The Agency's Financial Statements for 2014

IAEA
International Atomic Energy Agency

GC(59)/3

Report by the Board of Governors

1. 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 2014.

2. 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 2014 and of the report of the Board of Governors thereon [*].

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[*] GC(59)/3

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[1] INFCIRC/8/Rev.3

Fifty-ninth regular session

The Agency's Financial Statements For 2014

Contents

REPORT OF THE DIRECTOR GENERAL ON THE AGENCY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Introduction

1. In accordance with Financial Regulation 11.03, I have the honor to submit the financial statements of the International Atomic Energy Agency (hereafter IAEA or the Agency) for the year ended 31 December 2014.

2. For the fourth consecutive year the financial statements of the Agency have been prepared on 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 2014, 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) Revenue from contributions increased by €14.4 million to €509.2 million, driven by an increase in both assessed contributions and voluntary contributions (respectively by €9.9 million and €2.0 million). The sustained growth in overall contributions shows the continued relevance and importance of the Agency to its Member States and other donors. Voluntary contributions as a percentage of total revenue slightly decreased at 33.1%, against 33.6% of the previous year. Total voluntary contributions transferred subject to conditions have slightly increased at €58.8 million in 2014 as compared to €55.5 million in 2013.

(ii) 2014 saw an overall increase in IPSAS based expenditures of €19.5 million (a 4.3% increase over 2013). This trend was primarily due to:

- Increased implementation activity during the year reflecting into an increase of IPSAS based expenditure under the Regular Budget Fund (€11.5 million) and Extrabudgetary Programme Fund (€9.6 million).
- An increase in purchase and construction or development of property, plant and equipment (PP&E) and intangible assets, along with 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.
- partially offset by a decrease in travel, consultants and experts expenses (€1.1 million) notwithstanding the higher implementation of programmatic activities; this shows the ongoing effort of the Agency to strengthen efficiency and contain operating costs.

(iii) Receivables from assessed contributions increased for the third year in a row to €55.3 million (€33.6 in 2013), in parallel with a decreased in the collection rate to 87.1% (91.6% in 2013). This shows that Member States are taking longer than in the past to pay their assessed contributions.

(iv) The Agency's after service health insurance (ASHI) and other post-employment liabilities significantly increased to €251.7 million at 31 December 2014 from €175.6 million at 31 December 2013 due primarily to a lower discount rate utilized in the actuarial calculation of such liabilities, which generated an actuarial loss of €66.6 million. As these liabilities remain completely unfunded as of 31 December 2014, 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 increased in 2014 to €63.4 million from €34.8 million in 2013 primarily as a result of:

(i) An increase of €14.0 million in the Agency's total revenue to €512.6 million in 2014 from €498.6 million in 2013.

(ii) A €26.5 million foreign exchange gain on holdings of cash, cash equivalents and investments denominated in non-euro currencies, primarily the United States dollar; offset by

(iii) A €19.5 million increase in expenses to €476.0 million in 2014 from €456.5 million in 2013.

9. Financial Statement VIIb provides details of financial performance by fund. A summary of the Financial Performance by Fund for 2014 is shown in **Table 1**.

Table 1: Summary Financial Performance by Fund for the period ended 31 December 2014

(expressed in millions of euros)

	Regular Budget		Technical Cooperation		Extrabudgetary		Other		
	RB & WCF	**MCIF**	**TCF**	**TC-EB**	**EBF**	**LEU Bank**	**Trust Funds and Special Funds**	***Inter-fund Elimination***	**Total IAEA**
Total Revenue from all sources a/	335.6	8.2	64.8	17.0	92.7	0.5	0.1	*(6.3)*	512.6
Total expenses	338.1	1.9	60.6	15.5	63.8	1.7	0.7	*(6.3)*	476.0
Net gains/(losses)	3.3	(0.3)	4.1	2.5	7.3	11.4	-	-	28.3
Share of surplus/(deficit) in common services entities	(1.5)	-	-	-	-	-	-	-	(1.5)
Net surplus/(deficit) for the year	**(0.7)**	**6.0**	**8.3**	**4.0**	**36.2**	**10.2**	**(0.6)**	**-**	**63.4**

a/ Total revenue includes assessed, voluntary and other contributions; revenue from exchange transactions and interest revenue.

10. The Extrabudgetary Fund (EBF) recorded a surplus of €36.2 million for 2014, showing an increase of €7.7 million in comparison with 2013, partly due to differences between the timing of revenue recognition and the full financial implementation of the related activities.

11. The surpluses realized in the Technical Cooperation Fund and the LEU Bank were driven largely by foreign exchange gains experienced in 2014.

12. The Regular Budget and Working Capital Fund (RB & WCF) experienced a minor deficit during 2014.

Revenue Analysis

13. As shown in **Table 2**, the increase of €16.4 million in the Agency's total revenue is mainly due to a €9.9 million increase of assessed contributions and a €2.0 million increase in voluntary contributions.

Table 2: Comparative Revenue Analysis

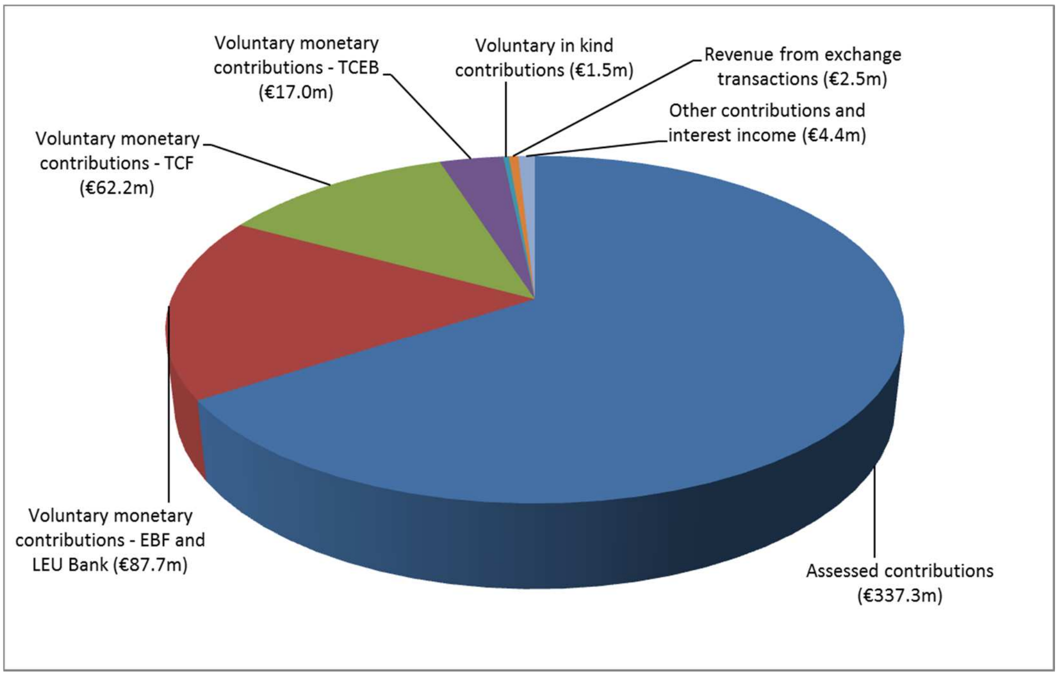
	(expressed in millions of euros)		
Revenue	**2014**	**2013**	**Change**
Assessed contributions	337.3	327.4	9.9
Voluntary contributions	168.4	166.4	2.0
Other contributions	3.5	1.0	2.5
Revenue from exchange transactions	2.5	3.1	(0.6)
Interest revenue	0.9	0.7	0.2
Total revenue	**512.6**	**498.6**	**14.0**

14. In 2014, the majority of revenue related to assessed contributions (€337.3 million) and voluntary contributions (€168.4 million). The latter included €1.5 million of in-kind contributions, primarily pertaining to the free use of premises in Austria and Monaco.

15. The increase of voluntary contributions was mainly driven by an €6.4 million increase in contributions to the Extrabudgetary Program Fund and a €4.7 million increase in Technical Cooperation Extrabudgetary Fund, partially offset by a decrease in contributions to the Low Enriched Uranium Bank.

16. Details of revenue by funding source are shown in Figure 1.

Figure 1: Revenue Sources for the period ended 31 December 2014



Expense Analysis

17. In 2014, total expenses were €476.0 million, an increase of €19.5 million (4.3%) compared to 2013.

18. **Table 3** shows that the increase in expenses compared to 2013 is mainly driven by transfers to development counterparts, staff costs, operating expenses and depreciation and amortization.

Table 3: Comparative Expense Analysis

	(expressed in millions of euros)			
Expenses	**2014**	**2013**	**Change**	**Change %**
Staff costs	258.9	251.1	7.8	3.1%
Consultants, experts	19.1	19.8	(0.7)	-3.5%
Travel	50.4	50.8	(0.4)	-0.8%
Transfers to development counterparts	44.6	38.3	6.3	16.4%
VIC common services	20.9	22.5	(1.6)	-7.1%
Training	20.7	21.0	(0.3)	-1.4%
Depreciation and amortization	17.2	14.9	2.3	15.4%
Other operating expenses	44.2	38.1	6.1	16.0%
Total expenses	**476.0**	**456.5**	**19.5**	**4.3%**

19. Transfers to development counterparts increased by 16.4% due to an increase in the Agency's programmatic activities during 2014 as compared to 2013 and the delivery of a higher value of project inventories.

20. 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. Staff costs increased by €7.8 million due to higher volume of regular budget activities in 2014 as compared to 2013. While these costs increased in absolute terms their weight on overall expenses slightly decreased compared to 2013 from 55.0% to 54.4%.

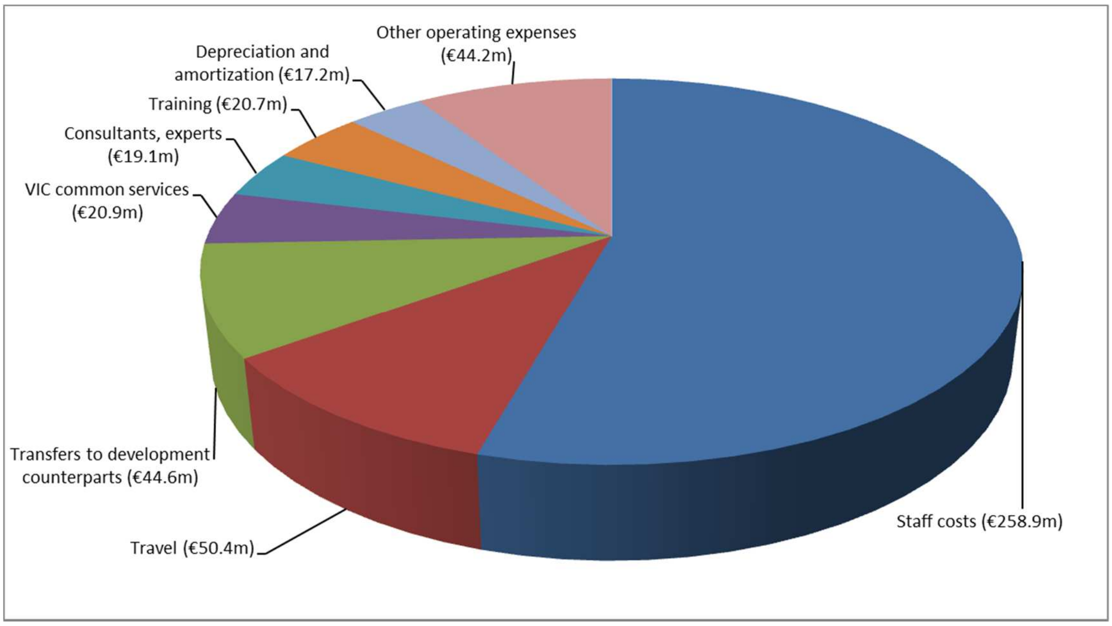
21. Depreciation and amortization expense increased by €2.3 million (15.4%) in 2014 due to depreciation associated with the NML and the overall increased amount of property, plant and equipment and intangible assets capitalized by the Agency.

22. Other operating expenses increased by €6.1 million (16.0%) compared to 2013 mainly in connection with an increase in provisions and allowances (€1.8 million), purchase and maintenance of equipment and software (€2.6 million) and other expenses (€1.6 million).

23. The breakdown of expenses by Fund shows that the expense increase was primarily experienced in the Regular Budget and working Capital Fund (€11.9 million) and the Extrabudgetary Programme Fund (€9.6 million), in line with the increase in recognized revenue of these funds.

24. **Figure 2** shows the breakdown of 2014 expenses by nature.

Figure 2: Expense Analysis for the period ended 31 December 2014



Budgetary Performance

25. 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.

26. The original operational portion of the Regular Budget appropriation for 2014 was approved for €344.5 million (€337.9 million in 2013) at an exchange rate of €1 = $1. The final budget for the operational portion of the Regular Budget appropriation for 2014 was recalculated to €333.6 million at the UN average operational rate of exchange of €0.7510 to $1. There were no changes between the original capital portion of the Regular Budget appropriation and the final budget for 2014. As shown in Note 36a to the financial statements, there were no movements of the Regular Budget appropriations between Major Programmes.

27. 2014 expenditures, measured on a modified cash basis, related to the operational portion of the Regular Budget were €326.4 million (€328.9 million for 2013 including €9.0 million related to 2012 unobligated balances carried over to 2013). The unutilized balances of €7.2 million from 2014 will be carried forward to the second year of the biennium (2015) to meet programmatic needs.

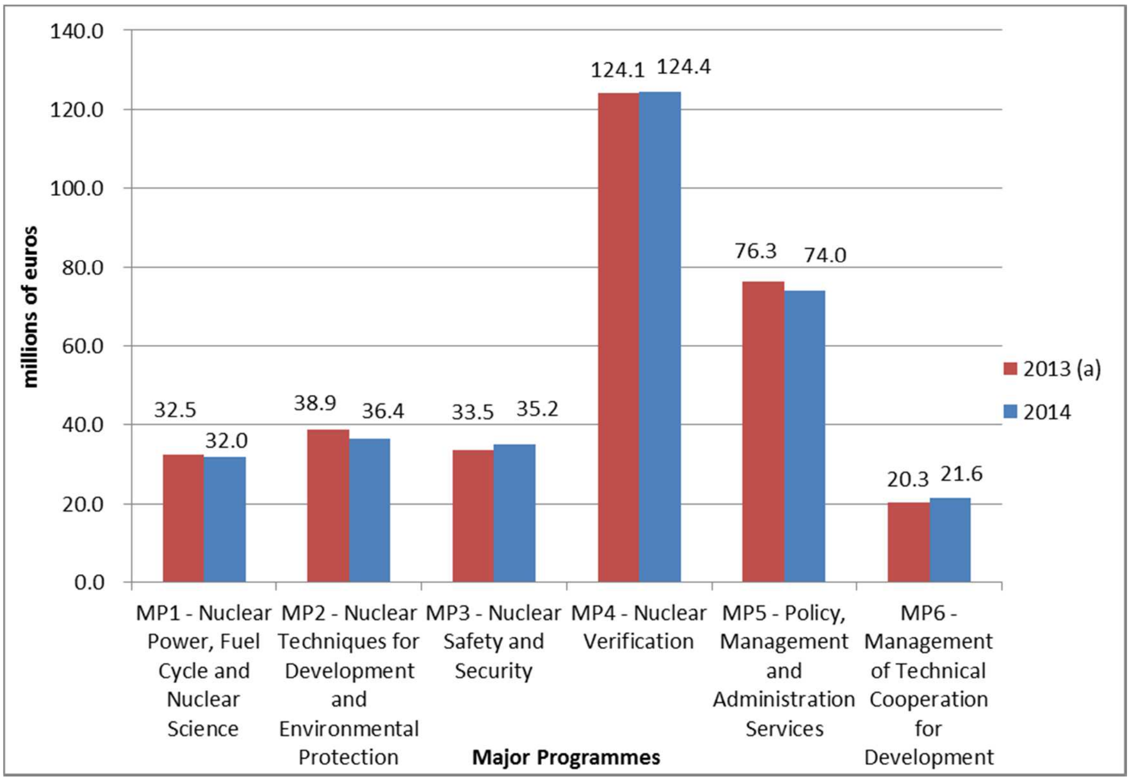
28. The overall utilization rate of the operational portion of the Regular Budget in 2014 was 97.8%, in line with previous years, highlighting the consistently high level of utilization of available resources. **Table 4** shows the budgetary utilization by Major Programmes (MP).

Table 4: Regular Budget operational portion - budgetary utilization rates for 2014

Major Programme	Utilization Rate
MP1 - Nuclear Power, Fuel Cycle and Nuclear Science	95.7%
MP2 - Nuclear Techniques for Development and Environmental Protection	97.1%
MP3 - Nuclear Safety and Security	98.8%
MP4 - Nuclear Verification	98.4%
MP5 - Policy, Management and Administration Services	98.5%
MP6 - Management of Technical Cooperation for Development	95.4%
Total Agency	**97.8%**

29. **Figure 3** shows a comparative analysis of 2013 and 2014 total expenditures by Major Programme on a budgetary basis; MP3, MP4 and MP6 experienced a slight increase while MP2 and MP5 experienced a slight decrease.

Figure 3 Comparative analysis of RB operational portion expenditures by Major Programme



(a) Total expenditures include amounts related to 2012 unobligated appropriations carried-over and utilized in 2013 (ref. GOV/2014/14).

30. For the capital portion of the Regular Budget, the 2014 expenditures on the cash modified basis were €4.7 million. The unutilized balance of €3.5 million will be kept in the MCIF to support major capital investments.

Financial Position

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

Table 5: Summary Financial Position as at 31 December 2014

	(expressed in millions of euros)		
	2014	**2013 (restated)**	**Change**
Current Assets	600.8	540.2	60.6
Non-current Assets	166.0	147.4	18.6
Total Assets	**766.8**	**687.6**	**79.2**
Current Liabilities	78.5	77.3	1.2
Non-current Liabilities	327.8	243.5	84.3
Total Liabilities	**406.3**	**320.8**	**85.5**
Net Assets/Equity	**360.5**	**366.8**	**(6.3)**

32. The overall financial position of the Agency continues to be quite healthy as of 31 December 2014. 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 €360.5 million;

(ii) The value of current assets is approximately eight times the value of current liabilities. This signifies that the Agency has sufficient resources to cover its liabilities expected to come due in the upcoming 12 months.

33. Additionally, short term financial liabilities are only 4.2% of financial assets as at 31 December 2014 and the total cash, cash equivalents and investments balances represent 66.7% of the Agency's total assets. This signifies that the Agency's liquid assets are sufficient to meet the Agency's requirements.

34. The significant areas of change in the Agency's financial position in 2014 from 2013 are the following:

(i) Current assets increased by €60.6 million mainly due to the increase in the overall amount of cash, cash equivalents and investments and to the increase in accounts receivable from non-exchange transactions;

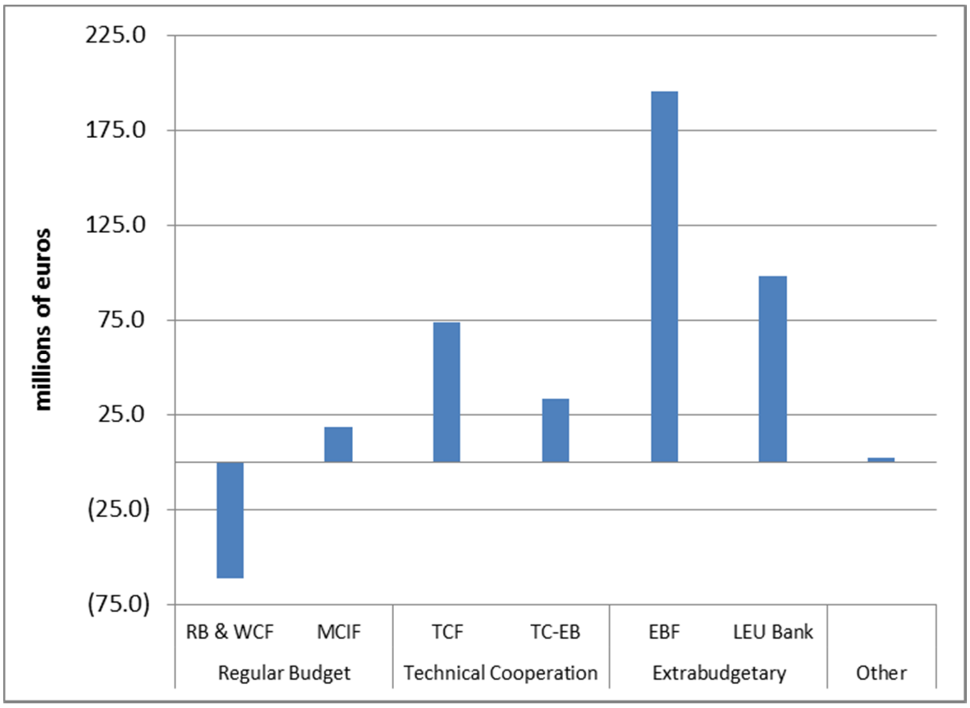
(ii) Non-current assets increased by €18.6 million including a €12.7 million increase in PP&E and an €11.7 million increase in intangible assets. The increase in PP&E was primarily attributable to costs incurred for the various construction works related to the Nuclear Material Laboratory in Seibersdorf, 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 increased by €85.4 million mainly due to an increase in employee benefit liabilities of €77.8 million. This increase was driven by the fluctuation of the discount rate used for the actuarial valuation of long-term liabilities.

35. As highlighted in **Figure 4**, the Regular Budget Fund group has negative net assets. This means that the total liabilities of this Fund group exceed the total assets. The negative net asset position is driven primarily by the significant employee liabilities of €275.1 million, which remain totally unfunded at 31 December 2014. The main portion of these liabilities relates to ASHI and other post-employment benefits (€251.7 million). The proper funding of these liabilities is a significant concern for the long term financial sustainability of the Agency that needs to be addressed.

36. The Technical Cooperation and Extrabudgetary Fund groups have positive net assets. This signifies the overall health of these fund groups as well as the fact that the activities of these fund groups will be implemented over a longer time horizon than the current financial year.

Figure 4: Net Assets/Equity by Fund as at 31 December 2014



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

Cash, Cash Equivalents and Investments

38. In 2014, the cash, cash equivalents and investments balances increased by €45.2 million (or 9.7%) to €511.3 million at 31 December 2014. A considerable component of this increase, €26.5 million, was due to unrealized gains from financial instruments' holdings denominated in US dollars (€5.0 million and €21.5 million respectively for cash/cash equivalents and investments).

39. Of the total cash, cash equivalent and investments 74.9% pertained to Extrabudgetary fund group and the Technical Cooperation Extrabudgetary Fund and are therefore earmarked for specific projects. This represented an increase of 2.8% compared with 2013.

40. As at the end of 2014 financial instruments holdings kept a stable weighted average period to maturity compared to 2013 and remained under three months.

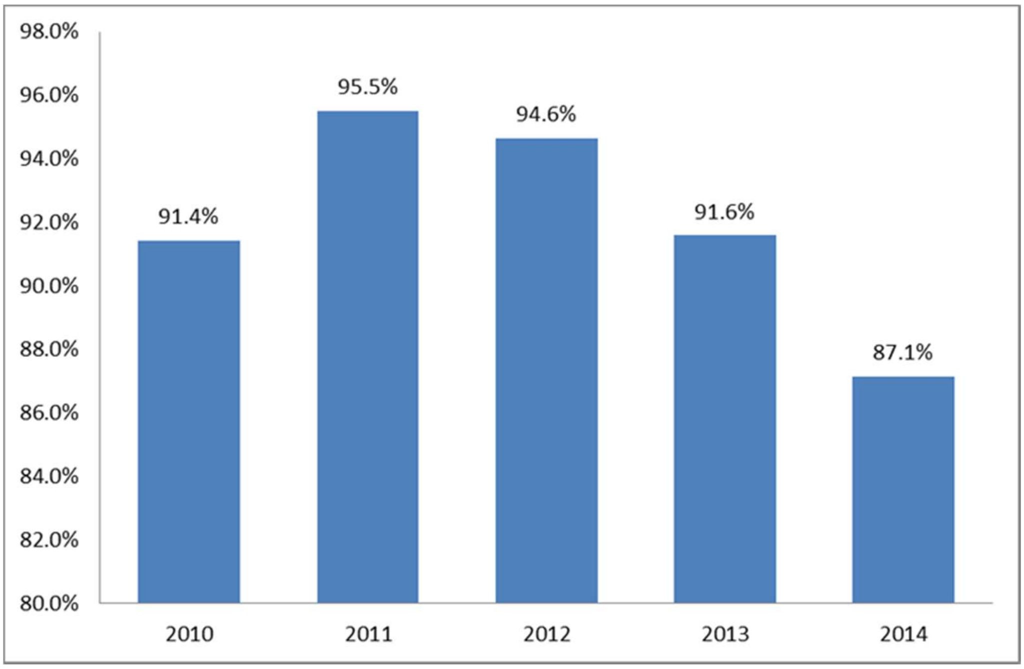
Accounts Receivable

41. Overall, the total net receivables from non-exchange transactions increased by €15.4 million to €63.5 million at 31 December 2014. The main components of this balance are receivables from assessed contributions (€55.3 million) and from voluntary contributions (€7.0 million).

42. For the third year in a row there was an increase in the absolute value of net contributions receivable and of their percentage over total contributions. This increase concerned receivables from assessed contributions (from €21.1 million at the end of 2012 to €55.3 million at the end of 2014), while receivables from voluntary contributions progressively decreased (from €15.2 million at the end of 2012 to €7.0 million at the end of 2014).

43. As shown in **Figure 5**, the rate of collection of the assessed contributions decreased for the fourth consecutive year to 87.1% in 2014.

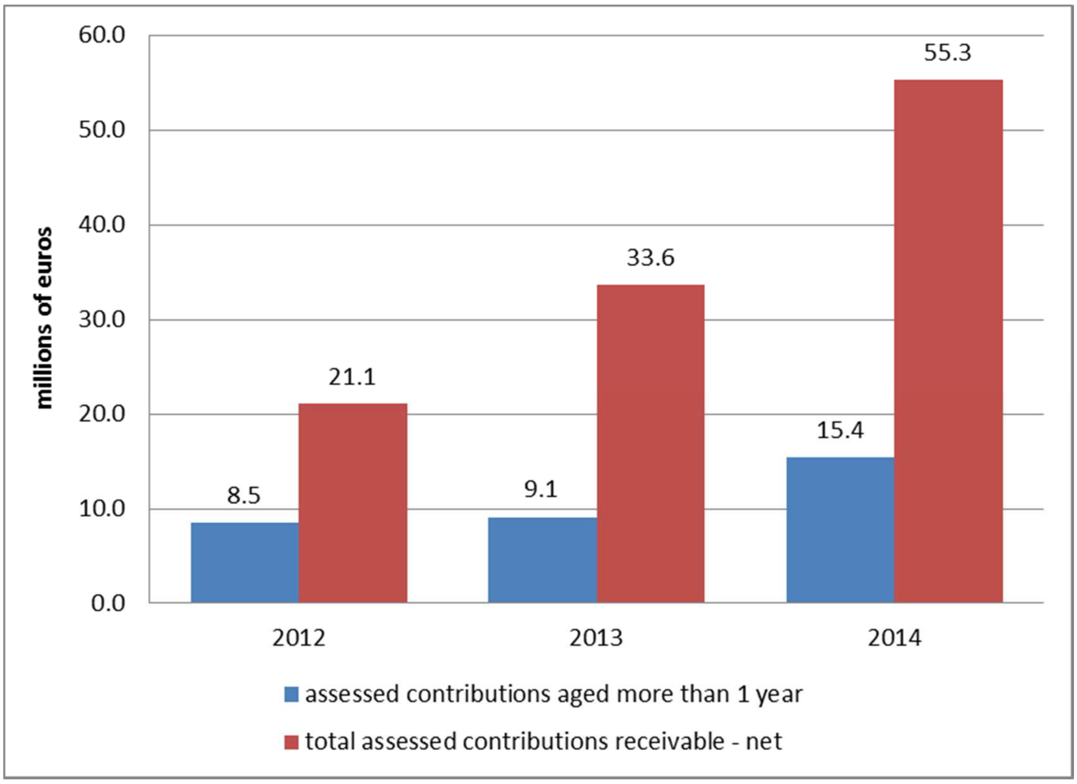
Figure 5: Assessed Contributions Collection Rate



44. By the end of 2014 the net assessed contributions receivable from Member States increased by €21.7 million compared to 2013 (from €33.6 million in 2013 to €55.3 million in 2014).

45. The ageing of contributions receivable has progressively increased. As shown in **Figure 6**, from 2012 to 2014 receivables aged more than one year have increased from €8.5 million to €15.4 million, representing an increase from 23.5% to 27.0% of total receivables. This indicates that the Agency's Member States are taking longer than in the past to pay their assessed contributions.

Figure 6: Comparative analysis of assessed contributions receivable ageing



Property, Plant and Equipment (PP&E)

46. As shown in **Table 6**, the net carrying amount of PPE at 31 December was €101.9 million, with an increase of €12.7 million from the prior year primarily attributable to the costs incurred for the construction works related to the Nuclear Material Laboratory (NML) in Seibersdorf, mostly impacting asset categories of 'Buildings', 'Laboratory equipment' and 'Assets under construction'.

Table 6: Comparative PP&E Analysis

	(expressed in millions of euros)		
Property, plant and equipment	**2014**	**2013**	**Change**
Buildings	59.2	55.4	3.8
Communication and IT equipment	10.3	9.1	1.2
Inspection equipment	10.9	9.9	1.0
Laboratory equipment	11.2	8.1	3.1
Assets under construction	7.9	3.8	4.1
Other equipment, furniture, fixture and vehicles	2.4	2.9	(0.5)
	101.9	**89.2**	**12.7**

47. The buildings at the Vienna International Centre are not yet part of the Agency's capitalized PPE items. 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. According to an external valuation of the premises performed at IPSAS adoption date the Agency's share would be approximately €167 million, based on the most recent BMS cost-sharing ratio.

Risk Management

48. 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

49. In summary, the financial statements presented here show the Agency's strong overall health. The financial statements show strong regular budget utilization, continued growth in revenue from voluntary contributions and the Agency's commitment to financial responsibility. The financial statements also show that additional focus on the funding of the Agency's employee benefit liabilities and the collection of outstanding assessed contributions is required. We are proud of our accomplishments during 2014 and look forward to the accomplishments of 2015.

(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 2014

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 prepares its Financial Statements in accordance with the International Public Sector Accounting Standards (IPSAS).

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) MONICA HEMMERDE
Acting Director, Division of Budget and Finance

20 March 2015

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

23 March 2015

Sir,

I have the honour to transmit the financial statements of the International Atomic Energy Agency for the year ended 31 December 2014 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 2014.

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 2014

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 2014, 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 2014 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 2014, and its financial performance and of its cash flows for the year ended 31 December 2014 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, 23 March 2015

PART II

Financial Statements

Text of a Letter dated 20 March 2015 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 2014, 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 2014
(expressed in euro'000s)

	Note	31-12-2014	31-12-2013 (restated)
Assets			
Current assets			
Cash and cash equivalents	4	115 219	91 321
Investments	5	396 073	374 771
Accounts receivable from non-exchange transactions	6, 7	63 199	47 613
Accounts receivable from exchange transactions	8	6 778	6 286
Advances and prepayments	9	13 596	12 940
Inventory	10	5 909	7 313
Total current assets		600 774	540 244
Non-current assets			
Accounts receivable from non-exchange transactions	6, 7	254	464
Advances and prepayments	9	23 842	27 809
Investment in common services entities	11	3 639	5 209
Property, plant & equipment	12	101 925	89 240
Intangible assets	13	36 350	24 666
Total non-current assets		166 010	147 388
Total assets		**766 784**	**687 632**
Liabilities			
Current liabilities			
Accounts payable	14	12 282	10 783
Deferred revenue	15	54 133	53 446
Employee benefit liabilities	16, 17	11 645	12 551
Other financial liabilities	18	369	394
Provisions	19	44	161
Total current liabilities		78 473	77 335
Non-current liabilities			
Deferred revenue	15	58 785	55 494
Employee benefit liabilities	16, 17	263 484	184 793
Other financial liabilities	18	304	304
Provisions	19	5 212	2 947
Total non-current liabilities		327 785	243 538
Total liabilities		**406 258**	**320 873**
Net assets		**360 526**	**366 759**
Equity			
Fund balances	20, 21	341 307	283 361
Reserves	22	19 219	83 398
Total equity		**360 526**	**366 759**

The accompanying Notes are an integral part of these Statements.

(signed) MONICA HEMMERDE
Acting Director, Division of Budget and Finance

STATEMENT II: STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 31 December 2014
(expressed in euro'000s)

	Note	31-12-2014	31-12-2013 (restated)
Revenue			
Assessed contributions		337 293	327 374
Voluntary contributions	23	168 369	166 361
Other contributions	24	3 541	1 043
Revenue from exchange transactions	25	2 518	3 091
Interest revenue	26	889	752
Total revenue		**512 610**	**498 621**
Expenses			
Staff costs	27	258 972	251 164
Consultants, experts		19 079	19 780
Travel	28	50 448	50 826
Transfers to development counterparts	29	44 572	38 275
Vienna International Centre common services	30	20 922	22 504
Training	31	20 683	21 012
Depreciation and amortization	12, 13	17 190	14 897
Other operating expenses	32	44 158	38 044
Total expenses		**476 024**	**456 502**
Net gains/ (losses)	33	28 350	(7 797)
Share of surplus (deficit) in common services entities	34	(1 569)	462
Net surplus/(deficit)		**63 367**	**34 784**
Expense analysis by Major Programme			
Nuclear Power, Fuel Cycle and Nuclear Science	35	49 525	47 228
Nuclear Techniques for Development and Environmental Protection	35	88 410	92 188
Nuclear Safety and Security	35	88 869	80 135
Nuclear Verification	35	139 744	132 164
Policy, Management and Administration a/	35	114 195	109 203
Shared Services and expenses not directly charged to major programmes	35	1 597	96
Eliminations	35	(6 316)	(4 512)
Total expenses by Major Programme		**476 024**	**456 502**

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

The accompanying Notes are an integral part of these Statements.

