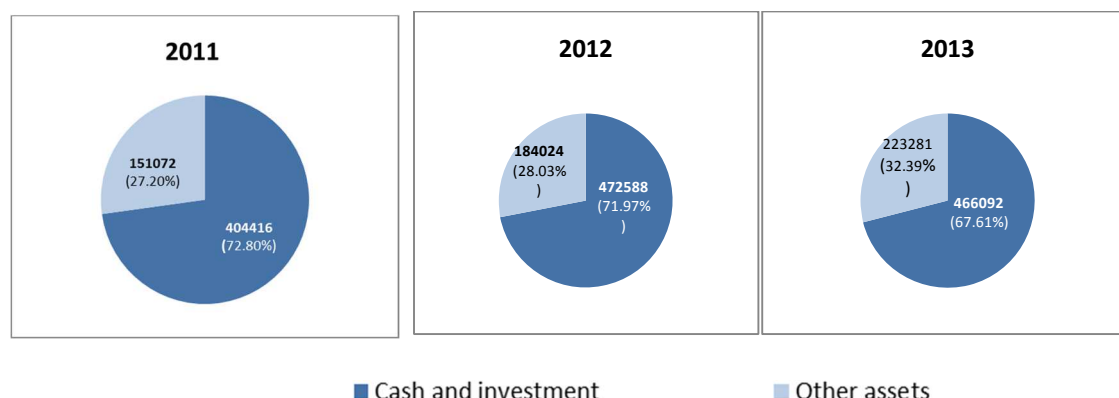
17. The Total Assets of the Agency increased by €32.8 million from €656.6 million in 2012 to €689.4 million in 2013. The increase in Assets was mainly due to the increase in accounts receivable from non-exchange transactions of €12.1 million, increases in property, plant and equipment of €16.3 million and in intangible assets of €9.7 million. Total Liabilities of the Agency decreased by €13.5 million from €342.5 million in 2012 to €329 million in 2013 mainly due to the fact that the Accounts Payable decreased by €7.4 million to €9.3 million and Employee Benefit Liabilities decreased by €5.0 million to €207.0 million.

The Total Assets in 2013 were 209 percent of Total Liabilities. The overall net assets value, calculated as total assets less total liabilities was €360.4 million.

Cash, Cash Equivalents, and Investments

18. The cash, cash equivalents and investments balances stood at €466.1 million at 31 December 2013, which was less by €6.5 million from €472.6 million in 2012. This represents 67.6% of the total assets of the Agency at 31 December 2013 (72.0% at 31 December 2012) signifying a high proportion of liquid assets.

Cash, Cash Equivalents and Investment as a proportion of Total Assets
as at 31 December (Figures in thousands of euros)



19. 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. The Cash and cash equivalents were €91.3 million as on 31 December 2013 as against €169.34 million as on 31 December 2012. This decrease of €78.01 million (46.1 per cent) in the cash and cash equivalents was due to a shift towards term deposits and other investments with original maturities between 3 and 12 months.

20. The Agency's investments comprise term deposits, treasury bills and other discounted notes, all with original maturities ranging between three and twelve months. The Investments were €374.77 million as on 31 December 2013 as against €303.25 million as on 31 December 2012. There was an increase of €71.52 million (23.6%) in investments in 2013.

As against €0.70 million in 2012, the income by way of interest from cash equivalents and investments in 2013 increased to €0.75 million. The increase of €0.05 million in the total interest revenue is the result of higher average balances in time deposits with commercial banks as compared to highly rated government and supranational credits during 2013. Additionally, cash at bank in 2013 had higher interest rates than in 2012.

21. The Agency earned an average rate of 0.14 per cent per annum on its euro cash and investments (0.14 per cent in 2012) and an average rate of 0.19 per cent per annum on its USD cash and investments (0.15 per cent in 2012).

DETAILED AUDIT FINDINGS

Financial Matters

Financial Issues

Major Capital Investment Fund (MCIF)

22. MCIF was established as a Reserve Fund by the Board of Governors to support the major infrastructural investments as stated in the Agency's Programme and Budget document 2010-2011 (GC (53)/5).

23. The Programme and Budget document 2010-2011, which was approved by the General Conference, stated as follows:

Para 140. MCIF has been established as a Reserve Fund by the Board of Governors, as recommended in GOV/2009/1, in accordance with Financial Regulation 4.06, with immediate effect, to support major infrastructural investments. The proposed purposes and limits of this Fund and the authority to incur expenditure are set out in paragraph 138 of document GOV/2009/1, specifically:

- (a) The MCIF will be funded by appropriations in the capital regular budget and any other source as the Board may determine.
- (b) 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.
- (c) The MCIF will be 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 extra budgetary contributions received or pledged for items in the MCIP, rate of implementation, and adjustments to the MCIP due to changes in circumstances or prioritisation.

Para 142. Any savings from annual regular budget appropriations will be retained within the MCIF to fund those items identified in the MCIP.

Para 143. In 2010, the MCIF will be funded as detailed in Gov/2009/52/Rev.1:

- (a) By appropriations in the capital regular budget of €0.1 million;
- (b) Extra budgetary contributions of € 6.0 million for the funding of items identified in the MCIP;
- (c) Year-end savings of € 6.5 million from 2009 regular budget appropriations to be achieved through, inter alia, immediate adoption of the austerity measures.

Para 145. Efforts will be made to accumulate sufficient balances in the MCIF from year to year to allow the offsetting of immediate costs of project construction/item purchase. In this manner, annual requests for appropriated support for the MCIF should be ‘smoothed out’ as much as possible.

24. The Financial Regulations of the Agency dealing with provisional surplus/deficit and cash surplus/deficit prescribe as follows:

Regulation 7.02

1. At the end of each financial year the provisional surplus or deficit for the year shall be determined by establishing the balance between the following credits and charges to the Regular Budget Fund:

(a) Credits:

1. Assessed contributions received for the year from Member States; and
2. Miscellaneous income received during the year.

(b) Charges:

1. All disbursements against the appropriations for that year;
2. Provisions for unliquidated obligations to be charged against the appropriations for that year;
3. Provisions for unobligated balances of appropriations set aside to implement deferred programme activities in the following financial years;
4. Transfers to Reserve Funds as authorized by the Board; and
5. Provisions for unobligated balances of appropriations carried over from the first financial year to the second financial year of the programme biennium in accordance with Regulation 4.03.

The provisional surplus or deficit shall be retained in the Regular Budget Fund for the following twelve months.

Appropriations in the capital regular budget

25. Budget document of 2010 specifies that MCIF will be funded by, inter alia, appropriations in the capital regular budget of € 0.1 million during that year. No such specifics of funding of MCIF by regular budget appropriations is evident during 2011, 2012 and 2013 as these documents primarily focus on the funding of specified programmes during the year of appropriation.

26. The proposal that the MCIF will be funded by ‘appropriations in the capital regular budget’ and any other source as the Board may determine does imply that the ‘appropriation in the capital regular budget’ is one of the funding sources of the MCIF. However, this does not necessarily imply that ‘capital regular budget’ is the only source of MCIF funding or that the entire ‘capital regular budget’ will only be meant for MCIF. In this context it is worth mentioning that AIPS system has separate

codes for booking expenditure from capital budget appropriations and their carryovers (Fund Code 1030) and for booking expenditure against other sources of MCIF (Fund Code 1031).

27. The Agency's Legal Opinion is that the Board of Governors authorized all appropriations in the Capital Regular Budget as appropriations to the MCIF for all subsequent years. We also appreciate that from the operational and funds management point of view, transferring the entire or bulk of 'capital regular budget' to MCIF would serve the purpose of MCIF better. However, we feel that the available budgetary authority for this purpose could be strengthened further. If the Agency wants to transfer the entire capital regular budget to MCIF then, in our opinion, the budgetary approval (for the biennium or the update for the 2nd year of the biennium) should be explicit and more direct.

Savings from annual regular budget appropriations

28. The Agency's Programme and Budget document 2010-2011 did grant authority for retention of any eventual savings from annual regular budget appropriations within the MCIF to fund items identified in the MCIP. However, two issues are relevant to be considered at this stage- a) whether the budgetary approval was for the biennium 2010-2011 only or was it a blanket approval for retention of annual savings for all the years to come, and b) whether such retention of savings needs to be done after following the procedure prescribed in the Financial Regulations.

29. The Agency's Legal Opinion is that the GC's approval amounted to a perpetual annual sanction. However, in our opinion, it can at best be taken as an in-principle approval only since the GC was not aware about the exact amount of annual savings to occur in future. Therefore, it is our opinion that the retention of savings should be done only after following the procedure prescribed in the Financial Regulation 7.02 (b) (4), namely "*Transfers to Reserve Funds as authorized by the Board*".

30. Thus, going forward, the Agency should examine their procedure for transferring savings from budgetary appropriations to MCIF and report in greater detail to member states on the funding of the MCIF including savings from budgetary appropriations. The examination should be focussed on ensuring that there is sufficient authorisation from the Agency's Governing Bodies to make such transfers, including under Regulation 7.02 (b) (4).

Prudential limit for MCIF

31. The MCIF was proposed as a mechanism to allow the retention of funds beyond the end of biennium to ensure that sufficient resources were available when large expenditures needed to be made.

32. We are of the opinion that such accumulation of fund on an ongoing basis needs to be put under some prudential limit to be set by the Agency after analysing the capital and other infrastructure plans under the MCIP and the likely funding needed.

MCIF - part of separate Fund Group

33. MCIF has been set up as a Reserve Fund. Regulation 2.01 (xvi) defines that Reserve Fund shall mean a Fund established as part of the Regular Budget Fund to segregate funds for future use.

34. For the purpose of segment reporting, the Agency has created fund groups. One of the Fund Groups has been distinctly carved out for Trust Funds, Reserve Funds and Special Funds.

35. Given the nature of MCIF, it is likely to accumulate funds and grow in importance over time. Thus for the purpose of segment reporting requirement under IPSAS, we are of the opinion that MCIF should be shown as a separate segment.

Recommendation 1

The Agency may consider obtaining explicit budgetary approval for transfer of whole or a part of the capital regular budget to MCIF during future biennia.

36. The Agency accepted the recommendation and stated that while having the required authorization as per its Legal Opinion, it would include suitable disclosure in this regard in the Agency's Programme and Budget Documents from 2016 onwards, to ensure that the authorization reflecting the capital regular budget as a component of the MCIF was explicit.

Recommendation 2

The Agency may examine its procedure for transferring savings from budgetary appropriations to MCIF and report in greater detail to the member states on the funding of the MCIF including savings from budgetary appropriations. The examination should be focussed on ensuring that there is sufficient authorisation from the Agency's Governing Bodies to make such transfers, including under Regulation 7.02 (b) (4).

37. The Agency accepted the audit recommendation and stated that while as per its Legal Opinion, the Agency has the explicit and ongoing authority (including under Regulation 7.02 (b) (4)) to retain within the MCIF any savings from any future operational and capital portion of the regular budget appropriations, it will continue to strengthen its reporting to the Member States in this regard.

Recommendation 3

The Agency may consider setting some prudential limit to the accumulation of fund under the MCIF after analysing the capital and other infrastructure plans under the MCIP and the likely funding requirement.

38. The Agency accepted the audit recommendation and agreed to establish a process to periodically review the appropriate level of accumulation of funds under the MCIF, taking into account the requirements included in the MCIP and other possible funding for the period under review.

Recommendation 4

The Agency may consider reporting MCIF as a separate segment particularly considering its growing importance in the years to come.

39. The Agency accepted the audit recommendation and agreed to formally consider in 2014 whether the MCIF should be reported as a separate segment of the Financial Statements.

Employee benefit liabilities

40. The equity of the Agency as of 31 December 2013 was € 360.34 million. The fund wise break-up is given in Annexure I.

41. It would be seen from the Annexure that after eliminating the effect of major funds committed and earmarked for specific purposes, the funds of the Agency available for meeting operational expenses amounted to € 178.04 million as of 31 December 2013. As against this, the employee benefit liabilities currently accounted for as liabilities in the Agency's financial statements were € 207.02 million as on 31 December 2013. Most of it (€ 203.40) pertained to the Regular Budget.

42. We observed that the Agency was presently following "pay-as-you-go" principle for meeting the Agency's post-employment benefits and processed payments either from the Common Staff Costs for Regular budget funded staff, or from the respective Extra Budgetary Awards for Extra budgetary funded personnel. These payments included, inter alia:

- Yearly payment for the Agency's share of the After Service Health Insurance (ASHI);
- Payments upon separation or retirement (repatriation grants, travel, removals, commutation of leave balances, termination benefits, end of service allowances) etc.

43. The funding of these long term contractual obligations with employees, both current and past remained an issue for the Agency. We noticed that a distinct funding has, however, not been created by the Agency to fund such benefits nor has any funding plan been put in place to provide for the unfunded employee benefit liabilities in future notwithstanding the fact that the Financial Regulations of the Agency permit, upon approval by the Board of Governors, establishing reserve funds for specific purposes.

44. The Agency replied that "given the number of Member States of the Agency continues to grow and no significant issues related to payment of Regular Budget assessments have been identified, we see low risk of an inability to fund the Agency's present obligations for former Regular Budget funded staff. With respect to staff funded from Extra-budgetary resources, the Agency recognizes there is a higher risk with respect to funding of post-employment benefits. As such, the Agency is currently examining potential ways to begin to build up funds to support the calculated long-term liability with respect to the Extra-budgetary funded staff members."

45. Thus, the Agency agreed that there was higher risk with respect to funding of post-employment benefits regarding the staff funded from Extra-budgetary resources. We are of the opinion that even

for the staff funded from the regular budget there is clearly a long term risk of Agency's inability to fund their future obligations in view of significant deficit in the equity in the regular budget fund.

46. Keeping in view large deficit in the regular budget, significant employee benefit liabilities to be met in future and inelastic nature of annual assessed contributions funding the budget, there is a pressing need to create a dedicated reserve fund for funding the employee liabilities.

Recommendation 5

We recommend that the Agency may consider the implementation of a long term funding strategy for meeting the employee liabilities adequately, over a period of time.

47. The Agency in its reply stated that the issue of funding the employee benefit liability was complex and involved consultations within the Secretariat, with other UN system organizations, and with the Member States. The Agency would continue to look at the appropriate methods for funding employee benefit liabilities, related to both Regular Budget and Extrabudgetary funded staff, and would work on developing potential funding targets and alternatives.

