The Agency's Financial Statements for 2021

IAEA
International Atomic Energy Agency
Atoms for Peace and Development

GC(66)/3

IAEA
Atoms for Peace and Development

THE AGENCY'S FINANCIAL STATEMENTS FOR 2021

Printed by the
International Atomic Energy Agency
July 2022

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 2021.

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/2022/11) 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 Communication with those Charged with Governance (Part VI of GOV/2022/11).

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 2021 and of the report of the Board of Governors thereon [*].

---

[*] GC(66)/3

---

[1] INFCIRC/8/Rev.4

Sixty sixth regular session

The Agency's Financial Statements For 2021

Contents

REPORT OF THE DIRECTOR GENERAL ON THE AGENCY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021. 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. Despite the ongoing COVID-19 Pandemic, the Agency continued to focus on the effective implementation of its programmatic activities. Again, during 2021, verification activities were not interrupted, and the Agency continued to support Member States in addressing the pandemic. Within this context, the following are some of the highlights of the 2021 financial year:

(i) The Regular Budget Fund (RBF) experienced a utilization rate of 99.7% in 2021. A slight increase in revenue from assessed contributions of €1.7 million (0.4%) was a reflection of an increase in the approved budget and the foreign exchange conversion of the US dollar portion of the Regular Budget assessment into euro recorded in 2021.

(ii) An increase in revenue from voluntary contributions was mainly due to an increase of €23.7 million in the revenue of the Technical Cooperation Fund and extrabudgetary contributions relating to the Low Enriched Uranium (LEU) Bank, partly offset by a decrease of €21.3 million in revenue from extrabudgetary contributions.

(iii) Investment revenue decreased from €2.6 million to €0.8 million due to the negative effects of the COVID-19 pandemic on the financial markets.

(iv) Travel expenses decreased by €2.1 million, primarily as a result of the still ongoing pandemic-related travel restrictions. However, despite these constraints, Safeguards travels related to inspection work continued during 2021. The travel related expense continues to be high due to higher cost of transportation and higher cost of verification missions resulting from mandatory quarantine periods. It should be noted that training expenses increased by €1.9 million. This increase indicates that the Technical Cooperation human resources capacity building activities are slowly picking up pace after the slowdown in 2020 due to the COVID-19 pandemic.

(v) Transfers to development counterparts increased by €13.8 million, driven by the programmatic needs of national counterparts including COVID-19 assistance in the form of equipment and supplies and assistance provided to Member States in response to emergency situations.

(vi) The total net surplus of the year increased by €19.1 million which was mainly due to unrealized foreign exchange gains of € 8.3 million and realized foreign exchange gains of €2.6 million.

(vii) The value of cash, cash equivalents and investments increased by €30.9 million. The increase was experienced across all Funds except for the IAEA LEU Bank, the Regular Budget and Working Capital Fund.

(viii) The total outstanding contributions receivable for assessed and voluntary contributions increased by €18.1 million; this is due primarily to outstanding assessed contributions receivable relating to prior years. It should be noted that in 2021 the collection rate for assessed contributions remained at 93%, as in 2020.

(ix) Project inventories in-transit to counterparts decreased by €6.1 million, which is mainly caused by the accounting treatment of the pending deliveries due to logistic challenges connected to COVID-19 pandemic.

(x) The total net book value of Property, Plant and Equipment (PP&E) decreased by €4.9 million (1.7%). This is mainly due to a high level of depreciation expense amounting to €24.4 million which more than offsets additions to PP&E of €19.8 million. The delay in the implementation schedule of the ReNuAL+ construction caused by restrictions and disruptions triggered by the COVID-19 pandemic, was addressed in 2021 and the projects were substantially completed. Testing and commissioning activities were carried out, including identification of defects and snags and the majority of them has been addressed by the general contractor. The outstanding issues for the Yukiya Amano Laboratory (YAL) and Energy Centre Phase 2 will be sorted out in 2022, allowing for the acceptance of the buildings and the issuance of a certificate of final completion during the first quarter of 2022.

(xi) A decrease in the Agency's employee benefit liabilities was primarily the result of a decrease in deferred revenue and in long-term employee benefits liabilities, in particular for After-Service Health

Insurance (ASHI). The ASHI liability decreased by €26.0 million, mostly due to a higher discount rate influenced by inflation and a rebound in global demand in 2021. Notwithstanding, the ASHI liability continues to represent 46% of the total liabilities of the Agency. The decrease in the liabilities for staff annual leave by €1.8 million is mainly due to more effective management of leave and the fact that staff was able to travel and hence, use their annual leave balances due to easing of COVID-19 restrictions.

(xii) The total net assets position increased by €98.7 million (18.9%) driven by the decrease in total liabilities of €61.6 million and the increase in total assets of €37.0 million. However, it should be noted that the net assets position of the Regular Budget Fund remained with a negative balance which amounted to €112.9 million as of end of 2021 and mainly due to the large ASHI liability.

Financial Performance

7. A summary of the Financial Performance by Fund for 2021 is shown in Table 1 below.

***Table 1**: Summary of Financial Performance by Fund for the year ended 31 December 2021*

(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/	386.7	6.2	86.9	24.6	107.2	20.0	-		(4.9)	626.7
Total Expenses	408.3	2.0	70.5	19.4	60.5	0.4	(0.0)		(4.9)	556.1
Net gains/(losses) b/	3.3	(0.3)	2.1	0.5	4.8	0.5	(0.0)		-	10.9
Net surplus/(deficit) for the year	**(18.3)**	**3.9**	**18.5**	**5.7**	**51.5**	**20.1**	**(0.0)**	**-**	**(0.0)**	**81.4**

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*** below, the Agency's total revenue decreased by €2.1 million from €628.8 million in 2020 to €626.7 million in 2021, mainly due to decreases in revenue from other contributions and revenue from investment by €4 million and €1.8 million, respectively. The decrease was partially offset by an increase in revenue from voluntary contributions and from exchange transactions of €1.9 million and €0.1 million, respectively.

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

(expressed in millions of euro)

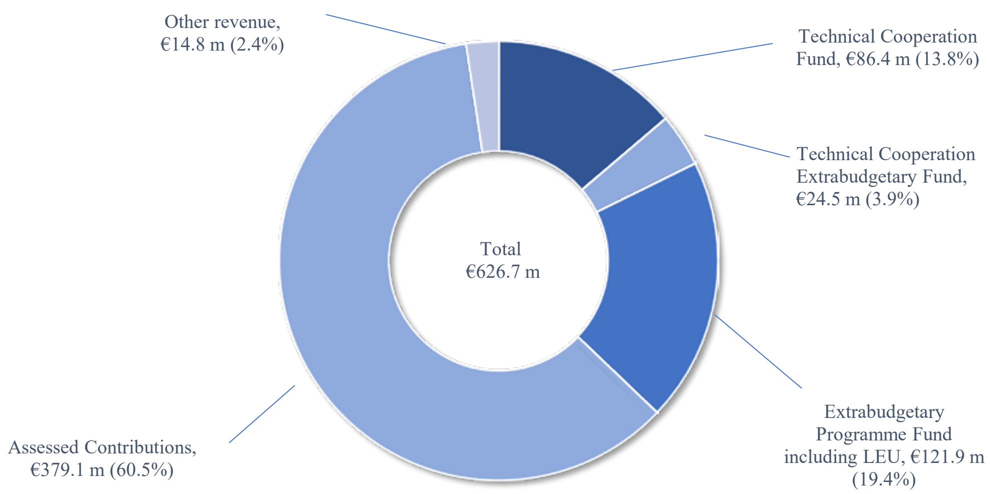
Revenue	2021	2020	Change	Change (%)
Assessed contributions	379.1	377.4	1.7	0.5
Voluntary contributions	242.6	240.7	1.9	0.8
Other contributions	1.8	5.8	(4.0)	(69.0)
Revenue from exchange transactions	2.4	2.3	0.1	4.3
Investment revenue	0.8	2.6	(1.8)	(69.2)
Total Revenue	**626.7**	**628.8**	**(2.1)**	**(0.3)**

9. As in previous years, and as depicted in ***Figure 1*** below, the majority of the Agency's revenue continued to be derived from assessed contributions (€379.1 million) and monetary voluntary contributions (€232.8 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 IAEA LEU Bank. The revenue related to the IAEA LEU Bank (€20 million), reflects the acceptance of the final report by the donor for funds received previously. Voluntary contributions shown in ***Table 2*** above also include €9.8 million of in-kind contributions, primarily pertaining to the use of premises in Austria and Monaco, of which €7.9 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 2021 as compared to 2020.

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

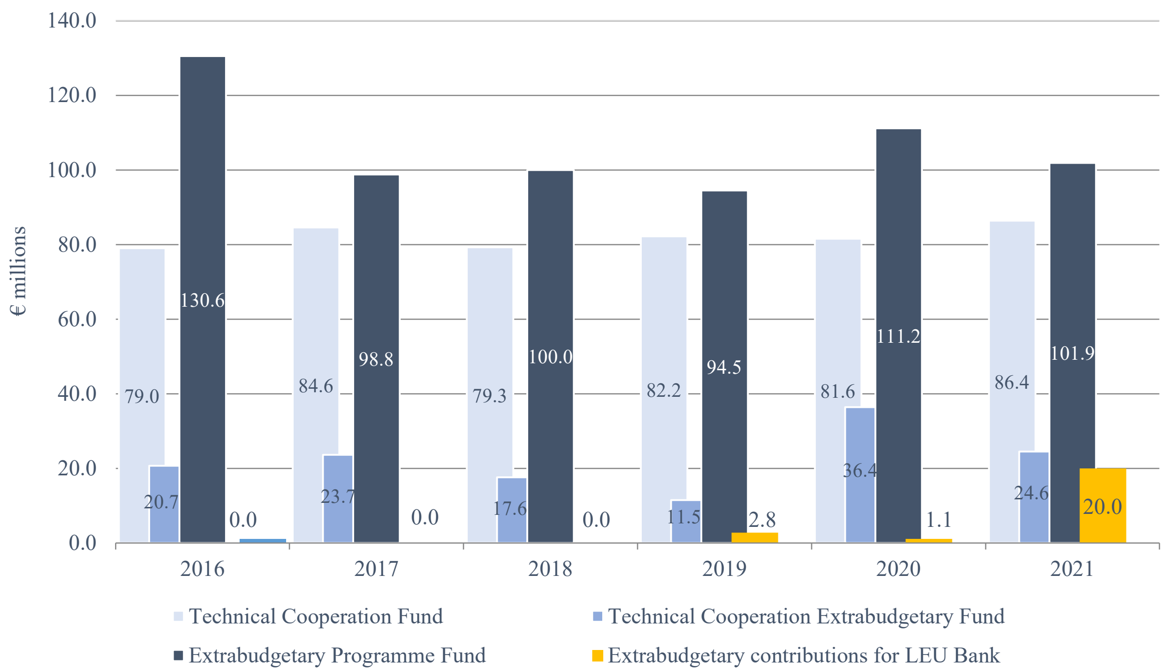
11. Investment revenue decreased by €1.8 million due to lower USD interest rates and resulting from the cuts in the Federal Funds Rate that the Federal Reserve System (FED) did in response to the negative economic impact of the COVID-19 pandemic during 2020. These actions by the FED in 2020 continued to adversely affect the interest revenue that the Agency earned in US dollar term deposits during 2021.

***Figure 1**: Composition of revenue for the period ended 31 December 2021*



12. ***Figure 2*** below displays the trend in monetary voluntary contributions. The overall increase in revenue from such contributions, from €230.3 million in 2020 to €232.8 million in 2021, resulted primarily from a €4.8 million increase in revenue of the Technical Cooperation Fund due to a higher Rate of Attainment (RoA) against the 2021 TCF Target. This was partially offset by a €2.4 million decrease in revenue from extrabudgetary contributions.

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



Expense analysis

13. In 2021, total expenses were €556.1 million, representing an increase of €9.2 million (1.7%) compared to the previous year. There were decreases in the Regular Budget Fund (€10.8 million), Major

Capital Investment Fund (€0.7 million), Technical Cooperation Extrabudgetary Fund (€1.2 million), Extrabudgetary Programme Fund (€0.12 million) and the IAEA LEU Bank (€0.5 million) and increases in the Technical Cooperation Fund (€21.9 million), Trust Funds and Special Funds (€0.026 million).

Figure 3 below shows the breakdown of 2021 expenses by nature:

Figure 3*: Expense analysis for the period ended 31 December 2021*

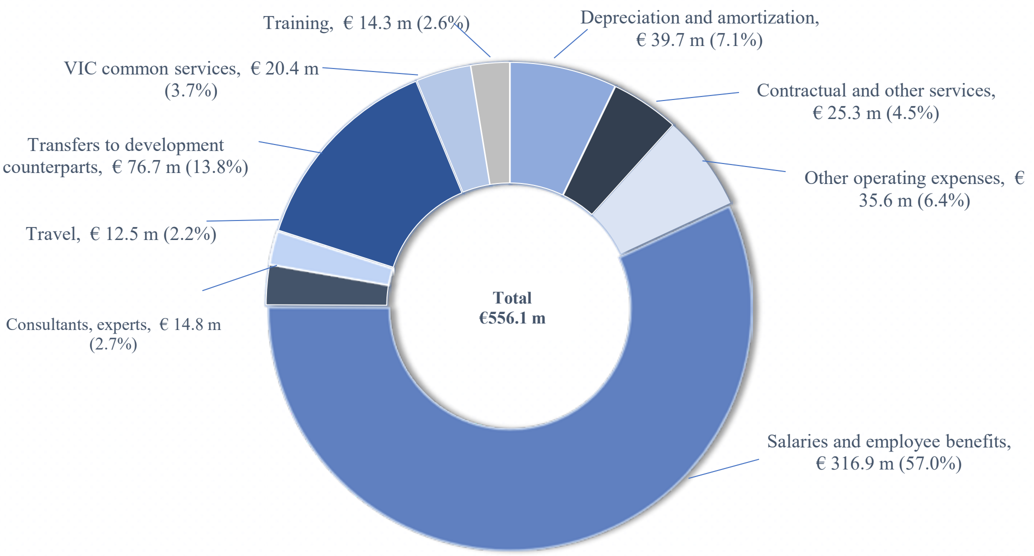


Table 3 below shows that, while expenses experienced a decrease in many different categories, in particular salaries and employment benefits as well as travel, these were offset by the increase in transfers to development counterparts and other operating expenses.

Table 3*: Comparative Expense Analysis*

	(expressed in millions of euro)			
Expenses	**2021**	**2020**	**Change**	**Change (%)**
Salaries and employee benefits	316.9	325.9	(9.0)	(2.8)
Consultants, experts	14.8	13.7	1.1	8.0
Travel	12.5	14.6	(2.1)	(14.4)
Transfers to development counterparts	76.7	62.9	13.8	21.9
Vienna International Centre common services	20.4	21.0	(0.6)	(2.9)
Training	14.3	12.3	2.0	16.3
Depreciation and amortization	39.7	38.4	1.3	3.4
Contractual and other services	25.3	26.4	(1.1)	(4.2)
Other operating expenses	35.5	31.7	3.8	12.0
Total expenses	**556.1**	**546.9**	**9.2**	**1.7**

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 2021, this expense decreased by 2.8%, mainly due to lower annual leave accruals resulting from more effective management of annual leave days whereby employees were encouraged to utilize their leave.

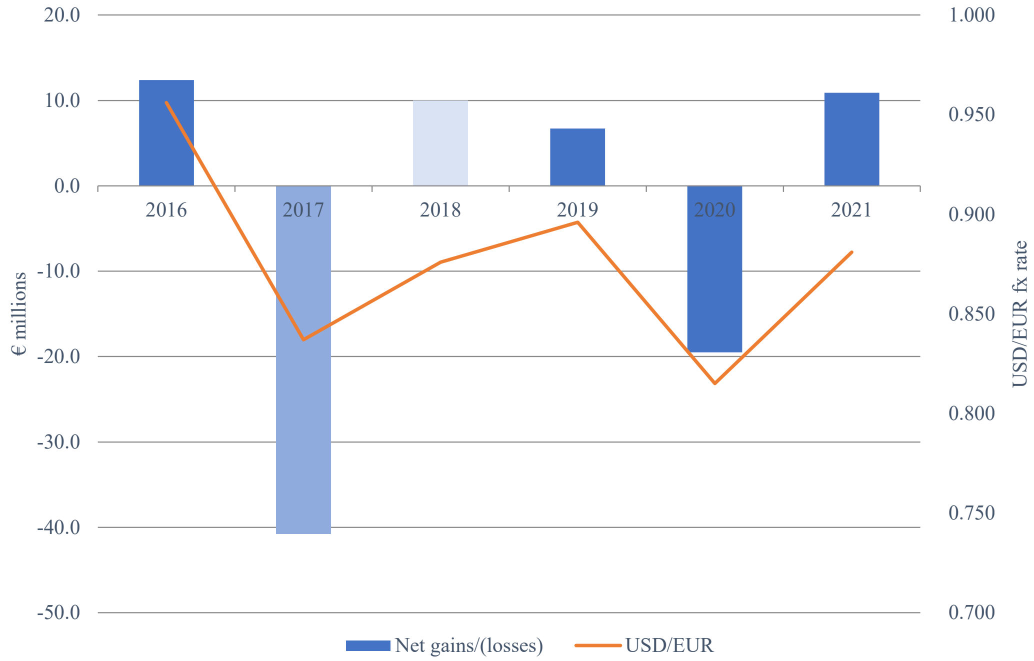
15. Travel costs continued to decrease, dropping €2.1 million (14.4%) in 2021 due to travel restrictions still in place. While training expenses have not reached their pre-COVID-19 levels, they increased by €1.9 million due to Technical Cooperation Human Resources capacity building activities picking up pace after the slowdown in 2020 resulting from the COVID19 pandemic. The increase in transfers to development counterparts of €13.8 million (21.9%) was driven by the programmatic needs of national counterparts including COVID-19 assistance and assistance provided to Member States in response to natural events, outbreaks and emergency situations.

16. Consultant expenses, which relate to services rendered by experts and translators including fees and honorariums, experienced a slight increase of €1.1 million (8.0%), while other operating expenses increased by €3.8 million (12.0%), mainly due to the increase in allowance for doubtful debts for the Regular Budget assessed contributions due to non-payment of assessed contributions in the last few years.

Net surplus/(deficit) of the year

17. The overall net surplus in 2021 was €81.4 million, which was driven by revenue exceeding expenses by €70.6 million and a net gain of €10.9 million, primarily related to unrealized foreign exchange gains. The 2021 net surplus was €19.1 million higher than that of 2020, primarily due to the unrealized foreign exchange gains. Net foreign exchange gains were experienced in 2021, as in 2016, 2018 and 2019, resulting from the US dollar appreciation against the euro.

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



Budgetary performance

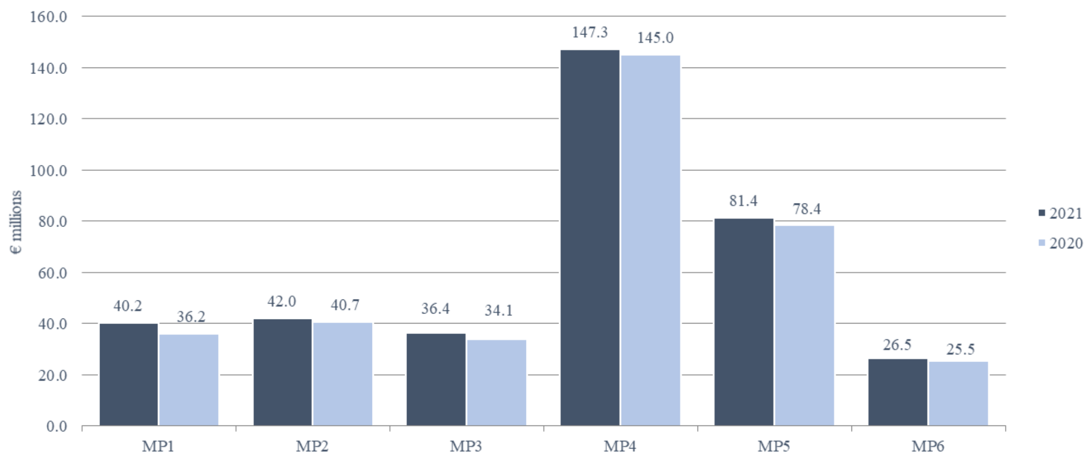
18. The Regular Budget of the Agency continues to be prepared on a modified cash basis and is presented in the financial statements as Statement V, Statement of Comparison of Budget and Actual Amounts. In order to facilitate a comparison between the budget and the financial statements that are prepared on an accrual basis 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 2021 was approved for €386.7 million (€380.6 million in 2020) at an exchange rate of €1 = US $1. The final budget for the operational portion of the Regular Budget appropriation for 2021 was recalculated to €378.1 million at the UN average operational rate of exchange of €0.843 to US $1. There were no changes between the original capital portion of the Regular Budget appropriation and the final budget for 2021. As shown in Note 39a to the financial statements, there were no movements between Major Programmes of the Regular Budget appropriations.

20. Total operational Regular Budget expenditures were €377.1 million including €3.2 million reimbursable work for others. In 2020, these expenditures were €363.2 million.

Figure 5 shows a comparative analysis of 2020 and 2021 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 2021 was 99.7%, 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 2021

Major Programme	Utilization Rate Operational Portion	
	2021	2020
MP1 - Nuclear Power, Fuel Cycle and Nuclear Science	97.9%	89.1%
MP2 - Nuclear Techniques for Development and Environmental Protection	99.9%	97.9%
MP3 - Nuclear Safety and Security	99.4%	94.1%
MP4 - Nuclear Verification	100.0%	99.4%
MP5 - Policy, Management and Administration Services	100.0%	97.6%
MP6 - Management of Technical Cooperation for Development	100.0%	97.2%
Total Agency	**99.7%**	**97.1%**

22. For the capital portion of the Regular Budget, expenditures were €0.5 million out of a total €6.2 million in 2021.

Financial Position

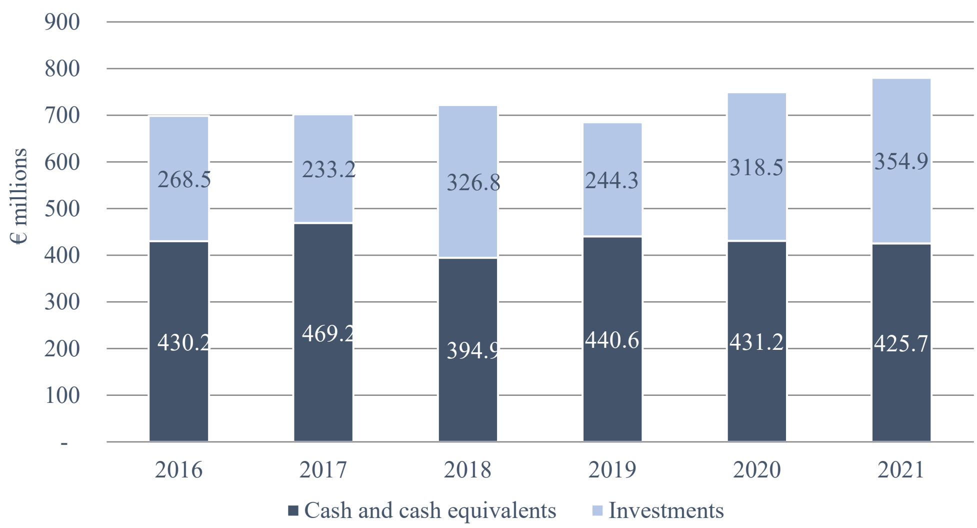
Cash, investments, and liquidity analysis

23. In 2021, the cash, cash equivalents and investment balances increased by €30.9 million (4.1%) to €780.6 million at 31 December 2021. The increase was mainly caused by the increase in the balance of euro holdings (€108.1 million).

24. As at the end of 2021, 87.0% of the total cash, cash equivalents and investments were denominated in euro while 12.8% were denominated in US dollars and 0.2% in other currencies. Interest rates on euro denominated financial holdings remained near zero in 2021. However, much lower interest rates in US dollar denominated financial holdings were in effect due to the cuts in Federal Funds Rate that the Federal Reserve System (FED) did in response to the pandemic. These actions by the FED, which started in 2020, continued to adversely affect the total investment revenue in 2021. Thus, the overall investment revenue achieved by the Agency decreased during 2021 by €1.8 million.

25. As can be seen in ***Figure 6*** below, in 2021, the Agency shifted its holdings from cash and cash equivalents to investments in order to take advantage of higher rates for longer deposits.

Figure 6: Evolution of cash, cash equivalents and investments

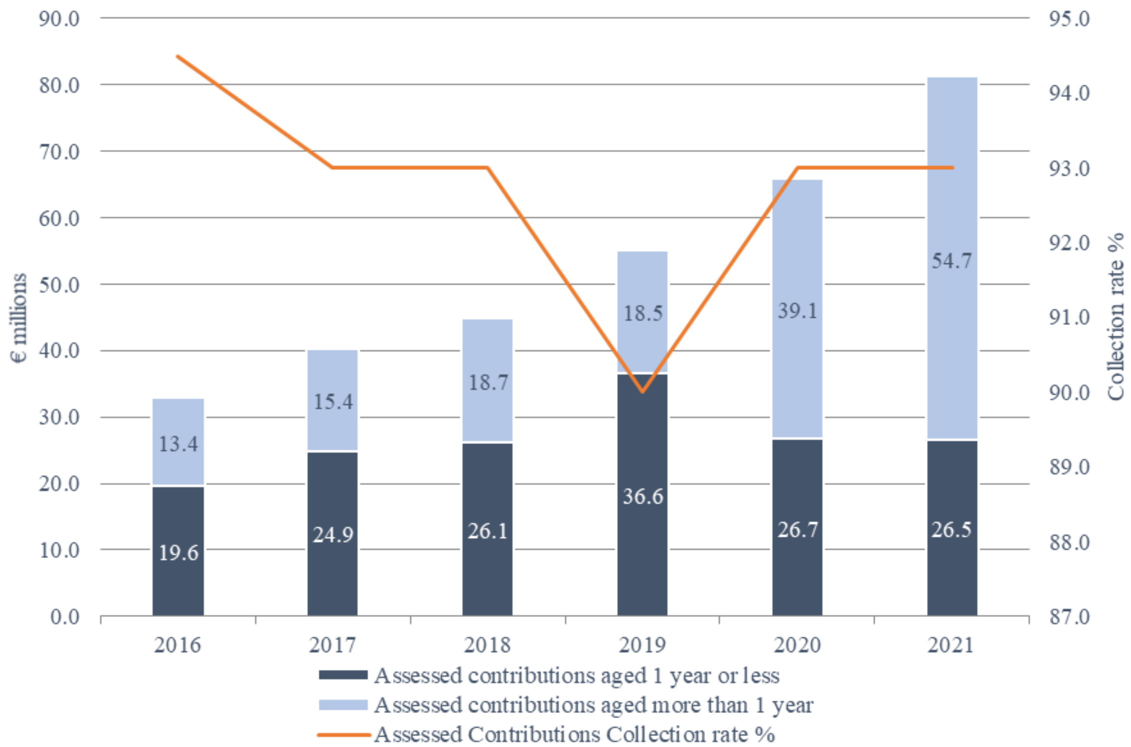


Accounts receivable

26. Overall, the total net receivables from non-exchange transactions increased by €17.1 million to €72.6 million at 31 December 2021. The main components of this balance are receivables from assessed contributions (€59.5 million), voluntary contributions receivables (€12.6 million), and other receivables (€0.5 million).

27. The increase experienced in net assessed contributions receivable in 2021 was mainly driven by an increase in Regular Budget assessed contributions receivable, as depicted in ***Figure 7*** below. During 2021, the rate of collection of assessed contributions remained at 93%, however, outstanding Regular Budget contributions for prior years increased by €15.6 million and amounted to €54.7 million. Total outstanding Regular Budget contributions from 2021 and prior years, which amounted to €81.2 million, represented 21.4% of the total Regular Budget assessment for 2021, 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*

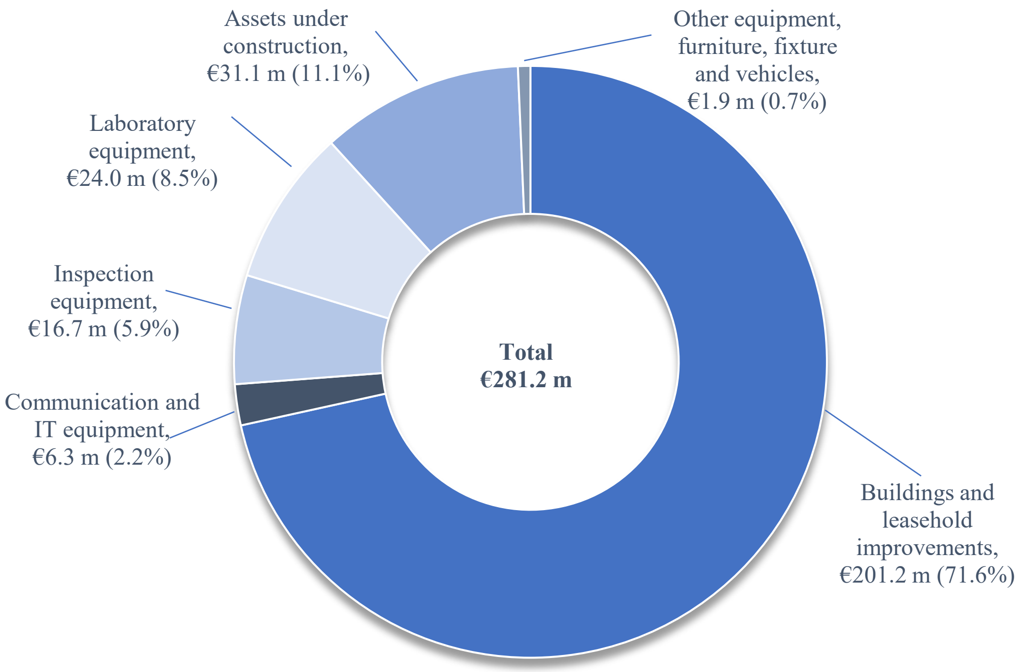


Long-term assets

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 2021*



29. The total net book value of PP&E decreased by €4.9 million (1.7%). This was mainly due to a high level of depreciation expense of €24.4 million which more than offsets additions to PP&E of €19.8 million.

30. Additions to PP&E amounting to €6.1 million, 30.8% of total additions, relates to assets under construction which includes Buildings within the scope of the ReNuAL project (€2.0 million), the Multi-Purpose Building (€1.6 million), the Neutron Science Facility (€0.3 million) as well as Inspection Equipment, Laboratory Equipment and Other Equipment pending installation or assembly.

Intangible Assets

31. As shown in ***Table 5*** below, the net carrying amount of Intangible Assets, essentially software purchased or internally developed, at 31 December 2021 was €53.8 million.

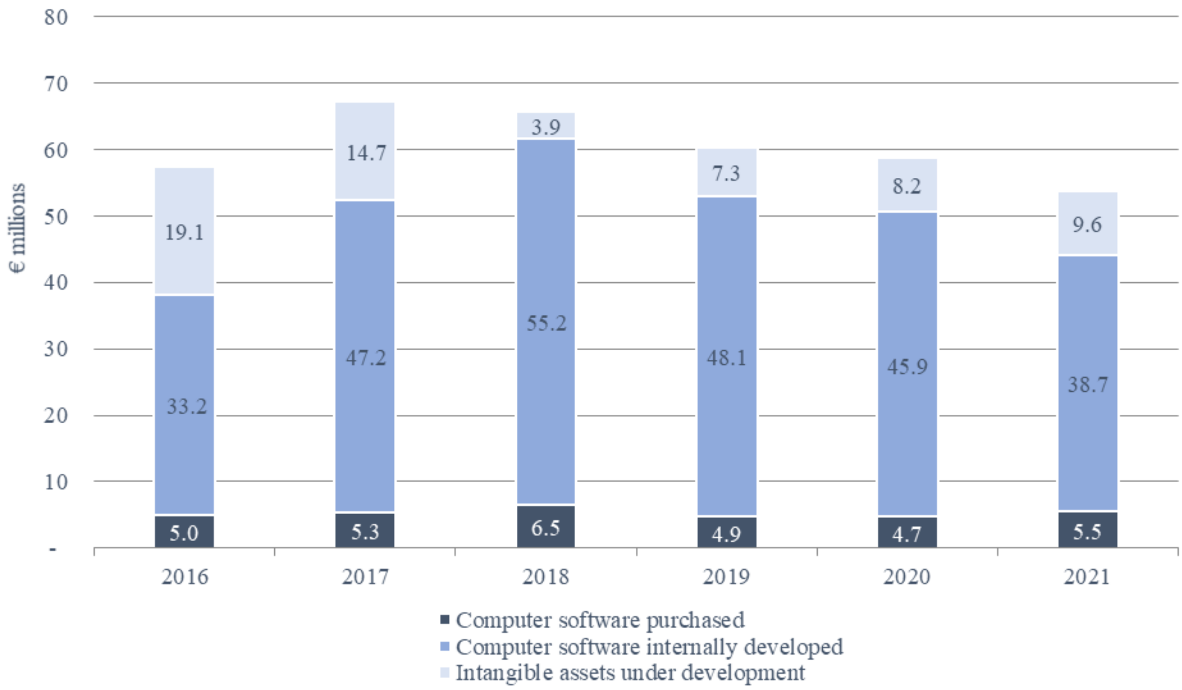
***Table 5**: Comparative Analysis of Intangible Assets*

	(expressed in millions of euro)			
	2021	**2020**	**Change**	**%**
Intangible assets				
Computer software purchased	5.5	4.7	0.8	17.0
Computer software internally developed	38.7	45.9	(7.2)	(15.7)
Intangible assets under development	9.6	8.2	1.4	17.1
Total Intangible Assets	**53.8**	**58.8**	**(5)**	**(8.5)**

32. 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 2021, total costs of €8.7 million were added to the value of internally developed software, of which €3.4 million relates to post-MOSAIC and €5.3 million relates to other internally developed software projects.

33. In connection with the above-mentioned projects, as shown in ***Figure 9*** below, the amount of intangible assets internally developed decreased by €7.2 million in comparison to the past year, while the amount of intangible assets still under development increased by €1.4 million.

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



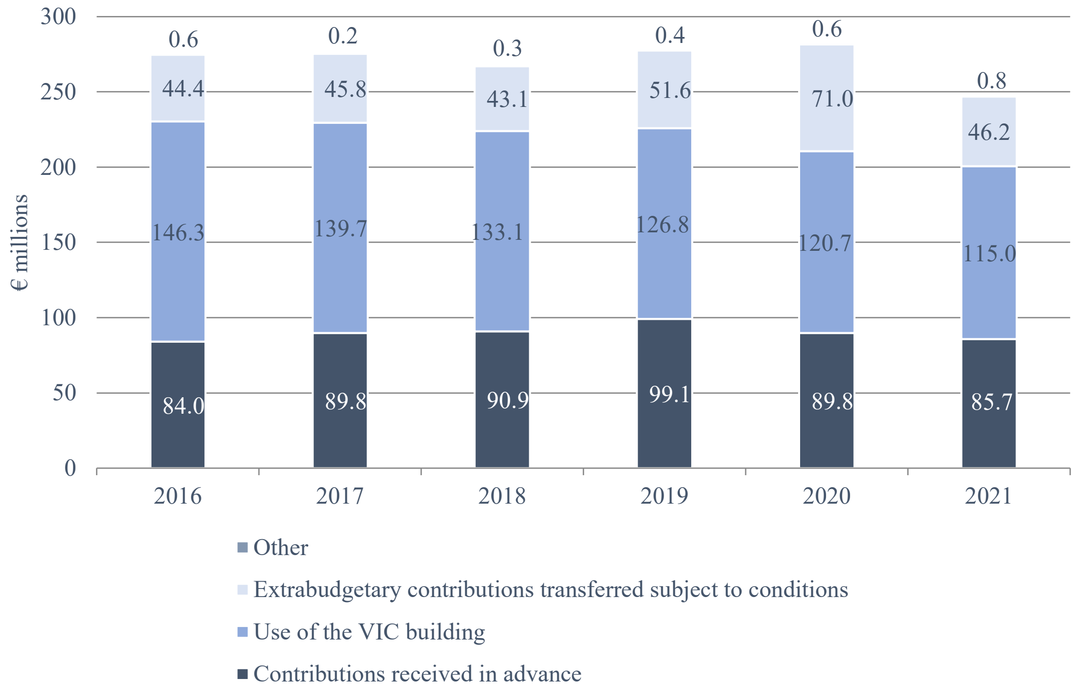
Deferred revenue

34. Since the first 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.

35. Deferred revenue comprises two other major components. The larger of these two components is contributions received in advance, which relates to assessed contributions for 2022 paid in 2021 (€47.3 million), TCF and NPC contributions for 2022 paid in 2021 (€12.9 million and €1.3 million, respectively) and voluntary contributions received prior to the completion of formal acceptance by the Agency (€24.2 million). The total contributions received in advance decreased by €4.1 million, primarily related to a reduction in the assessed contributions and extrabudgetary contributions received in advance. The other component is contributions received subject to conditions, which amounted to €46.2 million in 2021, a decrease from €71.0 million in 2020. These contributions will be recognized as revenue upon satisfaction of the related conditions in the agreements.

36. A comparison of 2016 through 2021 year-end balances by category of deferred revenue is shown in ***Figure 10*** below.

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

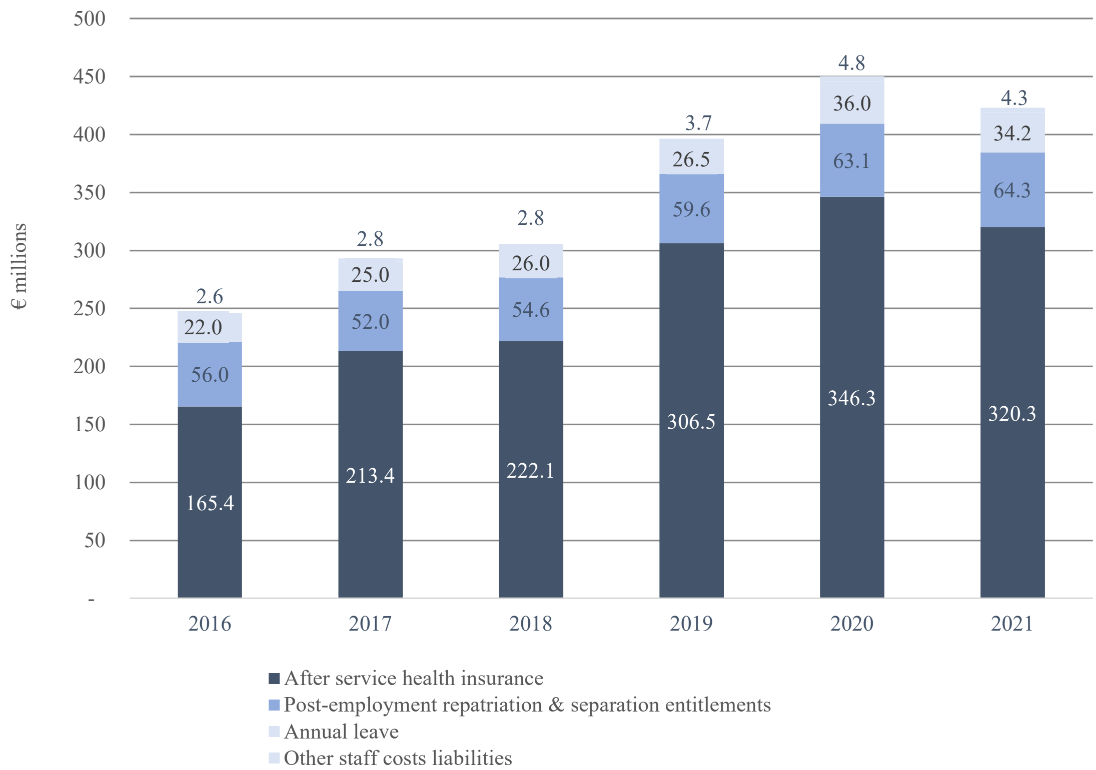


Employee benefits liabilities

37. 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 postemployment repatriation and separation entitlements.

