

NATO SANS CLASSIFICATION

4 février 2016

DOCUMENT
C-M(2016)0010-AS1

**RAPPORT DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES
DE L'OTAN SUR LA VÉRIFICATION DES ÉTATS FINANCIERS
DE L'ORGANISATION POUR LA SCIENCE ET LA TECHNOLOGIE (STO)
POUR L'EXERCICE 2014**

SUITE DONNÉE

Le 3 février 2016, 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(2015)36, qui figure en annexe au C-M(2016)0010, et il a approuvé la recommandation du Bureau de la planification et de la politique générale des ressources visant la communication au public.

(signé) Alexander Vershbow
Secrétaire général délégué

NOTE : La présente note fait partie du C-M(2016)0010 et doit être placée en tête de ce document.

NATO SANS CLASSIFICATION

29 janvier 2016

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C-M(2016)0010

Procédure d'accord tacite :

3 fév 2016 18:00

**RAPPORT DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES
DE L'OTAN SUR LA VÉRIFICATION DES ÉTATS FINANCIERS
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POUR L'EXERCICE 2014**

Note du secrétaire général délégué

1. On trouvera en annexe le rapport du Collège international des commissaires aux comptes de l'OTAN (IBAN) sur la vérification des états financiers de l'Organisation pour la science et la technologie (STO) pour l'exercice clos le 31 décembre 2014. Ce rapport contient une opinion sans réserve.
2. Le rapport a été examiné par le Bureau de la planification et de la politique générale des ressources (RPPB). Conformément au PO(2015)0052, celui-ci recommande au Conseil, dans une note qu'il a approuvée le 21 décembre 2015, d'autoriser la communication au public du rapport de l'IBAN ainsi que des états financiers correspondants (annexe).
3. J'estime que ce rapport ne nécessite pas d'examen plus approfondi. Par conséquent, **sauf avis contraire me parvenant d'ici au mercredi 3 février 2016 à 18 heures**, je considérerai que le Conseil aura pris note du rapport de l'IBAN diffusé sous la cote IBA-AR(2015)36 et qu'il aura approuvé la recommandation du RPPB visant la communication au public des documents précités.

(signé) Alexander Vershbow

4 annexes
1 pièce jointe

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**RAPPORT DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE
L'OTAN SUR LA VÉRIFICATION DES ÉTATS FINANCIERS
DE L'ORGANISATION POUR LA SCIENCE ET LA TECHNOLOGIE (STO)
POUR L'EXERCICE 2014**

**Projet de note
du Bureau de la planification et de la politique générale des ressources**

Références : (A) IBA-A(2015)197 // IBA-AR(2015)36
(B) Lettre du contrôleur des finances de l'EMI sur la communication au public (IMSTAM(FC)-0060-2015, du 15 décembre 2015)

1. En vertu du PO(2015)0052, les rapports non classifiés du Collège international des commissaires aux comptes de l'OTAN (IBAN), assortis le cas échéant des états financiers correspondants, sont en principe rendus publics après leur examen par le Conseil.
2. L'IBAN a émis une opinion sans réserve sur les états financiers de l'Organisation pour la science et la technologie (STO) pour l'exercice 2014. Son rapport (référence (A)) sera transmis au Conseil afin qu'il en prenne note, ainsi que le prévoient les procédures agréées.
3. Le contrôleur des finances de l'État-major militaire international a estimé (référence (B)) que les états financiers 2014 de la STO pouvaient être rendus publics.
4. Le Bureau de la planification et de la politique générale des ressources estime quant à lui que le rapport de l'IBAN 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 PO(2015)0052, il recommande par conséquent que le Conseil approuve la communication au public de ce rapport et des états financiers correspondants.

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**Note succincte
du Collège international des commissaires aux comptes de l'OTAN
à l'intention du Conseil
sur la vérification des états financiers consolidés
de l'Organisation pour la science et la technologie (STO)
pour l'exercice clos le 31 décembre 2014**

Le Collège a procédé à la vérification des états financiers de l'Organisation pour la science et la technologie (STO), devenue un organisme OTAN le 1^{er} juillet 2012. La STO a pour mission de contribuer à ce que les investissements réalisés par les pays et par l'OTAN dans le domaine de la science et de la technologie jouent le rôle de catalyseurs stratégiques des savoirs et de l'avantage technologique pour la posture de défense et de sécurité des pays membres et des pays partenaires de l'OTAN.

La STO comporte trois organes exécutifs : le Bureau du conseiller scientifique (OCS), implanté à Bruxelles (Belgique) et placé sous l'autorité du conseiller scientifique, le Bureau de soutien à la collaboration (CSO), implanté à Neuilly-sur-Seine (France) et placé sous l'autorité de son directeur, et le Centre pour la recherche et l'expérimentation maritimes (CMRE), implanté à La Spezia (Italie) et placé sous l'autorité de son directeur.

Le Collège a émis une opinion sans réserve sur les états financiers consolidés de la STO et une opinion sans réserve sur la conformité pour l'exercice clos le 31 décembre 2014.

À l'issue de l'audit, le Collège a formulé deux observations, assorties de recommandations :

1. CMRE – Nécessité d'adapter les pratiques comptables au statut d'entité financée par le client
2. CMRE – Étiquetage insuffisant des immobilisations corporelles

Les commentaires factuels et officiels de la STO au sujet des observations et recommandations du Collège ont été intégrés dans la lettre d'observations et de recommandations. La STO souscrit aux observations du Collège.

Le Collège a par ailleurs fait le point sur la suite donnée aux observations formulées à l'issue de l'audit précédent, et il a constaté que cinq questions avaient été réglées et qu'une l'avait été partiellement.

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27 novembre 2015

COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN

**OPINION SUR LA VÉRIFICATION DES ÉTATS FINANCIERS CONSOLIDÉS
DE L'ORGANISATION POUR LA SCIENCE ET LA TECHNOLOGIE**

(STO)

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2014

**OPINION DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES
DE L'OTAN À L'INTENTION DU CONSEIL DE L'ATLANTIQUE NORD**

Rapport sur les états financiers

Le Collège international des commissaires aux comptes de l'OTAN a procédé à la vérification des états financiers consolidés de l'Organisation pour la science et la technologie (STO), qui se composent de l'état de la situation financière au 31 décembre 2014 et de l'état de la performance financière, de l'état des variations de la situation nette et du tableau des flux de trésorerie pour l'exercice clos à cette date, ainsi que d'un résumé des méthodes comptables importantes et de diverses notes explicatives. Le Collège a également vérifié les états de l'exécution du budget du Bureau du conseiller scientifique et du Bureau de soutien à la collaboration, qui figurent à l'annexe 1 des états financiers.

Responsabilité de la direction

La direction est chargée d'établir les états financiers conformément au cadre comptable OTAN et au Règlement financier de l'OTAN tels qu'ils ont été fixés 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'appuie 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 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 consolidés donnent une image fidèle, conforme au cadre comptable OTAN, de la situation financière de la STO au 31 décembre 2014, ainsi que de sa performance financière et de ses flux de trésorerie pour 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 27 novembre 2015

Lyn Sachs
Présidente

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ANNEXE 4
C-M(2016)0010
IBA-AR(2015)36

27 novembre 2015

COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN

**LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS
CONCERNANT L'ORGANISATION POUR LA SCIENCE ET LA TECHNOLOGIE**

(STO)

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2014

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Introduction

Le Collège international des commissaires aux comptes de l'OTAN a procédé à la vérification des états financiers consolidés de la STO pour l'exercice clos le 31 décembre 2014, et il a émis une opinion sans réserve à leur sujet ainsi que sur la conformité.

Observations et recommandations

À l'issue de l'audit, le Collège a formulé deux observations, assorties de recommandations :

1. Centre pour la recherche et l'expérimentation maritimes (CMRE) – Nécessité d'adapter les pratiques comptables au statut d'entité financée par le client
2. CMRE – Étiquetage insuffisant des immobilisations corporelles

Le Collège a par ailleurs fait le point sur la suite donnée aux observations formulées à l'issue de l'audit précédent, et il a noté que cinq questions avaient été réglées et qu'une l'avait été partiellement.

OBSERVATIONS ET RECOMMANDATIONS

1. CMRE – NÉCESSITÉ D'ADAPTER LES PRATIQUES COMPTABLES AU STATUT D'ENTITÉ FINANCÉE PAR LE CLIENT

1.1 Nécessité d'améliorer la comptabilité de gestion par projet

Contexte

1.1.1 En tant qu'entité financée par le client, le CMRE fournit des biens et des services à ses clients dans le cadre de divers projets. En 2014, il a ainsi exécuté 13 projets distincts pour le compte du Commandement allié Transformation (ACT), qui ont représenté plus de 90 % de ses recettes. Les projets ACT reposent sur des contrats à prix fermes.

1.1.2 Pour une entité comme le CMRE, une gestion correcte des contrats est essentielle. L'un des éléments clés d'une telle gestion est l'aptitude à déterminer l'ensemble des coûts correspondant à chacun des contrats : coûts de lancement, coûts récurrents, coûts fixes et frais généraux exposés par l'organisme lui-même dans le cadre de la gestion du contrat.

Observations

1.1.3 Le Collège a constaté que le CMRE ne calculait pas les coûts propres à chacun des 13 projets menés pour le compte de l'ACT. Le Centre explique cette situation par le fait qu'il ne dispose pas des ressources ou des outils adéquats pour imputer les frais généraux sur les différents projets. De ce fait, il ignore si, considérés individuellement, ces projets sont bénéficiaires ou déficitaires.