(signed) MONICA HEMMERDE
Acting Director, Division of Budget and Finance

STATEMENT III: STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2014

(expressed in euro'000s)

	31-12-2014	31-12-2013 (restated)
Equity at the beginning of the year	366 759	319 221
Actuarial gains/(losses) on employee benefit liabilities	(66 559)	15 697
Refunds of prior year voluntary contributions recognized directly in equity	(2 837)	(1 779)
Prior year adjustments	(192)	239
Net revenue recognized directly in equity	(69 588)	14 157
Net surplus/(deficit) for the year	63 367	34 784
Receipts of Working Capital Fund from new Member States	(1)	-
Credits to Member States	(11)	(1 403)
Equity at the end of the year	**360 526**	**366 759**

The accompanying Notes are an integral part of these Statements.

(signed) MONICA HEMMERDE
Acting Director, Division of Budget and Finance

STATEMENT IV: STATEMENT OF CASH FLOW
For the year ended 31 December 2014
(expressed in euro'000s)

	31-12-2014	31-12-2013 (restated)
Cash flows from operating activities		
Net surplus/(deficit)	63 367	34 784
Refund of prior year voluntary contributions recognized in equity	(2 837)	(1 779)
Prior year adjustments	(99)	239
Depreciation and amortization	17 190	14 897
Discount amortization	(37)	(52)
Impairment	272	30
Actuarial gains/(losses) on employee benefit liabilities	(66 559)	15 697
Increase/(decrease) in doubtful debts allowance	724	(2 117)
(Gains)/losses on disposal of PPE and Intangibles	(27)	664
In-kind revenue	(14)	(63)
Share of deficit/(surplus) in common service entities	1 569	(462)
Unrealized foreign-exchange (gains)/losses on cash, cash equivalents and investments	(26 526)	6 800
(Increase)/decrease in receivables	(16 592)	(7 595)
(Increase)/decrease in inventories	1 159	(2 252)
(Increase)/decrease in prepayments	3 312	(722)
Increase/(decrease) in contributions received in advance	3 980	(2 827)
Increase/(decrease) in accounts payable	1 499	(6 921)
Increase/(decrease) in employee benefit liabilities	77 785	(7 497)
Increase/(decrease) in other liabilities and provisions	(23)	(278)
Net cash flows from operating activities	**58 143**	**40 546**
Cash flows from investing activities		
Purchase or construction of PPE and intangibles	(39 581)	(38 861)
Sale of PPE and intangibles	37	(30)
Investments	352	(77 373)
Net cash flows from investing activities	**(39 192)**	**(116 264)**
Cash flows from financing activities		
Increase/(decrease) in Working Capital Fund from new Member States	(1)	-
Credits to Member States	(11)	(1 403)
Net cash flows from financing activities	**(12)**	**(1 403)**
Net increase/(decrease) in cash and cash equivalents	18 939	(77 121)
Cash and cash equivalents at beginning of the period	91 321	169 335
Unrealized foreign-exchange gains/(losses) on cash and cash equivalents	4 959	(893)
Cash and cash equivalents and bank overdrafts at the end of the period	**115 219**	**91 321**

The accompanying Notes are an integral part of these Statements.

(signed) MONICA HEMMERDE
Acting 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 2014

(expressed in euro'000s)

	Approved Budget	Final Budget	Actuals (Expenditure)	Variance
MP1-Nuclear Power, Fuel Cycle and Nuclear Science	34 479	33 395	31 968	1 427
MP2-Nuclear Techniques for Development and Environmental Protection	38 483	37 451	36 367	1 084
MP3-Nuclear Safety and Security	37 114	35 633	35 190	443
MP4-Nuclear Verification	131 029	126 367	124 362	2 005
MP5-Policy, Management and Administration Services	76 944	75 178	74 032	1 146
MP6-Management of Technical Cooperation for Development	23 561	22 683	21 633	1 050
Total Agency programmes	**341 610**	**330 707**	**323 552**	**7 155**
Reimbursable work for others	2 840	2 840	2 834	6
Total Regular Budget fund operational portion	**344 450**	**333 547**	**326 386**	**7 161**

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) MONICA HEMMERDE
Acting 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 2014
(expressed in euro'000s)

	Approved Budget	Final Budget	Actuals (Expenditure)	Variance b/
MP2-Nuclear Techniques for Development and Environmental Protection	2 673	2 673	-	2 673
MP4-Nuclear Verification	2 261	2 261	2 240	21
MP5-Policy, Management and Administration Services	3 290	3 290	2 458	832
Total Regular Budget capital portion	**8 224**	**8 224**	**4 698**	**3 526**

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) MONICA HEMMERDE
Acting Director, Division of Budget and Finance

STATEMENT VI: STATEMENT OF SEGMENT REPORTING BY MAJOR PROGRAMME

For the year ended 31 December 2014
(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/	Expenses not Directly Charged to Major Programmes b/	Eliminations c/	Total
Expense								
Staff costs	25 307	25 946	37 939	97 187	72 345	248	-	258 972
Consultants, experts	4 019	3 886	7 658	1 109	2 395	12	-	19 079
Travel	8 993	11 986	17 939	8 044	3 479	7	-	50 448
Transfers to development counterparts	5 593	28 848	9 586	-	545	-	-	44 572
VIC Common services	23	5	319	389	20 186	-	-	20 922
Training	1 764	8 544	7 130	1 652	1 593	-	-	20 683
Depreciation and amortisation	417	907	776	10 424	4 666	-	-	17 190
Other operating expenses	3 409	8 288	7 522	20 939	8 986	1 330	(6 316)	44 158
Total expense	**49 525**	**88 410**	**88 869**	**139 744**	**114 195**	**1 597**	**(6 316)**	**476 024**
Assets								
Property, plant, equipment and intangibles	**1 611**	**4 261**	**2 879**	**99 842**	**29 682**	**-**	**-**	**138 275**
Asset additions								
Property, plant, equipment and intangibles	**650**	**2 179**	**1 328**	**29 101**	**8 468**	**-**	**-**	**41 726**

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 mainly pertaining to un-allocated shared services, reimbursable work for others, doubtful debt expenses.

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) MONICA HEMMERDE
Acting Director, Division of Budget and Finance

COMPARATIVE STATEMENT VI: STATEMENT OF SEGMENT REPORTING BY MAJOR PROGRAMME

For the year ended 31 December 2013 (restated)

(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/	Expenses not Directly Charged to Major Programmes b/	Eliminations c/	Total
Expenses								
Staff costs	24 906	28 477	35 195	94 600	67 782	204	-	251 164
Consultants, experts	4 153	5 166	7 135	932	2 358	36	-	19 780
Travel	8 797	13 559	18 940	7 835	1 690	5	-	50 826
Transfers to development counterparts	4 825	28 103	5 156	2	189	-	-	38 275
VIC Common services	139	512	194	1 834	19 825	-	-	22 504
Training	1 546	9 469	6 936	1 186	1 875	-	-	21 012
Depreciation and amortization	318	855	638	9 202	3 884	-	-	14 897
Other operating expenses	2 544	6 047	5 941	16 573	11 600	(149)	(4 512)	38 044
Total expense	**47 228**	**92 188**	**80 135**	**132 164**	**109 203**	**96**	**(4 512)**	**456 502**
Assets								
Property, plant & equipment, and intangibles	**1 378**	**3 076**	**2 328**	**81 213**	**25 911**	**-**	**-**	**113 906**
Asset additions								
Property, plant & equipment, and intangibles	**779**	**1 503**	**1 105**	**30 178**	**6 862**	**-**	**-**	**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 and pertaining to bank charges, doubtful debt expenses, expenses related to the production of nuclear fusion journal, etc.

c/ Major Programme expenses are shown inclusive of 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) MONICA HEMMERDE

Acting Director, Division of Budget and Finance

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

As at 31 December 2014

(expressed in euro'000s)

	Regular Budget		Technical Cooperation		Extrabudgetary		Other	
	Regular Budget Fund and Working Capital Fund	**Major Capital Investment Fund**	**Technical Cooperation Fund**	**Technical Cooperation Extrabudgetary Fund**	**Extrabudgetary Programme Fund**	**Low Enriched Uranium Bank**	**Trust Funds and Special Funds**	**Total**
Assets								
Cash and cash equivalents	33 043	18 356	7 696	21 936	22 839	9 666	1 683	115 219
Investments	-	-	67 499	16 150	203 864	108 560	-	396 073
Accounts receivable	61 438	888	904	2 985	3 928	88	-	70 231
Advances and prepayments	33 677	25	1 342	2 124	268	2	-	37 438
Inventory	408	-	3 767	455	1 276	-	3	5 909
Property, plant & equipment	86 990	-	6	-	14 451	12	466	101 925
Intangible assets	35 335	-	14	-	903	-	98	36 350
Investment in common service entities	3 639	-	-	-	-	-	-	3 639
Total assets	254 530	19 269	81 228	43 650	247 529	118 328	2 250	766 784
Liabilities								
Accounts payable	7 237	276	2 364	420	1 976	1	8	12 282
Deferred revenue	33 788	-	5 115	9 845	44 170	20 000	-	112 918
Employee benefit liabilities	271 473	269	-	111	3 154	122	-	275 129
Other financial liabilities	309	-	-	-	364	-	-	673
Provisions	2 736	-	-	-	2 520	-	-	5 256
Total liabilities	315 543	545	7 479	10 376	52 184	20 123	8	406 258
Net assets	(61 013)	18 724	73 749	33 274	195 345	98 205	2 242	360 526
Equity								
Fund balances	(29 938)	13 745	50 429	24 329	182 477	98 118	2 147	341 307
Reserves	(31 075)	4 979	23 320	8 945	12 868	87	95	19 219
Total equity	(61 013)	18 724	73 749	33 274	195 345	98 205	2 242	360 526

The accompanying Notes are an integral part of these Statements.

(signed) MONICA HEMMERDE
Acting Director, Division of Budget and Finance

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

As at 31 December 2013 (restated)

(expressed in euro'000s)

	Regular Budget		Technical Cooperation		Extrabudgetary		Other	
	Regular Budget Fund and Working Capital Fund	**Major Capital Investment Fund**	**Technical Cooperation Fund**	**Technical Cooperation Extrabudgetary Fund**	**Extrabudgetary Programme Fund**	**Low Enriched Uranium Bank**	**Trust Funds and Special Funds**	**Total**
Assets								
Cash and cash equivalents	29 575	21 419	590	9 252	18 743	9 809	1 933	91 321
Investments	12 000	-	64 363	23 274	176 835	98 299	-	374 771
Accounts receivable	39 382	736	1 104	4 492	8 590	59	-	54 363
Advances and prepayments	37 293	93	937	2 294	127	-	5	40 749
Inventory	561	-	4 487	542	1 684	-	39	7 313
Property plant & equipment	76 914	-	9	-	11 553	5	759	89 240
Intangible assets	24 038	-	8	-	541	-	79	24 666
Investment in common service entities	5 209	-	-	-	-	-	-	5 209
Total assets	224 972	22 248	71 498	39 854	218 073	108 172	2 815	687 632
Liabilities								
Accounts payable	6 108	754	2 092	389	1 435	5	-	10 783
Deferred revenue	32 150	-	3 952	8 663	44 059	20 116	-	108 940
Employee benefit liabilities	193 877	320	12	-	3 057	78	-	197 344
Other financial liabilities	295	-	1	-	402	-	-	698
Provisions	1 428	-	-	-	1 680	-	-	3 108
Total liabilities	233 858	1 074	6 057	9 052	50 633	20 199	-	320 873
Net assets	(8 886)	21 174	65 441	30 802	167 440	87 973	2 815	366 759
Equity								
Fund balances	(39 484)	18 172	38 563	23 774	151 741	87 897	2 698	283 361
Reserves	30 598	3 002	26 878	7 028	15 699	76	117	83 398
Total equity	(8 886)	21 174	65 441	30 802	167 440	87 973	2 815	366 759

The accompanying Notes are an integral part of these Statements.

(signed) MONICA HEMMERDE
Acting Director, Division of Budget and Finance

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

For the year ended 31 December 2014

(expressed in euro'000s)

	Regular Budget		Technical Cooperation		Extrabudgetary		Other		
	Regular Budget Fund and Working Capital Fund	**Major Capital Investment Fund**	**Technical Cooperation Fund**	**Technical Cooperation Extrabudgetary Fund**	**Extrabudgetary Programme Fund**	**Low Enriched Uranium Bank**	**Trust Funds and Special Funds**	**Elimination a/**	**Total**
Revenue									
Assessed contributions	329 069	8 224	-	-	-	-	-	-	337 293
Voluntary monetary contributions	-	-	62 158	16 957	87 400	311	-	-	166 826
Voluntary in-kind contributions	1 543	-	-	-	-	-	-	-	1 543
Other contributions	1 024	-	2 517	-	-	-	-	-	3 541
Revenue from exchange transactions	2 518	-	-	-	-	-	-	-	2 518
Interest revenue	233	-	161	18	289	188	-	-	889
Internal revenue including programme support costs	1 209	-	-	(1)	4 979	-	129	(6 316)	-
Total revenue	335 596	8 224	64 836	16 974	92 668	499	129	(6 316)	512 610
Expenses									
Staff costs	229 927	492	5	420	27 189	939	-	-	258 972
Consultants, experts	8 211	189	5 516	1 356	3 645	154	8	-	19 079
Travel	17 550	16	16 817	4 054	11 681	330	-	-	50 448
Transfers to development counterparts	7 306	-	26 023	5 882	5 035	-	326	-	44 572
VIC Common services	20 793	5	1	-	119	-	4	-	20 922
Training	2 804	129	10 881	2 282	4 586	1	-	-	20 683
Depreciation and amortisation	14 560	-	7	-	2 290	2	331	-	17 190
Other operating expenses	36 916	1 063	1 375	1 535	9 301	253	31	(6 316)	44 158
Total expenses	338 067	1 894	60 625	15 529	63 846	1 679	700	(6 316)	476 024
Net gains/(losses)	3 269	(328)	4 097	2 498	7 394	11 421	(1)	-	28 350
Share of surplus/(deficit) in common services entities	(1 569)	-	-	-	-	-	-	-	(1 569)
Net surplus/(deficit)	**(771)**	**6 002**	**8 308**	**3 943**	**36 216**	**10 241**	**(572)**	**-**	**63 367**

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) MONICA HEMMERDE
Acting Director, Division of Budget and Finance

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

For the year ended 31 December 2013 (restated)
(expressed in euro'000s)

	Regular Budget		Technical Cooperation		Extrabudgetary		Other		
	Regular Budget Fund and Working Capital Fund	**Major Capital Investment Fund**	**Technical Cooperation Fund**	**Technical Cooperation Extrabudgetary Fund**	**Extrabudgetary Programme Fund**	**Low Enriched Uranium Bank**	**Trust Funds and Special Funds**	**Elimination a/**	**Total**
Revenue									
Assessed contributions	319 033	8 341	-	-	-	-	-	-	327 374
Voluntary monetary contributions	-	-	63 956	12 301	80 981	7 561	-	-	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	15	208	168	-	-	752
Internal revenue including programme support costs	1 047	-	-	-	4 116	-	321	(5 484)	-
Total revenue	325 814	8 341	64 199	12 352	85 349	7 729	321	(5 484)	498 621
Expenses									
Staff costs	223 664	2 331	16	298	23 846	1 009	-	-	251 164
Consultants, experts	7 852	200	6 145	1 591	3 894	94	4	-	19 780
Travel	18 782	30	17 942	3 094	10 717	251	10	-	50 826
Transfers to development counterparts	7 014	-	22 965	5 767	2 283	-	246	-	38 275
Vienna International Centre common services	22 187	247	7	-	6	-	57	-	22 504
Training	2 405	45	12 058	2 084	4 419	1	-	-	21 012
Depreciation and amortization	12 448	-	5	-	2 189	-	255	-	14 897
Other operating expenses	31 778	1 243	1 736	1 554	6 843	63	311	(5 484)	38 044
Total expenses	326 130	4 096	60 874	14 388	54 197	1 418	883	(5 484)	456 502
Net gains/(losses)	(145)	92	(2 261)	704	(2 654)	(3 534)	1	-	(7 797)
Share of surplus/(deficit) in common services entities	462	-	-	-	-	-	-	-	462
Net surplus/(deficit)	1	4 337	1 064	(1 332)	28 498	2 777	(561)	-	34 784

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) MONICA HEMMERDE
Acting Director, Division of Budget and Finance

PART III

Notes to the Financial Statements

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 and related notes 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.

Changes in presentation

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

- Segment reporting presented in Statement VIIa and VIIb has been revised to display the Major Capital Investment Fund (MCIF) as a separate segment (refer to Note 3, Fund accounting and segment reporting) and to reflect the capitalized amount of the Nuclear Materials Laboratory

(NML) under the Regular Budget and Working Capital Fund segment. Moreover, segment reporting presented in Statement VIIa and VIIb has been revised to display the Programme of Action for Cancer Therapy (PACT) within the Technical Cooperation Extrabudgetary Fund following the creation of the Division of PACT within the Department of Technical Cooperation effective 1 January 2014. In prior financial statements, PACT was displayed within the Extrabudgetary Programme Fund. These reclassifications had no impact on consolidated balances presented in the statements; however, a summary of the impact of these adjustments on the Total Assets, Total Liabilities, Total Equity, Total Revenue and Total Expenses of the impacted Fund Segments is as follows:

Impact	(expressed in euro'000)				
	Regular Budget			Technical Cooperation Extrabudgetary Fund	Extrabudgetary Programme Funds
	Operational Regular Budget Fund and Working Capital Fund	Major Capital Investment Fund	Total		
Total Assets	3 545	22 248	25 793	2 796	(28 589)
Total Liabilities	313	1 074	1 387	-	(1 387)
Total Net Assets	**3 232**	**21 174**	**24 406**	**2 796**	**(27 202)**
Total Revenue	(8 341)	8 341	-	1 957	(1 957)
Total Expenses	(3 981)	4 096	115	1 192	(1 307)
Net Gains/ (Losses)	(92)	92	-	-	-
Net Surplus	**(4 452)**	**4 337**	**(115)**	**765**	**(650)**

- Segment reporting presented in Statement VI, as well as the related expenditure analysis by Major Programme presented on Statement II has been revised to distribute certain shared service costs to the appropriate natural account within each Major Programme rather than including such costs within Other operating expenses. This reclassification had no impact on consolidated balances presented in the statements; however, a total of €24.328 million of expenses are no longer displayed separately as Shared Services as they have been allocated to the appropriate natural account within each Major Programme.

- An amount of €0.809 million, which was provided by the Agency in 1979 as initial capital investment to the Commissary, had been previously reflected as an advance to Commissary and the Commissary working capital reserve. Consistently with the nature of this asset, this amount has now been reflected as a component of the Agency's investment in the Commissary.

- Several staff accounts payable balances amounting to approximately $0.459 million at 31 December 2013 were previously recorded under Employee Benefit Liabilities – Other Staff Costs. In 2014 they have been included under Accounts Payable - Staff for more appropriate classification.

- Note 30 changed in scope and in 2014 is limited to the Vienna International Centre (VIC) common services. Building management and security services not related to the VIC are now presented in Note 32 within Other operating expenses.

Restatement of prior year comparative financial information

7. Comparative information for 2013 reflects the following restatements and corrections identified after the publication of the Agency's Financial Statements for 2013:

- Restatement of post-employment entitlements liabilities, expenses and related net asset impacts to reflect the following: *(i)* correction of an error in the calculation of the underlying cash flows for repatriation grant entitlements, which erroneously included the post adjustment factor; *(ii)* revision of certain actuarial assumptions based upon appropriate underlying inputs, impacting valuation of End of Service and Repatriation entitlements (further details in note 17); *(iii)* correction of HR data related to the beneficiaries for certain repatriation related entitlements.

  These adjustments had the following effects:

	(expressed in euro '000)		
Other post-employment benefits - Repatriation entitlements and End of Service allowance	**Correction of repatriation grant calculation method**	**Application of revised actuarial assumptions and correction of HR data**	**Overall impact**
	(i)	***(ii) and (iii)***	***(i) (ii) (iii)***
1/1/2013 Defined Benefit Obligation	(7 620)	458	(7162)
1/1/2013 Fund balance	*6 851*	*(987)*	*5 864*
1/1/2013 Reserves for actuarial gains/losses	*769*	*529*	*1 298*
2013 Expenses and benefits paid	(1 345)	189	(1156)
2013 Actuarial gains/(losses)	544	356	900
31/12/2013 Defined Benefit Obligation	(9 509)	291	(9 218)

  The table above shows that the correction of the calculation of underlying cash flows for repatriation entitlements generated the most material adjustments. Disclosures for the period 2011 through 2013 have also been restated.

- Correction of voluntary contribution receivables recorded in 2012 and for which no amount is due to the Agency. This adjustment reduced the 2013 opening voluntary contribution receivables balance by €1.061 million and decreased net assets by the corresponding amount. There was no impact on 2013 Statement of Financial Performance.

- Correction of the 2013 year-end liability to the After Service Health Insurance scheme service provider to reflect amounts which matured after the annual true-up of the liability with the provider. This adjustment increased the 2013 opening accounts payable liability by €0.659 million and increased net assets by the same amount. There was no impact on 2013 Statement of Financial Performance. This restatement also generated a change in presentation of €0.127 million, reflecting the change of the net position of the Agency towards the provider from a net receivable to a net payable.

- Correction of the amount of depreciation recorded in 2013 for the Nuclear Materials Laboratory (NML) to reflect the correct in service date of this asset. This adjustment increased 2013 depreciation expense by €0.553 million and reduced the net book value of Property, Plant and Equipment by the corresponding amount.

- Inclusion in accounts payable of the value related to compensated absences accumulated by certain consultants at the reporting date and carried forward to the following period, which represent a short term liability for the organization. This adjustment increased accounts payable as at 1 January 2013 by €0.345 million and as 31 December 2013 by €0.525 million, with a resultant increase in consultants' expenses for 2013 of €0.180 million.

Functional currency and translation of foreign currencies

Functional and presentation currency

8. 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) unless otherwise stated.

Transactions and balances

9. 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.

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

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

Materiality and use of judgment and estimates

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

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

NOTE 3: Significant accounting policies

Assets

Financial assets

14. Financial assets are either cash or financial instruments. Financial assets maturing within one year of the reporting date are classified as current assets. Financial assets with a maturity date of more than one year after the reporting date are classified as non-current assets.

15. The Agency may classify financial instruments into the following categories: at fair value through surplus or deficit; loans and receivables; held to maturity; and available for sale. The classification, which depends on the purpose for which the financial instruments are acquired, is determined at initial recognition and re-evaluated at each reporting date.

Classification	**Financial instrument**
Loans and receivables	Investments – term deposits Cash equivalents, contributions receivable and other receivables
Held to maturity	Investments – treasury bills and other discounted notes
Available for sale	None at 31 December 2014 and 2013
Fair value through surplus or deficit	None at 31 December 2014 and 2013

16. Loans and receivables' are financial assets with fixed or determinable payments that are not quoted in an active market.

17. 'Held to maturity' assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Agency has the positive intention and ability to hold to maturity. They are initially recorded at fair value plus transaction costs and are subsequently recorded at amortized cost using the effective interest method. Treasury bills and other discounted notes are classified as held-to-maturity.

Cash and cash equivalents

18. 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

19. Investments include term deposits, treasury bills and other discounted notes, all with original maturities ranging between three and twelve months. As term deposits are purchased at face value, no discount amortization is required.

Contributions and other receivables

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

21. Allowances for doubtful accounts are recognized when there is objective evidence that a receivable is impaired. Allowances are recognized based on historical collection experience and/or evidence indicating that the collection of a particular receivable is in doubt. Impairment losses are recognized in the Statement of Financial Performance in the year they arise.

Advances and prepayments

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

Inventories

23. All goods (e.g. equipment, supplies and software) procured by the Agency or donated to it for transfer to recipient Member and non-Member States are recorded as project inventories. 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 departments in the framework of specific assistance programmes. Goods still under control of the Agency at the reporting date are included in project inventories in-transit to counterparts. 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. In order to reflect the fact that inventories that have been in transit for some time may not actually be delivered or may suffer damage or obsolescence, an items in-transit allowance is made of 50% of value for items in transit for over twelve months and 100% for over 24 months.

24. 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.

25. Inventories are stated at fair value, measured as the lower of cost and either current replacement cost or net realizable value. 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. Net realizable value, which is used for inventories to be sold at broadly commercial terms or used by the Agency, is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

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

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

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

28. 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.

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

30. 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

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

32. 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

33. 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.

34. 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 assets acquired by the MRRF have not been capitalized in these financial statements. Additionally, the MRRF has also not been equity accounted for; therefore, all disbursements by the Agency to the MRRF during the year have been expensed (refer to Note 11).
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.

35. 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

36. Property, Plant and Equipment (PP&E) is considered non-cash generating assets and 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.

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. Repairs and maintenance costs are charged as expense in the Statement of Financial Performance during the financial period in which they are incurred.

Depreciation method and useful life

38. 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. After analysis of historical experience, it was determined that the useful life of laboratory equipment should be 7 years instead of 5 years as previously estimated. As a result, the useful life of all laboratory equipment was increased to 7 years as of 1 January 2014. This change in estimated useful life was adopted prospectively. As a result of this prospective change, depreciation expense in 2014 was lower by approximately €1.2 million. No other changes to useful lives were deemed necessary.

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	7
Other Equipment	5

Intangible assets

Measurement of costs at recognition

39. 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.

40. 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 as expense in Statement of Financial Performance during the financial period in which they are incurred.

41. The Agency has applied IPSAS 31 prospectively. As a result, intangible assets that were acquired or internally developed before 1 January 2011 have not been capitalized.

Amortization method and useful life

42. 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

43. 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.

44. 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.

Assets subject to restrictions

45. All of the Agency's financial assets and inventories are subject to restrictions such that they can only be utilized in support of the approved activities of the funds to which they were provided. Additionally, the financial assets and inventories of the Technical Cooperation Extrabudgetary Fund, Extrabudgetary Programme Fund, Low Enriched Uranium Bank and Trust Funds and Special Funds are further restricted to specific programmatic activities within these funds. Statement VIIa shows the balances of these assets by fund.

Leases

Finance leases

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

Operating leases

47. 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

Financial liabilities

48. Financial liabilities include accounts payable, employee benefits liabilities, provisions and other financial liabilities.

Accounts payable

49. 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

50. 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

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

- Short term employee benefits;
- Post-employment benefits;
- Other long-term employee benefits; and
- Termination benefits.

Short term employee benefits

52. Short term employee benefits comprise first-time employee benefits (assignment grants), regular monthly benefits (wages, salaries, allowances) 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. Certain other short term employee benefits such as paid sick leave and maternity leave are recognized as expense as they occur.

Post-employment benefits

53. 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. Some elements of normally long-term benefits may be expected to be settled within 12 months of the reporting date and are therefore treated as current liabilities.

54. Actuarial gains or losses relating to ASHI and post-employment repatriation and separation obligations are accounted for using the 'reserve approach', i.e. they 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.

Other long-term employee benefits

55. Other long-term employee benefits are benefits that are due to be settled 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 and are therefore treated as current liabilities.

Termination benefits

56. 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

57. 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.

58. 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

59. 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

60. 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

61. 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

62. Revenue from assessed contributions from Member States is recorded as of the first day of the year to which they relate. Assessed contributions received in advance of the year to which they relate are recorded as deferred revenue.

Voluntary contributions

63. Voluntary contributions' agreements normally contain stipulations on the use of transferred resources by the Agency. Stipulations can be either restrictions or conditions. Restrictions limit or direct the purpose for which resources are used, while conditions require resources to be used as specified or returned to the transferor.

64. Voluntary contributions made to the Extrabudgetary Programme Fund, Low Enriched Uranium Extrabudgetary Programme Fund, Technical Cooperation Extrabudgetary Fund, and Trust Funds and Special Funds are generally restricted in their use.

65. 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.

66. Voluntary contributions that include conditions on their use are initially treated as deferred revenue and recognized as revenue when the conditions are satisfied. Generally, the conditions are deemed satisfied upon approval of progress or final reports. Interest on such awards is recognized as it is earned unless the terms of the contribution would also require the return of such interest to the donor if the conditions are not met.

67. Refunds of voluntary contributions for which revenue was recognized in prior years are recorded as direct adjustment to equity.

National Participation Costs

68. 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

69. 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.

70. 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

71. 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

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

73. 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

74. 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

75. 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

76. 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.

77. 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.

78. 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

79. 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

80. 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.

81. 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

82. 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 development and peaceful uses of nuclear science and applications.

(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, including through the conduct of Peer Reviews dedicated activities such as: regulatory control, safe and secure operation, design and siting. It also participates in capacity building of various stakeholders in all safety and security related 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 findings 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
- Risk Management; 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.

In addition, a wide range of administrative and legal services are provided by Major Programme 5 to support the Agency programmes in efficiently and effectively fulfilling the organization's mandate.

(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 Programme. The Technical Cooperation Programme consists of national, regional and interregional projects funded from the Technical Cooperation Fund (TCF) and extrabudgetary contributions.

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

Fund Groups

84. Agency activities across these six Major Programmes are financed through various funding sources, which are defined as Funds. 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 has differing parameters relating to how the revenue may be utilized. The grouping of Funds in the financial statements and their respective components are described below.

<u>Regular Budget</u>

(1) The *Regular Budget Fund and Working Capital Fund* are the principal means of financing Agency activities and enable 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) The *Major Capital Investment Fund* (MCIF) is a Reserve Fund established as part of the Regular Budget to segregate such funds for future use. The MCIF is financed in part by the annual assessed contributions for the capital portion of the Regular Budget and in part through other sources, such as year-end savings from the operational portion of the Regular Budget appropriations.

<u>Technical Cooperation</u>

(3) The *Technical Cooperation Fund* is a component of the General Fund and 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.

(4) The *Technical Cooperation Extrabudgetary Fund* is a component of the General Fund and is a financing mechanism to enable donors to make voluntary contributions for activities in support of projects approved by the IAEA Board of Governors as nominated by the donor.

Extrabudgetary

(5) The *Extrabudgetary Programme Fund* is a component of the General Fund and is a financing mechanism to enable donors to make voluntary contributions for activities in support of programmes within the Regular Budget as nominated by the donor.

(6) The *Low Enriched Uranium Extrabudgetary Programme Fund* is a component of the General Fund and is a financing mechanism to enable donors to make voluntary contributions specific to the activities of the LEU Bank.

Other

(7) *Trust Funds and Special Funds* relate to funds for specific activities that have been approved by the IAEA Board of Governors.

Budget comparison

85. The Agency's budgetary and financial reporting bases differ. Budgets within the Agency are approved on a modified cash basis, while financial statements follow the full accrual basis and comply with the requirements IPSAS.

86. While the Agency's financial statements cover all activities of the Agency, budgets are separately approved annually for the Regular Budget, both the Regular Budget Fund and the capital portion of the Regular Budget (classified according to Major Programme) and for the Technical Cooperation Fund (based on target for voluntary contributions). There are no approved budgets relating to the Technical Cooperation Extrabudgetary Fund, the Extrabudgetary Fund Group or the Other Fund Group. All Funds are administered in accordance with the Financial Regulations adopted by the Board of Governors, and Financial Rules issued by the Director General.

87. 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)	
	31-12-2014	**31-12-2013 (restated)**
Cash in current accounts at bank and on hand	35 469	19 101
Cash in call accounts	28 750	36 224
Term deposits with original maturities of 3 months or less	51 000	26 000
Treasury bills with original maturities of 3 months or less	-	9 996
Total cash and cash equivalents	**115 219**	**91 321**

88. The increase of €23.898 million (26.2%) in the total cash and cash equivalents reflects an increase of both cash in current accounts at bank and on hand and term deposits with original maturity of 3 months or less. As shown in Note 38, the weighted average period to maturity of the total cash and cash equivalents and investments holdings of the Agency at the end of 2014 slightly increased since the previous year but remained well under 3 months.

89. Some cash is held in currencies which are either legally restricted or not readily convertible to euros. At 31 December 2014, the euro equivalent of these currencies was €1.229 million (€1.006 million at 31 December 2013), based on the respective United Nations operational rates of exchange.

NOTE 5: Investments

	(expressed in euro'000)	
	31-12-2014	**31-12-2013 (restated)**
Term deposits with original maturities between 3 and 12 months	319 809	290 794
Treasury bills with original maturities between 3 and 12 months	76 264	65 854
Other discounted notes	-	18 123
Total investments	**396 073**	**374 771**

90. The increase of €21.302 million (5.7%) in investments is mainly due to the revaluation of instruments denominated in USD, which has significantly appreciated against the euro in 2014.

NOTE 6: Accounts receivable from non-exchange transactions

	(expressed in euro'000)	
	31-12-2014	**31-12-2013 (restated)**
Assessed contributions receivable		
Regular Budget	58 796	36 599
Working Capital Fund	206	13
Allowance for doubtful accounts	(3 665)	(2 985)
Net assessed contributions receivable	55 337	33 627
Voluntary contributions receivable		
Extrabudgetary	6 785	13 152
Technical Cooperation Fund	222	730
Allowance for doubtful accounts	(24)	(164)
Net voluntary contributions receivable	6 983	13 718
Other receivables		
Assessed programme costs	953	842
National participation costs	638	366
Safeguards agreements receivable	495	366
Allowance for doubtful accounts	(953)	(842)
Net other receivables	1 133	732
Total net accounts receivable from non-exchange transactions	**63 453**	**48 077**
Composition of accounts receivable from non-exchange transactions		
Current	63 199	47 613
Non current	254	464
Total net accounts receivable from non-exchange transactions	**63 453**	**48 077**

91. The assessed contributions receivable for the Regular Budget increased during the year by €22.197 million to €58.796 million, primarily due to a substantial increase in outstanding balances from two Member States. The decrease in voluntary contributions receivable during the year by €6.735 million is mainly due to reduction in amounts due from a particular donor.