38. The ASHI liability is very sensitive to changes in actuarial assumptions, especially to the changes in the long-term discount rate. In 2021, the discount rate increased from a historically low level in 2020 (0.73%) to a level similar to pre-COVID-19 times (1.28%). The increase of the discount rate has impacted the ASHI liability, which has decreased by €26.0 million (7.5%). As can be seen in ***Figure 11*** below, overall, the other employee benefits liabilities experienced a decrease, also mainly driven by the increase in discount rates.

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

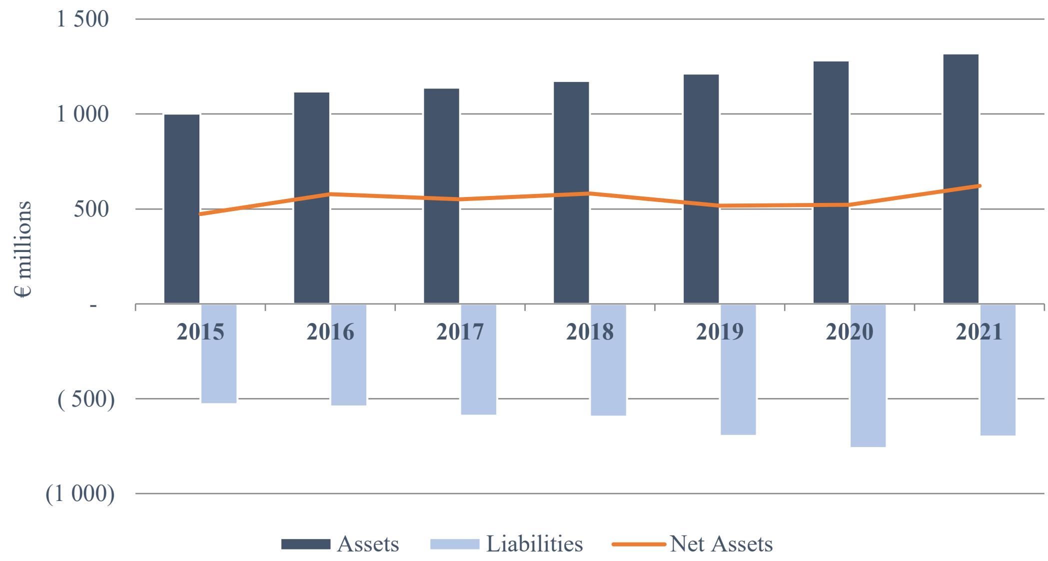


39. The ASHI liability continues to represent 46% of the total liabilities and remains for the most part unfunded, which is an ongoing matter of concern.

Net assets/equity

40. Net assets represent the difference between an organization's assets and its liabilities, which is illustrated in ***Figure 12*** below. In 2021, the Agency experienced an overall increase in net assets from €522.4 million to €621.1 million, primarily driven by an increase in assets in 2021 and a decrease in liabilities.

Figure 12: Evolution of Net Assets



41. *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) increased by €32.7 million, which amounted to a negative position of €112.9 million. The increase is primarily due to the decrease in the employee benefits liabilities, mainly ASHI and staff annual leave accruals.

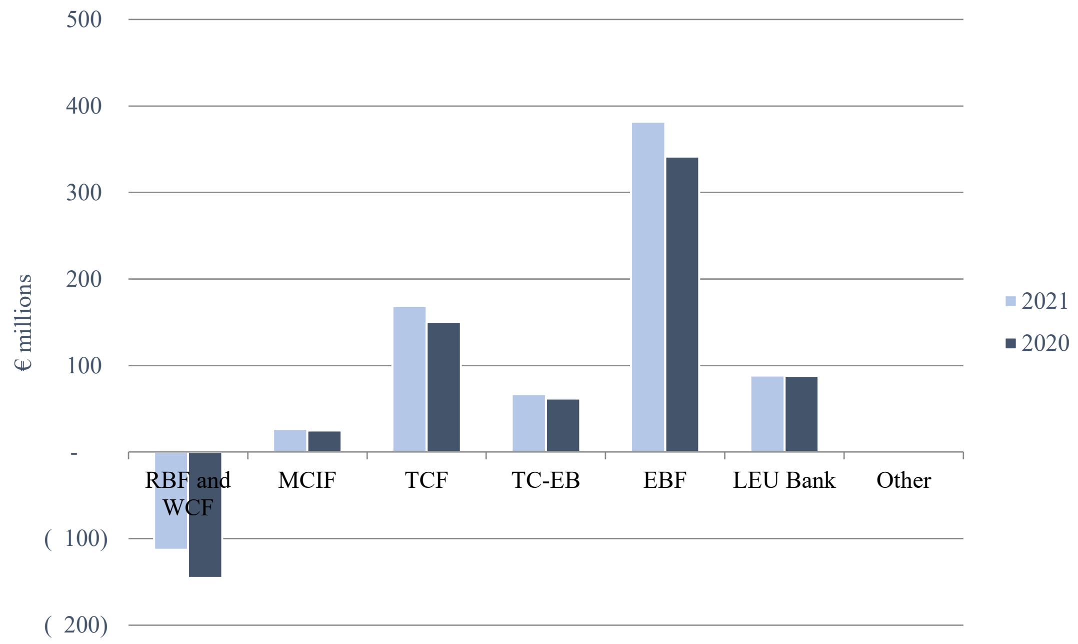
- The net assets of the Technical Cooperation Fund (TCF) increased by €18.3 million to €168.6 million primarily resulting from the increase in investments and cash and cash equivalent.

- The net assets of the Technical Cooperation Extrabudgetary Fund (TC-EB) increased by €5.1 million to €67.0 million in 2021 as a result of the increase in cash and cash equivalents.

- The net assets of the Extrabudgetary Programme Fund (EBF) increased by €40.2 million to €381.7 million as a result of the net surplus of the year.

- The net assets of the IAEA LEU Bank increased by €0.4 million to €88.5 million, which results from lower level of liability in 2021 compared to 2020.

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



Risk management

42. 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

43. The financial statements presented here show the Agency's overall financial health. The COVID-19 pandemic continues to impact the global economy and the financial position and performance of the Agency as described above. While the Agency's overall financial health remains strong, the net asset position in the Regular Budget Fund remains negative mainly 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 2021

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 MARIANO GROSSI
Director General

(signed) HELEN BRUNNER DE CASTRIS
Acting Director, Division of Budget and Finance

03 March 2022

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 2022

Sir,

On behalf of the Audit Board of the Republic of Indonesia, I have the honour to transmit the Financial Statements of the International Atomic Energy Agency as at and for the year ended 31 December 2021 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 2021.

Please accept the assurances of our highest consideration.

(signed)

Dr. Agung Firman Sampurna, CSFA., CFrA., CGCAE., QGIA.

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 2021

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 2021, 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 2021 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 2021, 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 2021 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)

Dr. Agus Joko Pramono, CA., CPA
The Vice Chairman of the Audit Board of
the Republic of Indonesia
External Auditor

Jakarta, Indonesia
31 March 2022

Part II

Financial Statements

Financial Statements

Text of a Letter dated 03 March 2022 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 2021, which I hereby approve. The financial statements have been prepared and signed by the Acting 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 2021
(expressed in euro '000s)

	Note	31-12-2021	31-12-2020
ASSETS			
Current assets			
Cash and cash equivalents	4	425 699	431 208
Investments	5	354 919	318 528
Accounts receivable from non-exchange transactions	6, 7	68 029	55 451
Accounts receivable from exchange transactions	8	8 588	8 351
Advances and prepayments	9	25 374	21 486
Inventory	10	88 755	94 905
Total current assets		**971 364**	**929 929**
Non-current assets			
Accounts receivable from non-exchange transactions	6, 7	4 533	-
Advances and prepayments	9	8 036	7 073
Investment in common services entities	11	809	809
Property, plant & equipment	12	281 257	286 114
Intangible assets	13	53 765	58 803
Total non-current assets		**348 400**	**352 799**
TOTAL ASSETS		**1 319 764**	**1 282 728**
LIABILITIES			
Current liabilities			
Accounts payable	14	25 958	26 100
Deferred revenue	15	103 371	111 413
Employee benefit liabilities	16, 17	20 829	20 196
Other financial liabilities	18	191	108
Provisions	19	270	75
Total current liabilities		**150 619**	**157 892**
Non-current liabilities			
Deferred revenue	15	144 283	170 791
Employee benefit liabilities	16, 17	402 241	430 076
Other financial liabilities	18	304	304
Provisions	19	1 218	1 218
Total non-current liabilities		**548 046**	**602 389**
TOTAL LIABILITIES		**698 665**	**760 281**
NET ASSETS		**621 099**	**522 447**
Equity			
Fund balances	20, 21	605 797	583 733
Reserves	22	15 302	(61 286)
TOTAL EQUITY		**621 099**	**522 447**

The accompanying Notes are an integral part of these Statements.

(signed) HELEN BRUNNER DE CASTRIS
Acting Director, Division of Budget and Finance

STATEMENT II: STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 31 December 2021
(expressed in euro '000s)

	Note	2021	2020
Revenue			
Assessed contributions	23	379 088	377 428
Voluntary contributions	24	242 584	240 745
Other contributions	25	1 799	5 790
Revenue from exchange transactions	26	2 380	2 246
Investment revenue	27	837	2 592
Total revenue		**626 688**	**628 801**
Expenses			
Salaries and employee benefits	28	316 895	325 851
Consultants, experts	29	14 823	13 704
Travel	30	12 516	14 644
Transfers to development counterparts	31	76 714	62 882
Vienna International Centre common services	32	20 360	20 985
Training	33	14 281	12 353
Depreciation and amortization	12, 13	39 658	38 372
Contractual and other services	34	25 332	26 365
Other operating expenses	35	35 551	31 737
Total expenses		**556 130**	**546 893**
Net gains/ (losses)	36	10 872	(19 591)
Net surplus/(deficit)		**81 430**	**62 317**
Expense analysis by Major Programme			
Nuclear Power, Fuel Cycle and Nuclear Science	38	54 328	50 457
Nuclear Techniques for Development and Environmental Protection	38	118 752	102 600
Nuclear Safety and Security	38	73 334	70 033
Nuclear Verification	38	186 229	187 949
Policy, Management and Administration a/	38	125 527	133 157
Shared Services and expenses not directly charged to major programmes	38	2 909	8 361
Eliminations	38	(4 949)	(5 664)
Total expenses by Major Programme		**556 130**	**546 893**

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

The accompanying Notes are an integral part of these Statements.

(signed) HELEN BRUNNER DE CASTRIS
Acting Director, Division of Budget and Finance

STATEMENT III: STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021
(expressed in euro '000s)

	2021	2020
Equity at the beginning of the year	522 447	517 642
Actuarial gains/(losses) on employee benefit liabilities	39 747	(28 128)
Refunds/transfers of prior year voluntary contributions recognized directly in equity	(23 252)	(29 402)
Prior year adjustments	-	18
Health Insurance Reserve	727	-
Net revenue recognized directly in equity	17 222	(57 512)
Net surplus/(deficit) for the year	81 430	62 317
Credits to Member States	-	-
Equity at the end of the year	**621 099**	**522 447**

The accompanying Notes are an integral part of these Statements.

(signed) HELEN BRUNNER DE CASTRIS
Acting Director, Division of Budget and Finance

STATEMENT IV: STATEMENT OF CASH FLOW
For the year ended 31 December 2021
(expressed in euro '000s)

	2021	2020
Cash flows from operating activities		
Net surplus/(deficit)	81 430	62 317
Refund of prior year voluntary contributions recognized in equity	(23 252)	(29 402)
Prior year adjustments	-	18
Depreciation and amortization	39 658	38 372
Less amortization of deferred revenue on VIC depreciation	(6 654)	(6 948)
Impairment	519	(77)
Increase/(decrease) in allowance for undeliverable inventory in transit	7 720	820
Actuarial gains/(losses) on employee benefit liabilities	39 747	(28 128)
Increase/(decrease) in doubtful debts allowance	3 549	8 495
(Gains)/losses on disposal of PPE and Intangibles	(10)	23
Donated PPE and Inventory	-	(485)
Unrealized foreign-exchange (gains)/losses on cash, cash equivalents and investments	(7 520)	17 275
(Increase)/decrease in receivables	(20 897)	1 300
(Increase)/decrease in inventories	(1 620)	(26 652)
(Increase)/decrease in prepayments	(4 851)	1 396
Increase/(decrease) in deferred revenue	(27 896)	11 076
Increase/(decrease) in accounts payable	(141)	6 538
Increase/(decrease) in employee benefit liabilities	(27 201)	53 917
Increase/(decrease) in other liabilities and provisions	278	(106)
Health Insurance Reserve	727	
Net cash flows from operating activities	**53 586**	**109 749**
Cash flows from investing activities		
Purchase or construction of PPE and intangibles	(30 251)	(27 693)
Sale/(Decommissioning) of PPE and Intangibles	28	-
Investments	(27 041)	(87 278)
Net cash flows from investing activities	**(57 264)**	**(114 971)**
Cash flows from financing activities		
Increase/(decrease) in Working Capital Fund from new Member States		
Credits to Member States	-	-
Net cash flows from financing activities	**-**	**-**
Net increase/(decrease) in cash and cash equivalents	(3 678)	(5 222)
Cash and cash equivalents at beginning of the period	431 208	440 651
Unrealized foreign-exchange gains/(losses) on cash and cash equivalents	(1 831)	(4 221)
Cash and cash equivalents and bank overdrafts at the end of the period	**425 699**	**431 208**

The accompanying Notes are an integral part of these Statements.

(signed) HELEN BRUNNER DE CASTRIS
Acting Director, Division of Budget and Finance

STATEMENT Va: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (REGULAR BUDGET FUND OPERATIONAL PORTION) a/

For the year ended 31 December 2021

(expressed in euro '000s)

	RB Current Year				RB Carryover		
	Approved Budget	Final Budget	Actuals (Expenditure)	Variance	RB Carry Over	Actuals (expenditure)	Variance
MP1-Nuclear Power, Fuel Cycle and Nuclear Science	42 075	41 077	40 208	869	4 436	4 346	90
MP2-Nuclear Techniques for Development and Environmental Protection	42 788	42 027	42 006	21	866	865	1
MP3-Nuclear Safety and Security	37 683	36 612	36 409	203	2 145	2 145	-
MP4-Nuclear Verification	151 089	147 357	147 307	50	829	829	-
MP5-Policy, Management and Administration Services	82 679	81 351	81 350	1	1 916	1 915	1
MP6-Management of Technical Cooperation for Development	27 159	26 530	26 530	0	730	731	(1)
Total Agency programmes	**383 473**	**374 954**	**373 810**	**1 144**	**10 922**	**10 831**	**91**
Reimbursable work for others	3 179	3 179	3 280	(101)			
Total Regular Budget fund operational portion	**386 652**	**378 133**	**377 090**	**1 043**	**10 922**	**10 831**	**91**

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) HELEN BRUNNER DE CASTRIS
Acting Director, Division of Budget and Finance

STATEMENT Vb: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (REGULAR BUDGET FUND CAPITAL PORTION) a/

For the year ended 31 December 2021

(expressed in euro '000s)

	Approved Budget	Final Budget	Actuals (Expenditure)	Variance b/
MP2-Nuclear Techniques for Development	2 067	2 063	-	2 063
MP3-Nuclear Safety and Security	310	310	7	303
MP4-Nuclear Verification	1 033	1 033	-	1 033
MP5-Policy, Management and Administration Services	2 790	2 790	456	2 334
Total Regular Budget fund capital portion	**6 200**	**6 196**	**463**	**5 733**

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) HELEN BRUNNER DE CASTRIS
Acting Director, Division of Budget and Finance

STATEMENT VI: STATEMENT OF SEGMENT REPORTING BY MAJOR PROGRAMME

For the year ended 31 December 2021
(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	35 265	29 834	44 975	124 855	82 780	(814)	-	316 895
Consultants, experts	2 624	3 670	4 341	517	3 671	-	-	14 823
Travel	983	551	1 737	8 945	300	-	-	12 516
Transfers to development counterparts	6 995	57 045	11 139	116	1 419	-	-	76 714
VIC common services	140	12	553	110	19 545	-	-	20 360
Training	2 454	6 075	2 790	1 245	1 717	-	-	14 281
Depreciation and amortization	1 285	3 633	2 320	23 619	8 801	-	-	39 658
Contractual and other services	688	1 931	784	11 979	9 944	6	-	25 332
Other operating expenses	3 894	16 001	4 695	14 843	(2 650)	3 717	(4 949)	35 551
Total expense	**54 328**	**118 752**	**73 334**	**186 229**	**125 527**	**2 909**	**(4 949)**	**556 130**
Assets								
Property, plant & equipment, and intangibles	**13 462**	**71 524**	**22 247**	**154 000**	**73 789**	**-**	**-**	**335 022**
Asset additions								
Property, plant & equipment, and intangibles	**1 665**	**5 603**	**2 939**	**13 635**	**6 409**	**-**	**-**	**30 251**

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) HELEN BRUNNER DE CASTRIS
Acting Director, Division of Budget and Finance

COMPARATIVE STATEMENT VI: STATEMENT OF SEGMENT REPORTING BY MAJOR PROGRAMME

For the year ended 31 December 2020

(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	36 827	30 665	45 632	128 121	85 113	(507)	-	325 851
Consultants, experts	2 651	3 171	3 334	524	4 024	-	-	13 704
Travel	950	935	2 792	9 585	382	-	-	14 644
Transfers to development counterparts	4 560	46 900	8 978	62	2 382	-	-	62 882
VIC common services	5	2	455	92	20 431	-	-	20 985
Training	1 040	5 963	2 130	650	2 570	-	-	12 353
Depreciation and amortization	1 317	3 349	2 101	22 288	9 317	-	-	38 372
Contractual and other services	484	1 706	484	12 202	11 488	1	-	26 365
Other operating expenses	2 623	9 909	4 127	14 425	(2 550)	8 867	(5 664)	31 737
Total expense	**50 457**	**102 600**	**70 033**	**187 949**	**133 157**	**8 361**	**(5 664)**	**546 893**
Assets								
Property, plant & equipment, and intangibles	**13 082**	**69 579**	**21 639**	**164 182**	**76 435**	**-**	**-**	**344 917**
Asset additions								
Property, plant & equipment, and intangibles	**1 025**	**4 503**	**1 742**	**14 181**	**6 736**	**-**	**-**	**28 187**

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, CFO
Director, Division of Budget and Finance

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

As at 31 December 2021

(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	50 138	26 528	96 269	67 768	153 684	30 136	1 176	425 699
Investments	-	-	68 116		286 803	-	-	354 919
Accounts receivable	63 588	445	3 789	1 082	9 379	2 867	-	81 150
Advances and prepayments	28 142	480	1 373	262	2 453	700	-	33 410
Inventory	590	-	23 046	9 341	683	55 055	40	88 755
Property, plant & equipment	281 187	-	1	68	-	1	-	281 257
Intangible assets	53 765	-	-	-	-	-	-	53 765
Investment in common service entities	809	-	-	-	-	-	-	809
Total assets	**478 219**	**27 453**	**192 594**	**78 521**	**453 002**	**88 759**	**1 216**	**1 319 764**
Liabilities								
Accounts payable	9 972	323	9 793	3 071	2 766	1	32	25 958
Deferred revenue	163 098	-	14 187	8 424	61 665	280	-	247 654
Employee benefit liabilities	417 556	185	-	15	5 314	-	-	423 070
Other financial liabilities	191	-	-	-	304	-	-	495
Provisions	270	-	-	-	1 218	-	-	1 488
Total liabilities	**591 087**	**508**	**23 980**	**11 510**	**71 267**	**281**	**32**	**698 665**
Net assets	**(112 868)**	**26 945**	**168 614**	**67 011**	**381 735**	**88 478**	**1 184**	**621 099**
Equity								
Fund balances	(23 725)	23 763	116 772	57 955	341 374	88 483	1 175	605 797
Reserves	(89 143)	3 182	51 842	9 056	40 361	(5)	9	15 302
Total equity	**(112 868)**	**26 945**	**168 614**	**67 011**	**381 735**	**88 478**	**1 184**	**621 099**

The accompanying Notes are an integral part of these Statements.

(signed) HELEN BRUNNER DE CASTRIS
Acting Director, Division of Budget and Finance

COMPARATIVE STATEMENT VIIa: STATEMENT OF SEGMENT REPORTING BY FUND - FINANCIAL POSITION
As at 31 December 2020
(expressed in euro '000s)

	Regular Budget		Technical Cooperation		Extrabudgetary		Other	
	Regular Budget Fund and Working Capital Fund	Major Capital Investment Fund	Technical Cooperation Fund	Technical Cooperation Extrabudgetary Fund	Extrabudgetary Programme Fund	Low Enriched Uranium Bank	Trust Funds and Special Funds	Total
Assets								
Cash and cash equivalents	61 023	25 183	82 079	37 582	219 264	4 905	1 172	431 208
Investments	3 260	-	59 060	23 040	188 343	44 825	-	318 528
Accounts receivable	52 395	441	3 795	248	4 011	2 912	-	63 802
Advances and prepayments	25 715	137	801	629	585	692	-	28 559
Inventory	510	-	26 331	12 411	576	55 055	22	94 905
Property, plant & equipment	286 111	-	-	-	-	3	-	286 114
Intangible assets	58 803	-	-	-	-	-	-	58 803
Investment in common service entities	809	-	-	-	-	-	-	809
Total assets	**488 626**	**25 761**	**172 066**	**73 910**	**412 779**	**108 392**	**1 194**	**1 282 728**
Liabilities								
Accounts payable	11 571	627	8 638	3 580	1 672	2	10	26 100
Deferred revenue	178 143	-	13 106	8 335	62 340	20 280	-	282 204
Employee benefit liabilities	444 375	224	-	15	5 657	1	-	450 272
Other financial liabilities	6	-	(21)	102	325	-	-	412
Provisions	75	-	-	-	1 218	-	-	1 293
Total liabilities	**634 170**	**851**	**21 723**	**12 032**	**71 212**	**20 283**	**10**	**760 281**
Net assets	**(145 544)**	**24 910**	**150 343**	**61 878**	**341 567**	**88 109**	**1 184**	**522 447**
Equity								
Fund balances	(11 319)	22 863	110 326	50 646	321 960	88 110	1 147	583 733
Reserves	(134 225)	2 047	40 017	11 232	19 607	(1)	37	(61 286)
Total equity	**(145 544)**	**24 910**	**150 343**	**61 878**	**341 567**	**88 109**	**1 184**	**522 447**

The accompanying Notes are an integral part of these Statements.

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

STATEMENT VIIb: STATEMENT OF SEGMENT REPORTING BY FUND - FINANCIAL PERFORMANCE
For the year ended 31 December 2021
(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	372 892	6 196	-	-	-	-	-	-	379 088
Voluntary monetary contributions	-	-	86 391	24 549	101 882	20 000	-	-	232 822
Voluntary in-kind contributions	9 762	-	-	-	-	-	-	-	9 762
Other contributions	1 620	-	179	-	-	-	-	-	1 799
Revenue from exchange transactions	2 235	-	116	29	-	-	-	-	2 380
Investment revenue	143	-	212	38	427	17	-	-	837
Internal revenue including programme supp	19	84	-	-	4 846	-	-	(4 949)	-
Total revenue	**386 671**	**6 280**	**86 898**	**24 616**	**107 155**	**20 017**	**-**	**(4 949)**	**626 688**
Expenses									
Salaries and employee benefits	281 128	326	5	-	35 187	249	-	-	316 895
Consultants, experts	6 175	654	3 586	438	3 969	1	-	-	14 823
Travel	8 998	-	869	98	2 550	1	-	-	12 516
Transfers to development counterparts	6 249	-	52 640	12 663	5 172	-	(10)	-	76 714
VIC common services	19 755	(5)	12	-	598	-	-	-	20 360
Training	1 951	9	9 070	776	2 475	-	-	-	14 281
Depreciation and amortisation	39 603	13	-	5	36	1	-	-	39 658
Contractual and other services	20 535	835	33	-	3 927	2	-	-	25 332
Other operating expenses	23 938	152	4 256	5 428	6 581	138	7	(4 949)	35 551
Total expenses	**408 332**	**1 984**	**70 471**	**19 408**	**60 495**	**392**	**(3)**	**(4 949)**	**556 130**
Net gains/(losses)	3 341	(323)	2 056	505	4 845	452	(4)	-	10 872
Net surplus/(deficit)	**(18 320)**	**3 973**	**18 483**	**5 713**	**51 505**	**20 077**	**(1)**	**-**	**81 430**

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) HELEN BRUNNER DE CASTRIS
Acting Director, Division of Budget and Finance

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

For the year ended 31 December 2020
(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	371 330	6 098	-	-	-	-	-	-	377 428
Voluntary monetary contributions	-	-	81 559	36 464	111 232	1 090	-	-	230 345
Voluntary in-kind contributions	10 400	-	-	-	-	-	-	-	10 400
Other contributions	1 674	-	4 116	-	-	-	-	-	5 790
Revenue from exchange transactions	2 210	-	36	-	-	-	-	-	2 246
Investment revenue	400	-	465	185	1 077	465	-	-	2 592
Internal revenue including programme supp	114	-	-	-	5 550	-	-	(5 664)	-
Total revenue	**386 128**	**6 098**	**86 176**	**36 649**	**117 859**	**1 555**	**-**	**(5 664)**	**628 801**
Expenses									
Salaries and employee benefits	287 743	351	-	65	36 904	788	-	-	325 851
Consultants, experts	6 921	750	2 520	417	3 095	1	-	-	13 704
Travel	8 549	-	1 312	55	4 728	-	-	-	14 644
Transfers to development counterparts	6 223	-	34 486	17 327	4 889	-	(43)	-	62 882
VIC common services	20 599	-	-	-	386	-	-	-	20 985
Training	1 563	3	8 702	759	1 326	-	-	-	12 353
Depreciation and amortisation	38 368	-	-	2	-	2	-	-	38 372
Contractual and other services	21 542	1 603	28	-	3 167	11	14	-	26 365
Other operating expenses	27 632	(50)	1 553	2 020	6 123	123	-	(5 664)	31 737
Total expenses	**419 140**	**2 657**	**48 601**	**20 645**	**60 618**	**925**	**(29)**	**(5 664)**	**546 893**
Net gains/(losses)	(957)	400	(4 220)	(2 936)	(7 360)	(4 529)	11	-	(19 591)
Net surplus/(deficit)	**(33 969)**	**3 841**	**33 355**	**13 068**	**49 881**	**(3 899)**	**40**	**-**	**62 317**

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, CFO
Director, Division of Budget and Finance

Part III

Notes to the Financial Statements

Notes to the Financial Statements

NOTE 1: Reporting entity

1. The International Atomic Energy Agency (IAEA or the Agency) is a not-for-profit autonomous intergovernmental organization 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). The budget, as well as the budgetary information contained in the financial statements, continues to be prepared on a modified cash basis. Where IPSAS is silent concerning any specific matter, the appropriate International Financial Reporting Standard (IFRS) or International Accounting Standard (IAS) is applied.

5. Due to COVID-19, there was a deferral on the effective date of application of IPSAS 41 Financial Instruments and IPSAS 42 Social Benefits by one year to 1 January 2023.

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

Accounting convention

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

Functional currency and translation of foreign currencies

Functional and presentation currency

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

Transactions and balances

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

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

11. 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

12. 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.

13. The financial statements include amounts based on judgments, estimates and assumptions by management. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes in estimates are reflected in the period in which they become known. Significant judgment, estimates, and assumptions made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements include:

- Revenue recognition;
- Actuarial measurement of employee benefits;
- Selection of useful lives and the depreciation/amortization method for property, plant and equipment and intangible assets;
- Valuation of inventory;
- Impairment losses on assets;
- Classification of financial instruments; and
- Contingent assets and liabilities.

NOTE 3: Significant accounting policies

Assets

Financial assets

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

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

Classification	Financial instrument
Loans and receivables	Investments – term deposits
	Cash equivalents, contributions receivable and other receivables
Held to maturity	Investments – treasury bills and other discounted notes
Available for sale	None at 31 December 2021 and 2020
Fair value through surplus or deficit	None at 31 December 2021 and 2020

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

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

Cash and cash equivalents

18. Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Investments

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

Contributions and receivables

20. 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.

21. Allowances for doubtful accounts are recognized when there is objective evidence that a receivable is impaired. Allowances are recognized based on historical collection experience and/or

evidence indicating that the collection of a particular receivable is in doubt. Impairment losses are recognized in the Statement of Financial Performance in the year they arise.

Advances and prepayments

22. Advances and prepayments 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

23. All goods (e.g. equipment, supplies and software) procured by the Agency or donated to it for transfer to recipient Member and non-Member States are recorded as project inventories. The transfer of these project inventories, also known as 'field procurement', takes place mostly under the Technical Cooperation Programme, but also directly within the technical departments in the framework of specific assistance programmes. Goods still under control of the Agency at the reporting date are included in project inventories in-transit to counterparts. 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 allowance is recognized which is made of 50% of value for items in transit for over twelve months and 100% for over 24 months.

24. 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.

25. The Agency holds a stock of Low Enriched Uranium (LEU) in the IAEA LEU Storage Facility. The IAEA LEU Bank is located at the Ulba Metallurgical Plant in Oskemen, Kazakhstan and is under the responsibility of the Kazakh appropriate authorities for safety, security and safeguards. This LEU inventory, which is stored in 60 cylinders, consists of two different enrichment assays: 4.95% and 1.6%. 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 costs consist of the acquisition price plus direct attributable costs required to bring the inventory to the storage facility.

26. 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.

27. 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.

28. 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

29. 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.

30. 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

31. 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.

32. 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

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

34. The estimated useful lives of PP&E for current and comparative periods are as follows and are subject to annual review and adjustment if expectations differ from previous estimates.

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

35. 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.

36. Intangible assets are carried at cost less accumulated amortization and any recognized impairment loss. For donated intangible assets, the fair value as of the date of acquisition is used as a proxy for cost. 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.

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

Amortization method and useful life

38. Amortization is provided on a straight-line basis on all intangible assets of finite life, at rates that will allocate the cost or value of the assets to their estimated useful lives. The estimated useful lives of major classes of intangible assets are 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), Integrated Review and Analysis Package (IRAP), and Next Generation Surveillance Review (NGSR) have 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 for current and comparative periods.

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

Verification and impairment of assets

39. Asset verification is an internal control measure that ensures the existence, location and condition of the assets and supports the ongoing maintenance of assets within the Agency. The Agency has physical verification procedures to ensure that assets are accurately recorded in the asset register and reflected in the financial statements.

40. Assets that are subject to depreciation or amortization are reviewed annually for impairment to ensure that the carrying amount is still considered to be recoverable. Impairment occurs through complete loss, major damage or obsolescence. In case of complete loss, full impairment is recorded. In the case of major damage or obsolescence, impairment is recognized when the impairment exceeds €25 000. An impairment loss is recognized in the Statement of Financial Performance for the amount by which the asset’s carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset’s fair value less costs to sell and value in use. This impairment loss can be reversed in the subsequent periods if the recoverable service amount increases, to the extent of such increase, subject to a maximum of the impairment loss recognized.

Assets subject to restrictions

41. 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

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

Operating leases

43. 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

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

Accounts payable

45. 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

46. 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

47. 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

48. 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

49. 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.

50. 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

51. 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

52. 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

53. 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 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. As of 31 December 2020, the Agency has 2 777 participants in the UNJSPF, which was 2.06% of overall 134 632 UNJSPF participants. The Agency is one of the 25 member organizations participating in the UNJSPF.

54. The Fund 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 Fund. The Agency and the Fund, 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

55. 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

56. 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

57. 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

58. 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

59. 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

60. 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.

61. 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.

62. 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.

63. 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.

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

National Participation Costs

65. 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>

66. 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.

67. 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>

68. 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

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

70. 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.

71. 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.

72. 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

73. 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

74. 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

75. 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.

76. 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

77. 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 2021 is 53.925% (54.105% for 2020).

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 or 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

78. 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.

79. 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

80. 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.

81. 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

82. 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

83. 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 IAEA Member States with 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; the introduction and the expanded use of nuclear power and research reactor technology, including the development of the national nuclear infrastructure; the development and deployment of advanced nuclear reactors and their fuel cycles, including Small and Medium- sized Modular Reactors (SMRs), nuclear fusion energy technology development, also through the International Project on Innovative Nuclear Reactors and Fuel Cycles (INPRO); all areas of radioactive waste technology, decommissioning, environmental remediation, spent fuel and radioactive waste management, including disused sealed radioactive sources; energy analysis and planning, including factual considerations of the role of nuclear power for sustainable development and climate change mitigation; nuclear knowledge and nuclear information management, communication and stakeholders' engagement; the advancement of nuclear sciences, including in the areas of nuclear fusion research, 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, such as the collection and evaluation of safeguards relevant information; the development of safeguards approaches; and the planning, conduct and evaluation of safeguards activities, including the 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, procurement, human resources management, conference, language, publishing, 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.

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

Fund Groups

85. 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

86. 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.

87. 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.

88. 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)	
	31-12-2021	31-12-2020
Cash in current accounts at bank and on hand	218 204	216 160
Cash in call accounts	201 504	180 003
Term deposits with original maturities of 3 months or less	5 991	35 045
Total cash and cash equivalents	**425 699**	**431 208**

89. The decrease of €5.509 million (or 1.3%) in total cash and cash equivalents was mainly due to the shift from Term deposits with original maturities of 3 months or less into Term deposits with original maturities between 3 and 12 months (refer to Note 5) in order to take advantage of higher rates for longer deposits. The decline in total cash and cash equivalent was partially offset by the increase in funds placed in call accounts to allow the Agency to obtain zero or positive interest rate in the euro holdings.

90. Some cash is held in currencies which are legally restricted or not readily convertible to euro. As at 31 December 2021, the euro equivalent of these currencies was €0.538 million (€1.738 million at 31 December 2020), based on the respective United Nations Operational Rates of Exchange (UNORE). The main reason for the decline in the amount of these legally restricted or not readily convertible currencies was the devaluation of the Cuban Peso (CUP) that was effective in early 2021.

NOTE 5: Investments

	(expressed in euro '000s)	
	31-12-2021	31-12-2020
Term deposits with original maturities between 3 and 12 months	354 919	318 528
Total investments	**354 919**	**318 528**

91. The increase of €36.392 million (or 11.4%) in total investments was mainly caused by the increase in longer time deposits especially in euros to take advantage of higher rates for longer time deposits in euros that were presented during certain periods in 2021.

NOTE 6: Accounts receivable from non-exchange transactions

	(expressed in euro '000s)	
	31-12-2021	31-12-2020
Assessed contributions receivable		
Regular Budget	81 212	65 804
Working Capital Fund	30	37
Allowance for doubtful accounts	(21 764)	(18 295)
Net assessed contributions receivable	59 478	47 546
Voluntary contributions receivable		
Extrabudgetary	9 435	3 763
Technical cooperation Fund	3 174	2 709
Allowance for doubtful accounts	(28)	(24)
Net voluntary contributions receivable	12 581	6 448
Other receivables		
Assessed programme costs	738	682
National participation costs	503	886
Safeguard agreements receivable	-	572
Allowance for doubtful accounts	(738)	(683)
Net other receivables	503	1 457
Total net accounts receivable from non-exchange transactions	**72 562**	**55 451**
Composition of accounts receivable from non-exchange transactions		
Current	68 029	55 451
Non-current	4 533	-
Total net accounts receivable from non-exchange transactions	**72 562**	**55 451**

92. The net assessed contributions receivable increased during the year by €11.932 million to €59.478 million. This was due to an increase in outstanding assessed contributions receivable primarily relating to the prior years from few major contributors. The increase in net voluntary contributions receivable during the year by €6.133 million, is primarily due to the decrease in the collection in 2021 of a number of significant contributions pledged and accepted in 2021 and prior years. The amount of extrabudgetary voluntary contributions receivable is shown net of €0.024 million which represents advance allotment. The details of outstanding contributions by Member States and other donors provided in Annex A3 include this advance allotment. The increase of allowance for doubtful accounts in assessed contributions is mainly due to a member state that has no voting right in the last 5 years and with significant assessed contribution receivables.

NOTE 7: Non-Exchange receivable information

(expressed in euro '000s)

	2021						2020					
	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	18 295	3 469				21 764	9 707	8 588				18 295
Related to assessed contributions receivable	18 295	3 469	-	-	-	21 764	9 707	8 588	-	-	-	18 295
Voluntary contributions receivable												
Technical Cooperation Fund	24		2			26	27	-	(3)	-	-	24
Extrabudgetary	-		2			2	-	-	-	-	-	-
Related to voluntary contributions receivable	24	-	4	-	-	28	27	-	(3)	-	-	24
Other receivables												
Assessed programme costs	683	-	55			738						
National Participation Costs							751	-	(68)	-	-	683
Related to other receivables	683	-	55	-	-	738	751	-	(68)	-	-	683
Total related to receivables from non-exchange transactions	**19 002**	**3 469**	**59**	**-**	**-**	**22 530**	**10 485**	**8 588**	**(71)**	**-**	**-**	**19 002**

Ageing of receivables

(expressed in euro '000s)

	As at 31 December 2021					As at 31 December 2020				
		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	81 212	26 523	40 720	4 931	9 038	65 804	26 715	27 802	4 433	6 854
Working Capital Fund	30	-	27	-	3	37	33	-	-	4
Total assessed contributions receivable	81 242	26 523	40 747	4 931	9 041	65 841	26 748	27 802	4 433	6 858
Voluntary contributions receivable										
Extrabudgetary	9 435	4 902	1 802	2 731	-	3 763	2 678	254	815	16
Technical Cooperation Fund	3 174	1 049	1 658	411	56	2 709	1 311	1 344	8	46
Total voluntary contributions receivable	12 609	5 951	3 460	3 142	56	6 472	3 990	388	2 032	62
Other receivables										
Assessed programme costs	738	-	-	-	738	682	-	-	-	682
National participation costs	503	43	209	170	81	886	562	195	89	40
Safeguards agreements contributions						572	572			
Total other receivables	1 241	43	209	170	819	2 140	1 134	195	89	722
Total receivables from non-exchange transactions	**95 092**	**32 517**	**44 416**	**8 243**	**9 916**	**74 453**	**31 872**	**28 385**	**6 554**	**7 642**

Management of credit risk relating to non-exchange receivables

93. 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.

94. To facilitate the payment of arrears of assessed contributions, payment plans are available whereby arrears are consolidated and made payable in annual instalments over a period of up to 10 years. As long as the Member State with 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 2021, there are no receivables for which payment plans have been negotiated (€0.00 million as at 31 December 2020).

95. The status of outstanding contributions as at 31 December 2021 by Member States and other donors is provided in Annex A3.

NOTE 8: Accounts receivable from exchange transactions

	(expressed in euro '000s)	
	31-12-2021	**31-12-2020**
Accounts receivable – Value Added Tax refunds	5 748	5 264
Accounts receivable – income tax refunds	1 113	939
Accounts receivable – others	1 927	2 326
Allowance for doubtful accounts	(200)	(178)
Total net accounts receivable from exchange transactions	**8 588**	**8 351**

96. All accounts receivable from exchange transactions as at 31 December 2021 and 2020 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.

97. The allowance for doubtful debts showed the following movements during 2021 and 2020:

	(expressed in euro '000s)	
	2021	**2020**
Opening balance as on 1 January	178	202
Doubtful debt expense during the year	56	27
Doubtful debt expense reversed	(34)	(51)
Closing balance as on 31 December	**200**	**178**

98. The ageing of the accounts receivable from exchange transactions was as follows:

	(expressed in euro '000s)	
	31-12-2021	31-12-2020
Outstanding for:		
Less than 1 year	5 317	4 909
1 - 3 years	3 152	3 219
3 - 5 years	166	248
More than 5 years	153	153
Gross carrying value	**8 788**	**8 529**

NOTE 9: Advances and prepayments

	(expressed in euro '000s)	
	31-12-2021	31-12-2020
Vienna International Centre common services	17 737	15 691
Other international organizations	266	634
Staff	7 030	6 865
Travel	263	60
Other	8 114	5 309
Total advances and prepayments	**33 410**	**28 559**
Advances and prepayments composition		
Current	25 374	21 486
Non-current	8 036	7 073
Total advances and prepayments	**33 410**	**28 559**

99. 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.

100. Staff advances primarily consist of advances pending settlement towards education grant and income taxes. Travel and other advances related to prepayments to suppliers, the increase is mainly due to the unapplied portion of the prepayment to supplier for the MPB construction.