Programme Support Cost

48. As per the Agency's approved Policy on the application of Programme Support Costs (PSC), PSC will be charged in the case of extrabudgetary contributions made to the Regular Programme (RP-EB), the Technical Cooperation Programme (TCP-EB), and Trusts and Special Funds.

49. A 'Programme Support Cost Sub-Fund' (PSC Sub-Fund) was established under the Extrabudgetary Programme Fund to record all income and expenditures related to PSC in accordance with Financial Regulation 8.03. It was decided, based upon historical experience, that a standard PSC rate of 7% will generally apply. In the case of extrabudgetary contributions to the Technical Cooperation Programme by a donor to support activities in its own country (commonly referred to as 'government cost sharing'), if the contribution is exclusively or primarily for the procurement of equipment, a PSC rate of 3% will apply. Also no PSC is charged for TCF, EB contributions equal to or less than euro 10 thousand and also in-kind contributions.

50. PSC income will be allocated to the management and support service areas on the basis of the estimated relative work performed in supporting extrabudgetary programme activities.

51. Earlier policy followed by the Agency till 2012 stipulated that up to 80% of the available PSC income generated in a year was to be allocated in the following year. Of the available funds, 20% was to be set aside to meet any unexpected increase in the workload and any unusual increase in the cost of staff members financed from the PSC fund.

52. The revised policy, which took effect from 7 January 2013 and was presented to the Member States at the Finance and Administrative Workshop in April 2013, provided for issuing PSC allotments on a prospective basis considering PSC to be earned for the forthcoming year and taking into account the PSC sub fund balance.

53. The PSC allotments for 2013 were finalised at €5 million on 14 December 2012 keeping in view the estimated PSC fund balance of €5 million at the end of December 2012 and the projected revenue of €4 million from PSC in 2013.

54. We are of the opinion that post revision of the PSC policy, the PSC allotments for a year should normally cover the entire PSC revenue available for that year. However, even after PSC allotments for the year 2013 there was a sizeable balance of about €4.5 million as of 31 December 2013 in the PSC sub-fund.

55. The PSC allotments are an extra-budgetary source of funding to support the effective implementation of the Agency's programmes. Therefore, these should be included in Agency's Programme and Budget document also. However, the amount of € 5 million allotted for the year 2013 was not reflected in the Agency's Programme and Budget document for 2013.

Recommendation 6

The PSC allotments for a year should normally cover the entire projected PSC revenue for that year. The Agency should appropriately review the PSCs revenue and the past carried forward balance in order to ensure the matching of costs with revenue in future.

56. The Agency concurred that the PSC allotments should cover the projected PSC revenue for that year as much as possible (considering that projections, due to their nature, may not be fully accurate). With the change in policy to a prospective allotment in 2013, the Agency is ensuring the matching of costs with revenue to the level possible. A new policy document will be prepared in 2014 with regards to the PSC fund balance.

Recommendation 7

Extra budgetary support in the form of PSC should be adequately shown in the Agency's Programme.

57. The Agency concurred that the PSC should be adequately shown in the Agency's Programme and Budget document and was planning to include a full budget for PSC under all relevant programmes for the 2016-2017 budget.

Investments

58. The Agency's Financial Regulation 9.03 stipulates that a statement of investments held at the end of financial year shall be included in the accounts of that year.

59. We observed that the Agency currently presents an analysis of investments (Note 38 of 2013) as part of disclosure requirements under IPSAS. However this presentation, in our opinion, does not comply with the financial regulation requirements of including a statement of investments. Such statements should list out Agency's investments in various bodies/ instruments. We observed that such statements were included in the Agency's financial statements prior to the adoption of IPSAS.

Recommendation 8

The Agency may consider including a statement of investments held at the end of financial year in the Notes to the financial statements in compliance with the requirement of regulation 9.03.

60. The Agency accepted the recommendation and agreed to consider including a statement of investments held at 31 December 2014 in the Agency's Financial Statements.

Inventory

61. Inventories are initially recognized at cost. At the end of the reporting period, inventories are measured at the following:

- Inventories, which are held for distribution at no charge or for a nominal charge, or for consumption in the production process of goods to be distributed for no or nominal charge, are measured at the lower of cost and current replacement cost.
- All other inventories are measured at the lower of cost and net realizable value.

62. As per Agency's accounting policy and in accordance with IPSAS 12, inventories-in-transit are recognized at the lower of cost or current replacement cost. Other inventories are recognized at the lower of cost or net realizable value. Therefore, in line with relevant IPSAS and Agency's accounting policy, net realisable value/current replacement cost of various inventory items is required to be measured at each reporting date. The Agency stated that an informal high level review was performed at year-end to determine if there was a significant fall in the price of any of the material inventory items and nothing came to their attention that indicated a significant fall in price had occurred. This indicated that there was no formal mechanism in place to measure inventory at net realisable value or current replacement cost as at the reporting date to ensure measurement of inventory in compliance with IPSAS.

Recommendation 9

The Agency may institute a rigorous and formal process for measurement of net realisable value or current replacement cost of inventory items before 2014 closure.

63. The Agency accepted the recommendation and agreed to institute the formal process for measurement of net realisable value or current replacement cost of inventory items before 2014 closure.

Van Breda Health Insurance Premium Reserve

64. Van Breda International provides Group health insurance coverage to staff members for which annual premiums are being regularly paid to them by the Agency. As per the existing arrangements, 50 per cent of annual premium is being borne by IAEA and 50 per cent is contributed by Agency staff.

65. The IAEA for last many years has been operating a Health Insurance Premium Reserve under Advances and Prepayments as a premium smoothing mechanism. In years that the premium rates are lower than the previous year's premium rates, both Agency's share and staff contribution are kept static and the same are paid to Van Breda. While annual premium expense equal to premium fee is recognised for a year, the overcharge is sent to this Account to partially offset premium increases in future years. Build ups in the Reserve Account occur when there is a decrease in premiums relative to what the staffs are currently paying – the contributions comprising part staff and part Agency contributions. Drawdowns from the Account occur when the Agency takes a decision to apply the Account balance towards offsetting the cost of premium increases.

66. The balance in the Advances and Prepayments - Health Insurance Premium Reserve as at 31 December 2013 was € 2.29 million. The Van Breda acts as custodian of the Health Insurance Premium Reserve Account of the Agency and holds this balance in Van Breda's name. The information furnished to us did not clarify the reason for the funds amounting to € 2.29 million being held by Van Breda.

Recommendation 10

The Agency may review the arrangement with Vanbreda in terms of the rationale for extending the advance to them.

67. The Agency accepted the recommendation and agreed to review the arrangement of advance to Van Breda in 2014.

Human Resource Management

68. The Department of Management under which the Division of Human Resources (MTHR) operates, is charged with the responsibility to support the Agency's programme by way of effective human resources (HR) management through recruitment, development and performance management of fully competent staff, while meeting geographical representation, gender balance and staff well-being requirements.

69. While appreciating the overall working of the Division of Human Resources, we have identified further opportunities for improvement.

Engagement of Consultants

70. Based on the need for consultants and funds available, Departments and their Divisions identify suitable individuals and propose their names to Division of Human Resources (MTHR) for appointment. MTHR verifies the terms and conditions offered for Agency-wide consistency and compliance with the provisions of Administrative Manual. Further, in order to limit the use of consultants, Agency adopted the following strategy in October 2012:

- Wherever practicable, staff should be used instead of consultants;

- The term of consultants is limited to 2 years, followed by a 1-year break;
- The selection of Consultants should follow a contestable process.

71. The Administrative Manual provides that 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 project basis or (iii) support other programmatic needs.

72. We observed that:

- Consultants had been engaged for the work the Agency was expected to be specialised in. These were the core areas of Agency's functioning.
- The Agency did not have sufficient strategy or plan for developing its own expertise and knowledge in those areas where it regularly needed consultants. It did not have any succession plan for those consultants who would be completing a long tenure or who exceed the upper age limit.
- Out of a sample of 2462 consultants, 118 were engaged for more than 1000 days, 463 between 366 and 999 days and remaining up to 365 days.
- In many cases, the former staff/retirees from the Agency have been engaged as consultants. This indicated that the knowledge and expertise which was existing in the Agency had not been passed on to the successors and the same staff was being re-hired in the form of consultants.
- The Administrative Manual stipulates that consultants shall not be hired for any period beyond their 70th birthday. Though there is a provision for exceptions to be authorized by the Director General, it was observed that in more than 30 cases out of 814 consultants engaged during 2012 and 2013 (up to July 2013), the age of the consultant on the day of contract start date was more than 70. In some other cases, consultants would turn 70 during the contract period. Many of them were former staff of the Agency.

73. As consultants are engaged for providing advice in a field where the required expertise or training is not available within the Secretariat, due consideration has to be given to transferring knowledge and expertise within the Agency with the aim of closing any existing gap of skills. However, extensions given to the consultants as well as their successive contracts in the same area over a long period indicate that the Agency was dependent on their knowledge, skills and expertise, and had not been able to transfer or develop such expertise in-house. Moreover, in the contracts reviewed, there was no mention of knowledge transfer in the nature of services/deliverables expected from the consultants.

Recommendation 11

a) Consultants may be engaged only in those areas where Agency has no or limited expertise and knowledge; or to supplement staff resources for specific projects.

b) A provision for knowledge transfer may be added so that the Agency is not dependant on particular consultants repetitively or for a longer duration. The need for appropriate succession management and knowledge transfer to the regular staff of the Agency should also be assessed and suitable measures taken.

c) Engaging former staff and retirees as consultants may be reviewed with the goal of ensuring that thorough succession planning is put in place so that the departure of a regular staff member does not leave a skill gap in the Agency. The Management may ensure that staff who are approaching retirement complete their assignments before retiring, to reduce the need for consultants.

d) Upper age limit of consultants should be strictly adhered to except in rare cases with the approval of Director General.

74. The Management noted the audit recommendations and assured that a provision would be included in the next revision of the Agency's consultants' policy to ensure that knowledge transfer requirements are considered according to the assignment.

75. The Management further confirmed that the Administrative Manual was amended in January 2014, and it now provides that:

1. Consultants are engaged in their individual capacity to supplement the staffing of the Secretariat for a limited period of time, normally providing expertise, skills or knowledge for the performance of a specific task or piece of work of a professional nature which is a one-off activity. Consultants engaged under this Section are, therefore, not institutions or corporate bodies.

2. Consultants shall normally not be under a day-to-day supervisory control and may only be engaged to:

(a) Perform specific well-defined tasks resulting in a pre-defined output that can be considered as a specific end product such as a research study, a report, a translation, or a scientific document; or

(b) Perform specific well-defined tasks of an advisory nature.

76. The Management has also confirmed that the revised policy stipulates that all consultant engagements are limited to a maximum of two years.

Gender Mainstreaming and Gender Equality

77. The Agency is committed to gender equality and strongly emphasizes the achievement of the UN Millennium Development Goals (MDGs), of which gender equality is a central tenet. The General Conference has also called upon the Secretariat in its resolution to both implement a gender mainstreaming policy, as well as to increase the number of Professional female staff in the Secretariat.

78. We observed that, in August 2013, the percentage of women employees in the professional category was 27.6 per cent (up from 18.0 per cent in 2003). This compares with the UN-wide average of 40.7 per cent. In the general staff, the percentage of women is over 63 per cent.

79. The Management stated that the Agency was continuing its efforts to actively increase the percentage of female representation in the Professional Category.

Recommendation 12

Efforts may be made to increase the percentage of women employees in the Agency, especially in the professional category of posts.

80. The Management stated that the recommendation would be actively considered during the recruitment process.

Ethics Policy

81. The Ethics Policy of the Agency affirms that the Agency is committed to applying the highest ethical standards in carrying out its mandate. It further stipulates that all staff must complete an ethics and integrity awareness training course provided by MTHR (new staff members in their first six months of service) and every five years thereafter.

82. We observed that several staff recruited during 2012 at various levels had not completed the training despite the fact that more than six months had elapsed after their recruitment.

83. The Administrative Manual also required that all staff members at the D-1 level and above and staff designated by the Director General with finance, procurement, human resources, OIOS and legal functions must complete annually a “Declaration of Interest” statement, affirming their compliance with the Staff Regulations and Rules and the Ethics Policy in respect of:

- **Outside activities;**
- **Financial and business holdings; and**
- **Acceptance of honours and gifts**

84. We observed that the compliance rate in this regard was 79 percent. The Management confirmed that as in the previous years, IAEA consistently followed-up with those staff members who did not provide a ‘Declaration of Interest’ statement or did not complete the ‘Ethics training’ in time.

Recommendation 13

Agency may take additional measures to ensure that all staff complies with the requirements of its Ethics Policy.

85. The Management has assured that MTHR would follow-up more closely regarding adherence with the respective timelines.

Safeguards

86. The Department of Safeguards (SG) is responsible for implementing the ‘safeguards system’ which comprises an extensive set of technical measures by which the IAEA Secretariat independently verifies the correctness and completeness of the declarations made by States about their nuclear material and activities.

87. In implementing safeguards, the IAEA plays an instrumental independent verification role, providing credible assurances that States’ safeguards commitments are being respected. States enter into safeguard agreements with the IAEA in order to fulfil their non-proliferation commitments.

88. Each non-nuclear-weapon State (NNWS) party to the Treaty on the Non-Proliferation Weapons (NPT) is required to conclude a comprehensive safeguards agreement (CSA) with the IAEA. Under a CSA, the State undertakes to accept IAEA safeguards on all source or special fissionable material in all peaceful nuclear activities within the territory of the State, under its jurisdiction or carried out under its control anywhere. For its part, the IAEA has the corresponding right and obligation to ensure that safeguards are applied on all source or special fissionable material for the exclusive purpose of verifying that such material is not diverted to nuclear weapons or other nuclear explosive devices.

89. Many States with CSAs have little or no nuclear material. Such States may be eligible to conclude a protocol which holds in abeyance the implementation of most of the detailed safeguards procedures of CSAs; a ‘Small Quantities Protocol (SQP)’.

90. The five NPT nuclear weapon States have concluded Voluntary Offer Agreements (VOA) with the IAEA. Under the NPT they are not required to accept safeguards but have voluntarily offered to do so. Under such an agreement, a State offers, for selection by the IAEA for the application of safeguards, some or all of the nuclear material and/or facilities in its civilian nuclear fuel cycle.

91. The three non-NPT States have concluded item-specific safeguards agreements based on INFCIRC/66/Rev.2. These agreements specify the nuclear material, non-nuclear material, facilities and/or equipment to be safeguarded, and prohibits the use of the specified items in such a way as to further any military purpose.

