The Agency's Financial Statements for 2019

IAEA
International Atomic Energy Agency
Atoms for Peace and Development

GC(64)/4

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Atoms for Peace and Development

THE AGENCY'S FINANCIAL STATEMENTS FOR 2019

Printed by the
International Atomic Energy Agency
July 2020

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 2019.

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/2020/12) 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 2020 (Part VI of GOV/2020/12).

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 2019 and of the report of the Board of Governors thereon [*].

[*] GC(64)/4

[1] INFCIRC/8/Rev.4

Sixty fourth regular session

The Agency's Financial Statements For 2019

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REPORT OF THE DIRECTOR GENERAL ON THE AGENCY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019. 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 established 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 2019, 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 2019 financial year in perspective:

(i) The Regular Budget Fund (RBF) experienced a utilization rate of 100% during 2019. The increase in revenue from assessed contributions of €6.4 million (1.8%) is in line with the increase in the approved budget.

(ii) The decrease in revenue from voluntary contributions is mainly due to a decrease of €11.6 million in revenue of the Extrabudgetary Programme Fund and the Technical Cooperation Extrabudgetary Fund. This decrease was partly offset by an increase in revenue for the Technical Cooperation Fund and extrabudgetary contributions for the Low Enriched Uranium (LEU) Bank totalling €5.7 million.

(iii) The decrease in transfers to development counterparts of €9.6 million is primarily the result of the timing of the programmatic delivery of the Technical Cooperation Programme.

(iv) Net gains of €6.7 million, primarily pertaining to the revaluation of cash, cash equivalents and investments, were driven by the appreciation of the US dollar throughout 2019. The majority of these gains 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 decreased by €36.8 million. The decrease was mainly experienced in the LEU Bank (€50.9 million) and the Regular Budget Fund Group (€22.2 million). These decreases more than offset the increase of €36.5 million experienced in the other funds.

(vi) The total outstanding contributions receivable for assessed and voluntary contributions increased by €10.3 million; this was mainly driven by an increase in outstanding assessed contributions receivable relating to the current year.

(vii) Continued investments in tangible assets contributed to an increase in the net book value of Property, Plant and Equipment by €9.4 million (3.3%). This increase is primarily related to the Renovation of the Nuclear Applications Laboratories (ReNuAL) project. On the other hand, there was a net decrease of €5.4 million (8.2%) in the value of intangible assets, as the amortization expense more than offsets the additions during the year.

(viii) An overall increase in the Agency's liabilities in 2019 was primarily the result of the increase in obligations related to long-term employee benefits liabilities, in particular After Service Health Insurance (ASHI). The ASHI liability increased by €84.4 million (38.0%) during 2019, which is mainly the result of the changes in actuarial financial assumptions, particularly the decrease in the long-term discount rate.

(ix) The total net assets position experienced a decrease of €62.9 million (10.8%) driven by the increase in total liabilities of €102.2 million which more than offsets the increase in total assets. It should be noted that the net assets of the Regular Budget Fund remain with a negative balance which amount to €87.6 million as of end of 2019.

Financial Performance

7. A summary of the Financial Performance by Fund for 2019 is shown in ***Table 1*** below.

***Table 1**: Summary of Financial Performance by Fund for the year ended 31 December 2019*

(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	*Inter-fund Elimination*	**Total IAEA**
Total Revenue from all sources a/	379.25	6.25	82.8	11.9	103.1	5.15	-	(7.7)	580.7
Total Expenses	(408.15)	(1.65)	(78.4)	(10.4)	(78.50)	(1.15)	(0.1)	7.7	(570.6)
Net gains/(losses) b/	0.4	(0.1)	0.6	0.6	1.9	3.3	-	-	6.7
Net surplus/(deficit) for the year	**(28.5)**	**4.5**	**5.0**	**2.1**	**26.5**	**7.3**	**(0.1)**	**-**	**16.8**

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 Agency's total revenue decreased by €4.3 million from €585.0 million in 2018 to €580.7 million in 2019, which is mainly due to the decrease in revenue from voluntary and other contributions by €7.8 million and €4.1 million, respectively. The decrease was partially offset by an increase in revenue from assessed contributions and investment revenue of €6.4 million and €0.9 million, respectively.

***Table 2**: Comparative Revenue Analysis*

(expressed in millions of euro)

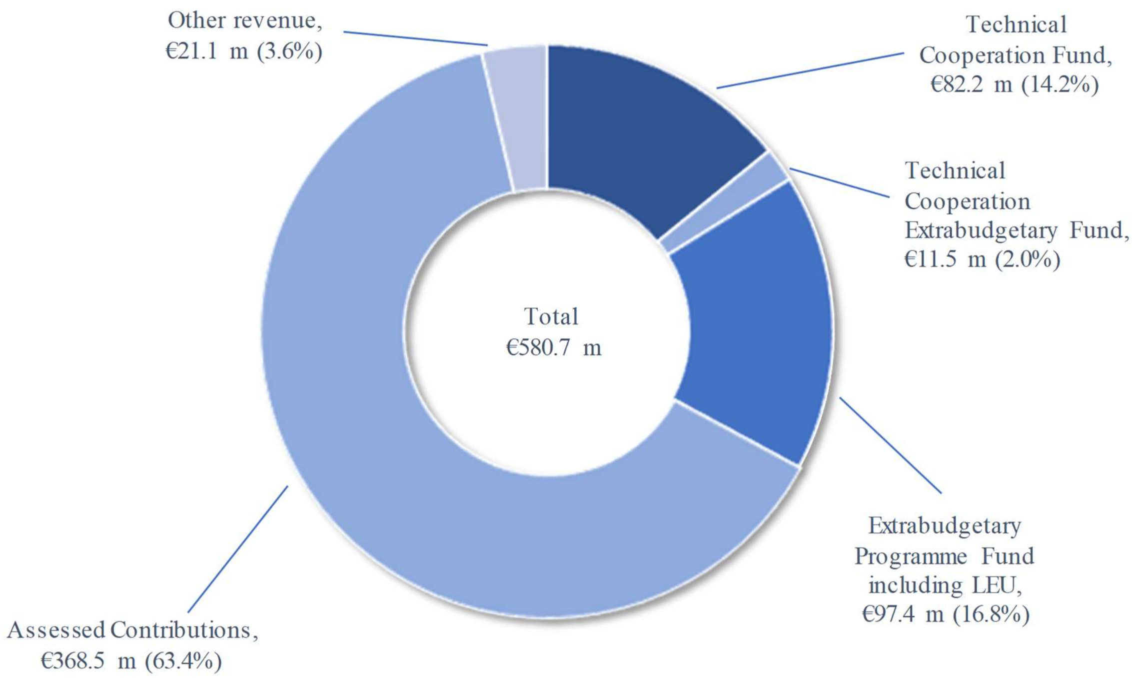
Revenue	**2019**	**2018**	**Change**	**Change (%)**
Assessed contributions	368.5	362.1	6.4	1.8
Voluntary contributions	202.3	210.2	(7.9)	(3.7)
Other contributions	1.4	5.5	(4.1)	(74.6)
Revenue from exchange transactions	2.7	2.4	0.3	12.5
Investment revenue	5.8	4.8	1.0	20.8
Total Revenue	**580.7**	**585.0**	**(4.3)**	**(0.7)**

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 (€368.5 million) and monetary voluntary contributions (€191.1 million). Voluntary contributions are comprised of contributions to the Technical Cooperation Fund (TCF) and monetary extrabudgetary contributions to the Regular and Technical Cooperation Programmes as well as the LEU Bank. Voluntary contributions in ***Table 2*** above also include €11.2 million of in-kind contributions, primarily pertaining to the 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). The decrease in voluntary in-kind contributions relates to the decrease in the value of equipment donated in 2019 compared to 2018.

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

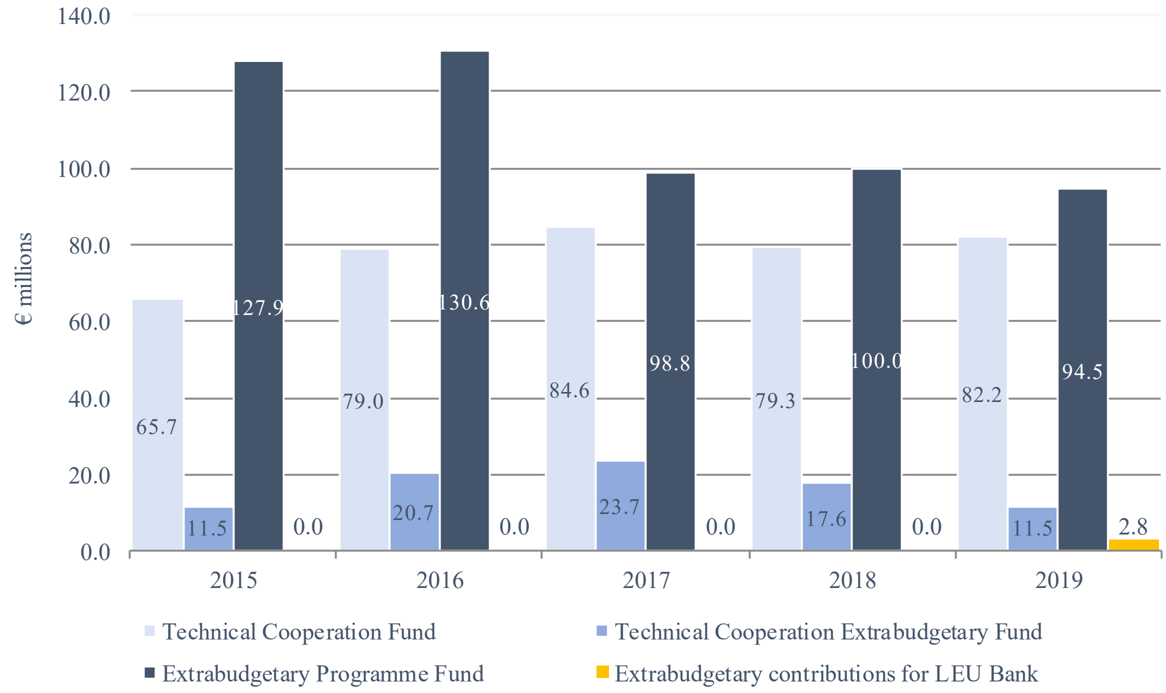
11. Investment revenue increased by €1.0 million which is the result of higher interest earned on US dollar denominated cash, cash equivalents and investments as well as the appreciation of the US dollar vis-à-vis the euro.

Figure 1*: Composition of revenue for the period ended 31 December 2019*



12. ***Figure 2*** below displays the evolution of monetary voluntary contributions. The revenue from assessed contributions increased in line with the approved budget. The overall decrease in revenue from voluntary monetary contributions from €196.9 million in 2018 to €191.0 million in 2019 resulted primarily from a €5.5 million decline in revenue from extrabudgetary contributions, which was largely attributable to a decrease in the amounts provided towards Government Cost Sharing, the Nuclear Security Fund and the Peaceful Uses Initiative. This decrease was partially offset by a €2.9 million increase in revenue of the Technical Cooperation Fund due to increased target share and a higher rate of attainment against the TCF target.

Figure 2: *Evolution of monetary voluntary contributions*



Expense analysis

13. In 2019, total expenses were €570.6 million, denoting an increase of €9.1 million (1.6%) compared to the previous year. The overall increase in IPSAS-based expenses was experienced in the Regular Budget Fund (€19.4 million), while the other funds experienced a decrease in expenses as follows: the Extrabudgetary Programme Fund (€3.7 million), Major Capital Investment Fund (€1.5 million), Technical Cooperation Fund (€4.5 million), LEU Bank (€0.5 million), Trust Funds and Special Funds (€0.1 million).

Figure 3 below shows the breakdown of 2019 expenses by nature:

***Figure 3**: Expense analysis for the period ended 31 December 2019*

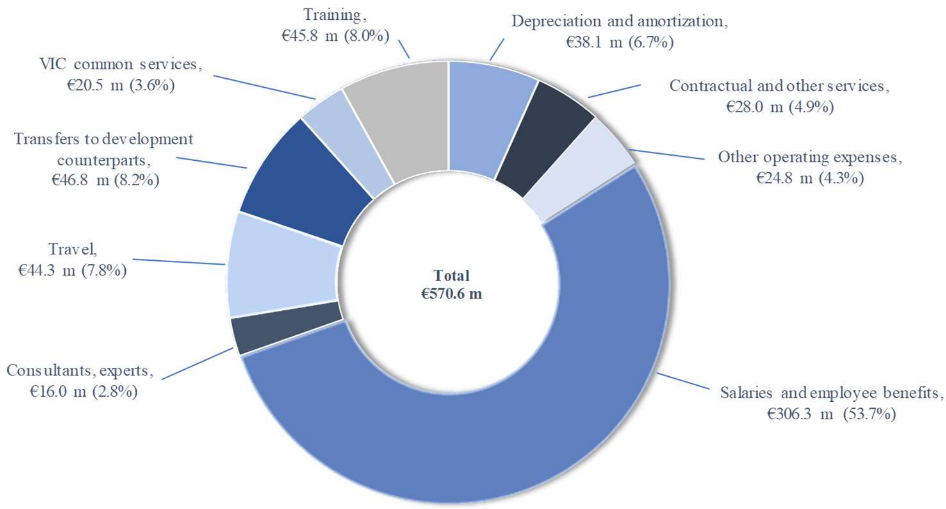


Table 3 below shows that, while expenses remained generally stable, the largest increase in total expenses was driven by the categories of salaries and employee benefits, depreciation and amortization as well as training and VIC common services. All other categories of expense experienced a decrease.

***Table 3**: Comparative Expense Analysis*

Expenses	2019	2018	Change	Change (%)
Salaries and employee benefits	306.3	289.8	16.5	5.7
Consultants, experts	16.0	16.2	(0.2)	(1.0)
Travel	44.3	46.6	(2.3)	(5.0)
Transfers to development counterparts	46.8	56.5	(9.7)	(17.1)
Vienna International Centre common services	20.5	19.6	0.9	4.5
Training	45.8	43.1	2.7	6.2
Depreciation and amortization	38.1	33.7	4.4	13.1
Contractual and other services	28.0	28.7	(0.7)	(2.5)
Other operating expenses	24.8	27.3	(2.5)	(9.3)
Total expenses	**570.6**	**561.5**	**9.1**	**1.6**

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. During 2019, the related expense increased by 5.7% mainly due to the change in the professional staff salary scale, post adjustment and pensionable remuneration scale.

15. Travel costs experienced an overall decrease of €2.3 million (5.0%), while training increased by €2.7 million (6.2%). The decrease in transfers to development counterparts of €9.7 million (17.1%) is a combination of timing of the programmatic delivery under the Technical Cooperation Programme and the still outstanding purchase orders.

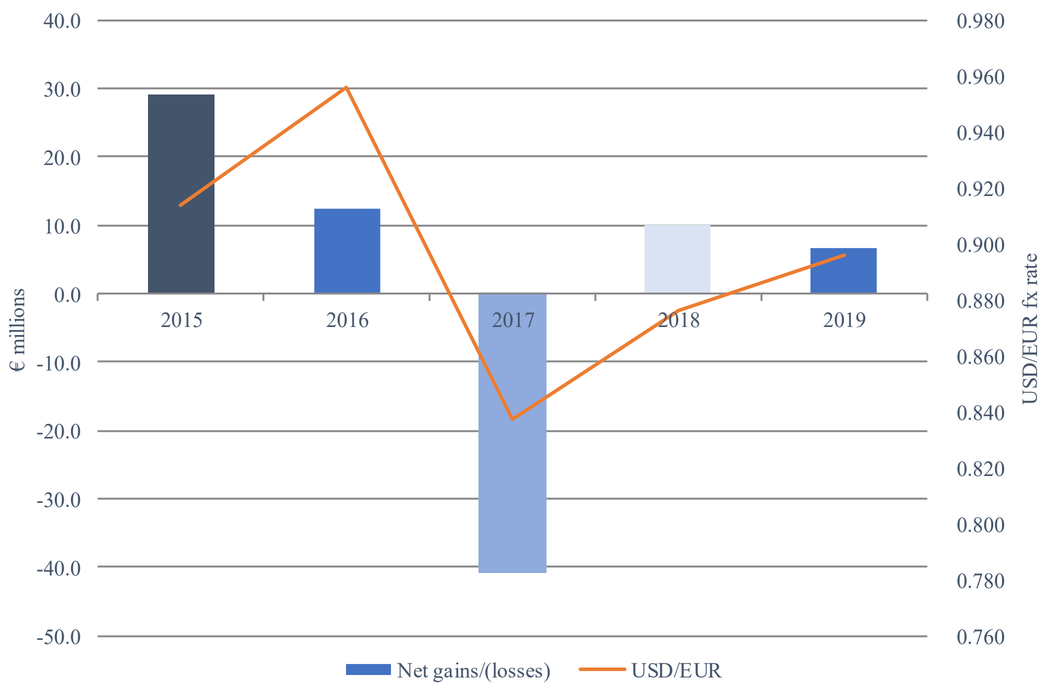
16. The increase in depreciation and amortization expense of €4.4 million (13.1%) was noticed across the majority of equipment categories such as Safeguards inspection equipment, communications and IT equipment and laboratory equipment, as well as in buildings and internally developed intangible assets.

In particular, the increase relates to the depreciation of buildings in connection with the completion of the construction works for the Energy Centre, the Dosimetry Bunker and the Insect Pest Control Laboratory (IPCL) which are part of the ReNuAL project in Seibersdorf.

Net surplus/(deficit) of the year

17. The overall net surplus experienced in 2019 was €16.8 million, which was driven by revenue exceeding expense of €10.1 million and net gains of €6.7 million, primarily related to unrealized foreign exchange gains. The 2019 net surplus was €16.7 million lower than that of 2018, primarily due to the combined reduction in total revenue and increase in total expenses. Net foreign exchange gains were experienced in 2015, 2016, 2018 and again in 2019, resulting from the US dollar appreciating against the euro, as can be seen in ***Figure 4*** below.

Figure 4*: Evolution of Net gains/(losses)*



Budgetary performance

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

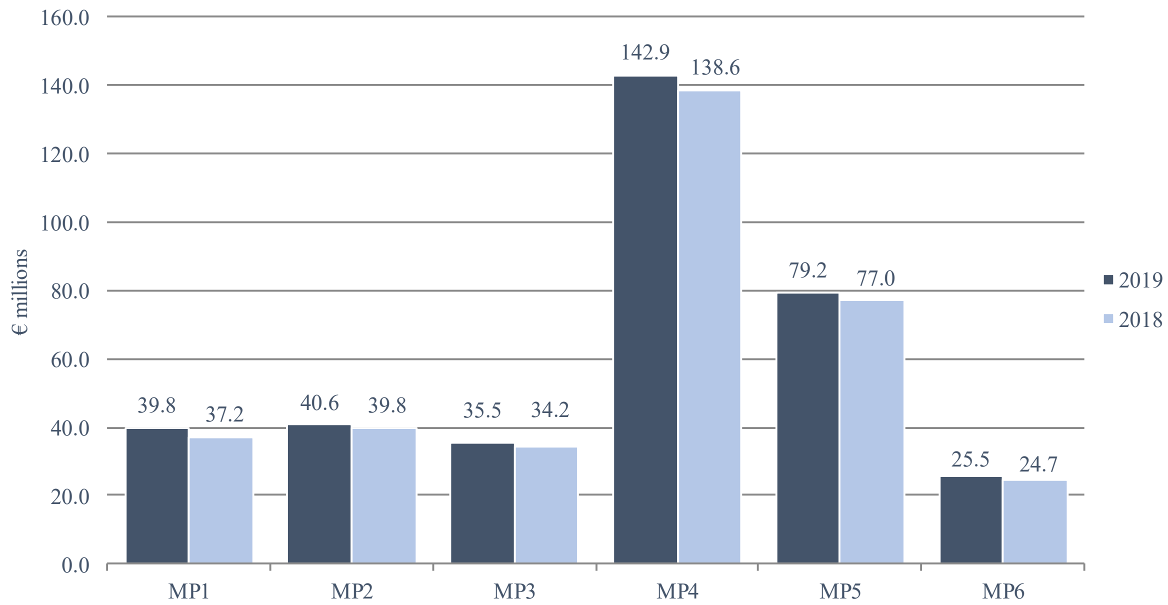
19. The original operational portion of the Regular Budget appropriation for 2019 was approved for €371.8 million (€365.3 million in 2018) at an exchange rate of €1 = US$1. The final budget for the operational portion of the Regular Budget appropriation for 2019 was recalculated to €366.5 million at the UN average operational rate of exchange of €0.893 to US$1. There were no changes between the original capital portion of the Regular Budget appropriation and the final budget for 2019. As shown in

Note 39a to the financial statements, there were no movements of the Regular Budget appropriations between Major Programmes.

20. Total operational Regular Budget expenditures, measured on a modified cash basis, were €366.8 million including €3.3 million reimbursable work for others. In 2018, these expenditures totalled €354.6 million.

Figure 5 shows a comparative analysis of 2018 and 2019 total expenditures by Major Programme on a budgetary basis.

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



21. The overall utilization rate of the operational portion of the Regular Budget in 2019 was 100.0%, 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 2019*

Major Programme	Utilization Rate Operational Portion	
	2019	**2018**
MP1 - Nuclear Power, Fuel Cycle and Nuclear Science	99.9%	95.5%
MP2 - Nuclear Techniques for Development and Environmental Protection	100.0%	99.9%
MP3 - Nuclear Safety and Security	99.9%	98.5%
MP4 - Nuclear Verification	100.0%	100.0%
MP5 - Policy, Management and Administration Services	100.0%	98.8%
MP6 - Management of Technical Cooperation for Development	99.9%	98.8%
Total Agency	**100.0%**	**99.0%**

22. For the capital portion of the Regular Budget, expenditures on the modified cash basis were €1.8 million out of a total €6.2 million in 2019.

Financial Position

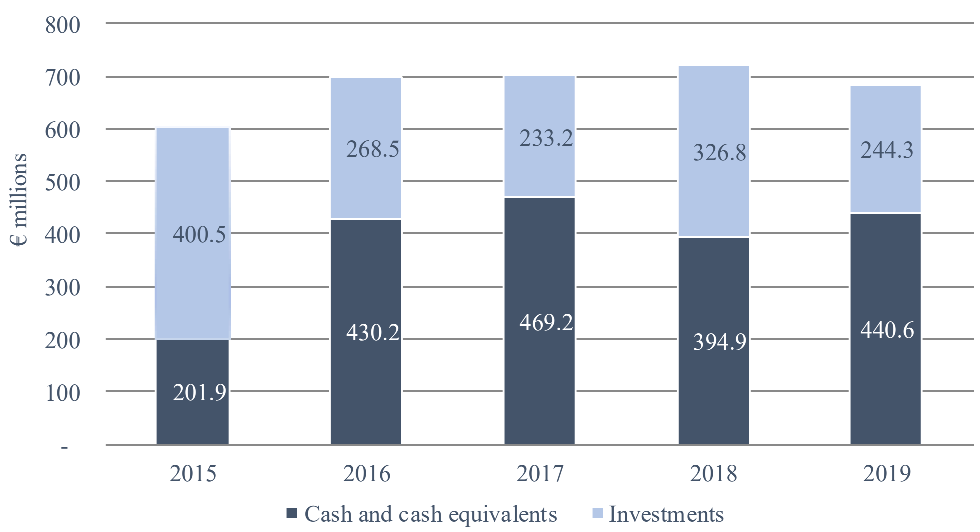
Cash, investments and liquidity analysis

23. In 2019, the cash, cash equivalents and investment balances decreased by €36.8 million (5.1%) to €684.9 million at 31 December 2019. The decrease was mainly driven by the 2019 purchase of Low Enriched Uranium for the LEU Bank project of more than €55.0 million.

24. As at the end of 2019, 74.4% of the total cash, cash equivalents and investments were denominated in euro while 25.2% were denominated in US dollars and 0.33% in other currencies. Interest rates on euro denominated investments remained near zero in 2019; however, interest rates in US dollar denominated investments continued to increase 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 2019 by €0.9 million.

25. As can be seen in ***Figure 6*** below, the Agency shifted its holdings from investments to cash and cash equivalents over the past years. The reason for this shift was the continued inability to invest euro at positive interest rates. The trend of investing in instruments with 3 months or less (cash and cash equivalents) continued during 2019 as well. As a result of this shift and the purchase of LEU, the overall investments for 2019 decreased by €82.5 million (25.2%).

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



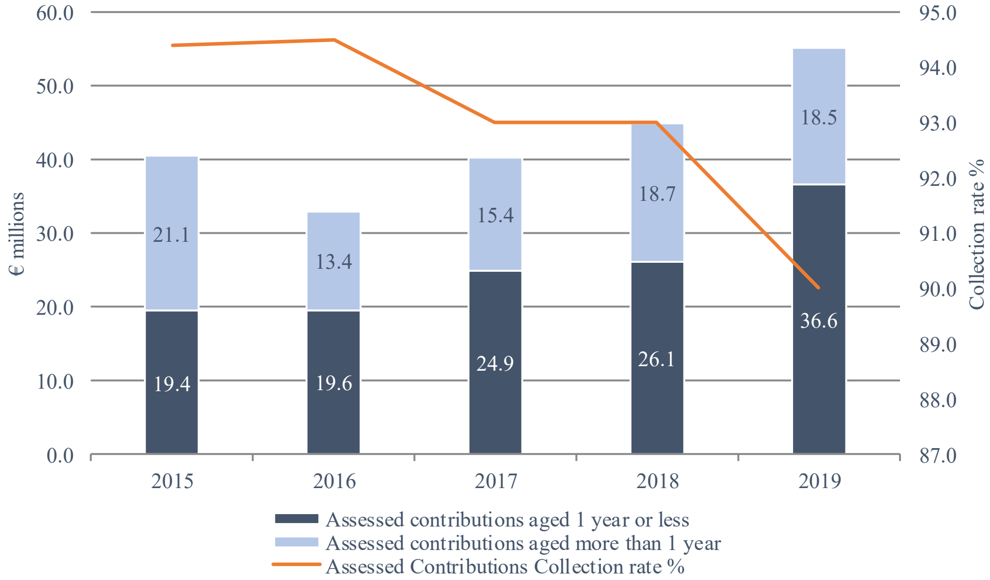
Accounts receivable

26. Overall, the total net receivables from non-exchange transactions increased by €10.1 million to €61.0 million at 31 December 2019. The main components of this balance are receivables from assessed contributions (€45.5 million), voluntary contributions receivable (€14.4 million), and other receivables (€1.1 million).

27. The increase experienced in 2019 is mainly driven by the increase in assessed contributions receivable, as depicted in ***Figure 7*** below. During 2019, the rate of collection of assessed contributions decreased to 90%. The largest increase in outstanding contributions (€10.6 million) was experienced for those contributions aged less than one year. Total outstanding Regular Budget contributions from 2019 and prior years, which amount to €55.2 million, represent 15% of the total Regular Budget

assessment for 2019, and this may pose a liquidity risk to the Agency if not paid in a timely manner. 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

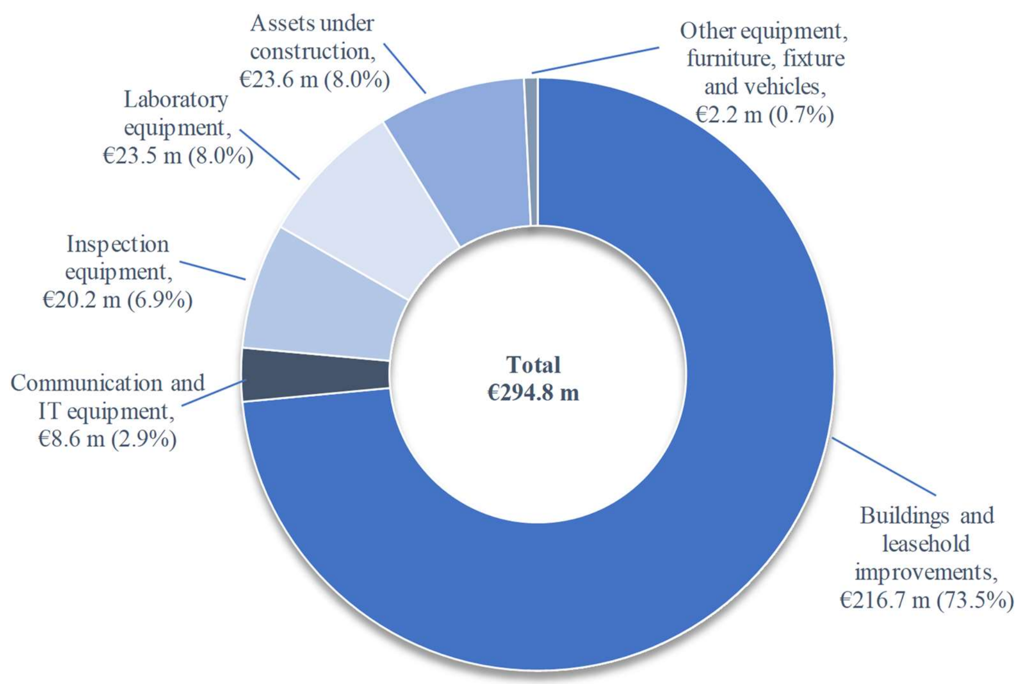


Long-term assets

Property, Plant and Equipment

28. 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 2019



29. The total net book value of PP&E increased by €9.4 million (3.3%). Among the factors contributing to this increase are the following:

- Approximately 63% of the additions to PP&E, which totalled €34.1 million in 2019, relate to assets under construction which includes Buildings within the scope of the ReNuAL project (€17.4 million) as well as the Inspection Equipment and Laboratory Equipment pending installation or assembly (€3.2 million).
- The remaining additions to PP&E during the year were experienced in all other asset categories, with the largest components in Laboratory Equipment, Communications and IT Equipment, Buildings and Leasehold Improvements and Inspection Equipment.
- These additions were offset by depreciation expense of €24.7 million.

Intangible Assets

30. As shown in ***Table 5*** below, the net carrying amount of Intangible Assets, essentially software purchased or internally developed, at 31 December 2019 was €60.3 million.

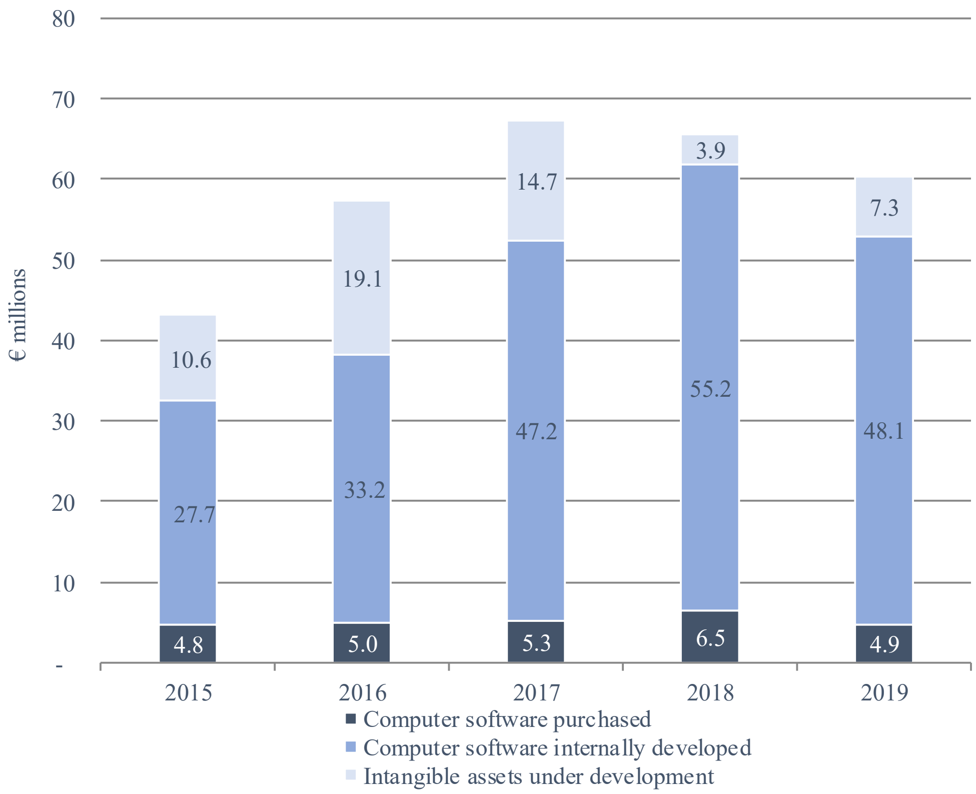
Table 5*: Comparative Analysis of Intangible Assets*

	(expressed in millions of euro)			
	2019	**2018**	**Change**	**%**
Intangible assets				
Computer software purchased	4.9	6.5	(1.6)	(24.6)
Computer software internally developed	48.1	55.2	(7.1)	(12.9)
Intangible assets under development	7.3	3.9	3.4	87.2
Total Intangible Assets	**60.3**	**65.6**	**(5.3)**	**(8.1)**

31. The principal driver for the decrease in the carrying value of Intangible Assets is the high level of amortization expense which more than offsets additions during the year. In 2019, total costs of €7.3 million were added to the value of internally developed software, of which €3.0 million relates to post-MOSAIC and €4.3 million relates to other internally developed software projects.

32. In connection with the above-mentioned projects, as shown in ***Figure 9*** below, the amount of intangible assets internally developed decreased by €7.1 million in comparison to the past year, while the amount of intangible assets still under development increased by €3.4 million.

Figure 9: Evolution of the composition of Intangible Assets



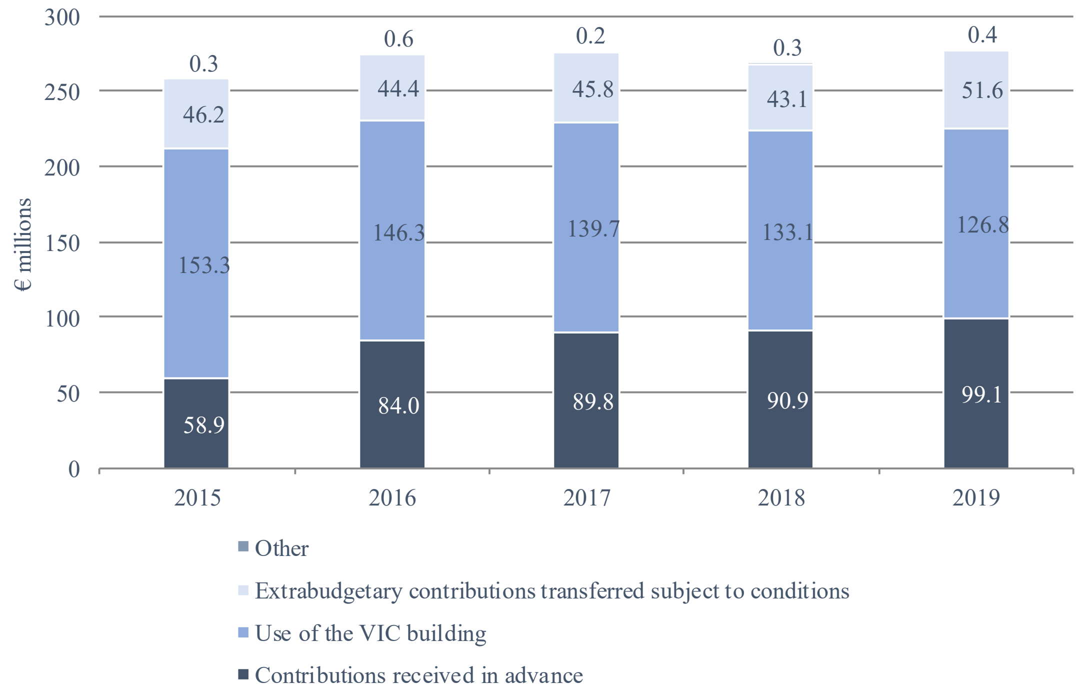
Deferred revenue

33. 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 to maintain the Agency's Headquarters seat in Vienna is fulfilled by occupying the VIC over the remaining term of the agreement, and the deferred revenue is recognized annually in the Statement of Financial Performance.

34. Deferred revenue comprises two other major components. The larger of these two components is contributions received in advance, which relates to assessed contributions for 2020 paid in 2019 (€60.6 million), TCF and NPC contributions for 2020 paid in 2019 (€10.9 million and €1.0 million, respectively) and voluntary contributions received prior to the completion of formal acceptance by the Agency (€26.6 million). The total contributions received in advance increased by €8.2 million, primarily related to assessed contributions and extrabudgetary contributions received in advance. The other component is contributions received subject to conditions, which amounted to €51.6 million in 2019, an increase from €43.1 million in 2018. These contributions will be recognized as revenue upon satisfaction of the related conditions in the agreements.

35. A comparison of 2015 through 2019 year-end balances by category of deferred revenue is shown in ***Figure 10*** below.

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



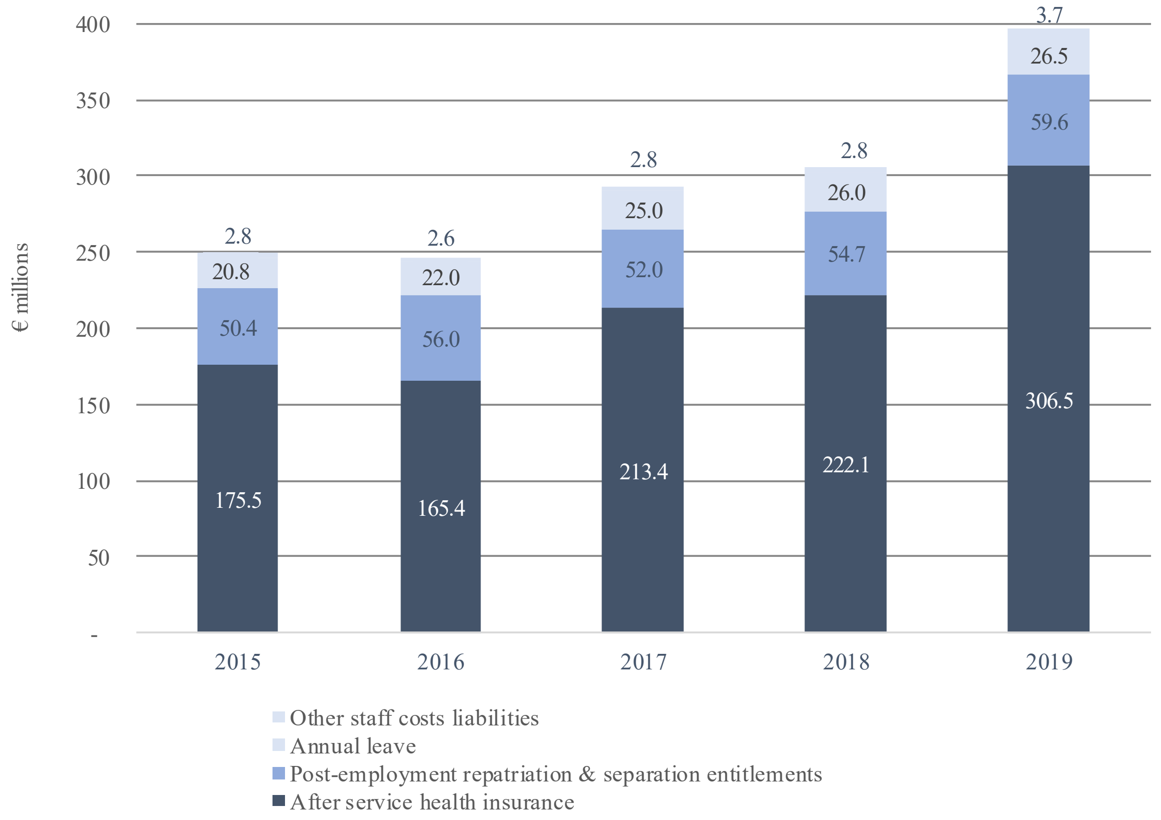
Employee benefits liabilities

36. 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 benefits liabilities, followed by post-employment repatriation and separation entitlements.