92. Non-current receivables comprise the non-current portion (i.e. receivable after 31 December 2015) 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)

	2014						2013					
	Opening Allowance for Doubtful Debt	Doubtful Debt Expense During the Year	Unrealized Foreign Exchange (Gain)/Loss	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	Unrealized Foreign Exchange (Gain)/Loss	Amounts Written Off as Uncollectible	Doubtful Debt Expense Reversed	Closing Allowance for Doubtful Debt
Receivables from non-exchange transactions												
Assessed contributions receivable												
Regular Budget	2 985	680	-	-	-	3 665	4 705	-	-	(1 348)	(372)	2 985
Related to assessed contributions receivable	2 985	680	-	-	-	3 665	4 705	-	-	(1 348)	(372)	2 985
Voluntary contributions receivable												
Technical Cooperation Fund	22	-	2	-	-	24	22	-	-	-	-	22
Extrabudgetary	142	-	-	(142)	-	-	-	142	-	-	-	142
Related to voluntary contributions receivable	164	-	2	(142)	-	24	22	142	-	-	-	164
Other receivables												
Assessed programme costs	842	-	111	-	-	953	1 187	-	(56)	(289)	-	842
Related to other receivables	842	-	111	-	-	953	1 187	-	(56)	(289)	-	842
Total related to receivables from non-exchange transactions	**3 991**	**680**	**113**	**(142)**	**-**	**4 642**	**5 914**	**142**	**(56)**	**(1 637)**	**(372)**	**3 991**

Aging of receivables

(expressed in euro'000s)

	As at 31 December 2014					As at 31 December 2013 (restated)				
		Outstanding for					Outstanding for			
	Carrying amount	< 1 year	1-3 years	3-5 years	> 5 years	Carrying amount	< 1 year	1-3 years	3-5 years	> 5 years
Receivables from non-exchange transactions										
Assessed contributions receivable										
Regular Budget	58,796	43,385	12,498	495	2,418	36,599	27,501	6,016	430	2,652
Working Capital Fund	206	201	1	4	-	13	1	10	2	-
Total assessed contributions receivable	59,002	43,586	12,499	499	2,418	36,612	27,502	6,026	432	2,652
Voluntary contributions										
Extrabudgetary	6,785	5,218	231	1,336	-	13,152	9,978	3,174	-	-
Technical Cooperation Fund	222	126	55	16	25	730	603	99	7	21
Total voluntary contributions receivable	7,007	5,344	286	1,352	25	13,882	10,581	3,273	7	21
Other receivables										
Assessed programme costs	953	-	-	-	953	842	-	-	-	842
National participation costs	638	372	147	11	108	366	26	177	103	60
Safeguards agreements contributions	495	495	-	-	-	366	366	-	-	-
Total other receivables	2,086	867	147	11	1,061	1,574	392	177	103	902
Total receivables from non-exchange transactions	**68,095**	**49,797**	**12,932**	**1,862**	**3,504**	**52,068**	**38,475**	**9,476**	**542**	**3,575**

Management of credit risk relating to non-exchange receivables

93. 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.

94. 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 2014, the carrying value of receivables for which payment plans have been negotiated and that otherwise would have been be overdue is €0.382 million (€ 0.612 million as at 31 December 2013).

NOTE 8: Accounts receivable from exchange transactions

	(expressed in euro'000)	
	31-12-2014	**31-12-2013 (restated)**
Accounts receivable - VAT refunds	2 300	1 905
Accounts receivable - income tax refunds	3 665	3 575
Accounts receivable - others	975	895
Allowance for doubtful accounts	(162)	(89)
Total net accounts receivable from exchange transactions	**6 778**	**6 286**

95. All accounts receivable from exchange transactions as at 31 December 2014 and 2013 are current.

96. The allowance for doubtful debts showed the following movements during 2014 and 2013:

	(expressed in euro'000)	
	2014	**2013**
Opening balance as on 1 January	89	283
Doubtful debt expense during the year	73	88
Amounts written off as uncollectible	-	(17)
Doubtful debt expense reversed	-	(265)
Closing balance as on 31 December	**162**	**89**

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

	(expressed in euro'000)	
	31-12-2014	31-12-2013 (restated)
Outstanding for:		
Less than 1 year	5 385	4 161
1 - 3 years	1 425	1 086
3 - 5 years	19	1 039
More than 5 years	111	89
Gross carrying value	**6 940**	**6 375**

NOTE 9: Advances and prepayments

	(expressed in euro'000s)	
	31-12-2014	31-12-2013 (restated)
Vienna International Centre common services	23 449	27 396
Other international organizations	2 479	2 311
Staff	6 560	6 376
Health insurance premium reserve account	1 932	2 289
Travel	121	35
Other	2 897	2 342
Total advances and prepayments	**37 438**	**40 749**
Advances and prepayments composition		
Current	13 596	12 940
Non current	23 842	27 809
Total advances and prepayments	**37 438**	**40 749**

98. 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 2014 is 53.868%.

99. 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.

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

101. Cigna 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 Cigna 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).

NOTE 10: Inventory

	(expressed in euro'000s)	
	31-12-2014	**31-12-2013**
Project inventories in-transit to counterparts	5 502	6 799
Safeguards spare parts and maintenance materials	343	457
Printing supplies	64	57
Total inventory	**5 909**	**7 313**

102. The Technical Cooperation Programme accounts €4.223 million (77%) of the inventories in transit as on 31 December 2014 (€5.034 million, 74%, in 2013). The balance of €1.279 million included donated inventories of € 0.022 million (€ 0.074 in 2013). In order to reflect the fact that inventories that have been in transit for some time may not actually be delivered or may suffer damage or obsolescence, their value is disclosed net of an allowance of €0.245 million.

103. Reference materials are not regarded as inventory and the costs of their production are expensed in year. The amount of labour and allocated overheads incurred by the Agency's laboratories during 2014 was approximately €0.119 million (€ 0.114 million in 2013).

104. Total inventory expense for 2014 and 2013 was as follows:

	(expressed in euro'000s)	
	31-12-2014	**31-12-2013**
Project inventories distributed to development counterparts	31 477	28 558
Safeguards spare parts and maintenance materials	138	55
Printing supplies	86	81
Total inventory expense	**31 701**	**28 694**

105. 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 29) 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 32).

106. No material impairment for inventory was recorded in 2014 or 2013.

NOTE 11: Investment in common services entities

	(expressed in euro'000s)	
	31-12-2014	**31-12-2013 (restated)**
Investment in Commissary	2 860	4 597
Investment in Catering Services	779	612
Total investment in common services entities	**3 639**	**5 209**

The VIC Commissary

107. 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.

108. On dissolution, the initial investment in the amount of €0.809 million each made by the IAEA and UNIDO on 1 October 1979 has to be returned. After such return, 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 2014, using the equity method based first on the return of initial funding of the Commissary to the Agency and UNIDO (€0.809 million each) and then calculating the Agency's share in the remaining net surplus/(deficit) of the Commissary, in the BMS cost-sharing ratio for 2014, i.e. 53.868%.

109. 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:

	(expressed in euro'000s)		
Commissary Summary Financial Information	**31-12- 2014 (provisional)**	**31-12-2013 (final)**	
Revenue	29 495	29 764	
Expense	28 866	29 317	*
Net surplus/(deficit)	629	447	*
Assets current	15 323	15 746	
Assets non-current	828	729	
Liabilities current	615	1 420	
Liabilities non-current	10 111	8 024	
Equity	5 425	7 031	

*These amounts are slightly different from the amounts disclosed in the Agency's Financial Statements for 2013, as the Commissary's accounts were finalized after the Agency's Financial Statements for 2013 were issued.

Catering Service

110. 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. During 2014, the existing contract with the catering operator expired and UNIDO entered into a contract with a new operator for a period of 10 years whereby the catering operator will

pay to the VBOs a fixed annual operating fee of €0.125 million (subject to annual CPI indexation), regardless of the profit or loss incurred by the operator.

111. 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. However, the IAEA has recognized its share in the surplus of the Catering Services in 2014, using the equity method, in the BMS cost-sharing ratio for 2014, i.e. at 53.868%.

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

	(expressed in euro'000s)		
Catering Services Summary Financial Information	**31-12- 2014 (provisional)**	**31-12-2013 (final)**	
Revenue	51	6 693	*
Expense	(250)	6 799	*
Net surplus/(deficit)	301	(106)	*
Assets current	1 447	2 217	
Assets non-current	-	307	
Liabilities current	1	1 378	*
Equity	1 446	1 146	*

*These amounts are slightly different from the amounts disclosed in the Agency's Financial Statements for 2013, as the Catering Service's accounts were finalized after the Agency's Financial Statements for 2013 were issued.

Abdus Salam International Centre for Theoretical Physics at Trieste

113. 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.

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

	(expressed in euro'000s)	
ICTP Summary Financial Information	**31-12- 2014 (provisional)**	**31-12-2013 (final)**
Revenue	29 294	27 998
Expense	29 736	30 873
Net surplus/(deficit)	(442)	(2 875)
Assets current	10 130	11 572
Assets non-current	1 060	1 009
Liabilities current	3 077	4 913
Liabilities non-current	20 793	15 796
Equity	(12 680)	(8 128)

115. The Agency provided funding to ICTP of €2.335 million in 2014 and € 2.368 million in 2013. 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.

Major Repairs and Replacement Fund (MRRF)

116. The Major Repair and Replacement Fund (MRRF) is a jointly controlled entity. On 1 January 1981, an agreement between the Republic of Austria, the United Nations and the IAEA went into effect to establish a common fund for the purpose of financing the cost of major repairs and replacement of buildings, facilities and technical installations which are the property of the Republic of Austria and form part of the headquarters areas of the United Nations and the IAEA at the Vienna International Centre (VIC). This agreement has applied to the United Nations Industrial Development Organization (UNIDO) since 1986 when it became an independent specialized agency. The Fund is administered by UNIDO through a joint committee. Currently the VIC-based organizations share of contributions is in accordance with their Building Management Services cost-sharing ratio, which for year 2014 for the IAEA is at 53.868%.

117. Summary financial information is provided below:

	(expressed in euro'000s)	
MRRF Summary Financial Information	**31-12- 2014 (provisional)**	**31-12-2013 (final)**
Revenue	3 543	3 547
Expense	1 729	3 102
Net surplus/(deficit)	1 814	445
Assets current	10 159	7 950
Assets non-current	-	-
Liabilities current	612	217
Liabilities non-current	-	-
Equity	9 547	7 733

118. The Agency provided funding to MRRF of € 1.0 million in 2014 and € 1.1 million in 2013. These funds represent the Agency’s share towards its annual assessed contribution and unexpected major repairs and replacements which were not included in the agreed investment plan. These amounts are expensed in the books of the IAEA when paid. Upon capitalization of the VIC buildings, the appropriate component of these amounts will also be capitalized.

NOTE 12: Property, Plant and Equipment

2014

(expressed in euro '000s)

	Buildings and Leasehold Improvements	Furniture & Fixtures	Communications & Information Technology Equipment	Inspection Equipment	Laboratory Equipment	Vehicles	Other Equipment	Assets under Construction	Total Property, Plant and Equipment
Cost at 1 January 2014	65 821	3 172	30 912	68 413	32 177	1 114	3 187	3 766	208 562
Additions	3 882	244	3 772	1 403	4 448	164	20	12 326	26 259
Disposals	(35)	(35)	(2 012)	(2 609)	(583)	(243)	(33)	-	(5 550)
Assets under Construction Capitalized	1 967	-	2 023	3 456	762	-	-	(8 208)	-
Cost at 31 December 2014	**71 635**	**3 381**	**34 695**	**70 663**	**36 804**	**1 035**	**3 174**	**7 884**	**229 271**
Accumulated depreciation at 1 January 2014	10 374	1 983	21 838	58 498	24 088	686	1 828	-	119 295
Previous years depreciation adjustments	21	-	-	-	73	-	-	-	94
Depreciation	2 024	249	4 608	3 855	2 012	137	521	-	13 406
Disposals	(14)	(38)	(2 006)	(2 609)	(580)	(197)	(33)	-	(5 477)
Accumulated depreciation 31 December 2014	**12 405**	**2 194**	**24 440**	**59 744**	**25 593**	**626**	**2 316**	**-**	**127 318**
Accumulated impairment at 1 January 2014	26	-	1	-	-	-	-	-	27
Impairment	-	-	7	1	20	-	-	-	28
Disposals	(21)	-	(6)	-	-	-	-	-	(27)
Accumulated impairment 31 December 2014	**5**	**-**	**2**	**1**	**20**	**-**	**-**	**-**	**28**
Net carrying amount 31 December 2014	**59 225**	**1 187**	**10 253**	**10 918**	**11 191**	**409**	**858**	**7 884**	**101 925**

2013 (restated)

(expressed in euro '000s)

	Buildings and Leasehold Improvements	Furniture & Fixtures	Communications & Information Technology Equipment	Inspection Equipment	Laboratory Equipment	Vehicles	Other Equipment	Assets under Construction	Total Property, Plant and Equipment
Cost at 1 January 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	1 264	227	3 814	3 863	2 534	108	497	-	12 307
Disposals	-	-	(3 296)	(1 624)	(940)	(150)	(67)	-	(6 077)
Accumulated depreciation 31 December 2013	**10 374**	**1 983**	**21 838**	**58 498**	**24 088**	**686**	**1 828**	**-**	**119 295**
Accumulated impairment at 1 January 2013	-	-	-	-	-	-	-	-	-
Impairment	26	-	1	-	-	-	-	-	27
Disposals	-	-	-	-	-	-	-	-	-
Accumulated impairment 31 December 2013	**26**	**-**	**1**	**-**	**-**	**-**	**-**	**-**	**27**
Net carrying amount 31 December 2013	**55 421**	**1 189**	**9 073**	**9 915**	**8 089**	**428**	**1 359**	**3 766**	**89 240**

119. The PP&E projects with a value greater than €0.500 million, their values and their completion status on 31 December 2014 are as follows:

- *Nuclear Material Laboratory (NML) (€49.205 million)* – (Complete (€46.022 million) and construction in progress – CIP (€3.183 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 a number of additional components of the building, including a number of those initiated in 2014, were capitalized in 2014 upon their completion. As of 31 December 2014 the total capitalized cost amounted to €46.022 million, €36.178 of which was related to the NML Building and €9.844 million was related to infrastructure and security. The design and construction of a new Main Gate area in Seibersdorf (€3.183 million) was not yet completed at reporting date. The total cost of NML as of 31 December 2013 was €41.034 million, €40.208 million of which related to completed assets and the remaining €0.826 million was recognized as CIP at that date.

  The total capitalized cost of the NML includes a €2.644 million provision for decommissioning costs (2013: €1.387 million), based upon the present value of estimated costs that are expected to be incurred at the end of the useful life of the facility.

- *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 and 2014 due to uncertainty of the future of the Japanese nuclear energy programme. Development is expected to resume in 2015, subject to confirmation of the current construction and commissioning schedule of the facility, with an estimated date of operation end of 2017. (€0.869 million CIP in 2013).

120. The 2014 increase in the net carrying amount of PP&E is primarily attributable to the costs incurred for the various construction works in Seibersdorf related to completion of components of the building reported as CIP in 2013 as well as those initiated in 2014 such as the construction of a new Main Gate area in Seibersdorf and installation of laboratory equipment (e.g. glove boxes) for NML, which were recognized as CIP as of 31 December 2014.

121. The above 2014 and 2013 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 approximately €312 million, where the Agency's share is approximately €167 million based on the most recent BMS cost-sharing ratio. 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.

122. In 2014, impairments of some Furniture and Fixtures, Laboratory Equipment, and Communications and IT Equipment due to damage, obsolescence or loss were recognized amounting to €0.028 million (€0.027 million in 2013).

123. Efforts to dispose of old inactive equipment resulted in the retirement of fully depreciated assets amounting to a gross value of €5.229 million in 2014. As at 31 December 2014, the gross value of fully depreciated PP&E items still in use amounted to €87.585 million (€87.644 million as at 31 December 2013).

NOTE 13: Intangible assets

2014

	(expressed in euro '000s)			
	Computer Software Purchased	**Computer Software Internally Developed**	**Intangible Assets Under Development**	**Total Intangible Assets**
Cost at 1 January 2014	4 115	12 150	11 914	28 179
Additions	1 852	37	13 579	15 468
Assets under Construction Capitalized	934	7 666	(8 600)	-
Cost at 31 December 2014	**6 901**	**19 853**	**16 893**	**43 647**
Accumulated amortization at 1 January 2014	1 087	2 426	-	3 513
Amortization	1 130	2 654	-	3 784
Accumulated amortization 31 December 2014	**2 217**	**5 080**	**-**	**7 297**
Net carrying amount 31 December 2014	**4 684**	**14 773**	**16 893**	**36 350**

2013

	(expressed in euro '000s)			
	Computer Software Purchased	Computer Software Internally Developed	Intangible Assets Under Development	Total Intangib le 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**

124. Projects with a value greater than €0.500 million, their values and their completion status on 31 December 2014 are as follows:

- *AIPS Plateau 3 Implementation (€5.610 million)* – (Complete): 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 HR processes, eliminating paper-based systems, and full automation of payroll processes, making them less labor-intensive and more secure. AIPS Plateau 3 went live in December 2014. (€1.439 million CIP in 2013).
- *State Supplied Data Handling (SSDH) (€5.347 million)* – (CIP): State Supplied Data Handling (SSDH) covers development of integrated IT systems for processing, maintenance, dissemination and analysis of information provided by Member States. The following current information systems were, in the course of this project, re-specified and enhanced with additional functionality, and finally integrated into a set of detailed functional requirements: Non-Proliferation of Nuclear Weapons Treaty (NPT) Accounting, NPT and Non-NPT Transit Matching, Non-NPT Accounting, Voluntary Reporting Scheme System, Additional INFCIRC/153 Reporting Paragraphs System and Nuclear Material Inventory System. (€2.668 million CIP in 2013).
- *Field Activity Reporting (FAR) (€4.244 million)* – (CIP): FAR deals with the reporting on the verification activities conducted during inspections and complementary access. FAR is composed of 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 Sample Status Tracking Services (DASSTA). (€2.235 million CIP in 2013).

- *Safeguard Master Data (SGMD) (€2.827 million)* – (CIP): The purpose of SGMD is to manage core data for Safeguards which is essential to ensure the quality of the state supplied data and inspection data. It is necessary for proper management, planning and statistical purposes. It will be the central repository for Authority, Static and Location information which will be used by all safeguards applications. The SGMD product will be consumed by other systems for further processing, and Safeguards users who will retrieve and/or maintain the Master Data. (€1.848 million CIP in 2013).
- *Electronic State File (€1.461 million)* – (Partially complete and 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. An initial version was released in October 2014; further enhancements will be developed in 2015. (€0.899 million CIP in 2013).
- *Safeguards Effectiveness and Evaluation Information System (SEEIS) (€1.134 million)* – (CIP): SEEIS provides the functionality to collect, share, exchange and report data to facilitate the processing for key Safeguards Effectiveness and Evaluation (SEE) business processes: the preparation of the Safeguards Implementation Report (SIR), SEE Facility Evaluation, SEE State-Level Evaluation and the new concept of on-going evaluation of verification activities coordinated across the State. (€0.224 million CIP in 2013).
- *Development SPRICS 2.0 Phase 2 (€0.684 million)* – (CIP): SPRICS supports the process for managing the Safeguards research and development (R&D) projects through a new enabled web process. (€0.491 million CIP in 2013).
- *Palantir – Collaborative Analysis Platform (€0.525 million)* – (CIP): Palantir Gotham is a commercial software with proven information integration and visualisation capabilities. It will facilitate analyst's ability to establish relationships between information from multiple sources, enabling the ability to place the current understanding into perspective and to contribute to new insights. (€0.316 million CIP in 2013).

125. The 2014 increase in total intangible assets amounts €11.684 million and it is mostly attributable to internally developed software activities as described in the above paragraphs. The value of internally developed intangible asset under development will continue to increase until development of these software projects are completed and put in service. Due to the prospective implementation of IPSAS 31, no assets constructed or acquired before 2011 are recognised and the carrying value of intangible assets can be expected to continue to increase until the Agency has completed a full life-cycle of such assets.

126. 17 new projects were initiated in 2014 with aggregate costs amounting to €1.088 million (25 projects amounting to €3.331 million in 2013). Of these 17 projects, 6 with aggregate costs of €0.343 million were completed while the other 11 remain as construction in progress (CIP). Of the 23 internal development projects initiated prior to 2014, 4 were retired as the final costs fell short of the capitalization threshold, and 5 were completed, leaving 14 as CIP. There is, therefore, a total of 25 projects that will continue in 2015 and are recognized as intangible assets under development as at 31 December 2014.

127. Upon review, no indication of impairment of the carrying value of intangibles was identified.

NOTE 14: Accounts payable

	(expressed in euro'000s)	
	31-12-2014	**31-12-2013 (restated)**
Accruals	9 351	8 489
Staff	1 172	1 031
Other payables	1 759	1 263
Total accounts payables	**12 282**	**10 783**

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

129. Other payables primarily represent the amount of invoices processed but not paid as on the reporting date and compensated absences accumulated by certain consultants at the reporting date which are carried forward to the following period.

NOTE 15: Deferred revenue

	(expressed in euro'000s)	
	31-12-2014	**31-12-2013**
Contributions received in advance	54 107	53 419
Extrabudgetary contributions subject to conditions	58 785	55 494
Other	26	27
Total deferred revenue	**112 918**	**108 940**
Deferred revenue composition		
Current	54 133	53 446
Non-current	58 785	55 494
Total deferred revenue	**112 918**	**108 940**

130. Contributions received in advance primarily include Regular Budget assessed contributions received prior to the year to which they relate, as well as extrabudgetary contributions received from Member States that have not been formally accepted by the Agency. Contributions received in advance slightly increased in 2014 by €0.688 million.

131. At the end of 2014, contributions received subject to conditions increased by €3.291 million, out of which approximately 91% 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.

NOTE 16: Employee benefit liabilities

	(expressed in euro'000s)	
	31-12-2014	**31-12-2013 (restated)**
After service health insurance	202 798	133 111
Post-employment repatriation and separation entitlements	48 856	42 528
Annual leave	20 120	18 374
Health insurance premium reserve account - staff contributions	966	1 144
Other staff costs	2 389	2 187
Total staff related liabilities	**275 129**	**197 344**
Composition of employee benefit liabilities		
Current	11 645	12 551
Non-current	263 484	184 793
Total employee benefit liabilities	**275 129**	**197 344**

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

133. Liabilities for other staff costs as on 31 December 2014 consisted of primarily home leave accruals €1.527 million (€1.379 million as on 31 December 2013) and accruals for compensatory time-off €0.734 million (€0.680 million as on 31 December 2013).

NOTE 17: Post-employment related plans

134. 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.

135. 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.

136. Other post-employment entitlements are those 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

137. Liabilities arising from ASHI, and repatriation and separation benefits are determined with assistance from professional actuaries. A comprehensive review and update of the methodology utilized to calculate the actuarial assumptions was carried out in 2014 to ensure accuracy of liabilities' estimates. Prior years' employee benefits expenses and liabilities comparative

amounts have been restated due to the revision of certain actuarial assumption based upon appropriate underlying inputs, as explained in Note 2. 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 2014:

Parameter	**31 December 2014**	**31 December 2013**
Discount rate	ASHI: 1.94% Other post-employment entitlements: repatriation entitlements 0.78%; End of Service allowance 1.20% Market yields on high quality euro corporate bonds at the reporting date (estimated duration: ASHI: 22 years; Other post-employment entitlements: 6 to 10 years depending on entitlement)	ASHI: 3.55% Other post-employment entitlements: repatriation entitlements 2.04%; End of Service allowance 2.68 % Market yields on high quality euro corporate bonds at the reporting date (estimated duration: ASHI 21 years; Other post-employment entitlements: 6 to 10 years depending on entitlement)
Expected rate of salary increase	2.84% (Professionals and higher) 3.17% (General Staff)	3.00% (all staff members)
Expected rate of medical cost increase	3.00% – 3.90% (range for the various insurance plans)	3.00% – 3.90% (range for the various insurance plans)
Expected rate of travel costs increase	0%	0%
Expected rate of shipping cost increase	1.80%	1.80%

138. 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)	
	31-12-2014	**31-12-2013**
Movement in defined benefit obligation comprises:		
Opening defined benefit obligation	133 111	135 537
Expense for the period:		
Current service cost	7 410	7 802
Interest cost	4 670	3 825
Benefits paid	(4 080)	(5 072)
Contributions from plan participants	1 508	2 462
Actuarial losses/(gains) recognized in net assets	60 179	(11 443)
Closing defined benefit obligation	**202 798**	**133 111**

Other post-employment benefits

	(expressed in euro'000s)	
	31-12-2014	**31-12-2013 (restated)**
Movement in defined benefit obligation comprises:		
Opening defined benefit obligation	42 528	46 936
Expense for the period:		
Current service cost	5 014	5 513
Interest cost	925	803
Benefits paid	(5 991)	(6 470)
Actuarial losses/(gains) recognized in net assets	6 380	(4 254)
Closing defined benefit obligation	**48 856**	**42 528**
of which		
Repatriation entitlements	25 214	21 013
End of Service allowance	23 642	21 515

139. 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.

140. The actuarial loss of €60.179 million and €6.380 million, respectively, for ASHI and other post-employment repatriation and separation was primarily a result of lower discount rates utilized in 2014 as compared to 2013, reflecting the decrease in long-term interest rates. 2013 had an opposite trend (actuarial gain of €11.443 million and €4.254 million, respectively).

141. As at 31 December 2014 the ASHI and post-employment repatriation benefit obligations were entirely unfunded. Therefore, the present value of funded obligations and the fair value of plan assets are nil.

Sensitivity analysis

142. 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**	**Other post-employment benefits**
Effect of discount rate change on defined benefit obligation	+ 1%	(38 611)	(3 988)
	- 1%	52 746	4 642
Effect of change in expected rate of medical costs increase on:			
- current service cost component of liability	+ 1%	2 472	n/a
	- 1%	(1 801)	n/a
- interest cost component of liability	+ 1%	1105	n/a
	- 1%	(883)	n/a
- total defined benefit obligation	+ 1%	48 945	n/a
	- 1%	(36 854)	n/a
Effect of changes in salaries, shipping and travel costs on total defined benefit obligation	+ 1%	n/a	4 502
	- 1%	n/a	(3 955)

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

After service health insurance

	(expressed in euro'000s)			
	2014	**2013**	**2012**	**2011**
Defined benefit obligation	202 798	133 111	135 537	111 182
Plan assets at fair value	-	-	-	-
Surplus/(deficit)	(202 798)	(133 111)	(135 537)	(111 182)
Remeasurement losses/(gains) due to experience adjustments	(3 145)	258	(1 205)	(6 299)
Remeasurement due to experience adjustments as a percentage of defined benefit obligation	(1.55%)	0.19%	(0.89%)	(5.67%)

Other post-employment benefits

	(expressed in euro'000s)			
	2014	**2013 (restated)**	**2012 (restated)**	**2011 (restated)**
Defined benefit obligation	48 856	42 528	46 936	37 024
Plan assets at fair value	-	-	-	-
Surplus/(deficit)	(48 856)	(42 528)	(46 936)	(37 024)
Remeasurement losses/(gains) due to experience adjustments	269	(2 651)	2 378	(2 707)
Remeasurement due to experience adjustments as a percentage of defined benefit obligation	0.55%	(6.23 %)	5.07%	(7.31%)

144. The amounts presented above for 2011 through 2013 for post-employment repatriation and settlement entitlements have been restated as discussed in Note 2.

145. The Agency's best estimate of benefits payments expected to be made for the next 12 months for ASHI plans is € 3.261 million, and for post-employment repatriation and separation entitlements is € 3.314 million.

146. 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

147. 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.

148. The Agency'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.

149. The actuarial valuation performed as of 31 December 2013 revealed an actuarial deficit of 0.72% (1.87% in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2013 was 24.42% of pensionable remuneration, compared to the actual contribution rate of 23.7%. The next actuarial valuation will be conducted as of 31 December 2015.

150. At 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.5% (130% in the 2011 valuation). The funded ratio was 91.2% (86.2% in the 2011 valuation) when the current system of pension adjustments was taken into account.

151. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2013, 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.

152. In July 2013, 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 increase in the normal retirement age is reflected in the actuarial valuation of the Fund as of 31 December 2013, which revealed a decrease in the contribution deficit from 1.87% in 2011 to 0.72% in 2013.

153. During 2014, contributions paid to UNJSPF amounted to €51.843 million (2013 €50.698 million). Expected contributions due in 2015 are approximately €58.6 million.

154. 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)	
	31-12-2014	31-12-2013
Deposits received	304	304
Others	369	394
Total other financial liabilities	**673**	**698**
Composition of other financial liabilities		
Current	369	394
Non-current	304	304
Total other financial liabilities	**673**	**698**

155. As at 31 December 2014, "Others" consisted primarily of claims received from insurance companies pending payment to the beneficiaries of €0.295 million and balances held for refund to donors of €0.073 million (respectively €0.224 million and €0.073 million at 31 December 2013).

NOTE 19: Provisions

	(expressed in euro'000s)	
	31-12-2014	31-12-2013
Provision for ILOAT cases	44	41
Provision for asset disposal and site restoration	5 212	3 067
Total provisions	**5 256**	**3 108**
Composition of provisions		
Current	44	161
Non-current	5 212	2 947
Total provisions	**5 256**	**3 108**

156. Provisions for asset disposal and site restoration as on 31 December 2014 included an amount of €2.692 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. The change since 2013 (€1.387 million) reflects unwinding the discount due to the passage of time (generating €0.048 million increase), decreased inflation rate forecasts (€ 0.849 million decrease) and a change to the discount rate to reflect current market conditions (€2.106 million increase). 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 at the time of decommissioning, which has not yet been determined, and €1.520 million estimated costs for disposal of laboratory glove boxes at NML and Seibersdorf.

157. In February 2015, the Administrative Tribunal of the International Labour Organization (ILOAT) ruled against the Agency in respect of one appeal case filed by a former Agency staff member. Based on this decision, the Agency will be required to make a payment of €0.024 million to the former staff member. Additionally, the Agency has determined that two additional cases may be decided in favour of the former staff members with a potential liability to the Agency of €0.020 million. Therefore, a total provision of €0.044 million has been recorded in 2014.

Note 20: Movements in fund balances

(expressed in euro'000s)

	Regular Budget Fund and Working Capital Fund		Major Capital Investment Fund		Technical Cooperation Fund		Technical Cooperation Extrabudgetary Programme Fund		Extrabudgetary Programme Fund		Low Enriched Uranium Bank		Trust Funds, Reserve Funds and Special Funds		Total	
	2014	2013 (restated)	2014	2013 (restated)	2014	2013 (restated)	2014	2013 (restated)	2014	2013 (restated)	2014	2013 (restated)	2014	2013 (restated)	2014	2013 (restated)
Opening balance	(39 484)	(58 236)	18 172	20 027	38 563	42 365	23 774	25 646	151 741	133 603	87 897	85 191	2 698	3 348	283 361	251 944
Transfers to / (from) fund balances	10 317	18 751	(10 429)	(6 192)	3 558	(4 866)	(3 388)	(540)	(5 480)	(10 360)	(20)	(71)	21	(89)	(5 421)	(3 367)
Net surplus/ (deficit)	(771)	1	6 002	4 337	8 308	1 064	3 943	(1 332)	36 216	28 498	10 241	2 777	(572)	(561)	63 367	34 784
Closing balance	(29 938)	(39 484)	13 745	18 172	50 429	38 563	24 329	23 774	182 477	151 741	98 118	87 897	2 147	2 698	341 307	283 361
Included in fund balances are individual funds with specific purposes:																
Working Capital Fund	15 217	15 218	-	-	-	-	-	-	-	-	-	-	-	-	15 217	15 218
Nuclear Security Fund	-	-	-	-	-	-	-	-	46 186	36 629	-	-	-	-	46 186	36 629
Programme Support Cost Sub-fund	-	-	-	-	-	-	-	-	5 500	4 321	-	-	-	-	5 500	4 321
Research Institute Trust Fund	-	-	-	-	-	-	-	-	-	-	-	-	677	924	677	924
Equipment Replacement Fund	-	-	-	-	-	-	-	-	-	-	-	-	1 523	1 774	1 523	1 774

158. 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.

159. 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).

160. 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.

161. 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).

162. 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)

	2014						2013 (restated)					
	Opening Balance	Revenue a/	Transfers to/(from)	Expense	Net gains/ (losses)	Closing Balance	Opening Balance	Revenue	Transfers to/(from)	Expense	Net gains/ (losses)	Closing Balance
Working Capital Fund	15 218	-	(1)	-	-	15 217	15 218	-	-	-	-	15 218
Nuclear Security Fund	36 629	24 523	(421)	(17 100)	2 555	46 186	34 381	20 825	(3 484)	(14 847)	(246)	36 629
Programme Support Cost Sub-Fund	4 321	4 982	303	(4 160)	54	5 500	5 085	4 115	(363)	(4 544)	28	4 321
Research Institute Trust Fund	924	129	(67)	(336)	27	677	886	291	4	(257)	-	924
Equipment Replacement Fund	1 774	-	80	(356)	25	1 523	2 439	-	(86)	(610)	31	1 774

a/ Revenue includes contributions, interest, etc.

Note 22: Movements in reserves by fund group

	(expressed in euro'000s)															
	Regular Budget Fund and Working Capital Fund		Major Capital Investment Fund		Technical Cooperation Fund		Technical Cooperation Extrabudgetary Fund		Extrabudgetary Programme Fund		Low Enriched Uranium Bank		Trust Funds, Reserve Funds and Special Funds		Total	
	2014	2013 (restated)	2014	2013 (restated)	2014	2013 (restated)	2014	2013 (restated)	2014	2013 (restated)	2014	2013 (restated)	2014	2013 (restated)	2014	2013 (restated)
Opening balance	30 598	17 476	3 002	11 153	26 878	21 985	7 028	7 318	15 699	9 304	76	13	117	27	83 398	67 276
Transfers to/(from)	(61 673)	13 122	1 977	(8 151)	(3 558)	4 893	1 917	(290)	(2 831)	6 395	11	63	(22)	90	(64 179)	16 122
Closing balance	(31 075)	30 598	4 979	3 002	23 320	26 878	8 945	7 028	12 868	15 699	87	76	95	117	19 219	83 398
Movements in reserves comprise:																
Reserve for MCIF opening balance	3 081	1 854	-	-	-	-	-	-	-	-	-	-	-	-	3 081	1 854
Transfers to/(from)	(3 081)	1 227	-	-	-	-	-	-	-	-	-	-	-	-	(3 081)	1 227
Reserve for MCIF closing balance	-	3 081	-	-	-	-	-	-	-	-	-	-	-	-	-	3 081
Health insurance premium reserve opening balance	1 144	1 280	-	-	-	-	-	-	-	-	-	-	-	-	1 144	1 280
Transfers to/(from)	(178)	(136)	-	-	-	-	-	-	-	-	-	-	-	-	(178)	(136)
Health Insurance premium reserve closing balance	966	1 144	-	-	-	-	-	-	-	-	-	-	-	-	966	1 144
Commitments opening balance	28 963	20 959	3 013	9 605	26 878	21 985	7 028	7 318	15 708	9 491	70	12	117	27	81 777	69 397
Transfers to/(from)	(443)	8 004	2 004	(6 592)	(3 559)	4 893	1 927	(290)	(2 530)	6 217	22	58	(22)	90	(2 601)	12 380
Commitments closing balance	28 520	28 963	5 017	3 013	23 319	26 878	8 955	7 028	13 178	15 708	92	70	95	117	79 176	81 777
Cash surplus reserve opening balance	(1 012)	1 485	-	-	-	-	-	-	-	-	-	-	-	-	(1 012)	1 485
Transfers to/(from)	1 095	(2 497)	-	-	-	-	-	-	-	-	-	-	-	-	1 095	(2 497)
Credit to Member States	(11)	-	-	-	-	-	-	-	-	-	-	-	-	-	(11)	-
Cash surplus reserve closing balance	72	(1 012)	-	-	-	-	-	-	-	-	-	-	-	-	72	(1 012)
Post employment related plans revaluation reserve opening balance	(1 577)	(17 070)	(11)	(33)	-	-	-	-	(9)	(187)	5	1	-	-	(1 592)	(17 289)
Actuarial gains/losses recognized through equity	(66 211)	15 493	(27)	22	-	-	(10)	-	(301)	178	(10)	4	-	-	(66 559)	15 697
Reserve for actuarial gains/losses on employee benefit liabilities closing balance	(67 788)	(1 577)	(38)	(11)	-	-	(10)	-	(310)	(9)	(5)	5	-	-	(68 151)	(1 592)
Reserve for carry-over of unobligated appropriations opening balance	-	8 968	-	1 581	-	-	-	-	-	-	-		-	-	-	10 549
Transfers to/(from)	7 155	(8 968)	-	(1 581)	-	-	-	-	-	-	-		-	-	7 155	(10 549)
Reserve for carry-over of unobligated appropriations closing balance	7 155	-	-	-	-	-	-	-	-	-	-	-	-	-	7 155	-

163. The reserves decreased by €64.179 million in 2014 primarily, due to recognition of actuarial losses on the post-employment employee benefit liabilities directly in equity and a decrease in the committed funds for open contracts for goods and services, partially offset by the increase in the reserve for carry-over of unobligated appropriation.

