

28 août 2014

**RAPPORT DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES
DE L'OTAN SUR LA VÉRIFICATION DES ÉTATS FINANCIERS DE LA CAISSE DE
PRÉVOYANCE DE L'OTAN POUR L'EXERCICE 2013**

SUITE DONNÉE

Le 27 août 2014, au terme d'une procédure d'accord tacite, le Conseil a pris note du rapport du Collège international des commissaires aux comptes de l'OTAN diffusé sous la cote IBA-AR(2014)08 et joint au C-M(2014)0050, et il a approuvé la recommandation du Bureau de la planification et de la politique générale des ressources visant la mise en lecture publique.

NOTE : La présente note fait partie du C-M(2014)0050 et doit être placée en tête de ce document.

21 août 2014

**RAPPORT DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE
L'OTAN SUR LA VÉRIFICATION DES ÉTATS FINANCIERS DE LA CAISSE DE
PRÉVOYANCE DE L'OTAN POUR L'EXERCICE 2013**

Note du secrétaire général délégué

1. On trouvera ci-joint le rapport du Collège international des commissaires aux comptes de l'OTAN (IBAN) sur la vérification des états financiers de la Caisse de prévoyance de l'OTAN pour l'exercice clos le 31 décembre 2013. Ce rapport contient une opinion sans réserve.
2. Le rapport de l'IBAN a été porté à l'attention du Bureau de la planification et de la politique générale des ressources (RPPB) ainsi que du Comité des budgets.
3. Conformément à la décision prise par le Conseil en juin 2012 (C-M(2012)0041), le RPPB recommande que le rapport de l'IBAN sur la vérification des états financiers de la Caisse de prévoyance de l'OTAN pour l'exercice 2013 ainsi que les états financiers correspondants et d'autres éléments pertinents soient mis en lecture publique.
4. J'estime que ce rapport ne nécessite pas d'examen plus approfondi. Par conséquent, sauf avis contraire me parvenant d'ici au **mercredi 27 août 2014 à 17h30**, je considérerai que le Conseil aura pris note du rapport de l'IBAN diffusé sous la cote IBA-AR(2014)08 et qu'il aura approuvé la recommandation du RPPB visant la mise en lecture publique des documents précités.

18 June 2014

**BUREAU DE LA PLANIFICATION
ET DE LA POLITIQUE GÉNÉRALE DES RESSOURCES (RPPB)**

**RAPPORT DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE
L'OTAN (IBAN) SUR LA VÉRIFICATION DES ÉTATS FINANCIERS
DE LA CAISSE DE PRÉVOYANCE DE L'OTAN POUR L'EXERCICE 2013**

Note du président

Référence : IBA-A(2014)111

1. En mai 2012, le Conseil a décidé (C-M(2012)0041) qu'à compter de l'exercice 2013, tous les rapports NATO SANS CLASSIFICATION de l'IBAN et les états financiers correspondants seraient mis en lecture publique, sur recommandation du RPPB puis approbation du Conseil, au cas par cas.
2. L'IBAN a formulé une opinion sans réserve sur les états financiers 2013 de la Caisse de prévoyance de l'OTAN, et le rapport correspondant (IBA-A(2014)111) sera transmis au Conseil afin qu'il en prenne note, conformément aux procédures agréées.
3. Le RPPB est invité à confirmer que le rapport d'audit ne contient pas d'informations qui, en vertu de la politique relative à la mise en lecture publique de l'information OTAN, ne peuvent être rendues publiques et, conformément à la politique agréée dans le C-M(2012)0041, à recommander que le Conseil approuve la mise en lecture publique du rapport de l'IBAN portant la cote IBA-A(2014)111, ainsi que des états financiers correspondants et d'autres éléments pertinents.
4. L'approbation de ce qui précède est sollicitée suivant la procédure d'accord tacite. Ainsi, sauf avis contraire me parvenant d'ici au **mardi 24 juin 2014 à 16 heures**, je considérerai que le RPPB aura marqué son accord.

Note du secrétaire

Le 24 juin 2014, au terme d'une procédure d'accord tacite, le RPPB a validé la recommandation au Conseil concernant la mise en lecture publique du rapport de l'IBAN sur la vérification des états financiers de la Caisse de prévoyance de l'OTAN pour l'exercice 2013, comme proposé au paragraphe 3 de l'AC/335-N(2014)0038.

