The Agency's Financial Statements for 2017

IAEA
International Atomic Energy Agency
Atoms for Peace and Development

GC(62)/5

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THE AGENCY'S FINANCIAL STATEMENTS FOR 2017

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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 2017.

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 as well as the notes and annexes thereto (Parts I to V of GOV/2018/5), and submits the following draft resolution for the consideration of the General Conference.

3. The Board takes note of the report of the External Auditor on the External Auditor's planned scope, timing and other information related to the audit of the Agency's financial statements for 2018 (Part VI of GOV/2018/5).

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 2017 and of the report of the Board of Governors thereon [*].

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[*] GC(62)/5

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[1] INFCIRC/8/Rev.4

Sixty second regular session

The Agency's Financial Statements For 2017

Contents

REPORT OF THE DIRECTOR GENERAL ON THE AGENCY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Introduction

1. I have the honour to present the financial statements of the International Atomic Energy Agency (hereafter IAEA or the Agency) for the year ended 31 December 2017. In accordance with the Financial Regulation 11.03 of the Agency, the financial statements are submitted with the report of the External Auditor that contains an unqualified opinion on the financial statements.

2. 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.

3. 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.

4. 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 the International Public Sector Accounting Standards (IPSAS) are a key enabler to allow the Agency to deliver its mandate in an efficient manner.

Analysis of Financial Statements

5. The financial statements of the Agency have been prepared on the accrual basis in accordance with IPSAS. The budget, as well as the budgetary information contained in the financial statements, continues to be prepared on a modified cash basis. The Agency's functional currency is the euro.

6. During 2017, the Agency continued to focus on the effective implementation of programmatic activities and the efficiency of the process supporting such implementation. Within this context, the following are some of the highlights of the 2017 financial year in perspective:

(i) The Regular Budget Fund (RBF) experienced a utilization rate of 99.9% during 2017. The RBF also experienced an increase in revenue from assessed contributions of €8.8 million (2%), which was in line with the approved budgetary increase for 2017.

(ii) Revenue from voluntary contributions to the Technical Cooperation Fund (TCF) for 2017 was €5.6 million higher than in 2016 as a result of increased payments to the TCF during 2017. The increase in revenue in the TCF contributed to the overall net surplus in the TCF for the year of €11.1 million.

(iii) The Extrabudgetary Programme Fund (EBF) experienced a decrease in revenue from voluntary contributions of €31.8 million (24%) when compared to 2016. As further explained below, there was a general reduction in the level of revenue related to extrabudgetary contributions from some of the Agency's donors in 2017. In addition, a component of the revenue decrease resulted from the fact that 2016 had a particularly high level of revenue from extrabudgetary contributions supporting certain programmatic activities.

(iv) Foreign exchange losses of €38.7 million, primarily pertaining to the revaluation of cash, cash equivalents and investments, were driven by the depreciation of the US dollar throughout 2017 and resulted in a significant decrease in the net surplus of the year. The majority of these losses were unrealized as the Agency's risk management strategy aims to hold its funds in the currencies of the expected disbursements.

(v) The value of cash, cash equivalents and investments remained stable at approximately €700 million for both 2016 and 2017.

(vi) A lower collection rate of assessed contributions was experienced during 2017 as compared to 2016 leading to an overall increase in the net amount of outstanding assessed contributions by €5 million (18%).

(vii) Continued investments in tangible and intangible assets contributed to an increase in the net book value of property, plant and equipment (PP&E) by €8.8 million (3%) and intangible assets by €9.8 million (17%). These increases are primarily related to the Renovation of the Nuclear Applications Laboratories (ReNuAL) project as well as the ongoing development of software in the Department of Safeguards for the Modernization of Safeguards Information Technology (MOSAIC) project.

(viii) An overall increase in the Agency's liabilities in 2017 was primarily the result of the impact of certain actuarial assumptions and methodologies for calculation of the long-term employee benefit liabilities, including After Service Health Insurance (ASHI). This liability increased by €47.2 million (19%) during 2017.

(ix) The total net assets position experienced a decline of €27.4 million (5%) which resulted from, inter alia, the above mentioned actuarial losses, offset by the overall net surplus for 2017 of €9.5 million.

Financial Performance

7. A summary of the Financial Performance by Fund for 2017 is shown in ***Table 1*** below.

Table 1*: Summary of Financial Performance by Fund for the year ended 31 December 2017*

(expressed in millions of euro)

	Regular Budget		**Technical Cooperation**		**Extrabudgetary**		**Other**		
	RBF & WCF	MCIF	TCF	TC-EB	EBF	LEU Bank	Trust Funds and Special Funds	*Interfund Elimination*	Total IAEA
Total Revenue from all sources a/	372.5	8.1	85.2	23.8	106.2	0.9	-	(9.2)	587.5
Total Expenses	380.7	3.0	68.8	14.3	77.9	2.1	0.1	(9.2)	537.8
Net gains/(losses) b/	(3.6)	0.5	(5.3)	(4.4)	(13.7)	(13.8)	0.0	-	(40.2)
Net surplus/(deficit) for the year	**(11.8)**	**5.6**	**11.1**	**5.1**	**14.6**	**(15.0)**	**(0.1)**	**(0.0)**	**9.5**

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

Revenue analysis

8. As shown in ***Table 2***, the decrease of €16.8 million in the Agency's total revenue is mainly due to the decrease in revenue from voluntary and other contributions by €23.6 million and €3.1 million, respectively. In contrast, revenue from assessed contributions increased by €8.8 million.

Table 2*: Comparative Revenue Analysis*

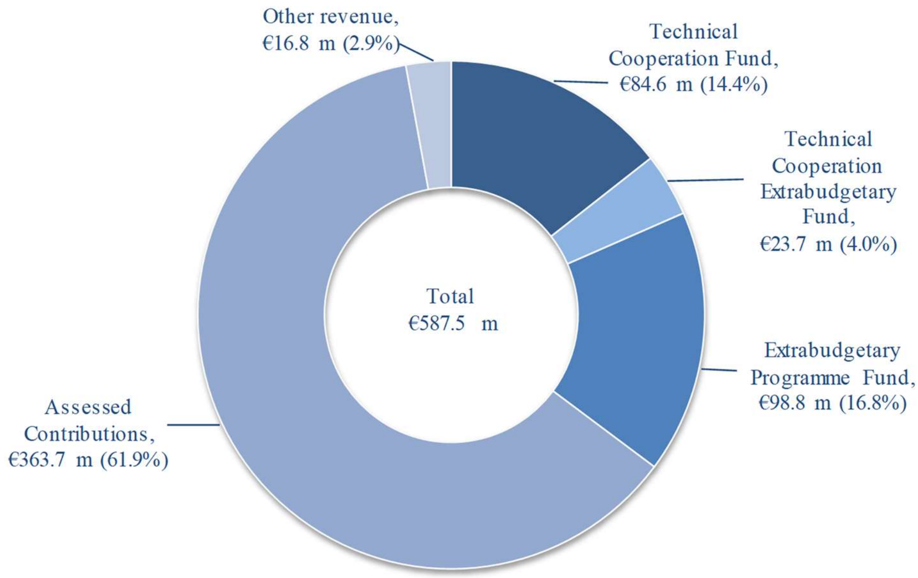
(expressed in millions of euro)

Revenue	**2017**	**2016**	**Difference**	**Change (%)**
Assessed contributions	363.7	354.9	8.8	2.5
Voluntary contributions	217.2	240.8	(23.6)	(9.8)
Other contributions	1.3	4.4	(3.1)	(70.5)
Revenue from exchange transactions	2.6	2.4	0.2	8.3
Investment revenue	2.7	1.8	0.9	50.0
Total revenue	**587.5**	**604.3**	**(16.8)**	**(2.8)**

9. Similar to previous years and as depicted in ***Figure 1*** below, the majority of the Agency's revenue continued to be derived from assessed contributions (€363.7 million) and monetary voluntary contributions (€207 million). Voluntary contributions are comprised of contributions to the TCF and monetary extrabudgetary contributions to the regular and technical cooperation programmes. Voluntary contributions in ***Table 2*** above also include €10.2 million of in-kind contributions, primarily pertaining

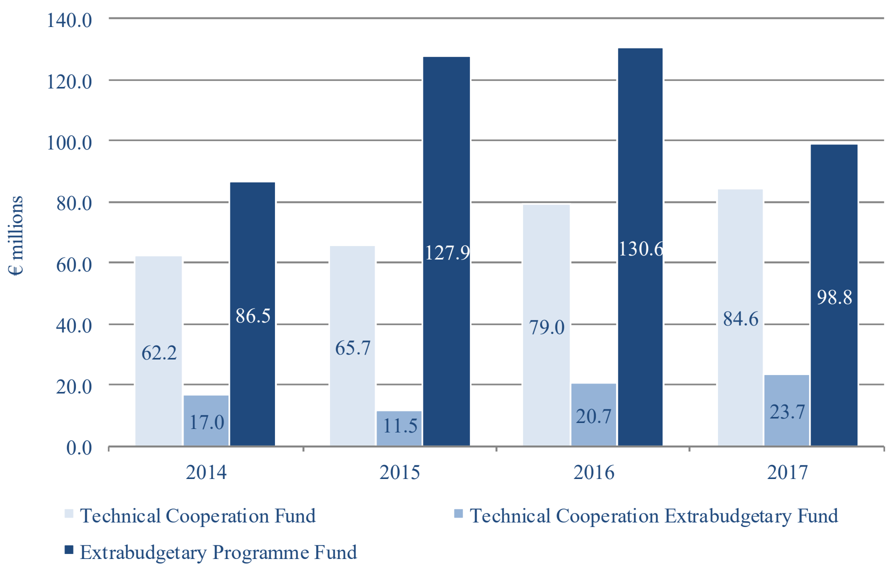
to the free use of premises in Austria and Monaco, of which €8.4 million represents the in-kind contribution from the Government of Austria for the use of the Vienna International Centre (VIC).

***Figure 1**: Composition of revenue for the period ended 31 December 2017*



10. The overall decrease in revenue from voluntary contributions from €240.8 million in 2016 to €217.2 million in 2017 resulted primarily from a €31.8 million decline in revenue from extrabudgetary contributions in support of the Regular Programme. Although extrabudgetary contribution revenue has generally trended upward over the past years, as can be seen in ***Figure 2*** below, the reduction in 2017 was the result of a number of factors, including higher than normal extrabudgetary revenue in 2016 for a number of specific activities, such as for Zika related activities, and a general reduction in the level of extrabudgetary contributions from some of the Agency's donors. Extrabudgetary revenue was further impacted by the strengthening of the euro against other currencies, primarily the US dollar. In contrast, revenue from voluntary contributions to the TCF and extrabudgetary contributions to the technical cooperation programme increased by €5.6 million and €3 million, respectively.

***Figure 2:** Evolution of monetary voluntary contributions*



11. The decrease in other contributions reflects the fact that National Participation Costs (NPCs) are always lower in the second year of the biennium.

12. Investment revenue increased by 50% which is the result of higher interest earned on US dollar denominated cash, cash equivalents and investments.

Expense analysis

13. In 2017, total expenses were €537.8 million, denoting an increase of €12.4 million (2.4%) compared to the previous year. The overall increase in IPSAS-based expenses was primarily experienced in the Regular Budget Fund Group (€8.5 million), the EBF (€3.3 million), and the TCF (€2.2 million), while there was a decrease in the Technical Cooperation Extrabudgetary Fund (€1.2 million).

Figure 3 below shows the breakdown of 2017 expenses by nature:

Figure 3*: Expense analysis for the period ended 31 December 2017*

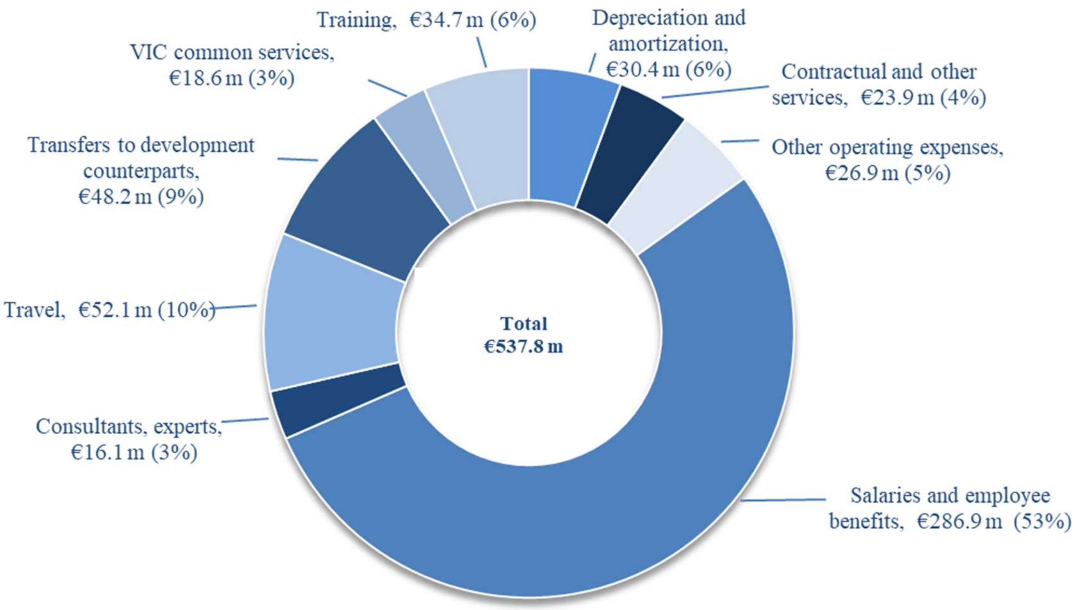


Table 3 below shows that, while expenses remained generally stable, the largest increase in total expenses was driven by the categories of salaries and employee benefits as well as training.

Table 3*: Comparative Expense Analysis*

	(expressed in millions of euro)			
Expenses	**2017**	**2016**	**Difference**	**Change (%)**
Salaries and employee benefits	286.9	280.3	6.6	2.4
Consultants, experts	16.1	15.2	0.9	5.9
Travel	52.1	54.2	(2.1)	(3.9)
Transfers to development counterparts	48.2	48.2	0.0	0.0
Vienna International Centre common services	18.6	17.6	1.0	5.7
Training	34.7	29.1	5.6	19.2
Depreciation and amortization	30.4	32.4	(2.0)	(6.2)
Contractual and other services	23.9	22.6	1.3	5.8
Other operating expenses	26.9	25.9	1.0	3.9
Total expenses	**537.8**	**525.5**	**12.3**	**2.3**

14. Salaries and employee benefits include the accrued costs of post-employment and other long-term employee benefits which better account for the true cost of employing staff on an annual basis. There are two main drivers behind the 2.4% increase in this expense category: the changes in the methodology for calculation of annual leave accruals which accounts for approximately half of the increase in salaries and employee benefits (approximately €3 million) and the increase in the staff salaries as established by the International Civil Servant Commission (ICSC).

15. Travel costs experienced an overall decrease of €2 million (3.8%) driven by the nature of the programmatic activities undertaken during 2017.

16. Total training costs increase was mainly driven by the component related to training of development counterparts which increased in connection with the delivery of related programmatic activities in the area of technical cooperation.

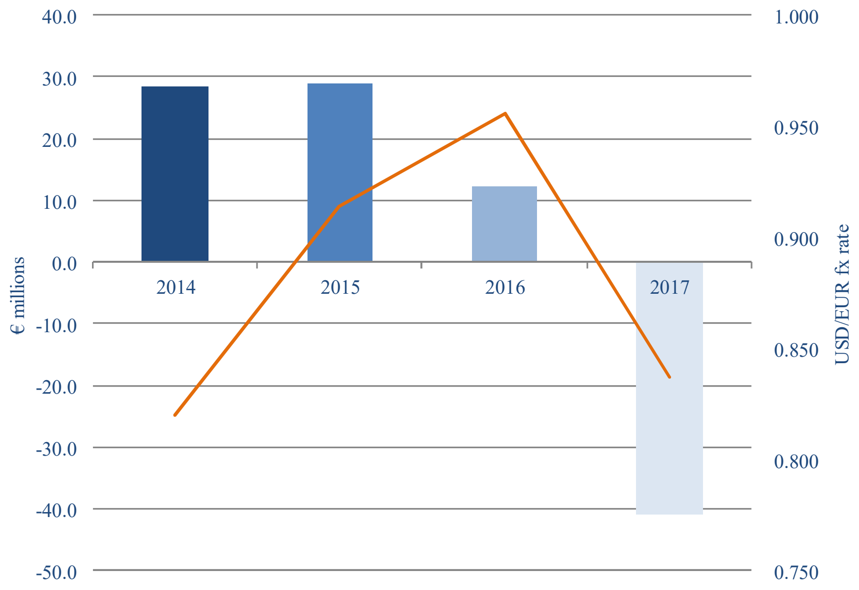
17. The decrease in depreciation and amortization expense of €2 million (6.2%) is the result of the change in the expected useful life of certain categories of equipment, namely inspection and laboratory equipment, which increased from 5 and 7 years to 8 and 11 years, respectively.

18. The remaining expense categories remained stable between 2016 and 2017.

Net surplus/(deficit) of the year

19. The overall net surplus of the year decreased in 2017 by €81.6 million to €9.5 million, which was driven by the decrease in total revenue, accompanied by foreign exchange losses in 2017 and the slight increase in total expenses. The foreign exchange losses resulted primarily from the depreciation of the US dollar against the euro and contributed to €40.1 million in net losses in 2017 as compared to €12.3 million in net gains in 2016. These foreign exchange losses were experienced across nearly all fund groups, with the largest recognized in the Low Enriched Uranium (LEU) bank (€13.8 million), the EBF (€13.7 million), and the TCF (€5.3 million). As can be seen in ***Figure 4*** below, net foreign exchange gains were experienced in 2014, 2015 and 2016 while the US dollar was appreciating against the euro; however, the depreciation of this currency experienced in 2017 contributed to overall net foreign exchange losses in the Agency.

Figure 4: Evolution of Net gains/(losses)



Budgetary performance

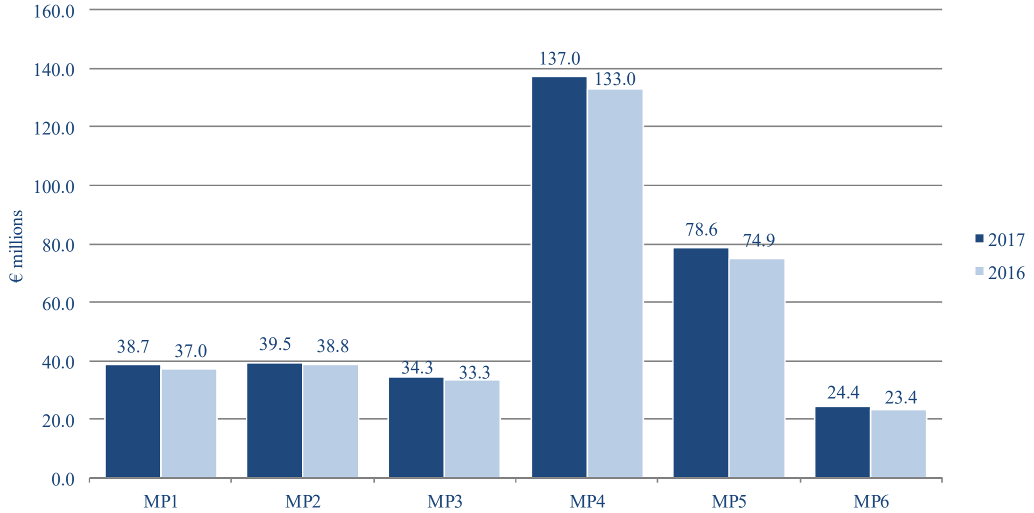
20. The Regular Budget of the Agency continues to be prepared on a modified cash basis and is presented in the financial statements as Statement V, Statement of Comparison of Budget and Actual Amounts. In order to facilitate a comparison between the budget and the financial statements that are prepared under IPSAS, reconciliation of the budget to the Cash Flow Statement is included in the Note 39b to the financial statements.

21. The original operational portion of the Regular Budget appropriation for 2017 was approved for €360.9 million (€353.9 million in 2016) at an exchange rate of €1 = US$1. The final budget for the operational portion of the Regular Budget appropriation for 2017 was recalculated to €355.7 million at the UN average operational rate of exchange of €0.891 to US$1. There were no changes between the original capital portion of the Regular Budget appropriation and the final budget for 2017. As shown in Note 39a to the financial statements, there were no movements of the Regular Budget appropriations between Major Programmes.

22. Total operational Regular Budget expenditures, measured on a modified cash basis, were €355.8 million including € 3.3 million reimbursable work for others. In 2016, these expenditures totalled €343.3 million.

23. **Figure 5** shows a comparative analysis of 2016 and 2017 total expenditures by Major Programme on a budgetary basis.

Figure 5: Comparative analysis of Regular Budget operational portion expenditures by Major Programme



24. The overall utilization rate of the operational portion of the Regular Budget in 2017 was 99.9%, 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 2017

Major Programme	**Utilization Rate Operational Portion**	
	2017	**2016**
MP1 - Nuclear Power, Fuel Cycle and Nuclear Science	99.8%	96.5%
MP2 - Nuclear Techniques for Development and Environmental Protection	99.9%	99.3%
MP3 - Nuclear Safety and Security	99.2%	97.4%
MP4 - Nuclear Verification	100.0%	99.9%
MP5 - Policy, Management and Administration Services	99.9%	96.1%
MP6 - Management of Technical Cooperation for Development	99.9%	96.6%
Total Agency	**99.9%**	**98.1%**

25. For the capital portion of the Regular Budget, expenditures on the modified cash basis were €3.7 million out of a total €8.1 million in 2017.

Financial Position

Cash, investments and liquidity analysis

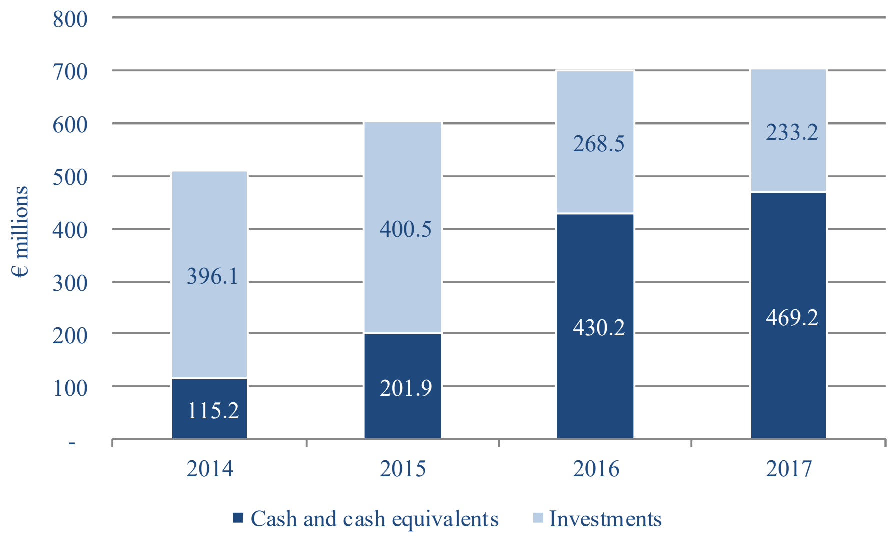
26. In 2017, the cash, cash equivalents and investments balances increased by €3.7 million (0.5%) to €702.4 million at 31 December 2017. The increase was noted in the TCF as a result of increased cash receipts from contributions to the TCF and also in the Technical Cooperation Extrabudgetary Fund as a result of the annual net surplus experienced in the Fund. However, these increases were offset by the impact of the depreciation of the US dollar against the euro on the US dollar funds held by the LEU Bank Fund, leading to a total decrease in the euro value of cash and investments in this Fund of €12.6 (9.7%) million. The total of the RBF, Working Capital Fund (WCF) and Major Capital Investment Fund (MCIF), cash and investments remained relatively stable, experiencing a small decrease of 0.8%.

27. Of the total cash, cash equivalents and investments of €702.4 million, 68.1% was held in the EBF, the LEU Bank Fund and the Technical Cooperation Extrabudgetary Fund and are therefore earmarked for specific activities.

28. As at the end of 2017, 63% of the total cash, cash equivalents and investments were denominated in euro while 36% were denominated in US dollars, with the remaining 1% denominated in other currencies. Interest rates on euro denominated investments remained near zero in 2017; however, interest rates in US dollar denominated investments increased during the year. 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 2017.

29. As can be seen in ***Figure 6*** below, the Agency has shifted its holdings from investments to cash and cash equivalents over the past four years. The reason for this shift is the continued inability to make euro denominated investments at positive interest rates.

Figure 6*: Evolution of cash, cash equivalents and investments*

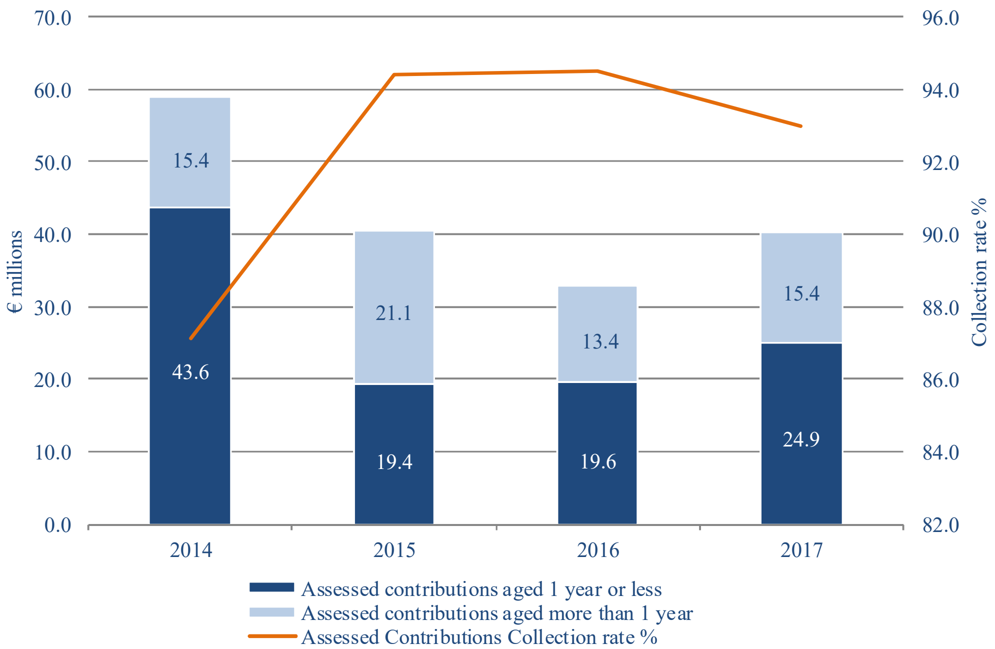


Accounts receivable

30. Overall, the total net receivables from non-exchange transactions increased by €0.7 million to €42.4 million at 31 December 2017. The main components of this balance are receivables from assessed contributions (€32.6 million), voluntary contributions receivable (€8.9 million), and other receivables (€0.9 million).

31. The increase experienced in 2017 is mainly driven by the increase in assessed contributions receivable, as depicted in the ***Figure 7*** below. During 2017, the rate of collection of assessed contributions decreased from 94.5% to 93%, which resulted in an increase of outstanding assessed contributions aged less than one year of €5.3 million. In addition, the contributions in arrears more than one year increased by €2 million. Member States are reminded of the importance to the Agency's operations of paying their assessed contributions in full and on time.

***Figure** 7: Outstanding Assessed contributions receivable and rate of collection*



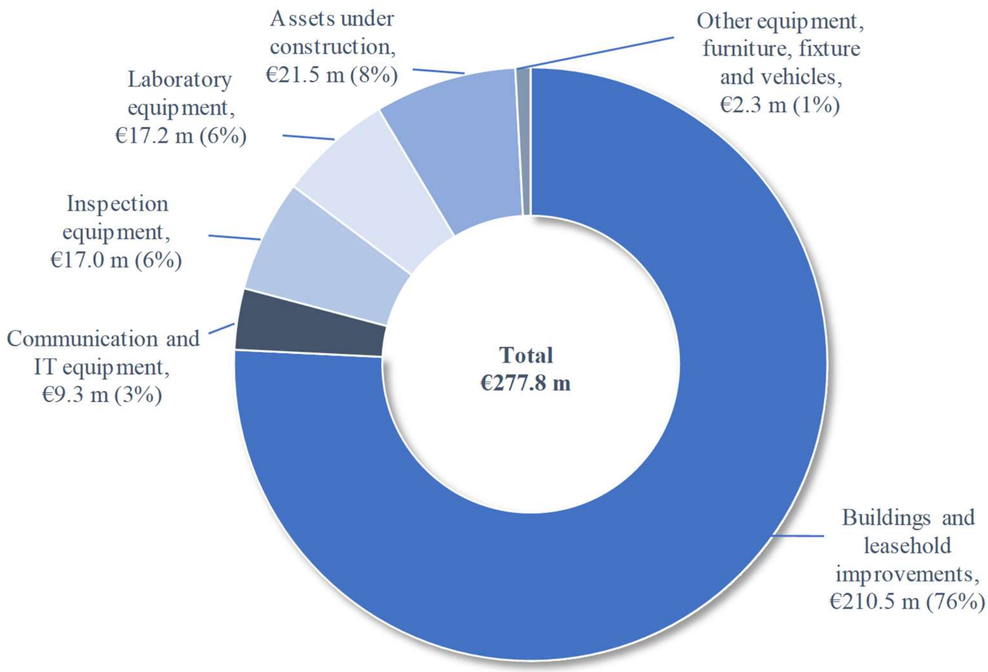
32. The decrease in the net amount of outstanding voluntary contributions receivable of 33%, from €13.2 million to €8.9 million resulted from the collection in 2017 of a number of voluntary contributions made at the end of 2016.

Long-term assets

Property, plant and equipment

33. As can be seen from ***Figure 8*** below, Buildings and Leasehold Improvements continue to account for the largest component of the net book value of property, plant and equipment (PP&E).

***Figure 8**: Composition of property, plant and equipment as at 31 December 2017*



34. The total net book value of PP&E increased by €8.8 million (3%). Among the factors contributing to this increase are the following:

- More than half of the additions to PP&E, which totaled €29.3 million in 2017, relate to assets under construction pertaining to the ReNuAL project (€13.4 million) as well as Inspection Equipment and Communication and IT Equipment pending installation or assembly (€3.6 million).

- The remaining additions to PP&E during the year were experienced in all other asset categories, with the largest components in Communication and IT Equipment (€4.1 million) and Laboratory equipment (€2 million).

- These additions were offset by depreciation expense of €20.4 million.

35. As at 31 December 2017, the balance of PP&E under construction was primarily comprised of €18 million related to the ReNuAL project.

Intangible Assets

36. As shown in ***Table 5*** below, the net carrying amount of Intangible Assets at 31 December 2017 was €67.2 million.

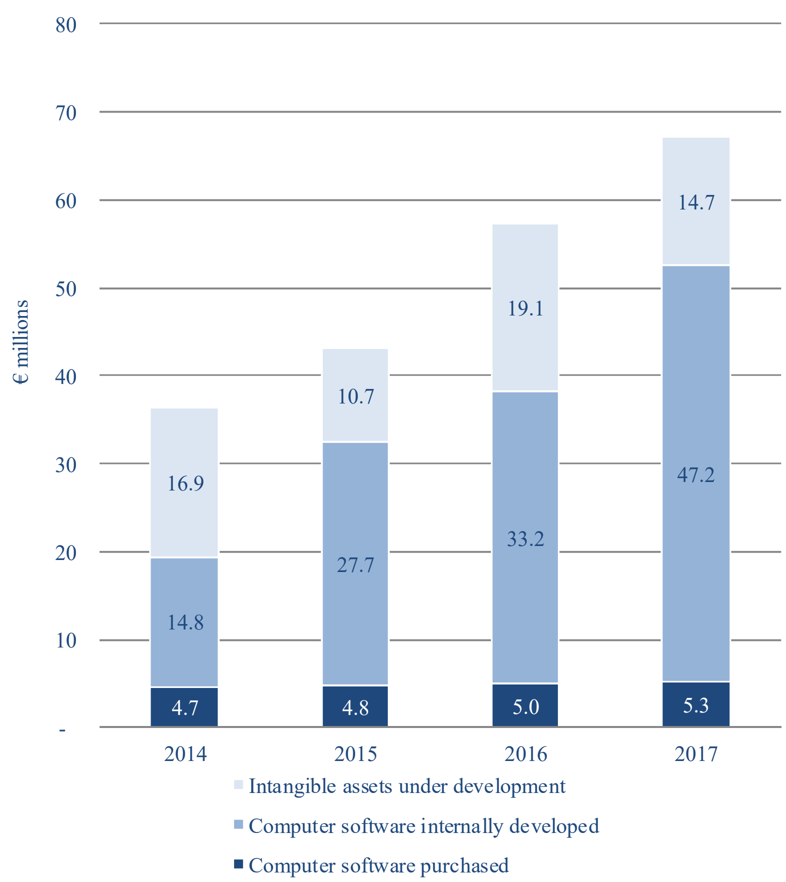
***Table 5**: Comparative Analysis of Intangible Assets*

	(expressed in millions of euro)			
	2017	**2016**	**Change**	**%**
Intangible assets				
Computer software purchased	5.3	5.0	0.3	6.0
Computer software internally developed	47.2	33.2	14.0	42.2
Intangible assets under development	14.7	19.1	(4.4)	(23.0)
Total Intangible Assets	**67.2**	**57.3**	**9.9**	**17.3**

37. The principal driver for the increase in the carrying value of Intangible Assets during 2017 is the continued development of projects under the MOSAIC project. During 2017, total costs of €16.1 million were added to the value of internally developed software, of which €13.2 million related to MOSAIC and €2.9 million relates to other internally developed software projects.

38. In connection with the above-mentioned projects, as shown in Figure 9 below, in 2017 the proportion of intangible assets under development and related computer software internally developed continued to increase, following the trend observed in the previous years.

