29 May 2020

DOCUMENT
C-M(2020)0013-AS1

IBAN AUDITOR'S REPORT ON THE AUDIT OF THE 2018 FINANCIAL STATEMENTS OF NATO SUPPORT AND PROCUREMENT ORGANISATION

ACTION SHEET

On 28 May 2020, under the silence procedure, the Council noted the RPPB report attached to C-M(2020)0013, agreed its conclusions and recommendations, and agreed to the public disclosure of this report, the IBAN Auditor's Report and associated redacted 2018 financial statements of NSPO.

(Signed) Jens Stoltenberg
Secretary General

NOTE: This Action Sheet is part of, and shall be attached to C-M(2020)0013

7 May 2020

DOCUMENT
C-M(2020)0013
Silence Procedure ends:
28 May 2020 17:30

NORTH ATLANTIC COUNCIL

IBAN AUDITOR'S REPORT ON THE AUDIT OF THE 2018 FINANCIAL STATEMENTS OF NATO SUPPORT AND PROCUREMENT ORGANISATION

Note by the Secretary General

1. I attach the International Board of Auditors for NATO (IBAN) Auditor's Report on the 2018 financial statements of NATO Support and Procurement Organisation (NSPO). The IBAN Auditor's Report set out unqualified opinions on both the 2018 financial statements and on compliance for NSPO.

2. The IBAN report has been reviewed by the Resource Policy and Planning Board (RPPB) (see Annex 1).

3. I do not believe this issue requires further discussion. Therefore, **unless I hear to the contrary by 17:30 hours on Thursday, 28 May 2020**, I shall assume the Council noted the RPPB report, agreed its conclusions and recommendations, and agreed to the public disclosure of this report, the IBAN Auditor's Report and associated redacted 2018 financial statements of NSPO.

(Signed) Jens Stoltenberg

1 Annex
1 Enclosure

Original: English

ANNEX TO
C-M(2020)0013

IBAN AUDITOR'S REPORT ON THE 2018 FINANCIAL STATEMENTS OF NATO SUPPORT AND PROCUREMENT ORGANISATION (NSPO)

Report by the Resource Policy and Planning Board (RPPB)

References:

A. IBA-A(2019)0100 IBAN Auditor's Report on the audit of 2018 financial statements of NATO Support and Procurement Organisation (NSPO)
B. C-M(2015)0025 NATO Financial Regulations (NFR)
C. PO(2015)0052 Wales Summit tasker on transparency and accountability

INTRODUCTION

1. This report by the RPPB addresses the IBAN Auditor's Report on the 2018 financial statement of the NATO Support and Procurement Organisation (NSPO). The IBAN Auditor's Report set out unqualified opinions on the financial statement and on compliance of NSPO in 2018 (reference A).

AIM

2. This report summarises the IBAN Auditor's Report to enable the Board to reflect on strategic issues or concerns emanating from the audit of financial statements of NATO entities and to recommend courses of action to Council as applicable, which has the potential to improve transparency, accountability and consistency.

3. The RPPB acknowledges the issues highlighted in the IBAN Auditor's Report have already been dealt with by the appropriate governing bodies of NSPO (the Finance, Administration and Audit Committee (FAA) and the Agency Supervisory Board (ASB)). The RPPB is mandated under Article 15 of the NFRs (reference B) to provide Council with comments and recommendations on the IBAN Auditor's Report.

DISCUSSION

4. Four new observations were raised for NSPO of which 3 superseded prior year observations. As of the date of the respective IBAN Auditor's Report, a total of 10 prior year observations were in-progress or open and 4 prior year observations were closed. No observations impacted the audit opinions in 2018.

5. New observation 1. This observation supersedes a 2017 IBAN observation. IBAN found a lack of formalised evidence or assessment of liabilities into current liabilities and non-current liabilities, meaning that customers could advance funds without systematically providing clear explanations on their intended use. In the case where explanations were provided, IBAN found that there was insufficient communication between procurement,

finance and logistics personnel. This creates an issue for finance staff as they are unable to have all the information to allocate funds to existing or upcoming support and procurement projects.

5.1. The Board supports IBAN's recommendation to develop a specific accounting policy to assist in the allocation of customer funds to liabilities between those that are due to be paid within one year and those due to be paid beyond one year. The Board welcomes an update to the operating instructions to clarify the roles and responsibilities of procurement, finance and logistics personnel and to enable improved communication. This activity should be completed in parallel with the need to resolve a prior year recommendation that has not progressed: to implement a detailed accounting manual covering items such as a chart of accounts, accounting policies, accounting estimates and timelines.

5.2. Of particular importance, any funds which are currently unallocated to customer projects should be disclosed in the note to the financial statements, this disclosure would help the customer to make more informed decisions, for example on using the funds for other higher priority projects or returning them to the customer. The IBAN also notes that based on the customer's agreement, the Agency could use funds provided in advance of allocation to specific projects, to settle overdue accounts. The Board acknowledges that the Agency have accepted the IBAN recommendations and notes the progress made working with customers to address a related prior year observation: to reduce the amount of unallocated credits.

6. New observation 2. This observation supersedes a 2017 IBAN observation. IBAN found improvements were required in the control of inventory activities. These activities include the need to ensure independent control and reconciliation of the year-end confirmations against the information reported in the Enterprise Resource Planning system. The IBAN found that this observation stemmed from a lack of sufficient funding for the Quality Assurance Office. This office is central to enacting the NSPA Operating Instructions on control of inventory and enables the uptake of other associated IBAN recommendations. In this regard, the Board notes the positive steps taken by the Executive Management Board in proposing to amend the Agency's 2020 manning which will shift a post from Internal Audit to the Quality Assurance Office to put focus on control of inventory activities.

7. New observation 3. One of the remaining observations supersedes a 2016 IBAN observation and remains an area of non-compliance with NFR and NSPO FRPs where the IBAN recommends to create a stand-alone accounting system to prepare financial reports for the Central Europe Pipeline System (CEPS) programme on an accrual basis. This observation did not impact the audit opinion and the Agency accepted the observation and is working towards implementing the recommendations.

8. New observation 4. This observation, which did not supersede a prior year observation, is in relation to improvements required in the classification of accounts receivable (between current and non-current) and disclosing the monetary amount of overdue receivables. This observation also did not impact the audit opinion and the Agency accepted the observation and is working towards implementing the recommendations.

9. Progress in relation to prior year observations. The Board notes the progress in relation to the need for compliance with NFRs on risk management, internal control and internal audit. However, more progress is required implementing general computer controls where the full segregation of duties module, which reinforces access rights within the Enterprise Resource Planning system for NSPA, has only been partly implemented across the Agency.

10. The Board notes the IBAN recommendations on the need to strengthen the independence of internal audit in order to be in line with the internationally accepted Internal Auditing standards. This includes the Finance Administration and Audit Committee (FAA) approving the internal audit charter and audit plan, as well as NSPO evidencing a functional reporting line between the Auditor General and the NSPA governing body. The Board notes the FAA Committee does not accept that they should approve the internal audit plan and if unresolved this observation may remain as an observation by the IBAN. The Board acknowledges that the independence and reporting lines for internal audit will be reviewed as part of the 2020 review of the NATO Financial Regulations (reference B).

CONCLUSIONS

11. The Board welcomes the significant effort made by the Agency in achieving an unqualified opinion on the NSPO financial statements and on compliance for 2018, following qualified opinions issued since 2013.

12. The Board acknowledges the efforts the Agency is making to improve the control of customer funds, their allocation to activities and improvements in relation to reducing the amount of unallocated credits. The Board also notes the progress the Agency is making to address the remaining 2 observations around the need to classify receivables properly between current and non-current and disclosing the monetary amount of overdue receivables.

13. The Board notes the positive steps taken by the Executive Management Board to amend the 2020 manning to reinforce the Quality Assurance Office so that sufficient resources are provided to support independent control and reconciliation of inventory.

14. The Board is satisfied that sufficient attention is being paid by the Agency's management and at the governance level of NSPO to progress outstanding observations.

RECOMMENDATIONS

15. The Resource Policy and Planning Board recommends that the Council:

15.1. note this report and the IBAN report at reference A;

15.2. agree the conclusions at paragraphs 11 to 14; and

15.3. agree to the public disclosure of the redacted 2018 financial statements, the associated IBAN Auditor's Report and this report in line with agreed policy at Reference C.

NORTH ATLANTIC TREATY ORGANIZATION
ORGANISATION DU TRAITÉ DE L'ATLANTIQUE NORD

INTERNATIONAL BOARD OF AUDITORS FOR NATO
COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

NATO UNCLASSIFIED

IBA-A(2019)0100
28 August 2019

To: Secretary General
Attn: Director of the Private Office

Cc: Chairman, NATO Support Organisation, Agency Supervisory Board (NSPO ASB)
General Manager, NATO Support Agency (NSPA)
Head, Permanent Secretariat to NSPO ASB
Secretary General's Liaison Officer to NSPO
Chairman, Resource Policy and Planning Board (RPPB)
Head, Secretariat and Finance Branch, NATO Office of Resources (NOR)
Private Office Registry

Subject: ***International Board of Auditors for NATO (IBAN) Auditor's Report and Letter of Observations and Recommendations on the audit of the NATO Support & Procurement Organisation (NSPO) Financial Statements for the year ended 31 December 2018 – IBA-AR(2019)0017***

IBAN submits herewith its approved Auditor's Report (Annex 2) and Letter of Observations and Recommendations (Annex 3) with a Summary Note for distribution to the Council (Annex 1).

IBAN's report sets out an unqualified opinion on the financial statements of the NSPO and on compliance for financial year 2018.

Yours sincerely,

Dr. Hans Leijtens
Chairman

Attachments: As stated above.

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Summary Note for Council
by the International Board of Auditors for NATO (IBAN)
on the audit of the Financial Statements of the
NATO Support and Procurement Organisation (NSPO)
for the year ended 31 December 2018

NSPO consists of the NATO Support and Procurement Agency (NSPA) and its governance structure. The mission of NSPA is to provide responsive, effective and cost-efficient acquisition, including armaments procurement; logistics; operational and systems support and services to NATO Member States, NATO Military Authorities and partner nations. In 2018, NSPO generated revenues of EUR 2.96 billion and incurred expenses of EUR 2.98 billion.

IBAN issued an unqualified opinion on the financial statements and on compliance for the year ended 31 December 2018.

IBAN included an Emphasis of Matter and an Other Matter paragraph in the Report on the Audit of the Financial Statements and an Other Matter paragraph in the Report on Compliance.

During the audit, IBAN made four observations and recommendations. These findings are in the Letter of Observations and Recommendations (Annex 3).

The main findings are listed below and do not impact the audit opinion.

1. Improvements required in the control of customer advances and related funds allocation to activities within the agency.

2. Improvements required in the control of inventory activities.

3. Improvements required in the financial reporting of the French National Organisation (SNOI) for the Central European Pipeline System (CEPS) programme.

4. Improvements required in the presentation and disclosure of overdue accounts receivable

IBAN followed up on the status of observations and recommendations from previous years' audits. The observations and their status are summarised in the appendix. IBAN noted that four were closed, one remains open and nine remain in progress.

The Auditor's Report and the Letter of Observations and Recommendations were issued to NSPA whose comments have been included, with the IBAN's position on those comments where necessary, see the Appendix to Annex 3.

28 August 2019

INTERNATIONAL BOARD OF AUDITORS FOR NATO

AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF THE

NATO SUPPORT AND PROCUREMENT ORGANISATION

(NSPO)

FOR THE YEAR ENDED 31 DECEMBER 2018

REPORT OF THE INTERNATIONAL BOARD OF AUDITORS FOR NATO TO THE NORTH ATLANTIC COUNCIL

Report on the Audit of the Financial Statements

Opinion on the Financial Statements

The International Board of Auditors for NATO (IBAN) has audited the Financial Statements of NATO Support and Procurement Organisation (NSPO), for the 12 month period ended 31 December 2018, issued under document reference AC/338-D(2019)0008(INV), and submitted to IBAN on 29 March 2019. These Financial Statements comprise the Statement of Financial Position as at 31 December 2018, the Statement of Financial Performance, the Statement of Changes in Net Assets/Equity and the Statement of Cash Flow, for the 12 month period ended 31 December 2018, including a summary of significant accounting policies and other explanatory notes. In addition, the Financial Statements include a NSPO Financial Plan Execution report for the 12 month period ended 31 December 2018.

In our opinion, the Financial Statements give a true and fair view of the financial position of NSPO as at 31 December 2018, and of its financial performance, its cash flows and budget execution for the 12 month period ended 31 December 2018, in accordance with accounting requirements and reporting standards consistent with the NATO Accounting Framework.

Emphasis of Matter on the Financial Statements

We draw attention to Note 24 of the financial statements, which describe that there is no restatement of the 2017 balances to correct the presentation of customer advances in current and non-current liabilities and the measurement of the accrued liabilities. The reason is impracticability in respect of retrospective application in accordance with IPSAS 3 (Accounting Policies, Changes in Accounting Estimates and Errors). Our opinion is not modified in respect of this matter.

Other Matter on the Financial Statements

We draw attention that at 31 December 2018, EUR 1 billion out of EUR 3.1 billion of total current and non-current Log Ops customer advances were classified in current liabilities without basing this on a detailed assessment provided by Programmes. This classification could have been further refined by obtaining an assessment of Programmes on the entire balance. Further details are provided in observation 1 of the Letter of Observations and Recommendations enclosed. Our opinion is not modified in respect of this matter.

Basis for Opinion on the Financial Statements

In accordance with the NATO Financial Regulations (NFRs), external audit of the NATO bodies pursuant to the North Atlantic Treaty shall be performed by IBAN.
We have conducted our audit in accordance with the International Standards of Supreme

Audit Institutions (ISSAIs 1000-1810) developed by the International Organisation of Supreme Audit Institutions (INTOSAI) and in accordance with the additional terms of reference defined in our Charter.

We are independent in accordance with the INTOSAI Code of Ethics and we have fulfilled our other ethical responsibilities in accordance with these requirements. The responsibilities of the members of IBAN are more extensively described in the section «Auditor's Responsibilities for the Audit of the Financial Statements» and in our Charter. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibility for the Financial Statements

Management's responsibility for the financial statements is laid down in the NFRs. The Financial Statements of NSPO are drawn up in accordance with accounting requirements and reporting standards consistent with the NATO Accounting Framework as approved by the Council. The Financial Controller is responsible for submitting the Financial Statements for audit to IBAN not later than 31st March following the end of the financial year.

The Financial Statements are signed by the Head of the NATO body and the Financial Controller. In signing the Financial Statements, the Head of NATO body and the Financial Control confirm the establishment and maintenance of financial governance, resource management practices, internal controls and financial information systems to achieve the efficient and effective use of resources.

This confirmation covers the design, implementation and maintenance of internal controls relevant to the preparation and presentation of financial statements that are auditable and free from material misstatement, whether due to fraud or error. This also covers reporting on the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there are plans to liquidate the entity or to cease its operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of the audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgement and maintain professional scepticism throughout the planning and performance of the audit.

This involves taking into account Considerations Specific to Public Sector Entities. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are required to communicate with the bodies charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our Independent External Auditor's Report is prepared to assist North Atlantic Council in carrying out its role. We are therefore responsible solely to the North Atlantic Council for our work and the opinion we have formed.

Report on Compliance

Opinion on Compliance

Based on the procedures we performed, nothing has come to our attention, as part of our audit of the Financial Statements that causes us to believe that funds have not been properly used for the settlement of authorised expenditure or are not in compliance with the NATO Financial Regulations and the NATO Civilian Personnel Regulations.

Other Matter on Compliance

We draw attention to the fact that NSPO is not fully compliant with the revised NATO Financial Regulations (NFRs), which were approved by NATO Council in 2015, nor with the NSPO Financial Rules and Procedures (FRPs) approved by the Agency Supervisory Board in June 2017. Although no new instances of non-compliance were identified during the audit of Financial Year 2018 and improvements have been made in regards to contract awards, there are still instances of non-compliance raised during the audit of Financial Year 2017 (ref. IBA-AR(2018)0015) relating to the following areas:

- Accruals-based commitments for administrative budgets
- The prior-approval of commitments by the Financial Controller
- The involvement of the Financial Controller in Contract Award Committees with a contract value below EUR 2 million
- Implementation of Risk Management
- Implementation of a standardised and fully documented system of Internal Control

This was confirmed in NSPO's Statement of Internal Control. The requirements of the NFRs and FRPs related to risk management and internal control cover all parts of NSPO's operations, including but without clearly distinguishing, financial and budgetary matters related to the financial statements and whether funds have been properly used. Our opinion is not modified in respect of this matter.