Note succincte du Collège international des commissaires aux comptes de l'OTAN à l'intention du Conseil sur la vérification des états financiers de la Caisse de prévoyance de l'OTAN pour l'exercice clos le 31 décembre 2013

Le Collège a procédé à la vérification des états financiers de la Caisse de prévoyance de l'OTAN, qui assure le versement de prestations de retraite aux membres du personnel civil qui sont entrés à l'OTAN avant le 1^{er} juillet 1974 et qui n'ont pas opté pour le régime de pensions coordonné. Au 31 décembre 2013, la valeur des avoirs de la Caisse s'établissait à 12 millions d'euros. À cette date, 23 agents cotisaient à la Caisse.

Le Collège a émis une opinion sans réserve sur les états financiers de la Caisse de prévoyance de l'OTAN et sur la conformité pour l'exercice clos le 31 décembre 2013.

Il n'a pas eu d'observation ou de recommandation à formuler.

PAGE BLANCHE

14 avril 2014

COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN

RAPPORT SUR LA VÉRIFICATION DES ÉTATS FINANCIERS

DE LA CAISSE DE PRÉVOYANCE DE L'OTAN

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2013

**OPINION DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES
DE L'OTAN À L'INTENTION DU CONSEIL DE L'ATLANTIQUE NORD
ET DES MEMBRES DU PERSONNEL AFFILIÉS À LA CAISSE DE PRÉVOYANCE
DE L'OTAN**

Rapport sur les états financiers

Le Collège international des commissaires aux comptes de l'OTAN a procédé à la vérification des états financiers de la Caisse de prévoyance de l'OTAN, ci-joints, composés de l'état de l'actif net disponible pour le service des prestations au 31 décembre 2013, de l'état des variations de l'actif net disponible pour le service des prestations, ainsi que de notes explicatives, y compris un résumé des méthodes comptables importantes.

Responsabilité de la direction

La direction est chargée d'établir les états financiers conformément à la norme comptable internationale (IAS) 26 (*Comptabilité et rapports financiers des régimes de retraite*)¹ et aux dispositions du Règlement financier de l'OTAN telles qu'elles ont été fixées par le Conseil de l'Atlantique Nord, et de veiller à ce qu'ils donnent une image fidèle de la situation de l'entité. Elle est ainsi responsable de la conception, de l'application et de la tenue d'un système de contrôle interne de nature à permettre l'établissement et la présentation d'états financiers qui soient exempts d'inexactitudes significatives, que celles-ci relèvent d'une fraude ou d'une erreur.

Responsabilité du Collège

Il incombe au Collège de formuler sur ces états financiers une opinion qui soit fondée sur son travail de vérification, lequel aura été effectué conformément aux dispositions de sa charte et aux normes internationales d'audit. Ces normes exigent que le Collège respecte certains principes déontologiques, et qu'il planifie et effectue sa vérification de manière à parvenir à une assurance raisonnable sur le point de savoir si les états financiers sont exempts d'inexactitudes significatives.

Un audit consiste à appliquer des procédures permettant d'obtenir des éléments probants relatifs aux montants et aux informations figurant dans les états financiers. Les procédures retenues à cette fin sont laissées à l'appréciation de l'auditeur, qui évalue notamment les risques d'inexactitudes significatives dans les états financiers, que celles-ci relèvent d'une fraude ou d'une erreur. Pour l'évaluation de ces risques, le système de contrôle interne sur lequel s'appuient l'établissement et la présentation des états financiers de l'entité concernée est pris en considération, le but étant d'élaborer des procédures d'audit qui soient adaptées à la situation considérée et non pas

¹ Comme le cadre comptable OTAN ne comporte pas de norme qui concerne spécifiquement la comptabilité et le compte rendu financier à assurer pour les régimes de retraite, le Secrétariat international présente les états financiers de la Caisse de prévoyance conformément à l'IAS 26.

d'exprimer une opinion sur l'efficacité du système de contrôle interne. Il s'agit aussi de déterminer si les méthodes comptables appliquées sont appropriées et si les estimations comptables faites par la direction sont raisonnables, ainsi que d'évaluer la présentation générale des états financiers.

Le Collège estime qu'il a obtenu par son audit les éléments probants nécessaires et suffisants pour lui permettre de formuler une opinion.

Opinion sur les états financiers

L'opinion du Collège est qu'à tous égards significatifs, les états financiers donnent une image fidèle, conforme à l'IAS 26, de la situation financière de la Caisse de prévoyance de l'OTAN au 31 décembre 2013, ainsi que de l'évolution de sa situation financière au cours de l'exercice clos à cette date.

Rapport sur la conformité

Responsabilité de la direction

En plus d'être responsable, comme il est dit plus haut, de l'établissement et de la présentation des états financiers, la direction est chargée de veiller à ce que les opérations financières et les informations présentées dans les états financiers soient conformes aux dispositions du Règlement financier de l'OTAN et du Règlement du personnel civil de l'OTAN telles qu'elles ont été fixées par le Conseil de l'Atlantique Nord.