NOTE 10: Inventory

	(expressed in euro '000s)	
	31-12-2021	31-12-2020
Project inventories in-transit to counterparts	33 234	39 353
LEU inventory	55 055	55 055
Safeguards spare parts and maintenance materials	413	395
Printing supplies	53	102
Total inventory	**88 755**	**94 905**

101. Inventory in transit marks a decrease of €6.119 million in comparison to 2020, which is in direct correlation to the increased delivery and installation of previously purchased equipment,

supplies to National Counterparts as well as accounting treatment of the pending deliveries due to the logistical challenges connected to COVID-19 pandemic. As also noted in Transfers to Development Counterparts (Note 31), delivery of technical assistance in 2021 continues to be influenced by the COVID-19 pandemic. Increase in transfers to development counterparts and decreases in project inventories-in-transit are in direct correlation to that.

102. The Technical Cooperation Programme accounts for €32.410 million (98%) of the inventories in transit as at 31 December 2021, a 16.3% decrease from last year (€38.742 million (98%) in 2020). In 2021, there was one donated inventory received and delivered to recipient counterpart amounting to €0.050 million. 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 €9.794 million (€ 2.047 million in 2020), of which €8.122 million relates to goods which have been in transit for more than 12 months with 50% allowance and €1.672 million relates to those which have been in transit for more than 24 months with 100% allowance. Out of the total project inventories in transit to counterparts, €11.538 million refer to COVID-19 related equipment and supplies.

103. LEU inventory refers to the stock of Low Enriched Uranium of the IAEA in the IAEA LEU Storage Facility which is located at the Ulba Metallurgical Plant in Oskemen, Kazakhstan. The IAEA LEU Storage Facility is under the responsibility of the Kazakh appropriate authorities for safety, security and safeguards. This LEU inventory 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 spot prices as of 31 December 2021 were calculated at €1 603.52 per kgU and €410.30 per kgU, for enrichment assays of 4.95% and 1.6%, respectively. Hence, in 2021, the value of LEU inventory will continue to be reported at historical cost. 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.

104. 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 2021 was approximately €0.115 million (€0.124 million in 2020).

105. Total inventory expense for 2021 and 2020 was as follows:

	(expressed in euro '000s)	
	2021	**2020**
Project inventories distributed to development counterparts	64 580	50 565
Safeguards spare parts and maintenance materials	65	72
Printing supplies	69	62
Change in allowance for inventory in transit	7 747	835
Total inventory expense	**72 461**	**51 534**

106. 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).

107. During 2021, the change in the allowance created for goods in-transit amounts to €7.747 million. There were impairments amounting to €0.049 million recorded in 2021 related to inventory that were reported as either lost or expired while in transit.

NOTE 11: Investment in common services entities

	(expressed in euro '000s)	
	31-12-2021	**31-12-2020**
Investment in Commissary	809	809
Total investment in common services entities	**809**	**809**

108. 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

2021

(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 2021	396 989	4 873	39 186	83 811	59 202	1 476	3 135	26 236	**614 908**
Additions	4 046	103	2 054	2 419	4 930	111	51	6 107	**19 821**
Disposals	-	(48)	(2 087)	(3 875)	(494)	(108)	(130)	(134)	**(6 876)**
Other Adjustments	-	-	(61)	154	121	-	(119)	-	**95**
Assets under Construction Capitalized	42	-	328	389	303	-	-	(1 062)	-
Cost at 31 December 2021	**401 077**	**4 928**	**39 420**	**82 898**	**64 062**	**1 479**	**2 937**	**31 147**	**627 948**
Accumulated depreciation at 1 January 2021	188 511	3 301	30 829	65 410	36 535	1 232	2 952	-	**328 770**
Depreciation	11 317	251	4 388	4 592	3 662	113	91	-	**24 414**
Disposals	-	(48)	(2 073)	(3 865)	(456)	(95)	(130)	-	**(6 667)**
Other Adjustments	-	-	1	(35)	352	-	(205)	-	**113**
Accumulated depreciation at 31 December 2021	**199 828**	**3 504**	**33 145**	**66 102**	**40 093**	**1 250**	**2 708**	-	**346 630**
Accumulated impairment at 1 January 2021	5	-	14	-	5	-	-	-	**24**
Impairment	-	-	2	57	36	-	-	134	**229**
Disposals	-	-	(14)	(8)	(36)	-	-	(134)	**(192)**
Other Adjustments [a]	-	-	-	-	-	-	-	-	-
Accumulated impairment at 31 December 2021	**5**	-	**2**	**49**	**5**	-	-	-	**61**
Net carrying amount at 31 December 2021	**201 244**	**1 424**	**6 273**	**16 747**	**23 964**	**229**	**229**	**31 147**	**281 257**

[a] Includes impairment reversals

2020

(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 2020	393 677	4 621	37 131	86 750	57 739	1 464	3 220	23 555	608 157
Additions	2 943	259	4 128	1 227	3 332	45	15	3 900	15 849
Disposals	-	(7)	(1 754)	(6 867)	(314)	(33)	(97)	-	(9 072)
Other Adjustments	-	-	(553)	2 107	(1 577)	-	(3)	-	(26)
Assets under Construction Capitalized	369	-	234	594	22	-	-	(1 219)	-
Cost at 31 December 2020	**396 989**	**4 873**	**39 186**	**83 811**	**59 202**	**1 476**	**3 135**	**26 236**	**614 908**
Accumulated depreciation at 1 January 2020	176 995	3 021	28 449	66 522	34 240	1 094	2 899	-	313 220
Depreciation	11 516	287	4 522	4 394	3 468	171	223	-	24 581
Disposals	-	(7)	(1 731)	(6 839)	(296)	(33)	(96)	-	(9 002)
Other Adjustments	-	-	(411)	1 333	(877)	-	(74)	-	(29)
Accumulated depreciation at 31 December 2020	**188 511**	**3 301**	**30 829**	**65 410**	**36 535**	**1 232**	**2 952**	**-**	**328 770**
Accumulated impairment at 1 January 2020	5	97	37	14	2	-	-	-	155
Impairment	-	-	1	3	10	-	-	-	14
Disposals	-	-	(23)	(5)	(6)	-	-	-	(34)
Other Adjustments [a]	-	(97)	(1)	(12)	(1)	-	-	-	(111)
Accumulated impairment at 31 December 2020	**5**	**-**	**14**	**-**	**5**	**-**	**-**	**-**	**24**
Net carrying amount at 31 December 2020	**208 473**	**1 572**	**8 343**	**18 401**	**22 662**	**244**	**183**	**26 236**	**286 114**

[a] Includes impairment reversals

109. For the PP&E projects with a value greater than €0.500 million, their values and their status as construction in progress (CIP) as at 31 December 2021 are as follows:

Construction in progress

- *Renovation of the Nuclear Applications Laboratories (ReNuAL/ReNuAL+)* (*€22.800 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), which was later renamed to Yukiya Amano Laboratories (YAL), as well as the upgrade to the overall site infrastructure to service these new buildings and the purchase of urgently needed new equipment. The final commissioning of the IPCL was completed in October 2019 and the building is now fully in service. The final fit-out for the YAL is complete and the acceptance of the building is linked to the Energy Centre and due in the first quarter of 2022. The Dosimetry Bunker to support the new Linear Accelerator is fully in service. The main infrastructure required to service the new ReNuAL buildings is now all complete (€22.208 million CIP in 2020).

- *Energy Centre (€1.466 million CIP and €4.280 million already placed in service)*. The Energy Centre that services the environmental condition needs for both the Insect Pest Control Laboratory (IPCL) and the Yukiya Amano Laboratories (YAL) is a €5.933 million capital project that is fully funded, 62% of which is from the ReNuAL project while the other 38% is from the Department of MT. Phase I of the project was completed in October 2019 and is now in service. The construction work on Phase 2 is complete and is currently under review for rectifying the list of defects. The acceptance of the building is expected in first quarter of 2022 (€1.466 million CIP in 2020).

- *Renovation of the Nuclear Applications Laboratories 2 (ReNuAL 2) (€1.586 million CIP).* ReNuAL 2 is a continuation of the ReNuAL and ReNuAL+ programme for modernisation of the Agency's Nuclear Applications Laboratories at Seibersdorf. ReNuAL and ReNuAL+ provided new buildings for four of the eight NA laboratories in Seibersdorf and an enhanced capability through provision of a Linear Accelerator facility for the Dosimetry Laboratory. ReNuAL 2 will consist of the construction and commissioning of a new building (FML 2) for the remaining 3 laboratories, namely, the Plant Breeding and Genetics Laboratory (PBGL), the Nuclear Science and Instrumentation Laboratory (NSIL), and the Terrestrial Environment Laboratory (TEL), and will provide a refurbished and enhanced space for the Dosimetry Laboratory in the existing Nuclear Applications (NA) building. The project also includes new greenhouses to replace the existing ones as well as any upgrade to the site infrastructure to service these new buildings. ReNuAL 2 will be a €34.500 million capital project, depending on the split between the Agency's Regular Budget and Extrabudgetary sources (€0.194 million CIP in 2020).

- *Multipurpose Building (MPB) (€ 1.997 million CIP)*. The Multipurpose Building is a project to construct a building to contain a Nuclear Security Training Centre ("The Centre"), a new cafeteria as well as a visitor's welcome point at the IAEA's Laboratories in Seibersdorf, Austria. The Centre will provide a dedicated facility with a purpose-built demonstration command centre that will greatly enhance the Agency's ability to support Member States seeking to address nuclear security concerns. A new cafeteria will provide for the current and growing number of staff, trainees and visitors on site. The visitors' welcome point will serve as the central access point for visitors. MPB will be a €9.500 million capital project, depending on the split between the Agency's Regular Budget and Extrabudgetary sources (€0.360 million CIP in 2020).

- *Japan Mixed Oxide Fuel Fabrication Plant (JMOX) (€0.869 million CIP*). This is a project to develop an integrated safeguards approach for a large mixed oxide fuel fabrication plant in Japan. The CIP asset consists of tubes filled with Helium-3 gas. No additional significant development activity took place on this project between 2013 and 2021 due to uncertainties about the deadline for construction and commissioning of the facility. The end of construction is now scheduled in 2024 although 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).

110. In 2021, physical verification of assets in the VIC and Seibersdorf continued. The Safeguards asset verification results for the cycle 2020-2021 show that 93.59% of the total Agency-owned SG assets recorded in AIPS were verified. The MT asset team will conduct its verification on a two-year cycle as stipulated in the AM VI/2 Paragraph 16 and is scheduled in 2022. RFID scanners will be used to obtain information about the asset location and assignments. In addition, impairments due to damage, obsolescence or loss were recognized. The total impairment loss for 2021 amounted to €0.229 million (€0.014 million in 2020).

111. Efforts to dispose of old inactive equipment which were fully depreciated continued, resulting in the retirement of assets with an aggregate original cost of €6.143 million this year. The gross value of fully depreciated items of property, plant and equipment which remain in use as of 31 December 2021, including components of the VIC building, amounted to €97.378 million (€90.296 million in 2020).

112. In 2021, there was no contributions in-kind of equipment received.

NOTE 13: Intangible assets

2021

	(expressed in euro '000s)			
	Computer Software Purchased	Computer Software Internally Developed	Intangible Assets Under Development	Total Intangible Assets
Cost at 1 January 2021	18 101	100 930	8 205	127 236
Additions	1 116	3 770	5 544	10 430
Disposals	(963)	(643)	-	(1 606)
Other Adjustments	18	-	-	18
Assets under Construction Capitalized	1 786	2 390	(4 176)	0
Cost at 31 December 2021	**20 058**	**106 447**	**9 573**	**136 078**
				0
Accumulated amortization at 1 January 2021	13 386	55 047	-	68 433
Amortization	2 125	13 119	-	15 244
Disposal	(962)	(643)	-	(1 605)
Other Adjustments	2	-	-	2
Accumulated amortization at 31 December 2021	**14 551**	**67 523**	**-**	**82 074**
Accumulated impairment at 1 January 2021	-	-	-	-
Impairment	1	239	-	240
Disposals	(1)	-	-	(1)
Accumulated impairment at 31 December 2021	**0**	**239**	**-**	**239**
Net carrying amount at 31 December 2021	**5 507**	**38 685**	**9 573**	**53 765**

2020

	(expressed in euro '000s)			
	Computer Software Purchased	Computer Software Internally Developed	Intangible Assets Under Development	Total Intangible Assets
Cost at 1 January 2020	16 491	91 301	7 308	115 100
Additions	1 514	4 068	6 756	12 338
Disposals	(228)	-	-	(228)
Other Adjustments	26	-	-	26
Assets under Construction Capitalized	298	5 561	(5 859)	-
Cost at 31 December 2020	**18 101**	**100 930**	**8 205**	**127 236**
Accumulated amortization at 1 January 2020	11 624	43 203	-	54 827
Amortization	1 947	11 844	-	13 791
Disposal	(205)	-	-	(205)
Other Adjustments	20	-	-	20
Accumulated amortization at 31 December 2020	**13 386**	**55 047**	**-**	**68 433**
Accumulated impairment at 1 January 2020	12	-	-	12
Disposals	(12)	-	-	(12)
Accumulated impairment at 31 December 2020	**-**	**-**	**-**	**-**
Net carrying amount at 31 December 2020	**4 715**	**45 883**	**8 205**	**58 803**

113. 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 2021, there were fifteen enhancements to the MOSAIC project, two thereof with a value over €0.500 million were completed referring to the new phase of the Upgrade to Safeguards Field Reporting and Evaluation (SAFIRE), and Upgrade to Safeguards Equipment Management System (SEQUOIA).

114. Other projects with a value greater than €0.500 million, their values and their completion status (complete, partly complete or construction in progress (CIP) as at 31 December 2021 are as follows:

Completed in 2021

Four projects with a value greater than €0.500 million were completed in 2021.

- Upgrade to Safeguards Field Reporting and Evaluation (SAFIRE) (€0.786 million): A new version of Safeguards Field Reporting and Evaluation (SAFIRE) introduced a significant improvement to the user interface and an improved user experience. Users now have a single tool for briefing, in-field activities, debriefing, reporting, and review. The uniform user interface makes SAFIRE easier to use, navigate, and learn. The SAFIRE offline client's usability has been significantly improved. The migration of the Debriefing and Complementary Access (CA) Reports to the offline client, which is synced with the software version at HQ, improved dependability and user experience.

- Upgrade to Safeguards Equipment Management System (SEQUOIA) (€0.576 million): Increased the efficiency of the Agency's inventory management process by introducing the Warehouse Dashboard capability in the Safeguards Equipment Management System (SEQUOIA), which reduces paper usage and improves tracking distributed items by fully managing the digital signature of staff members receiving stock items. Furthermore, increased security by further integrating Authorization Management (AM) with SEQUOIA.

- The Technical Assistance Review System (TARS) (€0.792 million): The project has been successfully deployed and accepted by business users. The key functionalities delivered by this project are as follows: 1) Support the Division of Information Management (SGIM) analysts in performing Safeguards Review in TC Programme Cycle Management Framework(PCMF) Project Design Workflow as well as TC implemented projects; 2) Support SGIM analysts in reviewing procurements of TC and across all IAEA departments in a timely manner; 3) Create State-based Analysis report on all TC data by State in a given time period; 4) See open review status of various TC items at a glance and view analysis-supporting statistics on TC items (reports, ad hoc inquiries, data overview).

- Application Data Integration Implementation (ADII) (€ 0.505 million): The ADII project is aimed to develop and implement an Integration architecture for future that would Enhance data security and control mechanisms, address existing data integration challenges, address data availability, quality and data governance issues, to create and implement best fit solution for the agencies current and future integration requirements.

Construction in Progress

- Centralized Automated System for Correlated Analysis and Data Evaluation (CASCADE) (*€1.723 million CIP*). The team has completed the configuration of the Integrated Review and Analysis Package (IRAP) to allow inspectors to assess data from unattended monitoring systems in Japanese nuclear sites. Implementation of authorization for Safeguard use of the Next Generation Surveillance Review (NGSR) system in Interim Spent Fuel Facility 2 (ISF2), the Near Real Time System for the encapsulation Chornobyl facility in Ukraine, to improve the efficiency of the surveillance process for inspectors.

- State Level Approach (SLA) *(€1.169 million CIP*): The State-Level Data Configurator (SLDC) has been upgraded to accommodate for the updated Acquisition Path Analysis (APA) and State Level Approach (SLA) processes. Reflection Group updates to the Pathfinder and SLA modules of the SLDC, as well as the generated papers, are included in the latest version of SLA-IT. The user interface has been improved to include on-demand collapse/extend features as well as dual menu mode support. Improved the efficiency of State Evaluation Groups (SEG) by providing established scenarios, concealment methods, and indications to be used in APAs, as well as improving traceability of modifications in an APA and enabling a formal approval process.

- AIPS eBS Upgrade (*€1.105 million CIP).* Agency-wide Information System for Programme Support (AIPS) was first implemented in 2011 and added to since then via four distinct plateaus. During this time, the underlying version of Oracle eBusiness Suite (eBS) 12.1 is nearly de-supported by Oracle and the Agency must upgrade to continue to receive support and updates (including security patches) from the vendor. This project is also upgrading the underlying database to the current version. Procurement, analysis, design, remediation of IAEA-customizations and initial user acceptance testing was completed in 2021. Final project activities will culminate by April 2022.
- The Hana Smart Management System *(€1.061 million CIP*). Following the acquisition of the M-Files, the system was installed and tested in the SG environment. We completed the test- ready version of the new document manager for handling documents controlled by the SG Quality Management System (QMS), including migrating documents in the existing system.

- SEQUOIA SMT (*€0.684 million CIP*). Service Management Tool (SMT) is an SG-wide service management tool to track incidents and problems of Safeguards equipment which has been enhanced with Equipment Performance Monitoring reports and related dashboards. Also, the State-of Health monitoring of the Remote Data Transmission platform (Roogle) to create incidents for SGTS was integrated and the team upgraded to the latest version of the Jira platform.

- MTIT - Hyperion Upgrade (phase II) (*€0.500 million CIP).* Hyperion Upgrade (phase II) project aims to upgrade and reimplement Oracle Enterprise Performance Management (EPM) (on Premises) Hyperion Planning to the Oracle EPM in Cloud (Planning and Budgeting Cloud Service). The project goal is to deliver the new supported version of the product, replace the heavily customized solution, and to simplify Hyperion related processes.

115. The total net value of intangible assets decreased by €5.038 million due to a high level of amortization expense which more than offsets additions during the year.

116. There were 29 new projects initiated in 2021, with aggregate costs amounting to €5.473 million (34 projects amounting to €5.862 million in 2020). Of these 29 projects, 17 with aggregate costs of €3.770 million were completed, while the other 12 projects remain as construction in progress. Of the 28 internally developed projects initiated prior to 2021, 3 were retired and 12 were completed, leaving 13 projects as construction in progress. Therefore, a total of 25 projects constituting intangible assets under development as at 31 December 2021 will continue in 2022.

117. One internally developed intangible asset was impaired in 2021 with cost amounting to €0.239 million.

NOTE 14: Accounts payable

	(expressed in euro '000s)	
	31-12-2021	31-12-2020
Accruals	18 834	20 503
Staff	174	285
Other payables	6 950	5 312
Total accounts payables	**25 958**	**26 100**

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

119. 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)	
	31-12-2021	31-12-2020
Contributions received in advance	85 720	89 846
Extrabudgetary contributions transferred subject to conditions	46 168	71 025
Other	775	597
Premises deferred	114 991	120 736
Total deferred revenue	**247 654**	**282 204**
Deferred revenue composition		
Current	103 371	111 413
Non-current	144 283	170 791
Total deferred revenue	**247 654**	**282 204**

120. 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.

121. 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 decreased in 2021 by €4.126 million.

122. At the end of 2021, contributions received subject to conditions decreased by €24.857 million. Out of the total balance of contributions received subject to conditions, 42.2% was received from two non-Member State donors. 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 €31.136 million, have been classified as current. Final and progress reports for these contributions are expected to be submitted during 2021, and the respective revenue recognition will be based on the approval of such reports by the donor.

123. Details of contributions received in advance and extrabudgetary contributions transferred subject to conditions as of 31 December 2021 are provided in Annex A4.

NOTE 16: Employee benefits liabilities

	(expressed in euro '000s)	
	31-12-2021	31-12-2020
After-Service Health Insurance	320 334	346 347
Post-employment repatriation and separation entitlements	64 277	63 116
Annual leave	34 171	35 995
Health Insurance Premium reserve account - staff contributions	1 989	1 364
Other staff costs	2 299	3 450
Total staff related liabilities	**423 070**	**450 272**
Composition of employee benefits liabilities		
Current	20 829	20 196
Non-current	402 241	430 076
Total employee benefits liabilities	**423 070**	**450 272**

124. 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 decreased during the year, primarily due to changes in the actuarial assumptions (more details are provided in Note 17).

125. Liabilities for annual leave have been calculated based upon the actual number of unused leave days as at year end. The decrease of the liabilities for staff annual leave by 5.07% is the result of an effective management of annual leave days whereby employees were encouraged to utilize their leave days. Other factors include global developments such as the easing of travel restrictions in the last quarter of 2021 and the rising vaccination rates.

126. 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 account balance increased during 2021 due to lower actual payments remitted to CIGNA in respect of SMIP members by 18.1%.

127. Liabilities for other staff costs as at 31 December 2021 consisted mainly of home leave accruals amounting to €1.711 million (€2.701 million as at 31 December 2020) and accruals for compensatory time-off amounting to €0.455 million (€0.621 million as at 31 December 2020). The decrease in the accruals for home leave is also the reflection of vaccination and lifted restrictions on travel.

128. As at 31 December 2021, the ASHI and post-employment repatriation benefit obligations, as well as the annual leave liability, were almost entirely unfunded[1]. Nearly all of these liabilities, which total €418.782 million at 31 December 2021 relate to the Regular Budget Fund. The unfunded status of these liabilities negatively impacts this Fund such that the total equity remains negative as at 31 December 2021.

NOTE 17: Post-employment related plans

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

130. 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.

131. 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

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

133. 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 2021:

[1] Except for positions funded through extrabudgetary contributions for which 4% charge is applied to the salary expenditures since July 2021. This charge has been established to fund the ASHI Extrabudgetary Sub-Fund.

Parameter	31-12-2021	31-12-2020
Discount rate	ASHI: 1.28% Other post-employment entitlements: repatriation entitlements 0.60%; End of Service allowance 0.77% Market yields on high quality euro corporate bonds at the reporting date (estimated duration: ASHI: 23.7 years; Other post-employment entitlements: 6.3 to 8.6 years depending on entitlement)	ASHI: 0.73% Other post-employment entitlements: repatriation entitlements 0.16%; End of Service allowance 0.28% Market yields on high quality euro corporate bonds at the reporting date (estimated duration: ASHI: 24.4 years; Other post-employment entitlements: 6.5 to 9.1 years depending on entitlement)
Expected rate of salary increase	**Professional and Higher Staff** 2.70% for ASHI, 3.00% for other post-employment **General Staff** 3.07%	**Professional and Higher Staff** 2.70% for ASHI, 3.31% for other post-employment **General Staff** 2.93%
Expected rate of medical cost increase	3.07% – 3.75% (range for the various insurance plans)	2.93% – 3.36% (range for the various insurance plans)
Expected rate of travel costs increase	2.20%	1.40%
Expected rate of shipping cost increase	2.20%	1.40%

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

ASHI	(expressed in euro '000s) 31-12-2021	31-12-2020
Movement in defined benefit obligation		
Opening defined benefit obligation	346 347	306 483
Expense for the period		
Current service cost	13 972	11 802
Interest cost	2512	3 895
Benefits paid	(3 651)	(4 139)
Transfers in/out	208	(40)
Actuarial losses/(gains) recognized in net assets:		
Actuarial (Gain)/Loss due to Experience Adjustments	(3 749)	2 662
Actuarial (Gain)/Loss due to Demographic Assumption Changes	(22 169)	(12 196)
Actuarial (Gain)/Loss due to Financial Assumption Changes	(13 135)	37 880
Closing defined benefit obligation	**320 334**	**346 347**

Other Post-employment benefits	(expressed in euro '000s) 31-12-2021	31-12-2020
Movement in defined benefit obligation		
Opening defined benefit obligation	63 116	59 640
Expense for the period		
Current service cost	6 837	6 849
Interest cost	125	341
Past service cost		
Benefits paid	(5 215)	(3 524)
Transfers in/out	109	28
Actuarial losses/(gains) recognized in net assets:		
Actuarial (Gain)/Loss due to Experience Adjustments	1 096	(2 233)
Actuarial (Gain)/Loss due to Demographic Assumption Changes	-	-
Actuarial (Gain)/Loss due to Financial Assumption Changes	(1 790)	2 015
Closing defined benefit obligation	**64 277**	**63 116**
of which		
Repatriation entitlements	33 727	32 421
End of Service Allowance	30 550	30 695
	64 277	**63 116**

135. Within the ASHI liability closing defined benefit obligation, €134.520 million represents the liability towards former staff members and their dependents (€142.579 million in 2020) and €185.814 million represents the accrual towards active staff and their dependents (€203.768 million in 2020).

136. 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.

137. The ASHI liability is highly sensitive to changes in financial assumptions. The increased discount rate – partly due to higher inflation and a rebound in global activity – is the key driver for the decrease of the ASHI liability by €26.013 million.

138. As at 31 December 2021, the ASHI and post-employment repatriation benefit obligations were for the most part unfunded[2]. Therefore, the present value of funded obligations and the fair value of plan assets are nil.

Sensitivity analysis

139. 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%	(63 703)	(4 007)
	-1%	87 821	4 593
Effect of salary increase rate change on defined benefit obligation	+1%	(6 182)	4 074
	-1%	8 087	(3 614)
Effect of turnover rate change on defined benefit obligation	+1%	(7 070)	12
	-1%	7 819	(16)
Effect of changes in full retirement age on defined benefit obligation	+1 year	(1 427)	(237)
	-1 year	1 604	131
	Full retirement at 65	(4 193)	(180)
Effect of change in expected rate of medical costs increase on:			
*current service cost component of liability	+1%	5 654	n/a
	-1%	(3 896)	n/a
*interest cost component of liability	+1%	674	n/a
	-1%	(500)	n/a
*total defined benefit obligation	+1%	82 645	n/a
	-1%	(61 763)	n/a
Effect of changes in life expectancy on defined benefit obligation	+1 year	17 287	n/a
	-1 year	(16 980)	n/a
Effect of changes in shipping and travel costs on total defined benefit obligation	+1%	n/a	499
	-1%	n/a	(453)

140. 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.

141. When calculating the sensitivity of the Defined Benefit Obligation (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.

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

---

[2] Except for positions funded through extrabudgetary contributions for which 4% charge is applied to the salary expenditures since July 2021. This charge has been established to fund the ASHI Extrabudgetary Sub-Fund.

143. The Agency's best estimate of benefits payments expected to be made for the next 12 months for ASHI plans is €4.493 million, and for post-employment repatriation and separation entitlements is €9.208 million.

144. 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.

145. 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)				
	2021	**2020**	**2019**	**2018**	**2017**
Defined benefit obligation	320 334	346 347	306 483	222 121	213 413
Plan assets at fair value	-	-	-	-	-
Surplus/(deficit)	(320 334)	(346 347)	(306 483)	(222 121)	(213 413)
Remeasurement losses/(gains) due to experience adjustments	(3 749)	2 662	294	(451)	36 226
Remeasurement due to experience adjustments as a percentage of defined benefit obligation	-1.17%	0.77%	0.10%	(0.20%)	16.97%

Other post-employment benefits

	(expressed in euro '000s)				
	2021	**2020**	**2019**	**2018**	**2017**
Defined benefit obligation	64 277	63 116	59 640	54 649	51 989
Plan assets at fair value	-	-	-	-	-
Surplus/(deficit)	(64 277)	(63 116)	(59 640)	(54 649)	(51 989)
Remeasurement losses/(gains) due to experience adjustments	1 096	(2 233)	166	1 277	(4 265)
Remeasurement due to experience adjustments as a percentage of defined benefit obligation	1.71%	(3.54%)	0.28%	2%	(8.20%)

United Nations Joint Staff Pension Fund

146. 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.

147. 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.

148. The latest actuarial valuation for the Fund was completed as of 31 December 2019, and the valuation as of 31 December 2021 is currently being performed. A roll forward of the participation data as of 31 December 2019 to 31 December 2020 was used by the Fund for its 2020 financial statements.

149. The actuarial valuation as of 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.4%. The funded ratio was 107.1% when the current system of pension adjustments was taken into account.

150. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2019, 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.

151. 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 (2018, 2019 and 2020) amounted to US $7 993.150 million, of which 2.88% was contributed by the Agency.

152. During 2021, contributions paid to the Fund amounted to €70.446 million (€70.913 million in 2020). Expected contributions due in 2022 are approximately €72.904 million.

153. 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.

154. 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)	
	31-12-2021	31-12-2020
Deposits received	304	304
Others	191	108
Total financial liabilities	**495**	**412**
Composition of financial liabilities		
Current	191	108
Non-current	304	304
Total financial liabilities	**495**	**412**

155. As at 31 December 2021, non-current liabilities of €0.304 million is related to funds deposited by FAO to meet costs incurred by the Agency on behalf of the Joint FAO/IAEA Division, while 'Others' consisted primarily of cash received for which the purpose has not yet been identified.

NOTE 19: Provisions

	(expressed in euro '000s)	
	31-12-2021	31-12-2020
Provision for ILOAT cases	259	75
Provision for asset disposal and site restoration	1 218	1 218
Other provisions	11	0
Total provisions	**1 488**	**1 293**
Composition of provisions		
Current	270	75
Non-current	1 218	1 218
Total provisions	**1 488**	**1 293**

156. 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).

157. As at 31 December 2021, 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 €0.259 million. 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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Opening Balance	(11 319)	29 288	22 863	17 401	110 326	79 964	50 646	41 867	321 960	294 448	88 110	107 931	1 147	1 103	583 733	572 002
Transfers to / (from) fund balances a/	5 914	(6 638)	(3 073)	1 621	(12 037)	(2 993)	1 596	(4 289)	(32 091)	(22 369)	(19 704)	(15 922)	29	4	(59 366)	(50 586)
Net surplus/ (deficit)	(18 320)	(33 969)	3 973	3 841	18 483	33 355	5 713	13 068	51 505	49 881	20 077	(3 899)	(1)	40	81 430	62 317
Closing balance	(23 725)	(11 319)	23 763	22 863	116 772	110 326	57 955	50 646	341 374	321 960	88 483	88 110	1 175	1 147	605 797	583 733
Included in fund balances are individual funds with specific purposes:																
Working Capital Fund	15 193	15 189	-	-	-	-	-	-	-	-	-	-	-	-	15 193	15 189
Nuclear Security Fund	-	-	-	-	-	-	-	-	110 367	102 757	-	-	-	-	110 367	102 757
Programme Support Cost Sub-fund	-	-	-	-	-	-	-	-	884	2 172	-	-	-	-	884	2 172
Research Institute Trust Fund	-	-	-	-	-	-	-	-	-	-	-	-	414	312	414	312
Equipment Replacement Fund	-	-	-	-	-	-	-	-	-	-	-	-	764	836	764	836

a/ Low Enriched Uranium Bank: Includes refund to donor amounting to €19.7 million

158. 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.

159. The Nuclear Security Fund (NSF) was established in accordance with the Financial Regulations to fund a range of activities with the objective of supporting the capacity of Member States to protect nuclear facilities, and nuclear material in use, storage or transport, against nuclear terrorism (GOV/2002/10).

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

161. The Research Institute Trust Fund was established in accordance with the Financial Regulations to enable multi-year funding availability for the purchase of equipment and supplies necessary for the Agency’s research contract programme (GOV/2403).

162. The Equipment Replacement Fund was established as approved by the Board of Governors (GOV/2005/22) to upgrade or replace the Information and Communication Technology (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)

	2021						2020					
	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	15 189	-	-	-	4	15 193	15 204	-	-	-	(15)	15 189
Nuclear Security Fund	102 757	34 486	(13 700)	(14 034)	858	110 367	88 312	32 917	783	(15 474)	(3 781)	102 757
Programme Support Cost Sub-Fund	2 172	4 848	75	(6 054)	(157)	884	3 117	5 551	(140)	(6 536)	180	2 172
Research Institute Trust Fund	312	-	31	2	69	414	357	-	3	30	(78)	312
Equipment Replacement Fund	836	-	-	-	(72)	764	748	-	-	-	88	836

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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	(134 225)	(116 850)	2 047	1 805	40 017	37 126	11 232	9 162	19 607	14 281	(1)	76	37	40	(61 286)	(54 360)
Transfers to/(from)	45 082	(17 375)	1 135	242	11 825	2 891	(2 176)	2 070	20 754	5 326	(4)	(77)	(28)	(3)	76 588	(6 926)
Closing balance	(89 143)	(134 225)	3 182	2 047	51 842	40 017	9 056	11 232	40 361	19 607	(5)	(1)	9	37	15 302	(61 286)
Movements in reserves comprise:																
Health insurance premium reserve opening balance	1 459	992													1 459	992
Transfers to/(from)	1 466	467													1 466	467
Health Insurance premium reserve closing balance	2 925	1 459													2 925	1 459
Commitments opening balance	19 720	20 300	2 124	1 881	40 017	37 126	11 241	9 171	20 006	14 737	3	80	37	40	93 148	83 335
Transfers to/(from)	15 715	(580)	1 110	243	11 825	2 891	(2 176)	2 070	19 855	5 269	(4)	(77)	(28)	(3)	46 297	9 813
Commitments closing balance	35 435	19 720	3 234	2 124	51 842	40 017	9 065	11 241	39 861	20 006	(1)	3	9	37	139 445	93 148
Cash surplus/(deficit) reserve opening balance	53	53													53	53
Transfers to/(from)	12	12													12	12
Credit to Member States	(12)	(12)													(12)	(12)
Cash surplus/(deficit) reserve closing balance	53	53	-	-	-	-	-	-	-	-	-	-	-	-	53	53
Post employment related plans revaluation reserve opening balance	(166 379)	(138 195)	(77)	(76)			(9)	(9)	(399)	(456)	(4)	(4)			(166 868)	(138 740)
Actuarial gains/(losses) recognized through equity	38 823	(28 184)	25	(1)			-	-	899	57	-	-			39 747	(28 128)
Reserve for actuarial gains/losses on employee benefit liabilities closing balance	(127 556)	(166 379)	(52)	(77)	-	-	(9)	(9)	500	(399)	(4)	(4)	-	-	(127 121)	(166 868)
Reserve for carry-over of unobligated appropriations opening balance	10 922	-													10 922	-
Transfers to/(from) a/	(10 922)	10 922													(10 922)	10 922
Reserve for carry-over of unobligated appropriations closing balance	-	10 922	-	-	-	-	-	-	-	-	-	-	-	-	-	10 922

a/ RBF: Transferred to fund balance at end of biennium

163. The reserves increased by €76.588 million in 2021 primarily due to an increase in the committed funds for open contracts for goods and services as well as actuarial gains on employee benefits liabilities.

164. The health insurance premium reserve represents the Agency's share of the funds related to health insurance premiums. The reserve increased during 2021 due to the decrease in actual payments remitted to CIGNA in respect of SMIP members by 18.1% (18.1% in 2020). In February 2021, the Agency received an amount of €4.343 million from CIGNA as savings due to reduced claim experience, which was recorded as an increase in the health insurance premium reserve and was used for the premium payments of January and February 2021 covering both the Agency's share and employee's share amounting to €3.616 million. The residual amount of €0.727 million remains in the Agency's health insurance premium reserve.

165. Commitments represent committed funds for open contracts for goods and services which have not been received by the Agency. During 2021, such future commitments increased by €46.297 million (€23.287 million increase in 2020). This increase is shown as a transfer from Fund balances to the reserves. 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.

166. The cash surplus reserve opening balances represent the accumulated cash surplus for prior years amounting to €0.053 million.

167. 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 2021, a total of €39.747 million actuarial gain (€28.128 million on actuarial loss in 2020) was recorded (refer to Note 17). This actuarial gain is mainly due to a change in the actuary assumptions relating to the increase in discount rate and changes in the mortality rates.

NOTE 23: Assessed contributions

	(expressed in euro '000s)	
	2021	**2020**
Operational Assessment	372 892	371 330
Capital Assessment	6 196	6 098
Total assessed contributions	**379 088**	**377 428**

168. 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.

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

NOTE 24: Voluntary contributions

	(expressed in euro '000s)	
	2021	2020
Voluntary monetary contributions		
Technical Cooperation Fund	86 391	81 559
Technical Cooperation Fund Extrabudgetary Fund	24 549	36 464
Extrabudgetary Programme Fund	101 882	111 232
Extrabudgetary contributions LEU Bank	20 000	1 090
Total voluntary monetary contributions	**232 822**	**230 345**
Voluntary in-kind contributions		
Lease of premises - Building VIC	6 654	6 949
Lease of premises - building other	1 403	1 331
Lease of premises - land VIC	1 240	1 172
Lease of premises - land other	415	463
Equipment/Inventories for counterparts	50	485
Total voluntary in-kind contributions	**9 762**	**10 400**
Total voluntary contributions	**242 584**	**240 745**

170. 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.

171. 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 2021 and 2020, such refunds and transfers amounted to €23.252 million and €29.402 million respectively. In accordance with the Agency's accounting policy for such refunds, these amounts were recognized as direct adjustments to equity. It should be noted that the revenue related to the IAEA LEU bank (€20 million), reflects the acceptance of the final report by the donor for funds received previously.

172. In-kind contributions primarily comprise of the use of the Vienna International Centre (VIC) as a donated asset (€7.894 million) as well as the donated right to use of the land, buildings and related utilities in Agency's other locations including Seibersdorf, Monaco and Fukushima (€1.818 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.

173. Other in-kind contributions received by the Agency include goods that qualify as PP&E, intangibles and project inventories for counterparts. In 2021, the Agency received donation of inventory for counterparts of €0.05 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.

174. The above does not include the value of services-in-kind received by the Agency. In accordance with the Agency's accounting policies and in compliance with IPSAS, services-in-kind are not recorded as revenue. The Agency receives a significant amount of services in-kind from certain donors relating to training activities, technical support, consultancy services, analytical services and the coordination of technical meetings, particularly noteworthy is the support services for the initial five years of the Linear Accelerator donated for the ReNuAL project which commenced in 2019 (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)	
	2021	2020
National Participation Cost	178	4 115
Safeguards agreements	1 143	1 143
Other Contributions	478	532
Total other contributions	**1 799**	**5 790**

175. Revenue from NPCs is recognized when the projects comprising the Technical Cooperation national programme have been approved by the TACC and the amounts become due to the Agency, which is generally on 1 January following the TACC meeting. Since a majority of the projects are approved as of the first year of the biennium, NPC revenue is generally higher in that year compared to the second year of the biennium. As such, 2021, being the second year of the biennium, had lower NPC revenue compared to 2020. 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)	
	2021	**2020**
Revenue from sale of goods / use of entity's assets		
Publications	503	470
Laboratory reference materials	298	251
	801	**721**
Revenue from jointly financed services		
Medical	908	859
Printing	409	350
	1 317	**1 209**
Other miscellaneous revenue	262	316
Total revenue from exchange transactions	**2 380**	**2 246**

176. Included in the revenue from publications is an amount of €0.459 million relating to the use of Agency's assets by other parties, specifically derived from the publication and distribution of the Nuclear Fusion Journal.

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

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

NOTE 27: Investment revenue

	(expressed in euro '000s)	
	2021	**2020**
Term deposits	364	2 178
Discounted notes	-	-
Call accounts and others	473	414
Total investment revenue	**837**	**2 592**

179. The decrease of €1.755 million (or 67.7%) in the total investment revenue was mainly the result of much lower interest earned on US dollar term deposits during 2021 in comparison to 2020. This sizable decline in US dollar interest rates was due to the cuts in the Federal Funds Rate that the Federal Reserve System (FED) did in response to the negative economic impact of the COVID-19 pandemic during 2020. These actions by the FED in 2020 continued to adversely affect the interest revenue that the Agency earned in US dollar term deposits during 2021.