92. Any State with a safeguards agreement may also conclude an Additional Protocol (AP) to its safeguards agreement. Under an AP, a CSA State is required to provide to the IAEA broader access to information and locations related to the State’s nuclear fuel cycle than is provided under a CSA.

93. At the end of each year, the Agency draws a safeguards conclusion for each State for which safeguards are applied. With regard to States with comprehensive agreements (CSAs), the Agency seeks to conclude that all nuclear material has remained in peaceful activities. To draw such a conclusion, the Secretariat must ascertain that: first, there are no indications of diversion of declared nuclear material from peaceful activities; and second there are no indications of undeclared nuclear material or activities in the State as a whole. To ascertain that there are no indications of undeclared nuclear material or activities in a State, and ultimately to be able to draw the broader conclusion that all nuclear material has remained in peaceful activities, the Agency assesses the results of its verification and evaluation activities under CSAs and APs. Thus, for the Agency to draw such a

broader conclusion, both a CSA and an AP must be in force in the State, and the Agency must have completed all necessary verification and evaluation activities.

94. For those States for which the broader conclusion has been drawn and a State level safeguards approach has been approved, the Agency implements integrated safeguards: an optimized combination of measures available under CSAs and APs to maximize effectiveness and efficiency in fulfilling the Agency's safeguards obligations.

Risk Management

95. The Agency operates in a challenging environment and is exposed to threats from both internal and external environments, which have implications for Agency's performance and reputation. To address these, a systematic approach to risk management was put in place with the objective to add value to decision-making and to provide assurance to Agency stakeholders that important risks for the Agency are appropriately dealt with. Accordingly, a Risk Management Policy containing principles and guidelines was introduced in the Agency in March 2012.

96. We observed that the SG Department maintained two Risk Registers – one for the SG Department itself, origins of which predated the Agency's Risk Policy; and another of the Agency with Department's risks as an input. The Department of Safeguards undertook a rigorous risk assessment exercise in the year 2010.

97. We analysed the risks identified by the Department in 2010 and those contained in the Agency's risk register (as of August 2013), and observed that:

- As per the Agency's Risk Register, there were 46 risks as compared to 61 risks as per the Department's Risk Register. Reasons for reducing the number of risks from 61 to 46 in the Agency's Risk Register were not available on record.
- The methodology of calculation of 'Risk Score' in the two registers was different.
- As per the risk management policy, 'Risk Owner' is the person accountable to manage the risk. We found that risk owners for most of the Project Specific risks were not identified.

Recommendation 14

- a)* The department may consider discontinuing maintenance of a separate Risk Register for itself.
- b)* The department may ensure that all risks identified by it feature in the Agency's Risk Register.
- c)* The department may ensure that the risk owners are identified in all cases.

98. The Management accepted the audit recommendation.

State Level Approach

99. The term 'State level concept' was first introduced in 2004 to describe safeguards implementation that is based on State Level Approaches (SLAs), which uses 'Safeguards objectives'

common to all States with Comprehensive Safeguards Agreements (CSAs) and takes State specific factors into account. These objectives are-

- To detect any undeclared nuclear material or activities in the State as a whole;
- To detect any undeclared production or processing of nuclear material in declared facilities or Locations Outside Facilities (LOFs) where nuclear material is customarily used; and
- To detect any diversion of declared nuclear material in declared facilities and LOFs.

100. For development of SLAs, the Agency identifies ‘Acquisition Paths’; establishes and prioritizes ‘technical objectives’ for identified paths; and identifies Safeguard Measures for addressing the technical objectives.

101. According to Safeguards Implementation Report (SIR) 2004, the State level concept was to be extended to all States with (CSA). The Department had an internal target that SLAs for all States were to be prepared by 2014.

102. We analysed the development of SLAs and observed that as of December 2012, total number of States under CSAs was 171. However, approved SLAs existed for only 53 States (51 States under IS for the entire year and 2 states where the Broader Conclusion (BC) had been reached for the first time). The Department stated that the immediate focus was to improve the existing SLAs and develop new ones for States for which BC had been drawn for the first time and SLAs for the remaining States would proceed as resources and time allowed. One of the divisions stated that the States with Small Quantities Protocol (94 out of 179) might not need a ‘full’ SLA. It was also informed that a new guide for SLA had been prepared and was pending final approval.

103. We are of the opinion that the Department needs to formulate a clear policy on development of SLAs. The policy should clearly identify the number of States where SLAs are to be developed; timelines for development of SLAs; and resource requirement for the same.

104. In drawing the safeguards conclusions, the Agency evaluates whether the safeguards activities carried out during the year have achieved certain performance targets. It was observed that in the 53 approved SLAs, the performance targets were ‘facility-based’, which was not in keeping with the state level concept.

105. We are of the opinion that SLA must take state-specific factors into account for addressing the identified technical objectives of acquisition paths so as to distinguish it from the Integrated Safeguards approach.

Recommendation 15

- a)** The department may clearly lay down its policy for development and implementation of ‘State Level Approaches’.
- b)** The department may develop performance targets for SLAs based on technical objectives prioritized for states.

106. The Management accepted the audit recommendation.

Operations

107. There are three Operations Divisions in the Department viz., SGOA, SGOB and SGOC. These divisions are primarily responsible for implementation of safeguards. We analyzed the records related to safeguard processes in these divisions and observed the following:

- The processes adopted for implementing safeguards by these divisions were not uniform and were sometimes at variance with the laid down Departmental procedure.
- Annual Implementation Plans (AIPs) are an important tool for oversight and thus AIP documents must be comprehensive and follow a standardised structure. However, we noticed that there was no standard approach/template with respect to nature and type of activities to be incorporated in Annual Implementation Plans. We also observed lack of adequate priority in maintenance and timely updation of Annual Implementation Plans.
- There were instances of delays in respect of reporting the results and conclusions of inspection activities to the States.
- Performance Indicators are yardsticks to assess the achievement of outcomes. We found that in the P&B 2012-13 for States where Integrated Safeguards were not implemented, the Performance Indicator mentioned in sub-programmes ¹ of the Operations Divisions A, B and C was, *'the percentage attainment of quantity and timeliness component of the inspection goals as defined in the safeguards criteria for States that are not under Integrated Safeguards'*. However, we observed that for the P&B 2014-15, the performance indicator had been changed to *'the percentage of States for which Safeguards objectives were addressed'*. We are of the opinion that performance indicator needs to be specific, measurable and sufficient as was the case in P&B 2012-13 for ensuring that the safeguards objectives have been achieved.

Recommendation 16

- a)** Operations Divisions may continue to align their practices and processes with the Departmental processes to ensure consistency in implementation of safeguards processes.
- b)** A set of standard activities with appropriate timelines may be included in the AIP template for effective oversight.
- c)** Process timelines in respect of reporting the results and conclusions of inspection activities to the states may be drawn up.
- d)** Performance indicators for the States where Integrated Safeguards have not been implemented may be reviewed in order to make them specific.

¹Sub-programmes (4.1.2, 4.1.3 and 4.1.4)

108. The Management accepted the audit recommendation.

Monitoring

109. The Agency has been following a Results Based Approach to Programme Development since 2000. The formulation of Outcomes and Performance Indicators (PI) is a fundamental step in the results based approach. AIPSPLAN is an IT tool used by the Agency for monitoring and reporting on programme performance.

110. We analysed the AIPSPLAN data against the Performance Indicators (PIs) of Programme & Budget (P&B) for the biennium 2012-13 and 2014-15, and observed that the baseline target and achievement data for all outcomes and performance indicators was not updated. PI figures for mid-term review of P&B 2012-13 were also not on record. This indicated that regular data updating and frequent monitoring was not being done in AIPSPLAN.

Recommendation 17

The integrity of AIPSPLAN data may be ensured and baseline data, outcomes, performance indicators and targets may be defined and regularly updated to facilitate regular monitoring.

111. The Management accepted the recommendation and stated that data integrity was an issue for the biennium 2012-13 due to system set-up differences between PROBIS and AIPSPLAN. These data integrity issues have been resolved for the 2014-15 biennium. The Department would provide the 2013 values of the performance indicators to be used as baseline for the biennium 2014-15 and these would be uploaded in AIPSPLAN. It was further stated that the Department would comply with regular reporting of performance indicators measurements and progress towards outcome achievements in AIPSPLAN in accordance with the 'Guidelines on Programme Performance'.

Costing

112. Cost calculation model was introduced in SG in 2009 to have consistent and transparent approach to calculate costs of safeguards efforts and outputs for use by Management in decision making. The model has been developed for cost estimation of various 'products' in the Department, assigning costs incurred on SG activities for the States and comparing the cost efficiencies as a result of implementation of Safeguards.

113. It was envisaged that the model would be used, to (a) establish benchmarks against which future process improvement result can be evaluated and to determine cost saving resulting from process enhancements; (b) enable use of established benchmarks to identify opportunities for efficiency improvements and cost savings; (c) compare the cost impacts of alternative scenarios and approaches; and (d) determine the cost saving resulting from process refinement and enhancement. However, we observed that the model was not yet being used for all of the above activities.

114. Allocated costs are common costs which are not easily identifiable with a product. We found that out of the total costs amounting to Euros 101.29 million, allocated costs were Euros 41.74 million. This indicated that the Department has not completed the exercise to map a large chunk of common costs to identifiable activities. We are of the opinion that the level of allocated costs (41.21

per cent of total costs) was significantly high which might not help in identification of internal efficiencies.

Recommendation 18

- a) The department may use the cost model to establish internal benchmarks to identify opportunities for efficiency improvements and cost savings
- b) The department may initiate measures to reduce allocated costs by mapping such costs to specific activities.

115. The Management accepted the audit recommendation.

Equipment Management

116. The Division of Technical and Scientific Services (SGTS) of the Department provides equipment support for Safeguard activities. The policy on Safeguards Equipment Performance and Utilisation monitoring requires the concerned operations division to submit Equipment Working Paper (EWP) to SGTS where inventory data are used to update SG equipment field inventory. For equipment/items which are lost, write off request is to be initiated by the custodian of asset.

117. We reviewed 392 cases of inspections carried out in field and observed that in 109 cases, EWPs were not submitted by the operation divisions to SGTS. This resulted in non-updation or delayed updation of data. We also observed cases where items were reported 'not found' in the Equipment Working Paper of the inspector. Further, the Operations division had also not submitted EWP for this lost equipment.

Recommendation 19

The Department may ensure that proper control is exercised over equipment inventory and the equipment database is timely updated in respect of the status of equipment in the field.

118. The Management accepted the audit recommendation.

Training

119. As concepts, methods, practices and techniques associated with safeguards implementation are continuously evolving, it becomes essential to upgrade the knowledge base of the staff, for effective implementation of Safeguards. The Department therefore provides systematic training for inspectors and other staff of the Department as well as for Member States personnel which are affected by these developments.

120. In 2012, a total of 5508 person days of training were provided of which 5044 days (91%) were for Agency staff. A total of 122 training courses were conducted during the year, of which 44 were held outside the Agency's Headquarters.

121. We observed that there was no formal document for Training Needs Analysis (TNA) in the Department although training needs were analyzed every year. In order to identify existing capabilities of staff and build competencies required for the future given the expected changes in the

nuclear fuel cycles in States and other technological advances, a Training Needs Analysis document is an important input.

122. Further, a training database called Safeguards Training Database (STTS), which contains data on the participation and completion of all officially sponsored training, is maintained in the Department. It was observed that this database was not used for generating reports on training which could then inform the designing and running of future training programmes. This exercise was being done manually as the database needed improvements.

Recommendation 20

The Department may consider formalising the departmental procedures for Training Needs Analysis to better capture competencies and processes applied in the Department and to optimize staff management for effective safeguards implementation, and the data base maintained by the training section may be improved upon to make it more useful for the Department.

123. The Management accepted the audit recommendation.

ECAS Project

124. ECAS Project was established to ensure that the Safeguards Analytical Services provided by the Agency's Safeguards Analytical Laboratory (SAL) and the Network of Analytical Laboratories (NWAL) would continue to provide the necessary analytical support for nuclear material and environmental samples in a cost-effective, timely and reliable manner. The ECAS project was structured with two substantive sub-projects, namely, (a) the Clean Laboratory Extension Project (CLE) and (b) the Nuclear Material Laboratory Project (NML).

125. The construction of the CLE was completed in 2011. A new NML, under construction at Seibersdorf, is expected to be in full operation by the end of 2014 and will replace the existing Safeguards laboratory building that has been in service since the 1970s.

Funding

126. The ECAS project is funded under the Major Programme (MP) 4 Nuclear Verification. The overall budget need for the project was stated to be € 80.83 million. Out of the total project budget of € 80.83 million, funds amounting to € 66.79 million had been allotted and the unfunded portion for the project was € 14.04 million. The Agency stated that this gap of € 14.04 million would be met out of extra budgetary funding.

Monitoring

127. Monitoring the financial and physical progress is a critical issue for project success. Quality of monitoring and supervision depends greatly upon the quality of the information presented to decision-making bodies. The ECAS team had in place a standard monthly report template which had been developed over time and included Master Schedule, Spending Curve, Activities, Current Activities,

Issues and Concerns, Expense by Award, ECAS Procurement Status Update and ECAS Accounting Report.

128. We observed that the template of this report did not include fields to capture vital information like ‘Physical and financial target’ and ‘Achievement’. In many cases, the prescribed template was not adhered to. In the absence of targets, the reports could not be used as an effective monitoring tool. Further, the performance indicators mentioned by the Agency in the Programme and Budget documents also did not feature in the monthly progress reports.

Recommendation 21

The monthly progress reporting mechanism may be strengthened by incorporating key financial and physical targets relevant to the project which would help in assessing the achievements.

129. The Management while accepting the recommendation stated that henceforth the monthly progress report would include a section summarizing the schedule performance issues (activities ahead/behind schedule and rationale), including directly applicable cost considerations for critical activities and/or summary level activities.

Governance

130. In January 2010, a Project Board (PB), to be chaired by the DDG-SG was created to oversee the project and to authorize major decisions related to project planning and implementation. The PB nominated a Core Management Team (CMT) and two Project Managers (PMs), one each for the Clear Laboratory Extension (CLE) and Nuclear Material Laboratory (NML) projects. The CMT was to be responsible for the preparation and timely execution of project plan, preparation and monitoring of budget and co-ordination with other projects relating *inter alia* to the Seibersdorf infrastructure, security and relevant R&D tasks. Project Manager’s responsibilities included running the Project on a day-to-day basis to ensure that the Project accomplished the deliverables specified in the Project definition.