1.1.4 Cependant, le Collège a constaté que le CMRE calculait bel et bien les coûts propres à chacun des projets réalisés pour l'Union européenne. Pour ces projets, c'est le coût réel des prestations qui est pris en compte.

Recommandations

1.1.5 Le Collège recommande au CMRE de mettre au point une méthode lui permettant de déterminer les coûts par projet, et notamment les frais généraux imputables sur chacun d'eux. Il pourra ainsi calculer le montant du bénéfice ou de la perte propre à chaque projet et fournir à la direction des informations utiles pour la gestion de l'activité.

Commentaires de la STO

Accord.

Le CMRE compte faire installer en 2017, dans le cadre de l'initiative EBA de la NCIA et d'un paquet de capacités concernant l'ensemble des autorités militaires de l'OTAN (le projet LOG FS), une fonctionnalité complète de calcul des coûts par projet. Dans l'intervalle, ne disposant pas des moyens matériels nécessaires à une pleine mise en conformité, il continuera d'améliorer la méthode qu'il utilise actuellement pour la détermination de ces coûts.

1.2 Nécessité d'améliorer le rattachement des charges aux produits

1.2.1 Dans le cadre de la comptabilité d'exercice, les entités doivent imputer les charges sur le même exercice que les produits correspondants. Il s'agit là du principe de rattachement des charges aux produits¹.

Observations

1.2.2 Le Collège a constaté que la méthode que le CMRE applique pour la constatation des produits relatifs aux projets ACT est très semblable à celle qu'il appliquait quand il constituait un segment de l'ACT, financé sur le budget de ce commandement. Suivant cette méthode, les produits correspondant au montant des « engagements » effectués par le CMRE avant le 31 décembre sont différés (en tant que « produits non acquis », élément de passif dans l'état de la situation financière) jusqu'à ce que ces « engagements » passent en charges au cours d'exercices ultérieurs (c'est-à-dire jusqu'à ce que les biens ou services correspondants aient été reçus des fournisseurs). Au 31 décembre 2014, le montant des produits ainsi différés s'élevait à 3,2 millions d'euros.

1.2.3 Cette méthode n'est pas compatible avec le système des prix fermes que le CMRE pratique désormais pour ses contrats avec l'ACT dans le cadre du régime de financement par le client. Les deux organismes se sont accordés sur le fait que tous les livrables relatifs aux projets de 2014 avaient été fournis au cours de ce même exercice. Puisque tous les biens et services ont été fournis, aucun produit différé n'aurait dû être imputé sur 2015.

1.2.4 Comme, en application du principe de rattachement des charges aux produits, les entités doivent comptabiliser les charges sur la même période que les produits correspondants, ce sont les charges de 2014 qui ont permis au CMRE de fournir l'ensemble des livrables relatifs aux projets ACT de 2014. Dès lors, ce sont les charges de 2014 qu'il convient de rattacher aux produits de 2014 et non les charges de 2015. Ces dernières devraient contribuer à générer des produits de 2015.

¹ Cela ne signifie pas, toutefois, que les produits doivent égaler les charges.

1.2.5 Par ailleurs, le Collège a constaté que la STO avait modifié sa méthode comptable de manière à ce que soit enregistré un produit correspondant exactement à la dotation aux amortissements pour l'exercice. Selon le Collège, dans le régime de financement par le client, il convient de constater les produits sur la base d'une évaluation des biens ou des services qui ont été fournis au cours de la période considérée en vertu des contrats conclus avec les clients, et non en calquant simplement les produits sur les charges d'amortissement.

Recommandations

1.2.6 Le Collège recommande à la STO de réexaminer la méthode comptable qu'elle applique pour la constatation des produits du CMRE de façon à ce que les charges soient rattachées aux produits qu'elles génèrent, comme le veut le statut d'entité financée par le client.

1.2.7 Le Collège recommande de constater les produits sur la base d'une évaluation des biens ou des services qui ont été fournis au cours de la période considérée en vertu des contrats conclus avec les clients.

Commentaires de la STO

Accord.

Comme le propose l'IBAN, la STO comptabilisera les produits en fonction des biens ou des services qui auront été fournis aux clients du CMRE au cours de l'exercice. Des ajustements devront être apportés aux soldes d'ouverture fournis pour comparaison dans les états financiers de 2015.

Pour pouvoir assumer avec cohérence sa fonction en matière de gouvernance, le STB apprécierait de pouvoir s'appuyer sur des méthodes comptables stables.

2. CMRE – ÉTIQUETAGE INSUFFISANT DES IMMOBILISATIONS CORPORELLES

Contexte

2.1 Les actifs doivent pouvoir être aisément identifiés et facilement rapprochés avec les données figurant dans le registre des actifs.

Observations

2.2 Lors d'une inspection sur place, le Collège n'a pas été en mesure de retrouver la trace de certains actifs dans les données comptables et le registre parce que les actifs en question n'étaient pas étiquetés.

Recommandations

2.3 Le Collège recommande au CMRE de mettre au point un système de marquage ou d'identification qui permette de faire automatiquement le lien avec le registre comptable et de contribuer au suivi de l'utilisation des actifs.

Commentaires de la STO

Accord.

La STO développera des méthodes d'étiquetage de tous les actifs, y compris ceux qui sont déployés en environnement marin, et elle fera en sorte qu'un lien soit automatiquement établi avec le registre des actifs.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

Le Collège a fait le point sur la suite donnée aux observations et recommandations formulées à l'issue de son audit précédent. On en trouvera un résumé dans le tableau ci-dessous.

Suites données aux observations antérieures

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
(1) Rapport d'audit 2013 sur la STO IBA-AR(2015)10 - Section 1 Recommandation 1.6 Le Collège recommande que, à l'avenir, toutes les activités relatives au CMRE soient présentées dans les états financiers de la STO.	Toutes les activités du CMRE ont été présentées dans les états financiers de 2014.	Question réglée.
(2) Rapport d'audit 2013 sur la STO IBA-AR(2015)10 - Section 2 Recommandation 2.3 Le Collège recommande à la STO de faire en sorte que, à l'avenir, les charges enregistrées ne comprennent que celles qui se rattachent à la période considérée.	Le Collège n'a pas constaté de problème significatif à cet égard dans les états financiers de 2014.	Question réglée.
(3) Rapport d'audit 2013 sur la STO IBA-AR(2015)10 - Section 3 Recommandation 3.5 Le Collège recommande à la STO de revoir les tarifs appliqués par le CMRE à ses clients (principalement l'ACT) et de les abaisser de manière à tenir compte de l'important excédent dégagé en 2013 et à respecter ainsi la clause de la charte de la STO selon laquelle il ne peut y avoir ni pertes ni profits sur l'ensemble de la période de planification de trois ans.	La STO a revu les tarifs appliqués par le CMRE.	Question réglée.
(4) Rapport d'audit 2013 sur la STO IBA-AR(2015)10 - Section 4 Recommandation 4.4 Le Collège recommande à la STO d'améliorer ses procédures de contrôle du compte rendu financier, notamment la procédure d'examen par la direction, pour que le risque d'erreur dans les états financiers soit adéquatement atténué.	Des améliorations ont été constatées. Le Collège a formulé des recommandations verbales pour l'amélioration des informations fournies dans les notes.	Question réglée.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
(5) Rapport d'audit 2013 sur la STO IBA-AR(2015)10 - Section 5 Recommandation 5.5 Le Collège recommande d'améliorer la note jointe aux états financiers et d'y préciser au minimum le type d'articles détenus, leur emplacement et leur nombre approximatif, afin que cette note soit conforme aux dispositions du cadre comptable OTAN.	Le Collège a constaté que des améliorations avaient été apportées à la note sur les actifs jointe aux états financiers.	Question réglée.
(6) Rapport d'audit 2013 sur la STO IBA-AR(2015)10 - Section 6 Recommandation 6.3 Le Collège recommande à la STO de fournir dans ses états financiers des informations sur l'indemnité de représentation, ainsi qu'il est prévu dans la procédure approuvée par le Conseil.	Le Collège a constaté qu'une note sur l'indemnité de représentation était jointe aux états financiers. Cependant, cette note ne contient pas de récapitulatif des charges exposées, au contraire de ce que requiert le Conseil.	Question partiellement réglée.

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SCIENCE AND TECHNOLOGY ORGANIZATION FINANCIAL STATEMENTS

31 December 2014



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Executive summary

The Science & Technology Organization (STO) was created in July 2012 as part of NATO Agencies Reform. The mission of the STO is to help position S&T investments as a strategic enabler of the NATO's knowledge and technology advantage for the defence and security posture of NATO and partner Nations by:

- a. Conducting and promoting S&T activities that augment and leverage the capabilities and programmes of the Alliance, of the NATO Nations and the partner Nations, in support of NATO's objectives;
- b. Contributing to NATO's ability to enable and influence security and defence related capability development and threat mitigation in NATO and partner Nations, in accordance with NATO policies; and

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- c. Supporting decision-making in NATO Nations and NATO.

The STO is composed of:

- a. The Science and Technology Board (STB);
- b. Executive Bodies; and
- c. Scientific and technical committees.

Governance of the STO is vested in the STB which reports to the NAC through the Military Committee and the Conference of National Armaments Directors (CNAD). Leadership of the STO is exercised by the Chief Scientists through his roles as Chair of the STB and Senior scientific advisor to NATO leadership.