Basis for Opinion on Compliance

We have conducted our compliance audit in accordance with the International Standards of Supreme Audit Institutions (ISSAI 4000) developed by the International Organisation of Supreme Audit Institutions (INTOSAI) and in accordance with the additional terms of reference defined in our Charter.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibility for Compliance

All NATO staff, military and civilian, are obligated to comply with [the NATO Financial Regulations, associated Financial Rules and Procedures and internal implementing directives. These include the NATO Civilian Personnel Regulations.

The General Manager of NSPA is responsible and accountable for sound financial management. The financial administration of NATO bodies must incorporate the principles of propriety, sound governance, accountability, transparency, risk management and internal control, internal audit, external audit, and fraud prevention and detection.

Auditor's Responsibilities for Compliance

In addition to the responsibility to provide reasonable assurance about whether the financial statements as a whole are free from material misstatement, the IBAN Charter requires IBAN to provide independent assurance and report annually to the North Atlantic Council about whether funds have been properly used for the settlement of authorised expenditure (propriety) and are in compliance with the regulations in force (regularity). Propriety relates to the observance of the general principles governing sound financial management and the conduct of public officials. Regularity concerns the adherence to formal criteria such as relevant regulations, rules and procedures.

This responsibility includes performing procedures to obtain independent assurance about whether funds have been properly used for the settlement of authorized expenditure and whether they have been used in compliance with the regulations in force. Such procedures include consideration of the risks of material non-compliance.

Brussels, 28 August 2019

Dr. Hans Leijtens
Chairman

28 August 2019

INTERNATIONAL BOARD OF AUDITORS FOR NATO

LETTER OF OBSERVATIONS AND RECOMMENDATIONS

FOR THE NATO SUPPORT AND PROCUREMENT ORGANISATION

(NSPO)

FOR THE YEAR ENDED 31 DECEMBER 2018

Introduction

The International Board of Auditors for NATO (IBAN) audited the NATO Support and Procurement Organisation (NSPO) Financial Statements for the year ended 31 December 2018, and issued an unqualified opinion on the financial statements and an unqualified opinion on compliance. In addition, IBAN made an Emphasis of Matter and an Other Matter disclosure on the Financial Statements, and an Other Matter disclosure on compliance.

Observations and Recommendations:

IBAN's audit resulted in four observations and recommendations that do not impact the audit opinions:

1. Improvements required in the control of customer advances and related funds allocation to activities within the agency.
2. Improvements required in the control of inventory activities.
3. Improvements required in the financial reporting of the French National Organisation (SNOI) for the Central European Pipeline System (CEPS) programme.
4. Improvements required in the presentation and disclosure of overdue accounts receivable.

IBAN followed up on the status of observations and recommendations from previous years' audits. The observations and their status are summarised in the appendix. IBAN noted that four were closed, one remains open and nine remain in progress.

IBAN also issued a Management Letter (reference IBA-AML(2019)0012) to NSPA management with seven observations for management's attention.

OBSERVATIONS AND RECOMMENDATIONS

1. IMPROVEMENTS REQUIRED IN THE CONTROL OF CUSTOMER ADVANCES AND RELATED FUNDS ALLOCATION TO ACTIVITIES WITHIN THE AGENCY

Reasoning

1.1 IBAN reviewed the implementation of recommendation 1.14 of the FY 2017 IBAN audit report (ref. IBA-AR(2018)0015) on the presentation of customer advances, which required classifying in current and non-current liabilities. IBAN audited the existing controls over ensuring the accuracy of the classification and reviewed the roles and responsibilities of the programme finance, logistics and procurement personnel. IBAN is of the opinion that issuing policies and procedures to provide a consistent classification, allocation and use of customer advance funds within programmes ensures that an effective internal control system is in place.

1.2 Customer advance funds must relate to existing procurement activities and reflect the value of the underlying contract authority. Calls for customer advances should therefore be accurate in order to avoid providing funds to the Agency which are not needed. In our opinion, sound financial management practices should ensure that the necessary controls are established to trace and allocate funds to existing or identified upcoming support and procurement projects.

Observations

1.3 IBAN acknowledges that the Agency conducted an analysis of the aging of advances in order to disclose the classification of customer advances intended to be used within one year and in more than one year. IBAN found that this classification in current and non-current liabilities was carried out at programme level based on verbal instructions and the procedure was not formalised. IBAN was not provided with a written policy, operating instruction or procedure to document the criteria applied for this classification. Moreover, IBAN found that at 31 December 2018, EUR 1 billion out of EUR 3.1 billion of total current and non-current Log Ops customer advances were classified in current liabilities without basing this on a detailed assessment provided by Programmes. IBAN was informed by Agency officials that no second-level control over the classification of customer advances in current and non-current liabilities was performed by the Finance Division.

1.4 During its audit, IBAN found that customers can advance funds to the Agency without systematically providing a clear explanation on their intended use. This directly impacts the Agency's ability to allocate customer advances to existing or upcoming support and procurement projects. While finance personnel are receiving the customer advances, they do not have all the information necessary to allocate the funds properly. This is because the logistics personnel usually have the detailed information on upcoming projects, as they are the main point of contact with customers and the procurement personnel have information on the value of the contracts, as they manage the tendering process. However these three programme-level categories of personnel do not communicate information related to customer advances regularly. As a result, customer advances are not always allocated to specific activities, projects or invoices for many years, even decades.

1.5 IBAN also found that a new Standard Operating Procedure (SOP) was issued on 15 January 2019 and is applicable for 2019 financial year that sets the requirement to identify the purposes of advance payments when stipulated in contracts with suppliers. However, this SOP does not provide instructions to cover every scenario, such as when payments are made spontaneously. The SOP does not provide instructions on how these funds should be monitored or on ensuring that they are reconciled with information from support and procurement projects.

1.6 For the financial reporting as at December 31, 2018, IBAN observed the following specific issues with respect to the allocation of customer advance funds:

a) Funds were allocated to projects although no activity was identified for several years. It is only after the audit that funds related to one customer account were transferred from one programme to another.

b) Funds were not always allocated to specific projects.

c) Funds were received from a private company on behalf of a customer as part of a funding mechanism for a project. IBAN found that these funds were not used for several years.

d) Customer advances were incorrectly recorded as transportation advances for several years.

e) Calls for customer advances can at times be issued without verifying whether funds were already received.

Recommendations

1.7 In order to improve the control over allocation of customer advance funds to identified procurement, support and procurement projects within the Agency, IBAN recommends that NSPA:

a) Develop a specific accounting policy that defines how customer advances are allocated between current and non-current liabilities. This policy should take into account the year when the advances were received and whether they were allocated to short-term or long-term projects.

b) Update the operating instruction and issue procedures that define the roles and responsibilities of the finance, logistics and procurement personnel at programme level in order to ensure that all funds received are correctly allocated to existing short-term and long-term projects in a timely manner.

c) Perform regular controls of the allocation of the funds received to existing support and procurement activities (contracts and/or purchase orders) with the support of the finance personnel from the Programmes.

d) Issue to customers a quarterly report of funds that have not been allocated to an existing logistics or procurement project.

e) Disclose the amount of funds not allocated to existing support and procurement projects in the customer advance note to the Financial Statements for improved communication to the users of the Financial Statements.

2. IMPROVEMENTS REQUIRED IN THE CONTROL OF INVENTORY ACTIVITIES

Reasoning

2.1 Inventory activities are one of the core activities of NSPO. The value of inventory reported in the NSPO financial statements is material as it amounts to EUR 371 million, out of which EUR 362 million is related to the Log Ops segment. Log Ops is also managing significant inventory on behalf of third parties.

2.2 The NSPO Functional Directive No. 2300 (FD 2300) procedure III on Responsibility and Accountability reports that:

a) The General Manager, in consultation and agreement with the Financial Controller, and with the Director of Procurement as appropriate, shall ensure that qualified officials are assigned to execute the following roles and tasks:

i. (d) (iv) The performance of periodic controls and ad-hoc reports about the property accounting register and other financial report in accordance with the requirements set by the Nations.

ii. (h) To be responsible for receiving and maintaining physical custody of all internationally funded property.

2.3 Rule 12 on Internal Control (para. 4.2) of the Directive states that:

b) the General Manager shall ensure the necessary internal management functions are in place to support effective internal control, designed to provide reasonable assurance that the Agency shall achieve its objectives in the following categories:

i. Safeguard assets.
ii. Verify the accuracy and reliability of accounting data and records.

2.4 NSPA issued the Operating Instruction OI 2401-05 (Inventory of operational property managed by NSPA) to provide guidance and establishes the policies and responsibilities for performing inventories of the operational items managed by the agency. This Operating Instruction ensures that an accurate relationship exists between the physical stock and the corresponding accounting records and states that:

a) (para 5.2.4) *"Inventories at contractor facilities and national depots shall be conducted regularly."*

b) (para 6.2) *"The Programme Managers, who are accountable for materiel stored at contractor facilities and national depots, and the Quality Assurance Office (QAO), which is responsible for inventories, shall be responsible for ensuring that inventories are carried out either on a regular basis or as often as necessary."*

Observations

2.5 During its audit, IBAN found the following:

a) The current control procedure on inventory held at contractors and national depots requires that the Log Ops programmes request a confirmation of their inventory details every year by sending them the information reported in the NSPA Enterprise Resource Planning (ERP) software SAP. The identified differences are then processed at programme level.

b) An independent reconciliation of the confirmation provided and the information reported in the ERP used to be performed by one staff of the Internal Audit office. Since the transfer of this task to the QAO in 2018, the full time equivalent (FTE) budget allocated to perform this reconciliation has not been transferred to the QAO.

c) IBAN noted that the QAO is not always involved in the control of the Contractors' and National Depots' inventory that is performed by the programmes. IBAN also noted that according to the QAO, given the current available FTE, the control of inventories at Contractors and National Depots would take an estimated 17 years.

d) IBAN observed that, in 2018, the QAO performed a control of inventory held in a National Depot that identified the following issues:

   i. Difference of EUR 8.3 million (48.6%) in the total value identified, by comparing the results and the quantities reported in SAP.

   ii. Inaccurate certification of stock positions from this National Depot in 2017 and 2016.

2.6 This discrepancy has no impact on the Financial Reporting of NSPA as it is part of Inventory held on behalf of ACO disclosed in note 22 of the 2018 NSPA Financial Statements. IBAN is of the opinion that the current control of the National Depots' or Contractors' inventories by the programmes is not sufficient as it does not ensure an independent control over the possible discrepancies identified.

Recommendations

2.7 In order to improve the control over the inventory activity within Log Ops, IBAN recommends NSPA to liaise with its customers and ensure that:

a) Log Ops programmes request Contractors and National Depots to send a yearly confirmation of the values and quantities of inventory reported in their systems that should not be based on information provided by NSPA.

b) The frequency of controls at the Contractors and National Depots is increased and follows a risk-based approach.

c) Sufficient resources be provided to the QAO in order to perform independent review of Contractors' and National Depots' inventories.

3. IMPROVEMENTS REQUIRED IN THE FINANCIAL REPORTING OF THE FRENCH NATIONAL ORGANISATION (SNOI) FOR THE CENTRAL EUROPEAN PIPELINE SYSTEM (CEPS) PROGRAMME

Reasoning

3.1 The CEPS Programme is composed of four National Organisations (NOs) and one Programme Office that are part of NSPO. As CEPS reports the combination of the financial reports of its NOs and Programme Office, it should prepare financial reports on an accrual basis of accounting in accordance with the NATO Accounting Framework (adapted International Public Sector Accounting Standard (IPSAS)) as adopted by the NFRs. In order to ensure accurate financial reporting, the NOs should follow the same accounting principles as NSPO and prepare accrual based financial reports.

3.2 The French NO is the "Service National des Oléoducs Interalliés" (SNOI) which is responsible for the administration and maintenance of the NATO pipeline system in France. SNOI is performing its responsibilities with the support of a private company that is operating the French pipeline system with the network "Oléoducs de Défense Commune" (ODC).

Observations

3.3 IBAN held a meeting with CEPS, SNOI and the private company to understand what financial reports were provided to SNOI and CEPS and used to prepare the financial reports of CEPS to NSPO. IBAN found that the private company provided a financial report to SNOI used by CEPS, which is not prepared in accordance with the NFRs or consistent with the financial reporting basis of the other NOs. The consequences are the following:

a) The cash position reported by the private company to SNOI and CEPS is a net position of the accounts receivable and accounts payable related to CEPS activities in the private company's accounting system. As a result, the traceability of the cash provided to the private company cannot be controlled by regular cash reconciliation between the activity and the cash position at bank.

b) The financial report of SNOI is based on the budget execution statement prepared by the private company, which is not accrual based.

3.4 The SNOI financial reports are not prepared on an accrual basis as required by the NFRs and the NATO Accounting Framework. This therefore represents an instance of non-compliance with the NFRs.

Recommendations

3.5 In order to present an accurate financial report, IBAN recommends the CEPS programme Board to direct SNOI to:

a) Request the private company operating the pipeline to open a separate bank account for CEPS related activities only; and

b) Record all transactions on an accrual basis in a stand-alone general ledger accounting system with a separate trial balance, which is used to prepare the financial reports for CEPS.

4. IMPROVEMENTS REQUIRED IN THE PRESENTATION AND DISCLOSURE OF OVERDUE ACCOUNTS RECEIVABLE

Reasoning

4.1 NSPA prepares its financial statements in accordance with the NATO Accounting Framework. As per IPSAS 1 paragraph 70, an entity shall present current and non-current assets and liabilities as separate classifications on the face of its statement of financial position. An asset, such as accounts receivable, is classified as current when it is expected to be realised within twelve months after the reporting date.

4.2 According to IPSAS 1, fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSAS. The transparency of financial statements is ensured through full disclosure and by providing a fair presentation of useful information necessary for the decision making of the Nations.

Observations

4.3 During the audit of the 2018 Financial Statements, IBAN observed that :

a) The Agency presented accounts receivable as current (EUR 511.21 million) and non-current (EUR 3.86 million) in the Statement of Financial Position. During our testing we found one customer with overdue accounts receivable of EUR 8.05 million (between 1 and 5 years) for whom an agreement was made in order to pay the outstanding debt. According to the payment plan, the overdue debt would be covered during 2019 – 2020. As a result, the receivable balance of EUR 4.02 million related to 2020 should have been classified as non-current.

b) As at 31 December 2018 overdue accounts receivable that are for more than one year amounted to EUR 73.71 million, out of which EUR 19.2 million exceeded three years. In addition, the overdue receivables have increased from a balance of EUR 61 million as at 31 December 2017. The status of overdue accounts receivable requires attention by Nations in order to ensure that they are maintained at an acceptable level.

Recommendations

4.4 In order to improve the presentation and disclosure of overdue accounts receivable for the user of the NSPO financial statements, IBAN recommends that the Agency:

a) Perform a detailed analysis on overdue accounts receivable in order to identify agreements that may have been made with Nations and would imply reclassifications of accounts receivable as non-current.

b) Discloses the amount of overdue accounts receivable in the notes to the financial statements for the amounts that are more than 1 year, more than 2 years and more than 5 years old.

FOLLOW-UP OF PREVIOUS YEARS' OBSERVATIONS

IBAN followed up on the status of observations from the previous years' audit. The observations, actions taken by the auditee as reviewed by IBAN, and their status are summarised in the table below.

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
(1) NSPO FY 2017 **IBA-AR(2018)0015, paragraph 1** **MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING** **Recommendation 1 (paragraph 1.14)** The Board recommends NSPA to perform an analysis of the balance of unbilled sales as well as the balance of customer advances to determine which portion is current and non-current and present them appropriately in the Statement of Financial Position. For the balance of unbilled sales, this will require a detailed analysis of individual customer agreements to determine what part is expected to be realised within one year and beyond one year. Likewise for the customer advances, a detailed assessment of the expected settlement (i.e. use of the advances) needs to be performed to ensure correct disclosure of advances as current and non-current.	IBAN observed improvements in the classification of advances but there are still improvements to be performed to ensure that all programmes applies the same classification rules with appropriate level of control. Particularly, IBAN observed that 30% of advances have not been analysed and are classified as current. This represents EUR 1 billion. We are unable to determine if the classification is not correct. Regarding the unbilled sales, we noted that the 2018 financial statements EUR 20.08 million of unbilled sales were classified as non-current. We consider the unbilled sales methodology used for this classification is reasonable and close this observation for the unbilled sales. IBAN noted that the presentation in current and non-current has not been done for the FY 2017 comparative figures due to impracticality. Observation **Closed as superseded by observation 1**.	Observation **In-Progress**.