***Figure 9**: Evolution of the composition of Intangible Assets*



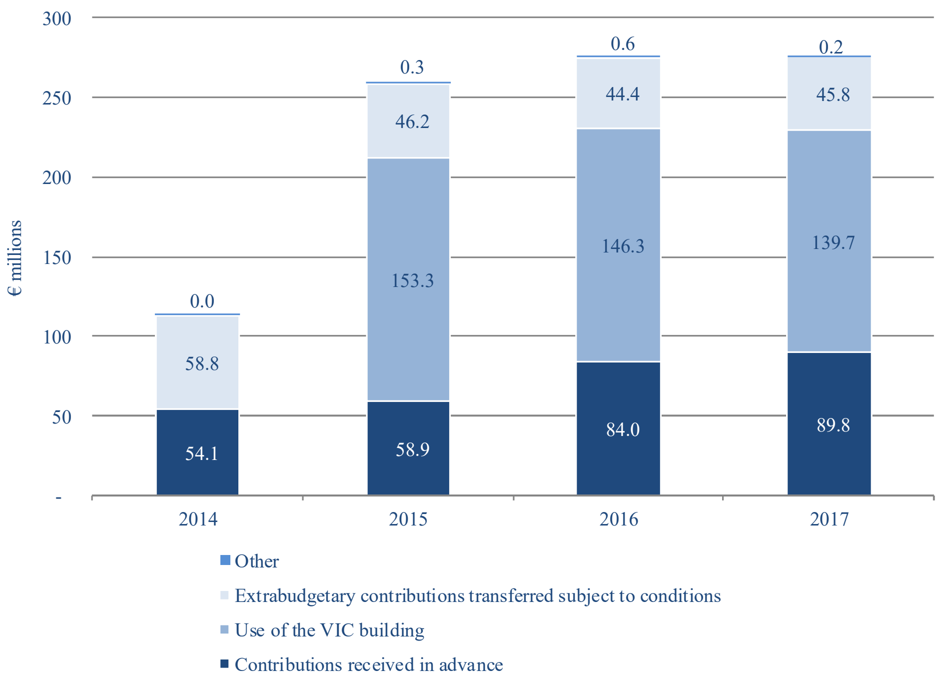
Deferred revenue

39. Since the recognition of the VIC premises in 2015, the largest portion of deferred revenue relates to the donated right to use of these premises, whereby the Agency has the obligation of maintaining its Headquarters seat in Vienna and to occupy the VIC building until 2078 or return it to the Austrian Government. This obligation is fulfilled by remaining in the VIC over the remaining term of the agreement and the deferred revenue is recognized annually in the Statement of Financial Performance.

40. Deferred revenue comprises two other major components. The larger of these two components is contributions received in advance, which relates to assessed contributions for 2018 paid in 2017 (€64.9 million), TCF and NPC contributions for 2018 paid in 2017 (€8.8 million and €1.1 million, respectively) and voluntary contributions received prior to the completion of formal acceptance by the Agency (€15 million). The total contributions received in advance increased by €5.7 million, primarily related to assessed contributions and NPC contributions received in advance. The other component is contributions received subject to conditions, which amounted to €45.8 million in 2017, a slight increase from €44.4 million in 2016. These contributions will be recognized as revenue upon satisfaction of the related conditions in the agreements.

41. A comparison of 2016 and 2017 year-end balances by category of deferred revenue is shown in ***Figure 10*** below.

Figure 10*: Evolution of the composition of Deferred Revenue*



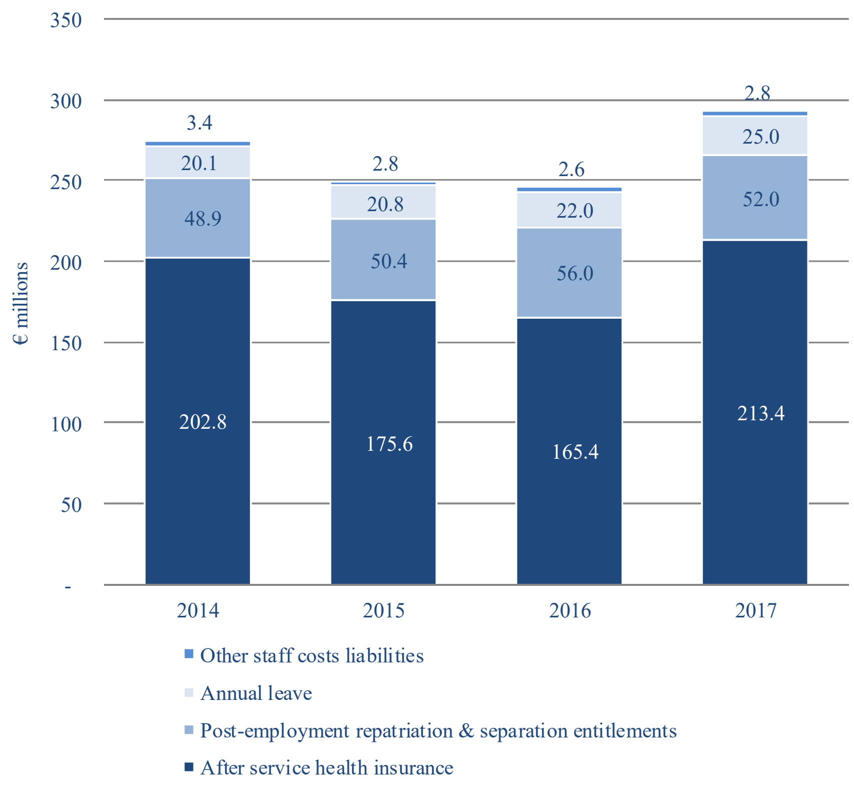
Employee benefits liabilities

42. Employee benefits liabilities consist of both current and non-current liabilities. As shown in ***Figure 11*** below, over the past years, liabilities related to After Service Health Insurance (ASHI) have represented the largest component among the employee benefit related liabilities, followed by post-employment repatriation and separation entitlements.

43. The lack of funding of the ASHI liability is an ongoing issue of concern.

44. Employee benefits liabilities increased by €47.1 million (19%) during 2017. This increase was primarily driven by an increase in the ASHI liability as a result of the actuarial valuation in 2017. A change in the attribution method of periods of service along with the use of updated UN mortality tables, change in the medical premiums and reduction of the discount rate were the key factors driving the increase in the calculated ASHI liability.

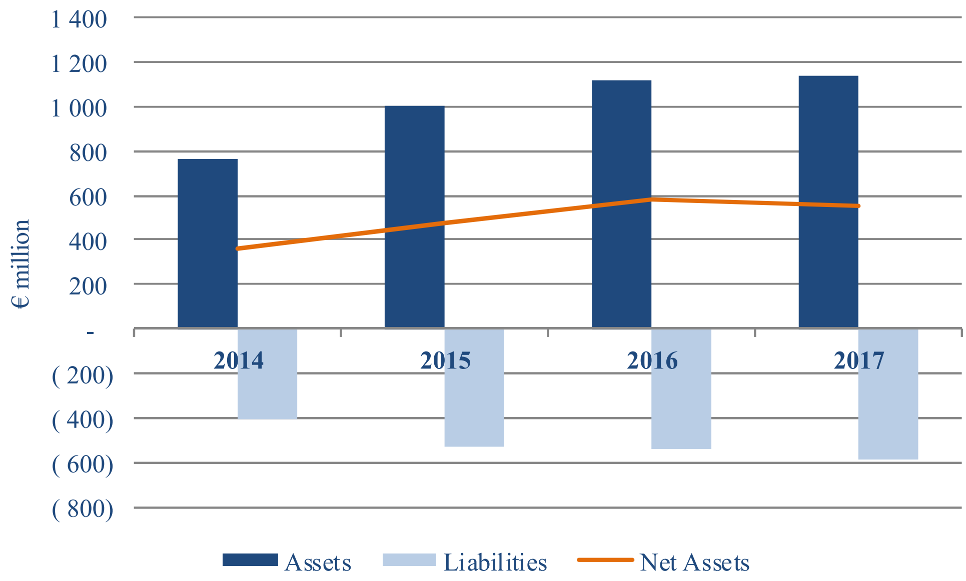
***Figure 11**: Evolution of the composition of the main employee benefits liabilities*



Net assets/equity

45. Net assets represent the difference between an organization's assets and its liabilities, which is illustrated by the orange line in ***Figure 12*** below. Despite a consistent increase in the Agency's liabilities over the years, the net assets have increased as the assets grew at a faster rate. However, in 2017 the Agency experienced an overall decrease in net assets, from €577.5 million to €550.1 million, which was primarily driven by the actuarial losses in 2017 resulting from the valuation of ASHI along with the reduction in the net surplus of the year due to recorded foreign exchange losses.

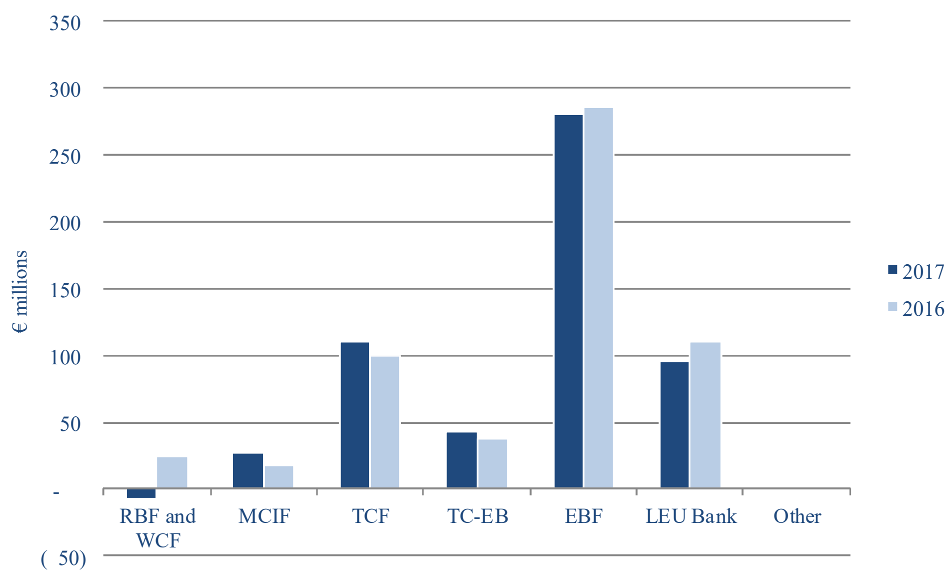
***Figure 12**: Evolution of Net Assets*



46. From the perspective of the composition of the net assets by fund, as shown in ***Figure 13*** below, the above events had an impact as follows:

- The net assets of the RBF decreased by €32.4 million in 2017 and were in a negative position of €7.5 million due primarily to the increase in the employee benefits liabilities, primarily ASHI.
- The net assets of the TCF increased by €10.7 million to €110.3 million in 2017, primarily as a result of the increased cash and investments balances held in the Fund.
- The net assets of the EBF decreased by €5.2 million to €280.4 million as a result of increasing expenses, reduced revenue from extrabudgetary contributions and the impact of foreign exchange losses.
- The net assets of the LEU Bank decreased by €14.9 million to €95.8 million, which was driven by the net losses from foreign exchange revaluation.

***Figure 13**: Evolution of the composition of Net Assets by fund*



Risk management

47. 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

48. The financial statements presented here show the Agency's strong overall financial health. The financial statements show high Regular Budget utilization, increased voluntary contributions to the TCF, and continued focus on the Agency's long-term assets related to projects such as ReNuAL and MOSAIC, all within a background of the Agency's commitment to financial responsibility. While the Agency's overall financial health is strong, the RBF is in a negative net asset position. The negative net asset position of the RBF is driven by the Agency's unfunded employee benefit liabilities and identifies that additional focus on the funding of these 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 2017

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

09 March 2018

Part I

Audit Opinion

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, 27 March 2018

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 2017 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 2017.

Please accept the assurances of our highest consideration.

(signed)

Prof. Dr. Moermahadi Soerja Djanegara, CA., CPA

The Chairman 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 2017

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 2017, 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 2017 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 2017, and its financial performance and of its cash flows for the year ended 31 December 2017 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)

Prof. Dr. Moermahadi Soerja Djanegara, CA., CPA

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

Jakarta, Indonesia
27 March 2018

Part II

Financial Statements

Text of a Letter dated 09 March 2018 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 2017, 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 2017
(expressed in euro'000s)

	Note	31-12-2017	31-12-2016
ASSETS			
Current assets			
Cash and cash equivalents	4	469 210	430 166
Investments	5	233 169	268 529
Accounts receivable from non-exchange transactions	6, 7	39 921	37 880
Accounts receivable from exchange transactions	8	7 377	11 450
Advances and prepayments	9	21 294	23 372
Inventory	10	12 282	8 865
Total current assets		**783 253**	**780 262**
Non-current assets			
Accounts receivable from non-exchange transactions	6, 7	2 511	3 899
Advances and prepayments	9	8 030	6 849
Investment in common services entities	11	809	809
Property, plant & equipment	12	277 793	268 970
Intangible assets	13	67 189	57 348
Total non-current assets		**356 332**	**337 875**
TOTAL ASSETS		**1 139 585**	**1 118 137**
LIABILITIES			
Current liabilities			
Accounts payable	14	17 774	16 602
Deferred revenue	15	113 600	106 084
Employee benefit liabilities	16, 17	15 561	13 666
Other financial liabilities	18	50	98
Provisions	19	1 472	1 126
Total current liabilities		**148 457**	**137 576**
Non-current liabilities			
Deferred revenue	15	161 881	169 197
Employee benefit liabilities	16, 17	277 634	232 358
Other financial liabilities	18	304	304
Provisions	19	1 218	1 218
Total non-current liabilities		**441 037**	**403 077**
TOTAL LIABILITIES		**589 494**	**540 653**
NET ASSETS		**550 091**	**577 484**
Equity			
Fund balances	20, 21	504 939	512 697
Reserves	22	45 152	64 787
TOTAL EQUITY		**550 091**	**577 484**

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 2017
(expressed in euro'000s)

	Note	2017	2016
Revenue			
Assessed contributions	23	363 670	354 851
Voluntary contributions	24	217 237	240 818
Other contributions	25	1 315	4 427
Revenue from exchange transactions	26	2 626	2 375
Investment revenue	27	2 682	1 783
Total revenue		**587 530**	**604 254**
Expenses			
Salaries and employee benefits	28	286 933	280 334
Consultants, experts	29	16 100	15 206
Travel	30	52 118	54 156
Transfers to development counterparts	31	48 174	48 188
Vienna International Centre common services	32	18 635	17 537
Training	33	34 649	29 127
Depreciation and amortization	12, 13	30 419	32 437
Contractual and other services	34	23 924	22 637
Other operating expenses	35	26 892	25 838
Total expenses		**537 844**	**525 460**
Net gains/ (losses)	36	(40 171)	12 337
Net surplus/(deficit)		**9 515**	**91 131**
Expense analysis by Major Programme			
Nuclear Power, Fuel Cycle and Nuclear Science	38	62 220	61 182
Nuclear Techniques for Development and Environmental Protection	38	93 235	91 867
Nuclear Safety and Security	38	98 501	95 873
Nuclear Verification	38	162 016	160 353
Policy, Management and Administration a/	38	128 193	123 305
Shared Services and expenses not directly charged to major programmes	38	2 831	1 328
Eliminations	38	(9 152)	(8 448)
Total expenses by Major Programme		**537 844**	**525 460**

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 2017
(expressed in euro'000s)

	2017	2016
Equity at the beginning of the year	577 484	473 412
Actuarial gains/(losses) on employee benefit liabilities	(35 751)	14 694
Refunds/transfers of prior year voluntary contributions recognized directly in equity	(1 135)	(1 741)
Prior year adjustments	(1)	(10)
Net revenue recognized directly in equity	**(36 887)**	**12 943**
Net surplus/(deficit) for the year	9 515	91 131
Impact on Working Capital Fund from new Member States	(5)	2
Credits to Member States	(16)	(4)
Equity at the end of the year	**550 091**	**577 484**

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 2017
(expressed in euro'000s)

	2017	2016
Cash flows from operating activities		
Net surplus/(deficit)	9 515	91 131
Refund of prior year voluntary contributions recognized in equity	(1 135)	(1 741)
Prior year adjustments	(1)	(10)
Discount Amortization	30	(574)
Depreciation and amortization	30 419	32 437
Amortization of deferred revenue on VIC depreciation	(7 490)	(7 865)
Impairment of PPE, Intangibles and Inventory	(8)	63
Increase/(decrease) in allowance for undeliverable inventory in transit	633	2
Actuarial gains/(losses) on employee benefit liabilities	(35 751)	14 694
Increase/(decrease) in doubtful debts allowance	2 382	1 043
(Gains)/losses on disposal of PPE and Intangibles	1 426	291
Unrealized foreign-exchange (gains)/losses on cash, cash equivalents and investments	33 515	(12 151)
(Increase)/decrease in receivables	1 038	(4 780)
(Increase)/decrease in inventories	(4 058)	(2 760)
(Increase)/decrease in prepayments	897	1 200
Increase/(decrease) in deferred revenue	7 690	24 389
Increase/(decrease) in accounts payable	1 172	(816)
Increase/(decrease) in employee benefit liabilities	47 171	(3 508)
Increase/(decrease) in other liabilities and provisions	(110)	(237)
Net cash flows from operating activities	**87 335**	**130 808**
Cash flows from investing activities		
Purchase or construction of PPE and intangibles	(49 107)	(47 282)
Sale of PPE and intangibles	7	16
Costs of asset decommissioning	(985)	-
Investments	7 231	144 268
Net cash flows from investing activities	**(42 854)**	**97 002**
Cash flows from financing activities		
Increase/(decrease) in Working Capital Fund from new Member States	(5)	2
Credits to Member States	(16)	(4)
Net cash flows from financing activities	**(21)**	**(2)**
Net increase/(decrease) in cash and cash equivalents	44 460	227 808
Cash and cash equivalents at beginning of the period	430 166	201 929
Unrealized foreign-exchange gains/(losses) on cash and cash equivalents	(5 416)	429
Cash and cash equivalents and bank overdrafts at the end of the period	**469 210**	**430 166**

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 2017

(expressed in euro'000s)

	RB Current Year				RB Carryover		
	Approved Budget	Final Budget	Actuals (Expenditure)	Variance	RB Carry Over	Actuals (expenditure)	Variance
MP1-Nuclear Power, Fuel Cycle and Nuclear Science	39 378	38 774	38 695	79	1 357	1 343	14
MP2-Nuclear Techniques for Development and Environmental Protection	39 958	39 482	39 461	21	259	258	1
MP3-Nuclear Safety and Security	35 163	34 514	34 254	260	887	868	19
MP4-Nuclear Verification	139 292	137 041	137 017	24	129	129	-
MP5-Policy, Management and Administration Services	79 557	78 720	78 641	79	3 010	3 001	9
MP6-Management of Technical Cooperation for Development	24 874	24 472	24 439	33	816	787	29
Total Agency programmes	**358 222**	**353 003**	**352 507**	**496**	**6 458**	**6 386**	**72**
Reimbursable work for others	2 698	2 698	3 269	(571)			
Total Regular Budget fund operational portion	**360 920**	**355 701**	**355 776**	**(75)**	**6 458**	**6 386**	**72**

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 2017

(expressed in euro'000s)

	Approved Budget	Final Budget	Actuals (Expenditure)	Variance b/
MP2-Nuclear Techniques for Development	2 511	2 511	92	2 419
MP3-Nuclear Safety and Security	304	304	265	39
MP4-Nuclear Verification	2 228	2 228	1 215	1 013
MP5-Policy, Management and Administration Services	3 058	3 058	2 115	943
Total Regular Budget capital portion	**8 101**	**8 101**	**3 687**	**4 414**

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 2017

(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	32 021	27 384	40 333	110 815	76 380	-	-	286 933
Consultants, experts	3 296	3 444	5 248	696	3 416	-	-	16 100
Travel	10 236	9 941	18 479	8 904	4 558	-	-	52 118
Transfers to development counterparts	7 621	27 125	12 552	42	834	-	-	48 174
VIC common services	72	1 154	454	1 072	15 883	-	-	18 635
Training	3 924	14 040	12 040	1 953	2 692	-	-	34 649
Depreciation and amortization	1 196	1 643	1 984	16 813	8 783	-	-	30 419
Contractual and other services	735	686	737	8 728	13 034	4	-	23 924
Other operating expenses	3 119	7 818	6 674	12 993	2 613	2 827	(9 152)	26 892
Total expense	**62 220**	**93 235**	**98 501**	**162 016**	**128 193**	**2 831**	**(9 152)**	**537 844**
Assets								
Property, plant & equipment, and intangibles	**13 659**	**37 958**	**22 356**	**184 224**	**86 785**	**-**	**-**	**344 982**
Asset additions								
Property, plant & equipment, and intangibles	**530**	**15 652**	**1 175**	**25 334**	**6 450**	**-**	**-**	**49 141**

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

COMPARATIVE 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	9 680	12 337	19 277	8 335	4 527	-	-	54 156
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	3 502	11 749	10 259	1 598	2 019	-	-	29 127
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

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

As at 31 December 2017

(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	84 440	26 120	84 122	17 897	180 747	74 412	1 472	469 210
Investments	-	-	28 022	24 692	137 351	43 104	-	233 169
Accounts receivable	38 974	588	1 583	876	7 480	308	-	49 809
Advances and prepayments	25 319	342	1 253	1 225	369	816	-	29 324
Inventory	418	-	10 003	1 105	756	-	-	12 282
Property, plant & equipment	277 784	-	1	-	-	8	-	277 793
Intangible assets	67 127	-	2	42	-	-	18	67 189
Investment in common service entities	809	-	-	-	-	-	-	809
Total assets	**494 871**	**27 050**	**124 986**	**45 837**	**326 703**	**118 648**	**1 490**	**1 139 585**
Liabilities								
Accounts payable	8 624	316	4 776	1 324	2 694	39	1	17 774
Deferred revenue	204 779	-	9 868	1 576	36 438	22 820	-	275 481
Employee benefit liabilities	288 867	20	-	19	4 285	4	-	293 195
Other financial liabilities	47	-	6	-	301	-	-	354
Provisions	78	-	-	-	2 612	-	-	2 690
Total liabilities	**502 395**	**336**	**14 650**	**2 919**	**46 330**	**22 863**	**1**	**589 494**
Net assets	**(7 524)**	**26 714**	**110 336**	**42 918**	**280 373**	**95 785**	**1 489**	**550 091**
Equity								
Fund balances	23 667	19 535	77 823	36 698	250 384	95 352	1 480	504 939
Reserves	(31 191)	7 179	32 514	6 219	29 990	432	9	45 152
Total equity	**(7 524)**	**26 714**	**110 337**	**42 917**	**280 374**	**95 784**	**1 489**	**550 091**

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 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 a/**	**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	268 895	-	1	-	-	8	66	268 970
Intangible assets	57 244	-	6	62	-	-	36	57 348
Investment in common service entities	809	-	-	-	-	-	-	809
Total assets	**485 164**	**18 384**	**111 353**	**40 699**	**327 398**	**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	**24 918**	**17 194**	**99 677**	**37 850**	**285 549**	**110 695**	**1 601**	**577 484**
Equity								
Fund balances	15 788	13 860	75 961	32 242	263 374	109 895	1 577	512 697
Reserves	9 130	3 334	23 716	5 608	22 175	800	24	64 787
Total equity	**24 918**	**17 194**	**99 677**	**37 850**	**285 549**	**110 695**	**1 601**	**577 484**

a/ The total amount of PPE and Intangible assets under the Extrabudgetary Programme fund have been reclassified to Regular Budget fund (see Note 2 - Changes in presentation)

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 2017

(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	355 569	8 101	-	-	-	-	-	-	363 670
Voluntary monetary contributions	-	-	84 571	23 669	98 772	-	-	-	207 012
Voluntary in-kind contributions	10 225	-	-	-	-	-	-	-	10 225
Other contributions	1 099	-	216	-	-	-	-	-	1 315
Revenue from exchange transactions	2 626	-	-	-	-	-	-	-	2 626
Investment revenue	445	-	367	98	838	934	-	-	2 682
Internal revenue including programme support costs	2 534	-	-	-	6 618	-	-	(9 152)	-
Total revenue	**372 498**	**8 101**	**85 154**	**23 767**	**106 228**	**934**	**-**	**(9 152)**	**587 530**
Expenses									
Salaries and employee benefits	251 079	923	-	370	33 145	1 416	-	-	286 933
Consultants, experts	8 190	240	3 953	779	2 871	67	-	-	16 100
Travel	19 769	3	17 659	3 203	11 251	233	-	-	52 118
Transfers to development counterparts	6 969	-	23 934	5 056	12 169	15	31	-	48 174
VIC common services	18 551	-	1	-	83	-	-	-	18 635
Training	3 753	1	21 579	3 900	5 411	5	-	-	34 649
Depreciation and amortisation	30 301	-	4	20	-	6	88	-	30 419
Contractual and other services	19 766	1 376	14	1	2 468	299	-	-	23 924
Other operating expenses	22 320	505	1 647	964	10 550	52	6	(9 152)	26 892
Total expenses	**380 698**	**3 048**	**68 791**	**14 293**	**77 948**	**2 093**	**125**	**(9 152)**	**537 844**
Net gains/(losses)	(3 648)	506	(5 267)	(4 363)	(13 658)	(13 751)	10		(40 171)
Net surplus/(deficit)	**(11 848)**	**5 559**	**11 096**	**5 111**	**14 622**	**(14 910)**	**(115)**	**-**	**9 515**

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.

(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 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	215	-	309	29	501	729	-	-	1 783
Internal revenue including programme support costs	2 157	-	-	(1)	6 292	-	-	(8 448)	-
Total revenue	**363 121**	**8 032**	**82 704**	**20 716**	**137 400**	**729**	**-**	**(8 448)**	**604 254**
Expenses									
Salaries and employee benefits	244 959	2 719	2	357	31 041	1 256	-	-	280 334
Consultants, experts	7 789	135	3 159	665	3 411	47	-	-	15 206
Travel	18 210	16	19 458	3 119	13 181	172	-	-	54 156
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	17 369	2 766	5 949	15	-	-	29 127
Depreciation and amortisation	32 254	-	7	20	-	5	151	-	32 437
Contractual and other services	18 192	552	24	5	3 484	380	-	-	22 637
Other operating expenses	22 938	358	1 309	1 193	8 440	51	(3)	(8 448)	25 838
Total expenses	**371 382**	**3 782**	**66 563**	**15 461**	**74 672**	**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)	**(8 979)**	**4 073**	**17 834**	**7 113**	**67 499**	**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

Part III

Notes to the Financial Statements

Notes to the Financial Statements

NOTE 1: Reporting entity

1. The International Atomic Energy Agency (IAEA or the Agency) is a not-for-profit autonomous intergovernmental organization founded in 1957 in accordance with 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.

Changes in presentation

6. Certain prior-year amounts have been reclassified to conform to the current year's presentation. The specific reclassifications are as follows:

- LEU Bank: whereby the cost of Agency staff members not directly funded by the project but rendering services imputable and charged back to the project are now under the category: 'Salaries and employee benefits' instead of 'Other operating expenses'. The result is a reclassification of €0.420 million between the two line items in the comparative figures of 2016, as well as a corresponding adjustment to the related elimination amounts, in *Statement VIIb.*

There is no impact on the Net Surplus of any fund or on the consolidated balance of any line item.

- Classification of travel costs related to training of non-staff: in an effort to harmonize the treatment of allocation of travel costs by its nature, costs related to the travel for training of non-staff are classified in 2017 under training costs as this best reflects the nature of this type of expense. This is also in line with the treatment of travel costs related to staff entitlements, whereby staff travel costs for repatriation, or home leave are reflected under the category 'salaries and employee benefits'. The result is a reclassification of €5.199 million between the two line items from travel to training cost in the comparative figures of 2016. This reclassification is displayed in *Statement II*, *Statement VI* and *Statement VIIb*.

- Non-current assets: Items of property, plant and equipment (PP&E) and items of Intangible assets amounting to €18.574 million and €0.890 million, respectively, have been purchased under the Extrabudgetary Programme Fund but were reclassified to Regular Budget. This reclassification was done because, although the assets were acquired through extrabudgetary funding, the assets are being used to support the Agency's core programmatic activities. Segment reporting presented in *Statement VIIa* and *Statement VIIb* have been revised to display this reclassification. A summary of this adjustment on the Total Assets, Total Net Assets, Total Revenue and Total Expenses of the impacted Fund Segments is as follows:

(expressed in euro'000)

Impact	Regular Budget		
	Operational Regular Budget Fund and Working Capital Fund	**Extrabudgetary Programme Funds**	**Total impact for the Agency**
Total Assets	19 464	(19 464)	-
Total Liabilities	-	-	-
Total Net Assets	**19 464**	**(19 464)**	-
Total Revenue	-	-	-
Total Expenses	4 061	(4 061)	-
Net Gains/ (Losses)	-	-	-
Net Surplus	**(4 061)**	**4 061**	-

Functional currency and translation of foreign currencies

Functional and presentation currency

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

Transactions and balances

8. 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.

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

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

Materiality and use of judgment and estimates

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

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

NOTE 3: Significant accounting policies

Assets

Financial assets

13. 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.

14. 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 2017 and 2016
Fair value through surplus or deficit	None at 31 December 2017 and 2016

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

16. '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

17. 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

18. 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

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

20. 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

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

Inventories

22. 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.

23. 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.

24. 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.

25. 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. The Agency utilizes a periodic system for the determination of inventory balances and respective inventory expense at the year end.

26. 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

27. 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.

28. 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

29. 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.

30. 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

31. Depreciation is charged so as to allocate the cost of assets over their estimated useful lives using the straight-line method.

32. The estimated useful lives for the different PP&E classes are as follows and are subject to annual review. During 2017, the annual review of estimated useful lives identified, based on

historical experience, that the useful life of laboratory equipment and inspection equipment should be increased to 11 and 8 years, respectively, instead of 7 and 5 years as previously estimated. As a result, the useful lives of all laboratory equipment and inspection equipment were increased to 11 and 8 years as of 1 January 2017. The change in estimated useful life was adopted prospectively (see Note 12).

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	8
Laboratory Equipment	11
Other Equipment	5

Intangible assets

Measurement of costs at recognition

33. 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.

34. 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.

35. 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

36. 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

37. 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.

38. 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

39. 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

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

Operating leases

41. 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

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

Accounts payable

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

Other financial liabilities

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

Employee benefit liabilities

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

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

Short-term employee benefits

46. 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

47. 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.

48. 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

49. Other long-term employee benefits are benefits that are due to be settled beyond 12 months such as annual leave and home leave. In 2017, there was a change in estimate of the annual leave balance resulting from the measurement of annual leave based on the value of the number of open leave days as of year-end rather than using an actuarial basis to determine the present value of the commutation of annual leave at the date of separation from service. 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. Other long-term employee benefits, including annual leave benefits, are recognized immediately in the Statement of Financial Performance.

Termination benefits

50. Termination benefits are the benefits payable if the Agency terminates employment before the retirement date/contract expiry date. These are recognized when the 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

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

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

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

Provisions

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

Contingent liabilities and contingent assets

Contingent liabilities

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

Contingent assets

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

Equity

56. 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

57. 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

58. 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.

59. 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.

60. 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.

61. 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.

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

National Participation Costs

63. 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

Goods-in-kind

64. 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.

65. 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

66. 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

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

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

Investment revenue

69. 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

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

Non-exchange expenses

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

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

Interests in other entities

73. 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 2017 is 55.140% (54.917% for 2016).

IPSAS standard and requirements	Accounting treatment	Applicable to
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.	Full consolidation of revenue, expenses, assets and liabilities.	VIC common services provided by the Agency: -Medical services -Printing and reproduction
IPSAS 37: Joint Arrangements Two or more parties have joint control (as defined in IPSAS 35) with the following characteristics:	Joint Operation - Proportionate consolidation of Agency's share of revenue, expenses, assets and liabilities.	The following Joint Operations:
• The parties are bound by a binding arrangement which gives them joint control. • Activities require unanimous consent among the parties with joint control.	Joint Venture – Equity method accounting.	- 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)
There are two types of joint arrangements: - Joint Operations - Joint Ventures		
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.	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.	- 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

74. 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.

75. 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

76. 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.

77. 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

78. 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

79. 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.

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

Fund Groups

81. 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 *WCF* 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 WCF, 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. The financial statements also present the Low Enriched Uranium Fuel Bank (LEU Bank), which is an activity under the Extrabudgetary Programme Fund, as a separate segment.

Other

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

Budget comparison

82. 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.

83. 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.

84. 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 eur'000s)	
	31-12-2017	31-12-2016
Cash in current accounts at bank and on hand	285 378	398 316
Cash in call accounts	121 057	25 158
Term deposits with original maturities of 3 months or less	62 775	6 692
Total cash and cash equivalents	**469 210**	**430 166**

85. The increase of €39 million (9.1%) in cash and cash equivalents in 2017 was the result of the Agency’s determination to hold more funds in cash in order to obtain positive returns on euro denominated funds. Furthermore, and in order to avoid negative interest rates and improve risk diversification, bank accounts were opened with additional banks.

86. Some cash is held in currencies which are either legally restricted or not readily convertible to euro. At 31 December 2017, the euro equivalent of these currencies was €4.050 million (€1.709 million at 31 December 2016), based on the respective United Nations Operational Rates of Exchange.

NOTE 5: Investments

	(expressed in euro'000s)	
	31-12-2017	31-12-2016
Term deposits with original maturities between 3 and 12 months	167 136	169 614
Treasury bills with original maturities between 3 and 12 months	27 619	98 915
Other discounted notes	38 414	-
Total investments	**233 169**	**268 529**

87. The decrease of € 35.4 million (13.2%) in investments is the result of two main factors: the transfer of euro investments to current accounts due to the inability to obtain positive interest rates in euro denominated investments and the depreciation of the US dollar during the year 2017. Also, the Agency invested in other discounted notes to achieve a higher return for the same credit risk. As shown in Note 41, the weighted average period to maturity of the Agency’s cash and investments at the end of 2017 increased for euro and decreased for US dollar holdings but remained under 3 months.