There are three executive bodies comprising the STO:

- a. The Office of the Chief Scientist (OCS), located within NATO Headquarters, Brussels, provides executive and administrative support to the NATO Chief Scientist in fulfilling his/her roles as the Chair of the Science & Technology Board (STB) and the Senior Scientific Advisor at NATO Headquarters.
- b. The S&T Collaboration Support Office (CSO), located in Neuilly sur Seine, Paris, provides the executive and administrative support to the collaborative S&T activities conducted through the STO level 2 committees and level 3 working groups.
- c. The Centre for Maritime Research and Experimentation (CMRE) located in La Spezia, Italy, organizes and conducts scientific research and technology development and delivers innovative and field-tested S&T solutions to address the defence and security needs of the Alliance.

In accordance with the STO Charter, the Chief Scientist, supported by STO Financial Controller (FC), shall submit to the STB and IBAN consolidated financial statements¹ in accordance with the NATO Accounting Framework² (as based on International Public Sector Accounting Standards (IPSAS)), and NATO Financial Regulations.

The STB shall approve the consolidated annual financial statements taking into the audit report of the International Board of Auditors for NATO (IBAN) and the comments of the STB Finance and Audit Sub-Group (FASG).

These consolidated Financial Statements (FS) for the STO cover the period from 1 January 2014 to 31 December 2014. As recommended by the IBAN, adjustments have been made to the FY 2013 comparative balances, in accordance with IPSAS 3.

These FY 2014 statements reflect the financial position, the financial performance, the budget execution, the cash flow and the change in net assets for the reporting period. Notes provide further disclosures on key transactions following the materiality principle and where appropriate, segmented reporting.

¹ C-M(2012)0046 Annex 1 para 25.1

² C-M(2013)0039

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The Financial Statements have been prepared primarily using the data from the FinS accounting software, in which each executive body is represented with a separate set of financial books / balancing segment.

The STO, finalizing its transition phase, pursues full compliance. It remains committed to developing its Financial Reporting expertise and to producing fully compliant Financial Statements in accordance with the applicable standards, and any instructions issued by Nations, e.g. from the NATO Resource Policy and Planning Board. It also remains dedicated to continue to work openly and constructively with the IBAN.

Conditions for success need to be met. Staff needs to maintain up-to-date knowledge as the NATO Accounting Framework and IPSAS standards are continuously evolving, accounting tools need to be suitably maintained and, when appropriate, upgraded and NATO Bodies should undertake financial reporting in a consistent way. The STO will therefore continue to maintain a dialogue with the other NATO Bodies and to play a full part in the Accounting Working Group and the Working Group of Financial Controllers.

Statement of Internal Control

The Chief Scientist and Chairman of the Science and Technology Board (STB), together with the Directors of the Centre for Maritime Research and Experimentation (CMRE) and Collaborative Support Office (CSO), as Heads of the three respective Executive Bodies of the STO, collectively exercise the overall responsibility for maintaining a sound system of internal control.

The system of internal controls provides reasonable assurance regarding the achievement of the STB's objective of adherence to NATO corporate governance principles³, specifically: a. Effectiveness and efficiency of operation;

- b. Reliability of internal and external reporting; and
- c. Compliance with applicable laws and regulations and internal policies.

The Board are advised and assisted in discharging these responsibilities by the STB Finance and Audit Sub-Group (FASG). The key roles of the FASG are to provide advice and recommendations to the STB in support of:

- a. All governance domains: direction and guidance, execution oversight, finance oversight and assessment;
- b. The Financial Management Activities of the STO Executive Bodies;
- c. The Audit Management Activities of the STO Executive Bodies; and
- d. The Risk Management Activities of the STO Executive Bodies.

³ C-M(2005)0087

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The STO Financial Controller (FC) exercises the control of the financial management system and related internal controls in the name of the respective Heads of the Executive Bodies and is responsible for the proper application of the NATO Financial Regulations and those financial policies approved by the STB and relevant NATO Committees.

The FC maintains and controls the:

- a. Quality and accountability of financial systems;
- b. Accuracy of the organization's accounts;
- c. Quality of financial information;
- d. Internal financial supervision;
- e. Financial risk management;
- f. Control of funds; and
- g. Application of financial regulations.

The system of internal control is designed to manage and reduce, rather than entirely eliminate, the risk of failure to achieve the organization's policies, aims, and objectives; it can therefore provide reasonable but not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the organization's policies, aims, and objectives, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively, and economically. The system of internal control can be primarily summarized as follows:

- a. Documenting policies, rules, and procedures governing financial management activities;
- b. Utilizing suitably qualified staff throughout the financial system, and ensuring that staff have a sound understanding of their responsibilities as set out in the NATO Financial Regulations (NFR) and the policies promulgated by the STB;
- c. Utilizing the principles of checks and balances, segregation of duties and reconciliations, management supervision, and a system of delegation to support this framework;
- d. Maximizing the use of our common accounting system, FinS, that has built-in approval workflows and controls together with audit trails. Transactions are recorded using a consistent approach based on the Military Budget Chart of Accounts;
- e. Maintaining access rights for Internal Audit Service providers as commissioned on an occasional basis by the STO Financial Controller and the STB;
- f. Acting upon any recommendations and observations made by the IBAN during their external audit of financial statements; and

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g. Periodic reporting to the STB and relevant committees aspects of management execution.

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Peter Bontinck
Financial Controller
Science and Technology Organization
Albert Husniaux
Major General, BEAF
Chairman
NATO Science and Technology Board

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*This column reports the restatement of prior year comparative balances. Refer to Section A (changes in accounting policy) and Section C

Statement 2 STO Consolidated Statement of Financial Performance

		2014	2013*	(in euro) 2013
	Notes			
REVENUES	12			
Operating Revenues		33,332,436	36,807,331	33,892,643
Financial Revenues		55,399	32,787	11,882
TOTAL REVENUES		33,387,835	36,840,118	33,904,525
EXPENSES	13			
Personnel		19,977,528	18,685,297	18,678,380
Supplies and Services		11,866,663	11,350,035	9,491,424
Capital and Investments Depreciation		390,955	1,576,523	418,080
Financial Expenses		278,439	54,641	54,641
Provision Expenses for Cruise Leave		44,575	51,518	30,613
TOTAL EXPENSES		32,558,159	31,718,014	29,632,369
SURPLUS/(DEFICIT) FOR THE PERIOD	14	829,675	5,122,104	4,272,156

*This column reports the restatement of prior year comparative balances. Refer to Section A (changes in accounting policy) and Section C

Statement 3 STO Consolidated Statement of Cash Flow

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

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	(in euro) 2014	2013*	As Per FS 2013
CASH FLOW FROM OPERATING ACTIVITIES			
<i>Surplus / (Deficit)</i>	829,675	5,122,104	4,272,156
Depreciation	278,439	54,641	54,641
Increase / (Decrease) in payables	618,200	777,943	777,943
Increase / (Decrease) in other current liabilities	824,289	915,613	1,832,911
Increase / (Decrease) in Provisions	449,186	1,068,513	4,523,235
Decrease / (Increase) in receivables	-159,448	-1,494,450	-1,494,450
(Gains) / Losses on sale of property, plant and equipment	-51,737	-314,702	-314,702
Decrease / (Increase) in other-Current Assets			109,282
Increase / (Decrease) in Non-Current Assets			
NET CASH FLOW FROM OPERATING ACTIVITIES	2,788,604	6,129,662	9,761,016
CASH FLOW FROM INVESTING ACTIVITIES	-844,198	-163,924	-163,924
Purchase of property, plant and equipment			
Proceeds from sale of property, plant and equipment			
Cash Advances			
NET CASH FLOW FROM INVESTING ACTIVITIES	-844,198	-163,924	-163,924
CASH FLOW FROM FINANCING ACTIVITIES			
Net equity provision			
Increase in borrowings		-959,231	
Repayment of borrowings		2,101,206	
NET CASH FLOW FROM FINANCING ACTIVITIES	-2,101,206	1,141,975	2,101,206
NET INCREASE/DECREASE CASH AND CASH EQUIVALENT	-156,800	7,107,713	7,107,713
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	13,491,204	6,383,490	6,383,490
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-156,800	7,107,713	7,107,714
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	13,334,404	13,491,204	13,491,204

*This column reports the restatement of prior year comparative balances. Refer to Section A (changes in accounting policy) and Section C

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Statement 4 – STO Consolidated Statement of Change in Net Equity

	(in euro)
	Amount
Balance at 31-December 2013	7,235,670
Change in accounting policy	-109,282
Restated Balance	7,126,387
Net increase/(decrease) of bookvalue of property, plant and equipment	
Net increase/(decrease) of reserves	
Currency translation differences	
Net increase/(decrease) of reserves	
Net gains/(losses) not recognized in the Statement of Financial Performance	
Net surplus for the period	829,675
Balance at 31-December 2014	7,956,063

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NOTES TO THE STO CONSOLIDATED FINANCIAL STATEMENTS

A. ACCOUNTING POLICIES

Accounting Period

The STO Financial Statements are based on the accounting records of the STO as of 31 December 2014. In accordance with Article 2 of the NATO Financial Regulation (NFRs), the financial year for STO begins on 1 January and ends on 31 December of the year.

Reporting Currency

The functional and reporting currency used throughout these Financial Statements is the Euro (EUR).