131. In June 2010, the Project Management Group (PMG) was established to manage the detailed architecture, engineering and construction in a professional manner. The PMG was to closely liaise with the Project Managers to oversee engineering and construction work, liaising with MTPS and MTBF, as well as facilitating and channeling the day-to-day project communications with the contractors.

132. Examination of the management and governance structure for ECAS revealed that the interval between two Project Board meetings varied from 8 days to 148 days. On 10 occasions, out of the 24 PB meetings, the gap exceeded a period of 60 days. It was observed that specific Terms of Reference for the Board with clearly laid out periodicity of its meetings were absent. We are of the opinion that long gaps between PB meetings can lead to situations where pertinent project management issues are not addressed in timely manner.

Recommendation 22

The Agency may consider formulating specific terms of reference for the periodicity of meetings of the Project Board to improve its effectiveness.

133. The Management accepted the audit recommendation and stated that the Agency would schedule a quarterly PB for the remaining ECAS project execution, supplemented by Monthly Progress Reports as well as special board meeting for critical decisions on an 'as needed' basis.

Procurement

134. In terms of the IAEA rules and regulations, procurement contracts are to be awarded on the basis of fair, transparent and effective competition and in accordance with the evaluation strategy set out in the relevant solicitation document to achieve best value for money and the Agency's programmatic goals and objectives. While, in general, the authority and responsibility to contract for the procurement of supplies, equipment, services and other requirements vests in MTPS, in the case of the ECAS Project, a Procurement Specialist is embedded in the Project Management Group. Written Procurement Plans are required prior to the issuance of relevant solicitation documents for all procurement with an anticipated value in excess of € 25, 000. Such plans identify, amongst others, the procurement strategy to be followed, the scope and method of any solicitation; the basis of offer evaluation; and as appropriate, contract and performance indicators for post-award administration. The procurement process is expected to adhere to the Procurement Plan (PP) at different stages. Further, a Procurement Review Committee (PRC) has been established to review all proposals for contract awards for goods and services involving cumulative commitments to a contractor anticipated to have a value of the equivalent of €150, 000 and above, or any other procurement proposals assessed by DIR-MTPS as representing high risk to the Agency, and make recommendations on their approval, deferral or rejection.

135. We observed that the PPs were documented and contained the relevant subject matter. There were proper audit trails for both the Plan itself and the approval required. Efforts to ensure competitiveness in the award process were also evident. Examination of related records revealed that efforts to analyse the market structure and identify potential suppliers were well documented.

136. Since 2009, under ECAS project 47 contracts were entered into besides the four major ones (CLE, NML, Site infrastructure and security for NML and Acquisition of the LG-SIMS). A detailed scrutiny of fifteen (15) contracts with order values ranging between € 3000 and € 975,000 and four major contracts as mentioned above was conducted by us. Our findings are detailed below.

A. Technical evaluation of bidders for Clean Laboratory Extension Project

137. Expression of Interest (EOI) for the design and construction work for Clean Laboratory Extension (CLE) was published (August 2009) on the website of United Nations Global Marketplace (UNGM) and 19 prospective bidders were identified. The Statement of Works (SOW) and RFP were finalized on 9 September 2009.

138. The RFP was issued to six firms. However, finally the bids were received from four firms. The bids were technically evaluated using an evaluation matrix prepared by the Project Consultant. Each bidder was evaluated qualitatively (Acceptable/Not acceptable) on 7 factors. The evaluation was non-quantitative i.e., bidders were not given numeric scores against individual factors. Based on the evaluation matrix, three out of the four bids were technically rejected and only one bidder M/s Bartosek, Vienna was found technically acceptable.

139. The technical evaluation report submitted by the PM was examined by the department of MTPS. Considering the huge price difference amongst the bidders, MTPS requested for re-evaluation of the technical bids.

140. Following the directions of MTPS, the evaluation matrix was modified. Out of the 7 factors of evaluation, 5 were changed. Some important changes were as follows:

- The factor ‘Demonstrated Understanding of the Project - Does the proposal demonstrate that the team has an acceptable understanding of the project and ability to deliver a product in accordance with Agency needs?’ was changed to ‘Did the proposal and interview demonstrate that the team has an acceptable understanding of the design/build process and the Agency’s requirements in order to deliver a product in accordance with the Agency needs?’.
- The factor ‘Summary Description of Deliverables - Does the proposal clearly and logically describe the deliverables for which the contractor will be responsible?’ was modified to ‘Do the proposal and interview clearly and logically describe the design and construction process, methods and materials that the contractor intends to incorporate into the project?’.
- The factor ‘Quality Management Plan’ was modified whereby focus was shifted from ‘satisfactory delivery of the project’ to ‘adequacy of quality management in the proposal’.

141. On the basis of the revised evaluation matrix, the technical evaluation committee concluded M/s Sedlak as ‘Technically acceptable’. The revised decision of the Technical Committee was communicated to MTPS on 24 November 2009.

142. The Procurement Authorisation Committee (PAC) in its meeting held on 10 December 2009 recommended the award to the lowest technically acceptable bidder, i.e., Sedlak, Austria for a total amount of € 4,213,756.48. However, the PAC while recommending the award, noted the following concerns in the selection process followed:

- The change in factor five i.e., ‘Summary description of deliverables’ amounted to change in the description of the technical specifications which resulted in Sedlak becoming technically acceptable.
- The fact that the member of the Technical Evaluation team referred Sedlak’s proposal as one which optimizes the project cost was a matter irrelevant to the technical evaluation.

143. The contract for execution of the project was signed with M/s Sedlak on 22 December 2009. We analysed the technical evaluation procedure and observed the following:

- At the RFP stage, 6 out of 7 factors of evaluation were communicated to the bidders. Reasons for not communicating one factor viz., ‘Demonstrated understanding of the project’ were not found on record. Out of the 6 factors communicated, 4 factors were changed/modified during second evaluation. We could not ascertain from the records made available whether the changes in the evaluation factors were communicated to all the bidders.

- Two factors were not changed/modified during second evaluation. It was observed that of these two factors, against the factor 'Project Schedule', Sedlak was evaluated as 'Not Acceptable' in first evaluation and 'Marginally acceptable' in the second evaluation. Reasons for change in evaluation despite the factor remaining unchanged were not found on record.
- We noted that despite the fact that the PAC described the technical bid evaluation process followed as flawed on number of counts, no corrective action was adopted.

144. The Agency replied that a well-defined objective assessment mechanism for technical evaluation process for high value projects could be reflected in future project management procedures.

Recommendation 23

- a) The Agency may evolve a well-defined technical evaluation procedure which should clearly lay down its communication strategy with bidders and underline the need for formulating factors against which the bidders can be objectively evaluated so as to ensure transparency and fairness in decision making
- b) A mechanism may be put in place for the compliance of observations made by PAC to ensure transparency in evaluation of bids and award of contracts.

145. The Management while noting the recommendation stated that it has developed and implemented a standard technical evaluation procedure which is supported by appropriate templates. In addition, MTPS offers guidance and training to technical evaluators as needed. Regarding compliance of observations made by PAC, the Agency accepted the recommendation and stated that it would take the recommendation into consideration in a compliance mechanism.

B. Contract Value of Nuclear Material Laboratory

146. The contract for the detailed design, construction and commissioning of the NML was awarded to PORR Bau GmbH based on the techno-commercial evaluation of the bids. We noticed that the draft contract supplied to the bidders mentioned that the 'Target Construction Price' for Phase I and Phase 2 as Euro 26 Million. Given that PORR Bau GmbH had bid Euro 3.068 Million for detailed design and Euro 22 Million for Phase 2, the award should have been given with the revised 'Target Construction Price' of Euro 25.068 Million instead of Euro 26 Million. This gave unnecessary cushion to the vendor

Transition

Transition Schedule

147. A start-up time plan to define the successive phases of the transition to the new NML was prepared by the Head of the Laboratory for coordinating transfer of nuclear laboratory operations. This plan had a tentative 'start' time as end of July 2013 and 'finish' time as 31 March 2015. We compared this document with the NML Transition schedule prepared by PMG

encompassing all activities of transition (including operational transition). We noticed that there were delays in the initiation of certain activities ranging from two to three months, as shown below:

S.No.	Item	Start-up time plan for the new NML	NML transition schedule
1.	Testing phase	01-08-2013 to last week of November 2013	01-11-2013 to 28-11-2013
2.	Inactive testing	01-09-2013 to 30-09-2013	01-11-2013 to 28-11-2013
3.	Active testing	01-10-2013 to 31-05-2014	29-11-2013 to 22-08-2014
4.	T4 Delivery and test	01-07-2013 to last week of November 2013	11-09-2013 to 13-03-2014
5.	T3 move and test	01-12-2013 to 28-02-2014	14-03-2014 to 11-06-2014
6.	T2 move and test	Last week of March 2014 to last week of June 2014	12-06-2014 to 05-09-2014
7.	Changeover phase	Last week of December 2013 to last week of March 2015	07-03-2014 to 22-05-2015

Our further examination revealed that:

- While the operations of the NML were dependent upon the grant of a license from the Host Government, the same had not been granted as of November 2013. It was not clear from the replies of the ECAS staff as to when was it likely that the license would be obtained and whether this would have any impact upon the NML schedule. We are of the opinion that this is a significant risk to the achievement of the transition schedule.
- The glove boxes and CAM system are necessary safety features of a nuclear lab without which 'active' operations/testing cannot start. We noticed that though the NML transition schedule had designated the 'start' date for 'active' testing as 29-11-2013, the glove boxes would be installed only by 14-04-2014 and the CAM System by 03-03-2014. Thus, it would not be feasible to start the active testing phase till such time as these safety features are installed.
- There are some elements which are critical to the operation of the NML. For instance, Active Waste Water line (AWW) is to be fully operational by the time the change-over phase starts on 07-03-2014. AWW is expected to be ready by 06-03-2014, as per the schedule. However, the Purchase Order issued to the contractor indicated the delivery date as 07-04-2014. Clearly, the schedule in this respect cannot be met and this poses a risk to the achievement of the transition schedule.

Transition Coordinator

148. The ECAS Transition Co-ordinator (TC) was responsible for coordinating and supporting the planning and direction of critical activities necessary for laboratory operations, site infrastructure operations and site security operations. We observed that the TC had been resourced externally to serve as a dedicated consultant on the detailed preparations and planning of all transition activities in order to ensure coordination and integration. For this purpose, the Agency hired the services of a consultant (Mr Hans Schiffer) in May 2013 with an extension of the contract till 30 August 2013. The

contract had expired and had not been extended as of November 2013. We are of the opinion that given the time schedule, the fact that the position of TC was vacant was a matter of concern.

Transition team

149. In order to meet the demands of the transition schedule, additional specialised staff such as laboratory technicians, mass spectrometer operations specialists and health physicists was to be put in place. Out of six such positions, we observed with concern that only one position had been filled as of November 2013.

Procurement of Transition equipment

150. Procurement of Transition equipment worth Euro 3.74 million was scheduled to be completed by November 2013. We observed that till 30 November 2013, only two POs worth Euro 0.28 million had been placed for transition equipment.

151. Based on our above findings, we are of the view that there are several areas of concern, which unless addressed expeditiously, could pose serious challenge to the achievement of the transition schedule.

Recommendation 24

- a) ECAS PMG may update the transition schedule to reflect the existing situation.
- b) ECAS PMG may report the delays in the monthly progress reports as a regular part of the template.
- c) ECAS PMG may intensify its efforts to finalise the extension of services of the TC.
- d) ECAS PMG may expedite the recruitment of transition personnel keeping in mind the transition requirements and status of achievement of schedule.

152. The Management accepted these recommendations.

Agency Wide Information System for Programme Support (AIPS)

153. A proposal for the implementation of AIPS was presented to Member States in 2007, which envisaged replacing most of the existing systems (the ‘legacy systems’) with a single Enterprise Resource Planning (ERP) system at a cost then estimated at €24 million. The business case for implementation of AIPS was based primarily on a comprehensive feasibility study carried out by the Secretariat in 2006 through an external management consulting firm with experience in public sector organizations. The study had conservatively estimated €5.8 million in net benefits annually, across the Agency, after all new processes and supporting systems were fully implemented. These savings were to accrue from three sources: retirement of 45 support applications, more effective procurement through integrated vendor management, and most significantly, savings of staff time through process improvement.

154. The proposal for AIPS based on the feasibility study, mentioned that implementation of an ERP system was the most desirable, maintainable and cost efficient foundation for creating an Agency-wide Information System for Programme Support and that the ERP software would also be the most effective means of incorporating external best practices and enhancing operational transparency. Thus, the feasibility study concluded that the ERP package itself should form the foundation of the integrated system

155. AIPS was planned to be introduced in a series of four implementation phases known as ‘plateaus’.

156. Following a comparative evaluation, Oracle e-Business Suite was chosen as the ERP system for AIPS. A contract with Oracle for software was concluded in April 2009. In August 2009, a dedicated AIPS project team was created and a project management structure put in place. The project is led by the Department of Management and its governance encompasses all Agency departments and is supported by subject matter experts from across the organization.

157. AIPS Plateau-1 implementation addressed Finance, Procurement, Asset Management, Transportation business domains and Implementation and Monitoring sub process of Programme & Project Management domain. This involved implementation of Oracle E-Business Suite (Release 12) - Oracle Financials, Procurement, Assets, Oracle Projects components & Grants Accounting. AIPS Plateau-1 went live in January 2011 and enabled the agency to adopt IPSAS from 2011. Oracle Business Intelligence Enterprise Edition (OBIEE) was chosen and implemented as a reporting platform and other technology products such as Oracle Database Vault, and Oracle Enterprise Manager were implemented.

158. Plateau-2 of AIPS was initiated in August 2011, after Plateau-1 went live and post-implementation issues were handled. After due deliberations with Business Process Owners and formal endorsement by the AIPS Project Board, the scope for Plateau2 was agreed to address Contacts Management and the Programme & Budget Formulation domains and Evaluation sub-processes of the Programme & Project Management business domain. The Project Initiation Document for Plateau 2 set out the detailed vision statements for the domains of Programme and Project Management and Contacts Management. The scope of Plateau 2 consisted primarily of the following:

- Programme and Project Management domain: Implementation of Oracle Hyperion Planning for budget planning, forecasting and assessment of the Agency’s programmes and projects.
- Contacts Management domain: Implementation of Oracle EBS components - Oracle Customer online, Oracle Supplier Hub, Oracle Customer Hub, and Oracle Marketing, to migrate fragmented sets of Agency contacts spread across a number of legacy applications to a central data repository within AIPS for better management, quality control and sharing of contacts data across the IAEA.
- Technical enhancements like introduction of Oracle Single Sign-On, upgrade of Oracle E-Business Suite and OBIEE reporting platform to the newer releases.