180. Statement VIIb provides details of the total investment revenue recognized in 2021 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)	
	2021	2020
Professional staff		
Salaries	153 001	151 733
Common staff costs: contributions to UNJSPF and other pension schemes	35 508	36 117
Common staff costs: other	39 221	47 058
Total professional staff	**227 730**	**234 908**
General services staff		
Salaries	59 440	58 627
Common staff costs: contributions to UNJSPF and other pension schemes	11 984	11 844
Common staff costs: other	17 741	20 472
Total general services staff	**89 165**	**90 943**
Total salaries and employee benefits	**316 895**	**325 851**

181. 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.

182. In 2021, total salaries and employee benefits decreased by 2.75%. This was mainly driven by lower annual leave accruals resulting from an effective management of annual leave days whereby employees were encouraged to utilize their leave days.

NOTE 29: Consultants, experts

	(expressed in euro '000s)	
	2021	2020
Consultants and experts	14 102	12 884
Translators	647	748
Conference clerks	74	72
Total	**14 823**	**13 704**

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

NOTE 30: Travel

	2021	2020
	(expressed in euro '000s)	
Duty staff travel		
Safeguards inspection and equipment maintenance	7 874	8 936
Duty travel staff	2 216	1 968
Total staff travel	**10 090**	**10 904**
Non-staff travel		
Consultants, experts and meeting participants	1 727	2 588
For technical cooperation projects	543	908
Other non-staff	156	244
Total non-staff travel	**2 426**	**3 740**
Total travel expenses	**12 516**	**14 644**

184. 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.

185. 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.

186. The COVID-19 pandemic with its related travel restrictions, lockdowns and longer quarantine periods continues to affect the travel industry in 2021. This is the main reason for the decrease in travels expenses by 14.5%. During 2021, non-essential travels were cancelled. However, in-field verification activities were not interrupted.

NOTE 31: Transfers to development counterparts

	2021	2020
	(expressed in euro '000s)	
Project inventories distributed to development counterparts	64 580	50 565
Services to development counterparts	4 731	5 444
Research and technical contracts	5 214	4 724
International Centre for Theoretical Physics funding	2 160	2 094
Other grants	29	55
Total transfers to development counterparts	**76 714**	**62 882**

187. Project inventories are items purchased for counterparts which are ordinarily held for distribution, or in certain cases, purchased through the local UNDP office, the project manager or the Counterpart. 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.

188. The increase in project inventories distributed to development counterparts of €14.015 million is mainly driven by the programmatic needs of national counterparts including COVID-19 assistance and assistance provided to Member States in response to some natural events, outbreaks and emergency situations. The increase in Research and Technical Contracts is due to the delayed implementation of some research and technical contracts which – because of the pandemic – had to be postponed from 2020 to 2021.

NOTE 32: Vienna International Centre common services

	(expressed in euro '000s)	
	2021	**2020**
Buildings management services	11 279	12 112
Security services	8 097	7 603
Conference services	984	1 270
Total Vienna International Centre common services	**20 360**	**20 985**

189. 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)	
	2021	**2020**
Training of development counterparts	13 104	11 606
Training – staff	1 177	747
Total training	**14 281**	**12 353**

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

191. Training expenses have increased by €1.928 million. This is mainly due to the Technical Cooperation Human Resources capacity building activities which have picked up pace after the slowdown in 2020 due to the COVID-19 pandemic.

NOTE 34: Contractual and other services

	(expressed in euro '000s)	
	2021	2020
Information technology contractual services	8 772	8 769
Scientific and technical contractual services	2 647	2 390
Other institutional contractual services	2 717	3 531
Building services and security non-VIC	4 846	4 481
Equipment and software maintenance	6 350	7 194
Total contractual and other services	**25 332**	**26 365**

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

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

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

195. 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.

196. 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)	
	2021	**2020**
Supplies and materials	6 660	6 887
Purchase of minor equipment and software	5 347	5 333
Communication and transport	2 416	1 321
Leased equipment	1 117	884
Lease of premises	3 691	3 699
Impairment of intangibles	240	-
Impairment of Property, Plant & Equipment	229	14
Reversal of impairment of Property, Plant & Equipment	-	-105
Representation and hospitality	155	281
Printing supplies, Safeguards spare parts and maintenance materials inventory consumption	134	134
Increase/(decrease) in provisions and allowances	11 309	9 442
Other operating expenses	2 659	3 030
Other miscellaneous expenses	1 594	817
Total other operating expenses	**35 551**	**31 737**

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

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

199. 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.

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

201. The increase in provisions and allowances relates to the increase in arrears of receivables from assessed contributions, please refer to Note 6.

202. 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)	
	2021	2020
Unrealized foreign exchange gains/(losses)	8 293	(18 612)
Realized foreign exchange gains/(losses)	2 569	(956)
Gains/(losses) on sale or disposal of property, plant & equipment	10	(23)
Total gains/(losses)	**10 872**	**(19 591)**

203. Net realized foreign exchange gains in 2021 were significant due to the conversion of US dollars into euro at favorable market exchange rates. Unrealized foreign exchange gains mostly reflect 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

204. The Joint Centre 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 Centre implements a Programme drawn up biennially in consultation between the two organizations. The operations and governance of the Joint Centre are established by the Revised Arrangements between the Directors-General of FAO and the IAEA for the Joint FAO/IAEA Centre 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 Centre 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. Revised Arrangements between the Directors-General of FAO and the IAEA for the Joint FAO/IAEA Centre of Nuclear Techniques in Food and Agriculture were co-signed on 23 February 2021 and the name of the Joint FAO/IAEA Division has now changed into Joint FAO/IAEA Centre.

205. Assessed contributions from Member States are the major source of revenue for the Joint Centre. A total of €12.3 million (€12.0 million revalued at average UNORE €0.843/USD1 experienced in year 2021) of the assessed budget funding of the Joint Centre was provided by the Agency and a total of $4.1 million was provided by FAO. In addition, FAO contributed $150,000 to the ReNUAL project. Any extra budgetary funds that are made available to either FAO or IAEA for the purpose of the Joint Centre are reported in the financial statements of the respective organization. In fact, the agency received extrabudgetary funds amounting to € 2.292 million in 2021 to support the operation of the Joint Centre including for the Zoonotic Disease Integrated Action (ZODIAC) project, Peaceful Uses Initiative projects, Junior Professionals and cost-free interns. IAEA and FAO also recognize their respective shares of expenses related to the Joint Centre. Staff costs are one of the major components of the Joint Centre's expenses. The agency spent in year 2021, against the annual assessed budget funding and extrabudgetary donations € 9.711 million on staff costs and related employee benefits and €7.878 million on non-staff costs.

The Joint Centre 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 Centre 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 2021, 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 in 2022. It is worth noting that during the COVID-19 pandemic, the technology developed in the programme contributed to testing and detecting of the COVID-19 virus. 129 Member States (305 laboratories/institutes) were supported to detect and control COVID-19 and other animal/zoonotic diseases. 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)

206. 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.

207. 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	**31-12-2021 (provisional)**	**31-12-2020 (final)**
Revenue	26 638	26 283
Expense	23 855	24 342
Net surplus/(deficit)	2 783	1 941
Assets current	20 252	17 453
Assets non-current	1 397	1 006
Liabilities current	13 749	13 342
Liabilities non-current	15 474	15 474
Equity	(7 574)	(10 357)

The Vienna International Centre

Vienna International Centre land and buildings

208. 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.

209. 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

210. 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 (53.925% for 2021).

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

MRRF Summary Financial Information	31-12-2021 (provisional)	31-12-2020 (final)
	(expressed in euro '000s)	
Revenue	5 140	4 951
Expense	6 358	6 499
Net surplus/(deficit)	(1 218)	(1 548)
Assets current	14 749	15 344
Assets non-current	-	-
Liabilities current	2 867	2 244
Liabilities non-current	-	-
Equity	11 882	13 100

212. The Agency provided funding to MRRF in an amount of €1.386 million in 2021 and €1.340 million in 2020. 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

213. 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.

214. 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.

215. 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

216. 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.

217. 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.

218. 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

219. 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.

220. As the Commissary is operated under the authority of the Agency, all staff of the Commissary hold Agency employment contracts. As such, the Agency would be liable for post-employment and other long-term employee benefits of these staff members should revenue generated by the Commissary not be sufficient to meet the financial obligations for such post-employment and other long-term employee benefits. As at 31 December 2021, the total amount of such post-employment and other long-term employee benefits for the staff of the Commissary was €11.706 million (€13.290 million in 2020).

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

Commissary Summary Financial Information	31-12-2021 (provisional)	31-12-2020 (final)
	(expressed in euro '000s)	
Revenue	24 852	20 890
Expense	24 980	22 860
Net surplus/(deficit)	(128)	(1 970)
Asset current	15 452	15 546
Asset non-current	1 138	1 301
Liabilities current	1 104	924
Liabilities non-current	12 832	14 590
Equity	2 654	1 333

Catering service

222. 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

2021

For the period ending 31 December 2021
(expressed in euro '000s)

	Nuclear Power, Fuel Cycle and Nuclear Science	Nuclear Techniques for Development and Environmental Protection	Nuclear Safety and Security	Nuclear Verification	Policy, Management and Administration Services a/	Shared Services and Expenses not Directly Charged to Major Programmes	Eliminations	Total
Regular Budget and Working Capital fund								
Expense	39 848	44 979	39 555	168 360	112 553	3 037	-	**408 332**
Property, Plant, Equipment and intangibles	13 461	71 523	22 247	154 000	73 721	-	-	**334 952**
Additions to Property, Plant, Equipment and Intangibles	1 665	5 593	2 920	13 627	6 324	-	-	**30 129**
Major Capital Investment Fund								
Expense	24	18	189	63	1690			**1 984**
Property, Plant, Equipment and intangibles	-	-	-	-	-	-	-	**-**
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	12	-	-	**12**
Technical Cooperation Fund								
Expense	5 456	50 826	10 404		3 785	-		**70 471**
Property, Plant, Equipment and intangibles	-	1	-	-	-	-	-	**1**
Additions to Property, Plant, Equipment and Intangibles	-	1	-	-	-	-	-	**1**
Technical Cooperation Extrabudgetary Fund								
Expense	691	17 737	694		286	-	-	**19 408**
Property, Plant, Equipment and intangibles	-	-	-	-	68	-	-	**68**
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	73	-	-	**73**
Extrabudgetary Programme Fund								
Expense	7 917	5 198	22 489	17 806	7 213	(128)	-	**60 495**
Property, Plant, Equipment and intangibles	-	-	-	-	-	-	-	**-**
Additions to Property, Plant, Equipment and Intangibles	-	9	19	8	-	-	-	**36**
Low Enriched Uranium Bank								
Expense	392	-	-	-	-	-	-	**392**
Property, Plant, Equipment and intangibles	1	-	-	-	-	-	-	**1**
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	**-**
Trust Funds and Special Funds								
Expense	-	(6)	3	-	-	-	-	**(3)**
Property, Plant, Equipment and intangibles	-	-	-	-	-	-	-	**-**
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	**-**
Inter-fund elimination of un-allocated shared services expenses	-	-	-	-	-	-	(4 949)	**(4 949)**
Total Expense	**54 328**	**118 752**	**73 334**	**186 229**	**125 527**	**2 909**	**(4 949)**	**556 130**
Total PP&E and Intangibles	**13 462**	**71 524**	**22 247**	**154 000**	**73 789**	**-**	**-**	**335 022**
Total Additions to PP&E and Intangibles	**1 665**	**5 603**	**2 939**	**13 635**	**6 409**	**-**	**-**	**30 251**

a/ Includes Management of Technical Cooperation for Development.

2020

For the period ending 31 December 2020
(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	40 281	44 654	38 777	167 530	119 513	8 385	-	419 140
Property, Plant, Equipment and intangibles	13 079	69 579	21 639	164 182	76 435	-	-	344 914
Additions to Property, Plant, Equipment and Intangibles	1 025	4 503	1 742	14 181	6 736	-	-	28 187
Major Capital Investment Fund	-	-	-	-	-	-	-	-
Expense	2	434	2	212	2 007	-	-	2 657
Property, Plant, Equipment and intangibles	-	-	-	-	-	-	-	-
Additions to Property, Plant, Equipment and Intangibles	-	-	1	-	-	-	-	-
Technical Cooperation Fund	-	-	-	-	-	-	-	-
Expense	2 814	34 967	6 095	-	4 723	2	-	48 601
Property, Plant, Equipment and intangibles	-	-	-	-	-	-	-	-
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	-
Technical Cooperation Extrabudgetary Fund	-	-	-	-	-	-	-	-
Expense	457	18 155	1 609	-	424	-	-	20 645
Property, Plant, Equipment and intangibles	-	-	-	-	-	-	-	-
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	-
Extrabudgetary Programme Fund	-	-	-	-	-	-	-	-
Expense	5 977	4 447	23 522	20 207	6 491	(26)	-	60 618
Property, Plant, Equipment and intangibles	-	-	-	-	-	-	-	-
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	-
Low Enriched Uranium Bank	-	-	-	-	-	-	-	-
Expense	926	-	-	-	(1)	-	-	925
Property, Plant, Equipment and intangibles	3	-	-	-	-	-	-	3
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	-
Trust Funds and Special Funds	-	-	-	-	-	-	-	-
Expense	-	(57)	28	-	-	-	-	(29)
Property, Plant, Equipment and intangibles	-	-	-	-	-	-	-	-
Additions to Property, Plant, Equipment and Intangibles	-	-	-	-	-	-	-	-
Inter-fund elimination of un-allocated shared services expenses	-	-	-	-	-	-	(5 664)	(5 664)
Total Expense	**50 457**	**102 600**	**70 033**	**187 949**	**133 157**	**8 361**	**(5 664)**	**546 893**
Total PP&E and Intangibles	**13 082**	**69 579**	**21 639**	**164 182**	**76 435**	**-**	**-**	**344 917**
Total Additions to PP&E and Intangibles	**1 025**	**4 503**	**1 742**	**14 181**	**6 736**	**-**	**-**	**28 187**

a/ Includes Management of Technical Cooperation for Development.

NOTE 39: Budget

223. 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

224. 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)

225. 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 2021. 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 which was at €0.843 to USD1 in 2021.

226. The table below illustrates the revaluation of the 2021 Regular Budget appropriations for 2021. The variances between the original approved budget and the final budget were due to revaluation only.

(expressed in euro '000s)

Major Programmes	Original Approved Budget a/	Revalued Final Budget b/	Variance c/
MP1 - Nuclear Power, Fuel Cycle and Nuclear Science	42 075	41 077	(998)
MP2 - Nuclear Techniques for Development and Environmental Protection	42 788	42 027	(761)
MP3 - Nuclear Safety and Security	37 683	36 612	(1 071)
MP4 - Nuclear Verification	151 089	147 357	(3 732)
MP5 - Policy, Management and Administration Services	82 679	81 351	(1 328)
(MP6 - Management of Technical Cooperation for Development	27 159	26 530	(629)
Total Agency Programmes	**383 473**	**374 954**	**(8 519)**
Reimbursable Work for Others	3 179	3 179	-
Total Regular Budget fund operational portion	**386 652**	**378 133**	**(8 519)**

a/ General Conference Resolutions GC(63)/RES/3 of September 2020 - original budget at $1/€1.
b/ Original Budget revalued at the United Nations operational average rate of exchange of €0.843 to $1 in 2021.
c/ Represents the difference between the original approved budget and revalued final budget

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

227. 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.

228. 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 2021 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/	1 144	-	-
Basis Difference	(19 808)	-	-
Presentation Difference	27 741	(24 981)	-
Entity Difference	44 509	(32 283)	-
Actual Amount in the Statement of Cash Flows	**53 586**	**(57 264)**	**-**

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.

229. **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.

230. **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.

231. **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.

232. **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

233. Excluding reimbursable work for others amounting to €3.280 million, the Agency expended €374.272 million (obligations plus actuals) from the 2021 Regular Budget, including capital portion. The operational Regular Budget expenditure amounted to €373.810 million out of an adjusted budget of €374.954 million representing an implementation rate of 99.70% and thus, leaving an unencumbered balance of €1.143 million.

234. Under the 2021 capital portion of the Regular Budget, €0.462 million were expended (obligations plus actuals) out of a budgeted amount of €6.196 million, representing an implementation rate of 7.46% and thus, leaving an unencumbered balance of €5.734 million to be carried over for the same approved projects. The unencumbered balances will continue to be used as follows:

- €2.064 million for the Renovation of the Nuclear Application Laboratory – ReNuAL+ (Major Programme 2)
- €0.303 million for Enhancing Radiation Safety through Efficient and Modern Dosimetry (RADSED) (Major Programme 3)
- €1.033 million to Develop and Implement a Safeguard Approach for J-MOX (Major Programme 4)
- €1.301 million for IT Infrastructure and Information Security Investment Security Management (Major Programme 5)
- €1.033 million for Seibersdorf Infrastructure and Common Facilities (Major Programme 5)

NOTE 39d: Major Capital Investment Fund (MCIF)

235. The MCIF is a Reserve Fund established in accordance with Financial Regulation 4.06 which allows the retention ('carry over') 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.

236. 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.

237. 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.

238. 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.

239. The following table presents the financial status of the MCIF at the end of the 2021 financial year.

Comparison of budget and actual amounts a/

(expressed in euro '000s)	
Resources:	
Opening balance 1 January 2021 b/	26 958
2021 Regular Budget Capital Portion c/	6 196
Total resources	**33 154**
Expenditure:	
MP1-Nuclear Power, Fuel Cycle and Nuclear Science	24
MP2-Nuclear Techniques for Development and Environmental Protection	363
MP3 - Nuclear Safety and Security	225
MP4-Nuclear Verification	25
MP5-Policy, Management and Administration	4 774
Total expenditure during 2021	**5 411**
Available Resources at 31 December 2021	**27 243**
Allocation of Available Resources at 31 December 2021	
Allocated to Major Programmes	14 799
Unallocated	12 945

a/ The accounting basis and the budget basis are different. This note is prepared on the modified cash basis.
b/ Agency Financial Statements GC(65)/4 dated September 2021
c/ General Conference Resolution GC(64)/RES/2 of September 2020

NOTE 40: Related parties

Key management personnel

240. 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).

241. 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
2021	11*	1 284	521	283	2 088	32	-
2020	8	1 297	395	332	2 024	31	-

* Two members of the key management personnel separated in January 2021 and another member separated in May 2021 and were replaced. An Acting Deputy Director General had been assigned for the period of January to September 2021.

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

243. 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

244. 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.

245. 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

246. 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.

247. 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. The credit risk exposure is calculated for cash, cash equivalents and investments as a percentage of total financial holdings. The Agency is actively monitoring all ratings for the investment holdings and investment counterparties.

248. There were no impairments of assets held during this period for any reason in the cash, cash equivalents and investments of the Agency. The Agency has successfully navigated the management of credit risk during the COVID-19 pandemic due to its conservative investment

policy which always aims at having an AA overall quality of the portfolio based on the Standard and Poor's Fund Credit Quality Ratings Methodology.

The Agency's credit quality on cash, equivalents and investments	Carrying value and percentage of cash, cash equivalents and investments (expressed in euro '000s)			
Credit quality a/	31-12-2021		31-12-2020	
	Carrying value	Percentage	Carrying value	Percentage
AAA	63 432	8.13%	88 835	11.85%
AA+	-	-	-	-
AA	-	-	7 906	1.05%
AA-	33 478	4.29%	88 163	11.76%
A+	109 569	14.03%	198 995	26.54%
A	371 553	47.60%	82 294	10.98%
A-	-	-	90 000	12.00%
BBB+	202 016	25.88%	191 939	25.60%
non-rated	570	0.07%	1 605	0.21%
Total	**780 618 b/**	**100.00%**	**749 736 b/**	**100%**

a/ Credit quality is expressed as the issuer default/long-term rating, with the exception of the Bank for International Settlements (BIS). The BIS has not been rated by a rating agency; however, its debt trades at AAA levels due to the special status of this institution, which is the bank of central banks around the world.

b/ 87.0% of the balance as at 31 December 2021 was denominated in euros, 12.8% was denominated in US dollars and 0.2% in other currencies (76.2%, 23.4% and 0.4%, respectively as at 31 December 2020).

Currency risk management

249. 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 which mitigate the economic currency risk of the Agency.

250. In addition, the Agency has been aligning the currency of the extrabudgetary award balance (the euro) with the currency in which those funds are held in financial holdings (refer to paragraph 253 below) to mitigate the budgetary currency risk of the extrabudgetary awards.

251. Foreign currency revenue inflows are translated at differing exchange rates to the related foreign currency expense outflows which occur later. 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.

252. 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, cash equivalents and other investment currency denominations

(expressed in euro '000s)

	Euros	US dollars	Illiquid currencies	Others	Total
As at 31-12-2021	679 350	100 141	538	589	780 618
As at 31-12-2020	571 228	175 431	1 738	1 339	749 736

253. The increase of €30.882 million (4.12%) in total cash, cash equivalents and investments as at 31 December 2021, as compared to the balance as at 31 December 2020, was mainly driven by the increase in the balance of euro holdings (€108.112 million) over the decline of €75.289 million in the balance of US dollars holdings. The reason for these movements was that during 2021: a) the Agency was aligning the currency of the extrabudgetary award balances (the euro) with the currency in which the Agency holds the funds for these extrabudgetary awards, and b) the Agency received new contributions that were in euros or converted into euros.

Liquidity risk management

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

255. 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.

256. In 2021, there were delays in collecting Member States contributions. As of end of month November 2021, all cash available in the Regular Budget Fund had been fully utilized including any advance payments received from several 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 several Member States in the late part of November 2021 resulting to the full replenishment of the Working Capital Fund by the end of November 2021. Also, 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

257. The Agency's financial liabilities were approximately 52.3% of its financial assets as at 31 December 2021, against 58.8% as at 31 December 2020. This lower percentage is mainly due to a decrease 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 5.5% of its short-term financial assets as at 31 December 2021 (5.7% as at 31 December 2020).

258. As at 31 December 2021, the weighted average period to maturity of the Agency's cash and cash equivalents and investment holdings for euro and US dollar was 47 days and 119 days, respectively (51 days and 71 days, respectively as at 31 December 2020).

Interest rate risk management

259. 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.

260. 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 2021, the Agency earned an average rate of 0.08% per annum on its euro cash, cash equivalents and investments (0.09% per annum in 2020) and an average rate of 0.24% per annum on its US dollar cash, cash equivalents and investments (1.13% per annum in 2020). 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

261. Commitments include purchase orders and service contracts that are not delivered as at end of the reporting period. As at 31 December 2021, the Agency had commitments of €139.445 million (€93.148 million as at 31 December 2020). The details of commitments by funding source are provided below:

	(expressed in euro '000s)	
Fund Group	**31-12-2021**	**31-12-2020**
Regular Budget Fund and Working Capital Fund	35 435	19 720
Major Capital Investment Fund	3 234	2 124
Technical Cooperation Fund	51 841	40 017
Technical Cooperation Extrabudgetary Fund	9 066	11 241
Extrabudgetary Programme Fund	39 861	20 006
Low Enriched Uranium Bank	-	3
Trust Funds and Special Funds	8	37
Total commitments	**139 445**	**93 148**

Capital commitments

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

	(expressed in euro '000s)	
	31-12-2021	**31-12-2020**
Scientific and Technical Equipment	20 015	13 312
Construction Contracts	10 665	2 090
Communications & IT Equipment	6 220	793
Software	1 424	389
Security & Safety Equipment	171	58
Furniture and Fixtures	140	13
Vehicles	180	-
Total capital commitments	**38 805**	**16 655**

Operating lease commitments

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

	(expressed in euro '000s)	
	31-12-2021	**31-12-2020**
Office facility operating leases	3 887	2 805
Other leases	1 095	659
Total operating lease commitments	**4 982**	**3 464**
Operating lease commitments by term		
Less than one year	882	1 049
One to five years	2 644	1 069
Over five years	1 456	1 346
Total operating lease commitments	**4 982**	**3 464**

264. Office facility operating lease commitments pertain to the Agency's offices, primarily in New York, Ontario, Geneva, Buenos Aires, Rio de Janeiro and Tokyo. The value of future lease commitments is higher in 2021 as compared to 2020 mainly due to new lease in Buenos Aires and fluctuations of the foreign exchange rates.

265. Other leases primarily represent the rental of office equipment such as book binding and printing equipment. The increase in value 2021 compared to 2020 of these commitments is primarily due to renewal of lease for printing system with Canon Austria.

NOTE 43: Contingent liabilities and contingent assets

Contingent liabilities

266. As at 31 December 2021, 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 €0.293 million.

267. The Agency has contingent liabilities amounting to €11.706 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, these post-employment benefits are paid out of the Commissary's budget as they become due. In 2020, a reserve of €4.0 million earmarked for these liabilities was set up for the Commissary. 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.

268. 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.

269. 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

270. The Agency's contingent assets, totaling €31.089 million, consist primarily of pledges where the amount of the pledge is based on an estimate for which funds have not been received (€3.190 million), pledges received that have not yet been formally accepted by the Agency (€12.800 million), and cases where a signed Contribution Agreement exists but the Agency is not in a position to invoice the donor yet or receipt against the contributions is not virtually certain (€15.099 million).

NOTE 44: Events after the reporting date

271. The Agency's reporting date is 31 December 2021. The financial statements were authorized for issuance by the Director General on 3 March 2022.

272. 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

273. 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
ADII	Application Data Integration Implementation
ASHI	After Service Health Insurance
AM	Authorization Management
APA	Acquisition Path Analysis
BMS	Buildings Management Services
CASCADE	Centralized Automated System for Correlated Analysis and Data Evaluation
CA	Complementary Access
CFE	Cost Free Expert
COVID-19	Coronavirus disease 2019
CIP	Construction in Progress
CTBTO	Preparatory Commision for the Comprehensive Nuclear-Test-Ban Treaty Organization
CUP	Cuban Peso
EPM	Enterprise Performance Management
FAO	Food and Agriculture Organization
FED	Federal Reserve System
FML	Flexible Modular Laboratory
GC	General Conference
HANA	The Hana Smart Management System
IAEA	International Atomic Energy Agency
IAS	International Accounting Standard
ICT	Information and Communication Technology
ICTP	International Centre for Theoretical Physics
IFRS	International Financial Reporting Standard
ILO	International Labour Organization
ILOAT	International Labour Organization Administrative Tribunal
INPRO	Innovative Nuclear Reactors and Fuel Cycles
IPSAS	International Public Sector Accounting Standards
IPCL	Insect Pest Control Laboratory
IRAP	Integrated Review and Analysis Package
ISF2	Interim Spent Fuel Facility 2
IT	Information Technology
JMOX	Japan Mixed Oxide Fuel Fabrication Plant
KgU	Kilograms of Uranium
LEU	Low Enriched Uranium
MCIF	Major Capital Investment Fund
MCIP	Major Capital Investment Plan
MOSAIC	Modernization of the Safeguards Information Technology
MP	Major Programme
MRRF	Major Repairs and Replacements Fund
MTIT	Department of Management, Division of Information Technology

ANNEX A1 (continued)

LIST OF ACRONYMS

NA	Nuclear Applications
NGSR	Next Generation Surveillance Review
NSIL	Nuclear Science and Instrumentation Laboratory
NML	Nuclear Material Laboratory
NPCs	National Participation Costs
NSF	Nuclear Security Fund
PCMF	TC Programme Cycle Management Framework
PP&E	Property, plant and equipment
PBGL	Plant Breeding and Genetics Laboratory
QMS	Quality Management System
ReNuAL	Renovation of the Nuclear Applications Laboratories
RBF	Regular Budget Fund
RFID	Radio Frequency Identification
SLA	State Level Approach
SAFIRE	Safeguards Field Reporting and Evaluation
SEG	State Evaluation Groups
SEQUOIA	Safeguards Equipment Management System
SGIM	Department of Safeguards, Division of Information Management
SMT	Service Management Tool
SGTS	Department of Safeguards, Division for Technical and Scientific Services
SLDC	State-Level Data Configurator
SMR	Small and Medium Sized Modular Reactors
TARS	Technical Assistance Review System
TACC	Technical Assistance and Cooperation Committee
TCF	Technical Cooperation Fund
TEL	Terrestrial Environment Laboratory
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNIDO	United Nations Industrial Development Organization
UNJSPF	United Nations Joint Staff Pension Fund
UNORE	United Nations Operational Rates of Exchange
UNOV	United Nations Office in Vienna
VBOs	VIC Based Organizations
VIC	Vienna International Centre
WCF	Working Capital Fund
YAL	Yukiya Amano Laboratories
ZODIAC	Zoonitic Disease Integrated Action

ANNEX A2

REVENUE FROM CONTRIBUTIONS
FOR THE PERIOD ENDING 31 DECEMBER 2021
(expressed in euros)

Donors	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB) a/		Total
				EB RB	EB TC	
I. **Member States**						
Afghanistan	24 261	6 269	-	-	-	30 530
Albania	29 284	8 979	100	-	-	38 363
Algeria	486 840	119 112	455	-	43 504	649 911
Angola	34 658	-	-	-	-	34 658
Antigua and Barbuda	7 581	-	-	-	-	7 581
Argentina	3 335 907	788 110	8 104	-	-	4 132 121
Armenia	25 623	6 269	285	-	-	32 177
Australia	8 144 511	1 904 899	-	-	-	10 049 410
Austria	2 492 744	583 023	-	18 000	-	3 093 767
Azerbaijan	172 043	42 092	-	-	-	214 135
Bahamas	64 443	15 225	-	-	-	79 668
Bahrain	181 959	42 988	-	-	1 043 210	1 268 157
Bangladesh	34 658	8 956	-	-	-	43 614
Barbados	26 535	-	-	-	-	26 535
Belarus	172 043	42 092	6 783	-	-	220 918
Belgium	3 024 991	707 508	-	900 000	290 000	4 922 499
Belize	3 660	896	-	-	-	4 556
Benin	10 397	2 687	-	-	7 662	20 746
Bolivia, Plurinational State of	54 906	13 232	-	-	-	68 138
Bosnia and Herzegovina	40 265	9 851	-	-	17 000	67 116
Botswana	47 586	11 643	15 688	-	-	74 917
Brazil	10 754 509	2 540 760	150	-	-	13 295 419
Brunei Darussalam	90 980	-	-	-	-	90 980
Bulgaria	161 059	39 406	637	-	20 000	221 102
Burkina Faso	10 397	2 687	-	-	-	13 084
Burundi	3 465	-	-	-	-	3 465
Cambodia	20 796	8 799	-	-	-	29 595
Cameroon	43 926	10 747	1 274	-	520 855	576 802
Canada	10 074 379	2 356 271	-	7 517 893	-	19 948 544
Central African Republic	3 465	-	-	-	-	3 465
Chad	13 863	3 582	-	-	-	17 445
Chile	1 485 994	-	10 507	10 660	8 200	1 515 361
China	42 285 541	10 345 739	5 802	1 121 565	-	53 758 647
Colombia	1 013 946	33 879	583	-	-	1 048 408
Congo	22 744	-	306	-	-	23 050

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	219 627	-	1 083	-	24 720	245 430
Côte d'Ivoire	43 926	10 747	1 177	-	10 000	65 850
Croatia	270 874	66 273	5 461	-	-	342 608
Cuba	281 855	57 050	369	-	-	339 274
Cyprus	134 021	31 345	130	-	-	165 496
Czech Republic	1 133 450	267 778	-	51 000	98 001	1 550 229
Democratic Republic of the Congo	34 658	8 956	-	-	50 000	93 614
Denmark	2 040 914	477 344	-	1 045 424	-	3 563 682
Djibouti	3 465	896	-	-	-	4 361
Dominica	3 791	896	-	-	-	4 687
Dominican Republic	186 683	45 675	-	-	-	232 358
Ecuador	281 855	-	14 386	-	-	296 241
Egypt	655 221	160 309	670	-	-	816 200
El Salvador	40 265	-	-	-	-	40 265
Eritrea	3 465	896	-	-	-	4 361
Estonia	135 437	33 136	-	-	-	168 573
Eswatini	7 581	30	132	-	-	7 743
Ethiopia	34 658	8 956	-	-	-	43 614
Fiji	11 372	-	498	-	-	11 870
Finland	1 550 790	362 710	-	380 000	-	2 293 500
France	16 311 998	3 815 170	-	5 065 000	150 000	25 342 168
Gabon	53 071	-	-	-	-	53 071
Georgia	29 284	7 165	-	-	-	36 449
Germany	22 438 560	5 248 098	-	2 366 417	-	30 053 074
Ghana	51 246	12 538	1 375	17 440	5 039	87 638
Greece	1 334 363	157 285	122	-	-	1 491 770
Grenada	3 790	-	-	-	-	3 790
Guatemala	128 115	-	-	-	-	128 115
Guyana	7 581	1 791	-	-	-	9 372
Haiti	10 397	-	-	-	-	10 397
Holy See	3 827	1 815	-	-	-	5 642
Honduras	32 944	8 060	-	-	-	41 004
Hungary	750 579	177 325	197	99 000	-	1 027 101
Iceland	103 382	-	-	-	-	103 382
India	2 935 682	718 255	-	-	-	3 653 937

ANNEX A2 (continued)

Donors	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB) a/		Total
				EB RB	EB TC	
Indonesia	1 910 755	467 493	2 156	-	-	2 380 404
Iran, Islamic Republic of	1 401 953	-	350	-	-	1 402 303
Iraq	453 896	-	712	-	-	454 608
Ireland	1 366 992	159 861	-	135 000	-	1 661 853
Israel	1 803 512	266 363	-	40 000	-	2 109 875
Italy	12 184 219	2 849 736	-	119 000	-	15 152 955
Jamaica	29 284	7 165	-	-	-	36 449
Japan	31 555 654	7 380 474	-	8 105 502	7 340 000	54 381 630
Jordan	73 209	17 912	6 621	-	69 936	167 678
Kazakhstan	625 937	153 144	80	89 100	-	868 261
Kenya	84 190	20 598	9 044	5 000	-	118 832
Korea, Republic of	8 267 742	1 953 260	-	4 303 327	160 209	14 684 538
Kuwait	926 645	216 730	113	329 600	-	1 473 088
Kyrgyzstan	7 321	1 791	-	-	-	9 112
Lao People's Democratic Republic	17 329	2 500	-	-	-	19 829
Latvia	164 720	40 301	-	-	-	205 021
Lebanon	164 720	-	76	-	-	164 796
Lesotho	3 465	-	-	-	-	3 465
Liberia	3 465	-	-	-	-	3 465
Libya	109 933	25 972	1 030	-	-	136 935
Liechtenstein	34 456	8 060	-	-	-	42 516
Lithuania	248 910	60 899	97	-	-	309 906
Luxembourg	245 067	57 317	-	-	-	302 384
Madagascar	13 863	-	-	-	-	13 863
Malawi	6 932	-	-	-	-	6 932
Malaysia	1 243 383	293 750	4 092	-	10 000	1 551 225
Mali	13 863	-	-	-	-	13 863
Malta	60 653	14 329	1 600	10 000	-	86 582
Marshall Islands	3 660	-	-	-	-	3 660
Mauritania	6 931	1 262	-	-	-	8 193
Mauritius	40 265	9 851	336	-	-	50 452
Mexico	4 711 969	784 591	588	17 760	-	5 514 908
Monaco	42 122	9 851	-	285 416	40 000	377 389
Mongolia	18 302	4 478	965	-	-	23 745
Montenegro	14 642	3 582	-	5 000	-	23 224

ANNEX A2 (continued)

Donors	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB) a/		Total
				EB RB	EB TC	
Morocco	194 003	47 466	645	15 000	96 084	353 198
Mozambique	13 863	-	-	-	-	13 863
Myanmar	34 658	8 956	-	-	-	43 614
Namibia	32 944	8 060	25	-	-	41 029
Nepal	24 260	-	-	-	-	24 260
Netherlands	4 996 982	1 168 732	-	367 180	1 000 000	7 532 894
New Zealand	1 072 147	-	-	113 772	-	1 185 919
Nicaragua	17 329	4 478	-	-	-	21 807
Niger	6 932	1 791	-	-	-	8 723
Nigeria	882 170	215 835	2 325	12 000	36 534	1 148 864
North Macedonia	25 623	6 269	6 647	-	-	38 539
Norway	2 776 106	649 296	-	1 120 820	-	4 546 222
Oman	420 779	99 409	311	-	-	520 499
Pakistan	406 310	99 409	721	20 000	-	526 440
Palau	3 791	-	-	-	-	3 791
Panama	157 400	37 764	-	-	-	195 164
Papua New Guinea	37 908	-	-	-	-	37 908
Paraguay	54 906	-	-	-	-	54 906
Peru	534 426	156 124	150	-	-	690 700
Philippines	721 109	176 429	2 552	-	4 120	904 210
Poland	2 825 868	691 388	169	60 000	40 000	3 617 425
Portugal	1 277 502	301 810	72	79 100	-	1 658 484
Qatar	1 037 691	238 645	155	-	-	1 276 491
Republic of Moldova	10 981	2 687	-	-	-	13 668
Romania	695 486	170 160	323	-	-	865 969
Russian Federation	8 860 557	2 072 373	351	6 985 678	466 000	18 384 959
Rwanda	10 397	2 687	-	-	-	13 084
Saint Lucia	3 790	896	-	-	-	4 686
Saint Vincent and the Grenadines	3 790	-	-	-	-	3 790
San Marino	7 581	500	-	-	-	8 081
Saudi Arabia	4 276 027	1 010 214	72	300 000	-	5 586 313
Senegal	24 261	7 886	-	-	76 219	108 366
Serbia	98 832	24 181	4 765	-	-	127 778
Seychelles	7 581	-	133	-	-	7 714
Sierra Leone	3 465	-	-	-	-	3 465

ANNEX A2 (continued)

Donors	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB) a/		Total
				EB RB	EB TC	
Singapore	1 788 192	418 236	61	-	-	2 206 489
Slovakia	538 086	131 650	101	10 000	-	679 837
Slovenia	279 524	207 271	148	60 000	40 000	586 943
South Africa	959 038	234 642	1 348	30 000	148 823	1 373 851
Spain	7 907 109	1 849 373	-	904 490	150 000	10 810 972
Sri Lanka	153 739	37 614	1 448	-	-	192 801
Sudan	34 658	8 956	-	-	36 707	80 321
Sweden	3 338 982	780 946	-	1 281 376	186 567	5 587 871
Switzerland	4 242 653	992 303	-	585 000	80 000	5 899 956
Syrian Arab Republic	40 265	9 851	531	-	-	50 647
Tajikistan	14 642	9 561	15 087	-	-	39 290
Thailand	1 079 833	264 196	1 660	-	-	1 345 689
Togo	6 931	1 791	-	-	-	8 722
Trinidad and Tobago	144 050	-	-	-	-	144 050
Tunisia	87 851	21 494	1 434	-	-	110 779
Türkiye	4 828 135	1 181 270	401	-	-	6 009 806
Turkmenistan	121 307	-	150	-	-	121 457
Uganda	27 726	7 165	-	-	1 511	36 402
Ukraine	201 325	49 257	6 800	-	359	257 741
United Arab Emirates	2 270 661	531 079	650	-	-	2 802 390
United Kingdom of Great Britain and Northen Ireland	16 828 924	3 936 073	-	5 874 688	-	26 639 685
United Republic of Tanzania	34 658	10 067	-	-	3 080	47 805
United States of America	95 727 650	22 181 682	-	50 562 430	12 253 146	180 724 908
Uruguay	318 428	75 229	996	-	-	394 653
Uzbekistan	113 473	28 731	20 266	-	-	162 470
Vanuatu	3 465	896	-	-	-	4 361
Venezuela, Bolivarian Republic of	2 562 316	-	-	-	-	2 562 316
Viet Nam	256 471	66 273	2 694	17 200	-	342 638
Yemen	34 658	-	-	-	-	34 658
Zambia	31 193	-	-	-	1 844	33 037
Zimbabwe	18 302	4 478	991	-	20 000	43 771
Sub-total	**379 080 347**	**86 390 999**	**178 316**	**100 435 839**	**24 549 330**	**590 634 830**

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						
Comoros	3 465	-	-	-	-	3 465
Samoa	3 811					3 811
Sub-total	**7 277**	**-**	**-**	**-**	**-**	**7 277**
III. Other Donors						
European Commission	-	-	-	20 504 291	-	20 504 291
International Organizations	-	-	-	562 100	-	562 100
Other Sources	-	-	-	379 352	-	379 352
Sub-total	**-**	**-**	**-**	**21 445 743**	**-**	**21 445 743**
GRAND TOTAL	**379 087 623**	**86 390 999**	**178 316**	**121 881 581**	**24 549 330**	**612 087 849**

a/ Excludes refunds

ANNEX A3

STATUS OF OUTSTANDING CONTRIBUTIONS FOR THE PERIOD ENDING 31 DECEMBER 2021

(expressed in euros)