37. The ASHI liability remains fully unfunded, which is an ongoing matter of concern.

38. The ASHI liability is very sensitive to changes in actuarial assumptions. In 2019, the decrease in long-term discount rate combined with new mortality tables highly impacted this liability, which increased by €84.4 million (38%) during 2019. As can be seen in ***Figure 11*** below, the other employee benefits liabilities also experienced an increase, again mainly driven by the decrease in discount rates.

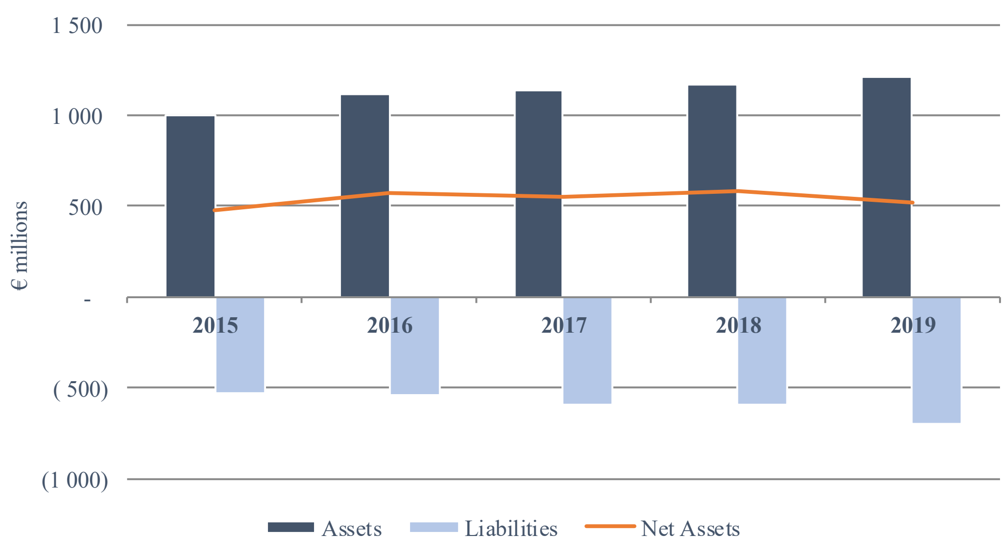
Figure 11: Evolution of the composition of the main employee benefits liabilities



Net assets/equity

39. 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 2019 the Agency experienced an overall decrease in net assets, from €580.6 million to €517.6 million, which was primarily driven by the increase in liabilities, mostly in connection with ASHI liability, in 2019 along with the reduction of the net surplus of the year.

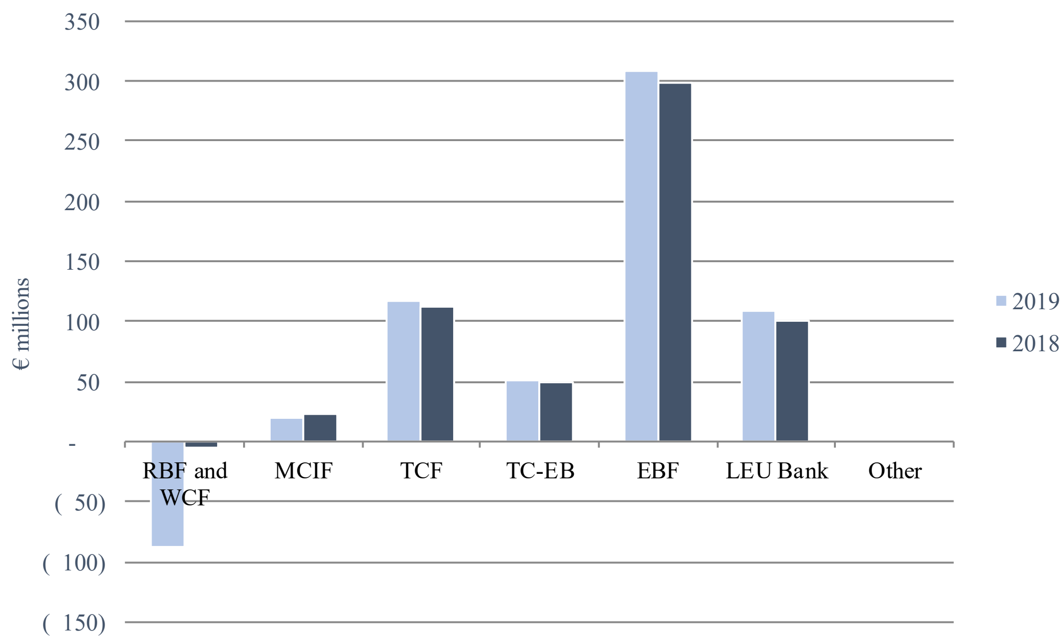
Figure 12: Evolution of Net Assets



40. ***Figure 13*** below shows the evolution of net assets by fund. The main conclusions are as follows:

- The net assets of the Regular Budget Fund (RBF) decreased by €19.6 million, which amounted to a negative position of €87.6 million primarily due to the increase in the employee benefits liabilities, mainly ASHI and the decrease in cash and cash equivalents.
- The net assets of the Technical Cooperation Fund (TCF) increased by €4.9 million to €117.1 million primarily resulting from the increase in cash and cash equivalents.
- The net assets of the Technical Cooperation Extrabudgetary Fund (TC-EB) increased by €1.6 million to €51.0 million in 2019 also as a result of the increase in cash and cash equivalents.
- The net assets of the Extrabudgetary Programme Fund (EBF) increased by €9.7 million to €308.7 million as a result of the net surplus of the year.
- The net assets of the Low Enriched Uranium (LEU) Bank increased by €7.3 million to €108.0 million, which was driven by the net gains from foreign exchange revaluation and an additional voluntary contribution.

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



Risk management

41. 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

42. The financial statements presented here show the Agency's overall financial health. In 2019, there was a high Regular Budget utilization rate in line with identified priorities and a continued focus on the Agency's commitment to financial responsibility. These statements reflect the Agency's investments in ReNuAL, the acquisition of low enriched uranium and operationalization of the IAEA LEU Bank. While the Agency's overall financial health remains strong, there is a deterioration of the net asset position in the RBF driven by the Agency's unfunded employee benefits liabilities, which are of a long-term nature.

(signed) Rafael Mariano Grossi
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 2019

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) RAFAEL GROSSI
Director General

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

06 March 2020

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, 31 March 2020

Madam,

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 as at and for the year ended 31 December 2019 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 as at and for the year ended 31 December 2019.

Please accept the assurances of our highest consideration.

(signed)

Dr. Agung Firman Sampurna S.E., M.Si., CSFA

The Chair 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 AS AT AND FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019

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 as at 31 December 2019, 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 programmes/funds for the year ended 31 December 2019 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 2019, and its 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 programmes/funds for the year ended 31 December 2019 and notes to the financial statements, 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. Bahrullah Akbar M.B.A., CIPM., CSFA., CPA
The Member V of the Audit Board of
the Republic of Indonesia
External Auditor

Jakarta, Indonesia
31 March 2020

Part II

Financial Statements

Financial Statements

Text of a Letter dated 06 March 2020 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 2019, 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) Rafael Mariano Grossi
Director General

STATEMENT I: STATEMENT OF FINANCIAL POSITION
As at 31 December 2019
(expressed in euro '000s)

	Note	31-12-2019	31-12-2018
ASSETS			
Current assets			
Cash and cash equivalents	4	440 651	394 920
Investments	5	244 304	326 828
Accounts receivable from non-exchange transactions	6, 7	57 851	49 175
Accounts receivable from exchange transactions	8	12 607	6 197
Advances and prepayments	9	23 264	25 135
Inventory	10	69 088	10 639
Total current assets		**847 765**	**812 894**
Non-current assets			
Accounts receivable from non-exchange transactions	6, 7	3 138	1 764
Advances and prepayments	9	6 692	7 628
Investment in common services entities	11	809	809
Property, plant & equipment	12	294 782	285 433
Intangible assets	13	60 261	65 640
Total non-current assets		**365 682**	**361 274**
TOTAL ASSETS		**1 213 447**	**1 174 168**
LIABILITIES			
Current liabilities			
Accounts payable	14	19 561	18 701
Deferred revenue	15	137 517	129 161
Employee benefit liabilities	16, 17	17 568	16 220
Other financial liabilities	18	129	168
Provisions	19	161	169
Total current liabilities		**174 936**	**164 419**
			-
Non-current liabilities			-
Deferred revenue	15	140 559	138 197
Employee benefit liabilities	16, 17	378 788	289 426
Other financial liabilities	18	304	304
Provisions	19	1 218	1 218
Total non-current liabilities		**520 869**	**429 145**
TOTAL LIABILITIES		**695 805**	**593 564**
NET ASSETS		**517 642**	**580 604**
Equity			
Fund balances	20, 21	572 002	529 113
Reserves	22	(54 360)	51 491
TOTAL EQUITY		**517 642**	**580 604**

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 2019
(expressed in euro '000s)

	Note	2019	2018
Revenue			
Assessed contributions	23	368 480	362 101
Voluntary contributions	24	202 313	210 144
Other contributions	25	1 437	5 514
Revenue from exchange transactions	26	2 732	2 435
Investment revenue	27	5 769	4 833
Total revenue		**580 731**	**585 027**
Expenses			
Salaries and employee benefits	28	306 335	289 831
Consultants, experts	29	16 046	16 219
Travel	30	44 277	46 633
Transfers to development counterparts	31	46 845	56 417
Vienna International Centre common services	32	20 458	19 573
Training	33	45 798	43 120
Depreciation and amortization	12, 13	38 127	33 732
Contractual and other services	34	27 973	28 687
Other operating expenses	35	24 799	27 328
Total expenses		**570 658**	**561 540**
Net gains/ (losses)	36	6 746	10 007
Net surplus/(deficit)		**16 819**	**33 494**
Expense analysis by Major Programme			
Nuclear Power, Fuel Cycle and Nuclear Science	38	64 132	65 412
Nuclear Techniques for Development and Environmental Protection	38	100 815	104 132
Nuclear Safety and Security	38	97 522	97 885
Nuclear Verification	38	180 846	169 185
Policy, Management and Administration a/	38	134 511	130 587
Expenses not directly charged to major programmes	38	503	2 047
Eliminations	38	(7 671)	(7 708)
Total expenses by Major Programme		**570 658**	**561 540**

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 2019

(expressed in euro '000s)

	2019	2018
Equity at the beginning of the year	580 604	550 091
Actuarial gains/(losses) on employee benefit liabilities	(78 931)	(1 874)
Refunds/transfers of prior year voluntary contributions recognized directly in equity	(1 670)	(1 119)
Prior year adjustments	828	-
Net revenue recognized directly in equity	(79 773)	(2 993)
Net surplus/(deficit) for the year	16 819	33 494
Credits to Member States	(8)	12
Equity at the end of the year	**517 642**	**580 604**

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 2019

(expressed in euro '000s)

	2019	2018
Cash flows from operating activities		
Net surplus/(deficit)	16 819	33 494
Refund of prior year voluntary contributions recognized in equity	(1 670)	(1 119)
Prior year adjustments	828	-
Discount Amortization	-	(2)
Depreciation and amortization	38 127	33 732
Amortization of deferred revenue on VIC depreciation	(7 360)	(7 360)
Impairment	91	92
Increase/(decrease) in allowance for undeliverable inventory in transit	(127)	511
Actuarial gains/(losses) on employee benefit liabilities	(78 931)	(1 874)
Increase/(decrease) in doubtful debts allowance	228	1 796
(Gains)/losses on disposal of PPE and Intangibles	(14)	(22)
Donated PPE and Inventory	(990)	(3 089)
Unrealized foreign-exchange (gains)/losses on cash, cash equivalents and investments	(5 582)	(8 810)
(Increase)/decrease in receivables	(16 688)	(9 122)
(Increase)/decrease in inventories	(58 322)	1 132
(Increase)/decrease in prepayments	2 807	(3 439)
Increase/(decrease) in deferred revenue	18 078	(763)
Increase/(decrease) in accounts payable	860	928
Increase/(decrease) in employee benefit liabilities	90 710	12 451
Increase/(decrease) in other liabilities and provisions	(47)	208
Net cash flows from operating activities	**(1 183)**	**48 744**
Cash flows from investing activities		
Purchase or construction of PPE and intangibles	(41 197)	(36 804)
Sale/(Decommissioning) of PPE and Intangibles	15	(1 394)
Investments	86 917	(84 889)
Net cash flows from investing activities	**45 735**	**(123 087)**
Cash flows from financing activities		
Credits to Member States	(8)	12
Net cash flows from financing activities	**(8)**	**12**
Net increase/(decrease) in cash and cash equivalents	44 544	(74 331)
Cash and cash equivalents at beginning of the period	394 920	469 210
Unrealized foreign-exchange gains/(losses) on cash and cash equivalents	1 187	41
Cash and cash equivalents and bank overdrafts at the end of the period	**440 651**	**394 920**

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 OPERATIONAL PORTION) a/

For the year ended 31 December 2019

(expressed in euro '000s)

	RB Current Year			
	Approved Budget	Final Budget	Actuals (Expenditure)	Variance
MP1-Nuclear Power, Fuel Cycle and Nuclear Science	40 463	39 856	39 797	59
MP2-Nuclear Techniques for Development and Environmental Protection	41 108	40 638	40 631	7
MP3-Nuclear Safety and Security	36 168	35 511	35 484	27
MP4-Nuclear Verification	145 297	142 947	142 927	20
MP5-Policy, Management and Administration Services	79 978	79 159	79 154	5
MP6-Management of Technical Cooperation for Development	25 941	25 544	25 526	18
Total Agency programmes	**368 955**	**363 655**	**363 519**	**136**
Reimbursable work for others	2 836	2 836	3 267	(432)
Total Regular Budget operational portion	**371 791**	**366 491**	**366 786**	**(296)**

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 CAPITAL PORTION) a/

For the year ended 31 December 2019

(expressed in euro '000s)

	Approved Budget	Final Budget	Actuals (Expenditure)	Variance b/
MP2-Nuclear Techniques for Development	2 052	2 052	1 176	876
MP3-Nuclear Safety and Security	308	308	178	130
MP4-Nuclear Verification	1 027	1 027	-	1 027
MP5-Policy, Management and Administration Services	2 828	2 828	426	2 402
Total Regular Budget capital portion	**6 215**	**6 215**	**1 780**	**4 435**

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 2019
(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	34 706	29 681	43 900	118 689	79 382	(23)	-	306 335
Consultants, experts	3 355	3 781	4 693	694	3 523	-	-	16 046
Travel	8 908	8 113	15 778	8 686	2 792	-	-	44 277
Transfers to development counterparts	5 967	30 352	9 263	25	1 238	-	-	46 845
VIC common services	27	27	21	219	20 164	-	-	20 458
Training	6 059	17 263	14 800	2 090	5 586	-	-	45 798
Depreciation and amortization	1 231	2 422	2 098	23 240	9 136	-	-	38 127
Contractual and other services	596	2 230	1 323	13 634	10 191	(1)	-	27 973
Other operating expenses	3 283	6 946	5 646	13 569	2 499	527	(7 671)	24 799
Total expense	**64 132**	**100 815**	**97 522**	**180 846**	**134 511**	**503**	**(7 671)**	**570 658**
Assets								
Property, plant & equipment, and intangibles	**13 378**	**68 442**	**21 999**	**172 305**	**78 919**	**-**	**-**	**355 043**
Asset additions								
Property, plant & equipment, and intangibles	**1 499**	**21 842**	**1 071**	**14 428**	**3 368**	**-**	**-**	**42 208**

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 2018
(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	31 524	28 256	40 615	112 259	77 177	-	-	289 831
Consultants, experts	3 742	3 337	5 147	642	3 351	-	-	16 219
Travel	9 322	9 313	16 266	8 758	2 974	-	-	46 633
Transfers to development counterparts	8 009	33 755	13 608	50	995	-	-	56 417
VIC common services	51	1 075	322	1 510	16 615	-	-	19 573
Training	5 297	16 913	13 844	2 508	4 558	-	-	43 120
Depreciation and amortization	1 251	1 846	1 993	19 501	9 141	-	-	33 732
Contractual and other services	3 227	2 345	926	10 574	11 615	-	-	28 687
Other operating expenses	2 989	7 292	5 164	13 383	4 161	2 047	(7 708)	27 328
Total expense	**65 412**	**104 132**	**97 885**	**169 185**	**130 587**	**2 047**	**(7 708)**	**561 540**
Assets								
Property, plant & equipment, and intangibles	**13 110**	**49 050**	**23 028**	**181 147**	**84 738**	**-**	**-**	**351 073**
Asset additions								
Property, plant & equipment, and intangibles	**704**	**13 033**	**2 664**	**16 421**	**7 145**	**-**	**-**	**39 967**

a/ Includes project management and technical assistance for the Technical Cooperation Programme.
b/ Expenses not directly charged to Major Programmes primarily include expenses tracked centrally pertaining to un-allocated shared services, reimbursable work for others, doubtful debt expenses, etc.
c/ Major Programme expenses are shown inclusive of allocated shared services costs and programme support costs. Eliminations column includes elimination of programme support costs and other transactions occurring between Major Programmes to reconcile to total expenses in the statement of financial performance.

The accompanying Notes are an integral part of these Statements.

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

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

As at 31 December 2019

(expressed in euro '000s)

	Regular Budget		Technical Cooperation		Extrabudgetary		Other	
	Regular Budget Fund and Working Capital Fund	Major Capital Investment Fund	Technical Cooperation Fund	Technical Cooperation Extrabudgetary Fund	Extrabudgetary Programme Fund	Low Enriched Uranium Bank	Trust Funds and Special Funds	Total
Assets								
Cash and cash equivalents	33 756	18 908	96 245	28 589	191 601	70 409	1 143	440 651
Investments	30 000	-	25 824	22 400	166 080	-	-	244 304
Accounts receivable	53 807	438	2 648	363	13 423	2 917	-	73 596
Advances and prepayments	26 627	182	1 206	333	875	733	-	29 956
Inventory	426	-	10 627	2 523	457	55 055	-	69 088
Property, plant & equipment	294 777	-	-	-	-	5	-	294 782
Intangible assets	60 259	-	-	2	-	-	-	60 261
Investment in common service entities	809	-	-	-	-	-	-	809
Total assets	**500 461**	**19 528**	**136 550**	**54 210**	**372 436**	**129 119**	**1 143**	**1 213 447**
Liabilities								
Accounts payable	8 623	99	7 511	1 575	1 732	21	-	19 561
Deferred revenue	187 860	-	11 930	1 524	55 672	21 090	-	278 076
Employee benefit liabilities	391 333	223	-	18	4 781	1	-	396 356
Other financial liabilities	46	-	19	64	304	-	-	433
Provisions	161	-	-	-	1 218	-	-	1 379
Total liabilities	**588 023**	**322**	**19 460**	**3 181**	**63 707**	**21 112**	**-**	**695 805**
Net assets	**(87 562)**	**19 206**	**117 090**	**51 029**	**308 729**	**108 007**	**1 143**	**517 642**
Equity								
Fund balances	29 288	17 401	79 964	41 867	294 448	107 931	1 103	572 002
Reserves	(116 850)	1 805	37 126	9 162	14 281	76	40	(54 360)
Total equity	**(87 562)**	**19 206**	**117 090**	**51 029**	**308 729**	**108 007**	**1 143**	**517 642**

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 2018
(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	53 393	21 544	89 999	24 217	181 343	23 183	1 241	394 920
Investments	30 000	-	27 484	23 160	148 072	98 112	-	326 828
Accounts receivable	38 983	593	2 332	825	12 905	1 498	-	57 136
Advances and prepayments	26 719	1 857	1 273	773	1 367	774	-	32 763
Inventory	381	-	7 887	2 088	261	20	2	10 639
Property, plant & equipment	285 426	-	-	-	-	7	-	285 433
Intangible assets	65 616	-	-	22	-	-	2	65 640
Investment in common service entities	809	-	-	-	-	-	-	809
Total assets	**501 327**	**23 994**	**128 975**	**51 085**	**343 948**	**123 594**	**1 245**	**1 174 168**
Liabilities								
Accounts payable	9 322	1 302	4 685	591	2 776	22	3	18 701
Deferred revenue	195 196	-	12 152	955	36 235	22 820	-	267 358
Employee benefit liabilities	301 149	96	-	22	4 372	7	-	305 646
Other financial liabilities	105	-	1	65	301	-	-	472
Provisions	169	-	-	-	1 218	-	-	1 387
Total liabilities	**505 941**	**1 398**	**16 838**	**1 633**	**44 902**	**22 849**	**3**	**593 564**
Net assets	**(4 614)**	**22 596**	**112 137**	**49 452**	**299 046**	**100 745**	**1 242**	**580 604**
Equity								
Fund balances	29 018	16 887	88 808	45 609	270 162	77 425	1 204	529 113
Reserves	(33 632)	5 709	23 329	3 843	28 884	23 320	38	51 491
Total equity	**(4 614)**	**22 596**	**112 137**	**49 452**	**299 046**	**100 745**	**1 242**	**580 604**

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 2019
(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	362 265	6 215	-	-	-	-	-	-	368 480
Voluntary monetary contributions	-	-	82 229	11 522	94 543	2 820	-	-	191 114
Voluntary in-kind contributions	11 199	-	-	-	-	-	-	-	11 199
Other contributions	1 296	-	141	-	-	-	-	-	1 437
Revenue from exchange transactions	2 646	-	81	5	-	-	-	-	2 732
Investment revenue	336	-	543	229	2 343	2 318	-	-	5 769
Internal revenue including programme support costs	1 507	-	-	(2)	6 166	-	-	(7 671)	-
Total revenue	**379 249**	**6 215**	**82 994**	**11 754**	**103 052**	**5 138**	**-**	**(7 671)**	**580 731**
Expenses									
Salaries and employee benefits	271 372	44	-	185	33 904	830	-	-	306 335
Consultants, experts	7 772	199	4 247	584	3 229	15	-	-	16 046
Travel	18 310	-	12 642	1 107	12 149	69	-	-	44 277
Transfers to development counterparts	7 088	-	29 142	3 634	6 902	53	26	-	46 845
VIC common services	20 417	-	1	-	40	-	-	-	20 458
Training	3 396	49	30 727	4 050	7 575	1	-	-	45 798
Depreciation and amortisation	37 977	52	-	20	74	2	2	-	38 127
Contractual and other services	22 423	826	31	7	4 673	13	-	-	27 973
Other operating expenses	19 472	486	1 674	681	9 903	185	69	(7 671)	24 799
Total expenses	**408 227**	**1 656**	**78 464**	**10 268**	**78 449**	**1 168**	**97**	**(7 671)**	**570 658**
Net gains/(losses)	445	(105)	530	640	1 947	3 291	(2)	-	6 746
Net surplus/(deficit)	**(28 533)**	**4 454**	**5 060**	**2 126**	**26 550**	**7 261**	**(99)**	**-**	**16 819**

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 2018

(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	354 042	8 059	-	-	-	-	-	-	362 101
Voluntary monetary contributions	-	-	79 330	17 616	100 027	-	-	-	196 973
Voluntary in-kind contributions	13 171	-	-	-	-	-	-	-	13 171
Other contributions	1 661	-	3 853	-	-	-	-	-	5 514
Revenue from exchange transactions	2 435	-	-	-	-	-	-	-	2 435
Investment revenue	828	-	481	153	1 367	2 004	-	-	4 833
Internal revenue including programme support costs	1 535	-	-	-	6 173	-	-	(7 708)	-
Total revenue	**373 672**	**8 059**	**83 664**	**17 769**	**107 567**	**2 004**	**-**	**(7 708)**	**585 027**
Expenses									
Salaries and employee benefits	256 363	41	-	299	31 963	1 165	-	-	289 831
Consultants, experts	8 218	78	3 919	459	3 536	9	-	-	16 219
Travel	18 003	-	13 789	1 336	13 453	52	-	-	46 633
Transfers to development counterparts	6 515	-	35 224	4 450	10 009	4	215	-	56 417
VIC common services	19 432	-	1	-	140	-	-	-	19 573
Training	3 839	9	28 049	4 713	6 496	14	-	-	43 120
Depreciation and amortisation	33 697	-	2	20	-	5	8	-	33 732
Contractual and other services	19 813	1 400	46	-	7 286	142	-	-	28 687
Other operating expenses	22 972	1 591	1 928	797	7 499	237	12	(7 708)	27 328
Total expenses	**388 852**	**3 119**	**82 958**	**12 074**	**80 382**	**1 628**	**235**	**(7 708)**	**561 540**
Net gains/(losses)	(1 262)	(174)	1 295	1 004	4 564	4 584	(4)	-	10 007
Net surplus/(deficit)	**(16 442)**	**4 766**	**2 001**	**6 699**	**31 749**	**4 960**	**(239)**	**-**	**33 494**

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

Part III

Notes to the Financial Statements

Notes to the Financial Statements

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NOTE 1: Reporting entity

1. The International Atomic Energy Agency (IAEA or the Agency) is a not-for-profit autonomous intergovernmental organization established 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.

5. The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

Accounting convention

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

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 converted into euros at the UNORE year-end closing rate.

10. Realized and unrealized foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the conversion 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, analyse, evaluate, endorse and periodically review materiality decisions across a number of accounting areas.

12. The financial statements 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 2019 and 2018
Fair value through surplus or deficit	None at 31 December 2019 and 2018

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 receivables

19. Receivables relate to amounts owed to the Agency from Member States, donors, staff and others. They represent non-derivative financial assets. 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 represent settlements of a debt or installment payment before its official due date. 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 are received by the beneficiaries 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 items, 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. The Agency holds a stock of Low Enriched Uranium (LEU) in the IAEA LEU storage facility. This LEU inventory consists of two different enrichment assays: 4.95% and 1.6%. It also includes the 60 cylinders where the LEU is stored. In the event that a Member State's supply of LEU is disrupted and cannot be restored by commercial means and that such Member State fulfils the eligibility criteria, the Member State can acquire LEU from the IAEA LEU Bank. The LEU inventory and cylinder cost consists of the acquisition price plus direct attributable costs required to bring the inventory to the storage facility.

25. Inventories are stated at fair value, measured as the lower of cost and either current replacement cost or net realizable value. Current replacement cost, which is used for inventories to be distributed to beneficiaries at no or nominal charge, is the cost the Agency would incur to acquire the asset on the reporting date. Net realizable value, which is used for inventories to be sold at broadly commercial terms or used by the Agency, is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses. The LEU is valued at the lower of cost or net realizable value. Therefore, an allowance equivalent to the difference between the LEU spot prices at the end of each reporting period and the cost will be recognized in such cases where there is a decrease in the value.

26. Cost is determined using a weighted average cost formula unless the inventory items are unique in nature, in which case the specific identification method is used. The Agency utilizes a periodic system for the determination of inventories balances and respective inventory expense at the year end.

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

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

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

29. A charge for impairment is recorded in the Statement of Financial Performance in the year in which the inventory is determined to be impaired due to obsolescence or excess quantities relative to demand. In case of LEU, impairment losses can occur in case of any damage to the cylinders.

Property, plant and equipment

Measurement of costs at recognition

30. PP&E is considered non-cash generating assets and stated at historical cost less accumulated depreciation and any recognized impairment loss. For donated assets, the fair value as of the date of acquisition is utilized as a proxy for historical cost. Construction in progress assets are recorded at cost and will only begin to depreciate from the date they are available for use. Heritage assets are not capitalized. PP&E items are capitalized in the financial statements if they have a cost equal to or greater than €3 000, except specific PP&E items of computer equipment and furniture which are considered group items and capitalized irrespective of costs.

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

Depreciation method and useful life

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

33. The estimated useful lives for the different PP&E classes are as follows and are subject to annual review.

Asset Class	Useful Life (Years)
Communications and Information Technology Equipment	2 to 4
Vehicles	5
Furniture and Fixtures	12
Buildings	5 years (for prefabricated and containerized structures) and 15 to 100 years for others
Leasehold Buildings and Improvements	Shorter of lease term or useful life
Inspection Equipment	8
Laboratory Equipment	11
Other Equipment	5

Intangible assets

Measurement of costs at recognition

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

35. 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 €3 000, except for internally developed software for which the capitalization threshold has been set at €25 000.

36. 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

37. 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

38. 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.

39. 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

40. 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

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

Operating leases

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

Liabilities

Financial liabilities

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

Accounts payable

44. 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

45. 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 benefits liabilities

46. 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

47. 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

48. 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.

49. 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

50. Other long-term employee benefits are benefits that are due to be settled beyond 12 months such as annual leave and home leave. Annual leave and home leave benefits are calculated without the use of actuaries 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 are recognized immediately in the Statement of Financial Performance.

Termination benefits

51. 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

52. 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.

53. 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 39 *Employee Benefits*. The Agency's contributions to the plan during the financial period are recognized as expenses in the Statement of Financial Performance.

Provisions

54. 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

55. 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

56. 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

57. 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 benefits liabilities.

Revenue

Non-exchange revenue

Assessed contributions from Member States

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

Voluntary contributions

59. 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.

60. 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.

61. Revenue from voluntary contributions is recognised upon the acceptance of a pledge, provided the contribution does not impose conditions on the Agency. Alternatively, it is recognised upon the signature of a binding Contribution Agreement between the Agency and the third party donor. 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.

62. 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.

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

National Participation Costs

64. 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 (TACC) of the Board of Governors and the amounts become due to the Agency, which is generally on 1 January following the TACC meeting in the preceding year. Since a majority of the projects are approved as of the first year of a biennium, NPCs revenue will generally be higher in that year compared to the second year of the biennium.

Goods and services in-kind contributions

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

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

66. 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.

<u>Services-in-kind</u>

67. 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

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

69. In case of supply of IAEA LEU, the cost charged to the Member State, i.e. the Revenue deriving from the sale of LEU, should be either the published market price plus costs of supply, or the total cost to the Agency for supply and replenishment, whichever is the higher.

70. 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.

71. Revenue from the use of entity's assets is recognized when both of the following conditions are satisfied:

(1) The amount of revenue can be measured reliably

(2) It is probable that the economic benefits or service potential will flow to the entity

Investment revenue

72. 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

73. 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

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

75. 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

76. 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 2019 is 54.873% (54.873% for 2018).

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

77. Services provided by other VBOs, such as the Buildings Management 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.

78. 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

79. 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.

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

Apportionment of common costs

81. 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

82. The Agency's six Major Programmes form the structure for Regular Budget appropriations. The six Major Programmes are:

(1) *Nuclear Power, Fuel Cycle and Nuclear Science* – Major Programme 1 provides scientific and technical support, services, guidance and advice for: reliable and safe operation of existing nuclear power plants, research reactors and other nuclear fuel cycle facilities; for the introduction and the expanded use of nuclear power and research reactor technology, including the development of the national nuclear infrastructure; for the development of advanced reactors and their fuel cycles, including Small and Medium-sized or Modular Reactors (SMRs), and through the International Project on Innovative Nuclear Reactors and Fuel Cycles (INPRO); in all areas of radioactive waste technology, decommissioning, spent fuel and radioactive waste management; for energy analysis and planning, including objective consideration of the role of nuclear power for sustainable development and climate change mitigation; for nuclear knowledge and nuclear information management, communication and stakeholders' involvement; for the development of nuclear sciences, including in the areas of nuclear fusion, accelerator applications and nuclear instrumentation; and for the development and provision of validated nuclear, atomic and molecular data.

(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 sciences 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 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 contributes to global efforts to achieve effective 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 provides effective coordination to ensure a one-house approach, particularly with respect to overall directions and priorities; interactions with Member States; development and implementation of programmes; results-based management, including performance assessment and risk management; gender mainstreaming; partnerships and resource mobilization. It continues to promote an organizational culture of integrity, accountability and transparency. 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.

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

Fund Groups

84. Agency activities across these six Major Programmes are financed through various funding sources, which are defined as Funds. The Funds are established on the basis of resolutions passed by the General Conference and are administered in accordance with the Financial Regulations adopted by the Board of Governors and Financial Rules issued by the Director General. Each Fund has differing parameters relating to how the revenue may be utilized. The grouping of Funds in the financial statements and their respective components are described below.

Regular Budget

(1) The *Regular Budget Fund* and *Working Capital Fund* (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

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

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

87. Statement V (Statement of Comparison of Budget and Actual Amounts) compares the final budgets for the Regular Budget Fund to actual amounts calculated on the same basis as the corresponding budgetary amounts. As the bases used to prepare the budget and financial statements differ, Note 39b provides reconciliation between the actual amounts presented in that note to the actual amounts presented in the Statement of Cash Flow.

NOTE 4: Cash and cash equivalents

	(expressed in euro '000s)	
	31-12-2019	**31-12-2018**
Cash in current accounts at bank and on hand	220 923	243 370
Cash in call accounts	170 000	133 154
Term deposits with original maturities of 3 months or less	49 728	18 396
Total cash and cash equivalents	**440 651**	**394 920**

88. The increase of €45.731 million (or 11.58%) in total cash and cash equivalents is due to a shift from investments in instruments with original maturities between 3 and 12 months (refer to Note 5) and other discounted notes. More euro funds were placed in call accounts to allow the Agency to obtain zero or positive interest rate. More US dollar funds were placed in shorter term deposits as instructed by the project managers.

89. Some cash is held in currencies which are legally restricted or not readily convertible to euro. As at 31 December 2019, the euro equivalent of these currencies was €1.684 million (€1.753 million at 31 December 2018), based on the respective United Nations Operational Rates of Exchange.

NOTE 5: Investments

	(expressed in euro '000s)	
	31-12-2019	31-12-2018
Term deposits with original maturities between 3 and 12 months	244 304	303 886
Other discounted notes	-	22 942
Total investments	**244 304**	**326 828**

90. The decrease of €82.524 million (or 25.25%) in total investments was mainly driven by the purchase of LEU inventory and the shift from investments in instruments with original maturities between 3 and 12 months towards investments in instruments with 3 months or less (reported in cash and cash equivalent in Note 4 above). Investments from other discounted notes were fully shifted to term deposits due to the current market conditions.

NOTE 6: Accounts receivable from non-exchange transactions

	(expressed in euro '000s)	
	31-12-2019	31-12-2018
Assessed contributions receivable		
Regular Budget	55 198	44 761
Working Capital Fund	4	5
Allowance for doubtful accounts	(9 707)	(9 398)
Net assessed contributions receivable	45 495	35 368
Voluntary contributions receivable		
Extrabudgetary	12 421	12 815
Technical cooperation Fund	2 034	1 494
Allowance for doubtful accounts	(27)	(26)
Net voluntary contributions receivable	14 428	14 283
Other receivables		
Assessed programme costs	751	862
National participation costs	494	716
Safeguard agreements receivable	572	572
Allowance for doubtful accounts	(751)	(862)
Net other receivables	1 066	1 288
Total net accounts receivable from non-exchange transactions	**60 989**	**50 939**
Composition of accounts receivable from non-exchange transactions		
Current	57 851	49 175
Non-current	3 138	1 764
Total net accounts receivable from non-exchange transactions	**60 989**	**50 939**

91. The net assessed contributions receivable increased during the year by €10.127 million to €45.495 million. This was due to an increase in outstanding assessed contributions receivable primarily relating to the current year from a major contributor. The increase in net voluntary contributions receivable during the year by €0.145 million, is primarily due to the decrease in the collection in 2019 of a number of significant contributions pledged and accepted in 2019. However, it should be noted that €3.138 million of the total voluntary contributions receivable is not due in 2019. The amount of extrabudgetary voluntary contributions receivable is shown net of €0.660 million which represents

advance allotment. The details of outstanding contributions by Member States and other donors provided in Annex A3 include this advance allotment.

NOTE 7: Non-Exchange receivable information

Allowance for doubtful debts

(expressed in euro '000s)

	2019						2018					
	Opening Allowance for Doubtful Debt	Doubtful Debt Expense During the Year	Unrealized Foreign Exchange (Gain)/Loss	Amounts Written Off as Uncollectible	Doubtful Debt Expense Reversed	Closing Allowance for Doubtful Debt	Opening Allowance for Doubtful Debt	Doubtful Debt Expense During the Year	Unrealized Foreign Exchange (Gain)/Loss	Amounts Written Off as Uncollectible	Doubtful Debt Expense Reversed	Closing Allowance for Doubtful Debt
Receivables from non-exchange transactions												
Assessed contributions receivable												
Regular Budget	9 398	309	-	-	-	9 707	7 647	1 751	-	-	-	9 398
Related to assessed contributions receivable	9 398	309	-	-	-	9 707	7 647	1 751	-	-	-	9 398
Voluntary contributions receivable												
Technical Cooperation Fund	26	-	1	-	-	27	25	-	1	-	-	26
Extrabudgetary	-	-	-	-	-	-	-	-	-	-	-	-
Related to voluntary contributions receivable	26	-	1	-	-	27	25	-	1	-	-	26
Other receivables												
Assessed programme costs	862	-	20	-	(131)	751	824	-	38	-	-	862
National Participation Costs	-	-	-	-	-	-	-	-	-	-	-	-
Related to other receivables	862	-	20	-	(131)	751	824	-	38	-	-	862
Total related to receivables from non-exchange transactions	**10 286**	**309**	**21**	**-**	**(131)**	**10 485**	**8 496**	**1 751**	**39**	**-**	**-**	**10 286**

Aging of receivables

(expressed in euro '000s)

	As at 31 December 2019					As at 31 December 2018				
		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	55 198	36 666	9 389	4 393	4 750	44 761	26 098	9 584	5 501	3 578
Working Capital Fund	4	-	-	-	4	5	-	-	-	5
Total assessed contributions receivable	55 202	36 666	9 389	4 393	4 754	44 766	26 098	9 584	5 501	3 583
		-	-	-	-					
Voluntary contributions receivable		-	-	-	-					
Extrabudgetary	12 421	6 483	5 024	896	18	12 815	10 136	2 653	8	18
Technical Cooperation Fund	2 034	1 221	755	9	49	1 494	1 019	427	8	40
Total voluntary contributions receivable	14 455	7 704	5 779	905	67	14 309	11 155	3 080	16	58
		-	-	-	-					
Other receivables		-	-	-	-					
Assessed programme costs	751	-	-	-	751	862	-	-	-	862
National participation costs	494	49	300	66	79	716	504	118	87	7
Safeguards agreements contributions	572	572	-	-	-	572	572	-	-	-
Total other receivables	1 817	621	300	66	830	2 150	1 076	118	87	869
	-	-	-	-	-					
Total receivables from non-exchange transactions	**71 474**	**44 991**	**15 468**	**5 364**	**5 651**	**61 225**	**38 329**	**12 782**	**5 604**	**4 510**

Management of credit risk relating to non-exchange receivables

92. Assessed contributions comprise of 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.

93. 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 2019, there are no receivables for which payment plans have been negotiated (€0.00 million as at 31 December 2018).

94. The status of outstanding contributions as at 31 December 2019 by Member States and other donors is provided in Annex A3.

NOTE 8: Accounts receivable from exchange transactions

	(expressed in euro '000s)	
	31-12-2019	31-12-2018
Accounts receivable – Value Added Tax refunds	8 655	2 769
Accounts receivable – income tax refunds	1 283	36
Accounts receivable – others	2 871	3 565
Allowance for doubtful accounts	(202)	(173)
Total net accounts receivable from exchange transactions	**12 607**	**6 197**

95. All accounts receivable from exchange transactions as at 31 December 2019 and 2018 are current. Value added tax receivables consist of amounts of value added tax paid by the Agency on its purchases of goods and services which the Agency can recover. The increase in value added tax receivable is partially attributable to the purchase of LEU which took place in the last quarter of 2019.

96. The allowance for doubtful debts showed the following movements during 2019 and 2018:

	(expressed in euro '000s)	
	2019	2018
Opening balance as on 1 January	172	167
Doubtful debt expense during the year	54	61
Doubtful debt expense reversed	(24)	(56)
Closing balance as on 31 December	**202**	**172**

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

	(expressed in euro '000s)	
	31-12-2019	31-12-2018
Outstanding for:		
Less than 1 year	12 208	5 787
1 - 3 years	279	318
3 - 5 years	322	265
More than 5 years	-	-
Gross carrying value	**12 809**	**6 370**

NOTE 9: Advances and prepayments

	(expressed in euro '000s)	
	31-12-2019	31-12-2018
Vienna International Centre common services	14 804	15 376
Other international organizations	333	777
Staff	7 686	7 138
Travel	768	65
Other	6 363	9 407
Total advances and prepayments	**29 956**	**32 763**
Advances and prepayments composition		
Current	23 264	25 135
Non-current	6 692	7 628
Total advances and prepayments	**29 956**	**32 763**

98. 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.