164. The 2014 opening balance reserve for the MCIF in the amount of €3.081 million representing 2013 Regular Budget unused appropriations was used to off-set the final cash deficit for 2012 and 2013 and the remaining unused balance in the amount of €0.233 million was transferred to fund balance of MCIF Fund during 2014.

165. The health insurance premium reserve represents the Agency's share of the funds held by the Agency's contractual private health care provider, Cigna, related to health insurance premiums. The reserve decreased by €0.178 million during 2014 (€0.136 million decrease in 2013), primarily due to withdrawals from the reserve to partially offset the increase in premiums due to the insurance company.

166. Commitments represent committed funds for open contracts for goods and services which have not been received by the Agency. During 2014, such future commitments decreased by €2.601 million (€12.380 million increase in 2013). This decrease is shown as a transfer from fund balances to the reserves.

167. The cash surplus reserve opening balances represent the accumulated cash deficit for prior years amounting to €1.01 million. During 2014 €0.011 million was surrendered to Member States for their share of the cash surplus withheld from prior years. After application of the 2014 opening MCIF reserve balance to offset the 2012 and 2013 cash deficits, the Agency is left with the remaining prior-years' cash surplus of €0.072 million, withheld pending receipt of due contributions.

168. 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 2014, a total of €66.559 million actuarial loss (€15.697 million actuarial gain in 2013) was recorded (refer to Note 17). This actuarial loss is mainly due to a change in the actuary assumptions relating to the applicable discount rate.

169. The reserve for carry-over of unobligated appropriation as on 31 December 2014 represents the balances of 2014 Regular Budget appropriations which were unused at 2014 year-end.

NOTE 23: Voluntary contributions

	(expressed in euro'000s)	
	31-12-2014	**31-12-2013**
Voluntary monetary contributions		
Technical Cooperation Fund	62 159	63 956
Technical Cooperation Extrabudgetary Fund	16 956	12 301
Extrabudgetary Programme Fund	87 400	80 981
Extrabudgetary contributions for LEU Bank	311	7 561
Total voluntary monetary contributions	**166 826**	**164 799**
Voluntary in-kind contributions		
Lease of premises	1 529	1 499
Other	14	63
Total voluntary in-kind contributions	**1 543**	**1 562**
Total voluntary contributions	**168 369**	**166 361**

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

171. The IAEA LEU Bank was established in December 2010. Contributions amounting to €0.311 million were received from a donor in 2014.

172. 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 2014 and 2013, such refunds amounted to €2.837 million and €1.779 million, respectively. In accordance with the Agency's accounting policy for such refunds, these amounts were recognized as direct adjustments to equity.

173. 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.

174. The above does not include the value of services-in-kind received by the Agency. In accordance with the Agency's accounting policies and in compliance with IPSAS, services-in-kind are not recorded as revenue. The Agency receives a significant amount of services in-kind from certain donors relating to training activities, technical support, consultancy services, analytical services and the coordination of technical meetings. Due to the uncertainty related to the control and valuation of these services, the Agency does not recognize these services in its financial statements. In addition, the Agency receives services-in-kind relate to Cost Free Experts (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)	
	31-12-2014	**31-12-2013**
National participation costs	2 517	90
Safeguards agreements	1 024	953
Total other contributions	**3 541**	**1 043**

175. 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. As such, 2014, being the first year of the biennium, had higher NPC revenue compared to 2013.

NOTE 25: Revenue from exchange transactions

	(expressed in euro'000s)	
	31-12-2014	**31-12-2013**
Revenue from sale of goods		
Publications	297	330
Laboratory reference materials	301	247
	598	**577**
Revenue from jointly financed services		
Medical	733	773
Data processing	21	-
Printing	453	483
Financial	-	213
Housing	8	20
	1 215	**1 489**
Other miscellaneous revenue	**705**	**1 025**
Total revenue from exchange transactions	**2 518**	**3 091**

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

177. Other miscellaneous revenue includes refund of maternity leave from social security, and other sundry credits.

NOTE 26: Interest revenue

	(expressed in euro'000s)	
	31-12-2014	31-12-2013
Term deposits	633	555
Discounted notes	87	64
Call accounts and others	169	133
Total interest revenue	**889**	**752**

178. The increase of €0.137 million (18.2%) in the total interest revenue is the result of higher average balances in overall holdings of cash, cash equivalent and investments at 31 December 2014 in comparison with the previous period.

179. As shown in Statement VIIb, of the total interest revenue recognized in 2014, €0.233 million (€0.208 million in 2013) was recognized under the Regular Budget and Working Capital Fund, €0.161 million (€0.153 million in 2013) under the Technical Cooperation Fund, €0.018 million (€0.015 million in 2013) under the Technical Cooperation Extrabudgetary Fund, €0.289 million (€0.208 million in 2013) under the Extrabudgetary Programme Fund and €0.188 million (€0.168 million in 2013) under the Low Enriched Uranium Bank. These amounts are expected to be utilized in support of the activities of the respective funds.

NOTE 27: Staff costs

	(expressed in euro'000s)	
	31-12-2014	31-12-2013 (restated)
Professional staff		
Salaries	124 368	121 380
Common staff costs: contributions to the UNJSPF and other pension schemes	24 084	23 514
Common staff costs: other	31 504	30 559
Total professional staff	179 956	175 453
General services staff		
Salaries	52 028	50 964
Common staff costs: contributions to the UNJSPF and other pension schemes	10 559	10 360
Common staff costs: other	16 429	14 387
Total general services staff	79 016	75 711
Total staff costs	**258 972**	**251 164**

180. 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 28: Travel

	(expressed in euro'000s)	
	31-12-2014	31-12-2013
Staff travel		
Duty travel staff	11 023	11 487
Safeguards inspection and equipment maintenance	5 803	5 707
Total staff travel	16 826	17 194
Non-staff travel		
For technical cooperation projects	17 491	18 117
Consultants	12 651	12 020
Other non-staff	3 480	3 495
Total non-staff travel	33 622	33 632
Total travel expenses	**50 448**	**50 826**

181. 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.

182. 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 29: Transfers to development counterparts

	(expressed in euro'000s)	
	31-12-2014	31-12-2013
Project inventories distributed to development counterparts	31 477	28 558
Services to development counterparts	4 736	1 827
Research and technical contracts	5 788	5 082
ICTP	2 354	2 368
Other grants	217	440
Total transfers to development counterparts	**44 572**	**38 275**

183. The higher value of expenses for distribution of project inventories to counterparts in 2014 compared to 2013 (€2.919 million) is due to an increase in the Agency's programmatic activities and is in line with a decrease in inventory held in transit at the reporting date.

184. 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 30: Vienna International Centre Common Services

	(expressed in euro'000s)	
	31-12-2014	**31-12-2013 (restated)**
Buildings Management Services	12 093	15 055
Security Services	7 547	6 624
Conference services	1 282	825
Total Vienna International Centre Common Services	**20 922**	**22 504**

185. Building Management Services (BMS), Security Services and Conference Services 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. Conference Services is jointly-controlled, operated by UNOV and is responsible for providing interpretation and other conference related services at the VIC premises.

NOTE 31: Training

	(expressed in euro'000s)	
	31-12-2014	**31-12-2013**
Training of development counterparts	18 801	19 253
Training - staff	1 882	1 759
Total training	**20 683**	**21 012**

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

NOTE 32: Other operating expenses

	(expressed in euro'000s)	
	31-12-2014	**31-12-2013**
Supplies and materials	6 119	6 455
Information technology contractual services	5 671	6 389
Scientific and technical contractual services	1 473	1 683
Other institutional contractual services	2 786	3 017
Building services and security – non VIC	3 340	2 684
Equipment and software maintenance	6 148	4 914
Purchase of minor equipment and software	5 563	4 153
Communication and transport	3 051	2 806
Leased equipment	1 296	1 101
Lease of premises	1 937	1 586
Representation and hospitality	581	551
Printing supplies, Safeguards spare parts and maintenance materials inventory consumption	224	136
Increase/(decrease) in provisions and allowances	1 411	(401)
Other operating expenses	3 128	1 575
Other miscellaneous expenses	1 430	1 395
Total other operating expenses	**44 158**	**38 044**

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

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

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

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

191. Building services and security – 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.

192. 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.

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

194. All current commercial leases of equipment and premises were classified as operational leases.

195. The 2014 increase in provisions and allowances pertained primarily to increases in the allowance for doubtful accounts and the allowance for project inventory in-transit to be distributed to development counterparts.

196. Other operating expenses primarily relate to general laboratory utility costs. Other miscellaneous expenses mainly include the Agency's contributions to UN system jointly funded activities, insurance and bank charges.

NOTE 33: Net gains/ (losses)

	(expressed in euro'000s)	
	31-12-2014	**31-12-2013**
Unrealized foreign exchange gains/(losses)	28 775	(7 058)
Realized foreign exchange gains/(losses)	(452)	(75)
Gains/(losses) on sale or disposal of property, plant and equipment	27	(664)
Net gains/(losses)	**28 350**	**(7 797)**

197. Net unrealized foreign exchange gains in 2014 were primarily due to the revaluation of the Agency's cash, cash equivalent and investment holdings in US dollars, and the related depreciation in the Euro, functional currency of the Agency, vis-à-vis the US dollar during this period. In 2013 this effect was reverse and as a consequence the Agency experienced a foreign exchange loss.

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

	(expressed in euro'000s)	
	31-12-2014	**31-12-2013**
Share of surplus/(deficit) in the Commissary	(1 736)	431
Share of surplus/(deficit) in Catering Services	167	31
Total share of surplus in common services entities	**(1 569)**	**462**

198. Commissary and Catering Services are common services that have been deemed to be jointly controlled by the VBOs (refer to Note 11). The amount related to the Commissary represents the result of applying the equity method of accounting based first on the return of initial funding of the Commissary to the Agency and UNIDO (€0.809 million each) and then calculating the Agency's share in the remaining net surplus/(deficit) of the Commissary on the basis of the BMS cost-sharing ratio, i.e. 53.868% for 2014 and 2013. The amount related to the Catering Services represents the result of applying the equity method of accounting to the Agency's share in the net surplus/(deficit) of the Catering Services on the basis of the BMS cost-sharing ratio, i.e. 53.868% for 2014 and 2013.

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

2014

For the period ending 31 December 2014

(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	Eliminations	Total
Regular Budget and Working Capital fund								
Expense	33 436	38 775	37 088	123 231	104 188	1 349	-	**338 067**
Property, Plant, Equipment and intangibles	1 180	3 892	2 204	86 238	28 811	-	-	**122 325**
Additions to Property, Plant, Equipment and Intangibles	424	2 077	901	24 327	8 356	-	-	**36 085**
Major Capital Investment Fund								
Expense	75	341	10	884	584	-	-	**1 894**
Property, Plant, Equipment and intangibles	-	-	-	-	-	-	-	**-**
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	**-**
Technical Cooperation Fund								
Expense	5 996	36 925	13 396	1	4 291	16	-	**60 625**
Property, Plant, Equipment and intangibles	-	15	-	-	5	-	-	**20**
Additions to Property, Plant, Equipment and Intangibles	-	10	-	-	-	-	-	**10**
Technical Cooperation Extrabudgetary Fund								
Expense	2 428	7 216	5 212	1	469	203	-	**15 529**
Property, Plant, Equipment and intangibles	-	-	-	-	-	-	-	-
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	**-**
Extrabudgetary Programme Fund								
Expense	5 903	4 820	33 162	15 624	4 308	29	-	**63 846**
Property, Plant, Equipment and intangibles	419	353	675	13 604	303	-	-	**15 354**
Additions to Property, Plant, Equipment and Intangibles	218	92	427	4 774	55	-	-	**5 566**
Low Enriched Uranium Bank								
Expense	1 675	1	1	3	(1)	-	-	**1 679**
Property, Plant, Equipment and intangibles	12	-	-	-	-	-	-	**12**
Additions to Property, Plant, Equipment and Intangibles	8	-	-	-	-	-	-	**8**
Trust Funds and Special Funds								
Expense	12	332	-	-	356	-	-	**700**
Property, Plant, Equipment and intangibles	-	1	-	-	563	-	-	**564**
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	57	-	-	**57**
Inter-fund elimination of un-allocated shared services expenses	-	-	-	-	-	-	(6 316)	**(6 316)**
Total Expense	**49 525**	**88 410**	**88 869**	**139 744**	**114 195**	**1 597**	**(6 316)**	**476 024**
Total PP&E and Intangibles	**1 611**	**4 261**	**2 879**	**99 842**	**29 682**	**-**	**-**	**138 275**
Total Additions to PP&E and Intangibles	**650**	**2 179**	**1 328**	**29 101**	**8 468**	**-**	**-**	**41 726**

a/ Includes Management of Technical Cooperation for Development.

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

2013 (restated)

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 Services a/	Shared Services and Expenses not Directly Charged to Major Programmes	Eliminations	Total
Regular Budget and Working Capital fund								
Expense	32 625	39 568	33 546	121 085	98 374	932	-	**326 130**
Property, Plant, Equipment and intangibles	1 094	2 720	1 915	70 489	24 734	-	-	**100 952**
Additions to Property, Plant, Equipment and Intangibles	533	1 356	782	28 661	6 414	-	-	**37 746**
Major Capital Investment Fund								
Expense	45	75	7	980	2 988	1	-	**4 096**
Property, Plant, Equipment and intangibles	-	-	-	-	-	-	-	**-**
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	**-**
Technical Cooperation Fund								
Expense	5 821	40 004	12 517	5	2 569	(42)	-	**60 874**
Property, Plant, Equipment and intangibles	-	10	-	-	7	-	-	**17**
Additions to Property, Plant, Equipment and Intangibles	-	10	-	-	-	-	-	**10**
Technical Cooperation Extrabudgetary Fund								
Expense	2 009	7 710	4 237	-	288	144	-	**14 388**
Property, Plant, Equipment and intangibles	-	-	-	-	-	-	-	**-**
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	**-**
Extrabudgetary Programme Fund								
Expense	5 385	4 564	29 814	10 060	4 341	33	-	**54 197**
Property, Plant, Equipment and intangibles	279	344	413	10 724	334	-	-	**12 094**
Additions to Property, Plant, Equipment and Intangibles	242	137	323	1 517	12	-	-	**2 231**
Low Enriched Uranium Bank								
Expense	1 332	9	10	34	33	-	-	**1 418**
Property, Plant, Equipment and intangibles	5	-	-	-	-	-	-	**5**
Additions to Property, Plant, Equipment and Intangibles	4	-	-	-	-	-	-	**4**
Trust Funds and Special Funds								
Expense	11	258	4	-	610	-	-	**883**
Property, Plant, Equipment and intangibles	-	2	-	-	836	-	-	**838**
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	436	-	-	**436**
Inter-fund elimination of un-allocated shared services expenses	-	-	-	-	-	(972)	(4 512)	**(5 484)**
Total Expense	**47 228**	**92 188**	**80 135**	**132 164**	**109 203**	**96**	**(4 512)**	**456 502**
Total PP&E and Intangibles	**1 378**	**3 076**	**2 328**	**81 213**	**25 911**	**-**	**-**	**113 906**
Total Additions to PP&E and Intangibles	**779**	**1 503**	**1 105**	**30 178**	**6 862**	**-**	**-**	**40 427**

a/ Includes Management of Technical Cooperation for Development.

NOTE 36: Budget

199. 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

200. 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)

201. 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 2014. The amount in each appropriation section comprises a euro component and a US dollar component expressed in 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.

202. The table below illustrates the revaluation of the 2014 Regular Budget appropriations for 2014. The variances between the original approved budget and the final budget were due to revaluation only. There were no changes between the original and final budget for the capital portion of the 2014 Regular Budget appropriations.

(expressed in euro'000s)

Operational portion	**Approved Budget**	**Revalued Budget Final a/**	**Variance**
MP1-Nuclear Power Fuel Cycle and Nuclear Science	34 479	33 395	(1 084)
MP2-Nuclear Techniques for Development and Environmental Protection	38 483	37 451	(1 032)
MP3-Nuclear Safety and Security	37 114	35 633	(1 481)
MP4-Nuclear Verification	131 029	126 367	(4 662)
MP5-Policy Management and Administration Services	76 944	75 178	(1 766)
MP6-Management of Technical Cooperation and Development	23 561	22 683	(878)
Total Agency programmes	**341 610**	**330 707**	**(10 903)**
Reimbursable work for others	2 840	2 840	-
Total Regular Budget operational portion	**344 450**	**333 547**	**(10 903)**

a/ General Conference Resolution GC(57)/RES/5 of September 2013 - revalued at the United Nations average rate of exchange of €0.7510/US$1. There were no transfers between Major Programmes. The difference between the approved budget and the final budget is due to revaluation only.

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

203. 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.

204. 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 2014 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/	7 161		
Basis difference	(12 911)		
Presentation difference	11 186	(32 554)	21 368
Entity difference	52 707	(6 638)	(21 380)
Net cash flows as per Statement of Cash Flows	**58 143**	**(39 192)**	**(12)**

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.

205. **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 as well as foreign exchange gain/loss are included as basis differences.

206. **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.

207. **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.

208. **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

209. Excluding reimbursable work for others, the Agency expended €328.250 million from the 2014 Regular Budget. Operational Regular Budget expenditures of €323.552 million were incurred out of an adjusted budget of €330.707 million, representing an implementation rate of 97.8%. This leaves an unobligated balance of €7.155 million which will be carried over into the second year of the biennium to meet programmatic needs. The budgetary underutilization in the operational portion was experienced in staff costs due to delays in recruitment, unplanned resignations, and early departure of staff.

210. Under the capital portion of the 2014 Regular Budget, expenditures of €4.698 million were incurred out of the allotted budget of €8.224 million leaving an unobligated balance of €3.526

million in the Major Capital Investment Fund (MCIF) to be carried over for the same projects as approved. This included:

- In Major Programme 2, €2.673 million was available for enhancing capabilities of NA laboratories at Seibersdorf. However due to scheduling the amount was not utilized in 2014.

- In Major Programme 4, €2.261 million were allotted and this amount was almost entirely (99.1%) utilized on upgrading the Safeguards Information System.

- In Major Programme 5, €3.290 million was allotted to IT infrastructure and AIPS implementation and about €2.458 million (74.7%) was expended.

NOTE 36d: Major Capital Investment Fund (MCIF)

211. 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].

212. 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.

213. 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.

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

215. The following table presents the financial status of the MCIF at the end of the 2014 financial year.

[1] The MCIP 2014-2023 is provided in the Agency’s Programme and Budget 2014-2015 GC(57)/2 dated August 2013.

Comparison of budget and actual amounts a/

(expressed in euro'000s)	
Resources:	
Opening balance 1 January 2014	18 306
2014 Regular Budget capital portion b/	8 224
Transfers to MCIF c/	233
Total resources	**26 763**
Expenditure:	
MP1-Nuclear Power, Fuel Cycle and Nuclear Science	3
MP2-Nuclear Techniques for Development and Environmental Protection	113
MP4-Nuclear Verification	4 811
MP5-Policy, Management and Administration Services	7 569
Total expenditure during 2014	**12 496**
Available resources at 31 December 2014	**14 267**
Allocation of available resources at 31 December 2014	
Allocated to Major Programmes	11 483
Unallocated	2 784

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

b/ GC(57)/RES/5 dated September 2013.

c/ Balance of savings from unused 2013 appropriations after offsetting the cash deficit for 2012 and 2013.

NOTE 37: Related parties

Key management personnel

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

217. 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
2014	8*	1 197	297	255	1 749	25	-
2013	8*	1 219	238	262	1 719	-	-

* One member of the key management personnel retired during 2014 and was replaced, and the same happened in 2013. At any point of time during 2014 and 2013 there were not more than 7 key management personnel. In 2013 one member of the key management personnel was employed by the Agency at the level of Director for part of the year; his compensation as Director is included in the above table.

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

219. 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

220. 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

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

222. 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 2014, 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 2014, the total exposure of the Agency with commercial banks was 65.36% and the highest exposure with commercial banks in any single country was 15.76% 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/	31-12-2014		31-12-2013	
	Carrying value	Percentage	Carrying value	Percentage
AAA	148 824	31.3%	98 981	22.14%
AA+	-	-	9 996	2.24%
AA	16 000	3.4%	46 984	10.51%
AA-	166 749	35.0%	95 731	21.42%
A+	144 250	30.3%	144 874	32.41%
A	-	-	50 425	11.28%
	475,823 b/	**100%**	**446,991 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/ 54.4% of the balance as at 31 December 2014 was denominated in euros and 45.6% was denominated in US dollars (59.7% and 40.3%, respectively, as at 31 December 2013).
The total cash equivalents and investments as at 31 December 2014 increased by €28.832 million (or 6.5%) from 31 December 2013.

223. 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)			
		31-12-2014		31-12-2013	
		Carrying value	Percentage	Carrying value	Percentage
Bank for International Settlements	Financial Institution (central banks)	88 560	18.61%	61 987	13.87%
United States	Government	60 264	12.67%	a/	a/
Belgium	Government	b/	b/	46 984	10.51%
	Total	148 824	31.28%	108 971	24.38%

a/ At 31 December 2013 the exposure to the United States was less than 10% of the portfolio (€10.874 million or 2.43%).
b/ At 31 December 2014 the exposure to Belgium was less than 10% of the portfolio (€8.000 million or 1.68%).

b) Currency risk management

224. 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.

225. 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.

226. 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 31-12-2014	291 156	218 569	1 229	338	511 292 a/
As at 31-12-2013	282 054	182 749	1 006	283	466 092 a/

a/ The increase of € 45.200 million (or 9.70%) in total cash, cash equivalents and investments at 31 December 2014 as compared to the balance at 31 December 2013 was driven in large part by the revaluation of the US dollar holdings at a stronger exchange rate on 31 December 2014 as compared to the exchange rate at the end of 2013.

c) Liquidity risk management

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

228. 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 2014 or 2013.

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

229. The Agency's financial liabilities were approximately 50.4% of financial assets as at 31 December 2014, against 40.7% as at 31 December 2013; this higher percentage is mainly due to the significant actuarial loss recorded in the context of employee benefits liabilities valuation. Most of the financial liabilities are long-term in nature. The Agency's short-term financial

liabilities (due within 12 months) were only 4.2% of its short-term financial assets as at 31 December 2014 (4.6% as at 31 December 2013).

230. As at 31 December 2014, the weighted average period to maturity of the Agency's cash and cash equivalents and investments holdings for euros and US dollars was 77 days and 37 days, respectively (71 days and 37 days, respectively at 31 December 2013).

d) Interest rate risk management

231. 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.

232. 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 2014, the Agency earned an average rate of 0.18% per annum on its euro cash and investments (0.14% per annum in 2013) and an average rate of 0.16% per annum on its US dollar cash and investments (0.19% per annum in 2013). 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

233. Commitments include purchase orders and service contracts that are not delivered as at end of the reporting period. As on 31 December 2014, the Agency had commitments of €79.176 million (€81.777 million as on 31 December 2013). The details of commitments by funding source are provided below:

	(expressed in euro'000s)	
Fund Group	**31-12-2014**	**31-12-2013**
Regular Budget Fund and Working Capital Fund	28 520	28 963
Major Capital Investment Fund	5 017	3 013
Technical Cooperation Fund	23 319	26 878
Technical Cooperation Extrabudgetary Fund	8 955	7 028
Extrabudgetary Programme Fund	13 178	15 708
Low Enriched Uranium Bank	92	70
Trust Funds, Reserve Funds and Special Funds	95	117
Total commitments	**79 176**	**81 777**

Capital commitments

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

	(expressed in euro'000s)	
	31-12-2014	**31-12-2013**
Scientific and Technical Equipment	10 718	10 378
Construction Contracts	4 853	6 276
Communications & IT Equipment	730	1 973
Software	474	1 555
Security & Safety Equipment	69	167
Furniture and Fixtures	82	92
Vehicles	132	92
Total capital commitments	**17 058**	**20 533**

Operating lease commitments

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

	(expressed in euro'000s)	
	31-12-2014	**31-12-2013**
Office facility operating leases	3 654	499
Other leases	1 432	2 297
Total operating lease commitments	**5 086**	**2 796**
Operating lease commitments by term		
Less than one year	1 306	1 139
One to five years	2 347	1 581
Over five years	1 433	76
Total operating lease commitments	**5 086**	**2 796**

236. Office facility operating lease commitments pertain to the Agency's offices, primarily in New York, Washington DC, Toronto, Geneva and Tokyo. The value of future lease commitments is substantially higher in 2014 as compared to 2013 because some of the lease contracts have expired and been replaced by new ones with longer terms.

237. Other leases primarily represent the rental of office equipment such as photocopiers and printing equipment. The reduction in the value of these commitments is a function of the relatively short-term nature of these contracts.

NOTE 40: Prior period items

238. Certain 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 receivables, PP&E and

intangibles) were overstated by €0.192 million as of 31 December 2014. This overstatement related primarily to the erroneously recognized receivables (€0.175 million), first time recognition of certain items of PP&E (€0.120 million), retroactive correction of depreciation (€0.137 million) and capitalization of costs related to internally developed software which, at completion, did not reach the capitalization threshold (€0.043 million). The impact of such an overstatement on the Statement of Financial Performance was an understatement of expenses for 2014 (primarily staff costs and depreciation) by €0.027 million. The remaining €0.166 million related primarily to de-recognition of prior periods' receivables. As such, the impact would have been to adjust the opening fund balance as at 1 January 2013.

239. Note 2 describes certain other prior period errors that have been corrected within these financial statements.

NOTE 41: Contingent liabilities and contingent assets

Contingent liabilities

240. As at 31 December 2014, there were 13 appeals cases against the Agency with the ILOAT, and two additional cases against the Agency that have not been appealed to the ILOAT, relating to various claims from staff members or former staff members. It has been determined that two of these cases may be decided in favour of the former staff members with a potential liability to the Agency of €0.020 million, which has been recorded as a provision in these financial statements (refer to Note 19). Additionally, one of these cases was decided in favour of the former staff member in February 2015, for which a provision of €0.024 million was recognized in the 2014 financial statements (refer also to Note 19). If the claimants for the remaining unresolved cases are ultimately successful, it is estimated that the cost to the Agency could be approximately €0.400 million.

Contingent assets

241. The Agency's contingent assets consist primarily of pledges received that are subject to further parliamentary approvals from the donors or where the amount of the pledge is based on an estimate for which funds have not been received (€0.6 million) and pledges received that have not yet been formally accepted by the Agency (€4.2 million).

NOTE 42: Events after the reporting date

242. The Agency's reporting date is 31 December 2014. The financial statements were authorized for issuance by the Director General on 20 March 2015, the date at which they were submitted to the External Auditor.

243. 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

244. 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 2014
(expressed in euro)

Donors	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB) EB RB a/	EB TC	Total
I. Member States						
Afghanistan	14 550	-	-	-	-	14 550
Albania	29 945	5 018	37 012	-	180 000	251 975
Algeria	395 272	91 373	24 466	-	-	511 111
Angola	29 100	7 250	-	-	-	36 350
Argentina	1 291 439	287 962	48 408	139 825	-	1 767 634
Armenia	20 961	4 846	29 558	-	-	55 365
Australia	6 909 625	1 383 051	-	791 141	20 000	9 103 817
Austria	2 659 406	532 315	-	5 000	-	3 196 721
Azerbaijan	113 790	26 304	34 289	-	-	174 383
Bahrain	128 112	-	23 142	-	-	151 254
Bangladesh	29 100	6 922	-	-	-	36 022
Belarus	161 703	37 380	31 157	-	-	230 240
Belgium	3 323 396	665 221	-	210 000	-	4 198 617
Belize	2 995	1 371	30 578	-	-	34 944
Benin	8 731	-	-	-	-	8 731
Bolivia	26 950	4 912	3 171	-	-	35 033
Bosnia and Herzegovina	47 912	11 075	31 113	-	-	90 100
Botswana	47 912	11 075	17 995	-	8 355	85 337
Brazil	8 773 090	-	83 461	-	-	8 856 551
Bulgaria	134 753	31 150	20 792	-	-	186 695
Burkina Faso	8 731	2 077	-	-	1 287	12 095
Burundi	2 911	-	-	-	-	2 911
Cambodia	11 640	-	-	-	-	11 640
Cameroon	35 933	6 853	36 769	-	125 725	205 280
Canada	9 939 070	1 969 001	-	2 667 970	-	14 576 041
Central African Republic	2 910	-	-	-	-	2 910
Chad	5 820	-	-	-	3 989	9 809
Chile	999 623	107 903	41 735	7 230	37 170	1 193 661
China	14 846 669	3 432 014	82 045	919 460	30 366	19 310 554
Colombia	745 626	58 000	24 765	-	-	828 391
Congo	16 856	-	-	-	-	16 856
Costa Rica	110 796	49 188	22 357	-	90 000	272 341
Cote d'Ivoire	32 940	7 614	19 379	-	24 915	84 848
Croatia	362 334	83 758	30 100	-	50 000	526 192
Cuba	197 636	33 122	92 708	-	-	323 466
Cyprus	155 627	31 150	(557)	-	-	186 220
Czech Republic	1 154 844	257 505	482	40 000	204 571	1 657 402
Democratic Republic of the Congo	8 731	2 077	-	-	1 954	12 762
Denmark	2 247 874	449 941	-	1 374 537	-	4 072 352
Dominica	3 371	-	-	-	-	3 371
Dominican Republic	128 763	29 765	11 855	-	-	170 383
Ecuador	125 768	27 309	36 997	-	-	190 074
Egypt	386 289	89 296	39 465	-	124 646	639 696
El Salvador	44 918		31 203	-	-	76 121
Eritrea	2 910	692	-	-	-	3 602
Estonia	113 790	26 304	25 464	27 590	115 000	308 148
Ethiopia	29 100	6 922	-	-	50 000	86 022
Fiji	10 115	-	-	-	-	10 115
Finland	1 729 133	346 109	-	350 000	-	2 425 242
France	18 629 707	3 728 976	-	1 663 400	20 000	24 042 083
Gabon	58 984	-	7 394	-	-	66 378
Georgia	20 961	4 846	26 251	-	-	52 058
Germany	23 785 995	4 761 073	-	3 201 624	-	31 748 692
Ghana	38 929	8 999	46 790	-	5 096	99 814
Greece	2 070 025	227 712	481	-	-	2 298 218
Guatemala	77 856	3 601	24 762	-	-	106 219
Haiti	8 731	-	-	-	-	8 731
Holy See	3 459	1 725	-	-	-	5 184
Honduras	23 956	-	27 821	-	-	51 777
Hungary	794 732	177 208	6 765	67 856	23 500	1 070 061
Iceland	89 911	17 998	-	-	-	107 909
India	1 919 466	443 711	-	52 850	-	2 416 027
Indonesia	997 164	130 500	23 202	46 776	6 000	1 203 642
Iran, Islamic Republic of	1 027 109	10 000	12 933	-	-	1 050 042
Iraq	194 643	44 994	32 349	-	-	271 986
Ireland	1 393 685	150 000	-	-	-	1 543 685
Israel	1 317 601	134 505	21 666	-	400 000	1 873 772
Italy	14 815 236	2 801 925	-	11 000	-	17 628 161
Jamaica	32 940	7 614	52 353	-	-	92 907
Japan	36 083 614	7 222 598	-	10 412 635	1 376 056	55 094 903
Jordan	62 885	14 537	12 481	-	15 000	104 903

ANNEX A1 (continued)

