



STATEMENT OF THE GROUP OF 77 AND CHINA AT THE MEETING OF THE PROGRAMME AND BUDGET COMMITTEE OF THE IAEA BOG, 5-6 MAY 2014, DELIVERED BY H.E. AMBASSADOR ALA AZEEZ, PERMANENT REPRESENTATIVE OF SRI LANKA

**Agenda item 2: The Agency's Financial Statements for 2013 including the External Auditor's report**

Mr. Chairman,

1. I have the honour to speak on behalf of the G-77 and China under this agenda item.

2. The Group of 77 and China thanks the Deputy Director General and Head of the Department of Management for her introductory statement, and the staff of the Secretariat for the presentations delivered in the course of the workshop on financial and administrative matters which took place on 16 April.

3. With regard to the Financial Statements of the Agency for 2013 contained in document GOV/2014/14, the Group would like to make the following comments:

3.1 The Group is pleased to note that "an unqualified opinion" has once again been placed on the Agency's financial statements. The External Auditor has made several observations and recommendations for the improvement of the Agency's financial practices. While appreciating these comments, the Group reiterates that the Secretariat should take a cautious approach when considering these recommendations and, where appropriate, consult Member States prior to taking any measures in that regard.

3.2 The Group is also pleased to note that the recommendations contained in the report of the External Auditor for 2013 cover a broad spectrum of activities falling under the Regular Budget, such as Financial Matters, Human Resource Management, Safeguards, and the ECAS and AIPS projects.

3.3 The Group notes increased implementation of 6.8% in IPSAS based expenditure under TCF in 2013 as compared to 2012 under the Technical Cooperation Fund (TCF).

3.4 The Group also notes that the External Auditor once again addressed the use of consultants in the Agency. The Group trusts that the Agency will address these concerns and report to member states on the measures taken. The Group further endorses the recommendation by the External Auditor that a provision for knowledge transfer be made to the regular staff of the Agency. While noting the recommendation that that consultants may be engaged in those areas where the Agency has no or limited expertise and knowledge, the Group believes that the Secretariat should make judicious use of this resource, limiting it to activities where they may be essential, including in the delivery of specific TC projects and with priority given to recruiting qualified experts from developing countries.

3.5: The Group endorses the External Auditor's recommendation 12 that efforts should be made to increase the percentage of women employees in the Agency, especially in the professional category of posts. 3.5 The Group notes the recommendations of the External Auditor concerning the Major Capital Investment Fund—in particular, the need to report in greater detail to the member states on the funding of the MCIF and to ensure that there is sufficient authorization from the Agency's Governing Bodies to transfer to it savings from budgetary appropriations, as well as the importance of setting some prudential limit to the accumulation of fund under the MCIF based on, inter alia, the likely funding requirement. The Group calls on the Secretariat to adopt the measures that may be necessary to implement these recommendations.

4. With these comments, the Group of 77 and China takes note of the Agency's financial statements for 2013

as contained in document Gov/2014/14.

Thank you.

### **Agenda Item 3: The 2013 Internal Audit Activity Report and the 2013 Programme Evaluation Report**

Mr. Chairman,

1. The Group of 77 and China thanks the Secretariat for the 2013 Internal Audit Activity Report and the 2013 Programme Evaluation Report, contained in documents GOV/2014/22 and GOV/2014/23, respectively.

2. Regarding the 2013 Internal Audit Activity Report, the Group welcomes the information provided to Member States therein, and requests that the specific reports be made available to interested Member States, upon request.

3. On the summary of results of the 2013 Audit Plan contained in section E of the Report, the Group would like to make the following comments:

3.1 On the audit carried out by the Office of Internal Oversight Services (OIOS) regarding the management of nuclear security activities, to assess the Agency's compliance with reporting requirements of donors contributing to the Nuclear Security Fund, we note that the audit revealed, among other things, that managerial control over the donor reporting process should be strengthened, and that unclear donor reporting requirements contribute to formal incompliances. We take note of the corrective measures taken by the Division of Nuclear Security, in particular in the development of a donor reporting control tool to improve the overall management and monitoring of donor reporting.

