The Agency's Financial Statements for 2016

IAEA

60 Years

Atoms for Peace and Development

GC(61)/2

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 2016.

2. The Board has examined the report of 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 2016 and of the report of the Board of Governors thereon [*].

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[*] GC(61)/2

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[1] INFCIRC/8/Rev.4

Sixty-first regular session

The Agency's Financial Statements For 2016

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REPORT OF THE DIRECTOR GENERAL ON THE AGENCY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016.

2. The financial statements of the Agency have been prepared on the 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 its Statute. 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 Agency manages its work under the following six Major Programmes:

- 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; and
- Management of Technical Cooperation for Development.

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 2016, 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 €38.5 million to €600.1 million, driven by:

- An increase in revenue from assessed contributions of €9.9 million as a result of higher assessments and the impact of exchange rate between the euro and the US dollar;
- An increase in revenue from voluntary contributions of €25.3 million, which was driven by, among others, an increase in revenue related to the Technical Cooperation Fund as well as voluntary contribution revenue supporting the TC Programme, including Government Cost Sharing; and
- Continued revenue from voluntary contributions related to specific programmatic activities such as the Agency's verification and monitoring of the Islamic Republic of Iran's nuclear-related commitments under the Joint Comprehensive Plan of Action (JCPOA), the Renovation of the Nuclear Applications Laboratories (ReNuAL) and the Nuclear Security Fund (NSF).

(ii) 2016 saw a relatively stable level of expense, with an increase of €4.0 million (0.8%) as compared to 2015. This stable level of expense is due to:

- A slight decrease of €2.5 million in the expense for the Regular Budget Fund due primarily to the fact that 2015 expenses included amounts utilized from the carry-over of the 2014 budget;
- An increase in expense of €6.0 million related to Transfers to Development Counterparts, primarily relating to the timing and nature of the programmatic activities of the Technical Cooperation Programme and Nuclear Security;
- Stable salary and employee benefit expenses across all Fund groups. Total salary and employee benefit expense was approximately €280 million in both 2016 and 2015 and represented 53.4% and 53.7% of total expenses for 2016 and 2015, respectively; and
- An increase in travel expense within the Technical Cooperation Programme and Extrabudgetary Programme Fund of €3.0 million, offset by decreased travel expense within the Regular Budget Fund of €2.1 million.

(iii) Receivables from assessed contributions decreased to €27.7 million (€36.3 million in 2015), in parallel with a stable collection rate of current year Regular Budget assessment of 94.5% (94.4% in 2015). The decrease in assessed contributions receivable was driven by a reduction of assessed contributions more than one year in arrears by €7.7 million. At 31 December 2016, total assessed contributions more than one year in arrears was €13.4 million compared to €21.1 million at 31 December 2015.

(iv) The Agency continues to invest in its strategic long-term assets. During 2016, significant investments continued to be made in the Modernization of the Safeguards Information Technology project (MOSAIC), Agency-wide Information System for Programme Support (AIPS) and construction related to ReNuAL. The activity on MOSAIC and AIPS increased intangible assets by €17.2 million and the activity on ReNuAL increased property, plant and equipment by €4.8 million.

(v) The Agency's After Service Health Insurance (ASHI) and other post-employment liabilities decreased to €221.4 million at 31 December 2016 from €225.9 million at 31 December 2015, primarily due to a decrease in assumptions related to future medical cost premiums, offset in part by lower discount rates utilized in the actuarial calculation of such liabilities. As these liabilities remain completely unfunded as of 31 December 2016, the Regular Budget and Working Capital Fund (RB and WCF) group remains in near zero net asset position.

Summary of Financial Performance

8. The Agency's overall net surplus for the year increased to €91.1 million in 2016 from €72.3 million in 2015. A summary of the Financial Performance by Fund for 2016 is shown in Table 1.

Table 1: Summary Financial Performance by Fund for the period ended 31 December 2016

(expressed in millions of euros)

	Regular Budget		Technical Cooperation		Extrabudgetary		Other		
	RBF & WCF	MCIF	TCF	TC-EB	EBF	LEU Bank	Trust Funds and Special Funds	*Inter-fund Elimination*	Total IAEA
Total Revenue from all sources a/	363.1	8.1	82.7	20.7	137.4	0.7	0.0	*(8.4)*	604.3
Total expenses	367.3	3.8	66.6	15.5	78.7	1.9	0.1	*(8.4)*	525.5
Net gains/(losses) b/	(0.7)	(0.2)	1.7	1.9	4.7	4.9	-	-	12.3
Net surplus/(deficit) for the year	**(4.9)**	**4.1**	**17.8**	**7.1**	**63.4**	**3.7**	**(0.1)**	**-**	**91.1**

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

b/ Includes realized and unrealized foreign exchange gains/(losses) and gains/(losses) on sale or disposal of property, plant and equipment

9. The Regular Budget Group, including the Regular Budget Fund, Working Capital Fund and Major Capital Investment Fund (RBF, WCF and MCIF, respectively) experienced an IPSAS basis net deficit of €0.8 million for 2016. This small net deficit is an improvement over 2015 and is partially the result of the Agency's focus on fiscal responsibility.

10. The surplus realized in the Technical Cooperation Fund (TCF) of €17.8 million was driven in large part by increases in revenue recognized from contributions to the TCF in comparison to 2015.

11. The Extrabudgetary Programme Fund (EBF) and Technical Cooperation Extrabudgetary Fund (TC-EB) recorded net surpluses of €63.4 million and €7.1 million, respectively, for 2016. The net surpluses were primarily due to the timing differences between revenue recognition for IPSAS purposes and the full financial implementation of the related activities.

12. The surplus realized in the LEU Bank Fund (LEU) of €3.7 million for 2016 was driven largely by foreign exchange gains.

Revenue Analysis

13. As shown in **Table 2**, the increase of €39.5 million in the Agency's total revenue is mainly due to the increases in assessed and voluntary contributions of €9.9 million and €25.3 million, respectively.

Table 2: Comparative Revenue Analysis

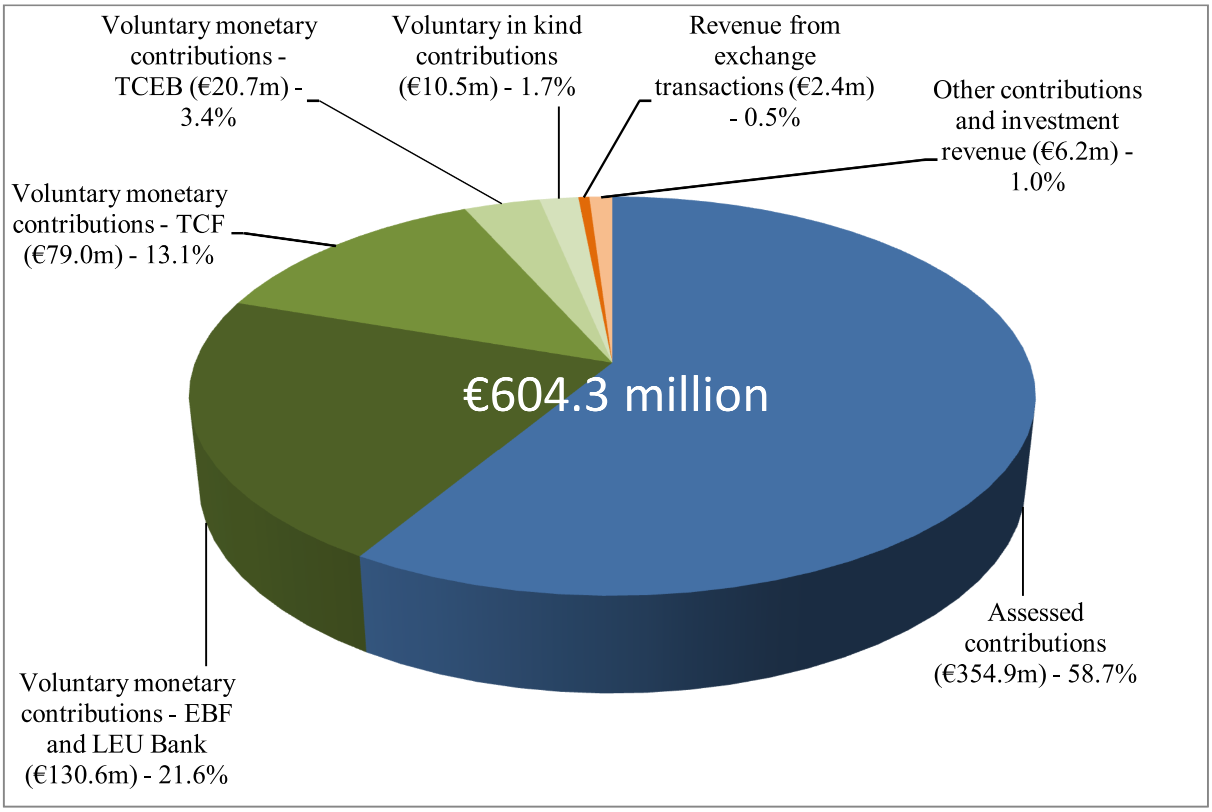
	(expressed in millions of euros)		
	2016	**2015**	**Change**
Revenue			
Assessed contributions	354.9	345.0	9.9
Voluntary contributions	240.8	215.5	25.3
Other contributions	4.4	1.1	3.3
Revenue from exchange transactions	2.4	2.5	(0.1)
Investment revenue	1.8	0.7	1.1
Total revenue	**604.3**	**564.8**	**39.5**

14. In 2016, the majority of revenue was related to assessed contributions (€354.9 million) and voluntary contributions (€240.8 million). Voluntary contributions include €10.5 million of in-kind contributions, primarily pertaining to the free use of premises in Austria and Monaco, of which €8.7 million represents the in-kind contribution from the Government of Austria for the use of the Vienna International Centre (VIC).

15. The increase in voluntary contributions revenue is partially due to the increase of the Technical Cooperation Fund revenue as a result of the increase in the euro-value of the TCF target in 2016, and partially to the increase in extrabudgetary contributions towards certain Agency's activities including ReNuAL, support for research to control mosquito populations which transmit the Zika virus, and technical cooperation projects funded through the Peaceful Uses Initiative. Voluntary contributions revenue also includes revenue related to contributions to the Agency's other programmatic activities such as the JCPOA and NSF.

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

Figure 1: Revenue Sources for the period ended 31 December 2016



Expense Analysis

17. In 2016, total expenses were €525.5 million, an increase of €4.0 million (0.8%) compared to 2015.

18. **Table 3** shows that the increase in expenses compared to 2015 is mainly driven by increases in transfers to development counterparts while all other expense categories remained relatively stable.

Table 3: Comparative Expense Analysis

	(expressed in millions of euros)		
	2016	**2015**	**Change**
Expenses			
Salaries and employee benefits	280.3	280.1	0.2
Consultants, experts	15.2	15.9	(0.7)
Travel	59.4	58.7	0.7
Transfers to development counterparts	48.2	42.2	6.0
Vienna International Centre common services	17.6	20.7	(3.1)
Training	23.9	23.8	0.1
Depreciation and amortization	32.4	30.9	1.5
Contractual and other services	22.6	24.7	(2.1)
Other operating expenses	25.9	24.5	1.4
Total expenses	**525.5**	**521.5**	**4.0**

19. Salaries and employee benefits 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. Salaries and employee benefits remained flat, on an aggregate basis and across all Fund groups, with an increase of only €0.2 million. While these expenses remained flat in absolute terms, their percentage on the overall expenses decreased slightly compared to 2015 from 53.7% to 53.3%.

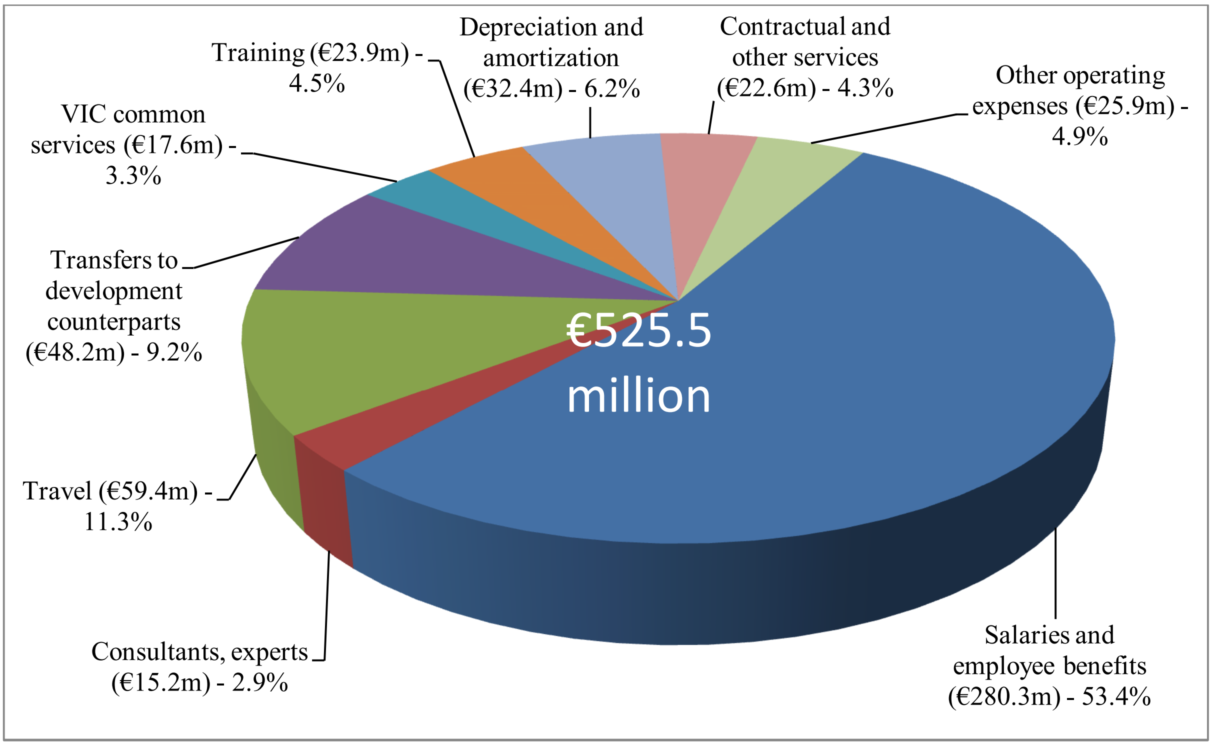
20. Transfers to development counterparts increased by €6.0 million (14.2%) from 2015 to 2016, due primarily to the timing of the Agency's programmatic activities and particular programmatic requirements, primarily related to the Technical Cooperation Programme.

21. Consultant, travel and training costs were also consistent between 2016 and 2015, with travel expenses funded by the Regular Budget decreasing by 10.3% due to reduced travel expense for consultants and other non-staff funded from the Regular Budget.

22. The breakdown of expenses by Fund shows that the expense increase was primarily experienced in the Technical Cooperation Fund (€5.8 million) and the Extrabudgetary Programme Fund (€5.9 million), offset by reductions in expenses to the Regular Budget Fund group (RBF, WCF and MCIF) (€4.2 million) and the other Fund groups (€3.6 million).

23. **Figure 2** shows the breakdown of 2016 expenses by nature.

Figure 2: Expense Analysis for the period ended 31 December 2016



Budgetary Performance

24. 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 39b to the financial statements.

25. The original operational portion of the Regular Budget appropriation for 2016 was approved for €354.0 million (€348.2 million in 2015) at an exchange rate of €1 = US$1. The final budget for the operational portion of the Regular Budget appropriation for 2016 was recalculated to €349.4 million at the UN average operational rate of exchange of €0.9030 to US$1. There were no changes between the original capital portion of the Regular Budget appropriation and the final budget for 2016. As shown in Note 39a to the financial statements, there were no movements of the Regular Budget appropriations between Major Programmes.

26. Total operational Regular Budget expenditures, measured on a modified cash basis, were €343.3 million. In 2015, these expenditures totaled €350.2 million, including €6.8 million related to 2014 unobligated balances carried over to 2015.

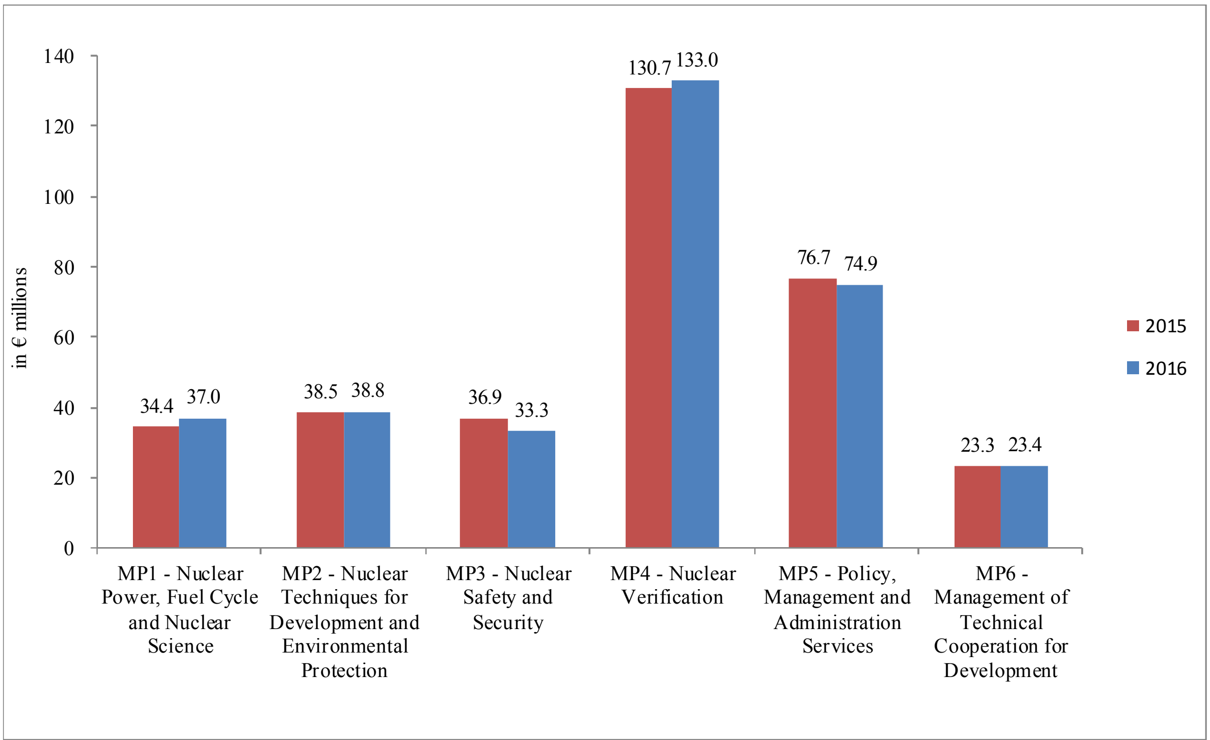
27. The overall utilization rate of the operational portion of the Regular Budget in 2016 was 98.1%, highlighting the high level of utilization of available resources. **Table 4** shows the budgetary utilization by Major Programmes (MP).

Table 4: Regular Budget operational portion - budgetary utilization rates for 2016

Major Programme	**Utilization Rate Operational Portion**
MP1 - Nuclear Power, Fuel Cycle and Nuclear Science	96.5%
MP2 - Nuclear Techniques for Development and Environmental Protection	99.3%
MP3 - Nuclear Safety and Security	97.4%
MP4 - Nuclear Verification	99.9%
MP5 - Policy, Management and Administration Services	96.1%
MP6 - Management of Technical Cooperation for Development	96.6%
Total Agency	**98.1%**

28. **Figure 3** shows a comparative analysis of 2015 and 2016 total expenditures by Major Programme on a budgetary basis. The 2015 amounts exclude an aggregate €6.8 million related to unobligated balances carried over to 2015.

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



29. For the capital portion of the Regular Budget, expenditures on the modified cash basis were €3.4 million out of a total €8.0 million in 2016.

Financial Position

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

Table 5: Summary Financial Position as at 31 December 2016

	(expressed in millions of euros)		
	2016	**2015**	**Change**
Current assets	780.3	681.2	99.1
Non-current Assets	337.9	320.2	17.7
Total Assets	**1 118.2**	**1 001.4**	**116.8**
Current Liabilities	137.6	104.9	32.7
Non-current Liabilities	403.1	423.1	(20.0)
Total Liabilities	**540.7**	**528.0**	**12.7**
Net Assets/Equity	**577.5**	**473.4**	**104.1**

31. The overall financial position of the Agency continues to be quite healthy as of 31 December 2016. 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 €577.5 million;

(ii) The value of current assets is approximately six 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.

32. As at 31 December 2016, the total cash, cash equivalents and investments balances represent 62.5% of the Agency's total assets. This signifies that the Agency's liquid assets are sufficient to meet the Agency's requirements.

33. The significant areas of change in the Agency's financial position in 2016 from 2015 are the following:

(i) Current assets increased by €99.1 million mainly due to the increase in the overall amount of cash, cash equivalents and investments, primarily in the Regular Budget Fund, Technical Cooperation Fund and Extrabudgetary Programme Fund;

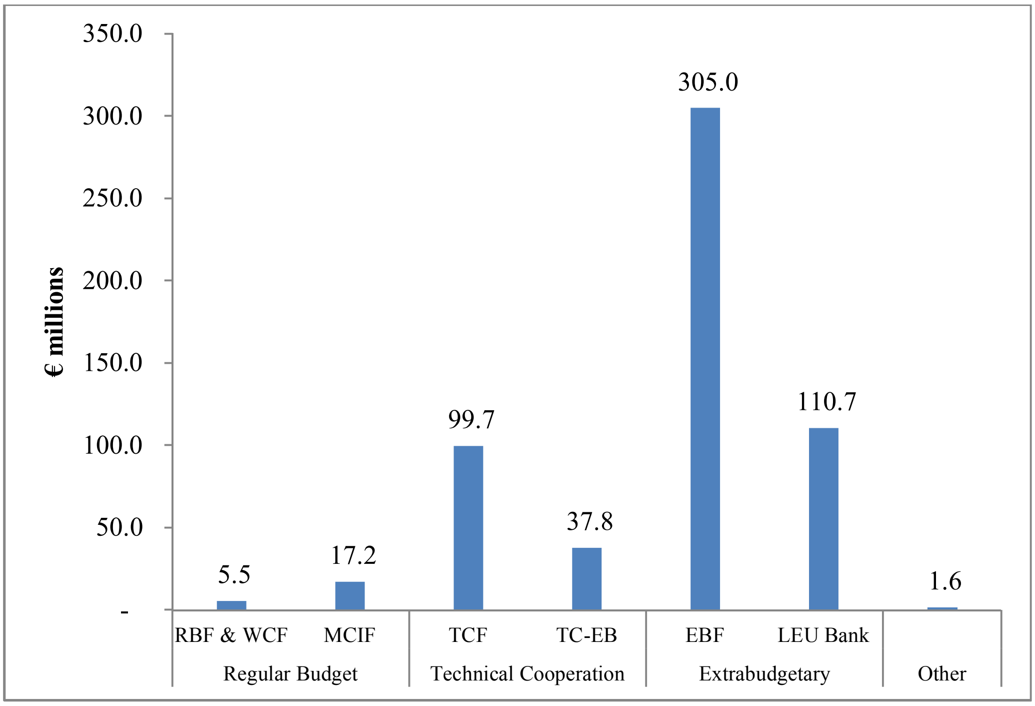
(ii) Non-current assets increased by €17.7 million related primarily to intangible assets, in particular to internal software development in the Department of Safeguards for the MOSAIC project and the continued implementation of AIPS; and

(iii) Total liabilities increased by €12.7 million mainly due to increases in the Agency's deferred revenue in respect of contributions received in advance. At 31 December 2016, assessed contributions for 2017 received by the end of 2016 were €61.3 million, which is €26.6 million higher than at 31 December 2015. The increase in contributions received in advance was offset by a reduction of €7.0 million in deferred revenue in respect of the premises provided for a nominal charge.

34. As highlighted in **Figure 4**, the Regular Budget Fund and Working Capital Fund group has net assets near zero. This means that the total liabilities of this Fund group are roughly equal to the total assets. The zero net asset position is driven primarily by the significant employee liabilities of €241.6 million, which remain totally unfunded at 31 December 2016. The main portion of these liabilities relates to ASHI and other post-employment benefits. The proper funding of these liabilities is a significant concern for the long-term financial sustainability of the Agency that needs to be addressed.

35. The Technical Cooperation and Extrabudgetary Fund groups as well as the Major Capital Investment Fund have positive net assets. This provides evidence of 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 2016



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

Cash, Cash Equivalents and Investments

37. In 2016, the cash, cash equivalents and investments balances increased by €96.3 million (or 16.0%) to €698.7 million at 31 December 2016. A considerable component of this increase was driven by:

(i) additional contributions from donors, in particular related to the Technical Cooperation Fund and from extrabudgetary sources; and

(ii) Assessed contributions and contributions to the TCF related to 2017 paid in 2016.

38. Of the total cash, cash equivalent and investments, 83.8% pertained to Extrabudgetary Fund group and the Technical Cooperation Extrabudgetary Fund and are therefore earmarked for specific activities.

39. As at the end of 2016, the weighted average period to maturity of financial instrument holdings remained stable compared to 2015 at less than three months. Interest earned on euro denominated investments continued to decline in 2016; however, interest earned in US dollar denominated investments increased. Based upon the mix of currencies in the Agency's cash equivalent and investment portfolio, the overall return achieved on the Agency's cash equivalents and investments increased during 2016.

Accounts Receivable

40. Overall, the total net receivables from non-exchange transactions increased by €0.3 million to €41.8 million at 31 December 2016. The main components of this balance are receivables from assessed contributions (€27.7 million), voluntary contributions (€13.2 million), and other receivables (€0.9 million).

41. In 2016, contributions receivable from non-exchange transactions increased by 0.7%. This is a net result of:

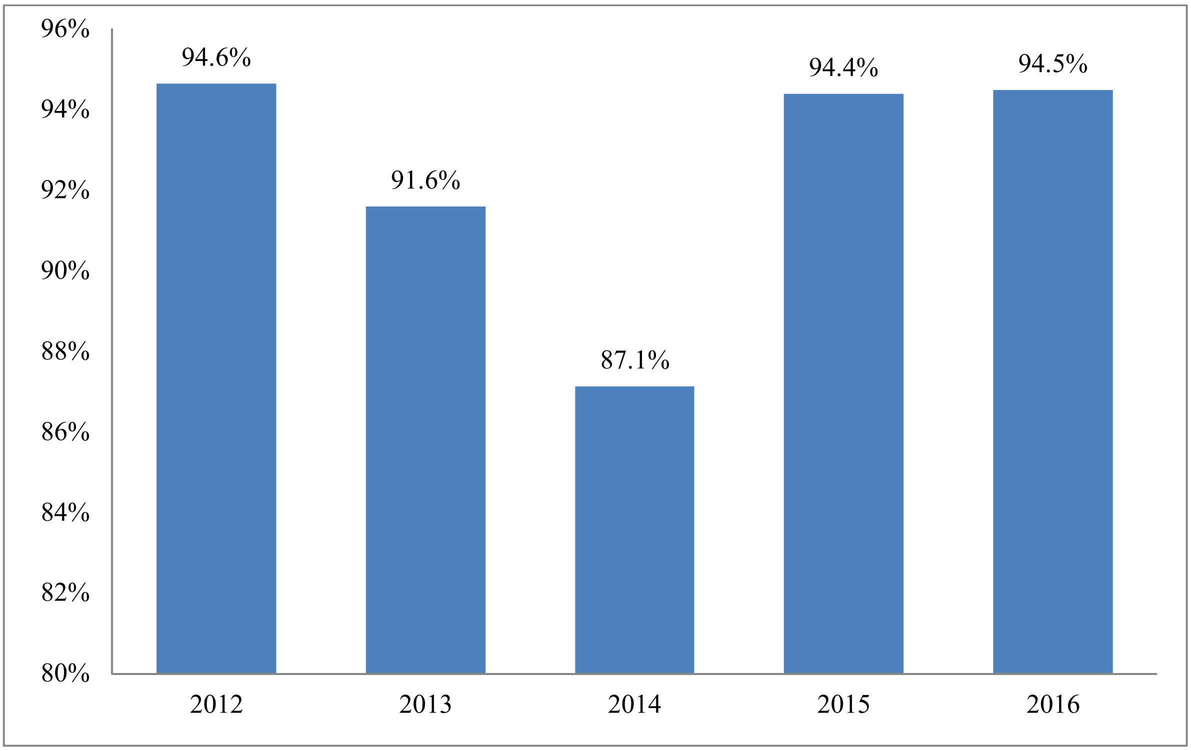
(i) an increase in voluntary contributions from €4.9 million at the end of 2015 to €13.2 million at the end of 2016 due to the receipt of a number of extrabudgetary contributions at year end and the acceptance of extrabudgetary contributions in 2016 where the funds are to be received in future years (resulting in the increase of non-current receivables from non-exchange transactions to €3.9 million);

(ii) an increase in other receivables (from €0.2 million at the end of 2015 to €0.9 million at the end of 2016) due to increases in National Participations Costs; and

(iii) a decrease in receivables from assessed contributions (from €36.3 million at the end of 2015 to €27.7 million at the end of 2016) due to collection of a number of assessed contributions in arrears.

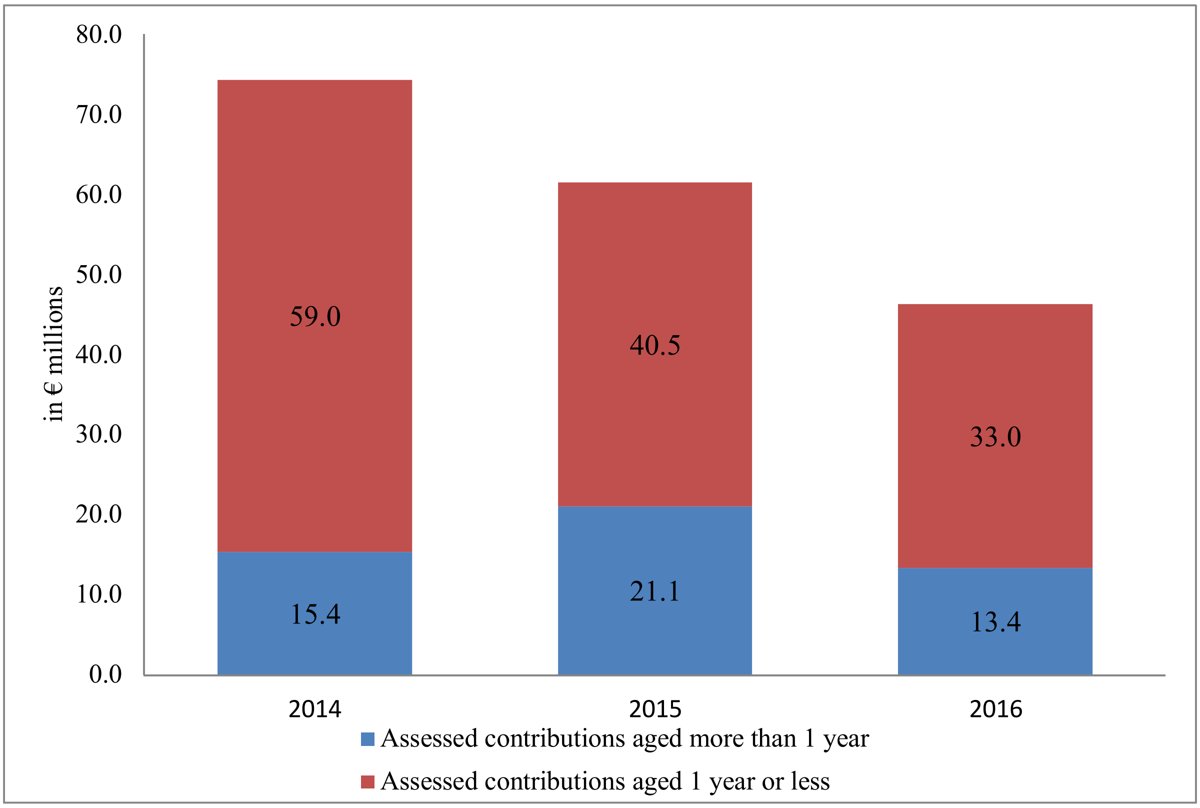
42. As shown in **Figure 5**, the rate of collection of the current year Regular Budget assessed contributions increased to 94.5% in 2016.

Figure 5: Annual Assessed Contributions Collection Rate at Year End



43. The ageing of contributions receivable has progressively decreased. As shown in **Figure 6**, from 2015 to 2016, receivables from assessed contributions aged more than one year have decreased from €21.1 million to €13.4 million, representing a decrease from 52.2% to 40.7% of total assessed contributions receivable. This indicates an improvement in composition of contributions in arrears from the Agency's Member States.

Figure 6: Comparative analysis of assessed contributions receivable ageing



Intangible Assets

44. As shown in **Table 6**, the net carrying amount of Intangible Assets at 31 December 2016 was €57.3 million.

Table 6: Comparative Intangible Asset Analysis

	(expressed in millions of euros)		
Intangible Assets	**2016**	**2015**	**Change**
Computer Software Purchased	5.0	4.7	0.3
Computer Software Internally Developed	33.2	27.7	5.5
Intangible Assets Under Development	19.1	10.7	8.4
Total Intangible Assets	**57.3**	**43.1**	**14.2**

45. The principal driver for the increase in the carrying value of Intangible Assets during 2016 is the continued development of projects under the MOSAIC project and the development of AIPS. During 2016, total costs of €20.0 million were added related primarily to the internal development of software, of which €17.2 million related to MOSAIC (€14.0 million) and AIPS (€3.2 million).

Risk Management

46. 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

47. 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 is required.

(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 2016

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) TRISTAN BAUSWEIN
Director, Division of Budget and Finance

10 March 2017

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

Jakarta, 23 March 2017

Sir,

On behalf of the Audit Board of the Republic of Indonesia, I have the honour to transmit the financial statements of the International Atomic Energy Agency for the year ended 31 December 2016 which were submitted to us by the Director General in accordance with Financial Regulation 11.03(a). We have audited these statements and have expressed our opinion thereon.

Further, in accordance with Financial Regulation 12.08, we have the honour to present our report on the Financial Statements of the Agency for the year ended 31 December 2016.

Please accept the assurances of our highest consideration.

(signed)

Dr. Agus Joko Pramono, M.Acc., Ak., CA

The Member of the Audit Board of
the Republic of Indonesia
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 2016

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, which comprise the statement of financial position at 31 December 2016, 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 2016 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 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 misstatements, 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 2016, and its financial performance and of its cash flows for the year ended 31 December 2016 in accordance with International Public Sector Accounting Standards (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 International Atomic Energy Agency's 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)

Dr. Agus Joko Pramono, M.Acc., Ak., CA

The Member of the Audit Board of
the Republic of Indonesia
External Auditor

Jakarta, Indonesia
23 March 2017

PART II

Financial Statements

Text of a Letter dated 10 March 2017 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 2016, 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 2016
(expressed in euro'000s)

	Note	31-12-2016	31-12-2015
Assets			
Current assets			
Cash and cash equivalents	4	430 166	201 929
Investments	5	268 529	400 498
Accounts receivable from non-exchange transactions	6, 7	37 880	41 398
Accounts receivable from exchange transactions	8	11 450	7 982
Advances and prepayments	9	23 372	23 277
Inventory	10	8 865	6 111
Total current assets		**780 262**	**681 195**
Non-current assets			
Accounts receivable from non-exchange transactions	6, 7	3 899	113
Advances and prepayments	9	6 849	8 143
Investment in common services entities	11	809	809
Property, plant & equipment	12	268 970	268 041
Intangible assets	13	57 348	43 116
Total non-current assets		**337 875**	**320 222**
Total assets		**1 118 137**	**1 001 417**
Liabilities			
Current liabilities			
Accounts payable	14	16 602	17 417
Deferred revenue	15	106 084	75 205
Employee benefit liabilities	16, 17	13 666	11 834
Other financial liabilities	18	98	409
Provisions	19	1 126	65
Total current liabilities		**137 576**	**104 930**
Non-current liabilities			
Deferred revenue	15	169 197	183 552
Employee benefit liabilities	16, 17	232 358	237 699
Other financial liabilities	18	304	304
Provisions	19	1 218	1 520
Total non-current liabilities		**403 077**	**423 075**
Total liabilities		**540 653**	**528 005**
Net assets		**577 484**	**473 412**
Equity			
Fund balances	20, 21	512 697	426 660
Reserves	22	64 787	46 752
Total equity		**577 484**	**473 412**

The accompanying Notes are an integral part of these Statements.

(signed) TRISTAN BAUSWEIN
Director, Division of Budget and Finance

STATEMENT II: STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 31 December 2016
(expressed in euro'000s)

	Note	2016	2015
Revenue			
Assessed contributions	23	354 851	345 030
Voluntary contributions	24	240 818	215 473
Other contributions	25	4 427	1 058
Revenue from exchange transactions	26	2 375	2 500
Investment revenue	27	1 783	703
Total revenue		**604 254**	**564 764**
Expenses			
Salaries and employee benefits	28	280 334	280 037
Consultants, experts	29	15 206	15 940
Travel	30	59 355	58 732
Transfers to development counterparts	31	48 188	42 179
Vienna International Centre common services	32	17 537	20 709
Training	33	23 928	23 771
Depreciation and amortization	12, 13	32 437	30 901
Contractual and other services	34	22 637	24 704
Other operating expenses	35	25 838	24 504
Total expenses		**525 460**	**521 477**
Net gains/ (losses)	36	12 337	29 022
Net surplus/(deficit)		**91 131**	**72 309**
Expense analysis by Major Programme			
Nuclear Power, Fuel Cycle and Nuclear Science	38	61 182	55 750
Nuclear Techniques for Development and Environmental Protection	38	91 867	87 816
Nuclear Safety and Security	38	95 873	98 683
Nuclear Verification	38	160 353	158 502
Policy, Management and Administration a/	38	123 305	128 233
Shared Services and expenses not directly charged to major programmes	38	1 328	96
Eliminations	38	(8 448)	(7 603)
Total expenses by Major Programme		**525 460**	**521 477**

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

The accompanying Notes are an integral part of these Statements.