Basis for Preparation

The Financial Statements have been prepared on a going-concern basis. The STO includes the Centre for Maritime Research and Experimentation (CMRE), the Collaboration Support Office (CSO) and the Office of the Chief Scientist (OCS).

Financial Reporting Framework

The STO Financial Statements have been prepared in accordance and comply with the NATO Accounting Framework⁴ for all NATO Reporting Entities⁵, an adapted version of International Public Sector Accounting Standards (IPSAS).

This Accounting Framework, applicable from 2013, was developed to provide minimum requirements for financial reporting for all NATO Reporting Entities and was approved by the North Atlantic Council on 14 February 2013 as an IPSAS-adapted accounting framework for the Alliance.

This Accounting Framework is applicable for financial reporting periods beginning on 1 January 2013.

The accounting principles recognized as appropriate for the recognition, measurement and reporting of the financial position, performance and cash flows on an accrual based accounting using historical costs have been applied consistently throughout the reporting period to ensure that the financial statements provide information that is relevant to the decision-making and reliable, comparable, and understandable in light of the qualitative characteristics of financial reporting as well as of the principle of the right balance between the benefits derived from the information and the costs of providing it as required by IPSAS 1.29 and further summarized in Appendix A of IPSAS 1.

The Cash Flow Statement is prepared using the indirect method and the format follows the layout provided by IPSAS 2 (Cash flow Statements).

⁴ C-M(2013)0006

⁵ A NATO Reporting Entity is a NATO entity which is required to produce financial statements and where the audit opinion is addressed to the North Atlantic Council.

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The STO Financial Statements have also been prepared in accordance with the accounting requirements of the NFRs and the Financial Rules and Procedures (FRP) and the relevant entity directives and policies. In instances where there is a conflict between IPSAS and the NFRs and FRP, this has been noted.

Changes in Accounting Policy

There is a change in accounting policy for the CMRE segment for FY 2014. Reserves for depreciation are now accounted for under long-term liabilities, rather than Net Equity. Depreciation expense in the Statement of Financial Performance is matched by an equal amount of revenue from this longterm liability. Revenue associated with the acquisition of assets is only recognized as the asset is depreciated. Depreciation therefore has no net impact on the operating surplus.

This treatment of depreciation is now consistent with that already applicable to the Budget Funded elements of the STO: the Office of the Chief Scientist (OCS) and the Collaborative Support Office (CSO). In accordance with IPSAS 3, this change in policy at the CMRE has also been reflected in the prior year comparative figures for FY 2013.

Foreign Currency Transactions

Transactions in currencies other than the functional currency are converted into Euro at the NATO exchange rates prevailing at the time of the transaction. Monetary assets and liabilities at year-end which were denominated in foreign currencies were converted into Euro using the NATO exchange rates that were applicable on 31 December 2014.

Realized and unrealized gains and losses resulting from the settlement of such transactions and from the revaluation at the reporting dates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Financial Performance.

Consolidation

According to the Article 25 of the Charter of the NATO Science and Technology Organization, the Chief Scientist, supported by the STO Financial Controller, shall submit to the STB and the International Board of Auditors for NATO (IBAN) Consolidated Annual Financial Statements.

Consolidated Financial Statements include the financial results of the controlling entity and its controlled entities. When consolidation occurs, inter-entity balances and transactions are eliminated.

Services In-Kind

Services in-kind are services provided by individuals to public sector entities in a non-exchange transaction. These services meet the definition of an asset because the entity controls a resource from which future economic benefits or service potential is expected to flow to the entity. An entity may, but is not required to, recognize services in-kind as revenue and as an asset, and a decrease in an asset and an expense upon consumption of the service in-kind. Due to many circumstances surrounding services in-kind, including the ability to exercise control over the services, and measuring the fair value of the services, IPSAS does not require the recognition of services in-kind.

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Assets – Current Assets

The entity holds the following types of current assets:

a. Cash and Cash Equivalents

Cash and Cash Equivalents are defined as short-term assets. They include cash on-hand, petty cash, current bank accounts, deposits held with banks, other short-term highly liquid investments.

b. Receivables

Receivables are stated at net realizable value, after provision for doubtful and uncollectible debts.

In accordance with IPSAS, receivables are broken down into amounts receivable from user charges, taxes, receivable from related parties, etc.

Contributions receivable are recognized when a call for contribution has been issued to the member nations. No allowance for loss is recorded with respect to member countries' assessed contributions receivable except for exceptional and agreed technical reasons. ***c. Inventories***

IPSAS 12 defines inventories, establishes measurement requirements under the historical costs system, and establishes disclosure requirements. The STO assesses inventories under IPSAS 12 and the outcome of this assessment is that the value of the inventories is immaterial both in value and in terms of the nature of the items held. Consequently, inventory is fully expensed on receipt.

d. Prepayments

Prepayments are mainly in respect of advance payments made to third parties.

Assets – Non - Current Assets

In this category, the STO is reporting all assets invested for more than 12 months or receivable beyond 12 months from the closing date of the Financial Statements.

a. Property, Plant and Equipment (PP&E) Basic

Principles:

- In accordance with the NATO Accounting Framework, PP&E acquired prior to 1 January 2013 have been fully expensed;
- Buildings are shown at their revalued amounts, which will be revalued in case any relevant information is received from the Host Nations;
- Other property, plant and equipment are stated at historical cost less accumulated depreciation and any recognized impairment loss;

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- No external evaluator to set values for assets;
- No grouping of assets;
- Full depreciation / amortization in the year of acquisition, and none in the year of disposal.

PP&E categorizations for purposes of determining the appropriate depreciable life of the assets are listed in the table below. The categories for both tangible and intangible assets complete with the years in which the asset is to be depreciated.

Straight-line depreciation method is used for all categories; however the depreciable life of an asset is dependent on the particular category it is in.

As an accounting principle, Land cannot be depreciated.

Category	Threshold	Depreciation life	Method
Land	200,000	N/A	N/A
Buildings	200,000	40	Straight line
Other infrastructure	200,000	40	Straight line
Installed equipment	30,000	10	Straight line
Machinery	30,000	10	Straight line
Vehicles	10,000	5	Straight line
Aircraft	200,000	Dependent on type	Straight line
Vessels	200,000	Dependent on type	Straight line
Mission equipment	50,000	3	Straight line
Furniture	30,000	3	Straight line
Communications	50,000	10	Straight line
Automated information systems	50,000	3	Straight line

b. Impairment of tangible assets

The carrying values of fixed assets are reviewed for impairment if events or changes in circumstances indicate that they may be not recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Any provision for impairment is charged against the statement of financial performance in the year concerned.

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c. Intangible Assets

The basic principles for PP&E apply to intangible assets. No intangible asset has been purchased in 2014.

Liabilities – Current Liabilities***a. Payables***

Payables are amounts due to third parties for goods received or services provided that remain unpaid as of the reporting date. Accruals are estimates of the cost for goods and services received at year-end but not yet invoiced.

b. Advances from Customers

Advance from customers are either cash received as working capital or result from advance billings to customers where the cost burn rate slips in comparison with the agreed payment milestones. The latter will be compensated at the time the income will be earned.

c. Unearned Revenue

For CSO and OCS, unearned revenue represents contributions from Nations that have been called for current or prior year budgets that have not yet been recognized. Funds are called in advance of their need because the entity has no capital that would allow it to pre-finance any of its activities.

For CMRE, unearned revenue represents revenue from customers that have been invoiced for current or prior year activities but for which goods have not been delivered / services have not been rendered at year-end.

d. Employee benefits

IPSAS 25 prescribes the accounting treatment of the following employee benefits:

- Short-term benefits which fall due wholly within twelve months after the end of the accounting period in which employees render the related service; - Post-employment benefits; - Termination benefits.

Employees who have joined NATO before 1 July 2005 are members of the NATO Coordinated Pension Scheme, which is a defined benefit plan. Under this plan and upon completion of 10 years employment with NATO, the employees are entitled to retirement benefits of 2% of final basic salary per year of service, payable on attainment of a retirement age of 60. Staff members whose length of service is not sufficient to entitle them to a retirement pension are eligible for a leaving allowance.

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Employees who have joined NATO after 1 July 2005 are members of the NATO Defined Contribution Pension Scheme (DCPS), which provides pensions on a money purchase basis. Under this plan and upon completion of six years employment with NATO and attainment of a retirement age of 60, the employees are entitled to retirement benefits purchased from a commercial pension provider at commercial rates available at time.

Contributions to these Plans are limited to periods of current service.

The assets and liability for NATO's Coordinated Pension Scheme are accounted for centrally at NATO Headquarters and therefore are not recognized in these financial statements, whilst the employer's contribution made to the New Defined Contribution Pension Plan are expensed during the reporting period.

Members of the staff are eligible for the benefits of the group insurance scheme while employed. Staff members who leave the Organisation having completed a minimum of 10 years uninterrupted service and who have reached the age of 55 shall be permanently entitled to the reimbursement of medical expenses. The STO entities contribute a percentage of current payroll costs to provide benefits for current employees, but do not contribute to the provision of postretirement benefits.

Liabilities – Non - Current Liabilities

Provisions

Provisions are recognized when the entity has a legal or constructive obligation as a result of past event, and where it is probable that an outflow of resources will be required to settle the obligation, and where a reliable estimate of the amount of the obligation can be made.

Depreciation Reserve for PP&E

Revenue is recognized incrementally and equally with the depreciation. The reserve for depreciation is the counterpart of the PP&E and Intangible Assets Net Value.