Donors	Working Capital Fund (WCF)	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Assessed Programme Costs (APCs)	Extrabudgetary (EB)		Total
						EB RB	EB TC	
I. Member States								
Afghanistan	-	-	-	-	-	-	-	-
Albania	-	-	-	13 256	-	-	-	13 256
Algeria	-	430 276	-	-	-	-	-	430 276
Angola	-	34 981	-	-	-	-	-	34 981
Antigua and Barbuda	-	20 086	-	1 306	-	-	-	21 392
Argentina	-	6 681 551	2 712 004	-	-	-	-	9 393 555
Armenia	-	-	-	-	-	-	-	-
Australia	-	-	-	-	-	-	-	-
Austria	-	-	-	-	-	-	-	-
Azerbaijan	-	-	-	-	-	-	-	-
Bahamas	-	56 939	-	-	-	-	-	56 939
Bahrain	-	-	-	-	-	-	-	-
Bangladesh	-	-	-	-	-	-	-	-
Barbados	-	128 664	-	14 698	-	-	-	143 362
Belarus	-	-	-	-	-	-	-	-
Belgium	-	-	-	-	-	-	-	-
Belize	-	-	-	-	-	-	-	-
Benin	-	20 735	828	-	-	-	-	21 563
Bolivia, Plurinational State of	-	114 085	-	7 055	244 987	-	-	366 126
Bosnia and Herzegovina	-	96 761	-	-	-	-	-	96 761
Botswana	-	-	-	45	-	-	-	45
Brazil	-	33 191 829	-	-	-	-	-	33 191 829
Brunei Darussalam	-	-	-	-	-	-	-	-
Bulgaria	-	-	-	637	-	-	-	637
Burkina Faso	-	-	-	-	-	-	-	-
Burundi	-	16 629	881	-	-	-	-	17 510
Cambodia	-	-	-	-	-	-	-	-
Cameroon	-	223 988	-	-	-	-	-	223 988
Canada	-	-	-	-	-	-	-	-
Central African Republic	-	15 661	-	-	-	-	-	15 661
Chad	-	42 995	8 104	-	-	-	-	51 099
Chile	-	4 379 740	-	13 048	-	-	-	4 392 788
China	-	-	-	-	-	40 000	-	40 000
Colombia	-	1 023 486	-	-	-	-	-	1 023 486
Congo	152	127 278	10 284	446	-	-	-	138 160
Costa Rica	1 231	437 295	-	861	-	-	-	439 387
Côte d'Ivoire	-	52 064	-	-	-	-	-	52 064
Croatia	-	-	-	-	-	-	-	-
Cuba	-	548 330	-	-	-	-	-	548 330
Cyprus	-	-	-	-	-	-	-	-

ANNEX A3 (continued)

Donors	Working Capital Fund (WCF)	Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Assessed Programme Costs (APCs)	Extrabudgetary (EB)		Total
						EB RB	EB TC	
Czech Republic	-	-	-	-	-	-	-	-
Democratic Republic of the Congo	-	304	-	-	-	-	-	304
Denmark	-	-	-	-	-	-	-	-
Djibouti	-	-	-	-	-	-	-	-
Dominica	-	3 826	-	2 449	-	-	-	6 275
Dominican Republic	4 259	2 506 355	-	-	180 263	-	-	2 690 877
Ecuador	-	408 692	-	21 455	-	-	-	430 147
Egypt	-	-	-	-	-	-	-	-
El Salvador	-	138 593	-	9 745	10 962	-	-	159 300
Eritrea	-	-	-	-	-	-	-	-
Estonia	-	-	-	-	-	-	-	-
Eswatini	-	10 562	-	6 912	-	-	-	17 474
Ethiopia	-	-	-	-	-	-	-	-
Fiji	-	44 691	2 585	16 768	-	-	-	64 044
Finland	-	-	-	-	-	-	-	-
France	-	-	-	-	-	-	-	-
Gabon	-	517 677	-	19 137	-	-	-	536 814
Georgia	-	-	-	-	-	-	-	-
Germany	-	-	-	-	-	-	-	-
Ghana	-	-	-	-	-	-	-	-
Greece	-	-	-	122	-	-	-	122
Grenada	152	14 897	-	8 189	-	-	-	23 238
Guatemala	-	129 321	-	3 907	-	-	-	133 228
Guyana	-	-	-	-	-	-	-	-
Haiti	-	9 030	-	-	-	-	-	9 030
Holy See	-	-	-	-	-	-	-	-
Honduras	-	2 290	-	350	-	-	-	2 640
Hungary	-	-	-	-	-	-	-	-
Iceland	-	-	-	-	-	-	-	-
India	-	-	-	-	-	-	-	-
Indonesia	-	-	-	-	-	-	-	-
Iran, Islamic Republic of	-	4 348 795	-	-	-	-	-	4 348 795
Iraq	-	899 845	-	712	-	-	-	900 557
Ireland	-	-	-	-	-	-	-	-
Israel	-	-	-	-	-	15 000	-	15 000
Italy	-	-	-	-	-	-	-	-
Jamaica	-	28 594	-	490	-	-	-	29 084
Japan	-	-	-	-	-	2 561 893	-	2 561 893
Jordan	-	171 367	-	-	-	-	-	171 367
Kazakhstan	-	-	-	-	-	-	-	-
Kenya	-	-	-	9 044	-	5 000	-	14 044
Korea, Republic of	-	-	-	-	-	-	-	-
Kuwait	-	-	-	-	-	-	-	-
Kyrgyzstan	-	-	-	-	-	-	-	-
Lao People's Democratic Republic	-	8 342	2 500	-	-	-	-	10 842

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	-	331 005	1 714	-	-	-	-	332 719
Lesotho	-	7 129	-	-	-	-	-	7 129
Liberia	-	206 960	-	-	-	-	-	206 960
Libya	-	1 089 591	25 972	-	-	-	-	1 115 563
Liechtenstein	-	-	-	-	-	-	-	-
Lithuania	-	-	-	-	-	-	-	-
Luxembourg	-	-	-	-	-	-	-	-
Madagascar	-	13 993	-	-	-	-	-	13 993
Malawi	-	2 904	-	-	-	-	-	2 904
Malaysia	-	-	-	-	-	-	-	-
Mali	-	10 428	820	-	-	-	-	11 248
Malta	-	-	-	-	-	-	-	-
Marshall Islands	-	991	-	5 656	-	-	-	6 647
Mauritania	-	12 244	-	-	-	-	-	12 244
Mauritius	-	-	-	16 511	-	-	-	16 511
Mexico	-	-	-	-	-	-	-	-
Monaco	-	-	-	-	-	-	-	-
Mongolia	-	-	-	-	-	-	-	-
Montenegro	-	-	-	-	-	5 000	-	5 000
Morocco	-	-	-	-	-	-	-	-
Mozambique	-	40 178	6 894	-	-	-	-	47 072
Myanmar	-	-	-	-	-	-	-	-
Namibia	-	-	-	-	-	-	-	-
Nepal	152	48 382	-	-	-	-	-	48 534
Netherlands	-	-	-	-	-	-	1 000 000	1 000 000
New Zealand	-	-	-	-	-	-	-	-
Nicaragua	-	-	-	-	-	-	-	-
Niger	-	-	-	-	-	-	-	-
Nigeria	-	1 719 392	3 808	-	-	-	-	1 723 200
North Macedonia	-	-	-	-	-	-	-	-
Norway	-	-	-	-	-	25 000	-	25 000
Oman	-	-	-	-	-	-	-	-
Pakistan	-	260	-	-	-	-	-	260
Palau	-	-	-	-	-	-	-	-
Panama	-	326 372	-	-	-	-	-	326 372
Papua New Guinea	913	90 531	-	18 094	-	-	-	109 538
Paraguay	-	151 831	6 988	-	65 422	-	-	224 241
Peru	-	816 712	-	150	-	-	-	816 862
Philippines	-	-	-	-	-	-	-	-
Poland	-	-	-	-	-	-	-	-
Portugal	-	-	-	-	-	-	-	-
Qatar	-	-	-	-	-	-	-	-
Republic of Moldova	-	-	-	-	-	-	-	-
Romania	-	-	-	68 115	45 723	-	-	113 838

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	-	-	-	-	-	5 286 000	-	5 286 000
Rwanda	-	-	-	-	-	-	-	-
Saint Lucia	-	9 589	896	-	-	-	-	10 485
Saint Vincent and the Grenadines	-	8 101	-	3 833	-	-	-	11 934
San Marino	-	-	-	-	-	-	-	-
Saudi Arabia	-	-	-	72	-	-	-	72
Senegal	-	18 287	-	-	-	-	-	18 287
Serbia	-	-	-	756	-	-	-	756
Seychelles	152	15 186	-	4 630	-	-	-	19 968
Sierra Leone	-	10 655	-	-	-	-	-	10 655
Singapore	-	-	-	61	-	-	-	61
Slovakia	-	-	-	-	-	-	-	-
Slovenia	-	-	-	-	-	-	-	-
South Africa	-	-	-	-	-	-	-	-
Spain	-	-	-	-	-	-	-	-
Sri Lanka	-	306 106	82 766	12 051	155 853	-	23 787	580 563
Sudan	-	137 466	8 848	-	-	88 100	30 000	264 414
Sweden	-	-	-	-	-	-	-	-
Switzerland	-	-	-	-	-	-	-	-
Syrian Arab Republic	-	40 644	9 851	531	-	-	-	51 026
Tajikistan	-	-	-	-	-	-	-	-
Thailand	-	-	64 167	-	-	-	-	64 167
Togo	-	11 484	1 791	-	-	-	-	13 275
Trinidad and Tobago	-	509 056	-	-	-	-	-	509 056
Tunisia	-	80 464	21 494	1 434	-	-	-	103 392
Türkiye	-	-	-	-	-	-	-	-
Turkmenistan	-	122 453	-	52 623	-	-	-	175 076
Uganda	-	21 748	-	-	-	-	-	21 748
Ukraine	-	-	-	-	-	-	-	-
United Arab Emirates	-	-	-	-	-	-	-	-
United Kingdom of Great Britain and Northern Ireland	-	-	-	-	-	-	-	-
United Republic of Tanzania	-	28 561	4 054	-	-	-	-	32 615
United States of America	-	204 382	-	-	-	-	-	204 382
Uruguay	-	189 249	140 714	-	-	-	-	329 963
Uzbekistan	-	-	-	89 966	-	-	-	89 966
Vanuatu	-	9 525	-	-	-	-	-	9 525
Venezuela, Bolivarian Republic of	22 967	17 232 916	-	48 217	-	-	-	17 304 100
Viet Nam	-	-	-	-	-	-	-	-
Yemen	-	259 991	29 703	-	-	-	-	289 694
Zambia	-	82 053	-	-	-	-	-	82 053
Zimbabwe	-	19 777	-	29 673	-	-	-	49 450
Sub-total	**29 978**	**81 073 147**	**3 147 666**	**503 005**	**703 211**	**8 025 993**	**1 053 787**	**94 536 787**

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								
Comoros	152	6 912	-	-	-	-	-	7 064
Samoa	152	3 826						3 978
Sub-total	**304**	**10 738**	-	-	-	-	-	**11 042**
III. Former Member States								
Korea, Democratic People's Republic of	-	128 576	26 108	-	34 986	-	-	189 671
Other Sources	-	-	-	-	-	-	-	-
Sub-total	-	**128 576**	**26 108**	-	**34 986**	-	-	**189 671**
IV. Other Donors								
European Commission	-	-	-	-	-	200 000	-	200 000
International Organizations	-	-	-	-	-	178 100	-	178 100
Other Sources	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	**378 100**	-	**378 100**
GRAND TOTAL	**30 282**	**81 212 461**	**3 173 775**	**503 005**	**738 197**	**8 404 093**	**1 053 787**	**95 115 600**

ANNEX A4

STATUS OF DEFERRED REVENUE
FOR THE PERIOD ENDING 31 DECEMBER 2021
(expressed in euros)

Donors	Contributions received in advance: Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB): EB RB	Extrabudgetary (EB): EB TC	Total contributions received in advance	Extrabudgetary contributions transferred subject to conditions: EB RB	EB TC	Total EB contributions transferred with conditions
i. **Member States**									
Albania	-	7 286	-	-	-	7 286	-	-	-
Algeria	-	-	9 086	-	-	9 086	-	-	-
Antigua and Barbuda	-	-	6 710	-	-	6 710	-	-	-
Argentina	-	-	77 401	-	-	77 401	-	-	-
Armenia	26 662	6 375	52 897	-	-	85 935	-	-	-
Australia	8 368 765	1 937 164	-	-	-	10 305 929	-	-	-
Austria	6 388	592 898	-	-	-	599 286	-	-	-
Azerbaijan	-	-	1 673	-	-	1 673	-	-	-
Bahamas	-	-	6 301	-	-	6 301	-	-	-
Bahrain	-	-	1 353	-	-	1 353	-	-	-
Belarus	1 064	-	8	-	-	1 072	-	-	-
Belgium	9 278	-	-	-	-	9 278	-	-	-
Brazil	-	312 769	122 097	-	-	434 866	-	-	-
Brunei Darussalam	93 582	-	-	-	-	93 582	-	-	-
Bulgaria	167 633	40 073	47 649	-	-	255 355	-	-	-
Burkina Faso	533	-	-	-	-	533	-	-	-
Cameroon	-	-	451	-	451	902	-	-	-
Canada	27 226	-	-	-	-	27 226	22 801 754	-	22 801 754
Chile	-	-	40 293	-	-	40 293	-	-	-
China	-	27 799	9 806	619 820	58 881	716 306	-	-	-
Colombia	-	-	18 784	-	-	18 784	-	-	-
Côte d'Ivoire	-	10 929	36 228	-	-	47 157	-	-	-
Croatia	-	-	19 021	-	-	19 021	-	-	-
Cuba	-	-	1 735	-	-	1 735	-	-	-
Cyprus	912	-	11 790	-	-	12 702	-	-	-
Czech Republic	1 170 741	272 314	-	-	-	1 443 055	-	-	-
Ecuador	-	-	11 604	-	-	11 604	-	-	-
Egypt	26 556	163 024	670	-	-	190 250	-	-	-
El Salvador	-	-	12 124	-	-	12 124	-	-	-
Eritrea	3 581	-	-	-	-	3 581	-	-	-
Estonia	140 827	33 698	10 002	-	-	184 526	-	-	-
Ethiopia	19	7 833	-	-	-	7 852	-	-	-
Finland	5 171	-	-	-	-	5 171	-	-	-
France	64 531	-	-	594 000	-	658 531	-	-	-
Ghana	-	-	766	-	-	766	-	-	-
Guyana	10 219	1 822	20 792	-	-	32 833	-	-	-
Hungary	770 314	180 329	-	-	-	950 643	-	-	-
Iceland	105 555	-	-	-	-	105 555	-	-	-
India	3 055 485	730 272	-	-	-	3 785 757	-	-	-
Indonesia	-	-	2 279	-	-	2 279	-	-	-
Iran, Islamic Republic of	-	348 817	8 114	-	-	356 931	-	-	-
Iraq	-	20 513	5 222	-	-	25 735	-	-	-
Ireland	14 897	162 569	-	-	-	177 466	-	-	-
Italy	64 491	-	-	-	-	64 491	-	-	-
Japan	163 204	-	-	1 665 517	182 576	2 011 296	-	-	-
Jordan	-	-	11 241	-	-	11 241	-	-	-
Kazakhstan	651 998	155 738	37 091	-	-	844 827	-	-	-
Kenya	1 440	-	-	-	-	1 440	-	-	-
Korea, Republic of	-	-	-	1 063 632	-	1 063 632	-	-	-
Kuwait	-	-	6 816	547 200	-	554 016	-	-	-
Kyrgyzstan	3 980	-	9 846	-	-	13 826	-	-	-
Latvia	171 227	40 984	38 902	-	-	251 113	-	-	-
Lebanon	-	-	33	-	-	33	-	-	-

ANNEX A4 (continued)

Donors	Contributions received in advance: Regular Budget (RB)	Technical Cooperation Fund (TCF)	National Participation Costs (NPCs)	Extrabudgetary (EB): EB RB	Extrabudgetary (EB): EB TC	Total contributions received in advance	Extrabudgetary contributions transferred subject to conditions: EB RB	EB TC	Total EB contributions transferred with conditions
Lesotho	-	911	-	-	-	911	-	-	-
Libya	-	-	48 688	-	-	48 688	-	-	-
Lithuania	259 199	61 931	22 717	-	-	343 846	-	-	-
Madagascar	-	57	-	-	-	57	-	-	-
Malaysia	-	-	696	-	-	696	-	-	-
Malta	62 223	14 572	9 294	-	-	86 089	-	-	-
Mexico	-	-	62 043	-	-	62 043	-	-	-
Mongolia	761	-	4 771	-	-	5 532	-	-	-
Montenegro	9 028	3 387	12 049	-	-	24 464	-	-	-
Morocco	-	-	31 657	-	-	31 657	-	-	-
Myanmar	35 845	9 091	-	-	-	44 936	-	-	-
Namibia	2 141	-	1 134	-	-	3 275	-	-	-
Netherlands	5 141 578	1 188 528	-	-	-	6 330 106	-	-	-
New Zealand	1 094 593	-	-	-	-	1 094 593	-	-	-
Nicaragua	1 172	-	22 410	-	-	23 582	-	-	-
Niger	-	1 822	-	-	-	1 822	-	-	-
Nigeria	-	-	225	-	-	225	-	-	-
Norway	13 993	-	-	-	-	13 993	-	2 419 068	2 419 068
Pakistan	-	69 043	71 149	-	-	140 192	-	-	-
Palau	5 723	-	-	-	-	5 723	-	-	-
Paraguay	-	-	18 149	-	-	18 149	-	-	-
Peru	-	-	26 255	-	-	26 255	-	-	-
Poland	5 459	-	28 921	-	-	34 380	-	-	-
Portugal	1 314 046	-	4 200	40 000	-	1 358 246	-	-	-
Qatar	-	-	10 570	-	-	10 570	-	-	-
Republic of Moldova	833	-	1 814	-	-	2 647	-	-	-
Romania	-	-	42 082	-	-	42 082	-	-	-
Russian Federation	-	-	-	12 000	-	12 000	-	-	-
Rwanda	6 356	-	-	-	-	6 356	-	-	-
San Marino	612	-	-	-	-	612	-	-	-
Saudi Arabia	3 874 141	1 551 565	-	-	-	5 425 706	-	-	-
Senegal	-	6 252	-	-	-	6 252	-	-	-
Singapore	1 829 230	425 320	-	-	-	2 254 550	-	-	-
Slovakia	559 810	133 880	11 246	-	-	704 936	-	-	-
Slovenia	287 365	66 485	11 375	-	-	365 225	-	-	-
South Africa	22 939	238 617	38 418	-	-	299 974	-	-	-
Spain	43 500	-	-	-	-	43 500	-	-	-
Sri Lanka	-	-	22 233	-	-	22 233	-	-	-
Sweden	7 301	-	-	-	-	7 301	844 858	808 959	1 653 817
Tajikistan	-	-	55 587	-	-	55 587	-	-	-
Thailand	164 329	-	62 331	-	-	226 660	-	-	-
Türkiye	-	-	18 315	-	-	18 315	-	-	-
Uganda	-	7 286	-	-	2 377	9 663	-	-	-
Ukraine	209 541	50 091	-	-	-	259 632	-	-	-
United Arab Emirates	-	-	2 678	-	-	2 678	-	-	-
United Kingdom of Great Britain and Northern Ireland	17 253 964	4 002 745	-	-	-	21 256 709	-	-	-
United States of America	-	-	-	18 598 839	169 400	18 768 239	-	-	-
Uruguay	-	-	1 969	-	-	1 969	-	-	-
Uzbekistan	-	-	78	-	-	78	-	-	-
Zimbabwe	-	-	20 000	-	-	20 000	-	-	-

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	EB RB	EB TC	Total EB contributions transferred with conditions
				EB RB	EB TC				
Sub-total	47 331 961	12 884 788	1 301 837	23 141 007	413 686	85 073 278	23 646 612	3 228 027	26 874 639
ii. Other Donors									
European Commission	-	-	-	-	-	-	14 510 748	679 489	15 190 237
International Organizations	-	-	-	644 928	-	644 928	-	-	-
Other Sources	-	-	-	2 000	-	2 000	-	4 102 732	4 102 732
Sub-total	-	-	-	646 928	-	646 928	14 510 748	4 782 221	19 292 969
GRAND TOTAL	47 331 961	12 884 788	1 301 837	23 787 935	413 686	85 720 206	38 157 361	8 010 248	46 167 608

ANNEX A5

REGULAR BUDGET FUND
STATUS OF CASH SURPLUS
As at 31 December 2021
(expressed in euro)

Calculation of provisional cash surplus/(deficit) for 2021	
Receipts	353 574 484
Disbursements	339 539 691
Excess (shortfall) of receipts over disbursements	14 034 793
Unliquidated obligations	(34 270 239)
Provisional 2021 cash deficit	**(20 235 446)**

Calculation of final cash surplus for 2020	
Prior year provisonal cash deficit	(22 394 747)
Receipt of:	
Contributions all prior years	10 983 520
Savings on liquidation of prior year's obligations	1 369 528
Miscellaneous income	1 113 979
Unobligated balances	91 955
Final cash deficit for 2020	(8 835 765)
Less: Final cash deficit for 2019	**(13 776 080)**
Transfer of Surplus to MCIF	-
Final cash surplus/(deficit) for 2020	**(22 611 845)**
Prior years cash surpluses a/	**53 401**
Total cash surpluses/(deficit)	**(22 558 444)**

a/ Withheld pending receipt of contributions.

ANNEX A6

STATEMENT OF INVESTMENTS AS AT 31 DECEMBER 2021
(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	100 000			
Commercial	Call account	101 504			
Commercial	Time Deposit	50 000	.00%	2021-01-08	2022-01-07
Commercial	Time Deposit	50 000	.00%	2021-02-23	2022-02-23
Commercial	Time Deposit	70 000	.00%	2021-03-30	2022-03-30
Commercial	Time Deposit	30 000	.00%	2021-05-06	2022-05-06
Commercial	Time Deposit	20 000	.00%	2021-06-15	2022-06-15
Commercial	Time Deposit	5 000	.00%	2021-08-09	2022-08-09
Commercial	Time Deposit	10 000	.00%	2021-08-09	2022-08-09
Commercial	Time Deposit	19 000	.00%	2021-10-08	2022-10-10
Commercial	Time Deposit	10 000	.00%	2021-12-23	2022-12-23
Total Euro Denominated Cash Equivalents and Investments		**465 504**			
Euro Denominated Cash Equivalents and Investments as Percent of Total					**83%**

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	8 898	.09%	2021-09-29	2022-03-31
Supranational	Time Deposit	9 691	.09%	2021-09-29	2022-02-28
Supranational	Time Deposit	11 453	.12%	2021-05-25	2022-04-29
Supranational	Time Deposit	8 017	.12%	2021-10-29	2022-05-31
Supranational	Time Deposit	13 303	.27%	2021-12-31	2022-07-29
Supranational	Time Deposit	12 070	.28%	2021-12-23	2022-08-31
Commercial	Time Deposit	5 991	.10%	2021-12-31	2022-01-31
Commercial	Time Deposit	3 524	.21%	2021-07-06	2022-01-05
Commercial	Time Deposit	7 929	.28%	2021-05-28	2022-01-31
Commercial	Time Deposit	5 286	.26%	2021-06-28	2022-01-31
Commercial	Time Deposit	8 546	.32%	2021-11-30	2022-06-30
Commercial	Time Deposit	2 203	.19%	2021-08-31	2022-02-28
Total US Dollar Denominated Cash Equivalents and Investments		**96 910**			
US Dollar Denominated Cash Equivalents and Investments as Percent of Total					**17%**
Total Euro Equivalent Cash		**562 414**			

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 2021

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 the Management of Human Resources, the Corporate Knowledge Management and the Technical Cooperation Programme

2021

TABLES OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

EXECUTIVE SUMMARY

The Importance of This Audit

During 2021, the International Atomic Energy Agency (IAEA or the Agency) generated a revenue of €626.7 million and recognized expenses amounting to €556.1 million; as well as managed assets and liabilities amounting to €1 319.8 million and €698.7 million respectively.

Accordingly, the Audit Board of the Republic of Indonesia (BPK) presents this report as a result of the audit conducted on the Agency's financial statements as at and for the period ended 31 December 2021.

BPK also conducted a performance audit on key areas of Human Resources Management, Corporate Knowledge Management and of the Technical Cooperation (TC) Programme.

In conducting the financial 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 objective of the financial audit was to provide the IAEA with independent assurance that the financial statements as a whole were free from material misstatement, whether due to fraud or error; and in accordance with the International Public Sector Accounting Standards (IPSAS).

With respect to the performance audit, the objective was to assess the effectiveness of those key areas in ensuring the quality of services provided to Member States.

Financial Audit Overview

In our opinion, the financial statements of the International Atomic Energy Agency (IAEA or the Agency) present fairly, in all material respects, the financial position as at 31 December 2021 and its financial performance and cashflows for the year then ended in accordance with IPSAS.

We acknowledge the Agency's efforts to decrease its consultancy expenditure for the last two years. However, we did note that the expenditure incurred was higher than the allotted budget given that the budget was prepared with incorrect assumptions. Thus, we recommend that the Agency enhance its budgeting process by applying appropriate and relevant assumptions to prevent future under budgeting. Besides this, we also noted deficiencies in financial control on TC projects budgeting and suggest that the Agency apply a standardized budget monitoring and reporting for these projects.

Performance Audit Summary

It is appreciated that the Agency has developed systems and processes to support its human resources management, corporate knowledge management, and the management of TC projects. It is worth noting, however, that there are also other areas requiring further attention to enhance their service to Member States.

In terms of human resources management, the Agency has stipulated the non-staff recruitment process in its Administrative Manual. However, these require governing documents and guidelines to clarify specific terms and to describe the comprehensive steps of the process. It would also be beneficial to include the outcomes of past performance evaluations when reviewing candidates that have previously worked for the Agency.

In respect of the Corporate Knowledge Management (CKM), the Agency has a comprehensive CKM policy documented. However, this needs to be accompanied with a documented action plan to support its systematic and consistent application across the Agency and to ensure that the institutional knowledge of staff is not lost. This should be supported by relevant tools and templates and strong oversight, in addition to quality assurance processes in order to avoid the loss of corporate knowledge in the nuclear field and its applications.

With regard to the management of TC projects, the Agency has acknowledged the necessity of the enhanced quality assessment process by providing tracking and recording functionality in the Programme Cycle Management Framework (PCMF). This provides the added value of the quality review exercise by establishing a categorical assessment framework and ensures the implementation of the quality assessment throughout the TC project cycle. The Agency also needs to identify the risks associated with the input level of a TC project. Likewise, the Agency has acknowledged the need of enhanced TC project management tools and a suitable information gathering method, such as regular surveys to relevant stakeholders in related TC project countries as a project monitoring tool at the aggregate level after project closure.

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 2020 to 2021 in accordance with *Financial Regulations 12.01 (Article XII)* and the Additional Terms of Reference governing the External Audit, as 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 (UN), the Specialized Agencies and the IAEA.

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 2021. This includes the correctness of year-end balances of all IAEA funds as detailed in IAEA accounts. In addition, the ISSAI provides guidance on the conduct of performance audits. The main audit objective of the performance audit was to assess the effectiveness of the IAEA's human resources management, corporate knowledge management and technical cooperation (TC) projects management in ensuring the quality of services provided to Member States.

4. The audits involved: discussions with key managers of the sub-programmes and sections concerned; review of related documents; review of policy, processes and procedures; seeking information and clarifications from Management through information requests and audit queries; and providing audit observations and recommendations.

5. The selection of sub-programmes to be examined involved the application of a number of factors which included the level of alignment with priorities described in the *Programme and Budget 2016-2017, 2018-2019*, and *2020-2021* (the Blue Book), the Agency's synergies, efficiency-related concerns, budget significance, risks to management, previous audits, potential impacts, current management's considerations, and the confidential nature of subject matters. As a result, we selected the Management of Human Resources, the Corporate Knowledge Management and the TC Programme.

6. The purpose of this Audit Report is to communicate the audit results to Mangement and those charged with governance of the Agency, 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 considered 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 eleventh 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 a major programme basis and a source of funding basis. The Agency's six major programmes are 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 all 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 (the Board) 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 99.70% and 7.46%, respectively, in these components.

Summary of Financial Performance

10. The net assets of the Regular Budget Fund (RBF) increased by €32.7 million, which amounted to a negative position of €112.9 million. The net assets of the Technical Cooperation Fund (TCF) increased by €18.3 million to €168.6 million primarily resulting from the increase in Investments and Cash and Cash Equivalents (CCE). The net assets of the Technical Cooperation Extrabudgetary Fund (TC-EB) increased by €5.1 million to €67.0 million in 2021 as a result of an increase in CCE. The net assets of the Extrabudgetary Programme Fund (EBF) increased by €40.2 million to €381.7 million as a result of the net surplus for the year. The net assets of the IAEA LEU Bank increased by €0.4 million to €88.5 million, which results from a lower level of liability in 2021 compared to 2020.

Revenue Analysis

11. Total revenue in 2021 was €626.7 million, which represented a 0.33% decrease as compared to 2020 (€628.8 million), mainly due to decreases in revenue from Other Contributions and Investments revenue of €4.0 million and €1.8 million, respectively. This decrease was partially offset by an increase from Voluntary Contributions and Revenue from Exchange Transactions of €1.9 million and €0.1 million, respectively.

Expense Analysis

12. There was 1.7% increase in expenses in 2021 (€556.1 million), as compared to 2020 (€546.9 million). Salaries and Employee Benefits (€316.9 million) accounted for 57.0% of the Agency's expenses and has shown a decrease of €9.0 million from 2020. The second largest component was Transfers to Development Counterparts (€76.7 million) which represented 13.8% of the Agency's expenses in 2021. Travel (€12.5 million) had shown a decrease of €2.1 million from 2020. Other Operating Expenses of €35.5 million had shown an increase of €3.8 million as compared to 2020.

Financial Position

13. The overall financial position of the Agency continues to be quite healthy as at 31 December 2021. This financial health can be seen in the following key indicators:

- The overall net assets value, calculated as total assets less total liabilities, is €621.1 million; and
- The value of current assets is approximately six times the value of current liabilities. This signifies that the Agency has sufficient resources to cover its liabilities expected to come due in the upcoming 12 months.

14. As at 31 December 2021, the total CCE and Investments represent 59.15% 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 2021 from 2020 are in relation to the following:

- Current assets increased by €41.4 million mainly due to the increase in the overall amount of Investments and Accounts Receivable from Non-Exchange Transactions;
- Non-current assets decreased by €4.4 million related primarily to Property, Plant, & Equipment (PP&E) and Intangible Assets; and
- Total liabilities decreased by €61.6 million mainly due to the overall decrease in the Agency's Employee Benefits Liabilities and Deferred Revenue.

16. In 2021, the Agency experienced an overall increase in net assets, from €522.4 million to €621.1 million, which was primarily driven by the increase in total assets of €37.0 million and the decrease in total liabilities of €61.6 million.

Cash, Cash Equivalents and Investments Balances

17. In 2021, the CCE and Investments balances increased by €30.9 million (4.1%) to €780.6 million at 31 December 2021. The increase was mainly caused by the increase in the balance of euro holdings (€108.1 million).

18. As at the end of 2021, 87.0% of the total CCE and Investments were denominated in euro while 12.8% were denominated in US dollars and 0.2% in other currencies. Interest rates on euro denominated financial holdings remained near zero in 2021. However, much lower interest rates in US dollar denominated financial holdings were in effect due to the cuts in Federal Funds Rate that the Federal Reserve System (FED) did in response to the pandemic. These actions by the FED, which started in 2020, continued to adversely affect the total investment revenue in 2021. Thus, the overall Investment Revenue achieved by the Agency decreased during 2021 by €1.8 million.

Accounts Receivables

19. Overall, the total net receivables from non-exchange transactions increased by €17.1 million to €72.6 million at 31 December 2021. The main components of this balance are receivables from assessed contributions (€59.5 million), voluntary contributions receivables (€12.6 million), and other receivables (€0.5 million).

20. The increase experienced in net assessed contributions receivable in 2021 was mainly driven by an increase in Regular Budget assessed contributions receivable. During 2021, the rate of collection of assessed contributions remained at 93%, however, outstanding Regular Budget contributions for prior years increased by €15.6 million and amounted to €54.7 million. Total outstanding Regular Budget contributions from 2021 and prior years, which amounted to €81.2 million, represented 21.4% of the total Regular Budget assessment for 2021, 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.

Property, Plant and Equipment

21. Buildings and Leasehold Improvements continue to account for the largest component of the net book value of PP&E.

22. In 2021, The total net book value of PP&E decreased by €4.9 million (1.7%). This was mainly due to a high level of depreciation expense of €24.4 million which more than offsets additions to PP&E of €19.8 million.

23. Additions to PP&E amounted to €6.1 million, 30.8% of total additions, relates to assets under construction which includes Buildings within the scope of the ReNuAL project (€2.0 million), the Multi-Purpose Building (€1.6 million), the Neutron Science Facility (€0.3 million), as well as Inspection Equipment, Laboratory Equipment and Other Equipment pending installation or assembly.

Intangible Assets

24. The net carrying amount of Intangible Assets, essentially software purchased or internally developed, at 31 December 2021 was €53.8 million. 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 2021, total costs of €8.7 million were added to the value of internally developed software, of which €3.4 million relates to post-MOSAIC and €5.3 million relates to other internally developed software projects. In 2021, the amount of Intangible Assets internally developed decreased by €7.2 million in comparison to the previous year, while the amount of intangible assets still under development increased by €1.4 million.

Risk Management

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

Financial Ratios

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

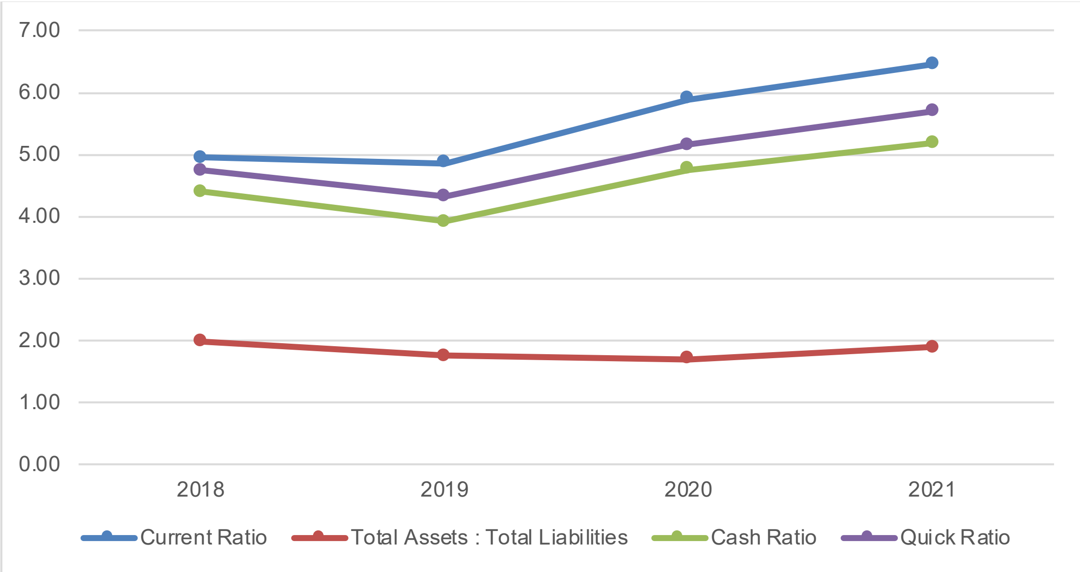
Table 1. Financial Ratios from 2018-2021

No	Financial Ratios	31 December 2021	31 December 2020	31 December 2019	31 December 2018
1	**Current Ratio** Current Assets : Current Liabilities	6.45	5.89	4.85	4.94
2	**Total Assets : Total Liabilities** Assets : Liabilities	1.89	1.69	1.74	1.98
3	**Cash Ratio** Cash + short-term investments: current liabilities	5.18	4.75	3.92	4.39
4	**Quick Ratio** Cash + short-term investments + accounts receivable : current liabilities	5.69	5.15	4.32	4.73

27. As shown in Table 1, the Agency's financial ratios from 2018-2019 showed a declining trend. However, during 2020-2021, the trend is showing a better progress due to the decrease in operational costs during the pandemic. The current ratio increased by 0.56 points from 2020, while the other ratios, namely, cash ratio, and quick ratio, increased by 0.43 and 0.54 points from last year.

28. Figure 1 below clearly depicts the decreasing trend from 2018-2019 and the upward trend during 2020-2021 in the Agency's financial ratios, which are all safe and sound.

Figure 1. Trend of Financial Ratios from 2018 - 2021



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 2021. Our audit of the financial statements for the financial year 2021 revealed no weaknesses or errors which we considered material to the accuracy, completeness and validity of the financial statements as a whole. Accordingly, we have placed an unqualified opinion on the Agency's financial statements for the financial year ended 31 December 2021.

DETAILED AUDIT FINDINGS

I. FINANCIAL MATTERS

A. Cash Deficit in Regular Budget Fund

30. During the 2018 audit, we reported an issue on the cash deficit in the Regular Budget Fund, and this continued to be the object of review in subsequent financial audits. We appreciate the effort by the Agency to improve the collection of outstanding Assessed Contributions by increasing the communication with Member States with large outstanding contributions and through the establishment of protocols to address the liquidity issue. The Agency had also proposed an increase of WCF level in the context of the 2021 budget update, however, to date no such increase has been approved by the Board of Governors (the Board).

31. We continued to review the liquidity situation of the Agency in 2021 and as of 31 December 2021 through a ratio analysis. We noted in the ratio analysis that the overall financial situation of the Agency at the year-end was healthy and without significant concern, as indicated in the ratio analysis shown below in table 2.

Table 2. Ratio Analysis for IAEA in December 2021

Financial Ratio	31 Dec 2021
Cash Ratio[3]	5.18
Current Ratio[4]	6.45
Quick Ratio[5]	5.72
Solvency Ratio[6]	1.89

32. The Agency's financial structure consisted of several fund groups reported in the Agency's financial statements. Analysis of the financial ratio of each type of fund showed that the Regular Budget and Working Capital Fund (RB WCF) ratio was significantly lower than the other types of funds, as shown in the table below.

Table 3. Ratio for Each Fund Group

Ratios	RB WCF	MCIF	TCF	TCFEB	EB	LEU	Trust Fund
Cash Ratio	0.59	81.02	6.86	10.08	12.28	37.23	36.25
Quick Ratio	1.35	82.38	7.01	10.24	12.41	40.78	36.25
Current Ratio	1.60	83.85	8.03	11.67	12.50	108.91	37.48
Solvency Ratio	0.81	53.93	8.03	6.82	6.36	316.29	37.48

33. We noted that, for the RB WCF, the Quick Ratio and Current Ratio showed good indicators. However, the Cash Ratio and Solvency Ratio analysis indicated a liquidity risk for the RB WCF as both ratios were below 1.

34. The Cash Ratio below 1 indicated that the Agency's CCE and Investments as of 31 December 2021, amounting to €50.1 million, was not sufficient to meet its current obligations, amounting to €84.5 million. The current obligations as of 31 December 2021 mainly consists of

[3] Cash ratio: Cash + Investment/Current Liabilities
[4] Current Ratio: Current Asset/Current Liabilities
[5] Quick Ratio: Cash and Cash Equivalent+ Investment + Account Receivable – Current/Current Liabilities
[6] Solvency Ratio: Total Assets/Total Liabilities

Deferred Revenue (€54.4 million) and Employee Benefits Liabilities (€19.7 million). Moreover, the Solvency Ratio below 1 indicates that the total assets in the RB WCF at 31 December 2021 was insufficient to cover the Agency's long-term debt obligations. The low cash ratio and solvency ratio has occurred in the last three years, as shown in the table below.