Donors	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB)		Total
				EB RB a/	EB TC	
Kazakhstan	347 360	80 195	3 329	475 575	-	906 459
Kenya	35 933	8 307	29 210	-	41 500	114 950
Korea, Republic of	6 473 044	1 329 058	-	2 137 805	359 721	10 299 628
Kuwait	909 527	182 053	27 882	250 000	-	1 369 462
Kyrgyzstan	5 989	-	(3 727)	-	-	2 262
Lao People's Democratic Republic	5 820	-	-	-	-	5 820
Latvia	134 753	31 150	(27 359)	7 930	-	146 474
Lebanon	119 779	27 689	63 395	-	-	210 863
Lesotho	2 910	3 000	-	-	1 430	7 340
Liberia	2 910	-	-	-	-	2 910
Libya	425 305	-	21 516	-	-	446 821
Liechtenstein	31 123	6 230	-	-	-	37 353
Lithuania	209 614	48 455	2 827	-	10 000	270 896
Luxembourg	269 743	53 993	-	22 000	-	345 736
Madagascar	8 731	2 077	-	-	3 151	13 959
Malawi	5 820	-	-	-	-	5 820
Malaysia	841 297	187 591	35 715	-	-	1 064 603
Mali	11 639	2 769	-	-	-	14 408
Malta	46 567	10 383	5 540	-	-	62 490
Marshall Islands	2 995	-	-	-	-	2 995
Mauritania, Islamic Republic of	5 820	1 384	-	-	-	7 204
Mauritius	35 933	8 307	50 295	-	7 051	101 586
Mexico	5 507 242	1 227 994	55 007	-	-	6 790 243
Monaco	41 501	8 307	-	260 260	-	310 068
Mongolia	8 984	5 000	33 937	-	-	47 921
Montenegro	14 973	-	6 411	-	50 000	71 384
Morocco	179 669	41 533	37 419	-	102 481	361 102
Mozambique	8 731	2 077	-	-	-	10 808
Myanmar	29 100	6 922	-	-	-	36 022
Namibia	29 945	11 726	25 118	-	9 388	76 177
Nepal	17 461	4 153	-	-	-	21 614
Netherlands	5 509 021	1 102 702	-	829 000	-	7 440 723
New Zealand	843 821	-	-	151 872	61 544	1 057 237
Nicaragua	8 731	2 077	37 223	-	-	48 031
Niger	5 820	1 384	-	-	2 541	9 745
Nigeria	260 520	60 223	45 508	-	50 000	416 251
Norway	2 835 778	567 618	-	2 050 484	-	5 453 880
Oman	330 395	67 837	13 109	-	-	411 341
Pakistan	245 547	56 762	31 716	20 000	251 220	605 245
Palau	3 104	-	16 232	-	-	19 336
Panama	74 863	10 000	16 664	-	-	101 527
Papua New Guinea	13 486	-	-	-	-	13 486
Paraguay	29 945	6 922	27 558	-	-	64 425
Peru	338 377	-	36 702	-	-	375 079
Philippines	443 185	102 448	36 938	-	-	582 571
Poland	2 656 111	613 997	28 622	-	-	3 298 730
Portugal	1 537 347	303 865	11 098	-	-	1 852 310
Qatar	695 113	227 282	(2 355)	-	-	920 040
Republic of Moldova	8 984	2 077	50 167	-	-	61 228
Romania	652 798	150 903	25 409	-	-	829 110
Russian Federation	8 120 017	888 253	14 815	2 158 333	321 640	11 503 058
Rwanda	5 820	-	-	-	-	5 820
Saudi Arabia	2 582 877	575 925	15 094	500 000	374 000	4 047 896
Senegal	17 461	4 153	-	-	-	21 614
Serbia	113 790	26 304	32 122	-	-	172 216
Seychelles	3 104	692	24 131	-	4 143	32 070
Sierra Leone	2 910	-	-	-	-	2 910
Singapore	1 279 558	256 120	1 497	-	-	1 537 175
Slovakia	494 091	114 216	15 219	95 000	-	718 526
Slovenia	331 990	33 500	15 621	-	-	381 111
South Africa	1 072 027	247 814	17 865	-	435 719	1 773 425
Spain	9 901 028	-	-	226 000	95 000	10 222 028
Sri Lanka	71 868	16 613	47 805	-	36 348	172 634
Sudan	29 101	-	-	-	26 038	55 139
Swaziland	10 115	-	-	-	-	10 115
Sweden	3 198 902	640 301	-	146 841	559 560	4 545 604
Switzerland	3 485 941	705 383	-	396 500	-	4 587 824
Syrian Arab Republic	104 807	16 524	47 054	-	-	168 385
Tajikistan	8 984	2 077	37 811	-	-	48 872
Thailand	688 732	159 210	41 634	-	-	889 576
The Former Yugoslav Republic of Macedonia	23 956	-	31 690	-	-	55 646
Togo	2 910	-	-	-	-	2 910
Trinidad and Tobago	141 598	-	-	-	-	141 598
Tunisia	104 807	-	19 075	-	-	123 882
Turkey	3 829 950	765 346	1 278	50 000	-	4 646 574
Uganda	17 461	5 000	-	-	-	22 461
Ukraine	284 477	-	31 679	-	-	316 156
United Arab Emirates	1 981 590	396 641	974	-	-	2 379 205

ANNEX A1 (continued)

Donors	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB)		Total
				EB RB a/	EB TC	
United Kingdom of Great Britain and Northern	17 249 860	3 452 781	-	5 228 081	-	25 930 722
United Republic of Tanzania	26 191	6 230	-	-	-	32 421
United States of America	86 456 787	17 156 830	-	48 251 867	8 561 437	160 426 921
Uruguay	155 222	34 611	26 271	5 280	-	221 384
Uzbekistan	41 923	9 083	49 897	-	30 000	130 903
Venezuela, Bolivarian Republic of	1 808 671	-	24 684	-	-	1 833 355
Viet Nam	116 402	27 689	33 617	-	-	177 708
Yemen	29 100	6 922	-	-	-	36 022
Zambia	17 461	4 153	-	-	549	22 163
Zimbabwe	5 989	1 384	40 774	-	13 579	61 726
Sub-total:	**337 137 701**	**62 136 552**	**2 516 870**	**85 251 722**	**14 321 670**	**501 364 515**
II. New Member States						
Bahamas	57 313	-	-	-	-	57 313
Brunei Darussalam	87 792	17 998	-	-	-	105 790
San Marino	10 115	4 122	-	-	-	14 237
Sub-total:	**155 220**	**22 120**	**-**	**-**	**-**	**177 340**
III. Other Donors						
European Commission	-	-	-	939 145	2 047 050	2 986 195
International Organizations	-	-	-	989 375	583 155	1 572 530
Other Sources	-	-	-	533 284	4 675	537 959
Sub-total:	**-**	**-**	**-**	**2 461 804**	**2 634 880**	**5 096 684**
GRAND TOTAL:	**337 292 921**	**62 158 672**	**2 516 870**	**87 713 526**	**16 956 550**	**506 638 539**

a/ Excludes current year refunds of € 2 577.

ANNEX A2

STATUS OF OUTSTANDING CONTRIBUTIONS
As at 31 December 2014
(expressed in euro)

Donors	Working Capital Fund (WCF)	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Assessed Programme Costs (APCs)	Extrabudgetary (EB)		Total
						EB RB	EB TC	
I. Member States								
Afghanistan	-	-	-	-	-	-	-	-
Albania	-	-	70	-	-	-	130 000	130 070
Algeria	-	-	-	6 605	-	-	-	6 605
Angola	-	-	-	-	-	-	-	-
Argentina	-	1 164 811	-	(1 208)	-	143 500	-	1 307 103
Armenia	-	-	-	-	-	-	-	-
Australia	-	-	-	-	-	-	-	-
Austria	-	-	-	-	-	5 000	-	5 000
Azerbaijan	-	-	-	-	-	-	-	-
Bahrain	-	-	-	10 630	-	-	-	10 630
Bangladesh	-	-	-	-	-	-	-	-
Belarus	-	-	-	-	-	-	-	-
Belgium	-	-	-	-	-	-	-	-
Belize	-	-	-	-	-	-	-	-
Benin	-	12 888	-	-	-	-	-	12 888
Bolivia	-	127 989	-	4 519	228 024	-	-	360 532
Bosnia and Herzegovina	-	153 223	-	-	-	-	-	153 223
Botswana	-	-	-	-	-	-	-	-
Brazil	193 624	17 345 396	-	23 931	-	-	-	17 562 951
Bulgaria	-	-	-	-	-	-	-	-
Burkina Faso	-	-	-	-	-	-	-	-
Burundi	152	15 849	-	-	-	-	-	16 001
Cambodia	152	119 744	-	-	-	-	-	119 896
Cameroon	-	56 470	-	-	-	-	120 000	176 470
Canada	-	-	-	-	-	-	-	-
Central African Republic	152	30 922	697	-	-	-	-	31 771
Chad	-	11 533	-	-	-	-	-	11 533
Chile	-	336 640	-	-	-	-	29 900	366 540
China	-	286 557	-	-	-	3 681	-	290 238
Colombia	-	406 789	-	10 858	-	-	-	417 647

ANNEX A2 (continued)

Donors	Working Capital Fund (WCF)	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Assessed Programme Costs (APCs)	Extrabudgetary (EB) EB RB	Extrabudgetary (EB) EB TC	Total
Congo	-	-	-	-	-	-	-	-
Costa Rica	-	102 199	-	-	-	-	22 500	124 699
Cote d'Ivoire	-	-	-	-	-	-	15 000	15 000
Croatia	-	728 341	-	16 813	-	-	15 000	760 154
Cuba	-	397 121	-	18 713	-	-	-	415 834
Cyprus	-	-	-	(557)	-	-	-	(557)
Czech Republic	-	-	-	-	-	-	-	-
Democratic Republic of the Congo	-	8 796	2 077	-	-	-	-	10 873
Denmark	-	-	-	-	-	1 074 529	-	1 074 529
Dominica	152	9 929	-	-	-	-	-	10 081
Dominican Republic	3 042	1 412 972	-	19 824	167 782	-	-	1 603 620
Ecuador	-	-	-	1 520	-	-	-	1 520
Egypt	-	-	-	-	-	-	-	-
El Salvador	1 437	692 129	-	17 703	10 203	-	-	721 473
Eritrea	-	-	-	-	-	-	-	-
Estonia	-	-	-	-	-	-	78 000	78 000
Ethiopia	-	-	-	-	-	-	-	-
Fiji	-	-	-	-	-	-	-	-
Finland	-	-	-	-	-	-	-	-
France	-	-	-	-	-	-	-	-
Gabon	-	163 562	-	13 543	-	-	-	177 105
Georgia	-	128 682	-	-	-	-	-	128 682
Germany	-	-	-	-	-	-	-	-
Ghana	-	67 017	-	80 806	-	-	82 000	229 823
Greece	-	844 565	-	481	-	-	-	845 046
Guatemala	-	607 823	-	10 453	120 145	-	-	738 420
Haiti	-	-	221	-	-	-	-	221
Holy See	-	-	-	-	-	-	-	-
Honduras	-	16 544	-	5 152	-	-	-	21 696
Hungary	-	-	-	(221)	-	-	-	(221)
Iceland	-	-	-	-	-	-	-	-
India	-	-	-	-	-	-	-	-
Indonesia	-	-	-	-	-	-	717	717
Iran, Islamic Republic of	-	1 692 631	-	-	-	-	-	1 692 631
Iraq	-	6 997	-	2 349	-	-	-	9 346

ANNEX A2 (continued)

Donors	Working Capital Fund (WCF)	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Assessed Programme Costs (APCs)	Extrabudgetary (EB)		Total
						EB RB	EB TC	
Ireland	-	-	-	-	-	-	-	-
Israel	-	1 673	-	-	-	-	-	1 673
Italy	-	-	-	-	-	25 000	-	25 000
Jamaica	-	125 326	-	22 843	-	-	-	148 169
Japan	-	-	-	-	-	410 000	-	410 000
Jordan	-	63 649	-	-	-	-	37 985	101 634
Kazakhstan	-	102	-	-	-	-	-	102
Kenya	-	-	-	-	-	-	41 500	41 500
Korea, Republic of	-	-	-	(7 602)	-	-	-	(7 602)
Kuwait	-	-	-	-	-	-	-	-
Kyrgyzstan	152	26 046	-	51 911	7 397	-	-	85 507
Lao People's Democratic Republic	152	8 721	-	-	-	-	-	8 873
Latvia	-	-	-	(27 359)	-	-	-	(27 359)
Lebanon	-	122 439	-	-	-	-	-	122 439
Lesotho	-	8 398	3 000	-	-	-	-	11 398
Liberia	-	184 154	-	-	-	-	-	184 154
Libya	-	430 496	-	-	-	-	-	430 496
Liechtenstein	-	2 796	-	-	-	-	-	2 796
Lithuania	-	-	-	-	-	-	10 000	10 000
Luxembourg	-	-	-	-	-	20 000	-	20 000
Madagascar	-	16 525	4 240	-	-	-	-	20 765
Malawi	152	16 461	-	-	-	-	-	16 613
Malaysia	-	-	-	-	-	-	-	-
Mali	152	21 438	9 769	-	-	-	-	31 359
Malta	-	-	-	-	-	-	-	-
Marshall Islands	-	11 332	-	-	-	-	-	11 332
Mauritania, Islamic Republic of	152	8 721	1 720	-	-	-	-	10 592
Mauritius	-	-	-	3 701	-	-	-	3 701
Mexico	-	-	-	-	-	-	-	-
Monaco	-	-	-	-	-	-	-	-
Mongolia	-	-	-	-	-	-	963	963
Montenegro	-	11 138	2 702	29 855	-	-	-	43 694
Morocco	-	608	-	(5 742)	-	-	-	(5 134)
Mozambique	-	-	-	-	-	-	-	-
Myanmar	-	-	-	-	-	-	-	-

ANNEX A2 (continued)

Donors	Working Capital Fund (WCF)	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Assessed Programme Costs (APCs)	Extrabudgetary (EB)		Total
						EB RB	EB TC	
Namibia	-	-	-	-	-	-	-	-
Nepal	-	50 778	4 153	-	-	-	-	54 931
Netherlands	-	-	-	-	-	10 000	-	10 000
New Zealand	-	-	-	-	-	-	-	-
Nicaragua	-	-	-	5 631	-	-	-	5 631
Niger	-	-	-	-	-	-	-	-
Nigeria	1 825	480 577	67 384	19 138	-	-	-	568 924
Norway	-	-	-	-	-	-	-	-
Oman	-	-	-	-	-	-	-	-
Pakistan	-	-	-	-	-	-	100 000	100 000
Palau	-	-	-	-	-	-	-	-
Panama	-	33 666	-	4 398	-	-	-	38 064
Papua New Guinea	-	26 682	-	-	-	-	-	26 682
Paraguay	-	69 859	-	16 289	60 892	-	-	147 040
Peru	-	515 711	-	3 291	97 109	-	-	616 112
Philippines	-	129 716	-	1 162	-	-	-	130 878
Poland	-	-	-	22 321	-	-	-	22 321
Portugal	-	-	-	-	-	-	-	-
Qatar	-	-	-	(2 355)	-	-	-	(2 355)
Republic of Moldova	-	-	-	-	-	-	-	-
Romania	-	-	-	40 358	42 557	-	-	82 915
Russian Federation	-	-	-	-	-	820 000	-	820 000
Rwanda	-	-	-	-	-	-	-	-
Saudi Arabia	-	-	-	-	-	-	-	-
Senegal	-	50 795	15 320	-	-	-	-	66 115
Serbia	-	426 185	-	4 333	-	-	-	430 518
Seychelles	-	-	-	-	-	-	-	-
Sierra Leone	-	13 564	-	-	-	-	-	13 564
Singapore	-	-	-	-	-	-	-	-
Slovakia	-	-	-	-	-	50 000	-	50 000
Slovenia	-	324 242	33 500	186	-	-	-	357 928
South Africa	-	-	-	-	-	-	40 000	40 000
Spain	-	-	-	-	-	25 000	20 000	45 000
Sri Lanka	-	11 894	-	12 924	185 633	-	-	210 452

ANNEX A2 (continued)

Donors	Working Capital Fund (WCF)	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Assessed Programme Costs (APCs)	Extrabudgetary (EB)		Total
						EB RB	EB TC	
Sudan	-	71 314	11 490	-	-	-	-	82 804
Swaziland	456	20 183	-	-	-	-	-	20 639
Sweden	-	-	-	-	-	-	-	-
Switzerland	-	-	-	-	-	230 000	-	230 000
Syrian Arab Republic	-	-	-	43 594	-	-	-	43 594
Tajikistan	-	-	-	1 973	-	-	-	1 973
Thailand	-	-	-	-	-	-	-	-
The Former Yugoslav Republic of Macedonia	-	92 093	13 261	54 342	-	-	-	159 696
Togo	-	8 462	-	-	-	-	-	8 462
Trinidad and Tobago	-	-	-	-	-	-	-	-
Tunisia	-	-	-	-	-	-	-	-
Turkey	-	-	-	(10 756)	-	-	-	(10 756)
Uganda	-	-	-	-	-	-	-	-
Ukraine	1 674	287 931	-	18 275	-	-	-	307 880
United Arab Emirates	-	-	-	-	-	-	-	-
United Kingdom of Great Britain and	-	-	-	-	-	-	-	-
United Republic of Tanzania	-	-	-	-	-	-	-	-
United States of America	-	25 098 784	-	-	-	-	-	25 098 784
Uruguay	-	-	-	-	-	-	-	-
Uzbekistan	-	145 162	-	46 343	-	-	-	191 505
Venezuela, Bolivarian Republic of	-	2 710 074	-	17 228	-	-	-	2 727 302
Viet Nam	-	-	-	8 793	-	-	-	8 793
Yemen	-	31 932	20 724	-	-	-	-	52 656
Zambia	-	642	4 153	-	-	-	-	4 795
Zimbabwe	-	636	3 547	21 419	-	-	-	25 603
Sub-total:	**203 426**	**58 609 027**	**198 028**	**638 408**	**919 743**	**2 816 710**	**743 565**	**64 128 907**
II. New Member States								
Bahamas	2 586	58 020	-	-	-	-	-	60 606
Brunei Darussalam	-	-	-	-	-	-	-	-
San Marino	-	-	-	-	-	-	-	-
Sub-total:	**2 586**	**58 020**	**-**	**-**	**-**	**-**	**-**	**60 606**

ANNEX A2 (continued)

Donors	Working Capital Fund (WCF)	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Assessed Programme Costs (APCs)	Extrabudgetary (EB)		Total
						EB RB	EB TC	
III. Former Member States								
Korea, Democratic People's Republic of	-	128 576	24 301	-	32 564	-	-	185 441
Sub-total:	**-**	**128 576**	**24 301**	**-**	**32 564**	**-**	**-**	**185 441**
IV. Other Donors								
European Commission	-	-	-	-	-	668 000	1 988 077	2 656 077
International Organizations	-	-	-	-	-	259 176	247 821	506 997
Other Sources	-	-	-	-	-	61 520	-	61 520
Sub-total:	**-**	**-**	**-**	**-**	**-**	**988 696**	**2 235 898**	**3 224 594**
GRAND TOTAL	**206 012**	**58 795 623**	**222 328**	**638 408**	**952 307**	**3 805 406**	**2 979 463**	**67 599 548**

ANNEX A3

STATUS OF DEFERRED REVENUE
As at 31 December 2014
(expressed in euro)

Donors	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	408 788	92 132	-	-	-	500 920	-	-	-
Angola	29 952	6 980	-	-	-	36 932	-	-	-
Argentina	-	290 036	80 999	28 560	-	399 595	-	-	-
Armenia	21 657	4 886	-	-	-	26 543	-	-	-
Australia	7 021 485	1 393 147	-	-	-	8 414 632	-	-	-
Bangladesh	29 982	-	-	-	-	29 982	-	-	-
Belgium	-	-	-	242 080	-	242 080	-	-	-
Bulgaria	139 360	31 409	-	-	-	170 769	-	-	-
Canada	10 113 667	-	-	84 973	-	10 198 640	-	-	-
China	-	14 686	10 725	-	45 567	70 978	-	-	-
Congo	25 377	-	-	-	-	25 377	-	-	-
Denmark	2 286 653	453 681	-	-	-	2 740 334	-	-	-
Dominican Republic	-	30 013	-	-	-	30 013	-	-	-
Ecuador	-	1 688	-	-	-	1 688	-	-	-
Egypt	400 159	90 038	-	-	-	490 197	-	-	-
Eritrea	2 972	698	-	-	-	3 670	-	-	-
Estonia	117 682	26 523	-	2 039	-	146 244	-	-	-
France	-	-	-	142 000	7 500	149 500	-	-	-
Holy See	3 522	1 807	-	-	-	5 329	-	-	-
Hungary	825 299	178 680	-	-	-	1 003 979	-	-	-
India	-	-	-	39 950	-	39 950	-	-	-
Indonesia	-	-	-	-	1 064	1 064	-	-	-
Jamaica	-	7 678	-	-	-	7 678	-	-	-
Japan	-	-	-	3 487 146	-	3 487 146	-	-	-
Kazakhstan	-	-	-	39 350	-	39 350	-	-	-
Korea, Republic of	57 513	-	-	1 414 721	227 101	1 699 335	-	-	-
Latvia	139 289	31 409	-	-	-	170 698	-	-	-
Lithuania	-	25 568	4 838	-	-	30 406	-	-	-
Malaysia	-	-	-	-	7 250	7 250	-	-	-

ANNEX A3 (continued)

Donors	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				
Malta	48 382	10 470	2 695	-	-	61 547	-	-	-
Mexico	1 357 707	-	7 990	-	-	1 365 697	-	-	-
Monaco	51 638	8 376	-	-	-	60 014	-	-	-
Morocco	-	-	55 395	-	-	55 395	-	-	-
Netherlands	5 600 394	1 111 167	-	-	-	6 711 561	695 234	-	695 234
Niger	123	-	-	-	-	123	-	-	-
Norway	-	-	-	295	-	295	2 877 267	-	2 877 267
Pakistan	253 685	-	-	-	221 064	474 749	-	-	-
Palau	12 918	-	-	-	-	12 918	-	-	-
Philippines	-	3 995	-	-	-	3 995	-	-	-
Portugal	-	-	166	-	-	166	-	-	-
Saudi Arabia	2 680 846	580 711	-	-	-	3 261 557	-	-	-
Serbia	-	-	396	-	-	396	-	-	-
Seychelles	4 003	-	-	-	2 400	6 403	-	-	-
Singapore	1 302 310	258 249	-	-	-	1 560 559	-	-	-
Slovakia	152 470	115 165	-	-	-	267 635	-	-	-
Sri Lanka	-	16 751	394	-	-	17 145	-	-	-
Tajikistan	5 724	-	-	-	-	5 724	-	-	-
Thailand	525 055	160 533	-	-	-	685 588	-	-	-
Trinidad and Tobago	144 651	-	-	-	-	144 651	-	-	-
Turkey	-	-	1 432	-	-	1 432	-	-	-
United Republic of Tanzania	-	3 134	-	-	-	3 134	-	-	-
United States of America	-	-	-	9 111 690	14 679	9 126 369	-	-	-
Sub-total:	**33 763 263**	**4 949 610**	**165 030**	**14 592 804**	**526 625**	**53 997 332**	**3 572 501**	**-**	**3 572 501**
II. Other Donors									
European Commission	-	-	-	-	-	-	45 894 920	9 318 571	55 213 491
International Organizations	-	-	-	109 364	-	109 364	-	-	-
Other Sources	-	-	-	699	-	699	-	-	-
Sub-total:	**-**	**-**	**-**	**110 063**	**-**	**110 063**	**45 894 920**	**9 318 571**	**55 213 491**
GRAND TOTAL	**33 763 263**	**4 949 610**	**165 030**	**14 702 867**	**526 625**	**54 107 395**	**49 467 421**	**9 318 571**	**58 785 992**

Annex A4

STATUS OF CASH SURPLUS
As at 31 December 2014
(expressed in euro)

Calculation of provisional cash surplus/(deficit) for 2014	
Receipts	292 669 854
Disbursements	(294 174 335)
Excess (shortfall) of receipts over disbursements	(1 504 480)
Unliquidated obligations	(32 212 419)
Transfer of 2014 RB unobligated balances	(7 154 796)
Provisional 2014 cash deficit	(40 871 696)

Calculation of final cash surplus for 2013	
Prior year provisonal cash deficit	(26 562 205)
Receipt of:	
Contributions all prior years	21 813 069
Savings on liquidation of prior year's obligations	2 241 711
Miscellaneous income	754 176
Reversal of Reserve for MCIF	3 080 780
Final cash surplus for 2013	**1 327 531**
Less: Final cash deficit 2012	(1 094 439)
Transfer of Surplus to MCIF	(233 092)
Final cash surplus/(deficit) for 2013	-
Prior years cash surpluses a/	72 078
Total cash surpluses/(deficit)	72 078

a/ Withheld pending receipt of contributions.

ANNEX A5

STATEMENT OF INVESTMENTS
As at 31 December 2014

Euro Denominated Cash Equivalents and Investments					
Type of Issuer	**Type of Instrument**	**Carrying Value (expressed in euro'000s)**	**Yield per annum**	**Original Investment date**	**Maturity date**
Government	T-Bills	8,000	.01%	2014-07-31	2015-04-16
Government	T-Bills	8,000	.02%	2014-08-07	2015-04-02
Commercial bank	Time Deposit	20,000	.10%	2014-10-31	2015-04-29
Commercial bank	Time Deposit	20,000	.05%	2014-12-22	2015-03-20
Commercial bank	Time Deposit	15,000	.07%	2014-12-15	2015-06-15
Commercial bank	Time Deposit	10,000	.15%	2014-09-01	2015-01-02
Commercial bank	Time Deposit	8,000	.19%	2014-07-30	2015-01-15
Commercial bank	Time Deposit	8,000	.21%	2014-08-28	2015-02-02
Commercial bank	Time Deposit	8,000	.14%	2014-08-28	2015-02-24
Commercial bank	Time Deposit	7,500	.13%	2014-07-03	2015-02-27
Commercial bank	Time Deposit	7,000	.13%	2014-07-30	2015-01-15
Commercial bank	Time Deposit	7,000	.05%	2014-09-29	2015-03-30
Commercial bank	Time Deposit	6,000	.20%	2014-07-18	2015-01-29
Commercial bank	Time Deposit	6,000	.14%	2014-08-28	2015-02-24
Commercial bank	Time Deposit	6,000	.06%	2014-10-02	2015-03-16
Commercial bank	Time Deposit	6,000	.06%	2014-12-09	2015-04-24
Commercial bank	Time Deposit	6,000	.06%	2014-12-10	2015-05-28
Commercial bank	Time Deposit	6,000	.08%	2014-12-15	2015-06-22
Commercial bank	Time Deposit	6,000	.08%	2014-12-22	2015-03-18
Commercial bank	Time Deposit	5,000	.13%	2014-08-25	2015-01-22
Commercial bank	Time Deposit	5,000	.14%	2014-08-25	2015-02-27
Commercial bank	Time Deposit	5,000	.06%	2014-09-29	2015-03-30
Commercial bank	Time Deposit	5,000	.06%	2014-10-02	2015-03-16
Commercial bank	Time Deposit	5,000	.08%	2014-10-24	2015-01-30
Commercial bank	Time Deposit	5,000	.06%	2014-10-24	2015-03-24
Commercial bank	Time Deposit	5,000	.09%	2014-11-19	2015-05-18
Commercial bank	Time Deposit	5,000	.09%	2014-11-19	2015-05-18
Commercial bank	Time Deposit	5,000	.07%	2014-11-27	2015-04-29
Commercial bank	Time Deposit	5,000	.07%	2014-11-27	2015-04-29
Commercial bank	Time Deposit	5,000	.05%	2014-12-23	2015-03-23
Commercial bank	Time Deposit	5,000	.05%	2014-12-23	2015-03-23
Commercial bank	Time Deposit	4,000	.06%	2014-12-10	2015-05-28
Commercial bank	Time Deposit	4,000	.04%	2014-12-23	2015-03-23
Commercial bank	Time Deposit	3,500	.02%	2014-12-17	2015-06-15
Commercial bank	Time Deposit	3,000	.14%	2014-08-28	2015-02-24
Commercial bank	Time Deposit	3,000	.06%	2014-12-15	2015-05-20
Commercial bank	Time Deposit	3,000	.05%	2014-12-23	2015-03-23
Commercial bank	Time Deposit	3,000	.05%	2014-12-23	2015-03-23
Commercial bank	Time Deposit	2,000	.07%	2014-11-27	2015-02-17
Commercial bank	Time Deposit	2,000	.08%	2014-12-15	2015-06-22
Commercial bank	Time Deposit	1,600	.04%	2014-12-23	2015-03-23
Commercial bank	Time Deposit	1,400	.04%	2014-12-23	2015-03-23

Total Euro Denominated Cash Equivalents and Investments	**258,999**
Euro Denominated Cash Equivalents and Investments as Percent of Total	**54.4%**

ANNEX A5 (continued)

US Dollar Denominated Cash Equivalents and Investments (Euro equivalent)					
Type of Issuer	**Type of Instrument**	**Carrying Value (expressed in euro'000s)**	**Yield per annum**	**Original Investment date**	**Maturity date**
Supranational	Time Deposit	44,280	.16%	2014-01-27	2015-01-26
Supranational	Time Deposit	44,280	.09%	2014-07-25	2015-01-26
Government	T-Bills	20,909	.05%	2014-08-20	2015-02-12
Government	T-Bills	8,200	.05%	2014-07-24	2015-01-22
Government	T-Bills	8,199	.04%	2014-10-22	2015-04-09
Government	T-Bills	8,198	.07%	2014-11-20	2015-05-21
Government	T-Bills	7,380	.05%	2014-08-22	2015-02-19
Government	T-Bills	4,920	.05%	2014-08-14	2015-02-12
Government	T-Bills	2,459	.07%	2014-11-20	2015-05-21
Commercial bank	Call account	28,750	.25%		
Commercial bank	Time Deposit	18,040	.25%	2014-08-20	2015-02-13
Commercial bank	Time Deposit	10,660	.25%	2014-08-20	2015-02-13
Commercial bank	Time Deposit	6,150	.24%	2014-09-12	2015-03-12
Commercial bank	Time Deposit	4,399	.19%	2014-08-20	2015-01-20

Total US Dollar Denominated Cash Equivalents and Investments	**216,823**
US Dollar Denominated Cash Equivalents and Investments as Percent of Total	**45.6%**
Total Euro Equivalent Cash Equivalents and Investments	**475,823**

REPORT OF THE EXTERNAL AUDITOR ON THE AUDIT OF THE FINANCIAL STATEMENTS OF THE INTERNATIONAL ATOMIC ENERGY AGENCY FOR THE YEAR ENDED 31 DECEMBER 2014

OFFICE OF THE
COMPTROLLER AND AUDITOR
GENERAL OF INDIA

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

For further information please contact:

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EXECUTIVE SUMMARY

This report presents the results of the Comptroller and Auditor General of India's audit of the International Atomic Energy Agency (Agency) for the financial period ended December 2014. 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 to 2015 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 observations 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, we audited Department of Nuclear Energy; Major Procurements of Safeguards Department; Programme on 'Safety of Nuclear Installations; and Division of Information Technology.

We adopted a risk based audit strategy formulated to add value to the performance of the Agency while providing independent assurance to the General Conference. The study of internal controls was an integral part of our audit process. Our audit plan is based on risk analysis conducted by us.

In our opinion, the financial statements present fairly, in all material aspects, the financial position of the Agency's operations as on 31 December 2014. I have placed an unqualified audit opinion on the Agency's financial statements for the financial period ended 31 December 2014.

Results of our audits are summarised in the following paragraphs:

Financial Matters

We observed that the level of outstanding assessed contributions increased by approximately € 22.20 million (60 per cent) in 2014. While we appreciate the Agency's proactive engagement with the Member States (MS) to reduce outstanding contributions, we encourage it to evolve innovative strategy for recovery of outstanding assessed contributions. Based on our audit of the interim financial statements in November 2014, the Agency carried out a comprehensive review and update of the methodology used to calculate the actuarial assumptions in 2014 to ensure accuracy in the estimation of liabilities. We are of the view that there is scope for further improvement in this regard. We also reiterate our recommendation made last year that the Agency may consider the implementation of a long term funding strategy for meeting the employee liabilities adequately over a period of time. In respect of voluntary contributions, the Agency needs to ensure that all agreements subject to conditions, which may require extension of dates, are formally extended within the implementation period. The Agency has been making payments to UNIDO for Building Management Services ad hoc projects based on estimates and invoices received from the later. We recommend that further payment to UNIDO may be made only after utilization of substantial portion of the advance already lying with UNIDO.

Department of Nuclear Energy

The Agency conducts Integrated Nuclear Infrastructure Review (INIR) missions with a view to evaluate status of various ‘infrastructure’ issues based on request from a MS. The Agency has so far conducted 13 INIR missions in 10 MSs. We observed that the mechanism of receipt of National Action Plan and its follow-up by the Agency needs to be strengthened. We analysed three completed reports of Independent Engineering Review of Instrumentation and Control Systems and found that the overwhelming emphasis during these missions was on safety related issues. The Agency also needs to develop performance indicators conforming to the SMART framework for improved performance assessment. Regarding risk management, we suggest regular review and update of risk assessments and provision of trail of all changes made in Hyperion System.

Major Procurements of Safeguards Department

The Agency has made improvements by elaborating what constituted achievement of Best Value for Money (BVM). There is scope for defining criteria for BVM more clearly. ‘Demand Analysis’ contained in the Procurement Plan document needs to be comprehensive, clearly spelling out the justification of the procurement. We noticed non-compliance of rules in the procurement for provision of Large Project (IT and Construction) Management Support Services. The Agency may ensure compliance with rules and procedures prescribed for procurement and initiate necessary action when deviations take place. We are of the view that appropriate guidance may be issued to the Procurement Review Committee (PRC) to record the justification for their findings. Definition of critical procurement for the purpose of referral to the PRC may include amendments to contracts.

Programme on ‘Safety of Nuclear Installations’

Time taken for conducting Integrated Regulatory Review Service Missions after receipt of request from MSs needs to be reduced. Out of 32 countries operating Nuclear Power Plants, six countries had not hosted an Operational Safety Review Team (OSART) mission for the last 10 years. The Agency may, therefore, consider innovative means to encourage the Member States who have not hosted an OSART mission in the last 10 years, to request for it as soon as possible. The Agency may closely examine the results of Nuclear Safety Review 2013 regarding some safety standards not being adhered to by Member States, so as to gain an understanding of what actions might be needed to better assist Member States. The Agency may also review the activities under the Mid-term report

(Hyperion related data) so as to ensure that only relevant activities are included which impact the output delivered, resources utilised and their implementation.

Division of Information Technology

The Agency promoted the use of Information and Communication Technology (ICT) standards in all circumstances. We are of the view that there is a need to have in place a formal mechanism to periodically detect and review non-compliance with the ICT standards. The Information Technology Committee needs to be constituted at the senior management level empowered to take up issues of strategic importance and made responsible for monitoring the implementation of significant IT investment decisions. There was no IT plan for the Agency as a whole regarding the projects/procurements which should be taken up in a certain period, nor was there a system of prioritisation of projects. The Agency may update Information Security Policy and take urgent steps to put in place the incident management system containing crisis management plan, business continuity plans and disaster recovery. The current governance structure for Agency-wide information security needs to be strengthened. Categorisation of classified information had not been done and there was no clear strategy on access authorisation. The Agency is advised to prepare consolidated IT disaster recovery plans for MTIT, Safeguards and AIPS; and to revise disaster recovery procedures for MTIT Disaster Recovery Infrastructure at Seibersdorf as early as possible.

Introduction

1. The audit of the International Atomic Energy Agency (Agency) was assigned to the Comptroller and Auditor-General of India (CAG) for the financial periods 2012–2015 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. Our audit plan is based on a detailed risk analysis of the Agency conducted in June 2014. During the period from June 2014 to March 2015, we conducted the audit of the Department of Nuclear Energy, Major Procurements of Safeguards Department, the Programme on ‘Safety of Nuclear Installations and the Division of Information Technology. 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. Our working relationship with the Secretariat has been constructive and the audits performed at IAEA Headquarters, Vienna were facilitated by 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, after duly considering management’s responses to the Management Letters.