Net Assets

Net assets represent the residual interest in the assets of the entity after deducting its liabilities.

Revenue and Expense Recognition

a. Revenue

In accordance with IPSAS 1, revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets/equity, other than increases relating to contributions from owners. In NATO, the contributions by nations relating to the execution of the annual budget are also included in revenue.

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Revenue is recognized to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be measured reliably. Revenue comprises contributions from Member Nations and other customers to fund the entity's activities.

Revenue is recognized in the Statement of Financial Performance when such revenue is used for its intended purpose as envisioned by operational budgets or projects. The balance of unspent revenue and other revenue that relates to future periods is deferred accordingly and is categorized as unearned revenue.

Where a budget transfer is subject to conditions that, if unfulfilled, require the return of the transferred resources, the entity recognizes a liability until the condition is fulfilled.

Bank interests earned and accrued as of 31 December 2014, exchange rate revenue due to transactions in foreign currency and realized exchange rate revenue in accordance with the entity Policy IPSAS 4 - Effect of the foreign exchange rate are recognized as financial revenue. **b. Expenses**

Budgetary expenses are recognized when occurred. Accruing of expenses is based on the concept of accruing when goods and services are received.

Bank charges, exchange rate losses due to transaction in foreign currency and realized exchange rate losses in accordance with the IPSAS 4 - Effect of the foreign exchange rate - are recognized as financial expenses.

Surplus or Deficit for the Period

For the common funded entities (CSO and OCS), revenue is recognized up to the value of the matching expenses. Any resulting surplus is recorded as unearned revenue and categorized as miscellaneous income and lapsed budgetary credits. The unearned revenue represents a liability owed to the funding nations that is accounted for in the call for contributions of the subsequent year. The result is that no surplus is generated as a consequence of unearned revenue.

For the CMRE, which is customer funded, the surplus or deficit of the period is recognized when services are rendered. As provided in the STO charter⁶ the Centre operates on a no-profit / no-loss principle over time, however, the financial construct anticipates that a surplus or deficit may result in any given period.

⁶ C-M(2012)0046 Article 23.1

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B. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In accordance with generally accepted accounting principles, the financial statements necessarily include amounts based on estimates and assumptions made by the management and based on historical experience as well as on the most reliable information available. In exercising the judgment to make the estimates a degree of caution was included in light of the principle of 'prudence' required by IPSAS in order not to overstate assets or revenue or understate liabilities or expenses.

The estimates and underlying assumptions are reviewed on an ongoing basis. These estimates and assumptions affect the amounts of assets, liabilities, revenues and expenses reported. By their nature, these estimates are subject to measurement uncertainty. The effect of changes to such estimates and assumptions in future periods could be significant to the financial statements.

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C. RESTATEMENT OF PRIOR YEAR FY 2013 COMPARATIVE BALANCE

The IBAN Audit of FY 2013 (IBA-AR(2015)10) resulted in a qualified audit opinion on the 2013 Financial Statements. In particular, the prior year statements were qualified for three reasons:

Firstly *“the 2013 STO Financial Statements did not include 3 million of CMRE related revenues and expenses that were funded by carried forward 2012 ACT budget credits [NURC budget 242]”*. As directed by the IBAN, the FY 2013 comparative figures for revenue and expenditure have been adjusted so as to include 3 million of transactions proposed by the IBAN. However, it should be noted that this restatement has no impact on the FY 2013 surplus.

Secondly, *“the Statement of Cash Flow was materially misstated. The change in both other current liabilities and provisions in the operating activities section of the Statement of Cash Flow was not consistent with the Statement of Financial Position”*. As directed by the IBAN, the FY 2013 comparative figures in the cash flow statement have been adjusted so as to correct the presentation. However, it should be noted that this restatement has no impact on closing and opening cash positions, which were correctly stated.

Thirdly *“the STO recorded 959 KEUR of 2013 expenses relating to the provision for [CMRE] cruise leave, however these expenses had actually been incurred in previous years, not in 2013”*. As directed by the IBAN, this expense is now recorded as an opening liability in the FY 2013 comparative figures. However it should be noted that this restatement has no impact on the 2013 accumulated surplus, which was correctly stated.

In accordance with IPSAS 3, the above adjustments have been made to the prior year (FY 2013) comparative figures. It should be noted that the changes made have no impact on the closing balances for cash and accumulated surpluses for FY 2013 and FY 2014. In addition, to these adjustments directed by the IBAN, a further adjustment has been made due to a change in STO accounting policy for depreciation (ref section A).

D. NOTES TO THE STATEMENT OF FINANCIAL POSITION

1. Cash and cash equivalents

Cash and Cash Equivalent		(in euro)		
		2014	2013	Variance
Petty Cash		8,716	6,822	1,894
Bank accounts	EUR	11,225,530	9,067,553	2,157,977
	GBP	6,737	64,615	-57,878

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	USD	143,422	303,214	-159,792
Short-term deposits		1,950,000	4,049,000	-2,099,000
Total Cash and Cash Equivalents		13,334,405	13,491,204	-156,800

Petty cash is a small fund of cash kept on hand for very small purchases or reimbursements.

Current Bank Accounts are held in EUR, GBP and USD. Bank deposits showed above that are denominated in foreign currencies have been converted to reporting currency at the closing date exchange rate.

The short term deposits are highly liquid investments that are readily convertible to cash and that are not subject to significant risk of change in value.

At year-end 2013, short-term deposits included the Budget Committee loan to the OCS for the initial funding of the CMRE Net Equity Fund (NEF) (See Note 9). This loan was repaid by the OCS via the Second Call for Contributions 2014.

2. Accounts receivable

Receivables	(in euro)		
	2014	2013	Variance
Receivable from NATO Entities	1,676,157	1,367,550	308,608
Receivable from Staff Members	7,916		7,916
Receivable from Third Parties	381,760	641,908	-260,148
Receivable from Governments	123,463	127,881	-4,418
Prepaid Expenses	56,243	143,377	-87,134
Invoices to be established	408,089	205,794	202,295
Other Receivable	15,872	23,543	-7,671
Total Receivables	2,669,500	2,510,052	159,448

Receivable from NATO Entities

Significant receivables from NATO Entities at year-end 2014 include a CMRE Invoice to NATO HQ SACT for the 2014 Programme of Work (EUR 1,660,130).

Receivables from Staff Members

These are receivables from staff members, such as short-term loans, salaries to be reimbursed, allowances to be reimbursed by staff members and receivables not belonging to these categories. Collections are assured through payroll withholding and staff separate payments.

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Receivable Third Parties

Significant receivables from Third Parties at year-end 2014 include CMRE Invoices from Nations (EUR 307,987).

Receivable from Governments

This relates to Value Added Tax (VAT) paid by the CSO and subject to reimbursements from the Host Nation.

Prepaid expenses

This item relates to the Ship Management contract for the management of the vessel NRV Alliance. The Ship Management Company receives an advance from CMRE and makes trial balance reconciliations that reflect their prepayments, accruals and petty cash transactions.

Invoices to be established

This relates to services that have been provided to the CMRE customers including European Community Consortia Projects (EUR 146,124) and Nations (EUR 172,140), but for which the related invoices have not been issued at the end of the reporting period.

Other Receivable

These are miscellaneous receivables from multiple sources.

3. Prepayments and Miscellaneous assets

Prepayments are mainly in respect of advance payments provided to the Ship Management Company (EUR 368,993), for crew salaries, stores, insurance and spare parts.

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4. Property, Plant and Equipment

	(in euro)		
	Mission Equipment	Working in progress	Total
Gross Book Value (31 Dec 2013)	163,924		163,924
Deletions (31 Dec 2013)			
Gross Book Value (1 Jan 2014)	163,924		163,924
Accumulated Depreciation (31 Dec 2013)	-54,641		-54,641
Deletions (31 Dec 2013)			
Accumulated Depreciation (1 Jan 2014)	-54,641		-54,641
Net Book Value (1 Jan 2014)	109,283		109,283
Additions in 2014	671,393	172,805	844,198
Disposal in 2014			
Depreciation in 2014	-278,439		-278,439
Net Book Value (31 Dec 2014)	502,237	172,805	675,042
Gross Book Value (31 Dec 2014)	835,317	172,805	1,008,122
Accumulated Depreciation (31 Dec 2014)	-333,080		-333,080
Net Book Value (31 Dec 2014)	502,237	172,805	675,042

CMRE

Mission equipment was purchased in 2014 by CMRE in order to maintain its cutting edge ocean engineering capabilities.

Mission Equipment:

- High Precision Acoustic Positioner (HIPAP 501) upgrade
- PHINS Inertial Navigation System for AUV
- Slocum G2 Underwater Glider
- Remote Environmental Monitoring Units (REMUS-100) Payload
 - Muscle Autonomous Underwater Vehicle spare parts
 - Meteo Bouy for ocean observation.

Work in progress

- HVAC piping replacement
- Very Low Frequency Synthetic Aperture Sonar (VLFSAS) Receiver prototype
 - Very Low Frequency Synthetic Aperture Sonar

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CMRE also has around 140 assets that were purchased prior to the implementation of the NATO accounting framework (01 Jan 2013).