(signed) TRISTAN BAUSWEIN
Director, Division of Budget and Finance

STATEMENT III: STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016
(expressed in euro'000s)

	2016	2015
Equity at the beginning of the year	473 412	382 990
Actuarial gains/(losses) on employee benefit liabilities	14 694	19 297
Refunds/transfers of prior year voluntary contributions recognized directly in equity	(1 741)	(1 257)
Prior year adjustments	(10)	81
Net revenue recognized directly in equity	12 943	18 121
Net surplus/(deficit) for the year	91 131	72 309
Receipts of Working Capital Fund from new Member States	2	(5)
Credits to Member States	(4)	(3)
Equity at the end of the year	**577 484**	**473 412**

The accompanying Notes are an integral part of these Statements.

(signed) TRISTAN BAUSWEIN
Director, Division of Budget and Finance

STATEMENT IV: STATEMENT OF CASH FLOW
For the year ended 31 December 2016
(expressed in euro'000s)

	2016	2015
Cash flows from operating activities		
Net surplus/(deficit)	91 131	72 309
Refund of prior year voluntary contributions recognized in equity	(1 741)	(1 257)
Prior year adjustments	(10)	81
Depreciation and amortization	32 437	30 901
Discount Amortization	(574)	(108)
Less amortization of deferred revenue on VIC depreciation	(7 865)	(7 871)
Impairment	65	238
Actuarial gains/(losses) on employee benefit liabilities	14 694	19 297
Increase/(decrease) in doubtful debts allowance	1 043	433
(Gains)/losses on disposal of PPE and Intangibles	291	(55)
Unrealized foreign-exchange (gains)/losses on cash, cash equivalents and investments	(12 151)	(24 811)
(Increase)/decrease in receivables	(4 780)	20 487
(Increase)/decrease in inventories	(2 760)	(175)
(Increase)/decrease in prepayments	1 200	6 018
Increase/(decrease) in deferred revenue	24 389	(6 532)
Increase/(decrease) in accounts payable	(816)	4 800
Increase/(decrease) in employee benefit liabilities	(3 508)	(8 786)
Increase/(decrease) in other liabilities and provisions	(237)	61
Net cash flows from operating activities	**130 808**	**105 030**
Cash flows from investing activities		
Purchase or construction of PPE and intangibles	(47 282)	(44 197)
Sale of PPE and intangibles	16	12
Investments	144 268	15 459
Net cash flows from investing activities	**97 002**	**(28 726)**
Cash flows from financing activities		
Increase/(decrease) in Working Capital Fund from new Member States	2	(5)
Credits to Member States	(4)	(3)
Net cash flows from financing activities	**(2)**	**(8)**
Net increase/(decrease) in cash and cash equivalents	227 808	76 296
Cash and cash equivalents at beginning of the period	201 929	115 219
Adjustment to opening balance of cash (1st time recognition MRRF)	-	5 378
Unrealized foreign-exchange gains/(losses) on cash and cash equivalents	429	5 036
Cash and cash equivalents and bank overdrafts at the end of the period	**430 166**	**201 929**

The accompanying Notes are an integral part of these Statements.

(signed) TRISTAN BAUSWEIN
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 2016

(expressed in euro'000s)

	RB Current Year			
	Approved Budget	**Final Budget**	**Actuals (Expenditure)**	**Variance**
MP1-Nuclear Power, Fuel Cycle and Nuclear Science	38 910	38 379	37 022	1 357
MP2-Nuclear Techniques for Development and Environmental Protection	39 487	39 071	38 812	259
MP3-Nuclear Safety and Security	34 722	34 152	33 265	887
MP4-Nuclear Verification	135 027	133 093	132 964	129
MP5-Policy, Management and Administration Services	78 611	77 872	74 862	3 010
MP6-Management of Technical Cooperation for Development	24 537	24 184	23 368	816
Total Agency programmes	**351 294**	**346 751**	**340 293**	**6 458**
Reimbursable work for others	2 674	2 674	3 013	(339)
Total Regular Budget fund operational portion	**353 968**	**349 425**	**343 306**	**6 119**

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 39).

The accompanying Notes are an integral part of these Statements.

(signed) TRISTAN BAUSWEIN
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 2016
(expressed in euro'000s)

	Approved Budget	Final Budget	Actuals (Expenditure)	Variance b/
MP2-Nuclear Techniques for Development	2 490	2 490	-	2 490
MP3-Nuclear Safety and Security	301	301	157	144
MP4-Nuclear Verification	1 205	1 205	1 094	111
MP5-Policy, Management and Administration Services	4 036	4 036	2 127	1 909
Total Regular Budget capital portion	**8 032**	**8 032**	**3 378**	**4 654**

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 39).

b/ Refer to Note 39c for a discussion of the variance between final budget and actuals.

The accompanying Notes are an integral part of these Statements.

(signed) TRISTAN BAUSWEIN
Director, Division of Budget and Finance

STATEMENT VI: STATEMENT OF SEGMENT REPORTING BY MAJOR PROGRAMME

For the year ended 31 December 2016

(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								
Salaries and employee benefits	30 612	27 142	39 347	107 119	76 114	-	-	280 334
Consultants, experts	2 907	3 788	4 632	705	3 160	14	-	15 206
Travel	10 605	15 274	20 391	8 335	4 750	-	-	59 355
Transfers to development counterparts	8 536	25 716	12 787	-	1 149	-	-	48 188
VIC common services	11	1 137	116	1 187	15 086	-	-	17 537
Training	2 577	8 812	9 145	1 598	1 796	-	-	23 928
Depreciation and amortisation	1 271	2 084	2 034	18 524	8 524	-	-	32 437
Contractual and other services	1 712	1 274	1 582	7 480	10 586	3	-	22 637
Other operating expenses	2 951	6 640	5 839	15 405	2 140	1 311	(8 448)	25 838
Total expense	**61 182**	**91 867**	**95 873**	**160 353**	**123 305**	**1 328**	**(8 448)**	**525 460**
Assets								
Property, plant, equipment and intangibles	**14 325**	**23 948**	**23 163**	**175 693**	**89 189**	**-**	**-**	**326 318**
Asset additions								
Property, plant, equipment and intangibles	**767**	**7 482**	**1 806**	**29 719**	**7 939**	**-**	**-**	**47 713**

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 doubtful debt expenses, un-allocated shared services and reimbursable work for others.

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) TRISTAN BAUSWEIN
Director, Division of Budget and Finance

COMPARATIVE STATEMENT VI: STATEMENT OF SEGMENT REPORTING BY MAJOR PROGRAMME

For the year ended 31 December 2015

(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								
Salaries and employee benefits	26 741	26 586	42 949	106 933	76 531	297	-	280 037
Consultants, experts	3 439	3 244	5 998	982	2 261	16	-	15 940
Travel	11 468	13 281	21 348	8 941	3 686	8	-	58 732
Transfers to development counterparts	5 844	25 222	10 420	-	693	-	-	42 179
VIC common services	5	18	325	409	20 916	(964)	-	20 709
Training	2 636	9 842	7 869	1 372	2 052	-	-	23 771
Depreciation and amortization	1 163	1 708	2 041	17 772	8 217	-	-	30 901
Contractual and other services	1 256	2 110	1 981	11 997	7 360	-	-	24 704
Other operating expenses	3 198	5 805	5 752	10 096	6 517	739	(7 603)	24 504
Total expense	**55 750**	**87 816**	**98 683**	**158 502**	**128 233**	**96**	**(7 603)**	**521 477**
Assets								
Property, plant & equipment, and intangibles	**14 812**	**18 502**	**23 380**	**164 483**	**89 980**	**-**	**-**	**311 157**
Asset additions								
Property, plant & equipment, and intangibles	**1 270**	**3 759**	**1 341**	**31 891**	**6 012**	**-**	**-**	**44 273**

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

b/ Expenses not directly charged to Major Programmes primarily include expenses tracked centrally pertaining to un-allocated shared services, reimbursable work for others, doubtful debt expenses, etc.

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

The accompanying Notes are an integral part of these Statements.

(signed) TRISTAN BAUSWEIN
Director, Division of Budget and Finance

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

As at 31 December 2016

(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	93 514	17 895	69 188	12 327	215 537	20 209	1 496	430 166
Investments	-	-	33 460	23 883	101 251	109 935	-	268 529
Accounts receivable	37 955	465	1 617	1 457	8 681	3 054	-	53 229
Advances and prepayments	26 314	24	1 519	1 896	136	332	-	30 221
Inventory	433	-	5 562	1 074	1 793	-	3	8 865
Property, plant & equipment	250 321	-	1	-	18 574	8	66	268 970
Intangible assets	56 354	-	6	62	890	-	36	57 348
Investment in common service entities	809	-	-	-	-	-	-	809
Total assets	**465 700**	**18 384**	**111 353**	**40 699**	**346 862**	**133 538**	**1 601**	**1 118 137**
Liabilities								
Accounts payable	10 312	757	2 931	322	2 261	19	-	16 602
Deferred revenue	208 130	-	8 745	2 523	33 063	22 820	-	275 281
Employee benefit liabilities	241 621	433	-	4	3 962	4	-	246 024
Other financial liabilities	42	-	-	-	360	-	-	402
Provisions	141	-	-	-	2 203	-	-	2 344
Total liabilities	**460 246**	**1 190**	**11 676**	**2 849**	**41 849**	**22 843**	**-**	**540 653**
Net assets	**5 454**	**17 194**	**99 677**	**37 850**	**305 013**	**110 695**	**1 601**	**577 484**
Equity								
Fund balances	(3 676)	13 860	75 961	32 242	282 838	109 895	1 577	512 697
Reserves	9 130	3 334	23 716	5 608	22 175	800	24	64 787
Total equity	**5 454**	**17 194**	**99 677**	**37 850**	**305 013**	**110 695**	**1 601**	**577 484**

The accompanying Notes are an integral part of these Statements.

(signed) TRISTAN BAUSWEIN
Director, Division of Budget and Finance

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

As at 31 December 2015

(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	61 701	17 441	36 528	27 680	48 964	8 153	1 462	201 929
Investments	-	-	49 194	9 140	223 453	118 711	-	400 498
Accounts receivable	43 376	533	579	1 549	3 329	127	-	49 493
Advances and prepayments	28 501	29	1 102	1 616	172	-	-	31 420
Inventory	410	-	4 543	494	655	-	9	6 111
Property, plant & equipment	250 048	-	4	-	17 778	13	198	268 041
Intangible assets	42 178	-	9	82	791	-	56	43 116
Investment in common service entities	809	-	-	-	-	-	-	809
Total assets	**427 023**	**18 003**	**91 959**	**40 561**	**295 142**	**127 004**	**1 725**	**1 001 417**
Liabilities								
Accounts payable	11 802	280	2 633	1 042	1 641	18	1	17 417
Deferred revenue	188 374	-	7 491	8 227	34 665	20 000	-	258 757
Employee benefit liabilities	246 066	333	-	2	3 127	5	-	249 533
Other financial liabilities	44	-	-	305	364	-	-	713
Provisions	65	-	-	-	1 520	-	-	1 585
Total liabilities	**446 351**	**613**	**10 124**	**9 576**	**41 317**	**20 023**	**1**	**528 005**
Net assets	**(19 328)**	**17 390**	**81 835**	**30 985**	**253 825**	**106 981**	**1 724**	**473 412**
Equity								
Fund balances	(14 028)	15 757	56 556	22 431	237 433	106 808	1 703	426 660
Reserves	(5 300)	1 633	25 279	8 554	16 392	173	21	46 752
Total equity	**(19 328)**	**17 390**	**81 835**	**30 985**	**253 825**	**106 981**	**1 724**	**473 412**

The accompanying Notes are an integral part of these Statements.

(signed) TRISTAN BAUSWEIN
Director, Division of Budget and Finance

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

For the year ended 31 December 2016

(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	346 819	8 032	-	-	-	-	-	-	354 851
Voluntary monetary contributions	-	-	79 019	20 688	130 565	-	-	-	230 272
Voluntary in-kind contributions	10 508	-	-	-	38	-	-	-	10 546
Other contributions	1 105	-	3 322	-	-	-	-	-	4 427
Revenue from exchange transactions	2 317	-	54	-	4	-	-	-	2 375
Investment revenue	216	-	309	29	500	729	-	-	1 783
Internal revenue including programme support costs	2 157	-	-	(1)	6 292	-	-	(8 448)	-
Total revenue	**363 122**	**8 032**	**82 704**	**20 716**	**137 399**	**729**	**-**	**(8 448)**	**604 254**
Expenses									
Salaries and employee benefits	245 379	2 719	2	357	31 041	836	-	-	280 334
Consultants, experts	7 789	135	3 159	665	3 411	47	-	-	15 206
Travel	18 210	16	23 777	3 984	13 196	172	-	-	59 355
Transfers to development counterparts	6 662	-	25 234	7 336	8 983	-	(27)	-	48 188
VIC common services	17 352	-	1	-	183	1	-	-	17 537
Training	3 026	2	13 050	1 901	5 934	15	-	-	23 928
Depreciation and amortisation	28 193	-	7	20	4 061	5	151	-	32 437
Contractual and other services	18 192	552	24	5	3 484	380	-	-	22 637
Other operating expenses	22 518	358	1 309	1 193	8 440	471	(3)	(8 448)	25 838
Total expenses	**367 321**	**3 782**	**66 563**	**15 461**	**78 733**	**1 927**	**121**	**(8 448)**	**525 460**
Net gains/(losses)	(718)	(177)	1 693	1 858	4 771	4 912	(2)	-	12 337
Net surplus/(deficit)	**(4 918)**	**4 073**	**17 834**	**7 113**	**63 438**	**3 714**	**(123)**	**-**	**91 131**

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) TRISTAN BAUSWEIN
Director, Division of Budget and Finance

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

For the year ended 31 December 2015

(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	336 724	8 306	-	-	-	-	-	-	345 030
Voluntary monetary contributions	-	-	65 672	11 485	127 945	-	-	-	205 102
Voluntary in-kind contributions	10 371	-	-	-	-	-	-	-	10 371
Other contributions	1 003	-	55	-	-	-	-	-	1 058
Revenue from exchange transactions	2 423	-	68	-	7	-	2	-	2 500
Investment revenue	177	-	81	35	194	216	-	-	703
Internal revenue including programme support costs	1 882	-	-	(1)	5 722	-	-	(7 603)	-
Total revenue	**352 580**	**8 306**	**65 876**	**11 519**	**133 868**	**216**	**2**	**(7 603)**	**564 764**
Expenses									
Salaries and employee benefits	246 176	2 280	2	517	30 270	792	-	-	280 037
Consultants, experts	7 709	267	3 443	1 084	3 295	142	-	-	15 940
Travel	20 303	12	20 324	5 191	12 410	492	-	-	58 732
Transfers to development counterparts	6 556	-	23 075	4 925	7 434	-	189	-	42 179
VIC common services	20 446	-	-	-	263	-	-	-	20 709
Training	2 731	33	12 586	3 282	5 137	2	-	-	23 771
Depreciation and amortisation	27 188	-	7	18	3 372	5	311	-	30 901
Contractual and other services	17 839	2 434	33	604	3 300	490	4	-	24 704
Other operating expenses	20 873	425	1 276	1 395	7 364	758	16	(7 603)	24 504
Total expenses	**369 821**	**5 451**	**60 746**	**17 016**	**72 845**	**2 681**	**520**	**(7 603)**	**521 477**
Net gains/(losses)	6 614	(341)	2 955	3 450	5 103	11 242	(1)	-	29 022
Net surplus/(deficit)	**(10 627)**	**2 514**	**8 085**	**(2 047)**	**66 126**	**8 777**	**(519)**	**-**	**72 309**

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) TRISTAN BAUSWEIN
Director, Division of Budget and Finance

PART III

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NOTE 1: Reporting entity

1. The International Atomic Energy Agency (IAEA or the Agency) is a not-for-profit autonomous intergovernmental organization founded in 1957 in accordance with its Statute. The Agency 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 Agency manages its work under the following six Major Programmes:

- 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; and
- Management of Technical Cooperation for Development.

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.

Functional currency and translation of foreign currencies

Functional and presentation currency

6. 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

7. Foreign currency transactions are translated into euros using the United Nations Operational Rates of Exchange (UNORE). The UNORE are set once a month, and revised mid-month if there are significant exchange rate fluctuations relating to individual currencies.

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

9. 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

10. 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.

11. 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

12. 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.

13. 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 2016 and 2015
Fair value through surplus or deficit	None at 31 December 2016 and 2015

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

15. ‘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

16. 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

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

Contributions and other receivables

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

19. 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

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

Inventories

21. 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. In accordance with the agreements in place with the Agency's 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 item in-transit allowance is made of 50% of value for items in transit for over twelve months and 100% for over 24 months.

22. The Agency produces and holds publications and reference materials. These are not recognized as assets and the cost of producing each type of publication and reference material is 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.

23. 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 cost of completion and selling expenses.

24. 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.

25. 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

26. 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.

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

Property, plant and equipment

Measurement of costs at recognition

28. 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 €3000, except specific PP&E items of computer equipment and furniture which are considered group items and capitalized irrespective of costs.

29. 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 an expense in the Statement of Financial Performance during the financial period in which they are incurred.

Depreciation method and useful life

30. Depreciation is charged so as to allocate the cost of assets over their estimated useful lives using the straight-line method. During 2016, it was identified that one subcategory of communication and IT equipment has a useful life of 2 years. The impact of this change on depreciation expense was immaterial. The estimated useful lives for the different PP&E classes are as follows and are subject to annual review.

Asset Class	Useful Life (Years)
Communications and Information Technology Equipment	2 to 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

31. The Agency has applied IPSAS 31 *Intangible Assets* prospectively. As a result, intangible asset costs incurred before 1 January 2011 related to acquired or internally developed intangible assets have not been capitalized.

32. 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. Capitalized intangible assets under development are recorded at cost and

begin to be amortized once they are available for use. Intangible assets are capitalized in the financial statements if they have a cost equal to or greater than €3000, except for internally developed software for which the capitalization threshold has been set at €25 000.

33. 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 an expense in the Statement of Financial Performance during the financial period in which they are incurred.

Amortization method and useful life

34. 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 subject to an annual review. Internally developed software generally has a useful life of 5 years; however, it has been determined that the Agency-wide Information System for Programme Support (AIPS) has a useful life of up to 12 years and projects developed under the Modernization of the Safeguards Information Technology (MOSAIC) project have a useful life of 8 years.

Asset Class	Useful Life (Years)
Software acquired separately	5
Software internally developed	5 to 12

Verification and impairment of assets

35. 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.

36. 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

37. 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 (LEU) 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

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

Operating leases

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

Liabilities

Financial liabilities

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

Accounts payable

41. Accounts payable are financial liabilities in respect of goods or services that have been received by the Agency, but not paid for. They 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

42. 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

43. 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

44. Short-term employee benefits comprise of first-time employee benefits (assignment grants), regular monthly benefits (wages, salaries, allowances) and other short-term benefits (education grant, reimbursement of income 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 an expense as they occur.

Post-employment benefits

45. Post-employment benefits comprise of 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.

46. 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

47. 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

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

United Nations Joint Staff Pension Fund

49. 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.

50. 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 *Employee Benefits*. The Agency's contributions to the plan during the financial period are recognized as expenses in the Statement of Financial Performance.

Provisions

51. 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

52. 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

53. 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.

Equity

54. Components of Net Assets/Equity are disaggregated into Fund Balances, which represent accumulated surpluses and deficits, and Reserves. Reserves represent specific categories of net assets/equity with a potential future impact on Fund Balances. Examples of such reserves include a reserve for commitments, which represents purchase orders and service contracts that are not yet delivered as at end of the reporting period and reserves for actuarial gains/losses on employee benefit liabilities.

Revenue

Non-exchange revenue

Assessed contributions from Member States

55. 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

56. Voluntary contribution 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.

57. 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.

58. Revenue from voluntary contributions is recognized upon the signing of a binding pledge agreement between the Agency and the third party providing the contribution as long as 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.

59. 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.

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

National Participation Costs

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

Goods and services in-kind contributions

<u>Goods-in-kind</u>

62. Goods that are donated to the Agency are recognized as revenue if the item value is worth €3000 or more, with a corresponding increase in the appropriate asset, when such donations are received by the Agency. Revenue is recognized at fair value, measured as of the date the donated goods are recognized. Fair value is generally measured by reference to the price of the same or similar goods in an active market.

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

Services-in-kind

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

Exchange revenue

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

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

Investment revenue

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

Expenses

Exchange expenses

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

Non-exchange expenses

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

70. Other non-exchange expenses are incurred primarily in provision of grants to fund research and fellowship agreements. An expense is recognized at the point that the Agency has authorized the funds for release, or has a binding obligation to pay, whichever is earlier. For yearly non-exchange funding agreements, an expense is recognized for the period to which the funding relates.

Interests in other entities

71. The Agency participates in a number of arrangements which are classified in line with the requirements of IPSAS 35 to 38 as described below. For specific details on these arrangements, their governance and legal background refer to Note 37. The VIC Based Organizations (VBOs) have an agreement whereby the costs of certain VIC common services provided by each organization 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 2016 is 54.917% (54.729% for 2015).

<table>
<tr><th>IPSAS standard and requirements</th><th>Accounting treatment</th><th>Applicable to</th></tr>
<tr><td>IPSAS 35: Consolidated Financial Statements

Control is the key criteria for consolidation. It implies all of the following:

• Power over the other entity.
• Exposure to rights to variable financial and non-financial benefits.
• Ability to use its power over the other entity to affect the nature or amount of the benefits from its involvement with the other entity.</td><td>Full consolidation of revenue, expenses, assets and liabilities.</td><td>VIC common services provided by the Agency:

-Medical services
-Printing and reproduction</td></tr>
<tr><td>IPSAS 37: Joint Arrangements

Two or more parties have joint control (as defined in IPSAS 35) with the following characteristics:

• The parties are bound by a binding arrangement which gives them joint control.
• Activities require unanimous consent among the parties with joint control.

There are two types of joint arrangements:

- Joint Operations

- Joint Ventures</td><td>Joint Operation - Proportionate consolidation of Agency's share of revenue, expenses, assets and liabilities.

Joint Venture – Equity method accounting.</td><td>The following Joint Operations:

- Joint Division of Nuclear Techniques with the Food and Agriculture Organization (FAO)

-VIC land and buildings including Major Repairs and Replacements Fund (MRRF) (based on a defined cost sharing ratio)</td></tr>
<tr><td>IPSAS 38: Disclosure of interests in other entities

Prescribes disclosure requirements for interests in other entities that do not meet the requirements of the following categories: controlled entities, joint arrangements and associates, as well as structured entities that are not consolidated.</td><td>Disclose information that enables users of the financial statements to evaluate: the nature of, and risk associated with its interest in the other entities as well as the effects of those interests on its financial position, financial performance and cash flows.</td><td>- Abdus Salam International Centre for Theoretical Physics (ICTP) in Trieste: jointly funded with the United Nations Educational Scientific and Cultural Organization (UNESCO) and the Italian Government

- the VIC Commissary</td></tr>
</table>

72. Services provided by other VBOs, such as the Buildings Maintenance Services (BMS) provided by the United Nations Industrial Development Organization (UNIDO) and the UN security services and some conference services provided by the United Nations Office in Vienna

(UNOV), are services provided to the Agency and thus are expensed when the related services have been received.

73. Other IPSAS standards, such as IPSAS 34 *Separate Financial Statements* and IPSAS 36 *Investments in Associates and Joint Ventures*, are not currently applicable to the Agency. IPSAS 34 is to be applied when an entity prepares and presents its financial statements under the accrual basis and elects or is required by its regulations to present investments in controlled entities separately. IPSAS 36 requires the equity method to be applied when a significant influence and a quantifiable ownership interest exist.

Segment reporting and fund accounting

74. Segment reporting information is presented on the basis of the Agency's activities on both a Major Programme basis and a source of funding (Fund groups) basis.

75. 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.

Apportionment of common costs

76. 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 the expense; and iii) inter-segment transactions are eliminated from the consolidated financial statements.

Major Programmes

77. 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 activities; in all areas of waste technology and spent fuel and waste management; the 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; development of nuclear sciences- especially in the areas of nuclear fusion, accelerator applications and nuclear instrumentation; development and provision of validated nuclear, atomic and molecular data; 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 and advisory services. 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 emergency, and for supporting global efforts to improve nuclear security.

(4) Nuclear Verification – Major Programme 4 supports the Agency's statutory mandate to establish and administer safeguards designed to ensure that special fissionable and other materials, services, equipment, facilities and information made available by the Agency, or at its request or under its supervision or control, are not used in such a way as to further any military purpose; and to apply safeguards, at the request of the parties, to any bilateral or multilateral arrangement, or at a request of a State to any of that State's activities in the field of atomic energy. To this end, the Agency concludes safeguards agreements with States, which confer upon the Agency the legal obligation and authority to apply safeguards to nuclear material, facilities and other items subject to safeguards. Under this Major Programme, the Agency carries out verification activities, including the analysis of safeguards relevant information, installation of safeguards instrumentation, in-field inspections, and sample analysis required for implementing safeguards. These activities enable the Agency to draw soundly based safeguards conclusions. In addition, the Agency, in accordance with its Statute, assists with other verification tasks, including in connection with nuclear disarmament or arms control agreements as requested by States and approved by the Board of Governors.

(5) Policy, Management and Administration Services – Major Programme 5 provides leadership, direction and management support for all Agency activities and initiatives. It provides innovative solutions across a wide range of financial, human resources management, administrative, information technology, legal, oversight and general services to support all Agency programmes, emphasizing a service oriented culture of continuous improvement to meet the needs of all customers, including the Secretariat and Member States. It ensures effective coordination to support the one-house approach, particularly with respect to policies, strategic planning, risk management, development and implementation of programmes, and evaluation of performance. It facilitates the efficient exchange of information within the Secretariat, as well as communications with Member States, the media and the general public.

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

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

Fund Groups

79. 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.

Regular Budget

(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.

Technical Cooperation

(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. The Technical Cooperation Fund is primarily financed by voluntary contributions from Member States who are asked to pledge contributions against their indicative share of the Technical Cooperation Fund target, which is approved annually by the General Conference. The Technical Cooperation Fund is also funded by 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.

(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

80. 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 of IPSAS.

81. While the Agency’s financial statements cover all activities of the Agency, budgets are separately approved annually for the Regular Budget, both the operational 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.

82. 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 39b provides 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'000s)	
	31-12-2016	31-12-2015
Cash in current accounts at bank and on hand	398 316	164 724
Cash in call accounts	25 158	28 068
Term deposits with original maturities of 3 months or less	6 692	-
Treasury bills with original maturities of 3 months or less	-	9 137
Total cash and cash equivalents	**430 166**	**201 929**

83. The €228.237 million (or 113%) increase in the total cash and cash equivalents was mainly driven by the shift from investments to cash in current accounts at bank and on hand, which was due to the inability to invest in euro denominated investments at positive interest rates. The increase in cash was also a result of increases in contributions received in advance, which are recognized as deferred revenue (see Note 15), and increases in revenue from monetary voluntary contributions.

84. Some cash is held in currencies which are either legally restricted or not readily convertible to euro. At 31 December 2016, the euro equivalent of these currencies was €1.709 million (€1.552 million at 31 December 2015), based on the respective United Nations Operational Rates of Exchange.

NOTE 5: Investments

	(expressed in euro'000s)	
	31-12-2016	31-12-2015
Term deposits with original maturities between 3 and 12 months	169 614	309 143
Treasury bills with original maturities between 3 and 12 months	98 915	91 355
Total investments	**268 529**	**400 498**

85. The decrease of €131.969 million (or 33%) in investments is the result of the decrease in investments in term deposits with original maturity between 3 and 12 months. As shown in Note 41, weighted average period to maturity of the Agency's cash and investments at the end of 2016 decreased for euro while it increased for US dollar holdings but remained under 3 months.

NOTE 6: Accounts receivable from non-exchange transactions

	(expressed in euro'000) 31-12-2016	31-12-2015
Assessed contributions receivable		
Regular Budget	32 956	40 452
Working Capital Fund	12	12
Allowance for doubtful accounts	(5 292)	(4 134)
Net assessed contributions receivable	27 676	36 330
Voluntary contributions receivable		
Extrabudgetary	12 599	4 636
Technical cooperation Fund	678	332
Allowance for doubtful accounts	(28)	(27)
Net voluntary contributions receivable	13 249	4 941
Other receivables		
Assessed programme costs	982	953
National participation costs	813	292
Allowance for doubtful accounts	(941)	(1 005)
Net other receivables	854	240
Total net accounts receivable from non-exchange transactions	**41 779**	**41 511**
Composition of accounts receivable from non-exchange transactions		
Current	37 880	41 398
Non-current	3 899	113
Total net accounts receivable from non-exchange transactions	**41 779**	**41 511**

86. The net assessed contributions receivable decreased during the year by €8.652 million to €27.678 million, due to improved collections of assessed contributions for prior year amounts in arrears. The increase in net voluntary contributions receivable during the year of €8.308 million is due to the increase in the amounts due from donors for extrabudgetary contributions payable in installments in future years for which asset recognition criteria as per IPSAS has been met.

87. Non-current receivables comprise of the non-current portion (i.e. receivable after 31 December 2017) of assessed contribution receivables for which a payment plan has been agreed as well as the portion of the voluntary extrabudgetary contributions which are due after 31 December 2017.

NOTE 7: Non-exchange transaction receivables information

Allowance for doubtful debts

(expressed in euro'000s)

	2016						2015					
	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												
<u>*Assessed contributions receivable*</u>												
Regular Budget	4 134	1 158	-	-	-	5 292	3 665	469	-	-	-	4 134
Related to assessed contributions receivable	4 134	1 158	-	-	-	5 292	3 665	469	-	-	-	4 134
<u>*Voluntary contributions*</u> *receivable*												
Technical Cooperation Fund	27	-	1	-	-	28	24	-	3	-	-	27
Extrabudgetary	-	-		-	-	-	-	-	-	-	-	-
Related to voluntary contributions receivable	27	-	1	-	-	28	24	-	3	-	-	27
<u>*Other receivables*</u>												
Assessed programme costs	953	-	44	-	(56)	941	953	-	108	-	(108)	953
National Participation Costs	52	-		-	(52)	-	-	52	-	-	-	52
Related to other receivables	1 005	-	44	-	(108)	941	953	52	108	-	(108)	1 005
Total related to receivables from non-exchange transactions	**5 166**	**1 158**	**45**	**-**	**(108)**	**6 261**	**4 642**	**521**	**111**	**-**	**(108)**	**5 166**

Aging of receivables

(expressed in euro'000s)

	As at 31 December 2016					As at 31 December 2015				
		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	32 956	19 560	8 982	2 162	2 252	40 452	19 358	18 190	483	2 421
Working Capital Fund	12	3	4	-	5	12	2	5	3	2
Total assessed contributions receivable	32 968	19 563	8 986	2 162	2 257	40 464	19 360	18 195	486	2 423
Voluntary contributions										
Extrabudgetary	12 599	12 278	104	38	179	4 636	3 738	728	170	-
Technical Cooperation Fund	678	477	147	17	37	332	201	88	15	28
Total voluntary contributions receivable	13 277	12 755	251	55	216	4 968	3 939	816	185	28
Other receivables										
Assessed programme costs	982	-	-	-	982	953	-	-	-	953
National participation costs	813	517	177	60	59	292	(7)	140	65	94
Safeguards agreements contributions	-	-	-	-	-	-	-	-	-	-
Total other receivables	1 795	517	177	60	1 041	1 245	(7)	140	65	1 047
Total receivables from non-exchange transactions	**48 040**	**32 835**	**9 414**	**2 277**	**3 514**	**46 677**	**23 292**	**19 151**	**736**	**3 498**

Management of credit risk relating to non-exchange receivables

88. Assessed contributions comprise the majority of the Agency's 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.

89. 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 a payment plan 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 2016, the carrying value of receivables for which payment plans have been negotiated and that otherwise would have been overdue is €0.056 million (€0.233 million as at 31 December 2015).

90. The status of outstanding contributions as at 31 December 2016 by Member State and other donors is provided in Annex A3.

NOTE 8: Accounts receivable from exchange transactions

	(expressed in euro'000s)	
	31-12-2016	**31-12-2015**
Accounts receivable – Value Added Tax refunds	2 247	1 814
Accounts receivable - income tax refunds	5 973	4 276
Accounts receivable – others	3 250	1 963
Allowance for doubtful accounts	(20)	(71)
Total net accounts receivable from exchange transactions	**11 450**	**7 982**

91. All accounts receivable from exchange transactions as at 31 December 2016 and 2015 are current.

92. The allowance for doubtful debts showed the following movements during 2016 and 2015:

	(expressed in euro'000s)	
	2016	**2015**
Opening balance as on 1 January	71	162
Doubtful debt expense reversed	(51)	(91)
Closing balance as on 31 December	**20**	**71**

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

	(expressed in euro'000s)	
	31-12-2016	**31-12-2015**
Outstanding for:		
Less than 1 year	6 189	5 821
1 - 3 years	5 266	2 221
3 - 5 years	12	6
More than 5 years	3	5
Gross carrying value	**11 470**	**8 053**

NOTE 9: Advances and prepayments

	(expressed in euro'000s)	
	31-12-2016	**31-12-2015**
Vienna International Centre common services	15 719	17 622
Other international organizations	1 895	1 619
Staff	7 228	7 509
Health insurance premium reserve account	-	1 483
Travel	825	174
Other	4 554	3 013
Total advances and prepayments	**30 221**	**31 420**
Advances and prepayments composition		
Current	23 372	23 277
Non-current	6 849	8 143
Total advances and prepayments	**30 221**	**31 420**

94. The advances for the VIC common services reflect the payments made by the Agency to the common services operated by other VBOs, in line with the cost sharing ratio for the Agency, which have not yet been utilized by them for providing the services.

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

96. Cigna provides health insurance coverage to staff members, and acted as custodian of the Health Insurance Premium Reserve Account until 31 December 2015. Since January 2016 this Premium Reserve Account is controlled and administered by the Agency and is therefore no longer considered a prepayment. 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 57% by the Agency (presented as a reserve in Note 22) and 43% by staff (presented as a liability in Note 16).

NOTE 10: Inventory

	(expressed in euro'000s) 31-12-2016	31-12-2015
Project inventories in-transit to counterparts	8 450	5 704
Safeguards spare parts and maintenance materials	370	338
Printing supplies	45	69
Total inventory	**8 865**	**6 111**

97. The Technical Cooperation Programme accounts for €6.371 million (76%) of the inventories in transit as on 31 December 2016 (€5.037 million (88%) in 2015). During 2016 the Agency received donated inventory amounting to €0.038 million, thereof €0.014 million are still included in the inventory in transit as of 31 December 2016, whereas the rest has been delivered to counterparts (no donated inventory in 2015). 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 recognized net of an allowance of €0.196 million.

98. Reference materials are not regarded as inventory and the costs of their production are expensed in the same year. The amount of labour and allocated overheads incurred by the Agency's laboratories with respect to reference materials during 2016 was approximately €0.132 million (€0.137 million in 2015).

99. Total inventory expense for 2016 and 2015 was as follows:

	(expressed in euro'000s) 2016	2015
Project inventories distributed to development counterparts	33 498	27 872
Safeguards spare parts and maintenance materials	18	38
Printing supplies	79	90
Total inventory expense	**33 595**	**28 000**

100. 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 31) 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 35).

NOTE 11: Investment in common services entities

	(expressed in euro'000s)	
	31-12-2016	**31-12-2015**
Investment in Commissary	809	809
Total investment in common services entities	**809**	**809**

101. IAEA and UNIDO each made an initial investment of €0.809 million on 1 October 1979, which is to be returned in the event of dissolution of the VIC Commissary. Further details on the Commissary arrangement are provided in Note 37.

NOTE 12: Property, plant and equipment

2016

(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 2016	351 853	3 592	33 758	76 806	45 297	1 102	3 380	6 637	522 425
Additions	4 935	244	2 798	1 492	4 007	279	159	12 161	26 075
Disposals	-	(26)	(2 620)	(2 850)	(1 670)	(78)	(86)	(4)	(7 334)
Other adjustments	-	-	-	-	-	106	(106)	-	-
Assets under construction capitalized	5 280	-	904	4 788	597	-	104	(11 673)	-
Cost at 31 December 2016	**362 068**	**3 810**	**34 840**	**80 236**	**48 231**	**1 409**	**3 451**	**7 121**	**541 166**
Accumulated depreciation at 1 January 2016	133 021	2 343	24 825	62 503	27 938	672	2 814	-	254 116
Depreciation	10 709	147	4 593	5 274	4 000	190	318	-	25 231
Disposals	-	(26)	(2 617)	(2 845)	(1 670)	(51)	(86)	-	(7 295)
Other adjustments	-	-	-	(36)	36	-	-	-	-
Accumulated depreciation at 31 December 2016	**143 730**	**2 464**	**26 801**	**64 896**	**30 304**	**811**	**3 046**	**-**	**272 052**
Accumulated impairment at 1 January 2016	5	99	43	41	75	-	5	-	268
Impairment	-	-	3	2	-	-	-	4	9
Disposals	-	-	(2)	(5)	-	-	-	(4)	(11)
Other adjustments*	-	(2)	(34)	(14)	(71)	-	(1)	-	(122)
Accumulated impairment at 31 December 2016	**5**	**97**	**10**	**24**	**4**	**-**	**4**	**-**	**144**
Net carrying amount at 31 December 2016	**218 333**	**1 249**	**8 029**	**15 316**	**17 923**	**598**	**401**	**7 121**	**268 970**

* includes impairment reversals

2015

(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 31 December 2014	68 990	3 381	34 695	70 663	36 804	1 035	3 174	7 884	226 626
Initial recognition of VIC related assets	271 969							765	272 734
Additions	2 816	234	2 533	1 699	6 351	194	141	16 320	30 288
Disposals	-	(23)	(4 490)	(1 932)	(647)	(127)	(4)	-	(7 223)
Assets under construction capitalized	8 078	-	1 020	6 376	2 789	-	69	(18 332)	-
Cost at 31 December 2015	**351 853**	**3 592**	**33 758**	**76 806**	**45 297**	**1 102**	**3 380**	**6 637**	**522 425**
Accumulated depreciation at 31 December 2014	12 362	2 194	24 440	59 744	25 593	626	2 316	-	127 275
Initial recognition of VIC related assets	110 325								110 325
Additions	-	-	-	-	-	-	-	-	-
Depreciation	10 334	172	4 868	4 689	2 971	145	502	-	23 681
Disposals	-	(23)	(4 483)	(1 930)	(626)	(99)	(4)	-	(7 165)
Accumulated depreciation at 31 December 2015	**133 021**	**2 343**	**24 825**	**62 503**	**27 938**	**672**	**2 814**	**-**	**254 116**
Accumulated impairment at 31 December 2014	5	-	2	1	20	-	-	-	28
Impairment	-	99	45	41	74	-	5	-	264
Disposals	-	-	(4)	(1)	(19)	-	-	-	(24)
Impairment reversed	-	-	-	-	-	-	-	-	-
Accumulated impairment at 31 December 2015	**5**	**99**	**43**	**41**	**75**	**-**	**5**	**-**	**268**
Net carrying amount at 31 December 2015	**218 827**	**1 150**	**8 890**	**14 262**	**17 284**	**430**	**561**	**6 637**	**268 041**

102. For the PP&E projects with a value greater than €0.500 million, their values and their completion status (complete or construction in progress (CIP) on 31 December 2016 are as follows:

Completed in 2016

- *Data Centre (€5.280 million)*. The construction of a new data centre for the Department of Safeguards (sited under C Building at the Vienna International Centre), and the installation of new electrical, UPS, air-conditioning and fire-suppression systems for the existing MTIT and SGIS data centres, was completed in April 2016. However, the installation and final testing of the emergency power generators was completed in November 2016. All components of the data centre are currently operational and placed in service as of respective completion dates. (€3.310 million CIP in 2015).