99. Staff advances primarily consist of advances pending settlement towards education grant and income taxes. Travel and other advances related to prepayments to suppliers.

NOTE 10: Inventory

	(expressed in euro '000s)	
	31-12-2019	31-12-2018
Project inventories in-transit to counterparts	13 607	10 287
LEU inventory	55 055	-
Safeguards spare parts and maintenance materials	381	338
Printing supplies	45	14
Total inventory	**69 088**	**10 639**

100. The Technical Cooperation Programme accounts for €13.150 million (97%) of the inventories in transit as at 31 December 2019, a 32% increase from last year (€9.976 million (97%) in 2018). There was no donated inventory received in 2019. In consideration of the fact that

inventories which have been in transit for some time may not actually be delivered or may suffer damage or obsolescence, their value is recognized net of an allowance of €1.213 million, out of which €0.438 million relates to goods which have been in transit for more than 12 months with 50% allowance and €0.775 million relates to those which have been in transit for more than 24 months with 100% allowance.

101. LEU inventory refers to the stock of Low Enriched Uranium of the IAEA in the IAEA LEU storage facility. This LEU consists of two different enrichment assays: 4.95% (calculated at €781.77 per kgU and totalling 63 128.13 kgU) and 1.6% (calculated at €196.07 per kgU and totalling 27 054.96 kgU). The LEU is stored in 60 cylinders that are accounted in the inventory. The purpose of the IAEA LEU bank is to serve as a mechanism of last resort to back up the commercial market without distorting the market, in the event that a Member State's supply of LEU is disrupted and cannot be restored by commercial means and that such Member State fulfils the eligibility criteria.

102. 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 2019 was approximately €0.154 million (€0.134 million in 2018).

103. Total inventory expense for 2019 and 2018 was as follows:

	(expressed in euro '000s)	
	2019	**2018**
Project inventories distributed to development counterparts	32 219	38 992
Safeguards spare parts and maintenance materials	15	85
Printing supplies	96	49
Change in allowance for inventory in transit	(126)	511
Total inventory expense	**32 204**	**39 637**

104. Expenses related to project inventories in-transit to counterparts are 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 are included in other operating expenses in the Statement of Financial Performance (refer to Note 35).

105. During 2019, the change in the allowance created for goods in-transit amounts to €0.126 million. There were no impairments recorded in 2019.

NOTE 11: Investment in common services entities

	(expressed in euro '000s)	
	31-12-2019	**31-12-2018**
Investment in Commissary	809	809
Total investment in common services entities	**809**	**809**

106. 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

2019

(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 2019	367 373	4 413	37 860	84 999	50 645	1 508	3 120	34 146	584 064
Additions	2 344	224	3 575	1 599	4 855	41	28	21 457	34 123
Disposals	(35)	(16)	(5 851)	(3 329)	(683)	(85)	(31)	-	(10 030)
Other Adjustments	-	-	54	(6)	(51)	-	3	-	-
Assets under Construction Capitalized	23 995	-	1 493	3 487	2 973	-	100	(32 048)	-
Cost at 31 December 2019	**393 677**	**4 621**	**37 131**	**86 750**	**57 739**	**1 464**	**3 220**	**23 555**	**608 157**
Accumulated depreciation at 1 January 2019	164 747	2 812	29 296	65 920	31 975	959	2 811	-	298 520
Depreciation	12 282	225	4 949	3 945	2 952	204	119	-	24 676
Disposals	(34)	(16)	(5 849)	(3 321)	(656)	(69)	(31)	-	(9 976)
Other Adjustments	-	-	53	(22)	(31)	-	-	-	-
Accumulated depreciation 31 December 2019	**176 995**	**3 021**	**28 449**	**66 522**	**34 240**	**1 094**	**2 899**	**-**	**313 220**
Accumulated impairment at 1 January 2019	5	97	2	5	2	-	-	-	111
Impairment	-	-	38	12	28	-	-	-	78
Disposals	-	-	(3)	(3)	(28)	-	-	-	(34)
Other Adjustments [a]	-	-	-	-	-	-	-	-	-
Accumulated impairment 31 December 2019	**5**	**97**	**37**	**14**	**2**	**-**	**-**	**-**	**155**
Net carrying amount 31 December 2019	**216 677**	**1 503**	**8 645**	**20 214**	**23 497**	**370**	**321**	**23 555**	**294 782**

[a] Includes impairment reversals

2018

(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 2018	364 669	4 209	37 839	82 343	48 708	1 420	3 546	21 480	564 214
Additions [a]	1 345	214	3 842	2 008	3 754	274	76	17 315	28 828
Disposals	-	(10)	(3 716)	(1 985)	(2 901)	(222)	(144)	-	(8 978)
Other Adjustments	-	-	(107)	32	460	36	(421)	-	-
Assets under Construction Capitalized	1 359	-	2	2 601	624	-	63	(4 649)	-
Cost at 31 December 2018	**367 373**	**4 413**	**37 860**	**84 999**	**50 645**	**1 508**	**3 120**	**34 146**	**584 064**
Accumulated depreciation at 1 January 2018	154 208	2 628	28 535	65 320	31 473	922	3 216	-	286 302
Depreciation	10 539	194	4 540	2 774	2 679	227	132	-	21 085
Disposals	-	(10)	(3 713)	(1 986)	(2 803)	(210)	(145)	-	(8 867)
Other Adjustments	-	-	(66)	(188)	626	20	(392)	-	-
Accumulated depreciation at 31 December 2018	**164 747**	**2 812**	**29 296**	**65 920**	**31 975**	**959**	**2 811**	**-**	**298 520**
Accumulated impairment at 1 January 2018	5	97	3	6	4	-	4	-	119
Impairment	-	-	3	-	97	-	-	-	100
Disposals	-	-	(3)	-	(97)	-	-	-	(100)
Other Adjustments [b]	-	-	(1)	(1)	(2)	-	(4)	-	(8)
Accumulated impairment at 31 December 2018	**5**	**97**	**2**	**5**	**2**	**-**	**-**	**-**	**111**
Net carrying amount at 31 December 2018	**202 621**	**1 504**	**8 562**	**19 074**	**18 668**	**549**	**309**	**34 146**	**285 433**

[a] Additions under Laboratory Equipment and Assets under Construction include in-kind donations of two pieces of Laboratory Equipment amounting to EUR 0.289 million and EUR 2.8 million, respectively.

[b] Includes impairment reversals

107. 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 2019 are as follows:

Completed in 2019

Some components of the Energy Centre and the Renovation of the Nuclear Applications Laboratories (ReNuAL) project were completed this year as described below.

Construction in progress

- *Renovation of the Nuclear Applications Laboratories (ReNuAL/ReNuAL+) (€20.750 million CIP, and €21.517 million already placed in service)* - ReNuAL and ReNuAL+ are part of a programme for modernisation of the Agency's Nuclear Applications Laboratories at Seibersdorf, collectively a €57.800 million capital project that is fully funded, one third from the Agency's Regular Budget and two thirds from Extrabudgetary sources. The project consists of the construction and commissioning of the Insect Pest Control Laboratory (IPCL) and the Flexible Modular Laboratory (FML) as well as the upgrade to the overall site infrastructure to service these new buildings and the purchase of urgently needed new equipment. Major construction of the IPCL and the FML are complete. The final fit-out and commissioning of the IPCL was completed in October 2019 and the building is now in service. The final fit-out for FML which started in October 2018 is due for completion in April 2020. Construction of the Dosimetry Bunker to support the new Linear Accelerator was completed in July 2019. The portion already placed in service includes the Transformer Substation which is part of the main infrastructure required to service the new ReNuAL buildings in 2016, and the IPCL and the Dosimetry Bunker in 2019 (€26.103 million CIP in 2018).

- *Energy Centre (€0.756 million CIP, and €4.280 million already placed in service).* The Energy Centre that will service the environmental condition needs for both the Insect Pest Control Laboratory (IPCL) and the Flexible Modular Laboratory (FML) is a €5.400 million capital project that is fully funded, 58% of which is from the ReNuAL project while the other 42% is from the Department of MT. Phase I of the project was completed in October 2019 and is now in service. The construction works on Phase 2 is currently ongoing and due for completion in May 2020 (€1.518 million CIP in 2018).

- *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 significant development activity took place on this project between 2013 and 2019 due to uncertainties about the deadline for construction and commissioning of the facility. The start of operation is scheduled in 2022 though further delays might be expected. 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).

108. In 2019, physical verification of assets in the VIC and Seibersdorf continued. The Safeguards (SG) Asset verification results for the cycle 2018-2019 show that 91% of the total Agency-owned SG assets recorded in AIPS were verified. In 2019, MTGS completed the installation of 42,014 new Radio Frequency Identification (RFID) tags on all MT assets at the VIC and Seibersdorf and is now tracking all assets with the new system. However, the new RFID numbers are yet to be uploaded into AIPS, as such the results of the exercise is expected to be reconciled with the asset register in 2020. In addition, impairments due to damage, obsolescence or loss were

recognized. The total impairment loss for 2019 amounted to €0.078 million (€0.100 million in 2018)

109. Efforts to dispose of old inactive equipment which were fully depreciated continued, resulting in the retirement of assets with an aggregate original cost of €9.294 million this year. The gross value of fully depreciated items of property, plant and equipment which remain in use as of 31 December 2019, including components of the VIC building, amounted to €89.735 million (€92.960 million in 2018).

110. In-kind donation of specialized laboratory equipment from three non-traditional donors consummated through partnership agreements in 2019 amounting to €0.990 million were received in the same year, €0.900 million of which relates to the Controlled Atmosphere Temperature Treatment System (CATTS), a machine that will be used to assess the potential of heat treatment for fruits infested with fruit flies which is due for installation in 2020.

NOTE 13: Intangible assets

2019

	(expressed in euro '000s)			
	Computer Software Purchased	Computer Software Internally Developed	Intangible Assets Under Development	Total Intangible Assets
Cost at 1 January 2019	16 209	87 346	3 918	**107 473**
Additions	330	2 314	5 441	**8 085**
Disposals	(315)	(143)	-	**(458)**
Assets under Construction Capitalized	267	1 784	(2 051)	**-**
Cost at 31 December 2019	**16 491**	**91 301**	**7 308**	**115 100**
Accumulated amortization at 1 January 2019	9 665	32 168	-	**41 833**
Amortization	2 273	11 178	-	**13 451**
Disposal	(314)	(143)	-	**(457)**
Accumulated amortization at 31 December 2019	**11 624**	**43 203**	**-**	**54 827**
Accumulated impairment at 1 January 2019				
Impairment	13	-	-	**13**
Disposals	(1)	-	-	**(1)**
Accumulated impairment at 31 December 2019	**12**	**-**	**-**	**12**
Net carrying amount at 31 December 2019	**4 855**	**48 098**	**7 308**	**60 261**

2018

	(expressed in euro '000s)			
	Computer Software Purchased	Computer Software Internally Developed	Intangible Assets Under Development	Total Intangible Assets
Cost at 1 January 2018	12 991	71 186	14 722	**98 899**
Additions	1 384	3 032	6 722	**11 138**
Disposals	(221)	(2 303)	(40)	**(2 564)**
Other Adjustments	-	-	-	**-**
Assets under Construction Capitalized	2 055	15 431	(17 486)	**-**
Cost at 31 December 2018	**16 209**	**87 346**	**3 918**	**107 473**
Accumulated amortization at 1 January 2018	7 708	24 002	-	**31 710**
Amortization	2 178	10 469	-	**12 647**
Other Adjustments	(221)	(2 303)	-	**(2 524)**
Accumulated amortization at 31 December 2018	**9 665**	**32 168**	**-**	**41 833**
Net carrying amount at 31 December 2018	**6 544**	**55 178**	**3 918**	**65 640**

111. 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 was completed in 2018. During 2019, there were eight enhancements to the MOSAIC project, one thereof with a value over €0.500 million is still considered construction in progress (CIP) and refers to the new phase of the Upgrade to Safeguards Inspection Reporting and Evaluation (SAFIRE) project.

112. Other projects with a value greater than €0.500 million, their values and their completion status (complete, partly complete or construction in progress (CIP)) on 31 December 2019 are as follows:

Completed in 2019

113. One project with a value greater than €0.500 million was completed in 2019.

- *MTIT - InTouch+ Redesign (€0.596 million):* InTouch+ allows Member States and meeting participants to register their profile and request attendance at IAEA events facilitated by the Department of Technical Cooperation. The platform was a full re-design of the previous version of InTouch+, whereby the redesign included innovative user interface design and solutions. The platform has been widely adopted and has received very positive feedback from participants and specifically Member States (€0.179 million CIP in 2018).

Construction in Progress

- *Upgrade to Safeguards Inspection Reporting and Evaluation (SAFIRE) (€0.937 million):* The legacy system used for complementary access has been replaced by SAFIRE with enhanced security. Briefing and debriefing basic functionality to help Inspectors plan and report their activities quickly after the inspection has been implemented. End-user acceptance testing will continue in 2020. SAFIRE can now handle overlapping activities reporting and product usability has been improved with significant changes in the user interface and integration with other safeguards applications ensuring data integrity.

- *The Statistical Evaluation Platform for Safeguards (STEPS) (€0.806 million):* The application was enhanced with a number of new features in order to manage data related to Material Balance Period evaluation more efficiently. Users can now tag particular types of data with properties of the measured items and can stratify the data based on these tags which streamline the analytical work, improve evaluator efficiency, and facilitate knowledge retention and transfer. The Verification Measurement Performance Evaluation (VMPE) core module was added to STEPS to support the measurement related to statistical evaluation (€0.250 million CIP in 2018).

114. The total net value of intangible assets decreased by €5.379 million due to a higher level of amortization expense during the year.

115. Thirty-six new projects were initiated in 2019 with aggregate costs amounting to €5.434 million (36 projects amounting to €4.823 million in 2018). Of these 36 projects, 12 with aggregate costs of €2.309 million were completed while the other 24 remain as construction in progress. Of the 27 internally developed projects initiated prior to 2019, 2 were retired and 13 were completed, leaving 12 as CIP. Therefore, a total of 36 projects will continue in 2020, which are recognized as intangible assets under development as at 31 December 2019.

116. No impairments of internally developed intangible assets were recorded in 2019.

NOTE 14: Accounts payable

	(expressed in euro '000s)	
	31-12-2019	31-12-2018
Accruals	15 867	14 204
Staff	244	110
Other payables	3 450	4 387
Total accounts payables	**19 561**	**18 701**

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

118. 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)	
	31-12-2019	**31-12-2018**
Contributions received in advance	99 108	90 856
Extrabudgetary contributions transferred subject to conditions	51 646	43 115
Other	446	307
Premises deferred	126 876	133 080
Total deferred revenue	**278 076**	**267 358**
Deferred revenue composition		
Current	137 517	129 161
Non-current	140 559	138 197
Total deferred revenue	**278 076**	**267 358**

119. 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.

120. 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 2019 by €8.252 million.

121. At the end of 2019, contributions received subject to conditions increased by €8.532 million. Out of the total balance of contributions received subject to conditions, 53.17% 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, totalling €31.1 million, have been classified as current. Final and progress reports for these contributions are expected to be submitted during 2020, and the respective revenue recognition will be based on the approval of such reports by the donor.

122. Details of contributions received in advance and extrabudgetary contributions transferred subject to conditions as of 31 December 2019 are provided in Annex A4.

NOTE 16: Employee benefits liabilities

	(expressed in euro '000s)	
	31-12-2019	31-12-2018
After Service Health Insurance	306 483	222 121
Post-employment repatriation and separation entitlements	59 640	54 649
Annual leave	26 528	26 041
Health Insurance Premium reserve account - staff contributions	983	983
Other staff costs	2 722	1 852
Total staff related liabilities	**396 356**	**305 646**
Composition of employee benefits liabilities		
Current	17 568	16 220
Non-current	378 788	289 426
Total employee benefits liabilities	**396 356**	**305 646**

123. 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).

124. Liabilities for annual leave have been calculated based upon the actual number of unused leave days as at year end.

125. 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 remained stable during 2019.

126. Liabilities for other staff costs as at 31 December 2019 consisted mainly of home leave accruals amounting to €1.900 million (€1.049 million as on 31 December 2018) and accruals for compensatory time-off amounting to €0.694 million (€0.680 million as on 31 December 2018).

127. As at 31 December 2019, 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 €392.652 million at 31 December 2019 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 2019.

NOTE 17: Post-employment related plans

128. Post-employment related benefits include ASHI and post-employment repatriation and separation benefits.

129. 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, former staff members of the Agency are eligible to obtain medical insurance through the Agency.

130. Other post-employment entitlements are those that staff members of the Agency are eligible to receive on separation from service with 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

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

132. The following assumptions and methods have been used to determine the value of post-employment and other separation-related employee benefits liabilities for the Agency as at 31 December 2019:

Parameter	31-12-2019	31-12-2018
Discount rate	ASHI: 1.28% Other post-employment entitlements: repatriation entitlements 0.53%; End of Service allowance 0.72% Market yields on high quality euro corporate bonds at the reporting date (estimated duration: ASHI: 23.3 years; Other post-employment entitlements: 6 to 9 years depending on entitlement)	ASHI: 2.07% Other post-employment entitlements: repatriation entitlements 1.17%; End of Service allowance 1.46% 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)
Expected rate of salary increase	**Professional and Higher Staff** 2.72 % for ASHI, 3.02% for other post-employment **General Staff** 2.90%	**Professional and Higher Staff** 2.70% for ASHI, 2.93% for other post-employment **General Staff** 2.88%
Expected rate of medical cost increase	2.90% – 3.35% (range for the various insurance plans)	2.88% – 3.02% (range for the various insurance plans)
Expected rate of travel costs increase	1.80%	1.80%
Expected rate of shipping cost increase	1.80%	1.80%

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

ASHI	31-12-2019	31-12-2018
	(expressed in euro '000s)	
Movement in defined benefit obligation		
Opening defined benefit obligation	222 121	213 414
Expense for the period		
Current service cost	7 776	8 155
Interest cost	4 554	3 677
Benefits paid	(4 168)	(3 980)
Transfers in/out	361	(171)
Actuarial losses/(gains) recognized in net assets:		
Actuarial (Gain)/Loss due to Experience Adjustments	294	(451)
Actuarial (Gain)/Loss due to Demographic Assumption Changes	17 871	19 202
Actuarial (Gain)/Loss due to Financial Assumption Changes	57 672	(17 725)
Closing defined benefit obligation	**306 483**	**222 121**

Other Post-employment benefits	31-12-2019	31-12-2018
	(expressed in euro '000s)	
Movement in defined benefit obligation		
Opening defined benefit obligation	54 649	51 989
Expense for the period		
Current service cost	6 245	6 054
Interest cost	659	544
Past service cost		
Benefits paid	(5 029)	(4 760)
Transfers in/out	23	(26)
Actuarial losses/(gains) recognized in net assets:		
Actuarial (Gain)/Loss due to Experience Adjustments	166	1 277
Actuarial (Gain)/Loss due to Demographic Assumption Changes	(16)	-
Actuarial (Gain)/Loss due to Financial Assumption Changes	2 943	(429)
Closing defined benefit obligation	**59 640**	**54 649**
of which		
Repatriation entitlements	31 464	28 885
End of Service Allowance	28 176	25 764
	59 640	**54 649**

134. Within the ASHI liability closing defined benefit obligation, €135.359 million represents the liability towards former staff members and their dependents (€106.041 million in 2018) and €171.124 million represents the accrual towards active staff and their dependents (€116.080 million in 2018).

135. 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.

136. The ASHI liability is highly sensitive to changes in financial assumptions. During 2019, changes in the financial markets have impacted the applicable discount rate, which decreased from 2.07% to 1.28%, contributing to an increase of €45.597 million in the defined benefit obligation.

In addition, higher assumed medical inflation rate, along with changes in the applicable mortality tables (reflecting an increased life expectancy) resulted in an actuarial loss of €75.837 million for ASHI.

137. As at 31 December 2019, 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

138. If the assumptions described above were to change, the estimated 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%	(60 103)	(3 924)
	-1%	82 474	4 496
Effect of salary increase rate change on defined benefit obligation	+1%	(6 436)	4 020
	-1%	6 935	(3 566)
Effect of turnover rate change on defined benefit obligation	+1%	(6 690)	2
	-1%	7 397	(5)
Effect of changes in full retirement age on defined benefit obligation	+1 year	(2 015)	(197)
	-1 year	1 630	147
	Full retirement at 65	(4 843)	(354)
Effect of change in expected rate of medical costs increase on:			
*current service cost component of liability	+1%	2 819	n/a
	-1%	(1 996)	n/a
*interest cost component of liability	+1%	1 055	n/a
	-1%	(805)	n/a
*total defined benefit obligation	+1%	77 885	n/a
	-1%	(58 414)	n/a
Effect of changes in life expectancy on defined benefit obligation	+1 year	15 736	n/a
	-1 year	(15 281)	n/a
Effect of changes in shipping and travel costs on total defined benefit obligation	+1%	n/a	456
	-1%	n/a	(416)

139. The above sensitivity analyses are based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur as changes in some of the assumptions may be correlated.

140. When calculating the sensitivity of the DBO to significant assumptions, the same method has been applied as when calculating the pension liability recognized in the statement of financial position. There have been no changes from the previous period in the methods or assumption adjustments used in preparing the sensitivity analyses.

141. The sensitivity on life expectancy is calculated by adjusting the underlying mortality rates such that the life expectancy for a pensioner age 65 at the date of the valuation would increase (or decrease) by one year.

142. The Agency's best estimate of benefits payments expected to be made for the next 12 months for ASHI plans is €4.426 million, and for post-employment repatriation and separation entitlements is €6.623 million.

143. The post-employment benefits 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.

144. 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)				
	2019	**2018**	**2017**	**2016**	**2015**
Defined benefit obligation	306 483	222 121	213 413	165 422	175 551
Plan assets at fair value	-	-	-	-	-
Surplus/(deficit)	(306 483)	(222 121)	(213 413)	(165 422)	(175 551)
Remeasurement losses/(gains) due to experience adjustments	294	(451)	36 226	(28 585)	6 015
Remeasurement due to experience adjustments as a percentage of defined benefit obligation	0.10%	(0.20%)	16.97%	(17.28%)	3.43%

Other post-employment benefits

	(expressed in euro '000s)				
	2019	**2018**	**2017**	**2016**	**2015**
Defined benefit obligation	59 640	54 649	51 989	55 991	50 390
Plan assets at fair value	-	-	-	-	-
Surplus/(deficit)	(59 640)	(54 649)	(51 989)	(55 991)	(50 390)
Remeasurement losses/(gains) due to experience adjustments	166	1 277	(4 265)	3 600	2 209
Remeasurement due to experience adjustments as a percentage of defined benefit obligation	0.28%	2%	(8.20%)	6.43%	4.38%

United Nations Joint Staff Pension Fund

145. 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 Fund will be sufficient to meet its liabilities.

146. The Agency's financial obligation to the Fund 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.

147. The latest actuarial valuation for the Fund was completed as of 31 December 2017, and the valuation as of 31 December 2019 is currently being performed. A roll forward of the participation data as of 31 December 2017 to 31 December 2018 was used by the Fund for its 2018 financial statements.

148. The actuarial valuation as of 31 December 2017 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 139.2%. The funded ratio was 102.7% when the current system of pension adjustments was taken into account.

149. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2017, 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 plan. 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.

150. Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2016, 2017 and 2018) amounted to $212.107 million, of which 66.41% was contributed by the Agency.

151. During 2019, contributions paid to the Fund amounted to €68.353 million (€61.929 million in 2018). Expected contributions due in 2020 are approximately €69.466 million.

152. Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

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

NOTE 18: Other financial liabilities

	(expressed in euro '000s)	
	31-12-2019	31-12-2018
Deposits received	304	304
Others	129	168
Total financial liabilities	**433**	**472**
Composition of financial liabilities		
Current	129	168
Non-current	304	304
Total financial liabilities	**433**	**472**

154. As at 31 December 2019, 'Others' consisted primarily of cash received for which the purpose has not yet been identified.

NOTE 19: Provisions

	(expressed in euro '000s)	
	31-12-2019	31-12-2018
Provision for ILOAT cases	161	169
Provision for asset disposal and site restoration	1 218	1 218
Total provisions	**1 379**	**1 387**
Composition of provisions		
Current	161	169
Non-current	1 218	1 218
Total provisions	**1 379**	**1 387**

155. 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).

156. As at 31 December 2019, there were appeal cases against the Agency with the International Labour Organization Administrative Tribunal (ILOAT) relating to claims of current or former staff members, for which a provision has been recorded amounting to €0.161 million. The provision includes cases which were decided by the ILOAT in February 2020 with a resulting liability of approximately €0.048 million to the Agency. The provision also includes other cases which are still under consideration by the ILOAT, and it is deemed probable that they will be decided in favour of current or former staff members.

NOTE 20: Movement in fund balances

(expressed in euro '000s)

	Regular Budget Fund and Working Capital Fund b/		Major Capital Investment Fund		Technical Cooperation Fund		Technical Cooperation Extrabudgetary Programme Fund		Extrabudgetary Programme Fund b/		Low Enriched Uranium Bank		Trust Funds, Reserve Funds and Special Funds		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Opening Balance	29 018	23 667	16 887	19 535	88 808	77 823	45 609	36 698	270 162	250 384	77 425	95 352	1 204	1 480	529 113	504 939
Transfers to / (from) fund balances	28 803	21 793	(3 940)	(7 414)	(13 904)	8 984	(5 868)	2 212	(2 264)	(11 971)	23 245	(22 887)	(2)	(37)	26 070	(9 320)
Net surplus/ (deficit)	(28 533)	(16 442)	4 454	4 766	5 060	2 001	2 126	6 699	26 550	31 749	7 261	4 960	(99)	(239)	16 819	33 494
Closing balance	29 288	29 018	17 401	16 887	79 964	88 808	41 867	45 609	294 448	270 162	107 931	77 425	1 103	1 204	572 002	529 113
Included in fund balances are individual funds with specific purposes:																
Working Capital Fund	15 204	15 201	-	-	-	-	-	-	-	-	-	-	-	-	15 204	15 201
Nuclear Security Fund	-	-	-	-	-	-	-	-	88 312	81 405	-	-	-	-	88 312	81 405
Programme Support Cost Sub-fund	-	-	-	-	-	-	-	-	3 117	4 721	-	-	-	-	3 117	4 721
Research Institute Trust Fund	-	-	-	-	-	-	-	-	-	-	-	-	357	433	357	433
Equipment Replacement Fund	-	-	-	-	-	-	-	-	-	-	-	-	748	771	748	771

157. 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.

158. 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).

159. 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.

160. 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).

161. 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)

	2019						2018					
	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	15 201	-	-	-	3	15 204	15 194	-	-	-	7	15 201
Nuclear Security Fund	81 405	27 763	1 238	(23 302)	1 208	88 312	67 696	33 481	4 999	(26 662)	1 891	81 405
Programme Support Cost Sub-Fund	4 721	6 168	(428)	(7 299)	(45)	3 117	6 484	6 177	(142)	(7 713)	(85)	4 721
Research Institute Trust Fund	433	-	(2)	(94)	20	357	654	-	(33)	(227)	39	433
Equipment Replacement Fund	771	-	-	-	(23)	748	827	-	(6)	(8)	(42)	771

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	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Opening balance	(33 632)	(31 191)	5 709	7 179	23 329	32 514	3 843	6 219	28 884	29 990	23 320	432	38	9	51 491	45 152
Transfers to/(from)	(83 218)	(2 441)	(3 904)	(1 470)	13 797	(9 185)	5 319	(2 376)	(14 603)	(1 106)	(23 244)	22 888	2	29	(105 851)	6 339
Closing balance	(116 850)	(33 632)	1 805	5 709	37 126	23 329	9 162	3 843	14 281	28 884	76	23 320	40	38	(54 360)	51 491
Movements in reserves comprise:																
Health insurance premium reserve opening balance	992	864	-	-	-	-	-	-	-	-	-	-	-	-	992	864
Transfers to/(from)	-	128	-	-	-	-	-	-	-	-	-	-	-	-	-	128
Health Insurance premium reserve closing balance	992	992	-	-	-	-	-	-	-	-	-	-	-	-	992	992
Commitments opening balance	21 078	25 441	5 779	7 247	23 329	32 514	3 852	6 228	29 222	30 299	23 324	436	38	9	106 622	102 174
Transfers to/(from)	(778)	(4 363)	(3 898)	(1 468)	13 797	(9 185)	5 319	(2 376)	(14 485)	(1 077)	(23 244)	22 888	2	29	(23 287)	4 448
Commitments closing balance	20 300	21 078	1 881	5 779	37 126	23 329	9 171	3 852	14 737	29 222	80	23 324	40	38	83 335	106 622
Cash surplus/(deficit) reserve opening balance	61	49	-	-	-	-	-	-	-	-	-	-	-	-	61	49
Transfers to/(from)	4	16	-	-	-	-	-	-	-	-	-	-	-	-	4	16
Credit to Member States	(12)	(4)	-	-	-	-	-	-	-	-	-	-	-	-	(12)	(4)
Cash surplus/(deficit) reserve closing balance	53	61	-	-	-	-	-	-	-	-	-	-	-	-	53	61
Post employment related plans revaluation reserve opening balance	(59 388)	(57 545)	(70)	(68)	-	-	(9)	(9)	(338)	(309)	(4)	(4)	-	-	(59 809)	(57 935)
Actuarial gains/(losses) recognized through equity	(78 807)	(1 843)	(6)	(2)	-	-	-	-	(118)	(29)	-	-	-	-	(78 931)	(1 874)
Reserve for actuarial gains/losses on employee benefit liabilities closing balance	(138 195)	(59 388)	(76)	(70)	-	-	(9)	(9)	(456)	(338)	(4)	(4)	-	-	(138 740)	(59 809)
Reserve for carry-over of unobligated appropriations opening balance	3 625	-	-	-	-	-	-	-	-	-	-	-	-	-	3 625	-
Transfers to/(from)	(3 624)	3 624	-	-	-	-	-	-	-	-	-	-	-	-	(3 624)	3 624
Reserve for carry-over of unobligated appropriations closing balance	-	3 625	-	-	-	-	-	-	-	-	-	-	-	-	-	3 625

162. The reserves decreased by €105.851 million in 2019 primarily due to an increase in the actuarial losses on employee benefits liabilities, as well as the decrease in the committed funds for open contracts for goods and services.

163. The health insurance premium reserve represents the Agency's share of the funds related to health insurance premiums. The reserve remained stable during 2019 (€0.128 million increase in 2018).

164. Commitments represent committed funds for open contracts for goods and services which have not been received by the Agency. During 2019, such future commitments decreased by €23.287 million (€4.448 million increase in 2018). This decrease in total commitments, which is shown as a transfer from Fund balances to the reserves, was mostly noticed in the LEU Bank. It should be noted that the Technical Cooperation Fund balance includes balances pertaining to purchase requisitions for goods and services which have not yet been implemented into a contract.

165. The cash surplus reserve opening balances represent the accumulated cash surplus for prior years amounting to €0.061 million. During 2019, €0.012 million was surrendered to Member States for their share of the cash surplus withheld from prior years.

166. 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 benefits liabilities represents the balance of actuarial gains or losses relating to the ASHI and post-employment repatriation and separation benefit obligations. During 2019, a total of €78.931 million actuarial loss (€1.874 million on actuarial loss in 2018) was recorded (refer to Note 17). This actuarial loss is mainly due to a change in the actuary assumptions relating to the decrease in discount rate and changes in the mortality rates.

NOTE 23: Assessed contributions

	(expressed in euro '000s)	
	2019	2018
Operational Assessment	362 265	354 042
Capital Assessment	6 215	8 059
Total assessed contributions	**368 480**	**362 101**

167. In accordance with Article XIVD 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.

168. Details of assessed contributions by Member State and other donors are provided in Annex A2.

NOTE 24: Voluntary contributions

	(expressed in euro '000s)	
	2019	**2018**
Voluntary monetary contributions		
Technical Cooperation Fund	82 229	79 331
Technical Cooperation Fund Extrabudgetary Fund	11 522	17 616
Extrabudgetary Programme Fund	94 542	100 026
Extrabudgetary contributions LEU Bank	2 820	-
Total voluntary monetary contributions	**191 113**	**196 973**
Voluntary in-kind contributions		
Lease of premises - Building VIC	7 360	7 360
Lease of premises - building other	1 359	1 365
Lease of premises - land VIC	1 053	956
Lease of premises - land other	438	401
Equipment	990	3 089
Total voluntary in-kind contributions	**11 200**	**13 171**
Total voluntary contributions	**202 313**	**210 144**

169. Voluntary contributions consist of monetary and in-kind contributions. Details of voluntary monetary contributions by Member State and other donors are provided in Annex A2.

170. 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 2019 and 2018, such refunds and transfers amounted to €1.670 million and €1.119 million, respectively. In accordance with the Agency's accounting policy for such refunds, these amounts were recognized as direct adjustments to equity.

171. In-kind contributions primarily comprise the use of the Vienna International Centre (VIC) as a donated asset (€8.413 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 (€1.797 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.

172. Other in-kind contributions received by the Agency include goods that qualify as PP&E, intangibles and project inventories for counterparts. In 2019, the Agency received a donation of two pieces of specialized laboratory equipment and one overpack container for leak-tight transport of radioactive materials valued at €0.990 million. 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.

173. 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, particularly noteworthy is the support services for the initial five years of the Linear Accelerator donated for the ReNuAL project which commenced this year (refer to Note 12). 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)	
	2019	2018
National Participation Cost	141	3 853
Safeguards agreements	1 143	1 143
Other Contributions	153	518
Total other contributions	**1 437**	**5 514**

174. 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, 2019, being the second year of the biennium, had lower NPC revenue compared to 2018. 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 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)	
	2019	**2018**
Revenue from sale of goods / use of entity's assets		
Publications	487	453
Laboratory reference materials	304	296
	791	**749**
Revenue from jointly financed services		
Medical	816	799
Printing	372	380
	1 188	**1 179**
Other miscellaneous revenue	753	507
Total revenue from exchange transactions	**2 732**	**2 435**

175. Included in the revenue from publications is an amount of €0.450 million relating to the use of Agency's assets by other parties, specifically derived from the publication and distribution of the Nuclear Fusion Journal.

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

177. Other miscellaneous revenue includes revenue from translation and other services as well as sundry credits.

NOTE 27: Investment revenue

	(expressed in euro '000s)	
	2019	**2018**
Term deposits	5 298	3 778
Discounted notes	201	618
Call accounts and others	270	437
Total investment revenue	**5 769**	**4 833**

178. The increase of €0.936 million (19.37%) in the total investment revenue is mainly the result of higher interest earned on US dollar term deposits during 2019 in comparison with the previous period. Also, the appreciation of the US dollar impacted positively the total investment revenue as more than 90% of this revenue is earned from US dollar investments.

179. Statement VIIb provides details of the total investment revenue recognized in 2019 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)	
	2019	**2018**
Professional staff		
Salaries	143 693	136 817
Common staff costs: contributions to UNJSPF and other pension schemes	34 664	30 248
Common staff costs: other	41 790	38 448
Total professional staff	**220 147**	**205 513**
General services staff		
Salaries	57 741	56 907
Common staff costs: contributions to UNJSPF and other pension schemes	11 610	11 393
Common staff costs: other	16 837	16 018
Total general services staff	**86 188**	**84 318**
Total salaries and employee benefits	**306 335**	**289 831**

180. 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.

181. In 2019, the increase in total salaries and employee benefits was mainly driven by the revisions to the Professional staff salary scale, post adjustment classification and pensionable remuneration scale which took place in 2019.

NOTE 29: Consultants, experts

	(expressed in euro '000s)	
	2019	**2018**
Consultants and experts	14 962	14 967
Translators	944	1 113
Conference clerks	140	139
Total	**16 046**	**16 219**

182. Consultant expenses represent the cost of contracting consultants, experts and translators including related fees and honorarium.

NOTE 30: Travel

	(expressed in euro '000s)	
	2019	2018
Duty travel staff		
Safeguards inspection and equipment maintenance	6 037	6 364
Duty travel staff	11 892	12 197
Total staff travel	**17 929**	**18 561**
Non-staff travel		
Consultants, experts and meeting participants	15 392	16 002
For technical cooperation projects	9 088	10 103
Other non-staff	1 868	1 967
Total non-staff travel	**26 348**	**28 072**
Total travel expenses	**44 277**	**46 633**

183. 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.

184. 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)	
	2019	2018
Project inventories distributed to development counterparts	32 219	38 992
Services to development counterparts	5 543	9 850
Research and technical contracts	6 395	5 130
International Centre for Theoretical Physics funding	2 204	2 180
Other grants	484	265
Total transfers to development counterparts	**46 845**	**56 417**

185. 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.

186. The lower value of expenses for distribution of project inventories to counterparts in 2019 compared to 2018 is due to the timing of the Agency's programmatic activities.

187. 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)	
	2019	2018
Buildings management services	11 481	10 941
Security services	7 990	7 557
Conference services	987	1 075
Total Vienna International Centre common services	**20 458**	**19 573**

188. 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)	
	2019	2018
Training of development counterparts	43 484	40 360
Training - staff	2 314	2 760
Total training	**45 798**	**43 120**

189. Training of development counterparts consists of stipends, tuition, travel and other training related costs.

NOTE 34: Contractual and other services

	(expressed in euro '000s)	
	2019	2018
Information technology contractual services	10 231	10 472
Scientific and technical contractual services	1 706	3 696
Other institutional contractual services	3 148	3 756
Building services and security non-VIC	5 125	5 029
Equipment and software maintenance	7 763	5 734
Total contractual and other services	**27 973**	**28 687**

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

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

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

193. 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.

194. 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)	
	2019	2018
Supplies and materials	6 691	6 740
Purchase of minor equipment and software	5 272	6 312
Communication and transport	2 794	2 618
Leased equipment	916	830
Lease of premises	3 010	3 343
Impairment of intangibles	13	-
Representation and hospitality	689	699
Printing supplies, Safeguards spare parts and maintenance materials inventory consumption	111	134
Reference material inventory expense	3	-
Increase/(decrease) in provisions and allowances	167	2 296
Other operating expenses	3 361	2 591
Other miscellaneous expenses	1 772	1 765
Total other operating expenses	**24 799**	**27 328**

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

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

197. 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.

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

199. 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)	
	2019	2018
Unrealized foreign exchange gains/(losses)	6 094	9 824
Realized foreign exchange gains/(losses)	638	161
Gains/(losses) on sale or disposal of property, plant & equipment	14	22
Total gains / (losses)	**6 746**	**10 007**

200. Net realized foreign exchange gains in 2019 were significant due to the conversion of US dollars into euro at favorable market exchange rates. Unrealized foreign exchange gains reflect mostly the appreciation of the US dollar vis-à-vis the euro, the functional currency of the Agency, during this period.

NOTE 37: Interests in other entities

Jointly funded activities

Joint FAO/IAEA Division

201. 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.

202. Assessed contributions from Member States are the major source of revenue for the Joint Division. A total of €11.700 million of the assessed budget funding of the Joint Division was provided by the Agency and a total of $3.701 million was provided by FAO. Any extra-budgetary funds that are made available to either FAO or IAEA for the purpose of the Joint Division are reported in the financial statements of the respective organization. In fact, the agency received extrabudgetary funds amounting to €1.741 million in regards of the operation of joint division. IAEA and FAO also recognize their respective shares of expenses related to the Joint Division. Staff costs are one of the major components of the Joint Division expenses. The agency spent €7.532 million on staff costs and related employee benefits and €4.167 million on non-staff costs during 2019. The Joint Division operates with a team of about 150 scientists, technical experts and support personnel divided among offices, sections and laboratories. The staff members of the Joint Division are employees of either one or the other of the two organizations. Staff costs and related employee benefits liabilities are recognized in the financial statements of the organization which employs the staff member. In 2019, FAO employed 10 staff at professional level and funded 20 general staff positions, laboratory technicians, admin staff and information assistants. Major global trends that continue to frame agricultural development include rising food demand,

persistent food insecurity, malnutrition and the impact of climate change on agricultural production. Increasing demands from Member States for assistance in meeting the challenges in these areas, including support in the achievement of their relevant SDGs, will guide the Food and Agriculture Programme during 2019–2020. The Programme will expand its important work addressing the impacts of climate change on food and agriculture through the use of nuclear technology and strengthen its biosecurity efforts to address various transboundary animal and plant diseases that potentially pose serious risks to people and their livelihoods.