- *Vessels (custodian is Headquarter, Supreme Allied Command Transformation HQ SACT) ○ The NRV Alliance ○ The CRV Leonardo*
- *IT Equipment ○ Disaster recovery ○ Satellite communication system ○ Various workstations and servers*
- *Mission Equipment ○ Multiple types of autonomous vehicles ○ Towed acoustics arrays ○ Multiple types of sonars*
- *Vehicles ○ Cars*
 - *Fork lift*
- *Machinery ○ Industrial shredding machine*
- *Installed Equipment ○ Air condition systems for the new and old building ○ Uninterrupted Power Supply (UPS) systems ○ TV closed circuit system*

CMRE Premises

CMRE is located in La Spezia (Italy) on the Italia Navy compound, Centro Supporto e Sperimentazione Navale (CSSN). The majority of the premises are provided by the Host Nation (HN) at no cost to CMRE.

CSO

CSO Premises

The Collaboration Support Office (CSO) is located in Neuilly-sur-Seine, France. The premises are provided by the Host Nation (HN). The CSO pays a nominal annual charge for use of the facilities. Extensions and significant upgrades have been added to the existing facilities. As they were done prior to 1 January 2013, they have been fully expensed in accordance with the NATO Accounting Framework

Other PP&E

The CSO owns two staff cars and other IT equipment (software) purchased before 1 January 2013.

OCS

OCS Premises

The OCS is hosted in the NATO headquarters in Brussels. The premises are provided at no cost to the OCS.

5. Payables

Payables

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	2014	2013	(in euro) Variance
Payables to Suppliers	562,669	467,592	95,077
Accruals	1,301,233	778,110	523,123
Total Payables	1,863,902	1,245,702	618,200

Payable to Suppliers

Payables to Suppliers include invoices received from suppliers but not yet settled.

Accruals

Accrued expenses are accounted for goods and services received from suppliers but not yet invoiced as of 31 December 2014.

6. Advances from Customers

At year-end 2014, the advances amount to EUR 269,367. This includes amounts pre-financed by European Community Consortia for CMRE projects valued at EUR 240,491.

7. Unearned Revenue and advances

Unearned Revenue	(in euro)			
		CSO	CMRE	OCS
Unearned revenue	3,579,140	337,907	3,240,753	480
Advance Contributions	1,700,000	1,500,000		200,000
Other Unearned revenues	102,128	72,128	30,000	
Liabilities from Lapses	105,981	104,346		1,635
Liabilities from Operational Result	35,967	15,021		20,946
Liabilities from Financial Result	8,426	137		8,289
Total Unearned Revenue	5,531,643	2,029,540	3,270,753	231,350

Unearned revenue

Unearned revenue consists of 2014 contributions/revenues received for which corresponding expenses will be incurred after the reporting period (EUR 337,907 for the CSO, EUR 480 for the OCS and EUR 3,240,753 for CMRE).

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Advance Contributions

The Advance Contributions correspond to cash called from the Nations for the following financial year and represent approximately 25% of the provisional total budget allocation. This mechanism is applicable to the common fund organizations (CSO and OCS).

Other Unearned revenues***CSO (EUR 72,128)***

This amount consists mainly of advances for future S&T activities, including € 52,627 VNC Funds, and € 19,501 invoiced to ACT for cost-shared events including ITEC 2015 and ITSEC 2015.

CMRE (EUR 30,000)

This amount reflects customer advances for multi-year CMRE activities that are not fully completed at the end of 2014 such software development.

Liabilities from Lapses 2014

The Liabilities from Lapsed Budget Authorization are, for the common-funded entities (CSO and OCS), predominantly due to lower than expected costs in the execution of the STO Program of Work as well as in the operation and maintenance area.

The lapses from budget authorizations are mainly composed of the lapses from the 2014 budget and of the lapses from the 2013 and 2012 budgets carried-forward to 2014.

Liabilities from Operational Results

The Liabilities from Operational Results are applicable to the common-funded organizations (CSO and OCS).

They are mainly composed of written-off accruals from previous years where the final invoice was lower than the estimated accrued amount and education allowance that turned out to be too high.

Liabilities from Financial Results

The Liabilities from Financial Results are, for the common-funded entities (CSO and OCS), the net amount of bank interest received, bank charges and realized gains and losses generated during 2014, after offsetting the expenses. The surplus of financial revenue has been transferred to the liabilities from financial results for an amount of € 8,426.

As the CMRE is customer-funded, there is no offsetting of financial revenue and expenses and the financial result has been reported as a gain of € 10,824. The main reason for this result is due to gain on exchange rate.

8. Provision

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Cruise Leave is a form of compensatory time off (CTO) for staff working on weekends and holidays while at sea on board CMRE's vessels. Over the years, a significant amount of compensatory time off in lieu was accumulated by staff under the legacy organization (the NATO Undersea Research Centre).

Following a recommendation of the IBAN, the value of this CTO has been recognised as an inherited liability from 2012, rather than a new liability as of 2013. As such, a prior year adjustment has been made to the comparative FY 2013 balances in these Financial Statements. However, this adjustment has no impact on the value of the opening the FY 2014 CTO liability.

As at 31st December 2014, the value of the CTO liability is estimated at 842 KEUR (or 2,338 days of CTO). STO management has taken steps to ensure no further long-term CTO is accumulated. In addition - following an STO proposal to the NATO Budget Committee and the STB - qualifying staff will have their CTO converted into monetary compensation.

9. Depreciation Reserve for PP&E

This provision represents the Net book value of PP&E as of 31 December 2014. The provision is decreased with the annual depreciation and increased with any new acquisition.

10. Long term borrowings

The loan for the initial funding of the CMRE Net Equity Fund (NEF) was repaid via the Second Call 2014. Due to the fact that the accrued bank interests were immaterial, they are accounted as Liabilities Financial Results, to be returned to the Nations with the Second Call 2015.

11. Accumulated Surplus

The STO Charter⁷ provides that the governing board may establish a Net Equity Fund to facilitate the operations of the CMRE. The fund has been established to provide liquidity for projects, acts as a buffer for project gains and losses, and provides a source of funds for investment.

Statement of Changes to Net Assets/Equity

⁷ STO Charter (C-M(2012)0046) articles 23.3 and 24.1

	STB Equity Reserve (*)	General Reserves	Total Equity
Opening balance 1st January 2014 Financial Statements STO-OCS(2014)0029	3,500,000	3,735,670	7,235,670
Change in accounting policy: creation of depreciation reserve for PP&E		(109,282)	(109,282)
			7,126,388
Corrected opening balance 1st January 2014.	3,500,000	3,626,388	829,675
Surplus 2014			
Closing Net Equity 2014	3,500,000	4,456,063	7,956,063

* As per STB policy, Total Equity shall not fall below €3.5m without prior approval.

E. NOTES TO STATEMENT OF FINANCIAL PERFORMANCE

12. Revenue

Operating Revenues

(in euro)

	2014	2013*	Variance
Revenues from Contributions	6,244,821	5,406,160	838,661
Revenues from Services	27,080,919	31,383,954	-
			4,303,035
Revenues from Reimbursable and Delegated Budget	6,696	17,217	-10,521
<u>Financial Revenues</u>	<u>55,399</u>	<u>32,787</u>	<u>22,612</u>
Total Operating Revenues	33,387,835	36,840,118	-3,452,283

Revenue from Contributions

Contributions when called are booked as an advance under unearned revenue and subsequently recognized as revenue when earned.

The revenue recognition is matched with the recognition of expenses against the CSO Budget (908) and OCS Budget (907).

Revenue from Services

The revenue indicated is the value of the work completed and delivered by the CMRE at the end of 2014 under the customer funded business model.

Revenues from Reimbursable budget

This relates to the CSO Partnership for Peace (PfP) budget for reimbursable activities.

For the Reimbursable Budget (International Military Staff Budget ZNC-504/508), revenues are recorded when the invoices are presented for reimbursement every quarter.

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13. Expenses

Expenses	(in euro)		
	2014	2013*	Variance
Personnel	19,977,528	18,685,297	1,292,230
Supplies and Services	11,866,663	11,350,035	516,629
Capital and Investments	390,955	1,576,523	(1,185,568)
Depreciation	278,439	54,641	223,798
Financial Costs	44,575	51,518	(6,943)
Provision Expenses for Cruise Leave	-	-	-
Total Expenses	32,558,159	31,718,014	840,145

Personnel

Personnel expenses for the period include salaries and emoluments for civilian employees and temporary personnel and consultants, other salary related and non-related allowances, such as overtime, medical examinations, and the cost of recruitment, installation, and household goods removal, and for training.

Supplies and Services

Supplies and Services include expenses required for STO activities: general administrative costs, maintenance costs of buildings/grounds, communications and information systems, transportation, travel expenses, representation/hospitality and miscellaneous expenses. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term and are included as Contractual Supplies and Services expenses.

Capital and Investments

Capital and Investments are reported as expenses. Capital and Investments which exceed the capitalisation thresholds are capitalized as PP&E and depreciated.

Provision for Cruise Leave

See Note C8 related to the provision for Cruise Leave.

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14. Surplus or Deficit for the Period

The STO's result for 2014 showed a surplus of € 829,675. This represents the surplus from operations at CMRE. Surpluses and deficits for the period are credited or debited to the CMRE Net Equity Fund as described above in note 11 to the Statement of Financial Position.

For the common funded entities (CSO and OCS), the operating revenue is recognized up to the amount of the matching expenses. The financial revenue and the miscellaneous revenue, after offsetting the related expenses, are booked as liabilities to the Nations. Therefore they generate no surplus or deficit.