Construction in progress

- *Renovation of the Nuclear Applications Laboratories (ReNuAL) – (€4.607 million CIP, and €1.442 million already placed in service)* – ReNuAL is a €31 million capital project that is fully funded. The funding is made up of one third from the Agency's Regular Budget and two thirds from extra budgetary sources with the project being part of a programme of modernisation of the Agency's Nuclear Applications Laboratories at Seibersdorf. The project consists of the construction and commissioning of the Insect Pest Control Laboratory (IPCL) and the Flexible Modular Laboratory (FML). The project also includes the upgrade to the overall site infrastructure to service these new buildings and the purchase of urgently needed new equipment. Construction is underway for the IPCL. The FML design is currently being modified to take into account changes in the requirements and construction works will commence in April 2017. The transformer substation amounting to €1.442 million, which is part of the main infrastructure required to service the new ReNuAL buildings, has been completed during 2016 and is fully operational (€1.276 million in 2015).
- *Japan Mixed Oxide Fuel Fabrication Plant (JMOX) (€0.869 million)*. This is a project to develop an integrated safeguards approach for a large mixed oxide fuel fabrication plant in Japan. The CIP asset consists of tubes filled with Helium-3 gas. No development activity took place on this project between 2013 and 2016 due to uncertainties about the deadline for construction and commissioning of the facility. Despite these uncertainties, the development, manufacturing, testing and installation of equipment and software are necessary in order to have all safeguards systems available for use for the operation of the facility (€0.869 million CIP since 2013).

103. On first adoption of IPSAS in 2011, the Agency availed itself of transitional provisions permitted by IPSAS 17 and did not recognize its share of the VIC buildings in the Statement of Financial Position. However, based on a professional valuation, a depreciated replacement cost (DRC) for the buildings as at 1 January 2011 of €312 million was disclosed in the Notes; the Agency's share of which was assessed as €167 million. The Agency recognized its share of the VIC premises with effect from 1 January 2015, based upon an updated professional external valuation undertaken during 2015. This valuation established a total DRC for the buildings of €288 million, of which the Agency's share is €158 million, assessed at the 2015 BMS ratio of 54.729%. The difference of €24 million between the two valuations reflects the net effect of new additions to the building, yearly depreciation charges, and a reassessment of the deemed historic cost of the building. In 2016, physical verification of assets in the VIC and Seibersdorf continued. Some of the items of Furniture and Fixtures,

Laboratory Equipment, and Communications and IT Equipment which were impaired in 2015 were located this year, hence the respective impairments were reversed. In addition, lesser impairments due to damage, obsolescence or loss were recognized. The total impairment loss for 2016 amounted to €0.009 million (€0.264 million in 2015).

104. Efforts to dispose of old inactive equipment resulted in the retirement of assets which were fully depreciated at 31 December 2015 with an aggregate original cost of €6.673 million in 2016. As at 31 December 2016, the gross value of fully depreciated PP&E items, which were still in use, including asset components of the VIC building amounted to €98.773 million (€89.684 million as at 31 December 2015).

NOTE 13: Intangible assets

2016

	(expressed in euro '000s)			
	Computer Software Purchased	**Computer Software Internally Developed**	**Intangible Assets Under Development**	**Total Intangible Assets**
Cost at 1 January 2016	8 531	38 438	10 663	57 632
Additions	1 217	426	19 995	21 638
Disposals	-	-	(200)	(200)
Assets under Construction Capitalized	812	10 498	(11 310)	-
Cost at 31 December 2016	**10 560**	**49 362**	**19 148**	**79 070**
Accumulated amortization at 1 January 2016	3 755	10 761	-	14 516
Amortization	1 807	5 399	-	7 206
Accumulated amortization at 31 December 2016	**5 562**	**16 160**	**-**	**21 722**
Net carrying amount at 31 December 2016	**4 998**	**33 202**	**19 148**	**57 348**

2015

	(expressed in euro '000s)			
	Computer Software Purchased	**Computer Software Internally Developed**	**Intangible Assets Under Development**	**Total Intangible Assets**
Cost at 1 January 2015	6 901	19 853	16 893	43 647
Additions	1 414	1 125	11 446	13 985
Assets under Construction Capitalized	216	17 460	(17 676)	-
Cost at 31 December 2015	**8 531**	**38 438**	**10 663**	**57 632**
Accumulated amortization at 1 January 2015	2 217	5 080	-	7 297
Amortization	1 538	5 681	-	7 219
Accumulated amortization at 31 December 2015	**3 755**	**10 761**	**-**	**14 516**
Net carrying amount at 31 December 2015	**4 776**	**27 677**	**10 663**	**43 116**

105. For projects with a value greater than €0.500 million, their values and their completion status (complete, partly complete or construction in progress (CIP)) on 31 December 2016 are as follows:

Completed in 2016

- *AIPS Plateau 4 Implementation – Travel & Meetings (€3.469 million).* The fourth stage of AIPS Project covering a solution for Travel and Meetings Management, known as AIPS Plateau 4, began in 2014. AIPS Plateau 4 provides fully-integrated functionality and processes for the preparation and execution of the Agency's travel and meetings processes, wherever possible introducing automation, reducing paper-based actions and providing a sufficient level of reporting to ensure effective measurement and management of the processes and results. AIPS Plateau 4 went live in October 2016 (€1.173 million CIP in 2015).
- *State Supplied Data Handling Core (SSDH-C) v2 (€1.807million).* State Supplied Data Handling covers development of integrated IT systems for processing, maintenance, dissemination and analysis of information provided by Member States. The main objective of the SSDH-C Phase 2 project is to continue development of the full scope of the SSDH-C software system, as originally defined in requirements specifications and then extended and refined by the Department of Safeguards, Division of Information Management (SGIM) product owners and users during SSDH-C Phase 1. In addition, the SSDH-C Phase 2 project will provide support and maintenance for the production of a SSDH-C subsystem for the duration of the project (€1.167 million CIP in 2015).
- *Safeguard Master Data (SGMD) v2 (€1.260 million).* The purpose of SGMD is to manage core data for the Department of 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 is used by other systems for further processing, and users in the Department of Safeguards who will retrieve and/or maintain the master data. Phase 1 was completed in January 2015 at a cost of €2.903 million and Phase 2 was completed in August 2016 at a cost of €1.260 million (€0.761 million CIP in 2015).

- *Safeguards Effectiveness and Evaluation Information System (SEEIS) v2. (€1.217 million).* SEEIS provides the functionality to collect, share, exchange and report data to facilitate the processing for key Safeguards Effectiveness and Evaluation business processes: the preparation of the Safeguards Implementation Report (SIR), SEE Facility Evaluation, SEE State-Level Evaluation and ongoing evaluation of verification activities coordinated across the state. SEEIS Phase 1 was completed in March 2015 at a cost of €1.419 million and Phase 2 was completed in June 2016 at a cost of €1.217 million (€0.722 million CIP in 2015).
- *Containment Data Management System (CDMS) v2 (€0.829 million).* The overall objectives of the project are to enhance the existing capabilities of Containment Data Management System (CDMS) version 1 by improving the overall data quality, providing new business capabilities for seals, and improving the user experience by better overall performance and usability of the system (€0.405 million CIP in 2015).
- *State Supplied Data Handling Reporting (SSDH-R) v2 (€0.667 million).* The objectives of SSDH-R Phase 2 are to: complete migration and integration tasks that have been postponed due to time and resource constraints; improve the support for information retrieval and analysis in all business processes that require state supplied data; integrate additional information sources to allow a comprehensive view on all state declared information; and provide information services to other information systems that require state declared data (€0.492 million CIP in 2015).

Construction in Progress

- *Collaborative Analysis Platform (€2.638 million).* The Collaborative Analysis Platform project (Phase 2) continues developing an analytical platform that will serve key areas in each of Safeguards core processes: planning, information collection and analysis, verification and evaluation. The platform is designed to integrate multiple data and information sources to enable 'all-source' analysis. It will facilitate Safeguards staff to perform information tasks at a speed and scale that was not possible in the past – increasing the effectiveness and efficiency of the current human resources. The ability to establish relationships between information from multiple sources, across time, and over increasing volumes of information, will ensure that Safeguards analytical artefacts are produced with correctness and completeness. The primary goal is to introduce state-of-the-art tools to support structured analysis such as practiced in law enforcement, intelligence analysis, financial fraud investigation, and investment strategy into Safeguards business processes (€0.819 million CIP in 2015).
- *Electronic State File (€2.043 million).* The Electronic 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. It builds upon the success of collaboration within the Safeguards Portal, and utilizes the Integrated Safeguards Environment (ISE). 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 and further enhancements have been developed in 2015 and 2016 (€0.916 million CIP in 2015).
- *Field Activity Reporting (FAR) v2 (€1.774 million).* FAR deals with the reporting on the verification activities conducted during inspections and complementary access. It 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). FAR Phase 1, comprising CIR and CDMS, was completed in April 2015 at a cost

of €4.918 million. FAR Phase 2 aims to provide a comprehensive solution to assist inspectors during their verification activities in the field. The objectives are to enhance the capabilities of FAR-CIRS and implement new functionality according to business requirements. FAR Phase 2 remains in progress at a cost of €1.774 million (€0.707 million CIP in 2015).

- *Integrated Scheduler and Planner System (ISP) (€1.535 million)*. The objective of the Integrated Scheduler and Planner (ISP) application is to support the planning, scheduling and reporting of inspections and other verification activities, as well as any other types of activities performed by a safeguards' staff member with a travel component (e.g. meetings, training, etc.). It is intended to be the central collaboration system for Safeguard Divisions to plan, schedule, execute and close activities, providing an end-to-end view of the process (€0.199 million CIP in 2015).
- *Additional Protocol System (APS) (€1.479 million)*. The overall objective of Additional Protocol System is to reengineer the parts of the APS that assist SGIM in its tasks of maintaining the Agency's database of AP declarations (including data loading and quality control) and data analysis activities. The goal is to ensure completeness and correctness of the state-supplied AP information by providing enhanced tools for its initial processing and quality checking. The project will also support SGIM's AP data analysis tasks and investigate the ways of and enable connecting the AP data to other information resources and analysis tools (€0.495 million CIP in 2015).
- *Safeguards Equipment Management System (SEQUOIA) (€1.373 million)*. The overall objective is to provide a sustainable, modern, high-integrity and secure asset tracking, management and monitoring system with extensive functionality, serving a large set of user groups. This will be achieved through a complete upgrade of the existing system to a unified environment, with the hierarchical master data representation at its core. The software will consist of a feature-rich, platform-independent, multi-layered user interface with extensive functionality for searching and reporting. The project will provide a standardised integration service layer, for full integration with various safeguards' systems in alignment with the Security Model (€0.213 million CIP in 2015).
- *Electronic Verification Package (eVP) (€0.859 million)*. The main objective of the project is to provide a generic solution for the assembly and processing of electronic verification packages that support the planning, reporting, and review/approval phases of in-field verification activities. Firstly, the solution will link, display, and provide intuitive access to all available information associated with a verification activity in a user friendly manner. Secondly, the solution will provide electronic workflow management for the planning, reporting, review and approval of in-field verification activities. Thirdly, the solution will provide useful ancillary features like automated quality checks, tracking of package status, and process management statistics (€0.71 million CIP in 2015).
- *State Declaration Portal (SDP) (€0.809 million)*. The State Declarations Portal (SDP) project will create a web-based system to support information exchange between State and Regional Authorities (SRAs) and SGIM).

  The SDP will allow a secure communication between the SRAs and SGIM, in particular the online submission of state-supplied nuclear safeguards declarations by SRAs. Declarations submitted through the portal will be automatically transferred to the Integrated Safeguards Environment (ISE) secure network, and when appropriate loaded directly into the State

Supplied Data Handling (SSDH) system. The SDP will complement the current means of communicating safeguards declarations between the SRAs and the Agency, such as email, postal and fax submissions.

- *Safeguards Security Model (SGSM) (€0.772 million).* The overall objective of the project is to create a security model that accommodates business needs and implements the security policies and requirements for the Department of Safeguards and then to derive an infrastructure and security architecture which fulfils that model. The project will deliver the infrastructure required to support and safeguard the Department's information systems and for guaranteeing information security. The requirements and driver for the project is to preserve the confidentiality of safeguards' information.

106. The 2016 increase in total intangible assets amounts to €14.232 million and it is mostly attributable to internally developed software activities.

107. During 2016, the Agency undertook a review of the useful life of its significant intangible assets to validate the assigned useful lives. Based upon this analysis, it was concluded that five years remains a reasonable assumption for all intangible assets other than those related to the implementation of the various AIPS plateaus and MOSAIC projects. It was determined that the useful life of projects under MOSAIC should be 8 years instead of 5 years. The impact of this change was to reduce amortization expense in 2016 by approximately €2.6 million compared with an assumption of five years.

108. Twenty eight new projects were initiated in 2016 with aggregate costs amounting to €4.193 million (31 projects amounting to €7.594 million in 2015). Of these 28 projects, 6 with aggregate costs of €0.426 million were completed while the other 22 remain as construction in progress. Of the 35 internal development projects initiated prior to 2016, three were retired as the final costs fell short of the capitalization threshold, 1 was disposed and 14 were completed, leaving 17 as CIP. There are therefore a total of 39 projects that will continue in 2017 and are recognized as intangible assets under development as at 31 December 2016.

109. Impairments due to disposal of internally developed intangible assets were recorded amounting to €0.172 million (no impairment losses in 2015).

NOTE 14: Accounts payable

	(expressed in euro'000s)	
	31-12-2016	**31-12-2015**
Accruals	11 248	12 476
Staff	1 820	1 615
Other payables	3 534	3 326
Total accounts payables	**16 602**	**17 417**

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

111. 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)	
	31-12-2016	**31-12-2015**
Contributions received in advance	84 030	58 857
Premises deferred	146 307	153 323
Extrabudgetary contributions transferred subject to conditions	44 385	46 231
Other	559	346
Total deferred revenue	**275 281**	**258 757**
Deferred revenue composition		
Current	106 084	75 205
Non-current	169 197	183 552
Total deferred revenue	**275 281**	**258 757**

112. Contributions received in advance primarily include Regular Budget assessed contributions received prior to the year to which they relate, as well as funds received for extrabudgetary contributions from Member States that have not been formally accepted by the Agency. Contributions received in advance increased in 2016 by €25.173 million.

113. At the end of 2016, contributions received subject to conditions decreased by €1.846 million. Out of the total balance of contributions received subject to conditions, 77.89% was received from one non-Member State donor. These contributions will be recognized as revenue, as and when the conditions are satisfied. The portion of these voluntary contributions that are expected to be reclassified as revenue in the next twelve months, totaling €13.988 million, have been classified as current. Final reports for these contributions are expected to be submitted during 2017, and the respective revenue recognition will be based on the approval of such reports by the donor.

114. A detail of contributions received in advance and extrabudgetary contributions transferred subject to conditions as of 31 December 2016 is provided in Annex A4.

115. Deferred revenue pertaining to the use of the VIC buildings recognizes that the Austrian Government leased to the Agency the original buildings for a nominal rental and contributed 50% of the cost of leasehold improvements. In return, the Agency has an obligation to maintain its headquarters seat in Vienna and to occupy the VIC until 2078 or return it to the Government. This obligation is fulfilled by occupation of the VIC over the remaining term of the lease and the deferred revenue is recognized annually in the Statement of Financial Performance. Further details may be found in Note 37.

NOTE 16: Employee benefit liabilities

	(expressed in euro'000s)	
	31-12-2016	**31-12-2015**
After-service health insurance	165 422	175 551
Post-employment repatriation and separation entitlements	55 991	50 390
Annual leave	21 987	20 775
Health Insurance Premium reserve account - staff contributions	320	742
Other staff costs	2 304	2 075
Total staff related liabilities	**246 024**	**249 533**
Composition of employee benefit liabilities		
Current	13 666	11 834
Non-current	232 358	237 699
Total employee benefit liabilities	**246 024**	**249 533**

116. Liabilities for After-Service Health Insurance (ASHI), post-employment repatriation and separation entitlements, and annual leave have been recognized on the basis of actuarial valuation. These liabilities have decreased during the year, primarily due to changes in the actuarial assumptions (more details are provided in Note 17). The total service cost for annual leave in 2016 amounts to €3.046 million and the total interest cost to €0.247 million.

117. The staff contributions towards the Health Insurance Premium reserve account represent the employee's share of the funds held related to health insurance premiums. The reserve decreased by €0.421 million during 2016 (€0.224 million decrease in 2015), due to withdrawals from the reserve to partially offset the increase in premiums due to the insurance company.

118. Liabilities for other staff costs as at 31 December 2016 consisted of primarily home leave accruals amounting to €1.448 million (€1.224 million as on 31 December 2015) and accruals for compensatory time-off amounting to €0.730 million (€0.726 million as on 31 December 2015).

119. As at 31 December 2016, the ASHI and post-employment repatriation benefit obligations, as well as the annual leave liability, were entirely unfunded. Nearly all of these liabilities, which total €243.400 million at 31 December 2016 relate to the Regular Budget Fund. The unfunded status of these liabilities negatively impacts this Fund such that the total equity is near zero as at 31 December 2016.

NOTE 17: Post-employment related plans

120. 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.

121. The Agency 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.

122. 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

123. Liabilities arising from ASHI, and repatriation and separation benefits are determined with assistance from professional actuaries.

124. The following assumptions and methods have been used to determine the value of post-employment and other separation-related employee benefit liabilities for the Agency as at 31 December 2016:

Parameter	31 December 2016	31 December 2015
Discount rate	ASHI: 1.82% Other post-employment entitlements: repatriation entitlements 1.14%; End of Service allowance 1.40% Market yields on high quality euro corporate bonds at the reporting date (estimated duration: ASHI: 20 years; Other post-employment entitlements: 7 to 10 years depending on entitlement)	ASHI: 2.46% Other post-employment entitlements: repatriation entitlements 1.17%; End of Service allowance 1.67% Market yields on high quality euro corporate bonds at the reporting date (estimated duration: ASHI: 22 years; Other post-employment entitlements: 7 to 10 years depending on entitlement)
Expected rate of salary increase	2.54 % (Professionals and higher) 3.10% (General Staff)	2.84 % (Professionals and higher) 3.15% (General Staff)
Expected rate of medical cost increase	3.00% – 3.21% (range for the various insurance plans)	3.00% – 3.73% (range for the various insurance plans)
Expected rate of travel costs increase	0%	0%
Expected rate of shipping cost increase	1.80%	1.90%

125. 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)	
	31-12-2016	**31-12-2015**
Movement in defined benefit obligation comprises:		
Opening defined benefit obligation	175 551	185 988
Expense for the period:		
Current service cost	8 490	9 642
Interest cost	4 270	3 582
Benefits paid	(3 626)	(2 815)
Transfers in/(out)	396	(284)
Actuarial losses/(gains) recognized in net assets	(19 659)	(20 562)
Closing defined benefit obligation	**165 422**	**175 551**

Other post-employment benefits

	(expressed in euro'000s)	
	31-12-2016	**31-12-2015**
Movement in defined benefit obligation comprises:		
Opening defined benefit obligation	50 390	48 856
Expense for the period:		
Current service cost	6 321	5 881
Interest cost	664	457
Past service cost	(574)	-
Benefits paid	(5 854)	(6 012)
Transfers in/(out)	79	(57)
Actuarial losses/(gains) recognized in net assets	4 965	1 265
Closing defined benefit obligation	**55 991**	**50 390**
of which		
Repatriation entitlements	30 537	26 771
End of Service allowance	25 454	23 619
	55 991	**50 390**

126. 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. Past service cost refers to the impact of the change of the repatriation grant rules which took effect in 2016.

127. The reduction in the long-term discount rate contributed to an actuarial loss in terms of other post-employment benefits amounting to €4.965 million. However, in terms of ASHI, the decrease in medical insurance premium and other experience adjustments contributed to the overall actuarial gain in 2016 of €19.659 million.

128. As at 31 December 2016, 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

129. 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%	(28 688)	(4 107)
	-1%	38 368	4 751
Effect of change in expected rate of medical costs increase on:			
*current service cost component of liability	+1%	2 502	n/a
	-1%	(1 807)	n/a
*interest cost component of liability	+1%	890	n/a
	-1%	(687)	n/a
*total defined benefit obligation	+1%	36 398	n/a
	-1%	(27 938)	n/a
Effect of changes in salaries, shipping and travel costs on total defined benefit obligation	+1%	n/a	4 760
	-1%	n/a	(4 190)

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

After service health insurance

	(expressed in euro'000s)				
	2016	**2015**	**2014**	**2013**	**2012**
Defined benefit obligation	165 422	175 551	185 988	123 630	126 195
Plan assets at fair value	-	-	-	-	-
Surplus/(deficit)	(165 422)	(175 551)	(185 988)	(123 630)	(126 195)
Remeasurement losses/(gains) due to experience adjustments	(28 585)	6 015	(2 837)	(304)	(1 397)
Remeasurement due to experience adjustments as a percentage of defined benefit obligation	-17.28%	3.43%	-1.53%	-0.25%	-1.11%

Other post-employment benefits

	(expressed in euro'000s)				
	2016	**2015**	**2014**	**2013**	**2012**
Defined benefit obligation	55 991	50 390	48 856	42 528	46 936
Plan assets at fair value	-	-	-	-	-
Surplus/(deficit)	(55 991)	(50 390)	(48 856)	(42 528)	(46 936)
Remeasurement losses/(gains) due to experience adjustments	3 600	2 209	269	(2 651)	2 378
Remeasurement due to experience adjustments as a percentage of defined benefit obligation	6.43%	4.38%	0.55%	(6.23%)	5.07%

131. The Agency's best estimate of benefits payments expected to be made for the next 12 months for ASHI plans is €3.580 million, and for post-employment repatriation and separation entitlements is €5.101 million.

132. 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

133. The 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.

134. 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 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.

135. The actuarial valuation performed as of 31 December 2015 revealed an actuarial surplus of 0.16% (a deficit of 0.72% in the 2013 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2015 was 23.54% of pensionable remuneration, compared to the actual contribution rate of 23.70%. The next actuarial valuation will be conducted as of 31 December 2017.

136. At 31 December 2015, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 141.1% (127.5% in the 2013 valuation). The funded ratio was 100.9% (91.2% in the 2013 valuation) when the current system of pension adjustments was taken into account.

137. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2015, 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.

138. During 2016, contributions paid to UNJSPF amounted to €61.574 million (2015 €60.930 million). Expected contributions due in 2017 are approximately €64.560 million.

139. 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)	
	31-12-2016	**31-12-2015**
Deposits received	304	304
Others	98	409
Total other financial liabilities	**402**	**713**
Composition of other financial liabilities		
Current	98	409
Non-current	304	304
Total other financial liabilities	**402**	**713**

140. As at 31 December 2016, ‘Others’ consisted primarily of cash received for which the purpose has not yet been identified.

NOTE 19: Provisions

	(expressed in euro'000s)	
	31-12-2016	**31-12-2015**
Provision for ILOAT cases	141	65
Provision for asset disposal and site restoration	2 203	1 520
Total provisions	**2 344**	**1 585**
Composition of provisions		
Current	1 126	65
Non-current	1 218	1 520
Total provisions	**2 344**	**1 585**

141. Provisions for asset disposal of €2.203 million relate to the estimated costs for disposal of laboratory glove boxes in the original Safeguards Analytical Laboratory and the new Nuclear Material Laboratory (NML) in Seibersdorf at the end of the useful life of the glove boxes.

142. As at 31 December 2016, there were three cases against the Agency with the International Labour Organization (ILO) Administrative Tribunal (ILOAT) relating to claims from former staff members in which it is probable that these cases will be decided in favour of the former staff members. In February 2017, one of these cases was decided by the ILOAT in favour of the former staff member with a liability by the Agency of €0.011 million. Should the remaining two cases be decided in favour of the former staff members, it is estimated that the Agency would be liable for approximately €0.130 million, which has been recorded as a provision in these financial statements.

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	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Opening Balance	**(14 028)**	**(20 448)**	**15 757**	**13 745**	**56 556**	**50 429**	**22 431**	**24 329**	**237 433**	**183 477**	**106 808**	**98 118**	**1 703**	**2 147**	**426 660**	**351 797**
Transfers to / (from) fund balances	15 270	17 047	(5 970)	(502)	1 571	(1 958)	2 698	149	(18 033)	(12 170)	(627)	(87)	(3)	75	(5 094)	2 554
Net surplus/ (deficit)	(4 918)	(10 627)	4 073	2 514	17 834	8 085	7 113	(2 047)	63 438	66 126	3 714	8 777	(123)	(519)	91 131	72 309
Closing balance	**(3 676)**	**(14 028)**	**13 860**	**15 757**	**75 961**	**56 556**	**32 242**	**22 431**	**282 838**	**237 433**	**109 895**	**106 808**	**1 577**	**1 703**	**512 697**	**426 660**
Included in fund balances are individual funds funds with specific purposes:																
Working Capital Fund	15 215	15 212	-	-	-	-	-	-	-	-	-	-	-	-	15 215	15 212
Nuclear Security Fund	-	-	-	-	-	-	-	-	70 166	61 187	-	-	-	-	70 166	61 187
Programme Support Cost Sub-fund	-	-	-	-	-	-	-	-	7 573	7 144	-	-	-	-	7 573	7 144
Research Institute Trust Fund	-	-	-	-	-	-	-	-	-	-	-	-	799	726	799	726
Equipment Replacement Fund	-	-	-	-	-	-	-	-	-	-	-	-	783	979	783	979

143. 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.

144. 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).

145. 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.

146. 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).

147. The Equipment Replacement Fund was established as approved by the Board of Governors (GOV/2005/22) to upgrade or replace the ICT infrastructure so that an appropriate level of ICT services can be delivered to support the Agency's programmes.

NOTE 21: Movements in fund balances of individual funds with specific purposes

(expressed in euro'000s)

	2016						2015					
	Opening Balance	Revenue a/	Transfers to/(from)	Expense	Net gains/ (losses)	Closing Balance	Opening Balance	Revenue a/	Transfers to/(from)	Expense	Net gains/ (losses)	Closing Balance
Working Capital Fund	15 212	-	2	-	1	15 215	15 217	-	(5)	-	-	15 212
Nuclear Security Fund	61 187	38 159	(4 812)	(24 985)	617	70 166	46 650	34 502	(1 473)	(21 304)	2 812	61 187
Programme Support Cost Sub-Fund	7 144	6 296	(299)	(5 482)	(86)	7 573	5 319	5 730	(115)	(3 647)	(143)	7 144
Research Institute Trust Fund	726	1	(2)	30	44	799	753	3	69	(201)	102	726
Equipment Replacement Fund	979	-	-	(151)	(45)	783	1 395	-	5	(319)	(102)	979

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 and Special Funds		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Opening balance	(5 300)	(19 101)	1 633	4 979	25 279	23 320	8 554	8 945	16 392	12 868	173	87	21	95	46 752	31 193
Transfers to/(from)	14 430	13 801	1 701	(3 346)	(1 563)	1 959	(2 946)	(391)	5 783	3 524	627	86	3	(74)	18 035	15 559
Closing balance	9 130	(5 300)	3 334	1 633	23 716	25 279	5 608	8 554	22 175	16 392	800	173	24	21	64 787	46 752
Movements in reserves comprise:																
Health insurance premium reserve opening balance	742	966	-	-	-	-	-	-	-	-	-	-	-	-	742	966
Transfers to/(from)	(310)	(224)	-	-	-	-	-	-	-	-	-	-	-	-	(310)	(224)
Health Insurance premium reserve closing balance	432	742	-	-	-	-	-	-	-	-	-	-	-	-	432	742
Commitments opening balance	30 300	28 520	1 682	5 017	25 279	23 320	8 564	8 955	16 797	13 178	177	91	21	95	82 820	79 176
Transfers to/(from)	(6 658)	1 780	1 724	(3 335)	(1 563)	1 959	(2 946)	(391)	6 010	3 619	627	86	3	(74)	(2 803)	3 644
Commitments closing balance	23 642	30 300	3 406	1 682	23 716	25 279	5 618	8 564	22 807	16 797	804	177	24	21	80 017	82 820
Cash surplus/(deficit) reserve opening balance	69	72	-	-	-	-	-	-	-	-	-	-		-	69	72
Transfers to/(from)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit to Member States	(4)	(3)	-	-	-	-	-	-	-	-	-	-	-	-	(4)	(3)
Cash surplus/(deficit) reserve closing balance	65	69	-	-	-	-	-	-	-	-	-	-	-	-	65	69
Post employment related plans revaluation reserve opening balance	(36 411)	(55 814)	(49)	(38)	-	-	(10)	(10)	(405)	(310)	(4)	(4)	-	-	(36 879)	(56 176)
Actuarial gains/(losses) recognized through equity	14 944	19 403	(23)	(11)	-	-	-	-	(227)	(95)	-	-	-	-	14 694	19 297
Reserve for actuarial gains/losses on employee benefit liabilities closing balance	(21 467)	(36 411)	(72)	(49)	-	-	(10)	(10)	(632)	(405)	(4)	(4)	-	-	(22 185)	(36 879)
Reserve for carry-over of unobligated appropriations opening balance	-	7 155	-	-	-	-	-	-	-	-	-	-	-	-	-	7 155
Transfers to/(from)	6 458	(7 155)	-	-	-	-	-	-	-	-	-	-	-	-	6 458	(7 155)
Reserve for carry-over of unobligated appropriations closing balance	6 458	-	-	-	-	-	-	-	-	-	-	-	-	-	6 458	-

148. The reserves increased by €18.035 million in 2016 primarily due to recognition of actuarial gains on the post-employment employee benefit liabilities directly in equity and an increase in the committed funds for open contracts for goods and services, partially offset by the transfer in the reserve for carry-over of unobligated appropriation to fund balances.

149. The health insurance premium reserve represents the Agency's share of the funds related to health insurance premiums. The reserve decreased by €0.310 million during 2016 (€0.224 million decrease in 2015), due to withdrawals from the reserve to partially offset the increase in premiums due to the insurance company.

150. Commitments represent committed funds for open contracts for goods and services which have not been received by the Agency. During 2016, such future commitments decreased by €2.803 million (€3.644 million increase in 2015). This decrease is shown as a transfer from Fund balances to the reserves.

151. The cash surplus reserve opening balances represent the accumulated cash surplus for prior years amounting to €0.069 million. During 2016 €0.004 million was surrendered to Member States for their share of the cash surplus withheld from prior years.

152. 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 2016, a total of €14.694 million actuarial gain (€19.297 million actuarial gain in 2015) was recorded (refer to Note 17). This actuarial gain is mainly due to a change in the actuary assumptions relating to the applicable discount rate.

NOTE 23: Assessed contributions

	(expressed in euro'000s)	
	2016	**2015**
Operational Assessment	346 819	336 724
Capital Assessment	8 032	8 306
Total assessed contributions	**354 851**	**345 030**

153. In accordance with Article XIV.D of the IAEA's Statute and Financial Regulation 5.01, the scale of assessment of Member States' contributions towards the Regular Budget is calculated in line with the principles and arrangements established by the General Conference (GC). The operational portion of the assessment represents funding towards the activities in the Agency's approved Regular Budget programme for the specified year. The capital portion of the assessment represents funding towards the Agency's major capital investments. The split between the Operational and Capital portion is based on the Agency's budget as approved by the relevant GC resolutions.

154. A detail of assessed contributions by Member State and other donors is provided in Annex A2.

NOTE 24: Voluntary contributions

	(expressed in euro'000s)	
	2016	**2015**
Voluntary monetary contributions		
Technical Cooperation Fund	79 019	65 672
Technical Cooperation Extrabudgetary Fund	20 688	11 486
Extrabudgetary Programme Fund	130 565	127 944
Total voluntary monetary contributions	**230 272**	**205 102**
Voluntary in-kind contributions		
Lease of premises - VIC	7 865	7 870
Lease of premises - building other	1 394	1 304
Lease of premises - land VIC	856	844
Lease of premises - land other	392	353
Other	39	-
Total voluntary in-kind contributions	**10 546**	**10 371**
Total voluntary contributions	**240 818**	**215 473**

155. Voluntary contributions consist of monetary and in-kind contributions. A detail of voluntary monetary contributions by Member State and other donors is provided in Annex A2.

156. The above amounts do not reflect the impact of the refunds and transfers of unused portions of extrabudgetary contributions to donors for voluntary contributions for which revenue was recognized in prior years. During 2016 and 2015, such refunds amounted to €1.741 million and €1.257 million, respectively. In accordance with the Agency's accounting policy for such refunds, these amounts were recognized as direct adjustments to equity.

157. In-kind contributions primarily comprise the use of the Vienna International Centre (VIC) as a donated asset (€8.721 million) as well as the donated right-to-use of the land, buildings and related utilities in Agency's other locations including Seibersdorf and Monaco (€1.786 million). The contribution related to the VIC consists of the Agency's portion of depreciation charges on structures in existence as at 1 January 2015 and still in use, plus additional leasehold improvements financed by the Austrian Government. It also includes the Agency's portion of the notional rental charge for the land on which the VIC sits.

158. 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 cost of the donated goods can be reliably measured and the goods have been transferred to the control of the Agency.

159. 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 related 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 25: Other contributions

	(expressed in euro'000s)	
	2016	**2015**
National Participation Costs	3 322	55
Safeguards agreements	990	990
Other contributions	115	13
Total other contributions	**4 427**	**1 058**

160. 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, 2016, being the first year of the biennium, had higher NPC revenue compared to 2015. Other contributions represent the drawdown of deferred revenue from the Austrian Government in respect of depreciation on leasehold improvements at the VIC funded through the Common Fund for Major Repairs and Replacements (MRRF).

NOTE 26: Revenue from exchange transactions

	(expressed in euro'000s)	
	2016	**2015**
Revenue from sale of goods		
Publications	377	408
Laboratory reference materials	316	277
	693	**685**
Revenue from jointly financed services		
Medical	732	775
Printing	412	425
	1 144	**1 200**
Other miscellaneous revenue	**538**	**615**
Total revenue from exchange transactions	**2 375**	**2 500**

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

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

NOTE 27: Investment revenue

	(expressed in euro'000s) 2016	2015
Term deposits	895	413
Discounted notes	575	108
Call accounts and others	313	182
Total investment revenue	**1 783**	**703**

163. The increase of €1.080 million (or 153.6%) in the total investment revenue is mainly the result of higher interest earned on US dollar cash, cash equivalents and investments at 31 December 2016 in comparison with the previous period.

164. Statement VIIb provides details of the total investment revenue recognized in 2016 per Fund. These amounts are expected to be utilized in support of the activities of the respective funds.

NOTE 28: Salaries and employee benefits

	(expressed in euro'000s) 2016	2015
Professional staff		
Salaries	138 431	133 507
Common staff costs: contributions to UNJSPF and other pension schemes	30 726	29 808
Common staff costs: other	29 516	35 375
Total professional staff	**198 673**	**198 690**
General services staff		
Salaries	53 942	53 441
Common staff costs: contributions to UNJSPF and other pension schemes	10 806	10 802
Common staff costs: other	16 913	17 104
Total general services staff	**81 661**	**81 347**
Total salaries and employee benefits	**280 334**	**280 037**

165. Salaries include net base salary and applicable post-adjustment. Common staff costs: other includes insurance, staff entitlements such as home leave, family visit, education grant, etc. as well as other separation benefits.

NOTE 29: Consultants, experts

166. Consultant expenses represent the cost of contracting consultants, experts and translators including related fees and honorarium. Total consultant and expert expenses decreased slightly in 2016 compared to 2015 to €15.206 million from €15.940 million.

NOTE 30: Travel

	(expressed in euro'000s)	
	2016	2015
Duty travel staff		
Safeguards inspection and equipment maintenance	6 149	6 427
Duty travel staff	12 343	11 865
Total staff travel	**18 492**	**18 292**
Non-staff travel		
Consultants, experts and meeting participants	13 817	14 379
For technical cooperation projects	23 676	21 908
Other non-staff	3 370	4 153
Total non-staff travel	**40 863**	**40 440**
Total travel expenses	**59 355**	**58 732**

167. 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.

168. Non-staff travel costs are the associated travel costs (including ticket costs and per diem) of the consultants, meeting participants or experts the Agency utilizes to support technical cooperation projects or attend technical meetings or conferences.

NOTE 31: Transfers to development counterparts

	(expressed in euro'000s)	
	2016	2015
Project inventories distributed to development counterparts	33 498	27 872
Services to development counterparts	7 136	7 022
Research and technical contracts	4 936	4 694
International Centre for Theoretical Physics funding	2 379	2 352
Other grants	239	239
Total transfers to development counterparts	**48 188**	**42 179**

169. The higher value of expenses for distribution of project inventories to counterparts in 2016 compared to 2015 is due to the timing of the Agency's programmatic activities.

170. 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 32: Vienna International Centre common services

	(expressed in euro'000s)	
	2016	**2015**
Buildings management services	9 914	11 863
Security services	6 886	7 424
Conference services	737	1 422
Total Vienna International Centre common services	**17 537**	**20 709**

171. Building Management Services (BMS), UN Security Services and Conference Services represent the Agency's share of expenditure of these common services controlled and being operated by other VBOs. Further details of these services may be found in Note 37.