Impact of AIPS on GS Staffing

159. AIPS Project was expected to lead to efficiency gains, with the largest component of the savings/benefits to accrue from savings of staff time through process improvement.

160. As per the Programme and Budget (2014-15) Guidelines, all Departments were expected to reduce the GS Staff positions by 5 % or more by the end of 2015 as compared to the GS positions budgeted in the 2013 Budget Update. We were informed that the 5% reduction in GS Staff positions was not a hard constraint, and that individual departments proposed reductions in line with their planned activities, and a subjective assessment of the extent of impact of AIPS on their operations.

161. We observed that it was not possible to conclude that the GS Staff reduction proposed in the Programme & Budget Document of 2014-15 was primarily attributable to any efficiency gains following AIPS implementation. We found that a formal study for assessing the performance improvement brought on by the AIPS Domains implemented till date had not been done. Analysis of efficiency gains could have been done, at least in respect of the plateaus which have been implemented and stabilised so far.

Recommendation 25

A benefit assessment study may be conducted to identify the impact of AIPS business processes on staffing requirement.

162. The Management has accepted the audit recommendation.

Implementation of Contacts Domain

163. IAEA had information on over 200,000 contacts, both institutions and people, held across several different systems before implementation of AIPS. These contacts were parties which had different types of relationship with the IAEA, including counterpart institutions, experts, fellows, consultants, publications customers, newsletter recipients, meeting participants etc. There were over 20 legacy applications in use in IAEA which dealt with Contacts related information.

164. Contacts Management Domain of AIPS was aimed at delivering a systems solution which would meet the Agency's requirements for Contacts Management both now and in the foreseeable future, along with a revised data governance process.

165. AIPS Contacts Domain went live in March 2013, with all agency contacts centralised within the AIPS application and suitable interfaces provided for legacy applications to interact with AIPS Contacts data.

166. The high-level objectives of the AIPS Contacts Management solution provided in the system solution document can be grouped in three categories.

- Objective Group-1: Implement a Contacts Management System with certain specified features
- Objective Group-2: Integrate the new application with legacy Contact Management Systems
- Objective Group-3: Bring about improved data management processes and data quality

Contacts Management System

167. Contacts data was successfully imported from three key data owning systems- Contacts Information System (CIS), Experts and Addresses in Radiation Protection (EARP) and Nuclear Data Section Address Database (AdList). The Contacts management solution was delivered using the Oracle Technologies, along with some customisation.

168. An important functionality using Contacts data is that of maintaining mailing lists to enable users to create groups for sending e-mails. This module, termed SLiM, or Subscription and List Management System went live in July 2013. We reviewed the SLiM functionality of AIPS, and the functionality currently being provided by three of the legacy systems EARP, AdList and CIS.

169. It was observed that all the legacy applications tightly integrated with Microsoft Outlook, which is the commonly used mailing client in IAEA. The AIPS offering for SLiM does not directly integrate with MS Outlook, and also has more complex features set than the legacy applications. During our User Interviews, these two aspects were highlighted as the primary reasons for the perceived difficulty in the use of SLiM, and their continued use of legacy systems (EARP, AdList). However, in keeping with the vision of centralising contacts information within one system, it is essential that SLiM usage be increased and made the central mailing list solution by way of imparting training and persuading users to adopt SLiM.

Recommendation 26

Further training may be provided on SLiM to persuade users to rely on SLiM for mailing list/distribution management.

170. The Management has accepted the audit recommendation.

Retirement of legacy applications

171. The proposal for AIPS presented to Member States in 2007 had relied on the feasibility study for AIPS project which had assessed that the financial benefits from AIPS project would flow from three streams, one of which was benefits from IT Consolidation. It was expected that AIPS implementation would lead to retirement of 45 out of the current 60 support applications in use in IAEA.

172. However, only eight applications could be targeted for complete decommissioning from Plateaus 1 and 2, as the remaining still had dependencies on future Plateaus (Plateau-3, HR, and Plateau-4: Meetings and Travel Management) or were integrated instead of being retired after evaluating their business functions in detail.

173. In case of the two legacy applications, EARP and AdList, which were planned to be fully decommissioned and retired after the implementation of the contacts management domain, we found through our interviews with key users of these systems that the legacy systems were still being used. In the absence of an active link/interface with AIPS, there was also duplication of effort as these users were updating contacts information in these legacy applications apart from doing the same in AIPS. The primary shortcoming identified by the users related to the mailing list management facility (SLiM) of AIPS.

174. The Agency in response to our observation stated that these systems are now read-only with no new contacts being created, and are primarily being used for mailing list features for the pre-existing data in the systems.

Recommendation 27

A clear roadmap for legacy applications currently in use may be prepared in the light of experience gained from AIPS implementation, and communicated to all internal stakeholders.

175. The Management has accepted the audit recommendation and stated that this assessment would be carried out after completing the design of the project's final phase.

Exclusion of certain contacts data dealing application from current scope

176. We noted that two applications, viz Electronic Programme Support System (EPSS) used by Secretariat to plan and monitor the implementation of the large number of nuclear security projects; and the Order Handling System (OHS), used by Department of Nuclear Sciences and Applications, Environment Laboratories (NAEL) of IAEA to process orders relating to sale of reference materials to a set of customers, continue to maintain their independent database of contacts, and are not fully integrated with AIPS as was originally planned.

177. In response to the above observations, IAEA has informed that in view of no new records being created in EPSS, and the low create/update transaction volume of around 200-300 records annually in OHS system, AIPS is effectively the central repository of contact data in the Agency. However, IAEA will consider the need for integration in this area if and when the business teams agree on a business case for it.

Recommendation 28

The feasibility of integrating the remaining legacy applications using Contacts data which are currently operating independent of AIPS may be re-examined, and a final decision taken based on the costs and benefits of such integration.

178. The Management has accepted the audit recommendation and stated that this assessment would be carried out after completing the design of the project's final phase.

Data Quality

179. As stated in the high level objectives, centralising data under AIPS provides an opportunity to better manage the data and bring about improvements in data quality. One of the projected business benefits from Contacts domain implementation was to have visible improvements in Supplier and Customer data quality by leveraging the strong data quality features in the application.

180. We were informed that the AIPS system did not have an in-built parameter for assessing the quality of data based on the existence of various data attributes. We therefore devised an independent measure for assessing the data quality by examining all contacts data relating to entities of type 'Persons' and 'Organisations'.

181. We devised a model for assessing the quality of data, wherein weights were assigned to different attributes of the contacts records. We identified 16 key attributes in case of Persons, and 9 attributes in case of an Organization for the purpose of assessing data quality. The 16 attributes related to a Person were grouped into 6 different categories. Similarly, the 9 attributes related to an Organization were grouped into 5 different categories.

Data Quality Assessment for contacts of Type “Persons”

182. We analysed the data quality of 191,590 records of Party Type “Persons” provided to us from AIPS. The average data quality for “Person” records available in the AIPS System is 63.0 (out of 100).

183. We consider that a score of 63.0 provides ample scope for improvement in data quality by obtaining and updating contacts related information, which in turn will lead to meeting of the core objective of implementing Contacts domain. The contribution of various attribute groups to the total score shows the areas where improvements can be planned. This is shown in the table below:

Parameter	Value	Remarks
Overall Quality Score (out of 100)	63.0	
Name Attribute Group % Score (Out of 20)	99.1%	
Personal Details Attribute Group % Score (Out of 28)	52.4%	Additional personal details help in correctly identifying contacts, and weeding out duplicates.
Address Details Attribute Group % Score (Out of 20)	71.8%	
Web-Contact (e-mail/URL) % Score (Out of 12)	41.0%	At least 50% of the contacts do not have e-mail information. This quality attribute needs to be raised in a planned manner.
Phone % Score (Out of 10)	51.0%	At least 50% of the contacts do not have Phone number information. This quality attribute needs to be raised in a planned manner.
Relationship Quality % Score (Out of 10)	41.5%	This parameter measured the extent of relationship with Organisations/Persons. This is critical in identifying the relevance of the contact to IAEA.

Data Quality Assessment for Organizations contacts

184. As in the case of “Persons”, we analysed the data quality of 143,157 records of Party Type “Organizations” provided to us from the AIPS. The average data quality for Organization records available in the AIPS System is 37.1. This figure is substantially less than the data quality score for “Persons”.

185. We consider that an overall data quality score of 37.1 for ‘Organization’ contacts is far below what should be considered acceptable by IAEA, keeping in mind that contacts information is an important shared organizational resource.

Parameter	Value	Remarks
Overall Quality Score (out of 100)	37.1	
Name Attribute Group % Score (out of 10)	100.0%	
Address Details Attribute Group % Score (Out of 20)	90.6%	
Web-Contact (e-mail/URL) % Score (Out of 25)	4.8%	Most of the Organizational contacts do not have web URL, or email address information. This would become the primary mode of communication in the current digital age. This quality attribute needs to be raised in a planned manner.
Phone/Fax % Score (Out of 25)	6.6%	Most of the Organizational contacts do not have Phone or Fax information, one of the primary means of communication. This quality attribute needs to be raised in a planned manner.
Relationship Quality % Score (Out of 20)	30.5%	This parameter measured the extent of relationship with Organisations/Persons. This is critical in identifying the relevance of the contact to IAEA.

186. We further observed that a dedicated three member team working under an ERP Application Specialist was constituted within the AIPS Project Team structure for Master Data Management (MDM). This team was currently not engaged in improving the overall quality of the data by obtaining additional information about the various contacts in the AIPS System, nor was it tasked with the same.

187. While the Contacts Domain of AIPS has been live for 6 months now, issues relating to data quality remain to be addressed.

Presence of Duplicate Contact Records

188. The legacy systems containing contacts data were known to have duplication to some extent. It had been planned to identify and remove duplicate records from both AIPS and from legacy systems prior to import into AIPS.

189. We assessed the extent of possible duplication considering the four fields identified by IAEA as mandatory for contacts of type 'Person' and 'Organisation' in AIPS, and noted that duplication based on these fields still effected 24,667 person contacts and 1350 organisation contacts. We were informed that the exercise for data merging, whereby duplicate records could be eliminated, was planned for being taken up in the month of October 2013. However, we observed that data mergers in AIPS has been done to a limited scale, with a total of 60 contacts having been merged in the last 6 months.

190. In response to our observations on data quality of Contacts data, IAEA stated that:

- Completeness of all data attributes is not a business requirement or a quality criterion. IAEA did not have a business need to hold all contacts data attributes uniformly across all records.

Contacts data have multiple uses that meet varying business needs calling for different contact attributes.

- IAEA has revalidated the completeness of the AIPS Contacts data, by asking the major business stakeholders MTCD and TC if the data that was previously in the legacy systems and is now in AIPS meets their business needs, who in turn have confirmed that no business processes are being impeded by the absence of a few attributes in the Contacts data.
- A large number of party records imported from the legacy CIS system to AIPS were held in CIS for historical reasons and were not in active use, and that only a subset of the CIS contacts are routinely used, though it would be difficult for them to identify which ones.

191. While we agree that different business uses would call for different contacts attributes, and that not all attributes would be needed all the time, it would be difficult to predict the totality of business relationship that IAEA would ever have with any given contact. In recognition of this aspect, our data quality model was based on selected key attribute fields, and not all attributes which can be recorded for any contacts entity in the AIPS system. Currently, contacts are being categorised as either Person or Organisation, and not by the exclusive relationship type of the contact with IAEA. All contacts information is being held in a single database. Availability of only four attributes of Name, Address, City and Country (for Persons: Last Name, Address Line1, City and Country. For Organisations: Name, Address Line1, City and Country) which have been specified as mandatory within AIPS, are simply insufficient in differentiating between contacts. We have observed in a preceding paragraph that there is significant duplication in the AIPS contacts database, and that over the last 6 months, only 60 duplicate records have been merged. Duplication can be identified and eliminated only if sufficient details are available for the contacts. For this purpose, a uniform measure of data quality is needed to identify how well IAEA knows the contact, which in turn provides assurance on the genuineness of the contact.

Recommendation 29

- a)* Data quality parameters may be devised for assessing the quality of contacts related data.
- b)* AIPS application may be enhanced to track the data quality improvement effected by the individual users, and a process be put in place to incentivise users to improve the Contacts data quality.
- c)* Agency may ensure that the MDM Unit fulfils its assigned responsibility for improving contacts data quality, apart from its existing role focused around Supplier data management.
- d)* Suitable time bound targets may be set for improvements in data quality by collecting and updating information on key fields, and eliminating duplication of data.

192. Accepting the audit recommendations, the Management stated that the Agency would examine the extent to which the data quality parameters might be devised and standardised for all contact types.

Contacts Online Interface

193. AIPS Contacts online provides a basic search interface for searching contacts. While it uses fuzzy logic to retrieve results based on the input criteria, and provides a match score (upto 100%) indicating level of fit with search criteria, the search algorithm still uses a simple “AND” operation for searching instead of AND/OR operations.

194. The current search functionality is not specifically tailored to search for IAEA Contacts with multiple attributes which are relevant to an entity like IAEA. We were informed that attributes relating to persons such as their areas of specialisation and areas of interest have not been imported into the AIPS Contacts system. In the absence of these attributes, and an interface to use these attributes for search, the Contacts domain currently does not provide full set of functionality for efficient contact retrieval.

195. CIS - the main legacy system from which bulk of the Contacts data was imported - was being managed through the Agency Contacts application. The search interface of Agency Contacts has a richer search functionality with multiple criteria which can be paired through AND/OR operations.

Recommendation 30

The search facility for contacts as available in Contacts online may be improved to provide greater flexibility. One suggested improvement is providing ‘AND/OR’ clause for multiple search parameters, as was already available in the Agency Contacts system.

196. The Management accepted the audit recommendation and stated that the Agency would review the technical feasibility of extending the search function and implement accordingly.

Implementation of Programme and Project Management Domain

197. The Programme and Project Management (PPM) domain covered the project lifecycle management in the Agency. The comprehensive scope for the PPM domain solution included, inter alia, that the solution should facilitate implementation of full results-based management cycle by tightly integrating all processes related to Programme and Project management, including financial monitoring, assessment and reporting as well as the ability to provide standardized reports to donors of extra budgetary contributions.