Responsabilité du Collège

En plus d'être responsable, comme il est dit plus haut, de la formulation d'une opinion sur les états financiers, le Collège est chargé de se prononcer sur le point de savoir si les opérations financières et les informations présentées dans les états financiers sont, à tous égards significatifs, conformes au Règlement financier de l'OTAN et au Règlement du personnel civil de l'OTAN. Il lui incombe notamment d'appliquer des procédures lui permettant d'obtenir une assurance raisonnable sur le point de savoir si les fonds ont été utilisés pour le règlement de dépenses autorisées et si les opérations correspondantes ont été exécutées conformément à la réglementation en vigueur dans le domaine financier et en matière de personnel. De telles procédures prévoient notamment l'évaluation des risques de non-conformité significative.

Le Collège estime qu'il a obtenu par son audit les éléments probants nécessaires et suffisants pour lui permettre de formuler une opinion.

Opinion sur la conformité

Le Collège estime que les opérations financières et les informations présentées dans les états financiers sont, à tous égards significatifs, conformes au Règlement financier de l'OTAN et au Règlement du personnel civil de l'OTAN.

Bruxelles, le 14 avril 2014

Charilaos Charisis
Président

The NATO Provident Fund

**FINANCIAL STATEMENTS
2013**

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The NATO Provident Fund
Statement of Net Assets Available for Benefits

(All amounts in EUR)	Notes	Current Year	Prior Year
		31-Dec-2013	31-Dec-2012
Assets			
Cash and Cash Equivalents	(3)	38,196.26	44,573.07
Investments at market value	(4)	13,559,312.17	17,873,161.67
Accounts Receivable			
Outstanding Contributions	(5)	0.00	0.00
Bank interest accrued	(6)	614.24	1,403.36
Rounding on Net Asset Value		0.00	0.02
Total assets		13,598,122.67	17,919,138.12
Liabilities			
Payable to former staff	(7)	1,590,255.49	3,310,843.28
Payable to the IS	(8)	0.00	0.00
Bank charges to be paid	(6)	14.52	30.25
Miscellaneous Gains/Losses	(9)	13,154.40	9,648.65
Rounding on Net Asset Value		0.05	0.00
Total Liabilities		1,603,424.46	3,320,522.18
Net assets available for benefits		11,994,698.21	14,598,615.94

The NATO Provident Fund
Statement of Changes in Net Assets Available for Benefits

(All amounts in EUR)	Notes	Current Year	Prior Year
		31-Dec-2013	31-Dec-2012
Increase in net assets			
Changes in value of the Fund	(10)	573,919.22	959,969.21
Contributions	(11)	284,622.99	514,958.68
Housing loan reimbursements	(12)	85,195.06	164,159.84
Gains/Losses invested	(13)	0.00	0.00
Total increase in net assets available for benefits		943,737.27	1,639,087.73
Decrease in net assets			
Accounts closed (Staff)	(14)	3,499,241.70	12,304,021.78
OAP, Housing Loans and Advances on Full Settlement	(15)	47,000.00	499,720.00
Administrative expenses		1,296.98	366.60
Bank costs		116.32	192.55
Total decrease in net assets available for benefits		3,547,655.00	12,804,300.93
Net change for the year		-2,603,917.73	-11,165,213.20
Net assets available for benefits, beginning of year		14,598,615.94	25,763,829.14
Net assets available for benefits, end of year		11,994,698.21	14,598,615.94

EXPLANATORY NOTES TO THE 2013 FINANCIAL STATEMENTS OF THE NATO PROVIDENT FUND

NOTE 1: GENERAL INFORMATION

Description of the Provident Fund

The NATO Provident Fund (the Fund) is a defined contribution pension scheme which provides retirement benefits to civilian staff recruited by NATO before 1 July 1974 and who decided not to join the defined benefit pension scheme set up at this date. Benefits are paid upon retirement as one lump sum, being the total of the individual right acquired.

The Provident Fund is a cash purchase pension scheme. Both staff and NATO contribute to the Scheme. There is no long term liability for NATO related to the Provident Fund.

An account is opened for each member of the Fund. Contributions are invested according to a strategy approved by the Provident Fund Board of Supervisors and applicable to all members. Contributions are invested in a single fund, currently transferred to an insurance company which guarantees a minimum rate of return. Members can check the status of their accounts and give instructions via a secure web portal.

Upon departure, the member's account is disinvested.

The number of affiliates is decreasing steadily. At end 2013, 23 staff members were affiliated to the Fund (30 at end 2012). It is forecast that all members will have left the Fund by 2019.