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

203. 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 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.

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

	(expressed in euro '000s)	
ICTP Summary Financial Information	**31-12- 2019 (provisional)**	**31-12- 2018 (final)**
Revenue	27 769	27 581
Expense	27 445	26 437
Net surplus/(deficit)	324	1 144
Assets current	13 634	12 931
Assets non-current	1 066	455
Liabilities current	11 812	3 501
Liabilities non-current	9 741	16 997
Equity	(6 853)	(7 112)

The Vienna International Centre

Vienna International Centre land and buildings

205. 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.

206. 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 on Voluntary Contributions.

Major Repairs and Replacements Fund

207. This Fund is a joint arrangement between the Austrian Government, which owns half of the Fund, and the VBOs, which jointly own the remainder. It operates under the terms of the *Agreement between the International Atomic Energy Agency, the United Nations and the Republic of Austria regarding the establishment and administration of a common fund for financing major repairs and replacements at their headquarters at the Vienna International Centre*, signed on 19 January 1981 and amended through an Exchange of Letters on 24 January and 14 February 2002. Its purpose is to finance agreed programmes of work to maintain and enhance the facilities at the VIC. It is established under the terms of an agreement between the five parties which establishes that "authority over the common Fund shall be vested jointly in the parties". Most of the output of the Fund takes the form of leasehold improvements to the VIC, which is capitalized as parts of the building, and the remainder constitutes minor works that are expensed jointly by the VBOs. Since the Fund gains the entirety of its income from the five participants and the four VBOs consume the totality of its output in agreed proportions, it is appropriate to account for it as a Joint Operation. Accordingly, the Agency recognizes its share of the assets and liabilities, revenues and expenses, consolidated in proportion to the BMS ratio (54.873% for 2019).

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

MRRF Summary Financial Information	31-12-2019 (provisional)	31-12-2018 (final)
	(expressed in euro '000s)	
Revenue	4 770	4 686
Expense	2 335	3 852
Net surplus/(deficit)	2 435	834
Assets current	15 272	13 249
Assets non-current	-	-
Liabilities current	624	1 880
Liabilities non-current	-	-
Equity	14 468	11 414

209. The Agency provided funding to MRRF in an amount of €1.309 million in 2019 and €1.286 million in 2018. 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

210. 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.

211. 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.

212. 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

213. 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.

214. 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.

215. 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

216. 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.

217. 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 employee benefits of these staff members should the Commissary be unable to meet the financial obligations for such post-employment and other long-term employee benefits. As at 31 December 2019, the total amount of such post-employment

and other long-term employee benefits for the staff of the Commissary was €12.227 million (€8.689 million in 2018).

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

Commissary Summary Financial Information	(expressed in euro '000s) 31-12-2019 (provisional)	31-12-2018 (final)
Revenue	29 002	29 047
Expense	28 761	29 413
Net surplus/(deficit)	241	(366)
Asset current	16 870	16 622
Asset non-current	1 441	1 597
Liabilities current	815	824
Liabilities non-current	13 585	10 763
Equity	3 911	6 632

Catering service

219. 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

2019

For the period ending 31 December 2019
(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	43 225	45 988	39 970	161 845	116 677	522	-	**408 227**
Property, Plant, Equipment and intangibles	13 373	68 442	21 997	172 305	78 919	-	-	**355 036**
Additions to Property, Plant, Equipment and Intangibles	1 499	21 818	1 067	14 382	3 317	-	-	**42 083**
Major Capital Investment Fund	-	-	-	-	-	-	-	-
Expense	-	(346)	24	329	1 649	-	-	**1 656**
Property, Plant, Equipment and intangibles	-	-	-	-	-	-	-	-
Additions to Property, Plant, Equipment and Intangibles	-	-	1	-	51	-	-	**52**
Technical Cooperation Fund	-	-	-	-	-	-	-	-
Expense	8 751	44 271	17 336	-	8 237	(131)	-	**78 464**
Property, Plant, Equipment and intangibles	-	-	-	-	-	-	-	-
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	-
Technical Cooperation Extrabudgetary Fund	-	-	-	-	-	-	-	-
Expense	2 059	4 776	2 543	-	890	-	-	**10 268**
Property, Plant, Equipment and intangibles	-	-	2	-	-	-	-	**2**
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	-
Extrabudgetary Programme Fund	-	-	-	-	-	-	-	-
Expense	8 907	6 074	37 626	18 672	7 058	112	-	**78 449**
Property, Plant, Equipment and intangibles	-	-	-	-	-	-	-	-
Additions to Property, Plant, Equipment and Intangibles	-	24	3	46	-	-	-	**73**
Low Enriched Uranium Bank	-	-	-	-	-	-	-	-
Expense	1 171	-	-	-	(3)	-	-	**1 168**
Property, Plant, Equipment and intangibles	5	-	-	-	-	-	-	**5**
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	-
Trust Funds and Special Funds	-	-	-	-	-	-	-	-
Expense	19	52	23	-	3	-	-	**97**
Property, Plant, Equipment and intangibles	-	-	-	-	-	-	-	-
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	-
Inter-fund elimination of un-allocated shared services expenses	-	-	-	-	-	-	(7 671)	**(7 671)**
Total Expense	**64 132**	**100 815**	**97 522**	**180 846**	**134 511**	**503**	**(7 671)**	**570 658**
Total PP&E and Intangibles	**13 378**	**68 442**	**21 999**	**172 305**	**78 919**	-	-	**355 043**
Total Additions to PP&E and Intangibles	**1 499**	**21 842**	**1 071**	**14 428**	**3 368**	-	-	**42 208**

a/ Includes Management of Technical Cooperation for Development.

2018

For the period ending 31 December 2018
(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	40 137	43 453	37 417	151 695	114 111	2 039	-	388 852
Property, Plant, Equipment and intangibles	13 103	49 050	23 006	181 147	84 736	-	-	351 042
Additions to Property, Plant, Equipment and Intangibles	699	13 033	2 664	16 421	7 145	-	-	39 962
Major Capital Investment Fund								
Expense	-	462	5	1 296	1 356	-	-	3 119
Property, Plant, Equipment and intangibles	-	-	-	-	-	-	-	-
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	-
Technical Cooperation Fund								
Expense	8 998	48 969	17 892	-	7 094	5	-	82 958
Property, Plant, Equipment and intangibles	-	-	-	-	-	-	-	-
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	-
Technical Cooperation Extrabudgetary Fund								
Expense	3 308	5 575	2 618	-	571	2	-	12 074
Property, Plant, Equipment and intangibles	-	-	22	-	-	-	-	22
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	-
Extrabudgetary Programme Fund								
Expense	11 335	5 639	39 767	16 194	7 446	1	-	80 382
Property, Plant, Equipment and intangibles	-	-	-	-	-	-	-	-
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	-
Low Enriched Uranium Bank								
Expense	1 627	-	-	-	1	-	-	1 628
Property, Plant, Equipment and intangibles	7	-	-	-	-	-	-	7
Additions to Property, Plant, Equipment and Intangibles	5	-	-	-	-	-	-	5
Trust Funds and Special Funds								
Expense	7	34	186	-	8	-	-	235
Property, Plant, Equipment and intangibles	-	-	-	-	2	-	-	2
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	-
Inter-fund elimination of un-allocated shared services expenses	-	-	-	-	-	-	(7 708)	(7 708)
Total Expense	**65 412**	**104 132**	**97 885**	**169 185**	**130 587**	**2 047**	**(7 708)**	**561 540**
Total PP&E and Intangibles	**13 110**	**49 050**	**23 028**	**181 147**	**84 738**	-	-	**351 073**
Total Additions to PP&E and Intangibles	**704**	**13 033**	**2 664**	**16 421**	**7 145**	-	-	**39 967**

a/ Includes Management of Technical Cooperation for Development.

NOTE 39: Budget

220. 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

221. 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)

222. 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 2019. 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.

223. The table below illustrates the revaluation of the 2019 Regular Budget appropriations for 2019. 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 2019 Regular Budget appropriations.

(expressed in euro '000s)

Major Programmes	Original Approved Budget a/	Revalued Final Budget b/	Variance
MP1 - Nuclear Power, Fuel Cycle and Nuclear Science	40 463	39 856	(607)
MP2 - Nuclear Techniques for Development and Environmental Protection	41 108	40 638	(470)
MP3 - Nuclear Safety and Security	36 168	35 511	(657)
MP4 - Nuclear Verification	145 297	142 947	(2 350)
MP5 - Policy, Management and Administration Services	79 978	79 159	(819)
MP6 - Management of Technical Cooperation for Development	25 941	25 544	(397)
Total Agency Programmes	**368 955**	**363 655**	**(5 300)**
Reimbursable Work for Others	2 836	2 836	-
Total Regular Budget fund operational portion	**371 791**	**366 491**	**(5 300)**

a/ General Conference Resolutions GC(62)/RES/2 of September 2018 - original budget at $1/€1.

b/ Original Budget revalued at the United Nations operational average rate of exchange of €0.893 to $1 in 2019.

NOTE 39b: Reconciliation between actual amounts on a budget comparable basis and the cash flow statement

224. 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.

225. 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 2019 is presented below:

(expressed in euro '000s)

	Operating	Investing	Financing
Actual Net Surplus as per the Statement of Comparison of Budget and Actual Amounts a/	136	-	-
Basis Difference	(23 598)	-	-
Presentation Difference	24 426	(20 579)	8
Entity Difference	(2 147)	66 314	-
Actual Amount in the Statement of Cash Flows	**(1 183)**	**45 735**	**(8)**

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.

226. **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.

227. **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.

228. **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.

229. **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

230. Excluding reimbursable work for others amounting to €3.267 million, the Agency expended €365.300 million (obligations plus actuals) from the 2019 Regular Budget, including capital portion. The operational Regular Budget expenditure amounted to €363.519 million out of an adjusted budget of €363.655 million representing an implementation rate of 99.96% and thus, leaving an unencumbered balance of €0.136 million. In 2018, unobligated balances of €3.624 million were carried over into 2019 to meet programmatic needs, out of which €3.606 million were expended for utilization rate of 99.53% leaving an unencumbered balance of €0.107 million.

231. Under the 2019 capital portion of the Regular Budget, €1.780 million were expended (obligations plus actuals) out of a budgeted amount of €6.215 million, representing an implementation rate of 28.66% and thus, leaving an unencumbered balance of €4.435 million to be carried over for the same approved projects. The unencumbered balances will continue to be used as follows:

- €0.876 million for the Renovation of the Nuclear Application Laboratory – ReNuAL+ (Major Programme 2)
- €0.130 million for Enhancing Radiation Safety through Efficient and Modern Dosimetry (RADSED) (Major Programme 2)
- €1.027 million to Develop and Implement a Safeguard Approach for J-MOX (Major Programme 4)
- €0.746 million for Seibersdorf Infrastructure and Common Facilities (Major Programme 5)
- €1.656 million for IT Infrastructure and Information Security Investment (Major Programme 5)

NOTE 39d: Major Capital Investment Fund (MCIF)

232. 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.

233. 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.

234. 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.

235. 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.

236. The following table presents the financial status of the MCIF at the end of the 2019 financial year.

Comparison of budget and actual amounts a/

(expressed in euro '000s)	
Resources:	
Opening balance 1 January 2019 b/	21 182
2019 Regular Budget Capital Portion c/	6 215
Transfers to MCIF d/	4 699
Total resources	**32 096**
Expenditure:	
MP2-Nuclear Techniques for Development and Environmental Protection	1 625
MP3 - Nuclear Safety and Security	320
MP4-Nuclear Verification	230
MP5-Policy, Management and Administration	3 079
Total expenditure during 2019	**5 254**
Available Resources at 31 December 2019	**26 842**
Allocation of Available Resources at 31 December 2019	
Allocated to Major Programmes	9 881
Unallocated	16 961

a/ The accounting basis and the budget basis are different. This note is prepared on the modified cash basis.
b/ Agency Financial Statements GC(63)/6 dated September 2019
c/ General Conference Resolution GC(62)/RES/2 of September 2018
d/ Final cash surplus from 2018 appropriations (Annex A5)

NOTE 40: Related parties

Key management personnel

237. 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).

238. 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
2019	9*	1 228	518	379	2125	9	-
2018	8**	1 203	395	300	1 897	17	-

* Due to the passing away of the previous Director General in July 2019, an Acting Director General was appointed until the new Director General took office in December 2019. At any point of time during 2019 there were not more than 7 key management personnel.

** One member of the key management personnel separated in May 2018 and was replaced. At any point in time during 2018 there were not more than 7 key management personnel.

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

240. Advances are those made against entitlements in accordance with Staff Regulations and Staff Rules. Advances against entitlements are widely available to all Agency staff.

NOTE 41: Financial instrument disclosures

241. 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. Annex A6 provides the details of all investments which include call accounts and time deposits.

242. 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.

Credit risk management

243. 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.

244. 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 2018, the Agency implemented 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.

The Agency's credit quality on cash equivalents and investments	Carrying value and percentage of cash equivalents and investments (expressed in euro '000s)			
Credit quality a/	31-12-2019		31-12-2018	
	Carrying value	Percentage	Carrying value	Percentage
AAA	4 928	0.72%	189 382	26.24%
AA+	-	-	-	-
AA	-	-	-	-
AA-	150 382	21.99%	62 264	8.63%
A+	120 016	17.55%	122 019	16.91%
A	227 340	33.247%	164 234	22.75%
A-	5 974	0.87%	5 974	0.83%
BBB+	174 312	22.38%	176 039	24.39%
non-rated	1 703	0.25%	1 836	0.25%
Total	**684 955 b/**	**100%**	**721 748**	**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/ 74.4% of the balance as at 31 December 2019 was denominated in euros, 25.2% was denominated in US dollars and 0.3% in other currencies (68.2%, 31.6% and 0.2%, respectively as at 31 December 2018).

Currency risk management

245. 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.

246. 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.

247. The carrying amounts of the Agency's foreign currency denominated financial assets and financial liabilities translated to euro at the 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 31-12-2019	509 881	172 823	1 605	646	684 955
As at 31-12-2018	492 188	227 886	1 646	28	721 748

248. The decrease of €36.793 million (5.10%) in total cash, cash equivalents and investments as at 31 December 2019, as compared to the balance as at 31 December 2018, was mainly driven by the 2019 purchases of Low Enriched Uranium (LEU) for the LEU Bank Project in an amount of more than €55.0 million.

Liquidity risk management

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

250. 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. As of end of November 2019, all cash available in the Regular Budget Fund had been fully utilized including any advance payments received from a number of Member States. As a result, and as foreseen in Financial Regulation 7.04, the full amount of the Working Capital Fund was utilized to fund the Agency's Regular Budget operations. Furthermore, payments of outstanding Assessed Contributions and advance payments were received from a number of Member States at the beginning of December 2019 resulting to the full replenishment of the Working Capital Fund in early December 2019. This is the second year in a row when the Agency had to utilize the Working Capital Fund to fund the Agency's Regular Budget operations towards the last quarter of the year. However, it should be noted that the current level of the Working Capital Fund has remained unchanged since 1997.

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

251. The Agency's financial liabilities were approximately 55.1% of its financial assets as at 31 December 2019, against 41.9% as at 31 December 2018. This higher percentage is mainly due to a significant 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 5% of its short-term financial assets as at 31 December 2019 (4.5% as at 31 December 2018).

252. As at 31 December 2019, the weighted average period to maturity of the Agency's cash and cash equivalents and investment holdings for euro and US dollar was 18 days and 93 days, respectively (48 days and 81 days, respectively at 31 December 2018).

Interest rate risk management

253. 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.

254. 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 2019, the Agency earned an average rate of 0.10% per annum on its euro cash and investments (0.11% per annum in 2018) and an average rate of 2.42% per annum on its US dollar cash and investments (1.89% per annum in 2018). 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

255. Commitments include purchase orders and service contracts that are not delivered as at end of the reporting period. As at 31 December 2019, the Agency had commitments of €83.335 million (€106.622 million as at 31 December 2018). The details of commitments by funding source are provided below:

	(expressed in euro '000s)	
Fund Group	**31-12-2019**	**31-12-2018**
Regular Budget Fund and Working Capital Fund	20 300	21 078
Major Capital Investment Fund	1 881	5 779
Technical Cooperation Fund	37 126	23 328
Technical Cooperation Extrabudgetary Fund	9 172	3 852
Extrabudgetary Programme Fund	14 736	29 222
Low Enriched Uranium Bank	80	23 325
Trust Funds and Special Funds	40	38
Total commitments	**83 335**	**106 622**

Capital commitments

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

	(expressed in euro '000s)	
	31-12-2019	**31-12-2018**
Scientific and Technical Equipment	5 686	10 119
Construction Contracts	1 660	14 644
Communications & IT Equipment	1 413	2 018
Software	446	552
Security & Safety Equipment	127	43
Furniture and Fixtures	103	52
Vehicles	-	21
Total capital commitments	**9 435**	**27 449**

Operating lease commitments

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

	(expressed in euro '000s)	
	31-12-2019	**31-12-2018**
Office facility operating leases	3 221	2 997
Other leases	1 759	1 785
Total operating lease commitments	**4 980**	**4 782**
Operating lease commitments by term		
Less than one year	1 114	1 103
One to five years	2 372	2 232
Over five years	1 494	1 447
Total operating lease commitments	**4 980**	**4 782**

258. Office facility operating lease commitments pertain to the Agency's offices, primarily in New York, Ontario, Geneva, Rio de Janeiro and Tokyo. The value of future lease commitments is slightly higher in 2019 as compared to 2018 mainly due to the new accommodation lease in Ontario.

259. Other leases primarily represent the rental of office equipment such as photocopiers, book binding and printing equipment. The decrease in the value of these commitments is primarily due to near future expiry of leases for book binding and printing systems equipment.

NOTE 43: Contingent liabilities and contingent assets

Contingent liabilities

260. As at 31 December 2019, there were appeal cases against the Agency with the ILOAT relating to claims of current 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 current or former staff members. If the claimants for these unresolved cases are ultimately successful, it is estimated that the cost to the Agency could be approximately €0.539 million.

261. The Agency has contingent liabilities amounting to €12.227 million related to post-employment and other long-term employee 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. In 2019, the Commissary set up a reserve of €4.0 million earmarked to cover these liabilities. In addition, it should be noted that the Commissary continues to be a going concern with sufficient funds and ability to pay these post-employment and other long-term employee benefits, no accrual for these liabilities has been made. Please refer to Note 37 for further details.

262. 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.

263. The Agency has a potential liability related to relocation, removal and/or other post-operational activities related to the IAEA LEU and IAEA LEU cylinders when the Host State Agreement is terminated or expires. The estimate of the amounts that the Agency would incur in connection to these potential liabilities cannot be reliably measured or estimated at this time.

Contingent assets

264. The Agency's contingent assets, totalling €16.271 million, consist primarily of pledges where the amount of the pledge is based on an estimate for which funds have not been received (€4.071 million), pledges received that have not yet been formally accepted by the Agency (€2.989 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 (€9.211 million, of which €1.681 million are subject to further parliamentary approvals from the donors).

NOTE 44: Events after the reporting date

265. The Agency's reporting date is 31 December 2019. The financial statements were authorized for issuance by the Director General on 6 March 2020.

266. There were no significant events impacting the financial statements, favorable or unfavorable, between the reporting date and the financial statements issuance date.

NOTE 45: Ex-gratia payments

267. 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
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
KgU	Kilograms of Uranium
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 A2

REVENUE FROM CONTRIBUTIONS
FOR THE PERIOD ENDING 31 DECEMBER 2019
(expressed in euros)

Donors	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB) a/ EB RB	EB TC	Total
I. **Member States**						
Afghanistan	19 868	5 170	-	-	-	25 038
Albania	27 789	6 893	14 227	-	-	48 909
Algeria	538 405	133 556	1 243	-	29 308	702 512
Angola	33 114	8 617	-	-	-	41 731
Antigua and Barbuda	7 369	6 530	-	-	-	13 899
Argentina	3 161 525	739 296	5 397	70 000	-	3 976 218
Armenia	20 840	5 170	4 499	-	-	30 509
Australia	8 389 089	1 937 850	-	215 751	-	10 542 690
Austria	2 584 991	597 123	-	-	-	3 182 114
Azerbaijan	201 468	49 976	-	-	-	251 444
Bahamas	47 902	-	-	-	-	47 902
Bahrain	154 760	36 189	104	-	-	191 053
Bangladesh	33 114	8 617	-	-	-	41 731
Barbados	25 793	-	-	-	-	25 793
Belarus	187 573	46 529	-	40 000	-	274 102
Belgium	3 174 351	733 264	-	382 933	150 000	4 440 548
Belize	3 474	-	-	-	-	3 474
Benin	9 935	2 585	-	-	-	12 520
Bolivia, Plurinational State of	38 209	9 478	-	-	-	47 687
Bosnia and Herzegovina	41 684	10 340	9 000	-	-	61 024
Botswana	45 157	11 201	2 432	-	35 000	93 790
Brazil	13 552 548	3 150 408	1 832	-	-	16 704 788
Brunei Darussalam	103 174	-	468	-	-	103 642
Bulgaria	149 363	37 051	55	25 000	-	211 469
Burkina Faso	13 246	3 447	-	-	2 076	18 769
Burundi	3 312	862	-	-	-	4 174
Cambodia	13 246	-	-	-	-	13 246
Cameroon	34 736	-	2 512	-	-	37 248
Canada	10 481 697	2 421 236	-	1 933 569	-	14 836 501
Central African Republic	3 312	-	-	-	-	3 312
Chad	16 556	-	-	-	-	16 556
Chile	1 414 949	330 874	361	9 000	9 000	1 764 184
China	26 472 158	6 566 634	280	541 873	93 445	33 674 390
Colombia	1 076 810	19 782	37	-	-	1 096 628
Congo	22 108	5 000	174	-	-	27 282

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	156 311	77 232	37	-	90 340	323 920
Côte d'Ivoire	31 263	7 755	889	-	-	39 907
Croatia	329 991	81 857	300	-	-	412 148
Cuba	215 361	61 320	3 726	-	-	280 407
Cyprus	152 938	35 328	-	-	-	188 266
Czech Republic	1 219 656	285 206	-	-	175 400	1 680 262
Democratic Republic of the Congo	26 491	6 893	-	-	-	33 384
Denmark	2 096 336	484 247	-	759 477	-	3 340 060
Djibouti	3 312	862	-	-	-	4 174
Dominica	3 686	862	-	-	-	4 548
Dominican Republic	152 838	10 331	-	-	-	163 169
Ecuador	222 310	-	362	-	-	222 672
Egypt	507 142	125 801	2 008	-	-	634 951
El Salvador	45 157	11 201	-	-	-	56 358
Eritrea	3 312	2 556	-	-	-	5 868
Estonia	125 049	31 019	-	-	-	156 068
Eswatini	7 369	1 723	660	-	-	9 752
Ethiopia	33 114	8 567	-	-	-	41 681
Fiji	11 055	2 585	-	-	-	13 640
Finland	1 637 533	378 264	-	280 000	-	2 295 797
France	17 438 417	4 028 213	-	1 808 500	70 000	23 345 130
Gabon	58 956	-	166	-	-	59 122
Georgia	27 789	6 893	2 036	-	-	36 718
Germany	22 929 194	5 296 562	-	594 340	-	28 820 096
Ghana	52 103	12 925	6 400	-	44 950	116 378
Greece	1 669 196	195 164	94	-	-	1 864 454
Grenada	3 685	-	-	-	-	3 685
Guatemala	93 786	23 265	2 260	-	-	119 311
Guyana	7 369	3 841	-	-	-	11 210
Haiti	9934.82	2 585	-	-	-	12 520
Holy See	3 731	1 876	-	-	-	5 607
Honduras	27 789	-	-	-	-	27 789
Hungary	571 138	133 556	139	-	-	704 833
Iceland	82 058	-	-	-	-	82 058
India	2462768.41	610 910	-	-	-	3 073 678

ANNEX A2 (continued)

Donors	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB) a/		Total
				EB RB	EB TC	
Indonesia	1 684 687	211 892	974	17 584	126 890	2 042 027
Iran, Islamic Republic of	1 573 531	-	560	10 000	-	1 584 091
Iraq	430 723	106 845	66	-	-	537 634
Ireland	1 201 102	140 000	-	-	-	1 341 102
Israel	1 544 276	267 542	468	-	20 000	1 832 286
Italy	13 450 891	3 107 109	-	258 000	-	16 816 000
Jamaica	31 263	-	-	-	-	31 263
Japan	34 742 560	8 025 407	-	11 294 587	200 000	54 262 554
Jordan	65 998	16 371	7 130	-	-	89 499
Kazakhstan	639 139	158 544	1 635	88 000	-	887 318
Kenya	59 051	14 648	2 636	10 000	10 464	96 799
Korea, Republic of	7 229 499	1 690 556	-	2 718 916	167 160	11 806 131
Kuwait	1 022 065	236 092	1 726	439 500	-	1 699 383
Kyrgyzstan	6 947	1 723	-	-	-	8 670
Lao People's Democratic Republic	9 935	2 585	-	-	-	12 520
Latvia	166 732	41 359	188	-	-	208 279
Lebanon	152 838	-	109	-	-	152 947
Lesotho	3 312	862	-	-	-	4 174
Liberia	3 312	-	-	-	-	3 312
Libya	442 172	103 398	-	-	-	545 570
Liechtenstein	26 110	6 032	-	-	-	32 142
Lithuania	239 676	59 454	-	-	-	299 130
Luxembourg	227 536	52 561	-	-	-	280 097
Madagascar	9 935	2 585	-	-	4 462	16 982
Malawi	6 623	1 723	-	-	-	8 346
Malaysia	1 142 275	267 112	3 514	-	10 000	1 422 901
Mali	9 935	2 585	-	-	-	12 520
Malta	55 271	12 925	-	-	150 000	218 196
Marshall Islands	3 474	716	-	-	-	4 190
Mauritania	6 623	-	-	-	3 077	9 700
Mauritius	38 209	9 478	1 530	-	-	49 217
Mexico	5 088 653	1 189 938	896	-	-	6 279 487
Monaco	37 299	8 617	-	275 143	40 000	361 059
Mongolia	17 368	4 308	1 002	-	-	22 678
Montenegro	13 894	3 447	94	-	-	17 435

ANNEX A2 (continued)

Donors	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB) a/		Total
				EB RB	EB TC	
Morocco	180 626	44 806	2 406	-	13 927	241 765
Mozambique	13 246	3 447	-	-	-	16 693
Myanmar	33 114	8 617	-	-	-	41 731
Namibia	34 736	8 617	1 620	-	9 669	54 642
Nepal	19 868	-	-	-	-	19 868
Netherlands	5 319 188	1 228 712	-	890 850	-	7 438 750
New Zealand	962 375	-	-	248 883	-	1 211 258
Nicaragua	13 246	3 447	1 716	-	-	18 409
Niger	6 623	1 723	-	-	2 400 000	2 408 346
Nigeria	698 189	173 192	4 388	15 000	454 200	1 344 969
North Macedonia	24 315	6 032	6 543	-	-	36 890
Norway	3 047 522	703 968	-	1 514 864	-	5 266 355
Oman	401 639	93 920	328	-	-	495 887
Pakistan	309 148	76 687	6 807	-	5 000	397 642
Palau	3 686	1 580	-	-	-	5 265
Panama	114 628	28 032	-	-	-	142 660
Papua New Guinea	14 739	-	-	-	-	14 739
Paraguay	45 157	11 201	315	-	-	56 673
Peru	455 040	37 924	-	-	-	492 964
Philippines	552 300	137 002	2 152	-	4 435	695 889
Poland	2 810 126	697 075	13	-	-	3 507 214
Portugal	1 389 155	324 842	-	-	-	1 713 997
Qatar	966 106	223 167	208	-	124 985	1 314 466
Republic of Moldova	13 894	3 447	79	-	500 000	517 420
Romania	614 825	152 512	81	38 000	-	805 418
Russian Federation	11 082 258	2 559 961	-	1 026 946	214 594	14 883 759
Rwanda	6 623	1 723	-	-	-	8 346
Saint Vincent and the Grenadines	3 685	-	-	-	-	3 685
San Marino	11 055	-	-	-	-	11 055
Saudi Arabia	4 064 290	950 400	272	30 000	-	5 044 962
Senegal	16 556	5 000	-	-	-	21 556
Serbia	107 681	26 711	1 395	-	230 000	365 787
Seychelles	3 686	900	-	-	-	4 586
Sierra Leone	3 312	-	-	-	-	3 312
Singapore	1 603 966	370 510	-	-	-	1 974 476

ANNEX A2 (continued)

Donors	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB) a/		Total
				EB RB	EB TC	
Slovakia	534 932	132 694	113	71 520	-	739 259
Slovenia	302 145	69 794	3 555	-	-	375 494
South Africa	1 215 753	301 578	2 483	35 000	292 983	1 847 797
Spain	8 765 834	697 080	-	412 920	190 000	10 065 834
Sri Lanka	104 207	25 850	589	-	5 000	135 646
Sudan	33 114	-	-	-	7 039	40 153
Sweden	3 431 725	792 718	-	723 802	189 454	5 137 700
Switzerland	4 091 967	945 230	-	112 500	-	5 149 697
Syrian Arab Republic	79 892	19 818	1 187	-	-	100 897
Tajikistan	13 894	3 447	-	-	-	17 341
Thailand	972 603	241 262	4 958	24 302	112 568	1 355 692
Togo	3 312	4 097	-	-	-	7 409
Trinidad and Tobago	121 596	-	-	-	-	121 596
Tunisia	93 786	23 265	3 523	-	-	120 574
Turkey	3 400 635	759 200	67	-	-	4 159 902
Turkmenistan	92 119	-	-	-	-	92 119
Uganda	29 804	7 755	-	-	3 139	40 698
Ukraine	343 885	85 303	996	-	-	430 184
United Arab Emirates	2 167 217	500 619	1 016	-	-	2 668 852
United Kingdom of Great Britain and Northern Ireland	16 017 230	3 699 924	-	2 520 532	-	22 237 686
United Republic of Tanzania	33 114	10 067	-	-	13 839	57 021
United States of America	93 253 583	21 326 229	-	57 398 035	4 003 479	175 981 326
Uruguay	280 041	65 485	-	-	-	345 526
Uzbekistan	76 419	18 956	-	-	433 500	528 875
Vanuatu	3 312	-	-	-	-	3 312
Venezuela, Bolivarian Republic of	1 906 995	-	196	-	-	1 907 191
Viet Nam	185 438	48 252	2 752	21 975	-	258 417
Yemen	33 114	-	-	-	-	33 114
Zambia	23 180	6 032	-	-	1 538	30 750
Zimbabwe	13 894	-	6 746	-	-	20 640
Sub-total	**368 476 017**	**82 229 301**	**140 730**	**86 857 302**	**10 640 922**	**548 344 272**

ANNEX A2 (continued)

Donors	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB) a/		Total
				EB RB	EB TC	
II. New Member States						
Saint Lucia	3 685	-	-	-	-	3 685
Sub-total	**3 685**	**-**	**-**	**-**	**-**	**3 685**
III. Other Donors						
European Commission	-	-	-	9 526 572	350 960	9 877 532
International Organizations	-	-	-	298 812	357 446	656 258
Other Sources	-	-	-	684 743	172 255	856 998
Sub-total	**-**	**-**	**-**	**10 510 127**	**880 661**	**11 390 788**
GRAND TOTAL	**368 479 701**	**82 229 301**	**140 730**	**97 367 429**	**11 521 583**	**559 738 744**

a/ Excludes refunds

ANNEX A3

STATUS OF OUTSTANDING CONTRIBUTIONS FOR THE PERIOD ENDING 31 DECEMBER 2019 (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	
1. Member States								
Afghanistan	-	58 523	5 170	-	-	-	-	63 693
Albania	-	268	-	14 227	-	-	-	14 495
Algeria	-	64 329	-	15 694	-	-	-	80 023
Angola	-	-	-	-	-	-	-	-
Antigua and Barbuda	-	4 900	-	1 306	-	-	-	6 206
Argentina	-	2 573 443	1 431 133	7 268	-	20 000	-	4 031 844
Armenia	-	-	-	-	-	-	-	-
Australia	-	-	-	-	-	-	-	-
Austria	-	-	-	-	-	-	-	-
Azerbaijan	-	-	-	-	-	-	-	-
Bahamas	-	-	-	-	-	-	-	-
Bahrain	-	-	-	-	-	-	-	-
Bangladesh	-	-	-	-	-	-	-	-
Barbados	-	75 795	-	4 927	-	-	-	80 722
Belarus	-	-	-	-	-	-	-	-
Belgium	-	-	-	-	-	-	-	-
Belize	-	-	-	-	-	-	-	-
Benin	-	-	-	-	-	-	-	-
Bolivia, Plurinational State of	-	112 138	-	10 509	249 158	-	-	371 805
Bosnia and Herzegovina	-	190 037	-	-	-	-	-	190 037
Botswana	-	-	-	-	-	-	-	-
Brazil	-	13 814 669	-	-	-	-	-	13 814 669
Brunei Darussalam	-	-	-	-	-	-	-	-
Bulgaria	-	-	-	-	-	-	-	-
Burkina Faso	-	124	-	-	-	-	-	124
Burundi	-	9 752	-	-	-	-	-	9 752
Cambodia	-	-	-	-	-	-	-	-
Cameroon	-	174 254	-	18 086	-	-	-	192 340
Canada	-	-	-	-	-	-	-	-
Central African Republic	-	8 784	-	-	-	-	-	8 784
Chad	-	30 674	1 000	-	-	-	-	31 674
Chile	-	1 418 754	-	-	-	-	-	1 418 754
China	-	-	-	-	-	-	-	-
Colombia	-	3 151 183	-	-	-	-	-	3 151 183
Congo	152	81 962	5 000	174	-	-	-	87 288
Costa Rica	-	-	43 255	-	-	-	-	43 255
Côte d'Ivoire	-	11 554	7 755	-	-	-	-	19 309
Croatia	-	-	-	-	-	-	-	-
Cuba	-	469 753	-	-	-	-	-	469 753
Cyprus	-	-	-	-	-	8 000	-	8 000

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	-	26 561	-	-	-	-	-	26 561
Denmark	-	-	-	-	-	-	-	-
Djibouti	-	-	-	-	-	-	-	-
Dominica	-	-	-	8 484	-	-	-	8 484
Dominican Republic	3 194	2 136 304	-	-	183 332	-	-	2 322 831
Ecuador	-	209 569	49 054	-	-	-	-	258 623
Egypt	-	-	-	2 008	-	-	-	2 008
El Salvador	-	59 214	-	26 514	11 149	-	-	96 877
Eritrea	-	2 488	-	-	-	-	-	2 488
Estonia	-	-	-	-	-	-	-	-
Eswatini	-	-	-	-	-	-	-	-
Ethiopia	-	33 202	8 567	-	-	-	-	41 769
Fiji	-	22 033	2 585	6 231	-	-	-	30 849
Finland	-	-	-	-	-	-	-	-
France	-	-	-	-	-	-	-	-
Gabon	-	412 323	-	32 441	-	-	-	444 764
Georgia	-	-	-	-	-	-	-	-
Germany	-	-	-	-	-	-	-	-
Ghana	-	-	-	6 400	-	-	-	6 400
Greece	-	-	-	-	-	-	-	-
Grenada	152	7 345	-	-	-	-	-	7 497
Guatemala	-	5 518	-	11 045	-	-	-	16 563
Guyana	-	-	-	-	-	-	-	-
Haiti	-	10 494	-	-	-	-	-	10 494
Holy See	-	-	-	-	-	-	-	-
Honduras	-	-	-	-	-	-	-	-
Hungary	-	-	-	-	-	-	-	-
Iceland	-	-	-	-	-	-	-	-
India	-	-	-	-	-	-	-	-
Indonesia	-	-	-	-	-	-	-	-
Iran, Islamic Republic of	-	2 609 621	-	-	-	-	-	2 609 621
Iraq	-	-	-	-	-	-	-	-
Ireland	-	-	-	-	-	-	-	-
Israel	-	-	-	-	-	-	-	-
Italy	-	-	-	-	-	90 000	-	90 000
Jamaica	-	-	-	7 424	-	-	-	7 424
Japan	-	-	-	-	-	2 790 734	-	2 790 734
Jordan	-	82 741	-	-	-	-	-	82 741
Kazakhstan	-	-	-	-	-	-	-	-
Kenya	-	-	-	-	-	-	-	-
Korea, Republic of	-	-	-	-	-	-	-	-
Kuwait	-	-	745	-	-	-	-	745
Kyrgyzstan	-	-	-	-	-	-	-	-
Lao People's Democratic Republic	-	19 719	2 585	-	-	-	-	22 304

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	
Latvia	-	-	-	-	-	-	-	-
Lebanon	-	138 151	-	109	-	-	-	138 260
Lesotho	-	238	-	-	-	-	-	238
Liberia	-	200 083	-	-	-	-	-	200 083
Libya	-	1 292 121	12 057	656	-	-	-	1 304 834
Liechtenstein	-	-	-	-	-	-	-	-
Lithuania	-	-	-	-	-	-	-	-
Luxembourg	-	-	-	-	-	-	-	-
Madagascar	-	-	-	-	-	-	-	-
Malawi	-	3 622	-	-	-	-	-	3 622
Malaysia	-	-	-	-	-	-	-	-
Mali	-	17 284	2 585	-	-	-	-	19 869
Malta	-	-	-	-	-	-	-	-
Marshall Islands	-	9 985	-	5 389	-	-	-	15 374
Mauritania	-	415	630	-	-	-	-	1 045
Mauritius	-	-	-	8 966	-	-	-	8 966
Mexico	-	-	-	-	-	-	-	-
Monaco	-	-	-	-	-	-	-	-
Mongolia	-	-	-	-	-	-	-	-
Montenegro	-	-	-	-	-	-	-	-
Morocco	-	-	-	-	-	-	-	-
Mozambique	-	12 673	3 447	-	-	-	-	16 120
Myanmar	-	-	-	-	-	-	-	-
Namibia	-	-	-	-	-	-	-	-
Nepal	-	-	-	-	-	-	-	-
Netherlands	-	-	-	-	-	-	-	-
New Zealand	-	-	-	-	-	-	-	-
Nicaragua	-	-	213	-	-	-	-	213
Niger	-	-	-	-	-	-	-	-
Nigeria	-	428 035	-	-	-	-	-	428 035
North Macedonia	-	-	-	-	-	-	-	-
Norway	-	-	-	-	-	-	-	-
Oman	-	-	-	-	-	-	-	-
Pakistan	-	260	-	-	-	-	-	260
Palau	-	-	-	-	-	-	-	-
Panama	-	242 152	-	-	-	-	-	242 152
Papua New Guinea	-	14 761	-	17 880	-	-	-	32 641
Paraguay	-	132 528	7 452	625	66 536	-	-	207 141
Peru	-	188 990	-	-	-	-	-	188 990
Philippines	-	-	-	-	-	-	-	-
Poland	-	-	-	19 059	-	-	-	19 059
Portugal	-	-	-	-	-	-	-	-
Qatar	-	-	-	-	-	-	-	-
Republic of Moldova	-	-	-	-	-	-	-	-
Romania	-	-	102 812	58 401	46 502	-	-	207 715