Audit Opinion on the 2014 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 2014. Audit of the financial statements for the financial year 2014 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 year ended 31 December 2014.

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 fourth 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 Agency's activities on both major programme basis and 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 Agency's 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 increased significantly from €34.78 million in 2013 to €63.37 million in 2014. This was mainly due to unrealised foreign exchange gain owing to the revaluation of the Agency's cash, cash equivalent and investment holdings in US dollars, and the related depreciation in the Euro, functional currency of the Agency, vis-à-vis the US dollar in 2014.

12. Analysis of the surplus/(deficit) across different segments is shown below:

TABLE 1 *(Figures in € millions)*			
Segments	**2012**	**2013**	**2014**
Regular Budget Fund, Working Capital Fund	6.36	0.00	(0.77)
Major Capital Investment Fund		4.33	6.00
Technical Cooperation Fund	4.05	1.06	8.31
Technical Cooperation Extrabudgetary Fund	(2.08)	(1.33)	3.94
Extrabudgetary Programme Fund	33.28	28.50	36.22
Low Enriched Uranium Bank	(3.43)	2.78	10.24
Trust Funds and Special Funds	(0.38)	(0.56)	(0.57)
Total Surplus	**37.80**	**34.78**	**63.37**

13. As can be seen from above, most of the surplus of the Agency came from the Extrabudgetary Programme Fund.

Revenue

14. Total revenue in 2014 was €512.61 million, which represented a 2.80 per cent increase as compared to 2013 (€498.62 million). The increase was mainly due to increase in assessed contribution by €9.92 million and voluntary contribution by €2.01 million. Assessed contribution was the main component of revenue (65.80 *per cent*).

Expenses

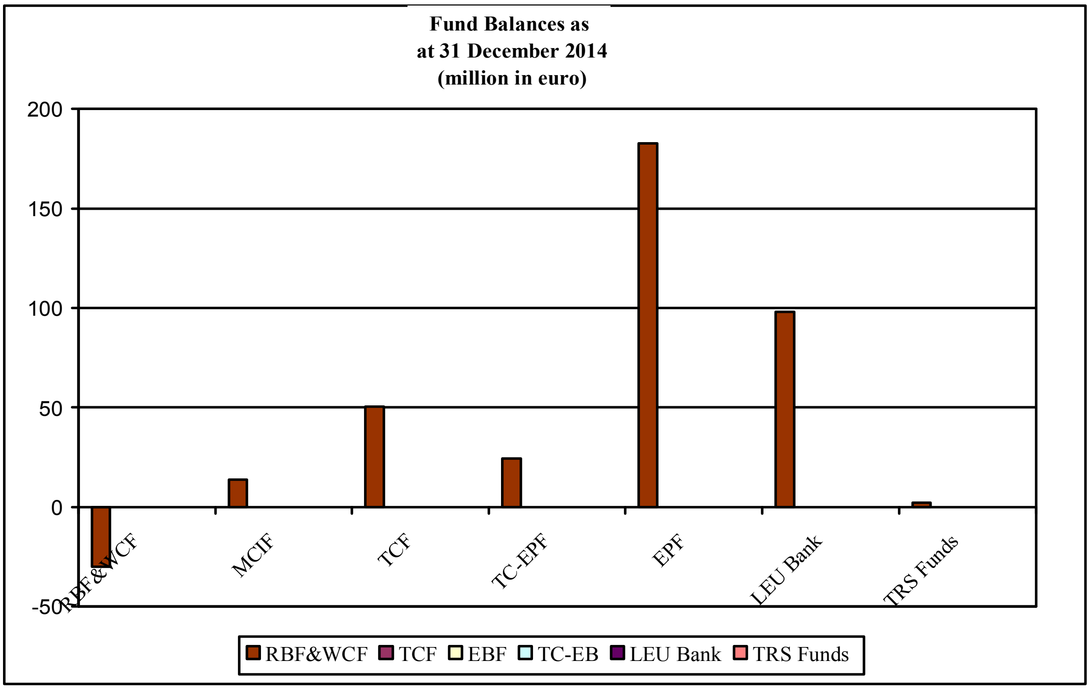
15. There was 4.28 per cent increase in expenses in 2014 as compared to 2013. Staff cost (€258.97 million) accounted for 54.40 per cent of agency's expenses and has shown an increase of €7.81 million from 2013. The second largest component was travel (€50.45 million) which represented 10.60 per cent of the expenses in 2014. Transfer to development counterparts increased to €44.57 million in 2014 from €38.27 million in 2013. 'Other Operating Expenses' were €44.16 million and has shown an increase of €6.12 million as compared to 2013. These expenses included, *inter alia*, supplies and materials, contractual services, maintenance and communication and transport.

16. During 2014, of the six major programmes, 'Nuclear Verification' was the programme which had the highest level of IPSAS based expenditure. The expenditures in the major programme Nuclear Verification were € 139.74 million as compared to €132.16 million in 2013. This was followed by 'Policy Management and Administration Services' where the expenditure was € 114.19 million in 2014 as against the expenditure of € 109.20 million in 2013.

Equity

17. Fund balances stood at €341.31 million on 31 December 2014 registering a 20.45 per cent increase compared to the previous year's balance of €283.36 million. All these funds are tied up for specified activities. The Reserves of the Agency stood at €19.22 million on 31 December 2014, registering a 76.95 per cent decrease as compared to the 2013 balance of €83.40 million primarily due to recognition of actuarial losses on the employee benefit liabilities. The equity of the Agency, consisting of fund balances and reserves, decreased from €366.76 million as on 31 December 2013 to €360.53 million as on 31 December 2014.

18. All fund groups, other than the Regular Budget Fund (RBF) and Working Capital Fund (WCF), have positive fund balance. The RBF and WCF group had negative fund balance of €29.94 million in 2014 and of €39.48 million in 2013.



Assets and Liabilities

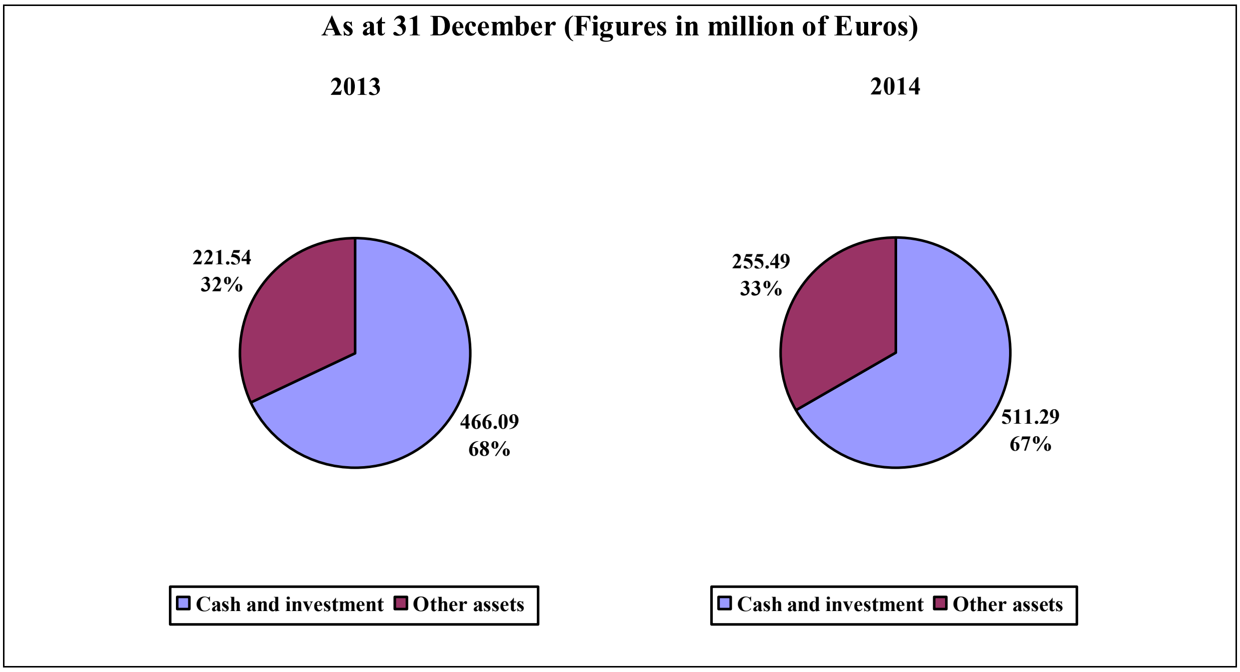
19. The Total Assets of the Agency increased by €79.15 million from €687.63 million in 2013 to €766.78 million in 2014. The increase in Assets was mainly due to the increase in cash and cash equivalents of €23.90 million, increase in investments of €21.30 million due in large part to revaluation of instruments denominated in USD, accounts receivable from non-exchange transactions of €15.38 million, increases in property, plant and equipment of €12.68 million and intangible assets of €11.68 million. All of the Agency's financial assets and inventories are subject to restrictions, as they can only be utilized in support of the approved activities of the funds to which they were provided.

20. Total Liabilities of the Agency also increased by €85.39 million from €320.87 million in 2013 to €406.26 million in 2014 mainly due to the increase in the Employee Benefit Liabilities by €77.78 million from €197.34 million in 2013 to €275.12 million in 2014. The Total Assets in 2014 were 189 per cent of Total Liabilities. The overall net assets value, calculated as total assets less total liabilities was €360.52 million.

Cash, Cash Equivalents, and Investments

21. The cash, cash equivalents and investments balances increased by €45.20 million from €466.09 million in 2013 to €511.29 million in 2014. This represents 66.68 per cent of the total assets of the Agency at 31 December 2014 (67.78 *per cent* at 31 December 2013) signifying a high proportion of liquid assets.

Cash, Cash Equivalents and Investment as a proportion of Total Assets



22. 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 €115.22 million as on 31 December 2014 as against €91.32 million as on 31 December 2013. This increase of €23.90 million (26.18 per cent) in the cash and cash equivalents was due to increase of both in current accounts at bank and on hand and term deposits with original maturity of 3 months or less.

23. The Agency's investments comprise term deposits, treasury bills and other, all with original maturities ranging between three and twelve months. The Investments were €396.07 million as on 31 December 2014 as against €374.77 million as on 31 December 2013. There was an increase of € 21.30 million (5.68 per cent) in investments in 2014 primarily due to unrealised foreign exchange gain in revaluation. Interest revenue earned from cash equivalents and investments in 2014 increased to € 0.89 million against €0.75 million in 2013. The increase of € 0.14 million in the total interest revenue is the result of higher average balances in overall holding of cash equivalent and investments at 31 December 2014 in comparison with the previous period.

24. The Agency earned an average rate of 0.18 per cent per annum on its euro cash and investments (0.14 per cent in 2013) and an average rate of 0.16 per cent per annum on its USD cash and investments (0.19 per cent in 2013).

DETAILED AUDIT FINDINGS

Financial Matters

Assessed Contributions Receivable

25. Under Financial Regulations 5.05, Member states were required to pay assessed contributions in respect of the year 2014 to the Regular Budget as on 1 January 2014 or within 30 days of the receipt of the communication of the Director General, whichever is later.

26. We observed that the level of gross outstanding assessed contributions increased by approximately € 22.20 million (60 per cent) from € 36.60 million in 2013 to € 58.80 million in 2014. We also observed that as on 31 December 2014, out of 162 MSs, only 96 MSs had fully paid, 22 MSs had partially paid and the remaining 44 MSs had not made any payment towards their 2014 contributions to the Regular Budget. Further, outstanding contributions to the Regular Budget related to the prior years increased by € 6.30 million from € 9.10 million as at 31 December 2013 to €15.40 million as at 31 December 2014.

27. While appreciating the Agency for its proactive engagement with the MSs to reduce outstanding contributions, we are of the view that timely collection of arrears would enhance liquidity position of the Agency.

Recommendation 1

The Agency may evolve innovative strategy for recovery of outstanding assessed contributions and make sustained efforts to collect the funds in a time-bound manner.

28. The Agency accepted the audit recommendation.

Employee Benefit Liabilities

29. Based on our audit of the interim financial statements in November 2014, the Agency carried out a comprehensive review and update of the methodology used to calculate the actuarial assumptions in 2014 to ensure accuracy in the estimation of liabilities. We concur with the approach, methodology, facts and conclusions arrived for post-employment employee benefits plans except as under:

i. The Agency has adopted duration of 21 years and resultant discounting rate of 1.94 per cent for ASHI active staff members and ASHI pensioners. We are of the view that in case of ASHI pensioners and their dependents, the liability was already due and, therefore, the duration should be lower than that for the ASHI active employees and accordingly discounting rate should be lower than that fixed for ASHI active employees.

   The Agency stated that during 2015 they would undertake a review of the current process of analyzing ASHI pensioners and ASHI active staff as a single group to determine if disaggregating the two groups for purposes of determining ASHI liabilities and related employee benefit expenses would result in a more precise result.

ii. Paragraph 93 of the IPSAS state that the discounting rate should be fixed keeping in view, amongst other considerations, the currency in which benefits are to be paid. Since significant ASHI pensioners liability were likely to be met in USD, this fact needs to be taken into account while fixing the discounting rate and determining the liability. We observed that no information in this respect was given to the Actuary.

The Agency stated that they would ensure that the currency in which the liability was to be met would be communicated to the Actuary on a plan by plan basis.

Recommendation 2

a) The Agency may consider adopting different discounting rates for ASHI active staff members and pensioners so that the liabilities could be determined more accurately.

b) The currency, in which a liability is to be met, may be communicated to the Actuary for each defined benefit plan.

30. The Agency accepted the audit recommendation.

Unfunded nature of Employee Benefit Liabilities

31. In 2013, we had recommended that the Agency may consider the implementation of a long term funding strategy for meeting the employee liabilities adequately over a period of time. The Agency had agreed that they would continue to look at the appropriate methods for funding employee benefit liabilities, related to both Regular Budget and Extra budgetary funded staff, and would work on developing potential funding targets and alternatives.

32. We observed that the employee benefit liabilities of the Agency have further risen from € 197.34 million in 2013 to € 275.13 million in 2014, an increase of over 39 per cent over the previous year. We would therefore once again urge the Agency to consider the risk of funding of employment benefit liabilities, particularly in respect of staff funded from Extra-budgetary resources.

Recommendation 3

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

33. The Agency concurred that the long-term risk related to the high level of unfunded post-employment benefit liabilities was significant and they would continue to be committed in evolving a sound funding strategy for meeting these liabilities over a period of time.

Inconsistencies in the HR data for determination of Employees Benefit Liabilities

34. Availability of reliable and accurate data regarding the staff members of an entity as at the end of the financial year is essential for proper and correct determination of the long term post-employment employee benefits liabilities.

35. We examined the personnel data of the staff members of IAEA as on 31st December 2014 provided to the actuary for computation of the accrued liabilities on account of the ASHI and post-employment repatriation and separation entitlements along with the actuary's report as at 31 December 2014 and found significant inconsistencies.

36. We appreciate that the Agency reviewed the underlying data provided to the actuary as at 31 December 2014 and, where required has modified such data. The actuary utilized the revised data to perform their valuation, the results of which were reflected in the financial statements of the Agency for 2014.

Recommendation 4

a) The Agency may provide reliable, accurate and updated HR data as at the end of the financial year to the Actuary for determination of the Employees Benefit liabilities of the Agency.

b) With the launch of AIPS Plateau 3 in December 2014, the Agency may consider establishing a system in the AIPS to ensure availability of robust database regarding staff members of the Agency.

37. The Agency stated that they were committed to ensure that the underlying HR data provided to the actuary in the future is complete, accurate and understandable. They already began analyzing the processes supporting the creation and validation of the HR data.

Voluntary contributions with conditions

38. The Agency has been accepting voluntary contributions from different donors. Voluntary contributions' agreements normally contain restrictions or conditions on the use of transferred resources by the Agency. Restrictions limit or direct the purpose for which resources are used, while conditions require resources to be used as specified or returned to the transferor. Voluntary contributions that include conditions on their use are initially treated as deferred revenue and recognized as revenue when the conditions are satisfied.

39. We observed that the voluntary contributions of €56.39 million were shown as deferred revenue as on 31 December 2014 in the financial statements of the Agency. In 14 cases, the Agency had not fully utilized the voluntary contributions even after the expiry of the period (s) stipulated in agreements. Though in four cases the agreements were amended with extended dates, the agreements have not been amended in 10 cases and the total deferred revenue of these awards amounted to €9.80 million.

Recommendation 5

The Agency may take concerted efforts to ensure that all agreements subject to conditions, which may require extension of dates, are formally extended within the implementation period and if extension is not agreed to by the donors, the voluntary contribution may be refunded to the donor as per conditions of the agreement.

40. The Agency accepted the audit recommendation.

Advances for Building Management Services Ad hoc projects

41. The Agency has been making payments to UNIDO for Building Management Services ad hoc projects based on estimates and invoices received from the later. Such payments are charged directly to expense at the first instance and based on actual expenditure report from UNIDO at the end of each year, amounts unutilized are recorded to the advance account through a year-end adjustment entry.

42. The amount of accumulated advances for BMS ad hoc projects at the end of 2013 and 2014 was €5.24 million and €4.93 million respectively. We observed that the accumulated advances were significantly higher than the requirement; approximately five times of the annual expenditure. Further, even when substantial amounts were lying unutilized under advances, payment of further advances were being made to UNIDO. We are of the view that further advances may be discontinued till major portion of the advances is utilized and expenditure report for the same is furnished by UNIDO.

Recommendation 6

The Agency may make further payment of advance to Building Management Services ad hoc projects only after utilization of substantial portion of the advance already lying with UNIDO.

43. Accepting the audit recommendation, the Agency expected that a significant amount of the accumulated advances would be utilized during 2015.

Voluntary services-in-kind contributions

44. Significant accounting policies of the Agency disclose that services that are donated to the Agency are not recognised as revenue although disclosures related to the nature and types of these services are provided.

45. We observed that the Agency received several significant service in-kind contributions from donors, which were neither recognized as revenue nor their details disclosed in the financial statements.

Recommendation 7

The Agency may disclose in the Notes to the Financial Statements details of in-kind contributions of services provided by the donors.

46. The Agency concurred that despite not being a required disclosure under IPSAS, disclosure of the quantity of in-kind contributions of services provided by donors would be useful. However, they felt that any determination of this quantity must be based upon reliable and supportable information with respect to the amount and value of contributions in kind actually received by the Agency. Currently, sufficient reliable information is not available to support disclosure in the financial statements of the quantity of such in-kind services contributed to the Agency. The Agency agreed to improve their underlying processes for tracking and monitoring of significant voluntary contributions of services in-kind.

Department of Nuclear Energy

47. The Department of Nuclear Energy fosters the efficient and safe use of nuclear power by supporting existing and new nuclear programmes around the world, catalyzing innovation and building indigenous capability in nuclear energy planning and analysis. It provides services and advice to Member States (MSs) on nuclear power and the nuclear fuel cycle. Our audit was focussed on Programme 1.1, the important priorities of which are to support MSs on new nuclear power programmes; to help build sound nuclear infrastructures; and to support operation of nuclear power plants (NPP). Within this programme, sub-programme 1.1.1 - Strengthening Integrated Engineering

Support for Nuclear Power Programmes; and sub-programme 1.1.3 - Infrastructure and Planning for New Nuclear Power Programmes, were selected by us for detailed scrutiny.

Integrated Nuclear Infrastructure Review Missions

48. The Agency conducts Integrated Nuclear Infrastructure Review (INIR) missions with a view to evaluate the status of various ‘infrastructure’ issues based on request from a MS, and provides feedback through recommendations and suggestions to the MS. INIR missions were commenced in 2009 and so far 13 missions have been conducted in 10 MSs. We selected nine INIR missions of seven MSs for audit.

49. The Guidance on preparing and conducting INIR mission states that, “The review of responses to recommendations and suggestion from previous INIR missions will be carried out in parallel, following the normal review approach”. Status of recommendations of previous missions was normally provided in the self-evaluation report by the MS. We observed that there was no documentation about the review of recommendations from earlier missions in any of the cases examined by us.

50. The concept of Action Plan by MSs to cover the gaps in different elements of Milestones is referred to in the guidance document. Further, Integrated Work Plan (IWP) provides the framework for defining all IAEA assistance to national nuclear power development activities, tailored to national needs and reflecting national plans as well as recommendations from IAEA missions. We observed that:

i. The mechanism of receipt of National Action Plan and its follow-up by the Agency, either as an input before the INIR mission or subsequent to the INIR mission (within a reasonable period after INIR mission), was not clearly defined.

ii. As only two out of seven MSs seen by us, had sent/updated their National Action Plans, their contribution to the IWP was limited, which in a way limited effectiveness of IWP towards strengthening infrastructure of MS.

51. The Agency replied that it worked to ensure that a country has infrastructure in place to support development of their NPP programme and that receiving the national plans prior to IWP discussions would be useful and would make the Agency’s assistance more effective.

Recommendation 8

a) The process of review of responses to previous recommendations from earlier Integrated Nuclear Infrastructure Review (INIR) missions may be suitably documented.

b) The Agency may strengthen its mechanism for receipt and follow-up of National Action Plans. Member States may be encouraged to have a National Action Plan in place which seeks to duly co-ordinate all ‘Infrastructure’ activities, so that it can serve as a valuable input for Integrated Work Plan.

52. The Agency accepted the audit recommendations.

Independent Engineering Review of Instrumentation and Control Systems Missions

53. Independent Engineering Review of Instrumentation and Control Systems (IERICS) mission is conducted by a team of international experts from various complementing technical areas. Scope of the mission identifies the system under review and its boundaries, the system properties to be reviewed and the review basis and reference documents to be used for the review. It is limited to the technical and engineering aspects of the NPP's Instrumentation and Control systems, unless there is a specific request for addressing additional areas. So far, the Agency has conducted four IERICS missions, three of which have been completed and the fourth required a follow-up mission to permit completion.

54. Analysis of the three completed IERICS reports revealed that the overwhelming emphasis during the IERICS missions was laid on safety related issues. Although the key objectives of IERICS mission and the initial requests from organisations covered a much broader framework for evaluation, the mission while being executed focused mostly on safety aspects of system under review.

Recommendation 9

From the perspective of user organizations, it may be appropriate to include a reasonable portion of non-safety instrumentation and control (I&C) systems in the scope of the Independent Engineering Review of Instrumentation and Control Systems (IERICS) mission, in order to give a more balanced overview of I&C system. Otherwise, the IERICS Mission's guidelines may be suitably amended to focus on safety and safety related I&C systems only.

55. The Agency accepted the audit recommendation.

Performance Assessment

56. While assessing the full term performance of the Sub-programmes 1.1.1 and 1.1.3 within Major Programme – 1, through the Hyperion software, for the biennium 2012-13, the following audit observations were made:

i. Baselines, targets and actual achievements were not mentioned in all cases. Consequently, utility of the software for performance assessment was limited to that extent. However, we noted that there was a perceptible improvement in the report pertaining to 2014-15 which showed lesser number of unfilled data fields compared to 2012-13. The Agency stated that it was aware of the weakness and would take corrective steps during the planning for 2016-17 biennium.

ii. The Performance Indicators (PIs) chosen to assess the performance of a programme/ sub-programme/ project were difficult to accurately quantify. For example, in many sub programmes, one of the PIs was the number of MSs who were accessing the Agency's resources, guidance, recommendations, analytical tools, analyses and assistance and the level of use. We are of the opinion that assessing such PIs accurately was based on many assumptions and PIs in such cases were not SMART i.e., being specific, measurable (observable), attainable, realistic and time-based.

   The Agency recognised that in some cases the PIs were not suitable or were not as robust as they should be. While highlighting the fact that sometimes it was difficult to give SMART indicators (where outcome was not easily quantifiable) and that they had to employ surrogate indicators in such cases, the Agency stated that as a result of lessons learned from the 2012-13 Performance assessment review, considerable effort had been made in the last months to ensure that suitably robust SMART indicators were in place for 2016-17.

iii. There was no provision in Hyperion to integrate financial figures with the progress of an activity at any given point of time. It was, therefore, not possible to monitor at a particular point of time the extent to which an activity had been completed and funds spent on the same.

While the Agency agreed largely with the observation, they stated that other parts of the Agency-wide Information Systems for Programme Support (AIPS) system were available to provide relevant financial information, so that a Project Manager or other authorised staff member could access and integrate information of both a financial and descriptive nature.

Recommendation 10

The Agency may -

a) Strive to develop Performance Indicators conforming to the SMART parameters.

b) Incorporate baselines and targets in the database, once the objective and activity have been appropriately defined.

c) Incorporate necessary functionalities (e.g., integration of financial data with status of activities under progress) and more performance indicators in the Hyperion software to make it a more useful tool for performance evaluation and planning, keeping other constraints (e.g., time and resource spent in assessment) in mind.

57. While accepting the above recommendations, the Agency stated that several of these observations were related specifically to 2012-2013 biennium as the planning was done in 2010 using Programme and Budget Information System which was the tool the Agency used until the introduction of AIPS Planning (Hyperion) in 2012. Such difficulties were not foreseen for the 2014-2015 biennium where only one tool would feature right from the beginning. With regards to PIs, while the system permitted only two PIs to be input during the planning phase, managers had the option to choose additional PIs, as appropriate, at the time of biennium assessment to take into account uncertainty and difficulties in measuring the outcome in case the chosen PIs were found inadequate for the purpose or if additional PIs were deemed necessary and relevant.

Risk Management

58. During a study of the Risk Management Process of the Department of Nuclear Energy, it was informed that the Managers concerned were to review and, as necessary, update their risk assessments, as well as other details of their responsibility areas, twice every year through necessary inputs in the AIPS Hyperion software, which is the software used in the agency for all planning and risk management.

59. We observed that risk assessments were reviewed but not fully updated in the register. The Corporate Risk Register at the end of the biennium 2012-13 did not include any comment on the Risk Status. For the current report for biennium 2014-15, though directions had been given to target September 2014 for updates to the risk status, the results of the same were not evident in the reports as work continued on such updates throughout October 2014.

60. We also observed that the Risk Register had initially (pre- September 2013) contained only Corporate Risks for the Agency, even at the Project implementation level. This situation was, however, suitably remedied from September 2013 onwards, following a mid-term assessment.

61. While the Agency had taken actions to remedy an earlier propensity to project almost all risks as Corporate Risks and rate them highly, there was a need to have suitable data trails within the system that record the changes and the reasons necessitating those changes for future reference.

Recommendation 11

a) Risk assessments may be regularly reviewed and updated.

b) Provision may be made within the Hyperion system to maintain a trail of all changes and the reasons necessitating those changes.

62. The Agency agreed with the audit recommendations. It noted that the interim updating of risk status for the biennium 2014-15 was completed by 31 October 2014 and would be further updated as part of the 2015 risk status review. The Agency added that during 2014 the 'Risk Management Group' reviewed the risks regularly and the changes were saved in Hyperion to ensure institutional memory.

Databases

63. The Department of Nuclear Energy has been maintaining various databases and information systems under sub programme 1.1. The relevance, consistency and status of updating these databases were examined during audit and our observations are as under:

64. Main objective of Country Nuclear Power Profiles (CNPPs) was to consolidate information on the nuclear power infrastructures in participating countries. The country profiles were updated annually based on information provided voluntarily by MSs in response to requests sent by the Agency. Hence, profiles of only those countries that provided information were updated. We compared online profiles of five MSs for the years 2013 and 2014 and observed that there was a mismatch between nuclear power capacity/number of reactors depicted in 'Status on nuclear plants' – Table 7 and that mentioned in text portion under Para 2.2.1 of the country profiles.

65. Electronic Nuclear Training Catalogue (ENTRAC) service was developed at the request of the members of the Technical Working Group (TWG) on Training and Qualification, to provide nuclear related information on IAEA meetings, conferences, workshops and training courses, etc., related to Training and Qualification. A consultancy meeting was held in 2004 to develop the requirements of the ENTRAC service. It has not been formally reviewed subsequently. ENTRAC was presently being used mostly by Human Resource group within Nuclear Power Engineering Section. Due to increase in number of websites within and outside the Agency like International Nuclear Information System, IAEA Library, *etc*., usage of this facility had reduced.

66. Advanced Reactor Information System (ARIS) was developed (2009) to provide comprehensive and up-to-date information as well as technical details on advanced nuclear plant designs and concepts to MSs, particularly that are actively considering nuclear power plant (*i.e.,* new comers). We noticed the following deficiencies:

i. There were 39 'Small Modular Reactors' (SMRs) as per status report on Global SMRs - as of September 2014, while ARIS database contained only 15.

ii. Under 'overview', design status of a fast breeder reactor was not mentioned and type was indicated as '0'. In another case, a reactor was categorized as 'in operation', whereas, its profile showed that it was in 'conceptual design' stage.

iii. Technical details under General Data, Nuclear Steam Supply System, Reactor Cooling System, Reactor Core, Core Materials, Reactor Pressure Vessel tabs were left blank in respect of 'construction' and 'in operation' reactors.

67. We were informed that the up-dation of ARIS database was in progress.

Recommendation 12

a) Inconsistencies regarding nuclear power capacity/number of reactors in the Country Nuclear Power Profiles may be avoided.

b) The Agency may review the necessity of Electronic Nuclear Training catalogue.

c) Efforts may be made to update data in Advanced Reactor Information System to provide current information for newcomer Member State. All the suggested fields for technical details may be filled in, within the limitations of the allocated budget.

68. The Agency agreed with the audit recommendations.

Major Procurements of Safeguards Department

69. The Office of Procurement Services (MTPS) procures goods and services with the aim of achieving Agency's programmatic goals and objectives and best value for money (BVM), through fair, transparent and effective competition. Director of the MTPS (DIR-MTPS) is responsible for the procurement function of the Agency. Project teams, headed by MTPS Contracting Officer, are formed to follow procurement process through procurement planning, specification development, solicitation, award, post-award administration and performance management. The Contracting Officer prepares procurement plans for procurements with anticipated value in excess of € 25,000 prior to issue of solicitation documents. Procurement Review Committee (PRC), comprising of Director or senior officer from each Department, and Director of Office Legal Affairs or his/her designee as an observer, reviews all critical procurement proposals and makes recommendations to DIR-MTPS/DDG-MT for consideration.

70. IAEA has identified certain major capital investment projects / plans which mitigate the risk from technological stand point. Of these, according to the Agency's Programme and Budget 2014-2015, Next Generation Surveillance Systems (NGSS) Infrastructure Replacement and Safeguards Information Systems (SIS) are long term projects / plans which would require €11.32 million and €13.93 million respectively up to the year 2023.

71. Currently, the Agency has about 1,400 cameras under NGSS, with a vast majority being permanently installed in approximately 250 nuclear facilities worldwide. Replacement of all obsolete cameras would require procurement of 200 cameras per year, as well as the purchase of image server systems to consolidate images from multiple cameras. The Agency's current SIS has become obsolete and facing challenges in handling the volume and variety of data that needs to be processed. To address these limitations and strengthen the capability to protect confidential information, the Agency has established a new project to develop a modern information system optimized for security, accessibility and usability.

72. We examined 20 Blanket Purchase Agreements and Contract Purchase Agreements1 involving €39.42 million entered into with the major suppliers of goods and services procured with respect to NGSS and SIS projects during the years 2012, 2013 and 2014 (up to 31 October 2014). Our observations are in the succeeding paragraphs:

Procurement Planning

73. As per the Financial Rules, the DIR-MTPS was to develop and maintain the Agency-wide Procurement Strategy which would address all supporting risk and opportunity management, organization, systems, procedures and capabilities. It was to be published annually by DIR-MTPS. We observed that this strategy had not been prepared for 2013 and 2014. For 2011 and 2012, though a strategy was prepared, it was not published.

74. The Agency stated that an MTPS Medium Term Road Map 2013 – 2018 was prepared and published on the website. The Road Map was reviewed in 2014 and relevant changes were made and reflected on the MTPS website. While we appreciated that a document/strategy in addition to the mandatory requirements was a good practice, it could only compliment the mandatory requirement and not compensate/substitute it.

75. BVM is delivered by optimizing the combination of risk, cost and quality of each procurement. Opportunities to achieve BVM are identified in the procurement forecasting and planning phases and are realized through supplier engagement, selection and contract management phases of the procurement cycle. We observed that there was no consistent basis or clear definition of what set of achievables/deliverables/conditions, if met in procurement, would constitute BVM for the Agency.

76. The Agency stated that improvements regarding elaborating what constituted achievement of BVM had been made and applied now in a consistent and quantifiable manner. They added that BVM is more than the result of a mathematical formula and needs to be further substantiated if there are significant higher costs involved for the recommended bid in comparison to the other bids received.

77. We are of the view that BVM criteria need to be more clearly defined and measurable for all purchases that are categorized as 'high value purchase'.

78. As per Financial Rules, the procurement Plan is prepared by "Contracting Officer", who is an officer nominated by DIR-MTPS. However, in the procurement plans seen by us, the MTPS representative has been mentioned as the Account Manager.

79. The Agency responded that change in the structure of MTPS took place a number of years ago and this functional title was no longer used; these functions were all performed by the same procurement officer allocated to the procurement. We, however, noted that this change was not reflected in the manual. Similarly, though Quality Assurance Unit had been abolished in 2013, it was not reflected in the manual.

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[1] ***Blanket Purchase Agreements and Contract Purchase Agreements are established with vendors by MTPS via the normal procurement process of competition and negotiation. Items or services from BPAs/CPAs can be bought by the Agency allotment managers under purchase orders without a new call for bids.***

80. As per Financial Rules of the Agency, written Procurement Plans are required to be prepared prior to issue of solicitation documents for all procurements with an anticipated value in excess of € 25,000. Such plans should identify the procurement strategy to be followed, scope and method of solicitation, basis of offer evaluation and performance indicators for post-award administration. We noticed that:

i. For the major procurement – 'General Purpose Unified Storage Infrastructure (Equipment, Software and Services)', the Agency decided to go for limited competitive bidding as the market was competitive among the pre-selected suppliers. In response to the Request for Proposal (RFP) issued to 10 bidders, two bidders responded and only one bidder was found suitable for the pre-identified needs.

   We are of the view that in this case, global competitive bidding might have been the preferable way of ensuring BVM, as standard equipment was being procured and the focus was on finding a supplier with certification by the manufacturer of the equipment and with previous experience in supplying and installing such systems.

   The Agency responded that prices offered by the sole compliant bidder were deemed competitive as the best possible discount levels for various categories of equipment were obtained.