The rules and principles governing the Provident Fund are provided under Annex VII of the NATO Civilian Personnel Regulations.

Financing

Monthly contributions are made by staff and NATO, being 7% and 14% respectively of basic salary.

Governance

The Fund is administered in accordance with the NATO Civilian Personnel Regulations (CPRs), Annex VII (A, B and C). The NATO Secretary General is responsible for its administration and is assisted by a consultative committee (Board of Supervisors) to carry out this task.

The CPRs (Annex VII.A. Article 3) state that the Board is chaired by the Assistant Secretary General, Executive Management, as Chairman of the Board and responsible for the administration and management of the Fund.

The Board consists of the Chair, six representatives of the administrative services of various NATO bodies, and six representatives of staff affiliated to the Provident Fund.

In 2013, in consideration of the reduced number of members, the Board decided it would only meet in cases of significant or unforeseen events affecting the Fund.

All 2013 fund manager reports and approved records of the Board meetings are available on the Fund's website.

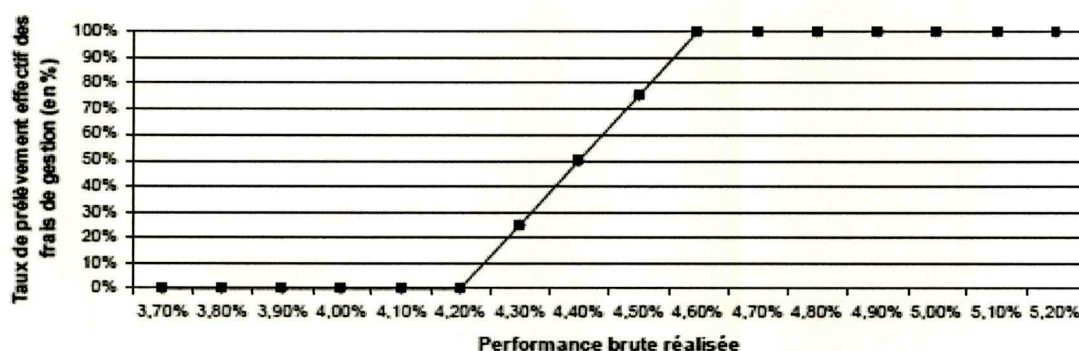
Board members do not receive any additional remuneration for their responsibilities or access to benefits from NATO.

Investment Strategy

In 2007, per PO(2007)0059), Council approved rules adapting the governance of the Fund as well as a new financial management approach in order to address the issue of the decreasing number of affiliates.

Throughout the years, the Fund has consistently been managed with the aim of obtaining a steady return against a low degree of risk. In 2008, the Board approved a solidarity-based investment strategy to address the investment needs of the Fund and following an open call for bids, an insurance company, SOGECAP, was selected on 4 June 2009. SOGECAP's insurance contract guarantees the capital and a minimum net annual return of 3% through 2016.

SOGECAP is contractually committed to reduce its fees if the gross return is below 4.6%. The diminution is gradual (see graph below) if the gross return is lower. No management fees are charged if the gross return is less than 4.2%.



NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Declaration of conformity

The financial statements of the Provident Fund have been prepared on the basis of the NATO Financial Regulations and IPSAS (International Public Sector Accounting Standards) specifications, which the North Atlantic Council approved for adoption on 17 July 2002, with implementation by 1 January 2006, and IFRS (International Financial Reporting Standards) more specifically International Accounting Standard 26, "Accounting and Reporting by Retirement Benefit Plans" for which no specific IPSAS standard has been developed.

The accounting system currently used by the Fund is accrual based.

Basis of presentation

The financial statements have been prepared on a going-concern basis: the Provident Fund will continue operating for the foreseeable future.

In accordance with the Regulations of the Provident Fund all amounts are expressed in Euro.

Changes in accounting policy

There are no changes to report.

Reclassification of financial statements of previous years

There are no changes to report.

Foreign currency transactions

All contributions are made and accounted for in Euro.

The amounts standing to the credit of affiliates should be paid in the currency of the country where the body employing them is located. All affiliates are currently employed in bodies based in the Euro zone. However, depending on their nationality, staff might request the redemption of their holdings in a currency other than Euro. Transfers are made at the NATO parity rates prevailing on the date the account is closed.

Cash and Equivalents

Cash and cash equivalents are defined as short-term assets. They include deposits held with banks and short term highly liquid investments.

Invested Funds

At the end of each reporting period, a valuation of the Fund is made by the insurance company at book value.

Receivables

Receivables are stated at net realisable value. No allowance for loss is recorded for receivables relating to NATO bodies' statutory contributions.