NOTE 33: Training

	(expressed in euro'000s)	
	2016	**2015**
Training of development counterparts	21 841	22 012
Training - staff	2 087	1 759
Total training	**23 928**	**23 771**

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

NOTE 34: Contractual and other services

	(expressed in euro'000s)	
	2016	**2015**
Information technology contractual services	8 305	10 103
Scientific and technical contractual services	1 845	2 430
Other institutional contractual services	3 042	2 636
Building services and security non-VIC	4 722	2 656
Equipment and software maintenance	4 723	6 879
Total contractual and other services	**22 637**	**24 704**

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

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

175. Other institutional contractual services are expense related to translation, interpretation, medical and other services.

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

177. Equipment and software maintenance refer to services performed by third parties in relation to maintenance of equipment as well support for software in use

NOTE 35: Other operating expenses

	(expressed in euro'000s)	
	2016	**2015**
Supplies and materials	7 068	6 643
Purchase of minor equipment and software	5 314	4 456
Communication and transport	2 688	2 610
Leased equipment	1 229	1 118
Lease of premises	2 999	2 997
Impairment of intangibles	172	-
Representation and hospitality	679	755
Printing supplies, Safeguards spare parts and maintenance materials inventory consumption	97	128
Increase/(decrease) in provisions and allowances	1 091	510
Other operating expenses	3 167	3 372
Other miscellaneous expenses	1 334	1 915
Total other operating expenses	**25 838**	**24 504**

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

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

180. 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.

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

182. 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 36: Net gains/(losses)

	(expressed in euro'000s)	
	2016	**2015**
Unrealized foreign exchange gains/(losses)	12 756	23 721
Realized foreign exchange gains/(losses)	(128)	5 246
Gains/(losses) on sale or disposal of property, plant & equipment	(291)	55
Total Gains	**12 337**	**29 022**

183. Net unrealized foreign exchange gains in 2016 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, the functional currency of the Agency, vis-à-vis the US dollar during this period. This trend is consistent with that which occurred in 2015, albeit a decrease in total net gains.

NOTE 37: Interests in other entities

Jointly funded activities

Joint FAO/IAEA Division

184. The Joint Division of Nuclear Techniques in Food and Agriculture was established to operate in areas of common interest between the Agency and the FAO, to avoid duplication of activities and promote synergy. As such, the Joint Division implements a Programme drawn up biennially in consultation between the two organizations. The operations and governance of the Joint Division are established by the Revised Arrangements between the Directors General of FAO and IAEA for the Joint FAO/IAEA Division of Nuclear Techniques in Food and Agriculture (the 'Arrangements'). The Arrangements establish a binding arrangement whereby the two organizations are committed to undertake an activity that is subject to joint control. The Joint Division is not considered to be structured as a separate vehicle for the purposes of IPSAS 37 and is consequently accounted for as a Joint Operation.

Abdus Salam International Centre for Theoretical Physics at Trieste (ICTP)

185. The Abdus Salam International Centre for Theoretical Physics at Trieste (ICTP) was established in 1964. The ICTP operates under a tripartite agreement between the Agency, UNESCO and the Italian Government. The ICTP is controlled by UNESCO as a specialized science department supporting its program (a Category 1 institute). The Agency, through its relationship with the ICTP, obtains increased access to scientists and technologies from the Agency's Member States in the fields of pure nuclear science and fundamental research. This increased access comes through activities such as training, fellowships and other joint events. The Agency 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. However, the ICTP has no formal ownership structure, dissolution provisions or other means of enabling any interest the Agency may have in the ICTP to be reliably measured. Accordingly, contributions by the

Agency are outside the scope of IPSAS 36 and no accounting interest in ICTP can be recognized.

186. Summary financial information of the ICTP is provided below, in line with the requirements of IPSAS 38:

	(expressed in euro'000s)	
ICTP Summary Financial Information	**31-12- 2016 (provisional)**	**31-12-2015 (final)**
Revenue	28 129	28 255
Expense	29 361	30 799
Net surplus/(deficit)	(1 232)	(2 544)
Assets current	9 455	9 112
Assets non-current	644	953
Liabilities current	3 580	3 538
Liabilities non-current	22 251	21 878
Equity	(15 732)	(15 351)

The Vienna International Centre

Vienna International Centre land and buildings

187. 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 Buildings Management Services (BMS) cost-sharing ratio. IAEA shares the VIC building with three other UN entities: UNOV, UNIDO and the Comprehensive Nuclear Test-Ban Treaty Organization (CTBTO), all four collectively known as the VIC Based Organizations (VBOs). Each of these entities has two agreements with the Austrian Government, one relating to its headquarters seat and the other to those parts of the VIC designated as common to all four. These agreements are binding arrangements which together effectively establish a vehicle separate from both the VBOs and the Austrian Government which no single party can control without the cooperation of the others. The VBOs have all rights to the assets and obligations for the liabilities, whereas the net assets of the arrangement belong to the Austrian Government as the land and buildings revert to it after 99 years or on removal of the headquarters from Vienna, whichever is sooner. The VBOs have mutually agreed that the assets and liabilities will be shared according to the BMS ratio, which is reviewed annually. Taking into consideration these factors, the VIC is treated as a Joint Operation.

188. IAEA recognizes its share of the buildings as capital assets held on a finance lease, and a corresponding obligation to remain in the VIC in the form of deferred income. It also recognizes depreciation charges related to its share of the buildings and leasehold improvements and operating lease payments for its share of the land, together with off-setting non-exchange revenue from the Austrian Government to reflect the fact that no cash changes hands.

Major Repairs and Replacements Fund

189. This Fund is a joint arrangement between the Austrian Government, which owns half of the Fund, and the VBOs, which jointly own the remainder. It operates under the terms of the *Agreement between the International Atomic Energy Agency, the United Nations and the Republic of Austria regarding the establishment and administration of a common fund for financing major repairs and replacements at their headquarters at the Vienna International Centre*, signed on 19 January 1981 and amended through an Exchange of Letters on 24 January and 14 February 2002. Its purpose is to finance agreed programmes of work to maintain and enhance the facilities at the VIC. It is established under the terms of an agreement between the five parties which establishes that “authority over the common Fund shall be vested jointly in the parties”. Most of the output of the Fund takes the form of leasehold improvements to the VIC, which is capitalized as parts of the building, and the remainder constitutes minor works that are expensed jointly by the VBOs. Since the Fund gains the entirety of its income from the five participants and the four VBOs consume the totality of its output in agreed proportions, it is appropriate to account for it as a Joint Operation. Accordingly, the Agency recognizes its share of the assets and liabilities, revenues and expenses, consolidated in proportion to the BMS ratio (54.917% for 2016).

190. Summary financial information for the MRRF is provided below, in line with the requirements of IPSAS 38:

	(expressed in euro'000s)	
MRRF Summary Financial Information	**31-12- 2016 (provisional)**	**31-12-2015 (final)**
Revenue	3 527	3 547
Expense	4 057	3 554
Net surplus/(deficit)	(530)	(7)
Assets current	9 083	10 090
Assets non-current	-	-
Liabilities current	73	550
Liabilities non-current	-	-
Equity	9 010	9 540

191. The Agency provided funding to MRRF of €0.968 million in 2016 and €0.965 million in 2015. These funds represent the Agency’s share towards its annual budgetary needs and unexpected major repairs and replacements which were not included in the agreed investment plan. The Agency’s share of the works capitalized as part of the VIC is recognized in the statement of financial position, and its share of other expenditures is consolidated into the statement of financial performance.

Vienna International Centre Common Services

Controlled entities

192. The VIC Medical Service is provided by the Agency, either by its own staff or by organizations contracted by it. The repayments by the other VBOs are apportioned on the basis of headcount employed by the various organizations, and it is also available to other individuals in the event of a medical emergency in the VIC. The service was organized in-house primarily to

meet the particular medical needs of the Agency to provide regular medical examinations of the field inspectors exposed to specific health risks and radiation workers. The Medical Service is an integral part of the Agency and is operated in accordance with its rules and regulations. No mechanism of advisory and coordinating committees was established for the Medical Services.

193. The Agency also provides a printing service to other entities on a repayment basis. Users are invoiced monthly on the basis of their actual usage, according to a scale of charges. The printing service is operated as an integral part of the Agency, which employs its staff and owns its assets and liabilities.

194. The Agency recognizes all the costs, assets and liabilities of the services it provides, together with the revenues received from the provision of services to the other VBOs for both entities.

Other entities

195. UN Security Services are provided by UNOV to the VIC, and to other external entities on a repayment basis. Although the Security and Safety Service operates under the authority of the Director General of UNOV, it is also answerable to the UN Department of Safety and Security, which has overall worldwide responsibility and sets security standards. The operation is consolidated into the UN financial statements. Consequently, the Agency does not have control over the service. The Agency recognizes its contribution for the services provided by the UNOV as an expense.

196. UNOV provides the full range of conference services to UNIDO and to CTBTO; however, with the exception of its use of the common interpretation service, the Agency remains outside these arrangements, running its own conference services in parallel. The Agency, therefore, does not have control over these conference services. Consequently, the conference services provided by UNOV are expensed in the Agency's financial statements as incurred.

197. UNIDO provides a range of maintenance and support services to the VIC through its Buildings Management Services Special Fund. The Agency advances monies to this Fund, which operates on a no gain/no loss basis, primarily to pay for its share of a variety of pass-through costs for utilities, cleaning, running repairs and routine maintenance. The Fund has no legal personality of its own, and all assets are owned by UNIDO, all contracts are issued in its name and BMS staff members are its employees. Reimbursement is calculated on the basis of floor space occupied and staff numbers employed by each of the VBOs, expressed as a percentage of total costs. Direction of the activities funded by the Special Fund is provided by the Committee on Common Services, which consists of the Heads of Administration/Management of the four VBOs, while final responsibility for the services provided lies with the Director General of UNIDO, under whose authority they are operated. Although the Special Fund has some of the characteristics of a joint arrangement, the nature of the services provided and the fact that the Agency payments are designed to reimburse costs incurred by UNIDO means that the substance of the transaction is best reflected by treating it as a service provided on a repayment basis.

Interests in structured entities that are not consolidated

Commissary

198. The Commissary was established under the terms of an Exchange of Notes between the Agency and the Austrian Government dated 1 March 1972 as a common service to enable staff, their

dependent families and other entitled individuals to access the privileges conferred to them by the Austrian Government allowing purchases of certain articles on a tax free basis, and the VBOs as entities receive no direct benefits. The Commissary is operated under the authority of the IAEA within the ambit of the Commissary rules and other agreements. The Commissary is financially independent of the Agency and covers its costs from revenue generated by retail sales, which it retains for itself. In the absence of any demonstrable benefits directly to the Agency or any other VBO, no VBO controls the Commissary as defined by the IPSAS standards, as all benefits are enjoyed by entitled individuals rather than the VBOs as entities. According to the dissolution provisions, any residual net assets are payable to VBOs' staff welfare funds, except for the amount of initial investments of €0.809 million each made by the IAEA and UNIDO on 1 October 1979, which would revert to these Organizations. The initial investment of €0.809 million is recognized as an investment in common services entities.

199. As the Commissary is operated under the authority of the Agency, all staff of the Commissary hold the Agency employment contracts. As such, the Agency would be liable for post-employment and other long-term employment benefits of these staff members should the Commissary be unable to meet the financial obligations for such post-employment and other long-term employment benefits. As at 31 December 2016, the total amount of such post-employment and other long-term employment benefits for the staff of the Commissary was €6.917 million (2015: €7.539 million).

200. Summary financial information for the Commissary is provided below:

	(expressed in euro'000s)	
Commissary Summary Financial Information	**31-12- 2016 (provisional)**	**31-12-2015 (final)***
Revenue	29 180	29 919
Expense	28 541	29 794
Net surplus/(deficit)	639	125
Asset current	16 823	16 969
Asset non-current	1 172	752
Liabilities current	1 156	1 328
Liabilities non-current	8 369	8 960
Equity	8 470	7 433

*These amounts are different from the amounts disclosed in the Agency's Financial Statements from 2015 as the Commissary's accounts were finalized after the Agency's Financial Statements for 2015 were issued.

Catering service

201. The Catering Service at the VIC has been established as a self-sustaining, non-profit-making operation to provide catering services to staff and other entitled individuals at the VIC. The responsibility for managing and operating the Catering Service is assigned to UNIDO by an agreement between the UN, IAEA and UNIDO dated 31 March 1977. The Catering Service is an integral part of the UNIDO Secretariat and has no legal personality of its own. As in the case of the Commissary, the benefits from operating the Catering Service flow to the staff of the VBOs, rather than to the VBOs themselves. In case of dissolution, any residual net assets are attributable to VBOs' staff welfare funds. Although they jointly sponsor the catering service, in the absence of direct benefits and rights to residual net assets, no VBO can demonstrate either control or significant influence over the Catering Service. The Agency therefore has no ownership interest in the Catering Service.

NOTE 38: Segment reporting by Major Programme - composition by fund

2016

For the period ending 31 December 2016

(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	39 712	43 626	36 178	138 027	108 406	1 372	-	**367 321**
Property, Plant, Equipment and intangibles	13 909	21 957	21 846	160 113	88 850	-	-	**306 675**
Additions to Property, Plant, Equipment and Intangibles	651	6 287	923	27 015	7 884	-		**42 760**
Major Capital Investment Fund								
Expense	10	59	22	963	2 728	-	-	**3 782**
Property, Plant, Equipment and intangibles	-	-	-	-	-	-	-	**-**
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	**-**
Technical Cooperation Fund								
Expense	8 465	35 689	16 542	-	5 974	(107)	-	**66 563**
Property, Plant, Equipment and intangibles	-	7	-	-	-	-	-	**7**
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	**-**
Technical Cooperation Extrabudgetary Fund								
Expense	2 713	8 558	3 533	-	604	53	-	**15 461**
Property, Plant, Equipment and intangibles	-	-	62	-	-	-	-	**62**
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	**-**
Extrabudgetary Programme Fund								
Expense	8 332	3 776	39 810	21 363	5 442	10	-	**78 733**
Property, Plant, Equipment and intangibles	408	1 984	1 255	15 580	237	-	-	**19 464**
Additions to Property, Plant, Equipment and Intangibles	116	1 195	883	2 704	55	-	-	**4 953**
Low Enriched Uranium Bank								
Expense	1 927	-	-	-	-	-	-	**1 927**
Property, Plant, Equipment and intangibles	8	-	-	-	-	-	-	**8**
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	**-**
Trust Funds and Special Funds								
Expense	23	159	(212)	-	151	-	-	**121**
Property, Plant, Equipment and intangibles	-	-	-	-	102	-	-	**102**
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	**-**
Inter-fund elimination of un-allocated shared services expenses	-	-	-	-	-	-	(8 448)	**(8 448)**
Total Expense	**61 182**	**91 867**	**95 873**	**160 353**	**123 305**	**1 328**	**(8 448)**	**525 460**
Total PP&E and Intangibles	**14 325**	**23 948**	**23 163**	**175 693**	**89 189**	**-**	**-**	**326 318**
Total Additions to PP&E and Intangibles	**767**	**7 482**	**1 806**	**29 719**	**7 939**	**-**	**-**	**47 713**

a/ Includes Management of Technical Cooperation for Development.

2015

For the period ending 31 December 2015

(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	36 802	40 927	41 028	137 635	113 518	(89)	-	**369 821**
Property, Plant, Equipment and intangibles	14 393	17 434	22 642	148 277	89 480	-	-	**292 226**
Additions to Property, Plant, Equipment and Intangibles	1 176	2 980	975	26 461	5 972	-		**37 564**
Major Capital Investment Fund								
Expense	1	277	1	525	4 647	-	-	**5 451**
Property, Plant, Equipment and intangibles	-	-	-	-	-	-	-	**-**
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	**-**
Technical Cooperation Fund								
Expense	7 287	34 635	13 928	-	4 947	(51)	-	**60 746**
Property, Plant, Equipment and intangibles	-	10	-	-	3	-	-	**13**
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	**-**
Technical Cooperation Extrabudgetary Fund								
Expense	3 496	7 501	5 289	-	525	205	-	**17 016**
Property, Plant, Equipment and intangibles	-	-	82	-	-	-	-	82
Additions to Property, Plant, Equipment and Intangibles	-	-	100	-	-	-	-	**100**
Extrabudgetary Programme Fund								
Expense	5 485	4 268	38 437	20 342	4 282	31	-	**72 845**
Property, Plant, Equipment and intangibles	406	1 058	656	16 206	243	-	-	**18 569**
Additions to Property, Plant, Equipment and Intangibles	89	779	266	5 430	40	-	-	**6 604**
Low Enriched Uranium Bank								
Expense	2 686	-	-	-	(5)	-	-	**2 681**
Property, Plant, Equipment and intangibles	13	-	-	-	-	-	-	**13**
Additions to Property, Plant, Equipment and Intangibles	5	-	-	-	-	-	-	**5**
Trust Funds and Special Funds								
Expense	(7)	208	-	-	319	-	-	**520**
Property, Plant, Equipment and intangibles	-	-	-	-	254	-	-	**254**
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	**-**
Inter-fund elimination of un-allocated shared services expenses	-	-	-	-	-	-	(7 603)	**(7 603)**
Total Expense	**55 750**	**87 816**	**98 683**	**158 502**	**128 233**	**96**	**(7 603)**	**521 477**
Total PP&E and Intangibles	**14 812**	**18 502**	**23 380**	**164 483**	**89 980**	**-**	**-**	**311 157**
Total Additions to PP&E and Intangibles	**1 270**	**3 759**	**1 341**	**31 891**	**6 012**	**-**	**-**	**44 273**

a/ Includes Management of Technical Cooperation for Development.

NOTE 39: Budget

202. 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). 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

203. 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 Major Capital Investment Plan (MCIP).

NOTE 39a: Movements between original and final budgets (Regular Budget)

204. 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 2016. The amount in each appropriation section comprises of 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.

205. The table below illustrates the revaluation of the 2016 Regular Budget appropriations for 2016. 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 2016 Regular Budget appropriations.

(expressed in euro'000s)

Operational portion	**Approved Budget a/**	**Revalued Budget Final b/**	**Variance**
MP1-Nuclear Power Fuel Cycle and Nuclear Science	38 910	38 379	(531)
MP2-Nuclear Techniques for Development and Environmental Protection	39 487	39 071	(416)
MP3-Nuclear Safety and Security	34 722	34 152	(570)
MP4-Nuclear Verification	135 027	133 093	(1 934)
MP5-Policy Management and Administration	78 611	77 872	(739)
MP6-Management of Technical Cooperation and Development	24 537	24 184	(353)
Total Agency programmes	**351 294**	**346 751**	**(4 543)**
Reimbursable work for others	2 674	2 674	-
Total Regular Budget operational portion	**353 968**	**349 425**	**(4 543)**

a/ General Conference Resolutions GC(59)/RES/5 of September 2015 original budget at €1/$1.
b/ General Conference Resolution GC(59)/RES/5 of September 2015 revalued at the United Nations operational average rate of exchange of €0.903 to 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 39b: Reconciliation between actual amounts on a budget comparable basis and the cash flow statement

206. 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.

207. 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 2016 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/	6 458	-	-
Basis Difference	33 348	-	-
Presentation Difference	24 860	(24 473)	(2)
Entity Difference	66 142	121 475	4
Actual Amount in the Statement of Cash Flows	**130 808**	**97 002**	**(2)**

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.

208. **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.

209. **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.

210. **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.

211. **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 39c: Budget to actuals variance analysis

212. Excluding reimbursable work for others, the Agency expended €343.671 million from the 2016 Regular Budget, including capital portion. The operational Regular Budget expenditure amounted to €340.293 million out of an adjusted budget of €346.751 million representing an implementation rate of 98.1%. This leaves an unobligated balance of €6.458 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 primarily in salaries and employee benefits.

213. Under the 2016 capital portion of the Regular Budget, €3.378 million was incurred out of the allotted budget amount of €8.032 million, leaving an unencumbered balance of €4.654 million to be carried over for the same approved projects. This includes:

- In Major Programme 2, €2.490 million were foreseen for ReNuAL project. It is planned to use the entire amount in 2017 for the construction of a new Insect Pest Control Laboratory and a Flexible Modular Laboratory building, as well as other needed elements.

- In Major Programme 3, €0.301 million was foreseen for enhancing radiation safety through efficient and modern dosimetry (RADSED). A balance of €0.14 million is expected to be utilized in 2017 to implement the best of dose assessment technologies.

- In Major Programme 4, €1.205 million was foreseen for the Modernization of the Safeguards Information Technology (MOSAIC) to strengthen the effectiveness and to improve the efficiency of its safeguards and other verification activities. A balance of €0.11 million will be committed in 2017 for the same project.

- In major Programme 5, €4.036 million was foreseen for the projects Agency-wide Information System for Programme Support (AIPS) and Provision for IT Infrastructure and Information Security Investment. A balance of €1.91 million is expected to be fully utilized for both projects in 2017, with the AIPS project closing in mid-2017.

NOTE 39d: Major Capital Investment Fund (MCIF)

214. 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.

215. 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.

216. 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.

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

218. The following table presents the financial status of the MCIF at the end of the 2016 financial year.

Comparison of budget and actual amounts a/

(expressed in euro'000s)	
Resources:	
Opening balance 1 January 2016 b/	16 860
2016 Regular Budget Capital Portion c/	8 032
Transfers to MCIF d/	10 070
Total resources	**34 962**
Expenditure:	
MP2-Nuclear Techniques for Development and Environmental Protection	163
MP3 - Nuclear Safety and Security	157
MP4-Nuclear Verification	3 945
MP5-Policy, Management and Administration	5 376
Total expenditure during 2016	**9 641**
Available Resources at 31 December 2016	**25 321**
Allocation of Available Resources at 31 December 2016	
Allocated to Major Programmes	12 590
Unallocated e/	12 731

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

b/: Agency Financial Statements GC(60)/3 dated July 2016

c/: General Conference Resolution GC(59)/RES/5 of September 2015

d/: Final cash surplus from 2015 appropriations (Annex 5)

e/: This amount is comprised of €2.25 million approved for allocation to specific projects in the Agency's Budget Update 2017, the final cash surplus for 2014 of €0.41 million transferred to MCIF at the end of 2015 and the final cash surplus from 2015 appropriations that will be transferred to the MCIF of €10.07 million.

NOTE 40: Related parties

Key management personnel

219. 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).

220. 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.

(expressed in euro'000s)

	Number of Individuals	Compensation and Post Adjustment	Entitlements	Pension and Health Plans	Total Remuneration	Outstanding Advances Against Entitlements	Outstanding Loans
2016	7	1 259	195	303	1 757	20	-
2015	10*	1 257	489	306	2 052	23	-

* Three members of the key management personnel separated during 2015 and were replaced. At any point of time during 2015 there were not more than 7 key management personnel.

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

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

NOTE 41: Financial instrument disclosures

223. All financial assets and liabilities are carried at their amortized cost. Given the short-term nature of the Agency's financial assets and liabilities, their carrying value represents a reasonable estimate of their fair value.

224. 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

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

226. 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, the Agency has set a maximum ceiling of 70 percent 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 2016, the total exposure of the Agency with commercial banks was 42.72% and the highest exposure with commercial banks in any single country was 16.97% in an AAA

country. Credit risk relating to management of 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/	**31-12-2016**		**31-12-2015**	
	Carrying value	**Percentage**	**Carrying value**	**Percentage**
AAA	172 049	57.3%	217 942	49.8%
AA+	-	-	-	-
AA	-	-	-	-
AA-	108 330	36.1%	125 761	28.7%
A+	20 000	6.7%	33 000	7.6%
A	0	0.0%	61 000	13.9%
	300 378 b/	**100%**	**437 703** 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/ 6.7% of the balance as at 31 December 2016 was denominated in euros and 93.3% was denominated in US dollars (39.4% and 60.6%, respectively, as at 31 December 2015).

227. The total cash equivalents and investments as at 31 December 2016 decreased by €137.2 million (or 31.4%) from 31 December 2015. This decrease of cash equivalents and investments was driven by a shift to cash in current accounts at bank and on hand, which was due to the inability to invest in euro denominated investments at positive interest rates considering the Agency's investment guidelines. 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)			
		31-12-2016		31-12-2015	
		Carrying value	Percentage	Carrying value	Percentage
Bank for International Settlements	Financial Institution (central banks)	73 134	24.4%	117 449	26.8%
International Bank for Reconstruction and Development	Supranational	55 906	18.6%		
United States	Government	43 009	14.3%	91 355	20.9%
	Total	**172 049**	**57.3%**	**208 804**	**47.7%**

b) Currency risk management

228. 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 for currency risk management are the split assessment system for the Regular Budget Fund and the holding of cash in the expected currency of the disbursements for all other Funds.

229. 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.

230. The carrying amounts of the Agency's foreign currency denominated financial assets and financial liabilities translated to euro 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 euro.

Total cash, deposits and other investment currency denominations

(expressed in euro'000s)

	Euros	US dollars	Illiquid currencies	Others	Total
As at 31-12-2016	413 153	282 897	1 709	936	698 695
As at 31-12-2015	332 443	268 027	1 552	405	602 427

231. The increase of €96.3 million (or 16%) in total cash, cash equivalents and investments at 31 December 2016 as compared to the balance at 31 December 2015 was driven by the higher balances of total cash, cash equivalents and investments due to improved collections of assessed contributions and the increase in voluntary monetary contributions combined with the

revaluation of the US dollar holdings at a stronger exchange rate on 31 December 2016 as compared to the exchange rate at the end of 2015.

c) Liquidity risk management

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

233. 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 2016 or 2015.

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

234. The Agency's financial liabilities were approximately 35.3% of financial assets as at 31 December 2016, against 41.3% as at 31 December 2015; this lower percentage is mainly due to a significant increase in cash and cash equivalents combined with a reduction in employee benefits liabilities. 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 2016 (4.6% as at 31 December 2015).

235. As at 31 December 2016, the weighted average period to maturity of the Agency's cash and cash equivalents and investments holdings for euro and US dollar was 9 days and 77 days respectively (51 days and 63 days respectively at 31 December 2015).

d) Interest rate risk management

236. 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.

237. The investing horizon is based upon anticipated liquidity demands plus market conditions, and is limited to financial assets with a maturity period of one year or less. Within these settings, during 2016, the Agency earned an average rate of 0.02% per annum on its euro cash and investments (0.06% per annum in 2015) and an average rate of 0.60% per annum on its US dollar cash and investments (0.19% per annum in 2015). The Agency (as with any short-term fixed income investor) is exposed to changes in interest rates on floating rate financial assets and as fixed rate financial assets mature and require reinvestment.

NOTE 42: Commitments

238. Commitments include purchase orders and service contracts that are not delivered as at end of the reporting period. As on 31 December 2016, the Agency had commitments of €80.017 million (€82.820 million as on 31 December 2015). The details of commitments by funding source are provided below:

	(expressed in euro'000s)	
Fund Group	**31-12-2016**	**31-12-2015**
Regular Budget Fund and Working Capital Fund	23 642	30 300
Major Capital Investment Fund	3 406	1 682
Technical Cooperation Fund	23 716	25 279
Technical Cooperation Extrabudgetary Fund	5 618	8 564
Extrabudgetary Programme Fund	22 807	16 797
Low Enriched Uranium Bank	804	177
Trust Funds and Special Funds	24	21
Total commitments	**80 017**	**82 820**

Capital commitments

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

	(expressed in euro'000s)	
	31-12-2016	**31-12-2015**
Scientific and Technical Equipment	8 359	10 129
Construction Contracts	1 772	2 408
Communications & IT Equipment	826	798
Software	2 498	1 819
Security & Safety Equipment	10	175
Furniture and Fixtures	267	18
Vehicles	78	198
Total capital commitments	**13 810**	**15 545**

Operating lease commitments

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

	(expressed in euro'000s)	
	31-12-2016	**31-12-2015**
Office facility operating leases	3 478	3 839
Other leases	129	622
Total operating lease commitments	**3 607**	**4 461**
Operating lease commitments by term		
Less than one year	679	1 013
One to five years	1 349	1 850
Over five years	1 579	1 598
Total operating lease commitments	**3 607**	**4 461**

241. Office facility operating lease commitments pertain to the Agency's offices, primarily in New York, Toronto, Geneva and Tokyo. The reduction in operating lease commitments is primarily due to the expiration of, or reduction in remaining years under, a number of equipment service contracts for items such as printers and copiers.

242. 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, whereby some have expired and are in the process of being renewed.

NOTE 43: Contingent liabilities and contingent assets

Contingent liabilities

243. As at 31 December 2016, there were 10 appeal cases against the Agency with the ILOAT relating to claims from staff members or former staff members in which it is has been determined that it is not probable that the cases will be decided in favour of the staff members or former staff member. If the claimants for these unresolved cases are ultimately successful, it is estimated that the cost to the Agency could be approximately €0.516 million.

244. The Agency has contingent liabilities amounting to €6.917 million related to post-employment and other long-term employment benefits for staff employed in the Commissary, all of whom hold Agency employment contracts; however, the Commissary is responsible for paying these post-employment benefits as they become due. As the Commissary continues to be a going concern with sufficient funds and ability to pay these post-employment and other long-term employment benefits, no accrual for these liabilities has been made. Please refer to Note 37 for further details.

245. The Agency has a potential liability related to the decommissioning and decontamination of two facilities: the original Safeguards Analytical Laboratory and the NML facilities in Seibersdorf. While the Agency believes it continues to have a constructive obligation for such decommissioning

and decontamination, the estimate of the amounts that the Agency would ultimately incur in satisfaction of these obligations cannot be reliably measured or estimated at this time.

Contingent assets

246. The Agency's contingent assets, totaling €22.602 million, consist primarily of pledges received that are subject to further parliamentary approvals from the donors (€4.520 million), pledges received where the amount of the pledge is based on an estimate for which funds have not been received (€7.026 million), pledges received that have not yet been formally accepted by the Agency (€3.679 million), and cases where a signed contribution agreement exists but the Agency is not in a position to invoice the donor yet or receipt against the contributions is not virtually certain (€7.377 million).

NOTE 44: Events after the reporting date

247. The Agency's reporting date is 31 December 2016. The financial statements were authorized for issuance by the Director General on 10 March 2017.

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

NOTE 45: Ex-gratia payments

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

PART IV

Annexes to the Financial Statements

ANNEX A1:

LIST OF ACRONYMS

AIPS	Agency-wide Information System for Programme Support
ASHI	After Service Health Insurance
BMS	Buildings Management Services
CDMS	Containment Data Management System
CIP	Construction in Progress
CIRS	Computerized Inspection Reporting System
CTBTO	Comprehensive Nuclear-Test-Ban Treaty Organization
DASSTA	Destructive Analysis Sample Status Tracking Services
DRC	Depreciated Replacement Cost
EB	Extra Budgetary
EBF	Extra Budgetary Fund
FAO	Food and Agriculture Organization
FAR	Field Activity Reporting
GC	General Conference
IAEA	International Atomic Energy Agency
IAS	International Accounting Standard
ICTP	International Centre for Theoretical Physics
IFRS	International Financial Reporting Standard
ILO	International Labour Organization
ILOAT	International Labour Organization Administrative Tribunal
INPRO	Innovative Nuclear Reactors and Fuel Cycles
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
JCPOA	Joint Comprehensive Plan of Action
LEU	Low Enriched Uranium
MCIF	Major Capital Investment Fund
MCIP	Major Capital Investment Plan
MBES	Material Balance Evaluation System
MOSAIC	Modernization of the Safeguards Information Technology
MP	Major Programme
MRRF	Major Repairs and Replacements Fund
NML	Nuclear Material Laboratory, Seibersdorf
NPCs	National Participation Costs
NSF	Nuclear Security Fund
PP&E	Property, plant and equipment
ReNuAL	Renovation of the Nuclear Applications Laboratories
RB	Regular Budget

ANNEX A1 (continued)

LIST OF ACRONYMS

SEEIS	Safeguards Effectiveness and Evaluation Information System
SGIM	Department of Safeguards, Division of Information Management
SGMD	Safeguard Master Data
SIR	Safeguards Implementation Report
SSDH	State Supplied Data Handling
TACC	Technical Assistance and Cooperation Committee
TC	Department of Technical Cooperation
TCF	Technical Cooperation Fund
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNIDO	United Nations Industrial Development Organization
UNJSPF	United Nations Joint Staff Pension Fund
UNORE	United Nations Operational Rates of Exchange
UNOV	United Nations Office in Vienna
VAT	Value Added Tax
VBOs	VIC Based Organizations
VIC	Vienna International Centre
WCF	Working Capital Fund

ANNEX A2

REVENUE FROM CONTRIBUTIONS
FOR THE PERIOD ENDING 31 DECEMBER 2016
(expressed in euro)

Donors	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB)		Total
				EB RB	EB TC	
I. **Member States**						
Afghanistan	15 585	-	-	-	-	15 585
Albania	32 310	8 446	43 757	-	-	84 513
Algeria	426 489	111 482	46 478	-	454 888	1 039 337
Angola	31 171	9 140	-	-	-	40 311
Argentina	1 405 804	351 337	59 201	171 890	32 940	2 021 172
Armenia	22 616	5 912	42 056	-	-	70 584
Australia	7 216 054	1 685 742	-	-	21 600	8 923 396
Austria	2 776 512	648 622	-	-	-	3 425 134
Azerbaijan	122 778	32 093	18 188	-	-	173 059
Bahamas	56 759	-	5 200	-	-	61 959
Bahrain	131 258	-	17 992	-	-	149 250
Bangladesh	31 171	8 446	-	-	-	39 617
Belarus	174 473	45 606	49 635	-	-	269 714
Belgium	3 474 260	811 622	-	568 453	-	4 854 335
Belize	3 230	1 543	16 620	-	-	21 393
Benin	9 351	3 000	-	-	-	12 351
Bolivia, Plurinational State of	29 079	-	17 713	-	-	46 792
Bosnia and Herzegovina	51 695	13 513	38 305	-	-	103 513
Botswana	51 695	13 513	48 243	-	9 396	122 847
Brazil	9 543 253	3 135 032	34 413	-	-	12 712 699
Brunei Darussalam	88 687	21 114	15 180	-	-	124 981
Bulgaria	145 393	38 005	35 980	45 366	-	264 744
Burkina Faso	9 351	2 534	-	-	3 396	15 281
Burundi	3 117	-	-	-	-	3 117
Cambodia	12 468	3 378	-	-	-	15 846
Cameroon	38 772	10 135	44 129	-	11 112	104 148
Canada	10 383 010	2 425 575	-	3 763 983	-	16 572 568
Central African Republic	3 117	-	-	-	-	3 117
Chad	6 235	1 689	-	-	-	7 924
Chile	1 084 768	280 244	35 312	18 350	14 548	1 433 222
China	16 009 506	4 184 794	76 463	1 991 331	143 780	22 405 874
Colombia	804 514	-	46 960	-	101 364	952 838
Congo	17 738	-	2 080	-	-	19 818
Costa Rica	119 547	31 249	36 358	-	30 000	217 154
Côte d'Ivoire	35 541	7 569	42 718	-	4 079	89 907
Croatia	390 949	102 192	14 856	-	-	507 997
Cuba	213 245	61 147	40 988	-	-	315 380
Cyprus	162 685	38 005	-	30 000	-	230 690
Czech Republic	1 257 113	314 176	6 210	42 000	-	1 619 499
Democratic Republic of the Congo	9 351	2 534	-	-	6 012	17 897
Denmark	2 349 921	548 964	-	-	-	2 898 885
Djibouti	3 117	845	-	-	-	3 962
Dominica	3 546	-	12 860	-	-	16 406
Dominican Republic	138 932	-	17 905	-	-	156 837
Ecuador	135 701	35 472	46 235	-	-	217 408
Egypt	416 796	108 948	49 680	-	-	575 424
El Salvador	48 464	12 688	26 720	-	-	87 872
Eritrea	3 117	-	-	-	-	3 117
Estonia	122 778	32 093	19 552	10 000	1 538 393	1 722 816
Ethiopia	31 171	8 446	-	-	200 000	239 617
Fiji	10 642	2 534	34 195	-	-	47 371
Finland	1 807 626	422 280	-	381 287	-	2 611 194
France	19 460 915	4 546 265	-	3 050 800	-	27 057 980
Gabon	64 208	-	10 925	-	-	75 133
Georgia	22 616	5 912	51 883	-	-	80 411
Germany	24 851 264	5 805 504	-	2 693 405	-	33 350 173
Ghana	42 003	10 979	49 641	-	44 600	147 223
Greece	2 178 156	259 280	-	-	-	2 437 436
Guatemala	84 005	21 959	39 117	-	-	145 081
Guyana	3 546	-	-	-	-	3 546
Haiti	9 351	2 534	-	-	-	11 885
Holy See	3 615	1 914	-	-	-	5 529
Honduras	25 849	6 756	44 604	-	-	77 209
Hungary	865 110	216 207	63	-	-	1 081 380
Iceland	93 997	-	-	-	-	93 997
India	2 071 059	541 363	-	937 000	-	3 549 422
Indonesia	1 075 917	164 520	42 720	47 743	251 617	1 582 517
Iran, Islamic Republic of	1 108 226	-	62 713	-	330 000	1 500 939
Iraq	210 013	-	49 058	-	49 058	308 129
Ireland	1 453 329	173 200	-	-	-	1 626 529

ANNEX A2 (Continued)