Table 4. Ratio Analysis for the RB WCF in 2019-2021

Financial Ratio	31 December 2021	31 December 2020	31 December 2019
Cash Ratio	0.59	0.68	0.68
Quick Ratio	1.35	1.23	1.26
Current Ratio	1.60	1.44	1.49
Solvency Ratio	0.81	0.77	0.85

35. Moreover, we draw to your attention to the fact that the CCE for the RB WCF also included Cash in the Major Repair and Replacement Fund (MRRF) and cash from Deferred Revenue. Cash in the MRRF was the Agency's portion of a joint fund between Vienna Based Organizations (VBO) and the Austrian Government, and of which could not be used directly in the Agency's operational activities. Cash from Deferred Revenue was intended to be used in the following year, once recognised. By excluding the cash in the MRRF and Deferred Revenue, the ratio analysis showed a negative Cash Ratio and a slight decrease in the Solvency Ratio due to the lower balance of CCE without Cash in the MRRF and Cash from the advance payment for contributions.

Table 5. Ratio Analysis for the Regular Budget and WCF at 31 December 2021, adjusted to exclude Cash in MRRF and Deferred Revenue

Account in RB WCF	Amount (€)
CCE	50 138 484.00
Cash in the MRRF	7 704 587.00
Deferred Revenue (advance payment for contributions)	47 331 961.00
CCE (net)	(4 898 064.00)

Financial Ratio	
Cash Ratio	(0.13)
Quick Ratio	1.58
Current Ratio	2.15
Solvency Ratio	0.78

36. We have also continued to review the collection rate of the current and prior years' Assessed Contributions which affected the declining CCE. In 2021, the Agency has collected 93% of the Assessed Contribution.

37. The outstanding Assessed Contributions at the end of the financial year usually would be collected in the following year. However, the outstanding Assessed Contributions as of 31 December 2021 had shown a significant increase in comparison to 2020. The financial situation of the Agency for the 4th quarter of 2021 indicated that the outstanding Assessed Contributions at 31 December 2021 amounted to €54.7 million, an increase of 39.9%, compared to the same period in 2020. The outstanding Assessed Contributions from prior years as of 31 December 2021 was 14.4% of the total Assessed Contributions for 2021. We conducted a trend analysis of the prior years' outstanding Assessed Contributions as of the end of the financial year, with the following results.

Table 6. Prior years outstanding assessed contributions

Year	2021	2020	2019	2018
Assessed Contributions (in million)	379.1	377.4	368.5	362.1
Assessed Contributions (in million) at 31 December that remains outstanding from the previous year	54.7	39.1	18.5	18.7
Percentage of Prior Years Assessed Contributions Outstanding	14.43%	10.36%	5.02%	5.16%

38. We appreciate the Agency's efforts in aligning the operational activities with the availability of cash during 2021. However, we draw to the Agency's attention the fact observed in 2021 in which the Agency had temporarily used the WCF in November 2021, indicating the insufficiency of cash collected from Assessed Contributions in 2021. As explained in the notes to the financial statements, by the end of November 2021, all cash available in the Regular Budget Fund had been fully utilized, including any advance payments received from several Member States. Consequently, the full amount of the WCF was utilized to fund the Agency’s Regular Budget operations, as provided in Financial Regulation 7.04. It should also be noted that the payments of outstanding Assessed Contributions and advance payments were received from several Member States in the latter part of November 2021, resulting to the full replenishment of the WCF by the end of November 2021.

39. We acknowledge the Agency’s efforts in maintaining the liquidity of the Regular Budget and collecting arrears from Member States. Nevertheless, despite the efforts being taken by the Agency to resolve the liquidity issues in RB and WCF, the cash situation in the regular budget by the end of 2021 remains an issue of concern. Therefore, we would like to encourage the Agency to continue its effort in encouraging the Member States to pay the outstanding contributions in a timely manner as timely payment of assessed contributions by Member States is important for the liquidity of the RB and WCF.

B. Property, Plant & Equipment Management

Information of Fixed Assets

40. The 2021 Financial Statements, as presented by the Agency, had PP&E amounting to €281.3 million, which comprises of several sub accounts, namely: Building and Leasehold Improvements; Furniture and Fixtures; Communications and Information Technology Equipment; Inspection Equipment; Laboratory Equipment; Vehicles; Other Equipment; and Assets Under Construction. The IPSAS Policy Manual 17 of the Agency stipulates that PP&E should be recognized as assets when meeting certain requirements, including future economic benefits or potential service flow. In regard to PP&E management, the Agency had established the Administrative Manual VI Section 2 (AM VI/2) - *Asset Management and Accountability* as a basis for the management of PP&E.

Assets Custodian

41. We reviewed the Furniture and Fixtures asset items in the Fixed Asset Details Report as of 31 December 2021 and noted that 28 676 furniture items with a net book value of €1.4 million were recorded without the information of an asset custodian. The Agency explained that standard office items such as desks, cabinets, and chairs are not assigned to custodians as it is not practical given that these items are identical and can easily be moved. This is contrary to AM VI/2 which stipulates that each asset should be assigned to a current staff member. Furthermore, 8 489 furniture items with a net book value of €0.6 million, representing 29.56% of the quantity and 45.88% of the value of all Furniture and Fixtures were recorded as ‘placed in-store’, despite the fact that these assets were located in various places within the VIC Building. Moreover, we noted that the location of these furniture assets could only be identified by physical verification.

Location of Assets

42. During the audit, we tested the validity of the Agency's Fixed Asset Details Report by conducting a physical verification and noted that the location of several assets indicated in the report was invalid.

43. In general, the Financial Rule 110.59 emphasizes that the Agency should maintain complete and accurate records on the property and equipment owned or otherwise controlled by the Agency, including those at headquarters, laboratories, regional offices, and facilities in the Member States.

Recommendation 1

We recommend that the Agency implement relevant measures to ensure that the information of assets in Agency-Wide Information for Programme Support (AIPS) is accurate, including through physical verification to clarify the custodian and actual location of each asset in the Department of Management Asset Book.

The Agency agreed with the recommendation.

Fully Depreciated Assets

44. The 2021 Financial Statements disclosed PP&E of the Agency in the amount of €281.3 million as at 31 December 2021. PP&E are considered as non-cash generating assets and are stated at historical cost less accumulated depreciation and any recognized impairment loss. The Financial Statements further disclosed that depreciation was charged using the straight-line method to allocate the cost of assets over their estimated useful lives. In addition, the Financial Statements disclosed that the Agency classified its PP&E into eight major classes with an estimated useful life assigned to each class as follows.

Table 7. Useful Life assigned to Asset Classes

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

45. We observed that the register of assets contained 34 092 assets which had been fully depreciated but were still in use. Based on our analysis of each major class of asset, we identified that the proportion of fully depreciated assets compared to the total count of assets for that class ranged from 0% to 25.02% in each major category. Fully depreciated assets represented a significant proportion of several classes, namely Furniture & Fixtures (25.02%) and Communication & IT Equipment (20.11%). The details on the proportion of fully depreciated assets in relation to Total Assets is presented in table 9 below:

Table 8. Proportion of Fully Depreciated Assets

Asset Class	Count		Percentage on Count	
	Fully Depreciated	Other	Fully Depreciated	Other
Buildings	219	826	0.35%	1.33%
Comm & IT equipment	12 515	7 430	20.11%	11.94%
Furniture & Fix	15 574	13 144	25.02%	21.12%
Inspection Equipment	4 338	4 346	6.97%	6.98%
Laboratory	806	1 833	1.29%	2.94%
Leasehold Imp	1	117	0.00%	0.19%
Other Equipment	162	54	0.26%	0.09%
Software	430	391	0.69%	0.63%
Vehicles	47	15	0.08%	0.02%
Total	**34 092**	**28 156**	**54.77%**	**45.23%**

46. IPSAS 17 provides that the residual value and the useful life of an asset shall be reviewed at least at each annual reporting date and, if expectations differ from previous estimates, the change shall be accounted for as a change in an accounting estimate.

47. During the course of the audit, we conducted a physical verification on selected samples of the fully depreciated assets and noted that four assets were no longer used and considered obsolete by the asset custodians. Details of the assets considered obsolete are provided in table 10 below.

Table 9. Obsolete Assets

Tag Number	Asset Description	Assignee Number	City / Facility	Building	Room	Major Category
51562	Hewlett Server Class c7000 Enclosure	406670	VIE	VIC	FM172	Comm & IT Equipment
612792	Standard configuration, DL380G7 server,"DL380 G7 with 2 Processors X5670	406670	VIE	VIC	CM1ZK92	Comm & IT Equipment
612759	Hewlett Server ProLiant Rack DL380	406670	VIE	VIC	FM172	Comm & IT Equipment
A113/007	Tape Library	87065	VIE	VIC	A1004	Comm & IT Equipment

48. We also noted that the asset reporting for the Department of Safeguard (SG) using SEQUOIA includes the status of asset condition, in which the tape library, as mentioned in the table above, was reported with poor condition. Further analysis on the reports generated by SEQUOIA showed that most of the fully depreciated assets were located in Vienna, which represented 3 993 out of 5 622 assets, tracked for future replacement. The report also indicated that among those assets which need replacement, there were 1 735 assets reported in a poor or very poor condition as summarized in table below.

Table 10. Asset Condition per Major Category

Major Category	Asset Condition		Count of Asset
	Poor	Very Poor	
Communication & It Equipment	1 105	492	1 597
Inspection Equipment	64	24	88
Laboratory Equipment	4	20	24
Other Equipment	14	6	20
Vehicles	3	3	6
Total	**1 190**	**545**	**1 735**

49. The Administrative Manual (AM) VI/3 - *Disposal and Transfer of Agency Property* includes reporting and disposal mechanism for the obsolete assets. Specifically, the manual provides that except for computers and vehicles, all property which is considered obsolete should be reported on the “Surplus Property Report” by the concerned Division Director and later transferred to a storage area by the Property Management Unit (PMU) of the Division of General Services. In regard to computer equipment, the Manual provides that the IT Committee (ITC) should report the obsolete assets and seek further instruction from PMU. Moreover, AM VI/3 stipulates that official vehicles, considered due for replacement by the Division accountable, should be reported to Division of General Services (MTGS) and potentially traded-in and the proceeds used to meet the cost of a replacement. After being reported, the Director of MTGS should decide on the disposal method available in the Asset Manager, including re-assignment to another Division, transfer to the Department of Technical Cooperation, scrapping, and disposal of items at Agency offices in the field.

50. We raised the issue of fully depreciated assets in the prior year audit, and we recommended that the Agency review the estimated useful life of Vehicles, Inspection Equipment, and Other Equipment and provide the related analysis leading to the decision to either retain or adjust the estimated useful life. In 2021, the Agency has asserted that the useful life estimate for those major classes was reasonable given the different location and condition of assets within those classes, hence no adjustment was required to be taken in 2021. The Agency also pointed out that assigning a longer useful life for those assets may lead to complexity in asset replacements in the future.

51. Regarding the issue, the Office of Internal Oversight Services (OIOS) had established recommendations in its report. The OIOS recommended the Directors of the Division of General Service (DIR-MTGS) and Division of Technical and Scientific Services (DIR-SGTS) devote efforts in ‘cleaning up’ the fully depreciated assets in their respective asset registers, by ensuring that those that need to be written off were appropriately eliminated from the records and the physical assets disposed of.

52. With reference to the fully depreciated assets that were still in-use, OIOS recommended that DIR-MTGS and DIR-SGTS, in consultation with the Director of Division of Finance (DIR-MTBF), undertake an estimated useful life review of specific classes of assets. The Agency had implemented this recommendation as a result of a review in 2017 with a change to the useful life of Inspection Equipment and Laboratory Equipment to 8 and 11 years, respectively. An annual review continued afterwards and the OIOS recommendation considered to be implemented.

53. We are of the view that the Agency should conduct a thorough examination of the fully depreciated assets that have exceeded their useful life to determine whether the assets are obsolete and need to be written off.

Recommendation 2 We recommend that the Agency enhance the awareness of the asset custodian to initiate the disposal of the fully depreciated assets which are considered obsolete by reporting these to the relevant officials mentioned in the Administrative Manual.
The Agency agreed with the recommendation.

C. Classification of Health Insurance Premium Surplus

54. The 2021 Financial Statements indicate that the Agency had reserves amounting to €15.3 million. The reserves comprise of several sub accounts namely: Health Insurance Premiums Commitments; Cash Surplus/(Deficit); Post-Employment Related Plans Revaluation; and Reserve for Carry-Over of Unobligated Appropriations.

55. The Health Insurance Premium reserves include €0.7 million of the residual amount of the surplus of premium payment to CIGNA. The surplus resulted from a health insurance premium refund amounting to €4.3 million, received in February 2021, which was later utilized for the payment of employee's health insurance premium amounting to €3.6 million. The residual value is kept in the reserve fund based on the Agency's decision to mitigate any future volatile increase of the premium rates.

56. The Agency classified the Health Insurance Premium account into two groups, namely the Agency's share and employee's share. Specifically, the financial statements showed that the Agency's share amounting to €2.9 million classified as reserves whereas the employee's share amounting to €1.9 million classified as employee benefit liabilities. The classification was aligned based on the understanding that the fund is *"jointly owned by the staff members and the Agency in the proportions that they (staff members as a whole vs the Agency) contribute to the fund"*.

57. We noted that the Agency did not classify the residual value of the premium payment to CIGNA surplus amounting to €0.7 million into the Agency's share and the employee's share. In fact, the Agency recognized the surplus as the Agency's share by classifying it as reserves given that the information of both the Agency's and the employee's share on the surplus is not available.

Recommendation 3 We recommend that the Agency considers documenting in an accounting decision the classification of the residual amount of the insurance premium surplus.
The Agency agreed with the recommendation.

D. After Service Health Insurance Extrabudgetary Sub-Fund

58. The 2021 Financial Statements showed that the Agency had CCE earmarked for Extra-budgetary Programme Fund (EPF) amounting to €153.7 million at 31 December 2021. The 2021 Financial Statements also indicated that the CCE included €0.2 million of the After Service Health Insurance Extra-budgetary (ASHI EB) Sub-Fund. As reported in GOV/INF/2021/7, "*the Director-General decided that the Agency will, as of 1 July 2021, start the application of a 4% charge to the salary expenditure of all positions funded through extrabudgetary contributions*".

59. We identified that the EB Sub-Fund policy was not included in the Administrative Manual despite that it had a specific policy on the application of other Sub-Funds, which was Programme Support Costs (PSC) Sub-Funds. In specific, the manual included policy on the rates, allocation and utilization of income, roles and responsibilities within the secretariat, and monitoring for the Sub-Funds. We are of the opinion that a clear policy on the application for ASHI EB Sub-Funds will provide clarity for the future use of the fund.

Recommendation 4 We recommend that the Agency consider the inclusion of the policy on the application of the ASHI EB Sub-Fund in the Administrative Manual.
The Agency agreed with the recommendation.

E. Consultancy Budgeting for Regular Budget Fund

60. The 2021 Financial Statements indicated that the Agency had incurred actual expenditures amounting to €377.1 million in the Regular Budget Fund (Operational Portion), which was lower than the final budget amounting to €378.1 million. The actual expenditure incurred in six Agency programmes and reimbursable work for others and comprise several types of expenditure including fees and honorariums for contracting consultants, experts, and translators.

61. Financial Regulation 2.01 defines "budget document" as the document containing for the second year of the programme biennium: (i) changes to the Agency's Programme; (ii) changes to the Agency's Programme, Regular Budget estimates, and other financial estimates for activities to be financed from voluntary contributions and other extrabudgetary resources; and (iii) information related to the programme changes and financial estimates. Moreover, the regulations define "Regular Budget estimates" as estimates of expenditures and income for activities to be financed from the Regular Budget.

62. Regarding budget preparation, Financial Regulations 3.03 mentions that The Director-General (DG) shall prepare and submit to the Board in every second year of a programme biennium the draft Programme and Budget Document for the next biennium. Financial Regulation 3.05 further mentions that the Board should:

- consider the proposals of the Director-General and adopt the Agency's Programme for the biennium or the Programme changes for the second year of the biennium with such modifications as it deems necessary.
- submit to the General Conference in every second year of a programme biennium the Programme and Budget Document for the next biennium, containing the Programme adopted by the Board together with its Regular Budget estimates and other financial estimates.
- submit to the General Conference in every first year of a programme biennium the Budget Document for the next year, containing the Programme changes adopted by the Board together with its Regular Budget estimates and other financial estimates.

63. We noted that the Agency had incurred consultancy expenditures higher than its allotted budget amounting to €4.3 million or 235% which were incurred in all Major Programmes.

64. Furthermore, we conducted a five-year analysis on the RBF to picture the trend of consultancy expenditure and identified that over-expenditure of the consultancy occurred each year since 2017. We noted that the budget utilization rate for consultancy increased from 163% in 2017 to 235% in 2021 or

in other words, the Agency spending in consultancy were approximately twice the allocated budget. This discrepancy between budget and expenditure of consultancy was also noted by OIOS in 2020.

65. From the trend analysis above, we noted that consultancy expenditures have decreased in 2020 and 2021 compared to 2019 and 2018. This indicated a more stringent approach to consultants applied in 2020 and 2021, reflecting the gradual implementation of the control within the consultancy expenditure.

66. We learned that the over-expenditures in the consultancy expenditures occurred due to a variety of reasons resulting in a situation in which the budget prepared was lower than the actual need. For example, the Agency mentioned that the 2021 actual realization of consultancy expenditure was above the budget due to several reasons, namely: 1) re-prioritization of activities due to external influences that could not be foreseen at the time of the budget preparation due to COVID-19; 2) incorrect classification of certain costs, such as freelance translators leading to approximately €1.1 million of over-expenditure of consultancy expenditure as the actual expense for the fee was charged to consultancy expenditure; and 3) a shift in the use of IT consultants compared to contractors, given that the price for contractors services increased following the re-tendering of those services.

67. The Agency added that measures had been taken to address the abovementioned issues and some had already been corrected in the 2022-2023 programme and budget.

68. While the Agency should not overlook that the budget was prepared at the level of expenditure groups, which indicates that the planning process had considered that objectives and outcomes would be achieved by activities relevant to the expenditure groups and the cost planned, the Agency highlighted that it was able to achieve the objectives and outcomes as a result of being able to adapt to the specific circumstances.

69. Taking into account the request of the Board "to strengthen efforts to further identify and implement cross-cutting savings and efficiencies" and the OIOS' recommendation on the need to strengthen controls over the utilizations of consultants, additional monitoring of the related expenditure groups should continue to be maintained and reviewed together with shifting priorities to achieve the objectives and outcomes.

70. We acknowledge that the flexibility in managing the budget by transferring between expenditure within the project of an advantage of the Agency's Result Based Approach, which assists the Agency in achieving its objectives. However, we express our concern that incorrect assumptions applied within the preparation of the budget might prevent the Agency to better foresee the actual need of consultancy services and recommend that the Agency make enhancements.

Recommendation 5 We recommend that the Agency enhance its budgeting process with appropriate cost classification, embodiment of shifts in priorities and situation in annual budget estimates, and the reflection of the previous years' actual expenditures to prevent under-budgeting in consultancy services.
The Agency agreed with the recommendation.

F. Travel and Training Expenses

71. The 2021 Financial Statements indicated that the Agency had incurred expenses amounting to €12.5 million and €14.3 million for Travel Expense and Training Expense, respectively. We identified

two issues in Travel and Training expenses, namely cut-off and account classification, as described below.

Cut-Off Accuracy

72. We observed the cut-off accuracy for both expenses and identified 52 transactions with a net amount of €0.1 million, that relate to the previous year's transactions. In specific, the amount referred to travel conducted from 2018 to 2020.

73. The incorrect cut-off was not aligned with IAEA IPSAS Policy Decision Document: *Expenses, Provision, Contingent Liabilities, and Contingent Assets* which determines that a present obligation from past event arises, which is the point of recognition of expense, on the date the travel is initiated.

74. We learned that the Agency had control over travel information initiated during the year in the Travel Request and Claim (TRAC). However, the Agency relied on the submission of invoices and travel documents from travellers and training providers, internal confirmation from the department, and travel claims settlement by staff in determining the expense. We believe that the regular reconciliation based on information on TRAC between the IAEA, relevant third party, departments, and staff will minimize the number of prior year transactions incurred.

75. We raised this issue in the 2020 audit and recommended that the Agency enhance its relevant internal control to maintain cut-off accuracy of Training and Travel expenses. A comparison of the data between 2020 and 2021 indicated an improvement in the internal control as the amount of prior year's transaction recognition in 2021 had decreased by 268 transactions (83.75%) and €0.2 million (75.78%) compared to that in 2020.

76. We acknowledge the Agency's efforts in enhancing the accuracy of cut-off within the training and travel expenses. Nevertheless, by considering the number of the previous year transactions identified in 2021, we encourage the Agency to expedite action related to the implementation of the previous recommendation.

Account Classification

77. The Agency's Financial Statements mentioned that travel expense comprised of duty travel and non-staff travel whereas training included training of development counterparts and staff training. In practice, both Travel and Training Expenses include travel activities which proceed in TRAC. Nevertheless, the Agency classified the expense based on the nature of transaction so that travel for training activities were recognized as Training Expenses.

78. We observed TRAC and noted that at least 30 TRACs amounting to €0.2 million were recorded both in travel and training expenses. It is not common as each TRAC should be arranged for one travel, as either travel or training activities. Furthermore, we clarified the purpose and the travel types of the TRACs and identified that most of the purposes of these TRAC were training and most of the travel types of these TRACs were inspections.

79. We further analysed the expenses and confirmed to MTBF and MTGS and identified that the incorrect classification occurred due to the misclassification of Critical Travel Allowance for training events and in error by the travel arranger in transaction entries.

80. IPSAS 1 Para. 45 emphasizes the importance of classification of expenses based on the nature by mentioning that "*Each material class of similar items shall be presented separately in the financial*

statements. Items of a dissimilar nature or function shall be presented separately unless they are immaterial".

81. We noted that the number of TRACs with both travel and training expenses in 2021 had decreased by 9 (23.1%) compared to 2020. Nevertheless, the amount of the TRACs in 2021 had increased by €0.1 million (118.3%) compared to 2020.

82. We raised this issue in the previous audit and recommended that the Agency enhance relevant internal controls to maintain proper classification of Training and Travel Expenses. Therefore, we encourage the Agency to expedite action related to the implementation of the recommendation including improvement in input control for TRACs.

G. Technical Cooperation Projects Management

Pending Closure Projects

83. The 2021 Financial Statements indicated that the Agency had incurred expenses amounting to €89.9 million on the Technical Cooperation Fund (TCF). The Financial Regulation 2.01 (xviii) defines that the TCF is earmarked for Technical Cooperation (TC) projects. In addition, Financial Regulation 4.08 defines that Extrabudgetary Fund (EBF) as one source for financing TC Projects. Moreover, the Statement of Segment Reporting by Fund indicates that TCF and EBF comprise of several expenses, including consultants, travel, and Transfer to Development Counterparts (TDCP). Regulation 10.01 of the financial regulations notes that the Director-General shall establish in conformity with these regulations detailed Financial Rules and procedures to ensure an effective financial administration and the exercise of the economy.

84. The Technical Cooperation – Project Information Dissemination Environment (TC-Pride) dashboard as of 31 December 2021 showed that there were 442 projects that had the status of "pending-closure". The Agency mentioned that the status of "pending closure" of the project indicated that the project had come to the end of its originally approved lifetime and that under this status no new activities could be implemented and was awaiting final closure in anticipation of final reporting and final payments. Moreover, the Agency further added that during the status of "pending closure", disbursement was only possible for the open purchase orders and that new transactions could not be processed.

85. We observed that, as of 31 December 2021, the 442 "pending-closure" projects had funds available (including PSC) amounting to €2.4 million. In specific, we noted that 120 projects with total funds available amounting to €0.3 million had been in "pending closure" status for more than two years. Details as to the number and funds available for projects with pending-closure status is provided in the table below.

Table 11. Aging Schedule for TC Projects

Description	Total Projects	Funds Available (€)
Less than one year	**157**	**906 060.09**
No Fund Available	24	0
Less than €1 000	82	12 806.19
€1 001 to €5 000	22	49 516.48
€5 001 to €10 000	12	84 443.38
€10 001 to €100 000	14	319 740.78

Description	Total Projects	Funds Available (€)
More than €100 000	3	439 553.26
1-2 years	**165**	**1 211 411.22**
No Fund Available	56	0
Less than €1000	45	11 580.95
€1 001 to €5 000	35	90 872.21
€5 001 to €10 000	16	107 392.05
€10 001 to €100 000	12	285 320.63
More than €100 000	1	716 245.38
More than two years	**120**	**290 299.02**
No Fund Available	53	0
Less than €1000	37	4 968.12
€1 001 to €5 000	17	42 047.12
€5 001 to €10 000	8	56 794.59
€10 001 to €100 000	5	186 489.19
Total	**442**	**2 407 770.33**

86. As indicated in the above table, the projects in the "pending closure" status for less than one year, in between one to two years, and more than two years were 157, 165, and 120, respectively. The table also described that there were 133 projects which remained in "pending closure" with no funds available for the projects. Moreover, the table also showed that there were five projects which were still in "pending closure" status for more than two years with the total funds available amounting to €0.2 million.

87. The Agency mentioned that the balance of funds available was mostly funded by EBF of which usually the donors instruct for repurpose, instead of refund. The balances kept under the TCF were usually less mature and were kept there waiting for final installation and training or delivery so that the project could be reported and closed. We identified that closed and "pending closure" projects were reported to regional directors on a monthly basis, including funds available under "pending closure" projects, project managers, and recipient countries. Nevertheless, we noted that the monthly report did not provide brief information on the justification for the projects that remained pending.

Recommendation 6

We recommend that the Agency explore ways to expedite the final closure of projects and enhance the monitoring on the "pending closure" projects including providing regular reports on the justification for which projects remained pending.

The Agency agreed with the recommendation.

Local Purchases

88. The 2021 Financial Statements indicated that the Agency had incurred expenses amounting to €76.7 million on Transfer to Development Counterparts. The expense comprised several sub accounts, including Project Inventories Distributed to Development Counterparts, Services to Development Counterparts, and Research and Technical Contracts. Moreover, project inventories referred to all goods (e.g. equipment, supplies and software) procured by, or donated to, the Agency for transfer to recipient member and non-member States. The financial statements further described that the inventories were

expensed when they were delivered to the beneficiaries in the recipient country, which was considered the point at which the Agency transferred control over such inventories to the recipients.

89. Our observation of the procurement of the project inventories showed that several procurements were classified as local purchases, which are regulated based on AM IX/4. The Manual mentions that local purchases are decided on an ad-hoc basis on several project inventories, usually for expendable materials and small items. Furthermore, the Manual mentions that instructions on procedures, relevant documents, codes for charging, etc., will be provided by the Field Procurement Section, TCPC, on a case-by-case basis.

90. We learned that the current practice of local purchase was not clearly defined in the Administrative Manual. In particular, the Agency mentioned that requisition, which is compulsory in regular procurement as stipulated in AM VI/1, was not required in local purchases as the procurement was conducted either by United Nations Development Programme (UNDP), project manager, or the government office to which the Agency transferred the funds.

91. In addition, even though most of the local purchases applied is for expendable materials and small items, we noted that the purchase also applied for procurement of major equipment. The Agency mentioned that local purchase was regulated by Guidelines for Grants to IAEA Counterpart Institutes under a Technical Cooperation Project. In particular, the purpose of the guidelines was *"to outline the administrative procedures for requesting a grant payment to a counterpart (CP) institute for the local/regional procurement of goods and/or services, in support of implementation of their IAEA technical cooperation (TC) programme, regardless of the source of funding."* Furthermore, the guidelines described that the grants process included several steps that need to be taken by Project Management Officers (PMO) in several phases, namely pre-conditions, request of grants, grant process, and full receipt and closure of a purchase order. Nevertheless, we noted that the guidelines did not specify the details of situation which constituted the need for the Agency to choose "local purchase" instead of common Agency's procurement mechanism.

92. We are of the opinion that the Agency should provide clarity on the situation in which the Agency should proceed with local purchase to standardize the mechanism. Moreover, we also believe that the Agency should also harmonize the term "local purchase" and "grant to IAEA Counterpart Institutes" to prevent a misunderstanding on the nature of the transaction of local purchase which is different from grant.

Recommendation 7 We recommend that the Agency consider enhance its existing guidelines for local purchases, by harmonizing it in the Administrative manual and including the condition in which the local purchase should be implemented, without compromising the effective and efficient implementation of TC activities.
The Agency agreed with the recommendation.

H. Technical Cooperation Projects Budgeting

93. The 2021 Financial Statements indicated that the Agency had actual expenditures on the RBF amounting to €383.3 million compared to the final budget amounting to €384.3 million. In specific, the financial statements described that actual expenditure on the RBF comprised of €377.1 million of an operational portion and €6.2 million of a capital portion, which was lower than the final Regular Budget of €386.6 million and €6.2 million for each portion respectively. Furthermore, the Financial Statements

described that budgets within the Agency were approved on a modified cash basis, while Financial Statements followed the full accrual basis and complied with the requirements of IPSAS.

94. We identified several areas with room for improvement in the accountability of TCF budget process as described in the following paragraphs.

Types of expenditure

95. The Agency mentioned that countries together with PMOs and Technical Officers, developed project designs using the Programme Cycle Management Framework (PCMF). The Board approved projects then later are transferred to AIPS for financial implementation and reporting purposes.

96. We observed the planning of several projects and noted that types of expenditures in input level for a project's activities in the PCMF are different from those in AIPS. In the PCMF, activities in one project (GHA1013) were classified into six types of expenditures which are experts, meetings workshop, scientific visits, training courses, fellowship, and equipment. Meanwhile, in AIPS, the activities were classified into two types of expenditure which are 650-NHR-GOC-General Operation and 615-NHR-TDC-Develop Counterpart as described in the table below.

Table 12. Comparison of PCMF and AIPS Budgeting – Input Level

Project	PCMF		AIPS	
	Type of Expenditure	Amount (€)	Type of Expenditure	Amount (€)
GHA1013, Utilizing Ion Beam Analytical Techniques for Research and Training	Experts	44 100	615-NHR-TDC-Develop Counterpart	41 250
	Meetings Workshop	35 700	650-NHR-GOC-General Operation	167 260
	Scientific Visits	6 300		
	Training course	22 050		
	Fellowships	45 360		
	Equipment	55 000		
Total		**208 510**		**208 510**

97. We further observed the budget realization in AIPS and identified a significant difference between the budget estimates and actual expenditures, as described in the table below.

Table 13. Comparison of Budget and Actual in AIPS – GHA1013

Project	Expenditure	Budget	Actual	Over/(under) expenditure
GHA1013, Utilizing Ion Beam Analytical Techniques for Research and Training	611-NHR-CEX-Consultants	0	12 960.00	12 960.00
	613-NHR-TRV-NonStaff Travel	0	31 062.43	31 062.43
	613-NHR-TRV-Staff Travel	0	9 396.11	9 396.11
	615-NHR-TDC-Development CP	41 250.00	153 060.15	111 810.15
	617-NHR-TRG-Training	0	1 440.00	1 440.00
	650-NHR-GOC-General Operation	167 260.00	180.96	(167 079.04)
Total		**208 510.00**	**208 099.65**	**(410.35)**

The Agency mentioned that the classification into two expenditures in AIPS was for practical reasons. The Agency also mentioned that budget allocation and budgetary control for each project was determined at the project level instead of the expenditure level, thus over/under spending of expenditures within the project was acceptable as long as the expenditure did not exceed the total project budget.

98. We are of the view that the appropriate input of types of expenditures in AIPS for a project would enhance the transparency and accountability of the project implementation for internal project management purposes.

Budget reporting

99. We observed one project, MEX2016, and noted that during its implementation, the project, which was initially budgeted on €0.1 million, received an additional budget from EBF amounting to €1.3 million. Nevertheless, the additional budget was only recorded in AIPS but not in PCMF, as the PCMF was used only for recording the original approved budget. A comparison of the initial budget and actual expenditure of the project is described in the table below.

Table 14. Comparison of Budget and Actual in AIPS and PCMF – MEX2016

No.	Expenditure	Budget	Actual	Over/(under)expenditure
	PCMF (based on workplan)			
1	Equipment	50 000.00	993 658.64	943 658.64
2	Experts	44 970.00	143 307.58	98 337 58
3	Fellowships	0.00	33 729.71	33 729.71
4	Meetings	6 310.00	84 387.57	78 077.57
5	Others	0.00	0.00	0.00
6	Scientific Visits	0.00	3 166.31	3 166.31
7	Sub-contracts	5 640.00	67 321.95	61 681.95
8	Training Courses	8 710.00	4 974.17	(3 735.83)
	Grand Total	**115 630.00**	**1 330 545.93**	**1 214 915.93**
	AIPS			
1	611-NHR-CEX-Consultants	0	129 891.06	129 891.06
2	613-NHR-TRV-NonStaff Travel	0	72 197.37	72 197.37
3	613-NHR-TRV-Staff Travel	0	31 508.86	31 508.86
4	615-NHR-TDC-Development CP	41 476.34	985 464.31	943 987.97
5	617-NHR-TRG-Training	0	29 182.10	29 182.10
6	650-NHR-GOC-General Operation	1 338 377.91	0	(1 338 377.91)
7	652-NHR-CON-Contracts	0	901.52	901.52
8	660-NHR-PSC-Prog Support	0	81 400.71	81 400.71
	Grand Total	**1 379 854.25**	**1 330 545.93**	**(49 308.32)**

100. We further identified that the Agency did not adjust the project's originally approved budget in PCMF, despite the acceptance of EB resources exceeding the initial approved budget and directly incurred expenses without adjusting the initial budget as indicated in table above. As provided above, the PCMF was only used for the planning phase and not for the implementation phase of the project.

101. The Agency mentioned that initial approved budget for the TC Projects served as a starting point instead of a ceiling for expenditure. The Agency also explained that it had formal and informal discussions with relevant stakeholders to ensure that the actual expenditure satisfied the interest of the Agency, recipient, and donor. Nevertheless, the agreement on how the additional fund received needed to be spent were not documented either in the PCMF or in AIPS. In fact, both the PCMF and AIPS only

provided information on the actual expenditure without documenting the agreed adjusted budget for the project.

102. We are of the view that the documented budget adjustment in AIPS and the PCMF is important as part of transparency and accountability of the use of the fund within the TC Project. It will enable the Agency to maintain sufficient internal control to ensure the conformity of expenditures with the appropriations approved by the General Conference, the decisions by the Board on the use of funds for the Technical Co-operation Programme, and other authority governing expenditures from extra budgetary resources as stipulated in the Financial Regulation.

Recommendation 8
We recommend that the Agency enhance its financial control on TC budgeting and implementation process including the harmonization of expenditure types, standardization of budget reporting, and establishment of monitoring tool for additional budget and its utilization.
The Agency agreed with the recommendation.

I. Training Activities Reporting

103. The 2021 Financial Statements indicated that the Agency had incurred expenses amounting to €14.3 million for training activities, an increase of €1.9 million compared to previous year's Training Expense of €12.3 million. The financial statements also mentioned that Training Expenses increased in 2021 due to the increase of training and capacity building activities which were mainly conducted virtually. In specific, the expense comprised of two sub accounts, namely Training of Development Counterparts and Training for Staff.

104. Based on AM VII/5, Para. 14, the Scientific Secretary, appointed by the Director of the relevant Division, is responsible for organizing the training activities by preparing the budget estimate, the Information Sheet, drafting correspondence and approving the training material.

105. Furthermore, Para. 19 of the AM mentions that the Scientific Secretary should submit a concise report to the Director-General within two months of completion of the training activities. This report should summarize and evaluate the scientific content based on the feedback from the lecturers and participants, as well as provide a financial analysis of planned versus actual costs.

Content of the Scientific Secretary Report

106. We reviewed several Scientific Secretary reports and noted that the Agency had not fully implemented the reporting mechanism for training activities. Specifically, the reports did not include financial analysis and evaluation of the scientific content of the training based on the feedback from the lecturers and participants. Furthermore, we also noted that the form of several Scientific Secretary reports varied as some of the reports were submitted as "Duty Travel Report" whereas others were submitted as "Training Report".

Submission Date of the Scientific Secretary Report

107. We observed the Scientific Secretaries' adherence to the timeliness of report submission and identified eight scientific reports were submitted later than the required submission time. The AM VII/5 stipulates that the report is required to be submitted no longer than two months after the completion of training activities.

108. This issue was first raised in the previous audit, with a recommendation that the Agency enhance relevant internal controls to maintain the alignment of AM VII/5 to the actual practice of reporting of training activities. Therefore, we continue to encourage the Agency to expedite its actions related to the follow up of the recommendation, including utilizing the dashboard of training events in AIPS for monitoring the compliance of the Scientific Secretaries in submitting their reports.

J. AIPS Generic User Management

109. Administrative Manual IV/5 Para. 20 regulates that the Agency is responsible for organizing and configuring basic software and additional software in a consistent and standard manner to streamline maintenance and upgrades. The manual also provides that the procedure applied to ensure that user access rights, permissions and security settings are properly established. We noted that users might be able to change some of the options settings of their individual standard software. However, changes to the parameters defining user access rights, permissions and security shall only be carried out by the designated IT support staff.

110. The Agency had implemented a Role-Based Access Control (RBAC) for the AIPS Segregation of Duty. The role for each domain was defined by responsibilities. The AIPS roles and responsibilities were linked to a user by the Oracle main architecture and standard process. In its functionality, AIPS restricted a user to occupy multiple positions concurrently.

111. We noted that the exception for the segregation of duty applies if an executive management position in AIPS was vacant. During the time of the vacant position, AIPS enabled the creation of a generic user, a user who had two roles and responsibility, namely (i) his/her main roles and responsibilities, and (ii) the roles and responsibility for the vacant position. In specific, a generic user enabled one user to act in the system based on his/her actual position and allowed his/her to perform another task as an acting user in the vacant position. On the other hand, generally, there was no exception to the segregation of duty for administrative roles.

112. The Agency had applied controls related to the generic user to maintain the segregation of duty. Regarding the user access of the generic user, the Agency had determined that the generic user could only be given by the AMS System Administrator, based on the request formulated or approved by the MTHR. Furthermore, AIPS limited that a generic user can only be appointed to one user and cannot be transferred to another user.

113. Our observation of the AIPS User Role and Responsibilities Assignment as of 10 November 2021 showed that the Agency did not limit the end date of a generic user. The Agency confirmed that this was due to the uncertain length of the recruitment for the vacant position. Hence, the end date was unknown at the time of the generic user creation.

114. We are of the view that the end date for a generic user should be determined by the time that information is known. A valid end date is required as the absence of it may affect the validity of the segregation of duty within AIPS.

Recommendation 9 We recommend that the Agency consider introducing a procedure to monitor the validity of the AIPS generic user role by assigning an end date for the generic user role created, when the end date is known.
The Agency agreed with the recommendation.

II. HUMAN RESOURCES MANAGEMENT

BACKGROUND

115. In order to accomplish its mandates to ensure the peaceful use of nuclear energy effectively, the Agency relies on a specialized and trained workforce. In this regard, the Division of Human Resources (MTHR) provides services ranging from human resources planning, recruitment, staff development and career management, to the provision of salary and benefits, as well as medical and health related services.

116. Article VII of the Statute states, *"The paramount consideration in the recruitment and employment of the staff and in the determination of the conditions of service shall be to secure employees of the highest standards of efficiency, technical competence, and integrity. Subject to this consideration, due regard shall be paid to the contributions of members to the Agency and to the importance of recruiting the staff on as wide a geographical basis as possible".* Recruitment processes are therefore a critical activity for the Agency.

117. The Agency classifies its contract modality into staff and non-staff contracts. Non-staff contracts comprise of consultants, TC experts, cost-free experts (Type B) and interns. These types of employment are outlined in the Part II, section 11 of the Administrative Manual (AM.II/11) *Personnel other than staff members.* Contingent workers are outside of the MTHR purview and included in the AM.VI/I as a result of procurement with external suppliers. The Agency uses online platform TALEO to manage the requisitions for non-staff contracts, while contingent workers are directly managed in AIPS.

118. Our audit scope covered non-staff recruitment planning, monitoring and evaluation from 2017 to 2021. Prior to the fieldwork, we performed survey delivered internally to the Agency's human resources management. The researchable question for the subprogramme was: *"Has the Agency effectively managed the recruitment process for non-staff members?"*. In order to answer this overarching question, we sought to answer the following sub-questions:

- Does the Agency have consistent and soundly based policies for the recruitment processes of non-staff members?
- To what extent has the Agency effectively implemented the non-staff recruitment processes?
- Has the Agency implemented effective monitoring and evaluation?