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	
Russian Federation	-	-	-	-	-	1 792 000	-	1 792 000
Rwanda	-	-	-	-	-	-	-	-
San Marino	-	-	-	-	-	-	-	-
Saint Vincent and the Grenadines	-	8 873	-	-	-	-	-	8 873
Saudi Arabia	-	-	-	-	-	7 168 000	-	7 168 000
Senegal	-	19 655	5 123	-	-	-	-	24 778
Serbia	-	-	-	10 988	-	-	-	10 988
Seychelles	-	-	-	-	-	-	-	-
Sierra Leone	-	15 893	-	-	-	-	-	15 893
Singapore	-	-	-	-	-	-	-	-
Slovakia	-	-	-	-	-	-	-	-
Slovenia	-	-	-	1 305	-	-	-	1 305
South Africa	-	-	-	2 483	-	-	-	2 483
Spain	-	-	247 080	-	-	262 920	190 000	700 000
Sri Lanka	-	85 372	25 850	-	158 507	-	-	269 729
Sudan	-	68 704	13 370	-	-	89 600	-	171 674
Sweden	-	-	-	-	-	-	-	-
Switzerland	-	-	-	-	-	-	-	-
Syrian Arab Republic	-	80 039	-	-	-	-	-	80 039
Tajikistan	-	-	-	-	-	-	-	-
Thailand	-	-	-	-	-	-	-	-
Togo	-	-	-	-	-	-	-	-
Trinidad and Tobago	-	237 834	-	8 606	-	-	-	246 440
Tunisia	-	-	-	-	-	-	-	-
Turkey	-	-	-	(8 118)	-	-	-	(8 118)
Turkmenistan	-	95 332	-	-	-	-	-	95 332
Uganda	-	1 295	-	-	-	-	-	1 295
Ukraine	-	-	-	-	-	-	-	-
United Arab Emirates	-	-	-	-	-	-	-	-
United Kingdom of Great Britain and Northern	-	-	-	-	-	-	-	-
United Republic of Tanzania	-	-	-	-	-	-	-	-
United States of America	-	11 458 935	-	-	-	-	-	11 458 935
Uruguay	-	-	-	-	-	-	-	-
Uzbekistan	-	-	-	110 887	-	-	-	110 887
Vanuatu	-	9 500	-	-	-	-	-	9 500
Venezuela, Bolivarian Republic of	-	12 151 741	-	46 998	-	-	-	12 198 739
Viet Nam	-	-	-	-	-	-	-	-
Yemen	-	191 229	29 834	-	-	-	-	221 063
Zambia	-	40 466	-	-	-	-	-	40 466
Zimbabwe	-	31 938	-	36 939	-	-	-	68 877
Sub-total	**3 498**	**55 066 137**	**2 007 302**	**493 911**	**715 184**	**12 221 254**	**190 000**	**70 697 286**

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 Lucia	152	3 695	-	-	-	-	-	3 847
Sub-total	**152**	**3 695**	**-**	**-**	**-**	**-**	**-**	**3 847**
III. Former Member States								
Korea, Democratic People's Republic of	-	128 576	26 553	-	35 582	-	-	190 711
Other Sources	-	-	-	-	-	-	-	-
Sub-total	**-**	**128 576**	**26 553**	**-**	**35 582**	**-**	**-**	**190 711**
IV. Other Donors								
European Commission	-	-	-	-	-	651 672	-	651 672
International Organizations	-	-	-	-	-	-	-	-
Other Sources	-	-	-	-	-	17 920	-	17 920
Sub-total	**-**	**-**	**-**	**-**	**-**	**669 592**	**-**	**669 592**
GRAND TOTAL	**3 650**	**55 198 408**	**2 033 855**	**493 911**	**750 766**	**12 890 847**	**190 000**	**71 561 437**

ANNEX A4

STATUS OF DEFERRED REVENUE FOR THE PERIOD ENDING 31 DECEMBER 2019 (expressed in euros)

Donors	Contributions received in advance						Extrabudgetary contributions transferred subject to conditions		
	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB)		Total contributions received in advance	EB RB	EB TC	Total EB contributions transferred with conditions
				EB RB	EB TC				
i. Member States									
Albania	-	-	12 386	-	-	12 386	-	-	-
Armenia	25 405	6 164	3 003	-	-	34 572	-	-	-
Australia	8 140 150	1 873 057	-	-	-	10 013 207	-	56 250	56 250
Austria	-	573 277	-	-	-	573 277	-	-	-
Azerbaijan	-	-	5 422	-	-	5 422	-	-	-
Bahamas	141	-	-	-	-	141	-	-	-
Bahrain	-	-	10 987	-	-	10 987	-	-	-
Bangladesh	34 227	-	8 806	-	-	43 033	-	-	-
Belarus	-	-	-	1 219	-	1 219	-	-	-
Belize	-	-	4 490	-	-	4 490	-	-	-
Benin	-	1 831	-	-	-	1 831	-	-	-
Bolivia, Plurinational State of	-	-	1 971	-	-	1 971	-	-	-
Botswana	-	-	9 480	-	-	9 480	-	-	-
Brazil	-	-	78 261	-	-	78 261	-	-	-
Bulgaria	158 683	38 747	34 992	-	-	232 422	-	-	-
Cambodia	3 462	-	-	-	-	3 462	-	-	-
Cameroon	-	-	-	-	3 695	3 695	-	-	-
Canada	10 081 835	-	-	253 618	-	10 335 453	22 970 567	-	22 970 567
Chile	-	-	43 829	-	-	43 829	-	-	-
China	-	-	-	300 000	20 117	320 117	-	-	-
Colombia	-	-	26 234	-	-	26 234	-	-	-
Costa Rica	-	-	29 337	-	-	29 337	-	-	-
Côte d'Ivoire	-	-	5 267	-	-	5 267	-	-	-
Croatia	-	-	9 580	-	-	9 580	-	-	-
Cuba	-	-	193	-	-	193	-	-	-
Cyprus	-	-	12 723	-	-	12 723	-	-	-
Czech Republic	1 130 578	263 302	-	-	-	1 393 880	-	-	-
Djibouti	12	-	-	-	-	12	-	-	-
Ecuador	-	-	8 004	-	-	8 004	-	-	-
Eritrea	-	881	-	-	-	881	-	-	-
Estonia	133 631	32 583	-	10 000	-	176 214	-	-	-
France	-	-	-	1 250 000	60 000	1 310 000	-	-	-
Guatemala	15 904	-	-	-	-	15 904	-	-	-
Honduras	6 205	-	14 988	-	-	21 193	-	-	-
Hungary	749 207	174 361	6 390	419 188	-	1 349 146	-	-	-
Iceland	104 292	-	-	-	-	104 292	-	-	-
India	2 893 258	706 249	-	-	-	3 599 507	-	-	-
Indonesia	-	-	1 545	-	-	1 545	-	-	-
Iran, Islamic Republic of	-	-	2 491	-	-	2 491	-	-	-
Iraq	3 898	58 464	54 400	-	-	116 762	-	-	-
Israel	-	-	30 654	-	-	30 654	-	-	-
Jamaica	-	-	40 863	-	-	40 863	-	-	-
Japan	-	-	-	3 333 081	756	3 333 837	-	-	-
Jordan	-	-	53 026	-	-	53 026	-	-	-
Kazakhstan	616 891	150 584	80 663	-	-	848 138	-	-	-

ANNEX A4 (continued)

Donors	Contributions received in advance						Extrabudgetary contributions transferred subject to conditions		
	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB)		Total contributions received in advance			Total EB contributions transferred with conditions
				EB RB	EB TC		EB RB	EB TC	
Korea, Republic of	-	-	-	558 034	-	558 034	-	-	-
Kuwait	927 331	-	34	912 000	-	1 839 365	-	-	-
Kyrgyzstan	922	1 761	925	-	-	3 608	-	-	-
Latvia	162 135	39 627	30 178	-	-	231 940	-	-	-
Lithuania	245 297	59 881	11 456	-	-	316 633	-	-	-
Luxembourg	152	-	-	-	-	152	-	-	-
Madagascar	99	3 579	-	-	-	3 678	-	-	-
Malta	60 397	14 090	5 935	-	-	80 422	-	-	-
Mauritius	39 683	9 687	-	-	-	49 370	-	-	-
Mexico	3 240 768	-	2 664	-	-	3 243 432	-	-	-
Mongolia	16 192	-	6 465	-	-	22 657	-	-	-
Montenegro	21 907	862	18 667	5 000	-	46 436	-	-	-
Morocco	-	-	5 214	-	-	5 214	-	-	-
Myanmar	1 547	8 789	-	-	-	10 336	-	-	-
Namibia	-	-	1 988	-	-	1 988	-	-	-
Netherlands	4 994 306	1 149 196	-	-	-	6 143 502	-	126 260	126 260
New Zealand	1 071 574	-	-	-	-	1 071 574	-	-	-
Nicaragua	-	-	5 815	-	-	5 815	-	-	-
Niger	-	1 761	-	-	-	1 761	-	-	-
Nigeria	-	212 227	50 019	-	-	262 246	-	-	-
Pakistan	-	917	67 065	-	-	67 982	-	-	-
Palau	12 931	-	-	-	-	12 931	-	-	-
Panama	-	878	5 295	-	-	6 172	-	-	-
Paraguay	-	-	3 697	-	-	3 697	-	-	-
Peru	-	-	72 486	-	-	72 486	-	-	-
Philippines	-	-	1 015	-	4 545	5 560	-	-	-
Poland	-	-	14 673	-	-	14 673	-	-	-
Portugal	1 274 264	-	-	-	-	1 274 264	-	-	-
Qatar	250 632	-	-	-	-	250 632	-	-	-
Republic of Moldova	1 912	-	-	-	-	1 912	-	-	-
Romania	-	-	6 225	-	-	6 225	-	-	-
Russian Federation	-	-	-	100 000	-	100 000	-	-	-
Rwanda	19 525	-	-	-	-	19 525	-	-	-
San Marino	459	-	-	-	-	459	-	-	-
Saudi Arabia	3 728 802	993 226	-	-	-	4 722 028	-	-	-
Serbia	-	-	4 450	-	-	4 450	-	-	-
Singapore	1 789 516	411 425	2 392	-	-	2 203 333	-	-	-
Slovakia	530 265	129 450	-	-	-	659 715	-	-	-
Slovenia	243 717	64 285	-	-	-	308 002	-	-	-
Spain	152	-	-	29 920	-	30 072	-	-	-
Sri Lanka	-	-	10 320	-	-	10 320	-	-	-
Sweden	-	-	-	93 320	-	93 320	846 625	186 567	1 033 192
Switzerland	-	-	-	202 000	-	202 000	-	-	-
Syrian Arab Republic	-	-	8 725	-	-	8 725	-	-	-
Tajikistan	-	-	42 830	-	-	42 830	-	-	-

ANNEX A4 (continued)

	Contributions received in advance						Extrabudgetary contributions transferred subject to conditions		
				Extrabudgetary (EB)					
Donors	**Regular Budget (RB)**	**Technical Cooperation Fund (TCF)**	**National Participation Costs (NPCs)**	**EB RB**	**EB TC**	**Total contributions received in advance**	**EB RB**	**EB TC**	**Total EB contributions transferred with conditions**
Thailand	678 510	-	-	-	-	678 510	-	-	-
Togo	2 491	-	-	-	-	2 491	-	-	-
Tunisia	4 107	-	-	-	-	4 107	-	-	-
Turkey	-	-	3 057	-	-	3 057	-	-	-
Ukraine	198 416	48 434	-	-	-	246 850	-	-	-
United Arab Emirates	-	-	33 203	-	-	33 203	-	-	-
United Kingdom of Great Britain	16 841 378	3 870 281	-	-	-	20 711 659	-	-	-
United Republic of Tanzania	1 829	-	-	-	-	1 829	-	-	-
United States of America	-	-	-	16 501 686	934 257	17 435 943	-	-	-
Uruguay	23 120	-	-	-	-	23 120	-	-	-
Uzbekistan	46 567	-	26 067	-	-	72 634	-	-	-
Viet Nam	8 518	-	-	-	-	8 518	-	-	-
Sub-total	**60 537 198**	**10 899 855**	**1 030 845**	**23 969 066**	**1 023 370**	**97 460 334**	**23 817 192**	**369 077**	**24 186 269**
ii. Other Donors									
European Commission	-	-	-	1 585 474	-	1 585 474	27 328 881	131 136	27 460 017
International Organizations	-	-	-	59 477	-	59 477	-	-	-
Other Sources	-	-	-	2 432	-	2 432	-	-	-
Sub-total	**-**	**-**	**-**	**1 647 384**	**-**	**1 647 384**	**27 328 881**	**131 136**	**27 460 017**
GRAND TOTAL	**60 537 198**	**10 899 855**	**1 030 845**	**25 616 450**	**1 023 370**	**99 107 718**	**51 146 073**	**500 213**	**51 646 286**

ANNEX A5

REGULAR BUDGET FUND
STATUS OF CASH SURPLUS
As at 31 December 2019
(expressed in euros)

Calculation of provisional cash surplus/(deficit) for 2019	
Receipts	331 047 057
Disbursements	337 868 538
Excess (shortfall) of receipts over disbursements	(6 821 481)
Unliquidated obligations	(25 649 262)
Provisional 2019 cash deficit	**(32 470 742)**

Calculation of final cash surplus for 2018	
Prior year provisonal cash deficit	(23 587 329)
Receipt of:	
Contributions all prior years	25 655 764
Savings on liquidation of prior year's obligations	1 704 374
Miscellaneous income	909 325
Unobligated balances	17 137
Final cash surplus for 2018	**4 699 272**
Transfer of Surplus to MCIF	(4 699 272)
Final cash surplus/(deficit) for 2018	-
Prior years cash surpluses a/	**53 401**
Total cash surpluses/(deficit)	**53 401**

a/ Withheld pending receipt of contributions.

ANNEX A6

STATEMENT OF INVESTMENTS AS AT 31 DECEMBER 2019
(expressed in euros)

Euro Denominated Cash Equivalents and Investments					
Type of Issuer	**Type of Instrument**	**Carrying Value**	**Yield per annum (%)**	**Original Investment date**	**Maturity date**
Commercial	Call account	10 000	0.00		
Commercial	Call account	35 000	0.00		
Commercial	Call account	70 000	0.00		
Commercial	Call account	55 000	0.00		
Commercial	Time Deposit	34 000	0.03	2019-08-26	2020-01-06
Commercial	Time Deposit	20 000	0.03	2019-08-28	2020-01-06
Commercial	Time Deposit	30 000	0.00	2019-04-11	2020-04-09
Commercial	Time Deposit	8 000	0.01	2019-12-05	2020-08-05
Commercial	Time Deposit	30 000	0.02	2019-05-07	2020-05-06
Total Euro Denominated Cash Equivalents and Investments		**292 000**			
Euro Denominated Cash Equivalents and Investments as Percent of Total				**63%**	

US Dollar Denominated Cash Equivalents and Investments (Euro equivalent)					
Type of Issuer	**Type of Instrumer**	**Carrying Value**	**Yield per annum (%)**	**Original Investment date**	**Maturity date**
Supranational	Time Deposit	44 800	1.76%	2019-12-09	2020-01-09
Supranational	Time Deposit	2 240	1.57%	2019-12-30	2020-01-13
Commercial	Time Deposit	2 688	1.57%	2019-12-30	2020-01-14
Commercial	Time Deposit	6 272	2.83%	2019-04-02	2020-01-31
Commercial	Time Deposit	8 960	2.57%	2019-06-18	2020-02-27
Commercial	Time Deposit	13 440	2.07%	2019-09-16	2020-03-16
Commercial	Time Deposit	6 272	2.23%	2019-09-26	2020-03-26
Commercial	Time Deposit	8 960	2.61%	2019-06-18	2020-03-31
Commercial	Time Deposit	8 960	2.64%	2019-06-18	2020-04-29
Commercial	Time Deposit	3 584	2.10%	2019-10-01	2020-05-01
Commercial	Time Deposit	8 960	2.66%	2019-06-18	2020-05-29
Commercial	Time Deposit	2 240	1.98%	2019-12-04	2020-06-03
Commercial	Time Deposit	9 856	2.07%	2019-09-30	2020-06-30
Commercial	Time Deposit	13 440	1.99%	2019-12-16	2020-07-30
Commercial	Time Deposit	8 960	1.97%	2019-11-14	2020-09-30
Commercial	Time Deposit	8 960	1.96%	2019-10-09	2020-04-13
Commercial	Time Deposit	8 960	2.74%	2019-04-11	2020-04-09
Commercial	Time Deposit	4 480	2.52%	2019-09-30	2020-03-31
Total US Dollar Denominated Cash Equivalents and Investments		**172 032**			
US Dollar Denominated Cash Equivalents and Investments as Percent of Total				**37%**	
Total Euro Equivalent Cash		**464 032**			

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 2019

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 Safeguards' Supporting Activities

2019

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EXECUTIVE SUMMARY

The Importance of This Audit

During 2019, the IAEA generated a revenue of €580.73 million and recognized expenses amounting to €570.66 million, as well as managed assets and liabilities amounting to €1,213.45 million and €695.81 million, respectively. Out of these, Nuclear Verification Major Programme incurred €180.85 million of expenses (31.69%) and administered €172.31 million of PPE & Intangibles (14.20%).

Accordingly, the Audit Board of the Republic of Indonesia (BPK) presents this report as a result of the audit on the Agency's financial statements as at and for the period ended 31 December 2019.

BPK also conducted a performance audit on key areas of Safeguards Agreement Outreach Efforts, Concept and Planning, Information Analysis, and Effectiveness Evaluation in relation to operational alignment with the Safeguards Operation Divisions.

In conducting the financial statements and performance audits, we were guided by the International Standards on Auditing (ISAs) and the International Standards of Supreme Audit Institutions (ISSAIs), respectively.

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 errors; and in accordance with the International Public Sector Accounting Standards (IPSAS).

With respect to the performance audit, the objective was to assess the management effectiveness of Safeguards' supporting activities so as to strengthen the implementation of nuclear verification.

Financial Audit Overview

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 2019 and its financial performance and cashflows for the year then ended in accordance with IPSAS.

We acknowledged the Agency's efforts to collect the assessed contributions that are mandatory from Member States. However, there is a concern over the increasing amount of outstanding assessed contributions that could affect the Agency's functions and its financial sustainability. Thus, we reiterate our recommendation to encourage the Agency to improve the collectability of those receivables, including the use of possible payment plans.

Performance Audit Summary

It is appreciated that the Agency effectively managed Safeguards' supporting activities in the scope of chosen key areas. It is worth noting, however, that there are also other areas requiring further attention to enhance their nuclear verification performance.

As regards the Safeguards Agreement Outreach Effort, 11 States had yet to bring Comprehensive Safeguards Agreements (CSA) into force, 46 States had yet to conclude Additional Protocols (AP) and 35 States had yet to amend their Small Quantities Protocols (SQP). Therefore, we recommend the Agency to continue, and if appropriate, to enhance the collaboration with relevant stakeholders that are actively involved in efforts to promote safeguards agreements.

In terms of the Agency's Policy on Staff Tenure, applying a 7-year term of contract for inspectors does not maximize the Agency's investment in preparing a newly recruited inspector. In this context, the Agency needs to have a comprehensive analysis for longer-term contracts for Safeguards' inspectors and key technical professional staff. Herewith, we recommend the Agency to consider assessing the aforementioned investment and analyze the possible cost-efficiency of longer-term contracts for them.

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 financial statements for the financial years 2018 to 2019 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 accordance with the applicable International Standards on Auditing (ISA) and International Standards of Supreme Audit Institutions (ISSAI), 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 2019. 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 assess the management effectiveness of Safeguards' supporting activities so as to strengthen the implementation of nuclear verification.

4. The audits involved discussions with key managers of the subprogrammes and sections 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 which included level of alignment with priorities described in the Programme and Budget 2016-2017 and 2018-2019 (the Blue Book), the Agency's synergies, efficiency-related concerns, budget significance, risks to management, previous audits, potential impacts, current management's considerations, and confidential nature of subject matters. As a result, we selected the Management of Concept and Planning, Information Analysis, and Effectiveness Evaluation in alignment with their application by the Safeguards Operation Divisions, as well as Director General's Office (DGO)'s role in safeguards agreement outreach efforts.

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 result-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 ninth 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 which provides 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 99.96% and 28.66% 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 €24.08 million in 2019. The Technical Cooperation Fund (TCF) recorded a net surplus of €5.06 million which is higher compared to 2018. The Extrabudgetary Fund (EBF) and Technical Cooperation Extrabudgetary Fund (TC-EB) recorded a net surplus of €26.55 million and €2.13 million, respectively, in 2019. The surplus realized in the LEU Bank Fund (LEU) amounted to €7.26 million in 2019.

Revenue Analysis

11. Total revenue in 2019 was €580.73 million, which represented a 0.74% decrease as compared to 2018 (€585.03 million). The decrease was mainly due to the decrease in voluntary and other contributions by €7.8 million and €4.1 million, respectively. The decrease was partially offset by an increase in revenue from assessed contributions and investment revenue of €6.4 million and €0.9 million, respectively.

Expense Analysis

12. There was 1.62% increase in expenses in 2019 (€570.66 million) as compared to 2018 (€561.54 million). Salaries and employee benefits (€306.33 million) accounted for 53.7% of the Agency's expenses and has shown an increase of €16.50 million from 2018. The second largest component was transfers to development counterparts (€46.84 million) which represented 8.21% of the expenses in 2019. Travel (€44.28 million) had shown a decrease of €2.36 million from 2018. Other operating expenses at €24.80 million had shown a decrease of €2.53 million as compared to 2018.

Financial Position

13. The overall financial position of the Agency continues to be quite healthy as at 31 December 2019. This financial health can be seen in the following key indicators:

- The overall net assets value, calculated as total assets less total liabilities, is €517.64 million;
- The value of current assets is approximately almost five times the value of current liabilities. This signifies that the Agency has sufficient resources to cover its liabilities expected to come due in the upcoming 12 months.

14. As at 31 December 2019, the total cash, cash equivalents and investments represent 56.45% 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 2019 from 2018 are the following:

- Current assets increased by €34.87 million mainly due to the increase in the overall amount of cash and cash equivalents;
- Non-current assets increased by €4.41 million related primarily to Property, Plant, & Equipment, in particular related to capitalized assets under construction; and
- Total liabilities increased by €102.24 million mainly due to the increase in the Agency's employee benefits liabilities. The changes in actuarial assumptions resulted in an actuarial loss of €75.84 million for ASHI in 2019 that drove the increase in liabilities.

16. In 2019, the Agency experienced an overall decrease in net assets, from €580.61 million to €517.64 million, which was primarily driven by the increase in total liabilities of €102.24 million which more than offsets the net increase in assets by €39.28 million.

Cash, Cash Equivalents and Investments Balances

17. In 2019, the cash, cash equivalents and investments balances decreased by €36.8 million or (5.1%) to €684.95 million at 31 December 2019. The decrease was mainly driven by the 2019 purchases of Low Enriched Uranium for the LEU Bank project of more than €55.0 million.

18. As at the end of 2019, 74.4% of the total cash, cash equivalents and investments were denominated in euro while 25.2% were denominated in US dollars and 0.33% in other currencies. Interest rates on euro denominated investments remained near zero in 2019; however, interest rates in US dollar denominated investments continued to increase 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 2019 by €0.9 million.

Accounts Receivables

19. Overall, the total net receivables from non-exchange transactions increased by €10.1 million to €61.0 million at 31 December 2019. The main components of this balance are receivables from assessed contributions (€45.5 million), voluntary contributions receivable (€14.4 million), and other receivables (€1.1 million).

20. The increase experienced in 2019 is mainly driven by the increase in assessed contributions receivable. During 2019, the rate of collection of assessed contributions decreased from 92.79% to 90% which resulted in an increase of outstanding assessed contributions aged less than one year of €10.6 million. In addition, the contributions in arrears for more than one year decreased by €0.20 million.

Property, Plant and Equipment

21. Buildings and Leasehold Improvements continue to account for the largest component of the net book value of Property, Plant and Equipment (PP&E).

22. The total net book value of PP&E increased by €9.4 million (3.3%). Among the factors contributing to this increase are the following:

- Approximately 63% of the additions to PP&E, which totaled €34.1 million in 2019, relate to buildings under construction within the scope of the ReNuAL project (€17.4 million) as well as the Inspection Equipment and Laboratory Equipment pending installation or assembly (€3.2 million).
- The remaining additions to PP&E during the year were experienced in all other asset categories, with the largest components in Laboratory Equipment, Communications and IT Equipment, Buildings and Leasehold Improvements and Inspection Equipment.
- These additions were offset by the depreciation expense of €24.7 million.

23. As at 31 December 2019, the balance of PP&E under construction was primarily comprised of €20.75 million related to the ReNuAL project.

Intangible Assets

24. The net carrying amount of Intangible Assets at 31 December 2019 was €60.26 million which decreased from €65.64 million in 2018. The principal driver for the decrease in the carrying value of Intangible Assets is the high level of amortization expense which more than offsets additions during the year. During 2019, total costs of €7.3 million were added to the value of internally developed software, of which €3.0 million relates to Post-MOSAIC and €4.3 million relates to other internally developed software projects.

Risk Management

25. The financial statements prepared under IPSAS provide details of how the Agency manages its financial risk, including credit risk, market risk (foreign currency exchange and interest rate) and liquidity risk. From an overall perspective, the Agency's investment management prioritizes capital preservation as its primary objective, ensuring sufficient liquidity to meet cash operating requirements, and then earning a competitive rate of return on its portfolio within these constraints.

Financial Ratio

26. The Agency's financial ratios for the last four years are described in Table 1 below.

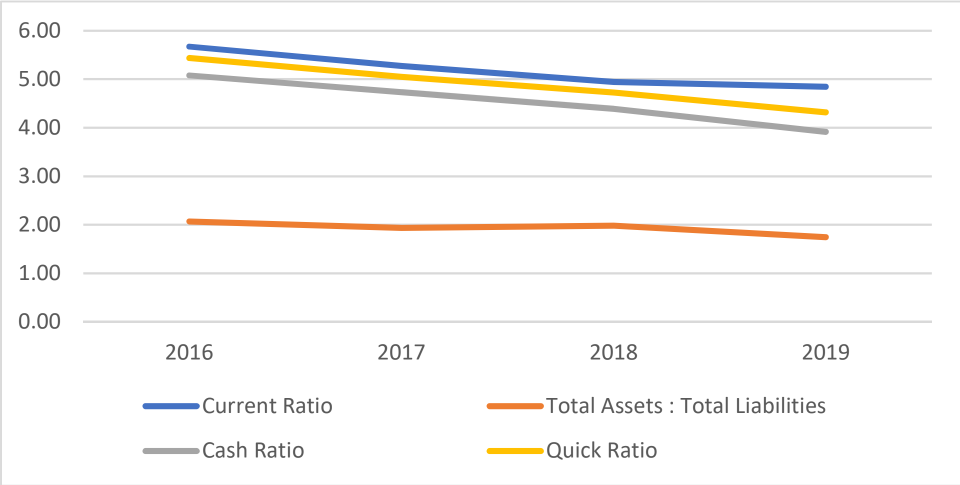
Table 1. Financial Ratios from 2016-2019

No	Financial Ratios	31 December 2019	31 December 2018	31 December 2017	31 December 2016
1	**Current Ratio** Current Assets: Current Liabilities	4.85	4.94	5.28	5.67
2	**Total Assets: Total Liabilities** Assets: Liabilities	1.74	1.98	1.93	2.07
3	**Cash Ratio** Cash + short-term investments: current liabilities	3.92	4.39	4.73	5.08
4	**Quick Ratio** Cash + short-term investments + accounts receivable: current liabilities	4.32	4.73	5.05	5.44

27. Based on Table 1, the Agency's financial ratios from 2016-2019 are declining. The current ratio decreases by 0.09 point from 2018, while the other three ratios namely total assets: total liabilities, cash ratio, and quick ratio, decrease by 0.24, 0.47, and 0.41 point, respectively, from last year.

28. Graph 1 below clearly depicts the decreasing trend in the Agency's financial ratios even though all the ratios are still safe and sound.

Graph 1. Trend of Financial Ratio from 2016-2019



AUDIT OPINION

29. 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 2019. Audit of the financial statements for the financial year 2019 revealed no weaknesses or errors which we considered material to the accuracy, completeness and validity of the financial statements as whole. Accordingly, we have placed an unqualified opinion on the Agency's financial statements for the financial year ended 31 December 2019.

DETAILED AUDIT FINDINGS

I. FINANCIAL MATTERS

A. Petty Cash and Imprest Funds' Replenishment

Petty Cash

30. The Agency has issued Financial Instruction (FI) No. 16, Procedures for the Operation of the Agency's Petty Cash Funds, dated 20 November 2018. Based on the FI No.16, petty cash replenishment mechanism is as follows:

a. Disbursements up to a maximum of €250 (or equivalent in other currencies) per invoice/claim exclusive of any recoverable value added tax (VAT) can be made from Petty Cash Funds.

b. Staff members shall request a reimbursement of permissible expenses from Petty Cash Funds using a Petty Cash Form. The form is a Microsoft Word template and electronically accessible in Word document under My Templates, Division of General Services (MTGS) Tab.

c. Requests for reimbursement from Petty Cash Funds, supported by invoices/claims and justification of expenditure must be submitted for reimbursement within one month after the date of the purchase.

d. Allotment Managers certifying bills/invoices/claims should ensure that the goods purchased have been received and services rendered.

e. Disbursements from the Petty Cash Funds may only be made for the purpose of the Petty Cash Fund as approved by the Director of the Division of Budget and Finance (DIR-MTBF). Listed below, which is by no means an exhaustive list, are some of the permissible and non-permissible disbursements from Petty Cash Funds.

31. Key instructions in FI No.16 related to cross-year reimbursements are:

a. Paragraph 10, which states that requests for reimbursement from Petty Cash Funds, supported by invoices/claims and justification of expenditure must be submitted for reimbursement within one month after the date of the purchase.

b. Paragraph 15, which states that at year-end, a request for replenishment must be submitted to MTBF - Account Payable Section (APS) by the stipulated deadline in the year-end accounts closure timetable. In addition, Petty Cash Fund Holders are required to submit the confirmation of petty cash fund balance as of the last working day of the financial year.

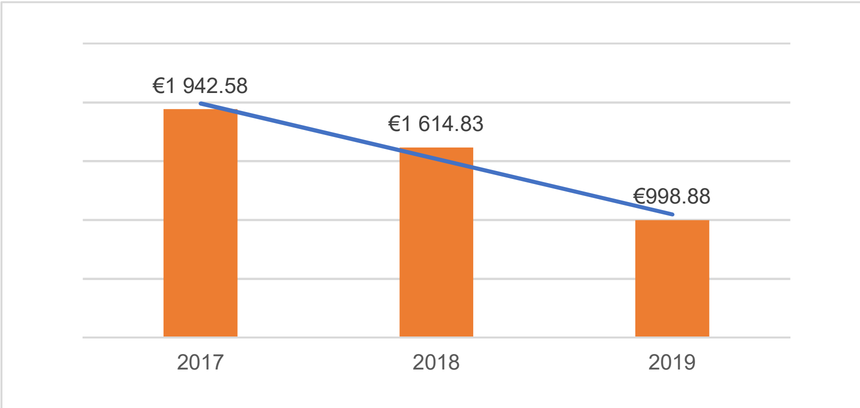
32. Based on our examination of 15 petty cash replenishment documents with 198 transactions, we found 32 prior year transactions which were included in 2019 replenishment documents amounting to €998.88 in Safeguards, Seibersdorf, General Services, and Transportation and Visa Units.

33. Those transactions were replenished and recorded as expenses in 2019 despite the fact that the transactions occurred in 2018. The Petty cash cashier in Safeguards provided various documented reasons for the late submission of invoices including late receipt of invoices and the absence of supervisor.

34. This issue has been mentioned in the 2017 and 2018 External Audit Reports with the recommendation that the Agency establishes written guidelines regarding management of 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 has responded that it has created accounting accruals for the expenses incurred in the prior year and that Financial Instruction 16 has been revised to restrict the reimbursement of prior year expenses. The Agency considers this prior year recommendation as implemented.

35. The amount of prior year transactions replenished the year after decreased from €1 942.58 in 2017 to €998.88 in 2019 as shown in Graph 2 below.

Graph 2. Amount of Prior Year Transactions were Replenished in Petty Cash



Imprest Funds

36. As stated in Administrative Manual V, Section 3, Financial Rules, imprest funds shall be established when the amounts to be paid are minor or when, in specific situations, the Agency cannot make timely payment by following standard procedures. Imprest funds may only be used for the purposes specified and payment made from them shall not exceed the limits authorized.

37. Trial Balance of the IAEA as at 31 December 2019 shows that the Agency has imprest funds amounting to €0.12 million with detail as follows:

a. Imprest Fund Tokyo €0.05 million;

b. Imprest Fund Toronto €0.03 million;

c. Imprest Fund Monaco €107.24;

d. Imprest Fund Division for Radiation, Transport, and Waste Safety (NSRW) €0.029 million; and

e. Imprest Fund Safeguards - Section for Program and Resources (SG SPR) €0.01 million.

38. In practice, imprest funds are deposited in bank and kept on hand with detail as follows:

Table 2. Detail of Imprest Funds

Imprest Funds	Deposit Bank	Cashier	Fund Holder	Replenishment Level
Tokyo	SMBC - 4346801	EY	MF (SH-OAT)	¥6 000 000.00
Toronto	CIBC - 0052 48-01113	PHF	M. K (SH-OB4)	N/A (to be closed in 2020)
Monaco	CFM IWM - 0087002	S. C	D. O (DIR-NAEL)	€20 000.00
NSRW	Safe Deposit Box	-	EB	€10 000 and US$21 000
SG SPR	Safe Deposit Box	-	MM	N/A

39. Based on our examination, we identified that 2018 transactions of Tokyo Imprest Fund amounting to ¥0.43 million were replenished in January 2019. Moreover, expenditure list of the fund for January 2020 also indicates that cash replenishment within the period amounting to ¥0.33 million was conducted for transactions in 2019.

40. This issue was mentioned in the 2017 External Audit Report with the recommendation that the Agency should establish written guidelines regarding management of imprest funds as a control to ensure that replenishment of imprest funds is only for transactions within the related accounting period.

41. The recommendation is in line with the Financial Rule 110.50 which mentions that DIR-MTBF has the responsibility to establish procedures for the operation of imprest funds. Until now, the Agency has not followed up that recommendation and mandate.

42. Hence, we reiterate our previous recommendation to establish written guidelines regarding management of imprest funds. The Agency has responded that it closed two of the imprest funds in 2019 (Monaco and SG SPR) and it does not consider the remaining two imprest funds (Toronto and Tokyo) as operational since there is no or hardly any activity on these accounts. As such, the Agency does not see a need to have written guidelines since steps to close these have been initiated.

B. Outstanding Assessed Contributions

43. The Agency's regular budget consists of an operational and a capital component. While the first component is used to finance ongoing operational costs, the capital component is used to finance major infrastructure investments in line with the IAEA's major capital investment plan. This regular budget is financed by the Member States' assessed contribution, other contributions, exchange revenue, and miscellaneous income. In 2019, assessed contributions generated 95.60% of the total Regular Budget revenue or 63.45% of total the Agency's revenue.

44. The 2018 External Audit Report noted the issues of outstanding payments in the regular budget from Member States and we recommended that the Agency:

a. strengthen its efforts to ensure that receivables are collected from the Member States including the use of payment plan agreement; and

b. consider its approach to funding the regular budget fund deficit, including considering the need to change an adequate level for the WCF to meet the Agency's needs.

45. The 2018 External Audit Report also noted that 85% of the outstanding balance were from only four Member States. One of them had an outstanding assessed contribution balance for a period of

41 years. This Member State always pays its share towards the Technical Contribution Fund, which is a voluntary contribution, but never pays its outstanding assessed contribution while this contribution is mandatory.

46. We appreciate the effort of the Agency to lower the number of Member States who have not paid their Regular Budget contribution to 41 Member States, compared to 46 Member States in 2018. Furthermore, the Agency has also reduced the number of Member States with no voting right to 8 countries, from 12 countries in 2018. However, we are still concerned about the risk of cash shortage that occured in Q4 2019 as it also happened in previous year especially with the decrease in the collection rate of 2019 Assessed Contributions to 90%, compared to 93% in 2018.

47. Based on the Agency's Financial Performance by Fund (Statement VIIb) for the last four years, we identified that the Agency experienced an increasing deficit in its its Regular Budget Fund and Working Capital Fund as shown in Table 3 and Graph 3 below.

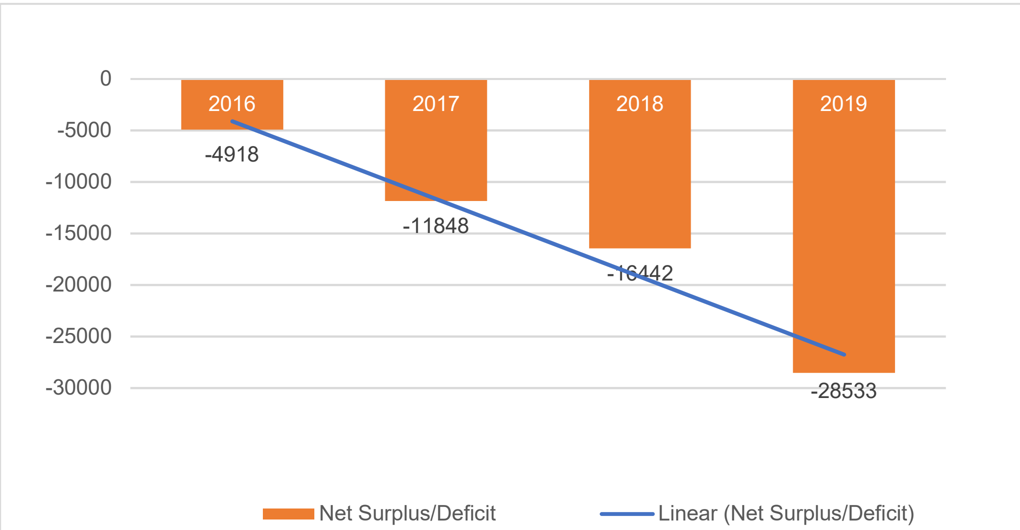
Table 3. Deficit in Regular Budget Fund and Working Capital Fund

(in euro '000s)

Financial Performance	2016	2017	2018	2019
Revenue	363 122	372 498	373 672	379 249
Expenses	367 321	380 698	388 852	408 227
Net Gain / (Losses)	(718)	(3 648)	(1 262)	445
Net Surplus / (Deficit)	(4 918)	(11 848)	(16 442)	(28 533)

Graph 3. The Agency's 2016-2019 Net Surplus/(Deficit)

(in euro '000s)



48. In relation to this deficit condition, we identified the following issues:

Outstanding Regular Budget

49. The current low level of Regular Budget cash balance is the result of the high level of Regular Budget receivables from prior years. Over the recent years, the Agency's level of outstanding contribution tends to increase as shown in Table 4 below.

Table 4. IAEA Outstanding Contribution for Years 2016 – 2019

Financial Performance	2016	2017	2018	2019
Regular Budget Receivable (million Eur)	32.956	40.254	44.761	55.198
Regular Budget Contribution Revenue (million Eur)	354.851	363.670	362.101	368.480
Receivable Percentage of the revenue	9.28%	11.07%	12.36%	14.97 %
Allowance for doubtful accounts (million Eur)	5.292	7.646	9.398	9.707

50. As at 31 December 2019, the Agency's level of regular budget receivable increased by €10.44 million from its balance as at 31 December 2018. This is mainly because of the significant increase in current year outstanding contributions compared to 2018. Current year outstanding contributions increased to €36.6 million compared to only €26 million in 2018 while prior years outstanding contributions slightly decreased to €18.5 million in 2019 from €18.7 million in 2018.

51. This increasing trend of outstanding contribution in the last four years, as shown in Table 4, poses a liquidity risk to the Agency and may affect the continuity of the Agency's operations.

Working Capital Fund

52. As stated in Financial Regulation 7.04, Working Capital Fund (WCF) is the fund used for advances to the Regular Budget Fund to finance appropriations temporarily and for other purposes authorized by the General Conference upon the recommendation of the Board. The source of money of the WCF shall be advances from Member States to be made in accordance with their respective base rates of assessment as determined by the General Conference. The amount of WCF shall be approved from time to time by the General Conference also upon the recommendation of the Board.