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
Recommendation 1 (paragraph 1.15) Specifically for customer advances, the Board recommends NSPA to proactively coordinate with its customers to ensure the use of available advances to fund re-billings before sending additional invoices to the customers. Further, any excess customer advances and replenishment credits no longer needed should be returned as soon as possible. The Board also recommends NSPA to increase transparency by disseminating information on unallocated credits to all nations and programmes on a regular basis.	IBAN observed during the 2019 Spring Log FAA meeting the aim of the Agency to issue a letter in order to actively use the actual advances from the customers to settle overdue accounts with active support from Agency's customers. IBAN is expecting improvement in coming years. Observation **In-Progress**.	
Recommendation 1 (paragraph 1.16) Further, the Board recommends NSPA improve the internal controls over the preparation of the financial statements and financial reporting to ensure that the financial statements are free of material misstatements and other errors or omission. Specifically, NSPA should ensure that the financial statements fully reconcile to individual segment reporting for CEPS and NAMP and any inconsistencies are corrected at consolidation level. A detailed review and second level control of the CEPS and NAMP reporting packages should be performed in order to ensure consistent accounting treatment and accurate disclosure as well as ensuring that restated balances are properly reported in the NSPO financial statements.	IBAN still identified control issues in the production of the FY 2018 NSPO Financial Statements. Those are reported in the audit report of IBAN on the FY 2018 NSPO Financial Statements. Observation **In-Progress**.	
Recommendation 1 (paragraph 1.17) In regards to inventory and PP&E in NAMP, NSPA should ensure correct classification of spare parts in accordance with the NATO Accounting Framework based on the advice of aircraft technical specialists.	IBAN observed appropriate process in place to ensure complete and accurate reporting. Observation **Closed**.	

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
(2) NSPO FY 2017 **IBA-AR(2018)0015, paragraph 2** **INACCURATE METHODOLOGY USED FOR CALCULATING ACCRUED LIABILITIES** **Recommendation 2 (paragraph 2.7)** The Board recommends NSPA that:		Observation **In-progress**.
a) Finance requires the Programmes and Divisions to provide them with their assessment of accrued liabilities at year end, including the follow up of the goods and services received before year-end.	IBAN observed that the methodology changed for the preparation of the 2018 Financial Statements, leading to a more accurate estimate of the accrued liabilities. Observation **In-Progress**.	
b) Set up an action plan to improve the measurement of the value of the goods and services received before year-end for which no invoice was received.	IBAN noted progress and observed that no operating procedure had been issued yet and understood that further automation would be performed for the preparation of the 2019 Financial statements. Observation **In-Progress**.	
(3) NSPO FY 2017 **IBA-AR(2018)0015, paragraph 3** **FURTHER IMPROVEMENTS REQUIRED TO ACHIEVE COMPLIANCE WITH THE REVISED NFRS, PARTICULARLY IN THE AREA OF RISK MANAGEMENT, INTERNAL CONTROL, AND INTERNAL AUDIT** **Recommendation 3 (paragraph 3.13)**		Observation **In-progress**.
The Board recommends that NSPO: a) Ensure compliance with the NSPO FRPs in the area of commitments and the role of the Financial Controller in the Contract Award Committee.	IBAN noted that NSPA was expected to issue further procedures to precise the role and responsibilities of the Finance Controller in authorising contract authorities below EUR 2 million. Observation **In-Progress**.	
b) Ensure a complete and comprehensive	IBAN observed that further	

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
risk register for the Agency is finalised including risk responses and mitigation plans. This includes an appropriate review and control of risks identified at the level of Programmes and Divisions, ensuring consistency between risks at operational level and strategic level.	developments in organisation and risk management review were expected in the coming years. Observation **In-Progress**.	
c) Perform a systematic, detailed assessment and documentation of its internal control and risk management procedures to support compliance with its approved internal control framework.	IBAN observed that the internal control dedicated personnel was not fully effective yet and the NSPA 2019 Enterprise Risk Management Report mention further improvements still to be achieved with a satisfactory level of maturity expected to be achieved in 2021. However, IBAN positively notes the issuance of an Operating Instruction on Internal Control dated February 2019. Observation **In-Progress**.	
d) Internal Audit fully evaluate internal control and risk management throughout NSPO, and that this work be clearly documented to conclude on NSPO's compliance with the chosen framework.	IBAN obtained a copy of the Internal Audit report issued on 19 February 2019 with ref. GI/2019/F/011/GB and observed that "the audit will not be conducted stand-alone, but will be built using information obtained during all the audits executed during the year." IBAN recommends to include a stand-alone audit report on the implementation of the Operating Instruction and Operating procedures on the internal control at NSPA. Observation **In-Progress**.	

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
(4) NSPO FY 2017 **IBA-AR(2018)0015, paragraph 4** **NO CENTRAL OVERVIEW AND MANAGEMENT OF EXISTING OR POSSIBLE LITIGATIONS, CLAIMS OR OTHER LEGAL CASES** **Recommendation 4 (paragraph 4.7)** The Board recommends NSPA put in place procedures to ensure legal cases are properly handled and managed. Management of any potential legal cases and their financial consequences should be the responsibility of a knowledgeable professional under the direct and exclusive control of the Legal Office. All potential legal cases should be reported to the Legal Office by the Programmes and Divisions to ensure a complete and comprehensive understanding of the legal risks that the Agency faces. **Recommendation 4 (paragraph 4.8)** The Board recommends that regular and documented communication be established between the Legal Office and the Financial Controller to ensure complete disclosure of contingent liabilities and provisions in the financial statements.	IBAN noted the aim of the Agency to reinforce the Legal department in order to close the observation. Observation **In-Progress**. IBAN observed improved communication and reporting, involving the Financial Controller and the Legal Advisor. Observation **Closed**.	Observation **In-Progress**.
(5) NSPO FY 2017 **IBA-AR(2018)0015, paragraph 5** **LACK OF CONTROLS OVER INVENTORY HELD AT THIRD PARTY LOCATIONS** **Recommendation 5 (paragraph 5.8)** The Board recommends that the Agency, under the responsibility of the General Manager, ensure that an independent control over the quantities and valuation of inventory held at third parties be performed on time for the preparation of the Financial Statements in view of assessing the potential adjustments on the valuation of inventory to be reported in the Financial Statement.	IBAN did not identify new processes or additional resources allocated to the quality control office that would support a better control. Observation **Closed as superseded by observation 2**.	Observation **Closed**.

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
Recommendation 5 (paragraph 5.9) Further, the Board recommends that increased appropriate internal controls are put in place in order to ensure the safeguard of assets, the accuracy and reliability of accounting data and records and compliance with established managerial and operational policies.	IBAN observed that a transition plan towards improved control environment is ongoing. Observation **Closed as superseded by observation 2**.	
(6) NSPO FY 2017 **IBA-AR(2018)0015, paragraph 6** **STRENGTHENING THE INDEPENDENCE OF INTERNAL AUDIT** **Recommendation 6 (paragraph 6.8)** The Board recommends that NSPO reinforce the independence of Internal Audit by strengthening the relationship with the FAA in order to ensure independence in line with internationally accepted Internal Auditing standards as mentioned in Article 13.2 of the NFR's. This may require modifications to the NSPO FRPs and OIs.	IBAN noted that the Auditor General proposed solutions to reinforce the independence of the Internal audit, including the Finance Administration and Audit Committee (FAA) to approve the audit charter and the audit plan and the establishment of bilateral meetings between the NSPA Auditor General and the FAA Committee. IBAN noted that some Nations does state that the Internal Audit Plan should not be approved by the FAA Committee. IBAN reiterates its recommendation that evidenced functional reporting exists between the Auditor General and its Governing Body. Observation **In-Progress**.	Observation **In-Progress**.
Recommendation 6 (paragraph 6.9) The Board recommends that the Internal Audit Plan be approved by the FAA before the start of the year.	IBAN observed that the Internal Audit Plan was approved by the FAA before the start of the year. Observation **Closed**.	

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
Recommendation 6 (paragraph 6.10) The Board also recommends that Internal Audit ensure that the Annual Internal Audit Plan be completed by the end of the year and that the backlog accumulated in 2017 and following year be either cleared or cancelled after specific advice given by the FAA committee.	IBAN obtained the follow up document provided by the Internal Audit department dated end of April 2019 and observed that four 2018 audits were split into 16 expected reports. The reported follow up is the following: 61% of the audit reports 2018 are foreseen to be issued by 30 April 19 and 100% of 2017 reports have been issued. Observation **In-Progress**.	
(7) NSPO FY 2016 **IBA-AR(2017)12, paragraph 1** **MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING** **Board's Recommendation** 1.13 b) CEPS Programme Board liaise with the French National Organisation and its private company service provider to ensure that appropriate and up to date control is being performed by the National Organisation.	Observation **Superseded by current year observation 5**.	Observation **Closed**.
(8) NSPO FY 2016 **IBA-AR(2017)12, paragraph 5** **WEAKNESSES IN THE RECONCILIATION AND REPORTING OF INTER-NATO ENTITIES** **Board's Recommendation** 5.3 The Board recommends that NSPA: a) Develop, in coordination with ACO, a common approach with appropriate references to ensure efficient and effective confirmation and reconciliation of transactions and positions.	IBAN observed that regular exchange of information takes place during the year but there is no cut-off date that is useable for the preparation of the Financial Statements.	Observation **In-progress**.

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
(9) NSPO FY 2016 **IBA-AR(2017)12, paragraph 6** **WEAKNESSES IN CASH CONTROL AND MANAGEMENT** **Board's Recommendation** 6.12 The Board recommends that the CEPS Programme: c) Requests that the National Organisation to use a separate bank account for NATO funded activities. IBAN should be able to request an independent confirmation to this bank.	IBAN observed that FBG set up a reporting system that allows to identify the amount of cash to be reported for the NATO Pipeline assets. However, improvements are still to be done by SNOI. Observation **Superseded by current observation 5**.	Observation **Closed**.
(10) NSPO FY 2016 **IBA-AR(2017)12, paragraph 7** **WEAKNESSES IN GENERAL COMPUTER CONTROL** **Board's Recommendation** 7.5 The Board recommends NSPO to reinforce the controls over access rights and segregation of duties within the ERP by filling in the vacant position, updating the SoD Matrix, implementing the Governance Risk Compliance module within the accounting system and ensuring that regular SAA WG meetings are held.	IBAN understands that the activation of the Governance and Risk Compliance Module (GRC) is scheduled to be activated in May 2019. However, it needs to be applied in all programmes and divisions. IBAN notes also that the full segregation of duties module is not scheduled for implementation yet.	Observation **In-progress**.
(11) NSPO FY 2015 **IBA-AR(2016)12, paragraph 1** **MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING** **Board's Recommendation** 1.23 b) as a follow up of the observation 1.3	No detailed accounting manual	Observation **Open**.

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
of the audit report on the 2014 NSPO Financial Statements, IBAN reiterates its recommendation to prepare a detailed accounting manual where common chart of accounts, accounting policies, accounting estimates, the intercompany reconciliation process, timelines, and details of journal entries booked at both the segment and central levels are detailed. This should also detail the information to be requested from the segments in order to ensure a proper combination into NSPO, such as segment cash flow information. 1.23 d) in order to ensure a better control environment over open positions and accruals, NSPO develops documented procedures to ensure a comprehensive and reliable reconciliation process for all balances and activities with NATO bodies. The results should be monitored and controlled at a central level. 1.23 h) information, including open positions at 31 December, between NSPA and other NATO bodies be fully confirmed and reconciled. This process should be monitored and controlled at a centralised level.	has been prepared yet. Observation **Open**. IBAN did not identify a documented process in place to ensure that the financial reporting and reconciliation between NSPA and other NATO bodies and agencies is complete and accurate. Observation **Closed and as superseded by follow up observation 8 from 2016, IBA-AR(2016)12, paragraph 5**. See above Observation **In-Progress**.	
(12) NSPO FY 2015 **IBA-AR(2016)12, paragraph 4** **IMPROVEMENTS NEEDED IN THE MONITORING AND CONTROL OVER POTENTIAL CONFLICTS OF INTEREST IN PROCUREMENT** **Board's Recommendation** 4.8 b) the Competition Advocate, in protecting the interests of NSPA, monitor and control the risks related to potential conflict of interests among staff, including contractors, consultants, and technical experts that are involved in the procurement process and develop procedures which takes in to account the following criteria (as best practices):	IBAN observed the issuance of the OI 4400-11 on integrity and ethics that still needs to be implemented in 2018. Observation **In-Progress**.	Observation **In-Progress**.

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
- establishing clear and objective criteria for assessment of declarations of interest and applying them consistently. - ensure affidavits on independence are signed by all stakeholders before the signature of contracts. - ensuring comprehensive and compulsory training on conflict of interest. - addressing and monitoring post-employment related risks by including cool down periods and non-competition clauses for all actors involved in the award of a contract. - use of whistle-blower procedures. 4.8 e) in relation to Articles 3 and 32 of the revised NFRs, and ensuring the segregation of functions between the Directors of Finance and Procurement, that the Director of Finance (or delegate) ensure that the appropriate funding and procurement procedures have been followed before contracts are signed.	Observation **Superseded by observation 3.13 of NSPO FY 2017 IBA-AR(2018)0015**.	
(13) NSPO FY 2015 **IBA-AR(2016)12, paragraph 7** **MONITORING OF THE CASH HELD AT NSPO** **Board's Recommendation** 7.7 d) NAM programme continue budget related measures to reduce the calls and that a documented action plan be put in place to reduce the amount of cash held on behalf of Nations. This should include a return to the Nations of any unused and uncommitted funds remaining in the Acquisition budget.	IBAN observed that the NAMP Programme Board committed to reduce the budget and adjust the calls in order to take into account the lapses and surpluses.	Observation **Closed**.
(14) NSPO FY 2014 **IBA-AR(2015)23, paragraph 10** **NATO MEMBER STATES OFTEN DECIDE THAT UNUSED FUNDING SHOULD REMAIN AT NSPA RATHER THAN BEING RETURNED TO NATIONAL TREASURIES** **Board's Recommendation** 10.8 The Board recommends that NSPO allocate the unallocated customer credits as soon as possible and return this excess	IBAN observed Improvements compared with previous year as the amount of unallocated	Observation **In-progress**.

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
cash to nations. In the future, such an allocation should be performed more timely. It should be done before the issuance of the financial statements.	credits for specific purpose reduced by EUR 27.1 million. EUR 24.9 million remains open.	

The Open status is used for recommendations that are open and for which no notable progress has been achieved to date. The In-progress status is used for open recommendations when the NATO Body has started to implement the recommendation or when some (but not all) sub-recommendations are closed. The Closed status is used for recommendations that are closed because they have been implemented, are superseded, or have lapsed.

NATO SUPPORT AND PROCUREMENT ORGANISATION (NSPO) FORMAL COMMENTS ON THE LETTER OF OBSERVATIONS AND RECOMMENDATIONS AND THE INTERNATIONAL BOARD OF AUDITORS (IBAN) POSITIONS

NSPA's Formal Comments

The Agency is delighted to receive, for the first time since NSPA's creation, an "unqualified" audit opinion on the NSPO Financial Statement and an "opinion on compliance" where the IBAN notes that nothing has come to its attention that causes it to believe that funds have not been properly used for the settlement of authorised expenditure or are not in compliance with the NATO Financial Regulations and the NATO Civilian Personnel Regulations (in effect, an "unqualified opinion" on compliance).

These opinions are the result of a significant collaborative effort across the Agency for which those involved can be proud and it provides an additional assurance to the Agency's customers that their funds are being properly controlled and reported.

In its audit report the IBAN also draws attention to the fact that NSPO is not fully compliant with the revised NATO Financial Regulations (NFRs), The Agency has made significant progress in implementing these complex procedures which have far-reaching impact across the entire Agency. The ASB accepted that the transition to the new NFRPs would occur over a two-year period, with full compliance in June 2019.

To this end, the Agency has implemented an Audit Advisory Panel, clarified the independent role of the Auditor General, published a new Internal Control Operating Instruction, established a team to focus on implementation of the Internal Control framework, formalized the Financial Controller's role in the Contract Award Committee, and implemented Prior Approval of Commitments for the Administrative Budget. Additionally, the Operating Instruction for the Prior Approval of Commitments for the Operational Budget is in the final stages of coordination, and will be fully implemented in the Fall of 2019. The Agency will continue the implementation of the Internal Control framework to include the execution of a communication and training plan, with full implementation by the end of 2019.

The Agency would like to highlight that while the new Internal Control framework is not fully established, it does have extensive and effective internal controls in place over all key logistics, procurement and finance processes. The fact that the IBAN audit did not identify any material misstatements in the 2018 NSPO Financial Statements as evidenced by the unqualified opinion on the statements gives NSPA customers assurance that the Agency is effectively managing the resources entrusted to it by its customers.