NOTE 6: Accounts receivable from non-exchange transactions

	(expressed in euro'000)	
	31-12-2017	**31-12-2016**
Assessed contributions receivable		
Regular Budget	40 254	32 956
Working Capital Fund	21	12
Allowance for doubtful accounts	(7 647)	(5 292)
Net assessed contributions receivable	32 628	27 676
Voluntary contributions receivable		
Extrabudgetary	7 862	12 599
Technical cooperation Fund	1 066	678
Allowance for doubtful accounts	(25)	(28)
Net voluntary contributions receivable	8 903	13 249
Other receivables		
Assessed programme costs	824	982
National participation costs	406	813
Safeguard agreements receivable	495	-
Allowance for doubtful accounts	(824)	(941)
Net other receivables	901	854
Total net accounts receivable from non-exchange transactions	**42 432**	**41 779**
Composition of accounts receivable from non-exchange transactions		
Current	39 921	37 880
Non-current	2 511	3 899
Total net accounts receivable from non-exchange transactions	**42 432**	**41 779**

88. The net assessed contributions receivable increased during the year by €4.952 million to €32.628 million, due to an increase in outstanding assessed contributions receivable primarily relating to the current year, offset by an increase in the allowance for doubtful accounts as a result of the further aging of certain assessed contributions in arrears. The decrease in net voluntary contributions receivable during the year of €4.346 million is due to reduction in amounts due from donors for extrabudgetary contributions, primarily due to the collection in 2017 of a number of significant contributions made at the end of 2016.

89. Non-current receivables comprise of the non-current portion of the voluntary extrabudgetary contributions which are due after 31 December 2017.

NOTE 7: Non-Exchange receivable information

Allowance for doubtful debts

(expressed in euro'000s)

	2017						2016					
	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	5 292	2 355				7 647	4 134	1 158	-	-	-	5 292
Related to assessed contributions receivable	5 292	2 355	-	-	-	7 647	4 134	1 158	-	-	-	5 292
<u>*Voluntary contributions receivable*</u>												
Technical Cooperation Fund	28	-	(3)	-	-	25	27	-	1	-	-	28
Extrabudgetary	-	-	-	-	-	-	-	-	-	-	-	-
Related to voluntary contributions receivable	28	-	(3)	-	-	25	27	-	1	-	-	28
<u>*Other receivables*</u>												
Assessed programme costs	941	-	(117)	-	-	824	953	-	44	-	(56)	941
National Participation Costs	-	-	-	-	-	-	52	-	-	-	(52)	-
Related to other receivables	941	-	(117)	-	-	824	1 005	-	44	-	(108)	941
Total related to receivables from non-exchange transactions	**6 261**	**2 355**	**(120)**	**-**	**-**	**8 496**	**5 166**	**1 158**	**45**	**-**	**(108)**	**6 261**

Ageing of receivables

(expressed in euro'000s)

	As at 31 December 2017					As at 31 December 2016				
		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	40 254	24 850	8 674	4 423	2 307	32 956	19 560	8 982	2 162	2 252
Working Capital Fund	21	16	3	-	2	12	3	4	-	5
Total assessed contributions receivable	40 275	24 866	8 677	4 423	2 309	32 968	19 563	8 986	2 162	2 257
Voluntary contributions receivable										
Extrabudgetary	7 862	3 848	3 981	33	-	12 599	12 278	104	38	179
Technical Cooperation Fund	1 066	812	207	8	39	678	477	147	17	37
Total voluntary contributions receivable	8 928	4 660	4 188	41	39	13 277	12 755	251	55	216
Other receivables										
Assessed programme costs	824	-	-	-	824	982	-	-	-	982
National participation costs	406	77	169	95	65	813	517	177	60	59
Safeguards agreements contributions	495	495	-	-	-	-	-	-	-	-
Total other receivables	1 725	572	169	95	889	1 795	517	177	60	1 041
Total receivables from non-exchange transactions	**50 928**	**30 098**	**13 034**	**4 559**	**3 237**	**48 040**	**32 835**	**9 414**	**2 277**	**3 514**

Management of credit risk relating to non-exchange receivables

90. 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.

91. 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 WCF, voting rights may be reinstated by the General Conference. As at 31 December 2017, the carrying value of receivables for which payment plans have been negotiated and that otherwise would have been overdue is €0.077 million (€0.113 million as at 31 December 2016).

92. The status of outstanding contributions as at 31 December 2017 by Member State and other donors is provided in Annex A3.

NOTE 8: Accounts receivable from exchange transactions

	(expressed in euro'000s)	
	31-12-2017	**31-12-2016**
Accounts receivable – Value Added Tax refunds	2 689	2 247
Accounts receivable – income tax refunds	1 162	5 973
Accounts receivable – others	3 693	3 250
Allowance for doubtful accounts	(167)	(20)
Total net accounts receivable from exchange transactions	**7 377**	**11 450**

93. All accounts receivable from exchange transactions as at 31 December 2017 and 2016 are current.

94. The allowance for doubtful debts showed the following movements during 2017 and 2016:

	(expressed in euro'000s)	
	2017	**2016**
Opening balance as on 1 January	20	71
Doubtful debt expense during the year	147	-
Doubtful debt expense reversed	-	(51)
Closing balance as on 31 December	**167**	**20**

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

(expressed in euro'000s)	31-12-2017	31-12-2016
Outstanding for:		
Less than 1 year	6 061	6 189
1 - 3 years	1 450	5 266
3 - 5 years	34	12
More than 5 years	-	3
Gross carrying value	**7 545**	**11 470**

NOTE 9: Advances and prepayments

(expressed in euro'000s)	31-12-2017	31-12-2016
Vienna International Centre common services	16 152	15 719
Other international organizations	1 208	1 895
Staff	7 222	7 228
Travel	75	825
Other	4 667	4 554
Total advances and prepayments	**29 324**	**30 221**
Advances and prepayments composition		
Current	21 294	23 372
Non-current	8 030	6 849
Total advances and prepayments	**29 324**	**30 221**

96. 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.

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

NOTE 10: Inventory

(expressed in euro'000s)	31-12-2017	31-12-2016
Project inventories in-transit to counterparts	11 864	8 450
Safeguards spare parts and maintenance materials	412	370
Printing supplies	6	45
Total inventory	**12 282**	**8 865**

98. The Technical Cooperation Programme accounts for €11.157 million (94%) of the inventories in transit as on 31 December 2017, a 75% increase from last year (€6.371 million (76%) in 2016) brought about by increased programmatic activities related to new and ongoing projects. There was no donated inventory received in 2017 (€0.038 million in 2016). In order to reflect the fact that inventories that have been in transit for some time may not be actually be delivered or may suffer damage or obsolescence, their value is recognized net of an allowance of

€0.828 million, out of which €0.649 million relates to goods which have been in transit for more than 12 months with 50% allowance and €0.179 million relates to those which have been in transit for more than 24 months with 100% allowance.

99. 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 2017 was approximately €0.144 million (€0.132 million in 2016).

100. Total inventory expense for 2017 and 2016 was as follows:

	(expressed in euro'000s)	
	31-12-2017	**31-12-2016**
Project inventories distributed to development counterparts	30 403	33 498
Safeguards spare parts and maintenance materials	29	18
Printing supplies	51	79
Impairment of inventory	8	3
Change in allowance for inventory in transit	633	2
Total inventory expense	**31 124**	**33 600**

101. 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).

102. During 2017 the change in the allowance created for goods in-transit amounts to €0.633 million. Impairment on inventory in the amount of €0.008 million is related to goods which were confirmed lost in transit in 2017.

NOTE 11: Investment in common services entities

	(expressed in euro'000s)	
	31-12-2017	**31-12-2016**
Investment in Commissary	809	809
Total investment in common services entities	**809**	**809**

103. 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

2017

(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 2017	**362 069**	**3 810**	**34 839**	**80 235**	**48 232**	**1 409**	**3 452**	**7 120**	**541 166**
Additions	2 600	413	4 126	1 774	2 049	119	42	18 137	**29 260**
Disposals	-	(14)	(2 881)	(2 612)	(564)	(108)	(33)	-	**(6 212)**
Other Adjustments	-	-	87	881	(1 009)	-	41	-	**-**
Assets under Construction Capitalized	-	-	1 668	2 065	-	-	44	(3 777)	**-**
Cost at 31 December2017	**364 669**	**4 209**	**37 839**	**82 343**	**48 708**	**1 420**	**3 546**	**21 480**	**564 214**
Accumulated depreciation at 1 January 2017	**143 730**	**2 464**	**26 799**	**64 896**	**30 305**	**811**	**3 046**	-	**272 051**
Depreciation	10 478	178	4 559	2 707	2 132	198	181	-	**20 433**
Disposals	-	(14)	(2 876)	(2 608)	(564)	(87)	(33)	-	**(6 182)**
Other Adjustments	-	-	53	325	(400)	-	22	-	**-**
Accumulated depreciation at 31 December2017	**154 208**	**2 628**	**28 535**	**65 320**	**31 473**	**922**	**3 216**	**-**	**286 302**
Accumulated impairment at 1 January 2017	**5**	**97**	**10**	**23**	**4**	**-**	**4**	**-**	**143**
Impairment	-	-	1	-	-	-	-	-	**1**
Disposals	-	-	(4)	(4)	-	-	-	-	**(8)**
Other Adjustments*	-	-	(4)	(13)	-	-	-	-	**(17)**
Accumulated impairment at 31 December2017	**5**	**97**	**3**	**6**	**4**	**-**	**4**	**-**	**119**
Net carrying amount at 31 December2017	**210 456**	**1 484**	**9 301**	**17 017**	**17 231**	**498**	**326**	**21 480**	**277 793**

* includes impairment reversals

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 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 31 December 2016	**5**	**97**	**10**	**24**	**4**	**-**	**4**	**-**	**144**
Net carrying amount 31 December 2016	**218 333**	**1 249**	**8 029**	**15 316**	**17 923**	**598**	**401**	**7 121**	**268 970**

* includes impairment reversals

104. 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 2017 are as follows:

Completed in 2017

- *Zika Laboratory (€0.797 million).* The Mosquito Containers Project, formerly known as ZIKA Containers, has 3 objectives: (1) Provide Insect Pest Control Laboratory (IPCL) extension for SIT Mosquito Research by arranging for temporary IPCL space at the IAEA's Seibersdorf complex; (2) Hire Cost Free Expert (CFE), SIT scientific and technical experts and research staff to conduct SIT Mosquito Research; and (3) Results of SIT Mosquito Research published, circulated, and shared. This project, which commenced in June 2017, relates to the first objective which has been achieved by the conversion of the existing office space into laboratory space for a total amount of €0.797 million.

Construction in progress

- *Renovation of the Nuclear Applications Laboratories (ReNuAL) (€18.044 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 extrabudgetary 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 required modification to the design of the FML was completed and the construction of the building commenced in April 2017. The upgrade to the remaining main site infrastructure commenced in May 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 and is fully operational since 2016 (€4.607 million in 2016).

- *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 additional development activity took place on this project between 2013 and 2017 due to uncertainties about the deadline for construction and commissioning of the facility. A new date for the start of operation in 2022 was provided by Japan. However, some development, manufacturing, testing and installation of equipment and software are necessary in order to have all safeguards systems available for use in the facility (€0.869 million CIP since 2013).

105. In 2017, 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 during 2017, hence the respective impairments were reversed. In addition, impairments due to damage, obsolescence or loss were recognized. The total impairment loss for 2017 amounted to € €0.002 million (€0.009 million in 2016).

106. Efforts to dispose of old inactive equipment continued, resulting in the retirement of assets with an aggregate original cost of €5.945 million which were fully depreciated at 31 December 2017. The gross value of fully depreciated items of property, plant and equipment

which remain in use as of 31 December 2017, including components of the VIC building, amounted to €96.323 million (€98.773 million as at 31 December 2016).

107. During 2017, a review of the useful lives of the Agency's tangible assets was conducted in order to align the lives with the actual years the assets remain in use based on historical records. As a result of this review, the useful lives of laboratory equipment and inspection equipment were increased to 11 years and 8 years, respectively, as of 1 January 2017. This change in estimated useful life was adopted prospectively resulting in a decrease in depreciation expense in 2017 by approximately €4.9 million. No other changes to useful lives were deemed necessary.

NOTE 13: Intangible assets

2017

	(expressed in euro '000s)			
	Computer Software Purchased	Computer Software Internally Developed	Intangible Assets Under Development	Total Intangible Assets
Cost at 1 January 2017	10 560	49 362	19 148	**79 070**
Additions	1 800	1 737	16 344	**19 881**
Disposals	-	-	(54)	**(54)**
Other Adjustments	283	(283)	-	**-**
Assets under Construction Capitalized	347	20 370	(20 717)	**-**
Cost at 31 December 2017	**12 990**	**71 186**	**14 721**	**98 897**
Accumulated amortization at 1 January 2017	5 562	16 160	-	**21 722**
Amortization	1 948	8 038	-	**9 986**
Other Adjustments	197	(197)	-	**-**
Accumulated amortization at 31 December 2017	**7 707**	**24 001**	**-**	**31 708**
Net carrying amount at 31 December 2017	**5 283**	**47 185**	**14 721**	**67 189**

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**

108. Software developed under the MOSAIC programme represents the most material portion of the Agency's Intangible assets. MOSAIC is a multi-phased project to upgrade and optimize the IT systems and infrastructure that support the activities of the Department of Safeguards. The aim of these systems is to improve the quality and efficiency of verification activities in the Department of Safeguards. The first phase, consisting of the transfer of mainframe applications, was completed during 2014-2015. Since 2015, the Agency has been further enhancing existing, and introducing new tools and applications, to make the data and information more readily available and improve support to users. The MOSAIC programme is planned to be completed in 2018.

109. For projects with a value greater than €0.500 million, all parts of the MOSAIC programme, their values and their completion status (complete, partly complete or construction in progress (CIP)) on 31 December 2017 are as follows:

Completed in 2017

- *Collaborative Analysis Platform (€3.701 million)*. The Collaborative Analysis Platform project (Phase 2) developed 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 our current human resources. The ability to establish relationships between information from multiple sources, across time, and over increasing volumes of information, will ensure the 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 is practiced in law enforcement, intelligence analysis, financial fraud investigation, and investment strategy into Safeguards business processes. In 2017, further enhancements were carried out to optimize the use of the software (€2.638 million CIP in 2016).

- *Safeguards Equipment Management System (SEQUOIA*) *(€2.331 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. In 2017, further enhancements were carried out to ensure the highest level of data integrity, accessed through a full-featured application with comprehensive data-driven search and reporting capabilities (€1.373 million CIP in 2016).

- *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 SG 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 (€2.043 million CIP in 2016).

- *Additional Protocol System (APS*) *(€1.914 million)*. The overall objective of Additional Protocol System is to reengineer the parts of the APS that assist the Division of Information

Management in Safeguards (SGIM) in its tasks of maintaining the Agency's database of AP declarations (including data loading and quality control) and data analysis activities. One goal of the project 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 (e.g. NMA, VRS, GES) and analysis tools. In 2017, further enhancements were carried out to further improve existing functionalities (€1.479 million CIP in 2016).

- *Field Activity Reporting (FAR) v2 (€1.851 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 was completed in January 2017 (€1.774 million CIP in 2016).

- *State Declaration Portal (SDP) (€1.498 million)*. The State Declarations Portal (SDP) project creates a web-based system to support information exchange between State and Regional Authorities and the SGIM Declared Information Analysis Section (SGIM/ISD). The SDP will allow secure communication between the SRAs and SGIM/ISD, in particular the online submission of State-supplied nuclear safeguards declarations by SRAs. Declarations submitted through the portal will be automatically transferred to the 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 IAEA, such as email, postal and fax submissions (€0.809 million CIP in 2016).

- *Safeguards Security Model (SGSM) (€1.231 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 (€0.772 million CIP in 2016).

- *Electronic Verification Package (eVP) (€0.954 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 (€0.859 million CIP in 2016).

- *Safeguards Effectiveness Evaluation Information System (SEEIS)v3 (€0.957 million).* Safeguards Effectiveness Evaluation Information System provides the functionality to collect, share, exchange and report data to facilitate the processing for key Safeguards Effectiveness and Evaluation business processes. In 2017, further enhancements were carried out in order to allow verification activities to be evaluated against variable performance targets defined in the State Level Approaches (SLAs) and Annual Implementation Plans (AIPSs) (€0.337 million CIP in 2016).

- *Authorization Management (€0.816 million).* The overall objective of Authorization Management project is to define authorization and access management policy and associated procedures for the Department of Safeguards. Further on, to implement the Authorization Management software solution to support access management across different applications, and implement management reports on users' access rights to enable governance and monitoring of access to information resources in the department (€0.493 million CIP in 2016).

- *SIR Analytical Tool (SANT) (€0.812 million).* SANT will provide advanced information analysis capabilities which will allow the measuring/monitoring of available live data, and support performance monitoring. Enhancing the analytical capabilities will also improve the analytical content of the SIR and DER, the monitoring of key processes for consistent Safeguards implementation and improving reporting to Member States. To minimize the effort spent by the Department for the production of the SIR, the project will include enhancements to the SIR Preparation Tool and associated processes to improve the input data quality and streamlining the process for information provision (€0.276 million CIP in 2016).

Construction in Progress

- *Integrated Scheduler and Planner System (ISP) (€3.424 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 type of activity 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 (€1.535 million CIP in 2016).

- *Safeguards Inspection Reporting and Evaluation (SAFIRE) (€2.321 million).* The SAFIRE project will create an IT product that aims to boost operational efficiency in the planning, reporting and evaluation of verification activities. SAFIRE therefore directly supports all core processes under the Safeguards macro-process "Verification".

- *Safeguards Information Resources through Integrated Unified Services (SIRIUS) (€2.129 million).* The goal of the SIRIUS project is to develop a productive and user-friendly working environment in ISE (Integrated Safeguards Environment). It will merge the capabilities of Document Management and Workflow Support (DMWS), electronic State File (eSF), and Geo-Based Data Integration (GDI). In addition to the scope of the earlier projects, SIRIUS will deliver default home page (ISE Portal) with a consolidated list of tasks each user needs to perform in various applications, with an effective notification and tracking mechanisms and other features that would consolidate and make easier access to the information available in various MOSAIC applications.

- *State-Level Data Configurator (SLDC) (€1.115 million).* The aim of the project is to fill the gap of missing IT support for the strategic long-term and annual planning of safeguards activities. The software tool created in the SLDC project will:
  - facilitate a uniform State-level approach (SLA) across the different State-evaluation groups (SEGs) by establishing a central repository for SLA related structured data;

- address the needs of the SEGs for capturing the Annual Implementation Plans (AIP) and supporting the complex approval process, facilitate the update of the AIP and/or the adaptation of the SLA by aggregating all relevant anomalies and other state-level issues in SLDC and allow the management of follow-up actions; and
- allow an efficient on-going monitoring of the implementation status as well as the subsequent evaluation (€0.273 million CIP in 2016).

110. The 2017 increase in total intangible assets amounts to €9.841 million and it is primarily attributable to internally developed software activities.

111. Thirty nine new projects were initiated in 2017 with aggregate costs amounting to €7.887 million (28 projects amounting to €4.193 million in 2016). Of these 39 projects, 18 with aggregate costs of €1.800 million were completed while the other 21 remain as construction in progress. Of the 39 internal development projects initiated prior to 2017, 2 were retired and 29 were completed, leaving 8 as CIP. There are therefore a total of 29 projects that will continue in 2018 and are recognized as intangible assets under development as at 31 December 2017.

112. No Impairments of internally developed intangible assets were recorded in 2017 (€0.172 million in 2016).

NOTE 14: Accounts payable

	(expressed in euro'000s)	
	31-12-2017	**31-12-2016**
Accruals	14 789	11 248
Staff	134	1 820
Other payables	2 851	3 534
Total accounts payables	**17 774**	**16 602**

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

114. 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)	
	31-12-2017	31-12-2016
Contributions received in advance	89 762	84 030
Extrabudgetary contributions transferred subject to conditions	45 832	44 385
Premises deferred	139 672	146 307
Other	215	559
Total deferred revenue	**275 481**	**128 974**
Deferred revenue composition		
Current	113 600	106 084
Non-current	161 881	169 197
Total deferred revenue	**275 481**	**275 281**

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.

116. 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 2017 by €5.732 million.

117. At the end of 2017, contributions received subject to conditions increased by €1.447 million. Out of the total balance of contributions received subject to conditions, 73.8% 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 €16.295 million, have been classified as current. Final and progress reports for these contributions are expected to be submitted during 2018, and the respective revenue recognition will be based on the approval of such reports by the donor.

118. A detail of contributions received in advance and extrabudgetary contributions transferred subject to conditions as of 31 December 2017 is provided in Annex A4.

NOTE 16: Employee benefit liabilities

	(expressed in euro'000s)	
	31-12-2017	**31-12-2016**
After-service health insurance	213 413	165 422
Post-employment repatriation and separation entitlements	51 989	55 991
Annual leave	25 035	21 987
Health Insurance Premium reserve account - staff contributions	816	320
Other staff costs	1 942	2 304
Total staff related liabilities	**293 195**	**246 024**
Composition of employee benefit liabilities		
Current	15 561	13 666
Non-current	277 634	232 358
Total employee benefit liabilities	**293 195**	**246 024**

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

120. Liabilities for annual leave have been calculated based upon the actual number of unused leave days as at year end rather than on an actuarial basis used to determine the present value of the commutation of annual leave at the date of separation from service. The resulting change in the estimate was an increase in the liability by €3.048 million during 2017.

121. 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 increased by €0.496 million during 2017 (€0.421 million decrease in 2016), due to a decrease in premiums due to the insurance company.

122. Liabilities for other staff costs as at 31 December 2017 consisted of primarily home leave accruals amounting to €1.104 million (€1.448 million as on 31 December 2016) and accruals for compensatory time-off amounting to €0.714 million (€0.730 million as on 31 December 2016).

123. As at 31 December 2017, 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 €290.400 million at 31 December 2017 relate to the Regular Budget Fund. The unfunded status of these liabilities negatively impacts this Fund such that the total equity is negative as at 31 December 2017.

NOTE 17: Post-employment related plans

124. 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.

125. 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.

126. 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

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

128. 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 2017:

Parameter	31-Dec-17	31-Dec-16
Discount rate	ASHI: 1.74% Other post-employment entitlements: repatriation entitlements 0.98%; End of Service allowance 1.28% Market yields on high quality euro corporate bonds at the reporting date (estimated duration: ASHI: 21 years; Other post-employment entitlements: 6 to 9 years depending on entitlement)	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)
Expected rate of salary increase	**Professional and Higher Staff** 1.66% for first four years (ASHI only) 2.63 % **General Service Staff** 2.92%	**Professional and Higher Staff** 1.77% for first four years (ASHI only) 2.54 % **General Service Staff** 3.10%
Expected rate of medical cost increase	2.92% – 3.03% (range for the various insurance plans)	3.00% – 3.21% (range for the various insurance plans)
Expected rate of travel costs increase	1.80%	0%
Expected rate of shipping cost increase	1.80%	1.80%

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

ASHI	31-12-2017	31-12-2016
	(expressed in euro '000)	
Movement in defined benefit obligation		
Opening defined benefit obligation	165 422	175 551
Expense for the period		
Current service cost	7 529	8 490
Interest cost	2 978	4 270
Benefits paid	(3 642)	(3 626)
Transfers in/out	99	395
Actuarial losses/(gains) recognized in net assets	41 028	(19 659)
Closing defined benefit obligation	**213 414**	**165 422**

Other Post-employment benefits	31-12-2017	31-12-2016
Movement in defined benefit obligation		
Opening defined benefit obligation	55 991	50 390
Expense for the period		
Current service cost	6 886	6 321
Interest cost	663	664
Past service cost	-	(574)
Benefits paid	(6 274)	(5 854)
Transfers in/out	(1)	79
Actuarial losses/(gains) recognized in net assets	(5 277)	4 965
Closing defined benefit obligation	**51 989**	**55 991**
of which		
Repatriation entitlements	26 792	30 537
End of Service Allowance	25 196	25 454
	51 989	**55 991**

130. 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.

131. Changes in attribution method for ASHI, medical premium rates, mortality and disability tables as well as a reduction in the long-term discount rate resulted in an actuarial loss of €53 million. However, this loss was slightly offset by the change in medical trend rates and review of turnover rates which resulted in an actuarial gain in 2017 of €17 million.

132. As at 31 December 2017, 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

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

		(expressed in euro'000s)	
Impact of change in assumptions	**Change**	**After Service Health Insurance**	**Other post-employment benefits**
Effect of discount rate change on defined benefit obligation	1%	(38 529)	(3 428)
	-1%	51 979	3 918
Effect of change in expected rate of medical costs increase on:			
*current service cost component of liability	1%	2 497	n/a
	-1%	(1 796)	n/a
*interest cost component of liability	1%	662	n/a
	-1%	(508)	n/a
*total defined benefit obligation	1%	49 396	n/a
	-1%	(37 588)	n/a
Effect of changes in salaries, shipping and travel costs on total defined benefit obligation	1%	n/a	1 570
	-1%	n/a	(4 425)

134. 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)				
	2017	**2016**	**2015**	**2014**	**2013**
Defined benefit obligation	213 413	165 422	175 551	185 988	123 630
Plan assets at fair value		-	-	-	-
Surplus/(deficit)	(213 413)	(165 422)	(175 551)	(185 988)	(123 630)
Remeasurement losses/(gains) due to experience adjustments	36 226	(28 585)	6 015	(2 837)	(304)
Remeasurement due to experience adjustments as a percentage of defined benefit obligation	16.97%	(17.28%)	3.43%	(1.53%)	(0.25%)

Other post-employment benefits

	(expressed in euro'000s)				
	2017	**2016**	**2015**	**2014**	**2013**
Defined benefit obligation	51 989	55 991	50 390	48 856	42 528
Plan assets at fair value	-	-	-	-	-
Surplus/(deficit)	(51 989)	(55 991)	(50 390)	(48 856)	(42 528)
Remeasurement losses/(gains) due to experience adjustments	(4 265)	3 600	2 209	269	(2 651)
Remeasurement due to experience adjustments as a percentage of defined benefit obligation	(8.20%)	6.43%	4.38%	0.55%	(6.23%)

135. The Agency's best estimate of benefits payments expected to be made for the next 12 months for ASHI plans is €4.080 million, and for post-employment repatriation and separation entitlements is €5.756 million.

136. 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

137. 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.

138. 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.

139. During 2017, the Fund identified that there were anomalies in the census data utilized in the actuarial valuation performed as of 31 December 2015. As such, as an exception to the normal biennial cycle, a roll forward of the participation data as of 31 December 2013 to 31 December 2016 was used by the Fund for their 2016 financial statements. An actuarial valuation as of 31 December 2017 is currently being performed.

140. The roll forward of the participation data as of 31 December 2013 to 31 December 2016 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 150.1% (127.5% in the 2013 valuation). The funded ratio was 101.4% (91.2% in the 2013 valuation) when the current system of pension adjustments was taken into account.

141. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2016, 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.

142. During 2017, contributions paid to UNJSPF amounted to €63.032 million (2016 €61.574 million). Expected contributions due in 2018 are approximately €60.150 million.

143. 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)	
	31-12-2017	**31-12-2016**
Deposits received	304	304
Others	50	98
Total other financial liabilities	**354**	**402**
Composition of other financial liabilities		
Current	50	98
Non-current	304	304
Total other financial liabilities	**354**	**402**

144. As at 31 December 2017, 'Others' consisted primarily of cash received for which the purpose has not yet been identified.

NOTE 19: Provisions

	(expressed in euro'000s)	
	31-12-2017	31-12-2016
Provision for ILOAT cases	78	141
Provision for asset disposal and site restoration	2 612	2 203
Total provisions	**2 690**	**2 344**
Composition of provisions		
Current	1 472	1 126
Non-current	1 218	1 218
Total provisions	**2 690**	**2 344**

145. Provisions for asset disposal relate to the estimated costs for disposal of laboratory glove boxes in the new Nuclear Material Laboratory (NML) in Seibersdorf at the end of the useful life of the glove boxes (€1.218 million) and also to the estimated costs for the decommissioning of the Safeguards Analytical Laboratory (SAL) so to enable the handover of the building to its owner for demolition (€1.394 million). A portion of the provision accrued as at 31 December 2016 has been utilized in 2017 pertaining to the works carried out for the disposal of laboratory glove boxes in the original Safeguards Analytical Laboratory (SAL) during the year (€0.985 million).

146. As at 31 December 2017, there were two 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 2018, one of these cases was decided by the ILOAT in favour of the former staff member while the remaining case is still under consideration by the ILOAT. The total estimate that the Agency would be liable for related to both cases would be approximately €0.078 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 a/		Major Capital Investment Fund		Technical Cooperation Fund		Technical Cooperation Extrabudgetary Programme Fund		Extrabudgetary Programme Fund a/		Low Enriched Uranium Bank		Trust Funds, Reserve Funds and Special Funds		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Opening Balance	15 788	9 497	13 860	15 757	75 961	56 556	32 242	22 431	263 374	213 908	109 895	106 808	1 577	1 703	512 697	426 660
Transfers to / (from) fund balances	19 727	15 270	116	(5 970)	(9 234)	1 571	(655)	2 698	(27 612)	(18 033)	367	(627)	18	(3)	(17 273)	(5 094)
Net surplus/ (deficit)	(11 848)	(8 979)	5 559	4 073	11 096	17 834	5 111	7 113	14 622	67 499	(14 910)	3 714	(115)	(123)	9 515	91 131
Closing balance	**23 667**	**15 788**	**19 535**	**13 860**	**77 823**	**75 961**	**36 698**	**32 242**	**250 384**	**263 374**	**95 352**	**109 895**	**1 480**	**1 577**	**504 939**	**512 697**
Included in fund balances are individual funds with specific purposes:																
Working Capital Fund	15 194	15 215	-	-	-	-	-	-	-	-	-	-	-	-	15 194	15 215
Nuclear Security Fund	-	-	-	-	-	-	-	-	67 696	70 166	-	-	-	-	67 696	70 166
Programme Support Cost Sub-fund	-	-	-	-	-	-	-	-	6 484	7 573	-	-	-	-	6 484	7 573
Research Institute Trust Fund	-	-	-	-	-	-	-	-	-	-	-	-	654	799	654	799
Equipment Replacement Fund	-	-	-	-	-	-	-	-	-	-	-	-	827	783	827	783

a/ The transfer of PPE and Intangible assets from Extrabudgetary Programme fund to the Regular Budget fund was also accompained by the respective transfer of depreciation and amortization so that the comparative net surplus figures of 2016 were adjusted under both funds. Please refer to Note 2.

147. The WCF 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 WCF level is approved by the General Conference and funded by Member State advances made in accordance with their respective base rates of assessment as determined by the General Conference. Each advance is carried to the credit of the respective Member State.

148. The 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).

149. 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.

150. 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).

151. 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: Movement in fund balances of individual funds with specific purposes

(expressed in euro'000s)

	2017						2016					
	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	15 215	-	(4)	-	(17)	**15 194**	15 212	-	2	-	1	**15 215**
Nuclear Security Fund	70 166	29 071	(4 471)	(24 555)	(2 515)	**67 696**	61 187	38 159	(4 812)	(24 985)	617	**70 166**
Programme Support Cost Sub-Fund	7 573	6 621	(1 070)	(6 900)	260	**6 484**	7 144	6 296	(299)	(5 482)	(86)	**7 573**
Research Institute Trust Fund	799	-	13	(37)	(121)	**654**	726	1	(2)	30	44	**799**
Equipment Replacement Fund	783	-	3	(88)	129	**827**	979	-	-	(151)	(45)	**783**

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	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Opening 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
Transfers to/(from)	(40 321)	14 430	3 845	1 701	8 798	(1 563)	611	(2 946)	7 815	5 783	(368)	627	(15)	3	(19 635)	18 035
Closing balance	(31 191)	9 130	7 179	3 334	32 514	23 716	6 219	5 608	29 990	22 175	432	800	9	24	45 152	64 787
Movements in reserves comprise:																
Health insurance premium reserve opening balance	432	742	-	-	-	-	-	-	-	-	-	-	-	-	432	742
Transfers to/(from)	432	(310)	-	-	-	-	-	-	-	-	-	-	-	-	432	(310)
Health Insurance premium reserve closing balance	864	432	-	-	-	-	-	-	-	-	-	-	-	-	864	432
Commitments opening 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
Transfers to/(from)	1 799	(6 658)	3 841	1 724	8 797	(1 563)	610	(2 946)	7 492	6 010	(367)	627	(15)	3	22 157	(2 803)
Commitments closing balance	25 441	23 642	7 247	3 406	32 513	23 716	6 228	5 618	30 299	22 807	437	804	9	24	102 174	80 017
Cash surplus/(deficit) reserve opening balance	65	69	-	-	-	-	-	-	-	-	-	-	-	-	65	69
Transfers to/(from)	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
Credit to Member States	(16)	(4)	-	-	-	-	-	-	-	-	-	-	-	-	(16)	(4)
Cash surplus/(deficit) reserve closing balance	49	65	-	-	-	-	-	-	-	-	-	-	-	-	49	65
Post employment related plans revaluation reserve opening balance	(21 467)	(36 411)	(72)	(49)	-	-	(10)	(10)	(632)	(405)	(4)	(4)	-	-	(22 185)	(36 879)
Actuarial gains/(losses) recognized through equity	(36 078)	14 944	3	(23)	-	-	1	-	323	(227)		-	-	-	(35 751)	14 694
Reserve for actuarial gains/losses on employee benefit liabilities closing balance	(57 545)	(21 467)	(69)	(72)	-	-	(9)	(10)	(309)	(632)	(4)	(4)	-	-	(57 936)	(22 185)
Reserve for carry-over of unobligated appropriations opening balance	6 458	-	-	-	-	-	-	-	-	-	-	-	-	-	6 458	-
Transfers to/(from)	(6 458)	6 458	-	-	-	-	-	-	-	-	-	-	-	-	(6 458)	6 458
Reserve for carry-over of unobligated appropriations closing balance	-	6 458	-	-	-	-	-	-	-	-	-	-	-	-	-	6 458

152. The reserves decreased by €19.635 million in 2017 primarily due to recognition of actuarial losses on the post-employment employee benefit liabilities directly in equity and the transfer of the reserve for carry-over of unobligated appropriations to fund balances which was partially offset by an increase in the committed funds for open contracts for goods and services.