198. The PPM domain implementation spanned over two successive plateaus. In plateau 1, project implementation and monitoring solution was developed in AIPS using Oracle Grants Accounting and Oracle Projects. The project scope for PPM in Plateau-2 was aimed at implementation of Programme & Project Management solution using Oracle Hyperion Planning to manage processes for the Agency’s Programme and Budget formulation and on-going planning and performance assessment. The solution was to be logically integrated with the Medium Term Strategy as well as with Programme and Budget Implementation and Monitoring processes already implemented during Plateau 1.

199. The new project planning and monitoring system, known as ‘AIPS Planning’, went live on 27th August 2012. With Plateau-2 implementation, all components planned for implementation within AIPS system for supporting every stage of the programme cycle have been implemented. This

provides an opportunity to assess the extent to which the planned goals have been met. The evaluation has been done on the following broad dimensions:

- Formulation of Programme and Budget using AIPS Hyperion solution
- Program and Project Monitoring
- Program and Project assessment within the ambit of the results based framework

200. Our evaluation was based on examination of all Plateau-2 PPM Domain project documents, AIPS and Hyperion software used for delivering the solution, and interview of 16 Project Managers who were randomly selected from a total of 128 Project Managers associated with various Projects in the Programme & Budget formulation for 2014-15.

Formulation of Programme and Budget using AIPS Hyperion solution

201. The key planning activity in IAEA is the formulation of the Biennial Programme and Budget document. The Budget formulation for 2014-15 was successfully done using the newly deployed AIPS Hyperion software. The software has additional features of standard costs for most of the items, which greatly simplified the budget formulation process.

202. We are pleased to report that the utility of the software and its ease of use for budget formulation was validated by our interaction with a sample of 16 Project Managers.

Program and Project Monitoring

203. After the approval of the Draft Programme & Budget Document by the GC, the final version (Blue Book) is transferred to the AIPS System for subsequent recording of expenditure and monitoring of Project. Oracle Grants Accounting and Oracle Projects are used within AIPS to track grants and funded Projects from inception to final reporting.

204. PMBOK², the global standard on Project Management defines Project as “a temporary endeavour undertaken to create a unique product, service, or result”. The Project itself is broken down into smaller, more manageable components called Tasks, and Sub-Tasks to create the Work Breakdown Structure (WBS). By definition³, the WBS is deliverable-oriented hierarchical decomposition of the work to be executed by the project team to accomplish the project objectives and create the required deliverables, with each descending level of the WBS representing an increasingly detailed definition of the project work.

205. The decomposition of Projects into its component Tasks, and the associated outcomes and outputs are recorded in Hyperion Software. We observed that IAEA has simplified the project structure by permitting only one level of Task definition for regular budget projects, and three levels in case of TC Projects. The project budget information along with the project structure is imported into the AIPS system for further operations by the Project Manager.

² PMBOK: Project Management Body of Knowledge, by PMI (<http://www.pmi.org/>)

³ PMBOK

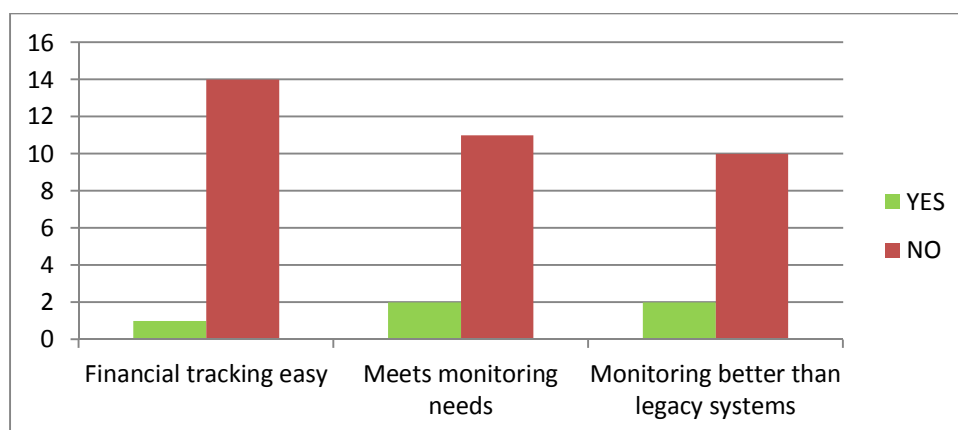
206. AIPS System has implemented Oracle Projects, along with Oracle Grants Accounting module to assist in project management. Oracle Projects module also allows altering of the Project structure by creating further subdivision in terms of Task and Sub-Tasks. In addition, there is Hyperion Software which allows formulating of the Programme and Budget including the constituent Projects. Thus, the user must use two systems to create and manage the project structure –using both Oracle Projects and the Hyperion Planning System. We observed that the two systems are currently not tightly integrated. Although there existed a system of a weekly update from AIPS to Hyperion transferring the modifications in the Project structure, but the changes in the budget allocations are not being transferred.

207. Project management reports have been made available to all users through the reporting interface developed using OBIEE (Oracle Business Intelligence Enterprise Edition). The two PPM related dashboards created using this tool, the Planning Dashboard and PPM Dashboard, serve as the main sources of information on project-related budgets, expenses and results.

208. We observed that PPM related reports made available through these dashboards contained financial information/data only. Further, this information was too detailed, and did not at a glance provide the relevant information to the Project Managers. These reports provided no feedback, either to the project manager or senior management, about the overall picture of project progress on both financial and non-financial parameters. While financial performance related information is stored within the AIPS system, the non-financial indicators in terms of outputs, outcomes, and performance indicator achievement is recordable in the Hyperion Planning system. The current implementation thus expects users to interact with two separate systems for recording these two different, but related aspects relevant to project monitoring.

209. In response to this observation, IAEA stated that work is in progress to achieve the integration between Hyperion and OBIEE so as to enable the display of the status of achievement of non-financial deliverables.

210. The limited use of the PPM Dashboards for project monitoring was highlighted by almost all project managers during our user interviews. While we found widespread acceptance by project managers in the areas of (a) adequacy of training and (b) use of Hyperion in preparing the Agency Programme and Budget (2014-2015), the results of the survey relating to the efficacy of the current solution from AIPS for Project management in respect of other key areas is depicted in the chart below, which shows the less than desirable acceptability of the current solution for financial tracking and monitoring of projects:



211. We observed that the current solution deployment discourages creating elaborate Work Breakdown Structure for a project, partly by mandating that all Regular Budget funded projects would have only one level of nesting. We analysed the Task structure of the Projects as defined in the Hyperion System for the Programme and Budget for 2014-15 (for the year 2014) and noted that 22% of the projects had only one defined task, and 55% of the projects had four or fewer tasks. With fewer tasks being defined for a project, and even the financial limits being imposed at a Project and not at the Task level, the current application configuration does not facilitate Project managers in tracking project spends within AIPS at the desired level of detail.

212. The software requires that the name for each Task (Task Number) within a project does not exceed 25 characters. With a task numbering convention of prefixing a task with year and sequence number, only 17 characters are left to adequately define the task. Inadequately defined names lead to reduced readability of the financial reports for Project expenditure monitoring.

213. We feel that ease of use of reports is of added importance in case of IAEA where there is a frequent turnover of professional staff in keeping with the Agency's policy. Simplified project structure with only one level of project hierarchy and reduced task name length prevents mapping of the true project management and decomposition requirement. This led users to meet their project management needs outside of the AIPS System using Excel or other tools (Microsoft Project, SharePoint).

214. Apart from the Project Managers relying on Excel and other tools for their project monitoring needs, we also noted the development of a formal parallel system for Project Management in one Division of IAEA. The NSNS (Office of Nuclear Security) Division took a conscious decision to use SharePoint for task and activity level monitoring for its ease of use in mid-2012, almost a year and a half after Project monitoring component of the PPM domain in Plateau - 1 was implemented. The decision to use SharePoint for project monitoring was taken after initial attempts to use AIPS for this purpose.

215. Our survey of Project Managers shows that 9 out of 12 respondents rated AIPS/ Hyperion application as a step down from the legacy applications for the purpose of project monitoring and tracking. All respondents stated that tracking financial status of a project was not easy, and tracking non-financial outcomes of the project was not possible at all.

216. In response to a specific question on whether the AIPS PPM solution had been able to promote transparency of the project's qualitative and quantitative performance indicators, some respondents

mentioned that it had promoted transparency. However, most stated that the complicated structure and the sheer numbers made finding and distilling the relevant information difficult.

217. The Agency, in response to the above observations, stated that AIPS (Oracle EBS and Hyperion) is not intended to replace operational project management tools such as Microsoft Project. Their purpose rather is to provide support managers and other staff with a common structure and overview for the use, control and reporting of financial resources and the results of their use. To designate each piece of work as a task and subdivide all expenses accordingly, including the allocation of staff, would create an enormous new administrative overhead with results of doubtful accuracy. It is, therefore, of the view that a proliferation of tasks is not desirable and that expanded use of “outputs” should be encouraged instead.

218. We appreciate the challenges faced by IAEA in implementing the AIPS project, and the consequent trade-off made in implementing the PPM domain. However, we identified that except for formulation of Programme and Budget using AIPS Hyperion Solution, there is an expressed level of discontentment from the Project Managers interviewed in connection with the audit with the adequacy and ease of use of the reports supporting financial project monitoring, which has led to project managers continue to use other tools for their financial project monitoring needs.

Recommendation 31

- a)* Extensive training may be provided on the correct use of Hyperion and Oracle Projects components for project management and monitoring. This training content may be prepared jointly by technology experts and selected SMEs (business-users) to identify the correct feature sets that need to be used from each of the two software solutions forming AIPS PPM offering. This training content should cover all aspects of Project Management and Monitoring that is expected to be done for a typical project. This should include the ideal Project structure in terms of Tasks/Sub-Tasks etc. and its linkages with activities, outputs, and schedules spanning the two distinct components of Oracle Projects and Hyperion Software.
- b)* The current set of reports made available through the PPM Dashboard and Planning Dashboard may be reviewed. The dashboard may be redesigned to reflect the standard dashboard best practices with judicious mix of visual display and numeric/text data.
- c)* Dashboards may be customized for different categories of users.
- d)* New financial monitoring reports may be made available on the dashboard which at a glance provide the relevant information to the Project Managers.
- e)* The dashboard reports may reduce the data overload by relying on the identity of the user logged in to the system to show only data relevant to that user. For instance, for a Project manager with three projects, the financial status of only these projects may be shown at the first instance.
- f)* The dashboard should suitably present both financial and non-financial progress of the Project.
- g)* The reports may be made interactive through drill downs using the available analytical reporting and graphing features of OBIEE.

219. Accepting the audit recommendations, the Management stated that (a) a standard curriculum for all project-related staff would be provided on a regular basis, (b) the Agency recognizes the need to improve its reporting solution in the PPM Dashboard and Planning Dashboard, (c) an IAEA Financial Reporting Requirements Study has identified a number of areas that were to be addressed, and (d) technical feasibility in respect of reducing the data overload would be carried out.

220. Management has also stated that the PPM Domain was not intended to replace project management tools such as MS Project and SharePoint. Such tools are complementary to the financial monitoring and tracking that the PPM Domain was designed to provide.

Program and Project Assessment

221. The scope of implementation of AIPS PPM solution using Oracle Hyperion Planning included:

- Managing the processes for the Agency's Programme and Budget formulation, on-going planning and performance assessment.
- Solution to be logically integrated with the Medium Term Strategy Plan,
- Solution to adhere to and build upon the existing framework for results-based management and the principles agreed with Member States for delivery of the Agency's Programme.

222. The Hyperion planning software records all details relating to Programme and Budget Monitoring as defined in IAEA's report to the Board on "The agency's new approach to programme development"⁴ which was further elaborated in another report to the Board, "Reporting on programme results in the framework of the results based approach"⁵.

223. Hyperion software also ensures that every project is linked to the Agency's Medium Term Strategy Plan sub-objectives. Hyperion software has features for forecasting of budget, whereby the input resources can be altered to show different scenario of budget availability

224. As per Agency's document "Reporting on programme results in the framework of the results based approach"⁶, achievement of results can be claimed when objectives have been reached, or outcomes achieved, or outputs delivered. In the results based approach, performance indicators are designed so that the achievement of outcomes can be assessed at the end of a biennium. Programme performance is thus the measure of the extent to which the Agency's programmes have produced their intended outcomes.

225. The non-financial monitoring of the project is largely about monitoring of project outputs and of the performance indicators associated with the Project. This however presupposes that a correct linking has been made between the desired objectives, outcomes, outputs and performance indicators.

⁴ GOV/2000/13 dated 31st March 2000

⁵ GOV/INF/2002/5 dated 25th April 2002

⁶ GOV/INF/2002/5 dated 25th April 2002

226. To assess the achievement of implementing the results based framework, we reviewed the performance indicators (PIs) for all the projects under Regular Budget for the year 2014, included in the Programme and Budget 2014-15.

227. In keeping with the requirement of PIs to be SMART (specific, measurable, achievable, relevant, time bound), the PIs are all quantified (measurable), with defined baselines and targets laid down in the Hyperion planning project assessment form at the beginning of the biennial planning cycle. The software provides for assessment vis-a-vis the baselines on completion of the biennial cycle with an annual mid-term assessment on progress.

228. For the year 2014, there were a total of 267 Projects with 898 PIs. Our examination of these PIs was primarily from the point of their relevance to the outcomes, and hence their predictive capability of projects meeting their objectives. The review indicated that 328 of the 898 PIs, or about 36.5% of the total PIs were deficient in some respect, and thus merit a review by the respective project and programme managers. These indicators which merit review are broadly categorised into 6 groups as tabulated below.

PI Deficiency Categorisation	No. of Cases	% of Cases
Type-1: PIs that are Incorrect	40	12.2%
Type-2: PIs having zero as value for both baseline and target	26	7.9%
Type-3: PIs where baseline and target values have not been filled	14	4.3%
Type-4: PIs where baseline could be flawed	32	9.8%
Type-5: PIs where baselines are incorrect	203	61.9%
Type-6: PIs that do not appear amenable to quantification	13	4.0%
TOTAL	328	

229. As observed in the paragraphs above, a significant percentage of the Performance Indicators set for the various projects within the Hyperion Planning system merit a review. While some aspect can be addressed by putting in suitable validations for the baseline and target fields, it fundamentally remains a user centric issue.