OBSERVATION 1:
IMPROVEMENTS REQUIRED IN THE CONTROL OF CUSTOMER ADVANCES AND RELATED FUNDS ALLOCATION TO ACTIVITIES WITHIN THE AGENCY

NSPA's Formal Comments

The Agency accepts the recommendation, but notes that part (d) is already addressed through the Agency issuing monthly Net Financial Situation Reports to its customers.

IBAN's Position

IBAN maintains its recommendation to issue a quarterly report specifically on funds that have not been allocated to already existing logistics or procurement project, which complements the monthly Net Financial Situation Reports to its customers.

OBSERVATION 2:
IMPROVEMENTS REQUIRED IN THE CONTROL OF INVENTORY ACTIVITIES

NSPA's Formal Comments

The Agency accepts the IBAN Recommendation. The Agency's Executive Management Board is currently evaluating options on how to increase controls based on a risk-based approach in an economic and efficient way.

OBSERVATION 3:
IMPROVEMENTS REQUIRED IN THE FINANCIAL REPORTING OF THE FRENCH NATIONAL ORGANISATION (SNOI) FOR THE CENTRAL EUROPEAN PIPELINE SYSTEM (CEPS) PROGRAMME

NSPA's Formal Comments

The Agency accepts the IBAN Recommendation. The recommendation has already been discussed at the CEPS Programme Board, which noted that the CEPS Programme Office will start discussions with SNOI and TRAPIL to identify solutions which can be implemented in the short and medium-term.

OBSERVATION 4:
IMPROVEMENTS REQUIRED IN THE PRESENTATION AND DISCLOSURE OF OVERDUE ACCOUNTS RECEIVABLE

NSPA's Formal Comments

The Agency accepts the IBAN Recommendation.

FOLLOW-UP OF PREVIOUS YEARS' OBSERVATIONS

NSPA's Formal Comments

The Agency takes the follow up and implementation of previous year audit observations and the recommendations stemming from those observations very seriously.

The Agency Supervisory Board has also set the General Manager an objective to "Address International Board of Auditors for NATO (IBAN) audit recommendations".

Twice a year, the Agency provides a Status Report to its Finance, Administrative and Audit Committee on progress against implementing these recommendations. On each occasion, the IBAN is present to answer any questions that the Committee may have. The Agency is frequently tasked to update its Status Report to take into account these discussions. The final Status Report is submitted to the Agency Supervisory Board for notation.

NATO SUPPORT AND PROCUREMENT ORGANISATION

ORGANISATION OTAN DE SOUTIEN ET D'ACQUISITION

NATO OTAN

NSPO

AC/338-D(2019)0008 (INV)

Financial Statements 2018
(Redacted Version)

NATO UNCLASSIFIED: Releasable to Finland, Sweden and North Macedonia

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Overview of the NATO Support and Procurement Organisation's Operations and Environment

Role of the NATO Support and Procurement Organisation

The NATO Support and Procurement Organisation is a NATO body with the mission to provide responsive, effective and cost-efficient logistics, operational and systems support and services to the Allies, NATO Military Authorities and partner Nations, individually and collectively, in time of peace, crisis and war, and where required, to maximize the ability and flexibility of their armed forces, contingents, and other relevant organisations, within the guidance provided by the North Atlantic Council (NAC), to execute their core missions.

From 1 January 2018, NSPO consists of the Support to Operations and Life Cycle Management Business Units (together formerly known in 2017 as the Log Ops Business Unit), the Central Europe Pipeline System Programme Business Unit, the NATO Airlift Management Programme Business Unit plus the Agency Supervisory Board's Chairperson's Office.

Governance and oversight are provided to the various business units by the Agency Supervisory Board (ASB).

All twenty-nine NATO Nations are members of the NSPO. Non-NATO Nations may apply for association with the NSPO if they wish to participate in NSPO activities. Their participation shall be subject to such conditions, consistent with present Regulations and the NSPO Charter, as the participating NATO Nations and the non-NATO Nations agree.

NSPO is headquartered in Luxembourg with some of its staff located in Hungary (NATO Airlift Management Programme), France (Central Europe Pipeline System Programme), and a Southern Operational Centre in Italy. NSPO shares the same legal identity as NATO.

Role of the NATO Support and Procurement Agency

The NATO Support and Procurement Agency (NSPA) is the executive arm of NSPO and is chartered to execute the NSPO's mission. The responsibilities of NSPA include the following tasks, while continuously striving for improved effectiveness, efficiency and cost savings:

- conducting agency mission required specific procurement;
- acting as Host Nation for NATO Security Investment Programme (NSIP) projects as assigned by the Resource Policy and Planning Board (RPPB) or the Investment Committee (IC);
- planning and management of contracting for NATO operations, including in support of Allied Command Operations, including contracting for required strategic lift in all transport modes;
- providing logistics support for operations, including in support of Allied Command Operations, including real-life support and environmental solutions;
- providing supply management;
- performing maintenance, including sustainment management;
- providing services to contribute to life-cycle support of assigned systems;
- conducting off-the-shelf agency mission required specific procurement;
- providing technical assistance;
- supporting organic airlift capabilities;
- managing the provision of lift/transport capabilities;
- fulfilling the operational requirements during peace, crisis and war for the transport, storage and delivery of fuel for military and civilian customers; and,
- performing other missions as assigned by the NAC.

The Activities of the NATO Support and Procurement Organisation’s Business Units

Chairperson’s Office

The Chairperson’s Office is the secretariat of the ASB and the NAM and CEPS Programme Boards.

Support to Operations and Life Cycle Management Business Units (formerly the Logistic Operations (Log Ops) Business Unit)

On 1 January 2018, the Log Ops Business Unit was restructured to create two separate Business Units, one focusing on “Support to Operations” and one focusing on “Life Cycle Management”. However, because from a financial reporting perspective the two separate business units were not considered as separate segments in 2018, the activities of the Support to Operations and Life Cycle Management Business Units are reported as one business unit, namely the Log Ops Business Unit in 2018.

The Support to Operations and Life Cycle Management Business Units provide a number of capabilities which are available to participating nations. They provide support to NATO operations, procures and facilitates the exchange of goods and services at the most advantageous rates, and provides support to thirty active Support Partnerships.

Support to Operations and Life Cycle Management Business Units’ activities are paid through customer-funding on a no profit, no loss basis. All costs incurred by these activities are borne by NSPO Member Nations, by NATO bodies, or by other authorised customers.

Support and/or Procurement Partnerships can be established within the NSPO, subject to precise terms and conditions, on the initiative of two or more NATO nations wishing to organize jointly, or commonly, the support and services of activities within the scope of the NSPO‘s Mission and guidance provided by the Council.

At times, the partnerships will procure goods and/or services through a commonly (i.e. all twenty-nine NATO nations) or jointly (i.e. more than one but less than twenty-nine NATO nations) agreed budget, while at other times, members of the partnership will procure goods and services individually through purchase requests. NSPA procures goods and/or services for the Support Partnerships.

Central Europe Pipeline System (CEPS) Programme Business Unit

Under the authority of the CEPS Programme Board, the CEPS Programme manages a NATO pipeline system which crosses the host nations of Belgium, France, Germany, Luxembourg and the Netherlands and is responsible for the transportation, storage and delivery of petroleum products in Central Europe for military and non-military activities. For that purpose, the CEPS Programme operates and maintains the Central Europe Pipeline System, a pipeline network, pump stations, input and delivery points, and storage depots. The United States contributes to the operation of the CEPS as a user nation.

CEPS is funded through various channels. Income is generated by its authorised activities which are the sales of transport and storage activities for military and non-military customers. The NATO Security Investment Programme (NSIP) supports some of the costs of the acquisition and restoration of pipeline assets required to support military requirements. Contributions by Member Nations cover that part of the budget not financed by generated revenue or NSIP funding.

NATO Airlift Management Programme (NAMP) Business Unit

The mission of the NAMP is to meet to the best advantage the requirements of the Nations contributing to the NATO Airlift Management Programme as described in the Strategic Airlift Capability Memorandum of Understanding. The NAMP participants are: Bulgaria, Estonia, Finland, Hungary, Lithuania, the Netherlands, Norway, Poland, Romania, Slovenia, Sweden and the United States.

The Strategic Airlift Capability (SAC) Programme was created by ten NATO and two Partnership for Peace Nations (Finland and Sweden). Strategic airlift capability is provided by three Globemaster C-17 aircraft that are flown and operated by multinational military aircrews, and supported by military and civilian staff of the twelve Participating Nations. In addition, the SAC Programme obtains logistic and maintenance services for C-17 operations under a Contractor Logistic Support contract arranged through U.S. Foreign Military Sales procedures. The SAC Participating Nations control and use SAC flying hours generated by NAMP owned aircraft, within pre-agreed parameters, to meet national requirements including those in support of NATO and multinational commitments.

The NAMP is governed by the NAM Programme Board. This Board exercises all rights of ownership of assets but aircraft operation is outside the scope of the NSPO Charter. The NAMP's overall activities are funded by the Participating Nations through SAC Acquisition, Operations and Administrative financial plans that are endorsed annually by the NAM Programme Board, after endorsement by the SAC Steering Board.

How NSPO's operating environment affects its Financial Statements

NSPO makes available the following capabilities which can be used for the benefit of NATO:

- Support to Operations and Exercises
- Strategic Transport and Storage
- Logistics Services and Project Management
- Fuel Management
- System Procurement and Life Cycle Management

Those charged with the governance of NSPO do not set management targets in relation to the expected business it should generate and hence NSPO's revenue and expenditures are purely dependent on NATO nations and partner nations making use of its capabilities. As such, the financial position and performance of NSPO depends on the operational requirements of NATO nations and its partner nations.

Compliance with Financial Regulations

In June 2017, the ASB approved the NSPO Financial Rules and Procedures (NFRPs) and this decision was subsequently endorsed by the North Atlantic Council. The NFRPs are consistent with the NATO Financial Regulations. A number of the NFRPs are complex in their nature and the ASB has given the Agency until the end of June 2019 to implement the most complex of these as they will have process, system and resource implications.

How NSPO's mission and strategies relate to its financial position, financial performance and cash flows

As noted above, NSPO makes capabilities available to NATO nations and partner nations. It does not have any mandated financial objectives in relation to its financial position, financial performance (such as mandated business turnover targets) and its cash flows, other than to have enough funding available to cover its administration costs and the operational requirements of its customers. NSPO holds significant balances of customers' funds, which are mainly offset by future financial commitments; this situation has been endorsed by Council.

The ASB does set the NSPA efficiency targets in relation to the cost of its activities; however, these are not specifically related to its financial position, financial performance (such as mandated business turnover targets) and its cash flows.

Risks and Uncertainties that affect NSPO’s Financial Position and Performance

NSPO’s Financial Position and Financial Performance are based on the usage made of its capabilities by NATO nations and its partner nations. As such, its performance is impacted by NATO operations and the demand of its nations and partners for the capabilities that it offers.

Public Disclosure of Financial Information

At the Wales Summit of 2014, the nations tasked NATO bodies to increase their financial transparency. While I am content for all the information in the financial statements to be publically disclosed, the decision on what to make publically available rests with the North Atlantic Council.

[redacted]

NSPA General Manager

Statement on Internal Control

Background

The North Atlantic Council issued revised NATO Financial Regulations (NFRs) in May 2015, which increased the emphasis on internal control and risk management within NATO entities.

In June 2017, the Agency's governing body, the ASB approved the NSPO Financial Rules and Procedures (NFRPs) which are fully consistent with the NFRs and contain the same provisions in respect of internal control and risk management as the NFRs.

The NFRPs stipulate that the Agency's General Manager is responsible and accountable for sound financial management, and to that end, shall put in place the necessary governance arrangements to ensure and maintain a strong system of internal control.

These arrangements include, but are not limited to, the establishment and maintenance of financial governance, resource management practices, internal controls and financial information systems to achieve the efficient and effective use of resources.

Internal Control

Scope of Responsibility and Purpose of Internal Control

The General Manager is responsible and accountable to the ASB for ensuring that the necessary internal management functions are in place to support effective internal control, and are designed to provide reasonable assurance that the Agency will achieve its internal control objectives in the following categories:

- safeguarding assets;
- verifying the accuracy and reliability of accounting data and records;
- promoting operational efficiency; and,
- complying with established governing and managerial policies.

The Agency's Financial Controller reports to the General Manager and operates within the system of internal controls established by the General Manager. The Financial Controller is accountable to the NSPO Finance, Administration and Audit Committee on the management of appropriated and non-appropriated funds. The NFRs require that in order to meet the desired internal control standards, the Financial Controller shall:

- establish a system of internal financial and budgetary controls, embracing all aspects of financial management including transactions for which appropriations have been approved and those funded from such non-appropriated fund accounts as they may authorise within their jurisdiction;
- designate and formally delegate authority to officials who may authorize commitments, disburse and receive funds on his behalf; and,
- establish and maintain comprehensive accounting records of all assets and liabilities.

While the General Manager and the Financial Controller have specific responsibilities in relation to internal control, all Agency staff have a responsibility for complying with the internal controls in place to ensure NSPA is being a good steward of the funds entrusted to it by the Nations.

The Limitations of a System of Internal Control

A system of internal control is designed to reduce and manage, rather than eliminate, the risk of failure to achieve an entity's aims and objectives. It can provide reasonable but not absolute assurance that an entity's aims and objectives will be achieved. It is based on a continuous process designed to: identify the principal risks that threaten the achievement of objectives; evaluate the nature and extent of those risks; and manage them effectively, efficiently and economically. The cost of the internal controls should not outweigh the benefits from mitigating the risks.

Compliance with the NATO Financial Regulations and NSPO Financial Rules and Procedures

Revised NFRs were issued in May 2015 and NSPO fell fully under their remit until the ASB issued the NFRPs in June 2017. The decision of the ASB was subsequently endorsed by the North Atlantic Council.

The NFRPs contain a number of complex requirements, which are consistent with the NFRs, but which were new to the Agency. The Agency was not able to implement these complex requirements on the issuance of the NFRs or the subsequent issuance of the NFRPs and hence the ASB granted the Agency until the end-of-June 2019 to implement the following complex requirements:

- **Accruals-based commitments for administrative budgets**

  For its Administrative Budgets which make up approximately 5 per cent of turnover, NSPO is required to commit funds in the year in which a good or service will be delivered. This is a change to previous practice where a commitment was made when a contract was signed, regardless of when goods and services would be delivered. The Agency considers that this requirement was implemented in respect of 2019 budgets.

- **The prior-approval of commitments by the Financial Controller**

  The prior-approval of commitments by the Financial Controller requires that he ensures the financial (e.g. funding availability, correct use of budgets etc.) and technical requirements (e.g. that customers' wishes are expressed accurately in a Statement of Work etc.) of a commitment are met for all the Agency's expenditures before he gives his prior-approval. In accordance with the NFRPs the assurance that procurement requirements are met is provided by the Director of Procurement. The Agency is currently developing Operating Instructions which will enable this requirement to be implemented by the end-of-June 2019 implementation deadline.

- **Involvement of the Financial Controller in Contract Award Committees**

  This is linked to the prior-approval of commitments by the Financial Controller. The Financial Controller may as required attend Contract Award Committees with a contract value over Euro 2 million and provide his approval for the decision made by the Committee. The Financial Controller has been doing this since October 2017; however, the process needs to be formally documented in an Agency operating instruction. The Agency is currently developing Operating Instructions related to the prior–approval of commitments (see immediately above) which will allow this requirement to be implemented by the end-of-June 2019 deadline.

- **Implementation of Risk Management**

  Risk Management is a requirement of the NFRPs as well as being a requirement of the NSPO Charter. The Agency has been working on implementing risk management since it was established. A system of risk management was fully embedded in 2018 and is undergoing continuous improvement.

- **Implementation of a standardised and fully documented system of Internal Control**

  The Agency's system of internal control will follow the principles of COSO (Committee of Sponsoring Organizations of the Treadway Commission). In 2018, the Agency, with the support of consultants, worked with all its business units and supporting divisions to map key internal controls and provide training on internal control. The Agency published an internal Operating Instruction in February 2019 to support implementation. While the Agency planned to implement internal control by the end-of-June 2019, and despite the very good progress made, ultimately delays in the on-boarding of key internal control personnel and problems with external consultant support, means that it is unlikely to be implemented until quarter 4 of 2019.

  The Agency has also created four new positions to support the requirements of a robust internal control programme.

The Agency acknowledges that it is currently not compliant with all the requirements of the NFRPs but is working to fully implement the outstanding requirements by the end-of-June 2019 as agreed by the ASB.