153. The health insurance premium reserve represents the Agency's share of the funds related to health insurance premiums. The reserve increased by €0.432 million during 2017 (€0.310 million decrease in 2016).

154. Commitments represent committed funds for open contracts for goods and services which have not been received by the Agency. During 2017, such future commitments increased by €22.157 million (€2.803 million decrease in 2016). This increase is shown as a transfer from Fund balances to the reserves.

155. The cash surplus reserve opening balances represent the accumulated cash surplus for prior years amounting to €0.066 million. During 2017, €0.016 million was surrendered to Member States for their share of the cash surplus withheld from prior years.

156. 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 2017, a total of €35.751 million actuarial loss (€14.694 million actuarial gain in 2016) was recorded (refer to Note 17). This actuarial loss is mainly due to a change in the actuary assumptions relating to experience adjustments deriving from the change in the attribution method for ASHI and new mortality and disability rates.

NOTE 23: Assessed contributions

	(expressed in euro'000s)	
	2017	**2016**
Operational Assessment	355 569	346 819
Capital Assessment	8 101	8 032
Total assessed contributions	**363 670**	**354 851**

157. 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.

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

NOTE 24: Voluntary contributions

	(expressed in eur'000)	
	2017	**2016**
Voluntary monetary contributions		
Technical Cooperation Fund	84 572	79 019
Technical Cooperation Fund Extrabudgetary Fund	23 669	20 688
Extrabudgetary Programme Fund	98 771	130 565
Total voluntary monetary contributions	**207 012**	**230 272**
Voluntary in-kind contributions		
Lease of premises	7 490	7 865
Lease of premises - building other	1 440	1 394
Lease of premises - land VIC	892	856
Lease of premises - land other	403	392
Other	-	39
Total voluntary in-kind contributions	**10 225**	**10 546**
Total voluntary contributions	**217 237**	**240 818**

159. 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.

160. 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 and credits related to prior years' National Participation Costs. During 2017 and 2016, such refunds and transfers amounted to €1.135 million and €1.741 million respectively. In accordance with the Agency's accounting policy for such refunds, these amounts were recognized as direct adjustments to equity.

161. In-kind contributions primarily comprise the use of the Vienna International Centre (VIC) as a donated asset (€8.382 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 (€1.843 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.

162. 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.

163. 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)	
	2017	2016
National Participation Costs	216	3 322
Safeguards agreements	990	990
Other contributions	109	115
Total other contributions	**1 315**	**4 427**

164. 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, 2017, being the second year of the biennium, had lower NPC revenue compared to 2016. Revenue under the heading 'Safeguards agreements' reflects amounts recoverable in the Regular Budget under certain safeguards agreements. 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)	
	2017	2016
Revenue from sale of goods		
Publications	534	377
Laboratory reference materials	261	316
	795	**693**
Revenue from jointly financed services		
Medical	791	732
Printing	415	412
	1 206	**1 144**
Other miscellaneous revenue	**625**	**538**
Total revenue from exchange transactions	**2 626**	**2 375**

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

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

NOTE 27: Investment revenue

	(expressed in euro'000s)	
	2017	2016
Term deposits	2 108	895
Discounted notes	114	575
Call accounts and others	460	313
Total investment revenue	**2 682**	**1 783**

167. The increase of €0.9 million (50.4%) in the total investment revenue is mainly the result of higher interest earned on US dollar cash, cash equivalents and investments at 31 December 2017 in comparison with the previous period.

168. Statement VIIb provides details of the total investment revenue recognized in 2017 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)	
	2017	2016
Professional staff		
Salaries	136 691	138 431
Common staff costs: contributions to UNJSPF and other pension schemes	31 327	30 726
Common staff costs: other	37 093	29 516
Total professional staff	**205 111**	**198 673**
General services staff		
Salaries	55 292	53 942
Common staff costs: contributions to UNJSPF and other pension schemes	11 082	10 806
Common staff costs: other	15 448	16 913
Total general services staff	**81 822**	**81 661**
Total salaries and employee benefits	**286 933**	**280 334**

169. 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.

170. The increase in the common staff costs is driven by a € 5.7 million increase in the dependency allowance due to the new unified salary scale for Professional Staff that was implemented beginning of 2017. This increase had a no gain – no loss impact since it was fully offset by a decrease of € 5.7 million in the salaries of Professional Staff. This reduction was further offset by an increase of € 2.1 million in post adjusted multiplier issued by International Civil Servant Commission (ICSC) and a € 0.9 million one-time increase in single staff salaries which was the result of the new unified salary scale. In addition, a change in the methodology in the calculation of annual leave (see Note 16) resulted in an increase of € 3 million.

NOTE 29: Consultants, experts

	(expressed in euro'000s)	
	2017	**2016**
Consultants and experts	15 156	14 419
Translators	800	656
Conference clerks	144	131
Total	**16 100**	**15 206**

171. Consultant expenses represent the cost of contracting consultants, experts and translators including related fees and honorarium. Total consultant and expert expenses increased slightly in 2017 compared to 2016 to €16.100 million from €15.206 million.

NOTE 30: Travel

	(expressed in euro'000s)	
	2017	**2016**
Duty travel staff		
Safeguards inspection and equipment maintenance	6 443	6 149
Duty travel staff	12 499	12 343
Total staff travel	**18 942**	**18 492**
Non-staff travel		
Consultants, experts and meeting participants	13 600	13 817
For technical cooperation projects	16 293	18 477
Other non-staff	3 283	3 370
Total non-staff travel	**33 176**	**35 664**
Total travel expenses	**52 118**	**54 156**

172. 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.

173. 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)	
	2017	2016
Project inventories distributed to development counterparts	30 403	33 498
Services to development counterparts	9 200	7 136
Research and technical contracts	5 910	4 936
International Centre for Theoretical Physics funding	2 378	2 379
Other grants	283	239
Total transfers to development counterparts	**48 174**	**48 188**

174. Project inventories are items purchased for counterparts which are held for distribution in the ordinary course of operations. Services to development counterparts include services purchased by the Agency that will be carried out by individuals or contractors for the benefit of recipient counterparts.

175. The lower value of expenses for distribution of project inventories to counterparts in 2017 compared to 2016 is due to the timing of the Agency's programmatic activities.

176. 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)	
	2017	2016
Buildings management services	9 787	9 914
Security services	7 459	6 886
Conference services	1 389	737
Total Vienna International Centre common services	**18 635**	**17 537**

177. 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)	
	2017	2016
Training of development counterparts	31 933	27 040
Training - staff	2 716	2 087
Total training	**34 649**	**29 127**

178. 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)	
	2017	2016
Information technology contractual services	8 182	8 305
Scientific and technical contractual services	1 673	1 845
Other institutional contractual services	3 141	3 042
Building services and security non-VIC	4 195	4 722
Equipment and software maintenance	6 733	4 723
Total contractual and other services	**23 924**	**22 637**

179. Information technology contractual services are comprised of expenses for support of the Agency's information systems, including AIPS and other support services.

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

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

182. 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.

183. 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)	
	2017	2016
Supplies and materials	6 977	7 068
Purchase of minor equipment and software	3 984	5 314
Communication and transport	2 677	2 688
Leased equipment	1 012	1 229
Lease of premises	3 295	2999
Impairment of intangibles	-	172
Representation and hospitality	738	679
Printing supplies, Safeguards spare parts and maintenance materials inventory consumption	80	97
Increase/(decrease) in provisions and allowances	3 216	1 091
Other operating expenses	3 120	3 167
Other miscellaneous expenses	1 793	1 334
Total other operating expenses	**26 892**	**25 838**

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

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

186. 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.

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

188. 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)	
	2017	2016
Unrealized foreign exchange gains/(losses)	(35 299)	12 756
Realized foreign exchange gains/(losses)	(3 446)	(128)
Gains/(losses) on sale or disposal of property, plant & equipment	(1 426)	(291)
Total gains/(losses)	**(40 171)**	**12 337**

189. Net unrealized foreign exchange losses in 2017 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 US dollar vis-à-vis the euro, the functional currency of the Agency, during this period. The

depreciation of the US dollar compared to the euro also led to a realized foreign exchange loss, mainly due to the timing difference between revenue recognition of assessed contributions and the actual date of payments received in US dollar.

NOTE 37: Interests in other entities

Jointly funded activities

Joint FAO/IAEA Division

190. 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)

191. 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.

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

ICTP Summary Financial Information	(expressed in euro'000s) 31-12- 2017 (provisional)	31-12- 2016 (final)
Revenue	28 151	28 129
Expense	25 648	29 361
Net surplus/(deficit)	2 503	(1 232)
Assets current	11 142	9 455
Assets non-current	481	644
Liabilities current	3 085	3 580
Liabilities non-current	20 891	22 251
Equity	(12 353)	(15 732)

The Vienna International Centre

Vienna International Centre land and buildings

193. 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.

194. The 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, which is reflected in the Statement of Financial Position as deferred revenue, please refer to Note 15 for details. 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, please refer to Note 24 Voluntary Contributions.

Major Repairs and Replacements Fund

195. 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 (55.140% for 2017).

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

MRRF Summary Financial Information	31-12-2017 (provisional)	31-12-2016 (final)
	(expressed in euro'000s)	
Revenue	3 525	3 527
Expense	1 533	4 057
Net surplus/(deficit)	1 992	(530)
Assets current	11 294	9 083
Assets non-current	-	-
Liabilities current	292	73
Liabilities non-current	-	-
Equity	11 002	9 010

197. The Agency provided funding to MRRF of €0.972 million in 2017 and €0.968 million in 2016. 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

198. 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.

199. 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.

200. 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

201. 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.

202. 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.

203. 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

204. 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.

205. 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 2017, the total amount of such post-employment and other long-term employment benefits for the staff of the Commissary was €8.689 million (€6.917 million in 2016).

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

	(expressed in euro'000s)	
Commissary Summary Financial Information	**31-12-2017 (provisional)**	**31-12-2016 (final)***
Revenue	29 080	29 180
Expense	28 885	28 513
Net surplus/(deficit)	195	667
Asset current	16 638	16 823
Asset non-current	1 284	1 172
Liabilities current	814	1 126
Liabilities non-current	10 006	8 370
Equity	7 102	8 499

*These amounts are different from the amounts disclosed in the Agency's Financial Statements from 2016 as the Commissary's accounts were finalized after the Agency's Financial Statements for 2016 were issued.

Catering service

207. 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

2017

For the period ending 31 December 2017
(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	40 449	43 238	38 305	143 573	112 317	2 816	-	380 698
Property, Plant, Equipment and intangibles	13 651	37 955	22 314	184 224	86 767	-	-	344 911
Additions to Property, Plant, Equipment and Intangibles	525	15 652	1 175	25 333	6 448	-	-	49 133
Major Capital Investment Fund								
Expense	-	-	73	596	2 379	-	-	3 048
Property, Plant, Equipment and intangibles	-	-	-	-	-	-	-	-
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	-
Technical Cooperation Fund								
Expense	6 216	39 244	17 378	-	5 944	9	-	68 791
Property, Plant, Equipment and intangibles	-	3	-	-	-	-	-	3
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	-
Technical Cooperation Extrabudgetary Fund								
Expense	3 649	5 803	4 366	1	472	2	-	14 293
Property, Plant, Equipment and intangibles	-	-	42	-	-	-	-	42
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	-
Extrabudgetary Programme Fund								
Expense	9 815	4 913	38 379	17 846	6 991	4	-	77 948
Property, Plant, Equipment and intangibles	-	-	-	-	-	-	-	-
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	-
Low Enriched Uranium Bank								
Expense	2 091	-	-	-	2	-	-	2 093
Property, Plant, Equipment and intangibles	8	-	-	-	-	-	-	8
Additions to Property, Plant, Equipment and Intangibles	5	-	-	-	-	-	-	5
Trust Funds and Special Funds								
Expense	-	37	-	-	88	-	-	125
Property, Plant, Equipment and intangibles	-	-	-	-	18	-	-	18
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	3	-	-	3
Inter-fund elimination of un-allocated shared services expenses	-	-	-	-	-	-	(9 152)	(9 152)
Total Expense	**62 220**	**93 235**	**98 501**	**162 016**	**128 193**	**2 831**	**(9 152)**	537 844
Total PP&E and Intangibles	**13 659**	**37 958**	**22 356**	**184 224**	**86 785**	-	-	344 982
Total Additions to PP&E and Intangibles	**530**	**15 652**	**1 175**	**25 334**	**6 450**	-	-	49 141

a/ Includes Management of Technical Cooperation for Development.

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	39 826	43 895	36 462	141 360	108 467	1 372	-	371 382
Property, Plant, Equipment and intangibles	14 317	23 941	23 101	175 693	89 087	-	-	326 139
Additions to Property, Plant, Equipment and Intangibles	767	7 482	1 806	29 719	7 939	-		47 713
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	8 218	3 507	39 526	18 030	5 381	10	-	74 672
Property, Plant, Equipment and intangibles	-	-	-	-	-	-	-	-
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	-
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.

NOTE 39: Budget

208. 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

209. 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)

210. 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 2017. 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.

211. The table below illustrates the revaluation of the 2017 Regular Budget appropriations for 2017. 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 2017 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	39 378	38 774	(604)
MP2-Nuclear Techniques for Development and Environmental Protection	39 958	39 482	(476)
MP3-Nuclear Safety and Security	35 163	34 514	(649)
MP4-Nuclear Verification	139 292	137 041	(2 251)
MP5-Policy Management and Administration	79 557	78 720	(837)
MP6-Management of Technical Cooperation and Development	24 874	24 472	(402)
Total Agency programmes	**358 222**	**353 003**	**(5 219)**
Reimbursable work for others	2 698	2 698	-
Total Regular Budget operational portion	**360 920**	**355 701**	**(5 219)**

a/ General Conference Resolutions GC(60)/RES/5 of September 2016 original budget at €1/$1.

b/ General Conference Resolution GC(60)/RES/5 of September 2016 revalued at the United Nations operational average rate of exchange of €0.891 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

212. 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.

213. 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 2017 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/	496	-	-
Basis Difference	(16 347)	-	-
Presentation Difference	44 385	(40 470)	(16)
Entity Difference	58 801	(2 384)	(5)
Actual Amount in the Statement of Cash Flows	**87 335**	**(42 854)**	**(21)**

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.

214. **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.

215. **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.

216. **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.

217. **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

218. Excluding reimbursable work for others, the Agency expended €356.194 million from the 2017 Regular Budget, including capital portion. The operational Regular Budget expenditure amounted to €352.507 million out of an adjusted budget of €353.003 million representing an implementation rate of 99.9% and thus leaving an unencumbered balance of €0.496 million. In 2016, unobligated balances of €6.458 million were carried over into 2017 to meet programmatic needs, out of which €6.386 was expended for utilization rate of 98.9% leaving an unencumbered balance of €0.072 million.

219. Under the 2017 capital portion of the Regular Budget, €3.687 million were expended (obligations plus actuals) out of a budgeted amount of €8.101 million, representing an implementation rate of 45.5% and thus leaving an unencumbered balance of €4.414 million to be carried over for the same approved projects. The unencumbered balances will continue to be used as follows:

- €2.420 million for the renovation of the Nuclear Applications Laboratories in Seibersdorf – ReNuAL (Major Programme 2).
- €0.039 million for enhancing Radiation Safety through Efficient and Modern Dosimetry – RADSED (Major Programme 3).
- €1.012 million for Modernization of Safeguards Information System – MOSAIC (Major Programme 4).
- €0.943 million for IT Infrastructure and Information Security Investment (Major Programme 5).

NOTE 39d: Major Capital Investment Fund (MCIF)

220. 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.

221. 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.

222. 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.

223. 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.

224. The following table presents the financial status of the MCIF at the end of the 2017 financial year.

Comparison of budget and actual amounts a/

	(expressed in euro'000s)
Resources:	
Opening balance 1 January 2017 b/	25 321
2017 Regular Budget Capital Portion c/	8 101
Transfers to MCIF d/	1 847
Total resources	**35 269**
Expenditure:	
MP2-Nuclear Techniques for Development and Environmental Protection	5 098
MP3 - Nuclear Safety and Security	410
MP4-Nuclear Verification	1 654
MP5-Policy, Management and Administration	5 029
Total expenditure during 2017	**12 191**
Available Resources at 31 December 2017	**23 079**
Allocation of Available Resources at 31 December 2017	
Allocated to Major Programmes	10 205
Unallocated	12 874

a/ The accounting basis and the budget basis are different. This note is prepared on the modified cash basis.
b/: Agency Financial Statements GC(61)/2 dated July 2017
c/: General Conference Resolution GC(60)/RES/5 of September 2016
d/: Final cash surplus from 2016 appropriations (Annex A5)

NOTE 40: Related parties

Key management personnel

225. 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).

226. 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
2017	7	1 215	321	310	1 846	17	
2016	7	1 259	195	303	1 757	20	-

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

228. 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

229. 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.

230. 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) <u>Credit risk management</u>

231. 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.

232. 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. With effect from 1 January 2017, the Agency implemented a new Financial Instruction on Treasury Management. With the new Financial Instruction, credit risk exposure is calculated for cash, cash equivalents and investments as a percentage of total financial holdings. Before 2017, exposure was considered only for the cash equivalents and investments. Therefore, 2016 figures are restated to reflect changes under the new Financial Instruction.

The Agency's credit quality on cash equivalents and investments	Carrying value and percentage of cash equivalents and investments (expressed in euro'000s)			
	31-12-2017		31-12-2016	
Credit quality a/	Carrying value	Percentage	Carrying value	Percentage
AAA	227 992	32.50%	172 049	24.6%
AA+	-	-	-	-
AA	-	-	-	-
AA-	19 414	2.80%	269 494	38.5%
A+	60 051	8.50%	20 000	2.9%
A	103 998	14.80%	-	-
A-	68 528	9.80%	6 173	0.9%
BBB+	220 835	31.40%	229 766	32.8%
non-rated	1 562	0.20%	2 128	0.3%
Total	**702 380 b/**	**100%**	**699 610**	**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/ 63.3% of the balance as at 31 December 2017 was denominated in euros, 36.1% was denominated in US dollars and 0.6% in other currencies (59.2%, 40.4% and 0.4% respectively as at 31 December 2016).

233. 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 2017, the total exposure of the Agency with commercial banks was 67.5% and the highest exposure with commercial banks in any single country was 15.7% in an AA country. Credit risk relating to management of accounts receivable is discussed further in Note 7. The following table gives the details of exposures to any single issuer of over 10% of the total financial Holdings (€702.4 million):

Issuer	Industry	Carrying value (expressed in euro'000s)			
		31-12-2017		31-12-2016	
		Carrying value	Percentage	Carrying value	Percentage
UniCredit Bank Austria	Commercial bank	220 835	31.4%	229 766	32.8%
Bank for International Settlements.	Financial Institution (central banks)	161 960	23.1%	73 134	10.5%
JPMorgan Chase Bank, N.A	Commercial bank	a/	a/	186 322	26.6%
	Total	**382 795**	**54.5%**	**489 222**	**69.9%**

a/ At 31 December 2017 the exposure to JPMorgan Chase Bank N.A was less than 10% of the portfolio (€19.414 million or 2.8%).

b) Currency risk management

234. The Agency undertakes transactions denominated in foreign currencies and must therefore manage its exposure to exchange rate fluctuations. The Agency's general strategy for managing exchange rate risk is to ensure that revenues are received or converted in the market in the same currencies as anticipated expenses. The principal mechanisms being the split assessment system for the Regular Budget Fund and the cash holdings of other funds are generally being held in the expected currency of the disbursements.

235. 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.

236. 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 31-12-2017	444 762	253 566	3 934	117	702 379
As at 31-12-2016	413 153	282 897	1 709	936	698 695

237. The increase of € 3.7 million (0.5%) in total cash, cash equivalents and investments at 31 December 2017 as compared to the balance at 31 December 2016 was mainly driven by extrabudgetary contributions in 2017 compared to 2016.

c) Liquidity risk management

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

239. 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 WCF 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 WCF provides a liquidity buffer for the Agency's regular budget of around two weeks cash-flow. It was not utilized in either 2017 or 2016.

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

240. The Agency's financial liabilities were approximately 41.7% of financial assets as at 31 December 2017, against 35.3% as at 31 December 2016; this higher percentage is mainly due to a significant increase in cash and cash equivalents combined with an increase 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 4.6% of its short-term financial assets as at 31 December 2017 (4.2% as at 31 December 2016).

241. As at 31 December 2017, the weighted average period to maturity of the Agency's cash and cash equivalents and investments holdings for euro and US dollar was 35 days and 59 days respectively (9 days and 77 days respectively at 31 December 2016).

d) Interest rate risk management

242. 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.

243. 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 2017, the Agency earned an average rate of 0.02% per annum on its euro cash and investments (0.02% per annum in 2016) and an average rate of 0.99% per annum on its US dollar cash and investments (0.60% per annum in 2016). 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

244. Commitments include purchase orders and service contracts that are not delivered as at end of the reporting period. As on 31 December 2017, the Agency had commitments of €102.174 million (€80.017 million as on 31 December 2016). The details of commitments by funding source are provided below:

(expressed in euro'000s)

Fund Group	31-12-2017	31-12-2016
Regular Budget Fund and Working Capital Fund	25 441	23 642
Major Capital Investment Fund	7 247	3 406
Technical Cooperation Fund	32 513	23 716
Technical Cooperation Extrabudgetary Fund	6 228	5 618
Extrabudgetary Programme Fund	30 299	22 807
Low Enriched Uranium Bank	437	804
Trust Funds and Special Funds	9	24
Total commitments	**102 174**	**80 017**

Capital commitments

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

	(expressed in euro'000s)	
	31-12-2017	**31-12-2016**
Scientific and Technical Equipment	12 146	8 359
Construction Contracts	56	1 772
Communications & IT Equipment	3 598	826
Software	1 485	2 498
Security & Safety Equipment	194	10
Furniture and Fixtures	7	267
Vehicles	166	78
Total capital commitments	**17 652**	**13 810**

Operating lease commitments

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

	(expressed in euro'000s)	
	31-12-2017	**31-12-2016**
Office facility operating leases	3 304	3 478
Other leases	2 273	129
Total operating lease commitments	**5 577**	**3 607**
Operating lease commitments by term		
Less than one year	1 519	679
One to five years	2 675	1 349
Over five years	1 383	1 579
Total operating lease commitments	**5 577**	**3 607**

247. 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 for office facilities is primarily due to near future expiry of leases in certain locations and also the effect of foreign exchange movements, as most of the contracts are denominated in currencies other than the euro

248. Other leases primarily represent the rental of office equipment such as photocopiers and printing equipment. The increase in the value of these commitments is primarily due to renewal of leases for printing systems equipment.

NOTE 43: Contingent liabilities and contingent assets

Contingent liabilities

249. As at 31 December 2017, there were 9 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 possible, but 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 €0.219 million.

250. The Agency has contingent liabilities amounting to €8.689 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.

251. The Agency has a potential liability related to the decommissioning and decontamination of 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

252. The Agency's contingent assets, totaling €24.388 million, consist primarily of pledges received that are subject to further parliamentary approvals from the donors (€0.04 million), where the amount of the pledge is based on an estimate for which funds have not been received (€5.363 million), pledges received that have not yet been formally accepted by the Agency (€3.384 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 (€15.601 million).

NOTE 44: Events after the reporting date

253. The Agency's reporting date is 31 December 2017. The financial statements were authorized for issuance by the Director General on 9 March 2018.

254. 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

255. 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	Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization
DASSTA	Destructive Analysis Sample Status Tracking Services
EBF	Extrabudgetary Programme 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
ICSC	International Civil Servant Commission
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
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
RBF	Regular Budget Fund
SAL	Seibersdorf Analytical Laboratory
SEEIS	Safeguards Effectiveness and Evaluation Information System
SGIM	Department of Safeguards, Division of Information Management
SIR	Safeguards Implementation Report

ANNEX A1 (continued)

LIST OF ACRONYMS

SSDH	State Supplied Data Handling
TACC	Technical Assistance and Cooperation Committee
TC-EB	Technical Cooperation Extrabudgetary Fund
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
VBOs	VIC Based Organizations
VIC	Vienna International Centre
WCF	Working Capital Fund

ANNEX A2

REVENUE FROM CONTRIBUTIONS
FOR THE PERIOD ENDING 31 DECEMBER 2017
(expressed in euro)

Donors	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB) a/		Total
				EB RB	EB TC	
I. Member States						
Afghanistan	19 289	-	-	-	-	19 289
Albania	26 776	6 793	-	100 000	812 000	945 569
Algeria	518 811	131 618	810	-	25 181	676 420
Angola	32 148	10 000	-	-	16 368	58 516
Antigua and Barbuda	7 273	1 689	-	-	-	8 962
Argentina	3 019 724	728 571	1 541	126 600	20 000	3 896 436
Armenia	20 083	5 095	712	-	-	25 890
Australia	8 348 592	1 909 738	-	20 335	62 256	10 340 922
Austria	2 572 507	588 461	-	95 400	-	3 256 368
Azerbaijan	194 136	49 251	-	-	-	243 387
Bahamas	47 276	-	-	-	-	47 276
Bahrain	152 740	66 913	-	-	-	219 653
Bangladesh	32 148	8 492	-	-	-	40 640
Barbados	25 456	-	-	-	-	25 456
Belarus	180 747	45 854	91	-	-	226 692
Belgium	3 159 028	722 627	-	821 698	50 000	4 753 353
Belize	3 347	849	-	-	-	4 196
Benin	9 645	10 264	-	-	-	19 909
Bolivia, Plurinational State of	36 819	16 942	523	-	-	54 284
Bosnia and Herzegovina	40 167	10 190	4 015	-	-	54 372
Botswana	43 512	11 039	1 229	-	163 625	219 405
Brazil	12 944 691	6 888 103	1 254	-	-	19 834 048
Brunei Darussalam	101 827	-	522	-	-	102 349
Bulgaria	143 928	36 513	375	2 900	-	183 716
Burkina Faso	12 859	3 397	-	-	981	17 237
Burundi	3 215	-	-	-	-	3 215
Cambodia	12 859	-	-	-	-	12 859
Cameroon	33 471	8 492	2 232	-	5 973	50 168
Canada	10 431 099	2 386 112	-	2 197 252	-	15 014 462
Central African Republic	3 215	-	-	-	-	3 215
Chad	16 073	-	-	-	1 000	17 073
Chile	1 351 485	326 074	-	2 583	8 610	1 688 752
China	25 508 808	6 471 372	3 126	1 482 025	57 518	33 522 849
Colombia	1 037 624	33 645	-	-	-	1 071 270
Congo	21 819	5 000	-	-	-	26 819

ANNEX A2 (continued)

Donors	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB) a/		Total
				EB RB	EB TC	
Costa Rica	150 623	38 212	3 881	-	78 000	270 716
Côte d'Ivoire	30 124	7 642	600	-	-	38 366
Croatia	317 981	80 669	175	-	-	398 825
Cuba	207 524	66 920	17 635	-	-	292 079
Cyprus	152 201	34 815	-	-	-	187 016
Czech Republic	1 164 953	281 069	87	53 000	140 966	1 640 075
Democratic Republic of the Congo	25 718	6 793	-	-	101 146	133 657
Denmark	2 086 217	477 222	-	1 491 936	-	4 055 375
Djibouti	3 215	849	-	-	-	4 064
Dominica	3 637	-	-	-	-	3 637
Dominican Republic	147 276	37 363	650	-	-	185 289
Ecuador	214 218	54 346	598	-	-	269 162
Egypt	488 687	123 976	5 358	-	115 208	733 229
El Salvador	43 513	11 039	2 100	-	13 185	69 837
Eritrea	3 215	-	-	-	-	3 215
Estonia	120 499	30 569	166	-	30 000	181 234
Eswatini	7 273	1 698	2 500	-	-	11 471
Ethiopia	32 148	-	-	-	1 773 764	1 805 912
Fiji	10 911	-	-	-	-	10 911
Finland	1 629 625	372 777	-	533 400	-	2 535 802
France	17 354 236	3 969 776	-	3 079 253	30 000	24 433 265
Gabon	56 313	-	240	-	-	56 553
Georgia	26 776	6 793	-	-	-	33 569
Germany	22 818 498	5 219 725	-	3 367 158	-	31 405 381
Ghana	50 208	12 737	4 308	-	56 058	123 311
Greece	1 647 409	192 333	-	-	-	1 839 742
Guatemala	90 374	-	2 100	-	-	92 474
Guyana	7 273	-	-	-	-	7 273
Haiti	9 645	2 547	-	-	-	12 192
Holy See	3 711	1 956	-	-	-	5 667
Honduras	26 776	-	3 555	-	-	30 331
Hungary	545 522	131 618	656	422 000	60 000	1 159 796
Iceland	81 663	-	-	-	-	81 663
India	2 373 146	602 047	-	-	-	2 975 193
Indonesia	1 623 379	206 000	1 716	-	25 007	1 856 102

ANNEX A2 (continued)

Donors	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB) a/		Total
				EB RB	EB TC	
Iran, Islamic Republic of	1 516 270	283 554	-	-	-	1 799 824
Iraq	415 049	105 295	1 484	-	-	521 828
Ireland	1 195 304	140 000	-	-	-	1 335 304
Israel	1 536 826	263 661	-	-	278 000	2 078 487
Italy	13 385 958	3 062 035	-	174 000	-	16 621 993
Jamaica	30 124	7 642	19 500	-	-	57 266
Japan	34 574 832	7 908 982	-	9 130 675	5 115 543	56 730 032
Jordan	63 597	16 134	5 951	12 660	590 394	688 736
Kazakhstan	615 881	156 244	-	246 165	-	1 018 290
Kenya	56 903	14 436	3 221	-	2 540 719	2 615 279
Korea, Republic of	7 135 133	1 666 032	-	3 320 296	321 452	12 442 913
Kuwait	1 017 119	232 667	7 493	-	-	1 257 279
Kyrgyzstan	6 695	5 964	313	-	-	12 972
Lao People's Democratic Republic	9 645	2 547	-	-	-	12 192
Latvia	160 665	40 759	120	-	-	201 544
Lebanon	147 276	37 363	2 632	-	-	187 271
Lesotho	3 215	849	-	-	999 959	1 004 023
Liberia	3 215	-	-	-	-	3 215
Libya	422 339	-	-	-	-	422 339
Liechtenstein	25 983	5 944	-	-	-	31 927
Lithuania	230 954	58 591	2 070	-	-	291 615
Luxembourg	230 151	52 647	-	58 200	-	340 998
Madagascar	9 645	1 274	-	-	-	10 919
Malawi	6 429	1 698	-	-	-	8 127
Malaysia	1 091 042	263 237	1 174	-	9 346	1 364 799
Mali	9 645	2 547	-	-	-	12 192
Malta	52 792	12 737	-	-	-	65 529
Marshall Islands	3 347	-	2 100	-	-	5 447
Mauritania	6 429	-	-	-	-	6 429
Mauritius	36 819	9 341	1 200	-	1 400 000	1 447 360
Mexico	4 860 419	1 172 676	1 051	-	-	6 034 146
Monaco	37 119	8 492	-	266 813	80 000	392 424
Mongolia	16 735	4 246	4 138	-	-	25 119
Montenegro	13 388	3 397	90	-	-	16 875
Morocco	174 054	44 156	1 008	-	-	219 218

ANNEX A2 (continued)

Donors	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB) a/		Total
				EB RB	EB TC	
Mozambique	12 859	3 397	-	-	-	16 256
Myanmar	32 148	8 492	-	-	-	40 640
Namibia	33 471	8 492	8 998	-	-	50 961
Nepal	19 289	2 545	-	-	-	21 834
Netherlands	5 293 501	1 210 888	-	455 785	-	6 960 174
New Zealand	957 727	-	-	144 340	-	1 102 067
Nicaragua	12 859	3 397	3 648	-	-	19 904
Niger	6 429	1 698	-	-	2 635	10 762
Nigeria	672 782	170 679	2 932	12 660	212 934	1 071 987
Norway	3 032 810	693 756	-	3 676 054	81 828	7 484 447
Oman	396 395	92 557	253	-	-	489 205
Pakistan	297 898	75 574	5 227	10 000	408 580	797 279
Palau	3 519	849	-	-	-	4 368
Panama	110 457	27 131	9 553	-	-	147 141
Papua New Guinea	14 547	-	-	-	-	14 547
Paraguay	43 512	11 039	113	-	-	54 664
Peru	438 480	-	226	-	-	438 706
Philippines	532 201	135 015	1 334	-	331 107	999 657
Poland	2 707 863	686 962	284	20 000	15 000	3 430 109
Portugal	1 371 022	320 130	231	-	-	1 691 383
Qatar	961 442	388 476	271	300 000	-	1 650 189
Republic of Moldova	13 388	3 397	-	-	-	16 785
Romania	592 450	150 300	87	12 000	-	754 837
Russian Federation	11 028 757	2 522 825	-	956 778	709 319	15 217 679
Rwanda	6 429	-	-	-	-	6 429
San Marino	10 911	-	-	-	-	10 911
Saudi Arabia	3 882 001	931 874	-	-	-	4 813 875
Senegal	16 073	4 246	-	-	-	20 319
Serbia	103 763	26 324	46	-	176 209	306 342
Seychelles	3 519	900	1 981	-	418	6 818
Sierra Leone	3 215	-	-	-	-	3 215
Singapore	1 596 217	365 135	-	-	-	1 961 352
Slovakia	515 464	130 769	2 071	-	-	648 304
Slovenia	300 680	68 781	369	63 550	-	433 380
South Africa	1 171 511	297 203	1 891	-	-	1 470 605
Spain	8 727 225	150 000	-	392 920	180 000	9 450 145
Sri Lanka	100 415	10 000	973	-	30 000	141 388
Sudan	32 148	8 000	-	-	31 745	71 893
Sweden	3 415 164	781 218	-	444 448	-	4 640 830
Switzerland	4 072 213	931 518	-	215 000	-	5 218 731

ANNEX A2 (continued)

Donors	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB) a/		Total
				EB RB	EB TC	
Syrian Arab Republic	76 985	29 560	1 408	-	-	107 953
Tajikistan	13 388	3 397	-	-	187 644	204 429
Thailand	937 209	237 762	443	5 000	5 000	1 185 414
The former Yugoslav Republic of Macedonia	23 431	-	182	-	-	23 613
Togo	3 215	-	-	-	-	3 215
Trinidad and Tobago	120 011	-	-	-	-	120 011
Tunisia	90 375	22 927	3 619	-	-	116 921
Turkey	3 276 883	750 000	550	30 000	-	4 057 433
Turkmenistan	90 916	-	-	-	-	90 916
Uganda	28 933	7 642	-	-	37 595	74 170
Ukraine	331 369	84 066	96	-	-	415 531
United Arab Emirates	2 156 745	493 356	709	193 000	-	2 843 810
United Kingdom of Great Britain and Northern Ireland	15 939 903	3 646 249	-	11 396 196	-	30 982 348
United Republic of Tanzania	32 148	8 492	-	-	-	40 640
United States of America	92 803 370	20 885 870	-	48 242 439	4 274 677	166 206 355
Uruguay	267 481	64 535	8 049	-	150 000	490 065
Uzbekistan	73 638	18 681	41 695	-	40 000	174 014
Vanuatu	3 215	-	-	-	-	3 215
Venezuela, Bolivarian Republic of	1 837 599	-	377	-	-	1 837 976
Viet Nam	180 031	47 552	392	-	-	227 975
Yemen	32 147	-	-	-	-	32 147
Zambia	22 504	5 067	-	-	-	27 571
Zimbabwe	13 388	3 397	1 609	-	5 782	24 176
Sub-total	**363 666 319**	**84 571 852**	**215 917**	**93 574 518**	**21 862 733**	**563 891 338**
II. New Member States						
Saint Vincent and the Grenadines	3 583	-	-	-	-	3 583
Sub-total	**3 583**	-	-	-	-	**3 583**
III. Other Donors						
European Commission	-	-	-	4 757 062	1 648 486	6 405 548
International Organizations	-	-	-	176 880	141 450	318 330
Other Sources	-	-	-	264 707	15 978	280 685
Sub-total	-	-	-	**5 198 649**	**1 805 914**	**7 004 563**
GRAND TOTAL	**363 669 902**	**84 571 852**	**215 917**	**98 773 167**	**23 668 646**	**570 899 484**

a/ Excludes refunds.