53. For the financial year 2019, the General Conference has approved a continuation of the WCF at the level of €15.2 million which is 4.16% of the Regular Budget. The level of WCF amount did not change from 2005 until 2019. The movement of Regular Budget cash balance in 2019 is as follows:

Table 5. Quarterly Regular Budget in 2019

Financial Performance	Q1	Q2	Q3	Q4
Regular Budget Cash Balance (million Eur)	83.100	62.800	27.700	53.200
Estimated monthly cash disbursement for the Regular Budget (million Eur)	30.000	30.000	30.000	30.000
Period covered by the Regular Budget cash balance (month)	2.8	2.1	0.9	1.8
Working Capital Fund cash balance (million Eur)	15.200	15.200	15.200	15.200
Additional month covered by WCF cash balance (month)	0.5	0.5	0.5	0.5

Note: Q is Quarter.

54. The Agency's Contribution Unit explained that the Agency had a shortage of cash during October and November 2019 and had resorted to use WCF. The Agency utilized the WCF to finance operational expenditures due to a deficit balance in Regular Budget. The WCF was fully utilized in November 2019,

but was replenished on 2 December 2019 after receiving payment from a major contributing Member State.

55. Considering the recent condition of outstanding Regular Budget, we are of the opinion that the Agency shall review its WCF level. The Agency might want to consider increasing its WCF to a sufficient amount that can cover the Agency's operations for more than half a month.

The Cash Deficit

56. In 2019, the high level of outstanding Regular Budget contributions impacted the Agency's cash flow so that in October 2019, the Agency utilized its WCF due to the Regular Budget deficit balance, which is the second year in a row that the Agency had to utilize the WCF to cover Regular Budget operations. In situations where the Agency is faced with cash liquidity issues and there are still outstanding amounts from the largest contributors, the established internal procedure provides that the Agency should prepare a letter to urge the concerned Member States to make their payments. Hence, the Agency does not have to borrow from other funds to finance its operational activities. However, there is no further procedure to resolve the cash deficit threat if the concerned Member States do not make any payment after the reminder letter.

57. We noted that in November 2019, the Agency, due to the low level of Regular Budget cash balance, sent a reminder letter to one Member State with the largest outstanding balance. In the reminder letter, the Agency requested the Member State's authorization to use its unallotted/unexpended balance of extrabudgetary funds in case the Member State would not be able to pay the Regular Budget's outstanding balance timely. Also, Treasury had to engage intense activities of cash monitoring due to the liquidity situation, and some large payments to vendors had to be re-scheduled/delayed. The Member State agreed to allow the Agency to use up to $20 million from its Extrabudgetary Fund.

58. We acknowledge the Agency's efforts to collect the assessed contributions from Member States in a timely manner and to settle the outstanding balances. However, we are concerned that the increasing amount of outstanding assessed contributions could affect the Agency's functions and its financial sustainability. Furthermore, these outstanding contributions could become irrecoverable.

59. The deficit condition in 2019 was worse because the collected contribution during October and November 2019 was only €9.2 million, inferior compared to 2018 when the Agency received €70 million within the same months. The drastic decline was mainly caused by the payment of a major contributor that paid almost two third of its contribution in the early December 2019, which is later than in the previous year when the Member State already paid two third of its 2018 contribution in November 2018. The full payment of the Member State could cover almost three months of the Agency's operational expenditure, which shows a significant impact when the Member State pays on a later date.

60. Considering the cash deficit in October 2019, and the increasing outstanding balance of Regular Budget contributions which poses a significant liquidity risk to the Regular Budget fund, we reiterate our previous recommendation and encourage the Agency to expedite the follow-up action on the recommendation.

C. Outstanding Former Staff Members' ASHI Debts

61. As at 31 December 2019, the Agency presents Account Receivable from Exchange Transactions of €12.61 million in its Financial Statements which includes overpayment to former staff members of €0.25 million. Overpayment to former staff members has detailed aging schedule as follows:

Table 6. Detail Aging of Overpayment to Former Staff Members

(in Euros)

Account	Description	Balance as at 31 Dec 2019	Aging Schedule				
			2019	2018	2017	2016	2015
124210	Recovery from Staff in Accounts Receivable Control Account	251 721.07	87 350.49	13 467.71	24 281.67	49 642.24	76 978.96

62. This account refers to Agency's payment for employee benefit liabilities to third parties regarding his/her entitlement, such as health insurance and pension fund. In this case, the overpayment occurred when the Agency paid the contribution share of former staff for ASHI through After Medical Insurance Plan (AMIP) program or pension fund and the Agency has not received the fund back as at 31 December 2019:

a. €0.09 million through periodic benefit deduction program from United Nations Joint Staff Pension Fund (UNJSPF); and

b. €0.16 million through direct advance payment from MTBF to insurance company for 82 former staffs.

63. For the UNJSPF, the Agency usually receives the money back in three months (quarterly). As for direct payment of former staff members' contribution share to insurance company, €0.03 million out of €0.16 million remained outstanding for two years and were subject to an "allowance for doubtful account" in the Agency's 2019 Financial Statements.

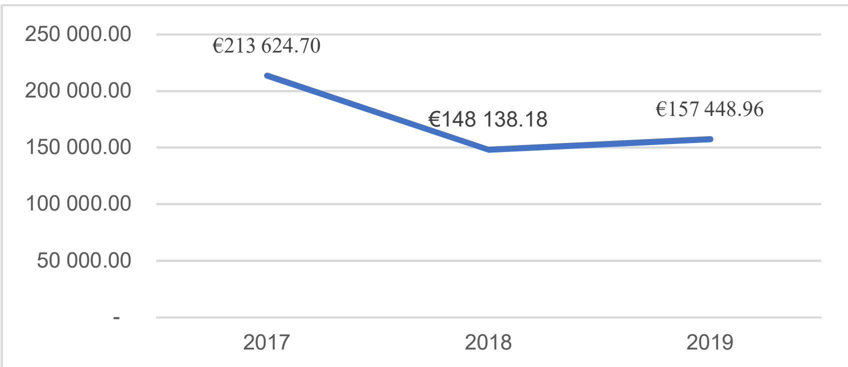
64. We raised this issue in the previous audits and recommended the Agency to:

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.

65. The ASHI outstanding receivables from former staff members for the last two years is shown in Graph 4 below.

Graph 4. ASHI Outstanding Receivables for Former Staffs



66. As shown in Graph 4 above, the former staff members' ASHI debts increased by €0.01 million from €0.15 million in 2018 to €0.16 million in 2019. Analysis of the movement of receivables shows that the account decreased by €0.02 million and increased by €0.03 million. The €0.02 million decrease resulted from the write-off of receivables amounting to €0.01 million and cash collected by the Agency from former staff members amounting to €0.01 million. On the other hand, the increased balance occurred when 52 former staff members have not paid their 2019 AMIP Premium to MTBF. In 2018, the Agency had written off €0.03 million of the receivables since no response was received from the parties concerned despite the repetitive follow-up action taken to recover the receivables.

Recommendation 1 We recommend that the Agency consider option to terminate payment for former staff members' liability to third parties regarding their share of AMIP premium, especially for those who have outstanding balance for more than 2 years.
The Agency agreed with the recommendation.

D. Write-Off of Receivables Deemed Irrecoverable

67. Financial Regulation 10.05 stipulates that the Director General may, after full investigation, authorize the write-off of losses of funds, stores, equipment and other assets other than arrears of assessed contributions. A statement of all such amounts written off during each financial year shall be submitted to the External Auditor with the annual accounts.

68. The regulation further explains in Financial Rule 58 that:

a. Any loss of cash or negotiable instrument shall, as soon as circumstances permit, be reported by the official responsible to DIR-MTBF who shall inform DDG-MT, as appropriate.

b. DDG-MT may, after full investigation, authorize the writing-off of losses of cash and the book value of accounts receivable and notes receivable deemed to be irrecoverable. The writing-off of arrears of assessed contributions shall not be authorized. DIR-MTBF shall be responsible for the preparation of the statement to be submitted to the External Auditor pursuant to Regulation 10.05.

c. The investigation shall, in each case, determine the responsibility, if any, attached to any staff member for the loss. Such staff member may be required by the Director General to reimburse the loss either partially or in full.

69. In 2019, the Agency wrote off its receivables amounting to €0.09 million based on the Interoffice Memorandum of DIR-MTBF dated 10 December 2019. Detailed information of the write off can be described as follows:

Table 7. 2019 Written-Off Receivables

Type of Receivables	2019	Remarks
Extrabudgetary Contributions Irrecoverable	33 524.76	The donors informed the Agency that they have no intention to fulfil their pledged amount
Payroll Receivable Irrecoverable	26 083.57	No records available on ex -staff members and some of them have passed away
Refund of VAT	2 763.33	Rejected by the relevant authorities as the supplier invoices were not complaint with the prescribed requirement for VAT Invoices
Refund Receivable Irrecoverable	133.05	Bankruptcy of FM Jungwirth in 2017
Agency Laboratory Sales Receivable	23 914.61	Efforts of collection have proven to be ineffective
Agency Publication Sales Receivable	41.19	Efforts of collection have proven to be ineffective
Private Long-Distance Calls Charge Irrecoverable	197.41	Efforts of collection have proven to be ineffective
Total	**86 657.92**	

70. Amount of the write-offs of the receivables increased in 2019 from €0.03 million in previous year as shown in Graph 5 below.

Graph 5. Write-Off of Receivables 2016 – 2019

71. In 2019, most of the write-offs are from Extrabudgetary Contributions as shown in Table 8 below.

Table 8. Trend of Amounts of Written-Off

Type of Receivables	2019	2018	2017	2016
Extrabudgetary Contributions Irrecoverable	33 524.76	-	1 773.28	51 500.00
Payroll Receivable Irrecoverable	26 083.57	6 083.85	57 082.99	29 382.15
Refund of VAT	2 763.33	-	-	-
Refund Receivable Irrecoverable	133.05	-	-	-
Agency Laboratory Sales Receivable	23 914.61	21 250.00	11 274.00	7 590.00
Agency Publication Sales Receivable	41.19	43.12	247.43	504.41
Private Long-Distance Calls Charge Irrecoverable	197.41	3 443.32	750.06	1 202.67
Insurance Claims irrecoverable	-	-	8 009.80	-
Total	**86 657.92**	**30 820.29**	**79 137.56**	**90 179.23**

72. Based on further examination, we identified some deficiencies in the implementation of write-offs as follows:

a. Accounting decision on determination of allowance for doubtful debts for unrecoverable receivables from Exchange Transactions classifies the receivables into A/R from Non-Staff and Staff Related A/R. In regards of A/R from Non-Staff, the guideline mentions that "Receivable amounts outstanding for a period longer than 24 months are written-off". However, the guideline remains silent on the write-off mechanism for Staff Related A/R.

b. MTBF writes off the receivables based on the aging schedule of receivables both for A/R from Non-Staff and Staff Related A/R. In regard to the receivables which are considered "old" and are subject to the write-off, the Agency conducted investigation and managed to send email for several open receivables. However, no report is available describing the detail of the investigation taken on each receivable.

c. The Agency does not have written guidelines on investigating the receivables deemed irrecoverable to ensure that adequate measures had been taken prior to writing off the receivables.

d. Write off pertaining to sales of laboratory reference materials could be considerably reduced if customers were able to pay via credit card for their online orders.

Recommendation 2

We recommend that the Agency develop written guidelines on write-off of receivables deemed irrecoverable including:

a. The investigation of related parties responsible for the loss;

b. Documentation of efforts taken to collect the receivables prior to write-off.

The Agency agreed with the recommendation.

E. Advance for Education Grant Procedure is Not Adequately Supported by Administrative Manual

73. One of the purposes of the education grant benefits under Administrative Manual (AM) II, Section 1 – Staff Regulations and Staff Rules is to assist staff members serving outside their countries of home leave in meeting the cost of education of their children either in the staff member's country of home leave or in an educational institution of a type which would facilitate the child's re-assimilation in that country.

74. The entitlement to education grant, as stated in AM II/1, starts at the beginning of the scholastic year following the child's fifth birthday or in which the child becomes five during the first five months of the scholastic year, provided he/she is in primary school attendance.

75. The guidance on education grant in InSite, the Agency's intranet, mentions that at the beginning of the scholastic year, a staff member may request an education grant advance with documentary evidence of registration of the child(ren) at a school or university and the foreseeable costs. Even though, this practice has been implemented in the Agency for over the years, this is not adequately supported by the AM II/1. The AM II/1 does not mention that the Agency could provide education grant advance for staff members.

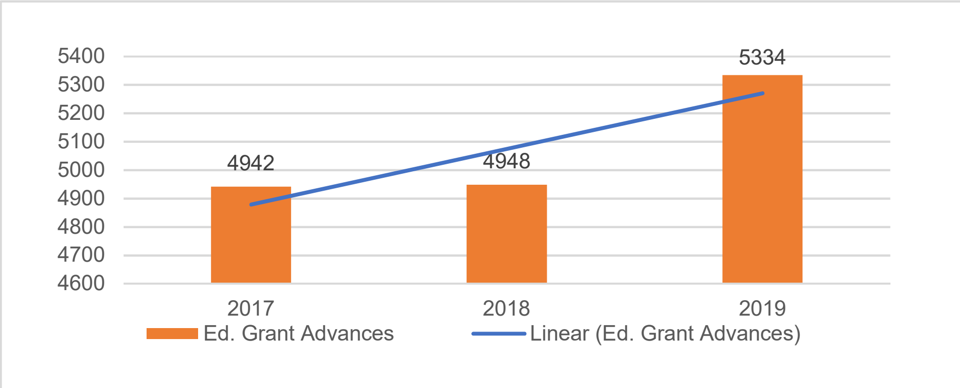
76. AM II/1 Rule 5.04.1 – Education Grant Benefits only regulates claims for education grant that shall be supported by a Certificate of Attendance and Costs, which only can be completed after finishing the scholastic year. The AM also states that the admissible educational expenses per scholastic year for each child shall be reimbursed.

77. As at 31 December 2019, the outstanding advances for education grant amounted to €5.33 million. This includes five advances from 2016 amounting to €0.04 million and six advances from 2017 amounting to €0.04 million.

78. The outstanding advances increased from two previous years as shown in Graph 6 below.

Graph 6. Education Grant Advances

(in eur'000s)



79. The Agency has reduced the amount of outstanding education grant advances from 2016 from €0.06 million to €0.04 million, of which €0.02 million (3 advances) are unsettled because of AIPS technical issues. In addition, MTHR stated that a recovery will be processed if 2016 advances are not settled by 6 March 2020. The External Auditor reiterates its recommendation made in 2018 that the Agency continue its efforts to remind the education grant recipients to claim and settle the long outstanding advances.

80. The practice of advance payment for education grant also leads to usage of reimbursement rate as advance rate. The AM stipulates the use of a sliding scale consisting of seven reimbursement brackets in US dollars with declining reimbursement rates as shown in Table 9 below.

Table 9. Reimbursement Bracket of Education Grant

Claim Amount Bracket (in US dollars)	Reimbursement Rate (percentage)
0 – 11 600	86
11 601 – 17 400	81
17 401 – 23 200	76
23 201 – 29 000	71
29 001 – 34 800	66
34 801 – 40 600	61
40 601 and above	0

81. This table is supposed to be used as a reimbursement bracket, based on which staff members could ask for the reimbursement of the paid education fees. Since there are no clear/specific rules regarding advances, the reimbursement brackets are also used for calculating the advances. Most of

education grant advances are in euro, thus when calculating advance, it is converted to US dollars because the brackets are in US dollar.

82. The Agency argued that advance payments for education grant are mostly applied among UN organizations in the UN Common System with a purpose to facilitate staff paying huge amount of school fees which are normally due at the beginning of the scholastic year. The use of same exchange rate for advance and reimbursement is to avoid any impact for the staff due to fluctuations in the exchange rates between the time the advance was paid, and the claim is settled.

Recommendation 3

We recommend that the Agency:

a. Update Administrative Manual to support the practice of advance payment and settlement of education grant.

b. Remind the education grant recipients who have not claimed and settled the long outstanding advances.

The Agency agreed with the recommendation.

F. Management of Consultants and Experts

83. The Statement of Financial Performance for the year ended 31 December 2019 presents the balance of Consultants and Experts at €16.05 million. This amount reflects the expenses incurred to pay consultants and experts engaged by the Agency under the Special Service Agreement (SSA).

84. Management of consultant engagement is regulated in Administrative Manual (AM) II, Section 11, Personnel Other than Staff Members. As stated in the AM, the authority to engage personnel and to determine the terms and conditions of their engagement has been delegated to the Director, Division of Human Resources (DIR-MTHR). Furthermore, the hiring department is responsible for preparing a Specification of Requirements for the assignment of the consultant. The hiring department is also responsible for recruiting the consultants.

85. Based on our examination, we identified issues regarding the management of consultants and experts as follows:

Consultant Recruitment

86. The Agency had established a control framework for Consultant and Expert recruitment process in AM II, Section 11. Candidates for consultancies must submit an online Personal History Form (PHF) to the Agency. Except for TC experts, where the identification of one suitable candidate for the consideration for an assignment is sufficient, normally at least three candidates should be considered for an assignment, their PHFs reviewed, and the selection process documented. If, in exceptional cases, it is not possible to identify more than one suitable candidate for an assignment, the hiring manager shall provide a written justification.

87. Hiring managers must ensure that the experience and qualification of the selected Consultant is appropriate to the complexity of the assignment. Hiring managers shall therefore attach the following documentation to the Request for Consultant: (a) the Specification of Requirements; (b) the PHFs of the short-listed candidates; and (c) the documentation of the selection process (including the justification for the selection of the consultant).

88. We performed the examination of recruitment process by selecting sample contracts from various Departments. To do so, we enquired documents related to the recruitment process from MTHR in November 2019 and February 2020. However, until now, we have not received some documents yet as shown below.

Table 10. Documents Not Received by External Auditors

No	Consultant	PHF of All Candidates	Medical Examination	Documentation of Selection Process
1	AKS	Not Received	Not Received	Partially Received
2	LT	Not Received	Received	Not Received
3	RK	Not Received	Received	Not Received
4	HMK	Not Required	Not Required	Received. The documentation was prepared after EA enquire, not at the time of recruitment process.
5	YW	Not Required	Not Required	Received. The documentation was prepared after EA enquire, not at the time of recruitment process.
6	AIJ	Not Received	Not Received	Not Received

89. In addition to that, we also identified that Mr AKS and Ms YW's recruitment exceeded the maximum total duration of aggregate engagement:

a. AKS: 2015 -2019 period by at least 4 contracts.

b. YW: 2015 – 2018 period by at least 12 contracts.

90. Under Paragraph 15 of AM II, Section 11, the maximum total duration of aggregate engagements for consultants is two years, subject to the maximum total duration of aggregate service of two years under any combination of non-competitive appointments and/or engagements, and the maximum tour of service of seven years, which includes all three types of appointments in the Professional and higher categories and all engagements except those undertaken in the General Service category (see also Staff Rule 3.03.1(D)). The terms "aggregate engagements" and "aggregate service" refer to all engagements and/or appointments not interrupted by a period of at least twelve months.

Consultant Contractual

91. We also performed examination of contracts and identified some deficiencies in contract clause as described below.

Table 11. Summary of Deficiencies in Consultant and Expert's Contract Clause

No	Contract	Consultant	Location of Consultant	Location of Assignment	External Auditor Remarks
1	TAL-NEFW20181213-001	MML	Spain	Vienna and Olerdola	No DSA clause and travel in contract, even though consultant needs to go to Vienna
2	TAL-NEFW20181218-001	KAS	Canada	Vienna and Toronto	No DSA and travel clause in contract, even though consultant needs to go to Vienna
3	TAL-MTCD20190801-001	MEGM	Chile	Chile (Home based excl)	There is no standard for the translators' remuneration fee clause. Fee. US $12 040 for a contract

No	Contract	Consultant	Location of Consultant	Location of Assignment	External Auditor Remarks
4	TAL-MTCD20190110-003	CJE	UK	UK and Vienna	There is no standard for the translators' remuneration fee clause. Fee US $10 469/month
5	TAL-MTCD20190301-002	CTR	UK	UK (Home based excl)	There is no standard for the translators' remuneration fee clause. Fee US $8 681/month
6	TAL-OIOS20180914-001	SC	Slovenia	Vienna	No DSA and travel clause in contract, even though consultant needs to go to Vienna.
7	TAL-MTCD20181217-008	MIOS	Spain	Spain	There is no standard for the translators' remuneration fee clause. Fee US $569/working day

92. Consultant fee range is stipulated in Paragraph 28 of Annex 2 of AM.II, Section 11 which states that the remuneration of consultants is determined according to the level of their expertise and the complexity of the assignment in question. The Agency provides three fee ranges for consultants:

a. Range 1: €150 - €250/day

b. Range 2: €250 - €400/day

c. Range 3: €400 - €600/day.

93. The clause of contract does not meet the requirements in the AM. We found three contracts (MML, KAS, and Ms SC) which do not have Daily Subsistence Allowance (DSA) and travel clause while the contracts are not exclusively home based. It is stipulated that each consultant needs to travel and have a right to earn DSA and travel allowance as written in Paragraph 32(a), as follows:

a. A consultant engaged non-locally under an SSA and having no local residence may be offered a DSA for each overnight stay at an approved duty destination for the purpose of carrying out his/her services under the SSA, at the rates established by the International Civil Service Commission (ICSC) and in accordance with the following rates: For the first 60 days 100% of the DSA; for the next 60 days 75% of the DSA; after 120 days 60% of the DSA.

b. (ii) Travel cost: In accordance with the Standards of Travel for Non-Staff Members (Appendix C to AM.II/9), the Agency may offer a consultant engaged non-locally and having no local residence to pay his/her transportation costs to the duty destination and, upon completion of the assignment, back to the place of origin.

Recommendation 4

We recommend that the Agency:

a. Administer recruitment documents as mandated by AM II/11 as part of control to ensure that the experience and qualification of the selected consultant is appropriate to the complexity of the assignment;

b. Comply consultant's condition of service in recruiting consultant specifically for the maximum total duration of aggregate engagements and the AM II/11 in connection to the calculation of consultant fee, specifically for translators; and

c. Consider incorporating the DSA and travel clause in consultant's contract when the consultant needs to travel as required in the contract.

The Agency agreed with the recommendation.

G. Travel Cancellation

Non-refundable Ticket Cost

94. As at 31 December 2019, the Agency has processed travel for 32,811 travellers, both for staff and non-staff through Travel Request and Claim (TRAC).

95. 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. 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. As at 31 December 2019, the Agency has paid €23.0 million through AMEX for arranging mode of transportations to travellers including tickets issuance.

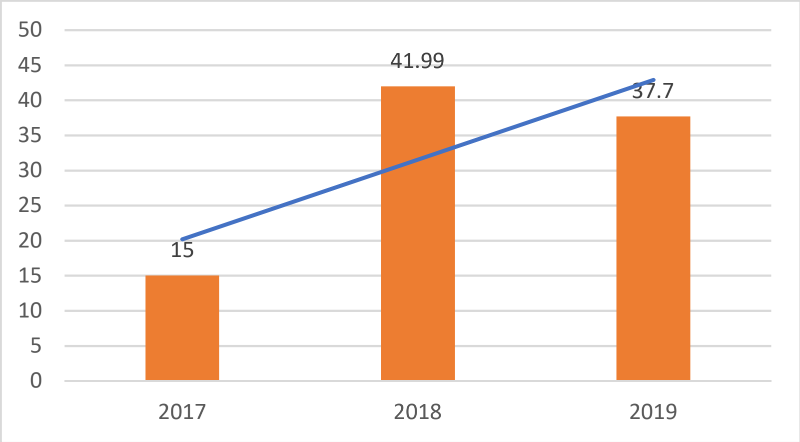
96. We examined all cancelled travels in TRAC and identified 163 travels which were cancelled after the tickets were issued. Those cancelled travels include travel with TRAC status of "cancelled" and "offer-received". TRAC with status "cancelled" refers to travel, which is declared cancelled by travel arranger, whereas TRAC with status "offer received" refers to travel, which is ended as the traveller received the travel option offer from TMC. Further examination on TRAC with status of "offer received" shows that some travel arrangers failed to update the status of TRAC to "cancelled" even though the travellers failed to conduct the travel.

97. The Agency has spent €0.20 million of ticket cost for cancelled travels from travel expense including TMC fee in 2019, and received refund of €0.14 million, which is 68.68% from ticket cost. Hence, the cancelled travels cost the Agency the amount of €0.07 million or 31.32% of cancelled ticket cost.

98. The Agency has spent €0.60 million of ticket cost for cancelled travels from training expense including TMC fee in 2019, and received refund of €0.36 million, which is 60.10% from ticket cost. Hence, the cancelled travels cost the Agency the amount of €0.24 million or 39.90% of cancelled ticket cost. The total percentage of cost of cancelled tickets is 37.70% [(€65 318.82 + €241 074.23) / (€208 546.82 + €604 233.69)].

99. The percentage decreased from previous year but is still higher than that of two years ago as shown in Graph 7 below.

Graph 7. Percentage of Non-Refundable Cancelled Travel Cost



100. Based on AM II/9 – Staff Travel Procedures, any changes made after the TRAC has been approved and prior to the departure must be resubmitted for reapproval to the authorizing official. After commencement of travel, any changes must be reflected and approved on the travel claim. In the event of a postponement or cancellation of the travel, booking cancellations and/or ticket refunds should be made in the travel system with notification to the TMC. Furthermore, postponement, cancellation or other changes in travel that require TRAC cancellation and/or recovery of any advance payment made to the travelling staff member must be done in the travel system.

101. Review of the cancellation reasons shows that travels were cancelled due to various reasons including cancelled travels confirmed without clear reason in 40 cases, failure in travel clearance process (visa, passport, etc) in 23 cases, event postponement/cancellation in 44 cases, personal reasons in 16 cases. Moreover, 12 travellers/travel arrangers or 8.89% of total cancelled travel cases failed to provide a reason.

102. We raised this issue in two previous years and recommended that the Agency document the cancellation reasons for duty travel and make them available upon request. The Agency has provided feature in TRAC in which each travel arranger may explain the reason of the travel cancellation. However, as the feature is only available in travel with TRAC status of "cancelled", manual review on cancelled travel with TRAC status of "offer received" is required to obtain information on the cancellation reason.

Cancelled DSA and Allowance

103. The Agency processed travels, for both staff and non-staff, through the Travel Request and Claim (TRAC) system. As for non-staff travel, the IAEA division or office organizing the travel may provide the travellers with transportation, daily subsistence allowance (DSA) and a contingency allowance.

104. Administrative Manual II, Section 9, Appendix C, Point E number (1) states that if travel is postponed or cancelled, the organizing IAEA division or office shall notify the TMC in case of ticket cancellation or refund. The AM also states that if travel is cancelled and a lump sum was already paid by the IAEA, the corresponding amount shall be reimbursed by the traveller. However, if the cancellation is made by the IAEA and the traveller has already incurred some expenses, the expenses may be deducted from the amount of the lump sum to be reimbursed to the IAEA.

105. Based on the analysis of cancelled travels, we identified 307 cancelled travels in 2019 which were non-staff travels. We examined all cancelled travels for non-staff and found that allowances paid to 307 travellers amounting to €0.47 million and $0.30 million have not been recovered as of reporting date.

106. This issue was also raised in 2017 and 2018 with the recommendation to document the cancellation reasons and to ensure that the lump sum paid to the cancelled participants are recovered. We reiterate our previous recommendation and encourage the Agency to expedite the follow-up action on this recommendation.

H. Capital Non-Expendable Assets Were Purchased Using Low Value Purchasing

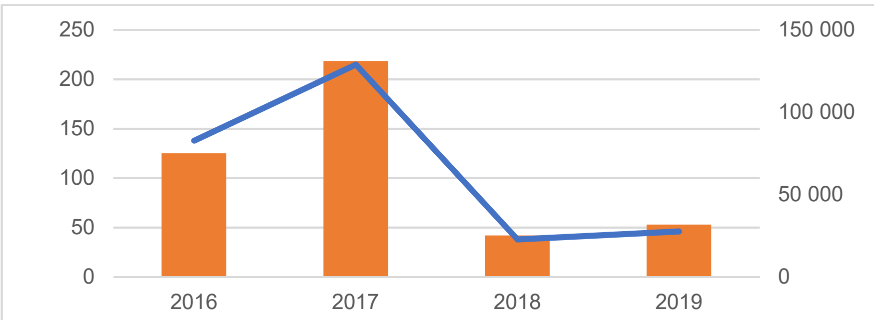
107. Low Value Purchasing (LVP) procedure is an activity to procure goods and services with values below €3 000 per transaction. The procurement authority is delegated to specified staff members who make a purchase using a Purchasing Card or by direct charge.

108. 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.

109. We examined the LVP Log Report and Fixed Asset Details Report as at December 2019 and identified that there were 46 items of capital non-expendable assets purchased via LVP with a total aggregate cost of €0.03 million. These assets consisted of 22 items amounting to €0.01 million and 24 items amounting to €0.02 million, which are managed by the Department of Management and the Department of Safeguards, respectively.

110. This issue was first identified in 2016 and had always been an issue since then as shown in Graph 8 below.

Graph 8. Capital Non-Expendable Assets Purchased via LVP



111. Even though, the Agency has implemented a follow-up of BPK's 2016 recommendation 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 by engaging in an extensive training campaign on the LVP programme and ethics and also adding guidance on LVP purchasing restrictions as well as purchasing advice in the LVP iProc Requester pages, this issue has not been eliminated.

Recommendation 5

We recommend that the Agency should continue to implement measures to reduce the use of LVP for purchasing capital non-expandable assets and improve related internal monitoring controls or revisit the procedures stipulated in Part VI, Section 4 of the Administrative Manual (AM. VI/4) on the procurement of these items via LVP.

The Agency agreed with the recommendation.

I. Information Technology Change Management

112. Change Management is a service management that ensures that technical changes are deployed successfully. It accommodates the new and changing business requirements and develops and corrects faults in the Information Technology (IT) infrastructure or the provided IT services. The Change Management process is designed to help control the life cycle of strategic, tactical, and operational changes to IT services through standardized procedures. The goal of Change Management is to control risk and minimize disruption associated to IT services and business operations.

113. One example of Change Management is the change request for adding a new field in AIPS. For instance, the Office of Procurement Services needs additional information, such as a new receiving date field, to be recorded in AIPS for performance reporting purposes, a change request for a new receiving date field for performance reporting is created. Then, that request will be managed according to the AIPS Management Section (AMS) Change Request Process.

114. The current practice in the Agency's Change Management is established by the Division of Information Technology (MTIT) based on the Change Management Guide. The framework used in defining the guide is the IT Infrastructure Library (ITIL) 3.0.

115. The Agency's Change Management process ensures that standardized methods and procedures are used for efficient and prompt handling of all changes, including the changing of business requirements, while maximizing value and minimizing the impact of change-related incidents, disruption and rework.

116. Based on our examination of the Change Management process in the Agency, we have identified some rooms for improvement as follows:

a. Key Performance Indicator (KPI) measurement

- The Change Management Guide mentions that MTIT shall monitor the KPIs for the percentage of successful changes, the percentage of changes causing major incidents, percentage of emergency changes, and percentage of changes linked to a specific configuration item.
- The Agency's Change Management KPIs are measured and reported to the MTIT Change Advisory Board (CAB) in its bi-weekly meetings. Before each meeting, an agenda with relevant information for both AIPS and non-AIPS changes are communicated to the CAB. After the meeting, a summary report for non-AIPS changes is included in the minutes.
- The Agency's Change Advisory Board Minutes (CAB09052019), shows the performance measurement for the Non-AIPS Change Request during its Post Implementation Review, as per Figure 1 below.

Figure 1. Performance Measurement for the Non-AIPS Change Request

- On the CAB minutes, the KPIs measurement was calculated based on the changes reviewed since the last CAB bi-weekly meeting. While KPIs that are based on the number of implemented changes within a certain time-period are relevant to measure incidents that are correlated to the implemented changes, they neither portray the real condition of the open changes nor enough to assess the performance and the effectiveness of the Change Management as a whole.

- In order to increase the reliability of change management, ITIL v3 suggested measuring KPIs to understand and monitor backlogged change requests. These KPIs are not defined in the Agency’s formal processes.

- On another hand, the minutes of the CAB meeting only include the KPIs for Non-AIPS, although the CAB meeting agenda includes the review of both AIPS and non-AIPS change requests. The KPIs for AIPS changes are absent. This might result in the Agency overpassing the review of the measurement for the AIPS changes.

b. Change Request Backlog

- We examine the Change Request List log as at 31 December 2019 to get a brief overview on how many changes are requested per year. There are 22 status codes for the change requests, such as approved, deployment-approved, assessed, on-hold, review, cancelled by user, not to implement, and closed. Other than status code “closed”, “cancelled by user”, and “not to implement”, we could consider that the request is still open. Based on that, we could summarize the number of change requests as shown in Table 12 below.

Table 12. Summary of Change Requests as at 31 December 2019

Year of Req	Status Code		Total
	Closed	Open*)	
2013	369	17	**386**
2014	207	20	**227**
2015	538	21	**559**
2016	312	19	**331**
2017	542	85	**627**
2018	224	204	**428**
2019	97	132	**229**
Total	**2 289**	**498**	**2 787**

*) the status code "Open", including the status code: approved, deployment-approved, assessed, on-hold, design in progress, development in progress, testing in progress, escalated, launch business approval, pending business approval, business approved, business rejected, new, ready for UAT, reopen, review, update customer, waiting on customer, pending change authority.

117. Based on above table, there are 498 change requests that are still open as of end of 2019.

118. According to the Agency, there are processes where the business owner prioritizes the execution of change requests in its domain. As shown in the AIPS Change Management Artifacts, the Business Owner of each domain identified the change requests to be prioritized for implementation during the year. This prioritization process considers the importance of the request and the budget that is available for funding the project. This prioritization list defines which change requests are going to be executed by MTIT. Those change requests that are not on the list are not prioritized for that domain, which results to abandoned change request in the backlog.

119. The Agency stated that they do not have a standard process to curate, review and verify whether the open change requests, that are considered not a priority, are still relevant and valid to the business domain. Due to the absence of this standard process, there is no confirmation that the open change requests are all valid and current. Moreover, with the increasing number of change requests, it is possible that the Agency might overlook an important request if there is no action to reduce the number of invalid requests.

Recommendation 6

We recommend that the Agency:

a. perform a KPI measurement for AIPS changes, including measuring the KPIs for backlogged change requests, as suggested by ITIL v3, and

b. document a formal guideline for curating, reviewing, and verifying process of the change request backlog for all AIPS business domains.

The Agency agreed with the recommendation.

II. SAFEGUARDS AGREEMENT OUTREACH EFFORT

BACKGROUND

120. Safeguards are a set of technical measures applied by the IAEA pursuant to safeguards agreements through which the Agency seeks to independently verify that nuclear facilities are not misused, and nuclear material is not diverted from peaceful uses. The Treaty on the Non-Proliferation of Nuclear Weapons (NPT) stipulates that each non-nuclear-weapon State party to NPT undertakes to accept safeguards through the conclusion of a comprehensive safeguards agreement with the IAEA.

121. All non-nuclear-weapon States party to the NPT are required to conclude Comprehensive Safeguards Agreements (CSA) with the IAEA. Under CSA, the IAEA has the right and obligation to verify a State's compliance with its undertaking to accept safeguards on all nuclear material in all its peaceful nuclear activities and to verify that such material is not diverted to nuclear weapons or other nuclear explosive devices. A CSA may be complemented with an Additional Protocol (AP) that includes provisions for information about, and access to, all parts of a State's nuclear fuel cycle. A State that has limited quantities of nuclear material may also conclude a Small Quantities Protocol (SQP).

122. Regarding the Safeguards agreements, the 2000 NPT Review Conference recommended that the Agency and States could include a possible plan of action to promote and facilitate the conclusion and entry into force of safeguards agreements and additional protocols. Since then, the Agency's Secretariat, through the DGO, has been intensifying its outreach efforts every year to implement its plan of action to promote the conclusion of safeguards agreements and additional protocols. The outreach efforts include inter alia: outreach seminars organized by DGO, in cooperation with the Office of Legal Affairs (OLA) and the Department of Safeguards (SG), high-level dialogue by the Director General, consultations with state delegations, etc.

123. The implementation of such Plan of Action has resulted in conclusion of safeguards agreements, e.g. (between 1 July 2018 and 30 June 2019) two States had APs entered into force, four States had amended their SQP, 1 State had rescinded its SQP, and 1 State had a CSA with an SQP based on the revised standard text and an AP entered into force.

124. Our audit scope covered activities conducted by DGO in supporting the promotion of safeguards agreements and protocols. The principal researchable question for this theme was: "To what extent does the Agency have a comprehensive and effective management of concept and planning, in which DGO promotes the outreach efforts, to support SG Implementation?" and cascaded into the following three researchable questions:

a. Has the Agency sufficiently planned the management of concepts and planning in safeguard activities to achieve the objective of the Agency in relation to DGO's outreach efforts promotion?

b. Has the Agency adequately monitored the implementation of designed concepts and planning in safeguard activities in relation to DGO's outreach efforts promotion?

c. To what extent does the Agency have a continuous evaluation process to improve the quality of concepts and planning management regarding DGO's outreach efforts promotion?

AUDIT FINDINGS

125. Referring to the Safeguards Implementation Report (SIR) as at 31 December 2018 from 186 non-nuclear-weapon States parties to NPT, 175 States have concluded the CSA and 11 States had yet to

bring CSA into force. Out of 175 States with CSA in force, 128 have brought the Additional Protocols into force. In addition, SIR 2018 also outlined that 35 States had yet to amend their SQP.

126. Our analysis on the Safeguards agreements found some areas that could be improved by the Agency, as follows:

A. Implementation of Safeguards Measures within a Group of States with Original SQP or Amended SQP and Additional Protocol in Force

127. Non-nuclear-weapon States parties to NPT with very limited quantities of nuclear material may conclude SQPs to their CSAs which hold in abeyance many procedures in a CSA, such as verification activities performed by IAEA, and the requirement to provide an initial report on all nuclear material. Since the original SQP constituted a weakness in the IAEA safeguards system, the Board of Governors decided to make an SQP unavailable to a State with an existing or planned facility and reduced the procedures that are held in abeyance.

128. States with original SQP should amend or rescind their SQPs according to the revised standard text of SQP as approved by BoG in 2005. As at 31 December 2018, there are 93 States with SQPs, of which 58 have SQPs in force based on revised standard text SQP, and 35 have operative SQP that have not yet been amended. In addition, there are 11 States whose SQPs are rescinded or no longer operational.

129. As at 31 December 2018, there are six States that have an original SQP and AP in force, of which two failed to submit AP declarations, and the Agency had no reason to implement complementary access (CA) for these States. The Agency explained that the purpose for CA is to assure the absence of undeclared nuclear material and activities, resolve a question relating to the correctness and completeness of the information provided or confirm the decommissioned status of a facility or location outside facilities. Therefore, a CA is based on solid information, which could be available through external sources such as open sources and satellite imagery, identifying the need to conduct complementary access in a specific state. In cases where no CA was performed in a specific year in the specific State, the Agency had a solid reason not to conduct a CA.

130. However, to a certain extent, on face value, the scope of CSA with modified SQP and AP may be perceived complicated for States with little knowledge about safeguards. For States under CSA with original SQP, reporting obligations (except those related to import and export of nuclear material) and all inspections are held in abeyance, while under AP, they should provide the Agency with AP declarations and complementary access. For States under CSA with modified SQP and AP in force, they should submit an initial report on all nuclear material and AP declarations and their updates, and should accept ad-hoc and special inspections under CSA as well as complementary access under AP.