Payables

Payables are amounts due to third parties based on goods received or services provided that remain unpaid. This includes, as required, an estimate of accrued obligation for goods received or services provided but not yet invoiced.

Financial Risks

Financial instruments

The Provident Fund uses only non-derivative financial instruments as part as its normal operations. These financial elements include cash bank accounts, deposit accounts and accounts receivable.

All financial instruments are recognised in the statement of financial position at their fair value.

The Provident Fund is exposed to a variety of financial risks, including credit risk, market (price) risk and liquidity risk. The maximum exposure as at 31 December 2013 is equal to the total amount of bank balances, short term deposits, investment funds, and receivables.

Credit risk

The Provident Fund incurs credit risks from cash and cash equivalent held with banks and receivables. There is very limited credit risk associated with the realization of these elements.

Concerning cash and cash equivalents, the Provident Fund credit risk is managed by holding current bank accounts and short term highly liquid deposits that are readily convertible to a known amount of cash held with ING Bank (Belgium) which has the following short term credit ratings:

ING Bank	Credit Ratings as at 31/12/2013			
	Fitch	Moody's	S&P	Date of last rating update
Short Term	A+	A2	A	17/12/2013

French insurance companies are not required to be rated by third party credit rating agencies. They are closely regulated by the French government and must periodically report certain capital ratios to prove their solvency.

At year end 2012, SOGECAP had a solvency ratio 120% (105% in 2011). The solvency ratio for 2013 was not available at the date of issuance of these financial statements.

SOGECAP is wholly owned by SOCIETE GENERALE which is rated as follows at year-end 2013:

Société Générale	Credit Ratings as at 31/12/2013			
	Fitch	Moody's	S&P	Date of last rating update
Short Term	F1	A-1	P-1	20/12/2013
Long Term	A	A2	A	20/12/2013

Concerning receivables, the credit risk is managed by maintaining control procedures over receivables. These consist essentially of contributions due by NATO agency payroll centres. This risk is considered limited since these agencies are funded by member nations which are considered credit worthy.

Currency risk

The Provident Fund is exposed to foreign currency exchange risk arising from fluctuations in currency rates. This risk is limited since the scheme receives contributions only in EUR, the investments underlying the insurance contract are in EUR and members' holdings are accounted for in Euro. However, staff may request payment of their holdings in a currency other than EUR and currency fluctuations may occur between the date the staff formally retires and the date the payment is made.

Liquidity risk

A liquidity risk could arise from a short term liquidity requirement. There is a very limited exposure to liquidity risk because contributions needed to pay the insurance premiums are paid by NATO bodies which receive contributions from member states funding the related budgets, or income from their customers which generally are other NATO bodies funded through their approved budgets. With regard to capital, the insurance contract guarantees the payment of the affiliates' accounts due upon closure of their account in the Provident Fund.

Interest rate risk

The Provident Fund is restricted from entering into borrowings.

The contract with the insurance company guarantees a minimum rate of return of 3% per annum for each year until 2016.

NOTE 3: CASH AND CASH EQUIVALENTS

Besides the funds managed by SOGECAP, the Provident Fund holds one bank account to collect contributions to be transferred to SOGECAP for investment and to transfer funds to the affiliates after redemption by SOGECAP. This amount corresponds to the funds held on the bank account at the year end.

Cash held end 2013 is essentially made of staff member contributions for the month of December 2013 waiting to be transferred.

NOTE 4: INVESTMENTS AT MARKET VALUE

The decrease in the invested amounts is due to the reduction in the number of Provident Fund members.

In 2013 the gross and net returns to NATO were both 4.20% (as in 2012), and consequently, in accordance with the contract, SOGECAP received no management fee.

The funds underlying the insurance contract are invested in the "Top Croissance 6" mutual fund, which had a total amount of assets under management of EUR 9 billion. At 31 December 2013, the asset distribution was as follows:

Asset Allocation

Asset class	% Weight in the fund
Fixed Income (Fixed rate)	82.5
Fixed Income (variable rate)	2.3
Convertible bonds	0.5
Equities and equity mutual funds	7.4
Real estate	2.2
Liquidity	5.1

Bonds portfolio rating breakdown

RATING	Sovereign	Other	Total
AAA	3%	9%	12%
AA	31%	13%	43%
A	0%	26%	26%
BBB	11%	7%	18%
BB	0%	1%	1%
	43%	57%	100%

Sovereign bond allocation by country:

Sovereign bonds country allocation	As of 31/12/2011	As of 31/12/2012	As of 31/12/2013	Variation since last reporting
Australia	2%	2,3%	1.99%	-0.31%
Austria	4%	0,5%	0.43%	-0.07%
Belgium	3%	3,0%	2.95%	-0.05%
Canada	1%	-	-	-
U.S.A.	3%	2,0%	2.63%	0.63%
Finland	0%	0,5%	0.45%	-0.05%
France	51%	58,6	61.20%	2,60%
Germany	3%	2,6%	2.11%	-0,49%
Ireland	1%	0,8%	0.66%	-0,14%
Italy	10%	9,8%	8.87%	-0,93%
Luxemburg	1%	-	-	-
Netherlands	3%	3,2%	2.95%	-0,25%
United Kingdom	4%	3,0%	3.14%	0.14%
Spain	9%	8,6%	7.76%	-0,84%
Sweden	1%	1,0%	1.14%	0,14%
Supranational	3%	2,9%	2.65%	-0,25%
Other	1%	1,1%	1.06%	0,04%

NOTE 5: OUTSTANDING CONTRIBUTIONS RECEIVABLE

Contributions are paid on a monthly basis. Receivables relate to outstanding contributions due at the end of the year but paid in the following year. As at 31 December 2013, there were no uncollected contributions for covered parties.

NOTE 6: INTERESTS AND BANK CHARGES

This corresponds to interests earned on the transition bank account and received during the following year and to related bank charges due.

NOTE 7: PAYABLE TO FORMER STAFF - CLOSED ACCOUNTS TO BE SETTLED.

This corresponds to the value of the affiliates' accounts closed in December and loans to current affiliates to be paid to them at the beginning of the following year.

The reduction of the amount between 2012 and 2013 is linked to the holdings of staff in such situation.

NOTE 8: PAYABLE TO THE IS

This corresponds to amounts due to the NATO International Staff (IS) for advances it may make to settle the accounts of affiliates who leave in December. There were no such advances at end 2013.

There were no other amounts payable to third parties.

NOTE 9: MISCELLANEOUS GAINS/LOSSES

This corresponds to the cumulative amount of miscellaneous net income, essentially interests net of bank charges and fees on premiums. The Board of Supervisors agreed that the balance of bank interest above Euro 5,000.00 be distributed to affiliates' accounts rather than be used for payment of bank fees. (CSCP-R(2011)0001 dated 4 March 2011).

NOTE 10: UNREALISED CHANGE IN VALUE OF THE FUND

The change in the value of the Fund is calculated as follows:

	2013	2012
Balance beginning of year	14,598,615.94	25,763,829.14
Staff members contributions	284,622.99	514,958.68
Loan reimbursements	85,195.06	164,159.84
Accumulated interest invested	0.00	0.00
Accounts closed	-3,499,241.70	-12,304,021.78
O.A.P., Loans and advances	-47,000.00	-499,720.00
Charges on investments Fund Manager	-1,296.98	-366.60
Bank charges	-116.32	-192.55
(a)	10,109,304.17	13,638,646.73
(b) Net assets available end of year	11,994,698.21	14,598,615.94
(b) - (a)	573,919.22	959,969.21

NOTE 11: CONTRIBUTIONS

Monthly contributions are made by staff and NATO, being 7% and 14% (netted from any OAP contribution, as required) respectively of basic salary. They are to be transferred as premiums to the insurance company and are credited to the individual account of the affiliates. The decrease in contributions is due to the reducing membership of the Provident Fund.

NOTE 12: HOUSING LOAN REIMBURSEMENTS BY STAFF

According to the CPRs, Articles 54.1 and 54.2, each member of the Fund is entitled to withdraw an amount from his (her) account: for payment to an old-age pension scheme (OAP) or the pension scheme applying in his (her) national administration; or to ease a housing problem.

Housing Loans reimbursements by staff amounted to EUR 85,195.06 in 2013 (EUR 164,159.84 in 2012, EUR 250,281.83 in 2011). They are usually handled via deductions from their salaries and amounts are re-credited to the member's account. Staff may make exceptional reimbursement (EUR 0 in 2013, EUR 0 in 2012).

NOTE 13: GAINS/LOSSES INVESTED

The Board of Supervisors' decision (CSCP-R(2011)0001 dated 4 March 2011) stated that the balance of bank interest above Euro 5,000.00 should be distributed to affiliates' accounts rather than be used for payment of bank fees. No amount was invested in 2012.

NOTE 14: ACCOUNTS CLOSED

Corresponds to the final settlement for staff who left the Organisation in the course of the year.

NOTE 15: OLD AGE PENSIONS, HOUSING LOANS AND ADVANCES ON FULL SETTLEMENT PAID TO STAFF

Staff can request, to have one-third of the amount of their individual account, paid in advance (not earlier than 3 months prior to their date of departure). The advance is made by each NATO entity, which is reimbursed when the affiliates' portfolio is disinvested.