ANNEX A3

STATUS OF OUTSTANDING CONTRIBUTIONS FOR THE PERIOD ENDING 31 DECEMBER 2017 (expressed in euros)

Donors	Working Capital Fund (WCF)	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Assessed Programme Costs (APCs)	Extrabudgetary (EB)		Total
						EB RB	EB TC	
I. Member States								
Afghanistan	152	18 991	-	-	-	-	-	19 143
Albania	-	-	-	-	-	-	-	-
Algeria	-	-	-	-	-	-	-	-
Angola	-	-	-	-	-	-	-	-
Antigua and Barbuda	-	7 159	-	-	-	-	-	7 159
Argentina	-	2 610 665	313 618	-	-	125 550	-	3 049 833
Armenia	-	-	-	-	-	-	-	-
Australia	-	-	-	-	-	-	-	-
Austria	-	-	-	-	-	-	-	-
Azerbaijan	-	-	-	-	-	-	-	-
Bahamas	-	46 211	-	-	-	-	-	46 211
Bahrain	-	-	-	3 409	-	-	-	3 409
Bangladesh	-	-	-	-	-	-	-	-
Barbados	-	54 570	-	-	-	-	-	54 570
Belarus	-	-	-	-	-	-	-	-
Belgium	-	-	-	-	-	25 000	-	25 000
Belize	-	-	-	-	-	-	-	-
Benin	-	-	-	-	-	-	-	-
Bolivia, Plurinational State of	-	65 339	-	6 341	232 751	-	-	304 431
Bosnia and Herzegovina	-	153 223	-	4 015	-	-	-	157 238
Botswana	-	-	-	-	-	-	-	-
Brazil	-	12 880 123	-	-	-	-	-	12 880 123
Brunei Darussalam	-	-	21 114	-	-	-	-	21 114
Bulgaria	-	-	-	-	-	2 900	-	2 900
Burkina Faso	-	9 702	5 931	-	-	-	-	15 633
Burundi	-	7 076	-	-	-	-	-	7 076
Cambodia	-	54 752	-	-	-	-	-	54 752
Cameroon	-	109 325	-	-	-	-	-	109 325
Canada	-	-	-	-	-	-	-	-
Central African Republic	152	40 263	711	-	-	-	-	41 126
Chad	457	39 709	3 689	-	-	-	-	43 855
Chile	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-
Colombia	-	1 023 023	-	-	-	8 578	-	1 031 601
Congo	152	37 785	-	-	-	-	-	37 937
Costa Rica	-	-	-	-	-	-	-	-
Côte d'Ivoire	-	25 868	-	-	-	-	-	25 868
Croatia	-	29 070	-	-	-	-	-	29 070
Cuba	-	414 800	-	-	-	-	-	414 800
Cyprus	-	-	-	-	-	-	-	-

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	
Czech Republic	-	-	-	-	-	-	-	-
Democratic Republic of the Congo	-	-	-	-	-	-	-	-
Denmark	-	-	-	-	-	853 495	-	853 495
Djibouti	-	5 537	1 694	-	-	-	-	7 231
Dominica	-	6 253	-	6 430	-	-	-	12 683
Dominican Republic	-	1 691 407	10 555	12 154	171 260	-	-	1 885 376
Ecuador	3 346	330 419	89 818	4 671	-	-	-	428 254
Egypt	-	-	-	-	-	-	-	-
El Salvador	1 132	830 818	11 039	17 754	10 415	-	-	871 158
Eritrea	-	-	-	-	-	-	-	-
Estonia	-	-	-	-	-	-	-	-
Eswatini	-	12 812	1 698	2 500	-	-	-	17 010
Ethiopia	-	31 651	-	-	-	-	-	31 651
Fiji	-	-	-	-	-	-	-	-
Finland	-	-	-	-	-	-	-	-
France	-	-	-	-	-	148 000	-	148 000
Gabon	-	345 264	-	20 394	-	-	-	365 658
Georgia	-	-	-	-	-	-	-	-
Germany	-	-	-	-	-	-	-	-
Ghana	305	91 010	407	34 597	-	-	-	126 319
Greece	-	2 770 694	-	634	-	-	-	2 771 328
Guatemala	152	576 563	-	-	122 636	-	-	699 350
Guyana	304	14 180	-	-	-	-	-	14 484
Haiti	-	10 176	-	-	-	-	-	10 176
Holy See	-	-	-	-	-	-	-	-
Honduras	-	-	-	-	-	-	-	-
Hungary	-	-	-	-	-	-	-	-
Iceland	-	-	-	-	-	-	-	-
India	-	10 343	-	-	-	-	-	10 343
Indonesia	-	-	206 000	-	-	-	-	206 000
Iran, Islamic Republic of	-	1 870 947	-	-	-	-	-	1 870 947
Iraq	8 973	408 611	-	-	-	-	-	417 584
Ireland	-	-	-	-	-	-	-	-
Israel	-	-	-	-	-	-	-	-
Italy	-	-	-	-	-	-	-	-
Jamaica	-	-	-	-	-	-	-	-
Japan	-	-	-	-	-	1 424 135	-	1 424 135
Jordan	-	-	-	9 248	-	-	-	9 248
Kazakhstan	-	-	-	-	-	-	-	-
Kenya	-	-	-	-	-	-	-	-
Korea, Republic of	-	-	-	-	-	-	-	-
Kuwait	-	-	-	-	-	-	-	-
Kyrgyzstan	-	-	-	44 504	-	-	-	44 504
Lao People's Democratic Republic	-	-	-	-	-	-	-	-
Latvia	-	-	-	(6 768)	-	-	-	(6 768)

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	
Lebanon	-	16 070	-	-	-	-	-	16 070
Lesotho	-	-	-	-	-	-	-	-
Liberia	-	193 495	-	-	-	-	-	193 495
Libya	-	1 756 399	-	-	-	-	-	1 756 399
Liechtenstein	-	-	-	-	-	-	-	-
Lithuania	-	-	-	-	-	-	-	-
Luxembourg	-	-	-	-	-	53 800	-	53 800
Madagascar	-	-	-	-	-	-	-	-
Malawi	-	-	-	-	-	-	-	-
Malaysia	-	-	-	-	-	-	-	-
Mali	-	30 233	5 925	-	-	-	-	36 158
Malta	-	-	-	-	-	-	-	-
Marshall Islands	-	3 095	150	2 100	-	-	-	5 345
Mauritania	-	10 681	630	-	-	-	-	11 311
Mauritius	-	-	-	-	-	-	-	-
Mexico	-	-	-	-	-	-	-	-
Monaco	-	-	-	-	-	-	-	-
Mongolia	-	-	-	-	-	-	-	-
Montenegro	-	-	-	2 386	-	-	-	2 386
Morocco	-	-	-	-	-	-	-	-
Mozambique	-	-	-	-	-	-	-	-
Myanmar	-	70	-	-	-	-	-	70
Namibia	-	-	-	-	-	-	-	-
Nepal	-	-	-	-	-	-	-	-
Netherlands	-	-	-	-	-	-	-	-
New Zealand	-	-	-	-	-	-	-	-
Nicaragua	-	-	3 148	-	-	-	-	3 148
Niger	-	6 274	-	-	-	-	-	6 274
Nigeria	-	1 588 027	292 263	22 987	-	-	-	1 903 277
Norway	-	-	-	-	-	-	-	-
Oman	-	-	-	-	-	-	-	-
Pakistan	-	260	-	205	-	-	-	465
Palau	-	-	-	-	-	-	-	-
Panama	1 216	229 940	-	-	-	-	-	231 156
Papua New Guinea	-	38 021	-	71	-	-	-	38 092
Paraguay	-	106 377	4 373	-	62 155	-	-	172 905
Peru	-	-	-	-	-	-	-	-
Philippines	-	-	-	-	-	-	-	-
Poland	-	-	-	18 191	-	-	-	18 191
Portugal	-	-	-	-	-	-	-	-
Qatar	-	-	9 656	-	-	-	-	9 656
Republic of Moldova	-	-	-	-	-	-	-	-
Romania	-	63 848	-	48 276	43 439	-	-	155 563
Russian Federation	-	-	-	-	-	3 348 000	-	3 348 000
Rwanda	-	-	-	-	-	-	-	-
San Marino	-	-	-	-	-	-	-	-
Saudi Arabia	-	-	-	-	-	-	-	-
Senegal	-	34 188	5 067	-	-	-	-	39 255
Serbia	-	100 000	-	-	-	-	-	100 000
Seychelles	-	-	-	1 981	-	-	-	1 981

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	
Sierra Leone	-	9 305	-	-	-	-	-	9 305
Singapore	-	-	-	-	-	-	-	-
Slovakia	-	-	-	-	-	-	-	-
Slovenia	-	-	-	-	-	-	-	-
South Africa	-	-	-	1 891	-	-	-	1 891
Spain	-	-	-	-	-	40 000	-	40 000
Sri Lanka	-	26 416	-	-	148 069	-	-	174 486
Sudan	-	35 417	13 418	-	-	-	-	48 835
Sweden	-	-	-	-	-	-	-	-
Switzerland	-	-	-	-	-	100 000	-	100 000
Syrian Arab Republic	-	134 702	-	1 408	-	-	-	136 110
Tajikistan	-	-	-	-	-	-	-	-
Thailand	-	-	-	-	-	-	-	-
The former Yugoslav Republic of Macedonia	-	-	-	25 838	-	-	-	25 838
Togo	-	-	-	-	-	-	-	-
Trinidad and Tobago	-	116 761	-	4 015	-	-	-	120 776
Tunisia	-	-	-	-	-	-	-	-
Turkey	-	-	-	(8 118)	-	-	-	(8 118)
Turkmenistan	3 803	156 209	-	-	-	-	-	160 012
Uganda	456	47 001	10 718	-	-	-	-	58 175
Ukraine	-	-	-	-	-	-	-	-
United Arab Emirates	-	-	-	-	-	-	-	-
United Kingdom of Great Britain and	-	-	-	-	-	-	-	-
United Republic of Tanzania	-	-	-	-	-	-	-	-
United States of America	-	204 382	-	-	-	-	-	204 382
Uruguay	-	-	-	6 808	-	-	-	6 808
Uzbekistan	-	36 980	-	74 229	-	-	-	111 209
Vanuatu	-	3 688	-	-	-	-	-	3 688
Venezuela, Bolivarian Republic of	-	8 364 074	-	27 086	-	-	-	8 391 160
Viet Nam	-	-	-	-	-	-	-	-
Yemen	-	125 339	29 319	-	-	-	-	154 658
Zambia	-	39 572	-	-	-	-	-	39 572
Zimbabwe	-	10 983	-	16 321	-	-	-	27 304
Sub-total	**20 600**	**40 122 148**	**1 040 941**	**405 558**	**790 726**	**6 129 458**	-	**48 509 430**

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								
Saint Vincent and the Grenadines	152	3 580	-	-	-	-	-	3 732
Sub-total	**152**	**3 580**	**-**	**-**	**-**	**-**	**-**	**3 732**
III. Former Member States								
Korea, Democratic People's Republic of	-	128 576	24 805	-	33 239	-	-	186 619
Sub-total	**-**	**128 576**	**24 805**	**-**	**33 239**	**-**	**-**	**186 619**
IV. Other Donors								
European Commission	-	-	-	-	-	968 571	696 570	1 665 141
International Organizations	-	-	-	-	-	34 343	-	34 343
Other Sources	-	-	-	-	-	33 480	-	33 480
Sub-total	**-**	**-**	**-**	**-**	**-**	**1 036 394**	**696 570**	**1 732 964**
GRAND TOTAL	**20 752**	**40 254 303**	**1 065 746**	**405 558**	**823 965**	**7 165 852**	**696 570**	**50 432 745**

STATUS OF DEFERRED REVENUE
FOR THE PERIOD ENDING 31 DECEMBER 2017
(expressed in euros)

Annex A4

Donors	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB)		Total contributions received in advance	Extrabudgetary contributions transferred subject to		
	Contributions received in advance								
				EB RB	EB TC		EB RB	EB TC	Total EB contributions transferred with conditions
i. Member States									
Albania	40 497	6 853	25 636	-	-	72 986	-	-	-
Algeria	13 245	-	57	-	-	13 302	-	-	-
Argentina	-	-	28 398	-	-	28 398	-	-	-
Armenia	20 302	5 140	-	-	-	25 442	-	-	-
Australia	8 304 866	1 926 605	-	-	-	10 231 471	62 615	-	62 615
Azerbaijan	-	-	3 275	-	-	3 275	-	-	-
Belarus	-	-	1 783	-	-	1 783	-	-	-
Belgium	-	14 701	-	-	-	14 701	-	-	-
Benin	18 935	5 250	-	-	-	24 185	-	-	-
Botswana	-	-	5 991	-	-	5 991	-	-	-
Brazil	-	-	55 490	-	-	55 490	-	-	-
Brunei Darussalam	101 482	-	-	-	-	101 482	-	-	-
Bulgaria	145 500	36 836	28 890	-	-	211 226	-	-	-
Cameroon	-	-	14 770	-	-	14 770	-	-	-
Canada	10 352 893	-	-	-	-	10 352 893	11 560 234	-	11 560 234
Chile	68 210	-	62 309	-	-	130 519	-	-	-
China	-	56 436	38 776	-	16 614	111 826	-	-	-
Colombia	-	-	28 274	-	-	28 274	-	-	-
Costa Rica	5 118	-	31 227	-	-	36 345	-	-	-
Côte d'Ivoire	-	7 570	4 023	-	-	11 593	-	-	-
Croatia	-	-	474	-	-	474	-	-	-
Cuba	-	-	13 466	-	-	13 466	-	-	-
Ecuador	-	-	7 226	-	-	7 226	-	-	-
Eritrea	3 230	-	-	-	-	3 230	-	-	-
Estonia	107 966	30 839	-	-	-	138 805	-	-	-
Fiji	-	2 570	-	-	-	2 570	-	-	-
France	-	-	-	214 000	86 000	300 000	-	-	-
Georgia	-	-	6 248	-	-	6 248	-	-	-
Guatemala	-	-	41 901	-	-	41 901	-	-	-
Holy See	3 684	1 844	-	-	-	5 528	-	-	-
Honduras	36	-	2 391	-	-	2 427	-	-	-
Hungary	553 939	132 781	-	419 188	-	1 105 908	-	-	-
Indonesia	-	-	7 352	7 483	-	14 835	-	-	-
Iran, Islamic Republic of	-	-	13 216	-	-	13 216	-	-	-
Iraq	-	-	5 862	-	-	5 862	-	-	-
Israel	-	-	3 783	-	-	3 783	-	-	-
Japan	-	-	-	1 789 182	-	1 789 182	-	-	-
Jordan	-	-	26 027	-	-	26 027	-	-	-
Kazakhstan	621 206	156 244	42 928	-	-	820 378	-	-	-
Korea, Republic of	-	-	-	1 488 008	123 717	1 611 725	-	-	-
Kuwait	-	-	-	1 368 000	-	1 368 000	-	-	-
Latvia	162 053	41 119	46 323	-	-	249 495	-	-	-
Libya	-	-	101	-	-	101	-	-	-
Lithuania	22 997	59 109	8 126	-	-	90 232	-	-	-
Madagascar	126	14	-	-	-	140	-	-	-

Annex A4 (continued)

Donors	Regular Budget (RB)	Technical Cooperation	Contributions received in advance: National Participation	Contributions received in advance: Extrabudgetary (EB): EB RB	Contributions received in advance: Extrabudgetary (EB): EB TC	Total contributions	Extrabudgetary contributions transferred subject to: EB RB	Extrabudgetary contributions transferred subject to: EB TC	Extrabudgetary contributions transferred subject to: Total EB contributions
Malawi	2 000	-	-	-	-	2 000	-	-	-
Malaysia	-	-	4 589	-	-	4 589	-	-	-
Malta	53 486	12 850	12 489	-	-	78 825	-	-	-
Mauritius	37 137	9 423	7 261	-	11 510	65 332	-	-	-
Mexico	4 926 886	558 033	57 332	-	-	5 542 251	-	-	-
Mongolia	-	-	12 878	-	-	12 878	-	-	-
Montenegro	12 561	-	-	-	-	12 561	-	-	-
Morocco	-	4 590	24 285	-	-	28 875	-	-	-
Myanmar	-	8 567	-	-	-	8 567	-	-	-
Netherlands	5 265 776	1 221 583	-	-	-	6 487 359	-	-	-
New Zealand	950 547	-	-	-	-	950 547	-	-	-
Nicaragua	-	-	10 363	-	-	10 363	-	-	-
Niger	-	1 713	-	-	-	1 713	-	-	-
Norway	-	-	-	-	-	-	387 222	-	387 222
Oman	395 052	93 375	46 347	-	-	534 774	-	-	-
Palau	19 537	-	9 708	-	-	29 245	-	-	-
Panama	-	-	9 124	-	-	9 124	-	-	-
Peru	5 625	-	112 422	-	-	118 047	-	-	-
Philippines	-	-	1 918	-	4 220	6 138	-	-	-
Poland	-	-	10 007	-	-	10 007	-	-	-
Portugal	1 423 715	-	-	-	-	1 423 715	-	-	-
Qatar	-	-	16 613	-	-	16 613	-	-	-
Republic of Moldova	13 504	3 427	-	-	-	16 931	-	-	-
Russian Federation	10 946 021	-	-	-	-	10 946 021	-	-	-
Saudi Arabia	-	-	4 738	-	-	4 738	-	-	-
Serbia	-	-	4 126	-	-	4 126	-	-	-
Seychelles	-	900	-	-	-	900	-	-	-
Singapore	1 584 251	368 360	11 542	-	-	1 964 153	-	-	-
Slovakia	350 000	-	-	-	-	350 000	-	-	-
Slovenia	264 693	69 389	7 306	-	-	341 388	-	-	-
Spain	979 079	-	-	-	-	979 079	-	-	-
Sri Lanka	-	-	12 473	-	-	12 473	-	-	-
Tajikistan	2 392	-	55 166	-	-	57 558	-	-	-
Thailand	945 313	180 953	9 013	-	-	1 135 279	-	-	-
The former Yugoslav Republic of Macedonia	2 639	-	31 782	-	-	34 421	-	-	-
Togo	9 072	-	-	-	-	9 072	-	-	-
Tunisia	1 217	-	-	-	-	1 217	-	-	-
Turkey	-	-	3 124	-	-	3 124	-	-	-
Ukraine	334 236	84 808	1 342	-	-	420 386	-	-	-
United Arab Emirates	-	-	19 800	-	-	19 800	-	-	-
United Kingdom of Great Britain	15 820 398	3 678 454	-	-	-	19 498 852	-	-	-
United Republic of Tanzania	423	-	-	-	-	423	-	-	-
United States of America	-	-	-	9 474 246	-	9 474 246	-	-	-
Uzbekistan	-	-	37 698	-	-	37 698	-	-	-
Sub-total	**64 891 847**	**8 780 336**	**1 087 769**	**14 760 106**	**242 061**	**89 762 121**	**12 010 071**	**-**	**12 010 071**
ii. Other Donors									
European Commission	-	-	-	-	-	-	32 421 773	1 400 000	33 821 773
Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**32 421 773**	**1 400 000**	**33 821 773**
GRAND TOTAL	**64 891 847**	**8 780 336**	**1 087 769**	**14 760 106**	**242 061**	**89 762 121**	**44 431 844**	**1 400 000**	**45 831 844**

ANNEX A5

REGULAR BUDGET FUND
STATUS OF CASH SURPLUS
As at 31 December 2017
(expressed in euro)

Calculation of provisional cash surplus/(deficit) for 2017	
Receipts	329 498 761
Disbursements	323 399 677
Excess (shortfall) of receipts over disbursements	6 099 084
Unliquidated obligations	(29 107 393)
Provisional 2017 cash deficit	**(23 008 309)**

Calculation of final cash surplus for 2016	
Prior year provisonal cash deficit	(18 123 405)
Receipt of:	
Contributions all prior years	17 000 972
Savings on liquidation of prior year's obligations	2 334 529
Miscellaneous income	562 951
Unobligated balances	71 904
Final cash surplus for 2016	**1 846 951**
Transfer of Surplus to MCIF	(1 846 951)
Final cash surplus/(deficit) for 2016	-
Prior years cash surpluses a/	**49 465**
Total cash surpluses/(deficit)	**49 465**

a/ Withheld pending receipt of contributions.

ANNEX A6

STATEMENT OF INVESTMENTS AS AT 31 DECEMBER 2017
(expressed in euro'000s)

Euro Denominated Cash Equivalents and Investments

Type of Issuer	Type of Instrument	Carrying Value	Yield per annum (%)	Original Investment date	Maturity date
Commercial	Time Deposit	30 000	0.15	2017-11-24	2018-08-24
Commercial	Time Deposit	20 000	0.20	2017-11-30	2018-11-30
Commercial	Time Deposit	10 000	0.07	2017-11-30	2018-05-30
Commercial	Call account	60 000	0.35	2017-12-01	
Commercial	Call account	30 000	0.32	2017-07-20	
Commercial	Call account	20 000	0.10	2017-07-28	
Total Euro Denominated Cash Equivalents and Investments		**170 000**			

Euro Denominated Cash Equivalents and Investments as Percent of Total **40.8%**

US Dollar Denominated Cash Equivalents and Investments (Euro equivalent)

Type of Issuer	Type of Instrument	Carrying Value	Yield per annum (%)	Original Investment date	Maturity date
Supranational	Time Deposit	50 220	1.26	2017-10-06	2018-01-08
Supranational	Time Deposit	12 555	1.70	2017-12-22	2018-01-05
Supranational	Time Deposit	41 850	1.32	2017-09-29	2018-02-28
Supranational	Time Deposit	25 110	1.51	2017-11-30	2018-05-30
Supranational	Time Deposit	16 740	1.26	2017-07-13	2018-01-16
Supranational	Time Deposit	15 485	1.00	2017-01-06	2018-01-05
Supranational	T-Bills/Discounted	9 625	1.29	2017-08-18	2018-06-15
Supranational	T-Bills/Discounted	7 046	1.63	2017-12-12	2018-07-16
Supranational	T-Bills/Discounted	3 345	1.73	2017-12-12	2018-10-02
Supranational	T-Bills/Discounted	1 679	1.33	2017-08-21	2018-09-04
Supranational	T-Bills/Discounted	16 718	1.29	2017-08-18	2018-06-15
Government	T-Bills/Discounted	27 619	0.81	2017-01-09	2018-01-04
Commerical	Time Deposit	7 952	1.60	2017-04-11	2018-04-11
Commerical	Call Account	11 057	0.40	2018-01-01	
Total US Dollar Denominated Cash Equivalents and Investments		**247 001**			

US Dollar Denominated Cash Equivalents and Investments as Percent of Total **59.2%**

Total Euro Equivalent Cash Equivalents **417 001**

Part V

Report of the External Auditor on the audit of the Financial Statements of the International Atomic Energy Agency for the year ended 31 December 2017

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 Management of Spent Fuel
from Nuclear Power Reactors, Radio-Isotope Applications
for Hydrology, Safeguards Analytical Services and
Technical Cooperation Programme

2017

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EXECUTIVE SUMMARY

Why This Audit Important to IAEA

The IAEA generated €587.53 million of revenues and recognized €537.84 million of expense in fiscal year 2017. The Agency also managed assets and liabilities of €1,139.59 million and €589.49 million respectively.

Accordingly 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 2017. 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 conducted a performance audit on key areas within the chosen subprogrammes, i.e. Management of Spent Fuel from Nuclear Power Reactors, Radioisotope Applications for Hydrology, and Safeguards Analytical Services; as well as management of the Technical Cooperation Programme.

In conducting the audit of financial statements and the performance audit, we were in conformance with the International Standards on Auditing (ISAs) and the International Standards of Supreme Audit Institutions (ISSAIs), respectively.

Financial & Performance Audit Objectives

The financial audit objective was to provide the Agency with an independent assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error.

With respect to the performance audit, the objective was to assess the effectiveness of IAEA's programme management so as to improve the services to Member States.

AUDIT OPINION

In our opinion, the financial statements of the International Atomic Energy Agency (IAEA) present fairly, in all material respects, the financial position as at 31 December 2017 and its financial performance and cashflows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS). We also identified financial matters to be concerned in managing accountability.

FINANCIAL MATTERS

The Agency has made progress in drafting the Accountability Framework and Internal Control Framework for the issuance of Statement of Internal Control; however, the frameworks have not been finalized yet. In respect of After Service Health Insurance (ASHI) funding, the Agency has not developed an appropriate funding plan, thus the Agency is exposed to the risk of inadequate funding of ASHI liabilities. Certain amounts due to the Agency by former staff members pertaining to ASHI related payments have been outstanding for over two years and, as such, an "allowance for doubtful accounts" has been recorded. In addition, there were a large numbers of travel documents for which claims had not been submitted by staff members within one month of the completion of travel. Regarding Low Value Purchasing (LVP), some items of capital non-expendable assets are still purchased through LVP.

PERFORMANCE OBSERVATIONS

Likewise, in response to the performance audit objective, we identified that the Agency has developed systems and processes to support its programme management, but there are also some areas requiring further attention.

Management of Spent Fuel from Nuclear Power Reactors

This subprogramme is part of the Programme of Nuclear Fuel Cycle and Materials

Technologies in the Major Programme of Nuclear Power, Fuel Cycle and Nuclear Science. In regard to this subprogramme, comprehensive risk identification and mitigation plans have not yet been formalized and incorporated into the work plan of the projects' outputs. Monitoring and performance assessment are in many cases not comprehensive, in terms of sufficient outcome measurements, accuracy of performance indicators, completeness of supporting achievement documents, and the implementation of lessons learned from the previous performance assessments.

Isotope Hydrology Laboratory (IHL)

This subprogramme is under the Programme of Water Resources in the Major Programme of Nuclear Techniques for Development and Environmental Protection. In respect of this subprogramme, the IHL management does not maintain detailed information about the operational or useful life of individual pieces of equipment for preparing a laboratory equipment replacement plan and ensuring access to functional equipment. Additionally, maintenance activities were not conducted according to a well-documented maintenance programme; the performance of laboratory operations is not tracked and properly documented; and the data in the laboratory information management system has not yet been utilized to detect the existence of backlogs, measure the backlog and actual processing time as well as identify opportunities for improvement.

Safeguards Analytical Services

The subprogramme is under the Programme of Safeguards Implementation in the Major Programme of Nuclear Verification. Concerning the development of knowledge management and transfer, the rotation policy of the seven-year maximum tours of service significantly affects the performance of the laboratory. The rotation policy does not allow two specialists in the same post at the same time so that it poses difficulties for the subprogramme in sustaining the operations of analytical services, which need a seamless knowledge transfer between them.

Technical Cooperation Programme

The Department of Technical Cooperation (TC) specifically encompasses the development, implementation and management of technical cooperation projects in the framework of biennial technical cooperation programmes. In this regard, the output of selected TC Projects with footnote a/ components were not achieved due to lack of funding, thus hindering the achievement of the overall projects' outcomse and overall objectives. Additionally, the un-availability of funding to obtain this output had not consistently been incorporated into the assumption and risks in the planning stage.

LESSONS LEARNED FOR IAEA

Given the above observations, we appreciate that the Agency has performed sufficient practices of financial accountability; and of programme management using a result-based approach to deliver services. However, there are some particular areas that can be improved and serve as lessons learned for other subprogrammes and the Agency as a whole.

In relation to financial matters, and regarding the previous audit recommendations, the Agency should expedite follow-up action of the previous recommendations related to issuance of Statement of Internal Control; accelerate its efforts to enforce the Administrative Manual related to salary deduction of travel advance when a duty travel claim is not settled in a timely manner; and seek to avoid the use of LVP to purchase goods and services not allowed to be purchased via LVP procedure. Additionally, the Agency should review all outstanding former staff member's ASHI debts.

To enhance its result-based management, the Agency should implement an interconnected risk management process to allow subprogrammes to improve their work plans by including risk identification and mitigation. Additionally, the Agency is encouraged to analyze the result of a risk assessment pilot that could be implemented further for all Major Programmes, as well as to improve the monitoring mechanism and assessment process so as to ensure achievement of the Agency's objectives and mandate. The Agency is also encouraged to improve the process of reviewing TC project proposal and the Logical Framework Matrix by including funding assumption and risks so as to better estimate project intended results.

To improve the effectiveness of regular and major maintenance practices in the context of result-based management, the Agency should consider developing and implementing maintenance programmes and records for laboratory equipment The Agency is also encouraged to monitor and evaluate efficiency gained through the measurement of backlog incidents for continual improvement of routine activities.

Finally, the Agency should further develop knowledge management and transfer strategies so as to capture and transfer tacit knowledge seamlessly among rotated personnel.

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. 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.

2. Our audit was conducted in conformity with the applicable International Standards of Supreme Audit Institutions (ISSAI) and International Standards on Auditing (ISA), as adopted by the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency.

3. According to the requirements of ISA the main objective of the audit was to enable the auditor to express an opinion on whether expenditure recorded for the year had been incurred for the purposes approved by General Conference; whether revenue and expenses were properly classified and recorded in accordance with Financial Regulations; and whether the financial statements present a fair view of the financial position as at 31 December 2017. This includes the correctness of year-end balances of all IAEA funds as detailed in IAEA accounts. In addition, the ISSAI provide guidance on the conduct of performance audits. The main audit objective of the performance audit was to to assess the effectiveness of IAEA's programme management so as to improve the Agency's services to Member States.

4. The audits 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.

5. 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 Management of Spent Fuel from Nuclear Power Reactors Subprogramme, in which the audit scope covers the Subprogramme's planning, monitoring, and evaluation related to Spent Fuel Storage, Spent Fuel Recycling and Action Plan Support related to the Spent Fuel Project from 2016 to 2017;

- the Radio-Isotope Applications for Hydrology Subprogramme, in which the audit scope covers the management of Isotope Hydrology Laboratory from 2014 to 2017;

- the Safeguards Analytical Services Subprogramme, in which the audit scope covers the management of Office of Safeguards Analytical Services (SGAS) Laboratories including Environmental Sample Laboratory (ESL) and Nuclear Material Laboratory (NML) and Coordination and Support Section (CSS) from 2014 to 2017;

- the management of the technical cooperation programme, in which the audit scope covers the Technical Cooperation Fund Management for Technical Cooperation (TC) Projects started prior to 2016. This time period was selected because it enables us to conduct the analysis of the achievement of some of the projects following their closure in 2017.

6. The purpose of this Audit Report is to communicate the audit result to the Agency and those charged with governance, as well as other 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

7. 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 seventh year since the adoption of IPSAS by the Agency in 2011.

Fund Accounting and Segment Reporting

8. 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

9. 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 99.86% and 45.51% respectively in these components.

Summary of Financial Performance

10. 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 €6.29 million for 2017. The surplus realized in the Technical Cooperation Fund (TCF) of €11.10 million was driven by increases in revenue recognized from contributions to the TCF in comparison to 2016. The Extrabudgetary Fund (EBF) and Technical Cooperation Extrabudgetary Fund (TC-EB) recorded net surpluses of €14.62 million and €5.11 million, respectively, for 2017. 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 deficit realized in the LEU Bank Fund of €14.91 million for 2017 was driven largely by the depreciation of the US dollar against the euro on the US dollar funds held by the LEU Bank Fund.