Review of General Manager's Internal Control Priorities for 2018

The General Manager's internal control priorities for 2018 and the results of these activities were:

- The Agency made good progress in reducing the number of outstanding IBAN recommendation. The results of the audit of the NSPO Financial Statements 2017 led to 6 new (2016: 7) recommendations. The IBAN noted that 16 (2016: 12) of its previous year outstanding observations had been settled, 17 (2016: 7) had been superseded by a current year observation and 11 (2016: 18) remained outstanding. The Agency works hard to implement IBAN recommendations and going forward into 2019 believes that the majority of new and outstanding observations should be closed with the issuance of the NSPO Financial Statements 2018.
- As can be seen in the section entitled "Compliance with the NATO Financial Regulations and NSPO Financial Rules and Procedures" the Agency made solid progress on moving towards the full implementation of the NFRPs by the end-of-June 2019.

- The Agency made only limited progress in its planning to enhance its financial procedures and processes with a view to updating its financial system when its current Enterprise Resource and Planning System is upgraded or changed when its current system becomes obsolete in the middle of the 2020s.

  Progress was limited due to staffing issues and the prioritisation the Agency afforded to working towards the implementation of the NFRPs. Further work in this area is envisaged for 2019.

Control over the preparation of the Financial Statements

Financial Statements: figures

While the IBAN found that there had been continued improvement in the preparation of the 2017 NSPO Financial Statements compared with previous years, the IBAN issued a "qualified audit opinion" on the figures contained in the financial statements. This was due to concerns over the material accuracy of accruals, and the fact that unbilled sales and advances to customers were not split into their respective current (amounts owed or falling due within one year) and non-current (amounts owed or falling due in more than one year) components.

Financial Statement: compliance with governing regulations

While the IBAN found that there had been continued improvement in the preparation of the 2017 NSPO Financial Statements compared with previous years, the IBAN issued a "qualified audit opinion" on compliance with the NATO Financial Regulations and the NATO Civilian Personnel Regulations.

This qualification was due to insufficient internal controls, as required by the NATO Financial Regulations, over the production of the Financial Statements. The process of enhancing internal control over the production of the Financial Statements has steadily improved since the creation of the Agency.

Control over financial management

We believe that strong controls exist over financial management functions such as treasury functions and accounts payable. While adequate controls exist over Accounts Receivable, the Agency is focusing efforts on ensuring that balances on Accounts Receivable are reduced. The Agency holds and manages significant sums of money on the instruction of its customers. While the Agency has uncollected debts, these are controlled through regular review and dealings with customers. To ensure the effective and efficient financial management of the funds held at the Agency and to reduce the risk resulting from negative interest, the ASB authorised a deviation from the NFRPs at its December 2017 meeting to allow the Agency to make exceptional time deposits not to exceed two years and up to a cumulative value of Euro 500m. This deviation was approved for two years.

Risk Management

The Agency is required to have risk management processes in place by:

- The NSPO Charter, which states that the ASB will "ensure that effective risk management measures are in place and monitor performance execution on that basis";
- The NFRs and NFRPs, which require that Heads of NATO bodies shall ensure effective, efficient and economical risk management procedures are in place to support the achievement of objectives as set by the Nations, and shall identify, assess and mitigate the risks to the achievement of these objectives.;
- ISO 9001:2015, which requires a comprehensive risk management culture across the Agency;
- AQAP 2110 D(2016) NATO Quality Assurance requirements for design, developments and production, which mandates adhering to ISO31000; and,
- NATO's 2005 Guidelines on Corporate Governance.

Enterprise Risk Management has been implemented throughout the Agency and an overall maturity self-assessment indicated that those engaged in risk management believe that risk management sits within the "defined" range and working towards a "managed" level of maturity. The area of least progress is in ensuring risk management responsibility is included within Post Descriptions and that performance management relates to risk responsibility. Risks have been captured from bottom up and links clearly exist between the Enterprise Risk level, General Manager level, Director level, through to Programme Manager and to Project Manager level. A defined escalation process exists for each risk and each level is encouraged to look for common themes at the lower level in order to raise higher level corporate risks.

The Agency's [redacted] site was awarded ISO 9001:2015 accreditation by the TUV Auditors in March 2016 and this was recertified in March 2019. NSPA was the first NATO Agency and the first organisation within Luxembourg to receive this level of accreditation and this has been largely based on the progress made in developing the risk management processes. In 2018, the TUV's audit in respect of continuing the

Agency's certification in ISO 9001:2015 focused on risk management and the Agency was encouraged to receive a very positive assessment from the TŰV auditor.

In early 2018, an Executive Management Board review was undertaken to revise the Agency's existing top-level risks and to update the list to reflect the current business environment. All the Enterprise-level risks are cross-functional and affect multiple areas within the Agency, these have been re-grouped into five revised high-level risks:

Risk 1. Failing to Maintain a Good Reputation

Risk 2. Not Achieving Compliance with Mandatory Regulation

Risk 3. Information or System Loss through Cyber Attack

Risk 4. Having insufficient numbers of qualified staff

Risk 5. Staff working in unsatisfactory, insufficient or inadequate Infrastructure

These risks have been ranked based upon their logical position within the Agency business life-cycle; for example, failing to "Maintain a Good Reputation" has the most enduring impact on business and addresses the ability of NSPA to take on new tasks for NATO and customer nations. These risks have been endorsed by the ASB.

The risk management process provides a comprehensive instrument to deal with the risks and to identify areas where additional resources are required. The majority of the treatment actions to manage each risk require only internal resources. However, some class "A" risks require additional resources and the requests will be addressed through the appropriate established budgetary mechanisms.

Internal Audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes

Internal Audit works in accordance with the "International Standards for the Professional Practice of Internal Auditing". While the Auditor General reports to the General Manager, he also presents a report at each meeting of the Finance, Administration and Audit Committee, which can be in restricted session if necessary. The General Manager is supported by an Audit Advisory Panel which is made up of three internal members and an external member. The Audit Advisory Panel reviews systems, processes and controls, and also provides inputs for the internal audit plan and reviews internal and external audit findings.

In February 2019, the Auditor General issued a report entitled "Internal control arrangements within NSPA" which covered the year 2018 where he concluded that "The elements of an internal control system do exist and work at NSPA. In order to be efficient and effective several improvements are needed for the NSPA internal control system, especially in the area of establishing objectives and, risk assessment " In addition, the report noted that, "Although the objectives of the audit engagements carried out in 2018 were not aimed to identify specific issues regarding financial consequences, it is important to note that none of the findings identified represent material financial impact over the NSPO 2018 financial statements.".

Potential internal control issues highlighted in 2018

Budget execution

In May 2018, while undertaking an initial analysis to support the writing of an operating instruction on the prior-approval of commitments in the administrative budget, the Agency discovered inaccurate cost allocation in customer projects due to insufficient systems for tracking the time internal staff and consultants worked on projects. This inaccuracy was discovered through the testing of 2017 data for one small project in the Agency's support to operations programme (Note: the Agency has a current total of 109 projects) but had knock-on effects to other projects. The same project was tested again in 2018 with the same issues arising.

This finding potentially affects the accuracy of the cost-analysis that was issued to the Agency's customers in respect of 2017, and the cost-analysis which will be issued in respect of 2018. Overall, the scope and scale of potential misallocations is unknown and will be assessed in further detail by the Agency's Auditor General as part of an already planned audit in 2019. At this point, the Agency does not believe the impact is significant.

This finding does not impact the accuracy of the "Log Ops Business Unit – Administrative Costs Elements" table shown in the Annex to these Financial Statements and which covers NSPO Financial Plan Execution; this is because data in this table is consolidated at such a level to not reflect inaccuracies which were discovered.

Instances where procurement and contract administration policies were not followed on contracts

An important element of internal control is ensuring that there is a mechanism for issues to be raised when there is a concern that processes and procedures are not being followed. During 2018, there were two instances where anomalies discovered during a Contract Award Committee resulted in the General Manager establishing independent Fact Finding Panels to evaluate the anomalies and determine if any fraud occurred or if Agency assets were misappropriated. IBAN was informed of these cases immediately.

While the panels determined that Agency procurement and contract administration policies were not followed on several contracts, there was no evidence of fraud and the contract anomalies were corrected by re-competing some requirements. As a result of the panel recommendations, several remediation actions were implemented which included personnel actions and structural changes within the Agency. The Agency assesses that existing internal controls allowed these issues to be brought forward for a full review, and corrective actions are being implemented swiftly.

Statement of the General Manager and the Financial Controller

All internal controls have inherent limitations, including the possibility of circumvention, and therefore can provide only reasonable assurance. Further, because of changing conditions, the effectiveness of internal controls may vary over time.

Based on the above, we consider, to the best of our knowledge and information, that the Agency operated satisfactory systems of internal control for the year ended 31 December 2018 and up to the date of approval of the financial statements, in respect of:

- safeguarding assets;
- promoting operational efficiency; and
- verifying the accuracy and reliability of accounting data and records

We are currently unable to attest that the Agency is:

- complying consistently and fully with all established governance and managerial policies. This is because the Agency is in the process of implementing the NFRPs. The Agency has been given until June 2019 by the ASB to implement the NFRPs.

While the Agency has not complied consistently with all established governance and managerial policies related to the NFRPs, it is committed to, and working hard in the area of ensuring that all personnel are aware of policies and are implementing them in their work.

[redacted]

General Manager

29 March 2019

[redacted]

Financial Controller

29 March 2019

NSPO Statement of Financial Position

As of 31 December (all figures are in Euro '000)		NSPO TOTAL		
			Restated	*Original*
ASSETS	**Note**	**2018**	**2017**	**2017**
Current Assets				
Cash and Cash Equivalents	2	2,329,615	2,565,663	2,565,663
Accounts Receivable	6	1,282,570	1,177,508	1,177,508
Inventory	5	371,358	369,194	369,194
Prepayments	7	310,426	236,496	236,496
		4,293,969	4,348,861	4,348,861
Non-current Assets				
Investments	2	215,022	0	0
Accounts Receivable	6	26,147	6,424	6,424
Property Plant and Equipment	3	1,147,874	1,004,280	1,003,733
Intangible Assets	4	17,723	16,900	17,621
		1,406,766	1,027,604	1,027,778
Total Assets		**5,700,734**	**5,376,465**	**5,376,639**
LIABILITIES				
Current Liabilities				
Accounts Payable and Accruals	8	366,814	387,730	387,730
Customer Advances	9	2,598,370	3,246,188	3,505,265
Overdrafts	2	2,718	0	0
Provisions	16	1,436	3,525	6,091
		2,969,338	3,637,443	3,899,087
Non-current Liabilities				
Customer Advances	9	1,087,405	259,079	0
Provisions	16	2,204	2,566	0
		1,089,609	261,645	0
Total Liabilities		**4,058,947**	**3,899,088**	**3,899,087**
Net Assets		1,641,788	1,477,377	1,477,552

Restatement: Further details on 2017 comparative "Restated" figures can be found within the Accounting Policies (page 20) and in Note 24 (pages 49 to 53).

The financial statements on pages 11 to 62 were issued to the International Board of Auditors for NATO on 29 March 2019.

[redacted]
NSPA General Manager

[redacted]
NSPA Financial Controller

NSPO Segments' Statement of Financial Position

As of 31 December (all figures are in Euro '000)		Chairperson's Office		Log Ops		NAM		CEPS		Inter-business unit eliminations		NSPO TOTAL		
							Restated		*Restated*				*Restated*	*Original*
ASSETS	**Note**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2017**
Current Assets														
Cash and Cash Equivalents	2	0	0	1,924,605	2,192,643	219,745	191,524	185,265	181,496	*0*	*0*	2,329,615	2,565,663	2,565,663
Accounts Receivable	6	0	0	1,246,410	1,150,035	7,712	5,973	28,459	23,872	(11)	(2,372)	1,282,570	1,177,508	1,177,508
Inventory	5	0	0	362,296	360,473	2,565	2,074	6,497	6,647	*0*	*0*	371,358	369,194	369,194
Prepayments	7	0	0	174,685	124,916	135,427	111,460	314	120	*0*	*0*	310,426	236,496	236,496
		0	0	3,707,996	3,828,067	365,449	311,031	220,535	212,135	(11)	(2,372)	4,293,969	4,348,861	4,348,861
Non-current Assets														
Investments	2	0	0	215,022	0	0	0	0	0	*0*	*0*	215,022	0	0
Accounts Receivable	6	0	0	23,942	3,857	0	0	2,205	2,567	*0*	*0*	26,147	6,424	6,424
Property Plant and Equipment	3	0	0	568,222	435,864	407,544	412,256	172,108	156,160	*0*	*0*	1,147,874	1,004,280	1,003,733
Intangible Assets	4	0	0	0	0	15,137	14,506	2,586	2,394	*0*	*0*	17,723	16,900	17,621
		0	0	807,186	439,721	422,681	426,762	176,899	161,121	0	0	1,406,766	1,027,604	1,027,778
Total Assets		**0**	**0**	**4,515,182**	**4,267,788**	**788,130**	**737,793**	**397,433**	**373,256**	**(11)**	**(2,372)**	**5,700,734**	**5,376,465**	**5,376,639**
LIABILITIES														
Current Liabilities														
Accounts Payable and Accruals	8	0	0	346,403	359,388	8,062	21,075	12,360	9,639	(11)	(2,372)	366,814	387,730	387,730
Customer Advances	9	0	0	2,325,919	3,022,762	248,125	204,565	24,326	18,861	*0*	*0*	2,598,370	3,246,188	3,505,265
Overdrafts	2	0	0	0	0	0	0	2,718	0	*0*	*0*	2,718	0	0
Provisions	16	0	0	537	2,298	0	0	899	1,227	*0*	*0*	1,436	3,525	6,091
		0	0	2,672,859	3,384,448	256,187	225,640	40,303	29,727	(11)	(2,372)	2,969,338	3,637,443	3,899,087
Non-current Liabilities														
Customer Advances	9	0	0	806,548	0	107,122	83,317	173,735	175,762	*0*	*0*	1,087,405	259,079	0
Provisions	16	0	0	0	0	0	0	2,204	2,566	*0*	*0*	2,204	2,566	0
		0	0	806,548	0	107,122	83,317	175,939	178,328	0	0	1,089,609	261,645	0
Total Liabilities		**0**	**0**	**3,479,407**	**3,384,448**	**363,309**	**308,957**	**216,242**	**208,055**	**(11)**	**(2,372)**	**4,058,947**	**3,899,088**	**3,899,087**
Net Assets		0	0	1,035,775	883,340	424,821	428,836	181,191	165,201	0	0	1,641,788	1,477,377	1,477,552

Restatement: Further details on 2017 comparative "Restated" figures can be found within the Accounting Policies (page 20) and in Note 24 (pages 49 to 53).

The financial statements on pages 11 to 62 were issued to the International Board of Auditors for NATO on 29 March 2019.

[redacted]
NSPA General Manager

[redacted]
NSPA Financial Controller

NSPO Statement of Financial Performance

For the year-ended 31 December
(all figures are in Euro '000)

		NSPO TOTAL		
			Restated	*Original*
Revenue	**Note**	**2018**	**2017**	**2017**
Services and Support to Customers		2,773,350	2,406,016	2,402,024
Administrative Support		169,836	156,978	156,809
Bank interest	10	63	72	72
Unrealised foreign currency effects	10	11,964	(15,676)	(15,676)
Reversal of provisions	16	1,708	0	0
Miscellaneous Revenue		2,024	9,726	9,721
Total Revenue		**2,958,944**	**2,557,116**	**2,552,950**
Expenses				
Services and Support to Customers	11	(2,643,199)	(2,264,405)	(2,262,964)
Commercial Discounts Earned *		3,580	3,760	3,760
USA Foreign Military Sales **	11	(50,090)	(73,589)	(73,589)
Personnel	13	(186,545)	(171,578)	(170,831)
Depreciation and Amortisation		(43,375)	(43,109)	(41,560)
Provisions	16	(359)	(178)	(178)
Other Expenses	11	(50,967)	(51,154)	(50,985)
Transfers to customer credits		(11,511)	(8,580)	(6,770)
Total Expenses		**(2,982,466)**	**(2,608,833)**	**(2,603,118)**
Surplus / (Deficit) for the year		**(23,522)**	**(51,717)**	**(50,168)**

* “Commercial Discounts Earned” reduce the costs incurred in delivering “Services and Support to Customer”.

** The figure given in respect of USA Foreign Military Sales are presented on a “cash” (i.e. non-accruals) basis; more information can be found in the Accounting Policies (see page 20).