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F. EVENTS AFTER REPORTING DATE

Under IPSAS 14.5 (Events after the reporting date) reporting entities are required to disclose any event, both favourable and unfavourable, which occurs between the reporting date and the date when the financial statements are authorized for issue. STO's reporting date is the 31 Dec 2014. On the date of signing of these accounts there has been no material event, favourable or unfavourable incurred between the Statement of Financial Position date and the date when the Financial Statements have been authorized for issue that would have impacted these statements.

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G. RELATED PARTIES DISCLOSURE

Under IPSAS 20 Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial and operating decisions. IPSAS 20 requires the disclosure of the existence of related party relationships, where control exists, and the disclosure of information about transactions between the entity and its related parties. This information is required for accountability purposes and to facilitate a better understanding of the financial position and performance of the reporting entity.

A specific statement on disclosure of Related Parties is signed by the Management Personnel and retained for auditing purposes.

The key management personnel consists of officers of flag rank or civilian equivalent:

Office of the Chief Scientist	☐ NATO Chief Scientist
Centre for Maritime Research and Experimentation	☐ CMRE Director ☐ CMRE Chief Operating Officer & Deputy Director ☐ CMRE Chief Technical Officer
Collaborative Support Office	☐ CSO Director ☐ CSO Deputy Director

The key management personnel of the STO have no significant known related party relationships that could affect the operation of the STO. However, the STO Financial Controller is also the Financial Controller of the NATO Defence College (NDC) and the International Military Staff (IMS). The STO, IMS and NDC are therefore related parties under a common Financial Controller. STO's key management personnel and S&T Board Members are remunerated in accordance with the applicable NATO or National pay scales.

Compensation of key management personnel

S&T Board members receive no remuneration from NATO. Board Members do not receive any additional remuneration or access to preferential benefits from NATO for their Board responsibilities, such as the entitlement to receive loans.

STO's key management personnel are remunerated in accordance with the published NATO salary scales. The compensation consists of basic salary, various allowances, health insurance, pension plan and other benefits as agreed with each Host Nation and the Protocols of NATO.

H. EMPLOYEE DISCLOSURE

Employees of the STO are remunerated in accordance with the published NATO salary scales. The compensation consists of basic salary, various allowances, health insurance, pension plan and other benefits as agreed with each Host Nation

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STO Workforce

Peacetime Establishment	PE - Authorized			PE - Filled		
	Mil	Civ	Total	Mil	Civ	Total
CSO	14	38	52	10	35	45
OCS	4	5	9	3	5	8
CMRE	9	0	9	6	0	6
International Manpower Ceiling	27	43	70	19	40	59
CMRE - Customer Funding	N/A			150		

Total Establishment Strength	27	43	70	19	190	209
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For OCS 2 Civilian positions are funded by Civil Budget

The personnel establishments of the STO entities are shown above. For the OCS, CSO, and the military component of the CMRE, the personnel establishment is fixed annually.

The size of the CMRE civilian workforce is set annually by the governance board based on the anticipated work load. The figure above reflects the number of filled positions on 31 December 2014.

Employee Benefits

The costs reported under Personnel Expenses cover staff members hired under the NATO Civilian Personnel Regulations as well as temporary personnel, consultants and contractors.

Representation Allowance

Three STO officials received Representation Allowances totalling euro 17,896. This allowance is paid to those senior officials whose positions entail responsibilities for establishing and maintaining relationships of value for their organisation.

Untaken Leave

NATO civilian staff earn 2.5 days of leave for each month worked. Untaken leave at year-end may be carried-over to the following year.

The STO has taken measures to ensure all leave is taken by 30 April of the following year in accordance with the CPRs. Exceptionally, annual leave not taken by 31 October following the year in which it was accrued shall be forfeited (NCPR 42.3.6).

The balance of untaken leave as of 31 December 2014 is shown below:

Untaken leave balance	(in days) 2014
OCS	27

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CSO	264
CMRE	1,741
Total untaken leave balance	2,032

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I. COMPARISON OF BUDGET EXECUTION AND STATEMENT FOR FINANCIAL PERFORMANCE

Budget Execution

In the table below, the Budget Execution Statement is reconciled to the expenses in the STO Consolidated Statement of Financial Performance (amount in €).

CSO	
	(in euro)
Expenses	Actuals
Personnel	4,147,879
Supplies and Services	1,293,856
Capital and Investments	19,100
Total Expenses as per Budget Execution	5,460,835

Property Plant and Equipment capitalized (Recognition from Capital and Investments)	
Depreciation	
Financial Costs	5,812
Total Expenses as per Financial Performance	5,466,647

OCS	
	(in euro)
Expenses	Actuals
Personnel	722,570
Supplies and Services	68,112
Capital and Investments	
Total Expenses as per Budget Execution	790,682

Property Plant and Equipment capitalized (Recognition from Capital and Investments)	
Depreciation	
Financial Costs	
Provision Expenses for Cruise Leave	1,398
Total Expenses as per Financial Performance	792,080

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Statement of Credits Carried-Forward

As required by the NATO Financial Regulations the credits carried forward are presented in the Budget Execution Statement. They represent the unexpended balances at year end for which there is a legal liability and are equal to the closing Unearned Revenue.

Commitments at 31 December 2014

CSO	337,907	CMRE	3,240,753	
OCS				480
Total Carried Forward				<u>3,579,140</u>

Unearned Revenue

CSO	337,907
CMRE	3,240,753
OCS	480
Total Unearned Revenue	
	<u>3,579,140</u>

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J. SEGMENT REPORTING

In accordance with IPSAS 18, the STO discloses financial statement information about distinguishable activities of its consolidated reporting entities. A 'segment' is a distinguishable activity or group of activities of an entity for which it is appropriate to separately report financial information. IPSAS 18 distinguishes two types of 'segments':

- 'Service segments' refer to a distinguishable component of an entity that is engaged in providing related outputs or achieving particular operating objectives consistent with the overall mission of each entity; and
- 'Geographical segments' are a distinguishable component of an entity that is engaged in providing outputs or achieving particular operating objectives within a specific geographical area.

STO is segmented into three executive bodies as provided in the STO Charter, CSO, CMRE and OCS.

The segment reporting includes the Statement of Financial Position, Performance and Budget Execution. For CMRE the Budget Execution Statement is omitted because the entity is customer funded

STO-

OCS(2015)0048 NATO UNCLASSIFIED



COLLABORATION SUPPORT OFFICE
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER
2014

(in euro)
2014 2013

ASSETS**Current Assets**

Cash and Cash Equivalents	2,056,695	2,168,679	139,965
	141,113		
Receivables Prepayments and Miscellaneous	48,741		27,225 Assets.
	2,245,401		

2,337,017**Non-current Assets**

Property, Plant and Equipment

-

TOTAL ASSETS**LIABILITIES Current Liabilities**

Payables

2,337,017

Advances from Customers

Unearned Revenue.

Non-current Liabilities

215,862 108,211

Provision

-

Depreciation Reserve for PPE

2,029,540

Long-term Borrowings

2,228,806

2,245,401**TOTAL LIABILITIES****2,337,017****NET ASSETS**

-

-

NET ASSETS/EQUITY

-

-

Accumulated surplus

-

Result of the period (deficit)

COLLABORATION SUPPORT OFFICE**STATEMENT OF FINANCIAL****PERFORMANCE AS AT 31 DECEMBER****2,337,017****2014**

(in euro)

2014**2013**

-

-

-

-

-

-

STO-

REVENUES

Operating Revenues

Financial Revenues

5,460,835

5,186,449

5,812

4,418

OCS(2015)0048 NATO UNCLASSIFIED

TOTAL REVENUES**5,466,646****5,190,868****EXPENSES**

Personnel

Supplies and Services

Capital and Investments

Depreciation Financial Expenses

4,147,879

3,893,397

1,293,856

1,222,444

19,100

70,608

TOTAL EXPENSES

-

-

5,812

4,418

SURPLUS/(DEFICIT) FOR THE PERIOD**5,466,646****5,190,868**

-

-

STO-OCS(2015)0048 NATO

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Collaboration Support Office
STATEMENT OF BUDGET EXECUTION AS OF 31 DECEMBER 2014

	Initial Budget BA1	Transfers	Mid Year Review BA2	Transfers	BA3	Transfers	Final Budget	Commitments	Expenses	Total Spent	Carry-Forward	Lapsed
EURO												
BUDGET 908 (CSO) 2014												
Chapter 71	4,192,364	-	4,192,364	(51,920)	4,140,444	(116,834)	4,023,610	68,045	3,949,517	4,017,563	68,045	6,047
Chapter 72	1,219,512	-	1,219,512	51,920	1,271,432	109,584	1,381,016	183,239	1,170,506	1,353,744	183,239	27,272
Chapter 73	50,904	-	50,904	-	50,904	7,250	58,154	58,154	-	58,154	58,154	-
TOTAL	5,462,780	-	5,462,780	-	5,462,780	-	5,462,780	309,438	5,120,023	5,429,461	309,438	33,319
BUDGET 908 (CSO) 2013												
Chapter 71	233,019	-	-	-	-	-	233,019	8,391	195,170	203,561	8,391	29,458
Chapter 72	144,182	-	-	-	-	-	144,182	20,078	100,922	121,001	20,078	23,181
Chapter 73	19,902	-	-	-	-	-	19,902	-	19,100	19,100	-	802
TOTAL	397,103	-	-	-	-	-	397,102	28,469	315,192	343,661	28,469	53,441
BUDGET 341/908 (RTA/CSO) 2012												
Chapter 71	3,191	-	-	-	-	-	3,191	-	3,191	3,191	-	-
Chapter 72	33,318	-	-	-	-	-	33,318	-	15,732	15,732	-	17,586
Chapter 73	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	36,509	-	-	-	-	-	36,509	-	18,923	18,923	-	17,586
TOTAL BUDGET 341/908 (RTA/CSO)	5,896,392	-	5,462,780	-	5,462,780	-	5,896,391	337,907	5,454,138	5,792,045	337,907	104,346
BUDGET 504 (PiP) 2014												
Chapter 71	10,200	-	-	-	-	(10,200)	-	-	-	-	-	-
Chapter 72	8,160	-	-	-	-	(1,464)	6,696	-	6,696	6,696	-	-
TOTAL	18,360	-	-	-	-	(11,664)	6,696	-	6,696	6,696	-	-
BUDGET 508 (MD) 2014												
Chapter 2	12,240	-	-	-	-	(12,240)	-	-	-	-	-	-
TOTAL	12,240	-	-	-	-	(12,240)	-	-	-	-	-	-
TOTAL ZNC (Reimbursable) 2014	30,600	-	-	-	-	(23,904)	6,696	-	6,696	6,696	-	-
TOTAL ALL BUDGETS	5,926,992	-	5,462,780	-	5,462,780	(23,904)	5,903,088	337,907	5,460,835	5,798,742	337,907	104,346