230. One notable aspect of the Hyperion software is the feature for updating the status of each PI with an appropriate RAG (Red-Amber-Green) Status. This provides an alternate mechanism for assessing achievement for those PIs which are not easily quantified. During our interview with selected project managers, a significant majority had responded that the project outcomes had qualitative components that could not be measured in quantitative terms. Moreover, the outcomes of a project often happen on a longer time horizon beyond that provided by a biennium cycle.

231. The Agency's 2002 document "Reporting on programme results in the framework of the results based approach"⁷ stipulated that in the results based approach, performance indicators are designed so

⁷ GOV/INF/2002/5 dated 25th April 2002

that the achievement of outcomes can be assessed at the end of a biennium. We appreciate the need for long gestation time for results to be visible, and this has also been expressed by the various project managers during our interviews. However, we feel that for the projects having long gestation period, the RAG status against each PI can be utilized on quarterly basis for updates of the quality dimension of outcome achievement.

Recommendation 32

- a) The Performance Indicators set for the projects included in 2014-15 may be reviewed. Projects which necessarily have qualitative performance indicators may be identified and the PIs may be modified accordingly.
- b) The update frequency of Performance Indicators may be reviewed.
- c) The RAG Status against each PI, available in Hyperion Software, may be utilized for periodic updates of the qualitative dimension of outcome achievement. The PI achievement and the RAG Status may be prominently displayed on the dashboard to provide balanced focus to both financial and non-financial performance of programs and projects.

232. Accepting the audit recommendations, the Management stated that (a) it remains the Agency's aim that all performance indicators should be smart. Further efforts in training staff and improving the review process would continue, and (b) the Agency would study the possibility of carrying out periodic updates of performance indicators.

Security of AIPS

233. The hosting of AIPS application has been outsourced to UNICC (UN International Computing Centre). The Agency had entered into a master service delivery agreement with UNICC Geneva in July 2012 for hosting the AIPS application and database for the biennium 2012-13 at a cost of USD 2.49 million. With the introduction of the Hyperion solution in Plateau-2, a cost of USD 0.96 million was added for hosting the same.

234. We examined the security audit reports of the OIOS, and reviewed the action taken by the Agency. A third party security audit of the AIPS Oracle Database was got done by OIOS in February 2013. A number of recommendations were made relating to identified areas of risk or vulnerability to the AIPS's database. Corrective actions were immediately initiated by the AIPS project team and a security audit remediation plan was prepared in July 2013. While majority of the issues have been addressed, action on two recommendations is presently under way and is targeted to be completed by December 2013. The AIPS project team has also resolved, as recommended, to get an independent security testing done prior to Plateau 3 roll out.

235. Responding on an earlier review on Segregation of Duties (SODs) done by the OIOS, the AIPS project team has documented the access request process, and responsibility profile list of users. Transaction responsibilities for AIPS Services Unit (ASU) personnel have been removed where possible and the rest were being discussed with business users and documented.

236. The application has been hosted outside the Agency's premises as a conscious choice without resorting to competitive bidding. Disaster recovery deliverables have been made part of the Master

service delivery agreement in terms of defined Recovery Time Objective (RTO) and Recovery Point Objective (RPO). Although up to two disaster recovery tests were planned per annum, we were informed that the DR infrastructure had been tested only as part of project Go Live for respective plateaus. No separate DR testing report was provided to us. The AIPS project team stated that DR testing was planned for Q4 2013.

Other Matters

Cases of Fraud and Presumptive Fraud

237. The Management reported to us that although areas for improvement in internal controls exist, the Office of Internal Oversight Services (OIOS) did not find evidence of proven fraud. Four cases of presumptive fraud against the Agency were reported to OIOS in 2013. All these cases were procurement-related and two are still under investigation; the two former cases have been closed as unsubstantiated. Without any prejudice to the latter on-going cases, no fraud-related losses have, thus far, been detected.

Losses, Write-offs and ex gratia Payments

238. Receivables amounting to €243,366.07 were written-off in 2013. These write-offs include the following:

S. No.	Item Description	Amount to be written off
1	Insurance claims pending with the Insurers	€ 163,564.09
2	Meetings advances	€ 35,604.66
3	Telephone charges	€ 15,807.61
4	Training Courses, Experts & Other TC Components	€ 11,003.20
5	Receivables – Laboratory invoices	€ 10,552.55
6	Travel related items	€ 5,116.79
7	Receivables – Publication invoices	€ 1,357.49
8	Payroll items	€ 359.68
	Total	€ 243,366.07

Loss of Equipment

239. The Department of Safeguards capitalized items with original value of €49,038.08 and a book value of €573.41 were reported lost during 2013. Out of these, 2 items were removed from the Fixed Assets Register in 2013, and the balance 7 items are being removed in 2014. In addition, 2 expensed items with original value of € 624.00 were reported as lost during the year.

Ex-Gratia Payments

240. No ex-gratia payments were made during 2013.

Response of the Management indicating action taken on past external auditor's recommendations

241. Response of the Management indicating action taken on past external auditor's recommendations is given in Annexure II.

Acknowledgement

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)

Shashi Kant Sharma

Comptroller and Auditor General of India

External Auditor

21 March 2014

Annex I

The Fund Wise Break Up of IAEA as on 31 December 2013
(expressed in euro'000s)

Equity	Regular Budget Fund and Working Capital Fund	Technical Cooperation Fund	Extra Budgetary Programme Fund	Low Enriched Uranium Bank	Technical Cooperation Extrabudgetary Fund	Trust Funds and Special Funds	Total
Total equity	(19 123)	65 438	194 182	87 960	29 067	2 815	360 339
<u>Included in the above are:</u>							
Reserves	32 276	26 878	15 636	73	7 028	117	82 008
WCF	15 218						15 218
MCIF	41 539						41 539
Nuclear Security Fund			36 562				36 562
Programme Support Cost Sub Fund			4 271				4 271
Research Institute Trust Fund & Equipment Replacement Fund						2 698	2 698
Available fund balances	(108 156)	38 560	137 713	87 887	22 039	-	178 043
Employee benefit liabilities	203 398	15	3 517	91	-	-	207 021

Annex II

Response of the Management indicating action taken on past external auditor's recommendation

Audit Report for the Year.	Recommendation	Management response
2012		
Financial Issues		
Rec. No.		
1	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.	ASU has developed a self-verification functionality in AIPS for all non-SG assets. The self-verification functionality needs to be tested by MTGS. Once fully tested, it will be rolled out to the Agency-staff in batches so as to cover a significant portion of non-SG assets over a period of two years. Management considers the recommendation to be In Progress.
2	Adopting segment reporting under IPSAS 18 for the activities relating to operation of LEU Bank.	Steps have been initiated to change the segment reports in AIPS to reflect this change. Management considers the recommendation to be In Progress.
3	Revisiting the policy and devise an appropriate accounting treatment for refund of unspent contributions in line with the requirement of IPSAS 1.	Accounting policy on revenue recognition has been revised in line with discussions with the external auditor. Management considers the recommendation to be Implemented.
Procurement Services		
4	Adoption of 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.	MTPS and AIPS have implemented a system of weekly meetings between AIPS and MTPS staff on AIPS improvements, supplemented by a biweekly meeting between DIR-MTPS and DIR-AIPS to review implementation status and action items. Management considers the recommendation to be Implemented.

5	Steps for better organisation of the electronic purchase order files and for complete integration and harmonisation of AIPS and 'Livelink' system.	Standards for filing formats have been implemented for all files; upgrade to Livelink implemented Agency-wide. Management considers the recommendation to be Implemented.
6	Steps 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.	Some reports have been implemented to provide users with OBIEE reports providing correct field definitions and consolidated data. Management considers the recommendation to be In Progress.
7	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.	Some reports have been implemented to provide users with OBIEE reports providing correct field definitions and consolidated data. Management considers the recommendation to be In Progress.
Technical Cooperation		
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.	In preparing the 2014-2015 TC programme TC management has increased its efforts to avoid any duplication of activities. Management considers the recommendation to be Implemented.
9	Close conjunction with other UN organizations so as to leverage synergies and to maximise benefits from projects carried out in partnerships.	Bearing in mind that the coordination with other Agencies also depends on the other Agency's agendas and mechanism, as well as on the respective Member State(s) interests, other UN organizations were engaged in the formulation of projects for the 2014-2015 Management considers the recommendation to be Implemented.
10	The Agency needs to more actively assist the MSs in designing the key documents (Logical Framework Matrix, Work Plans)	Workshops on good project design have been organized with counterparts and National Liaison Assistants (NLOs) in all four TC regions. Management considers the recommendation to be Implemented.

11	Need to engage the MSs more actively to achieve for timely initiation and completion of counterpart actions.	Accepting the joint responsibility with counterparts to execute projects on time, TC management and programme managers will continue to regularly encourage MS to pay NPCs to facilitate timely start of projects. Management considers the recommendation to be Implemented
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.	TC is identifying and developing other more meaningful indicators for project implementation, such as output achievement vs planned. Management considers the recommendation to be In Progress.
13	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.	The PPAR system has been revamped and the rate of submission of PPARs from MSs has improved. MSs that have not submitted PPARs continue to be encouraged to do so in a timely manner. Management considers the recommendation to be Implemented.
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.	An efficient mechanism for evidence-based reporting on TC project results is expected to be in place by 2014. Management considers the recommendation to be In Progress.
15	Agency may adhere 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.	The TC Department will continue working, together with MSs, on developing projects that are in line with well-defined country programmes reflected in CPFs. A comprehensive quality review by the Secretariat in 2013 will be used to further reinforce the rationalizing approach. Management considers the recommendation to be Implemented.
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.	The TC Department is continually encouraging MSs to pay NPCs on time so that projects can start as per workplan. Stricter enforcement of the Due Account Mechanism is planned for 2016, which is expected to ameliorate the issue of late payments. Management considers the recommendation to be Closed.

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.	The TC Department has initiated a management review with the Office of Internal Oversight (OIOS). Management considers the recommendation to be Implemented.
18	The fellowship reports should be centrally monitored in order to assess the utility of the fellowship.	Reports are uploaded to TC PRIME from where they can be viewed and assessed. Management considers the recommendation to be Closed.

Nuclear Safety and Security

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.	NS have requested OIOS as part of their 2014 work plan to undertake a thorough review of all areas currently funded by extra-budgetary resources, where the impact of funding fluctuations would have detrimental effect on its activities. OIOS has included this in its 2014 Work-plan. Management considers the recommendation to be In Progress.
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.	The Agency, based on the outcome of the OIOS review (included in its 2014 work-plan), will adopt an appropriate strategy to address the implementation of this recommendation. Management considers the recommendation to be In Progress.
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.	The Department of NS has reviewed the likelihood and impact of all risks in the risk register and proposed change in 3 cases (2 for likelihood and 1 for impact) with correspondent adjustment of the risk scores. Management considers the recommendation to be Implemented.
22	The Agency may also consider redefining the risk element more appropriately so that the risk element becomes less open ended, wherever necessary.	The Department of NS has reviewed names and descriptions of all risks in the risk register and proposed edits to four risks. Minor edits were made to another five descriptions in order to make them more precise. Management considers the recommendation to be Implemented.

23	The Agency may consider revisiting existing Risk Mitigation Strategies whenever a risk materialises.	Management considers the recommendation to be Implemented.
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.	<p>In the new AIPS system there will be no duplication of the Agency-wide (corporate) risks and those of programmatic elements (MP, Programme, etc.). Each programmatic element will have a set of its own risks, and also may contribute to mitigation of a corporate risk. This approach was implemented in preparation of the P&B 2014-2015 proposal.</p> <p>Management considers the recommendation to be Implemented.</p>
25	The Agency may consider removing archived risks from the Risk Register.	<p>Following the EA recommendations, archived risks will be excluded from the review of the risk register during quarterly meetings. Archived risks were not transferred to the AIPS Planning system during preparation of the 2014-2015 P&B proposal.</p> <p>Management considers the recommendation to be Implemented.</p>
26	The Agency may consider re-formulating the existing Performance Indicators, where appropriate, to ensure that they are well-aligned to the 'SMART' framework.	<p>In future OIOS will be requested to review these PIs to get an objective assessment that they are well aligned to the "SMART" framework. OIOS have been requested to review the PIs as part of their 2014 work plan.</p> <p>Management considers the recommendation to be Implemented.</p>
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.	<p>The EA recommendations were based on PIs for the 2012-2013 programme. In preparation of the 2014-2015 programme the PIs were reconsidered.</p> <p>Management considers the recommendation to be Implemented.</p>
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.	<p>In the report, Implementation of the IAEA Action Plan on Nuclear Safety, GOV/INF/2013/8-GC(57)/INF/5, Date: 5 August 2013, the Secretariat announced that the year 2015 will be considered as a transition year for the activities associated with and under the Action Plan. Dedicated projects under the Action Plan that are to continue beyond 2015, will be followed up by the respective IAEA Departments/Divisions.</p> <p>Management considers the recommendation to be Implemented.</p>

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.	<p>The Secretariat completed the identification of those activities to be transferred to the respective IAEA Divisions in 2015, however further analysis is foreseen. Furthermore, dedicated Action Plan projects have been set-up in the IAEA 's Programme and Budget.</p> <p>Management considers the recommendation to be In Progress.</p>
30	For improved transparency, status of all IAEA Action Plan activities may be reported on the 'Dashboard'.	<p>In August 2013, all Action Plan activities were updated and reported on the "Dashboard" following the publication of the report, Implementation of the IAEA Action Plan on Nuclear Safety, GOV/INF/2013/8-GC(57)/INF/5, Date: 5 August 2013 and the Supplementary Information to that report.</p> <p>Management considers the recommendation to be Implemented.</p>
31	The Agency may consider requesting Member States to provide information regarding their progress in the implementation of the Action Plan.	<p>Some Member States are actively sharing information with the Agency on their activities to implement the Action Plan on Nuclear Safety. The Agency will continue to encourage other Member States to do likewise.</p> <p>Management considers the recommendation to be In Progress.</p>
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.	<p>The Agency will continue to present information on Member States activities in the framework of the Action Plan on the 'Dashboard', with the consent of the Member State concerned. The Secretariat continues its efforts in disseminating information on Member States activities through the publication of peer review reports, expert mission reports and International Experts' Meeting reports. Management considers the recommendation to be In Progress.</p>
33	IEC may continue its efforts to increase awareness regarding it being a focal point in a nuclear or radiological emergency.	<p>Steps and actions taken to date:</p> <ul style="list-style-type: none"> • Consolidation of the Incident and Emergency Centre (IEC) position as the Agency's focal point a achieved through the IEC training activities for the Incident and Emergency System (IES) staff, regular meetings of the Liaison Group for Preparedness, regular DDG NS – IEC meetings. • Consolidation of the IEC position as the international global focal point through the elaboration of the Operations Manual for Incident and Emergency Communication (EPR-IEComm2012) and of the Joint Radiation Emergency