NSPO Segments’ Statement of Financial Performance

For the year-ended 31 December (all figures are in Euro '000)		Chairperson's Office		Log Ops		NAM		CEPS		Inter-business unit eliminations		NSPO TOTAL		
							Restated		*Restated*				*Restated*	*Original*
Revenue	**Note**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2017**
Services and Support to Customers		0	0	2,630,054	2,219,934	38,725	92,404	104,999	93,863	(428)	(185)	2,773,350	2,406,016	2,402,024
Administrative Support		910	840	148,717	136,577	6,832	6,723	15,746	15,222	(2,369)	(2,384)	169,836	156,978	156,809
Bank interest	10	0	0	(13)	(12)	0	0	76	84	*0*	*0*	63	72	72
Unrealised foreign currency effects	10	0	0	11,925	(15,853)	39	177	0	0	*0*	*0*	11,964	(15,676)	(15,676)
Reversal of provisions	16	0	0	1,708	0	0	0	0	0	*0*	*0*	1,708	0	0
Miscellaneous Revenue		0	0	0	0	0	41	2,026	9,685	(2)	*0*	2,024	9,726	9,721
Total Revenue		**910**	**840**	**2,792,391**	**2,340,646**	**45,596**	**99,345**	**122,846**	**118,854**	**(2,799)**	**(2,569)**	**2,958,944**	**2,557,116**	**2,552,950**
Expenses														
Services and Support to Customers	11	0	0	(2,591,271)	(2,183,224)	(20,874)	(48,193)	(31,613)	(33,173)	*559*	185	(2,643,199)	(2,264,405)	(2,262,964)
Commercial Discounts Earned *		0	0	3,580	3,760	0	0	0	0	*0*	*0*	3,580	3,760	3,760
USA Foreign Military Sales **	11	0	0	(32,251)	(29,364)	(17,839)	(44,225)	0	0	*0*	*0*	(50,090)	(73,589)	(73,589)
Personnel	13	(783)	(753)	(117,574)	(105,016)	(4,212)	(3,930)	(63,976)	(61,879)	*0*	*0*	(186,545)	(171,578)	(170,831)
Depreciation and Amortisation		0	0	(3,847)	(4,357)	(27,239)	(28,170)	(12,289)	(10,582)	*0*	*0*	(43,375)	(43,109)	(41,560)
Provisions	16	0	0	(359)	(178)	0	0	0	0	*0*	*0*	(359)	(178)	(178)
Other Expenses	11	(127)	(87)	(34,702)	(35,409)	(2,632)	(2,820)	(15,746)	(15,222)	*2,240*	*2,384*	(50,967)	(51,154)	(50,985)
Transfers to customer credits		0	0	0	0	0	0	(11,511)	(8,580)	*0*	*0*	(11,511)	(8,580)	(6,770)
Total Expenses		**(910)**	**(840)**	**(2,776,424)**	**(2,353,788)**	**(72,796)**	**(127,338)**	**(135,135)**	**(129,436)**	***2,799***	**2,569**	**(2,982,466)**	**(2,608,833)**	**(2,603,118)**
Surplus / (Deficit) for the year		**0**	**0**	**15,967**	**(13,142)**	**(27,200)**	**(27,993)**	**(12,289)**	**(10,582)**	**0**	**0**	**(23,522)**	**(51,717)**	**(50,168)**

* “Commercial Discounts Earned” reduce the costs incurred in delivering “Services and Support to Customer”.

** The figure given in respect of USA Foreign Military Sales are presented on a “cash” (i.e. non-accruals) basis; more information can be found in the Accounting Policies (see page 20).

NSPO Cash Flow Statement for the year-ended 31 December

(all figures are in Euro '000)	**2018**	**2017**
Cash Flows from Operating Activities		
Cash Receipts from Customers	3,046,102	2,666,764
Bank Interest Received	6,649	3,598
Cash Paid to Suppliers	(2,903,962)	(2,414,911)
Cash Paid to and on behalf of Employees	(178,551)	(164,846)
Net Other Payments and Receipts	28,760	10,759
Net Cash Flows from Operating Activities	**(1,002)**	**101,364**
Cash Flows from Investing Activities		
Purchase of investments of greater than one year	(215,022)	0
Net purchase of PPE, Intangible Assets and Inventory	(163,286)	(352,925)
Net Cash Flows from Investing Activities	**(378,308)**	**(352,925)**
Cash Flows from Financing Activities		
Net proceeds from borrowings	2,718	0
Capital Contributed by Countries	123,639	419,257
Net Cash Flows from Financing Activities	**126,357**	**419,257**
Foreign currency effects	**16,905**	**(45,075)**
Cash and Cash Equivalents at Beginning of Period	**2,565,663**	**2,443,042**
Net Increase/(Decrease) in Cash and Cash Equivalents	(236,048)	122,621
Cash and Cash Equivalents at End of Period	**2,329,615**	**2,565,663**

Statement of Changes in Net Assets *(all figures are in Euro '000*

NSPO	Capital contributions (2018)	Revaluation Reserves (2018)	Other Reserves (2018)	Accumulated surplus/deficit (2018)	Total (2018)
Balance at the end of prior period	1,430,190	2,726	44,461	0	1,477,377
Changes in accounting policy to correct errors	0	0	0	0	0
Restatement to correct errors	0	0	0	0	0
Balance at 31 December of prior-period	**1,430,190**	**2,726**	**44,461**	**0**	**1,477,377**
Net gains/(losses) recognised directly in net assets	156,989	(83)	12,876	0	169,782
Depreciation and Amortisation	(43,375)	0	0	43,375	0
Exchange difference on translating foreign operations	19,520	0	(20)	0	19,500
Net Unrealised Foreign exchange gains and losses	0	0	11,963	(11,963)	0
Inventory disposals, donations and increases	0	0	1,792	(1,792)	0
Inventory sales	0	0	4,749	(4,749)	0
Surplus/(deficit) for the period *	0	0	0	(24,871)	(24,871)
Change in net assets for the year ended	**133,134**	**(83)**	**31,360**	**0**	**164,411**
Balance at 31 December of year-ended	**1,563,324**	**2,643**	**75,821**	**0**	**1,641,788**

NSPO	2017 *Restated*					2017 *Original*				
	Capital contributions	Revaluation Reserves	Other Reserves	Accumulated surplus/deficit	Total	Capital contributions	Revaluation Reserves	Other Reserves	Accumulated surplus/deficit	Total
Balance at the end of prior period	1,099,396	2,809	61,285	0	1,163,490	1,099,396	2,809	61,285	0	1,163,490
Changes in accounting policy to correct errors	0	0	0	0	0	0	0	0	0	0
Restatement to correct errors	(10,062)	0	0	0	(10,062)	0	0	0	0	0
Balance at 31 December of prior-period	**1,089,334**	**2,809**	**61,285**	**0**	**1,153,428**	**1,099,396**	**2,809**	**61,285**	**0**	**1,163,490**
Net gains/(losses) recognised directly in net assets	445,677	(83)	(8,557)	0	437,037	434,241	(83)	(8,557)	0	425,601
Depreciation and Amortisation	(43,109)	0	0	43,109	0	(41,560)	0	0	41,560	0
Exchange difference on translating foreign operations	(61,712)	0	75	0	(61,637)	(61,712)	0	75	0	(61,637)
Net Unrealised Foreign exchange gains and losses	0	0	(15,676)	15,676	0	0	0	(15,676)	15,676	0
Inventory disposals, donations and increases	0	0	4,502	(4,502)	0	0	0	4,502	(4,502)	0
Inventory sales	0	0	2,832	(2,832)	0	0	0	2,832	(2,832)	0
Surplus/(deficit) for the period *	0	0	0	(51,451)	(51,451)	0	0	0	(49,902)	(49,902)
Change in net assets for the year ended	**340,856**	**(83)**	**(16,824)**	**0**	**323,949**	**330,969**	**(83)**	**(16,824)**	**0**	**314,062**
Balance at 31 December of year-ended	**1,430,190**	**2,726**	**44,461**	**0**	**1,477,377**	**1,430,365**	**2,726**	**44,461**	**0**	**1,477,552**

Restated figures (please see Note 24)

Log Ops Business Unit	2018 Capital contributions	2018 Revaluation Reserves	2018 Other Reserves	2018 Accumulated surplus/deficit	2018 Total	2017 Capital contributions	2017 Revaluation Reserves	2017 Other Reserves	2017 Accumulated surplus/deficit	2017 Total
Balance at the end of prior period	838,435	0	44,905	0	883,340	438,592	0	61,981	0	500,573
Changes in accounting policy to correct errors	0	0	0	0	0	0	0	0	0	0
Restatement to correct errors	0	0	0	0	0	0	0	0	0	0
Balance at 31 December of prior-period	**838,435**	**0**	**44,905**	**0**	**883,340**	**438,592**	**0**	**61,981**	**0**	**500,573**
Net gains/(losses) recognised directly in net assets	124,941	0	12,876	0	137,817	404,200	0	(8,557)	0	395,643
Depreciation and Amortisation	(3,847)	0	0	3,847	0	(4,357)	0	0	4,357	0
Exchange difference on translating foreign operations	0	0	0	0	0	0	0	0	0	0
Net Unrealised Foreign exchange gains and losses	0	0	11,924	(11,924)	0	0	0	(15,853)	15,853	0
Inventory disposals, donations and increases	0	0	1,792	(1,792)	0	0	0	4,502	(4,502)	0
Inventory sales	0	0	4,749	(4,749)	0	0	0	2,832	(2,832)	0
Surplus/(deficit) for the period *	0	0	0	14,618	14,618	0	0	0	(12,876)	(12,876)
Change in net assets for the year ended	**121,094**	**0**	**31,341**	**0**	**152,435**	**399,843**	**0**	**(17,076)**	**0**	**382,767**
Balance at 31 December of year-ended	**959,529**	**0**	**76,246**	**0**	**1,035,775**	**838,435**	**0**	**44,905**	**0**	**883,340**

Reconciliation of Surplus in Statement of Financial Performance to surplus shown in Statement of Changes in Net Assets

Deficit for the period as per Statement of Financial Performance	15,967
Less non-budgetary items	
Increase in provision for contractual claims	359
Reversal of provision	(1,708)
Deficit for the period as per Statement of Changes in Net Assets	14,618

NAMP Business Unit	2018 Capital contributions	2018 Revaluation Reserves	2018 Other Reserves	2018 Accumulated surplus/deficit	2018 Total
Balance at the end of prior period	**429,280**	**0**	(444)	**0**	**428,836**
Changes in accounting policy to correct errors	0	0	0	0	0
Restatement to correct errors	0	0	0	0	0
Balance at 31 December of prior-period	**429,280**	**0**	**(444)**	**0**	**428,836**
Net gains/(losses) recognised directly in net assets	3,685	0	0	0	3,685
Depreciation and Amortisation	(27,239)	0	0	27,239	0
Exchange difference on translating foreign operations	19,520	0	(20)	0	19,500
Net Unrealised Foreign exchange gains and losses	0	0	39	(39)	0
Inventory disposals, donations and increases	0	0	0	0	0
Inventory sales	0	0	0	0	0
Surplus/(deficit) for the period	0	0	0	(27,200)	(27,200)
Change in net assets for the year ended	**(4,034)**	**0**	**19**	**0**	**(4,015)**
Balance at 31 December of year-ended	**425,246**	**0**	**(425)**	**0**	**424,821**

NAMP Business Unit	2017 *Restated* Capital contributions	Revaluation Reserves	Other Reserves	Accumulated surplus/deficit	Total	2017 *Original* Capital contributions	Revaluation Reserves	Other Reserves	Accumulated surplus/deficit	Total
Balance at the end of prior period	522,618	0	(696)	0	521,922	522,618	0	(696)	0	521,922
Changes in accounting policy to correct errors	0	0	0	0	0	0	0	0	0	0
Restatement to correct errors	(10,062)	0	0	0	(10,062)	0	0	0	0	0
Balance at 31 December of prior-period	**512,556**	**0**	**(696)**	**0**	**511,860**	**522,618**	**0**	**(696)**	**0**	**521,922**
Net gains/(losses) recognised directly in net assets	6,606	0	0	0	6,606	(4,546)	0	0	0	-4,546
Depreciation and Amortisation	(28,170)	0	0	28,170	0	(26,905)	0	0	26,905	0
Exchange difference on translating foreign operations	(61,712)	0	75	0	(61,637)	(61,712)	0	75	0	(61,637)
Net Unrealised Foreign exchange gains and losses	0	0	177	(177)	0	0	0	177	(177)	0
Inventory disposals, donations and increases	0	0	0	0	0	0	0	0	0	0
Inventory sales	0	0	0	0	0	0	0	0	0	0
Surplus/(deficit) for the period	0	0	0	(27,993)	(27,993)	0	0	0	(26,728)	(26,728)
Change in net assets for the year ended	**(83,276)**	**0**	**252**	**0**	**(83,024)**	**(93,163)**	**0**	**252**	**0**	**(92,911)**
Balance at 31 December of year-ended	**429,280**	**0**	**(444)**	**0**	**428,836**	**429,455**	**0**	**(444)**	**0**	**429,011**

Restated figures (please refer to Note 24)

	2018				
CEPS Business Unit	**Capital contributions**	**Revaluation Reserves**	**Other Reserves**	**Accumulated surplus/deficit**	**Total**
Balance at the end of prior period	162,475	2,726	0	0	165,201
Changes in accounting policy to correct errors	0	0	0	0	0
Restatement to correct errors	0	0	0	0	0
Balance at 31 December of prior-period	**162,475**	**2,726**	**0**	**0**	**165,201**
Net gains/(losses) recognised directly in net assets	28,362	(83)	0	0	28,279
Depreciation and Amortisation	(12,289)	0	0	12,289	0
Exchange difference on translating foreign operations	0	0	0	0	0
Net Unrealised Foreign exchange gains and losses	0	0	0	0	0
Inventory disposals, donations and increases	0	0	0	0	0
Inventory sales	0	0	0	0	0
Surplus/(deficit) for the period	0	0	0	(12,289)	(12,289)
Change in net assets for the year ended	**16,073**	**(83)**	**0**	**0**	**15,990**
Balance at 31 December of year-ended	**178,548**	**2,643**	**0**	**0**	**181,191**

	2017 *Restated*					2017 *Original*				
CEPS Business Unit	**Capital contributions**	**Revaluation Reserves**	**Other Reserves**	**Accumulated surplus/deficit**	**Total**	**Capital contributions**	**Revaluation Reserves**	**Other Reserves**	**Accumulated surplus/deficit**	**Total**
Balance at the end of prior period	138,186	2,809	0	0	140,995	138,186	2,809	0	0	140,995
Changes in accounting policy to correct errors	0	0	0	0	0	0	0	0	0	0
Restatement to correct errors	0	0	0	0	0	0	0	0	0	0
Balance at 31 December of prior-period	**138,186**	**2,809**	**0**	**0**	**140,995**	**138,186**	**2,809**	**0**	**0**	**140,995**
Net gains/(losses) recognised directly in net assets	34,871	(83)	0	0	34,788	34,587	(83)	0	0	34,504
Depreciation and Amortisation	(10,582)	0	0	10,582	0	(10,298)	0	0	10,298	0
Exchange difference on translating foreign operations	0	0	0	0	0	0	0	0	0	0
Net Unrealised Foreign exchange gains and losses	0	0	0	0	0	0	0	0	0	0
Inventory disposals, donations and increases	0	0	0	0	0	0	0	0	0	0
Inventory sales	0	0	0	0	0	0	0	0	0	0
Surplus/(deficit) for the period	0	0	0	(10,582)	(10,582)	0	0	0	(10,298)	(10,298)
Change in net assets for the year ended	**24,289**	**(83)**	**0**	**0**	**24,206**	**24,289**	**(83)**	**0**	**0**	**24,206**
Balance at 31 December of year-ended	**162,475**	**2,726**	**0**	**0**	**165,201**	**162,475**	**2,726**	**0**	**0**	**165,201**

Restated figures (please refer to Note 24)

Accounting Policies

Basis of preparation

These financial statements have been prepared in accordance with the NATO Accounting Framework as adopted by the North Atlantic Council (the "Council").

The NATO Accounting Framework is based upon International Public Sector Accounting Standards (IPSAS). IPSAS 12 – Inventories, IPSAS 17 - Property, Plant and Equipment and IPSAS 31 - Intangible Assets were adapted by the Council in August 2013 and IPSAS 1 – Presentation of Financial Statements, was adapted by the Council in April 2016.

NATO has issued specific Accounting Policies on Property, Plant and Equipment, Inventory and Intangible Assets which came into effect in the 2018 financial year.

The Financial Statements are prepared on the going-concern basis which means that those charged with the governance of NSPO and its integral Programmes and Support and/or Procurement Partnerships consider that NSPO will continue in existence for at least a year from the date the financial statements are issued.