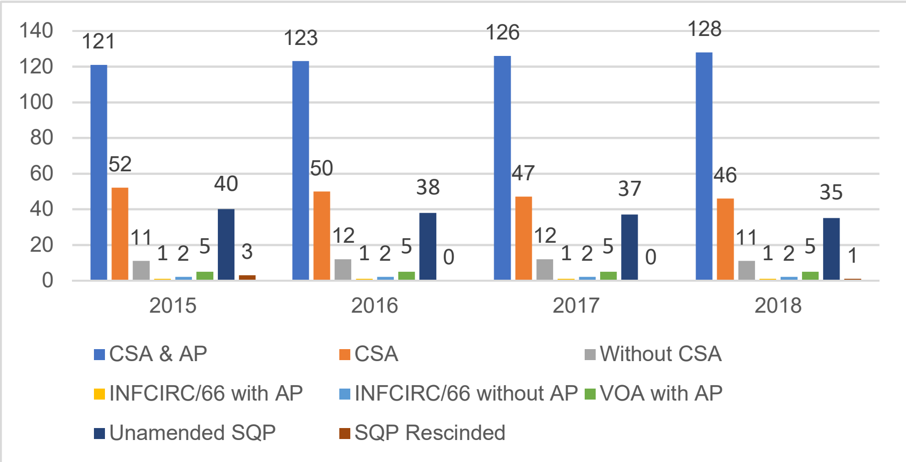
131. The foreword paragraph in the AP implied that the AP is designed for States having a safeguards agreement with the Agency, in order to strengthen the effectiveness and improve the efficiency of the safeguards system as a contribution to global nuclear non-proliferation objectives. We are of the opinion that for uninformed parties, various obligations regarding reporting and in-field obligations under CSA with original SQP or modified SQP, and AP are complex and may not be fully understood by States with little knowledge about Agency safeguards.

132. We are of the opinion that potential misunderstanding could be avoided through further effort by the Agency to clarify interactions between these articles during Agency’s outreach activities to promote the conclusion of CSA, modified SQP and AP.

B. The Agency's Outreach Efforts

133. Since the development of the 2001 Plan of Action, the Agency has been intensifying its outreach efforts, through which the Agency has been able to increase the number of States concluding safeguards agreements. Based on Safeguards Implementation Reports 2015 to 2018, the trend of conclusions of safeguards agreements entered into force between the Agency and States is shown in the following Graph 9.

Graph 9. Trend of Safeguards Agreements Conclusion 2015-2018



134. Graph 9 shows that during 2015 to 2018 inter alia, States that had both CSAs and APs in force increased from 121 to 128, States with CSAs but without APs in force decreased from 52 to 46, 7 amended SQPs enter into force with States, and 4 SQPs rescinded. Nonetheless, a number of States have yet to conclude CSAs, APs, or amend their SQPs. As at 31 December 2018, 175 States have concluded the CSA and 11 States had yet to bring Comprehensive Safeguards Agreements (CSA) into force, 128 States have brought AP into force and 46 States had yet to conclude Additional Protocols (AP) and 35 States had yet to amend their Small Quantities Protocols (SQPs).

135. Interviews with focal points revealed that the Agency has been continuously implementing a plan of action to promote the conclusion of safeguards agreements and APs and the amendment of SQPs. While concluding APs with States with substantial nuclear activities remains a matter of high priority, outreach efforts also need to focus on SQP States as well as non-nuclear-weapon States party to the NPT without a CSA in force.

Recommendation 7
We recommend that the Agency continue, and if appropriate, enhance the collaboration with relevant stakeholders that are actively involved in efforts to promote safeguards agreements so as to improve the overall safeguards outreach outcome with regards to conclusion of safeguards agreements and APs and amendments to original SQPs.
The Agency agreed with the recommendation.

III. SAFEGUARDS CONCEPTS AND PLANNING

BACKGROUND

136. The amount of nuclear material in the world is steadily increasing, equivalent to the development and the use of nuclear technology for peaceful purposes in many countries. This includes the nuclear material used in operational facilities as well as nuclear material in facilities that have been shut down, and also nuclear material in locations outside facilities. This condition increases the demand for nuclear verification.

137. Under its statute, the Agency is required to use its regular budget to carry out all of its inspection activities. This is intended to ensure that the safeguards implementation is neutral and unbiased. However, unparalleled to the demand for inspections, the regular budget is nearly static. The Agency has reacted to this condition by continuing to seek a more efficient and effective approach in executing its activities under the regular budget while still maintaining its quality assurance.

138. The Division of Concepts and Planning (SGCP), as one of the divisions in SG Department, plays an important role in achieving the above approach since it supports the SG Department in delivering effective and efficient inspection activities, as well as maintaining its quality assurance. It is stated in the Agency's Programme and Budget 2018-2019 that the objectives of SGCP are:

a. To contribute to setting strategic directions and objectives, prepare for future safeguards relevant challenges and opportunities, and coordinate support from Member States;

b. To develop safeguards approaches and establish internal procedures and guidance for safeguards implementation at the State level;

c. To continually improve safeguards processes and effectively maintain elements of the Department's quality management system;

d. To strengthen safeguards knowledge, skills and abilities within the Department of Safeguards and in States, through training, advisory services, guidance, meetings and dialogue.

139. Our audit scope covered safeguards activities conducted by SGCP in supporting Safeguards implementation during the period of 2016 to 2018. The principal researchable question for this theme was: "To what extent does the Agency have a comprehensive and effective management of concepts and planning to support SG Implementation?" and cascaded into the following three researchable questions:

a. Has the Agency sufficiently planned the management of concepts and planning in safeguard activities to achieve the objectives of the Agency?

b. Has the Agency adequately monitored the implementation of designed concepts and planning in safeguard activities?

c. To what extent does the Agency have continuous evaluation process to improve the quality of concepts and planning management?

AUDIT FINDINGS

A. Training Programme In Safeguards Department

140. In order to maintain the quality of inspections, SG Department, through SGCP, develops and updates the knowledge and skills of its inspectors by delivering courses needed to maintain their competence in the requisite areas. SGCP has set up a competency framework for SG inspectors in alignment with the IAEA Competency Framework. In 2018, SGCP delivered 165 training courses and workshops for SG staff.

141. Our observation on the process of planning and monitoring training activities shows the following condition:

The Status of Sample Logistics Course as Mandatory Refreshment Course

142. The IAEA recruits inspectors from all around the globe with diverse nuclear-related fields and a wide variance of experience, skills and technical expertise relevant to SG implementation. To ensure the common baseline, according to the Procedure of Competency Framework for Safeguards Inspectors, newly recruited inspectors should attend the Introductory Course on Agency Safeguards (ICAS). Only after the completion of ICAS, new inspectors are considered ready to perform basic activities in the field. According to SGCP training section, an ICAS, with a duration of six months and 16 participants, costs the Agency a minimum of €250 000. This amount only takes into account the trainers' and Training Assistant's salaries, course preparation time and some of the transport costs for the visits. It does not account for lab time at Seibersdorf, equipment, participants' salaries, computers, or facility use. It also excludes the cost of the Comprehensive Inspection Exercise (2 facilities for 1 week, in-kind provided by Member State Support Programmes, etc.).

143. Beside ICAS, there are two types of refresher trainings that should be taken every five years by SG inspectors. They are Radiation Protection and Sample Logistics trainings. According to the training description in the 2018 Safeguards Training Programme, the radiation protection training of SG Staff will provide the participants with the mandatory background and practical information/instruction on radiation safety practices required for staff classified as an "occupationally exposed worker" according to the Agency Radiation Protection Rules and Procedures. Furthermore, the course description also mentioned that sample logistics refresher training, both Destructive Analysis (DA) and Environmental Samples (ES), will remind inspectors of the proper handling procedures for safeguards samples to ensure safety and to avoid delays in the analytical process. It covers all aspects of sample logistics following sample collection.

144. The need for the radiation protection training refresher course is stated in the Radiation Protection Procedure. However, the requirement to have a Sample Logistics refresher course is not stated in any formal documents. The SGCP management stated that although the requirement for sample logistics refresher training had been approved by the Senior Management Committee since 2015, the need for refresher course is only mentioned in the course description.

Recommendation 8

We recommend that the Agency encourage the Department of Safeguards to:

a. start formalizing the requirement for a Sample Logistics refresher course appropriately; and

b. identify potential courses needed to enhance the inspector's competencies and formulate the need for mandatory refresher course(s) accordingly.

The Agency agreed with the recommendation.

ICAS Requirement for Inspectors Returning to the Agency after Prior Separation

145. The Administration Manual states that the tour of service for every IAEA employee is seven years. After that period of time, IAEA employees shall be ineligible for reappointment for a period of twelve months. Interviews with the Management of MTHR and the Management of the Department of Safeguards revealed that there are some inspectors that previously had left the Agency due to the completion of the tour of service, and after a minimum of 12 months away from the Agency, returned to the Agency by applying to a vacant inspector position.

146. Unlike the newly recruited inspectors, who have to attend the ICAS, the Management of the SG Department stated that the ICAS is not mandatory for some inspectors returning to the Agency due to consideration of the time period away from the Agency and budget efficiency. Inspectors returning to the Agency that had left the Agency for a short period of time (one or two years) are not required to attend the ICAS. However, in some cases there were inspectors who had left the Agency for a short period of time but still re-attended the ICAS. This inconsistency is due to the absence of written requirements specifying the ICAS requirement for inspectors returning to the Agency.

147. This condition brings about the need for SG Department to establish a maximum length of time away from the Agency before a returning inspector would need to retake the ICAS. Having this standard will help the SG Department determine the eligibility of inspectors returning to the Agency to waive the ICAS obligation. It will also assist the SG department in prioritizing the ICAS for newly recruited inspectors as well as identifying more specific courses for eligible inspectors returning to the Agency, since the ICAS is considerably costly.

Recommendation 9

We recommend that the Agency encourage the Department of Safeguards to:

a. Evaluate the need for ICAS training by inspectors returning to the Agency relevant to their experience and the length of time away from the Agency; and

b. Consider establishing the maximum length of time away from the Agency before the returning inspector would need to re-take the ICAS.

The Agency agreed with the recommendation.

Enhancements to Safeguards Department Training Planning and Monitoring Tools

148. The Strategic Plan of the Department of Safeguards states that one of the objectives of managing intellectual capital is to encourage continual learning. To achieve this objective and to maintain the inspectors' competencies, the SG Department should monitor and analyse their staff members' training activities to further identify the staff training needs.

149. The Management of SGCP Training Section stated that during the planning phase, the section provides data in the format of an Excel sheet for the divisional training officer. This data contain a list of potential courses and its links to the Agency's HR functional and core competencies, as well as Safeguards expertise (*technical competencies*). This method currently works well. However, the presence of a more enhanced IT tools enabling the Section Heads in the respective divisions to easily and regularly view the link between courses and core competencies will help them in determining the most suitable courses for their staff so as to fulfil the staff members' core competencies.

150. Additionally, the Management of SGCP noted that, to their knowledge, there may be some inspectors, especially Senior Inspectors, that have not taken any courses during a period of more than two years. It was also noted that the Training Section is analysing the need for specific training for Senior Inspectors and in which specific competency area. However, the current SG training IT monitoring tools do not have a function to report staff who have not taken any course in a period of time. Having an IT monitoring tool that has a function to provide the data of staff that who have not taken any courses in a period of time will assist the management in analysing the staff training needs.

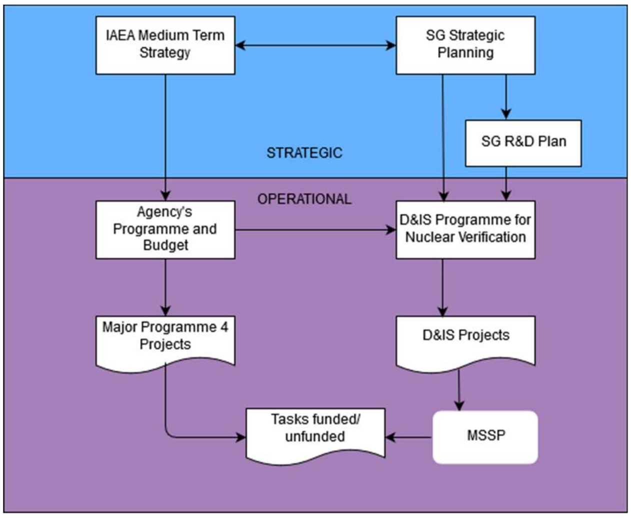
151. The Management of SGCP also mentioned that in cooperation with MTHR, the Agency is currently developing a Learning Management System which will have the capability to a more sophisticated and desired monitoring function.

Recommendation 10 We recommend that the Agency advise the Department of Safeguards to explore the possibility of enhancements to Safeguards IT Monitoring tools to provide more comprehensive data for the basis of staff training needs analysis and coordinate with MTHR to accommodate the needs of the SG Department into the Learning Management System
The Agency agreed with the recommendation.

B. Member State Support Programme Task Monitoring Tool

152. The Development and Implementation Support Programme for Nuclear Verification 2018-2019 describes the processes and documents used to identify and address resource needs in safeguards in the following figure:

Figure 2. Process and Documents Used to Identify and Address Resource Needs in Safeguards



153. Figure 2 above implies that the Agency may obtain the required resources for such unfunded activities through extrabudgetary contributions from the Member State Support Programme (MSSP) in the form of financial and in-kind support. To manage MSSPs coordination, the Agency and Member States utilize the Support Programme Information and Communication System (SPRICS). SPRICS is an application enabling, inter alia, the Agency to request support through initiating a support programme task proposal and for the Agency and MSSPs to track administrative, statistical, and reporting information. It is also accessible to the Member States. It can provide the required support that is then managed and monitored though SPRICS. Analysis of the Safeguards Implementation Report shows that during 2016-2018, the Agency has completed 143 tasks using MSSP, which tells us that every year there are a large number of tasks that need to be tracked by the Agency as well as by the Member States providing the support. However, walkthrough of SPRICS and interviews with the Safeguards Division of Concepts and Planning (SGCP) reveals that currently SPRICS does not have a feature enabling the Agency and stakeholders to automatically monitor tasks progress such as a dashboard. Currently, SGCP monitors the tasks progress by manual individual filtering in SPRICS. The importance of such dashboard will enable project coordinators to monitor tasks progress in a more comprehensive manner, therefore resulting in an effective and efficient monitoring process.

Recommendation 11 We recommend that the Agency further improve SPRICS by providing a dashboard feature enabling users to monitor and track the progress of MSSP's Tasks.
The Agency agreed with the recommendation.

C. Improving the Process of Curriculum Vitae (CV) Establishment for Inspector Designation

154. The process of inspectors' designation is being implemented by the Section for Process Design (CPD) in the Division of Concepts and Planning (SGCP) in close cooperation with the Section for Programme Coordination (SPC) in the DDG-SG Office (DDGO).

155. One of the steps of the designation process is compilation of the list of staff to be proposed as potential new inspectors as well as their CV. A compilation of CVs of the proposed staff is attached to the list of proposed inspectors that is submitted to the BoG for their approval. The SG Department has

formulated a compact format of CVs by taking into account the necessary information for the BoG to approve the proposed inspectors.

156. The CV is established by the SG Designation Database system. The system gets employee information from the Agency-wide Information System for Programme Support (AIPS) which originated from an online application in TALEO (IAEA's recruitment platform) filled by the applicant. The management of SGCP mentioned that currently they are experiencing a difficulty in establishing the proposed inspector's CV. The CVs created by the designation database frequently contain incomplete or inaccurate information. Usually it happens for the educational and prior works experience information. The management stated that an additional effort is needed to ensure the accuracy and completeness of the information on the CV by virtue of this condition.

157. The Management of the Division of Human Resources (MTHR) stated that the owner of the Agency wide employee database is MTHR and confirmed that this is a recurrent issue and there is an ongoing process to resolve it. A joint review between CPD, MTHR, SPC, Office of Information and Communication Systems (SGIS) and the Division of Information Technology (MTIT), has identified the main problems causing the incomplete and inaccurate information on the CVs. Resolving this issue will lessen the manual work done by the CPD and MTHR and improve the quality of the data in the CV, improve the timeliness in preparing the document needed by the BoG for inspector designation approval and ultimately enhance the efficiency of the designation process.

Recommendation 12 We recommend that the Agency expedite the process of solving the aforementioned IT technical issue by, inter alia, improving the TALEO, the AIPS, the Designation database and their interface system to ensure that the CVs established by the system are complete, accurate and ready to use.
The Agency agreed with the recommendation.

D. Updating the Safeguards Document Manager System

158. For the purpose of document management and repository of documents related to the Department's Quality Management System (QMS), the Department of Safeguards utilizes the Safeguards Document Manager System (DMS). Currently, it stores about 3,000 active documents such as departmental policies, procedures, instructions, guidelines, and other related documents in the Department of Safeguards. DMS enables all staff members in the SG Department to access those documents for their perusal. Document analysis and confirmation with departmental and divisional focal points from Safeguards Divisions of Concepts and Planning (SGCP) and Safeguards Divisions of Operations (SGOA, SGOB, and SGOC) reveals the following information:

a. DMS is intended to be a single source of authorized quality-controlled documents for all Department of Safeguards personnel as a resource for departmental policies and procedures (i.e. source of knowledge management). It is essential, for example, when people start performing or changing jobs, and they need information on the procedures or policies in the Department of Safeguards, that the documents are available in the DMS.

b. Divisional document owners (i.e. divisional directors who are process owners) are responsible for the validity of their documents so as to ensure that everybody uses valid documents for their work.

159. However, the interview also reveals that DMS is a legacy system that has not been updated for many years (with the exception of some updates in 2016-2017) and it has its shortcomings, inter alia:

a. The search function in DMS requires improvement, for example, to expand other possibilities for searching in metadata, e.g., by author.

b. Currently the DMS does not track how many times a document has been accessed, which can be used as an insight on whether a document is useful or not.

c. Although DMS is able to produce basic information regarding documents produced in all statuses during a given period (e.g., draft, active, new version, withdrawn and reactivated), the system would need improvements concerning other filter options.

d. Improvement is required in more sophisticated functions e.g., metadata and the administration tools which is supported by SGCP.

Recommendation 13

We recommend that the Agency perform a comprehensive evaluation and analysis of the Safeguards Documents Manager System utilization and explore enhancements that could be made to the Document Manager System based on the evaluation results.

The Agency agreed with the recommendation.

IV. SAFEGUARDS INFORMATION ANALYSIS

BACKGROUND

160. Safeguards implementation comprises of four fundamental processes, namely, collection and evaluation of all safeguards-relevant information; development of a safeguards approach for a State; planning, conduct and evaluation of safeguards activities; and drawing of safeguards conclusions. The safeguards conclusions drawn by the Agency will provide assurance that States are fulfilling their obligations under the Safeguards agreements.

161. As stated in the Agency document GOV/2014/41, the Supplementary Document to the Report on the Conceptualization and Development of Safeguards Implementation at the State Level (GOV/2013/38), there are three main types of information in drawing safeguards conclusions: information provided by States, information from safeguards activities conducted by the Agency, and other relevant information. The Agency conducts ongoing reviews for these three types of information and assesses internal consistency of State-declared information, and the consistency of State-declared information with the information that are generated and collected by the Agency. Any discrepancies will be identified and addressed in a timely manner. During this process, the Agency will consult with States and take follow-up actions to address the correctness and completeness of their declarations.

162. The collection of these three types of information is mainly conducted by the Safeguards Operations Divisions (SGO) and Division of Safeguards Information Management (SGIM). Whereas the collection and processing of State Declared and Open Sources information is managed by SGIM, particularly with the view to validate it, the overall analysis of all safeguards-relevant information is performed by the State Evaluation Group constituted by staff from Operations, SGIM and other technical divisions when appropriate.

163. Information provided by a State regarding its nuclear material and activities represents the great majority of information used by the IAEA for safeguards implementation. Once a State decides to

conclude the Safeguards agreement (Comprehensive Safeguards Agreement and Additional Protocol) or amend its SQP and have it entered into force, it becomes the State's obligation to provide State declarations and reports to the Agency. The preparation and submission of State declarations and reports to the Agency is carried out by the State or Regional Authority (SRA). Therefore, a qualified and cooperative SRA is an important factor to ensure the provision of good quality and timely State declarations and reports.

164. As the timely submission of State declarations and reports is essential to support an effective and efficient process of drawing safeguards conclusions, an improvement in the area of addressing late submission issues is required.

165. The audit scope covered Safeguards supporting activities conducted by SGIM during the period of 2016 to 2018.

166. The principal researchable question for this theme was: "To what extent does the Agency have a comprehensive information to support the implementation of Safeguards?" and cascaded into the following three researchable questions:

a. Has the Agency planned an adequate mechanism in collecting, processing, and disseminating SG-related information?

b. Has comprehensive monitoring been in place to ensure the reliability and timeliness of SG-related information?

c. Does the Agency have an evaluation mechanism in ensuring the SG-related information reliability and timeliness to support SG implementation?

AUDIT FINDINGS

167. A timely provision of State declarations and reports is significant for effective and efficient safeguards implementation. If a State does not provide State declarations and reports in a timely manner based on the safeguards agreement, the Agency will need to put more effort and allocate extra resources to draw safeguards conclusions for the particular State. Whereas for the State, delays in submission of declarations and reports will affect its chances of receiving the broader conclusion and the implementation of integrated safeguards.

168. The issue of timeliness of state declarations and reports submission has become one of the challenging areas in safeguards implementation specified in the Safeguards Implementation Report (SIR). Among ongoing actions aimed at assisting States in delivering along their obligations, the Agency has introduced the implementation of a State Declarations Portal (SDP) as a secure web-based channel that support the submission of State declarations and reports. The utilization of SDP by States will help to improve the efficiency of State declarations and reports provision in terms of time and effort. The Agency also provides assistance to enhance the capacity of the SRA regarding the State System of Accounting for and Control of Nuclear Material (SSAC) by delivering SSAC training and an IAEA SSAC Advisory Service (ISSAS) mission upon request by the States.

169. Our observation on the submission of the State declarations and reports found some areas that could be improved by SGIM as well as the Operation Division, as follows:

A. The need for establishing the categorization of late submission issues to define its impact on the safeguards conclusion

170. The safeguards agreement specifies the types of reports that need to be submitted to the Agency in a specific point of time (e.g. annually, semi-annually or quarterly basis). The SIR 2016, 2017 and 2018 stated that the late submission of State declarations and reports remained as a constant challenge throughout the year. However, the SIR did not specify whether the issue was happening in the same States or different States over the years.

171. SGIM and SGO explained that, in determining whether a late submission of State declarations and reports is considered as a significant or acceptable delay in terms of its impact on the safeguards conclusion, there is no specific criteria that is being applied. Presently, the impact of the late submission on drawing a safeguards conclusion is based on the state specific factors (for example the existence of an SRA) and the types of information contained in declarations and reports. Furthermore, in defining the impact of a late submission issue on drawing a safeguards conclusion, there is a judgment call to be made.

172. We observe that the Agency has not set up a categorization regarding the late submission issues and its impact towards drawing safeguards conclusions. Since it is important to ensure that there are no discriminatory practices in determining the impact of late submissions on safeguards conclusions, the categorization of issues is important to ensure that the same treatment is applied to all States that fall into the same category. The categorization of late submission issues should consider the type of safeguards agreement, complexity of State's nuclear activities and facilities, type of declarations and reports, reasons for delay and frequency of delay.

173. We are of the opinion that by establishing late submission issues categorization, the Agency can enhance the assurance of non-discrimination principles when drawing safeguards conclusions and determine a structured response (through normal communication or escalation process) that needs to be taken with regards to certain late submission issues. Hence, it will eventually increase the timely provision of State declarations and reports.

B. Promoting the utilization of the State Declarations Portal (SDP)

174. The Agency developed the State Declaration Portal (SDP) that provides a secure web-based application to support information exchange between State and Regional Authorities (SRAs) and the Department of Safeguards. It also provides a communication channel for the Agency to give feedback on the information submitted by the State and sending a reminder for timely submission of State declarations and reports. As information submitted through the portal is highly sensitive, the Agency ensures that the SDP is featuring the highest level of information security infrastructure. States' reports and declarations submitted through the Portal are automatically transferred to the Integrated Safeguards Environment (ISE) secure network. This provides for the prompt processing of State declarations and reports, allowing staff to begin analysis of information more quickly, saving up to 30 minutes per declaration. It can be assumed that the implementation of SDP could support the Agency's effort to overcome late submission of State declarations and reports.

175. The safeguards agreement sets up the requirement for submission of declarations and reports, however, the selection of the communication channel depends on the state's preference. Considering the benefits of using SDP that promotes quicker and more direct transfer of information, statements, and reports, the Agency needs to intensify their outreach activities in promoting the utilization of SDP by collecting and sharing testimony from States that chose to adopt this new method of communication and

already benefited from it. Furthermore, the Agency can also put more information regarding the statistical data of improvement in terms of timely submission of State declarations and reports in the SIR.

C. Building States' awareness on the importance of establishing an SSAC

176. According to INFIRC 153 (Corrected) regarding the structure and content of Safeguards Agreements, the state is required to establish and maintain a system of accounting for and control of nuclear material that is subject to the agreement. The existence of an SSAC will have a direct impact on the effectiveness of Safeguards implementation. Even though for some States with limited or no nuclear activities, a formalization of SSAC can be done in the form of appointed focal points. A discussion with SGIM Director and SGO focal points reveals that the establishment of an SSAC is a critical point required in performing safeguards activities in terms of collecting State declarations and reports, as well as performing inspection activities in field. It will be a challenge for the Agency to perform safeguards implementation activities in the States that do not have an established SSAC.

177. SIR 2018 stated that in 2018 there were 43 States with safeguards agreements in force that still had not established SSACs. It is important to raise awareness with the State in respect to their obligation to establish an SSAC or counterpart. At this point in time, the Agency's outreach efforts to improve the performance and capability of the SSAC is through SSAC training. Additionally, the Agency has initiated ISSAS missions to provide States with assistance on safeguards implementation, which includes preparing and submitting the State declarations and report as well as the legal and regulatory framework. These missions help the States to enhance their understanding of their safeguards obligations. However, the ISSAS missions will only be delivered upon request by the States. Hence, it is important to encourage the States to establish SSAC since the existence of SSAC will improve the timeliness of State declaration provision that ultimately will increase the confidence of the Agency in drawing safeguards conclusions.

Recommendation 14

We recommend that the Agency:

a. consider establishing a categorization for the late submission issues and its impact towards drawing safeguards conclusions by taking into account the type of safeguards agreement, complexity of the State's nuclear activities and facilities, type of declarations and reports, reasons for delay and frequency of delay;

b. provide more information in the SIR on the detailed status and observe improvement regarding the timely submission of State declarations;

c. intensify its outreach efforts and, if appropriate, collaborate with relevant stakeholders in promoting the SDP utilization and encouraging States to establish an SSAC; and

d. provide statistics in the SIR on the usage of SDP and its benefits.

The Agency agreed with the recommendation.

V. SAFEGUARDS EFFECTIVENESS EVALUATION

BACKGROUND

178. The Safeguards Department maintains its own quality assurance programme focused on quality management and evaluation among other aspects. The Section for Process Design (CPD) and the Section for Safeguards Programme Coordination (SPC) are the two units responsible for this quality assurance processes.

179. SPC provides support to the overall planning and coordination of the work of the Department. This includes the evaluation of results, financial matters, reporting to donors and the assessment of outcomes of programme activities. As part of the quality control (internal assurance) processes, SPC reviews the Annual Implementation Plans (AIP), performs Quality Assurance on State Evaluation Reports (SER) and coordinates preparation of Safeguards Implementation Reports (SIR). In addition, the SPC performs an internal staff rotation within the SG Department to ensure that the Safeguards staff have a good range of experience and chance of skills development.

180. SPC reports directly to the Deputy Director General of Safeguards (DDG-SG). It is stated in the Programme and Budget for 2018-2019 Biennium that the objectives of the subprogramme are:

a. To ensure that key safeguards activities are subject to evaluations in order to validate that the results of safeguards activities meet the relevant objectives and support the safeguards conclusions.

b. To ensure that the performance of the department is monitored, evaluated and reported on, following best practices.

c. To ensure that the Board of Governors is informed annually on the conclusions drawn from safeguards implementation during the prior year.

181. Our audit covered the planning, monitoring, and evaluation activities of the safeguards effectiveness evaluation as an integrated process within the Department of Safeguards. The principal researchable question for this audit particularly in regard to SG effectiveness evaluation was: “To what extent does the Agency have an Effective Quality Control to support the Implementation of SG?” and cascaded into the following three researchable questions:

a. Has the Agency planned the overall quality control process to ensure the intended result is achieved?

b. Does the Agency have sufficient monitoring activities to assure the quality control process is in place?

c. Has the Agency utilized the quality control result in improving SG implementation?

182. The audit was performed by focusing on evaluation of AIP and SER, Agency policy on staff tenure and SG internal rotation policy.

AUDIT FINDINGS

A. Effectiveness Evaluation Function in the Safeguards Implementation

183. To support the independent evaluation on the safeguards implementation, SPC performs the AIP Reviews and the State-level Effectiveness Evaluation Reviews (SEER). An AIP review is performed by

SPC internal staff/evaluator, while a SEER is performed by the State-level Effectiveness Evaluation Review Team (SEERT). SEERT is a dedicated departmental team performing a review in the area of planning, developing, implementing and concluding safeguards activities. The team, consisting of cross-cutting expertise in the SG Department, is ultimately responsible to provide DDG-SG with an additional level of assurance on the correctness of the safeguards conclusions.

184. According to the Terms of Reference of SEERT, the States to be reviewed is proposed by the Section Head of SPC, approved by DDG-SG and announced to the Department at the beginning of the calendar year. To ensure the attainment of evaluation activities, SEERT requests the access to the entire State file for the relevant State on a task basis for the period of the review. The team organizes meeting with all relevant internal stakeholders to present and discuss the team's draft report. At the conclusion of a review, findings and proposed recommendations are discussed with the intended users and subsequently, evaluation report will be distributed, and follow-up actions will be recorded.

B. The Need for Establishing the Monitoring Process for Recommendation Implementation

185. We observed that the recommendations and implementation are not detailed in the form or proper action plans. Although the responsible party has been determined, there is no specific timeframe for the recommendation to be implemented. Without the activities and timeframe for implementing the recommendation, there are no key indicators available to monitor when and how the recommendation should be implemented.

186. The implementation of the recommendation depends on what type of recommendation was given by the team, some recommendations can be implemented instantly, and some will be implemented in the next AIP. In addition, it is said that some follow-ups are routine SG activities, hence there is no need to formalize the implementation of the recommendation.

187. Based on the number of recommendations resulting from AIP reviews by SPC for all divisions across the SG Department, there are seven recommendations from 2017 AIP reviews and only three (43%) have been resolved. Whereas in 2018, only one recommendation out of seven (14%) has been implemented.

188. We are of the opinion that formalizing the recommendations resulting from the evaluation and follow-up activities in the form of a plan of action is important to capture key activities, dates and milestones on the progress summary in implementing the recommendation. It provides assurance and commitment of the responsible parties to accept the recommendation and the identified follow up activities. In addition, with the formalized comprehensive plan of action and follow up activities, important issues that need to be escalated can be recorded and addressed in a timely basis by appropriate people. Furthermore, the Safeguards Divisions of Operations agreed that by having somebody who is not involved in the process that has the experience and expertise to understand the needs is respectable.

189. The follow up action is the responsibility of the manager of the country officer, however, with the absence of sufficient information in the agreed action plans, it can be challenging to monitor the implementation of the recommendation.

C. Improving the Collaboration in the evaluation process

190. The SG department performs several evaluation functions that are applied in accordance with their respective goals and purposes. The evaluation function owned by SG department can be in the forms of audit, review and the evaluation itself.

191. We observed that there have been various responses to the evaluation activities, particularly to the SEERT since it was first implemented in 2018. Some support it and consider it an important aspect of effectiveness evaluation, and some others find it as a duplication of work and an extra burden to their current job, particularly when it comes to the resources. Since SEERT is a departmental team and involves experts and analysts from other divisions, it potentially causes conflicting responsibilities for the experts/analysts.

192. The SEERT submits recommendations resulting from SEER to State Implementation Committee (SIC) for endorsement so as to be implemented by the divisions within the Department of Safeguards. The internal statistic shows that, from the recommendations submitted to SIC by the SEERT, only a few have been endorsed.

193. By taking into consideration the limited human resources, it is important for the effectiveness evaluation function to collaborate effectively with the stakeholders/other divisions to ensure the sustainable function in other divisions and all the recommendations have been timely followed up with the best possible resource availability.

194. On the other hand, another Unit performs Internal Quality Audits (IQA) on the processes, outputs, outcomes and their improvement. These IQAs and SPCs evaluations should complement each other because the process design implementation audits reflect what processes need to be improved and how, while the effectiveness evaluation as the ultimate quality control for SG implementation products can provide inputs on how the processes should/can be improved. We observed that currently, there is no existing interaction or collaboration between the audit programme and evaluation on the product. Furthermore, there is no procedure to align the effectiveness evaluation results across the department. We are of the opinion that the presence of the aforementioned interaction and collaboration as well as alignment of the evaluation results are fundamental aspects to support the effectiveness of the evaluation process.

Recommendation 15

We recommend that the Agency:

a. consider monitoring the implementation of recommendations resulting from the effectiveness of the evaluation process in a timely manner and measurably, based on established process;

b. strengthen the collaboration between the effectiveness of evaluation activities and audit programmes, including assessments, in the SG Department so as to improve the effectiveness and efficiency in the evaluation function; and

c. consider establishing procedure and guidelines to align the effectiveness of evaluation results across the SG Department to support effectiveness and efficiency of the evaluation process.

The Agency agreed with the recommendation.

D. Agency Policy on Staff Tenure

195. The recruitment process for Safeguards inspectors matches the normal process of professional staff recruitment. The generic job descriptions for Safeguards Inspectors, categorized as professional staff (P3 and P4), forms the basis of the vacancy notices that are published for 6 weeks. An evaluation panel reviews applicants, a shortlist is agreed and the evaluation process completed. The selection panel delivers their assessment which is reviewed by Operations Directors and the DDG-SG. The final appointment decision for P3 and P4 Inspectors is made by the DG. The process normally takes approximately six to eight months (and sometimes longer) and also applies to other technical professional positions (for analysts, evaluators, engineers and others) within the Department.

196. Inspectors that previously had left the Agency due to the completion of the tour of service, after a minimum of 12 months, can return to the Agency by applying to a vacant inspector position. These returning inspectors must follow the same recruitment process as a newly recruited inspector.

197. As safeguards inspectors and evaluators are categorised as professional staff, they are subject to the Agency rotation policy of a seven-year maximum tenure. For an exceptional condition, the staff member appointment can be extended on a long-term basis. The exceptional condition might be related to the need for continuity in a specific function assigned to the staff member's post, such as inspectors and evaluators in the SG Department.

198. The Agency revealed that about 30% of the Agency's professional staff have long-term contracts, most of them from the SG Department. The exception for SG professional staff member takes into consideration the limited availability of candidates with Safeguards relevant expertise in the market and the return on investment considerations of the safeguards two-year intensive training program. Whilst the Department places a priority on long-term contract extensions for inspectors, there is also a recognized need to ensure other long-term contracts to facilitate a core strength in expertise across other technical areas within the Department. As a result, the Department also considers it important to secure longer-term contracts for a critical number of additional technical professional positions (including a number of analysts, evaluators, experts and engineers). Staff in such positions may also have to undergo extensive training to fully develop in the role, or they possess specific experience and technical expertise which is difficult to source externally.

199. MTHR and SG Department have taken steps to mitigate the risks of limited tenure periods with targeted outreach strategies. In addition, a long-term contract is also given by considering the need for the post, budget availability and performance of the incumbent. The long-term contract is a five-year increment of the fixed-term and subject to the Director General's (DG) discretion. This is subject to renewal for every 5 years.

200. The Agency has a lot of investment in preparing a newly recruited inspector to become a competent inspector. A newly recruited Safeguards inspector is required to attend mandatory training (Introductory Course on Agency Safeguards/ICAS), followed with a Comprehensive Inspection Exercise (CIE) to provide the first practical opportunity to apply basic verification skills at a power reactor whilst under observation. The whole preparation process takes approximately two years before an inspector is independently competent to perform an inspection. Applying a 7-year term of contract for Safeguards inspectors does not maximize the Agency's investment. The Agency needs to spend more efforts and resources in recruiting, training and mentoring the new inspectors.

201. In the case of returning inspectors, the Agency needs to reapply the same preparation process. This means that the Agency needs to spend another repatriation cost and training cost for the returning inspectors. Taking into consideration the total cost for separation and appointment for an inspector is

approximately €65 000 while cost of training for an inspector is about €240 000 for the period of 5 years. However, we observed that there is no comprehensive analysis or evaluation capturing either investment for preparing a newly recruited inspector to be a competent inspector or the possible cost-efficiency incurred for the returning inspectors. We are of the opinion that such analysis could provide a solid basis to propose the extension of inspectors' contracts.

Recommendation 16

We recommend that the Agency consider assessing the investment for hiring and preparing a newly recruited inspector to be a competent inspector and analysing the possible cost-efficiency for longer term contracts for SG inspectors and other key technical professional staff to provide a solid basis for extension proposals.

The Agency agreed with the recommendation.

E. Formalizing Safeguards Internal Rotation Policy

202. SG Department has an internal rotation policy in place. The rotation is on annual basis with the purpose to increase the experience and the expertise of the inspectors as well as other division staff members. This practice aims to ensure that the Safeguards staff members have a good range of experience and chance for skills development. Approximately 10% of inspectors are eligible to be rotated annually with the aims to share their expertise and to make sure no one becomes too comfortable in the particular areas they have. Inspectors with 5 or more years of service in the same division are eligible and subject to internal rotation. The SPC liaises with Divisional Directors to develop a consolidated list of staff proposed for rotation through long-term reassignment. DDG-SG will consider and confirm a final list of proposals, in consultation with MTHR, which is subject to the standard approval process for all long-term reassignment requests within the Agency. Whilst the long-term reassignment procedure is covered within the Agency's Administrative Manual, the formalised SG rotation procedures are currently only at the 'work-in-progress' phase and planned to be finalized in mid-2020 (although the basic principles and approach are covered in informal guidance). The SG Department is currently working on the procedure that will be covering SG-specific HR planning and coordination activities including the internal policy.

203. Furthermore, we observe a potential issue with the articulation in the inspectors' working contract. Some of inspectors are not aware that they are subject to internal rotation since there is no clear statement from the Agency that after 5 years in the same division the staff are eligible to be rotated to another division. We are of the opinion that the Agency needs to provide a formal statement regarding the internal policy to make more precise situation regarding their internal rotation.

Recommendation 17

We recommend that the Agency expedite the development of a SG internal procedure for internal rotation with a clear articulation that staff members are subject to internal rotation after a period of time.

The Agency agreed with the recommendation.

OTHER MATTERS

Cases of Fraud and Presumptive Fraud

204. The Management reported to us that although areas for improvement in internal controls exist, the Office of Internal Oversight Services (OIOS) in 2019 investigated three allegations of fraud within the Agency during 2019:

a. The first case was already reported for 2018 as presumptive fraud (according to the definition adopted in 2017 by the UN System Chief Executive Board for Coordination (CEB), "allegations that have been deemed to warrant an investigation and, if substantiated, would establish the existence of fraud resulting in loss of resources to the Organization") but was still under investigation at 31 December 2018. The investigation has been closed in 2019 with the result of no financial impact or losses to the Agency.

b. The second allegation had already been closed as unsubstantiated prior to 31 December 2019, and so does not constitute either a fraud or presumptive fraud; and

c. The third case was still under investigation by OIOS at 31 December 2019 and has not yet been closed. Since, even if proven, it would not constitute a 'loss of resources to the Organization' (i.e. there would be no direct financial impact on the Agency), OIOS has not included this as a presumptive fraud in 2019.