Donors	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB)		Total
				EB RB	EB TC	
Israel	1 377 409	241 333	29 503	-	281 500	1 929 745
Italy	15 476 913	2 063 738	-	329 100	-	17 869 751
Jamaica	35 541	9 290	17 199	-	-	62 030
Japan	37 696 259	8 806 226	-	14 891 621	2 453 176	63 847 282
Jordan	67 850	17 736	45 484	-	100 000	231 070
Kazakhstan	374 794	97 969	52 231	-	-	524 994
Kenya	38 772	10 135	75 924	-	40 773	165 604
Korea, Republic of	6 807 625	1 620 711	-	4 198 486	418 123	13 044 944
Kuwait	950 807	222 119	30 460	-	-	1 203 386
Kyrgyzstan	6 463	1 689	32 840	-	-	40 992
Lao People's Democratic Republic	6 234	1 689	-	-	-	7 923
Latvia	145 393	38 005	20 205	14 130	-	217 733
Lebanon	129 240	33 782	44 675	-	-	207 697
Lesotho	3 117	845	-	-	184 615	188 577
Liberia	3 117	-	-	-	-	3 117
Libya	462 970	-	14 596	-	-	477 566
Liechtenstein	32 542	7 601	-	-	-	40 143
Lithuania	226 169	59 119	24 959	-	10 000	320 247
Luxembourg	281 994	65 876	-	-	-	347 870
Madagascar	9 351	-	-	-	-	9 351
Malawi	6 234	1 689	-	-	-	7 923
Malaysia	912 422	228 031	43 385	9 396	72 310	1 265 544
Mali	12 468	3 378	-	-	-	15 846
Malta	50 689	12 668	18 795	-	-	82 152
Marshall Islands	3 230	845	7 935	-	-	12 010
Mauritania	6 234	-	-	-	-	6 234
Mauritius	38 772	10 135	18 156	-	13 250	80 313
Mexico	5 991 568	1 497 405	47 315	-	-	7 536 288
Monaco	43 378	10 135	-	263 389	-	316 902
Mongolia	9 692	2 534	29 163	-	-	41 389
Montenegro	16 155	4 223	26 950	-	-	47 328
Morocco	193 859	50 674	56 009	-	54 652	355 194
Mozambique	9 351	2 534	-	-	-	11 885
Myanmar	31 171	8 446	-	-	-	39 617
Namibia	32 310	8 446	25 761	-	7 228	73 745
Nepal	18 703	-	-	-	-	18 703
Netherlands	5 755 483	1 344 540	-	810 894	-	7 910 917
New Zealand	878 504	-	-	184 027	-	1 062 531
Nicaragua	9 351	2 534	38 096	-	-	49 981
Niger	6 234	1 689	-	-	-	7 923
Nigeria	281 096	73 477	62 269	-	-	416 842
Norway	2 960 892	691 695	-	1 022 746	-	4 675 333
Oman	347 654	82 767	24 778	250 000	-	705 199
Pakistan	264 940	69 254	83 766	-	17 940	435 900
Palau	3 379	845	15 130	-	-	19 354
Panama	80 775	3 738	30 152	-	-	114 665
Papua New Guinea	14 190	-	26 375	-	-	40 565
Paraguay	32 310	8 446	33 235	-	49 566	123 557
Peru	365 101	46 751	23 977	8 764	-	444 592
Philippines	478 185	124 995	33 132	-	597 980	1 234 292
Poland	2 862 649	748 280	37 376	60 000	-	3 708 305
Portugal	1 617 654	383 002	-	-	-	2 000 656
Qatar	726 664	140 292	21 499	-	110 000	998 455
Republic of Moldova	9 692	2 534	80 330	-	-	92 556
Romania	701 123	183 270	42 072	93 000	-	1 019 465
Russian Federation	8 485 001	1 982 182	-	7 081 327	185 739	17 734 249
Rwanda	6 235	-	-	-	-	6 235
San Marino	10 642	-	-	-	-	10 642
Saudi Arabia	2 811 611	702 674	19 974	500 000	-	4 034 259
Senegal	18 702	5 067	-	-	-	23 769
Serbia	122 778	32 093	42 805	-	-	197 676
Seychelles	3 379	900	26 982	-	-	31 261
Sierra Leone	3 117	-	-	-	-	3 117
Singapore	1 337 647	312 487	21 416	-	-	1 671 550
Slovakia	533 111	139 352	16 729	-	-	689 192
Slovenia	347 067	41 000	11 723	-	-	399 790
South Africa	1 156 691	302 352	71 555	-	436 125	1 966 723
Spain	10 346 863	150 000	-	312 270	140 000	10 949 133
Sri Lanka	77 543	10 000	63 398	-	60 000	210 941
Sudan	31 171	8 446	-	-	-	39 617
Swaziland	10 642	-	-	-	-	10 642
Sweden	3 340 501	780 373	-	41 717	-	4 162 591
Switzerland	3 644 178	850 000	-	100 000	380 000	4 974 178
Syrian Arab Republic	113 085	-	44 157	-	-	157 242
Tajikistan	9 692	2 534	30 960	-	-	43 186

ANNEX A2 (Continued)

Donors	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB)		Total
				EB RB	EB TC	
Thailand	743 126	194 249	39 894	-	-	977 269
The former Yugoslav Republic of Macedonia	25 849	6 756	37 034	-	-	69 639
Togo	3 117	689	-	-	-	3 806
Trinidad and Tobago	148 994	-	4 015	-	-	153 009
Tunisia	113 085	29 560	29 396	-	-	172 041
Turkey	4 129 193	1 079 348	1 692	-	117 725	5 327 958
Uganda	18 702	5 067	-	-	95 717	119 486
Ukraine	306 943	80 233	37 508	-	-	424 684
United Arab Emirates	2 071 542	483 933	20 220	70 000	-	2 645 695
United Kingdom of Great Britain and Northern Ireland	18 022 050	4 210 131	-	9 516 037	-	31 748 217
United Republic of Tanzania	28 053	7 601	-	-	100 000	135 654
United States of America	90 381 375	21 113 998	-	69 351 064	7 689 758	188 536 196
Uruguay	168 966	42 228	32 963	-	-	244 157
Uzbekistan	45 235	11 824	46 200	-	248 940	352 199
Vanuatu	3 117	-	-	-	-	3 117
Venezuela, Bolivarian Republic of	1 948 282	-	30 676	-	-	1 978 958
Viet Nam	124 681	33 782	39 197	-	-	197 660
Yemen	31 171	8 446	-	-	-	39 617
Zambia	18 702	5 067	-	-	-	23 769
Zimbabwe	6 463	1 689	46 892	-	6 614	61 658
Sub-total	**354 748 613**	**79 019 228**	**3 322 024**	**122 859 576**	**17 118 514**	**577 067 956**
II. **New Member States**						
Antigua and Barbuda	7 096	-	-	-	-	7 096
Barbados	28 381	-	-	-	-	28 381
Turkmenistan	67 117	-	-	-	-	67 117
Sub-total	**102 594**	**-**	**-**	**-**	**-**	**102 594**
III. **Other Donors**						
European Commission	-	-	-	6 032 181	3 347 229	9 379 410
International Organizations	-	-	-	412 156	191 000	603 156
Other Sources	-	-	-	1 260 813	31 366	1 292 179
Sub-total	**-**	**-**	**-**	**7 705 150**	**3 569 595**	**11 274 745**
GRAND TOTAL	**354 851 207**	**79 019 228**	**3 322 024**	**130 564 726**	**20 688 109**	**588 445 295**

ANNEX A3

STATUS OF OUTSTANDING CONTRIBUTIONS
FOR THE PERIOD ENDING 31 DECEMBER 2016
(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	-	-	-	12 976	-	-	-	12 976
Algeria	-	-	-	23 377	-	-	-	23 377
Angola	-	-	-	-	-	-	-	-
Argentina	-	731 787	44 244	-	-	167 300	-	943 331
Armenia	-	-	-	-	-	-	-	-
Australia	-	-	-	-	-	-	6 600	6 600
Austria	-	-	-	-	-	-	-	-
Azerbaijan	-	-	-	-	-	-	-	-
Bahamas	-	66 304	-	5 200	-	-	-	71 504
Bahrain	-	131 986	-	10 630	-	-	-	142 616
Bangladesh	-	-	-	-	-	-	-	-
Belarus	-	-	-	-	-	-	-	-
Belgium	-	-	-	-	-	-	-	-
Belize	-	-	-	-	-	-	-	-
Benin	-	27 507	3 000	-	-	-	-	30 507
Bolivia, Plurinational State of	-	56 170	-	5 818	265 843	-	-	327 831
Bosnia and Herzegovina	-	153 223	-	-	-	-	-	153 223
Botswana	-	-	-	-	-	-	-	-
Brazil	-	9 619 662	-	7 868	-	-	-	9 627 530
Brunei Darussalam	-	89 179	21 114	-	-	-	-	110 293
Bulgaria	-	-	-	-	-	-	-	-
Burkina Faso	-	9 597	2 534	-	-	-	-	12 131
Burundi	-	3 959	-	-	-	-	-	3 959
Cambodia	-	43 487	-	-	-	-	-	43 487
Cameroon	-	93 465	-	-	-	-	-	93 465
Canada	-	-	-	-	-	-	-	-
Central African Republic	152	37 146	813	-	-	-	-	38 111
Chad	-	23 980	3 689	-	-	-	-	27 669
Chile	-	-	-	-	-	-	-	-
China	-	-	-	-	-	106 000	-	106 000
Colombia	-	1 594 666	8 462	12 530	-	9 765	-	1 625 422
Congo	-	16 586	-	-	-	-	-	16 586
Costa Rica	-	-	-	-	-	-	-	-
Côte d'Ivoire	-	-	-	-	-	-	-	-
Croatia	-	133 331	-	-	-	-	-	133 331
Cuba	-	402 178	-	-	-	-	-	402 178
Cyprus	-	-	-	-	-	-	-	-
Czech Republic	-	-	-	-	-	-	-	-
Democratic Republic of the Congo	-	7 558	-	-	-	-	-	7 558

ANNEX A3 (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	
Denmark	-	-	-	-	-	-	-	-
Djibouti	-	2 420	845	-	-	-	-	3 265
Dominica	-	7 076	-	9 507	-	-	-	16 583
Dominican Republic	3 042	1 689 905	-	27 167	195 609	-	-	1 915 723
Ecuador	-	119 524	35 472	20 257	-	-	-	175 253
Egypt	-	419 079	-	-	-	-	-	419 079
El Salvador	1 437	788 733	12 688	17 946	11 896	-	-	832 699
Eritrea	-	-	-	-	-	-	-	-
Estonia	-	-	-	-	-	10 000	-	10 000
Ethiopia	-	-	-	-	-	-	-	-
Fiji	-	-	-	-	-	-	-	-
Finland	-	-	-	-	-	-	-	-
France	-	-	-	-	-	28 753	-	28 753
Gabon	-	291 288	-	20 154	-	-	-	311 442
Georgia	-	-	-	-	-	-	-	-
Germany	-	-	-	-	-	930	-	930
Ghana	-	42 233	10 979	33 761	-	-	-	86 973
Greece	-	2 828 998	-	634	-	-	-	2 829 632
Guatemala	-	488 894	-	-	140 071	-	-	628 965
Guyana	152	7 076	-	-	-	-	-	7 228
Haiti	-	680	-	-	-	-	-	680
Holy See	-	-	-	-	-	-	-	-
Honduras	-	18 189	6 756	-	-	-	-	24 945
Hungary	-	-	-	-	-	-	-	-
Iceland	-	-	-	-	-	-	-	-
India	-	-	-	-	-	-	-	-
Indonesia	-	-	-	-	-	-	-	-
Iran, Islamic Republic of	-	2 119 667	-	-	-	-	-	2 119 667
Iraq	-	-	-	-	-	-	-	-
Ireland	-	-	-	-	-	-	-	-
Israel	-	-	-	222	-	-	-	222
Italy	-	-	-	-	-	116 000	-	116 000
Jamaica	-	70 448	-	1 106	-	-	-	71 554
Japan	-	-	-	-	-	-	-	-
Jordan	-	-	-	24 576	-	-	-	24 576
Kazakhstan	-	-	-	-	-	-	-	-
Kenya	-	-	-	-	-	-	-	-
Korea, Republic of	-	-	-	-	-	-	-	-
Kuwait	-	-	-	-	-	-	-	-
Kyrgyzstan	-	-	1 303	56 800	8 624	-	-	66 727
Lao People's Democratic Republic	-	-	-	-	-	-	-	-
Latvia	-	-	-	(6 888)	-	-	-	(6 888)
Lebanon	-	1	-	-	-	-	-	1
Lesotho	-	1 940	845	-	-	-	-	2 785
Liberia	-	190 378	-	-	-	-	-	190 378

ANNEX A3 (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	
Libya	-	1 350 467	-	-	-	-	-	1 350 467
Liechtenstein	-	-	-	-	-	-	-	-
Lithuania	-	-	-	-	-	-	-	-
Luxembourg	-	-	-	-	-	-	-	-
Madagascar	-	27 196	6 515	-	-	-	-	33 711
Malawi	-	6 400	1 689	-	-	-	-	8 089
Malaysia	-	-	-	-	-	-	-	-
Mali	-	21 082	3 378	-	-	-	-	24 460
Malta	-	-	-	-	-	-	-	-
Marshall Islands	-	693	150	-	-	-	-	843
Mauritania	-	6 268	630	-	-	-	-	6 898
Mauritius	-	-	-	4 740	-	-	-	4 740
Mexico	-	-	-	-	-	-	-	-
Monaco	-	-	-	-	-	-	-	-
Mongolia	-	-	-	-	-	-	-	-
Montenegro	-	-	-	20 195	-	-	-	20 195
Morocco	-	-	-	-	-	-	-	-
Mozambique	-	-	-	-	-	-	-	-
Myanmar	-	-	-	-	-	-	-	-
Namibia	-	-	-	-	-	-	-	-
Nepal	-	71 997	4 153	-	-	-	-	76 150
Netherlands	-	-	-	-	-	-	-	-
New Zealand	-	-	-	-	-	-	-	-
Nicaragua	-	-	-	-	-	-	-	-
Niger	-	-	-	-	-	-	-	-
Nigeria	1 825	1 040 880	201 584	53 720	-	-	-	1 298 009
Norway	-	-	-	-	-	-	-	-
Oman	-	-	-	-	-	-	-	-
Pakistan	-	-	-	30 736	-	-	-	30 736
Palau	-	-	-	-	-	-	-	-
Panama	-	122 450	-	-	-	-	-	122 450
Papua New Guinea	-	23 925	-	71	-	-	-	23 996
Paraguay	-	94 711	-	9 796	70 992	-	-	175 498
Peru	-	-	-	-	-	-	-	-
Philippines	-	-	-	-	-	-	-	-
Poland	-	-	202 500	24 725	-	30 000	-	257 225
Portugal	-	-	-	-	-	-	-	-
Qatar	-	-	-	-	-	-	-	-
Republic of Moldova	-	-	-	80 330	-	-	-	80 330
Romania	-	18 013	-	55 278	49 615	15 000	-	137 906
Russian Federation	-	-	-	-	-	4 780 000	-	4 780 000
Rwanda	-	12 378	-	-	-	-	-	12 378
San Marino	-	-	-	-	-	-	-	-
Saudi Arabia	-	-	-	-	-	-	-	-
Senegal	-	18 804	5 067	-	-	-	-	23 871
Serbia	-	200 000	-	8 806	-	-	-	208 806
Seychelles	-	2 540	-	-	-	-	-	2 540
Sierra Leone	-	19 788	-	-	-	-	-	19 788
Singapore	-	-	-	-	-	-	-	-
Slovakia	-	-	-	-	-	-	-	-

ANNEX A3 (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	
Slovenia	-	-	-	-	-	-	-	-
South Africa	-	-	-	-	-	-	-	-
Spain	-	-	-	-	-	255 182	120 000	375 182
Sri Lanka	-	-	10 000	2 207	201 388	-	-	213 595
Sudan	-	14 706	8 446	-	-	-	-	23 152
Swaziland	456	41 538	-	-	-	-	-	41 994
Sweden	-	-	-	-	-	-	-	-
Switzerland	-	-	-	-	-	-	80 000	80 000
Syrian Arab Republic	-	113 704	-	45 383	-	-	-	159 087
Tajikistan	-	-	-	11 530	-	-	-	11 530
Thailand	-	-	-	-	-	-	-	-
The former Yugoslav Republic of Macedonia	-	111 855	6 756	59 708	-	-	-	178 319
Togo	-	-	-	-	-	-	-	-
Trinidad and Tobago	-	-	-	4 015	-	-	-	4 015
Tunisia	-	-	-	-	-	-	-	-
Turkey	-	-	-	(8 668)	-	-	-	(8 668)
Uganda	-	18 804	3 076	-	-	-	-	21 880
Ukraine	-	-	-	-	-	-	-	-
United Arab Emirates	-	-	-	-	-	-	-	-
United Kingdom of Great Britain and Northern Ireland	-	-	-	-	-	58 507	-	58 507
United Republic of Tanzania	-	28 206	7 601	-	-	-	-	35 807
United States of America	-	204 382	-	-	-	-	-	204 382
Uruguay	-	-	-	-	-	-	-	-
Uzbekistan	-	72 521	-	32 534	-	-	-	105 055
Vanuatu	152	6 189	-	-	-	-	-	6 341
Venezuela, Bolivarian Republic of	-	6 593 432	-	49 628	-	-	-	6 643 060
Viet Nam	-	-	-	22 056	-	-	-	22 056
Yemen	-	94 170	30 359	-	-	-	-	124 529
Zambia	-	18 804	5 067	-	-	-	-	23 871
Zimbabwe	-	4 683	-	22 245	-	38 240	-	65 168
Sub-total	**7 216**	**32 688 889**	**649 714**	**812 676**	**944 038**	**5 615 676**	**206 600**	**40 924 809**

ANNEX A3 (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	
II. **New Member States**								
Antigua and Barbuda	304	14 156	-	-	-	-	-	14 460
Barbados	1 217	56 621	-	-	-	-	-	57 838
Turkmenistan	2 890	67 776	-	-	-	-	-	70 666
Sub-total	**4 411**	**138 552**	**-**	**-**	**-**	**-**	**-**	**142 963**
III. **Former Member States**								
Korea, Democratic People's Republic of	-	128 576	28 331	-	37 965	-	-	194 872
Yugoslavia, Former	-	-	-	-	-	-	-	-
Sub-total	**-**	**128 576**	**28 331**	**-**	**37 965**	**-**	**-**	**194 872**
IV **Other Donors**								
European Commission	-	-	-	-	-	4 698 235	976 560	5 674 795
International Organizations	-	-	-	-	-	631 048	94 954	726 002
Other Sources	-	-	-	-	-	375 693	-	375 693
Sub-total	**-**	**-**	**-**	**-**	**-**	**5 704 976**	**1 071 514**	**6 776 490**
GRAND TOTAL	**11 627**	**32 956 017**	**678 045**	**812 676**	**982 002**	**11 320 653**	**1 278 114**	**48 039 134**

ANNEX A4

STATUS OF DEFERRED REVENUE
FOR THE PERIOD ENDING 31 DECEMBER 2016
(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 subject to conditions
				EB RB	EB TC				
I. Member States									
Albania	26 424	6 793	-	-	-	33 217	-	-	-
Angola	30 890	-	-	-	8 017	38 907	-	-	-
Argentina	-	-	18 550	-	-	18 550	-	-	-
Armenia	19 894	5 095	-	-	-	24 989	-	-	-
Australia	8 371 647	1 909 738	-	-	-	10 281 385	90 075	46 633	136 708
Bangladesh	31 997	8 492	-	-	-	40 489	-	-	-
Brazil	-	-	1 254	-	-	1 254	-	-	-
Bulgaria	142 948	36 513	-	-	-	179 461	-	-	-
Canada	10 402 394	-	-	-	-	10 402 394	5 971 269	-	5 971 269
Chile	-	-	100	-	-	100	-	-	-
China	-	20 926	16 801	-	16 210	53 937	-	-	-
Congo	-	5 000	-	-	-	5 000	-	-	-
Costa Rica	109 438	-	16 896	-	-	126 334	-	-	-
Côte d'Ivoire	-	7 642	-	-	-	7 642	-	-	-
Croatia	-	-	649	-	-	649	-	-	-
Cuba	-	-	31 101	-	-	31 101	-	-	-
Czech Republic	-	-	-	-	73 651	73 651	-	-	-
Eritrea	3 198	-	-	-	-	3 198	-	-	-
France	-	-	-	230 000	-	230 000	-	-	-
Guatemala	-	-	18 180	-	-	18 180	-	-	-
Holy See	3 705	1 942	-	-	-	5 647	-	-	-
Honduras	-	-	1 256	-	-	1 256	-	-	-
Hungary	529 158	131 618	-	419 188	-	1 079 964	-	-	-
India	-	602 047	-	-	-	602 047	-	-	-
Italy	152	-	-	-	-	152	-	-	-
Japan	-	-	-	3 494 863	-	3 494 863	-	-	-
Kazakhstan	625 099	156 244	-	239 230	-	1 020 573	-	-	-
Korea, Republic of	-	-	-	237 059	163 862	400 921	-	-	-
Kuwait	-	-	-	1 368 000	-	1 368 000	-	-	-
Kyrgyzstan	6 682	-	-	-	-	6 682	-	-	-
Latvia	151 514	40 759	20 205	-	-	212 478	-	-	-
Lithuania	12 409	58 591	6 466	-	-	77 466	-	-	-
Malta	52 695	12 737	-	-	-	65 432	-	-	-
Mauritius	36 600	9 341	-	-	-	45 941	-	-	-
Mexico	3 631 255	-	-	-	-	3 631 255	-	-	-
Morocco	-	4 590	7 780	-	-	12 370	-	-	-
Netherlands	4 600 338	1 210 888	-	-	-	5 811 226	-	-	-
New Zealand	958 240	-	-	-	-	958 240	-	-	-
Niger	56	1 698	-	-	-	1 754	-	-	-
Norway	-	-	-	-	-	-	3 598 679	105 208	3 703 887

ANNEX A4 (continued)

STATUS OF DEFERRED REVENUE
FOR THE PERIOD ENDING 31 DECEMBER 2016
(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 subject to conditions
				EB RB	EB TC				
Oman	397 338	92 557	-	-	-	489 895	-	-	-
Palau	4 191	-	351	-	-	4 542	-	-	-
Panama	-	-	3 780	-	-	3 780	-	-	-
Peru	4 981	-	15 749	-	-	20 730	-	-	-
Philippines	203	-	-	-	-	203	-	-	-
Portugal	1 356 478	-	-	-	-	1 356 478	-	-	-
Russian Federation	11 008 378	-	-	-	-	11 008 378	-	-	-
Singapore	1 602 394	365 135	-	-	-	1 967 529	-	-	-
Slovakia	240 297	-	2 071	-	-	242 368	-	-	-
Slovenia	110 772	-	-	-	-	110 772	-	-	-
Sri Lanka	659	-	973	-	-	1 632	-	-	-
Sweden	-	-	-	101 500	-	101 500	-	-	-
Tajikistan	15 908	3 397	-	-	-	19 305	-	-	-
Thailand	943 104	237 762	-	-	-	1 180 866	-	-	-
Togo	12 266	-	-	-	-	12 266	-	-	-
Tunisia	-	2 501	-	-	-	2 501	-	-	-
Turkey	-	-	3 124	-	-	3 124	-	-	-
Ukraine	14 450	-	-	-	-	14 450	-	-	-
United Arab Emirates	-	-	-	39 999	-	39 999	-	-	-
United Kingdom of Great Britain and Northern Ireland	15 805 350	3 646 249	-	29 572	-	19 481 172	-	-	-
United States of America	-	-	-	7 405 265	180 200	7 585 465	-	-	-
Uruguay	-	-	1 242	-	-	1 242	-	-	-
Sub-total	**61 263 500**	**8 578 256**	**166 528**	**13 564 675**	**441 941**	**84 014 899**	**9 660 023**	**151 841**	**9 811 864**
II. **Other Donors**									
European Commission	-	-	-	-	-	-	32 644 252	1 928 809	34 573 061
Other Sources	-	-	-	15 478	-	15 478	-	-	-
Sub-total	**-**	**-**	**-**	**15 478**	**-**	**15 478**	**32 644 252**	**1 928 809**	**34 573 061**
GRAND TOTAL	**61 263 500**	**8 578 256**	**166 528**	**13 580 153**	**441 941**	**84 030 377**	**42 304 275**	**2 080 650**	**44 384 925**

ANNEX A5

REGULAR BUDGET FUND
STATUS OF CASH SURPLUS
As at 31 December 2016
(expressed in euro)

Calculation of provisional cash surplus/(deficit) for 2016	
Receipts	328 628 076
Disbursements	312 214 439
Excess (shortfall) of receipts over disbursements	16 413 638
Unliquidated obligations	(28 078 874)
Transfer of 2016 RB unobligated balances	(6 458 168)
Provisional 2016 cash deficit	(18 123 405)

Calculation of final cash surplus for 2015	
Prior year provisonal cash deficit	(18 820 852)
Receipt of:	
Contributions all prior years	26 475 479
Savings on liquidation of prior year's obligations	2 014 613
Miscellaneous income	401 121
Final cash surplus for 2015	10 070 361
Transfer of Surplus to MCIF	(10 070 361)
Final cash surplus/(deficit) for 2015	-
Prior years cash surpluses a/	65 761
Total cash surpluses/(deficit)	65 761

a/ Withheld pending receipt of contributions.

ANNEX A6

STATEMENT OF INVESTMENTS AS AT 31 DECEMBER 2016

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
Commercial	Time Deposit	20 000	.01%	2016-06-21	2017-06-21
Total Euro Denominated Cash Equivalents and Investments		**20 000**			
Euro Denominated Cash Equivalents and Investments as Percent of Total		**6.7%**			

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	19 120	.68%	2016-01-07	2017-01-09
Supranational	Time Deposit	19 120	.55%	2016-06-24	2017-01-24
Supranational	Time Deposit	15 774	.66%	2016-01-07	2017-01-09
Supranational	Time Deposit	9 560	.68%	2016-05-26	2017-01-26
Supranational	Time Deposit	9 560	.56%	2016-08-08	2017-04-10
Supranational	T-Bills	41 583	.74%	2016-01-11	2017-01-05
Supranational	T-Bills	14 323	.42%	2016-08-08	2017-04-10
Government	T-Bills	33 458	.67%	2016-01-07	2017-01-05
Government	T-Bills	9 551	.55%	2016-05-26	2017-03-02
Commercial	Time Deposit	19 120	1.30%	2016-11-15	2017-08-15
Commercial	Time Deposit	14 340	1.33%	2016-11-15	2017-10-16
Commercial	Time Deposit	9 560	1.32%	2016-11-29	2017-07-31
Commercial	Time Deposit	9 560	1.37%	2016-10-21	2017-08-21
Commercial	Time Deposit	9 560	1.20%	2016-08-08	2017-05-08
Commercial	Time Deposit	6 692	1.18%	2016-12-16	2017-03-16
Commercial	Time Deposit	4 780	1.32%	2016-08-08	2017-06-08
Commercial	Time Deposit	4 780	1.31%	2016-10-13	2017-07-13
Commercial	Time Deposit	4 780	1.37%	2016-11-29	2017-08-29
Commercial	Call account	25 158	.40%		
Total US Dollar Denominated Cash Equivalents and Investments		**280 378**			
US Dollar Denominated Cash		**93.3%**			
Total Euro Equivalent Cash		**300 378**			

PART V

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

The Audit Board of
the Republic of Indonesia

Audit Report
on the International Atomic Energy Agency (IAEA)

in respect of

Financial Matters of Financial Audit Results
and Performance Audit on Nuclear Information,
Nuclear Medicine and Diagnostic Imaging,
Radiation Safety and Monitoring, and General Services

2016

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EXECUTIVE SUMMARY

Why This Audit Important to IAEA

The IAEA generated €604.25 million of revenues and recognized €525.46 million of expense in fiscal year 2016. The Agency also managed assets and liabilities of €1,118.14 million and €540.65 million, respectively. Accordingly, both financial and performance audits are essential to provide the Agency and Member States with an independent assurance and objective assessments on the stewardship and performance of the Agency's policies, programmes and operations.

By appointment of the General Conference [GC(59)/DEC/9] and in accordance with Financial Regulation 12.01 (Article XII) and the Additional Terms of Reference, the Audit Board of the Republic of Indonesia (BPK) presents this report as a result of auditing the Agency's financial statements as at and for the period ended 31 December 2016. In the audit process, BPK observed the design and implementation of the internal control and accounting information system, the budgetary and financial procedures, as well as the general administration and management.

BPK also audited the selected projects within the chosen subprogrammes of Nuclear Information; Nuclear Medicine and Diagnostic Imaging; Radiation Safety and Monitoring; and General Services.

Main Audit Objective

It was to assess results-based approach effectiveness at the level of selected IAEA projects in respect of planning, monitoring and evaluation, and the achievement of cost effectiveness so as to strengthen the Agency's services to Member States.

Audit Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the International Atomic Energy Agency (IAEA) as at 31 December 2016 and its financial performance and its cashflows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

The results of our audits are summarized in the following paragraphs:

Financial Matters

In performing our financial audit, we identified a number of recommendations for the Agency. In this respect, we recommend the Agency to amend its Administrative and IPSAS Manual so as to reflect the approved changes in useful lives of property, plant, and equipment, as well as intangible assets. We suggest the Agency to establish a guideline in estimating allowance for doubtful account from exchange transactions. In regards to the calculation of the actuarial liability for Post-employment Benefits - Defined Benefit Plans, the Agency should continue to refine and improve the quality of the HR data and certain estimates and assumptions made for data submitted to the actuary. We observed that the Agency should enhance its effort to request all its banks to provide monthly bank statements, and update the balance accordingly. The Agency also should implement measures to improve internal controls, seeking to avoid the use of Low Value Purchasing (LVP) to purchase goods and services not allowed to be purchased via LVP.

Nuclear Information

Nuclear Information is one of the subprogrammes under the Programme of Capacity Building and Nuclear Knowledge for Sustainable Energy Development. The IAEA Library, which is managed under this subprogramme, is important for obtaining and disseminating accessible, relevant and up to date collections of nuclear information resources.

Regarding the International Nuclear Library Network (INLN), we observed that the Agency should finalize a Practical Arrangement between INLN members by taking current conditions into account; focusing more on maintaining the commitment of network members and providing more efficient access to nuclear information;

and optimally maintaining the INLN Directory to provide reliable information. In addition, the Agency should improve its monitoring and assessment process of the INLN activities.

In respect of International Nuclear Information System (INIS), we found a lack of formal guidance to encourage coordination and collaboration between the INIS Secretariat and internal information sources within the Agency; as well as gaps between utilization of and contribution to INIS Repository by Member States.

Nuclear Medicine and Diagnostic Imaging

Nuclear Medicine and Diagnostic Imaging (NMDI) is one of the subprogrammes under the Program of Human Health with an objective to improve the management of cancer, cardiac, and other non-communicable diseases in the Member States. In respect of the results-based approach, we found the need for improvement in the formulation of logical connection between the NMDI outcome indicators and the attainment of outputs at the project and task levels, as well as in the measurability of the planned project outputs.

In optimising the Nuclear Medicine Database (NUMDAB) historical records for the purpose of outcome measurement, the Agency needs to have formally documented procedures for recording the data verification process and justifications used in obtaining the indicator values of outcome achievements.

In addition, by examining completed Coordinated Research Projects (CRPs) in the last five years, we observed that there is a potential bottleneck of the CRP processes resulting from an interval between the completion of a CRP and its closure, during which the clinical follow-up of patients is completed and the CRP results are to be prepared through certain means of dissemination e.g. peer-reviewed-journal publication, IAEA internal publication, Technical Cooperation Project mechanism, and training.

Radiation Safety and Monitoring

Radiation Safety and Monitoring is one of the subprogrammes under the Programme of Radiation and Transport Safety. In developing Safety Standards for Occupational Radiation Protection, we observed that the multi-step process of developing safety standards takes approximately two to three years for a new standard document to be approved and an additional year for the document to be published. In some cases, the duration for getting to the publication stage takes even longer.

On the monitoring and assessment of the Occupational Radiation Protection Project, our audit identified difficulities in tracing reasons for changing task outputs. Additionally, we identified an absence of explanations as regards the variance between the target and the actual achievement of certain outcome indicators.

We found that the feasibility and effectiveness of Occupational Radiation Protection Appraisal Service (ORPAS) Missions can be unclear in terms of the funding and the receipt of formal requests as well as the lack of follow-up missions. In respect of the demand for Radiation Monitoring and Protection Services (RMPS), we consider that measures taken by the Radiation Safety Technical Services Unit (RSTSU) in managing its limited resources are not sustainable in the medium to long terms.

General Services in Respect of ARMS and FMS

Our audit included the examination of two out of five sections under General Services such as the Archives and Records Management Section (ARMS) and the Facilities Management Section (FMS). To improve a framework for the creation and management of authentic records, ARMS could adopt a standard email signature that would be acceptable to all relevant parties for verifying signature authentication. This would be expected to result in cost efficiencies at the operational level. At the same time, the potential cost savings could be used to improve the records management services strengthened by the implementation of Generally Accepted Recordkeeping Principles. In respect of the FMS's potential cost savings, enhancing the use of video conferences to substitute selected face-to-face meetings is encouraged. This effort would be expected to reduce travel costs related to these particular meetings.

Therefore, the Agency should also explore the opportunity to build its capacities in digital archives management and preservation; as well as review its current level of video conferencing and take steps to increase its use to substitute for face-to-face meetings where practical.

Given the above observations from our audits of the selected subprogrammes of Nuclear Information, Nuclear Medicine and Diagnostic Imaging, Radiation Safety and Monitoring, and General Services, we appreciate that the Agency has performed project management using a results-based approach in fulfilling the Agency's objectives.

There could be particular practices to be improved as lessons learned also for the Agency's other projects. In this regards, the Agency should reconsider its planning design particularly in formulation of performance indicators and elements of measurability. In respect of the implementation phase; coordination; consultation; and collaboration among related stakeholders should be optimized in order to most efficiently manage the Agency's resources. In addition, the Agency should also continue to seek efficient and effective processes in providing services to its stakeholders and in improving its monitoring mechanisms.

INTRODUCTION

1. By appointment of the General Conference, the Audit Board of the Republic of Indonesia (BPK) has been entrusted with the responsibility of auditing the Agency's accounts for the financial years 2016 to 2017 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. The BPK made such observations as deemed necessary in relation to the financial consequences of prevailing administrative practices in accordance/compliance with paragraph 5 of the Additional Terms of Reference governing the External Audit. Our audit was conducted in conformity with the applicable INTOSAI Standards and International Standards on Auditing, as adopted by the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency.

2. The main audit objective was to assess effectiveness of results-based approach at the level of selected IAEA projects in respect of planning, monitoring and evaluation, and the achievement of cost effectiveness so as to strengthen the Agency's services to Member States.

3. The audit involved discussions with key managers of the subprogrammes concerned; review of related documents; review of policy, processes and procedures; seeking information and clarifications from the management through information requests, audit queries; and providing audit observations and recommendations.

4. The selection of subprogrammes to be examined involved the application of a number of factors. These included level of alignment with priorities described in the Programme and Budget 2016-2017 (the Blue Book), the Agency's synergies, efficiency-related concerns, budget significance, management risks, previous audits, potential impacts, and current management's considerations. As a result, we selected:

- the Nuclear Information Subprogramme in which the audit scope covers the IAEA Library Information Resources and Services Project and the International Nuclear Information Systems (INIS) Collection and Services Project;
- the Nuclear Medicine & Diagnostic Imaging Subprogramme in which the audit scope covers the Nuclear Medicine in Diagnosis and Therapy of Non-communicable Diseases Project;
- the Radiation Safety and Monitoring Subprogramme in which the audit scope covers the Occupational Radiation Protection Project and the Radiation Safety Technical Services Project; and
- the General Services Subprogramme in which the audit scope covers the Archives and Records Management Section and the Facility Management Section.

5. The purpose of this report is to communicate the audit result to the Agency and those charged with governance, and the stakeholders. Important findings arising from the audit procedures performed were, after detailed discussions with the responsible management, conveyed through Management Letters. The more significant of these findings, appropriately aggregated, have been incorporated in this report, after duly considering management's final responses and action plans for implementation of the recommendations.

FINANCIAL OVERVIEW

Adoption of IPSAS

6. 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 sixth year since the adoption of IPSAS by the Agency in 2011.

Fund Accounting and Segment Reporting

7. 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 has differing parameters about how the revenue can be utilized.

Budgetary Performance

8. The Programme and Budget of the Agency focuses on the Regular Budget Fund and the related appropriations approved by Member States. The components of the Regular Budget include the Operational Regular Budget and Capital Regular Budget. The Agency attained the rates of budget implementation of 98.14%, and 42.06% respectively in these components.

Summary of Financial Performance

9. The Regular Budget Group, including the Regular Budget Fund, Working Capital Fund and Major Capital Investment Fund (RBF, WCF and MCIF, respectively) experienced an IPSAS basis net deficit of €0.84 million for 2016. This small net deficit is an improvement over 2015 and is partially the result of the Agency's focus on fiscal responsibility. The surplus realized in the Technical Cooperation Fund (TCF) of €17.83 million was driven in large part by increases in revenue recognized from contributions to the TCF in comparison to 2015. The Extrabudgetary Fund (EBF) and Technical Cooperation Extrabudgetary Fund (TC-EB) recorded net surpluses of €63.44 million and €7.11 million, respectively, for 2016. The net surpluses were primarily due to timing differences

between revenue recognition for IPSAS purposes and the full financial implementation of the related activities. The surplus realized in the LEU Bank Fund (LEU) of €3.71 million for 2016 was driven largely by foreign exchange gains.

Revenue Analysis

10. Total revenue in 2016 was €604.25 million, which represented a 6.99% increase as compared to 2015 (€564.76 million). The increase was mainly due to increase in voluntary contributions by €25.30 million and assessed contributions by €9.90 million. Assessed contributions was the main component of revenue (58.73%).

Expense Analysis

11. There was 0.76% increase in expenses in 2016 (€525.46 million) as compared to 2015 (€521.48 million). Salaries and employee benefits (€280.33 million) accounted for 53.35% of Agency's expenses and has shown an increase of €0.29 million from 2015. The second largest component was travel (€59.36 million) which represented 11.30% of the expenses in 2016. Transfers to development counterparts increased to €48.19 million in 2016 from €42.18 million in 2015. 'Other operating expenses' at €25.84 million has shown an increase of €1.33 million as compared to 2015. In 2016, 'Other Operating Expenses' was divided into two separated group of accounts namely "Contractual and other services" and "Other operating expenses".

Financial Position

12. The overall financial position of the Agency continues to be quite healthy as at 31 December 2016. This financial health can be seen in the following key indicators:

- The overall net assets value, calculated as total assets less total liabilities, is €577.48 million;
- The value of current assets is approximately six 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.

13. As at 31 December 2016, the total cash, cash equivalents and investments balances represent 62.49% of the Agency's total assets. This signifies that the Agency's liquid assets are sufficient to meet the Agency's requirements.

14. The significant areas of change in the Agency's financial position in 2016 from 2015 are the following:

- Current assets increased by €99.07 million mainly due to the increase in the overall amount of cash, cash equivalents and investments, primarily in the Regular Budget Fund, Technical Cooperation Fund and Extrabudgetary Fund;
- Non-current assets increased by €17.65 million related primarily to intangible assets, in particular to internal software development in the Department of Safeguards for the MOSAIC project and the continued implementation of the Agency-wide Information System for Programme Support (AIPS); and
- Total liabilities increased by €12.65 million mainly due to increases in the Agency's deferred revenue in respect of contributions received in advance. At 31 December 2016, assessed contributions for 2017 received by the end of 2016 were €61.26 million, which is €26.56 million higher than at 31 December 2015. The increase in contributions

received in advance was offset by a reduction of €7.02 million in deferred revenue in respect of the premises provided for a nominal charge.