The preparation of financial statements in compliance with the NATO Accounting Framework requires the use of certain critical accounting estimates and requires that those responsible for preparing and presenting the financial statements of NSPO use judgement in applying these accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in the Note 1 to the financial statements.

Change in Accounting Policies to correct errors

This section should be read in conjunction with Note 24: Restatements of 2017 Financial Statements. The following changes in accounting policy were required to correct errors stemming from the audit of the 2017 Financial Statements.

Current and non-current Advances

The Statement of Financial Position now distinguishes between current (i.e. under one year) and non-current (i.e. over one year) balances in respect of customer advances. The Agency had previously considered that all advance payments made by customers were repayable to the customer on demand. The IBAN considered that the substance of these arrangements was that repayments do not generally happen in practice and so should be separated between current (i.e. under one year) and non-current (i.e. over one year) balances.

Current and non-current Unbilled Sales

The Statement of Financial Position now distinguishes between current (i.e. under one year) and non-current (i.e. over one year) balances in respect of unbilled sales for the Log Ops Business Unit. The Agency had previously considered that all invoices payable to vendors were immediately re-billable to customers and hence current assets; the IBAN considered that the substance of these arrangements was that this re-billing does not always happen in practice and so should be separated between current (i.e. under one year) and non-current (i.e. over one year) balances.

Accruals

The Log Ops Business Unit's previous methodology for calculating accrued liabilities led to a material understatement of balances; it is now based on a review of the invoicing and delivery status of goods and services delivered by the year-end.

Where it is impracticable to restate 2017 comparative figures

For the Log Ops Business Unit only, these are changes of accounting policy to prevent errors going forward; there is no restatement of the 2017 prior-period balances to correct historical errors. This is because it is impracticable to determine the extent of the 2017 prior-period error, and the cumulative effect up until the start of the 2017 period as a result of these errors; as such there is no restatement made which is reflected in the net assets brought forward at the beginning of the 2018 finance year. For the Log Ops Business Unit, the first impact of the change in accounting policy to correct the error is 2018.

CEPS Business Unit – accounting treatment in respect of Non-Military use of French Depots

The CEPS Business Unit used to record an agreed percentage contribution of the revenues gained for the Non-Military use of French Depots as a revenue in the Statements of Financial Performance. In a change to accounting policy the Financial Statements now reflect the gross revenues and expenditures from the Non-military use of French Depots.

There is no impact from this change in accounting policy on the Statements of Financial Position; hence there is no correction required to be shown in the Statement of Changes in Net Assets.

Restatements to correct errors in the 2017 Financial Statements

The following restatements were required to correct errors in the 2017 Financial Statements:

NAMP Business Unit

There were a number of material inaccuracies in the NAM Business Unit Segment in relation to PPE, Intangible Assets, and depreciation; these were caused by inaccuracies in the calculation of historical depreciation. The impact of errors in years prior to 2017 is reflected in the Statement of Changes in Net Assets.

Deviation from IPSAS 12 - Inventories (as adapted by the North Atlantic Council)

NSPO holds strategic stocks on behalf of its customers which often, due to their nature, are slow moving. NSPA management, with the approval of the ASB, has chosen to value these stocks on the weighted average cost (WAC).

Basis of accounting for segment parts

The ASB considers that the Financial Statements of NSPO present the results of NSPO's business unit segment parts as a single entity. The ASB controls the segment parts of the NSPO through its Charter. Inter-business unit segment part transactions and balances are therefore eliminated in full at both the NSPO level and the relevant segment level.

Segment Reporting

A segment is a distinguishable activity or group of activities of an entity for which it is appropriate to separately report financial information for the purpose of (a) evaluating the entity's past performance in achieving its objectives and (b) making decisions about the future allocation of resources. In the primary statements, NSPO discloses its performance, position and net assets by the following segments: Chairperson's Office, Log Ops Business Unit, CEPS Programme Business Unit and NAM Programme Business Unit.

While the Log Ops Business Unit has two distinct lines of focus; namely, Life Cycle Management and Support to Operations, neither the Agency Supervisory Board nor senior Agency management, considered it appropriate for the 2018 financial year to separately report financial information for the purpose of (a) evaluating the entity's past performance in achieving its objectives and (b) making decisions about the future allocation of resources.

Changes in Accounting Standards

At the end of the 2018 financial year, the following IPSAS had been issued which will become effective in the financial years specified:

- **IPSAS 39 – Employee Benefits (effective 1 January 2018)**
  - This standard has no impact on NSPO.
- **IPSAS 40 - Public Sector Combinations (effective 1 January 2019)**
  - This standard could impact NSPO in the future should the NATO Council decide to restructure, reorganise or transfer operations from NATO bodies to NSPO.
- **IPSAS 41 – Financial Instruments (effective 1 January 2022)**
  - This standard will replace part of IPSAS 29, Financial Instruments: Recognition and Measurement. The Agency has not yet assessed whether this standard will have an impact on its financial reporting.

Revenue Recognition

Except for Foreign Military Sales (FMS – see below), the NSPO Financial Statements are prepared on the accruals' basis of accounting. The effects of transactions (e.g. the transfer of property, goods or services) are recognised when they occur (not only when cash is received) and they are recorded as revenues in the financial year to which they relate.

For contributions called in respect of the current financial year, the revenue is recognised when called.

For contributions called in the current financial year for following financial years, these are recognised as contributions called in advance, and only accounted for as revenue in the relevant following year.

Income received for the purchase of PPE, intangible assets and inventory does not pass through the Statement of Financial Performance, but is reflected directly in Net Assets.

Revenue measurement and timing

Revenue for goods and services delivered is recognised when NSPO segments have transferred the significant risks and rewards of ownership and it is probable that NSPO segments will receive the previously agreed upon payment for delivering goods and services. These criteria are considered to be met when the goods or services are delivered meeting the customers' requirements. Revenue is recognised at the moment an expense is incurred as the revenue is guaranteed to be funded by member nations.

Foreign Military Sales (FMS)

In accordance with the NATO Accounting Framework's adaption of *IPSAS 1 - Presentation of Financial Statements*, the Agency reports data on a cash basis where the Agency is unable to satisfy itself that the data is presented on a reliable accrual basis. The modified cash basis reflects that FMS goods and services delivered according to United States DD645 reports and for which the United Sales government has received cash payment.

Expenses Recognition

Expenses are recognized when the transaction or event causing the expense occurs regardless of the timing of the payment, in accordance with accrual basis principle.

Financial Plan Execution

IPSAS 24 - Presentation of Budget Information in Financial Statements applies to public sector entities which are required or elect to make their approved budgets publically available.

NSPO does not make its approved financial plans publicly available; NSPO is not therefore required to follow IPSAS 24. Instead, NSPO presents a high-level summary of the financial plan execution of its main segments as well as for the parts of its projects which are funded jointly or commonly by more than one national customer.

Foreign currency

Transactions entered into by NSPO segments in a currency other than the currency of the primary economic environment in which they operate (their "functional currency"; which is Euro for all segments of the NSPO except for the NAM Programme and some Log Ops projects where it is USD) are recorded at the exchange rates ruling when the transactions occur. The use of exchange rates does not materially impact the financial statements.

For all segments of NSPO, except the CEPS Programme, the ruling exchange rate is set in SAP and is only adjusted in SAP when there is a movement of 2.25 per cent or more against the reporting currency.

Foreign currency assets and liabilities are translated at the rates ruling at the reporting date. For all parts of NSPO, except the CEPS Programme, the ruling exchange rate is that of the European Central Bank. The CEPS Programme uses ruling exchange rates set by NATO Headquarters in Brussels that are updated on a weekly basis.

Unrealised foreign currency exchange differences arising from the translation of monetary assets and liabilities are recognised immediately in the Statement of Financial Performance.

The functional currency of the NAM Programme is USD. The financial performance and financial position of the NAM Programme are recorded in the NSPO financial statements by:

- translating assets and liabilities on opening and closing reporting dates at the respective exchange rates ruling at the date of the Statement of Financial Position (2018: 1.145 USD to Euro, 2017: 1.1993 USD to Euro);
- translating revenue and expenses into Euros at the average yearly exchange rates for the Euro relative to the USD (2018: 1.181 USD to Euro, 2017: 1.1297 USD to Euro).

Cash and Cash Equivalents

NSPO holds cash and cash equivalents in financial institutions as current accounts and as term deposits, and at the Agency in petty cash and cash on hand for operational requirements. These cash balances are held in Euro, US dollar and Hungarian Forint.

Investments

The Agency invests in Euro denominated term-deposits with a life of between one and two years. These investments are held-to-maturity.

Overdraft

The French National Organisations of the CEPS Business Unit, which is part of NSPO but not NSPA, is able to make use of an overdraft facility from the private sector company which manages the pipeline in its behalf. This is recorded at fair value.

Receivables

NSPO considers that an amount becomes receivable on the issuance of a call for funds, call for contributions or invoice. Receivables are measured at Net Realisable Value after taking bad and doubtful debts into account.

Receivables are not set-off against customer advance payments without the written authorisation of the customer.

Prepayments

When the Agency makes advance payments to vendors and employees these are reflected as prepayments in the Statement of Financial Position.

Inventories

IPSAS allows different types of inventory to be valued on different bases; each segment of NSPO can hold different types of inventory.

- For the Log Ops segment most inventories are recognised at weighted average cost (the "WAC"). The exception is fuel which is measured at current replacement cost and Patriot Programme operational inventories maintained at a contractor premise which are valued at historical cost.
- NAM Programme inventories are measured on a First-In, First-Out (FIFO) basis.
- CEPS Programme inventories are measured on a weighted average cost (the "WAC") basis.

Capitalisation thresholds for all inventory are Euro nil.

Income received for the purchase of PPE, intangible assets and inventory does not pass through the Statement of Financial Performance, but is reflected directly as Capital Contributed in Net Assets.

Property, Plant and Equipment (PP&E)

NSPO follows the NATO Accounting Framework for PP&E, which uses an adaption of IPSAS 17 for its accounting treatment.

PP&E is valued at initial cost less accumulated depreciation. Any subsequent expenditure on the asset, which enhances its value, is included in the amount. The only exception is the CEPS Program Office building at [redacted], which was revalued at fair market value (FMV) in 2011.

Depreciation is calculated on a straight-line basis on all PP&E other than land.

The expected lives of PPE and their associated capitalisation thresholds per item are:

- Buildings – up to 40 Years, Euro 1,000 (USD 1,000 for NAMP Business Unit)
- Other Infrastructure – up to 40 Years, Euro 1,000 (USD 1,000 for NAMP Business Unit)
- Installed equipment – 10 Years, Euro 1,000 (USD 1,000 for NAMP Business Unit)
- Mission equipment – 10 Years, Euro 1,000 (USD 1,000 for NAMP Business Unit)
- Machinery – 10 years, Euro 1,000 (USD 1,000 for NAMP Business Unit)
- Vehicles – 5 Years, Euro 1,000 (USD 1,000 for NAMP Business Unit)
- Aircraft – 26 years, Euro 200,000
- Furniture - 10 years, Euro 1,000 (USD 1,000 for NAMP Business Unit)
- Communications - 3 years, Euro 1,000 (USD 1,000 for NAMP Business Unit)
- Automated IT systems - 5 years, Euro 1,000 (USD 1,000 for NAMP Business Unit)

- Office Automation Equipment – 3 years, 1,000 (USD 1,000 for NAMP Business Unit)
- Pipeline System – 10 to 40 years depending on type of component, Euro 1,000

Starting with the 2016 Financial Statements, NSPO capitalised the additions and enhancement made to the Central Europe Pipeline System since 1 January 2013. The NATO Accounting Framework allows NATO bodies the choice between capitalising PPE after, or before, the cut-off date 1 January 2013.

PPE - Land and Buildings

The NSPO site at [redacted] is not controlled by NSPO. The CEPS Programme site at [redacted] is controlled by the CEPS Programme and parts of the NAM Programme site in [redacted] are controlled by the NAM Programme.

As the NAM Programme was established for 26 years, this means the maximum useful economic life of Buildings and Other Infrastructure assets is limited to 2034 (26 years after the establishment of the programme).

PPE – Assets in the Course of Construction (Aircraft)

Assets in the Course of Construction related to aircraft are based on milestone payments to vendors that are taken as a proxy for the asset's stage of completion.

Externally acquired intangible assets

Externally acquired intangible assets represent information systems used by NSPO segments and the NAM Programme's rights to a spare engine. They are recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

The useful economic lives of information and communication systems are deemed to be 4 years.

The NAM Programme's rights to its spare engine are amortised over the life of the Aircraft, which is 26 years.

The NAM Programme re-values intangible assets in line with changes in the Euro relative to USD and HUF respectively.

Financial liabilities

The financial liabilities of NSPO segments are accounts payables and accruals, and customer advances. They are measured at fair value. Changes in fair value are recognised in the Statement of Financial Performance.

Accounts Payable and Accruals

Accounts Payable represent amounts for which goods and services, supported by an invoice, have been received at the year-end but which remain unpaid. Accruals represent amounts owing for goods and services, which are not supported yet by an invoice at the year-end.

Accounts payable and accruals cannot be set-off against customer receivables without the written authorisation of the customer.

Advances

In order to ensure that customer requirements can be met, NSPO segments can call for money in advance of need. The advance is shown within assets, such as cash, at the NSPO consolidated and segment level but is matched by a liability because, until the funds are used, they are owed back to the customer who provided the funding.

Advances cannot be set-off against customer receivables without the written authorisation of the customer.

Retirement benefits: Defined contribution scheme

Contributions to NATO defined contribution pension scheme are charged to the Statement of Financial Performance in the year to which they relate. NSPO segments are not exposed directly to any liabilities that may arise on the scheme and have no control over the assets of the scheme.

Retirement benefits: Defined benefit scheme

Contributions to the NATO defined benefit pension scheme are charged to the Statement of Financial Performance in the year to which they relate. NSPO is not exposed directly to any liabilities that may arise on the scheme and has no control over the assets of the scheme.

Other long-term service benefits

Employment of NATO civilian staff is governed by the NATO Civilian Personnel Regulations. Different rules apply depending on the circumstances of employment. Where there is a liability for potential long-term service benefits at the year-end they are described and disclosed in the notes to the financial statements.

Provisions

NSPO segments recognise provisions for liabilities of uncertain timing or amount including those for legal disputes. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date. Since 2016 the Agency has made provisions for bad and doubtful debts for national customer debts in exceptional circumstances when it considers the reimbursement of debts probably cannot be made by national customers.

Contingent Liabilities

NSPO discloses in the notes to the financial statements any contingent liabilities common to the whole or specific to a project where:

- the NSPO segment is exposed to possible financial liabilities that arose from events which occurred before the year-end, and where the confirmation of the existence of the liability will only be known through the occurrence or non-occurrence of one or more uncertain future events not wholly within the organisation's control, or,
- the NSPO segment is exposed to a current financial liability which arose from events which occurred before the year-end where NSPO does not believe it will be required to pay for the financial liability, or, the amount of the financial liability cannot be measured with sufficient reliability.

Contingent Assets

Contingent assets are not recognised in the Statement of Financial Position but are disclosed when there is an unplanned or unexpected event that is not wholly with the control of the Agency and gives rise to the possibility of an inflow of economic benefits or service potential to the Agency.

Operating surplus / (deficit) in the year

Operating surpluses and deficits occur when non-budgeted expenses or revenues occur; examples are depreciation, changes in provisions, the sales and disposals of inventory, and the unrealised results of foreign exchange transactions

For the Log Ops and NAMP Business Units only, unrealised foreign currency translation effects impact the Statement of Financial Performance. Bank interest and realised foreign exchange effects "pass through" the Log Ops and NAMP Business Units only, and belong to customers, rather than to NSPO, and hence do not affect revenue.

NSPO Net Assets

Net Assets reflected in the Financial Statements represent the net assets of NSPO's customers. These net assets comprise the capital contributed by customers to fund the acquisition of PPE, intangible assets and inventories. Capital contributed is reduced by the effects of depreciation and amortisation and can be increased or decreased due to the effects of currency translation effects.

NOTES TO THE FINANCIAL STATEMENTS *(amounts are given in Euro '000 unless stated otherwise)*

1. Critical Accounting Estimates and Judgements

NSPO makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. Some balances such as accruals and unbilled sales need to be assessed at the year-end to estimate the value of work and services delivered at the year-end. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and assumptions

a) Revenue and expenditure recognition for goods and services delivered under the United States Foreign Military Sales Program

The Agency purchases goods and services through the United States Foreign Military Sales (FMS) Program. On a quarterly basis, the United States Government provides the Agency with reports which detail goods and services delivered. The Agency reconciles the delivery of goods to these quarterly reports and is confident that in respect of goods delivered the reports represent reliable accruals based accounting data.