Revenue Analysis

11. Total revenue in 2017 was €587.53 million, which represented a 2.77% decrease as compared to 2016 (€604.25 million). The decrease was mainly due to the decrease in revenue from voluntary and other contributions by €23.58 million and €3.11 million, respectively. In contrast, revenue from assessed contributions increased by €8.82 million.

Expense Analysis

12. There was 2.36% increase in expenses in 2017 (€537.84 million) as compared to 2016 (€525.46 million). Salaries and employee benefits (€286.93 million) accounted for 53.35% of Agency's expenses and has shown an increase of €6.60 million from 2016. The second largest component was travel (€52.12 million) which represented 9.69% of the expenses in 2017. Transfers to development counterparts remained stable between 2016 and 2017 at €48.17 million in 2017 and €48.19 million in 2016. Other operating expenses at €26.89 million have shown an increase of €1.05 million as compared to 2016.

Financial Position

13. The overall financial position of the Agency continues to be quite healthy as at 31 December 2017. This financial health can be seen in the following key indicators:

- The overall net assets value, calculated as total assets less total liabilities, is €550.09 million;
- The value of current asset is approximately five times the value of current liabilities. This signifies that the Agency's has sufficient resources to cover its liabilities expected to come due in the upcoming 12 months.

14. As at 31 December 2017, the total cash, cash equivalents and investments balances represent 61.63% of the Agency's total assets. This signifies that the Agency's liquid assets are sufficient to meet the Agency's requirements.

15. The significant areas of change in the Agency's financial position in 2017 from 2016 are the following:

- Current assets increased by €2.99 million mainly due to the increase in the overall amount of investments, primarily in the Technical Cooperation Fund and Extrabudgetary Fund;
- Non-current assets increased by €18.46 million related primarily to intangible assets, in particular to internal software development in the Department of Safeguards for the MOSAIC project; and
- Total liabilities increased by €48.84 million mainly due to an increase in the Agency's employee benefit liabilities. This increase was primarily driven by an increase in the ASHI liability as a result of the actuarial valuation in 2017. A change in the attribution method of periods of service along with the use of updated UN mortality tables, change in the medical premiums and reduction of the discount rate were the key factors driving the increase in the calculated ASHI liability.

16. In 2017 the Agency experienced an overall decrease in net assets, from €577.48 million to €550.09 million, which was primarily driven by the actuarial losses in 2017 resulting from the valuation of ASHI along with the reduction in the net surplus of the year due to recorded foreign exchange losses.

Cash, Cash Equivalents and Investments

17. In 2017, the cash, cash equivalents and investments balances increased by €3.68 million (0.53%) to €702.38 million at 31 December 2017. This increase was as a result of increased cash receipts from contributions to the TCF and also in the Technical Cooperation Extrabudgetary Fund as a result of the annual net surplus experienced in the fund. However these increases were offset by the impact of the depreciation of the US dollar against the euro value of cash and investments in this fund of €12.63 million (9.70%). The total of the RBF, WCF, and MCIF, cash and investments remained relatively stable, experiencing a small decrease of 0.77%.

18. Of the total cash, cash equivalent and investments of €702.38 million, 68.08% was held in the EBF, the LEU Bank Fund and the Technical Cooperation Extrabudgetary Fund and are therefore earmarked for specific activities.

19. As at the end of 2017, 63.32% of the total cash, cash equivalents and investments were denominated in euro while 36.10% were denominated in US dollars, with the remaining 0.58% was denominated in other currencies. Interest rates on euro denominated investments remained near zero in 2017; however, interest rates in US dollar denominated investments increased during the year. Based upon the mix of currencies in the Agency's cash equivalents and investments portfolio, the overall return achieved on the Agency's cash equivalents and investments increased during 2017.

Accounts Receivables

20. Overall, the total net receivables from non-exchange transactions increased by €0.65 million to €42.43 million at 31 December 2017. The main components of this balance are receivables from assessed contributions (€32.63 million), voluntary contributions receivable (€8.90 million), and other receivables (€0.90 million).

21. The increase experienced in 2017 is mainly driven by the increase in assessed contributions receivable. During 2017, the rate of collection of assessed contributions decreased from 94.52% to 93.17%, which resulted in an increase of outstanding assessed contributions aged less than one year of €5.30 million. In addition, the contributions in arrears more than one year increased by €2 million

22. The decrease in the net amount of outstanding voluntary contributions receivable of 32.80%, from €13.25 million to €8.90 million resulted from the collection in 2017 of a number of voluntary contributions made at the end of 2016.

Property, plant and equipment

23. Buildings and Leasehold Improvements continue to account for the largest component of the net book value of property, plant and equipment (PP&E).

24. The total net book value of PP&E increased by €8.82 million (3.28%). Among the factors contributing to this increase are the following:

- More than half of the additions to PP&E, which totaled €29.26 million in 2017, relate to assets under construction pertaining to: the ReNuAL project (€13.44 million) as well as Inspection

Equipment and Communication and IT Equipment pending installation or assembly (€3.56 million).

- The remaining additions to PP&E during the year were experienced in all other asset categories, with the largest components in Communication and IT Equipment (€4.13 million) and Laboratory equipment (€1.77 million).

- These additions were offset by depreciation expense of €20.43 million

25. As at 31 December 2017, the balance of PP&E under construction was primarily comprised of €18.04 million related to the ReNuAL project.

Intangible Assets

26. The net carrying amount of Intangible Assets at 31 December 2017 was €67.19 million which increased from €57.35 million in 2016. The principal driver for the increase in the carrying value of Intangible Assets during 2017 is the continued development of projects under the MOSAIC project. During 2017, total costs of €16.08 million were added to the value of internally developed software, of which €13.17 million related to MOSAIC and €2.91 million related to other internally developed software projects.

Risk Management

27. 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

28. 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 2017. Audit of the financial statements for the financial year 2017 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 2017.

DETAILED AUDIT FINDINGS

I. FINANCIAL MATTERS

A. Internal Control and Accountability Framework

29. In the 2012 Report of the IAEA's External Auditor (EA), the EA recommended for the Agency to introduce a Statement of Internal Control (SIC) as a part of the financial statements. The management responded that the Agency had begun to draft both the Accountability Framework (AF) and the Internal Control Framework (ICF) to prepare the Agency for the issuance of SIC.

30. SIC is a public accountability document that describes the effectiveness of internal controls in a public entity. SIC is expected to describe a public entity's assurance that it is appropriately managing and controlling the resources for which it is responsible. For the Agency, the SIC is an important accountability document in communicating these assurances to member states. Some organizations in the United Nations system have prepared SIC in their annual financial statements.

31. The Office of Internal Oversight Services (OIOS) in its 2013 Internal Audit Activity Report pointed out that the lack of adoption of AF and ICF remains an issue of concern. OIOS added that AF is required to ensure that managers at all levels are clearly aware of their responsibilities to define programmatic objectives to be achieved through effective management of human, financial and material resources within their delegated authority and promote further transparency and integrity. OIOS also added that SIC is fundamental in systemizing the existing internal control environment, policies, and practices in the contact of an accepted conceptual framework.

32. Even though progress has been made in drafting the AF and ICF by the Agency in 2017, the frameworks are yet to be finalized and approved.

33. Therefore, we strongly encourage the Agency to expedite the follow-up action on the previous recommendation in relation to preparation of AF and ICF for issuance of SIC as part of the financial statements.

B. Annual Bank Statements

34. Our examination on the detailed records of Cash and Cash Equivalent (CCE) in relation to the Agency's bank accounts showed that the records for two bank accounts were not based on bank statements as at 31 December 2017. Rather, the records were based on bank statements as at 31 March 2017 and 31 December 2012 respectively. These two bank accounts represent €1 360 069.95 and €12 703.06, respectively, of the Agency's CCE as at 31 December 2017, the total of which amounted to €1 372 773.01 or 0.29% of CCE's balance as at 31 December 2017.

35. The Agency has made an effort, through sending several emails and other ways, requesting for issuance of these annual bank statements. The latest such effort was dated 15 January 2018, but no response had been received as at 26 February 2018.

36. This issue has been mentioned in 2016 External Audit Report with recommendation that the Agency needs to enhance its effort to request the related banks to provide monthly bank statements, and update the balance accordingly.

37. Therefore, we reiterate the previous recommendation that the Agency enhance its effort in relation to this matter.

C. Imprest Fund / Petty Cash

38. Imprest fund/petty cash are small amount of funds in the form of cash used for expenditures where timely payment cannot be made by following standard procedures. These funds are maintained on an imprest basis and established for the purpose of placing in the hands of designated Agency officials, funds to meet certain expenses of their offices and to make payments in accordance with guidelines. In 2017, the Agency has 13 imprest fund/petty cash funds at regional offices and headquarters as follows:

Table 1: List of the Agency Imprest Fund / Petty Cash in 2017

No	Imprest/Petty Cash Fund Name	Currency	Level
1	Tokyo office (operating exp.)	YEN	10 000 000.00
2	Toronto office (operating exp.)	CAN	60 000.00
3	Monaco laboratory (operating exp.)	EUR	38 200.00
4	NS incident & emergency centre (cash)	USD	21 000.00
5	NS incident & emergency centre (cash)	EUR	10 000.00
6	Safeguards (emergency travel-travel cheques)	USD	10 000.00
7	Safeguards (emergency travel- cash)	EUR	730.00
8	VIC medical (refund vaccination fees/other med. Expenses	EUR	300.00
9	Safeguards (technical & office supplies)	EUR	1 500.00
10	Seibersdorf laboratory (supplies, postage, etc.)	EUR	2 600.00
11	Transportation & visa (taxi, airport fees, visa fees)	EUR	1 500.00
12	General services petty cash	EUR	1 500.00
13	Safeguards information management petty cash	EUR	500.00

39. Imprest fund/petty cash shall be replenished on the basis of fully documented receipts for payments made from such funds. Procedure of imprest fund/petty cash is set out in *Administrative Manual V, Section 3– Financial Rules* (AM V/3).

40. We examined nine replenishment documents of the funds and identified that there were three replenishment documents in Seibersdorf Laboratory, VIC Medical Service, and General Service units where expenses prior to 2017 amounting to €1 942.58 were included for 2017 fund replenishment. Those transactions were replenished and recorded as expenses in 2017 despite the fact that the transactions occurred in 2014 to 2016 (see Annex 1 for details).

Recommendation 1

We recommend that the Agency establish written guidelines regarding management of imprest fund/petty cash as a control to ensure that the replenishment of petty cash is conducted on a timely basis, and only for transactions within the related accounting period.

The Agency agreed with the recommendation.

D. IPSAS Policy Manual - Inventory

Recognition and De-recognition of Project Inventory in-Transit

41. The Agency's policies regarding accounting for project inventories in-transit are contained in the following documents namely *Procedure for Recording Project Inventories in the IPSAS Ledger* (last

updated on 12 April 2011), *IAEA IPSAS Implementation Project: Inventories* (last updated on 13 September 2012), and *IPSAS 12 Policy Manual – Inventory* (2012 Edition).

42. Under Carriage Paid-To (CPT) Incoterms, as stated in *IAEA IPSAS Implementation Project: Inventories*, the supplier is responsible for selecting a carrier, delivering the goods to that carrier and paying the cost of transport to deliver the goods to the named place of destination. The point of transferring risk from supplier to the Agency is when the goods have been handed over to the first or main carrier.

43. Inventory recognition under this system is at the point of delivery by the supplier to the first carrier or the Agency's global freight forwarder if applicable. While inventory de-recognition is at the point of customs clearance in the recipient country.

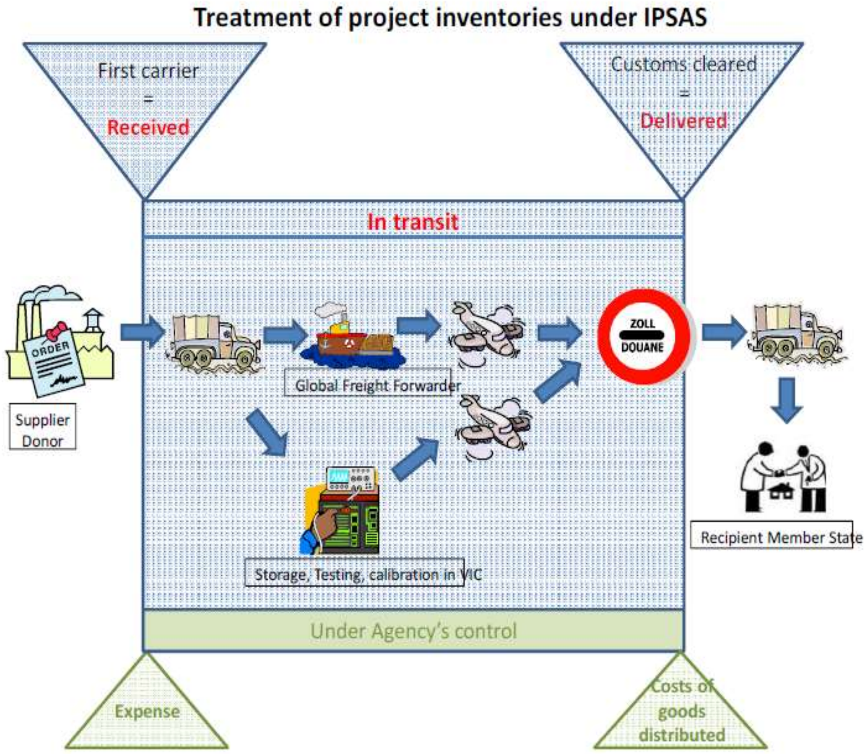
44. *Procedure for Recording Project Inventories in the IPSAS Ledger* and *IAEA IPSAS Implementation Project: Inventories* states that the timing of asset and expense recognition during the reporting period depends on the accounting method used, either perpetual or periodic basis. Since AIPS was configured to only report on in-transit inventories, accounting for project inventory in-transit will be performed on a periodic basis. Hence, the inventory and expense accounts will be updated only at the end of the reporting period with the following journals.

Table 2: Journal Entries of Project Inventory In-transit

Event	Journal	
	Debit	Credit
During the year: As soon as an inventory is purchased and received, i.e. picked up by the first carrier or the global freight forwarder, it is expensed in the IPSAS GL.	615110 Equipment purchased for Counterparts	21xxx Accounts payable
Year-end: The value of the inventories which have not cleared customs will be recorded as inventories in transit.	160110 Project Assets in Transit	615110 Equipment purchased for Counterparts
At the beginning of the following year: The journal entry establishing the balance of inventories in transit at year-end needs to be reversed reversing the ADI upload described above	615110 Equipment purchased for Counterparts	160110 Project Assets in Transit

45. The business process of project inventories in-transit and its accounting treatment are depicted below.

Figure 1: Business Process of Project Inventory In-transit



46. Regarding inventory recognition, the Agency in practice conducts year-end review to identify whether project inventories have been delivered to counterparts or not. This information will be used as the basis for recognizing the inventory in-transit. If they are still pending delivery, a journal to back out the expense and recognize inventory will be made.

47. Regarding expense recognition, the Agency in practice recognizes expenses when the goods are picked up by the freight forwarder. If the goods are already received by the counterparts, no journal is required to recognize them as expense. The Goods Available Notification construed as the date goods are picked up by the freight forwarder from the supplier will be used as the basis for recognizing expense. With respect to year-end figures and in all material aspects, this current practice will fairly present year-end balances when adjustments to recognize inventories in-transit are made.

48. However, the aforementioned practices which are stated in the *Procedure for Recording Project Inventories in the IPSAS Ledger* are not incorporated in *the IPSAS Policy Manual*. Instead, *IPSAS Policy Manual* recognizes an item of inventory when that item becomes the Agency's asset, i.e., on the date of acquisition, and recognizes the expense for project inventories when they are distributed.

Customs Clearance Document

49. Based on external confirmation received from the main freight forwarder regarding status of inventory in-transit, we found that the freight forwarder does not keep records of import clearance documents from the country of destination. Consequently, the Agency also does not keep records related to import customs clearance. The critical point used by the Agency to determine expense recognition is the date when goods are received by the final counterpart.

50. Additionally, the *IAEA IPSAS Implementation Project: Inventories*, Appendix 4 - Project Inventories in-Transit, paragraph 5, states that the *Control over Inventory* policy paper outlined that de-recognition points for project inventories in-transit is at the point of customs clearance in the recipient country.

Recommendation 2

We recommend that the Agency:

a. amend the 2012 IPSAS Policy Manual and other relevant guidance documents to reflect the current practice on the accounting for project inventories in-transit; and

b. explore ways to further enhance the process of monitoring inventories in-transit, in particular with respect to customs clearance.

The Agency agreed with the recommendations.

E. Capitalization Threshold of Defined Group of Assets

51. *IPSAS 17 – Property, plant, and equipment (PP&E), paragraph 13* states that PP&E are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and expected to be used during more than one reporting period.

52. *The* Agency's accounting policy for PP&E and management of assets are stipulated in the Administrative Manual VI, Section 2 – Asset Management and Accountability (AM VI/2),IPSAS Policy Manual on PP&E, and IAEA IPSAS Implementation Project: PP&E.

53. The AM VI/2 sets out the capitalization threshold for assets and states that records are maintained for assets meeting one of the following criteria:

a. A minimum estimated useful life of four years and a minimum cost of €3000 which may include installation, freight, insurance and non-refundable taxes.

b. A minimum estimated useful life of four years and part of a defined group of assets (for example IT equipment or furniture) with a unit cost below €3000, but with a material impact on the value of the class.

54. The Agency has implemented the stipulations in the AM for assets reported in the financial statements and stated in Notes to 2017 Financial Statements, Note 3: Significant Accounting Policies, Paragraph 29, as follows:

"29. 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**."

55. Unlike the AM VI/2, *the 2012 IPSAS Policy Manual* does not stipulate the capitalization threshold for a defined group of assets, instead, it sets out only the capitalization threshold for assets with a minimum cost of €3000, as follows::

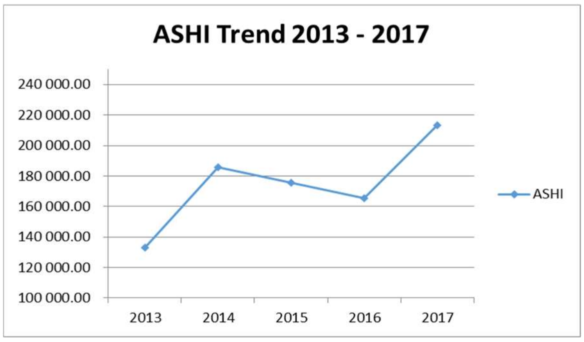
"10.2.7. To meet the criteria for capitalization and depreciation, assets should be controlled by the Agency as a result of past events through purchase, construction or donation. Future economic benefits or service potential should be expected to flow to the Agency as a result. A capitalization threshold of €3000 has been set for PP&E."

Recommendation 3 We recommend that the Agency amend the 2012 IPSAS Policy Manual on PP&E to include the capitalization criteria for a defined group of assets.
The Agency agreed with the recommendation.

F. After Service Health Insurance (ASHI) Funding

56. The balance of Employee Benefit Liabilities' (EBL) as at 31 December 2017 is €293.20 million which increased by €47.1 million or 19% from previous year. EBL are nearly half of the Agency's total liabilities. The largest component of 2017 employee benefit related liabilities is ASHI which amounted to €213.4 million or 72.79%. The trend of ASHI liabilities for the last 5 years is shown in the graph below:

Figure 2: ASHI Trends 2013 – 2017



57. The ASHI liability presented in the financial statements refers to total estimated cost in respect of all current former staff and active staff with sufficient service to have achieved eligibility for ASHI. The total ASHI liability is an estimate determined by an independent and professional actuary taking into consideration the trends in medical costs, mortality rates, inflation and others. ASHI is an important part of the Agency's social security for former staff to have appropriate health insurance based on their pension income.

58. The Agency operates the ASHI schemes where the cost of health insurance is shared between the Agency and former staff members using a sliding scale of income brackets. The sharing of contributions is governed by a cost-sharing provision contained in the regulations and approved by the Board of Governors.

59. Even though the Agency's assets are currently sufficient to cover ASHI liabilities, the magnitude of ASHI liabilities deserves consideration of appropriate funding mechanism to ensure that the Agency has adequate funds to meet the costs of this liability in the future.

60. Since the Agency has not developed an appropriate funding plan for ASHI liabilities, the Agency is exposed to the risk of inadequate funding of such liabilities.

61. In 2015, the External Auditor (the Comptroller and Auditor General of India) recommended the Agency to consider the implementation of a long-term funding strategy for meeting the employee liabilities adequately over the period. Upon the recommendation, the Agency concurred that the risk related to the unfunded post-employment benefit liabilities was significant and they would continue to be committed in evolving a sound funding strategy for meeting these liabilities. However, no further action has been taken by the Agency until now.

62. Therefore, we encourage the Agency to expedite the follow-up action on this previous recommendation in relation to the establishment of ASHI funding plan.

G. Post Travel Procedure for Common Staff Cost Travel

63. Common staff cost (CSC) travel is all travel, except duty travel, undertaken by staff which includes the official travel of dependents. CSC travel includes appointment travel, transfer travel, home leave travel, family visit travel, education grant travel, repatriation travel, travel for medical or security reasons, travel for non-dependent children in lieu or repatriation travel, and travel to accompany a disabled staff member on duty travel.

64. CSC travel shall be processed through Division of Human Resource (or known as Management Team of Human Resource - MTHR) using the procedures outlined in the *Administrative Manual II, Section 9 - Staff Travel Procedures* (AM II/9). A request for authorization for a CSC travel is submitted in the Agency-wide Information System for Programme Support (AIPS), together with all relevant information by the staff member concerned directly to MTHR for approval. MTHR will review all requests for CSC travel, verify the entitlement and eligibility and approve as appropriate. For each type of CSC travel, a lump sum payment will be provided by the Agency.

65. For the post-travel procedures, the AM II/9 states that MTHR will verify that the staff member and, as applicable, the spouse and/or dependent child(ren), have arrived at the duty destination, in the case of appointment and transfer travel. In the case of home leave, family visit, education grant and travel for non-dependent children in lieu of repatriation travel, the staff member shall retain all necessary evidence regarding CSC travel and make this available to MTHR, Office of Internal Oversight Services (OIOS), and/or the External Auditor, upon request.

66. We examined the post-travel procedures related to CSC travel and found a weakness where there is no control or verification mechanism from MTHR to validate whether the travel has occurred and met the relevant criteria. The staff member does not have an obligation to submit the necessary documents to MTHR for any review or verification mechanism. The procedure only requires the staff member to retain all necessary evidence and make this available upon request.

67. A sample review of verification of necessary documentation by MTHR related to the use of CSC travel expenses is important to ensure that the required conditions as stated in the AM II/9 - Staff Travel Procedures are met, for example:

- In terms of home leave travel, a review or verification is crucial to ensure that the staff member shall spend a minimum of seven nights, exclusive of travel days, at the place of home leave travel.
- In terms of family visit travel, it is crucial to ensure that the staff member has spent a minimum of seven nights exclusive of travel days, at the place of family visit travel.
- In terms of education grant travel, it is crucial to ensure that the children of staff member had: travelled from the place of education or at the duty station; undertaken the travel during the scholastic year; and spent a minimum of seven nights at the duty station.

Recommendation 4

We recommend that the Agency consider conducting a verification of common staff cost post-travel on a regular basis.

The Agency agreed with the recommendation.

H. Outstanding Former Staff's ASHI Debts

68. As at 31 December 2017, the Agency presents Account Receivable from Exchange Transactions of €7 377 548.37 in its Financial Statement which includes overpayment to staff of €523 489.88. Overpayment to staff consists of two accounts with detail aging schedule as follows.

Table 3: Detail Aging of Overpayment to Former Staff (ASHI 2014-2017)

No.	Description	Account	Amount				Total
			2014	2015	2016	2017	
1.	A/R Overpayment to Staff	124140	20 481.59	(3 572.26)	35 610.67	198 536.03	**251 056.03**
2.	Recovery from staff in A/R Cont	124210		138 432.20	82 343.88	51 657.77	**272 433.85**
	Total		**20 481.59**	**134 859.94**	**117 954.55**	**250 193.80**	**523 489.88**

69. Both accounts refer to any overpayment to staff either due to excess of advance given by the Agency, such as education grant or the Agency's policy to pay for employee's liability to third parties regarding his/her entitlement, for instance health insurance and pension fund. In most cases, the overpayment occurred as the Agency pays for ASHI through After Medical Insurance Plan (AMIP) program or pension fund of employee who is on leave without pay (LWOP).

70. Based on our examination, we found that there are overpayments due to Agency's payment for former staff members' liability to third parties regarding their share of AMIP premium amounting to €255 646.15 which consists of €42 021.45 through periodic benefit deduction program from UNJSPF and €213 624.70 through direct advance payment to MTBF for 94 former staff. From the overpayment amount of €255 646.15, €138 432.20 remained outstanding for two years and classified as "allowance for doubtful account" in the Agency's 2017 Financial Statements (see Annex 2 for details).

71. As an effort to recover the balance, the Agency has sent notification letters to a number of former staff members. The Agency received six responses and as a result, an amount of €24 698.80 has been recovered beginning 2018.

Recommendation 5

We recommend that the Agency:

a. consider reviewing all outstanding former staff members' debts to ensure that collection efforts are current. If the debts are deemed uncollectible, then the Agency's write-off policy should be followed; and

b. explore ways to reduce the uncertainty of obtaining reimbursements of former staff members under AMIP.

The Agency agreed with the recommendations.

I. Submission of Duty Travel Claims

72. 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 on 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.

73. We examined the claims settlement for duty travel as at 3 March 2018 and found that there were 487 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 487 duty trips was €669 942.27 with details as follows.

Table 4: Detail of Duty Travel Advances

No.	Description	Travel Doc (Frequency)	Advance (EUR)
I	**30 - 90 days**		
A	**TRAC**		
1	Approved	1	2 097.40
2	Ticket Issued	26	46 350.42
3	Claim Draft	21	30 903.36
4	Claim Funding Required	12	29 072.35
5	Pending Submission	21	22 084.36
	Total <= 90 days	**81**	**130 507.89**
II	**> 90 days**		
A	**ATLAS**		
1	Unclaimed Travel	8	13 788.00
	Total ATLAS	**8**	**13 788.00**
B	**TRAC**		
1	Approved	45	43 691.50

No.	Description	Travel Doc (Frequency)	Advance (EUR)
2	Ticket Issued	147	195 171.39
3	Claim Draft	63	74 881.18
4	Claim Funding Required	11	25 963.54
5	In Progress	1	767.97
6	In Progress – QC	12	21 167.58
7	Pending Submission	119	164 003.22
	Total TRAC	**398**	**525 646.38**
	Total > 90 days	**406**	**539 434.38**
	Total (I + II)	**487**	**669 942.27**

74. In regards to TRAC, if the travel documents have been settled, the status of its travel document will be marked as "claim - settled". As shown in the table above, 479 travel documents in TRAC have not been settled despite the travel having been completed for more than 30 days. More specifically, TRAC status marked variably as "approved", "ticket issued", "claim – draft", "claimed – funding required", "In-progress", "In progress – QC", and "pending submission" which indicates that no update on travel document later than the mentioned status occurred, for instance travel approval, ticket issuance, and pending submission.

75. Furthermore, we found that there were no salary deductions of the full advance after 90 days following the completion of the duty travels, amounting to €539 434.38 as indicated in the table above (see Annex 3 for details).

76. The above amount includes 4 unclaimed travels amounted to €8 087.50 which were reported in the 2016 External Audit Report with the recommendation to enforce Paragraph 72 and 79 of the Administrative Manual, Part II, Section 9 related to salary deduction of travel advance when duty travel claim is not submitted in a timely manner.

77. Therefore we reiterate our previous recommendation in relation to salary deduction of unsettled travel documents and strongly encourage the Agency to expedite the follow-up of this recommendation.

J. Travel Cancellation

Duty Travel

78. The Agency has engaged American Express (AMEX) as its Travel Management Company (TMC) whose main role is to make bookings and issue tickets based on travel authorizations via the system. In addition, the TMC is also available to advise on visa requirements, to provide a weekend and after hours emergency telephone service for changing or obtaining flight, train, hotel or rental car reservations in connection with duty travel, to provide discounted, negotiated non-refundable and penalty air fares for the duty period to the extent possible in accordance with the Lowest Logical Fare (LLF), and to book rental cars.

79. We examined all cancelled travels in TRAC and 251 samples out of 2,070 cancelled travels in ATLAS and we identified that there were 90 travels which were cancelled after the tickets were issued with ticket costs, including TMC fees, amounting to €183 422.95 (see Annex 4 for details). The Agency received a refund of €155 430.38 from those cancelled travels, which is 85% from ticket cost. Hence, the 90 cancelled travels cost the Agency the amount of €27 992.57 or 15% of the ticket cost.

Participants to Agency's Events

80. As stipulated in Administrative Manual II, Section 9, Appendix C - Standards of Travel for Non Staff Members (AM II/9.C), if travel is cancelled and a lump sum was already paid by the Agency, the corresponding amount shall be reimbursed by the traveler. However, if the cancellation is made by the Agency and the expenses have already been incurred, the expenses may be deducted from the amount of the lump sum to be reimbursed to the Agency. Proof of expenses incurred is required.

81. We examined the cancellation of 21 travels relating to 2017 meeting events and found that 10 travel expenses with cancellations made by participants amounting to €10 696.03 were not yet reimbursed by the participants as of reporting date.

Recommendation 6 We recommend that the Agency: a. document the cancellation reasons for duty travel and make them available upon request; and b. ensure that the lump sums paid to the remaining meeting participants are recovered.
The Agency agreed with the recommendations.

K. Capital Non-Expendable Assets Purchased using Low Value Purchasing

82. Low Value Purchasing (LVP) procedure is an activity to procure goods and services with values below €3000 per transaction. The Procurement Authority is delegated to specified staff members who make purchases using a Purchasing Card or by direct charge.

83. As per Paragraph 40 of the "Administrative Manual Part VI, Section 4 – Low Value Purchasing", one of the unauthorized and/or inappropriate uses of Procurement Authority and the Purchasing Card is the purchase of capital non-expendable assets.

84. We examined the LVP Log Report and Fixed Asset Details Report as of 31 December 2017 and identified that there were 215 items of capital non-expendable assets purchased via LVP with a total aggregate cost of €130 983.15. These assets consisted of 167 items amounting to €96 559.24 and 48 items amounting to €34 423.91, which are managed by the Department of Management and the Department of Safeguards, respectively (see Annex 5 for details).

85. This issue has been mentioned in the 2016 External Audit Report with the recommendation that the Agency needs to implement measures to improve internal controls, seeking to avoid the use of LVP to purchase goods and services which are not allowed to be purchased via LVP.

86. Therefore, we reiterate our previous recommendation and encourage the Agency to expedite the follow-up action on this recommendation.

L. Disclosure of the Joint Division of Nuclear Techniques in Food and Agriculture between IAEA and FAO

87. The Agency has an arrangement with the Food and Agriculture Organization (FAO) to establish The Joint Division of Nuclear Techniques in Food and Agriculture to operate in areas of common interest between the Agency and the FAO, to avoid duplication of activities and promote synergy. The

arrangement is classified as a Joint Operation where its presentation and disclosure in the financial statements are referring to IPSAS 37: Joint Arrangements.

88. IPSAS 37 mentions in paragraph 23 that a joint operator shall recognize in relation to its interest in a joint operation:

1) Its assets, including its share of any asset held jointly;
2) Its liabilities, including its share of any liabilities incurred jointly;
3) Its revenue from the sale of its share of the output arising from the joint operation;
4) Its share of the revenue from the sale of the output by the joint operation; and
5) Its expenses, including its share of any expenses incurred jointly.

89. IPSAS 37 also mentions in paragraph 24 that a joint operator shall account for the assets, liabilities, revenue and expenses relating to its interest in a joint operation in accordance with the IPSASs applicable to the particular assets, liabilities, revenue and expenses.

90. We examined the presentation and disclosure in the Agency's 2017 Financial Statements in relation to the Joint IAEA/FAO Division and found that it is limited. The Agency should review their current disclosures and consider presenting and disclosing additional information about its interest in the joint operation as described in IPSAS 37.

Recommendation 7

We recommend that the Agency include more detailed disclosures related to the FAO Joint Division in connection with IPSAS 37: Joint Arrangements.

The Agency agreed with the recommendation.

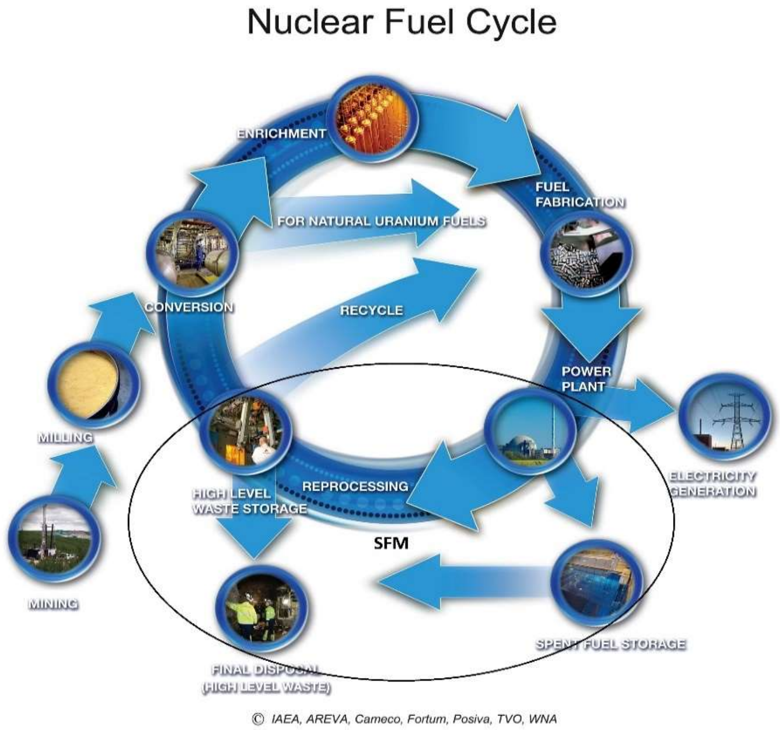
II. MANAGEMENT OF SPENT FUEL FROM NUCLEAR POWER REACTORS

BACKGROUND

91. The Management of Spent Fuel from Nuclear Power Reactors is one of the Subprogrammes under the Programme of Nuclear Fuel Cycle and Waste Technologies and as part of the Major Programme of Nuclear Energy (NE). There were three projects implemented under the 2016-2017 biennial Programme and Budget, namely, Spent fuel storage; Spent fuel recycling; and Action Plan support related to spent fuel.