   We are of the opinion that owing to the nature and high value of goods being procured, going for a global bid may have resulted in other qualified bidders, who could offer better discounts.

ii. We observed that the planning team for procurement of 'Standard safeguard inspection equipment' proposed to award the work by direct appointment without comparing prices with similar products available in the market with other suppliers. We are of the opinion that this was a long term contract and there could be technological developments or price benefits if the open market was explored.

   The Agency stated that as the process of selection of equipment for SG and authorization for inspection purposes was costly and sometimes took several years, they standardized on the same equipment as long as it fulfilled the inspection requirements.

   We are of the view that sourcing supplies from a single supplier when there were other suppliers available in the market resulted in erosion in BVM, a concern also expressed by PRC.

81. Procurements are justified in the Demand Analysis part of the Procurement Plan which includes background and requirement of the procurement activity, definition of the goods/services, previous purchases / current supply arrangements, cost breakdown and conclusions. In addition, any other aspect specific to the procurement is also included on need basis. The detailed requirement of goods or services, as broadly identified in the Demand Analysis, is detailed in the Statement of Work (SoW), which is annexed to the Procurement Plan. Scrutiny of various Procurement Plans revealed the following points pertaining to Demand Analysis:

i. As per the SoW contained in the Procurement Plan for 'Provision of a Geospatial Information Exploitation System (GES)', the Agency needed to procure BiTKOO Keystone and DB-Wall as Integrated Safeguards Environment (ISE) authorisation solution. After competitive bidding, a contract was awarded in January 2010.

We observed that the contract was amended subsequently (February 2013) whereby the contractor was required to perform migration of ISE authorisation solution from BiTKOO keystone to Microsoft Active Directory. The Agency attributed this to the fact that DB-Wall component of the BiTKOO solution had never been operational in conjunction with GES and SG Portal (SharePoint).

We noted that Microsoft Active Directory solution was available with the Agency at the time of finalisation of Demand Analysis. We are of the view that the Agency should have considered including Microsoft Active Directory in the RFP in order to receive options in the proposals which could have been then evaluated in-house for judging their suitability.

ii. Demand Analysis for procurement of IT and Construction Project Management Support Services did not give details regarding the specific projects in which these individuals would be utilized. Risks associated with such outsourcing were also not identified in procurement plan.

iii. In all procurements reviewed, especially of goods, there was no depiction of the current holding of the items proposed for procurement and clarity regarding timeframe for usage of the procured commodities.

iv. In cases where the available technology/instruments were approaching end of life and a new product was under development, there was no detail in the Demand Analysis regarding the basis for estimating the time frame within which the new product would be available to the Agency for deployment. Documents in support of the projected time frame in which the new product would be made available for field deployment were not found on record. A case in point is the procurement for Mini GRANDs (Miniature Gamma Ray and Neutron Detectors). As per the Demand Analysis, the demand for Mini GRANDs would decrease till the alternative system - Universal NDA Data Acquisition Platform (UNAP) became available. It was estimated that prototype units would become available in one year time. It did not provide any details as to when the units could be made available for field deployment based on the previous such experiences with R & D based procurements.

82. As per the Financial Rules, the Agency should cooperate with other organization of the UN System to meet its requirement provided the regulations and rules of those organizations' are consistent with those of the Agency and carry out common procurement action together with another organization within the UN system. We observed that there was no system of documentation in the procurement plans regarding efforts made to obtain information with other sister UN organizations when going in for procurements. A case in point was the procurement of a Unified Storage System for the Agency. There was no mention in Procurement Strategy paper nor the Procurement plan regarding any study/information exchange exercise, undertaken vis-à-vis other sister organizations' within the UN system (e.g., International Computing Centre) regarding large scale electronic storage systems, before going ahead with this procurement.

83. The Agency replied that there were adequate mechanisms for eliciting feedback from other UN organizations and there were many examples where the Agency did collaborate. However, in this particular case it was not deemed appropriate due to the special requirements of the Agency.

Recommendation 13

a) The Agency may ensure that Agency-wide Procurement Strategy is prepared annually.

b) The Agency may frame explicit guidelines regarding elements constituting Best Value for Money (BVM) for different category of procurements.

c) Changes to the extant provisions/structures may be simultaneously updated in the Administrative Manual after taking due approvals.

d) The procurement strategy may aim at maximising competition and be consistent with procurements of similar nature to achieve BVM for the Agency.

e) The Agency may take steps to ensure that 'Demand Analysis' contained in the Procurement Plan document is comprehensive and clearly spells out justification for the procurement.

f) The Agency may have in place a mechanism to document information/feedback elicited from other sister UN organizations in the procurement plan.

84. The Agency agreed with the audit recommendations. They added that guidelines regarding elements that constitute BVM would also be considered in the planned changes of the Admin Manual and that the changes to the extant provisions/structures would be reflected in the update of the Administrative rules which was scheduled for 2015. Accepting that deficiencies in demand analysis remained an area of concern, the Agency stated that the Administrative Manual would be updated to provide guidelines.

Offer Evaluation

85. Post solicitations, the bids received are evaluated on technical and commercial parameters in order to rate them inter se and assist in the selection of the supplier. Guidelines on Procurement of Goods and Services (AM.VI/1), mention the broad procedure regarding offer evaluations. We reviewed the technical and commercial evaluations conducted for procurements and noticed the following:

Technical Evaluation

86. Technical evaluation of 10 bidders for provision of Large Project (IT and Construction) Management Support Services rated Company A as the highest technically compliant bidder. However, Commercial Evaluation rated it the sixth lowest out of ten bidders. Accordingly, the PRC (No.78) recommended award of contract to the three separate but different companies at a lower cost. These three companies had a lower technical score than Company A, but were the next three highest technical scores after Company A.

87. The recommendation of PRC 78 was discussed by DIR-MTPS with DDG-SG to verify concurrence with the technical evaluation. DDG-SG determined that the technical officers assigned to evaluate this procurement had inadequate knowledge of the criticality of procurement. Therefore, DDG-SG in consultation with DDG-MT and DIR-MTPS, assigned a different technical evaluation team. After review by the new technical evaluation team, the results of the earlier evaluation were found non-acceptable and the bids of 10 shortlisted bidders were reassessed using 'more stringent criteria'.

88. The score of Company A increased during the second technical evaluation, whereas all the remaining bidders were found technically non-compliant (with scores below 4). As Company A was determined the only bidder acceptable in meeting the requirements, the PRC (No. 81) recommended an award of the contract to Company A.

89. We observed that the methodology followed in this procurement process had not fully complied with the extant rules and procedures of the Agency, as detailed in the paragraphs below:

i. As per the Financial Rules, in cases where DIR-MTPS does not accept the advice of the PRC, s/he shall record such reasons in writing and refer the matter to DDG-MT for decision. We observed that in this procurement, recommendations of PRC No.78 were discussed by the DIR-MTPS with DDG-SG to verify whether DDG-SG concurred with the SG evaluation. We noted that this procedure for procurement finalization was not in consonance with the rules and regulations of the Agency.

   The Agency replied that the PRC Secretary as a Senior Procurement Officer brought to the notice of DIR-MTPS inconsistency in the evaluation results. DIR-MTPS notified DDG-MT of the problem and it was agreed that the case would be discussed with the DDG-SG. DDG-MT and DIR-MTPS, through the PRC Secretary, informed the PRC, that the case was being reviewed.

   We are of the view that notifying DIR-MTPS by the PRC Secretary after the award had been recommended by the PRC was not in consonance with rules. Further, we found no documentation of the conversation related to the decision to bring the matter to the attention of DDG-SG with the approval of DDG-MT on record.

ii. We observed that while the recommended award by PRC 78 was being reviewed, there was no formal record of any discussions/information exchange with the PRC regarding this. The Agency stated that “The Secretary of the PRC was informed by the DIR-MTPS to let the PRC know that a re-evaluation of this procurement would be performed and it would be submitted to the PRC for review”.

iii. Due to the criticality of the project, the DDG-SG deemed the new team for undertaking a second technical evaluation should be comprised of himself as the technical officer. This was unusual and the PRC 81 also noted that “Extraordinarily the DDG-SG and his staff presented their case for the reassessment of bids”. Although unusual, this is not an irregularity as per the extant rules.

iv. While recommending award of the work to Company A, DDG-SG mentioned that Company A had worked with the Agency since 2011. We observed that in the Procurement Plan detailing the list of suppliers that had worked with and been paid by the Agency in the past, Company A did not find a mention. Further, as per the data available on AIPS, Company A did not appear to have handled any IT consultancy related work for the Agency.

   Accepting that Company A was not on the list of vendors that had previously worked with and been paid by the Agency, the Agency stated that Company A had extensive experience with the Agency through the US support program, which provided services to the Agency but were contracted and paid directly by the US. However, we noted that documents that provide the reasons for not including this fact in the Procurement Plan by the Procurement Officer and in the submissions to PRC were not found on record.

Recommendation 14

The Agency may ensure compliance with rules and procedures prescribed for procurement and initiate necessary action when deviations come to notice.

90. The Agency agreed with the audit recommendation.

Commercial Evaluation

91. Commercial Evaluation is done by the Procurement Officer within MTPS. In agreements entered consequent to RFP for provision of IT consultants to augment software development teams, we noticed that the clause regarding computation of Finder's Fee was not uniform, nor were the rates for various services similar. Further, the Agency did not make any effort to bring parity in these rates and the finder's fee with the different suppliers. The Agency stated that in the evaluation of the proposals the focus had been on the daily rates and not on the finder's fee, as it was not a usual practice for the Agency to seek to employ the staff of a supplier.

Recommendation 15

Guidelines may be issued regarding evaluation of all aspects of the bids, individually as well as comparatively, in order to achieve the best value for the Agency.

92. The Agency agreed with the audit recommendation and stated that that all aspects of bids needed to be analyzed to ensure that best value for money was achieved under all circumstances.

Composition of Evaluation Teams

93. Guidelines on Procurement of Goods and Services state that in critical procurements, Evaluation teams should be identified for evaluation of offers, in the procurement plan itself. However, further guidelines regarding the constitution/composition of these teams were not given. It has been informed that the procuring department nominated the members of the technical evaluation teams.

94. We observed that there was no consistency regarding the composition of the various teams, either in terms of number of people nominated or the grade/experience of those individuals. While the qualifications of the evaluating members would depend upon the procurement being processed, lack of any guidance on composition of teams could impact the quality of technical evaluations.

95. Further, we noticed that Procurement Plan prepared for provision of Large Project Management Support Services did not contain details of the Evaluation team, although it was required by the Financial Rules. The Agency accepted that it was an oversight and happened at a time when the templates were going through a process of refinement.

Recommendation 16

The Agency may consider framing guidance regarding the composition (number & grade of members) of the evaluation teams and include details of team members of the evaluation team in the Procurement Plans.

96. The Agency stated that the manual would be updated to provide guidance and they would endeavor to ensure that the details of the lead evaluator were included in the procurement plans.

Procurement Review Committee

97. As per Financial Rules, objective of the PRC is to provide written recommendation to DIR–MTPS or the DDG-MT on the procurement actions. The PRC reviews and provides recommendation regarding the extent to which:

i. the solicitation and evaluation process contained in the Procurement Plan was followed;

ii. the relevant Financial Regulations, Rules and policies were adhered to; and

iii. the programmatic goals and objectives of the Agency and best value for money have been achieved.

98. We noticed the following issues in this regard:

i. The PRC simply recorded in a 'yes/no' format whether the above three aspects had been adhered to or not, without recording reasons thereof. The Agency replied that the PRC was never intended to conduct a comprehensive review of the need, method and quantum of the procurement. However, we are of the opinion that the PRC must record reasons particularly where one or more of the above conditions is not satisfied ('No').

ii. In some instances (PRC No. 47 and 52), the PRC expressed some opinions or made certain suggestions while recommending the proposals. However, there was no structured mechanism to follow up on the suggestions of the PRC.

iii. Findings of PRC No. 52, signed by all eight members in the PRC, stated "no" for the assertion whether programmatic goals and BVM for the Agency would be achieved. The Acting Director inserted in hand in the PRC findings that "not meeting a negotiation objective does not constitute either a violation of the procurement plan or attaining BVM". There was no extant provision for DIR-MTPS to record difference of opinion with the 'findings' of the PRC.

iv. As per the Administrative Manual, all critical procurements (value greater than €150 000) are to be necessarily referred to the PRC. Further, amendments to contracts are referred to PRC when there is a change of more than 20 per cent of the original contract price. We observed that in the case of first amendment (valued at $ 400,000) to the contract for provision of a Geospatial Information Exploitation System, the case was not referred to the PRC. We are of the opinion that as the value of the amendment was more than €150 000, it would have been proper to refer it to the PRC.

Recommendation 17

a) The Agency may issue appropriate guidance to Procurement Review Committee (PRC) regarding recording the justification for their findings, particularly in cases where the PRC finding against a condition is 'No'.

b) The Agency may formulate a follow-up mechanism of the PRC suggestions.

c) The Agency may extend the definition of critical procurement to amendments to contracts for the purpose of referral to the PRC.

99. The Agency agreed with the audit recommendations.

Post-Award Administration

100. Guidelines on Procurement of Goods and Services mention, “Proactive contract management facilitates on time, in scope and on budget delivery as well as realization of key benefits”. Our audit revealed the following:

i. The contract for provision of a Geospatial Information Exploitation System awarded (July 2010), set out certain concrete milestones for achieving the same. Though the Agency issued Certificate of Acceptance in 2012, two amendments (2013) were subsequently issued, as there were several non-conformities identified in the Certificate of Acceptance document and the contract remained open until these were adequately addressed. We are of the view that the Certificate of Acceptance could have been withheld till the resolution of issues.

ii. Further, the above contract mentioned that the contractor was responsible for and would bear all costs associated with any corrections required and the delays due to non-conformities. This clause was not invoked to resolve the non-conformities arising at the time of acceptance test. This resulted in an additional burden of $196,612 on the Agency, which could have been avoided.

iii. An order was placed on 14 December 2013 for 200 NGSS cameras, while another order was placed on 19 December 2013 for seven more cameras. As the supplier had quoted different rates for different quantities, the Agency ended up paying € 47,194 extra due to improper post award administration resulting from poor process efficiencies. The Agency has notified the supplier of this finding and the supplier agreed to refund the amount.

101. The Quality Assurance Unit (QAU) within the MTPS was responsible for administering and monitoring the performance of suppliers. On restructuring of MTPS in the year 2013, the end-to-end responsibility for contracts was rested upon the Contracting Officer concerned and the QAU was abolished. We observed that after abolition of the QAU, supplier data was not being captured centrally for reference by future procurement teams. We feel that in the absence of centrally retrievable inputs on previous performance and other financial parameters of the suppliers who had bid with the Agency, the Agency was exposed to risks associated with selecting a supplier with a previous record of non-performance, with resultant cost and time overruns.

102. The Agency replied that where MTPS was informed of non-performance of a supplier, this was entered into the database in MTPS and referenced by procurement officers as part of the preparation of procurement plans. The Administrative manual would be updated to remind departments that it was important to engage MTPS on issues of non-performance of a supplier.

Recommendation 18

a) Post-award administration may be strengthened in order to ensure that BVM is actually realised.

b) The Agency may strengthen mechanism for systematic documentation of supplier performance for monitoring.

103. The Agency agreed that post award administration could be improved. It was added that the Agency would formulate a provision for supplier management in the new IT governance framework which was currently under development.

Programme on ‘Safety of Nuclear Installations’

104. The Agency, through the Department of Nuclear Safety and Security, works to provide a strong, sustainable and visible global nuclear safety and security framework for the protection of people, society and the environment. While the Agency is authorized to establish or adopt safety standards and to provide for their application to protect health and minimize the danger to life and property from the harmful effects of ionizing radiation, it does not have the mandate to enforce the application of safety standards within a country. The Division of Nuclear Installation Safety undertakes different types of missions under sub-programme 3.2.2 to 3.2.5. These include:

- Integrated Regulatory Review Services;
- Design and Safety Assessment Review Service;
- Site and External Events Design Review Service;
- Operational Safety Review Team;
- Peer Review of Safety Aspects of Long Term Operation of Nuclear Power Plants; and
- Integrated Safety Assessment of Research Reactors Service and Safety Evaluation During Operation of Fuel Cycle Facilities.

105. We assessed whether the actions and activities undertaken against the Programme on Safety of Nuclear Installations - Sub Programmes 3.2.2 to 3.2.5 were in accordance with established policy, programmes, rules and procedures of the Agency and met requirements in all material aspects. Our observations are in the succeeding paragraphs:

Use of Review Services of the Agency by Member States

106. Safety reviews, evaluation and appraisal services are provided by the Agency to the MSs, upon their request. The scope of services is directly related to the areas addressed by the safety standards, *i.e.*, governmental organization, research reactors, operation, and design and siting of nuclear power plants. Effective implementation of these standards is one way to ensure a high level of safety. The Agency, upon request from MSs, also evaluates the compliance of MSs with these standards to ensure that the standards are being applied. We examined some of the review services being offered by the Agency and observed as follows:

Integrated Regulatory Review Service Missions

107. Integrated Regulatory Review Service (IRRS) evaluates the MS’s regulatory infrastructure for safety with respect to the standards and practices, and provides recommendations and suggestions for improvement. IRRS mission also has a follow-up mission no more than four years later to review the progress made in implementing the suggestions and recommendations of the initial IRRS mission. The Agency conducted 19 IRRS missions from January 2012 to 28 November 2014.

108. We noted that:

- Time taken for conducting a mission after receipt of request from MSs was long. In 11 cases, missions were still to be conducted, though the requests had been received by the Agency more than two years ago.

- There were 32 countries which have NPPs, of which five countries had never had the benefit of IRRS missions.
- Two IRRS missions for which follow up missions were due during 2012-2014, could not be conducted, as the same were not requested by MSs.

109. The Agency replied that the planning process took 80 per cent of the time of the entire process and the planning period could not be compressed. They added that as per the IRRS guidelines a follow-up mission would take place two to four years following the initial IRRS and that it would be preferable for the MS to request a follow-up mission within four years.

110. We feel that there was a need to reduce the time frame between receipt of request from a MS and actual IRRS review.

Recommendation 19

a) The Agency may reduce the time frame between receipt of request from a Member State and actual Integrated Regulatory Review Service mission.

b) The Agency may fix a tentative time schedule at the time of initial review itself, for the follow up review, in consultation with the Member State.

111. The Agency accepted the audit recommendation that the follow up mission should be viewed as one package and this needed to be impressed upon the MSs.

Operational Safety Review Team

112. Operational Safety Review Team (OSART) programme provides advice and assistance to MSs to enhance the operational safety of NPPs and provides an opportunity to disseminate information on “Good Practices” which are recognised during OSART missions.

113. We observed that out of 32 countries operating NPPs, six countries had not hosted an OSART mission for the last 10 years. Further, though the Action plan, arising from Fukushima Daiichi accident, called upon MSs with NPPs to host at least one OSART mission before September 2014, 15 out of 32 MSs with NPPs had not hosted an OSART mission in the period 2011-2014.

114. The Agency replied that the MSs were encouraged by various means to avail of the review services. It brought out each year a report entitled ‘Nuclear Safety Review’ which identified issue and trends related to nuclear safety that had occurred in the year covered by the report.

Recommendation 20

The Agency may consider innovative means to encourage the Member States who have not hosted an Operational Safety Review Team (OSART) mission in the last 10 years, to request for it as soon as possible.

115. The Agency accepted the audit recommendation.

Site and External Events Design

116. Upon request from a MS, Site and External Events Design (SEED) review service provides an independent review of site evaluation and design safety of the nuclear installation against the demands of external hazards both natural and human induced and internal hazards. A follow up mission enables the MS and the Agency to re-evaluate the Safety measures, which would address the various hazards.

117. As per the Nuclear Safety Review 2013, there was a marginal increase in the requests for SEED reviews from the MSs. The marginal increase in the demand indicated that more SEED reviews would have to be conducted by the Agency. We, however, observed that the number of SEED review missions conducted by the Agency has reduced from six in 2012 to four in 2013 and two in 2014. We also noticed that there was no follow up mission subsequent to a SEED mission.

118. The Agency replied that they could not schedule safety review missions without having a request from MSs and the Agency would continue their efforts to impress new comer countries the need to avail the SEED review service. They added that International Seismic Safety Centre always followed-up the status of previous recommendations in subsequent missions.

Recommendation 21

a) The Agency may identify the reasons for reduction in the number of Site and External Events Design (SEED) missions conducted in 2013 and 2014.

b) The Agency may incorporate a follow up mission as part of the SEED mission package as is the case with OSART missions.

119. The Agency accepted the audit recommendations.

Programmes to Support the Member States for Development of Required Capacity and Competency

120. As part of the programme to support the Action Plan on Nuclear Safety, the Agency assists MSs in developing, strengthening, maintaining and implementing the capacity building programmes, to continuously ensure that sufficient and competent human resources necessary to assume their responsibility for safe, responsible and sustainable use of nuclear technologies are available with the MSs.

Systematic Assessment of Regulatory Competence Needs for Regulatory Bodies of Nuclear Facilities

121. Systematic Assessment of Regulatory Competence Needs for Regulatory Bodies of Nuclear Facilities (SARCoN) provides guidance and information on specific and practical means to support the implementation of the Agency safety standards in the area of ensuring regulatory competence. It also provides a methodology for two essential complementary elements of the competence management process, developing competence profiles and conducting a competence gap analysis. Based on the gaps identified by the MSs and specific request of assistance, the Agency plans the necessary education and training activities.

122. We observed that there was no mechanism to maintain a repository of the feedback received from the MSs, which could form the basis for improvements in the future in the curriculum and its practical application.

123. While accepting that there was no specific repository to locate all feedback from the MSs, the Agency stated that at the closing of a training course the Scientific Secretary responsible for the course conducted/obtained survey/feedback from participants.

124. We feel that a repository of feedback would act as an important tool for future improvements in the training methodology.

Safety Assessment Education and Training

125. Safety Assessment Education and Training (SAET) programme provides for courses and training necessary to achieve knowledge of safety requirements associated with the design and operation of nuclear facilities. Prior to holding workshops under the SAET programme, discussions are held with the recipient organisation regarding the number of participants and the level of knowledge and experience required for the participants. The Agency reviews the nominations of the MS and notifies the MS regarding the participants accepted for the workshops.

126. We observed that there was no laid down guideline for selection of the participants and no committee existed for selection of the trainees. Accepting that there were no guidelines for the selection process, the Agency stated that selection of trainees was done by the concerned Technical officer.

Recommendation 22

a) The Agency may maintain a repository of the feedback received from the Member States on Systematic Assessment of Regulatory Competence Needs programme.

b) The Agency may frame suitable guidelines for selection of trainees at various levels for Safety Assessment Education and Training programme, so as to ensure that benefit of training is derived by the most appropriate personnel.

127. The Agency accepted the audit recommendations.

Up-dation of Websites of the Agency

128. We observed that the Global Nuclear Safety and Security Network website was not updated at regular intervals.

129. We also observed that NS Training Event Calendar on the Agency web site http://www-ns.iaea.org/training/calendar.asp pertaining to Site & Seismic Safety Training Events 2014 had mentioned that only one training was conducted, though several training workshops were conducted in 2014.

130. The Agency stated that some of the folders were either made by mistake or not being used and that such folders have been deleted. They added that several training workshops were conducted in 2014, which were not listed in the training database but were listed in activities spreadsheet.

Recommendation 23

The Agency may ensure that the data available on its website is regularly updated.

131. The Agency accepted the audit recommendation.

Safety Standards

132. The safety standards are developed by means of an open and transparent process for gathering, synthesizing and integrating the knowledge and experience gained from the actual use of nuclear energy technologies and from the application of the safety standards, including knowledge of emerging trends and issues of regulatory importance. The feedback mechanism from MSs as well as the team members of the missions is a crucial tool for the Agency to evaluate the relevance, applicability and usefulness of the Safety standards.

133. The Agency reviewed and analyzed the IRRS mission results, noting how often regulators did not meet various requirements stipulated in Safety Standards Series No. GSR Part 1, which has a total of 36 requirements. According to the Nuclear Safety Review 2013, following five requirements were most often referred to in the IRRS mission recommendations and suggestions:

- Requirement 2 - Establishment of a framework for safety
- Requirement 18 - Staffing and competence of the regulatory body
- Requirement 24 - Demonstration of safety for the authorization of facilities and activities
- Requirement 25 - Review and assessment of information relevant to safety
- Requirement 32 - Regulations and guides

134. Collectively, these results indicated that in some areas, the regulatory bodies were not fully meeting the safety standards. We feel that there was a need to closely examine these results to gain an understanding of what actions might be needed by the Agency to better assist MSs regulators.

135. Further, as per the OSART guidelines, the team members are asked to provide feedback on application of the safety standards. We observed that there was no mechanism for maintaining an inventory of feedbacks of the team members in case of OSART missions.

136. The Agency replied that safety standards were reviewed periodically to assess the need for their revision and MSs' feedback on experience in the application of safety standards provided valuable input for future revisions. They added that a great variety of diverse information was used in the revision process for standards, and the Agency did not collect the individual comments in one place as an inventory.

137. We are of the opinion that the topic wise inventory of feedback would be useful.

Recommendation 24

a) The Agency may closely examine the results of Nuclear Safety Review 2013 regarding some of the safety standards not being adhered to by Member States, so as to gain an understanding of what actions might be needed to better assist Member States.

b) The Agency may introduce a mechanism for an inventory of feedback on application of its safety standards from the team members of the Operational Safety Review Team missions.

138. The Agency accepted the audit recommendations.

Mid-Term Progress Report

139. A Mid-Term Progress Report is prepared at the end of the first year of the biennium. On the basis of the outputs delivered, the resources utilized and any factors that have influenced the implementation, it is determined whether any adjustments are necessary to ensure the achievement of outcomes by the end of the biennium. The summary report is provided to MSs for information. AIPS Hyperion allows the recording of information that is used for the performance assessment at the end of the biennium, in addition to progress of implementation during the first year of the biennium.

140. Our analysis of the comprehensive information on assessment for 2012-2013 and mid-year assessment for 2012 revealed the following:

141. In respect of sub programme 3.2.2, no information on development of "content and format of Safety Analysis Report (SAR)" was available (Task no. 2012.01 of Project 3.2.2.001) and various fields were not filled (Project 3.2.2.005 AP - Nuclear Safety Action Plan).

142. The Agency stated that resources were not available in 2013 due to redirecting staff efforts to support the Agency Report on the Fukushima Daiichi accident and the mid-term report on Task 2012.01 indicated that work would continue on these tasks into 2013. Regarding the Project 3.2.2.005, the Agency replied that the programme and budget for 2012-2013 was prepared in 2010 before the Fukushima accident.

143. We feel that the Mid-term report should contain all these information.

144. In respect of sub programmes 3.2.3 and 3.2.4, the summary of progress of task under the Planned Tasks table was generic in nature and the matter under the "Summary of progress of task" was not relevant to the task. For the Task Number 2013.07, reasons for pendency had not been explained under the column of "Deviation from Planned Task".

145. The Agency accepted that the summary information in Progress Report from the mid-term 2012 review was incorrect.

Recommendation 25

The Agency may review the activities under the Mid-term report (Hyperion related data) so as to ensure that only relevant activities are included which impact the output delivered, resources utilised and their implementation.

146. The Agency accepted the audit recommendation.

Division of Information Technology

147. The goal of Division of Information Technology (MTIT) is to provide high quality, reliable and sustainable Information and Communication Technology solutions and services. Director of the Division of Information Technology is the Chief Information Officer (CIO) of the Agency. The CIO reports to Deputy Director General (MT) on issues related to Agency information management and information technology (IM/IT) strategy, planning, capital investment, and policies. The CIO has final decision making authority over technical standards, IT risk management, and operational issues.

IT Governance Framework

148. The Department of Safeguards has an independent information and communication system of its own primarily due to the fact that around 90 per cent of information handled by it was considered as confidential and highly confidential.

149. We observed that the provisions contained in the Agency Administrative Manual did not explicitly provide for separate sets of IT systems and information security management system for the Department of Safeguards outside the support structure of the MTIT.

Recommendation 26

The Agency Administrative Manual may be appropriately amended to reflect the governance arrangements in place spelling out the respective roles and responsibilities of MTIT and Office of Information and Communication Systems in the Department of Safeguards.

150. The Agency concurred that Agency-wide systems should be reviewed as soon as possible.

Information Technology Committee

151. Information Technology Committee (ITC), established for promotion, partnership and cooperation in IT and IM in the Agency, is an advisory body to the CIO on issues of IT technical standards, IT planning, IT risk management and operational issues; to review and recommend all IM/IT investments (over €100,000), major changes in IT staff assignments or those investments of a lesser value (over €25,000) which may impact more than one department; and to advise on introduction of new and emerging technologies.

152. Project Managers monitored progress on their projects. We observed that no regular report of progress made on each project was being done at the ITC level except for AIPS, progress of which was being reflected in the Programme Performance Report for 2010-2011 and 2012-2013. There was no evidence to show that other projects were being reported to a central body. This was especially significant given the fact that the Agency has no centralised data of the IT/IM assets. The Agency replied that a project to create an Agency-wide application portfolio was on-going.

153. To perform significant roles of approval and monitoring and in tune with the international best practices, it is imperative that the IT steering Committee comprises members of top and senior management. We are of the view that it may not be able to effectively pursue issues of a strategic nature affecting more than one programme and establish consensus on such issues.

Recommendation 27

a) The Information Technology Committee (ITC) may be made responsible for monitoring the implementation of significant IT investment decisions.

b) The ITC may be constituted at the senior management level empowered to take up issues of strategic importance.

154. The Agency concurred with the audit recommendations, stating that MTIT was already working on a proposal to reform the ITC along these lines.

Alignment of IT strategy with business needs

155. The Agency IM/IT Medium Term Strategy (MTS) to establish an Agency framework for all programmes involving IM activities and related IT services was last prepared for the years 2007 -2011 aligned with the Agency's overall "MTS 2006 -2011". Though the Agency has prepared the "MTS 2012 -2017", we observed that the related IM/IT MTS had not been prepared and projects were being reviewed/certified by the ITC by quoting the old IT/IM MTS objectives. As a result, we could not derive an assurance on the IT/IM related projects included in the programme for the two biennia 2012-2013 and 2014-2015 having been appropriately aligned with the business needs of the Agency. In the absence of IT/IM MTS, there was a risk of IT needs not being properly planned and business and IT needs of the organization not being aligned.

156. The Agency replied that their senior leadership regularly attended ITC meetings and used that opportunity to solicit feedback and input on IT priorities. It recognized that the IT strategy was out-of-date and needed closer alignment with business plans and priorities and significant input from the business to be effective.

Recommendation 28

New Information Technology and Information Management strategy may be put in place at the earliest for proper alignment of IT strategy with Agency's business plans.

157. The Agency stated that a project was under way to define a new Business Technology Strategy in February 2015, aligned with the Agency's Medium Team Strategy and with input from major stakeholders.

Requirement management process and IT plan

158. Best practices require that the need for IT functionalities emerges from the users and stakeholders and this gets appropriately prioritised. Towards this end, there should be a formal process whereby IT requirements are suitably identified and analysed according to organization's formal requirement management process.

159. We observed that there was no such process followed in the Agency for selection of projects. There was no IT plan for the Agency as a whole regarding the projects/procurements which should be taken up in a certain period, nor was there a system of prioritisation of projects. Business needs were not planned as a whole but were taken up project wise on case to case basis. We feel that lack of adequate planning is fraught with the risk that similar projects might be taken up by different divisions in quick succession.

160. While accepting the point, the Agency stated that MTIT projects were submitted to the ITC for review and approval and at this stage, business representatives were able to provide feedback on MTIT priorities.

Recommendation 29

a) A formal process may be put in place to identify and prioritise the IT requirements of the Agency with the involvement of users and stakeholders.

b) IT plan for MTIT and other Agency divisions/departments may form the basis for the IT budgetary requirements.

161. The Agency concurred with the audit recommendations and stated that the revised IT governance committee would take a larger role in IT portfolio management. The Business Technology Strategy project would include working with the stakeholders to identify their priorities and form a five-year IT roadmap, which would help guide IT budget submissions. The Agency added that given the decentralized nature of IT application development and funding structures, there would remain limits on centralizing IT planning in the Agency.

ICT costs

162. The Agency did not prepare budget component-wise (i.e., by type of activity within projects). As a result, Information and Communication Technology (ICT) components of a project were not singled out or grouped separately in a way that one could find out how much ICT component might be there for a project. Therefore, the complete picture of ICT funding for the entire Agency was not available for analysis and review.

Recommendation 30

A suitable mechanism may be devised to track IT related costs and expenditure for all projects.

163. The Agency concurred with the audit recommendation and stated that the revised IT governance committee would take a larger role in IT portfolio management.

Risk management

164. The management of IT risks should form an integral part of the Agency's risk management strategy and policies. Risk management involves identification of risks concerning existing applications and IT infrastructures, and continuous management, including an annual / periodic review and update by the management of the risks and monitoring of mitigation strategies.

165. We observed that the MTIT was in the process of creating formal risk management procedures, derived from the Agency Risk Management Policy.

Recommendation 31

A comprehensive risk management process for ICT risks to be managed by MTIT may be completed early as it will form the basis for subsequent control activities and processes to be put in place.

166. The Agency concurred with the audit recommendation.

Compliance with IT standards and procedures

167. The Agency ICT standards are the result of the collaboration between MTIT's analysis of technology advancements and end users' needs and ITC's strategic advice and input. While the Agency strongly promoted the use of these standards in all circumstances, we found that there was no formal mechanism in place to periodically detect and review non-compliance with the ICT standards.

168. There were a large number of procedures in existence in MTIT at present. To standardise and streamline the creation of documents detailing procedures in MTIT, there was a standard template in place specifying version, date, updated by, description of changes, reviewed/approved by, purpose, scope, procedure/process, approval and review, *etc*. We found that:

- Many procedures/standards/processes had not been updated since long. Some procedure documents had been created without following the standard template and, therefore, date and authority for their creation was not known.

- There was no standard framework regulating the categories of documents created below the policy level, such as guidelines and requirements, process descriptions, standards and procedures. There was no guideline specifying the authority levels for approval of ICT procedures, process of communication and periodicity of updating.

- Though individual sections maintained their own catalogue using a combination of SharePoint and Livelink, there was no mechanism to systematically store and retrieve the procedures by reference number, area, subject, *etc.*

- There was no formal mechanism of classifying the ICT procedures as unclassified, restricted, confidential, *etc*. The Agency stated that their staff had been instructed to review the classification manuals (information security policy) for document types which are classified to ensure appropriate protection was employed.