205. Status of the Cases of Fraud and Presumptive Fraud are summarized below.

Table 13. Cases of Fraud or Presumptive Fraud Reported in IAEA

Period ended	Cases of Fraud			Cases of Presumptive Fraud		
	Number of Cases	Amounts (Euro)	Position as of 31 December 2019	Number of Cases	Amounts (Euro)	Position as of 31 December 2019
31 December 2016	0	0.00	-	3	N/A	Closed
31 December 2017	0	0.00	-	0	0.00	-
31 December 2018	1	1 941.00	Closed	2	N/A	Closed
31 December 2019	0	0.00	-	0	0.00	-

Source: Information provided by management and OIOS

Write-offs

206. Receivables amounting to €86 657.92 were written off in 2019. This write-off includes the following:

Table 14. Detail of Write-Offs

No	Type of Receivables	2019
1	Extrabudgetary Contributions Irrecoverable	33 524.76
2	Payroll Receivable Irrecoverable	26 083.57
3	Refund of VAT	2 763.33
4	Refund Receivable Irrecoverable	133.05
5	Agency Laboratory Sales Receivable	23 914.61
6	Agency Publication Sales Receivable	41.19
7	Private Long-Distance Calls Charge Irrecoverable	197.41
8	Insurance Claims irrecoverable	-
	Total	**86 657.92**

Loss Equipment

207. According to AIPS records in 2019, there were twelve capitalized assets costing €53 456.44 with net book value of €31 618.41 and fourteen expensed type assets with acquisition cost amounting to €9 945.72 which were declared lost.

Ex-Gratia Payments

208. No ex-gratia payments have been made during 2019.

RESPONSE TO PAST EXTERNAL AUDITORS' RECOMMENDATION

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

ACKNOWLEDGEMENT

210. 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. Bahrullah Akbar M.B.A., CIPM, CSFA, CPA
The Member V of the Audit Board of
the Republic of Indonesia
External Auditor
Jakarta, Indonesia
31 March 2020

ANNEX I

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

Table 15. Recommendations and Follow Up

External Auditors' Audit Results	2011		2012		2013		2014		2015		2016		2017		2018		Total
	FA	PA	FA	PA	FA	PA	FA	PA	FA	PA	FA	PA	FA	PA	FA	PA	FA* & PA**
Recommendations opened as of 1 Jan 2019	3	0	0	3	0	3	1	8	0	3	2	8	5	3	10	13	62
Recommendations implemented in 2019	0	0	0	1	0	2	0	4	0	1	0	2	2	1	5	10	28
Recommendations in progress as per 31 Dec 2019	3	0	0	2	0	1	1	4	0	2	2	6	3	2	5	3	34

* FA – Financial Audit

** PA – Performance Audit

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
Audit Report for The Year 2018		
Financial Issues		
1	The Agency should develop its corporate anti-fraud policy as it supports the Agency's commitment to promoting an organizational culture that does not tolerate fraud and places an emphasis on accountability and integrity.	The Agency will seek to gain approval from all stakeholders, which will then be circulated for official clearance. The Management considers the recommendation to be In Progress.
2	The Agency should update its IPSAS Policy Manual related to: i. management of LEU inventory; and ii. implementation of IPSAS 39 – Employee Benefits.	i. The Agency has updated its Policy Manual related to the management of LEU inventory to include additional provisions under IPSAS 12- Inventories and IPSAS 9- Revenue from exchange transactions, for the possible future case of a sale of LEU to a Member State. ii. The Agency has adopted IPSAS 39 in the 2018 financial statements. The main differences between IPSAS 39 and IPSAS 25 are in the recognition and presentation of actuarial gains and losses arising from the defined benefit plans, which have no impact for the IAEA. Nevertheless, the adoption of IPSAS 39 requires additional disclosures to be provided, and therefore the comparative figures of Note 17 were adjusted to include further details, as applicable. No other changes were required due to the adoption of IPSAS 39.

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
		The Management considers the recommendation to be Implemented.
3	The Agency should review its Financial Instruction No. 16 – Procedures for the operation of the Agency's Petty Cash Funds to restrict the reimbursement of petty cash expenses from prior years.	The Agency reviewed FI No. 16 to assess the feasibility of restricting the reimbursement of petty cash expenses from prior years and proposed to make below changes to be added to the relevant section of FI No.16: Petty Cash Funds Request for reimbursement. Staff members shall request reimbursement of permissible expenses from Petty Cash Funds using a Petty Cash Form. The form is a Microsoft Word template and electronically available in Word document under My Templates, MTGS Tab. Requests for reimbursement from Petty Cash Funds, supported by invoices/claims and justification of expenditure must be submitted for reimbursement within one month after the date of the purchase. Purchases made in the prior year will ONLY be reimbursed if submitted by January 31, of the current year to ensure proper recording and accounting. The Management considers the recommendation to be Implemented.
4	The Agency should i. review its Financial Instruction Treasury Management regularly; and ii. incorporate an exception clause in the Financial Instruction as a preventive action to the uncertain and unpredictable market condition.	The Agency has implemented the recommendations during the 2018 audit. The Management considers the recommendation to be Implemented.
5	The Agency should i. strengthen its efforts to ensure that receivables are collected from the Member States including the use of payment plan agreement; and ii. consider its approach to funding the regular budget fund deficit, including considering the need to change an adequate level for the WCF to meet the Agency's needs.	The issue of the adequate level of the WCF was brought to the attention of Member States through the Agency' Draft Budget Update for 2021 (GOV/2020/1). The following information was shared with Member States as part of the document: "In 2018 and 2019, the Agency used the WCF in the last months of the year, owing to late receipt of assessed contributions from Member States. The Secretariat has consistently held the opinion that a WCF level equivalent to one month's expenditure would be appropriate. Currently, the average monthly expenditure from the Regular Budget exceeds the level of the WCF, which constitutes a significant risk to the Agency." "Member States are hereby informed of the risk insufficient funds in the WCF pose to the Agency. Furthermore, the External Auditors made a recommendation in 2018 to consider a change to the level of the WCF to meet the Agency's needs." The issue was also discussed at the informal meeting of the Programme and Budget Committee on 5 February 2020 when Member States gave their feedback on the noted issue.

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
		The Secretariat will continue to consult Member States to find a solution to this situation. The Management considers the recommendation to be In Progress.
6	The Agency should continue its efforts to remind the education grant recipients to claim and settle the long outstanding advances.	The Agency has reminded education grant recipients to settle long outstanding advances. The Management considers the recommendation to be In Progress.
7	The Agency should enhance its efforts to ensure that long outstanding items relating to prior years on the UNDP accounts are cleared at year end.	The Agency has undertaken follow-up actions to clear long outstanding items relating to prior years on the UNDP accounts. The Management considers the recommendation to be Implemented.
8	The Agency should enhance its efforts to explore the possibility of developing an electronic process or system to track the performance level.	The Agency started the process to review the possibility of making use of the functionalities of Oracle LMS to administer the Agency's performance management system. Remaining steps: • Continue action taken in 2019 • Explore if a tracking process for consultants could be developed in the LMS. The Management considers the recommendation to be In Progress.
9	The Agency should encourage the related claim verifiers to process the claims in a timely manner.	The Agency regularly monitors and follows-up with travel claim verifiers to process travel claims in a timely manner. The Management considers the recommendation to be Implemented.
10	The Agency should enhance the monitoring system of the research contract to ensure that all reports have been submitted by researchers.	Contract proposal and progress reports evaluations in the CRA Online Information System contain a mandatory field showing the due date for submission of the next progress (final) report, which allows automated reminders to be sent to Project Officers (POs). Remaining steps: Monitoring reports to be built by MTIT in CRA Online Information System, to allow follow-up action by NACA and Project Officers, in order to ensure submission of pending reports. The Management considers the recommendation to be In Progress.

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
Management of the Agency Procurement		
11	The Agency should: i. improve the AIPS by providing a feature enabling users to monitor the status of requisition review process; and ii. require the Technical Departments to increase MTPS involvement in the initial planning/development of technical specification before the submission of requisition to accelerate the issuance of the solicitation process.	i. the Procurement status project was implemented in 2019 and provides the users with the capability of monitoring the status of their requisitions. ii. A/DIR-MTPS reminded all stakeholders the benefits of early involvement of MTPS in the planning stages and a dedicated InSite page with guidelines on this is now available. The Management considers the recommendation to be Implemented.
12	The Agency should: i. formulate a more accurate AIPS default need-by date of a procurement by utilizing the available data on the current average duration of the procurement process and delivery time; and ii. encourage, through MTPS, requestors to identify in the requisition justifiable circumstances that would grant consideration of a realistic earlier or later need-by date.	i. In progress - MTPS has been analysing 2017-2019 data to formulate a more accurate AIPS default need-by date based on current average duration of the procurement process and delivery time. However, this may differ between HQ deliveries and field. Final review will consider 2019 purchasing data to achieve more accuracy. This is on schedule to be implemented by the current target implementation date. ii. Implemented - Relevant Guidance was introduced in the AIPS Requisition creation pages requesting that any target delivery date as well as dates earlier than the current default need-by date (3 months) must be indicated in the Requisition. The guidelines will also be applied to any new "default" date once item [i] above is implemented. The Management considers the recommendation to be in Progress.
13	The Agency should i. through the Technical Departments, with the support of MTPS, build a more intensive coordination with Member States to enhance their awareness of the importance of MSs' solid support and strong commitment in ensuring a timely, effective and efficient procurement process and delivery; ii. consider the possibility of collaborating with Customs related international organization to benefit from their knowledge to enhance the	i. MTPS launched the End-User guidelines for TC Procurements which were distributed at the 2019 GC. A presentation was also given to the Member States and material distributed. An End-User checklist was also developed in coordination with TC and is available in PCMF to enhance Member States awareness of the importance of their roles in supporting a timely, effective and efficient procurement process and delivery; ii. The International Chamber of Commerce (ICC) and the World Customs Organization (WCO) have been approached. UNDP has also been approached to benefit from their knowledge and best practices from UNDP country offices on customs clearance procedures. In addition, training on Incoterms 2010/2020 has been contracted with UNDP for 2020 for in support of continued capacity building within the Agency. iii – iv. MTPS has implemented measures to improve the invoicing report and ensure that the complete documentation is properly uploaded in a timely manner in the record-keeping system of shipping documents.

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
	approach to resolve customs issues; iii. require MTPS to improve the invoicing report from the GFF to obtain a sufficient and clearly identifiable level of breakdown of charges related to unplanned cost emerged from delays and to utilize the information gained as a lesson learned for continual improvement; and iv. through MTPS, request the GFF to ensure that the complete documentation is properly uploaded in a timely manner in the record-keeping system of shipping documents.	The Management considers the recommendation to be Implemented.
14	The Agency should i. explore enhancements to AIPS for generating an early warning system to enhance the management of deliveries seeking to reduce the cases of delayed deliveries and providing accurate receipt and delivery data; and ii. enhance the PO issuance process starting from the preparation and approval process so as to minimize human error, and by resolving the issue of discrepancies between the date of delivery and PO issuance date.	i. A new alert has been introduced in 2019 which provides the Requestor with a reminder of outstanding receipts which are 1 week past the PO promised delivery date. This is to ensure that receipting is done on-time and helps the Requestors to efficiently monitor their POs which may be late. ii. SOP was issued to Buyers to provide necessary guidance on how to correctly use the promised dates in the PO creation and establishing a monitoring procedure to identify any discrepancies and remedy them in a timely manner. The Management considers the recommendation to be Implemented.
15	The Agency should require MTPS to develop a system to record suppliers’ performance in a more comprehensive manner and to maintain a supplier performance database to monitor and facilitate the evaluation of the supplier’s performance.	SOP was issued for consistent monitoring of KPIs and suppliers' performance. Feasibility of a solution in AIPS has been finalized in coordination with MTIT to facilitate consistent performance monitoring and tracking in the future. Implementation and timeline for such a solution will be subject to final feasibility and funding. Remaining steps: In coordination with MTIT - Finalization of the feasibility assessment of a solution in AIPS for suppliers' performance monitoring and tracking. The Management considers the recommendation to be in Progress.

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
16	The Agency should through MTPS further clarify and disseminate roles and responsibilities of parties engaged in the procurement process.	The matrix of roles and responsibilities within the procurement process was issued and communicated to all stakeholders and is available Agency-wide on InSite. The Management considers the recommendation to be Implemented.
Management of the Agency Publication		
17	The Agency should i. intensify an assessment and review process of the implementation of SPESS, reporting on the results periodically; and ii. consider formalizing relevant performance indicators to assist in assessment of the implementation of SPESS.	A new monitoring system has been established to follow the implementation of the SPESS process. We retroactively recorded the dates of the key steps in the SPESS process and continue recording any new draft as soon as it is submitted to Member States for comments. We follow the trends and have also established a mechanism that helps anticipating the possible evolution of the trends based on estimated resources available. The results are shared regularly with the Coordination Committee, DDG NS and at every meeting of the CSS. The CSS, together with the Secretariat agreed on a value for an intermediate and for an ultimate performance indicator (12 months from step 11 to publication as intermediate target and 8 months as ultimate target when adequate resources will be made available). The Management considers the recommendation to be Implemented.
18	The Agency should i. through the Office of Safety and Security Coordination, enhance the use of NSS-OUI as a central mechanism to support knowledge and content management in relation to the Safety Standards, especially in relation to feedback collection and analysis; and ii. require the Office of Safety and Security Coordination periodically report on progress made to DDG.	NSS-OUI is promoted at every meeting of the Committees and the CSS and is now well recognized as being the central mechanism to access and browse the content of the Safety Standards Series publications and the Nuclear Security Series publications. It is used in a systematic manner when proposing revisions of existing publications and the search capabilities of NSS-OUI is used systematically to support the knowledge management associated with any revision. Moreover, NSS-OUI is now also the central mechanism to collect feedback on the existing publications. NS staff members and all members of the Committees are eligible to get access right to the feedback interface system. NSS-OUI appears now on top of both the main safety standards web page and the Nuclear Security Series web page. The Management considers the recommendation to be Implemented.
19	The Agency should i. continue to encourage counterparts in Member States to participate in data collection/information gathering to the extent practicable with respect to the adoption and use of IAEA Safety Standards; and ii. require Nuclear Safety Office of Coordination (NSOC) to analyse and use relevant	This is now a standard feature of all meetings of the Committees and the Commission. They always include an agenda item on the feedback on existing publication and in many instances agenda items dedicated to specific topical areas so as to prepare the revisions of the publications. This feedback is a systematic element of every proposal made for revision and is part of the template for the Document Preparation Profile (DPP) submitted to NSOC and assessed through the regular meeting of the Coordination Committee chaired by the NSOC Director (its Secretariat is also managed by NSOC).

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
	feedback received for the improvement of IAEA Safety Standards.	The Management considers the recommendation to be Implemented.
20	The Agency should continue developing and implement the centralized database as a basis for monitoring the progress of manuscript preparation within the NE Department.	A centralized database for monitoring the progress of manuscript preparation within the NE Department has been established and is accessible to all NE Department Managers through the NE Department Portal. The Management considers the recommendation to be Implemented.
21	The Agency should through the Publishing Section, continue including support information such as Frequently Asked Questions for the presentation to be delivered by the respective Scientific Secretary in the initial consultancies meeting.	The Publishing Resources Pack - a collection of information answering the questions that the Publishing Section most frequently receives - was made available to all staff members online (intranet), in print and through training sessions that are organized by MTCD on a regular basis (3-4 times a year); in addition, tailored presentations at consultancy meetings are offered upon request (19 provided in 2019) and additional information sheets provided for easy reference. The Management considers the recommendation to be Implemented.
22	The Agency should consider developing a knowledge transfer mechanism regarding development of publications to ensure proper handover during staff turnover.	As of January 1st, 2020, the new Guidelines on the production of Agency publications developed by the Department of Nuclear Energy has been adopted. The Guidelines include a revised Document Preparation Proposal (DPP) Form that tracks the history of each publication, including the change of Scientific Secretaries over the years. Besides, information on publications under development is made accessible to all relevant staff through the NE centralized database and copies of the manuscripts approved by the NE DCT at different stages of the publication process are stored in the DCT workspace in ROAD and accessible to all relevant staff. The Management considers the recommendation to be Implemented.
23	The Agency should i. clearly communicate to all relevant stakeholders, with supporting documentation, the parameters taken into account when prioritising manuscripts and assigning work within the Publishing Section; ii. continue to identify initiatives and develop strategies for efficiency improvement throughout the whole process of publications management particularly related to the editing process; and iii. address the under-resourced	i. Parameters for prioritization are shared with all relevant stakeholders, as required, and are available on GovAtom. ii. A review of the processes relating to publications management is in progress, working in collaboration with the technical Departments and integrating new workflows as a result of the introduction of the new publishing software. iii. A new editor post has been created following an assessment of resources required. Remaining steps: i. The complete prioritisation list will be posted onto the updated Publishing site in Q2 - Q3 2020; ii. Following a phased approach the process review will be completed by Q4 2020;

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
	editing services at the high level of the Agency management.	iii. Options to recruit additional temporary resources are being investigated to address the under-resourcing within the editing services. The Management considers the recommendation to be In Progress.
Audit Report for The Year 2017		
Financial Issues		
1	The Agency should 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.	No written guidelines are needed since the imprest funds are not considered as operational. One was closed in 2019 and one will be closed by Q1, 2020. The last one will be closed by Q2 2020. The recommendation will be considered redundant subsequent to the closure of the remaining imprest funds. The Management considers the recommendation to be In Progress.
2	The Agency should: 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.	Changes to the IAEA Policy Manual and the following policies and guidance documents to incorporate the recognition and de-recognition of inventories with reference to INCOTERMS and in accordance with the Revised Supplementary Agreement (RSA) and Administrative Manual IX/4 Paragraph 13 have been completed and approved: 1. B.PROC_12_Inventory_Recording_of_Project_Inventories 2. A.POLICY_12_1_Inventories 3. A.POLICY_17_2_Control_over_Assets The updated versions of the documents are uploaded in InSite under Accounting Policies. The Management considers the recommendation to be Implemented.
5	The Agency should: 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.	a. Implemented. b. The Agency will re-assess the bank direct debit solution and decide which solution/option to choose. The Management considers the recommendation to be In Progress.
6	The Agency should: a. document the cancellation reasons for duty travel and make	a. The Agency will implement the change request relating to the recording of the cancellation reason in AIPS whenever a TRAC is cancelled.

<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>them available upon request; and
b. ensure that the lump sums paid to the remaining meeting participants are recovered.</td><td>b. No further action after Q1 2020, if remaining amounts are deemed irrecoverable.

The Management considers the recommendation to be In Progress.</td></tr>
<tr><td>7</td><td>The Agency should include more detailed disclosures related to the FAO Joint Division in connection with IPSAS 37: Joint Arrangements.</td><td>Additional disclosures for the FAO Joint Division have been incorporated into the Agency's Financial Statements starting from 2018.

The Management considers the recommendation to be Implemented.</td></tr>
<tr><td colspan="3">Spent Fuel</td></tr>
<tr><td>8</td><td>The Agency should:
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. analyse 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.</td><td>The Agency will finalize the revised Risk Management Guidelines and processes and select, configure and pilot-test the IT solution to support the new system. Roll-out of the new system, the tool, and training staff are expected in 2021.
Delay due to time being required in having an IT solution in place that is compatible with the Hyperion next generation project solution which needs to be in place to test the new system under the new Guidelines. The work is expected to be complete in Q3 2020.

The Management considers the recommendation to be In Progress.</td></tr>
<tr><td colspan="3">Safeguards Analytical Laboratories</td></tr>
<tr><td>13</td><td>The Agency should 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.</td><td>Terms of Reference are under finalization. Procurement plan is under preparation and set to begin in 2020. Pledged or budgeted funding (net of PSC) is approximately 5.4 M €. Total funding needs are estimated at 5.89 M €.

The Management considers the recommendation to be In Progress.</td></tr>
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Key Audit Recommendations		Management Response
Rec. No.	**Description**	
Technical Cooperation		
15	The Agency should: 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.	i. TC has updated the project design template for the TCP 2020-2021 and included in the Risk Management section an explicit reference to footnote a/. In addition, project teams were instructed during the proposal review process, where applicable to especially consider a high footnote a/ component in their risk management strategy and to identify mitigation measures accordingly. ii. TC has analysed the possibility of making footnote a/ components with low funding certainty as stand-alone footnote a/ projects. Taking into account (i) the political context of the TCP, (ii) a donor's perspective, (iii) the nature of the thematic field with the highest footnote a/ component (Radiation Oncology), and (iv) the lack of a reliable method to assess the funding certainty of Government Cost Sharing and Extrabudgetary Contributions, TC concluded that making footnote a/ components in general stand-alone footnote a/ projects is currently not viable and needs to be assessed on a case-by-case basis. Other options will be explored based on further experience gained in future TC cycles. The Management considers the recommendation to be Implemented.
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.	MTBF has already provided the proposed text to MTGS, the Administrative Manual changes are currently in the approval process. The 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.	The Agency will complete the last two remaining approvals of ISMS and implement the associated policies, standards, procedures, and guidelines in 2020. Additionally, a review of prior audits needs to be completed to determine if additional testing is required. The Management considers the recommendation to be In Progress.

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	During 2019, the Agency implemented a number of outreach and promotional activities, as well as implemented some usability enhancements, including: i. Social media Google-based forum was replaced by a new, Agency hosted solution which offers better communication and management. ii. Member directory updated. iii. Draft of the INLN Practical Arrangements has been prepared. Remaining steps: Clearance by the Office of the Legal Affairs is required before the INLN Practical Arrangement is distributed to its members. The Management considers the recommendation to be In Progress.
9	The Agency should: (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.	Draft of a simplified version of the Definition of Membership Arrangements for INIS has been created with a proposal to move from Agreement to a Practical Arrangement legal form. Remaining steps: Final version of the Agreement/Practical Arrangement to be reviewed by the Office of Legal Affairs. The Management considers the recommendation to be In Progress.

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<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>10</td><td>The Agency should:
(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.</td><td>Current intellectual property practices of repositories maintained by UN and other international organizations were reviewed. It was concluded that only FAO AGRIS is similar to INIS. INIS staff member was sent to Rome to get acquainted with their practice. Meanwhile, Agency-wide initiative regarding copyright has been initiated led by the Publication Section. Some overall rules, regulations and guidelines regarding copyright and open access are expected soon.

The Management considers the recommendation to be Implemented.</td></tr>
<tr><td colspan="3">Radiation Safety and Monitoring</td></tr>
<tr><td>16</td><td>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.</td><td>The first Consultancy meeting on the preparation of the TECDOC on the prospective cancer risk assessment for occupationally exposed workers was held in December 2018 in Obninsk, Russian Federation. The second Consultancy meeting is planned for April 2020. The Safety Report on Occupational Radiation Protection in Uranium Mining and Processing Industries is under the final stage of publication. The guideline for ORPAS was submitted for publication.
While the work on the TECDOC is in progress, the tasks i) and ii) are completed.

The Management considers the recommendation to be Implemented.</td></tr>
<tr><td>19</td><td>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</td><td>• Addition of one new G5 Laboratory Technician to the IMSG to support in-vitro dose assessments.
• Conversion of the short-term Laboratory Attendant position from 50% to 80%.
• Transfer of PPE service to other group - negating the need for one new G5 position.
• G6 Position in ORMSG Regularized (previous year).
• One P4 Position moved from Unit and work to support TC-TOs assigned outside of Unit (previous year).
• Capital equipment renewal and modernization program established under MCIF (RADSED and RSTSU) and being implemented.
• Program Support Costs funds of approximately €58K/a allocated to instrument loan service and active dosimetry renewal for 2020-21 biennium by DDG-NS. PPE Service transferred to others and is now outside of scope.</td></tr>
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<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>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.</td><td>Sufficient space for RSTSU operations has been allocated in the Nuclear Material Laboratories and the new Yukiya Amano Laboratories.
Service Level Agreements substantively renewed and updated with SGAS. Updated SLAs with TC and NA in advanced draft. Updated SLA with SG under development.
Working relationships with RPOs developed and functioning well - Quarterly RPO Roundtables established as focus for service coordination and communication.
RPO Roundtables operating as a method for strengthening RPO capabilities.
RPO Initial training program designed and planned for development and implementation.
Remaining steps:
Regularization of the short-term Laboratory Attendant position to a full time G5 Laboratory Technician role to support external dosimetry services.
Address the issue created in moving the P4 position out of IMSG - the Service Group Leader role is now filled by the P3 External Dosimetry Specialist on an ongoing basis.
Develop a user-pay model for RSTSU costs for consideration of the DDG-NS and complete necessary negotiations with customers for implementation in the 2022-23 Biennium.
Complete renewal of SLAs with TC, NA and SG
Develop and implement the RPO Initial Training Program.
The Management considers the recommendation to be In Progress.</td></tr>
<tr><td colspan="3">General Services</td></tr>
<tr><td>20</td><td>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</td><td>The new ERMS, now called ACMS, was successfully rolled out in 2019 in the Agency. The business process was revised and communicated to the stakeholders, and with the help of OLA some critical documents to be maintained still as hard copy were identified. As the result of this complex change exercise it was managed to convert the entire process of correspondence management 80% digital, and transparency, accountability and traceability of the correspondence documentation across the Agency were improved. In addition, the Department of Management launched in September 2019 the Extra-budgetary Contributions Acceptance Process (EBCAP) system that replaces the former Agency's hard copy document clearance and approval process. On the SG side in SGIS, the application in the test environment was installed, and specific SG requirements were collected from all stakeholders. ERMS in the Agency is ready to be decommissioned now, the use of ARMS codes was discontinued as the result of the policy update.
Remaining steps:</td></tr>
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Key Audit Recommendations		Management Response
Rec. No.	Description	
	correspondence if the report shows that potential cost efficiencies at the operational level can be achieved.	SG will test ACMS on their networks and follow the same methodology: revisiting the business process, in communicating changes to stakeholders, staged roll-out of ACMS in SG or ISE. With regards to aligning Agency and SG processes, the ultimate scope is to standardise as much as possible in correspondence management without compromising security. In addition to the EBCAP system introduced in 2019, the Department of Management will launch in 2020 the Electronic Interoffice Memoranda (e- IOM) system that will replace the current process of hard copy clearance and approval of IOMs in the Agency. The 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.	In 2019, MTGS started records audits in TC and DGO.A Records Retention Schedule draft is ready for both entities. The implementation of the MT schedules is delayed, however, due to the lack of IT capacity for ROAD. With the help of consultant, the work is being done help configure the retention rules in ROAD. The SharePoint recordkeeping sites were also rolled out, all Agency staff can activate now Teams or SharePoint site for recordkeeping. Remaining steps: In 2020, TC and DGO Schedules need to be cleared in Q1, the NE records audit project kicks in January and extends through the year. The Records Advisory Team of ARMS will start regular inspection visits in each division to monitor compliance with the policies. The schedule is published. The 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.	The Archival management system was introduced in 2019, the backend of the database is already in use for acquisitions, transfers, storage control and archival description by the Archives staff. The publishing of the discovery layer has been delayed; the external company could not deliver the access matrix on time. Digital preservation capacity building continued through the year, staff attended webinars and conferences to learn about best practices, published papers and successfully completed a huge digital preservation project with SGAS when we tested the digitization workflow. Remaining steps: The publishing of the discovery layer for the Agency staff is moved to Q1 in 2020. Permanent records in OLA and NA will be digitized for long-term preservation and business continuity. The Archives will do the inventory of the historical holdings for media obsolesce and will draft a business case along with a gap analysis of the resources needs of a full digital preservation programme in the Agency.

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
		The Management considers the recommendation to be In Progress.
Audit Report for The Year 2015		
Programme on Nuclear Sciences		
24	The Agency may consider putting in place mechanism to ensure adherence to the timeframe for publication of CRP reports.	The temporary position was extended to 12 months; the recruitment of a post for 'Programme and Publication Officer' is ongoing and expected to be completed by the first half of 2020; a new position in MTCD-Publishing Section will be co-financed (50%) by NE Department to support the process of publishing NE Department document (recruitment for this position has started). Remaining steps: The remaining steps are to finalize the recruitment of the 'Programme and Publication Officer' and finalize the recruitment by MTCD-Publishing Section of the post co-funded by NE Department. The Management considers the recommendation to be In Progress.
27	The Agency may continue its efforts to strengthen existing RR networks and coalitions.	ONE International Centre based on Research Reactors (ICERR) was designated in 2019 and the promotion of network of ICERRs (ICERRNet) was continued. The Internet Reactor Laboratory (IRL) project was developed in the Europe, Asia Pacific region and African region. The 15th edition of the EERRI course was conducted. Regional RR Schools was conducted in Japan. Activities to support thematical networks and coalitions continued, also in cooperation with TC Department within the framework of Regional TC projects. The Management considers the recommendation to be Implemented.
30	The Agency may monitor gender participation in each task undertaken within the sub programmes.	NE Department gender implementation plan was finalized; and NE Department Gender Focal point was appointed. Remaining steps: The gender implementation plan as well as the Gender Mainstreaming Guidelines to be issued soon by DG (this will include the pilot on gender mainstreaming for selected projects of MP1). The Management considers the recommendation to be In Progress.

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
Audit Report for The Year 2014		
Financial Issues		
3	The Agency may consider the implementation of a long-term funding strategy for meeting the employee liabilities adequately over a period of time.	Subsequent to the proposal to Member States, there was a request to provide alternative funding mechanisms, cost containment measures and an update of the progress of the ASHI funding in the UN. A briefing on ASHI alternative funding mechanisms, cost containment measures and an update of the progress of the ASHI funding in the UN to be given to Member States. The Management considers the recommendation to be In Progress.
Procurements of Safeguards Department		
13	b) The Agency may frame explicit guidelines regarding elements constituting Best Value for Money (BVM) for different category of procurements.	The review of the Procurement Governance will be completed in 2020 in consideration of the 2018/2019 reports from OIOS and external auditors. The Management considers the recommendation to be In Progress.
	c) Changes to the extant provisions/structures may be simultaneously updated in the Administrative Manual after taking due approvals.	The review of the Procurement Governance will be completed in 2020 in consideration of the 2018/2019 reports from OIOS and external auditors. The Management considers the recommendation to be In Progress.
16	The Agency may consider framing guidance regarding the composition (number & grade of members) of the evaluation teams and include details of team members of the evaluation team in the Procurement Plans.	In December 2019, an SOP providing guidance on the composition of teams has been provided to Buyers and was also included in the procurement plan template. The Management considers the recommendation to be Implemented.
17	a) The Agency may issue appropriate guidance to Procurement Review Committee (PRC) regarding recording the justification for their findings, particularly in cases where the PRC finding against a condition is 'No'.	The justification of the Procurement Review Committee (PRC) findings have been consistently and appropriately recorded by the PRC Secretary in the minutes of the PRC. In line with the PRC Terms of Reference, recommendations are adopted by consensus, otherwise by vote, in which case the opinion of each voting member or OLA (observer) is recorded in the minutes. The Management considers the recommendation to be Implemented.
	c) The Agency may extend the definition of critical procurement to amendments to	Amendments for more than 20% of the original contract price and any other types of proposed amendments are referred to the PRC (Ref. Paragraph 3 of the PRC Terms of Reference).

Key Audit Recommendations		Management Response
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	contracts for the purpose of referral to the PRC.	The Management considers the recommendation to be Implemented.
Safety of Nuclear Installations		
21	b) The Agency may incorporate a follow up mission as part of the SEED mission package as is the case with OSART missions.	The SEED guidelines including the Follow-up Missions was finalized resolving all comments received during the internal review process. The SEED Guidelines were published in December 2019. The Management considers the recommendation to be Implemented.
Information Technology		
32	b) To improve internal control system in MTIT, there may be an explicit guideline specifying authority levels for approval of ICT procedures, their classification, process of communication to relevant staff, periodicity of updating and methodical storing	The following actions have been completed to address this item: • Policy Compliance Matrix has been drafted to identify how compliance for each item is being addressed; • Process Management Fundamentals and associated processes and templates, classifications, and communication have been drafted and reviewed; • Centralized Process Asset Library with processes mapped to COBIT and ITIL standards based on links to documents has been piloted. Remaining steps: • Update Policy Compliance Matrix based on ISMS changes; • Revise and implement Process Asset Library to store all process documents centrally; • Finalize and implement Process Management Fundamentals based on ISO 27001 standard to govern how processes are structured, managed, and maintained. The 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.	The ISMS has been drafted and has completed 90% of the formal approvals. The Agency will complete last two remaining approvals of ISMS and implement the associated policies, standards, procedures, and guidelines in 2020. The Management considers the recommendation to be In Progress.
36	a) Information security roles and responsibilities across the Agency for remote access may be defined and allocated.	The requests for remote access now function as mentioned below: • All requests for remote access are submitted to our service desk via the Agency's Incident Management System. • All requests registered in the system are escalated for approval by the department's Divisional Director.

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
		• Upon approval, users are provided a second factor OTP token for robust authentication. • All administrative roles entail the previous steps with a second and separate account subject to enhanced controls. The Management considers the recommendation to be Implemented.
	b) Security awareness training commensurate with Information security roles and responsibilities may be carried out to cover maximum number of staff and areas, including remote access and electronic messaging.	The Agency's Security Awareness Training Program is now well established with training as follows: • Monthly onboarding training for new staff. • Additional targeted onboarding training of IT staff showing their additional responsibilities and restrictions when carrying out their work. • Annual Cybersecurity Awareness Day. • Regular Phishing training and measurement campaigns which have been highly effective. • Remedial training for underperforming staff. • Regular Staff Notices and Insite updates regarding Information Security Awareness The Management considers the recommendation to be Implemented.
37	a) Classification and access control procedures may be strengthened and synchronised.	The ISMS has been drafted and has completed 90% of the formal approvals. The Agency will complete the last two remaining approvals of ISMS and implement the associated policies, standards, procedures, and guidelines in 2020. The Management considers the recommendation to be In Progress.
	b) Remote access security plans and identity management systems may be urgently finalised in view of their Agency wide applicability.	The ISMS has been drafted and has completed 90% of the formal approvals. The Agency will complete the last two remaining approvals of ISMS and implement the associated policies, standards, procedures, and guidelines in 2020. Additionally, the remote access security plans and identity management systems need to be implemented. The Management considers the recommendation to be In Progress
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 dependent on	With regard to item (ii) and (iii), progress has been made with the involvement of HR Business partners to work closely with line managers on workforce and succession planning. The Agency will establish an effective knowledge transfer process for separating staff. The Agency will review the appropriateness of current provisions in the Administrative Manual governing consultancy contracts.

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
	particular consultants repetitively or for a longer duration. The need for appropriate succession management and knowledge transfer to the regular staff of the Agency should also be assessed and suitable measures taken. (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 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.	The Department has taken the following steps to formalize procedures for training needs analysis in line with the Agency-wide Competency framework. • CTR provides divisions with a training programme linked with knowledge and skills (competencies) addressed by each course. The Training Programme is competency-based. Divisions, through the Divisional training officers, provide assessment of annual needs to CTR. • CTR also conducts course by course (Competency Area level) training needs analysis. CTR has provided training to its staff and established a Training Officer Guide in January 2019. Regarding the second part of the recommendation, the Safeguards Training Programme has been placed on-line, with the competencies for each course clearly specified in accordance with the learning objectives. The STTS database continues to be updated as does the AIPS OLM to ensure all data is present. All updates intended for the SG database (STTS) will be included in the Agency-wide Oracle Learning Management System (LMS) which is under development by the Department of Management. The Management considers the recommendation to be Implemented.

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
AIPS Project		
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.	All of the applications targeted for replacement by the AIPS plateaus were assessed. If the functionality of the application wasn't replaced, it was designated to remain active. If the functionality of the application was replaced by AIPS, the system owner/managers provided target decommission dates for each of the systems. A roadmap has been created and approved by the appropriate stakeholders. From this point, these dates will be reviewed quarterly in the ITAG meetings to confirm that these commitments are kept. Management considers the recommendation to be Implemented.
Audit Report for The Year 2012		
Nuclear Safety & Security		
38	The databases should be peer reviewed by teams from staff members from Sections other than the ones maintaining the databases. The OIOS may also be requested to evaluate and examine the databases.	OIOS has performed the Management Service to review databases in the Department of Nuclear Safety and Security and issued a Management Services Report No. MS2018006 on 26 August 2019. The NS Department is preparing the action plan for implementation. The Management considers the recommendation to be Implemented.
Laboratory Activities at Seibersdorf and Monaco		
45	NAEL needs to revise the action plan that had emerged from the internal gap analysis of June 2010 and fix fresh milestones in line with the goal of obtaining accreditation by the second quarter of 2014.	Finally, after more than two years the Austrian Accreditation Body in February 2020 proposed the date for a first External Audit to NAEL for end of March/April 2020 in Seibersdorf (TEL), followed by a further audit in Monaco (RML) in June 2020. After correction of any non-conformities, the accreditation process may be completed by the end of 2020. The Management considers the recommendation to be In Progress.
53	The identified short-term solution of solidification of liquid wastes may be pursued by the SGAS with prescribed timelines. As a long-term solution, efforts must continue for seeking support of Member States for disposal of the radioactive waste produced by the NML.	Technical exchanges with U.S. experts in logistics and chemistry have taken place, and several procurement actions have begun. Further testing of sample treatment procedures in NML are to be carried out. Procurement of key equipment is needed. Further technical exchanges with the Transport Ministry of Austria are needed, as well as acquisition of appropriate transport containers. Further work is required to identify a shipping agent for the transport. The Management considers the recommendation to be In Progress.

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
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.	MTBF has kept abreast of the lessons learned in the UN System regarding the issuance of the Statement on Internal Controls, it is an exercise that goes beyond finance and in order for the Organization to leverage on the real benefits from the issuance of the SIC, it is necessary first to demonstrate to both internal stakeholders and the auditors that the Agency has robust, documented, systems of accountability, risk management and internal controls in place. Within the Risk Management Working Group risk categories were revised and an inventory of internal control types was developed. The IT tool is being discussed and procured, which would need to be in place to test the new system under the new Risk Management guidelines. The current expectation is that this work would be completed during 2020. Continued co-ordination between MTBF and the Risk Management Group and respective discussions will pave the way forward for the issuance of the Statement of Internal Control. This will allow the Agency to see the entire process of Risk and related Internal Control in one process. The 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 has kept abreast of the lessons learned in the UN System regarding the issuance of the Statement on Internal Controls, it is an exercise that goes beyond finance and in order for the Organization to leverage on the real benefits from the issuance of the SIC, it is necessary first to demonstrate to both internal stakeholders and the auditors that the Agency has robust, documented, systems of accountability, risk management and internal controls in place. Within the Risk Management Working Group risk categories were revised and an inventory of internal control types was developed. Revised RM guidelines have been drafted to mirror a more comprehensive, layered risk identification, assessment and response process. In parallel, selected business processes with financial reporting implications have been mapped to map and codify key internal control activities. The IT tool is being discussed and procured which would need to be in place to test the new system under the new Risk Management guidelines. The current expectation is that this work would be completed during 2020. Mapping and codification of internal controls will extend to other business processes and reach comprehensive coverage. Continued co-ordination between MTBF and the Risk Management Group and respective discussions will pave the way forward for the issuance of the Statement of Internal Control. This will allow the Agency to see the entire process of Risk and related Internal Control in one process.

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
		The 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.	Guidance and requirements related to managers' and senior managers' responsibilities are spread across a multitude of different sources, which include the Agency's Administrative Manual (AM), policies and procedures, stand-alone guidelines, Divisional business practices and in selected cases extend to e-mails and newsletters. This situation: i) makes it difficult for managers, as 'users', to easily grasp the full extent of their managerial responsibilities; ii) it's highly fragmentary and challenging from a knowledge management and continuity perspective. To remedy the current documentary fragmentation and diversity, the Department for Management (MT) together with the advisory function of OIOS developed a Manager's Handbook to serve as an easy reference to understand the main responsibilities assigned to managers and retrieve relevant guidance. The Handbook constitutes a supporting tool of the recently issued 'Accountability Framework' which is construed as an 'umbrella' conceptual framework and makes reference to authorities, areas of responsibility and requirements codified in different ways and through different tools across the Agency. The Handbook is as well intended to provide a conceptual framework to link the Agency's management systems, e.g. Results Based Management, Risk Management and Internal Controls, and performance management. As part of the Handbook development, a comprehensive list of 'continuous improvements' of existing guidance was developed, e.g. expansion of the scope of regulatory documents to cover managerial responsibilities and content re-writing to effectively guide managers. Among these developments there is the clear codification of the notion of 'delegation of authority' and its operationalization across relevant business processes and managerial levels. In terms of accountability on the part of individual managers, there is work ongoing to clarify the notion of Delegation of Authority (DoA) within the Administrative Manual and other regulatory documents, following up on the issuance of the Manager's Handbook. The Management considers the recommendation to be In Progress.

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July 2020

20-01947E