3.2 The Group welcomes the fact that, in the activities conducted in the field in 2012 and 2013 to assess sampled technical cooperation projects, the audits revealed that the assistance provided by the Agency positively contributed towards the development of nuclear energy related activities and areas in the recipient institutions, and that it was highly appreciated and valued by project counterparts. Specific reference is made to the positive impact of the Agency's sponsored projects in the TC projects sampled for activities conducted in 2012 in the areas of radiotherapy, water management and control of animal diseases.

3.3 On the audit carried out by OIOS to assess whether the changes to the Agency's IT environment are performed in a manner which adequately mitigates the risks to the confidentiality, integrity and availability of the Agency's information assets, the Group is concerned over the finding—which is termed as “critical” in the report—that the existing change management process is used only by the Agency's Division of Information Technology (MTIT) whereas the other IT units outside MTIT—excluding the Department of Safeguards—do not have defined processes for this activity. We endorse the call made by OIOS in its report for the Agency to remain vigilant, identifying relevant risks and assessing the effectiveness of mitigating controls. To this end, we urge the Secretariat to take all actions that are required to redress the situation highlighted in the audit report.

3.4 Regarding the audit conducted by OIOS to assess whether the risks related to mobile computing are adequately considered and whether effective mitigating controls over the mobile computing environment are implemented by the Department of Safeguards, the Group notes that, while the audit found that many controls in place, several areas for improvement still exist where the implementation of recommendations raised in the audit report would further reduce the existing risks. Bearing in mind the importance of confidentiality the Group views the IT Security as a first step to safeguarding this confidentiality and calls on the Secretariat to take corrective action in this regard as well.

3.5 The Group also wishes to reiterate its concern over the rate of implementation of recommendations, as

reflected in the table in section F of the report. Although we notice that the number of outstanding and overdue recommendations decreased from 43 to 29 from 2011 to 2012 and that 138 recommendations stemming from audit reports issued from the year 2000 onwards were closed in 2013, the number still remains high. The Group calls again on the Secretariat to take all necessary steps to address this issue, in consultation with Member States where required.

4. Turning to the 2013 Programme Evaluation Report, the Group takes note of the evaluations. Regarding the evaluation of the Agency's Work on Strengthening National Incident and Emergency Preparedness and Response Capabilities, the Group takes note of the OIOS findings on the Agency's Incident and Emergency Centre (IEC) and Emergency Preparedness and Review Services (EPREV) and looks forward to the Secretariat's response and subsequent actions on the 9 recommendations proposed by the OIOS. Regarding the evaluation on the Agency's Work related to Particle Accelerators and Nuclear Instrumentation for Analytical Applications and Material Sciences and the recommendation to invest in an ion beam accelerator for the Nuclear Instrumentation Laboratory, the Group requests the Agency to be mindful of the importance it attaches to the Nuclear Application Laboratories for Food and Agriculture and that fund raising activities related to ReNuAL are being discussed in the 'Friends of ReNuAL'. The Group looks forward to receiving an update from the Secretariat on the strategic plan for the implementation of the ReNuAL project.

5. With these comments, the Group of 77 and China takes note of the 2013 Internal Audit Activity Report and the 2014 Audit Plan contained in document GOV/2014/22, and the 2013 Programme Evaluation Report, contained in document GOV/2014/23. Thank you Mr. Chairman.

#### **Agenda Item 4: The Agency's Draft Budget Update for 2015**

Mr. Chairman,

1. The Group of 77 and China takes note of the Agency's Draft Budget Update for 2015, the second year of the biennium 2014-2015, as contained in document GOV/2014/4. The Group takes note of the remarks made by the Deputy Director General and Head of the Department of Management during her introductory statement on this document, as well as the information provided during the workshop on financial and administrative matters held on April 16th.