15. The Regular Budget Fund and Working Capital Fund group has net assets €5.45 million. This means that the total liabilities of this Fund group are roughly equal to the total assets. The near-zero net asset position is driven primarily by the significant employee liabilities of €241.62 million, which remain totally unfunded at 31 December 2016. The main portion of these liabilities relates to ASHI and other post-employment benefits. The proper funding of these liabilities is a significant concern for the long-term financial sustainability of the Agency that needs to be addressed.

16. All Fund groups have positive net assets. This provides evidence of 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.

Cash, Cash Equivalents and Investments

17. In 2016, the cash, cash equivalents and investments balances increased by €96.27 million (or 15.98%) to €698.69 million at 31 December 2016. A considerable component of this increase was driven by:

- Additional contributions from donors, in particular related to the Technical Cooperation Fund (TCF) and from extrabudgetary sources; and
- Assessed contributions and contributions to the TCF related to 2017 paid in 2016.

18. Of the total cash, cash equivalent and investments, 83.84% pertained to Extrabudgetary Fund group and the Technical Cooperation Extrabudgetary Fund and are therefore earmarked for specific activities.

19. As at the end of 2016, the weighted average period to maturity of financial instrument holdings in US dollar remained stable compared to 2015 at less than three months. Interest earned on euro denominated investments continued to decline in 2016; however, interest earned in US dollar denominated investments increased. Based upon the mix of currencies in the Agency's cash equivalent and investment portfolio, the overall return achieved on the Agency's cash equivalents and investments increased during 2016.

Accounts Receivables

20. Overall, the total net receivables from non-exchange transactions increased by €0.27 million to €41.78 million at 31 December 2016. The main components of this balance are receivables from assessed contributions (€27.68 million), voluntary contributions (€13.25 million), and other receivables (€0.85 million).

21. In 2016, contributions receivable from non-exchange transactions increased by 0.65%. This is a net result of:

- an increase in voluntary contributions from €4.94 million at the end of 2015 to €13.25 million at the end of 2016 due to the receipt of a number of extrabudgetary contributions at year end and the acceptance of extrabudgetary contributions in 2016 where the funds are to be received in future years (resulting in the increase of non-current receivables from non-exchange transactions to €3.90 million);
- an increase in other receivables (from €0.24 million at the end of 2015 to €0.85 million at the end of 2016) due to increases in National Participations Costs; and

- a decrease in receivables from assessed contributions (from €36.30 million at the end of 2015 to €27.68 million at the end of 2016) due to collection of a number of assessed contributions in arrears.

22. The rate of collection of the current year Regular Budget assessed contributions increased to 94.52% in 2016 from 94.40% in 2015.

23. The ageing of contributions receivable has progressively decreased. From 2015 to 2016, receivables from assessed contributions aged more than one year have decreased from €21.10 million to €13.40 million, representing a decrease from 52.16% to 40.66% of total assessed contributions receivable. This indicates an improvement in composition of contributions in arrears from the Agency's Member States.

Intangible Assets

24. The net carrying amount of Intangible Assets at 31 December 2016 was €57.35 million which increased from €43.12 million in 2015. The principal driver for the increase in the carrying value of Intangible Assets during 2016 is the continued development of projects under the MOSAIC project and the development of AIPS. During 2016, total costs of €19.99 million were added related primarily to the internal development of software, of which €17.16 million related to MOSAIC (€14.02 million) and AIPS (€3.14 million).

Risk Management

25. 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.

AUDIT OPINION

26. According to the Terms of Reference for the External Auditor, we are required to express an opinion on the IAEA financial statements for the financial period ended 31 December 2016. Audit of the financial statements for the financial year 2016 revealed no weaknesses or errors which we considered material to the accuracy, completeness and validity of the financial statements as a whole. Accordingly, we have placed an unqualified audit opinion on the Agency's financial statements for the financial year ended 31 December 2016.

DETAILED AUDIT FINDINGS

I. FINANCIAL MATTERS

A. Useful Life of Asset Classes

27. Based on the Agency's Accounting Framework, the accounting policies in the Financial Statements are enshrined in the Agency's Policy Manual for International Public Sector Accounting Standards (IPSAS). The latest Agency's Policy Manual was published in 2012.

28. We observed that the useful life of 10 asset classes are stated in Note 3 of the 2016 Financial Statements. Three of them[1] are different from the useful life stated in the Agency's Policy Manual from 2012, as follows:

Table 1: Comparison between useful life of asset classes in the Agency's Policy Manual and that in Financial Statements

Asset Class	Useful Life (Years) in		Change since
	Agency's Policy Manual 2012	Financial Statements 2016	
Communications and IT Equipment	4	2 to 4	2016
Laboratory Equipment	5	7	2014
Software internally developed	5	5 to 12	2015

As depicted in the table above, it means there is no update on the Accounting Policy in the Agency's Policy Manual 2012.

29. Additionally, the change of useful life for Communication and IT Equipment in the 2016 Financial Statement is also inconsistent with Administrative Manual Part VI, Section 2, Paragraph 8, which requires tracking of assets that have an estimated useful life of four years. For instance, the useful life of some items which previously had an estimated useful life of four years was changed to two years based on an approved Materiality Decision dated 2 December 2015 and was applied in the Financial Statements of 2016.

Recommendation 1

We recommend that the Agency should amend the 2012 Agency's Policy Manual and Administrative Manual, Part VI, Section 2, Paragraph 8 to reflect the approved changes in useful lives of PPE and intangible assets.

The Agency agreed with the recommendations.

B. Information Security of AIPS

30. The Agency-wide Information System for Programme Support (AIPS) and its premises are hosted at United Nations International Computing Center (UNICC) in Geneva. UNICC is responsible for managing the security of the infrastructure, for which its Database Administrator (DBA) has

[1] The useful life of the other seven asset classes is already consistent with the Agency's Policy Manual.

access to Oracle e-Business Suite (EBS) database, application server, and physical access to data centre. It also provides maintenance and monitoring to AIPS infrastructure.

31. UNICC as service provider has been audited several times and has communicated the audit results to IAEA. In the application level, an audit conducted by SCRT, a private company dedicated to information security, found several risks that could expose AIPS application and database to undesirable threat. These findings were also corroborated with OIOS reports on the Agency's IT and AIPS audit.

32. Our observations showed that:

- The Agency has substantial dependency on UNICC as a third party service provider, such as backup and recovery events. We consider that this dependency exposes the Agency to business operation continuity risk; and
- In our opinion, the Agency does not currently have a sufficiently robust framework in place for monitoring UNICC's performance and accesses. The Agency monitors UNICC's services through weekly reports or quarterly management meetings. The Agency does not generate independent reports on UNICC's performance in delivering its services nor does the Agency keep the data of UNICC's staff that work on and access the Agency's instance in Geneva. Therefore, we consider that the monitoring mechanism currently in place should be improved and further formalized.

33. We also found that no eventuated incident was reported during financial year 2016 that would cause us to believe that infrastructure including database supporting AIPS has been compromised or tampered in a way that should concern external auditor over the 2016 financial data being audited. However, the above findings related to AIPS application and databases are deemed as high risks.

Recommendation 2

We recommend that the Agency:

i. incorporate risks mitigation in employing third party service providers in the Agency-level governance; and

ii. consider performing tests to ensure that all findings related to weaknesses in AIPS application and database level from previous audits have been appropriately addressed.

The Agency agreed with the recommendations.

C. Cash and Cash Equivalents (CCE)

34. Our examination of the detailed records of CCE in relation to Agency's bank accounts showed that the records for two bank accounts were not based on bank statements as at 31 December 2016. Rather, the records were based on bank statements as at 25 August 2015 and 31 December 2012. These two bank accounts represented €1,495,852.70 and €13,861.68, respectively, of the Agency's CCE as at 31 December 2016.

35. The Agency has made an effort, through sending several emails and other avenues, requesting for issuance of these bank statements. The latest such effort was dated 14 November 2016, but no response had been received from those banks until 31 December 2016.

Recommendation 3
We recommend that the Agency enhance its effort to request the related Banks to provide monthly bank statements, and update the balance accordingly.
The Agency agreed with the recommendations.

D. Capital Non-Expendable Assets Purchased using LVP

36. Low Value Purchasing (LVP) is an activity to procure goods and services with values below €3,000 per transaction. The Procurement Authority is delegated to specified staff members who make purchases using a Purchasing Card or by direct charge.

37. As per Paragraph 40 of the "Administrative Manual Part VI, Section 4 – LVP", one of the unauthorized and/or inappropriate use of Procurement Authority and the Purchasing Card is for the purchasing of capital non-expendable assets.

38. Our analysis of the LVP Log Report and Fixed Asset Details Report as of 31 December 2016 showed that there were 138 items of capital non-expendable assets purchased through LVP, which amounted to €74,990.70 in total.

39. The Agency stated that the LVP transaction is reflected in AIPS. However, the system does not have validation of the item type being purchased. Rather, there is a free text field for description only.

40. For the purpose of asset recognition to those items, the Agency reviews the LVP log to identify any purchased items that need to be capitalized. In addition, the staff members have been encouraged to comply with LVP procedures through several training activities.

Recommendation 4
We recommend that the Agency should implement measures to improve internal controls, seeking to avoid the use of LVP to purchase goods and services not allowed to be purchased via LVP.
The Agency agreed with the recommendation.

E. Allowance for Doubtful Accounts on Outstanding Income Tax Reimbursable

41. Our analysis on the Agency's Financial Statements 2016 showed that, although there is outstanding amount of Income Tax Receivables from one Member State for 2013-2016 the Agency has not recognized a related Allowance for Doubtful Accounts. The Agency stated that the assessment of the collectability of the Income Tax Receivables has been performed based on past collection rate. This assessment resulted in the determination that no allowance for doubtful accounts was necessary for income tax receivables.

42. With respect to the four-year period of outstanding receivables, the Agency necessarily takes into account the possibility of non-collection of these Income Tax Receivables. We suggest the Agency might consider an estimated allowance for doubtful accounts greater than zero so as to ensure that the amount of receivables is not overstated.

43. In this regard, the Agency does not have a written policy to regulate the estimation of allowance for doubtful accounts on the income tax reimbursable. The written policy should be in place to ensure consistent application of policies in accordance with IPSAS.

Recommendation 5
We recommend that the Agency consider having a written guideline in estimating allowance for doubtful account from exchange transactions.
The Agency agreed with the recommendation.

F. Employee Benefit Liabilities

44. The Agency provides various Post-employment Benefits including After Service Health Insurance (ASHI) and Post-employment Repatriation and Separation Entitlements (PERSE). These benefits are calculated on an actuarial basis as they are long term Defined Benefit Plans. Our observations of the Agency's Employee Benefit (EB) Data Documents submitted to the actuary showed that there are two points related to individuals excluded from ASHI calculations.

Individuals Excluded from ASHI Retiree Calculations

45. For the purpose of actuarial estimation, the retirees who have not claimed benefits under the Austrian Health Insurance Scheme (AHIS) for at least two years are considered as 'dormant'. The Agency assumes that the dormant retirees are no longer the Agency's burden.

46. The same assumptions were used to calculate ASHI Retiree liabilities in 2015. Our analysis from 2015 dormant data indicated that 28 retirees were already considered as 'dormant'. However, in 2016, 10 of them (35%) were included in the actuary calculation for ASHI Retiree due to AHIS claim paid by the Agency, 18 retirees (65%) were excluded in the calculation.

47. Reflecting from 2015 data, we consider that further analysis is needed for ASHI Retiree categorized as dormant before excluding them from the Employee Benefit Liabilities Calculation.

Individuals Excluded from ASHI Active Calculation

48. Our analysis of data submitted to the actuary indicated that not all active employees are included in the ASHI active calculation. This situation includes individuals with non-agency insurance plan, and AHIS for individuals who take long leave such as maternity leave or sick leave. Further analysis indicated that the actuary calculation should have considered:

- Individuals with non-Agency insurance plan

  Based on Paragraph 43, 45 and 49 of "Administrative Manual Part II Section 7", we are of the opinion that individuals with non-agency insurance plan may become the Agency's burden once they retire.

- AHIS for individuals who take long leave

In respect of Paragraph 38 of "Administrative Manual Part II Section 7", we found that the EB Package submitted to actuary (ASHI Active) only includes the Supplementary Medical Insurance Plan calculation for staff without the calculation of AHIS plan. The Agency confirmed that these cases do not represent AHIS burden for the IAEA because they are covered by the Austrian Government, for instance, staff on maternity leave or special leave without pay. We are of the opinion that AHIS for individuals who take long leave should still be included in the employee benefit liabilities calculation as on a long term basis these employees would return to the organization and become eligible to receive the payment of the AHIS benefit in the future.

Recommendation 6

We recommend that the Agency:

i. continue to refine and improve the quality of the Human Resource data and certain estimates and assumptions made for calculation of the actuarial liability for Post-employment Benefits - Defined Benefit Plans.

ii. further analyse the possible entitlements for staff members who currently have non-Agency insurance plans.

iii. consider to enhance the employee benefits report provided to the actuaries to describe reasons for exclusion of staff members from the calculation of Post-employment Benefits, in particular those that currently are enrolled directly with the Agency insurance scheme.

The Agency agreed with the recommendations.

G. Submission of Duty Travel Claims

49. Paragraphs 72 and 79 of the “Administrative Manual Part II Section 9 – Staff Travel Procedures” state that:

- A Travel Claim must normally be submitted within one month of the completion of travel. The claim must be submitted whether or not expenses were incurred. If the claim is not presented within the time limit (stated in paragraph 79), any travel advance may be deducted from the staff member’s next monthly salary payment. The staff member has the primary responsibility to follow up his/her claim(s).

- Each Department/Division is responsible for following up on the submission of travel claims, reviewing them carefully, confirming their accuracy and ensuring that they are submitted for finalization or settlement within a maximum period of one month after completion of the duty travel. Failure to do so may result in a salary deduction of the full advance after 90 days following the completion of the duty travel.

50. We examined the claims settlement for 2015 and 2016 duty travel and found that there were 115 travel documents for which claims had not been submitted by staff members within one month of the completion of travel. The total amount of advances made for these 115 duty trips was €147,141.50.

Recommendation 7

We recommend that the Agency enforce Paragraphs 72 and 79 of “the Administrative Manual, Part II, Section 9” related to salary deduction of travel advance when a duty travel claim is not submitted in a timely manner.

The Agency agreed with the recommendation.

II. NUCLEAR INFORMATION

BACKGROUND

51. Nuclear Information is one of the subprogrammes of the Programme of Capacity Building and Nuclear Knowledge for Sustainable Energy Development under the Major Programme of Nuclear Power, Fuel Cycle and Nuclear Science. It has two main projects namely the IAEA Library Information Resources and Services; and the International Nuclear Information System (INIS) Collection and Services.

52. The IAEA Library Information Resources and Services Project has three main planned outputs: accessible, relevant and up-to-date collection of information resources; acquisition of print and electronic monographs and serial publications; and operation of the International Nuclear Library Network (INLN). The INIS Collection and Services Project has three main planned outputs: accessible, relevant and up-to-date collection of INIS bibliographic and full text records; good cooperation with national INIS centres; and high quality thesaurus and accompanying standards. In other words, the INIS outputs are defined as extensive, high quality, and easily accessible information on the peaceful use of nuclear science and technology.

53. The INLN was included in the audit as it is regarded as an important initiative. It strives to provide the best possible client services by nuclear libraries and information centers around the world, in response to today's challenge of "doing more with less" by ensuring the provision of library and information services in the most efficient and cost effective way, and with zero growth or diminishing budget constraints.

54. INIS Collection and Services was included due to its important roles to:

- collect and process bibliographic metadata and electronic texts of nuclear literature published in IAEA Member States;
- electronically preserve non-conventional literature (NCL) or 'grey' literature, such as IAEA documents, technical reports, theses and full-text publications from Member States which are not easily available through commercial channels; and
- make the INIS repository freely available to all internet users.

AUDIT FINDINGS

A. IAEA Library Information Resources and Services

Improvements Required in Implementation of INLN's Practical Arrangement, Coordinated Network, and Directory Initiative

55. The INLN serves as a global nuclear information and knowledge management initiative. It aims to enhance international cooperation in nuclear information resource sharing and to deliver a single point-of-need access to information services. Research institutes and libraries in the nuclear field are invited to join the INLN.

56. Each participating library functions as a facility to meet the nuclear information needs of local customers. The INLN serves as a network node providing services to other libraries, i.e., worldwide access to their collections, knowledgeable reference, and research services to IAEA staff and researchers from all over the world.

57. Our review of the INLN operation showed:

- Efforts are being made to promote international cooperation; achieve low cost, high benefit solutions; promote open access policies; and focus on resource sharing and best practices for nuclear information management.
- Participation has been entirely voluntarily and mutually beneficial for all participating members.
- The INLN succeeded in increasing its membership from 51 libraries representing 31 countries in 2014, to 55 libraries representing 35 countries in 2015.

58. Based on *the Nuclear Information Section's (NIS) Assessment Report for First Year of 2014-2015 Biennium*, the IAEA Library Information Resources and Services Project has concentrated on the following activities:

- The drafting and distribution of the INLN Practical Arrangement to all members for comments and approval.
- The creation of the INLN Web Coordination Group to guide the INLN online presence and communication efforts.
- The offer of consultation services to members on the INLN Directory, paving the way for INLN *ontology*[2].

In regard to those activities, we identified some areas for improvement, as described below:

a. INLN Practical Arrangement Implementation

59. To develop the INLN initiative and to strengthen the level of cooperation among members, without introducing additional bureaucratic burdens or suffocating the creativity nurtured by the informal nature of the Network, the IAEA Library drafted the INLN Practical Arrangement. The draft is intended to manage: the scope of cooperation; points of contact responsible for the coordination of activities; the provision of a consultation mechanism for the development and review of activities conducted under the cooperation framework; and the dissemination of information.

60. After the IAEA Office of Legal Affairs (OLA) approved and reviewed the Practical Arrangement draft in 2014, it was then distributed to INLN members for comments. However, because of a lack of human resources devoted to this task, the IAEA Library did not take further steps to seek members' approval and the draft has remained on the shelf.

61. Discussions with the NIS management have established that INLN members would like to have an arrangement that could balance the members' commitments and responsibilities while respecting the goodwill that has been developed thus far among the INLN members. The arrangement was expected to employ an inclusive approach, creating a clear governance structure, and acknowledging a horizontal working group. It aims to support innovation, and promote capacity development, i.e., clarifying the Network's rationale, showing the benefits, and explaining functions. At the same time, it was to foster centralization of supportive infrastructures and innovative solutions so as to enhance deeper collection-mining among INLN members.

62. Considering the INLN members' expectations of the Practical Arrangement and its relatively complex nature, to re-establish this initiative, the IAEA Library will need to submit a new draft design that needs to take current conditions into account. This new draft should then be rearranged in

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[2] a set of concepts and categories in a subject area or domain that shows their properties and the relations between them.

coordination with the OLA and subject to its approval. INLN will also need to address the constraints that prevented it from finalising the initial Practical Arrangement.

b. INLN Coordination

63. INLN management introduced its network coordination initiative in the form of the INLN Web Coordination Group (WCG) in 2013 to maintain efficient web and other electronic communication channels. This initiative was intended to increase coordination and collaboration among network participating libraries, provide better services to users, and ensure access to information for the global nuclear community, while making efficient use of library expenditures.

64. The service activities which the participating libraries provide to each other include research support; interlibrary loans; document delivery; nuclear information and knowledge management guidance; and such other services as the participating libraries may wish to provide to the other libraries.

65. Although research support and document delivery services had been one of popular services used by INLN members, we found that the number of document delivery services provided in 2014-2016 was limited. In 2016, out of 35 countries representing INLN members, only four countries were involved in both services.

66. Discussions with NIS management showed that some of the key personnel of the INLN WCG who were the driving forces of the group had left their Agencies in their respective countries. This, coupled with the resource difficulties faced by the IAEA Library in administering the WCG, resulted in a limited network activity.

67. The Agency stated, at the 5th INLN meeting on 5th October 2016, the IAEA Library and member countries agreed to re-start the INLN activities initiative. It has opted to use a new platform for generating interest in the INLN initiative to support coordination, cooperation and collaboration among INLN members.

68. Our analysis also showed that, in implementing this new initiative, the IAEA Library needs to focus more on maintaining the commitment of group members sustainably and providing more efficient access to nuclear information. In the absence of such an environment the goal of strengthening international cooperation in nuclear information resource-sharing will be difficult to achieve.

c. INLN Directory Initiative

69. The INLN Directory was created in 2014. It includes information introducing each INLN member's parent organization, a description of the Library/Knowledge/Information Centre resources, and full contact details for each member library. Fifty-five member libraries representing 35 countries comprised the INLN Directory in 2015.

70. The INLN directory also provides Online Public Access Catalogues (OPACs) of INLN members by way of a one-access landing page. The OPACs allowed access to ten online library catalogues coming from the IAEA Library and nine member libraries. The catalogue caters for nuclear and scientific literature, international standards and patents, best practice guidelines and other forms of "grey" literature. The purpose of the OPACs is to integrate research and retrieval techniques across nuclear information repositories and collections.

71. Our analysis found that:

- the INLN directory needs to be expanded in order to deliver more current and more extensive information content in relation to the member libraries and links to their catalogues;
- some of the contact details are no longer relevant or up-to-date because the individuals concerned have retired or been transferred to other posts; and
- compared to the number of the INLN Library members, the number of links to OPACs is very limited, currently just ten library catalogues, while some of the links to other library members' catalogues need to be updated.

72. Given this situation, we consider that the INLN Directory is not maintained optimally which affects the reliability and availability of information. This has the potential to constrain the purpose of the directory in serving as a basis for INLN ontology in the near future.

73. The NIS Assessment Report 2014-2015 stated that many libraries and international centers around the world are willing to join the INLN, but this will require significant effort on the Agency's side. Following discussions with the NIS manager, we ascertained that "significant effort" means the appointment of a dedicated person to manage this function. The INLN previously constituted a fresh initiative with limited activities and NIS management tried to perform these as part of regular activities. But when the number of network members increased, management found that it lacked adequate resources to fully accommodate the tasks.

74. Consequently, the situation to some extent impedes the operation of the INLN as a developed mechanism for information exchange among member libraries and institutions. Considering the limited services provided in 2014-2016, there is a need for closer collaboration and active participation among INLN members. Personal contacts, communication, and visibility are significant factors. Therefore, it is important to enhance the outreach and promotion of the INLN activities and services. This will require the allocation of resources, especially human resources.

Recommendation 8

We recommend that the Agency seek sufficient resources to further improve existing collaboration and increase the number of members. This should include:

i. finalizing the INLN Practical Arrangement initiative;

ii. increasing the outreach and promotion of activities while improving efficiency and sustainability in maintaining the commitment of members so as to steer the INLN towards a distributed and coordinated nuclear library community; and

iii. improving the INLN directory through consultation among members so as to provide a single point of access to nuclear information services.

The Agency agreed with the recommendations.

B. International Nuclear Information System (INIS) Collection and Services

Enhancement of Collaboration for Obtaining and Providing Nuclear Information and on Outreach for Managing Nuclear Information Sources

75. As per the *Definition of Membership Arrangements for INIS*, No. GOV/INF/2000/21 of 5 September 2000, the principal responsibilities of the IAEA through the INIS Secretariat are:

- the distribution of INIS output products, including the full texts of non-conventional literature at prices established by the Agency; and
- the preparation of input with respect to the literature published by the Agency and the other UN organizations.

76. The INIS Members' responsibilities include, amongst others:

- the collection, selection, description, categorization, indexing, abstracting and related preparation, of items of literature published within its national boundaries (or organizational confines if an international body) and submission to the INIS Secretariat in Vienna in accordance with the definitions, rules, procedures, formats, and guidelines set forth in the "IAEA/INIS Reference Series" and associated INIS Circular Letters;
- preparing for input of a minimum number of items of literature per year, including those published within its national boundaries and if necessary others as established on the basis of the Supplemental Arrangements; and
- providing the Agency with the full text of each item of non-conventional literature, either as originally published or in a form jointly determined prepared to a standard specification, provided there is no legal prohibition or limitation.

In the context of the Agency's statement and our analysis, we make the following observations on the INIS:

a. Collaboration in Obtaining and Providing Nuclear Information

Collaboration among Internal Information Sources

77. The responsible manager has organized its collection and information services to manage, preserve, and provide access to information in all areas of Agency-wide programmes. There were over two million visits to the INIS website in 2014. In contrast, many other Agency information resources have much lower access rates. Using INIS as a single access point for a greater number of Agency resources could benefit all concerned, especially external users and Member States.

78. The INIS Secretariat is also responsible for the preparation of input with respect to the literature published by the Agency and other UN organizations. Our analysis found that the INIS Secretariat faces a number of problems regarding the contributions of internal information sources. The INIS secretariat often does not automatically receive all information and documentation when internal information sources, such as staff members, units, and divisions publish papers, technical and guidance reports. This creates difficulties in the following areas:

- ensuring the unrestricted use of employee papers that have been submitted to and been published by commercial publishers in the role of an institutional repository;
- collecting non-conventional literature (NCL), such as proceedings, conference material, project reports, and other publications from internal information sources, excluding restricted ones, in a timely manner; and
- enriching its repository by collecting the full-texts of all formal Agency publications without having to wait for years to pass and to provide exposure to Agency publications through well-frequented INIS Repository search.

79. Our interviews with the Subprogramme Manager revealed that the above situation resulted from a lack of formal guidance to encourage coordination and collaboration between the INIS Secretariat and internal information sources within the Agency. Additionally, the INIS Secretariat

does not have an appropriate mechanism to complement its function of fostering the contribution of internal information sources.

Contribution of Member States

80. INIS has 154 members comprising 130 Member States and 24 international organizations. Although all of them utilize INIS repository, only around 60 members actively contribute to INIS repository.

81. Our analysis on INIS Activity Report 2013 – 2015 showed that the gaps between utilization and contribution or input by Member States were evident. Some INIS members make significant use of the INIS repository, while their contributions are negligible. This should be brought to the attention of the INIS Members and ways sought to improve the situation. For instance, out of the top 20 countries utilizing the INIS Repository in 2015, it showed the total of utilization was 643,031 unique visitors[3] while the total of inputs[4] was only 33,106 records. The average of inputs from them was 1,655 records per each of top 20 countries. Based on that calculation, we found that there were 14 out of 20 countries or 70% made inputs below the average. Furthermore four out of those 14 countries made no input. This situation is to some extent inconsistent with the *Definition of Membership Arrangements for INIS* No. GOV/INF/2000/21 concurred on 5 September 2000, as regards the minimum input responsibility of the Member States.

82. The lack of contribution of Member States to INIS can be explained by frequent changes in the INIS Liaison Officers without updates being sent to the INIS Secretariat. Moreover, there are constraints on Member States in sharing information pursuant to their own regulations.

83. This situation could distract the Agency from providing extensive, relevant and up-to-date collections of INIS bibliographic and full text records.

Recommendation 9

We recommend that the Agency:

i. enhance internal coordination and collaboration among information and document owners by introducing formal guidelines and their implementation. Such improved collaboration could increase the Agency's available information resources in term of quality and quantity through a single access point; and

ii. consider revising the *Definition of Membership Arrangements for* INIS No. GOV/INF/2000/21, so as to strengthen the responsibilities of INIS members in fulfilling their obligations, particularly bearing in mind the ongoing advances in information technology and nuclear information.

The Agency agreed with the recommendations.

b. Outreach in Managing Nuclear Information Sources

INIS Promotion and Outreach through Newsletter

84. The INIS Secretariat also provides a newsletter to Member States through email and the INIS website. The advantage of the newsletter is its cost effectiveness that the INIS Secretariat can reach a very broad audience instantly at a low cost. Furthermore, the newsletter helps the INIS Secretariat promote INIS activities and increase communication between the INIS Secretariat and Member States. It also provides opportunities for Member States to share their experiences and lessons learned regarding cooperation between Member States and the Agency, particularly in INIS activities.

[3] Unique visitor is a term used in web analytics to refer to a person who visits a site at least once within the reporting period.
[4] Input reflects the number of records submitted to INIS.

85. However, production and distribution of the INIS newsletter stopped in 2015. This resulted from the policy of producing only a single newsletter for Nuclear Energy Department. Consequently, the subprogramme lost its effective way in increasing awareness of the INIS.

INIS Full Text Copyright Issue

86. The IAEA Library has an obligation to collect papers issued by IAEA staff members, although some of them may have been published in copyright journals. The submission of pre-print versions could be considered for the INIS repository. At the same time, the INIS collects, through its national liaison officers, publications which in some instances have unclear copyright status. Correspondingly, we consider that INIS needs to explore suitable ways for protecting submitted papers and its repository.

87. We observed that currently the INIS Secretariat assigns this work to information analysts and project coordinators who are not legal specialists. To respond attentively to potential threats, there should be an Agency-wide mechanism for legal issues based on stronger legal support which could be provided by the Office of Legal Affairs (OLA). With support from the OLA, the Agency needs to consider issues related to the protection of intellectual property rights.

88. Regarding this matter, the 37th Consultative Meeting of INIS Liaison Officers recommended the INIS Secretariat:

- in cooperation with its members, review NCL copyright practice and draft related guidelines to be used for the INIS Collection;
- find ways to include more nuclear patents in the INIS Collection, as well as publications by other commercial publishers, in addition to the ones already used by INIS.

89. The issues relating to copyright treatment could hamper the Agency in its role of increasing awareness of the INIS and highlighting the benefits for current and potential users. They can also, to some extent, distract the Agency from receiving high quality and reliable information on the peaceful uses of nuclear energy from its members.

Recommendation 10

We recommend that the Agency:

i. enhance its outreach and promotion activities, including publishing an INIS newsletter, in order to increase awareness among INIS members and highlight the benefits for current and potential users; and

ii. consider the need for stronger legal support as regards the copyright and ownership challenges of content submitted to the INIS.

The Agency agreed with the recommendations.

C. Monitoring and Assessment of Output and Outcome Achievement in Nuclear Information Subprogramme in 2014 – 2015

90. The objectives of the Nuclear Information Subprogramme are:

- to procure and provide printed and electronic information in the area of nuclear science and technology to the IAEA Secretariat, delegations and other users; and
- to facilitate the sustainable sharing of information generated by Member States on the peaceful uses of nuclear energy.

91. In accordance with "the Agency's New Approach to Programme Development", the Agency's programmes are planned using results-chain principles. Achievement of results through the implementation of a programme can be claimed at any of the output, outcome or objective levels, which constitute the "results chain". The results at each level are linked to the next higher level by means of achievements in a sequence of cause and effect relationships.

92. Performance Indicators are designed so that the achievement of outcomes can be assessed, whereas performance measurement is a tool for providing feedback and a basis for improving performance and implementation. To enable managers to measure performance, the Agency also introduced "Guidelines on Programme Performance" in October 2015.

93. We observed that the Agency implements projects' planning, monitoring and assessment by using Hyperion as its main tool. Our analysis showed that:

- The Agency needs to put more emphasis on the availability and accuracy of actual achievement documentation. This will help increase the accountability of the assessment process so that the necessary corrective action may be taken.
- Some of the performance indicators reveal significant variance regarding the achievement of targets. The managers follow the Agency's programme assessment procedures and incorporate comments in the assessment report. However, the explanations for unachieved performance indicators could be more comprehensive. For instance, it could be done by describing the reason why the target was not achieved, what the main challenge or problem is and how that problem can be resolved during the next period, rather than only giving the detailed number of achievements.

94. We identified several potential reasons and explanations for the above situation:

- In assessing their performance, managers use both the quantitative and qualitative measurement aspects to come up with actual achievements. The managers use quantitative measurement sources, such as statistical data and monthly figures. In addition, they employ their professional judgment based on experience and expertise in respect of the qualitative aspects. However this judgement has not been documented.
- Project plans are formulated 3-4 years in advance. The time lag between the planning and implementing phase makes managers difficult to give precise baselines and targets.

95. The managers stated that they could plan better if they have precise project prerequisites in the form of human resources, infrastructure and technology related to the subprogramme's projects. The time lag complicates the work of managers as changes may occur regarding the resource availability between planning and implementation.

96. Based on the analysis, the situation could mislead the Agency in evaluating the results of outcome measurements and hamper the lessons-learned process.

Recommendation 11

We recommend that the Agency:

i. improve the documentation of monitoring and assessment process so as to increase its accountability;

ii. ensure the performance information has been entered and updated in Hyperion accurately and comprehensively; and

iii. provide a certain mechanism to minimize errors if unexplained variances occur between the targets and the level of actual achievement of the performance indicators.

The Agency agreed with the recommendations.

III. NUCLEAR MEDICINE AND DIAGNOSTIC IMAGING

BACKGROUND

97. The Nuclear Medicine and Diagnostic Imaging (NMDI) is one of the Subprogrammes under the Programme of Human Health as part of the Major Programme of Nuclear Techniques for Development and Environmental Protection. It has two main projects, namely, Nuclear Medicine in Diagnosis and Therapy of Non-communicable Diseases; and Education Resources for the Use of Nuclear Techniques in Human Health.

98. The objective of the NMDI Subprogramme for 2016-2017 is to improve the management of cancer, cardiac, and other non-communicable diseases in the Member States by enhancing professional capabilities through the effective implementation of nuclear medicine and integrated diagnostic imaging. It has two expected outcomes:

- increased capacity of Member States to manage major health conditions such as cardiovascular disease and cancer by using nuclear medicine and diagnostic imaging techniques along with Agency standards/guidelines; and
- increased capacity of Member States to provide advanced nuclear medicine and diagnostic imaging procedures.

99. To fulfill the objectives and achieve the desired outcomes at the subprogramme level, the NMDI undertakes those two projects through various tasks and activities so as to deliver the expected outputs. It reflects the concept of Results Based Approach (RBA).

100. To help implement the RBA framework, the NMDI utilizes Hyperion as part of the Agency-wide Information System for Programme Support (AIPS). This tool provides planning and assessment modules for managers at different levels. The programmatic planning design maps out the desired results formulated at the outset of the implementation process, against which actual performance is assessed at the middle and the end of the programme periods.

AUDIT FINDINGS

A. Planning Design of Nuclear Medicine and Diagnostic Imaging (NMDI) Subprogramme

101. As regards the planning phase, we observed that the Agency develops work plans by means of the planning module for the 2014-2015 and 2016-2017 biennial programme and budgets. These programmatic schemes include defining planned tasks, outputs, and outcomes at the project level. At the subprogramme level, the Agency formulates outcome indicators by establishing baselines and targets with correlating assumptions and means of verification.

102. Based on the resultant planning design, the Agency monitors project implementation by tracking the progress of outputs and tasks completion, and assessing outcomes achievement by applying the indicators. As regards the effectiveness of monitoring and assessment, we found that there are some aspects of the planning design that could be improved by the Agency.

Logical connection between outcome indicators and project outputs

103. As per Paragraph 20 and 22 of the "Guidelines on Programme Performance", the formulation of outcomes and performance indicators (PIs) is fundamental to the results based approach and established at the planning stage. Outcomes are directly linked to outputs and can be assessed by performance indicators. Outcomes are the specific changes that need to result from the Agency's actions during a biennium if the higher level goals, including impacts and objectives, are to be achieved. It could be expected that an effective planning design allows the logical connections between outcomes and project outputs to be explained; and the contribution of outcomes to the Agency's objectives ensured.

104. Agency's Work Plans for 2016-2017 define the subprogramme outcomes and their corresponding performance indicators as detailed in the table below:

Table 2: Outcomes of NMDI Subprogramme corresponding to their performance indicators

Outcomes	Outcomes' Performance Indicators
1. Increased capacity of Member States to manage major health conditions such as cardiovascular disease and cancer by using nuclear medicine and diagnostic imaging techniques along with Agency standards/guidelines.	• Number of institutions in Member States applying nuclear medicine and diagnostic imaging procedures involved in NMDI activities in one year.
2. Increased capacity of Member States to provide advanced nuclear medicine and diagnostic imaging procedures.	• Number of procedures in cardiology using Agency guidelines/ recommendations in one year; and • Number of procedures in oncology using Agency guidelines/ recommendations in one year.
Sources: the Agency's Programme and Budget 2016-2017	

105. The first project of the NMDI Subprogramme, the Nuclear Medicine in Diagnosis and Therapy of Non Communicable Diseases, has the following outputs:

- Guidance documents, guidelines, standard operating procedures (SOPs), international conferences and results of CRPs.

106. Then the second project of the subprogramme, Educational Resources for Use of Nuclear Techniques in Human Health, has the outputs as follows:

- Review/update Human Health Campus, update Nuclear Medicine Database (NUMDAB), interactive e-learning material, webinars/training materials, harmonize nuclear medicine training curriculum, promote use of Quality Management Audits in Nuclear Medicine Practices (QUANUM) in Member States.

107. Our analysis of those project outputs using the results-chain principle showed that the logical connection between the outputs and the outcomes should be as follows:

- The outputs of the first project consisting of guidance documents, guidelines, SOPs, conferences, and CRP results may be categorized as relating to knowledge sources for medical professionals in Member States. Meanwhile, the outputs of the second project mainly relate to training and quality audits for medical professionals for the purpose of improving their skills.

- Logically, the delivery of the outputs from both projects should lead to medical professionals' increased capacity in terms of knowledge and enhanced capabilities in terms of skills if the relevant assumptions, such as the commitment of medical professionals, are met; and the risks related to ineffective means of dissemination are managed. Therefore, we consider that increased capacity and the enhanced capabilities would be more appropriate for use as outcomes compared to the existing ones set out in Table 2.

108. The same logic can be applied to analyzing the connection between outcomes and impacts, as described below:

- The achievement of the new outcomes, namely increased capacity and enhanced capabilities of medical professionals, should bring about successful implementation of NMDI procedures by institutions in Member States, provided that relevant assumptions, such as the availability of facilities in Member States, have been fulfilled and associated risks, including financial and managerial aspects, have been addressed. Therefore, the existing performance indicators of the outcomes in the table above consisting of "Number of institutions in Member States applying nuclear medicine and diagnostic imaging procedures involved in NMDI activities in one year" and "Number of procedures in cardiology/oncology using Agency guidelines/recommendations in one year" would be more suitable for use as impact indicators.