92. In the Nuclear Fuel Cycle, Spent Fuel Management (SFM) addresses issues related to spent fuel storage and recycling (including reprocessing) before high-level waste disposal, as explained in the process below:

Figure 3: Nuclear Fuel Cycle



93. The objective of Subprogramme Management of Spent Fuel from Nuclear Power Reactors for 2016-2017 is to improve the capability of Member States to plan, develop and implement safe, environmentally sound and efficient spent fuel management programmes, and to be able to bridge the gap from spent fuel discharge to its eventual disposal. The Subprogramme has three expected outcomes, namely:

- Substantial participation in Action Plan activities;
- Information on spent fuel management is used by the Member States (MSs) and the general public;
- Information on spent fuel recycling is used by MSs.

94. To fulfill the objectives and achieve the desired outcomes at the subprogramme level, the Spent Fuel Management undertakes those three projects through various tasks and activities so as to deliver the expected outputs, reflecting the concept of the Results Based Approach (RBA).

95. To help implement the RBA framework, the Subprogramme 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 as well as risk management process. The Agency relies on a tool called OBIEE (Oracle Business Intelligence Enterprise Edition) for monitoring and reporting.

96. The audit scope covered the Subprogramme's planning, monitoring, and evaluation related to Spent Fuel Projects from 2016 to 2017

97. The principal researchable question for this subprogramme was: "Does the Agency effectively implement the result-based management at Subprogramme Management of Spent Fuel from Nuclear Power Reactor?" and cascaded into the following three researchable questions:

- Has a comprehensive project plan to develop and disseminate the Subprogramme's outputs been put in place?
- Has a comprehensive monitoring process been put in place and have the monitoring results been used in decision making process?
- Have project assessment results been used as lessons learned for further improvement?

AUDIT FINDINGS

A. Agency’s Planning and Risk Assessment

98. The Subprogramme's work plan has been used to support the development and dissemination of the programme's outputs. The SFM Team has developed a work plan by defining tasks, outputs and outcomes at the project level. The work plan developed by the Team contains information about activities that the Subprogramme implementers will undertake during a year as well as its Human Resources (HR) and Non-Human Resources (NHR) allocations. However, we found that comprehensive risk identification and mitigation plans have not yet been formalized and incorporated in the Subprogramme project plans found in AIPS (the “work plan”).

99. The risk management process is integrated with the respective planning processes (i.e., the strategic planning process and the programme development process) at the Major Programme and Subprogramme levels, as implemented through Hyperion and captured in the risk register as the Agency’s risks. The risk register in Hyperion is designed to record all risk-related activities which are undertaken by the Agency under its Regular Budget programme, technical cooperation programme, and activities funded by extrabudgetary resources.

100. Our audit found, however, that the risk register in Hyperion is not all inclusive and it is not being utilized to fully identify and manage all operational risks, on a day-to-day basis, at the Subprogramme and Project level. Thus, the risk register does not contain all necessary elements for the mapping and characterization of operational level risks.

101. While some information about the operational risks was available in Hyperion (such as risk of delays on publications delivery, the probability of activities being canceled due to lack of funds to finance the project, and absence of participation of some Member States in the Subprogramme meetings due to challenge in accessing available information on the IAEA topical website, there was not any formalized and documented approach on how to identify or mitigate these risks nor to assess the effectiveness of the identified approach. In this case, this approach has not been incorporated in the work plan. Therefore, linkages are not made between risk and results as identified in the Programme and Budget document.

102. Subprogramme Management of Spent Fuel from Nuclear Power Reactors participated in a Review of Selected Management Systems in the Departments of Nuclear Sciences and Applications (NA) and Nuclear Energy (NE), including risk management, in early 2017 as part of a pilot initiative from IAEA’s Office of Internal Oversight Services (OIOS). However, this review of risk management was only an exercise and in the piloting stage. Our formal discussions with the subprogramme management during the field audit indicate that there had not, as of that time, been any decision on following up of the results review at the Agency level. Our further confirmation with OIOS indicated that the Agency had not taken any decision on what should be the following up mechanims regarding the review’s recommendations.

Recommendation 8

We recommend that the Agency:

i. implement an interconnected Risk Management process at Agency-wide and project level to allow the Subprogramme management to improve its work plan by including therein operational risk identification, and risk mitigation planning in a visible and trackable manner;

ii. analyze the results of the *Review of Selected Management Systems in the Departments of NA and NE* (a risk assessment pilot) and determine the next steps that could include implementing further operational risk mitigation for all Major Programmes.

The Agency agreed with the recommendations.

The Agency further stated that the final report from OIOS has now been presented to the Agency's Risk Management Group and decisions on the way forward have been made. Such decisions include implementation of OIOS recommendations for which work is currently in progress.

B. Monitoring and Performance Assessment

Planning for Monitoring and Performance Assessment

103. In response to the researchable question, the project work plan to develop and disseminate the Subprogramme's ouput has been put in place. However, it does not include the planning for monitoring and performance assessment. Planning for monitoring and performance assessment should be part of the overall planning process because it plays an important role in achieving intended outcomes.

104. At the planning stage, the Subprogramme Manager designs the programme structure based on RBA according to "The Agency's New Approach to Programme Development" document. The Subprogramme Manager then establishes the Subprogramme outcomes, main planned outputs, tasks, activities, and performance indicators as reflected in "The Agency's Programme and Budget 2016- 2017". However, the planning process is mostly on the programme and budget elements of the programme and does not include planning for a monitoring and performance assessment strategy. Furthermore, our observation indicates that there are no formalized guidelines in planning for Monitoring and Performance Assessment.

Monitoring Mechanism

105. During audit observation to respond to the researchable question, we found that several monitoring processes were in place. The Subprogramme Manager has regular discussions with the Subprogramme Administrative Assistant and Director regarding the monitoring of budget implementation. The Subprogramme Manager also monitors the workload distribution and prioritizes the activities of the Scientific Officers for further activity planning. However, this monitoring is not comprehensive. There are gaps and there is no Agency-wide tool for monitoring the implementation of progress status. We also found that the outcome monitoring tools was not sufficiently implemented in measuring outputs' contribution to achieve outcomes.

106. The purpose of programme implementation monitoring is to determine the extent to which planned tasks have been implemented and the planned outputs have been delivered. Monitoring is concerned with identifying what was done and detecting any deviations from what was planned.

107. The Agency has developed a monitoring tool called OBIEE which focuses on financial monitoring. It is not flexible enough to fulfil the needs of regular project monitoring, such as of schedules, risk management or the status of outputs and outcomes. As a result of this limitation, the Subprogramme Manager has developed his own monitoring mechanism to meet his needs such as by using an Excel spreadsheet and Word action sheets. Moreover, limited information of the activity progress, such as the status of activities being cancelled or postponed and the progress (milestones) of publications or e-learning materials, is reported to senior management through the weekly activity reports.

108. We also found that there is a lack of Agency-wide tools to adequately perform overall project management, including the monitoring of project activities for the timeliness and workflow strategy. Although usable information is kept in the Agency's repository, there is no organized tool/approach to easily assist the Subprogramme Manager in obtaining the information relating to the progress of all Subprogramme activities in one single or simple view.

109. With regard to outcome monitoring, our audit observation showed that Subprogramme 1.2.3 has developed a mechanism to capture the feedback from the Member States by using meeting participants' feedback sheets. However, this feedback mechanism was not sufficient to address the need of monitoring the outcome effectiveness or achievements of the Subprogramme. Moreover, since in most cases the reporting by MSs is voluntary, the Subprogrammes might have a low response from MSs in the outcome monitoring data collection.

Performance Assessment

110. In response to the researchable question, the Subprogramme team has undertaken annual assessments using Hyperion (Mid-Term Progress Reports and Programme Performance Reports) to document the assessment results.. However, our audit found that the performance indicators of the Project's outcomes baselines, and targets were, in many cases, not accurately and clearly defined. For instance, for one Project outcome, the performance indicators, baselines and targets in 2016 and 2017 were only taken from previous biennium indicators and not updated.

111. Moreover, there is apparently no system to request, analyse, store and verify the documents supporting the assessment of the achievement of Projects.

112. Based on the analysis of 2014 – 2015 achievement results, we found that out of six outcome performance indicators, only one was supported by adequate documentation. The project manager explained that it is difficult to provide adequate documentation to support the measurement of outcome performance indicators because of the difficulties to collect the information on the impact of the IAEA activities on its Member States.

113. Finally, lessons learned from previous assessments were for the most part not conducted in a manner that would indicate that the lessons learned had been effectively implemented.The discussion with the Subprogramme Manager showed that the subprogramme had tried to implement the lessons learned from previous biennium in the 2016-2017 activities. However, from document analysis and discussion, we found that the lessons learned have been only partially implemented.

Recommendation 9

We recommend that the Agency:

i. improve mechanisms to monitor the achievement of Subprogramme outputs and outcomes, that includes:

- developing a plan for specific monitoring activities;
- overcoming the limitations of the current information systems by providing an enabling project management environment and toolkit; and
- improving the feedback mechanism to enable increased participation from Member States in data collection/information gathering to the extent practicable for the purpose of outcome monitoring.

ii. improve the assessment process so as to ensure the achievement of the Agency's objectives and mandate, by:

- ensuring the parameters that have been entered in Hyperion are accurate, informative and comprehensive; and the achievements are well supported by documentation;
- enhancing the follow up implementation from lessons learned of the assessment process.

The Agency agreed with the recommendations.

III. RADIO-ISOTOPE APPLICATIONS FOR HYDROLOGY

BACKGROUND

114. The Radio-isotope Applications for Hydrology (RAH) is one of the Subprogrammes under the Programme of Water Resources as part of the Major Programme of Nuclear Techniques for Development and Environmental Protection. It has two projects, namely, Characterization of Fossil Groundwater Using Long-Lived Radionuclides; and Noble Gas Isotopes for Groundwater Recharge and Pollution Studies. Those projects have the following main outputs, respectively:

- Expanded network of Member State laboratories providing isotope analysis for technical cooperation projects and measurement protocols for isotope sampling and analysis; and
- Improved sampling methods for helium isotope analysis; and use of helium and other noble gases for water resource assessments.

115. The objective of the RAH Subprogramme for 2016-2017 is to enable Member States use of radioisotopes of carbon and noble gases for river and groundwater management; and to strengthen Member State capacity for the analysis of environmental tritium in water samples. It has two expected outcomes:

- Improved assessment and management of river and groundwater systems using radioisotopes; and
- Improved capacity of Member States for the analysis of environmental tritium in water samples.

116. To support activities under the Programme of Water Resources, the Agency manages a laboratory named Isotope Hydrology Laboratory (IHL) providing isotopic analytical services to the water resource development programmes and expert technical advice to Member States. With respect to the RAH Subprogramme, the IHL carries out two kinds of analyses which are tritium and noble gas sample analysis. In this regard, our audit selected a theme on the IHL equipment management system for these analyses. The audit scope covers the management of the Isotope Hydrology Laboratory from 2014 to 2017.

Figure 4: Noble Gas Mass Spectrometry for Noble Gas Analysis

117. The principal researchable question for this subprogramme was: "To what extent does the Agency have a comprehensive and effective asset management system for laboratory equipment?" and cascaded into the following three researchable questions:

- Has the Agency planned effective use of its laboratory equipment?
- Does the structure of the Agency support effective asset management?
- To what extent has the Agency effectively managed the performance of its laboratory equipment?

AUDIT FINDINGS

A. Documentation of Detailed Information on the IHL Equipment

118. Based on our audit observation, the IHL management has adequately planned the use of its laboratory equipment. We reviewed the documentation of relevant information about the laboratory equipment management plan. Basic information regarding the age, value, capacity, and the utilization status of individual pieces of equipment has been maintained and the specific data to produce detailed information on individual equipment exists in the laboratory. The analysts and technicians in IHL are aware of this specific data and information.

119. Our further analysis found, however, that the IHL management does not maintain detailed information about individual equipment's operational/useful life, which is important for preparing the laboratory equipment replacement plan. Our observation on the basic information maintained by the

Agency regarding individual equipment capacity showed that it had not been updated according to maximum capacity advised by the laboratory team leader. Updated data of the equipment capacity can be useful to estimate the operational/useful life of equipment with respect to its actual utilization rate.

120. To ensure that the equipment operates at its best condition, the IHL needs to maintain detailed information related to individual equipment, such as potential and actual capacity, maintenance requirements, and operational/useful life. We consider that this information is important for the maintenance and replacement plan of the laboratory equipment.

Recommendation 10 We recommend that the Agency improve its documentation of detailed information of IHL equipment to enable management to analyze how long the equipment will operate at its best condition with respect to its actual utilization rate, and what action is needed when it reaches its maximum operational useful life
The Agency agreed with the recommendation.

B. The Maintenance Procedures and Documentation for IHL Equipment

121. Based on our audit observation to respond to the researchable question, IHL management has managed the performance of its laboratory equipment, particularly related to the maintenance requirements. IHL management stated that the laboratory performs two types of maintenance which are daily corrective and annual major maintenance. The IHL has laboratory technicians to maintain the instruments built in-house, whereas it uses some suppliers maintenance services for large externally acquired equipment.

122. Our observation found that for some instruments in the laboratory, the documentation of daily maintenance activities existed. However, those maintenance activities were not made according to a well-documented maintenance programme.

123. For maintenance of some of the equipments, the technicians recorded in handwriting the daily repairs based on their knowledge and skill. Based on this information, we found that only reactive maintenance is performed as the repair was done only when the equipment fails to function properly. This practice is in contrast with the maintenance for another pieces of equipment where routine maintenance checklists and result control forms existed. Overall, the handwritten notes, maintenance checklists and control forms are not well organized or backed up using a computerized database.

124. The effectiveness of these regular and major maintenance practices can be improved by developing a maintenance program, as part of maintenance plan, and providing more organized and reliable maintenance records. We also emphasize the importance of the maintenance records since IHL Management prepares the budget for maintenance and operations only based on the previous year's experience.

Recommendation 11 We recommend that the Agency develop and implement a maintenance program for the IHL equipment and maintain an organized and reliable maintenance records to improve the effectiveness of regular and major maintenance practices
The Agency agreed with the recommendation.

C. The Monitoring and Evaluation of Laboratory Performance for Routine Activities

125. Based on our audit observation to respond to the researchable question, IHL management has managed the performance of its laboratory equipment, particularly by taking certain measures to improve the efficiency of sample analyses. IHL has also taken an initiative to develop and deploy the Laboratory Information Management System (LIMS) and Tritium Information Management System (TRIMS). The statistical data collected and recorded in the LIMS and TRIMS database system allows for assessment of efficiency and effectiveness of processes in an objective manner.

126. As a reference laboratory for the Agency's Member States, IHL has various analytical facilities to support Coordinated Research Projects (CRPs), individual research projects, projects under subprogrammes, and Technical Cooperation Projects (TCPs), as well as to develop new methods and provide training to make Member States "self-reliant" in isotope analysis. In this regard, laboratory activities can be grouped into non-routine and routine activities. While the non-routine involves development of new methods and training activities, routine activities associated with the laboratory analytical workflow consist of sample receipt, preparation, final analysis and reporting.

The measurement of sample backlog for continual improvement

127. The routine activities workflow ranges from unknown samples entering into the laboratory workflow to sample analysis and reporting. IHL management advised that the tritium workflow normally takes between 19 and 26 days consisting of 1 day for primary distillation, 7-14 days for enrichment, and 11 days for Liquid Scintillation Counting (LSC). According to IHL Management, the high demand of tritium analysis has exceeded the actual enrichment capacity in terms of number of samples that can be processed. This situation has resulted in sample backlog in the laboratory workflow.

128. Based on the tritium sample database, there were 357 tritium samples received in 2013. The total time the laboratory took to analyze and report those samples was 335 days on average. With reference to 26 days of the maximum processing time of tritium analysis, this situation created an average sample delay of 309 days (335 days on which samples stayed in the laboratory, less 26 days the maximum processing time).

129. To overcome this issue, the IHL management stated that since around 2014 it has initiated several measures to increase the laboratory efficiency by grouping the incoming samples into different procedural workflows and according to priorities. In addition to streamlining and prioritizing tritium workflows, IHL management has also attempted to reduce the IHL demand for sample analysis by outsourcing the routine analytical services particularly from TC projects. These efforts are expected to reduce the amount of sample backlog in the system. However, the management did not collect enough information to conclude the efficiency gained in terms of sample backlog reduced as a result of the measures that has been initiated by the Agency since 2014.

130. We observed that the IHL management does not track and properly document the laboratory operations performance for analytical services by monitoring and evaluating the length of sample backlogs; thus, any resulting improvements cannot be measured and the effectiveness of the new procedures and prioritization cannot be assessed. We are of the opinion that the monitoring and evaluation of this operational measure is a determinant for the continual improvement of the laboratory operational performance.

The utilization of laboratory information management system database for performance monitoring and evaluation

131. LIMS is a customized software-based laboratory and information management system which has key features including workflow and data tracking support for managing all the routine laboratory activities. As for tritium analysis, IHL also has TRIMS which is a new database software system intended to help the laboratory to achieve the precision and accuracy required of low level tritium measurements for groundwater age dating purposes.

132. Despite having been supported with LIMS and TRIMS, our audit found that IHL management has not yet fully utilized the data in the systems, such as the number of samples received and processed, dates of samples received and completed, and equipment capacity in each processing stage. These data are needed to detect the existence of backlogs, measure the backlog and actual processing time, as well as identify opportunities for improvement.

Recommendation 12

We recommend that, for continual improvement of routine activities, the Agency monitor and evaluate efficiency gained through the measurement of sample backlog by optimizing the utilization of the available data in the system.

The Agency agreed with the recommendation.

IV. SAFEGUARDS ANALYTICAL SERVICES

BACKGROUND

133. Safeguards Analytical Services is one of the Subprogrammes of the Programme of Safeguards Implementation under the Major Programme of Nuclear Verification. It has one project namely the Analytical Services and Sample Analysis. The objective of the subprogramme is to maintain and improve capabilities, capacity, and services for destructive analysis and environmental sample analysis in order to strengthen the Agency's verification capabilities. It has four main planned outputs: nuclear material and environmental sample analytical results; shipment and logistics of samples; Network of Analytical Laboratories (NWAL) management; and stockpile and provision of sampling kits and materials.

134. To meet the verification goals of safeguards, nuclear and environmental samples are analyzed by the Office of Safeguards Analytical Services (SGAS) laboratories and the Agency's NWAL. SGAS has two main laboratories located in Seibersdorf, namely, the Environmental Sample Laboratory (ESL) and Nuclear Material Laboratory (NML). ESL is responsible for detecting undeclared activities and materials, and this is accomplished by analyzing environmental samples using highly sensitive and selective analysis methods. NML is responsible for detecting diversion of nuclear material, and this is accomplished by sampling and destructive analysis of nuclear material with fit-for-intended-purpose methods.

135. For the purpose of the audit, we selected the theme of asset management system for laboratory equipment. The audit scope covers the management of the SGAS Laboratories including Environmental Sample Laboratory (ESL) and Nuclear Material Laboratory (NML) and Coordination and Support Section (CSS) from 2014 to 2017.

136. The principal audit objective was “To what extent does the Agency have a comprehensive and effective asset management system for laboratory equipment?” and cascaded into the following three researchable questions:

- Has the Agency planned an effective use of its laboratory equipment?
- Does the structure of the Agency support effective asset management?
- To what extent has the Agency effectively managed the performance of its laboratory equipment?

AUDIT FINDINGS

A. Major Equipment Replacement Plan

137. Based on our audit observations, SGAS has planned the use of its laboratory equipment and in particular developed an asset management plan supported by a computerized inventory system. SGAS has also developed a simple internal tool to plan its equipment replacement budget named Equipment Replacement Budget Planning (ERBP). SGAS has identified that Large Geometry Secondary Ion Mass Spectrometer (LG-SIMS) as a critical instrument for the ESL’s sustainability in the area of particle analysis. In respect of continued use of this instrument, SGAS has also prepared an LG-SIMS replacement strategy covering several scenarios.

Figure 5: Large Geometry Secondary Ion Mass Spectrometer

138. To ensure that the laboratory instruments operate at their best, SGAS maintains detailed information related to individual equipment, specifically the operational/useful life. To be able to identify the priority of equipment replacement, SGAS calculates the operational/useful life based on consultation with the manufacturer about the expected life based on operational use of the instruments and the estimated replacement price.

139. SGAS has developed an asset management plan which is supported by a departmental computerized inventory system. To plan its equipment replacement budget, SGAS utilize a tool named Equipment Replacement Budget Planning (ERBP). This tool provides information on the equipment replacement budget plan from 2016 to 2021 and the planned source of funding, either from regular

budget or extrabudgetary sources. Our further analysis found that the LG-SIMS is the most expensive instrument in ERBP. It is used by ESL for the uranium particle analysis. It originally cost €3 634 500 and was obtained through Japan's in-kind donation in 2011. The projected replacement date for this equipment is in 2021 with an estimated price of €5 000 000. SGAS has identified that LG-SIMS is a critical instrument for ESL's sustainability of high-quality uranium particle analysis, since the particle analysis technique using LG-SIMS is considered as an advanced technology available to SGAS. Additionally, as ESL was among the first laboratories to use the equipment for particle analysis, it serves as an important reference for the other laboratories in the network.

140. In respect of continued use of this instrument, SGAS has prepared an LG-SIMS replacement strategy covering four different scenarios, including the risk assessment following each scenario:

- Maintaining the instrument as operational for as long as possible
- Refurbishing the current instrument
- Replacing the current instrument
- Complementing the current instrument with a new generation instrument.

141. Those strategies have been presented to the Deputy Director General of Safeguards (DDG-SG). Member states have also taken the initiative to organize 'the Friends of SAL (Safeguards Analytical Laboratories)', which is a reinstitution of an external advisory group that was organized for the Enhancing Capabilities of Safeguards Analytical Services (ECAS) Project, to consider technical options for the sustainability of analytical operations in SGAS, including the LG-SIMS. So far, SGAS has not received any feedback from DDG or the member states, but follow up meetings are intended to discuss the replacement strategy in the near future.

142. Considering that the process of procurement and commissioning of the new instrument can be time consuming, a decision on the LG-SIMS replacement strategy and its funding source is critical to enable the new instrument to be fully operationalized by 2021.

Recommendation 13 We recommend that the Agency confirm a definite LG-SIMS replacement strategy in the near future, while coordinating the plan with relevant parties, as the lack of confirmed decision poses risks to SGAS's operation sustainability.
The Agency agreed with the recommendations.

B. The Further Development of Knowledge Management and Transfer, and the Use of Document Repositories in Sustaining the ESL Operations Performance

143. Based on our audit observations to respond to the researchable question, SGAS's structure has supported an asset management practice. In particular, it has initiated the development of knowledge management and transfer. We observed a good practice of knowledge transfer in the succession of the Section Head of the Environmental Sample Laboratory (ESL) through the creation of procedural guides and/or desk manuals. Documented procedures and records for each stage of the processes implemented in the ESL and activities related to analysis of environmental samples can also serve as explicit knowledge for new specialists related to their specified positions. We consider the good practices of creating document repositories and working procedures implemented in the ESL could be extended as a foundation of knowledge management and transfer for other Safeguards analytical laboratories. Additionally, for its new employees, ESL management established a training plan featuring on-the-job training (OJT) based on mentoring by experienced staff members.

144. As set out in the IAEA's "Administrative Manual Part II Section 1" outlining staff regulations and staff rules, the professional-level staff are normally subject to seven-year maximum tours of service. Our audit on ESL found that this rotation policy can significantly and negatively affect the performance of the laboratory.

145. The ESL experienced a vacant position for chemists in 2012 - 2014 causing bulk analysis[1] to pause the operations. In terms of number of analysis performed, only 6 subsamples were reported in that period of time, which was 75% lower compared to the previous year.

146. SGAS has initiated the development of knowledge management and transfer by creating procedural guides or desk manuals. Documented procedures and records for each stage of the processes implemented in the ESL and activities related to analysis of environmental samples serve as explicit knowledge for new specialists related to their specified positions. However, this explicit knowledge is not sufficient for the new specialists as the expertise and technical skills (tacit knowledge) are not captured in these document repositories and procedures.

147. Moreover, for new employees, SGAS management establishes training plans featuring on-the-job training (OJT) based on mentoring by experienced staff members. However, this knowledge transfer strategy often does not work well because the predecessor, the experienced staff member, had left the Agency before the new staff member came in.

148. The SGAS considers that the best mechanism for knowledge transfer is by having an overlap between the leaving and in-coming staff, as technical skills and expertise are unique and very specialized in the context of laboratory analytical services. However, the Agency does not have such a policy to allow two people in the same post at the same time. This situation poses difficulties for ESL in sustaining the operations of the respective analytical services.

Recommendation 14

We recommend that the Agency consider to further develop the knowledge management and transfer strategies to capture and transfer tacit knowledge including technical skills and expertise attached to the work performed by each specialist within the Safeguards analytical laboratories.

The Agency agreed with the recommendation.

V. TECHNICAL COOPERATION PROGRAMME

BACKGROUND

149. The Department of Technical Cooperation (TC) is responsible for Major Programme 6, which encompasses specifically the development, implementation and management of technical cooperation projects in the framework of biennial technical cooperation programmes (TCPs). The Department of TC takes a leading role in managing and implementing the TC Programme, coordinating all TC related activities in-house. The Department also provides a mechanism for preserving country level knowledge and continuity, a tool for understanding the 'big picture' in the country/region, and a vehicle for providing orchestrated, comprehensive responses to the needs of Member States.

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[1] Bulk analysis methods involve the analysis of an entire swipe sample; the analytical results represent the average value of the material contained within the sample. This is different from particle analysis methods which rely on the detection and measurement of individual particles on the sample.

150. The objective of the Department of TC for 2016 – 2017 is to enhance the relevance, socioeconomic impact and efficiency of technical cooperation support to Member States by planning and implementing a needs-based, responsive and sustainable technical cooperation programme (TCP), and by seeking continuously increasing effectiveness. The TCP consists of national, regional and interregional projects funded from the Technical Cooperation Fund (TCF) and from extrabudgetary contributions.

151. The TC Programme cycle has three major stages that cover Planning, Implementation, and Review

Figure 6: Technical Cooperation Programme Cycle

152. Every biennium, the General Conference (GC) approves the funds for hundreds of new TC Projects. Projects and project components that have been assessed and found to be technically sound and fit within the requesting country's programme, but where TCF resources are not sufficient to finance them, are commonly referred to as footnote a/.

153. For the purpose of the audit, we selected the theme of Technical Cooperation Fund Management with the audit scope covering the Technical Cooperation Fund Management for TC Projects started prior to 2016

154. The principal researchable question was : "To what extent does the Agency have an effective Technical Cooperation Fund Management?" and cascaded into the following three researchable questions:

- Has the Agency effectively planned the allocation and collection of Technical Cooperation Funds (TCF)?
- Has the Agency effectively provided TCF assistance to Member States?
- Has the Agency effectively monitored and evaluated the performance of TCF management?

AUDIT FINDINGS

A. Technical Cooperation Fund Allocation to Partially Funded Technical Cooperation Project

155. We observed that the Agency has planned the allocation of the Technical Cooperation Fund (TCF). The planning process follows the "Guidelines for the Planning and Design of the IAEA technical cooperation programme". TC management also has assisted the Member States in developing project

proposals using the Logical Framework Approach (LFA). Part of the assistance involves reviewing the technical aspects of the project proposal as well as the certainty of the resources. Furthermore, the Secretariat has also taken efforts to address the needs of Member States in regards to funding footnote a/ components or projects.

156. Our analysis of selected TC Projects with footnote a/ project components (partially funded by the TC Fund) showed that the footnote a/ project components, 9 out of 15 TC projects, remained unfunded upon project closure. The Project Progress Assessment Report (PPAR) for these projects revealed that the output of the footnote a/ components were not achieved due to lack of funding. Since the projects were designed using the LFA, these unachieved outputs due to unfunded project components can hinder the achievement of the outcome and overall objective. Additionally, as footnote a/ project components cover a significant part of the whole project, there is a risk that the project would fail to attain its intended outcome and thus potentially fail to contribute to a project's overall objective.

157. Our further analysis also found that the tools and guidance provided to design IAEA TC Projects did not provide specific criteria to review the feasibility of unfunded projects or activities. In developing the LFA toolkit (Logical Framework Matrix – LFM), all elements should be set out clearly including the assumptions about external factors outside the control of the project team, but which need to occur for the project to produce the intended results. The likelihood of these assumptions occurring should be analysed at the formulation stage and monitored throughout implementation, as these assumptions are decisive factors in taking corrective actions or modifying the work plan. Therefore, based on the logical framework approach, the availability of funding for the footnote a/ project components in partially funded TC Projects should be incorporated into LFM assumptions. Our observation of the LFM for the 15 sampled projects indicated that the un-availability of funding to obtain this output is not consistently incorporated into the assumption and risk. Our analysis found that 9 out of 15 sampled projects excluded the availability of funding for the footnote a/ project component in the LFM assumptions and risk column.

Recommendation 15

We recommend that the Agency

i. improve the LFM development process by incorporating unfunded components in the assumption and risk column in order to better estimate if the project would produce the intended result;

ii. improve the proposal review process of TC projects with footnote a/ components by analysing the possibility of making footnote a/ components with low funding certainty as standalone footnote a/ projects.

The Agency agreed with the recommendations.

B. Implementation of Technical Cooperation Projects

158. Our audit observation on TC Project implementation specifically the Technical Cooperation Fund (TCF) distribution shows that it has been implemented in accordance to the Agency's Regulation and Administrative Manual. The Agency has one gate payment system through the Division of Budget and Finance. In addition, it has also implemented a hierarchical approval mechanism for project funding adjustments.

159. Our analysis on the disbursement mechanism of TCF found that as of October 2017, there were 8 997 open Purchase Orders (POs) with a total encumbrance amount of €34 815 452. Of those POs,

there were 236 POs amounting to €1 851 706 which have been opened for more than four years (2011- 2014). The life-time of a TC Project would typically last between two and four years.

160. We identified several potential reasons behind these old open POs:

- The supplier has some difficulties in sending the invoice promptly.
- The appointed Finance Officer in the respective Member State has not yet sent the settlement document, for advance payment activity, to the Secretariat.
- Member States are not ready to receive the equipment, leading to delay in equipment delivery to Member States as well as the invoice payment.
- A *force majeure* situation.

161. Our discussion with TC Management team revealed that the Agency has made efforts to address this issue. Maintaining records as part of monitoring as well as evaluation of open PO status has been done on a regular basis. However, the evaluation posed its own challenges as the Agency has more than 80 000 TC transactions (PO) per year.

162. In addition, the Secretariat is currently implementing Plateau 4 which is the final phase of AIPS implementation and which covers the management of travel and meetings. After this final phase, AIPS is expected to replace several dozen separate and often incompatible information systems with a single Enterprise Resource Planning (ERP) system. It is expected that Plateau 4 will address the need to quickly identify a specific PO related to advance payment to assist TC management in monitoring the delivery of settlement documents.

Recommendation 16

We recommend that the Agency seek alternative means to overcome issues related to old open POs, including monitoring the implementation of Plateau 4 to address the management needs in regards to monitoring open POs requiring final settlement.

The Agency agreed with the recommendation.

OTHER MATTERS

Cases of Fraud and Presumptive Fraud

163. The Management reported to us that although areas for improvement in internal control exist, the Office of Internal Oversight Services (OIOS) did not find evidence of proven fraud.

164. One case of presumptive fraud against the Agency was originally reported to OIOS in 2017. This case was procurement-related and evidently outside of the accountability of the Agency. As it was related to another VIC based UN organization, the case was submitted to the respective oversight office of that organization. Therefore no fraud-related losses for 2017 have, thus far, been detected.

Losses, Write-offs and Ex Gratia Payments

165. Receivables amounting to €79 137.56 were written-off in 2017. This write-offs include the following:

Table 5: Detail of Write-offs

No.	Item Description	Amount written off (in Euro)
1	Extrabudgetary Contributions irrecoverable	1 773.28
2	Payroll receivables irrecoverable	57 082.99
3	Agency's Laboratory sales invoices	11 274.00
4	Agency's Publications sales invoices	247.43
5	Appendix D Insurance Claims irrecoverable	8 009.80
6	Private Long distance calls	750.06
	Total	**79 137.56**

Loss of equipment

166. According to AIPS records, in 2017, there were 14 capitalized assets costing €14 695.53 with net book value of €422.57 and 17 expensed type assets with acquisition cost amounting to €11 296.50 which were declared lost.

Ex-Gratia Payments

167. No ex-gratia payments have been made during 2017.

RESPONSE TO PAST EXTERNAL AUDITORS' RECOMMENDATIONS

168. Response of Management indicating action taken on the past External Auditor's recommendations is given in Annexure 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)

Prof. Dr. Moermahadi Soerja Djanegara, C.P.A., CA
Chairman of the Audit Board of
the Republic of Indonesia

External Auditor

Jakarta, Indonesia

27 March 2018

ANNEX I

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

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
Audit Report for the Year 2016		
Financial Issues		
1	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 draft changes to the 2012 Policy Manual have been completed, awaiting review, but the changes to the Administrative Manual are pending, subject to availability of internal resources within MTGS who will be assigned to do a comprehensive update of this and many other changes in the manual. The target date for implementation is on 30 June 2018. Management considers the recommendation to be In Progress.
2	The Agency should: (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.	(i) MTIT working with stakeholders throughout the IAEA has begun a project to implement Information Security Management Systems (ISMS). Among other things ISMS will define the standards to mitigate risks while employing third party service providers at an agency-level of governance. Expected completion for the activities to address this recommendation is 30 September 2018. (ii) AIPS team along with the relevant IAEA stakeholders went through a detailed analysis and remediation activity to ensure Segregation of Duties principle in application and database access is followed. All necessary actions have been taken for the implementation. MTIT considers the recommendation to be implemented. The target date for implementation is on 30 September 2018. Management considers the recommendation to be In Progress.
3	The Agency enhances its effort to request the related Banks to provide monthly bank statements, and update the balance accordingly.	Requests are on going. The target date for implementation is on 30 June 2018. Management considers the recommendation to be In Progress.
4	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.	As an internal control measure and to ensure completeness, LVP purchases are reviewed and identified asset items are manually added to the respective fixed assets book and entails the creation of manual journal to back out expense.