Mr. Chairman,

2. The Group notes that, in line with the procedures adopted for the Agency's biennial programming, this document focuses on 2015 and highlights any significant changes to preliminary budget estimates contained in Agency's regular programme for the biennium 2014-2015, which was adopted by the Board of Governors and presented to the General Conference in September 2013 in document GC(57)/2, "The Agency's Programme and Budget 2014-2015", for approval.

3. The Group notes that, in compliance with GC(57)/2, the updated estimates for 2015 reflect zero real growth compared to 2014. The Group welcomes the provision made for the Seibersdorf Laboratories in this years draft budget for 2015, as was the case in the 2014 budget.

4. The Group expressed its position on the Agency's Programme and Budget for the current biennium in the context of the Informal Open Ended Working Group on the Programme and Budget and the Technical Cooperation Fund (TCF) Targets for 2014-2015, which took place prior to the recommendation, by the Board of Governors to the General Conference, of the revised Programme and Budget 2014-2015.

5. Despite joining consensus at the time, the Group made it clear that it remains concerned over the imbalance between voluntary and assessed contributions, and over the persisting asymmetry between the promotional and non-promotional activities of the Agency. In this regard, the Group notes that the Draft Budget Update for 2015 states that the 2015 budget supports the priorities identified by the Director General

for the 2014–2015 biennium, these being: Technical Cooperation and the Programme of Action for Cancer Therapy (PACT); the Action Plan on Nuclear Safety; Nuclear Security; and Laboratory enhancements in Seibersdorf. In the identification of such priorities—which include a mix of promotional and non-promotional activities—the Group is of the view that an informed assessment needs to be made of the efficiency in the spending of the resources allocated to non-promotional activities, including an assessment of the rate of completion of the activities contemplated for a specific budgetary cycle.

6. The important issue of the existing asymmetries between promotional and non-promotional activities—as well as other issues of interest to the Group—has also been emphasized in the course of the meetings of the Working Group on financing the Agency’s activities, including ways and means to render the resources for the Technical Cooperation Fund sufficient, assured and predictable.

Mr. Chairman,

7. On this occasion, the Group would like to highlight the following:

7.1 Sufficient funding from the Regular Budget must be secured for Major Programmes 1 (Nuclear Power, Fuel Cycle and Nuclear Science); 2 (Nuclear Techniques for Development and Environmental Protection); and 6 (Management of Technical Cooperation for Development) in order to respond to the growing needs of developing countries. Also related to this, an informed assessment needs to be made as to whether Major Programme 6 is funded appropriately through the Regular Budget;

7.2 Meaningful steps need to be taken towards making the resources of the Technical Cooperation Fund (TCF) Sufficient, Assured, and Predictable (SAP), including an agreement to increase the resources of the TCF in the future cycles in a manner that matches the overall increase in the regular budget;

7.3 The Agency needs to implement without delay the agreement reached by the Board of Governors on the Budget Proposal for 2009 as contained in document GOV/2009/52/Rev.1, which states that, with respect to future targets for voluntary contributions to the Technical Cooperation Fund, the 2005 decision to synchronise the TC programme cycle with the regular programme and budget cycle provides a framework to consider appropriate increases to the resources of the TC programme, including the TCF target. This decision identified 2012 as the starting date for these increases, and established that they should take into account the changes in the level of the regular operational budget from 2009 onwards and the price adjustment factor in the corresponding years, among other relevant factors.

7.4 Also consistent with the 2005 decision of the Board, the idea that the TCF target should be revised in tandem with the Regular Budget and that, to this end, the Indicative Planning Figure for the following biennium should be taken as the starting point should be promptly implemented.

8. The Group is confident that these issues will be effectively addressed by the Working Group on financing the Agency’s activities, including ways and means to render the resources for the Technical Cooperation Fund sufficient, assured and predictable, and that this Working Group will agree on a set of proposed and concrete actions aimed at improving the financing of the Agency’s activities.

9. With these remarks, the Group takes note of the Agency’s Draft Budget Update for 2015, contained in document GOV/2014/4.

Thank you Mr. Chairman.