STO-OCS(2015)0048 NATO



**CENTER FOR MARITIME RESEARCH & EXPERIMENTATION
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014**

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	2014	2013*	(in euro) 2013
ASSETS.			
Current Assets			
Cash and Cash Equivalents Receivables			
Prepayments and Miscellaneous Assets	11,072,408	9,061,497	9,061,497
	2,519,522	2,365,967	2,365,967
Non-current Assets			
Property, Plant and Equipment	392,539	368,417	368,417
	13,984,469	11,795,881	11,795,881
TOTAL ASSETS			
	675,042	109,282	109,282
LIABILITIES Current Liabilities	675,042	109,282	109,282
Payables			
Advances from Customers	14,659,510	11,905,164	11,905,164
Unearned Revenue			
Non-current Liabilities			
Provision	1,645,628	1,107,943	1,107,943
Depreciation Reserve for PPE	269,367	810,444	810,444
Long-term Borrowings	3,270,753	1,791,876	1,791,876
TOTAL LIABILITIES	5,185,748	3,710,263	3,710,263
NET ASSETS			
	842,658	959,231	959,231
NET ASSETS/EQUITY	675,042	109,282	-
Accumulated surplus	-	-	-
Result of the period (deficit)			
CENTER FOR MARITIME RESEARCH & EXPERIMENTATION	1,517,699	1,068,513	959,231
STATEMENT OF FINANCIAL PERFORMANCE AS AT 31 DECEMBER 2014	6,703,447	4,778,776	4,669,493
(in euro)	7,956,063	7,126,388	7,235,670
	7,126,388	2,004,284	2,963,514
	829,675	5,122,104	4,272,156
	7,956,063	7,126,388	7,235,670

REVENUES

:

.

Operating Revenues

2014

2013*

2013

27,080,919

31,383,954

28,469,266

STO-OCS(2015)0048 NATO

Financial Revenues

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48,189 28,247 7,342

TOTAL REVENUES

27,129,108 31,412,201 28,476,608

EXPENSES

Personnel

Supplies and Services

Capital and Investments Depreciation

Financial Expenses

Provision Expenses for Cruise Leave

TOTAL EXPENSES**SURPLUS/(DEFICIT) FOR THE PERIOD**

15,107,079 14,620,840 14,613,923

10,504,695 10,073,036 8,214,426

371,855 1,494,602 336,158

278,439 54,641 54,641

37,365 46,977 26,073

- - 959,231

26,299,433 26,290,097 24,204,452

205,302 2,261,028

10,013 2,972

18,448 12,349

233,762

2,276,349

- -

-

2,276,349

2,412 29,548

231,350 145,595

233,762

175,143

- -

- -

-

2,101,206



UNCLASSIFIED	
OFFICE OF THE CHIEF SCIENTIST	
STATEMENT OF FINANCIAL POSITION AS AT 31	DECEMBER 2014
PERFORMANCE AS AT 31 DECEMBER 2014	
	(in euro)
	2014 2013
ASSETS.	
Current Assets	
Cash and Cash Equivalents	
Receivables	
Prepayments and Miscellaneous Assets	
Non-current Assets	
Property, Plant and Equipment	
TOTAL ASSETS	
LIABILITIES	
Capital and Investments	
Payables	
Advances from Customers	
Non-current Liabilities	
Provision	
Depreciation Reserve for PPE	
Long-term Borrowings	
TOTAL LIABILITIES	
NET ASSETS	

OFFICE OF THE CHIEF SCIENTIST
STATEMENT OF FINANCIAL

(in euro)	
2014	2013
790,682	236,928
1,398	122
792,080	237,049
TOTAL REVENUES	
722,570	171,060
68,112	54,554
-	11,314
-	-
1,398	122
792,080	237,050
TOTAL EXPENSES	
SURPLUS/(DEFICIT) FOR THE PERIOD	
-	-

UNCLASSIFIED



NET ASSETS/EQUITY

Accumulated surplus

Result of the period (deficit)

Office of the Chief Scientist

STATEMENT OF BUDGET EXECUTION AS OF 31 DECEMBER 2014

	Initial Budget	Transfers	BA2	Transfers	BA3	Transfers	Final Budget	Commitments	Expenses	Total Spent	Carry Forward	Lapsed
EURO												
BUDGET 907 (OCS)2014												
Chapter 1												
Chapter 2	660,920	-	660,920	-	660,920	53,987	714,907	480	714,427	714,907	480	-
Chapter 3 TOTAL	97,126	-	97,126	-	97,126	(45,026)	52,100	-	52,100	52,100	-	-
BUDGET 907 (OCS)2013	-	-	-	-	-	-	-	-	-	-	-	-
Chapter 1												
Chapter 2	758,046	-	758,046	-	758,046	8,961	767,007	480	766,527	767,007	480	-
Chapter 3 TOTAL												
	8,168	-	8,168	-	8,168	-	8,168	-	8,143	8,143	-	25
TOTAL ALL BUDGETS	17,622	-	17,622	-	17,622	-	17,622	-	16,012	16,012	-	1,610
	-	-	-	-	-	-	-	-	-	-	-	-
	25,790	-	25,790	-	,790	-	,790	25	24,156	24,156	-	,635
					25						1	
	783,836	-	783,836	-	783,836	8,961	792,797	480	790,682	791,163	480	,635
											1	

NATO UNCLASSIFIED

K. FINANCIAL INSTRUMENTS DISCLOSURE/PRESENTATION

STO uses only non-derivative financial instruments as part of its operations. These financial instruments include, cash, bank accounts, deposit accounts, accounts receivable, provisions and loans between NATO entities.

All the financial instruments are recognized in the Statement of Financial Position at their fair value.

Credit Risk: In the normal course of business, STO incurs credit risk from trade receivables and transactions with banking institutions. The STO manages its exposure to credit risk by:

- Holding current account bank balances and short-term deposits with registered banking institutions with a high credit rating;
- Maintaining credit control procedures over receivables.

The maximum exposure as at 31 December 2014 is equal to the total amount of bank balances, short-term deposits, and receivables disclosed in the Statement of Financial Position. There is a very limited credit risk associated with the realization of these instruments. Receivables considered uncollectible are adequately provided for.

Currency risk: The STO's exposure to foreign currency exchange risk is very limited, as most of its transactions are dealt with in Euros. A limited number of transactions are in other currencies.

Liquidity risk: The liquidity risk is based on the assessment whether the organization will encounter difficulties in meeting its obligations associated with financial liabilities.

For CSO & OCS there is a very limited exposure to liquidity risk because of the budget funding mechanism that guarantees contributions in relation to approved budgets. The limited risks are primarily the validity of forecasts that result in the calls for contributions. For CMRE liquidity risk is minimized by the cash available in the NEF and by the policy of requiring pre-payments & stage payments from customers.

Interest rate risk: The organization is restricted from entering into commercial borrowings and investments, and therefore there is no interest rate risk identified.

L. WRITE OFF

In accordance with the NATO Financial Regulations (NFR II Art. 19, FRP XIX.c.), an annual summary of PP&E and cash written-off is provided to the annual financial statements below. **CSO**

Items	Purchased in	Total cost	Report of Survey	Reason for write -off
Furniture	2004	2,459 €	2/2014	Disposed / Replaced
Reprographic equipment	2005	3,813 €	1/2014	
Lawn mower	2002	995 €	3/2014	Beyond state of repair.
Equipment	1998	112 €	3/2014	Not serviceable
Screens	1989 → 2001	1,571 €	3/2014	
Cash	2014	690 €	1/2014	Supplier's insolvency
Total		9,640 €		

For OCS and CMRE no item has been written-off during the financial year 2014.

M. MORALE & WELFARE ACTIVITY

Morale and Welfare Activities (MWA) such as sport, community service, retail and concessionary activities are conducted by the CSO and CMRE. The OCS participates in the services and activities of NATO Headquarters.

In accordance with the NATO Accounting Framework, IPSAS 6 (Adapted) NATO Reporting Entities shall not consolidate MWA and / or Staff Association activities into their respective financial statements. The STO follows this practice and reports on the financial viability of MWA and Staff Association activities separately.