According to the CPRs, Articles 54.1 and 54.2, each member of the Fund is entitled to withdraw an amount from his (her) account: for payment to an Old Age Pension scheme (OAP) or the pension scheme applicable in his (her) national administration, or to ease a housing problem.

The breakdown between Old Age Pensions contributions, housing loans and advances on Full Settlements paid to affiliates at their request is as follows:

In EUR	2013	2012
Old Age Pensions	0.00	0.00
Housing Loans	47,000.00	23,620.00
Advances on Full Settlement	0.00	476,100.00

NOTE 16: MISCELLANEOUS EXPENSES

These are essentially fees on premiums (0.18%).

NOTE 17: CONTINGENT ASSETS

None to report.

NOTE 18: CONTINGENT LIABILITIES

There are no material contingent liabilities arising from legal actions and claims that are likely to result in significant liability to the Provident Fund.

NOTE 19: RELATED PARTY TRANSACTIONS

The following party transactions took place during the year ended 31 December 2013.

NATO International Staff, in particular Executive Management – Human Resources and the Office of Financial Control, are responsible for the day-to-day management of the Provident Fund.

Administrative support provided by NATO-IS for the administration of the Fund is charged to other NATO bodies according to a cost share which takes into account the number of their affiliates. This includes the cost of IS- Office of Financial Control personnel (50% Full Time Equivalent of an A2/A3 grade staff). Costs related to the outsourced administration of affiliates' holdings (including Internet services service so that affiliates can see the value of their Fund on a monthly basis) are funded through the Civil Budget.

In specific circumstances cash advances are made by the International Staff to ease-up payment procedures. Reimbursement to the NATO-IS account is done as soon as technically possible.

The Fund does not hold any securities of the employer sponsor or, directly, of its related parties.

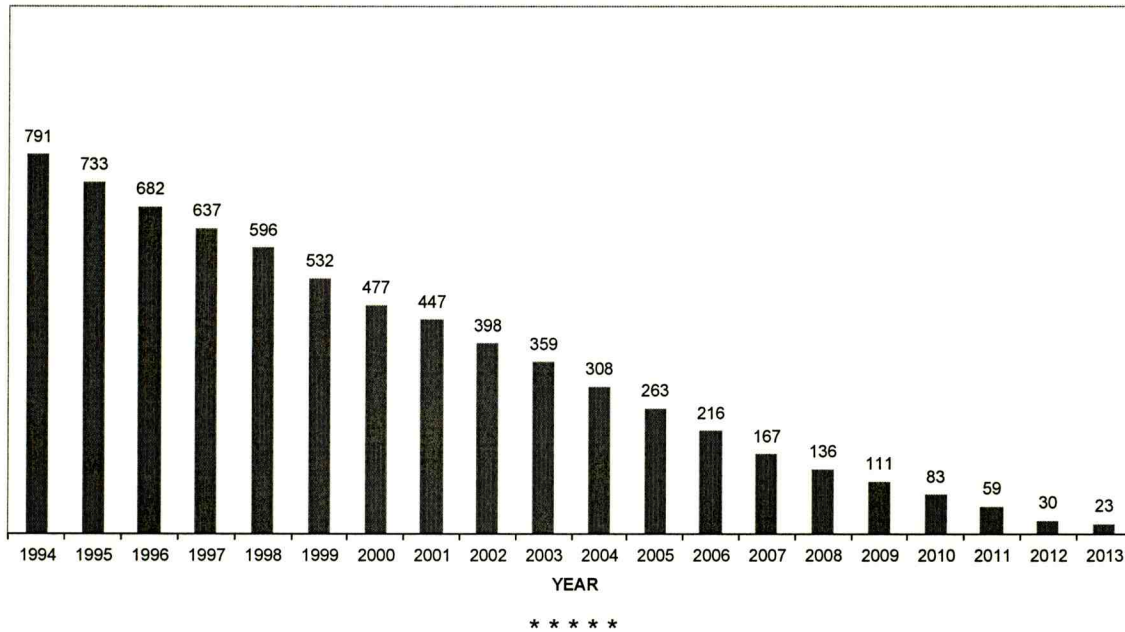
NOTE 20: KEY MANAGEMENT PERSONNEL

For the purpose of these financial statements, key management personnel are considered to be the Assistant Secretary General for Executive Management and the Financial Controller of the International Staff. Their remuneration is entirely covered by the International Staff.

Members of the Provident Fund Board of Supervisors do not receive any additional remuneration or benefits in return for their responsibilities. The Board of Supervisors is chaired by the Assistant Secretary General for Executive Management. The IS Financial Controller is a member of the Board.