119. The audit was performed by focusing on selected samples of non-staff recruitment processes including consultants, experts and interns.

AUDIT FINDINGS

120. From 2017-2020 there were 7 791 contracts and 7 857 recruitment requisitions for non-staff at the Agency. This statistic shows that every year, the Agency has to allocate a significant amount of time and resources in recruiting non-staff. Article VII of the Statute stipulated that the recruitment process shall secure employees of the highest standards of efficiency, technical competence and integrity. Non-staff recruitment is therefore a critical activity for the Agency.

121. From our analysis of the non-staff recruitment policy, documents, databases and discussions with the focal points, we observed that the Agency has stipulated the non-staff recruitment process in its Administrative Manual. However, these require governing documents and guidelines to clarify specific terms and to describe the comprehensive steps of the process. It would also be beneficial to include the

outcomes of past performance evaluations when reviewing candidates that have previously worked for the Agency. We consider that improvements in these areas would be of a great value in achieving the objective of the Agency of securing employees with the highest standards of efficiency, technical competence and integrity.

122. The detailed areas for improvement in the non-staff recruitment process are as follows:

A. Roster Mechanism for Recruiting Consultants

123. A consultant, as defined by the AM, is a person engaged in their individual capacity to supplement the staffing of the Secretariat for a limited period of time, normally providing expertise, skills or knowledge for the performance of a specific task or piece of work of a professional nature which is a one-off activity.

124. The AM stipulates that in the case of consecutive engagements of more than 63 working days, the consultants should be hired through contestable selection that includes externally announcing the job openings and doing interviews or testing. Meanwhile for consecutive engagements of 63 working days or less, rosters selection can be used and a roster search must be carried out based on the required expertise and competencies, or an individual without roster selection can be hired, provided the hiring manager justifies the selection.

125. The roster selection mechanism for consultants, albeit stipulated in the AM, has not been further clarified in any other governing documents of the Agency. Discussions with hiring managers identified that currently they are manually maintaining a pool of consultants mainly through their professional network and job advertisement, and then using that pool in selecting the candidates for consultancy.

126. This is different from rosters for Temporary Assistance and Short-Term Appointments which are clearly explained in the AM *"In the case of temporary-assistance/short-term staff in the General Service category, MTHR shall ensure, through advertisement action or other means, that it maintains a roster of well-qualified candidates for future temporary-assistance/short-term needs. Only candidates whose qualifications have been established through tests, reference checks and interviews shall be included in the roster. MTHR will provide the Department concerned with a list of qualified candidates from its roster, from which the Department may choose the preferred candidate"*.

127. Both recruitments are using the identical term of rosters, but through different processes which could potentially lead to misperception for everyone involved in the recruitment process. Discussions with focal points from HR Department confirms that the term "rosters" needs further clarification and currently they are working on modifying the governing documents to, inter alia, better accommodate this type of practice.

Recommendation 10 We recommend the Agency advise MTHR to clarify the term of "rosters mechanism" in the governing documents.
The Agency agreed with the recommendation.

B. The Need of Guidelines in the Consultants Recruitment Process

128. From 2017-2020 there were 7 857 requisitions created to hire consultants, implying a high turnover rate, that would require an extensive amount of time and resources in order to secure employees with the highest standards of efficiency, technical competence and integrity. Currently, there is no established procedures/guidelines in place that describes the comprehensive steps of the consultant's recruitment process. Considering the various types of Special Service Agreement (SSA), each with their own controls and selection options in recruitment, we would expect there be guidelines that consist of a considerable number of steps.

129. On the other hand, for the Staff recruitment process, the Human Resource department has two guidelines: a *Staff recruitment guideline* that provides the guiding principles and procedures; and *TALEO User – Step and Status guide* for staff vacancies.

130. Having similar guidelines/procedures for non-staff recruitment would provide the same benefits especially to have an understanding of expected timeframes required in completing each step of the recruitment process. A discussion with MTHR shows that they agreed that the non-staff recruitment process could benefit from having a guideline and currently they are in the process of developing such a guideline.

Recommendation 11 We recommend the Agency, particularly MTHR, to consider developing a guideline/Standard Procedures for non-staff recruitment process excluding contingent workers so as to further improve the understanding of the process leading to an increase in efficiency.
The Agency agreed with the recommendation.

C. Inclusion of Past Performance Evaluation when Reviewing Candidates Who Had Previously Worked for the Agency

131. In general, staff and non-staff will have their performance evaluated, either regularly or at the end of their duty. The staff recruitment process, as explained in the Part 2, Section 3 of AM.II/3 *Personnel Administration and Staff Welfare* includes past performance evaluation in pre–screening of applications, being *"MTHR also provides information that is directly relevant to the recruitment process (such as current contractual situation or performance appraisals of candidates) to those officially involved in a recruitment process"*. This information is invaluable for Hiring Managers in reviewing candidates who have previously worked for the Agency.

132. Nevertheless, this practice is not homogenous for the non-staff recruitment process given that this is not formalized in any of the governing documents. An analysis of the consultant database from 2018 to 2020 by BPK has shown that approximately 70% of the consultants hired had previously worked for the Agency. A discussion with hiring managers identified that having access to a candidate's past performance evaluation from the perspective of their previous managers would provide useful information when reviewing candidates. Our discussion with the HR Department further revealed that currently the performance evaluation for consultants is conducted manually and stored within respective departments.

Recommendation 12

We recommend the Agency, particularly MTHR, to consider evaluating the possibility of introducing past performance evaluations into the review process of non-staff candidates that have previously worked for the Agency, whilst also taking into account the cost and benefit from such a process.

The Agency agreed with the recommendation.

III. CORPORATE KNOWLEDGE MANAGEMENT

BACKGROUND

133. Corporate Knowledge Management (CKM) is a structured and systematic effort in developing and using the knowledge possessed to assist the decision-making process for improving organizational performance. It includes efforts to acquire, store, process and retrieve, use and disseminate, as well as evaluate and refine knowledge as an organizational intellectual asset. CKM is needed today when the speed of technological development rises, the external environment changes, and the complexity of problems increases. This is exacerbated by the decreasing individual experience due to high employee turnover and the use of short-term positions such as those of consultants, experts and interns, for which an organization needs to respond appropriately, quickly, and intensively so as not to be left behind. This is no exception with the IAEA.

134. The IAEA is a unique organization and is home to wide and specific knowledge related to the application of nuclear science and technology. This covers many areas from: Safety and Security; Science and Technology; to Safeguards and Verification. As an organization that provides references for its Member States, the IAEA plays an important role in the development of knowledge in the nuclear field and its applications. For that, the IAEA needs a comprehensive process so that institutional memory gained does not vanish.

135. Our audit scope encompassed CKM Planning and Monitoring and Evaluation for the period of 2018 to 2021. Prior to the fieldwork, we performed survey delivered internally to the Agency's management relevant with the CKM. The researchable question for the CKM was: "*Has the Agency effectively designed and implemented knowledge management strategies and policies, as well as measured the expected outcomes of knowledge management performance, with regards to knowledge generation, knowledge sharing, networking and exchange, as well as quality, reach and uptake of knowledge products and services??".* In order to answer this overarching question, we sought to answer the following three sub-questions:

- To what extent has the agency develop a comprehensive knowledge management (KM) strategy for structuring and guiding the manner in which the organization channels its efforts to manage knowledge in order to achieve its goals?
- To what extent has the Agency derived the KM strategy into policies and guidelines and further detailed and transformed it into established KM processes and actions?
- To what extent has the Agency developed a results-based framework and devised measures and instruments to allow the systematic review of its KM implementation?

AUDIT FINDINGS

136. The CKM system of the Agency was established in 2011 with a peak in corporate activity in 2013 when policy and guidelines were documented, however never widely distributed. CKM has matured into a streamlined process that is part of the Agency's results and accountability frameworks. One of the

big steps forward in relation to CKM since 2017 was the inclusion of a handover document in the checkout process by MTHR. Nevertheless, the survey results suggested that only 59% of respondents were aware of the existence of the CKM policy document, and of that number only 46% found it relevant to their work and 19% found to have implemented it consistently.

137. From an analysis of the document and in-depth discussions with the focal points, we observed that the Agency had a comprehensive CKM policy documented. However, this needs to be accompanied with a documented action plan to support its systematic and consistent application across the Agency and to ensure the institutional memory of staff is not lost. This should be supported by relevant tools and templates and strong oversight, in addition to quality assurance processes in order to avoid the loss of corporate knowledge in the nuclear field and its applications.

138. The detailed important aspects that need to be highlighted are as follows:

A. The Need of Departmental Action Plans

139. The interview conducted by BPK further identified that the principles of CKM seem to have lost momentum since the document was first published. The Inter-departmental Steering Group on Corporate Knowledge Management (ISG/CKM) - as one of the functions responsible for supervising the implementation of CKM - has not performed its duties since the last meeting in 2017 at which time the system was streamlined and incorporated into the Result Based Management (RBM) group.

140. According to the survey, 57% of respondents identified that there was a departmental mechanism in conducting knowledge transfer, and 48% said that the mechanism was easy to follow. Nonetheless, the interview and our document analysis revealed that not every department has a documented action plan in place to support the implementation of CKM, as stipulated in the CKM policy. The CKM policy also stated that the CKM plan is part of the CKM system that must be implemented systematically. The IAEA focal point clarified that since the ISG/CKM was inactive, there was no longer a CKM plan, nor other supporting documents approved by the ISG/CKM. Each department applies its own mechanism according to its specific needs with coordination and monitoring performed by the Director-General Office (DGO) as part of the RBM processes.

141. The CKM policy details the CKM process of which contains how to record, maintain and access explicit and non-explicit knowledge. Streamlined and documented processes and procedures will improve knowledge sharing, communication, and awareness of CKM roles and responsibilities. However, the process has not included the necessary review elements to ensure that the acquired knowledge is relevant, accurate, and applicable. IAEA focal points also identified that in daily practice the review has been attached directly to supervisors/managers, by the core values of the IAEA accountability framework. Nevertheless, the quality assurance aspect needs to be strengthened to ensure all relevant steps have been followed.

142. Relevant policies such as the RBM policy should include specific requirements related to CKM and information sharing as relevant and applicable. This will ensure the process is continuously improved and will ensure that it is not a stand-alone process. This should also be further cascaded within departmental action plans.

Recommendation 13 We recommend the Agency consider establishing departmental action plans, including review elements, to better implement CKM.
The Agency agreed with the recommendation.

B. Optimizing and Integrating the Available ICT Tools to Support CKM Implementation

143. Although each department has its own mechanism for implementing CKM, the availability of tools and related supporting elements needs to be more widely accessible to ensure the process is effective and precise. One important component is the availability of Information Communication Technology (ICT) platforms as a means to create, store, access, and use the content.

144. Content can be in any form, however this must be accessible quickly and easily and this will be dependent on the IT capabilities. Without KM, these contents may be situated in places that cannot be accessed by all required users, which in turn can cause inefficiencies when these are re-created. The interview conducted by BPK identified that there were many platforms used in the agency for storing information. This makes it difficult to maintain consistency in record keeping and can limit the ability to access the content when needed.

145. The CKM policy at the IAEA has established several main principles in CKM activities. These have not been fully explained as to how they are to be implemented. In practice, each department has its own template which is used in acquiring knowledge from their employees. Nevertheless, some employees found it difficult to share their knowledge since they did not know how to do so, as there was no example that could be used as a reference.

146. The Agency's accountability framework, competency framework, Agency-wide processes such as the HR knowledge transfer process, and tools such as the SharePoint repository for managers, are important elements of the CKM framework. These are supplemented by department-specific tools, templates, and processes. These departmental tools and templates should be made available across the organization as part of a central repository for project managers. This would also help support the understanding of staff as to what kind of knowledge they are expected to share. Ease of access is important in increasing the efficiency and effectiveness of business operations, but data security and privacy must remain top priorities for organizations.

Recommendation 14 We recommend the Agency consider optimizing and integrating the available ICT tools and templates of knowledge transfer and make these available across the organization to improve the user experience
The Agency agreed with the recommendation.

C. Strengthening Oversight and Quality Assurance in CKM

147. The implementation of the CKM effectively requires two types of people, namely senior leaders and cross-functional stakeholders. The CKM policy has regulated in such a way that the Director-General provides directions for the implementation of CKM and ensures that CKM is managed properly. However, several institutional challenges have impaired effective CKM implementation. Most notably,

there is limited evidence of a strong organizational commitment, particularly from senior management, to continue encouraging CKM and to oversee the implementation of CKM processes.

148. IAEA focal points clarified to BPK that even though ISG/CKM is no longer active, the function still resides in each department. Furthermore, there is a need for a function that could play an essential role in overseeing and quality assuring the departmental KM processes. To ensure departmental accountability for KM, Programme Coordinators, as part of the RBM coordination group, should report on the progress made and lessons learned on an annual basis.

Recommendation 15 We recommend the Agency consider establishing a process to oversee, and to assure the quality of, the departmental CKM process.
The Agency agreed with the recommendation.

D. Establishing Performance Indicators

149. As part of the Agency's existing results-based management, the success of CKM should be regularly assessed. This is done to provide an overview of the success of the activities that have been carried out.

150. Appropriate assessments and indicators can provide input as part of continuous improvement. The interview conducted by BPK identified that there are currently no established indicators in assessing the success of CKM implementation. Although in the interview it was acknowledged that the measurement of CKM's success was important to enable the Agency to achieve its intended results. Accordingly, the means to measure the success of CKM processes should be considered.

Recommendation 16 We recommend the Agency consider establishing an element or indicator of CKM measurability when reporting on the assessment of project outputs.
The Agency agreed with the recommendation.

IV. MANAGEMENT OF TECHNICAL COOPERATION PROJECTS

BACKGROUND

151. The Agency's Technical Cooperation (TC) with Member States is the primary instrument through which the IAEA delivers services to its Member States. It aims to promote tangible socioeconomic impacts, supporting the use of nuclear science and technology, to address major sustainable development priorities at the national, regional and inter-regional levels.

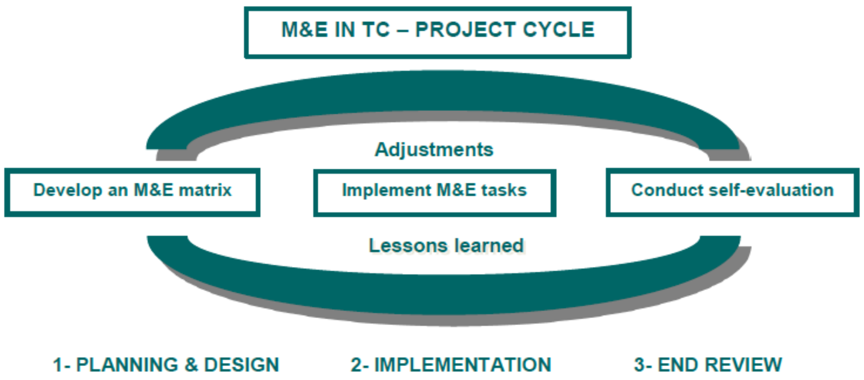
152. The TC Programme (TCP) cycle, shown in Figure 2, has three major stages covering Planning, Implementation, and Review. To clarify concepts and scope, and to provide guidance and tools for results monitoring and evaluation of the TC Projects, the Agency has established *Monitoring and Evaluation Guidelines*. It defines monitoring as a continuous function to inform the programme or project managers and stakeholders of progress achieved against planned results (outputs, outcome, and objectives). While evaluation is defined as an objective, independent and systematic examination of the

extent to which a programme or project has achieved (or is achieving) over time its stated objective and, therefore, is meeting the needs and priorities of Member States.

Figure 2. Trend The TC Programme Cycle

153. Monitoring and Self-evaluation (M&E) activities in the TC Project Cycle, shown in Figure 3, are implemented as a single function aligned with the structure and responsibilities of the TC Department. Accordingly, M&E activities are embedded in each stage of the TC Programme, namely planning and approval, implementation, or programme review.

Figure 3. Monitoring & Evaluation in TC Project Cycle



154. In delivering the TC project, the Programme Management Officer (PMO) and Technical Officer (TO) have up-front roles to ensure the projects are delivered as planned. PMO will assist Member States (MS) prepare the Country Programme Framework (CPF), coordinate input and feedback, and formulate the national TC programmes based on the Member States' plans. The PMO manages the delivery of IAEA inputs under approved TC projects and based on the agreed project work plans to ensure that Technical Cooperation Fund (TCF) resources produce expected results. Meanwhile, the TO is responsible for the technical integrity of TC activities and is actively involved in the development and implementation of projects.

155. The Guidance on Monitoring and Evaluation also highlights the importance of Logical Framework Matrix (LFM), especially for the performance indicators (PIs). PIs have to be measurable to enable the M&E activities measure the actual achievement against the planned or expected results regarding quality, quantity, and timeliness. For TC projects, PIs are defined at least at output and outcome levels, which explain baselines and target values to the variable to be measured.

156. Our audit covered the formulated planning and design workflow, as well as implementation, monitoring and evaluation processes and activities, following the logical framework approach applied the Agency. It was performed by focusing on selected samples of TC projects based on the survey results delivered internally to Agency's TC project management, and the TC project team member in Member States. The researchable question for the TC project management was: *"Has the Agency effectively designed and implemented TC Projects Management to ensure the quality of services provided to Member States?"*. In order to answer this overarching question, we sought to answer the following sub-questions:

- To what extent does the Agency have a comprehensive and effective management of the planning and design phase of TC projects?
- To what extent does the Agency have a comprehensive monitoring strategy for the implementation of TC cycle?
- To what extent does the Agency evaluate the impact of TC projects in Member States?

AUDIT FINDINGS

A. Enhancing the Effectiveness of the Quality Assessment Process of Technical Cooperation Projects

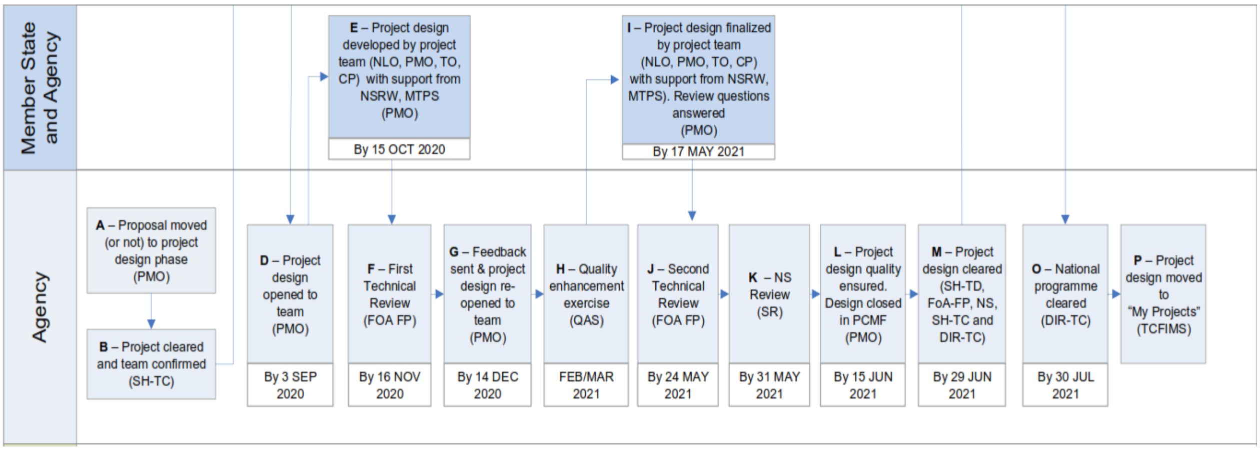
157. All TC projects are required to meet the TCP Quality Criteria based on the central criterion of the TC Strategy. These are relevance, coherence, effectiveness, efficiency, sustainability, and ownership. These criteria are applied to all TC projects that are developed, based on the Logical Framework Approach (LFA) in all the regions and all phases of the TC cycle.

158. To ensure that TC projects delivered to the Member States are of high-quality, an effective and high-quality assessment process plays an important role in managing all phases of the TC projects cycle. The TC Quality Assurance Section (TCQAS) conducts the quality assurance of the TC projects.

159. TCP Quality Criteria have been incorporated into the guidelines to conduct the review and high-quality assessment of TC project designs. The TCQAS has developed guiding questions, assessment criteria, samples of indicators and ratings as a reference for project teams and the quality assessment reviewers. These guidelines are regularly revised and updated accordingly based on the accumulative lessons learned gained during the quality assessment of the previous TC cycle.

160. Once the TC Project concepts are moved to the design phase, the projects team and other relevant stakeholders within the Agency will then follow the process elaborated in the National Project Design Workflow for the TC Cycle. After the project design is developed by the project team, the design will go through several review processes, as shown below in Figure 4:

Figure 4. PCMF National Project Design Workflow – 2022-2023 TC cycle



161. The design will first be reviewed by the PMO and procurement reviewer. This is then followed by a technical review from the TO and TC Field of Activity focal points. The external reviewers, coordinated by TCQAS, will then conduct the quality assurance exercise which is referred to as quality enhancement (QE) and quality review (QR). The QR is performed after the clearance of the proposed TC programme. The whole quality assessment processes are conducted based on the list of guiding questions in the *National Review Questions* provided by TCQAS. Each review process will generate feedback that will then be followed up to improve the quality of the project design.

162. Based on the observation and analysis, we have identified several areas for improvement that could further enhance the quality and effectiveness of this review process. These are as follows:

1. The Need for Clear Tracking and Recording of Quality Assessment Process of the TC Project's Design Phase in the TC Programme Cycle Management Framework (PCMF)

163. We observed that the review, QE and QR were helpful to improve the design of the TC projects, however the available documentation on the PCMF provides only information on the guiding questions, time log, ratings, and feedback from the reviewers. Currently, the PCMF does not provide a tracking function and repository system of feedback follow-up and does not record the changes in the project design. This poses a risk the review process might become ineffective given feedback may not be available and accessible in real-time or may not be followed up by the project teams.

164. Furthermore, PCMF does not capture data to track who edited or made an improvement or changes in the project design during the review process. Due to this, the external reviewers in the QE stage did not input their draft of feedback and ratings directly into PCMF. Once they entered it in the PCMF, the system would not allow TCQAS to edit and update accordingly. Consequently, the TCQAS personnel need to input all the external reviewers' feedback, along with the TCQAS update, for the average of 600 project designs for every TC cycle on the PCMF. This current process is time-consuming and inefficient and may delay the availability of the review feedback for the project teams.

165. We are of the opinion that by providing tracking functionality, repository, and capturing version control for all stages of project design review process in PCMF, the Agency will enhance the review process' effectiveness and efficiency and the impact of the QE review feedback in improving the quality of project design.

Recommendation 17
We recommend the Agency enhance, where appropriate, the PCMF functionality to provide the tracking functionality, repository, and capturing version control for all stages of project design review process.
The Agency agreed with the recommendation.

2. Providing Added Value to the Quality Review (QR) Exercise in the Improvement of TC Project Design

166. The General Conference resolution GC(64)/RES/11, *"Strengthening of the Agency's technical cooperation activities"* has acknowledged the Agency's efforts in implementing a two-step mechanism of quality assurance of the project designs of QE and QR. This has been implemented for the TC cycle of 2018-2019 to 2022-2023, with some improvements by shifting the time frame of the QE exercise from November (1st year of the cycle) to February/March (2nd year of the cycle) to provide sufficient time for the project team to develop their project design.

167. The feedback and ratings relative to the TC quality criteria provided by the QE will then be followed up by the project team. Afterwards, the project design will be finalized by the project team and go through the QR exercise. In the QR exercise phase, given that the project design can no longer be modified, the external reviews will only provide new ratings for the project design that previously received "low" ratings in the QE exercise.

168. Based on our discussions with TCQAS and PMOs, there was a view that the current practice of QR did not add value to the improvement of project designs, as there is no additional feedback to support "low" rated project designs. According to TCQAS, to overcome such situations, in the Guidelines for Planning and Design of the 2024-2025 TCP there will be two QE exercises followed by a QR exercise. This arrangement will allow "low" rated project designs to receive additional feedback from QE and have the time to revise accordingly. Despite these changes in the quality assurance arrangement, the QR output will remain unchanged, which is the updated rating of TC project designs. The updated rating is to assess the extent to which project teams have integrated QE feedback into final design documents and to support the decision-making process of TC Project approval.

169. The design rating provided by the QR report is not the sole factor to decide the approval of TC Project, since "low" rated design quality might still be approved for implementation. However, it would be more useful to provide additional recommendations or suggestions for the "low" rated design on certain areas that require improvements in the implementation phase. This will support the team to take timely appropriate corrective actions on the area of the design that is lacking at the early stage of the implementation phase to have a successful TC Project.

Recommendation 18
We recommend the Agency add value in QR through the provision of recommendations or suggestions of immediate corrective action that need to be taken for "low" rated project design in the early stage of the implementation phase.
The Agency agreed with the recommendation.

3. Applying relevant quality assessment framework that considers the attributes of TC Projects

170. The average number of TC Project Design that needs to be reviewed by the external reviewers and TCQAS is around 600 designs for each TC cycle. According to the Guidelines for Planning and Design of TCP, the QE stage should be conducted and completed within a month. In this stage, the external reviewer will provide feedback and ratings for the whole portfolio of project design. Within this period, the TCQAS will also perform a quality control mechanism on that feedback and ratings in order to build coherence and ensure the objectivity of all review results of external reviewers.

171. Discussions with PMOs and TCQAS indicated that the quality of the reporting of QE and QR may vary among projects and external reviewers. Some reports provide clear, detailed and relevant feedback while others do not. This might be indicative that reviewers did not have sufficient amount of time to thoroughly review the portfolio of projects design allocated. Given the upcoming TCP 2024-2025 will require two QE exercises, these timeframes for conducting quality assurance exercises will be further tightened.

172. Currently, there is one quality assessment framework implemented across all project categories regardless of the size and complexity of the projects. Given this, the Agency should develop a risk-based approach with relevant standards defined for the quality assurance process in consideration of the size, complexity and other attributes of the projects. Applying relevant standards from the quality assessment framework may assist streamlining the process and reduce the length of the assessment steps/questions for more the straightforward/non-complex projects and a more thorough assessment process for high value or high complexity projects.

173. We are of the opinion that establishing standards or principles for the quality assurance process in the assessment framework based on complexity and size of projects can improve productivity of the reviewers and improve the quality of the assessment process by allowing the reviewers to focus more on high risk/complexity/value projects. This can result in the provision of higher quality feedback or assessments to support project teams.

Recommendation 19 We recommend the Agency consider establishing a differentiated framework for the quality assurance process by taking into consideration the complexity, size and other defined attributes of the projects.
The Agency agreed with the recommendation.

4. Implementation of the quality assessment process throughout the TC Project cycle

174. As the TC Quality Criteria is applied throughout all phases of the TC Project cycle, these criteria are also used as reference to conduct quality assessment process for the planning and design, implementation, and monitoring and evaluation phases of TC Projects. Currently, the Agency has only performed quality assessment processes relative to TC Quality Criteria in the planning and design phase. The *Quality Assurance of Project Designs for the TC Programme 2022-2023* report illustrates that through the QE and QR exercises the quality of project design has shown some improvement.

175. To ensure that TC Projects meet the standards and quality requirements in the TC Quality Criteria, the Agency should extend the quality assessment process beyond the planning and design phases to the implementation, monitoring and evaluation phase. The Agency should consider the utilization of the monitoring and evaluation tools - namely the Project Progress Assessment Report (PPAR) and Project Achievement Report (PAR) - to develop the framework for quality assessments for monitoring and evaluation. However, according to the *Quality Assurance of Project Design for TC Programme 2022-*

2023 report, TCP quality criteria are not yet explicitly applied in the e-PPAR and PAR, thus the format of PPAR and PAR might need to be updated accordingly to the TCP quality criteria.

176. By extending the quality assessment exercise, the Agency will be able to more effectively manage, and be assured of the quality of, TC projects delivered to the Member States.

Recommendation 20
We recommend the Agency: a. Consider, given the available resources, updating the format of e-PPAR and PAR accordingly to enable the assessment of the TC Quality Criteria in the monitoring and evaluation phase; and b. Consider establishing guidelines to conduct quality assessment process in the monitoring and evaluation phase of TC Cycle.
The Agency agreed with the recommendation.

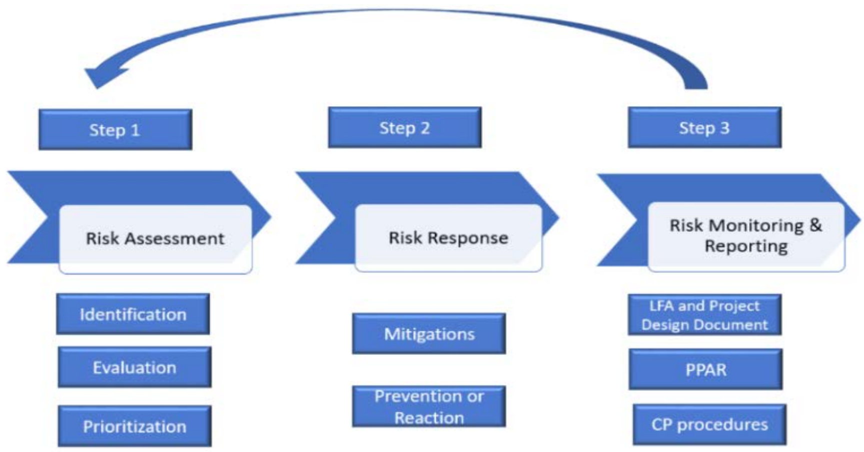
B. Enhancing the Risk Assessment Process of TC Projects

177. One of the critical parts of the TC Programme cycle is the project planning and design phase, where several processes take place, such as risk assessment, needs analysis and stakeholder analysis. Considering the large number of resources required for TC projects, a systematic approach to project risk management is required to manage these resources and to ensure there is a minimal impact of possible risks on the achievement of individual TC project objectives.

178. The TC Department has introduced a toolkit to provide TC project teams with guidance and tools, which can be applied during project design and implementation, to set up an effective risk management framework that will consider risks to the implementation of TC projects. This toolkit can be accessed in the form of an e-learning course through PCMF platform.

179. The toolkit describes the Risk Management Process, shown below in Figure 5, which consists of a series of managerial actions related to assessing risks, responding to identified risks and to monitoring and reporting on risk related issues, monitoring actions and controls.

Figure 5. Risk Management Process[7]



180. We observed that the e-learning section in PCMF is useful for the project teams to help improve the risk assessment and management process during the TC project cycle. However, we found there were some identified areas for improvement, as follows:

1. The Need for Identifying the Risks Associated with Input Level of a TC Project

181. We observed that the LFM identified the risk and assumptions in the activity level, while the risk and assumptions in the input level are not in place. Activities are actions taken or work performed to convert inputs into specific outputs (inputs come from both Member State and TC resources). Member State inputs can include, but are not limited to, the investment in infrastructure, new staff or additional resources necessary for the project, etc. From the TC side, typical inputs are expert missions, fellowships, scientific visits, meetings and workshops, training courses and field procurement. Referring to the materials on e-learning regarding risk management, we understand that any impairment on the input's fulfilment can impact an activity that may hamper the attainment of the outputs.

182. Discussions with selected PMOs identified that presently PMOs developed offline spreadsheets with varying formats containing task milestones, constraints and comments on input delivery progress, using the information on the LFM and workplan. In addition, some PMOs identified and included risk in the input level in order to help them manage the TC Projects. This current practice suggests that PMOs may identify and document the risks associated with the input level in different ways since there is no governing document related to input level risk identification.

183. We are of the opinion that identifying risks and assumptions in the input levels can assist project teams to effectively monitor project implementation and plan mitigation actions, as well as ensure the minimal impact of possible risks to the achievement of the objectives of individual TC projects.

2. Enhancing the Risk Assessment Disclosure on PCMF

184. Our survey results indicate that the process of identifying and assessing risk, as well as preparing risk mitigation strategies pertaining to TC Projects, was important during the planning and design phase. It was also identified that the project teams conducted continuous discussions regarding the project's risk profile to update the defined risks and its mitigation strategy.

185. We observed that TC Department had provided guidance on risk management in the form of an e-learning course, in addition to project design template on PCMF. TC Department encourages

[7] E-Learning on Risk Management in Technical Cooperation Projects

counterparts and the National Liaison Officer to go through this e-learning course. Nevertheless, this e-learning course is not binding to the parties involved in the TC project, since it is not provided for in a governing document.

186. The risk assessment process provides the disclosure of the TC project risk assessment results in the PCMF and this has been improved over the years. However, there are still various formats used in the disclosure with some TC projects fully disclosing the information of risk assessment results to the point of identifying the likelihood, impact, and risk mitigation, while others did not.

187. We are of the opinion that having a homogenous risk assessment procedure and technique was important to better perform the risk assessment process of TC projects and to provide the disclosure of the results on PCMF. Furthermore, it was considered beneficial for the project teams to effectively manage the TC projects. Hence, there is the need for a governing document to guide and standardize the risk assessment process and disclosure.

Recommendation 21

We recommend the Agency:

a. consider evaluating the needs of identifying risks associated with input level of a TC Project and, if appropriate, incorporating this into internal project management tools/approaches;

b. intensify the outreach effort in promoting the use of e-learning in the PCMF, specifically the Risk Management in Technical Cooperation Projects; and

c. consider, if appropriate, formalizing the Risk Management in Technical Cooperation Projects material in the e-learning section in the PCMF into formal guidelines.

The Agency agreed with the recommendation.

C. Improvement in the Operationalization of TC Project Management Framework

188. A project is an undertaking that addresses an identified problem or a gap in development in a specific area. It does go through a set of related activities leading to planned outputs and the outcome, hence contributing to the achievement of the overall objective. A project has a defined time period with start and end dates, an allocation of resources, and defined roles and responsibilities for the project team (The Agency's quick reference guide: *Designing IAEA Technical Cooperation Projects Using the Logical Framework Approach*, 2012).

189. Following the LFA, TC projects are designed by developing the project concept into a *Project Document* containing a project background and justification, project description, implementation aspects, and LFM. The document is formulated through analytical steps using a logical thought process including situation analysis, stakeholder analysis, problem analysis, objectives analysis, determination of the project scope and boundaries, and finally the construction of LFM.

190. Once the project design has been verified and approved, the LFM component *Activities* becomes the starting point for the subsequent stages of planning, implementation, and review. As shown in Figure 6, in the planning phase, a project work plan shows *how* and *when* defined project activities are to be implemented.

Figure 6. From LFM to project implementation

	Results hierarchy	Indicators	Means of verification	Assumptions and risk
Overall Objective	Development objective	Overall impact	Documents	For long term sustainability
Outcome	Purpose	Project impact	Documents	Outcome to Objective
Outputs	Specific products	For outputs	Documents	Output to Outcome
Activity	Activities for output	Resources	Documents	Activity to Output

191. Derived from the activities level of the LFM, the work plan indicates the necessary activities for each output by pointing out what is to be done, when it is to be done, who will do it, and what it will cost. The work plan provides the basis for developing terms of reference for contracting out certain activities, as well as the direction for implementation of project activities and the application of necessary resources.

192. Our analysis of the project management framework of TC projects has identified several areas that could be improved in performing its activities, as follows:

1. Development of TC Project Management Tools

193. As part of the TC project team shown in Figure 7, a TC Programme Management Officer (PMO) is responsible for the management of TC projects including the functions of managing the delivery of IAEA inputs under approved TC projects based on agreed project work plans and project resources to produce expected results (outputs, outcomes, and objectives).

Figure 7. TC project team and stakeholders

194. The first point shows that PMOs are responsible to manage the Agency resources (e.g. budget, technical expertise, databases, training materials, e-learning resources, procurement) and relevant tasks performed to fulfil the scheduled delivery of the indicated IAEA inputs. Based on the discussion with selected PMOs, we observed that some have created their own project management spreadsheets based on the project work plan with varying formats containing task milestones, constraints and comments on input delivery progress.

195. Recognizing that the Agency's IT web-based platform - TC PCMF - is primarily used for the planning phase of project management, some work related to the management of the IAEA inputs delivery is done offline. Consequently, important data and information regarding the day-to-day progress of the TC Project maintained on the PMOs spreadsheet cannot be used to inform other project team members and relevant stakeholders for monitoring and decision-making purposes. We are therefore of the opinion that the absence of such a dedicated tool for PMOs in ongoing planning and monitoring tasks could affect the timeliness, relevance and quality of the Agency inputs delivery.

Figure 8. Monitoring tool for TC project implementation

Design element	Monitoring tool	Actions as a result of monitoring
OVERALL OBJECTIVE Assumptions	Assessment	• Improve future TC planning (lessons learned) • Report on project's contribution to higher level objectives at country level or theme level
OUTCOME Assumptions	Achievement report Self-evaluation	• Country acknowledges project complete • Close project • Improve future TC planning • Contribute to 'good practices'
OUTPUTS Assumptions	Periodic progress report Work plan	• Inform partners about outputs attained • Validate or revise work plan, revise budget • Redefine project components, if required • In-depth project review, if required • Suspend project, in extreme case
ACTIVITIES Assumptions	Work plan Resources/inputs	• Validate or revise work plan • Revise budget

196. Secondly, to ensure that the expected project results have been achieved as planned in the work plan, PMOs using the LFM are tasked to monitor the execution of activities in Member States by coordinating with project team members, revisiting the occurring risks and the fulfilment of assumptions and resources/inputs that lead to or may hamper the attainment of outputs, including if required validating or revising work plan, budget, and redefining project components (shown in Figure 8).

197. In this regard, we have observed that the existing PCMF platform, work plan, and project progress assessment reports (PPARs), which is an electronic progress report prepared by counterparts in Member States, could be improved so as to assist PMOs in performing the mentioned tasks. This is because the PPARs only report on annual basis so that the progress status cannot be tracked continually. We are of the opinion that the absence of a monitoring tool at the output level affects the effectiveness of TC project monitoring by the PMOs.

Recommendation 22

We recommend the Agency consider the need for enhanced TC project management tools which support PMOs and other relevant stakeholders in the daily management of Agency resources and relevant tasks to ensure the timeliness, relevance and quality of the IAEA inputs and more frequent monitoring of progress status at the project output level, by improving and integrating the existing IT platform.

The Agency agreed with the recommendation.

2. Performing TC Project Outcome Monitoring at an Aggregate Country Level

198. For each individual TC project, the LFM contains design elements from activities, output, and outcomes with their correlating indicators, means of verification, risks and assumptions. During the implementation, the design element at different levels is monitored and assessed through certain project monitoring tools. To serve this purpose, in line with the results-based management approach adopted by the Agency, counterparts in Member States annually report output and outcome achievement and progress status through a monitoring tool called PPARs.

199. However, due to the relatively short time span of TC projects compared to the timeframe of expected outcomes to occur, relevant M&E guidelines define outcome monitoring as an assessment of the probability of the achievement of proposed outcomes after project closure. It is for this reason that the TC Reports platform which contains PPARs and PARs, as an outcome monitoring tool, to some extent, are not sufficient since these are discontinued, along with the project closure. This issue has also been noted by the Agency's OIOS through its programme evaluation report in 2019 titled *Evaluation of the Department Technical Cooperation's Outcome Monitoring Approach* that a systematic approach to conduct outcome monitoring of the TC projects is impeded by the TC projects' brief duration and a lack of resources and channels to conduct outcome monitoring after project closure or at an aggregate level.

200. Based on the information gained from some technical officers (TOs), we observed that some information systems and databases managed in some technical departments can provide a formal and evidence-based tool to monitor and quantitatively evaluate the outcomes of TC projects in the related area. These include IAEA's Radiation Safety Information Management Systems (RASIMS), Country Nuclear Infrastructure Profile (CNIP), and Integrated Work Plan (IWP). As these databases have already been used in planning for new activities, we are of the opinion that they could be used as supporting channels and serve as a basis for aggregating outcome achievement in the related thematic area or field of activities in the respective countries.

201. Considering the fact that tracking of outcome-level results should be used as a project management tool to improve the robustness of the adopted results framework, we are of the opinion that a suitable information gathering method, such as regular survey to relevant stakeholders in related TC project countries, should be implemented.