109. Based on the above analysis, we conclude that there is a missing link between output and impact as the existing outcomes should have been positioned as impacts.

Measurement of outcome indicators

110. As per Paragraph 23 and 26 of the "Agency's Guidelines on Programme Performance", having confirmed the coherence of the planning structure, i.e. the logical connection of output-outcome-impact chains, the delivery of outputs should be related to the achievement of outcomes. Outcome indicators are yardsticks used to assess the achievement of outcomes.

111. We reviewed the outcome indicators of the NMDI Subprogramme, as set out in the 2014-2015 Outcome Assessment Report and 2016-2017 Planning Report. We also appreciate that the indicator formulations in the latter report have been updated so that the terms used are more measurable compared to those used in 2014-2015, for instance, using number of institutions instead of increased capacity. Additionally, the updated indicators also refer to yearly change in outcomes, which did not exist in the former reporting period.

112. We observed that the target and baseline indicators for the 2016-2017 planning still use absolute values, which do not reflect the updated performance indicators emphasizing the yearly changes in outcomes.

Recommendation 12 We recommend that the Agency reformulate the performance indicators related to planned outcomes in future planning processes to ensure that such performance indicators better reflect the relevant outputs delivered and outcomes achieved during the defined period (i.e. the relevant biennium).
The Agency agreed with the recommendation.

Measurability of planned project outputs

113. As per Paragraph 22 of the "Agency Approach to Programme Development", in the context of results based programming, measuring or observing the degree to which results have been achieved takes on particular significance. Achievement of results through the implementation of the programme can be claimed at any of the output, outcome or objective levels. The guidelines also provide an example that outputs are quantifiable and measurable.

114. We reviewed the Planning Reports of the NMDI Subprogramme for 2014-2015 and 2016-2017. In this regard, we observed that each task under a project has detailed information about outputs to be achieved in a specified time frame. However, main planned outputs at the project level do not have detailed descriptions regarding the quantity and completion times. This situation may cause problems related to measurability in the assessment of project outputs.

Recommendation 13 We recommend that, in accordance with the Agency Guidelines and RBA framework, the Agency consider, where appropriate, including an element of measurability when reporting on the planning and assessment of project outputs.
The Agency agreed with the recommendation.

B. Implementation of Assessment on NMDI Subprogramme

Information and data collection during the outcome achievement assessment process

115. As per Paragraph 38 of the "Agency's Guidelines on Programme Performance", in the implementation phase, outcome achievement is assessed by performance indicators. During the assessment process, the information and data collected, along with the comments and actual achievements, need to be recorded in AIPS Hyperion and kept for possible future reference by OIOS and/or External Auditor or for possible queries by Member States.

116. We examined how the NMDI Subprogramme collects and records data and information during the assessment process. The Agency explained that the outcome achievement values are obtained mainly from the Nuclear Medicine Database (NUMDAB). It keeps the NUMDAB's historical records, and then verifies the reliability and completeness of the data.

117. We observed that the NMDI does not have formally documented procedures for recording the data verification process and justifications used in obtaining the indicator values of outcome achievement. As a result, the achieved values may not reflect all possible values that existed when programmatic performance was measured.

Recommendation 14 We recommend that to improve the contemporaneous documentation and validation of performance indicator measurement, the Agency should record the data verification process and justifications used in obtaining the figures for baselines and target indicators, and for their achievements.
The Agency agreed with the recommendation.

C. Implementation of Coordinated Research Projects (CRP) Under NMDI Subprogramme

CRP process in delivering task outputs

118. Coordinated Research Activities (CRAs) performed through Coordinated Research Projects (CRPs) are the major tasks under the Nuclear Medicine in Diagnosis and Therapy of Non Communicable Diseases Project of the NMDI Subprogramme. They account for 12 out of 15 tasks in 2014-2015 and 11 out of 17 tasks in 2016-2017. The NMDI Subprogramme manages the CRP tasks

through the Research Contracts Administration Section (NACA), which administers the Research Contract System (RCS).

119. The CRPs can have three main statuses as follows:

- Active is when there are active research contracts. The active period commences when at least five contracts/agreements have been approved and the day of approval is registered as Start of the CRP.
- Completed is when all research contracts have been terminated and the last instalment has been paid.
- Closed is when final CRP evaluation has been approved by the CCRA committee.

120. From a study of the summary report on active CRPs available on the NACA website, we examined seven CRPs completed in the last five years and observed that one CRP (E13035) had yet to be closed as of the end of October 2016 in spite of having been completed on 28 January 2013. The results have not been presented to the Committees for Coordinated Research Activities (CCRA) as the final outputs have yet to be accomplished.

121. The Agency explained that the time when an output is published is difficult to predict due to the clinical-research nature of the CRPs conducted in the NMDI Subprogramme. There is an interval between the completion of a CRP and its closure, during which clinical follow-up on patients is completed and the CRP results need to be prepared through the relevant means of dissemination, e.g., through peer-reviewed-journal publication, IAEA internal publication, Technical Cooperation (TC) mechanism, training, etc. This interval is taken into account during the planning phase, with an estimation of 1-2 years added to the “expected end” date. In our view, the above situation could result in inadequate control over the final output of the CRP process and result in project completion bottlenecks at the project level.

Recommendation 15

We recommend that the Agency should consider adding in the CRP process a step after the approval of the CRP evaluation by the CCRA, whereby the Agency would follow-up by which means the CRP results have been disseminated. This would allow the Agency to determine if the CRP results have been appropriately disseminated e.g. through peer-reviewed-journal publication, IAEA internal publication, TC mechanism, training, etc. Additionally, the Agency should consider if additional processes could be implemented to reduce the time between financial-closure of contracts supporting a CRP and the final closure of the CRP upon completion of all outputs and approval by the CCRA.

The Agency agreed with the recommendations.

IV. RADIATION SAFETY AND MONITORING

BACKGROUND

122. The Radiation Safety and Monitoring is one of the subprogrammes under the Programme of Radiation and Transport Safety as part of the Major Programme of Nuclear Safety and Security. It has four main projects, namely, Radiation Protection Criteria and Standards Project, Radiation Protection of Patients Project, Occupational Radiation Protection Project, and Radiation Safety Technical Services.

123. Among those four projects, we mainly observed the Occupational Radiation Protection and the Radiation Safety Technical Services since they were regarded as important projects. The former strives to ensure an appropriate control of normal and potential occupational exposure due to external and internal irradiation from both artificial sources and natural sources of radiation. While the latter

facilitates the application of the Safety Standards to the Agency's own operations and for operations in Member States.

124. The objectives of the Radiation Safety and Monitoring Subprogramme are:

- to assist in reaching the highest level of radiation safety in Member States through development of Safety Standards and Guides and providing for their application in all sectors of industry, medicine and other applications; and
- to ensure a high level of radiation protection for the Agency's own operations and for all operations making use of materials, services, equipment, facilities and information made available by the Agency, including technical cooperation projects.

125. To meet its objectives, the subprogramme emphasizes providing for the application of Agency Safety Standards in Member States as stipulated in the Statute of the IAEA. This includes assisting in the implementation of the revised Basic Safety Standard (BSS); providing Radiation Safety and Technical Services to facilitate the application of the safety standards to the Agency's own operations and for operations in Member States; and providing services for Member States in reviewing and appraising the implementation of IAEA safety standards.

AUDIT FINDINGS

A. Occupational Radiation Protection Project

The Development Process for Occupational Radiation Protection Safety Standards

126. The preparation and review of IAEA safety standards involve the IAEA Secretariat and four standards committees coordinated by the Commission of Safety Standards (CSS). All IAEA Member States may nominate experts to serve on the standards committees and may provide comments on draft standards.

127. In developing Safety Standards for Occupational Radiation Protection, the Agency has taken into account the involvement and input from various stakeholders and developed supporting documents, such as Safety Requirements and Safety Guides. The structure of the safety standards has been developed in accordance with the Strategies and Processes for the Establishment of IAEA Safety Standards (SPESS). The results of the development process have been exhibited on the Occupational Radiation Protection Networks (ORPNET) website, with the documents including two Safety Requirements, seven Safety Guides, nine Safety Reports, eleven Technical Documents, and three Proceedings. Additionally, six Training Materials have been made available on the Agency's Nuclear Safety and Security website.

128. We observed that, as part of the multi-step process of developing Safety Standards, it takes approximately two to three years for a new standard document to be approved and an additional year for the document to be published. In some cases, getting to the publication stage takes even longer than this.

129. For instance, the Document Preparation Profile for the Safety Guide on Occupational Radiation Protection was approved by the CSS on 2 November 2011. Even though the publication had been targeted for April 2015, the document was still in the publication process as of the end of the audit field work. Another document, the Safety Report on Radiation Protection for Itinerant Workers, has taken more than five years to be published from the time of preparation of the initial drafts.

130. Our analysis showed that the reasons for the lengthiness of the process are as follows:

- the project faces lack of human and financial resources;
- some of the standards require a great deal of experience and evidence-based research to be used as inputs, which may not always be available in a short period of time;

- the resources are allocated to other higher priority projects or activities within the subprogramme, which delays the development process for low priority guides or standards; and
- considerable time has been devoted to drafting new standards and to obtaining Member States' feedback, which is a critical step in the development of high-quality standards.

131. The Agency acknowledged the difficulties in resolving the problem of timeliness, given the consensus nature of the approval process and the need to allow sufficient time for Member States to provide comments. Nonetheless, this time-consuming process may result in the Agency being unable to meet the needs of Member States for particular standards or guidelines, and application of the necessary protection measures in a timely manner.

Recommendation 16

We recommend that the Agency:

i. streamline the process of developing and publishing the IAEA Safety Standards on Occupational Radiation Protection so as to accelerate and reduce the time needed for their approval and publication, while continuing to maintain the development of high-quality standards; and

ii. enhance and accelerate the planning phase of developing safety standards by incorporating rational risks and assumptions so as to better predict with more accurate timeframe for developing standards and guidelines.

The Agency agreed with the recommendations.

The Assessment Process in the Radiation Safety and Monitoring Subprogramme

132. In accordance with "The Agency's New Approach to Programme Development", the Agency's programmes are planned using the results chain principles. Achievement of results through the programme implementation can be claimed at any of the output, outcome or objective levels, which constitute the "results chain". The results at each level are linked to the next higher level by means of achievements in a sequence of cause and effect relationships.

133. Additionally, performance indicators are designed so that the achievement of outcomes can be assessed, whereas performance measurement is a tool for providing feedback and a basis for improving performance and implementation. To enable managers to measure performance, the Agency also introduced "Guidelines on Programme Performance" in October 2015.

134. The Radiation Safety and Monitoring Subprogramme undertakes the projects' planning, monitoring and assessment by using Hyperion as its main tool. Our analysis on the monitoring and assessment of the Occupational Radiation Protection Project showed that:

- There are difficulties in tracing the reasons for changing task outputs in Hyperion.
    - Such difficulties arise from the absence of specific explanations for changing planned task outputs. Changes in the planned outputs result from the situation where a number of task outputs listed in the Assessment Reports, also known as "Comprehensive Information on Assessment I 2014 – 2015", are not listed in the Planning Reports.
    - The Agency confirmed that the additional task outputs referred to above were incorporated in order to accommodate Member States' needs as requested prior to or in the process of implementation. However, Hyperion does not provide a field to accommodate explanations for a change in task output. Although changing task outputs forms part of management discretion, we consider that providing the reasons for such changes is important for future planning.

- There is no explanation in Hyperion as regards variance between target and actual achievement.
    - This situation arose in connection with one of the performance indicators of the Occupational Radiation Protection Project. Such explanation is important to serve as a lesson learned for the Agency's upcoming plans.
    - In relation to the variance between the target and actual performance, the Agency stated that the target, in this case, had actually been achieved. However, the correct Hyperion field ("Comments on RAG Status and Achievements")[5] had not been updated, although the explanation was recorded in another field ("Lessons Learned and Follow-up Actions") instead. Despite the Agency's above explanation, we still consider that the former field should have been updated to make the assessment report more informative and accurate.

135. Based on the analysis set out above, the situation could mislead the Agency in evaluating the results of outcome measurement and impair the lessons-learned process.

Recommendation 17 We recommend that the Agency: i. improve Hyperion so as to enhance the lessons learned and the assessment process. This would involve the addition of an explanatory field to cover situation where changes in task outputs occur; ii. ensure the performance information has been entered and updated in Hyperion accurately and comprehensively; and iii. provide a certain mechanism to minimize errors if unexplained variances occur between the targets and the level of actual achievement of the performance indicators. (Point ii and iii are equivalent to Recommendation 11.ii and 11.iii)
The Agency agreed with the recommendations.

Feasibility and Effectiveness of Occupational Radiation Protection Appraisal Service (ORPAS) Missions

136. The Occupational Radiation Protection Appraisal Service (ORPAS) is an assessment conducted by international experts selected for their experience in such reviews. The purpose of the assessment is to check the regulatory and practical implementation of occupational radiation protection arrangements. An appraisal also aims at identifying specific strengths and best practices that can be shared with other Member States. Finally, an appraisal provides a basis for determining where improvements may be required and for recommending actions to make such improvements. The implementation of ORPAS Missions' recommendations is monitored by the Follow-Up Missions.

137. We identified that the ORPAS mechanism is one of the most significant ways in which the Agency facilitates the application of, and performs reviews against, IAEA safety standards in Member States. Unlike any other mission, an ORPAS mission not only focuses on the regulatory elements of a Member State but also on end users and Technical Services/Support Organizations (TSO) that will participate in the appraisal process. In addition, missions are conducted in an environment of close

[5] Guidelines on Programme Performance, Par 37, RAG Status stands for Red, Amber or Green Status that can be assigned to Performance Indicators at all levels when in the managers' judgement the task are 'unable to achieve target', 'deviation from current plan but on-track to achieve target' or 'on track' respectively.

cooperation and communication with Member States, with a view to enhancing the ownership of ORPAS recommendations.

138. In this regard, our analysis on the management of ORPAS missions showed that:

- The feasibility of conducting planned ORPAS missions in several countries is unclear due to uncertainties related to funding and the receipt of formal requests.
  - The Agency planned seven ORPAS missions in 2016, nine missions in 2017 and one mission in 2018. The number of ORPAS missions conducted from one year to another can vary greatly. This is mostly due to uncertainty as regards sources of funding, which still largely depend on extrabudgetary and Technical Cooperation (TC) project funding. In 2016, ORPAS missions were undertaken and funded under the TC Regional Project, and with extrabudgetary support from Japan. This situation will continue in 2017. Additionally, since a mission must be based on a request, appraisal services will only be provided after a formal request has been received by the Agency.
  - For instance, the Agency has discussed and planned ORPAS missions for Cuba and Nicaragua in 2017-2018 but there have been no specific funding allocations, and no formal requests from these two countries. Given this situation, the feasibility of conducting missions in Cuba and Nicaragua remains unclear.
  - Moreover, the Agency commented that for 2018-2019, ORPAS missions will be included in the Programme and Budget. Several Member States in Asia, Africa and Latin America are considering availing of appraisal services for 2018 and onwards. However, the number of requests that will be received and the number of specific ORPAS missions that will be performed in 2018-2019 can not be estimated as a specific ORPAS Mission will only be planned upon the receipt of a formal request from a Member State.
- The effectiveness of mission in improving safety in the area of occupational radiation protection is not evident.
  - Since 2001, nine countries have received ORPAS missions but only two of them received Follow-Up missions. As an alternative in the case of the remaining seven countries, the Agency explained that the implementation of ORPAS recommendations was monitored by means of collecting information from the Radiation Safety Information Management System (RASIMS) and direct communication with the Member States during the implementation of the TC Project. However, this process is neither formalized nor documented.
- Out of 168 member states, only nine countries received ORPAS missions from 2001 to 2015. Compared to other services, this number is relatively low. For instance, the Integrated Regulatory Review Service (IRRS) has conducted 78 missions in 58 Member States since 2006. The Agency stated that the principal reasons for this include the prioritization of IRRS and actions related to the Fukushima accident.

139. Additionally, we identified a number of other reasons to explain the low take up rate. These include:

- Member States are unaware of the various types of mission services provided by the Agency, including ORPAS, despite relevant information being available on the web and being provided at all TC coordination meetings; and
- a lack of human and financial resources to perform ORPAS Missions and to monitor the implementation of their recommendations.

140. We consider that this situation gives rise to the following consequences:

- Member States do not receive the assistance they need to verify compliance with the required radiation safety measures in the area of Occupational Radiation Protection;
- the effectiveness of the ORPAS Missions cannot be determined as only two Follow-Up Missions were conducted; and
- the allocation of the required resources is unable to be predetermined during the planning process.

Recommendation 18

We recommend that the Agency:

i. seek alternative funding sources for ORPAS Missions in order to better identify the resources needed for the conducting of such missions;

ii. seek alternative means of collecting information so as to monitor the follow-up on ORPAS' recommendations in order to better assess their effectiveness; the possibility of expanding the Radiation Safety Information Management System (RASIMS) for this purpose should be analyzed;

iii. foster the Radiation Safety & Monitoring (RSM) Subprogramme to collaborate with other missions so as to encourage Member States to request ORPAS assistance, for instance, through collaboration with the Integrated Regulatory Review Service (IRRS) and other safety services. This would allow these missions and ORPAS to complement each other by focusing on end-users and technical support organizations; and

iv. enhance its efforts to promote the use of ORPAS among all Member States.

The Agency agreed with the recommendations.

B. Radiation Safety Technical Services Project

Demand for Radiation Monitoring and Protection Services (RMPS) Compared to Available Resources

141. The activities of the Radiation Safety Technical Services Project are managed by the Radiation Safety Technical Services Unit (RSTSU). The RSTSU offers a 'catalogue' of standard, accredited individual and operational monitoring services. It also offers ad hoc and 'on-demand' services, including provision of personal protective equipment (PPE), lending of radiation monitoring portable equipment and monitoring of incoming shipments with samples from the field. Its major customers are the Department of Nuclear Sciences and Applications (NA), the Department of Safeguards (SG), and Technical Cooperation (TC) Department particularly various TC projects. RSTSU Services can be requested through the RMPS Desk intranet portal.

142. Our analysis on the RSTSU showed that:

- The "Annual Technical Report 2015" reflects the trend over the past five years of a steadily increasing demand for monitoring services. The unit has also been expanding its portfolio of activities. However, its level of resources has only been marginally adjusted. To overcome these constraints, the RSTSU has applied a series of short-term measures such as the engagement of consultants and short-term staff, the use of a significant amount of overtime, and the purchase of essential equipment and coverage of extraordinary operational costs by client Departments. We consider that these measures are not sustainable in the medium to long term, and generate other risks and inefficiencies.

- as part of its planning, the RSTSU is unable to forecast accurately the number of services they will provide in one year due to communication gaps with other departments. Thus, there are times that the Unit has a limited budget to meet an escalating demand for services that they cannot foresee.

143. This situation has also been corroborated by the Agency's Office of Internal Oversight Services (OIOS)'s management review report on RSTSU. The OIOS was requested in January 2016 to perform a management review in order to assess the current constraints facing the RSTSU from the funding, financial and operational perspectives.

144. Additionally, the OIOS' report highlighted several other concerns, namely:

- Relatively weak client-provider accountability results from the ineffectiveness of Service Agreements in raising awareness among internal clients of the amount of resources drawn from the RSTSU, and a lack of realism with respect to the amount of services that can be delivered by the unit.
- From the perspective of human resources requirements, the report identified problems such as understaffing of laboratory technician personnel and overcrowding of some roles, thereby generating operational risks and service delays; commingling of operational and \`policy advice\` tasks that are not necessarily compatible, thereby creating ripple effects in the form of task allocation of multiple positions; and short-termism and limited back-up of technical functions.
- Other findings related to the operational aspects included a strong dependence on the Department of Safeguards for the supply of resources for the purchase, maintenance and servicing of essential equipment and challenges encountered by the RSTSU in having external dosimeters returned, especially with regard to items provided to TC non-staff Occupationally Exposed Workers (OEWs).
- As regards the financial aspects, i.e., the cost structure and funding mechanisms perspective, the review found that the current funding model is a hybrid, is not fully aligned with the internal demand for services, and does not satisfy the need to provide stable, predictable and flexible funding to adapt to the changing needs of the business model.

145. The OIOS review set out two main recommendations to address the need to increase the human resource capacity of the RSTSU. First, the review estimated the additional requirements in terms of laboratory technicians. Second, it recommended the separation of the operational and policy-related work carried out as TC Technical Officer (TC/TO) functions. It also offered two alternative funding schemes and provided OIOS' preferences.

146. The Unit has developed an action plan from the recommendations identified in the review of the operational setting and funding arrangements. The implementation of actions of an Agency-wide nature is being coordinated by the Director General's Office for Coordination (DGOC).

Recommendation 19

We recommend that the Agency:

i. maintain coordination with related parties so as to facilitate that the issues concerning the Radiation Safety Technical Service Unit (RSTSU) are acted upon and that an optimal solution is identified by considering the results of the management review conducted by the Agency's Office of Internal Oversight Services (OIOS) in a timely manner; and

ii. maintain the quality of service design and delivery in the application of safety standards for the protection of health to the Agency's operations; and consider the human resource and financial implications of the forthcoming approval and entry into force of the new Radiation Safety and Security Regulations.

The Agency agreed with the recommendations.

V. GENERAL SERVICES

BACKGROUND

147. The Division of General Services (MTGS) provides service functions throughout the IAEA, such as travel and transport support, facilities management, archives and records management, and management of the Vienna International Centre (VIC) Commissary. Two of the five sections under the MTGS are the Archives and Records Management Section (ARMS) and the Facilities Management Section (FMS).

148. ARMS is responsible for the management of records and official correspondence handling. It consists of the Records, Mail, and Archives Units. The Records Unit is responsible for managing the Agency's incoming, internal, and outgoing correspondence. It works with the Mail Unit, which delivers mail services and handles hard-copy correspondence by providing fast and reliable mail, courier, and internal messenger services to meet the Agency's needs. The third ARMS's unit is the Archives Unit, which is responsible for preserving the long-term records of the Agency. Its main function is managing the central repository of permanent historical value and the trusted repository of semi-current records.

149. Another section under the MTGS is the Facility Management Section (FMS). It is responsible for providing services to Agency staff in the form of maintenance services, security equipment services, engineering services, all official incoming and outgoing delivery services, conferences, video conferences, and audio and video related services.

AUDIT FINDINGS

A. Reducing the Use of Hardcopy Documentation by Enhancing the Use of Electronic Correspondence in the Mail Unit

150. The Mail Unit has authority to ensure the achievement of correspondence standards by cross-checking outgoing mail services. The Mail Unit staff regularly screen each piece of correspondence mail. The procedures include checking the level of approval authority, testing consistency with the Agency's official mail format, and sending mail items to the designated addresses. If an outgoing official piece of mail is not in line with the standards, it is returned to the initiating unit.

151. We observed that to select the most economical means of transmission, the Mail Unit classifies mail items based on three categories: registered mail, unregistered mail, and bulk mail. The staff then

assess the sender requirements and the level of urgency of outgoing official mail. This assessment process results in feedback between the Mail Unit and the initiator of the correspondence to clarify the level of urgency of the outgoing mail. The Mail Unit then acts on its decision as to the appropriate means of sending the outgoing mail, i.e., registered mail is used for outgoing mail that needs to be tracked, unregistered mail is used for outgoing mail that does not need to be tracked, and bulk mail is used for groups of outgoing mail with low levels of urgency.

152. Based on the monthly data for outgoing mail in 2015 and 2016, the average monthly cost for mail decreased slightly from €5,013 in 2015 to €4,721 in 2016. We consider that there is an opportunity to reduce the average monthly cost further by considering the possibility of substituting hard copy mail with electronic mail. This would lead to a decrease in the number of hard copies to be delivered.

153. Our analysis on official outgoing correspondence revealed that two kinds of transmission are actually in use, i.e., electronic mail and the sending of complementary hard copy versions. The Agency stated that electronic version delivery as a common practice will enable the recipient to gain rapid access to the information in the correspondence. It also sends a hard copy version to provide assurance as regards authenticity of the information and in accordance with the need for a verifiable authentic signature.

154. Nevertheless, nowadays electronic mail has a feature to address the issue of authentic signature verification which units can avail, instead of sending out hard-copy mail. Furthermore, the existing policy on the verification process for electronic mail signatures refers to the need for an IAEA Standard Email Signature.

155. Discussion with the Agency disclosed that the absence of a standard email signature at the operational level is not being addressed. This is the main factor that justifies the complementary process of sending electronic mail and hard copy mail in outgoing correspondence. This has resulted in additional cost through the sending of the original hardcopy version of the electronic mail to verify the signature.

156. With regard to the aim of establishing a framework for the creation and management of authentic records, the Records Unit could adopt a standard email signature that would be acceptable to all of the relevant parties for verifying signature authentication. Our analysis on outgoing mail showed that once an email signature has been adopted, the first cost reduction measure should be applied to the bulk mail service, which accounts for 35% of the total cost of outgoing mail services (€4,721). Thus, the substitution of email for hard copy mail will result in minimum risk but will have a significant impact on costs.

Recommendation 20

We recommend that the Agency facilitate an evaluation with the goal of reducing the use of hard copy documentation and streamline digital documentation by enhancing the use of electronic correspondence whenever and wherever feasible, initiating digitization programmes to make hard copy records retrievable, and reducing internal paper correspondence. In this regard, the Agency should use the results of such an evaluation to enhance and accelerate the innovation stage for developing paperless correspondence if the report shows that potential cost efficiencies at the operational level can be achieved.

The Agency agreed with the recommendations.

B. Improving Records Management Services in the Records Unit

157. The Records Unit adopts a centralized approach utilizing the Livelink recordkeeping system. The system needs specific cumulative knowledge on the part of Record Unit staff to determine the

intended parties based on an analysis of the records content. This approach captures the correspondence of top management with Member States.

158. To transfer subprogrammes' records to the records center in ARMS, Records Office Coordinators at the subprogramme level use Agency file plan. However, our observations on the Agency's file plan document showed that there were a number of errors in the numbering of file codes. For instance, we found duplication in the file codes for a number of meetings and the use of the same codes for a number of research contracts.

159. Additionally, the Agency uses retention schedule as a timetable to govern the time period during which a record is kept in an office, when/if it is transferred to the records centre, and its final disposition: destruction or accession to the Archives. However, the timetable fails to provide detailed arrangements for the Agency file codes. The Agency records retention schedule merely refers to "all other records" for the responsible office rather than offering department specific instructions as is done for the Technical Cooperation (TC) Department, Division of Procurement Services (MTPS), Division of Budget and Finance (MTBF), Division of General Services (MTGS), and Division of Human Resources (MTHR). It is a cause of concern that no documented and authorized destruction procedure exists, and that the decisions made by the records creators/owners in different Agency units during bulk destruction or in the assessment process are based on subjective judgments with a questionable level of accountability.

160. Discussions with the Records Unit officers indicated that the Agency has not updated the file plan and the records retention schedule for a long time. They were aware of the need to remap the detailed Agency file plan based on current conditions. The Livelink system has the capacity to set a detailed records retention schedule for specific records. However, lack of detail for each record retention schedule in IAEA means that this capability cannot be applied.

161. Meanwhile, the distribution of records workload from 2012 to 2016 revealed that the months of the year that have the highest number of records are April and October. Focusing on records management services would minimize the workload at the archival stage. Proper records management services, using the Generally Accepted Recordkeeping Principles, for all of the Agency's records should start with a detailed evaluation of the records retention schedule for all kinds of Agency records based on the revised Agency File Plan.

162. As a benchmark, the records retention schedule for the Office of Human Resource Management at UN Headquarters consists of seven pages of detailed schedule for each record at the operational level. The detailed retention schedule for each type of file at the operational level of the Agency will unleash the capability of Livelink to generate electronic records handling procedures, thereby leading to greater time efficiency in the archiving process.

Recommendation 21

We recommend that the Agency use the cost efficiencies gained, in respect of the Recommendation 20, to improve the records services by focusing on Records Management Advisory Services that would minimize the workload at the archival stage. Furthermore, proper records management services, using Generally Accepted Recordkeeping Principles, for all of the Agency's records should start with an inventory of records, and an evaluation of the current retention policies and their revision, along with the Agency File Plan.

The Agency agreed with the recommendations.

C. Enhancing Archival Management System in the Archives Unit

163. The Archives Unit is expected to collaborate with the Records Unit to assist Section Units to deal with semi-current records[6] that can be stored in the ARMS Records Centre based on the Agency's records retention schedules. For the purpose of preserving records of permanent historical value and safeguarding the institutional memory of the IAEA, the Archives Unit is responsible for managing the physical storage areas and ensuring the application of minimum preservation standards.

164. In addition, as part of its standard operations, the Archives Unit answers occasional information requests, which are usually submitted manually by staff. For example, the Unit has provided services on research, retrieval and photographic information related to the IAEA's 60th Anniversary events. With its modest means and limited space, the Archives Unit also provides reference services to external researchers interested in the Agency's history.

165. The Archives Unit's digitization projects are aimed at retrieving all historical records and recording them on new digital formats for the purpose of their long-term preservation. Over time, there has been a growing interest from Member States in accessing the historical records of the Agency. The Archives Unit strives to support this kind of research and has developed a plan to present historical material to the public using the database framework.

166. However, user-friendliness and timeliness in accessing information in digital format continue to be problematic. There is also a lack of clarity as regards the procedures and policies for declassifying records for public access. Internally, current risks relate to the lack of documentation and formalized procedures on the use and management of the historical holdings of the IAEA. The manual process of extracting information from semi-current records and historical records relies on individual knowledge of the location and content of the files in the archives.

167. Discussion with the Archives Unit officer indicated that the absence of a new standard procedure for declassification is the main drawback to moving forward. With no new standard, it takes 30 years for archival records to be automatically opened to public access. In some cases, a request for access to an archival record can take some time to receive approval.

Recommendation 22 We recommend that the Agency explore the opportunity to build its capacities in digital archives management and preservation. This could include establishing a digital repository for long-term preservation, an electronic catalog for retrieval purposes, and introducing an archival management system to make the archival life cycle more transparent and better documented.
The Agency agreed with the recommendations.

D. Cost Savings Resulting From Substituting Face-to-Face Meetings with Video Conferences Organized by the Facilities Management Section (FMS)

168. "Greening the Blue Report 2016" revealed that IAEA air travel emissions are the 7th largest among UN organizations. The IAEA air travel accounts for 89% of total IAEA CO2 emissions. This resulted from a fact that travel costs associating with staff, non-staff TC, and consultants increased in average more than 200% from 2015 to 2016.

169. Travel costs reflect the number of meetings held in Vienna during 2016. The total participants were 16,975 who attended several types of meetings such as conference, Consultancy Meeting, Research Coordination Meeting, Technical Meeting, and Training and Workshop. Meeting

[6] Semi-current records mean all records which are no longer needed for daily use in the transaction of official business.

arrangements feature diverse kinds of interaction, so that to some extent face-to-face meetings are necessary.

170. However, the adoption of virtual meeting technologies should be explored to substitute where possible for the need for face-to-face meeting. For instance, the use of Information and Communications Technology (ICT) platforms for video conferences is regarded as having been successful in the Agency for enhancing collaborative work among people through real-time video conferences, same workspace, and multi-user interactivity. According to the Agency's 2015 IT survey, the satisfaction level of videoconferencing users was 90%. In fact, the Agency has only delivered 904 video conference services (mostly for interviews), organized by the FMS.

171. Following discussion with key staff in the relevant areas, we identified some potential causes of this situation. The FMS cannot urge the use of video conferences to replace meetings at the Agency level as this is in the hands of the Agency's core business providers. The provision of video conference and meeting arrangements is limited and based on requests from the technical units. The Travel Unit also gave the same explanation as regards its function of providing optimal support for travel arrangements.

172. The Agency has potential to cost save by enhancing the use of video conference to selected face-to-face meetings. For instance, the video conferences could be used to replace Research Coordination Meetings. The technology has the capacity to meet the need to work together in real time by using the same document and workspace so as to make it similar to a live Research Coordination Meeting. This effort is expected to reduce travel costs related to these particular meetings.

Recommendation 23 We recommend that the Agency review its current level of video conferencing and take steps to increase its use to substitute for face-to-face meetings where practical.
The Agency agreed with the recommendations.

OTHER MATTERS

Cases of Fraud and Presumptive Fraud

173. 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.

174. Three cases of presumptive fraud against the Agency were reported to OIOS in 2016. Two of these cases were procurement-related, both of which have now been closed as unsubstantiated. The other case concerned Agency payments for Member States and is still under investigation. Without any prejudice to the on-going case, no fraud-related losses have, thus far, been detected.

Losses, Write-offs and Ex Gratia Payments

175. Receivables amounting to €90,179.23 were written-off in 2016. These write-offs include the following:

Table 3: Detail of write-offs

No.	Item Description	Amount written off (in Euro)
1	Extrabudgetary Contributions irrecoverable	51,500.00
2	Payroll receivables irrecoverable	29,382.15
3	Agency's Laboratory sales inovices	7,590.00
4	Agency's Publications sales inovices	504.41
5	Private Long Distance Calls	1,202.67
	Total	**90,179.23**

Loss of equipment

176. According to AIPS records, in 2016, there were 41 capitalized assets costing €70,802.75 with net book value of €4,384.25 and 17 expensed type assets with acquisition cost amounting to €19,325.06 which were declared lost.

Ex-Gratia Payments

177. No ex-gratia payments were made during 2016.

RESPONSE TO PAST EXTERNAL AUDITORS' RECOMMENDATIONS

178. Response of the Management indicating action taken on the past External Auditor's recommendations is given in Annex I.

ACKNOWLEDGEMENT

We wish to record our appreciation for the cooperation and assistance extended by the Director-General, and staff of the International Atomic Energy Agency during our audit.

(signed)

Dr. Agus Joko Pramono, M.Acc., Ak., CA

The Member of the Audit Board of

the Republic of Indonesia

External Auditor

Jakarta, Indonesia

23 March 2017

ANNEX I

Response of the Management Indicating Action Taken on Past External Auditors' Recommendations

Key Audit Recommendation		Management Response
Rec. No.	**Description**	
Audit Report for the Year 2015		
Financial Issues		
1	The Agency may adopt a codified accountability policy in a defined timeframe to achieve best results.	The Agency has begun to draft both an Accountability and an Internal Control Framework to prepare the Agency for the issuance of a Statement of Internal Control. Once the underlying processes are in place and implemented, the SIC will be prepared based upon the evidence provided by these underlying processes. The Agency's draft Accountability Framework needs to be reviewed by all relevant parties within the Agency and implementation guidance needs to be developed. The target date for implementation is on 30 June 2018. Management considers the recommendation to be In Progress.
2	The Agency may consider diversification of its investment portfolio and management of the same within the adopted policy framework and also incorporate sovereign guaranteed instruments in the stable emerging economies.	The Agency is constantly considering diversification of its investment portfolio but sovereign guaranteed instruments in the stable emerging economies that would be within the adopted policy framework have not been identified so far. Such analysis of diversification will continue as part of the standard investment management process. Management considers the recommendation to be Closed.
3	The Agency may ensure harmonization of provisions in different manuals and procedures relating to physical verification of assets.	The Department of Safeguards has revised its Asset Management Procedure, and the Department of Management is also working on SOPs for physical verification. When these documents are complete, the Administration Manual and IPSAS Policy Manual will be updated as necessary to ensure consistency. The target date for implementation is on 31 December 2017. Management considers the recommendation to be In Progress.
4	The Agency may continue to refine and improve the estimates and assumptions made, as well as examine the aggregation or disaggregation of populations for more precise estimation of the actuarial liability for post-employment and other long term employee benefits.	The Agency accepted the recommendation. In conjunction with a new actuary (procurement tendering process just finished) the Agency will be discussing possible ways to improve EB estimates. The Agency continues working with the new actuary with respect to review and revision of actuarial analysis. The target date for implementation is on 31 December 2017. Management considers the recommendation to be In Progress.

Key Audit Recommendation		Management Response
Rec. No.	**Description**	
5	The Agency may constructively engage in securing a joint arrangement structure for the Commissary in VIC for its efficient functioning on the principles of proportionately shared risks and benefits.	The Agency has internally considered whether revising the arrangement for the Commissary is appropriate at this time. From a financial statement perspective, it is believed that the current arrangement is acceptable and there are no current plans to modify the current arrangement. The Agency does not plan to revise the arrangement structure in the near future. Management considers the recommendation to be Closed.
6	The Agency may work towards entering into an agreement with the other interested parties in the ICTP with respect to provisions regarding exit of an individual party from the arrangement.	The Agency is investigating the possibility of including provisions regarding dissolution or exit from the arrangement. This audit recommendation was shared with the UN system (including UNESCO) during the IPSAS task force video conference in 2016. The Agency will have final discussions with UNESCO, which will be completed by the end of 2017. Management considers the recommendation to be In Progress.
7	The Agency may consider updating the exchange directory in AIPS instead of keeping it manual for better efficiency and enhanced effectiveness.	The Agency has examined this recommendation and has determined that daily update of the exchange rates in the current environment would be inefficient as many of the underlying policies rely on the UN Operational Rate of Exchange (UNORE). As the UNORE represents a valid proxy for daily rates due to the fact that it is updated should there be any material movement in rates during the month, the Agency believes no further modification is required. Management considers the recommendation to be Closed.
8	The Agency may standardize the process of recognizing the revenue received in the form of goods in kind.	The Agency developed a detailed guidance specifying the different types of contributions in kind related to the Monaco premises and how to account for them. Management considers the recommendation to be Implemented.
9	The Joint FAO/IAEA Division may further strengthen the implementation of the Agency's Risk Management Policy in accordance with the Guidelines on Risk Management.	A special discussion was held for NAFA managers to strengthen the implementation of the Agency's Risk Management Policy. During programming and budgeting for 2018-2019, the implementation of the risk evaluation is improving and will continue. The target date for the improvement is on 31 December 2017. Management considers the recommendation to be In Progress.
Programme on Food and Agriculture		
10	**(i)** NACA may re-evaluate current business requirements and processes that drive the RCS application suite to identify gaps.	**(i)** the business requirements and processes have been reviewed together with OIOS and an external consultant and they have been approved by the CCRA policy session in February 2016.