		<p>Management Plan of the International Organizations (EPR-JPLAN2013).</p> <p>Management considers the recommendation to be Implemented.</p>
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.	<p>Steps and actions taken to date:</p> <ul style="list-style-type: none"> • Conduct of communication tests with contact points in Member States and relevant International organizations (ConvEx-1a, ConvEx-1c) on various communication channels, (fax, email, USIE website and sms) to verify those channels with the counterparts. • Continuous follow-up of identified communication problems, via alternate details, through Permanent Missions of the Member States and relevant International organizations. <p>Management considers the recommendation to be Implemented.</p>
35	IEC may ensure that summary logs in the prescribed format are created immediately after an event.	<p>Management considers the recommendation to be Implemented.</p>
36	The Agency may increase its efforts to ensure greater registration with RANET.	<p>Action taken: Promotion of RANET during the 6th Competent Authorities meeting through a specific dedicated workshop and presentation and liaising with counterparts. Invitation of seven State Parties from the Asia region, with advanced emergency response capabilities, to participate in the RANET Workshop in May 2013. Four of those State Parties participated in the workshop.</p> <p>Increasing of visibility of RANET to the official contact points in Member States and International Organisations by placing a RANET database on USIE.</p> <p>Management considers the recommendation to be Implemented.</p>
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.	<p>During the review of requests for consultants, more focused attention is now being paid to the aspect of the availability of in-house expertise in order to ensure full compliance with the AM.</p> <p>Management considers the recommendation to be Implemented.</p>
38	The databases should be peer reviewed by teams from staff members from Sections other than the ones maintaining the databases. The	<p>OIOS has reviewed some of the databases reported in its report issued in March 2013 "Evaluation of IAEA Scientific and Technical Information</p>

	OIOS may also be requested to evaluate and examine the databases.	Resources" and provided valuable recommendations which are being implemented, however, now based on EA recommendation NS will request OIOS to review all databases developed and used by NS. Management considers the recommendation to be In Progress.
Laboratory Activities at Seibersdorf and Monaco		
39	The risk identified by NAHU in the Risk Register for the DOL needs to be reviewed to include risks relating to calibrations.	A meeting took place with DGOC to review the existing risks recorded in the risk register. Management considers the recommendation to be Implemented.
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.	Agency replied that NA has prepared an initial concept for the renovation of the NA Labs which amplifies the equipment and space requirements. A number of preparatory activities were carried out in order to prepare the ReNuAL project and to bring it up to the implementation phase by mid-2014. The results of the technical studies performed so far will be reflected in the Strategic Plan for the ReNuAL project. Management considers the recommendation to be In Progress.
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.	A meeting took place with DGOC to review the existing risks recorded in the risk register. Management considers the recommendation to be Implemented.
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.	<ul style="list-style-type: none"> • A meeting took place with DGOC to review the existing risks recorded in the risk register. • The position of a Laboratory Coordinator has been created on a temporary basis from April 2013 and a fixed term position has been approved in the Programme and Budget for 2014 and has been officially filled as of 1 January 2014. Management considers the recommendation to be Implemented.

43	The modernisation plan for the NA laboratories may be developed further, being an identified major risk mitigation measure.	<ul style="list-style-type: none"> • This has been included in the Programme and Budget for 2014-15 which has been approved with funding of Euro 2.6 million. • The Secretariat is currently developing a concrete Strategic Plan for the ReNuAL project. <p>Management considers the recommendation to be In Progress.</p>
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.	<p>The risk register will be updated on a regular annual basis, in line with the Agency's Risk Policy (and also in each biennium, in conjunction with the planning of the Programme & Budget).</p> <p>Management considers the recommendation to be Implemented.</p>
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.	<ol style="list-style-type: none"> 1) Accreditation project launched in October 2012 2) Implementation team defined 3) Quality documents initiated and several steps to fulfill requirements of the ISO 17025 and ISO guide 34 taken 4) The preparation for the accreditation of the NAEL laboratories (Seibersdorf and Monaco) is in progress. <p>Management considers the recommendation to be In Progress.</p>
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.	<p>The requirements for accreditation of some of the NAFA laboratories are currently being reviewed.</p> <p>Management considers the recommendation to be In Progress.</p>
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.	<p>Started to discuss the implementation of the QSM procedures</p> <p>Management considers the recommendation to be In Progress.</p>
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.	<p>Timeliness Key Performance Indicators (KPI) for each stage of the sample analysis process have been defined by SGAS and incorporated in the SGAS Quality Manual.</p> <p>Timeliness goals were defined for each stage and published. They will be revised annually at the Quality Management Review Meeting.</p> <p>Management considers the recommendation to be Implemented.</p>

49	SGAS may address the issue of making timelines consistent for the NWALs in respect of both the nuclear material and environment samples.	<p>The observed difference between NM and ES for the definition of time limits for reporting analysis ("timeliness") with respect to the inclusion of shipping times was due to the fact that, for ES, the shipping delay is minimal compared to NM and therefore not a driving factor. Nevertheless this delay is tracked by SGAS and can be included in ES analysis timeliness to ensure consistency with NM analysis timeliness. SGAS has implemented this change for its internal monitoring of timeliness beginning 1 January, 2014.</p> <p>Management considers the recommendation to be Implemented.</p>
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.	<p>SGAS has chosen to pursue a phased approach towards the implementation of an end-to-end sample tracking system. During the first phase: - SGAS has completed a comprehensive database for tracking sample logistics through all stages of the sample analysis. During the second phase, the tools will be consolidated into an end-to-end tracking system for ES and DA samples.</p> <p>Management considers the recommendation to be In Progress.</p>
51	SG may explore the feasibility of working out a per sample costing.	<p>SGCP/CPD has a developed model for sample cost, based on fixed and variable components.</p> <p>Management considers the recommendation to be Implemented.</p>
52	The short term issues for timely shipment of SG equipment and samples 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	<p>MTPS implemented an interim arrangement with Air Cargo Partner for one year starting as of 1 March 2013, based on a statement of work covering safeguards needs. This resulted in a significant improvement in the timeliness of shipment of SG equipment and samples.</p> <p>Management considers the recommendation to be Implemented.</p>
53	The identified short term solution of solidification of liquid wastes may be pursued by the SGAS with prescribed timelines.	<p>Solidification of concentrated process solutions (CPS) is ongoing. As of December 2013, 68% CPS bottles were processed or are being processed (15 out of 22 bottles). The remaining CPS bottles are safely stored in leak-tight containers until they can be solidified.</p> <p>Management considers the recommendation to be In Progress.</p>

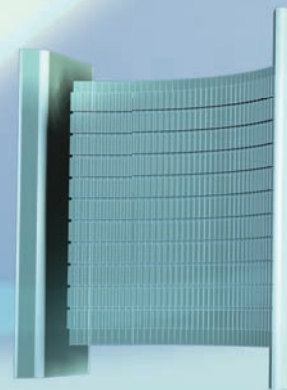
54	The response measures to radiation incidents in the Agency such as departmental/divisional instructions and procedures on how to proceed in case of radiological incidents covering various areas identified in the Interim Report may be implemented in a time-bound manner.	<p>Improvements in Safety Culture have led to newly implemented procedures and activities, at SGAS level, Departmental and even Agency level and are being reported to the Seibersdorf Incident Task Force (SITF). SGAS agreed with NSRW, the Departmental Health and Safety Coordinator and the VIC and Seibersdorf Medical Services on a procedure to decontaminate persons which includes the description of initial monitoring measures.</p> <p>Management considers the recommendation to be Implemented.</p>
55	The SGAS Training Tracking System may be designed and implemented to streamline and strengthen Radiation Protection Training.	<p>SGAS strengthened its radiation protection training programme via refresher course for OEWs, lessons-learned sessions shared with laboratory staff at the weekly coordination meeting, seminars on safety culture and specific radiation protection courses for designated staff.</p> <p>Management considers the recommendation to be Implemented.</p>
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.	<p>Programme and Budget. Divisional Radiation Protection Supervisors (RPS) have been identified in the four NA Divisions and they attended training by Nuclear Safety in the 4th quarter of 2013. General training for radiation protection was also be provided to relevant NA staff in the 4th quarter of 2013.</p> <p>Management considers the recommendation to be In Progress.</p>
57	The establishment of a network for the measurement PCs may be pursued with MTIT.	<p>MTGS is actively working with MTIT on the project "Secure Zoning" to safely combine all measurement PC's with regular Agency Network. It is expected that will be implemented in Q1 2014.</p> <p>Management considers the recommendation to be In Progress.</p>
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.	<p>The Property Survey Board in a meeting held on 15/11/2013 approved the change and useful life of laboratory equipment from 5 to 7 years, effective 01/01/2014. The retention of obsolete equipment/items was discussed and agreed upon by the Laboratory Managers and MTGS.</p> <p>Management considers the recommendation to be Implemented.</p>

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.	Management considers the recommendation to be Implemented.
2011		
5	Finalize the risk management plan. Develop a clear culture of responsibility and accountability to optimize the effectiveness and efficiency of the internal control system.	<p>The IAEA risk management plan has been finalised in line with the requirement of the MTS 2006-2011. The IAEA revised and updated its Risk Management Policy and developed Guidelines for implementing its Risk Management Policy by end of 2011. The risk register has been included in Hyperion Programme and Budget 2014-2015.</p> <p>Management considers the recommendation to be Implemented.</p>
Financial Issues		
6	Introduce a Statement of Internal Control as part of the financial statements.	<p>MTBF has initiated the implementation of a structured documentation of its risks and related mitigating Internal Controls specifically related to financial reporting.</p> <p>Management considers the recommendation to be In Progress.</p>
7	Test the effectiveness of internal controls relied upon when issuing a Statement of Internal Control.	<p>Once the project (begun in 2012) to create a structured documentation of the Agency's key internal controls over financial reporting has formally identified all those controls on which reliance is placed, an assessment plan will be developed to provide appropriate documentation that these controls can be considered effective in the context of the issuance of a Statement of Internal Controls (SIC).</p> <p>Management considers the recommendation to be In Progress.</p>
8	Improve the delegation of authority in line with the introduction of a Statement of Internal Control.	<p>MTBF plans, in connection with its internal control over financial reporting project, to address the related area of segregation of duties.</p> <p>Management considers the recommendation to be In Progress.</p>
Human Resource Management		
18	Continue to streamline the recruitment process to achieve duration target.	As part of the requirements and system design phase of AIPS, MTHR continues to streamline the recruitment process. This involves, inter alia,

		<p>removing redundant process steps.</p> <p>Management considers the recommendation to be In Progress.</p>
19	Consider alternative pension contribution models for staff joining for less than 5 years.	<p>MTHR drafted an amendment to the Agency's pension benefit rules and shared the substance of the draft with the UNJSPF for comments. It is therefore required to extend the deadline for the implementation of EA recommendation to 30 June 2014.</p> <p>Management considers the recommendation to be In Progress.</p>
LEU Fuel Bank Issues		
22	Complete comprehensive risk management strategy for the LEU fuel bank	<p>A thorough risk assessment has been completed that identified 36 risks. Actions already taken to mitigate the risks were noted and recommendations made for additional actions to be taken.</p> <p>Management considers the recommendation to be Implemented.</p>
23	Conduct studies on the impact of Agency participation in the market, site safety and security and budgetary sustainability of the LEU fuel bank.	<p>a) MTPS assessed the impact of procurement of IAEA LEU in the markets and developed a responsive procurement approach in the Procurement Plan. b) The site safety and security have been assessed comprehensively using standard IAEA missions. c) To ensure financial stability, it is proposed to set aside donor funds.</p> <p>Management considers the recommendation to be In Progress.</p>
Communications Issues		
25	Implement the new and more prudent Policy on Relations with the Media approved in 2010.	<p>OASIS pages on Public Information including rules with regard to relations to media were activated in the 1st quarter of 2013.</p> <p>Management considers the recommendation to be Implemented.</p>
Nuclear Safety & Security		
29	Accelerate the adoption of new ONS management process.	<p>Revised IOM in preparation to take account of proposed further increase to Programme 3.5 in 2014.</p> <p>Management considers the recommendation to be In Progress.</p>

Technical Cooperation		
31	Strive for long term joint programming and to harmonize the Common Country Assessment and Country Program Framework.	<p>Several joint programming activities were initiated, like with FAO on the Global Soil Partnership, with UNESCO in the area of water resource management, with UNICEF on nutrition issues. Practical Arrangements have been signed with UNCCD, UNIDO and PAHO.</p> <p>Management considers the recommendation to be Implemented.</p>
40	Provide clear guidance to NLOs and CPs about their role in procurement procedures.	<p>Procedures for Shipment of Equipment were prepared in July 2012 and are accessible to PMOs and TOs in the TC Document Repository.</p> <p>Management considers the recommendation to be Implemented.</p>
44	Increase efforts to inform National Project Coordinators on how they can benefit from Regional Designated Centres.	<p>In their interactions with NLOs and CPs PMOs regularly refer to the benefits of RDCs. These consultations will be ongoing.</p> <p>Management considers the recommendation to be Implemented.</p>
Information Technology		
47	Adapt the Disaster Recovery Infrastructure (DRI) to international standards concerning IT security and follow a 'one house approach' by unifying the DRIs of SG and MT in Seibersdorf.	<p>A joint effort between MTIT and SGIS is required to adopt a "one house" approach. MTIT runs the DRI for the Agency-wide services, hosted in the minimalist data centre in Seibersdorf. This provides a foundation for the Agency's disaster recovery approach in the event of a VIC-destroying incident.</p> <p>Management considers the recommendation to be In Progress.</p>
Safeguards		
48	Implement Phase III of the Data Centre project without further delay, applying the 'one house approach'.	<p>SGIS created a new Project Board which adopted a new project plan and assigned a Project Manager who reports at each Project Board meeting, covering budget, schedule, products completed in the past period, risks, issues and products to be completed in the next period. Regular Project Board meetings have been held with plans to continue throughout the life of the project.</p> <p>Management considers the recommendation to be In Progress.</p>

Financial Issues		
50	Prepare AIPS to meet the requirements of accrual budgeting.	<p>If consensus for adoption of accrual budgeting begins to emerge, the Agency will again examine its options and take the necessary steps to ensure that it is in a position to adopt any new approach</p> <p>Management has Deferred the implementation of the recommendation.</p>



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