Recommendation 23

We recommend the Agency:

a. identify and seek opportunities to utilize relevant information systems, databases, and other sources of information, managed within the Agency's technical department, to provide a formal and evidence-based tool to contribute to monitoring and quantitatively evaluating the outcomes of TC projects in the related thematic area to be identified during the design phase; and

b. consider a suitable information gathering method, such as the conduct of a regular survey to relevant stakeholders in related TC project countries, as a project monitoring tool at the aggregate level after project closure.

The Agency agreed with the recommendation.

OTHER MATTERS

Cases of Fraud and Presumptive Fraud

202. The Management reported to us that there was no case of fraud and presumptive fraud reported within the Agency during 2021.

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

Table 15. Cases of fraud or presumptive fraud reported in IAEA

Period ended	Cases of Fraud			Cases of Presumptive Fraud		
	Number of Cases	Amounts (€)	Position as of 31 December 2021	Number of Cases	Amounts (€)	Position as of 31 December 2021
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	-
31 December 2020	0	0.00	-	2	0.00	-
31 December 2021	0	0.00	-	0	0.00	-

Source: Information provided by management and OIOS

Write-offs

204. Receivables amounting to €85 486.10 were written off in 2021. This write-off includes the following:

Table 16. Detail of Write-Offs

No	Type of Receivables	2021 (€)
1	Payroll Receivable Irrecoverable	50 936.10
2	Agency Sale Receivable: Lab Reference Material Invoices	34 550.00
	Total	**85 486.10**

Loss Equipment

205. According to AIPS records in 2021, there were nine capitalized assets costing €45 786.00 with a net book value of €22 894.76 and three expensed type assets with acquisition cost amounting to €2 088.51 which were declared lost.

Ex-Gratia Payments

206. No ex-gratia payments have been made during 2021.

RESPONSE TO PAST EXTERNAL AUDITORS' RECOMMENDATIONS

207. The response of Management indicating actions taken on past External Auditor's recommendations, is given at Annex I.

ACKNOWLEDGEMENT

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

209. We also wish to express our appreciation to the IAEA for their continued support and interest in our work as External Auditor from 2016–2021.

(signed)

Dr. Agus Joko Pramono, CA, CPA

The Vice Chairman of the Audit Board of the Republic of Indonesia

External Auditor

Jakarta, Indonesia

31 March 2022

ANNEX I

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

Table 17. Recommendations and Follow Up

External Auditors' Audit Results	2011		2012		2013		2014		2015		2016		2017		2018		2019		2020		Total
	FA	PA	FA	PA	FA	PA	FA	PA	FA	PA	FA	PA	FA	PA	FA	PA	FA	PA	FA	PA	FA* & PA**
Recommendations opened as of 1 Jan 2021	3	0	0	2	0	1	1	3	0	1	1	2	0	2	3	2	4	9	12	9	55
Recommendations implemented in 2021	0	0	0	1	0	1	0	1	0	1	1	1	0	0	1	2	3	6	9	8	35
Recommendations in progress as per 31 Dec 2021	3	0	0	1	0	0	1	2	0	0	0	1	0	2	2	0	1	3	3	1	20

* FA – Financial Audit

** PA – Performance Audit

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
Audit Report for The Year 2020		
Financial Issues		
1	The Agency should provide an analysis on the impact of the devaluation to the Agency's operations, including the future cash disbursement plan, of the non-convertible currency.	Upon the conversion of funding from CUP to USD, the previously unallocated balance of CUP 1.8M, classified as "Non-convertible currencies that cannot be utilized" to US$75K, was allocated to project activities in general. The conversion was reported of CUP in the TCAR 2021 as at 31 December 2021. Management considers the recommendation to be Implemented.
2	The Agency should review the estimated useful life of vehicles, inspection equipment, and other equipment and provide the related analysis leading to the decision to either retain or adjust the estimated useful life.	The analysis on the estimated useful life assigned to the various asset categories, particularly inspection equipment, vehicles and other equipment was completed and shared with the MT and SG team for internal assessment with respective stakeholders in December 2021. Both teams confirmed that the current useful life assignments were deemed the best estimate based on several factors such as location, usability and

<table>
<tr><th colspan="2">Key Audit Recommendations</th><th rowspan="2">Management Response</th></tr>
<tr><th>Rec. No.</th><th>Description</th></tr>
<tr><td></td><td></td><td>local regulations. The analysis and conclusions are documented in a note to the file.
As required by IPSAS, this review of UEL is conducted on an annual basis. Hence, for this year, the action is completed.

Management considers the recommendation to be Implemented.</td></tr>
<tr><td>3</td><td>The Agency should update the Administrative Manual to include the purpose of the Health Insurance Premium Reserve Account and the decision-making process.</td><td>As mentioned in the previous update, a SEC/DIR has been released addressing this recommendation.

Management considers the recommendation to be Implemented.</td></tr>
<tr><td>4</td><td>The Agency should continue its efforts to recover the overpayment.</td><td>The ongoing recovery process has resulted in an outstanding amount of €2 573.62, spread across 5 individuals, as of 31 December 2021. As a repayment scheme is in place for each, and considering the low amount, we are considering this recommendation effectively closed.

Management considers the recommendation to be Implemented.</td></tr>
<tr><td>5</td><td>The Agency should enhance its internal controls related to the use of consultancy services, more specifically on:
a. compliance with the required minimum years of experience.
b. the basis for the translator's fee payment in the contract.</td><td>The following dimensions were verified with the SSA verification:
• # of Candidates Considered
• Documentation of the Selection Process/Hiring Manager Justification availability
• Minimum Years of Experience
• DSA/Travel
• Medical
• Duration of Assignment
• Performance Assessment Availability
• Age at 1 January 2021
• Cumulative Working Days

Communication to all staff involved in the preparation of Special Service Agreements noted the necessity for compliance with the AM (more details below):
• Training to all staff involved in preparation of Special Service Agreement provided; training planned to be repeated in 2022.</td></tr>
</table>

<table>
<tr><th colspan="2">Key Audit Recommendations</th><th rowspan="2">Management Response</th></tr>
<tr><th>Rec. No.</th><th>Description</th></tr>
<tr><td></td><td></td><td>Annual review of compliance for contracts less than 63 days competed by COB 2022-01-31. A summary of findings is to be communicated to DIR-MTHR and the relevant Divisions/Departments.
For contracts 64+ days, the Recruitment unit reviews the eligibility of candidates.
Translation Fee payment is a MTCD specific business need;
Changes to administrative manual to support this are done.
Additional controls and actions taken:
Documentation of Selection Process:
Ensuring in cases where the VN for consultancy was not advertised, at least three candidates need to be considered for an assignment.
In exceptional cases, if it is not possible to identify more than one suitable candidate for an assignment, the hiring manager shall provide a written justification for proceeding with one candidate only.

This justification should be documented in the requisition, replacing the documentation of selection process (either on Additional Information, History or Interviews tab).
Taleo Profiles of Candidates (Personal History Form):
Ensuring all candidates who are considered under the selection process are attached to the relevant requisition. See above for necessary information when only 1 candidate attached.
Minimum years of Experience:</td></tr>
</table>

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
		• Ensuring the remuneration/fee is determined according to the level of expertise, and complexity of the assignment, as well as ensuring that the consultants hired against the specific range do meet the relevant number of years of relevant work experience, as per the AM.II/11, Annex II. DSA/Travel Costs not included into the Agreements for non-locally recruited SSAs: • The language of the AM allows for the possibility that no Ticket/DSA is payable for non-locally recruited Consultants. • Agreements include the language "The Subscriber shall not be entitled to any benefit, allowance or payment other than those expressly provided for in the Agreement." • Further enhancements to AM being considered to ensure it is clear no ticket/DSA needs to be paid. Performance assessment: • Phase 2 of the electronic clearance process was launched in July 2021 which includes Consultants and Interns. The Knowledge management as well as performance assessment is a task which needs to be completed. Management considers the recommendation to be Implemented.
6	The Agency should improve the internal controls related to travel and training expenses cancellation by: a. implementing an annual review on cancellation reason available in AIPS in order to enhance internal controls in ticket issuance to minimize future cancellation cost; and b. incorporating regular updates for any changes in the approved travels for non-Staff to maintain the accuracy of information within the Travel Management System.	a. In summer 2020, a drop-down menu was introduced into TRACS to enable categorization of cancellation reasons, enabling control and review by managers and furthermore, all requested but uncancelled travels from 2020 (caused by COVID-19 uncertainties) (approximately 135) were closed by January 2021. TGSS/Travel Unit (TU) will now issue regular reminders to travel arrangers/administrators (AOs in Departments) to ensure that trips are not left open for longer periods (months). TGSS/TU will conduct an annual review of travel cancellation statistics, using the drop-down tool and will convey advice to travel arrangers to close TRACS and manage open bookings.

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
		b. All changes to TRAC ticketing are detailed in each TRAC. Staff ticket revisions are tracked (especially for those raised less than 21 days before travel). All other ticketing changes (e.g., non-staff) always require approval by allotment managers, thus maintaining accuracy of information. Management considers the recommendation to be Implemented.
7	The Agency should continue to monitor the status of cancelled non-staff travel and explore available options to recover outstanding allowances in an efficient and effective manner.	Follow-ups have been sent to the departments to remind non-staff to payback the amounts paid. A number of person suppliers have been put on payment hold in AIPS to monitor any future payments which enabled recoveries to be made. MTBF continues to monitor the situation for recoveries due to cancelled non-staff travel. In addition to using the payment hold for recoveries, the cash payment method is being used more for participants attending events at the VIC to temporarily eliminate the need for any recoveries in case of non-attendance due to changing travel restrictions. Efforts for recovery shall continue. Management considers the recommendation to be Implemented.
8	The Agency should enhance relevant internal controls to maintain: a. proper classification of training and travel expenses; b. cut-off accuracy of training and travel expenses; and c. alignment of AM VII/5 to the actual practice of reporting of training activities and proper verification of training expenses.	As part of the year-end closure instructions, departments are reminded to submit claims and invoices before the specified deadline. In addition, accruals are made for large amounts prior to the financial statements cut-off date. To ensure the proper classification for all transactions, a change in AIPS to restrict expenditure coding would be needed and this is under consideration. MTBF reminded departments to submit claims before the 2021 y/e closure. MTBF made a total of 429K of accruals related to travel and training expense prior to the 2021 FS cut-off date. At this stage with AIPS upgrade and other priorities, a change in AIPS to restrict expenditure coding would have to be delayed. Management considers the recommendation to be In Progress.

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
9	The Agency should enhance relevant internal controls to maintain the staff compliance on duty travel reporting.	In January 2022, MTGS/TGSS established a TRIP (Duty Travel) Reporting Project to deliver an overview and informational details on travel reports to the Administrative Officers of each IAEA Department and DGO. From July 2022, these Reports will be made available to Administrative Officers (who, as travel organisers and administrators of duty travel, have oversight to ensure travel reporting), enabling them to monitor compliance and ensure travel reporting by staff for any missing Travel Reports, and allow access to completed travel reports for informational purposes. Management considers the recommendation to be In Progress.
10	The Agency should implement measures to prevent delays of the delivery of goods under the TC programme by: a. incorporating regular updates on the customs clearance requirements of recipient country as part of the project management activities, including at the project planning phase and throughout implementation to prevent delays in the delivery; and b. strengthening the inventory-in-transit reporting within the year-end closure process by actively seeking the feedback of responsible parties on issue that prevent timely deliveries to the recipient country.	The recommendation aims at implementing measures to prevent delays of the delivery of goods under the TC programme and strengthening the inventory-in-transit reporting within the year-end closure. To be able to address this, TCFIMS has introduced monthly reports on Goods in Warehouse prepared by the Global Freight Forwarder which are distributed to all PMOs. Those with higher storage charges, due to time or volume stored, are also flagged and followed up by TCFIMS. In addition, as part of the year-end closure, we share the inventory-in-transit report with all PMOs requiring that they review and update the status of equipment POs (and therefore shipments), in particular those that have been open for some time now. Just to note that all of these additional efforts were undertaken "outside" of the typical role of PMOs. Referring to the roles and responsibilities in the TC procurement matrix, the post contract award administration, including shipments is owned by MTPS. Management considers the recommendation to be Implemented.
11	The Agency should enhance its internal controls related to contractual and other services, specifically on:	Work on drafting and implementing Purchase Order process will begin in Q2 2022. The Management considers the recommendation to be In Progress.

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
	a. Purchase Order alignment with Relevant Contracts/Blanket Purchase Agreements regarding dates, type of service and amount of purchase; b. validity of the creation date and the delivery date of Purchase Orders; and c. invoicing, including role and location of work as stipulated in the BPA.	
12	The Agency should develop an Agencywide guidelines on AIPS Change Request Management by incorporating: a. segregation of duties; b. review from relevant stakeholders; c. timeline on AIPS Change submission and approval; and d. standardized reporting mechanism on the total input, the resource used, and the output of AIPS Change Request Process with a threshold of €25 000.	The new process has been developed and implemented. Management considers the recommendation to be Implemented.
Animal Production and Health		
13	The Agency should consider to expand the establishment of the VETLAB network to other regions through intensive outreach efforts.	VETLAB Network was formally expanded to 46 African and 19 Asian countries (based on PUI and EBR funding), and informally expanded to 27 European and 17 American countries (based on TC and RB ad-hoc funds. This will be formalized once PUI and EBR funding become available). See APH Newsletter No 75, Page 44 https://www.iaea.org/publications/15081/animal-production-and-health-newsletter-no-75-january-2022. Management considers the recommendation to be Implemented.
14	The Agency should:	The Agency completed the following: (a1) Roles of over 200 laboratories added / assigned including ZODIAC ZNLs; (a2) 73 validated SOPs uploaded;

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
	a. intensify the outreach efforts for promoting the utilization of iVetNet through the Agency's capacity-building networks, including the ZODIAC initiatives; b. consider to explore the enhancement of iVetNet through providing additional feature for monitoring the progress of ISO 17025 implementation and maintenance; and c. consider developing user guidelines to improve the usability of all available features in the iVetNet	(a3) In-field trials to field validate iVetNet features through the VETLAB Network and CRP D32032 on all animal health activities including ZODIAC; (a4) Migration to IAEA nucleus platform completed and under firewall testing by MTIT; (b1) Facilitation and support of the implementation of ISO 17025 standards included in iVetNet with all technical features included as needed for ISO 17025 accreditation steps; (b2) Security checks ongoing to validate and QAQC the migration and user ability of iVetNet performed by MTIT; (b3) iVetNet became core part of the ZODIAC IT Portal/Platform to share updated information on the ZODIAC activities and events; (c) User guidelines were developed and being field-tested and will be presented through training courses. Dissemination through the ongoing TC Projects RAF5082; RAS5085 and ZODIAC to multiple regions. The whole communication and recordings of the ZODIAC National Coordinators (ZNC) and ZODIAC National laboratory Coordinators (ZNLs) is managed by the build-in tools of iVetNet and ZODIAC Portal. Management considers the recommendation to be Implemented.
15	The Agency should consider developing the Thematic Plans for Lepidoptera and updating the existing Thematic Plans for Fruit Flies, Screwworm and Tsetse Flies by incorporating the recent research and development, and emerging major partner organizations.	Initiated, however due the need of face-to-face consultants' meetings to revise/develop the identified thematic plans. As soon the travel restrictions are lifted, the work will be conducted. Thematic Plans for Lepidoptera and updating the existing Thematic Plans for Fruit Flies, Screwworm and Tsetse Flies by incorporating the recent research and development, and emerging major partner organizations. Expected timeline to be finalized in Q4 2024. Management considers the recommendation to be In Progress.

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
16	The Agency should seek an opportunity to formalize the collaboration with major organizations and strategic collaborators, while taking into considerations the benefits of such Practical Arrangement for both parties.	A "Practical Arrangements between IAEA and CIRAD (Centre de Coopération Internationale en Recherche Agronomique pour le Développement), France was established. The Management considers the recommendation to be Implemented.
Radioisotope Products and Radiation Technology		
17	The Agency should: a. intensify the outreach efforts to improve Member State's awareness to regularly update the validated data of cyclotrons; b. consider formalizing current collaboration and seeking the opportunity to establish new collaboration with cyclotron manufacturers to obtain sustainable data support; and c. further improve the cyclotron database by providing more information in the database to present more informative manner to meet Member States' needs.	Update on behalf of DIR-NAPC: Completion of the IAEA database: Cyclotrons used for Radionuclide Production. To date, it includes information about more than 1300 cyclotrons, from 95 MSs. There is detailed data on cyclotron machine, productions, contact points and related R&D programmes. In order to regularly update the information, RPRT section provides dedicated forms in the webpage to be fulfilled by MSs. Management considers the recommendation to be Implemented.
Incident and Emergency Preparedness and Response		
18	The Agency should: a. further intensify its outreach efforts and, if appropriate, collaborate with relevant stakeholders in promoting the EPRIMS utilization and encouraging Member States to establish a country coordinator and complete their self-assessment; as well as encouraging the Member States already using the system to further share their information with other Member States; and b. provide more qualitative information in the Nuclear Safety Review Report on trends and insights on EPR drawn from the information contained in the system.	A number of activities have been implemented to promote further the use of EPRIMS. This includes conduct of regular outreach activities, conduct of EPRIMS workshops, EPRIMS upgrades and publishing of EPRIMS Guide for Authorized Users, regular reporting on the current EPRIMS status within a country or regionally when planning respective activities as well as promoting the importance of EPRIMS and self-assessment during bilateral and other meetings, preparation of different projects and activities within integrated work plans and TC country programme frameworks. Since 2020, a more qualitative information (e.g., on the number of published modules from Member States) deriving from EPRIMS has been given in the NSR. This information is accompanied with trends and insights that relate to the status of the implementation of the safety requirements in EPR (No. GSR Part 7) at the national and regional levels. Such information is also used to improve the understanding of the challenges Member States face in EPR area and their needs as important

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
		inputs for the Member States preparedness programme for the region and specific countries within the region. Management considers the recommendation to be Implemented.
19	The Agency should: a. continue, and further enhance, the outreach effort to promote and encourage Member States to implement the full cycle of EPREV, since it is the only peer-review service to comprehensively address national EPR arrangements for nuclear or radiological emergencies irrespective of the initiating cause; and b. continue verifying the implementation of actions to address findings resulted from EPREV missions through EPREV follow up missions and further encourage EPREV hosts to request in due course the EPREV follow up missions.	IEC enhanced its outreach efforts to highlight the importance of Member States implementing the full cycle of EPREV as early as during the initial discussions pertaining EPREV's request, initiation of implementation, during implementation and as part of the EPREV follow-up action plan. It includes liaising with the host countries on the status of the implementation of findings from the initial mission as well. As a result, three follow-up EPREV missions have been requested and are pending implementation (Hungary, Slovenia and Canada) making the full EPREV cycle to be soon completed for the recently implemented EPREV missions. Management considers the recommendation to be Implemented.
20	The Agency should: a. continue developing safety guides and EPR series documents based on GSR Part 7 with the aim to harmonize the provided guidance, and expedite the publication process of such guidelines so as to support the MS utilization of these guidelines for further improving their national EPR arrangements; and b. consider seeking opportunities to shorten duration of time for developing safety guides after publication of the relevant safety requirement.	IEC continued its work on developing safety guides to support GSR Part 7 implementation while following internal strategies and policies for development of safety standards as well as on further strengthening EPR series publications. This includes advancing the revision of GS-G-2.1, preparing proposal for a new safety guide on protection strategy for a nuclear or radiological emergency and advancing developments (revision of existing or developing new) within EPR series publications. To enable defining mid- and long-term priorities for work on the EPR safety standards, a working group was established under EPReSC and work is ongoing to analyse existing guidance in support of implementation of GSR Part 7 requirements and propose way forward how best to address the findings (from developing a new safety guide, addressing the guidance through revision of existing guides or by developing EPR series documents or offering of specific training) and in what timeline.

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
		The discussions are on-going to identify means to facilitate the publication process for EPR series publications that include, inter alia, engagement, in consultation with colleagues working in publishing, of appropriate technical editor, for whom funding was ensured from extrabudgetary contribution. Management considers the recommendation to be Implemented.
21	The Agency should, bearing in mind the importance of flexibility and adaptability in responding to emergency situation requests, consider harmonizing the current practice in responding to Member States requests regarding emergency situation assistance in the event of emergency situation other than nuclear or radiological incident or emergency and, if appropriate, formalizing it into an agency wide standard operating procedure.	A "Guidelines for Biosafety and Biosecurity in Mosquito Rearing Facilities" was published and made available online to all Member States. Management considers the recommendation to be Implemented.
Audit Report for The Year 2019		
Financial Issues		
1	The Agency should consider an option to terminate payments for former staff members' liability to third parties regarding their share of AMIP premium, especially for those who have an outstanding balance for more than 2 years.	AMII/7 para. 54 has been updated by the Agency to implement this recommendation. Management considers the recommendation to be Implemented.
2	The Agency should develop written guidelines on the write-off of receivables deemed irrecoverable, including: a. the investigation of related parties responsible for the loss; and b. documentation of efforts taken to collect the receivables prior to write-off.	Written guidelines for staff receivables have been finalised and provided to the External Auditors. Management considers the recommendation to be Implemented.
4	The Agency should: 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;	The following dimensions were verified with the SSA verification: • # of Candidates Considered • Documentation of the Selection Process/Hiring Manager Justification availability • Minimum Years of Experience • DSA/Travel

<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>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.</td><td>• Medical
• Duration of Assignment
• Performance Assessment Availbility
• Age at 1 January 2021
• Cumulative Working Days
Documentation of Selection Process:
• ensuring in cases where the VN for consultancy was not advertised, at least three candidates need to be considered for an assignment.
• in exceptional cases, if it is not possible to identify more than one suitable candidate for an assignment, the hiring manager shall provide a written justification for proceeding with one candidate only. This justification should be documented in the requisition, replacing the documentation of selection process (either on Additional Information, History or Interviews tab).
Taleo Profiles of Candidates (Personal History Form):
• ensuring all candidates who are considered under the selection process are attached to the relevant requisition. See above for necessary information when only 1 candidate attached.
Minimum years of Experience:
• ensuring the remuneration/fee is determined according to the level of expertise, and complexity of the assignment, as well as ensuring that the consultants hired against the specific range do meet the relevant number of years of relevant work experience, as per the AM.II/11, Annex II.
DSA/Travel Costs not included into the Agreements for non-locally recruited SSAs:
• the language of the AM allows for the possibility that no Ticket/DSA is payable for non-locally recruited Consultants.
• agreements include the language "The Subscriber shall not be entitled to any benefit, allowance or payment other than those expressly provided for in the Agreement."
• further enhancements to AM being considered to ensure it is clear no ticket/DSA needs to be paid.
Performance assessment:</td></tr>
</table>

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
		• Phase 2 of the electronic clearance process was launched in July 2021 which includes Consultants and Interns. The Knowledge management as well as performance assessment is are a task which needs to be completed. Approval process of finalized AM revision, expected to be done Q2 2022. Management considers the recommendation to be in Progress.
6	The Agency should: 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 new process has been developed and implemented. Management considers the recommendation to be Implemented.
Safeguards' Supporting Activities		
8	The Agency should: 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 required survey is completed, and the training has been included in the SG Training programme and it is also recorded in the inspection scheduling programme. A meeting with Directors and Section Heads was held in the planning of our 2021 and 2022 Training programme, confirming the required and priority of courses needed. Management considers the recommendation to be Implemented.
9	The Agency should: 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 Kirkpatrick Level 3 evaluation was completed, and changes were integrated into the Introductory Course for Agency Safeguards for new inspectors. The Safeguards Training Section and Section for Programmme Coordination have evaluated the need for a maximum time away for inspectors to have to re-take ICAS. Directors have discussed this, and it has been incorporated into the terms of reference for inspector recruitment. Management considers the recommendation to be Implemented.

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
10	The Agency should 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 Department of Safeguards has been working with MT to develop the Agency's internal learning management system with Oracle. A project initiation document for internal development was started in March 2019. As a result of the Agency-wide initiative to develop a LMS, the Department contributed to this and as such has been working with MTHR and MTIT to develop a meaningful LMS that can serve the training needs of the Department. It is still under development and significantly delayed. In the meantime, the Department of SG has an internal tool that has been in use for over 15 years (STTS) which monitors staff training. In addition to this, the Department uses CLP4NET for MS training. Overall, it will be beneficial once the LMS is fully functioning as this will allow staff to better access their own training and plan their learning and development in line with the PDR. Again, this is an Agency-wide system. Presently, it has been launched in June 2021, yet the SG component is not yet functional. Management considers the recommendation to be Implemented.
11	The Agency should further improve SPRICS by providing a dashboard feature enabling users to monitor and track the progress of MSSP's Tasks.	In 2020 and 2021, the SPRICS development team produced and released a series of SPRICS improvements and content updates that now allow users to customize and save unique profile views of all of our data. Internal and external users are regularly trained on how to do this, and users can create a dashboard-style interface of customized content feeds in this way. However, a full vision of a polished and automatic custom dashboard for users has not yet been released. It is fully scoped but pending availability of additional resources in 2022 amongst a set of high priority software projects in the Department of Safeguards. A dashboard currently exists, but it requires more setup and is less compelling than anticipated. The aim is to have a friendlier user interface. Management considers the recommendation to be In Progress.
13	The Agency should perform a comprehensive evaluation and analysis of the Safeguards Documents Manager System utilization and explore enhancements that could be made to the	SGIS has completed the process of collecting requirements for updating the current document manager application. These requirements have been translated into a SOW and used to solicit bids for a COTS solution.

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
	Document Manager System based on the evaluation results.	The procurement process was completed, and a vendor and product were selected. New software has been installed and is currently being tested. The software is fully operational in the Department by 31 December 2021. Management considers the recommendation to be Implemented.
14	The Agency should: 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.	a. The guide for drawing conclusions has been completed and documented: SG-GD-15855. b. The SIR 2020 contains data and analysis of the timely submission of State provided information (mainly NMA reports and AP declarations) in Section D.3.1 "Provision of safeguards information". c. The SIR 2020 has included statistics and text on SDP under section E.5.2 "Other initiatives enhancing cooperation with State and regional authorities" (para 214, 215 and Figure 14). Management considers the recommendation to be Implemented.
15	The Agency should: 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	a. SPC has compiled the dataset of recommendations for internal use and is now liaising with IT/SGIS (SLDC Team) to incorporate these recommendations in the electronic State Issues Register, thus making them visible to the relevant staff in a timely and structured manner. b. Further areas of cooperation with SGCP have been explored as a result of increased cooperation between the two entities. c. A procedure on the peer review of State Evaluation Reports has been developed by SPC. Other procedures on effectiveness evaluation are dependent on the work conducted within the framework of the SLA Improvement Project. Remaining steps:

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
	Department to support effectiveness and efficiency of the evaluation process.	a. Add the dataset of SPC recommendations to the State Issues Register in SLDC and establish a monitoring mechanism to assess progress. b. Continue enhancing the SGCP/SPC cooperation. c. Finalize the procedure on the peer review of SERs and develop concepts for effectiveness evaluation at the State-level. Management considers the recommendation to be In Progress.
16	The Agency should 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.	MTHR together with SG have reviewed and are now offering extensions beyond 7 years in order to get the most benefit of SG Inspector recruitments, subject to the criteria in the AM (programmatic need, funding and good performance). Management considers the recommendation to be Implemented.
17	The Agency should 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.	Draft guidelines covering Rotation Policy and Processes were tested in Q4/2021 and the learning from this approach is now being fed into the final draft of the Procedure. Management considers the recommendation to be In Progress.
Audit Report for The Year 2018		
Financial Issues		
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 Agency has further strengthened its efforts in collecting arrears from Member States. In addition to numerous letters sent within the year to Member States without voting rights, following are also now being implemented: 1) Letters to Member States who have voting rights but have not made timely payments are also now being contacted and bilateral discussions are held; 2) Information on late payments are included in the DG briefing notes for the DG's bilateral meetings with high level officials to further encourage Member States to make timely payments towards the Regular Budget; and 3) A liquidity protocol is now in place to mitigate liquidity issues which

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
		normally are experienced towards the second half of the year. Despite the efforts being taken by the Agency to resolve the liquidity issues in RB and WCF, the cash situation in the regular budget by the end of 2021 remains an issue of concern. Therefore, the Agency needs to continue its efforts in encouraging the Member States to pay the outstanding contributions in a timely manner. Management considers the recommendation i. related to efforts in collecting receivables from Member States to be In Progress. With regards to the proposed increase in the level of WCF, MS called for timely payments of outstanding rather than an increase in the WCF. Since consideration on the need to change the level of WCF has already been presented to the MS, the most that the Agency can do is to continue to highlight the risk of the current level of WCF to MS. Management considers that the recommendation ii. related to the adjustment of WCF level 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.	Process has been implemented that makes it mandatory for all consultants to be evaluated at the end of their contract. The performance measurement is included as a requirement task during the electronic clearance process. This will be conducted before the payment to consultant could be released. An electronic evaluation form has been made available to all Departments to evaluate their performance. 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.	The CRA Online system, where all contracts and payments and progress reports are administered, already contains a function of automated reminders to project officers about progress reports due. However, External Auditors insisted that a separate report is created for NACA to follow up on pending reports in addition to that. Creation of such a report was delayed together with the delay of completion of CRA Online system, out of NACA's control. Since November 2021, NACA engaged with MTIT-BSS on design of PowerBI reports, and this exercise, among all, will include the report requested by the EA. However, the report is not a straightforward one, due to

Key Audit Recommendations		Management Response
Rec. No.	Description	
		specifics of the CRA Mechanism, already communicated to the EA. Management considers the recommendation to be In Progress.
Management of the Agency Procurement		
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.	Discussions with MTIT were done as part of the Oracle upgrade project. MTIT to present potential solutions in AIPS - subject to Oracle upgrade solution and implementation. Management considers the recommendation to be Implemented.
Management of the Agency Publication		
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 editing services at the high level of the Agency management.	ii) This has now been integrated into regular reviews and the action can be regarded as complete. iii) Recruitments are now complete, and all new staff on-Boarded by 1 July 2021. Management considers the recommendation to be Implemented.
Audit Report for The Year 2017		
Financial Issues		
Spent Fuel		
8	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	By the end of 2021, the revised Risk Management Policy and Guidelines has been finalized pending some adjustments that might be needed to address possible recommendations of the Combined Assurance Mapping Audit which was concluded by the OIOS in December 2021.

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
	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.	The development of the new IT solution, which would support the new risk management system, has been pilot-tested, completed and is read for rollout. A set of self-learning training materials has been prepared. The remaining task is the finalization and approval of the revised RM Policy and Guidelines and waiting for final report from OIOS on the Combined Assurance Mapping Audit. Management considers the recommendation to be In Progress.
Safeguards Analytical Laboratories		
13	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.	Factory Acceptance Test was carried on in January 2022. Instrument delivery is scheduled for 16 February 2022, followed by site acceptance testing. Management considers the recommendation to be In Progress.
Technical Cooperation		
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 PP&E and intangible assets.	The updated AM.VI/2 has already been issued on 28 June 2021. Management considers the recommendation to be Implemented.

<table>
<tr><th colspan="2">Key Audit Recommendations</th><th rowspan="2">Management Response</th></tr>
<tr><th>Rec. No.</th><th>Description</th></tr>
<tr><td colspan="3">Nuclear Information</td></tr>
<tr><td>9</td><td>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.</td><td>(i) In 2021, the INIS unit continued working together with MTCD-Publications on a preprint repository. The repository was soft launched on 30 August 2021. It was announced to the public on 26 January 2022 (Over 60 IAEA Scientific Manuscripts Available in New Online Repository). The server can now be accessed at https://preprint.iaea.org, contains 69 items and is updated regularly. The repository has significantly cut the amount of time required for agency information to reach the public. The project is also a good example of cross-departmental cooperation.
(ii) As a first step, INIS arrangements with the Joint Institute for Nuclear Research were included in a Practical Arrangement. The agreement included three areas of cooperation with this text (1. Continuation of JINR contribution to INIS digital library in a form of papers and records and continued attendance in training seminars and liaison officers' meetings. 2. Collaboration on scientific repositories especially how it would allow us to automatically 'harvest' their research for inclusion in INIS as they place information on their institutional repository. 3. A joint webinar with the participation of JINR and the Agency on the promotion of INIS.) Similarly, INIS arrangements would be included with or be independently arranged with participating institutes in member states. We believe this would satisfy the item given.

Management considers the recommendation to be Implemented.</td></tr>
<tr><td colspan="3">Radiation Safety and Monitoring</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 OIOS in a timely manner; and
(ii) maintain the quality-of-service design and delivery in the application of safety standards for the protection of health to the Agency's operations; and consider the</td><td>Recommendation 1: Actions would be revisited in the planning of 2024/25 P&B. Services are maintained.

Recommendation 2: Application to re-classify P3 position would be done in the planning of 2024/25 P&B.

Recommendation 6: A request for new funding model for RSTSU under "Share Services Governance" has been sent to Dir MTBF. A joint effort of OIOS MS and RSTSU allowed to put forward a model with NS MP3 securing resources for essential radiation safety and monitoring services, as well as on-demand services component to be financially supported by other MPs.</td></tr>
</table>

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
	human resource and financial implications of the forthcoming approval and entry into force of the new Radiation Safety and Security Regulations.	The proposal is currently being discussed with all stakeholders in all MPs. Upon feasibility study and approval, the new funding model will be included in the planning of 2024/25 P&B. Recommendation 7: Several new SLA has been updated and duly signed. Those are SLA with TC, SGAS, NAHU-DMRP-DOL; NS-IEC, NSNS. Discussion is under way to complete SLA with NSOC and SG. Recommendation 8: An e-Learning basic course on radiation protection for occupationally exposed workers has been launched and it is available in the Agency Learning Management System (LMS). The specific eLearning course for the Radiation Protection Officer is being initiated. Continuing training for the RPOs is being provided through the RPO Round Tables with ad hoc support as needed. Management considers the recommendation to be In Progress.
Audit Report for The Year 2015		
Programme on Nuclear Sciences		
30	The Agency may monitor gender participation in each task undertaken within the subprogrammes.	NE Gender Implementation plan has been approved and implemented. Data shows that Nuclear Energy Department, being the most technical one, is a leading department for recruiting and appointing women in professional positions during 2021. Management considers the recommendation to be Implemented.
Audit Report for The Year 2014		
Financial Issues		
3	The Agency may consider the implementation of a long-term funding strategy for meeting the employee liabilities adequately over a period of time.	In 2021, the Agency presented to Member States an update on the After Service Health Insurance (ASHI) liability, in particular the processes and discussions regarding the ASHI liability in the United Nations system. Since July 2021, the Agency has introduced a 4% charge to the salary expenditure of all positions funded through extrabudgetary contributions. As per the request of

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
		Member States, the Agency continues to explore various options for addressing the funding of ASHI liability for Regular Budget, taking into account good practices from the United Nations System and considering cost containment measures. Efforts in 2021 has also focused on identifying effective measures that will address the key drivers impacting the valuation of the ASHI. The outcome of this review is currently being assessed and is expected to be finalized later in 2022. The remaining step is for the DG to issue a report in March that outlines the progress and challenges on ASHI as well as steps taken by the Secretariat. 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. c) Changes to the extant provisions/structures may be simultaneously updated in the Administrative Manual after taking due approvals.	Draft revisions discussed and agreed with procurement staff. Discussions with OLA initiated. Pending results of OIOS 2021 audit to incorporate any additional recommendations. Final draft to be submitted for clearance in Q-1 of 2022. The remaining step is to finalize the draft incorporating results of 2021 OIOS audit and submit this for clearance. Management considers the recommendation to be In Progress.
Safety of Nuclear Installations		
Information Technology		
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 Information Security Management System was released in 2021. The policies are available in the Admin Manual. The standards and processes are available on MTIT's Process Asset Library. Management considers the recommendation to be Implemented.
37	a) Classification and access control procedures may be strengthened and synchronised. b) Remote access security plans and identity management systems	The data classification process in (a) has been completed. The access control recommendation regarding Remote Access Security Plans is no longer applicable. Finally,

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
	may be urgently finalised in view of their Agency wide applicability.	we have received funding and have an active identity and access management (IAM) program underway. The remaining step is the completion of the IAM implementation. 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 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.	MTHR developed guidance for Departments to follow and to ensure appropriate knowledge transfer. This includes a handover template that can be used to document the activities and responsibilities of outgoing staff and to better structure the induction process of the incoming staff members by the hiring managers. The handover document can be customized to fit the particular needs of the work area. The KM package has been placed on InSite>Managing at the Agency>Org development & human capital>Role continuity and offboarding. It has also been added as a step in the separation clearance process. Considering the extensive documentation implemented on InSite and an attempt to avoid overburdening AM, MTHR considers this sufficient to also cover the original intent of an accompanying AM amendment. Management considers the recommendation to be Implemented.
Audit Report for The Year 2012		
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.	NAEL/NAML contacted the Austrian Accreditation body in Q1/2021 providing all requested updated documents. Formal nomination of external assessors was received in late April 2021. The external assessments in Seibersdorf and Monaco took place between 19 and 30 July 2021. The response to the identified nonconformities was provided within eight weeks as required. NAEL informed the accreditation

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
		body of the upcoming change in administrative structure by the beginning of 2022. The remaining step is to provide a positive assessment of the actions taken in response to identified nonconformities by the lead assessor and agreement by the responsible officer, formal accreditation would be granted after endorsement by the Accreditation Board at one of their regular meetings and subsequent issuance of the formal letter. In reference to the unknown meeting schedule of the Austrian Accreditation Board, the final decision is expected for Q1/2022, or latest in Q2/2022 to the best of our knowledge. 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.	The material was successfully shipped to the United States in December 2021. The project is completed. Management considers the recommendation to be Implemented.
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.	Update: Fraud Awareness Survey: A survey to assess perceived risk and understanding of the related policy among staff was launched earlier in 2021. It targeted areas managing business processes where handling the risk of fraud is critical (e.g., procurement). Although there are naturally areas where it is essential, we continue to be especially vigilant, the outcome was positive with the perceived risk generally consider to be at acceptable level and around 80% were familiar with the polices. In response to suggestion for improvement the main type of actions proposed related to promoting understanding among staff and options to further build awareness and improve management of the risks are being considered. Update: Risk Management and Risk Management IT Tool:

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
		A revision of the RM Policy and Guidelines is currently being drafted with updates on the risk catalogue, the standard control types and a reference to the 3 lines model (as per 2020 report of the institute of Internal Auditors). The current draft also includes cross references to the internal control framework. RM IT tool is almost ready and will go live upon completion of the revised RM Policy and Guidelines. 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.	Update: Fraud Awareness Survey: A survey to assess perceived risk and understanding of the related policy among staff was launched earlier in 2021. It targeted areas managing business processes where handling the risk of fraud is critical (e.g., procurement). Although there are naturally areas where it is essential, we continue to be especially vigilant, the outcome was positive with the perceived risk generally consider to be at acceptable level and around 80% were familiar with the polices. In response to suggestion for improvement the main type of actions proposed related to promoting understanding among staff and options to further build awareness and improve management of the risks are being considered. Update: Risk Management and Risk Management IT Tool: A revision of the RM Policy and Guidelines is currently being drafted with updates on the risk catalogue, the standard control types and a reference to the 3 lines model (as per 2020 report of the institute of Internal Auditors). The current draft also includes cross references to the internal control framework. The RM IT tool is almost ready and will go live upon completion of the revised RM Policy and Guidelines. 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.	This recommendation has been issued in connection with the Statement of Internal Control and will be fully implemented upon its issuance. In 2021, the Manager's handbook continues to provide managers with an easy access to an intuitive map of their responsibilities and to source documents they need to discharge responsibilities. The roll-out and training

Key Audit Recommendations		Management Response
Rec. No.	**Description**	
		regarding the Anti-Fraud policy have raised awareness on the fact that accountability goes beyond managerial responsibility. The RM IT tool is almost ready and will go live upon completion of the revised RM Policy and Guidelines. This recommendation has been issued in connection with the Statement of Internal Control and will be fully implemented upon its issuance. Management considers the recommendation to be In Progress.

International Atomic Energy Agency
PO Box 100, Vienna International Centre
1400 Vienna, Austria
Telephone: (+43-1) 2600-0
Fax: (+43-1) 2600-7
Email: Official.Mail@iaea.org
www.iaea.org

IAEA
International Atomic Energy Agency
Atoms for Peace and Development

July 2022

22-01383E