- No controls were in place to ensure that there were no conflicting procedures in other departments implementing the ICT strategy and policy.

Recommendation 32

a) A compliance mechanism to ensure that all ICT policies and associated standards/procedures are appropriately followed may be strengthened.

b) To improve internal control system in MTIT, there may be an explicit guideline specifying authority levels for approval of ICT procedures, their classification, process of communication to relevant staff, periodicity of updating and methodical storing.

169. The Agency concurred with the audit recommendations.

Performance Monitoring

170. We carried out a scrutiny of service levels/targets, performance measures and performance scorecards of the MTIT starting from October 2013. We noted that the MTIT has linked, reported and monitored service level agreements (SLA) and targets for most of the defined service objectives. However, in some cases SLAs were not linked with service objectives, including that for Security Management.

171. After every maintenance activity, a report on the status of each Request for Change is generated. Analysis of these reports revealed that critical factors of change management were not being monitored across the eight parameters mentioned in the Change Management Guide.

172. On being asked whether a formal monitoring mechanism has been instituted to review the performance of MTIT on quarterly/semi-annual basis, it was stated that every year an Agency wide customer satisfaction survey was conducted. While we found the survey was comprehensive, we are of the view that it should supplement and not substitute the monitoring of the areas of their responsibility by the MTIT themselves in a formal and comprehensive manner, as required under Result based approach.

Recommendation 33

A formal and comprehensive monitoring mechanism covering all the service levels and performance measures may be instituted to review the performance of MTIT in line with the principles prescribed in the Agency's Result based approach.

173. The Agency concurred with the audit recommendation and stated that MTIT was continuously tuning its monitoring and reporting mechanisms. MTIT would review the comprehensiveness of its performance monitoring and the periodicity of reporting on this performance as part of an overall review of the IT Service Catalogue.

Information Security

174. The purpose of the Information Security Policy (ISP) of the Agency is to ensure that a system, including physical and electronic measures, is in place so that staff and all who enter into a contractual relationship with the Agency know and can carry out their responsibilities with due regard to the required protection of information the Agency gathers or generates.

Information Security Policy

175. We found that the ISP had not been updated since December 2005, even though information technology scenario has witnessed a rapid transformation in last ten years, nor had any document been published after September 2004 to compile all policies/procedures at one place. We also observed some significant weaknesses in the ISP structure compared to international best practices as highlighted below:

- ISP did not cover Mobile Device, Cloud Services, restrictions on software installations and use, back up, protection from malware, management of technical vulnerabilities, cryptographic controls, logging and monitoring, network security management, *etc.*
- ISP did not take in to consideration the information security requirements created by regulations, legislation and contracts and how it was addressed.
- ISP did not speak of the current and projected information security threat environment and the processes for handling deviations and exceptions from the policy.
- ISP did not define and allocate the information security responsibilities across the Agency.

Recommendation 34 Information Security Policy may be updated to make it comprehensive and current in tune with the present day IT operating environment and in line with the requirements of ISO 27000 series standards adopted by the Agency.

176. The Agency concurred with the audit recommendation.

Approved framework of information security not followed

177. Information Security Policy Steering Group (ISPSG) is a standing body in the Agency responsible for advising the ITC, through DIR-MTIT/CIO, on information security issues, procedures and practices and monitoring the security awareness programme and other information security training for staff. The ISPSG is chaired by the Agency Information Security Officer (AISO), who is supported by a Departmental Information Security Officer in each Department, and, where appropriate, by a Divisional Information Security Officer for each Division in a Department. In February 2009, the Agency appointed a Central Security Coordinator (CSC) in the office of the DDG-MT to lead the effort on information security in all its forms.

178. We observed that:

- The key position of AISO had not been filled up by the Agency but had been transferred around various staff throughout the Agency who fulfilled the role responsibilities as additional duties.

- Regular meetings of ISPSG were to be held monthly or as needed. No meeting, however, had been held after April 2013. The Agency recognised that a substantial amount of policy development and changes to governance had to take place for ISPSG to be effective and the nominated department/division level security officers were insufficient to do this. The interdepartmental overseeing mechanism for information security was also inadequate.

- No risk assessment to identify, analyse and evaluate risks in the IT security infrastructure has been concluded by the Agency.

- IT Security Incident Management Policy to guide the handling of security vulnerabilities was yet to be prepared by the MTIT. The Agency informed that a Cyber Incident Policy had been in development as part of the replacement project for the IAEA Security Handbook.

- While the MTIT kept an inventory of all applications developed and deployed by the Division, there was no formal process or documentation in place for non-MTIT applications & websites. A project was stated to be under way to develop a portfolio of all Agency applications.

- There was no structured comprehensive process of monitoring the information security in the Agency and all its locations, including regional offices and laboratories. The Information Security escalation procedures (2004) and IT vulnerability scanning procedures (2012) were dated and limited in their scope.

179. The Agency accepted that the current governance structure for Agency-wide information security was not adequate and there was an outstanding action item to ensure moving forward strategically with an appropriate governance structure that avoided the historical problems created from the previous tripartite arrangements between MTIT, SGIS and CSC. They also stated that the Agency had a new Central Information Security Officer (CISO) position being advertised now to be filled up, who would be the focal point for an information security framework, policy, and risk management and assessment requiring deep technical expertise.

Recommendation 35

a) The Agency may carry out a comprehensive evaluation of the information security performance and the effectiveness of the information security management system.

b) The Agency may carry out a comprehensive information security risk assessment to identify, analyse and evaluate risks in the IT security infrastructure and determine the form of controls required.

c) The Agency may devise an appropriate monitoring mechanism for information security performance measures, processes and controls.

d) The Agency may plan to implement outstanding action items with due urgency.

e) Human and budgetary resources available with Chief Information Security Officer may be reviewed to ensure that these are sufficient for effective discharge of entrusted role.

180. The Agency concurred with the audit recommendations. Regarding outstanding action items, the Agency stated that MTIT had already asked for additional resources and would tailor the roadmap based on the risk assessment.

Remote Access Policy and Security awareness

181. We examined the Remote Access Policy and observed that:

- Remote Access Policy was implemented without a formal risk analysis of the role and the classification of the information resources to be accessed. No approved Remote access security plans were available with MTIT except the one for iPADs. MTIT stated to have been working on an Agency-wide draft Remote Access Security Plan which was planned to be completed in the second quarter of 2015.

- There have been no training programmes on information security since March 2013, when 254 staff (out of over 2,000 staff) had been trained on aspects of information security. The Agency stated that 31 MTIT staff members had attended Learning Tree's Implementing Information Security with ISO/IEC 27002 Certification course and that for the year 2015 the MTIT was planning to train IT staff in ISO27002 compliance.

Recommendation 36

a) Information security roles and responsibilities across the Agency for remote access may be defined and allocated.

b) Security awareness training commensurate with Information security roles and responsibilities may be carried out to cover maximum number of staff and areas, including remote access and electronic messaging.

182. The Agency accepted the audit recommendations.

Protection of classified information

183. The Agency's classification system requires that "Staff members shall have access to classified information on a need-to-know basis only. Staff members who create/process/disseminate classified information shall mark the classification level electronically, so that the classification status of electronic objects, e-mails, documents, databases and optical materials, can be ascertained without opening the object."

184. We found that:

- Procedures for electronic representation of classified information assets had not yet been defined by MTIT. Besides, to strengthen access controls, user-specific classification and verification routines had not yet been established in MTIT for electronic documents, the Agency networks and other installations, though required under the policy. The Agency replied that it would take steps to address the same;

- As categorisation had not been done and there was no clear strategy on access authorisation, a clear picture of who had access to what information was not available. A complete identity management system has not been implemented to mitigate this risk.

Recommendation 37

a) Classification and access control procedures may be strengthened and synchronised.

b) Remote access security plans and identity management systems may be urgently finalised in view of their Agency wide applicability.

185. The Agency concurred that practical guidelines and procedures should be updated, and the identity management system should be improved.

DG and Board of Governors not informed about status of information security

186. The AISO is responsible for issuing an Annual Report to the DG on the status of security in the Agency. Based on this Report, the DG presents an update of the Agency's Information Security framework to the MSs and Board of Governors providing an assurance that the Agency will continue to monitor and evaluate its information security measures and identify areas that require further strengthening.

187. We found that the Annual Report on status of information security in the Agency had been provided to the DG only twice, in November 2010 and February 2013. CSC/AISO stated that the other annual reports were not issued as comprehensive analysis of the status of the Agency's Integrated Safety Management System and its commensurate controls could not be done due to resource constraints. It was also stated that another Annual Report for 2014 would be provided to the DG.

Recommendation 38 Prescribed policy for reporting the status of information security, along with the security risks in areas that require further strengthening, to DG/Board of Governors annually may be followed. Otherwise, an explicit authorisation may be obtained for not complying with the approved policy.

188. The Agency concurred that MSs needed to be assured that the Agency was implementing adequate information security measures.

Business Continuity Planning

189. There were three independent set ups for operation of the Agency IT disaster recovery operations. The MTIT manages the services for the Agency as whole, except for SG specific services and AIPS. The MTIT has a separate Crisis Recovery Team that met on an *ad* hoc basis. All Agency Disaster Recovery Infrastructure (DRI) is located at Seibersdorf as their 'cold site'. Most of the data on the Agency's servers is sent to DRI each week. MTIT maintains a recovery guide containing IT disaster recovery procedures for the critical services that it manages.

190. We carried out a review of the disaster recovery arrangements and noticed that:

- An Agency wide Incident Management Plan for IMS containing crisis management plan, business continuity plans and disaster recovery had not yet been prepared. As a result, we could not derive an assurance on existence of an incident management system to mitigate the risks and reduce the potential impacts to the Agency's people, operations, assets and reputation.

- AIPS activities and Safeguards department were not covered by MTIT DRI. While AIPS had DR procedures of their own hosted at International Computing Centre (ICC), Geneva, Safeguards department did not have DRI of their own. We noticed that the DR for AIPS was not designed to replicate the full production environment and was configured to handle only 50 *per cent* of the AIPS production load. Besides, the DR was put in place to provide for disaster recovery only when primary ICC site was not working and did not cover non availability of the Agency infrastructure.

- The MTIT backup schedule provided for hourly backup of databases, twice a day for exchange and daily for other IT assets. The IT disaster recovery procedures of MTIT whereby data on the Agency's servers was sent to DRI at Seibersdorf each week did not follow the Recovery Point Objective (RPO) benchmarked against the back up schedules of IT assets as mentioned above. Similarly recovery time of one week falls way short of Recovery Time Objective (RTO) assessed in the earlier approved CMP of the Agency. The MTIT stated that RTO and RPO of one week each were validated and confirmed by intra-Agency Crisis Management Group. We noticed that these were at variance with the business continuity priorities spelt out in CMP in respect of each department and division and standard back up schedule of the MTIT.

- Considering the fact that MTIT was not fully aware of the number of applications running in other Agency departments, the possibility of entire assets not being backed up regularly and also not being stored at offsite location could not be ruled out.

- The DRI project provided for bi-annual recovery tests. Three tests had so far been performed. The records showed that the June 2012 exercise was a partial success; and the November 2013 exercise was aborted and rescheduled for January 2014, which was partially successful.

- The DRI at Seibersdorf was completed in December 2012. The site had never been inspected and reviewed formally for appropriateness of physical, environmental and access controls procedures and availability of required disaster recovery resources. The Agency stated to have raised the issue of inappropriate physical environment and related measures for the DRI with Division of General Services (MTGS).

191. While concurring with the points stated above, the Agency stated that a consultant had recently been appointed to develop a roadmap for updating and reforming the Agency's IT disaster recovery processes.

Recommendation 39

a) The Agency may take urgent steps to put in place the incident management system containing crisis management plan, business continuity plans and disaster recovery for the Agency ICT systems at the Vienna International Centre (VIC) and all other Agency locations.

b) Consolidated IT disaster recovery plans for MTIT, Safeguards and AIPS may be prepared providing for recovery of IT assets after disruption at VIC and all other Agency locations in line with predefined recovery point and recovery time objectives.

c) Disaster recovery procedures for MTIT Disaster Recovery Infrastructure (DRI) at Seibersdorf may be revised as early as possible and validated through tests.

d) DRI Seibersdorf may be periodically inspected and reviewed for appropriateness of physical, environmental and access controls procedures and availability of required disaster recovery resources. The first review may be performed as early as possible.

192. The Agency concurred with the audit recommendations. They, however, noted that the implementation of this recommendation would be a collaborative effort between CSC and MTIT

Other Matters

Cases of Fraud and Presumptive Fraud

193. 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.

194. Three cases of presumptive fraud against the Agency were reported to OIOS in 2014. Two of these cases were procurement-related and one on allegation of violation of financial rules. One of the procurement cases has been closed as unsubstantiated. The other two cases were still under investigation/monitoring. Without any prejudice to the on-going cases, no fraud-related losses have, thus far, been detected.

Losses, Write-offs and ex gratia Payments

195. Receivables amounting to €527,986.24 were written-off in 2014. These write-offs include the following:

S. No	Item Description	Amount written off (Euro)
1.	Extra-budgetary Contributions irrecoverable	360,702.47
2.	After Service Health Insurance	134,236.93
3.	Payroll items	14,609.41
4.	Receivables – Laboratory invoices	11,661.76
5.	Telephone charges	2,393.33
6.	Meetings	1,744.98
7.	Receivables – Publication s Invoices	1,038.42
8.	Training Courses, Experts & Other TC Components	846.94
9.	Travel related items	752.00
Total		**527,986.24**

196. Payables amounting to € 19,735.88 were written back in 2014. These include the following:

S. No	Item Description	Amount written back (Euro)
1.	Legitimation UN Pass	14,371.48
2.	ESSO cards charges	5,364.40
Total		19,735.88

Loss of Equipment

197. In 2014, there were 31 capitalized assets costing €33,070.18 with net book value of € 1,745.25 and 9 expensed type assets with acquisition costs amounting to € 8,301.26 which were declared lost.

Ex-Gratia Payments

198. No ex-gratia payments were made during 2014.

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

199. Response of the Management indicating action taken on past external auditor's recommendations is given in Annex I.

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

23 March 2015

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

Audit Report for the Year.	Recommendation	Management response
2013		
Financial Issues		
Rec. No.		
1	To obtain explicit budgetary approval for transfer of whole or a part of the capital regular budget to MCIF during future biennia.	Text drafted and currently in the clearance process as part of the Agency's draft P&B 2016-2017. Management considers the recommendation to be In Progress.
2	To 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).	Examination was done by OLA and a briefing paper was produced. Management considers the recommendation to be Implemented.
3	To 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.	Analysis is to be done in the context of the 2017 Budget update, by Q1 2016. Management considers the recommendation to be In Progress.
4	To consider reporting MCIF as a separate segment particularly considering its growing importance in the years to come.	MCIF is reported a separate segment in 2014 Financial Statements. Management considers the recommendation to be Implemented.
5	To consider the implementation of a long term funding strategy for meeting the employee liabilities adequately, over a period of time.	During the 2012-2013 Programme and Budget Cycle, a proposal to fund the Agency's long-term employee liabilities was brought to the Programme and Budget Committee. During the PBC deliberations, it was clear that there was no appetite for MSs to begin funding the liability. Although the Agency has monitored the activities of other UN Agencies, some of whom have begun funding the ASHI liabilities, no agency agreed funding levels or strategies have yet been agreed. Management considers the recommendation to be In Progress.
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	With the change in policy to a prospective allotment in 2013, the Agency is already ensuring the matching of costs with revenue to the level possible.

	ensure the matching of costs with revenue in future.	Management considers the recommendation to be In Progress.
7	Extrabudgetary support in the form of PSC should be adequately shown in the Agency's Programme.	Included in the P&B 2016-2017 proposal and is currently going through clearances. Management considers the recommendation to be In Progress.
8	To include 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.	Statement of Investments is included as an Annex to the Agency's Financial Statements for 2014. Management considers the recommendation to be Implemented.
9	To institute a rigorous and formal process for measurement of net realisable value or current replacement cost of inventory items before 2014 closure.	The analysis related to measurement of valuation of material inventories was performed, which resulted in a revised policy document related to the approach for inventory valuation. This was implemented in connection with the 2014 Financial Statements. Management considers the recommendation to be Implemented.
10	To review the arrangement with Van Breda in terms of the rationale for extending the advance to them.	Meetings have been held between MTHR and MTBF to discuss the alternatives to the current Van Breda arrangement. However, due to significant conflicts in availability of SAPS, FAS and MTHR staff due to the implementation of Plateau 3 of AIPS (HR and Payroll modules), this analysis has been postponed to Q2 2015. Management considers the recommendation to be In Progress.
Human Resource Management Issues		
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.	a) Partly implemented with the consultancy policy revision effective 01-01-2014. A related policy amendment has been reviewed by the JAC and the corresponding SEC/DIR is under circulation for the DG's approval. b) The Agency's Advisory Group on Knowledge Management was currently reviewing the on-boarding and off-boarding process in the Agency. As such, mechanisms including succession and knowledge management would be reviewed and the corresponding findings would be used for establishing related AM procedures. c) The JAC has reviewed the respective amendment to AM.II/3 and the corresponding SEC/DIR is currently under circulation for the Director General's approval. d) The Staff Administration Section ensures that the upper age limit of consultants is strictly adhered to, except for cases where the Director General explicitly approved deviations from the upper age limit. Management considers the recommendation to be In Progress.

12	Efforts may be made to increase the percentage of women employees in the Agency, especially in the professional category of posts.	The Agency initiated work to establish policy and action based on recommendations for improving the status of women at the Agency. Management considers the recommendation to be Implemented.
13	Agency may take additional measures to ensure that all staff complies with the requirements of its Ethics Policy.	MTHR will follow-up annually with staff who has not complied with the requirements set out in the Agency's Ethics policy. Management considers the recommendation to be Closed.
Safeguards		
14	a) To consider discontinuing maintenance of a separate Risk Register for itself. b) To ensure that all risks identified by it, feature in the Agency's Risk Register. c) To ensure that the risk owners are identified in all cases.	a) The Department has discontinued the maintenance of a separate risk register. b) Departmental "high risks" have been documented in the Report to the DG on work of the Risk Management Group in 2013 and the Summary of Cross Departmental High Key Risks 2013. c) Risk owners have been identified in the Agency project management system. Management considers the recommendation to be Implemented.
15	a) To clearly lay down policy for development and implementation of 'State Level Approaches'. b) To develop performance targets for SLAs based on technical objectives prioritized for states.	a) The issue was addressed by Safeguards Senior Management after the General Conference. b) The current SLA guide (2014-09-12 Version 2) makes provision for performance targets. Management considers the recommendation to be Implemented.
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.	a) The Department will continue to use its internal oversight practices, including the internal quality audit programme and condition report system, to monitor the consistency of practices and processes in Operations Divisions with Departmental policies, processes and procedures and take corrective steps. b) A set of standard headquarters activities will be provided in the guidance for the AIP template when it is updated in 2015. c) The Operations Divisions will continue to monitor the reporting timelines, analyse reasons for delays and take actions on a case-by-case basis. d) The Department used more specific performance targets and alternatives to monitor performance in the 2016-2017 P&B formulation. Management considers the recommendation to be Implemented.
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.	Data integrity issues have been resolved in AIPSPLAN as far as technically possible. For the biennium 2012-13, reporting on outcome achievements was completed outside of AIPS by managers and loaded in AIPS by the Department due to the fact that not all outcomes and PIs were visible in the system. Baseline values for 2014-15 cannot be edited anymore. The Department will work with responsible entities to find a solution

		beginning of 2015, in the context of the mid-term progress report. For the biennium 2014-15 the Department plans to report on intermediary achievement of outcomes during the mid-term progress exercise, instead of waiting for the end of the biennium. For the planning of 2016-17, all data, including baseline and target values, were provided. Management considers the recommendation to be Implemented.
18	a) To 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.	a) The selection of some internal benchmarks from process maps/descriptions is planned to support the requirements of the Departmental performance indicators initiative. b) The Department examined the calculation and application of cost allocation pools to both reduce allocated costs and ensure costs are allocated to the most appropriate products in the update of the cost model in March 2014. Management considers the recommendation to be Implemented.
19	To 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.	The Department makes continuous and significant efforts to improve safeguards equipment asset management. The timely submission of Equipment Working Papers by inspectors returning from the field remains an issue for the Department, and the need for continuing vigilance in this area has been drawn to the attention of the Safeguards Operations Divisions. Management considers the recommendation to be Implemented.
20	To 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.	The Department has initiated and will continue work with Safeguards division to strengthen and formalize training needs analysis. A first step has been to establish a set of functional competencies for inspectors to complement IAEA core competencies. The 2015 Training Programme has been published. Until the Learning Management System is fully operational, the Safeguards Training Section has prepared and made available to all Division Training Officers an Access Database which links the identified functional competencies to specific training courses for safeguards implementation. Management considers the recommendation to be In Progress.
ECAS Project		
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.	A new section titled "Issues/ Status/ Resolutions" was added to the monthly reports to address this recommendation. Management considers the recommendation to be Implemented.

22	To consider formulating specific terms of reference for the periodicity of meetings of the Project Board to improve its effectiveness.	At this stage of the project lifecycle, there were no major decisions to be made that require Project Board meetings. Therefore, these meetings have been replaced with regular briefings to the DDG-SG and monthly reports. Management considers the recommendation to be Implemented.
23	a) To 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) To put in place a mechanism for the compliance of observations made by PAC to ensure transparency in evaluation of bids and award of contracts.	a) The Procurement Plan and justification for Award have been streamlined and provides guidance to MTPS staff members on the evaluation of bids. b) All comments are recorded by the PRC Secretary, and forwarded to MTPS Director and the staff member concerned for follow up actions. Additionally, feedback is given to Team Leaders at the weekly MTPS/Team Leader meetings as well to the staff at the monthly staff meetings. Management considers the recommendation to be Implemented.
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.	a) The transition schedule is updated regularly to reflect the existing situation. b) The template for the monthly reports includes a section titled "Issues/ Status/ Resolutions" that reports on delays experienced by the project. c) The services of the TC were successfully extended. d) All required transition personnel have been recruited. Management considers the recommendation to be Implemented.
AIPS Project		
25	A benefit assessment study may be conducted to identify the impact of AIPS business processes on staffing requirement.	This will be conducted after completion and stabilisation of all four plateaus. This is expected to start in 2017 and concluded in 2018-19 biennium. Management deferred the implementation of the recommendation.
26	Further training may be provided on SLiM to persuade users to rely on SLiM for mailing list/distribution management.	SLiM training is made available monthly to all Agency staff. Six training sessions have since been attended by 23 staff members. Management considers the recommendation to be Implemented.
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.	As part of every Plateau, in the Project Initiation Document, an impact assessment on legacy systems is presented. This activity has started and actions have been agreed for few legacy systems such as AFIMS and PROBIS. Management considers the recommendation to be In Progress.
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	Preliminary analysis has been conducted. We foresee there is specific functionality in each of the systems for which the systems are retained. Specific actions are to be undertaken to see if these functionalities can be provided in AIPS to enable

	benefits of such integration.	retirement of each of these systems. Moreover some of these systems are retained for historical reference purpose. Management considers the recommendation to be In Progress.
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) To 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.	a) Such minimum data quality criteria is already embedded into the Contacts module. b) AIPS is an out of the box application from Oracle Corporation and such features are not available. c) MDM team is being enhanced to focus on data quality aspects. d) This is an ongoing improvement exercise. We cannot attribute ownership of a contact record to an individual user since the contact is shared across the agency and the nature of contact changes over period of time. Management considers the recommendation to be In Progress.
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.	This is technically not feasible. A Technical Service Request was raised with Oracle to get a formal confirmation. Management considers the recommendation to be Closed.
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 and include the ideal Project structure in terms of Tasks/Sub-Tasks etc. 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. f) The dashboard should suitably present	a) AIPS team has introduced a new five-day programme of consolidated training for programme and project management and monitoring. A regularly scheduled "Projects Staff" training is now part of the fixed curriculum for all users. b) A complete overhaul of the PPM dashboard reports was rolled out in April 2014. This include a reduction in the number of reports, rationalization of the reports, many new user-friendly features such as the ability to export specific sections of reports and the ability to save individual report customizations, as well as exact recommendations from internal and external sources. c) Part of the above mentioned overhaul included two key features which the user community has welcomed, namely export to excel functionality has been extended to most of the reports. The users are now able to modify, save and default reports exactly according to their specifications/requirements. Further work will be pursued in this area to make the reporting experience as efficient as possible. d) A new section called "Quick View" has been added to the dashboard allowing project managers to have an immediate overview of funds availability both in numeric as well as graphic forms. e) This has already been partially addressed in c) above. f) A new set of manager dashboards is introduced as part of AIPS Plateau 3. We are evaluating

	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.	possibilities of displaying the RAG statuses as part of the overall Management Dashboards in order to combine financial implementation of the Project with the non-financial progress. g) A drilldown function is available on all of the PTAEO reports, allowing a user to inquire on any of the “expenditure” values. Management considers the recommendation to be mostly implemented while recognizing additional work on certain Management Dashboards is in progress.
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.	a) PI's were part of the approved programme by the Board of Governors and the General Conference. Therefore, rather than reviewing the existing PIs, the general advice to the managers, as provided in the guidelines, has been to take benefit of deciding on the optional third PI, as appropriate, at the stage of preparation of performance assessment. During the preparation to the Performance Assessment 2012-2013, this aspect was emphasised. Similar approach has been recommended in preparation to the programme and budget 2016-2017 in order to create SMART PIs for the new cycle. b) The Agency determined that the requirement for biennial update in Hyperion is acceptable; however, managers are able to update such PI's more frequently if they believe such update is beneficial. c) Although the guidelines on performance assessment advise that managers should use the RAG status feature of Hyperion planning, these contain no information on the frequency of this update. Management considers the recommendation to be Implemented.
2012		
Financial Issues		
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.	Physical verification is being performed with the additional functionality, partially via self-verification and partially through a centralized effort by MTGS during Q4 2014 and 1H 2015. Subsequent to the initial physical verification, the ongoing physical verification will cover a significant portion of non-SG assets over each two year period. As per ongoing practice all SG assets continue to be physically verified on a two years cycle. Management considers the recommendation to be In Progress.
2	Adopting segment reporting under IPSAS 18 for the activities relating to operation of LEU Bank.	Completed with the Issuance of the Agency's Financial Statements for 2013. Management considers the recommendation to be Implemented.

Procurement Services		
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.	OBIEE reports have been developed, tested, adjusted and implemented, and users informed. Training was provided for users. Management considers the recommendation to be Implemented.
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.	Users have now been able to get reports that give an overall status of orders including such things as receipt of supplies, invoice status, etc. Previously this was quite cumbersome and had to be done on an individual purchase order basis. Therefore, OBIEE reports have been developed, tested, adjusted and implemented, and users informed. Training was provided for users on these reports. Management considers the recommendation as Implemented.
Technical Cooperation		
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.	PPARs are now routinely requested on a six-monthly basis for each TC project. For the project outputs, they include status reports in relation to the target of each output indicator. 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.	Field Monitoring missions have been successfully piloted. Outcome indicators for pilot projects in the 2016–2017 TC cycle are under development and will be incorporated into the project designs, to be finalized in July 2015. Management considers the recommendation to be In Progress.
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.
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.	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

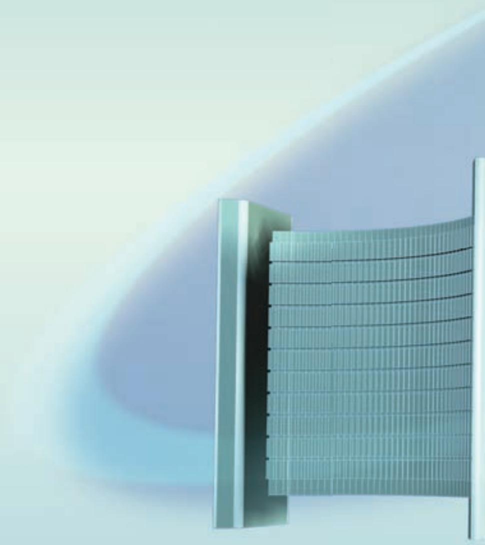
		projects have been set-up in the IAEA's Programme and Budget. Management considers the recommendation to be In Progress.
31	The Agency may consider requesting Member States to provide information regarding their progress in the implementation of the Action Plan.	Some MSs are actively sharing information with the Agency on their activities to implement the Action Plan on Nuclear Safety. The Agency will continue to encourage other MSs to do likewise. Management considers the recommendation to be In Progress.
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.	The Agency will continue to present information on MSs activities in the framework of the Action Plan on the 'Dashboard', with the consent of the MS concerned. The Secretariat continues its efforts in disseminating information on MSs activities through the publication of peer review reports, expert mission reports and International Experts' Meeting reports. Management considers the recommendation to be In Progress.
38	The databases should be peer reviewed by teams from staff members from Sections other than the ones maintaining the databases. The OIOS may also be requested to evaluate and examine the databases.	OIOS has reviewed some of the databases reported in its report issued in March 2013 "Evaluation of IAEA Scientific and Technical Information 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		
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.	Strategy for the Renovation of the Nuclear Sciences and Applications Laboratories in Seibersdorf was presented to Member States in May 2014 and published as GOV/INF/2014/11. 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.	Strategy for the Renovation of the Nuclear Sciences and Applications Laboratories in Seibersdorf was presented to Member States in May 2014 and published as GOV/INF/2014/11. Management considers the recommendation to be Implemented.
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.	Internal quality audit of gamma–ray spectrometry at TEL, Seibersdorf has been finalised and report has been prepared. Pre assessment of Reference material production at TEL, Seibersdorf and RML, Monaco was provided by Quality Systems Manager NA. First Management Review Meeting has been organised in December 2014 and scope of

		accreditation has been accepted by Division Management. Management considers the recommendation to be In Progress.
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.	After careful technical review of current R&D activities, it was found that accreditation is not necessary for the R&D activities performed at the laboratories associated with food and agriculture. Management considers the recommendation as Closed.
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.	Started the process for implementation of the QSM procedures in consultation with the QSM Manager. Management considers the recommendation to be In Progress.
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.	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. SGAS has continued to develop an end-to-end sample status tracking system covering both DA and ES samples to provide real time information about sample status to all parties involved, and primarily the Divisions of Operations. This system will be made available on the Department intranet using role-based access control provided by SGIS. Management considers the recommendation to be In Progress.
53	The identified short term solution of solidification of liquid wastes may be pursued by the SGAS with prescribed timelines.	Solidification of concentrated process solutions (CPS) is complete. As of June 2014, all 22 CPS vessels containing plutonium were transformed into the solid state and moved to the Fissile Material Storage area. The first shipment was done in June 2013. Second shipment of solidified CPS material was planned for 2014 but had to be cancelled due to shipping container certificate issues. Management considers the recommendation to be In Progress.
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.	Divisional Radiation Protection Supervisors 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 to relevant NA staff and Radiation protection training to Divisional Radiation Protection Supervisors as well as to relevant NA staff was provided in the 4th quarter of 2013. Management considers the recommendation to be Implemented.

57	The establishment of a network for the measurement PCs may be pursued with MTIT.	MTGS worked with MTIT on the project "Secure Zoning" to safely combine all measurement PC's with the regular Agency Network. Management considers the recommendation to be Implemented.
2011		
Financial Issues		
6	Introduce a Statement of Internal Control as part of the financial statements.	MTBF has initiated the implementation of a structured documentation of the processes supporting financial reporting, including the related risks and mitigating Internal Controls. In addition, MTBF is currently planning the processes and actions necessary to enable the Agency to issue a Statement of Internal Control in conjunction with the issuance of the Agency's Financial Statements for 2016. Management considers the recommendation to be In Progress.
7	Test the effectiveness of internal controls relied upon when issuing a Statement of Internal Control.	MTBF has initiated the implementation of a structured documentation of the processes supporting financial reporting, including the related risks and mitigating Internal Controls. In addition, MTBF is currently planning the processes and actions necessary to enable the Agency to issue a Statement of Internal Control in conjunction with the issuance of the Agency's Financial Statements for 2016. The planning includes ensuring there is sufficient evidence to support the assertion that the key internal controls are effective. Management considers the recommendation to be In Progress.
8	Improve the delegation of authority in line with the introduction of a Statement of Internal Control.	MTBF plans, in connection with its internal control over financial reporting project, to address the related area of segregation of duties, within the delegation of authority context. Overall delegation of authority will be addressed in a broader context by senior levels of the organization. Management considers the recommendation to be In Progress.
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, removing redundant process steps. Management considers the recommendation to be Implemented.
19	Consider alternative pension contribution models for staff joining for less than 5 years.	MTHR drafted an amendment to the Agency's pension benefit rules and shared it with the UNJSPF for comments. In subsequent

		communications with the UNJSPF, the Fund stated that they would very strongly disapprove of such a policy. Given the likelihood of political implications resulting from the implementation of the External Auditor's recommendation, MTHR recommends not to implement an alternative pension contributions model. Management considers the recommendation as Closed.
LEU Fuel Bank Issues		
23	Conduct studies on the impact of Agency participation in the market, site safety and security and budgetary sustainability of the LEU fuel bank.	Noting that the market information is time sensitive, further formal work on the LEU procurement was deferred pending achievement of appropriate milestones being reached with the negotiation of the Host State Agreement and supporting Technical Agreements, and the seismic safety evaluation, which are precursors for formal LEU procurement activities to begin. Management considers the recommendation to be In Progress.
Nuclear Safety & Security		
29	Accelerate the adoption of new ONS management process.	IOM has been issued for ONS restructuring to be a Division in Department of Nuclear Safety and Security. Management considers the recommendation to be Implemented.
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.	MTIT runs the DRI for the Agency-wide services, hosted in the minimalist data centre in Seibersdorf. An Agency-wide incident management and response strategy is progressing; Departmental representatives agreed to nominate divisional representatives for a Business Continuity Workshop. Additionally, the MoSaIc project for integrating common services recently started. The Project Brief has been signed, allowing MTIT and SGIS to work together to define the common services and how they should be supported. Management considers the recommendation to be Closed.
Safeguards		
48	Implement Phase III of the Data Centre project without further delay, applying the 'one house approach'.	Once the contract with electrical vendor is finalized, the project team will start regular meetings with the vendor. Vendor will provide a detailed timeline for electrical installation works. Management considers the recommendation to be In Progress.

Financial Issues		
50	Prepare AIPS to meet the requirements of accrual budgeting.	The Agency will continue to monitor developments in the discussions regarding the requirement for and appropriateness of accrual budgeting in the United Nations System. 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. Management deferred the implementation of the recommendation.



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