NOTE 20: STATISTICAL INFORMATION

NUMBER OF AFFILIATES TO THE PROVIDENT FUND
 NOMBRE D' AFFILIES AU FONDS DE PREVOYANCE 1994 - 2013



List of acronyms:

CPR: Civilian Personnel Regulations
 DCPS: Defined Contribution Pension Scheme
 FTE: Full Time Equivalent
 IPSAS: International Public Sector Accounting Standards
 NAV: Net Asset Value
 OAP: Old Age Pension

From: Financial Controller, NATO International Staff

Subject: **Statement on Internal Control
NATO Provident Fund 2013**

Scope of responsibility

Attached are the un-audited NATO Provident Fund financial statements for 2013 which have been prepared under my responsibility.

As Financial Controller, as provided by NATO's Financial Regulations (Article 21), I have responsibility for administration of the financial and budgetary control system that supports the achievement of the NATO Provident Fund's mission. I am personally responsible for the correct use of all international appropriated funds made available to the Organization.

It is my responsibility to ensure that an effective system of internal control is maintained and operated by NATO International Staff (IS). The system is applied to several NATO budgets and entities for which the IS manages the budget and financial operations and in particular for the NATO Provident Fund.

The NATO IS internal control system is designed to manage rather than eliminate the risk of failure to achieve the organisation's mission; it can therefore only provide reasonable and not absolute assurance of effectiveness.

Purpose of the system of internal control

The system of internal control is designed to support the achievement of the Provident Fund mission by providing reasonable assurance of the achievement of objectives as to: the effectiveness and efficiency operations, the reliability of financial information, and compliance with applicable rules and regulations. This includes safeguarding the organisation's funds and assets.

The system of internal control is an ongoing process designed to identify the principal risks to the achievement of the NATO Provident Fund mission, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically. This process was in place for the financial year ended 31 December 2013 and up to the date of the issuance of the Financial Statements.

Internal control framework

The key elements of the internal control system include:

- NATO Financial Regulations
- Civilian Personnel Regulations and in particular its Annex VII concerning the NATO Provident Fund
- the NATO Code of Conduct
- the NATO Provident Fund Board of Supervisors
- status reports by the insurance company to which the funds have been entrusted
- the NATO International Staff IT financial system
- segregation of duties between the functions of approving officer, accountant and treasurer
- management supervision and a system of delegation
- the internal audit function
- annual accounts

Review of effectiveness

My review of the effectiveness of the system of internal control is informed by the work of the Office's internal auditors and the executive managers within the organization who have responsibility for the development and maintenance of the internal control framework, the decisions and recommendations of the NATO Provident Fund Board of Supervisors. It also relies on observations made by the external auditors in their reports, not only relative to the NATO Provident Fund but also to other entities for which the IS Office of Financial Control exercises similar functions.

The contract by which the funds were transferred to the insurance company guarantees a minimal level of return to the NATO Provident Fund participants and with which it has complied.

Observations made by IBAN up until the last audited NATO Provident Fund financial statements (2012) have been taken into account. IBAN observations on other financial statements issued by the IS OFC are considered because the related internal control system is very similar.

During 2013, including IBAN's field audit work and report on the financial statements for the year ended 31 December 2012, no material instances of failure of the internal control system were reported that should be brought to Nations' attention.

Based on the information from these sources, internal control is in general adequate. There is however an issue which needs to be addressed.

Area for improvement

The main weakness of the internal control system relates to financial reporting: the present IT accounting system does not enable the production of IPSAS compliant financial statements.

This IT financial system, implemented in the early 1990s, was conceived to track budget execution and make payments, but was not designed to be an accounting system. It has never been updated. The implementation of an Enterprise Resource Planning system is planned for 2015 and should contribute to solving this issue. In the meantime, manual adjustments are required, constituting a risk factor for errors. In addition the present IT system is not connected to any Human Resources database, which also constitutes a risk factor for errors. As a consequence the internal control system relies greatly on the control environment, in particular on knowledge acquired and values shared by the staff.

For the period 2000 to 2012, the financial statements of the NATO Provident Fund have received an unqualified opinion from IBAN. Achieving this requires a significant effort, impacting the overall process of generating the financial statements of the NATO bodies for which I am responsible.

My assessment is nevertheless that this situation had no material impact on the budgetary contributions called from Nations to fund the NATO entities' budgets from which the staff and contributions are paid into the Provident Fund. Neither did it have a material impact on the preservation of the assets belonging to the affiliates.

In my opinion these financial statements provide a true and fair view of the financial activities of the NATO Provident Fund for 2013.