<table>
<tr><th colspan="2">Key Audit Recommendations</th><th rowspan="2">Management Response</th></tr>
<tr><th>Rec. No.</th><th>Description</th></tr>
<tr><td></td><td></td><td>During Q1 2017, the list of buyers responsible for the acquisition of the 136 items in 2016 was provided to MTPS so they may remind the Low Value Purchasers of this restriction. In Q2, assets were created related to about 25 POs compared to 28 POs in Q1. Requisitioning tips were published in June 2017 which aims to send out the information to refrain from purchasing group asset items such as monitors, notebook, PC and furniture using LVP to a wider audience.

Management considers the recommendation to be In Progress.</td></tr>
<tr><td>5</td><td>The Agency should consider having a written guideline in estimating allowance for doubtful account from exchange transactions.</td><td>Accounting policy was developed in Q4 2017 and utilized in the 2017 Financial Closure.

Management considers the recommendation to be Implemented.</td></tr>
<tr><td>6</td><td>The Agency should:

(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 analyze the possible entitlements for staff members who currently have non-Agency insurance plans; and

(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.</td><td>(i) Together with HR and with the support of the AIPS team a new master report was designed and tested which was the main basis for provision of all relevant employee benefits data for the actuaries.

(ii) & (iii) MTBF is working together with AIPS team to improve the employee benefit reports by adding new features which would determine the ASHI eligibility.

The target date for implementation is on 30 June 2018.

Management considers the recommendation to be In Progress.</td></tr>
<tr><td>7</td><td>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.</td><td>The AIPS system will be updated to ensure salary deductions can be efficiently implemented, with a planned implementation of this functionality in Q2 2018. This revised functionality will allow automatic salary deduction when duty travel claims are not submitted in a timely manner after appropriate notification to the affected staff member.

The target date for implementation is on 30 June 2018.

Management considers the recommendation to be In Progress.</td></tr>
</table>

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
Nuclear Information		
8	The Agency to 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	(i) Template for Practical Arrangement has been provided. (ii) Promotional materials have been updated. (iii) Member directory updated. The target date for implementation is on 30 June 2018. Management considers the recommendation to be In Progress.
9	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.	Assessed means of internal document acquisition; Collaborated with MTCD-Publishing on planning of the introduction of the preprint concept. The target date for implementation is 30 June 2018. Management considers the recommendation to be In Progress.
10	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 as the copyright and ownership challenges of content submitted to the INIS.	Updated the INIS promotional materials; provided input for the NE Newsletter; create some INIS related IAEA web stories. The target date for implementation is on 30 June 2018. Management considers the recommendation to be In Progress.

<table>
<tr><th colspan="2">Key Audit Recommendations</th><th rowspan="2">Management Response</th></tr>
<tr><th>Rec. No.</th><th>Description</th></tr>
<tr><td>11</td><td>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.</td><td>Consulted the relevant stakeholders through direct contacts, as well as during the INIS training seminar.
The target date for implementation is on 31 December 2018.
Management considers the recommendation to be In Progress.</td></tr>
<tr><td colspan="3">Nuclear Medicine and Diagnostic Imaging</td></tr>
<tr><td>12</td><td>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).</td><td>Since the RBs for 16-17 and 18-19 were already approved by the time the recommendation was made, the outcome(s) performance indicators (PI) will be reformulated and expanded in order to cover activities related not only to oncology and cardiology but also to other applications such as neurology, special population groups (e.g. pediatrics, females, elderly), thus reflecting the delivery of all outputs at the project and task level.
Meetings with NMDI staff have been conducted to improve the reporting of ongoing cycle and the design of the next cycle. Examples of PI to be used in the P&B20-21 at project level are:
Outcome 1: Enhanced diagnostic capabilities of Member States in major clinical conditions such as cardiovascular disease and cancer, by improving the competencies of NMDI professionals.
PI: Number of professionals attending educational activities in the fields of NM and/or DI, organized by the IAEA in one year. PI: Number of institutions in Member States participating in IAEA research projects in NM and/or DI in one year.
PI: Number of institutions in Member States participating in IAEA Technical Cooperation Projects in NMDI (Field of Activity 27) in one year.
The target date for implementation is on 31 December 2018.
Management considers the recommendation to be In Progress.</td></tr>
<tr><td>13</td><td>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.</td><td>Detailed data collection has been initiated registering all measurable and relevant data related to participation of MS in NMDI tasks/activities. This includes, but is not limited to online webinars, recorded seminars, Human Health Campus engagement, use of smart phone apps developed by the NMDI, access to livestreaming partnership</td></tr>
</table>

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
		events, etc. The data is documented in a comprehensive, easy-to-use, graphic report which includes all the key components mentioned above as well as the source, for transparency and traceability. The target date for implementation is on 31 December 2018. Management considers the recommendation to be In Progress.
14	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.	Detailed and recorded collection of data for every task implemented by the sub-programme has been incorporated since January 2017. The compilation of all data is documented in a comprehensive, easy-to-use, graphic report, which includes all the key activities undertaken by NMDI to achieve the specific outcomes in one calendar year. The target date for implementation is on 30 September 2019. Management considers the recommendation to be In Progress.
15	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 need to “consider 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”, was discussed at the CCRA committee meetings in 2017. It was agreed that the inclusion of the recommended additional step implies a change in the CRP policies, and should thus only be discussed case by case. In the specific case of sub-programme 2.2.2, as part of the new CRPs to be implemented, a one-year time-frame between financial-closure of contracts and the final closure of the CRP, that comprises the presentation of the final review of the CRP at the CCRA committee, will be noted to allow the completion of patient follow-up. The presentation of results will then include means of dissemination of results e.g. through peer-reviewed journal publication, IAEA internal publication, TC mechanism, training, etc. In addition, the inclusion of the peer review publications, presentations of data in medical congresses and all other mechanisms of dissemination of CRP results have been incorporated in the CRP progress and final reports of CRPs of the sub-programme 2.2.2 including: E12017, E13040, E14041, E14042 and E14043. Management considers the recommendation to be Implemented.

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
Radiation Safety and Monitoring		
16	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.	Instituted a process to prepare a feasibility study and technical investigation as an important step before the development of safety standards. Requirements on DPPs for the development of safety standards have been strengthened and further formalized to more precisely identify the scope; Communication with the safety standard section and the publication unit has been enhanced through involvement in Coordination Committee Meetings. The target date for implementation is on 31 December 2018. Management considers the recommendation to be In Progress.
17	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)	To get familiar the use of Hyperion system for project planning. During the design stage, double check and reconfirmation system has been introduced to prevent the mistakes during input. The target date for implementation is on 31 December 2018. Management considers the recommendation to be In Progress.
18	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;	ORPAS has been promoted through a newly created webpage and outreach materials as well as in the RASSC meeting. Four full ORAPS missions and five preparatory ORPAS missions have been conducted since the external audit. A new extrabudgetary project on ORPAS from a Member State was prepared and the budget was granted. RASIMS is currently being updated and it act as the monitor of radiation safety in the Member States. The target date for implementation is on 31 December 2018. Management considers the recommendation to be In Progress.

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
	(iii) foster the Radiation Safety & Monitoring (RSM) sub-programme 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.	
19	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.	G-5 position was funded by NS for 2018/19 and a job description is in place ready for advertising. NS funded an SSA for the ORMSG G-6 position for 2017. OIOS analysis of centralized versus shared funding mechanisms is ongoing for all services in the Agency. The target date for implementation is on 31 December 2018. Management considers the recommendation to be In Progress.
General Services		
20	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	ARMS has requested a legal opinion from OLA to support the elimination of paper based correspondence distribution in the Agency. The legal opinion has not been provided yet but the request proposes an entirely digitally managed workflow from incoming physical mail, scanning through distribution and registration. We also streamlined the data sharing process with AIPS event manager module which eventually will take over the registration of events related correspondence from ARMS, however we are still in the initial phase. The target date for implementation is on 30 June 2018.

Key Audit Recommendations		Management Response
Rec. No.	Description	
	potential cost efficiencies at the operational level can be achieved.	Management considers the recommendation to be In Progress.
21	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 revision of the retention policies and supporting procedures has already started, the compilation of MT related divisional retention schedules is completed by December, 2017. The target date for implementation is on 31 December 2018. Management considers the recommendation to be In Progress.
22	The Agency explores 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 catalogue for retrieval purposes, and introducing an archival management system to make the archival life cycle more transparent and better documented.	Funding has been allocated to begin the procurement of a new Archival Management System. The target date for implementation is on 31 December 2020. Management considers the recommendation to be In Progress.
23	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	N/A The target date for implementation is on 31 December 2019. Management considers the recommendation to be In Progress.
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 Accountability Framework is in its final review and approval stages while the Internal Control framework has been initially drafted and requires additional work before internal review and approval. The target date for implementation is on 30 June 2018. Management considers the recommendation to be In Progress.
3	The Agency may ensure harmonization of provisions in different manuals and procedures relating to physical verification of assets.	Both the Department of Safeguards and the Department of Management have revised their Asset Management Procedure, and SOPs for physical verification. Asset management procedure is in line with the Admin Manual. The IPSAS policy manual was updated in Q4 2017 that now states the change in cycle of physical verification for 2 years, instead of annually.

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
		Management considers the recommendation to be Implemented.
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 hired in 2016 further disaggregation of the population was considered, for example for the establishment of the turnover rates, review of cases of no-insurance and statistics on removal costs. During the 2017 Employee Benefits Liability calculation, it was determined that additional improvements would be implemented, including review of turnover rates, harmonized use of mortality tables across the UN and review of removal costs. Through detailed discussion with the Agency's actuaries, it was determined that no further aggregations or disaggregations would materially increase the precision of the estimation. Management considers the recommendation to be Implemented.
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 informed the external auditor that it would investigate 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. Based upon initial input from UNESCO, there is not currently an appetite for re-negotiating this agreement to add specific provisions. As there is belief that there is sufficient clarity as to the current operation of the arrangement, no additional work is deemed necessary and the recommendation is deemed Closed. Management considers the recommendation to be Closed.
Programme on Food and Agriculture		
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.	All managers and most of technical officers in the Joint Division have attended Risk Management training courses organized by OIOS. The capacity of the implementation of the Agency's Risk Management Policy are much strengthened. During the programming and budgeting for 2018-19 the risk management is well improved and implemented. Management considers the recommendation to be Implemented.
10	(i) NACA may re-evaluate current business requirements and processes that drive the RCS application suite to identify gaps.	The new CRA Online for the evaluation of the contract/agreement proposal and progress/final evaluation forms is now in place and the other features necessary to replace the old RCS application will be coming into place in the next months.

Key Audit Recommendations		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.	Management considers the recommendation to be Implemented.
11	NACA and NAFA may consider including the details of the consultation process in the proposal of Coordinated Research Projects.	The CRP proposal form has been updated and approved by the CCRA joint policy committee on 2017-06-19 and was in place in the new CRA Online during the second half of 2017. This form includes the details of the consultation process in the proposal of Coordinated Research Projects. Management considers the recommendation to be Implemented.
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.	The CRP evaluation form, based on the updated CRP proposal form approved by the CCRA joint policy committee was in place by the end of 2017. The results of CRP on common themes are available to TC department. Technical Officers in the Joint Division help Member States to make TC plan taking account of the application of the results from CRPs. Management considers the recommendation to be Implemented.
Programme on Management of Radioactive Waste		
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 recommendation was discussed at WATEC (25 -28 April 2017). WATEC members were satisfied by the progress presented and how the Agency summarized responses to their recommendations from 2016. WATEC members were satisfied and appreciated that all points raised at the 2016 meeting had been answered. WATEC considered that the free flow of discussion in the meeting may be inhibited by publication of the full reports of its meetings. Management considers the recommendation to be Implemented.
Programme on Nuclear Sciences		
24	The Agency may consider putting in place mechanism to ensure adherence to the timeframe for publication of CRP reports.	NE has regularized a Publications Officer post effective January 2018; however, the functions of this post were being filled via a temporary post during 2017. Since the temporary post was established; procedures, including plagiarism reviews, have been streamlined, both internal and external training has been given and a tracking database was established. The result has been a dramatic increase in the number of publications issued.

Key Audit Recommendations		Management Response
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		MTCD has recruited additional temporary editorial resource to process the increased number of publications, has introduced additional support and information for authors in addressing key publishing issues such as plagiarism and publication preparation and has liaised with the Publications Officer and Scientific Secretaries to identify areas for improvement and to help streamline the overall process. The target date for implementation is on 31 March 2018. Management considers the recommendation to be In Progress.
25	The Agency may strengthen its mechanism of analyzing inputs for tasks for planned outputs before being incorporated into the Projects so as to achieve the desired objectives.	Agency-wide training on Resultes Based Management is being implemented to support the development of the 2020-2021 P&B. Management considers the recommendation to be Implemented.
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.	In March 2017, DDG-NE sent official letters to all Member States listed in the RRDB as operating or having operated research reactors requesting to provide/update informations. To date, 30 Member State have replied and 90 entries in the RRDB have been updated based on this information. It is planned to proposed DDG-NE to send a letter to Member States every year, generally at the end of the 1st Quarter, to request their contribution in updating the RRDB. Management considers the recommendation to be Implemented.
27	The Agency may continue its efforts to strengthen existing RR networks and coalitions.	A thorough and comprehensive review of the instruments of networks and coalition is on-going at NEFW Divisional level, including assessment and means of improvements of their effectiveness. Outcomes of this exercise will be applied to assess and strengthen the effectiveness of existing RR networks and coalitions. The target date for implementation is on 31 December 2019. Management considers the recommendation to be In Progress.
29	The Agency may consider strengthening the planning, monitoring and evaluation of the budgetary allocations for duty travels.	To ensure appropriate efficiency and flexibility in the ultimate modality utilized to deliver the Agency's results, the budget is controlled at the level of the Project rather than at the level of each Expenditure Type. However, with the implementation of Plateau 4, there has been improved review and control over the sub-programme's travel expenditures. Management considers the recommendation to be Implemented.

<table>
<tr><th colspan="2">Key Audit Recommendations</th><th rowspan="2">Management Response</th></tr>
<tr><th>Rec. No.</th><th>Description</th></tr>
<tr><td>30</td><td>The Agency may monitor gender participation in each task undertaken within the subprogrammes.</td><td>OIOS has performed an evaluation of the Agency's activities with respect to monitoring gender participation.

The target date for implementation is on 31 December 2018.

Management considers the recommendation to be In Progress.</td></tr>
<tr><td colspan="3">Audit Report for the Year 2014</td></tr>
<tr><td colspan="3">Financial Issues</td></tr>
<tr><td>3</td><td>The Agency may consider the implementation of a long term funding strategy for meeting the employee liabilities adequately over a period of time.</td><td>The implementation of this recommendation is a three step process:
(i) Develop an Agency agreed funding target;
(ii) Develop Agency agreed funding strategies/ proposals; and
(iii) Obtain Member State agreement and approval for implementation.

The Agency is currently in the phase of analyzing points i and ii.

Possible funding targets and modalities are under review. These include projections to include initially only non-Regular Budget funded posts for active staff, target G staff and P staff but only those who have permanent contracts, etc.

The Agency is currently in process of preparing to engage Member States in discussions with respect to creating a vehicle to hold funds collected (e.g. a Reserve Fund) and a funding proposal, which would not occur before the 2020-2021 Programme and Budget process.

The target date for implementation is on 31 March 2020.

Management considers the recommendation to be In Progress.</td></tr>
<tr><td>7</td><td>The Agency may disclose in the Notes to the Financial Statements details of in-kind contributions of services provided by the donors.</td><td>Continued tracking of the offer of in-kind contributions provided by donors to the Agency has occurred during 2016 and into 2017. However, the validation of estimated values of such in-kind contributions of services as well as the actual delivery of such in-kind contributions of services is not yet at the level where more detailed Financial Statement disclosure of the underlying details is appropriate. As the Agency does not plan to further expand on the process of tracking in-kind services, this recommendation is deemed closed.

Management considers the recommendation to be Closed.</td></tr>
</table>

Key Audit Recommendations		Management Response
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Nuclear Energy		
8	(i) The process of review of responses to previous recommendations from earlier Integrated Nuclear Infrastructure Review (INIR) missions may be suitably documented. (ii) The Agency may strengthen its mechanism for receipt and follow-up of National Action Plans. Member States may be encouraged to have a National Action Plan in place which seeks to duly coordinate all 'Infrastructure' activities, so that it can serve as a valuable input for Integrated Work Plan.	(i) Implemented as at 31 December 2016. (ii) The ToR (standard procedures) for CNIP and IWP were approved by DDG-NE. They incorporate preparation of National Action Plans to address the INIR missions recommendations and suggestions. IWP (CNIP) meetings are organized on annual bases to monitor the implementation and address new national actions. At the IWP meetings MSs are invited to share activities beyond the Agency activities (other bilateral and multilateral) to ensure "soft coordination". CNIPS and IWP are available on NIDS newcomers platform to share information with MSs and Core teams as required. This is considered implemented. Management considers the recommendations to be Implemented.
12	(i) Inconsistencies regarding nuclear power capacity/number of reactors in the Country Nuclear Power Profiles may be avoided. (ii) The Agency may review the necessity of Electronic Nuclear Training catalogue. (iii) 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.	(i) Implemented as at 31 December 2016. (ii) Final programming, system integration and testing has been completed. The revised ENTRAC within the Capacity Building hub project is therefore complete and implemented. (iii) The main action was already taken in 2016 by updating the ARIS database. From a general viewpoint and in response to audit's recommendation one should note that the limitations on technical details in ARIS database normally are not due to budgetary constraints but rather to the fact that the information is provided by the developers/vendors of the advanced reactors. Sometimes the technical details are not available yet (concept still under development), in other cases the vendors are not willing to provide them due to confidentiality issues. Management considers the recommendations to be Implemented.
Procurement of Safeguards Department		
13	(i) The Agency may ensure that Agency-wide Procurement Strategy is prepared annually. (ii) The Agency may frame explicit guidelines regarding elements constituting Best Value for Money (BVM) for different category of procurements. (iii) Changes to the extant provisions/structures may be simultaneously updated in the	(i) Agency-wide procurement strategy issued on 30 June 2017. Management considers the recommendations to be Implemented. (ii) The target date for implementation is on 31 December 2018. Management considers the recommendation to be In Progress. (iii) Team Leader position filled in September 2017.

Key Audit Recommendations		Management Response
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	Administrative Manual after taking due approvals. (iv) The procurement strategy may aim at maximizing competition and be consistent with procurements of similar nature to achieve BVM for the Agency. (v) 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. (vi) The Agency may have in place a mechanism to document information/ feedback elicited from other sister UN organizations in the procurement plan.	The target date for implementation is on 31 December 2018. Management considers the recommendation to be In Progress. (iv) Implemented as at 31 December 2016. Management considers the recommendations to be Implemented. (v) Guidance will continue to be issued in the month of December 2017. Management considers the recommendations to be Implemented. (vi) Implemented as at 31 December 2016. Management considers the recommendations 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.	Team Leader position filled in September 2017. The target date for implementation is 31 December 2018. Management considers the recommendation to be In Progress.
17	(i) 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". (ii) The Agency may formulate a follow-up mechanism of the PRC suggestions. (iii) The Agency may extend the definition of critical procurement to amendments to contracts for the purpose of referral to the PRC.	(i) Team Leader position filled in September 2017. The target date for implementation is on 31 December 2018. Management considers the recommendation to be In Progress. (ii) Implemented as at 31 December 2016. Management considers the recommendations to be Implemented. (iii) Team Leader position filled in September 2017. The target date for implementation is on 31 December 2018. Management considers the recommendation to be In Progress.
Safety of Nuclear Installations		
21	(i) The Agency may identify the reasons for reduction in the number of Site and External Events Design (SEED) missions conducted in 2013 and 2014. (ii) The Agency may incorporate a follow up mission as part of the	(i) Implemented as at 31 December 2016. Management considers the recommendations to be Implemented. (ii) The draft SEED Guidelines were reviewed by NSNI and comments are being incorporated. The document has been through the Advance Publishing Advice process.

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	SEED mission package as is the case with OSART missions.	The target date for implementation is on 30 June 2018. Management considers the recommendation to be In Progress.
24	(i) 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. (ii) 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.	(i) DS472 and DS473 were approved by the Safety Standards Committees in June 2017, and by the Publications Committee in September/October 2017. They are currently scheduled for editing in the Agency's Publishing Section. The target date for implementation is 30 June 2018. Management considers the recommendation to be In Progress. (ii) Implemented as at 31 December 2016. Management considers the recommendations to be Implemented.
Information Technology		
32	(i) A compliance mechanism to ensure that all ICT policies and associated standards/ procedures are appropriately followed may be strengthened. (ii) 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.	(i) The IT steering committee approved the use of Enterprise Architecture principles in Q2 2017 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 Enterprise Architecture principles. Management considers the recommendations to be Implemented. (ii) 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. It is expected that guideline specifying authority levels for approval of ICT procedures, their classification, process of communication to relevant staff, periodicity of updating and methodical storing will be defined in the ISMS project. The target date for implementation is on 30 June 2018.

Key Audit Recommendations		Management Response
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		Management considers the recommendation to be In Progress.
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.	ISMS project is on-going. The target date for implementation is on 30 June 2018. Management considers the recommendation to be In Progress.
35	(i) The Agency may carry out a comprehensive evaluation of the information security performance and the effectiveness of the information security management system. (ii) 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. (iii) The Agency may devise an appropriate monitoring mechanism for information security performance measures, processes and controls. (iv) The Agency may plan to implement outstanding action items with due urgency. (v) 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.	(i) Implemented as at 31 December 2016. Management considers the recommendations to be Implemented. (ii) Implemented as at 31 December 2016. Management considers the recommendations to be Implemented. (iii) 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. Parts C and D have been included in the information security roadmap. The KPIs were implemented using a Management Balanced Score Card technique used to monitor performance measures, processes and controls. Management considers the recommendations to be Implemented. (iv) 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. Parts C and D have been included in the information security roadmap. The KPIs were implemented using a Management Balanced Score Card technique used to monitor performance measures, processes and controls. Management considers the recommendations to be Implemented. (v) Implemented as at 31 December 2016. Management considers the recommendations to be Implemented.
36	(i) Information security roles and responsibilities across the Agency for remote access may be defined and allocated. (ii) Security awareness training commensurate with Information	(i) These recommendations have been incorporated into the comprehensive Agency-wide information security risk assessment and associated five-year roadmap. A key component of this project is the creation of the

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	security roles and responsibilities may be carried out to cover maximum number of staff and areas, including remote access and electronic messaging.	Information Security Management System (ISMS). The ISMS project is on-going. The target date for implementation is on 30 June 2018. Management considers the recommendation to be In Progress. (ii) The Agency CISO will create and initiate an information security awareness programme for Agency staff. The CISO will launch a new online information security training module. This training will be obligatory for all new staff members. The IAEA also is working on plans to develop additional awareness materials that will include training on selected topics such as malware and phishing. The target date for implementation is on 31 December 2018. Management considers the recommendation to be In Progress.
37	(i) Classification and access control procedures may be strengthened and synchronised. (ii) Remote access security plans and identity management systems may be urgently finalized in view of their Agency wide applicability.	(i) Remote access security and identity management improvement actions are performed on a continuous basis. Recently, a major overhaul has been performed on the Agencies main records management system ROAD (formerly known as Livelink). Also, a review of the access rights on central databases has been performed recently that resulted in further securing access. Also, actions to further improve remote access are underway in the form of a VPN router replacement where as part of the activity remote access profiles are also being reviewed. The target date for implementation is on 31 December 2018. Management considers the recommendation to be In Progress. (ii) Will be defined in the ISMS project, it is in progress. The target date for implementation is on 31 December 2022. Management considers the recommendation to be In Progress.
39	(i) 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.	(i) MTIT completed the Disaster Recovery – Phase 1 project. This project included building out the disaster recovery infrastructure for remote access, access to the IAEA's central ERP infrastructure (AIPS), and the IAEA's corporate email. The IAEA has chosen to implement this disaster recovery infrastructure partially in the cloud due to budget and resource constraints.

Key Audit Recommendations		Management Response
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	(ii) 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. (iii) Disaster recovery procedures for MTIT Disaster Recovery Infrastructure (DRI) at Seibersdorf may be revised as early as possible and validated through tests. (iv) 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.	The project was completed in Q2 2017. As a next step, the IAEA will be extending the limited disaster recovery capabilities to include other core IT services such as SharePoint, GovAtom, internal team sites, and network shared drives. The target date for implementation is on 30 June 2018. Management considers the recommendation to be In Progress. (ii) MTIT completed the Disaster Recovery – Phase 1 project. This project included building out the disaster recovery infrastructure for remote access, access to the IAEA's central ERP infrastructure (AIPS), and the IAEA's corporate email. The IAEA has chosen to implement this disaster recovery infrastructure partially in the cloud due to budget and resource constraints. The project was completed in Q2 2017. As a next step, the IAEA will be extending the limited disaster recovery capabilities to include other core IT services such as SharePoint, GovAtom, internal team sites, and network shared drives. The target date for implementation is on 30 June 2018. Management considers the recommendation to be In Progress. (iii) Parts C and D may be no longer relevant as the DRI plans do not include the use of Seibersdorf. Management considers the recommendation to be Closed. (iv) Parts C and D may be no longer relevant as the DRI plans do not include the use of Seibersdorf. Management considers the recommendation to be Closed.
Audit Report for the Year 2013		
Human Resource Management Issues		
11	(i) 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. (ii) 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	(ii) Referring to the Corporate Knowledge Management Policy (INF/NOT 209), Agency managers are responsible for supporting, promoting and implementing an effective CKM System. Staff/managers are to ensure transfer of knowledge for individuals on any type of contract. The current clearance sheet does require a sign-off on the handover of documents prior to separation, however, at this time it is limited to the Department of Safeguards only.

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	to the regular staff of the Agency should also be assessed and suitable measures taken. (iii) Engaging former staff and retirees as consultants may be reviewed with the goal of ensuring that thorough succession planning is put in place so that the departure of a regular staff member does not leave a skill gap in the Agency. The Management may ensure that staff who are approaching retirement complete their assignments before retiring, to reduce the need for consultants. (iv) Upper age limit of consultants should be strictly adhered to except in rare cases with the approval of Director General.	The target date for implementation is on 31 December 2018. Management considers the recommendation to be In Progress.
Safeguards		
20	The Department may consider formalizing 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 by MTHR since June 2017 after first departmental review. Consistency with recent changes in Performance Management Review process need to be considered The procedure SG-PR-14247 "Competency Framework for Safeguards Inspectors - Application to competency-based training" has been issued (version 1 date 2017-10-17). The purpose of this document is to complement the Agency's existing competency framework by describing specific expertise necessary for inspectors, within the Agency's generic framework, and to provide a reference that can be used by inspectors, inspectors' managers and supervisors, and the Safeguards Training Section for achieving competency-based development through training. It will be used by managers in safeguards to plan inspectors' competency development and by the Safeguards Training Section for planning, developing and conducting training courses that support inspectors' competency development. Additionally, Junior Professional Officer "Associate Training Officer", funded by extra- budgetary sources joined the Section in January 2017).

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		The target date for implementation is on 30 September 2018. 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.	A study has been initiated for the benefits assessment. The target date for implementation is on 30 September 2018. Management considers the recommendation to be In Progress.
27	A clear roadmap for legacy applications currently in use may be prepared in the light of experience gained from AIPS implementation, and communicated to all internal stakeholders.	Legacy applications to be decommissioned as a result of AIPS deployments are identified. As AIPS Plateau 4 is in stabilization phase and usage has been gradually increasing, roadmap and the timeline to decommission the legacy applications are being established based on that. The target date for implementation is on 31 March 2018. Management considers the recommendation to be In Progress.
29	(i) Data quality parameters may be devised for assessing the quality of contacts related data. (ii) 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. (iii) 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. (iv) 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.	In 2017 additional measures were implemented to reduce and ensure the non-creation of duplicates in AIPS through improving search functionalities and automatically detecting duplicates during party or supplier creation. Additional, these efforts focused on purging potential duplicate suppliers that are not being used in the system for a period of over 24 months. As a result, for organizations and organization suppliers, enhanced searching capabilities significantly improved duplicate prevention. Additionally supplier purge capabilities allowed the purge of 28,425 suppliers and 1,917 prospective suppliers. Management considers the recommendation to be Implemented.

<table>
<tr><th colspan="2">Key Audit Recommendations</th><th rowspan="2">Management Response</th></tr>
<tr><th>Rec. No.</th><th>Description</th></tr>
<tr><td colspan="3">Audit Report for the Year 2012</td></tr>
<tr><td colspan="3">Nuclear Safety & Security</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 2018 work plan.

The target date for implementation is on 31 December 2018.

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>(i) Preparation of quality documentation and implementation of the newly issued ISO 17034:2016 “General requirements for the competence of reference material producers” requirements are in progress.
(ii) Preparation of quality documentation and implementation of ISO/IEC 17025 requirements are in progress
(iii) New structure of quality documentation in ROAD (replacing Livelink) with controlled access has been set up and transferring of documentation is on-going.
(iv) Internal audits on
(a) reference material production at RML and TEL
(b) gamma-ray spectrometry at RML and TEL
(c) constant mass determination at TEL

have been organised and proposed actions started to be implemented
(v) Contacts with Austrian accreditation body have been established and preparation of qua quality documentation to initiate formal accreditation process is on-going.

The target date for implementation is on 30 September 2018.

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 procedures vis-à-vis the foreseen formal accreditation requirements.</td><td>Actions completed as planned.

NSIL have completed the review of documents and procedures in cooperation with the QSM, completing outline templates and work practice materials for compliance with best working practice and international standards (e.g. ISO17043).

After review and discussion with QSM, work at the laboratory will continue to be performed at this best practice standard for the present time.

Management considers the recommendation to be Implemented.</td></tr>
</table>

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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.	In late 2016 SGAS overcame its difficulties related to shipping container certification, and a logistical pathway is now in place for shipment of CPS items to one Member State. In August 2017 the Agency provided supporting information to the Member State with regard to the amount of material involved; negotiations are underway with regard to its ability to still accept these materials. Separately, outreach continues to identify additional Member States who could assist in this area. The target date for implementation is on 31 December 2018. 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 Accountability Framework is in internal review and approval stages while the Internal Control framework has been initially drafted and requires additional work before internal review and approval. The target date for implementation is on 30 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.	MTBF is in the process of obtaining consulting assistance with respect to documenting risks, controls and processes. The target date for implementation is on 30 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 achieved by clear delegation of authority throughout the organization.	The Accountability Framework itself will also provide guidance with respect to delegation of authority in the Agency. The target date for implementation is on 30 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)	The comprehensive analysis of risks associated with the IAEA LEU Bank (the Bank) has been reviewed and updated periodically since 2013; the latest update was completed in October 2017. The Plan of Specific Activities is nearing completion, having addressed issues including, but

Key Audit Recommendations		Management Response
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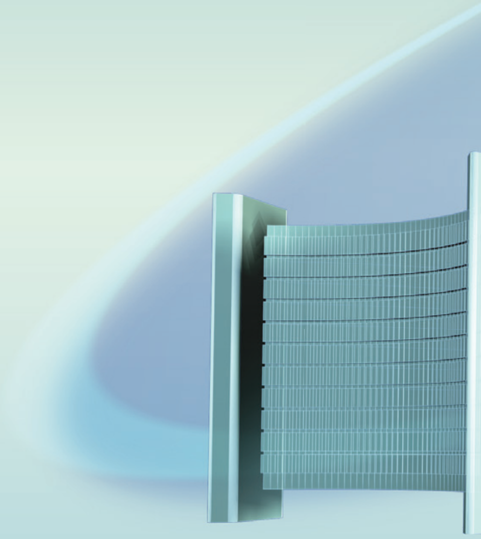
		not limited to, those related to site safety and security. Confirmation of compliance with applicable IAEA safety standards and security guidance documents was achieved in August 2017 (subject to implementation of an agreed Action Plan with Kazakhstan) and the IAEA Director General has approved the recommendation made by the Project Executive that the Bank can be established. The IAEA LEU Storage Facility was inaugurated on 29 August 2017. The Project and Financial Plan demonstrates that the total IAEA LEU Bank funding received at that time would be sufficient to cover the total estimated costs of all aspects of the IAEA LEU Bank project for 20 years of operation. Additional funding from the European Union was received in January 2017. The aggregated data regarding the Project and Financial Plan can be found in document GOV/INF/2017/7. Regarding the impact of Agency participation in the nuclear fuel market, the IAEA has engaged a consultancy company, as well as several individual consultants, to advise on LEU procurement, as reported in GOVINF/2017/2 and GOVINF/2017/7. A study of the impact of Agency participation on the LEU market has provided input to the procurement plan. The procurement plan also takes into account the greater understanding gained from the LEU Workshop (October 2016), the development of the transport contracts (currently well advanced), and the input that the Agency continues to receive from its independent expert advisors. Further to the issue of impacting the nuclear fuel market, in preparation for the issuance of the Request for Proposal (RFP) for the purchase of LEU and related services and equipment, Project Management consulted with relevant internal parties related to protecting the actual LEU price information, not only from public dissemination but also within the Agency, and agreed on mechanisms for implementing the procurement process without revealing the actual price of the LEU. This will be recorded in the Procurement Plan. Management considers the recommendation to be Implemented.



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