Key Audit Recommendation		Management Response
Rec. No.	**Description**	
	(ii) Division of Information Technology (MTIT) and NACA may closely work to upgrade the RCS applications, including improved interface with AIPS, so that the data on the Coordinated Research Activities can be correctly and efficiently retrieved in a user-friendly manner.	NACA and MTIT are currently working on the design of a new CRA Online application that will gradually replace the RCS PO Module and the RCS applications. **(ii)** The contract/agreement proposal and progress/final evaluation forms will be ready to use at the beginning of 2017, so that the new process for CRP-length contracts is fully in place. The external platform for CSI will follow, as well as the creation of dashboards for CRA Management Reporting, the CRP forms and the remaining functions located on the PO module and RCS. The target date for implementation is on 31 December 2017 (pending funds and staff availability). Management considers the recommendation to be In Progress.
11	NACA and NAFA may consider including the details of the consultation process in the proposal of Coordinated Research Projects.	The consultation process is already mentioned in each CRP proposal Power Point presentation given by the Project Officer at the CCRA session. The consultation process will be included in the new CRP proposal form when the new CRA Online Module for CRP Forms will be in place (planned for last quarter of 2017). The target date for implementation is on 31 December 2017 (pending funds and staff availability). Management considers the recommendation to be In Progress.
12	**(i)** NACA may include an indicator in the evaluation report as to how the results achieved through Coordinated Research Projects (CRPs) influenced policy planning and decision making in the Member States. **(ii)** The results of CRP on common themes may be communicated to the TC Department to enable them to use these as inputs in the planning stage.	**(i)** If available, the Project Officer mentions on the evaluation form under the paragraph "Impact of the CRP" and "Recommendation", the CRP results' influence on the policy planning and decision making in the MSs. An indicator can be inserted on the evaluation form when the new CRA Online Module for CRP Forms will be in place (planned for last quarter of 2017). The target date for implementation is on 31 December 2017 (pending funds and staff availability). **(ii)** Currently, as the CRP project officer is generally a TC Technical Officer, common themes are shared with the TC PMOs, however not in a systematic way. As already available in the CRP proposal form regarding the relevance of TC projects, PCMF planning module should include the possibility of linking information coming from the new CRA Online. The target date for implementation is on 31 March 2018. Management considers the recommendation to be In Progress.
13	**(i)** The TC Department may work towards establishing a mechanism with the MSs for	**(i)** The periodicity of PPAR submission was changed to once a year from end of 2015. Such a timeframe is considered more appropriate for the

Key Audit Recommendation		Management Response
Rec. No.	**Description**	
	timely furnishing of Project Progress Assessment Report (PPAR) for TC projects. **(ii)** Feedback of the Agency on the PPARs may be recorded in formalized template.	reporting of sufficient and reliable information and hence provides higher incentives to counterparts to comply with the reporting requirements. An IT system for electronic submission has been developed and tested with some Member States. It will be launched and piloted in January 2017. The reporting template is expected to help improving both the submission rate and quality of content; and **(ii)** The template also expected to enable PMOs and TOs in providing feedbacks on submitted reports, as appropriate. Management considers the recommendation to be Implemented.
14	Greater effort may be made to formulate SMART Performance Indicators.	All Section Heads and TOs were requested to work with PMOs to formulate appropriate Performance Indicators for TC projects during the preparation of TC projects for next biennium, according to the Monitoring and Evaluation Guidelines of TC Projects. All new staff are requested to attend specific training courses for formulating SMART Performance Indicators. Management considers the recommendation to be Implemented.
15	Each TC project may be regularly monitored and fully documented from planning to final stage of implementation by the TC Department.	One of the PMOs responsibilities include the planning and monitoring of projects in their respective portfolio. At design stage, most interactions are documented in the PCMF. During implementation, field monitoring visits can be conducted by Agency staff, in addition to formal and informal interactions with the field project teams (e.g. PPAR, email correspondence, mid-term review meetings). Mission reports are always documented in the Agency Trip Reporting system. All correspondence and reports can also be uploaded onto PCMF, under the project. Further support for effective planning, design and monitoring is provided through LFA and M&E capacity building, project design workshops, and joint implementation of monitoring missions (FMM and Self Evaluation). A project achievement report is required to be written by the PMO before a project can be closed. Management considers the recommendation to be Implemented.
Programme on Management of Radioactive Waste		
16	The Agency may consider reviewing the implementation of timelines for various steps involved in the process of development / revision of safety standards so that inefficiencies may be identified and redressed.	The recommendation was discussed with key personnel involved in the standards development and revision process. As a result, steps have been taken to improve the overall efficiency of development and publication in the following areas: - discussion with the Publications Committee and the Publishing Policy Board planned to move the approval by the PC before the CSS approval;

Key Audit Recommendation		Management Response
Rec. No.	**Description**	
		- discussion with MTCD to move earlier in the process (i.e. in parallel rather than in sequence) the review of manuscript by MTCD Editors, also before the CSS approval; - a new content management system is now in place so as to be able to update several publications in one process instead of successive separate processes with also a possibility to have a focused revision process on certain parts of the publications instead of embarking on a complete revision; - staffing increase for the Technical Editorial review in NSOC; and - additional guidance prepared and training to technical officers to enhance the quality of manuscript so as to save time during editorial review. Management considers the recommendation to be Implemented.
17	The Agency may further enhance project planning framework by assigning specific timelines for completion of tasks in a SMART framework.	The Agency will continue to seek ways of further enhancing the project planning framework, particularly during the preparation of the 2018-19 Programme and Budget. Management considers the recommendation to be Implemented.
18	The Agency may consider mid-term appraisal of progress of tasks under different projects to assess progress, comprehend difficulties and assign resources so that the tasks are completed in time within assigned budgets.	The Agency will seek ways of further enhancing such assessments, for example during the existing mid-term appraisals. Management considers the recommendation to be Implemented.
19	WATEC reports may be finalized within a reasonable time-period. The Agency may also consider placing these reports, or a summary of the same, in public domain for greater transparency.	The 2016 meeting of WATEC discussed the External Audit, particularly noting these two points. WATEC was satisfied that reports of its meetings are made available promptly, noting that these reports are developed within the meeting and that conclusions are made available at the end of the meeting (to all members of WATEC, to DDG-NE and the Secretariat). WATEC also considered placing reports in the public domain - noting that WATEC values the open discussion within its meetings - and asked the secretariat to consider alternatives for wider dissemination of the reports of its meetings. The Secretariat will consider alternatives for wider dissemination of the work of WATEC. This will be discussed at a further meeting of WATEC. Management considers the recommendation to be In Progress.
20	INIR and IRRS missions for the Member States that are newly embarking on nuclear power may be further promoted with suitable emphasis on radioactive waste management issues.	The Agency continues to promote all appropriate review services, including ARTEMIS (for the management of spent nuclear fuel and radioactive waste, decommissioning and environmental remediation), INIR (specifically for newcomers to nuclear power) and IRRS (for the full range of

Key Audit Recommendation		Management Response
Rec. No.	**Description**	
		regulatory capabilities). Continued promotion of suitable review services is an ongoing initiative (e.g. discussed in GC, DG briefs, regional workshops, etc.). There are also efforts to prioritize embarking countries to encourage becoming a contracting party to the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management. The initiation of a review service is at the request of a Member State. Management considers the recommendation to be Implemented.
21	The Agency may continue to adhere to the timeline for delivery of final outputs of projects and tasks so that the same could be disseminated to Member States and other stakeholders on time.	The recommendation was discussed with the MODARIA I management and will be incorporated into the MODARIA II programme. The first Technical Meeting (TM) for the MODARIA II programme is set to be held at the IAEA's headquarters in Vienna from 31 October to 4 November 2016, during which the MODARIA II programme will be formally launched. The management will explicitly emphasize to the MODARIA II working groups the need for adhering to development and dissemination timelines. As with standards development, closer coordination with the publications committee will improve the adherence to the timelines for dissemination and reduce the overall durations for publication of products. Management considers the recommendation to be Implemented.
22	The Agency may strengthen the implementation of CONNECT platform by making it more user friendly and by embedding monitoring tools to popularise it amongst the nuclear community and Member States and to obtain feedback on the usage of the platform.	Tools for tracking website usage were implemented early in 2016. Sites using CONNECT have been further improved to enhance the ease of use. The Agency will continue to seek feedback from users and update the platform accordingly. Management considers the recommendation to be Implemented.
Programme on Nuclear Sciences		
23	The Agency may strengthen monitoring of expenditure by project managers for the CRPs.	Expenditures for CRPs are monitored during periodic meetings (every 2 months) between subprogramme and project managers. Management considers the recommendation to be Implemented.
24	The Agency may consider putting in place mechanism to ensure adherence to the timeframe for publication of CRP reports.	In addition to CRP publications, the CRP partners are encouraged to publish their results in peer review journals either individually or as a group in a special issues by a selected journal. Existing and new CRPs in the coming Research Coordination Meetings (RCMs) will consider other ways to publish CRP results, in addition to the end of CRP publication by the IAEA. This is an on-going effort and efforts to implement the recommendation will continue. Management considers the recommendation to be In Progress.

Key Audit Recommendation		Management Response
Rec. No.	**Description**	
25	The Agency may strengthen its mechanism of analysing inputs for tasks for planned outputs before being incorporated into the Projects so as to achieve the desired objectives.	Further inputs from the TWG-RR or other advisory bodies will be gathered to better address the feasibility of the planned outputs under each project/task. The Agency will have a meeting with TWG-RR or other advisory bodies. This is an on-going effort and efforts to implement the recommendation will continue. Management considers the recommendation to be In Progress.
26	The Agency may further enhance its efforts to regularly update the Research Reactor Database and consider a more systematic approach to sensitize MSs on the importance of providing regular update inputs to the Agency.	The Agency is in the process of formally requesting MS to provide updated information for the RRDB; other means of gathering information (e.g. missions, Agency technical meetings, bilateral meetings, etc.) is already in place. The Agency will gather additional relevant information from MS for the RRDB. This is an on-going effort and efforts to implement the recommendation will continue. The target for information update is in the forth quarter of 2017. Management considers the recommendation to be In Progress.
27	The Agency may continue its efforts to strengthen existing RR networks and coalitions.	An assessment of effectiveness of the existing RR networks and coalitions will be done, what will lead to a decision making on further support and assistance. The Agency will assess the effectiveness of the RR networks and coalitions. The target for the assessment is on the forth quarter of 2017. Management considers the recommendation to be In Progress.
28	The Agency may consider stipulating a timeframe for evaluation of the duty travel reports in its Administrative Manual so as to avoid undue delay in evaluation.	This is already in place and implemented. Staff members are reminded electronically about pending travel reports, including their primary managers. Any deviations from timely finalization of the travel reports can be reflected in annual performance review of individual staff members. Management considers the recommendation to be Implemented.
29	The Agency may consider strengthening the planning, monitoring and evaluation of the budgetary allocations for duty travels.	The subprogramme and project managers have been asked to comply with this recommendation, while preparing Programme and Budget 2018-2019 cycle. This is an on-going effort and efforts to implement the recommendation will continue. Management considers the recommendation to be In Progress.
30	The Agency may monitor gender participation in each task undertaken within the subprogrammes.	This is being consciously implemented; however, the chances of not being always successful still exist due to the inherent low numbers of suitable female candidates in several technical areas. This is an on-going effort and efforts to implement

Key Audit Recommendation		Management Response
Rec. No.	**Description**	
		the recommendation will continue. Team assistants are asked to collect some statistical data, so the monitoring is in place. Management considers the recommendation to be In Progress.
31	The Agency may instruct the programme managers to identify and assess all corporate and project specific risks which are relevant for their respective subprogrammes by mentioning the subprogramme/project number in the Risk Register.	This has been implemented for P1.4. Management considers the recommendation to be Implemented.
Audit Report for the Year 2014		
Financial Issues		
3	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 has been involved in the UN system wide working group on After Service Health Insurance (ASHI), which is providing input into the process for developing long-term funding strategies. In addition, initial discussions have occurred within the Secretariat with respect to the potential funding mechanisms (based upon the funding source for specific staff members). Consultations will continue throughout 2017. The target date for implementation is on 31 December 2017. Management considers the recommendation to be In Progress.
7	The Agency may disclose in the Notes to the Financial Statements details of in-kind contributions of services provided by the donors.	Continued tracking of the offer of in-kind contributions provided by donors to the Agency has occurred during 2016. However, the validation of estimated values of such in-kind contributions as well as the actual delivery of such in-kind contributions is not yet at the level where Financial Statement disclosure of the underlying details is appropriate. During 2017, the Agency will continue to look for potential methods for efficiently gathering the information in a manner that would allow for disclosure of further details of such in-kind contributions. The target date for implementation is on 31 December 2017. Management considers the recommendation to be In Progress.
Nuclear Energy		
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-	**a)** The updated NES publication was published in September 2015 "Milestones in the Development of a National Infrastructure for Nuclear Power" (IAEA Nuclear Energy Series No. NG-G-3.1, Rev 1); TECDOC on Integrated Nuclear Infrastructure Review (INIR) Missions: The First Six Years IAEA-TECDOC-1779 was published in December 2015; The lessons learned were

Key Audit Recommendation		Management Response
Rec. No.	**Description**	
	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.	reflected in the undated document Evaluation of the Status of National Nuclear Infrastructure Development IAEA Nuclear Energy Series NG-T-3.2 (Rev. 1) published in December 2016. **b)** While developing its standardized procedures, NIDS has introduced steps in the development of Country Nuclear Infrastructure Profile (CNIP) and Integrated Work Plans (IWP) which require the availability of a National Action Plan. Management considers the recommendation to be Implemented.
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.	The updated publication, including non-safety instrumentation and control in the scope of IERICS missions, was submitted to the Publication Committee for approval December 2015. The IAEA will modify IERICS guidelines adding a note on a potential non-safety I&C-aspects of the review. Management considers the recommendation to be Implemented.
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.	**a)** A standard footnote was added to CNPP to explain the potential differences between PRIS and CNPP. In all cases where there is no consistency between CNPP and other dynamic data, the IAEA will add an explanatory note to clarify the nature of inconsistency. **b)** A decision was made to migrate the old ENTRAC into the new Capacity Building hub, which is estimated to be completed in Q4 2017. **c)** Implemented - In the meantime (July 2016) a new version of the ARIS database with new categories (e.g. one specific for SMR and one for MSR) and new features (e.g. "characteristics" tab) has been released. Details on the new ARIS version can be found at https://www.iaea.org/newscenter/news/iaea-launches-new-version-of-advanced-reactors-database Management considers the recommendation to be In Progress.
Procurement of Safeguards Department		
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	**a)** MTPS devoted 2016 to produce the procurement strategy to be applicable in 2017. The Expected date for implementation is on 28 February 2017. **b) and c)** The Agency will consider it in the planned update of the Administrative Manual, which falls under the purview of the Team Leader C which position is currently vacant. The target date for implementation is on 30 September 2017. **d)** Maximising competitive bidding is part of the MTPS Medium Term Strategy and staff and Team Leaders are held accountable through KPIs

Key Audit Recommendation		Management Response
Rec. No.	**Description**	
	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.	that were implemented recently. The KPIs are monitored on a quarterly basis and presented to all staff. **e)** Guidance was issued by SPR in December 2015 and was sent again in December 2016. **f)** The mechanism to document this is the Procurement Plan (PP). The guidelines of the PP were updated to ensure that this is not overlooked. Management considers the recommendation to be In Progress.
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.	Guidelines are already included in the SOPs. Further consideration may be given for those to be also reflected in the Administrative Manual; however the Agency believes the recommendation has been implemented through the SOPs. Management considers the recommendation to be Implemented.
16	The Agency may consider framing guidance regarding the composition (number and grade of members) of the evaluation teams and include details of team members of the evaluation team in the Procurement Plans.	The Agency will consider it in the planned update of the Administrative Manual, which falls under the purview of the Team Leader C which position is currently vacant. The target date for implementation is on 30 September 2017. Management considers the recommendation to be In Progress.
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.	**a) and c)** The Agency will consider it in the planned update of the Administrative Manual, which falls under the purview of the Team Leader C which position is currently vacant. The target date for implementation is on 30 September 2017. **b)** PRC suggestions as well as the actions taken are now recorded for compliance and follow up. Management considers the recommendation to be In Progress.
Safety of Nuclear Installations		
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	**a)** The reason of the reduction was that at that time the Secretariat focused on drafting and publishing safety standards and supporting technical documents which could eventually deepen the contents of the SEED review services. **b)** The Secretariat is developing the guidelines for the SEED review service. The guidelines will

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	SEED mission package as is the case with OSART missions.	include a follow-up mission as part of the SEED review. NS proposes to extend the implementation date of this recommendation to Q2 2018. The guidelines are expected to be published on 30 June 2018. Management considers the recommendation to be In Progress.
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.	**a)** A survey intended to analyse the usability and operational capacities of the SARCoN guidelines were conducted in Vienna in November 2015. Based on the survey results, an IAEA Technical Document on experiences using the SARCoN guidelines is under preparation. All the responses from the survey were recorded and maintained in a repository. **b)** The Agency developed a Candidate Information Sheet that is used to screen the participants of the Safety Assessment Education and Training programme. Management considers the recommendation to be Implemented.
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.	**a)** The development of the IAEA Safety Guides DS472 and DS473 supporting the implementation of GSR Part 1 has progressed. The Member States comments have been addressed and the drafts are currently undergoing an internal review with the objective of presenting the updated drafts to the Safety Committees meetings in June 2017 for their second review and endorsement. The Agency will present the updated drafts of DS472 and DS473 to the Safety Committees in June 2017 and submit them to the CSS for final endorsement in November 2017. The target date for implementation is on 31 December 2017. **b)** The Agency has introduced a mechanism to gather feedback on application of its safety standards by introducing a specific topic on this subject in the OSART Members feedback questionnaire. Once a year the IAEA staff responsible for the OSART missions analyse the relevant information and record all proposals for improvements in an OSART team folder for OSART feedback. Management considers the recommendation to be In Progress.
Information Technology		
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	**a)** The IT governance committee (formalized as policy in the IAEA Administrative Manual) reviews all IT investments on a monthly basis, regardless of scope or amount. The IAEA Business Technology Strategic Plan (in support of the IAEA Medium Term Strategy) included working with IAEA stakeholders to identify their priorities and form a five-year IT roadmap. Given

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	budgetary requirements.	the decentralized nature of IT application development and funding structures, there remain limits on centralizing IT planning in the Agency, but through the IT governance structures, business leaders can effectively identify and prioritise IT investments and proposed changes to the IT portfolio. **b)** MTIT has provided detailed budget guidance for all IT programme and project managers to inform the budget planning process. Management considers the recommendation to be Implemented.
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.	**a)** The IT governance committee has started to implement Enterprise Architecture principles to help guide the design and deployment of information technology (IT) systems across the Agency. If properly followed, it is expected that these guiding principles will streamline and reduce the complexity of IT investment decisions and support IT governance decision-making by establishing relevant evaluation criteria. The IT Advisory Group (ITAG) will assess future projects and existing systems in the Agency IT portfolio based on these EA principles. The target date for implementation is on 31 March 2017. **b)** The Division of Information Technology, working with stakeholders throughout the IAEA, has begun a project to implement an Information Security Management System (ISMS). Among other things, the ISMS will define authority levels for approvals of standards and guidelines and IAEA-wide classification procedures. The ISMS project is on-going; it is expected that the ISMS project will conclude in the third quarter of 2017. Management considers the recommendation to be In Progress.
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.	MTIT has implemented a new system to continuously monitor the availability and performance of critical IT business applications at the Agency. Various automated agents simulate the end-user behaviour and check the related service response. The agents are located at strategic points in the VIC, Monaco, Seibersdorf as well as throughout the world on various continents. The agent checks every so often and provides MTIT with key performance indicators. Management considers the recommendations to be Implemented.
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.	The comprehensive update of all Information Security policies, and ensuring they are in alignment with the ISO 27000 series has started as part of the Information Security Management System (ISMS) project. The ISMS project is on-going; it is expected that the ISMS project will conclude on 30 September 2017. Management considers the recommendations to be In

Key Audit Recommendation		Management Response
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		Progress.
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.	**a)** **b) and e)** MTIT initiated a comprehensive Agency-wide information security risk assessment and designed a five-year roadmap to address identified deficiencies and needed actions. The risk assessment and the design of the agreed upon action plan is complete. With the completion of the risk assessment and the creation of the roadmap, MTIT considers parts A, B, and E implemented. Parts C and D will be included in the information security roadmap. **c)** **and d)** The ISMS project is on-going; it is expected that the ISMS project will conclude in the third quarter of 2017. The target date for implementation is on 30 September 2017. Management considers the recommendations to be In Progress.
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.	**a)** The definition of roles and responsibilities for remote access is part of the scope of the Information Security Management System (ISMS) project, which is in progress. The ISMS project is on-going; it is expected that the ISMS project will conclude in the third quarter of 2017. **b)** The creation of a comprehensive information security awareness programme is one of the first priority projects of the information security roadmaps. The definition of a statement of work to improve the training has been created. The Agency CISO will create and initiate an information security awareness programme for Agency staff. A refresh of the existing material was completed by the end of 2016 and will be made mandatory for new staff in Q1 2017. The creation of new material and providing this training will be taken up as a second phase of the security awareness project, with a Q3 2017 planned date of completion. The target date for implementation is on 30 September 2017. Management considers the recommendations to be In Progress.

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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.	**a)** The strengthening of classification and access control procedures is part of the scope of the Information Security Management System (ISMS) project, which is in progress. **b)** The strengthening of remote access procedures and identity management governance are components of the Information Security Management System (ISMS) project, which is in progress.The ISMS project is on-going; it is expected that the ISMS project will conclude in the third quarter of 2017. The target date for implementation is on 30 September 2017. Management considers the recommendations to be In Progress.
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.	**a)** The strengthening of incident management procedures is part of the scope of the Information Security Management System (ISMS) project, which is in progress. The ISMS project is on-going; it is expected that the ISMS project will conclude in the third quarter of 2017. The target date for implementation is on 30 September 2017. **b)** The Division of Information Technology initiated a project to provide a sufficient disaster recovery infrastructure so the Agency can continue to operate its business critical IT applications in the event of an incident making the entire IAEA operations at the Vienna International Centre in-operable or in-accessible. Additionally, through this project, it is expected that the Agency can meet the "IT disaster recovery" requirements of the UN mandated Organisational Resilience Management Systems (ORMS) framework. As part of the project, MTIT has finalized a "high level" technical design of a solution using cloud services for Email, Remote access (i.e. Virtual Desktop, Mobile Device Management), AIPS and Treasury. Build-out of this limited infrastructure for a disaster recovery "hot site" has started. However, it must be noted that all IT service provided to Safeguards via MTIT are out of scope for this project. **c)** MTIT is currently engaged in a project to provide a limited disaster recovery "hot site" capability that can be operational within two hours of a disaster with near-real time data. The formal recovery objectives are Recovery Time Objective (RTO) of < 2 hours, Recovery Point Objective (RPO) of < 15 minutes. Additionally, the solution is expected to be scalable to support additional

<table>
<tr><th colspan="2">Key Audit Recommendation</th><th rowspan="2">Management Response</th></tr>
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<tr><td></td><td></td><td>business applications identified by the Agency's Business Continuity Planning (BCP) activities. Once the disaster recovery infrastructure has been built out, formal and regular exercises will be conducted to validate it.

d) MTIT initiated a project in early 2016 to provide a limited disaster recovery "hot site" capability that can be operational within two hours of a disaster with near-real time data.

Regarding Recommendation 39b), c), and d), a Disaster Recovery (DR) strategy is being developed to improve the current infrastructure and capabilities of the IAEA, guided by business impact analyses (BIAs) performed by the Central Security Coordinator (CSC). MTIT initiated a project in early 2016 to provide a limited disaster recovery "hot site" capability that can be operational within two hours of a disaster with near-real time data. The build-out of a DR capability for certain core MTIT-managed systems was completed in 2016. Further DR infrastructure is planned for 2017 that will include additional core MTIT-managed systems. Beyond these efforts, it will be incumbent upon business application owners in each department, guided by Business Impact Analyses (BIAs) to identify business continuity plans and fund DR solutions for their applications.
The target date for the implementation of these recommendations is on 31 December 2017.

Management considers the recommendations to be In Progress.</td></tr>
<tr><td colspan="3">Audit Report for the Year 2013</td></tr>
<tr><td colspan="3">Human Resource Management Issues</td></tr>
<tr><td>11</td><td>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.</td><td>Only b) remains open. The possibility of incorporating the knowledge transfer process into AIPS has been reviewed, however implementation of this task would require resources which are currently not available.

Jan 2015 update: a) None; b) Review results of the Knowledge Management group will be used as a basis for developing knowledge management procedures - the knowledge management group did not conclude its work by 31 December 2014; c) None; and d) None.

Sept 2016 Update: It will be suggested to the Advisory Group on Knowledge Management to finalize the work on Supervisor Checklist and Handover Report "off-line", without incorporating the knowledge transfer process into AIPS.

The target date for implementation is on 30 June</td></tr>
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	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.	2017 (for recommendation b). Management considers the recommendation to be In Progress.
Safeguards		
20	The Department may consider formalising the departmental procedures for Training Needs Analysis to better capture competencies and processes applied in the Department and to optimize staff management for effective safeguards implementation, and the data base maintained by the training section may be improved upon to make it more useful for the Department.	A document aiming to complement the IAEA competency framework by describing specific expertise necessary for inspectors and to provide a reference that can be used by inspectors, inspectors' managers and supervisors, and the Safeguards Training Section for achieving a competency-based training is being revised after first departmental review. Consistency with recent changes in Performance Management Review process need to be considered. A Junior Professional Officer "Associate Training Officer", funded by extra-budgetary sources has joined the Section 3rd of January 2017. The Learning Management System (LMS) is not yet operational, particularly regarding the reporting system. Discussions are on-going with the AIPS team responsible for the LMS. Therefore, the database remains the same. Final review of document to complement the IAEA competency framework and integration with the Learning Management System in AIPS is upon its implementation. The target date for implementation is on 31 March 2017. Management considers the recommendation to be In Progress.
AIPS Project		
25	A benefit assessment study may be conducted to identify the impact of AIPS business processes on staffing requirement.	AIPS Project is on schedule and on target to reach completion with the Staff Travel part of Plateau 4 already in Production, and the final part of the solution planned for Q1 2017. The project will close as planned in June 2017. As previously mentioned, the benefits assessment will need to be done after the stabilisation of AIPS Plateau 4. Based on past experience typically each plateau needs between 3-6 months for stabilisation. As planned, this activity will start in year 2017 and conclude in year 2018-2019. The target implementation date is in Q3 2018. Management considers the recommendation to be Deferred.
27	A clear roadmap for legacy applications currently in use may be prepared in the light of experience	With the implementation of Plateau 4, the AIPS team is now in a position to identify the systems impacted also by Plateau 4, and a comprehensive report for all

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	gained from AIPS implementation, and communicated to all internal stakeholders.	AIPS Plateaus will be prepared prior to the closure of the project. AIPS Plateau 4 is live. To minimize the impact on the business and avoid rework relating to events in Q1 2017, it is agreed that the transition would be gradual. The system usage is now slowly increasing and is in stabilisation phase, requiring handholding for both Events as well as Performance Management processes. The AIPS team will shortly initiate an effort to review all the systems that were impacted and remediated or replaced by AIPS solutions, and will start working with the legacy application owners and our MTIT colleagues to agree on the roadmap. Work began in 2016 with an aim to complete the exercise before the project closes in June 2017. 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)** Agency may ensure that the MDM Unit fulfils its assigned responsibility for improving contacts data quality, apart from its existing role focused around Supplier data management. **d)** Suitable time bound targets may be set for improvements in data quality by collecting and updating information on key fields, and eliminating duplication of data.	**1.** Progress has been made in the last two years to systematically implement measures to avoid duplicate data, as well as deal with existing duplicates. More than 12,000 data elements were cleansed. The MDM Unit has worked on the development of two tools which help in the data merge process, and the tools have been available since the beginning of 2016. Measures are being implemented to reduce the likelihood of introducing new duplicates into AIPS. These efforts currently focus on organizations and aim at improving the search capabilities for suppliers and parties. Additionally, the automatic duplicate detection while creating a party or a supplier is enhanced. This project also purges suppliers that have not been used at all in the system. It also end dates suppliers for which no transaction was recorded during the last 24 months, and this activity is in progress. **2.** An agreement was reached with business teams to introduce additional required attributes for Contacts, and this will be implemented in 2016. As many existing records lack data like date of birth, data completion remains a challenge. With the introduction of the external portal InTouch+ with plateau 4, a self-service facility will address this. **3.** The AIPS Board has ratified a proposal on Dir-MTBF to be the Business Process Owner for Contacts Master Data and establishing of a Contacts Governance Group, including Terms of Reference (Membership includes DIR-MTBF, DIR-MTPS, DIR-MTHR, DIR-MTCD, DIR-TCPC, Section Head - AMS (ASU)). Management considers the recommendation to be In Progress.

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Audit Report for the Year 2012		
Financial Issues		
1	The Agency may consider introducing a system of physical verification which covers a reasonable proportion of total assets, so that the stipulation viz 'verification of assets to take place over a period of two years cycle' in the Agency's Administrative Manual is followed.	MTGS has a two-step procedure to ensure verification of assets is conducted in a two-year cycle. Assets assigned to individuals will be tracked through the AIPS self-verification tool (currently this covers 15,153 items - 38% of total) annually (verification process occurred in Q4 2016 with final validation of results in Q1 2017). The remaining group assets (mainly furniture 23,713 items 59%) shall be inspected as part of a larger biennial physical verification exercise (next PV exercise Q3 2017). Management considers the recommendation to be Implemented.
Technical Cooperation		
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.	This recommendation has been implemented with the roll out of the TC periodic project reporting and achievement report portal that was pilot tested at the end of 2016 with full roll-out occuring through January 2017. The outcome monitoring pilot is an ongoing activity to evaluate the feasibility of rolling out outcome monitoring for all projects but would require further discussion with Member States once the results of the pilot are complete which may still be another year. For this specific recommendation, it is considered implemented with the completion of the pilot roll out at the end of 2016 of the project reporting and final project assessment reporting tool to Member States in January 2017. Management considers the recommendation to be Implemented.
Nuclear Safety & 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.	OIOS has initiated the Review of Possible Impact of Extrabudgetary Funding Fluctuations on the Activities of the Department of Nuclear Safety and Security. OIOS is currently undertaking a desk study in preparation for the interviews with key stakeholders. The final report is expected by the end of 2016/early 2017. OIOS review is in progress. Impact of OIOS review and recommendations will address this recommendation. As process has started and will be reported in connection with the OIOS report, Management considers the recommendation to be Implemented.
20	The Agency may consider assessing whether and how much of a reduction in extrabudgetary funding could realistically happen and devise appropriate strategy to meet that	OIOS has initiated the Review of Possible Impact of Extrabudgetary Funding Fluctuations on the Activities of the Department of Nuclear Safety and Security. OIOS is currently undertaking a desk study in preparation for the interviews with key

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<tr><th>Rec. No.</th><th>Description</th></tr>
<tr><td></td><td>shortfall.</td><td>stakeholders. The final report is expected by the end of 2016/early 2017.

OIOS review is in progress. Impact of OIOS review and recommendations will address this recommendation. As process has started and will be reported in connection with the OIOS report, Management considers the recommendation to be Implemented.</td></tr>
<tr><td>38</td><td>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.</td><td>NS has requested OIOS to include the evaluation of the NS databases in its 2017 work plan. This will be implemented by the end of December 2017.

Management considers the recommendation to be In Progress.</td></tr>
<tr><td colspan="3">Laboratory Activities at Seibersdorf and Monaco</td></tr>
<tr><td>45</td><td>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.</td><td>1. Progress has been made in the last two years to systematically implement measures to avoid duplicate data, as well as deal with existing duplicates. More than 12,000 data elements were cleansed.
The MDM Unit has worked on the development of two tools which help in the data merge process, and the tools have been available since the beginning of 2016.
2. An agreement was reached with business teams to introduce additional required attributes for Contacts, and this was implemented in 2016. As many existing records lack data like date of birth, data completion remains a challenge. With the introduction of the external portal InTouch+ with plateau 4, a self-service facility will address this.
3. The AIPS Board has ratified a proposal on Dir-MTBF to be the Business Process Owner for Contacts Master Data and establishing of a Contacts Governance Group, including Terms of Reference (Membership includes DIR-MTBF, DIR-MTPS, DIR-MTHR, DIR-MTCD, DIR-TCPC, Section Head - AMS (ASU)).

The Agency will: (by the end of June 2017)
1. complete quality documentation;
2. continue organising external and internal trainings for NAEL staff in the field of Quality assurance;
3. fulfil all metrological requirements;
4. carry out internal quality audits, quality meetings and management review meeting according to annual plan;
5. conduct formal accreditation assessment; and
6. complete the accreditation process.

Management considers the recommendation to be In Progress.</td></tr>
<tr><td>47</td><td>The NSIL may undertake a gap analysis in consultation with the QSM, of the existing quality management</td><td>The Quality Manual including the procedures and equipment, has been prepared and is under review by the relevant persons. It is expected to be completed</td></tr>
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	procedures vis-à-vis the foreseen formal accreditation requirements.	by June 2017. Any recommendations by the quality management expert on the audit report will need to be addressed and a final vetted copy will be submitted for formal accreditation. 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. As a long term solution, efforts must continue for seeking support of member states for disposal of the radioactive waste produced by the NML.	For the solidified liquid wastes (CPS), shipment continues to be delayed due to long-standing difficulties in shipping container certification for shipping to one member state; alternative shipping options are now being explored. In addition, the suggestion to use the materials for round robin exercises proved not to be feasible. For a long-term solution, IAEA engaged two particular member states for assistance, and these requests are still being considered. The target date for implementation is on 31 December 2017. Management considers the recommendation to be In Progress.
Audit Report for the Year 2011		
Financial Issues		
6	Introduce a Statement of Internal Control: Introduce a Statement of Internal Control as part of the financial statements.	The Agency has begun to draft both an Accountability and an Internal Control Framework to prepare the Agency for the issuance of a Statement of Internal Control. Once the underlying processes are in place and implemented, the SIC will be prepared based upon the evidence provided by these underlying processes. The Agency will issue Accountability and Internal Control Framework with development of underlying processes to support the issuance of the SIC. This will be implemented by the end of June 2018. Management considers the recommendation to be In Progress.
7	In connection with the issuance of an annual Statement on Internal Control, ensure processes are in place to review, document and assure the effectiveness of the internal control system.	The Agency has begun to draft both an Accountability and an Internal Control Framework to prepare the Agency for the issuance of a Statement of Internal Control. Once the underlying processes are in place and implemented, the SIC will be prepared based upon the evidence provided by these underlying processes. The Agency will issue Accountability and Internal Control Framework with development of underlying processes to support the issuance of the SIC. This will be implemented by the end of June 2018. Management considers the recommendation to be In Progress.
8	In connection with the issuance of an annual Statement on Internal Control, accountability on the part of individual managers should be clear - this can be	The Agency has begun to draft both an Accountability and an Internal Control Framework to prepare the Agency for the issuance of a Statement of Internal Control. Once the underlying processes are

Key Audit Recommendation		Management Response
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	achieved by clear delegation of authority throughout the organization.	in place and implemented, the SIC will be prepared based upon the evidence provided by these underlying processes. The Accountability Framework itself will also provide guidance with respect to delegation of authority in the Agency. The Agency will issue Accountability and Internal Control Framework with development of underlying processes to support the issuance of the SIC. This will be implemented by the end of June 2018. Management considers the recommendation to be In Progress.
LEU Fuel Bank Issues		
23	Impact of Agency Participation in the LEU Market: Conduct studies on the impact of Agency participation in the market, site safety and security and budgetary sustainability of the LEU fuel bank. (EA report summary para. 39, detail para. 210)	A comprehensive analysis of risks associated with the IAEA LEU Bank was completed in 2013 and is reviewed and updated quarterly. This risk register serves as a living document that can be used to manage business and drive strategic actions to mitigate risks related to the establishment of the IAEA LEU Bank, including safety, security, financial and operational issues among others. In addition, a Plan of Specific Activities is currently being implemented to address issues including, but not limited to, those related to site safety and security. Confirmation of compliance with applicable IAEA safety standards and security guidance documents is expected by the end of 2017. A design review mission in February 2016 already confirmed compliance of the design of the IAEA LEU Bank Storage Facility. A Project and Financial Plan was completed in May 2016, demonstrating that the total IAEA LEU Bank funding currently received would be sufficient to cover the total estimated costs of all aspects of the IAEA LEU Bank project for 20 years of operation. The aggregated data regarding the Project and Financial Plan can be found in document GOV/INF/2016/8. Regarding the impact of Agency participation in the nuclear fuel market, the IAEA is in the process of recruiting a consultancy company(ies) to advise on LEU procurement, as reported in GOVINF/2016/8. Included in the statement of work will be support to the IAEA in preparing a study of the impact of Agency participation in the LEU Market. This study will provide input to the procurement plan. The Agency will complete the study of impact of IAEA participation in LEU Market and procurement of the LEU in accordance with the procurement plan by the end of December 2017. Management considers the recommendation to be In Progress.

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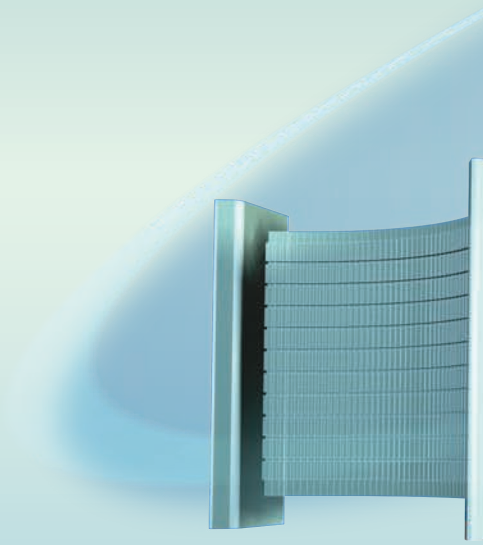
Safeguards		
48	Implement Phase III of the Data Centre Project: Implement Phase III of the Data Centre project without further delay, applying the ‘one house approach’.	The electrical work, which required two weekends of power cuts, was completed in the first half of 2016. The physical move of the computer equipment also took place in May 2016, and all SGIS services are provided from the new C-1 data centre. The work to install the two new (larger) emergency power generators (EPG) for full power redundancy was completed by 1 December 2016. The planned project completion and sign off is expected in Q1 2017. The final administrative closure of the project and final sign off is expected in Q1 2017. As the only remaining steps are administrative in nature and the Data Center Phase III is in operation, Management considers the recommendation to be Implemented.



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