NSPA management has chosen to account for the value of the services delivered based on the values provided in the reports, and which are based on cash payments made by the United States Government to contractors in the period; the Agency is permitted to account in this way by the NATO Accounting Framework.

b) NAMP Mission Costs

The costs of NAMP missions (e.g. Fuel and Airport Services) are made with the best estimates available at the time the financial statements are produced.

c) Legal proceedings both real and possible

In accordance with the NATO Accounting Framework, NSPO recognises a provision where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where the criteria are not met, a contingent liability may be disclosed in the notes to the financial statements. Obligations arising in respect of contingent liabilities that have been disclosed, or those which are not currently recognised or disclosed in the financial statements could have a material effect on NSPO's financial position.

Application of these accounting principles to legal cases requires NSPA's management to make determinations about various factual and legal matters beyond its control. The Agency reviews outstanding legal cases following developments in the legal proceedings and at each reporting date, in order to assess the need for provisions and disclosures in its financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the ASB to how it will respond to the litigation, claim or assessment.

2. Cash and Cash Equivalents, Investments, and, Overdrafts

a) Cash and Cash Equivalents

	Log Ops		NAM		CEPS		NSPO TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017
Cash available on demand	456,840	474,277	17,844	10,630	7,975	12,208	482,659	497,115
Short-term deposits	1,467,765	1,718,366	201,901	180,894	177,289	169,288	1,846,955	2,068,548
Total	**1,924,605**	**2,192,643**	**219,745**	**191,524**	**185,265**	**181,496**	**2,329,615**	**2,565,663**

Cash available on demand is considered to be cash that can accessed at very-short notice (e.g. 1 working day) while a short-term deposit is invested from one day to twelve months.

CEPS Business Unit's National Organisations' cash

Due to the structure of banking arrangements in some CEPS National Organisations, the CEPS Business Unit controls Euro 7.2m (2017: Euro 8.7m) of "non-CEPS Cash" which is owned by the specific National Organisations. These CEPS Business Unit cash assets are offset by liabilities in the Statement of Financial Position.

b) Investments

	Log Ops		NAM		CEPS		NSPO TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017
Cash held on deposit for between one and two years	215,022	0	0	0	0	0	215,022	0
Total	**215,022**	**0**	**0**	**0**	**0**	**0**	**215,022**	**0**

To ensure the effective and efficient financial management of funds held at the Agency and to reduce the risk resulting from negative interest, the ASB authorised a deviation from the NFRPs at its December 2017 meeting to allow the Agency to make exceptional term deposits not to exceed two years and up to a cumulative value of Euro 500m. This deviation was approved for two years.

c. Overdrafts

The French National Organisation of the CEPS Business Unit held an interest-free overdraft of Euro 2.7m at the year-end from the private sector company which manages the pipeline system on its behalf.

3. Property, Plant and Equipment (PPE)

NSPO capitalises all PPE which its segment parts control. The Log Ops Business Unit capitalises PPE which it controls as part of its administration duties or which are controlled by Support and/or Procurement Partnerships collectively.

Assets in the Course of Construction are measured based on the stage of completion; this is based either on the results of a technical inspection or on contracted milestone payments; the main item in the Log Ops Business Unit represents the purchase of Multi-Role Tanker Transport Aircraft, while for the CEPS Business Unit it represents assets for the Pipeline System.

The value of the Central Europe Pipeline System's PPE does not include an estimate of dismantling, removing and restoring costs. This is because there is no timeline for such events and it is therefore not considered feasible to make a reliable estimate. In addition, any costs would be borne by host nations or through NSIP funding and hence would not fall upon NSPO.

2018	Cost at 1 January	Additions in Year	Transfer	Disposal /Impairment in Year	Currency Transaction Adjustment	Cost at 31 December	Depreciation at 1 January	Change in Depreciation	Currency Translation Adjustment	Depreciation at 31 December	Net book value at 1 January 2018	Net book value at 31 December 2018
Land	195	0	0	0	0	195	0	0	0	0	195	195
Buildings	50,652	1,047	21	-56	1,941	53,606	(12,129)	(2,382)	(366)	(14,877)	38,523	38,728
Installed Equipment	5,256	598	0	(386)	157	5,625	(4,279)	(247)	(151)	(4,677)	977	948
Machinery	106,349	4,527	(1)	(1,149)	0	109,725	(96,733)	(140)	0	(96,874)	9,615	12,852
Vehicles	9,195	784	5	(467)	111	9,628	(6,261)	(313)	(67)	(6,641)	2,934	2,987
Aircraft	540,603	2,077	0	0	25,703	568,383	(170,264)	(21,472)	(8,750)	(200,486)	370,340	367,897
Pipeline System	120,316	3,958	15,548	0	0	139,822	(20,948)	(9,457)	0	(30,405)	99,368	109,418
Mission Equipment	29,825	730	1	(1,918)	759	29,397	(21,500)	(870)	(537)	(22,907)	8,325	6,490
Furniture	6,315	348	0	(436)	41	6,268	(4,890)	30	(26)	(4,885)	1,426	1,382
Automated information System	27,211	2,493	74	(366)	87	29,498	(22,829)	(2,425)	(80)	(25,333)	4,382	4,165
Communication System	3,362	246	0	(149)	69	3,528	(2,930)	(30)	(68)	(3,028)	432	500
Assets in the course of construction	467,765	150,195	(15,649)	0	0	602,312	0	0	0	0	467,765	602,312
Total	**1,367,044**	**167,003**	**0**	**(4,927)**	**28,867**	**1,557,988**	**(362,763)**	**(37,307)**	**(10,044)**	**(410,114)**	**1,004,280**	**1,147,874**

2017 (Restated)	Cost at 1 January	Additions in Year	Transfer	Disposal /Impairment in Year	Currency Transaction Adjustment	Cost at 31 December	Depreciation at 1 January	Change in Depreciation	Currency Translation Adjustment	Depreciation at 31 December	Net book value at 1 January 2017	Net book value at 31 December 2017
Land	195	0	0	0	0	195	0	0	0	0	195	195
Buildings	53,443	2,652	0	(7)	(5,436)	50,652	(11,113)	(1,456)	440	(12,129)	42,329	38,523
Installed Equipment	5,783	(44)	(4)	(27)	(452)	5,256	(4,335)	(325)	381	(4,279)	1,448	977
Machinery	101,472	4,923	0	(47)	0	106,349	(94,844)	(1,889)	0	(96,733)	6,627	9,615
Vehicles	8,941	917	0	(386)	(278)	9,195	(6,135)	(293)	166	(6,261)	2,806	2,934
Aircraft	617,593	(3,119)	0	0	(73,870)	540,603	(170,107)	(21,780)	21,623	(170,264)	447,486	370,340
Pipeline System	83,472	7,840	29,004	0	0	120,316	(11,779)	(9,169)	0	(20,948)	71,693	99,368
Mission Equipment	31,546	1,007	74	(654)	(2,148)	29,825	(21,030)	(1,632)	1,161	(21,500)	10,516	8,325
Furniture	6,274	338	0	(187)	(110)	6,315	(4,798)	(152)	61	(4,890)	1,476	1,426
Automated information System	25,444	2,202	0	(231)	(204)	27,211	(20,960)	(2,063)	194	(22,829)	4,484	4,382
Communication System	3,409	252	4	(107)	(195)	3,362	(3,076)	(49)	195	(2,930)	333	432
Assets in the course of construction	152,192	344,657	(29,078)	0	(6)	467,765	0	0	0	0	152,192	467,765
Total	**1,089,762**	**361,626**	**0**	**(1,646)**	**(82,699)**	**1,367,044**	**(348,177)**	**(38,808)**	**24,222**	**(362,763)**	**741,585**	**1,004,280**

2017 (Original)	Cost at 1 January	Additions in Year	Transfer	Disposal /Impairment in Year	Currency Transaction Adjustment	Cost at 31 December	Depreciation at 1 January	Change in Depreciation	Currency Translation Adjustment	Depreciation at 31 December	Net book value at 1 January 2017	Net book value at 31 December 2017
Land	195	0	0	0	0	195	0	0	0	0	195	195
Buildings	53,443	2,652	0	(7)	(5,436)	50,652	(8,514)	(1,456)	440	(9,530)	44,929	41,122
Installed Equipment	5,783	(44)	(4)	(27)	(452)	5,256	(4,335)	(325)	381	(4,279)	1,448	977
Machinery	101,472	4,924	0	(47)	0	106,349	(94,844)	(1,889)	0	(96,734)	6,627	9,615
Vehicles	8,941	917	0	(386)	(278)	9,195	(6,135)	(293)	166	(6,261)	2,806	2,934
Aircraft	611,636	(3,118)	0	0	(73,870)	534,648	(168,162)	(21,780)	21,623	(168,318)	443,475	366,330
Pipeline System	83,472	7,837	29,004	0	0	120,313	(11,779)	(9,170)	0	(20,949)	71,693	99,364
Mission Equipment	31,546	908	74	(654)	(2,148)	29,726	(20,068)	(1,632)	1,161	(20,538)	11,479	9,188
Furniture	6,274	338	0	(187)	(110)	6,315	(4,798)	(152)	61	(4,890)	1,476	1,426
Automated information System	25,444	2,202	0	(231)	(204)	27,211	(20,960)	(2,062)	194	(22,828)	4,484	4,383
Communication System	3,409	252	4	(107)	(195)	3,362	(3,076)	(49)	195	(2,930)	333	432
Assets in the course of construction	152,195	344,656	(29,078)	0	(6)	467,767	0	0	0	0	152,195	467,767
Total	**1,083,810**	**361,524**	**0**	**(1,646)**	**(82,699)**	**1,360,990**	**(342,670)**	**(38,809)**	**24,222**	**(357,257)**	**741,140**	**1,003,733**

For more detail on the restatement, refer to Note 24.

Allied Ground Systems Support Partnership

The NATO Alliance Ground Surveillance Management Organisation (NAGSMO) is in the process of procuring 5 unmanned aerial vehicles ("UAVs" which are commonly referred to as "drones") for the Alliance. The NSPO Alliance Ground Surveillance Support Partnership will be responsible for managing the in-life service support of these UAVs. When the UAVs are completed, ownership will be handed over from NAGSMO to the NSPO Alliance Ground Surveillance Support Partnership and NSPO will be responsible for the financial reporting of these core-system assets; the approximate value of which is USD 1.5 Billion. Hand over is expected in 2019. Currently NSPO is only capitalising non-core system assets over which it has control and which will provide support to managing the UAVs.

4. Intangible Assets

2018	Cost at 1 January	Additions in Year	Transfer	Disposal / Impairment in Year	Currency Transaction Adjustment	Cost at 31 December	Amortisation at 1 January	Change in Amortisation	Currency Translation Adjustment	Amortisation at 31 December	Net book value at 1 January 2018	Net book value at 31 December 2018
Software	11,117	1,116	159	(97)	189	12,484	(8,065)	(277)	(129)	(8,471)	3,052	4,013
Rights to Spare Engine	18,618	32	0	0	884	19,535	(4,938)	(775)	(259)	(5,971)	13,680	13,564
Assets in course of Construction	168	137	(159)	0	0	146	0	0	0	0	168	146
Intangible Assets	**29,903**	**1,285**	**0**	**-97**	**1,073**	**32,165**	**(13,003)**	**(1,051)**	**(387)**	**(14,442)**	**16,900**	**17,723**

2017 (Restated)	Cost at 1 January	Additions in Year	Transfer	Disposal /Impairment in Year	Currency Transaction Adjustment	Cost at 31 December	Amortisation at 1 January	Change in Amortisation	Currency Translation Adjustment	Amortisation at 31 December	Net book value at 1 January 2017	Net book value at 31 December 2017
Software	10,152	711	4	(26)	275	11,117	(7,164)	(909)	8	(8,065)	2,988	3,052
Rights to Spare Engine	21,183	(3,592)	0	0	1,027	18,618	(4,734)	254	(458)	(4,938)	16,449	13,680
Assets in course of Construction	734	196	(4)	0	0	168	0	0	0	0	734	168
Intangible Assets	**32,069**	**(2,684)**	**0**	**(26)**	**1,302**	**29,903**	**(11,898)**	**(655)**	**(450)**	**(13,003)**	**20,171**	**16,900**

2017 (Original)	Cost at 1 January	Additions in Year	Transfer	Disposal /Impairment in Year	Currency Transaction Adjustment	Cost at 31 December	Amortisation at 1 January	Change in Amortisation	Currency Translation Adjustment	Amortisation at 31 December	Net book value at 1 January 2017	Net book value at 31 December 2017
Software	10,153	712	4	(26)	(482)	10,362	(6,289)	(1,345)	241	(7,393)	3,864	2,969
Rights to Spare Engine	24,776	(3,318)	0	0	(2,807)	18,650	(4,882)	(672)	630	(4,924)	19,893	13,726
Assets in course of Construction	734	196	(4)	0	0	926	0	0	0	0	734	926
Intangible Assets	**35,662**	**(2,410)**	**0**	**(26)**	**(3,289)**	**29,938**	**(11,171)**	**(2,017)**	**871**	**(12,317)**	**24,491**	**17,621**

For more detail on the restatement, refer to Note 24.

The intangible assets of NSPO are:
- Various versions of SAP Enterprise Resource Planning (ERP) which are used within all segments
- The NAM Programme’s right of use to a spare engine for its C-17 Aircraft and software
- The CEPS Programme’s management, planning and coordination systems

5. Inventory

	Log Ops		NAM		CEPS		NSPO TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017
Consumables	214	183	209	252	3,241	2,776	3,664	3,211
Spare parts	0	0	2,356	1,822	3,256	3,871	5,612	5,693
Strategic stock	362,082	360,290	0	0	0	0	362,082	360,290
Total	**362,296**	**360,473**	**2,565**	**2,074**	**6,497**	**6,647**	**371,358**	**369,194**

Each Business Unit carries different types of inventory to reflect their different business lines of activity:

Log Ops

- Log Ops Support or Procurement Partnerships control inventories paid for jointly or commonly by members of the Support or Procurement Partnerships. Most of these inventories are considered strategic stocks in that they are held for potential military operational use as part of weapon systems.

CEPS Programme

- The CEPS Programme's inventories include spare-parts and consumables.

NAM Programme

- The NAM Programme controls inventories for its aircraft; these include oils and lubricants. The NAM Programme capitalises major spare parts in relation to its C-17s as Property Plant and Equipment, rather than showing them as inventory, which is in accordance with the NATO Accounting Framework.

6. Accounts Receivable

a) Current assets

	Log Ops		NAM		CEPS		*Inter-business unit eliminations*		NSPO TOTAL	
Current assets	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Receivables	511,212	487,947	5,105	4,107	28,428	23,855	(11)	(2,370)	544,734	513,539
Personnel	0	0	0	0	0	0	0	0	0	0
Recoverable taxes	2	2	324	489	0	0	0	0	326	491
Other NATO Entities	22,483	29,900	0	0	9	6	0	(2)	22,492	29,904
Unbilled sales to customers	712,708	631,981	0	0	0	0	0	0	712,708	631,981
Bank interest	5	205	2,283	1,377	23	12	0	0	2,311	1,594
Total	**1,246,410**	**1,150,035**	**7,712**	**5,973**	**28,459**	**23,872**	**(11)**	**(2,372)**	**1,282,570**	**1,177,508**

Receivables should be taken in the context that while customers owe amounts to the Agency, the same customers often have made substantial advances to the Agency; however, such amounts can only be “netted-off” each other with the permission of the customer.

Receivables includes an amount due of Euro 8 million from a vendor which provided services to NSPA in Theatre and which is currently involved in a legal dispute with NATO (see *Note 17: Contingent Liabilities and Contingent Assets*).

Unbilled sales represent amounts that have been paid to suppliers of goods and services but which have not yet been re-billed to individual customers (rather than common-funded sales to more than one customer which are billed through calls for contributions) at the year-end.

b) Non-current assets

	Log Ops		NAM		CEPS		*Inter-business unit eliminations*		NSPO TOTAL	
Non - current assets	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Receivables	3,857	3,857	0	0	2,205	2,567	0	0	6,062	6,424
Unbilled sales to customers	20,085	0	0	0	0	0	0	0	20,085	0
Total	**23,942**	**3,857**	**0**	**0**	**2,205**	**2,567**	**0**	**0**	**26,147**	**6,424**

c) Gross and net amount of receivables taking into account provisions for doubtful debts

The gross and net amount of receivables taking into account provisions for doubtful debts (see *Note 16: Provisions* for further information) can be seen in the table below:

	Log Ops		NAM		CEPS		*Inter-business unit eliminations*		NSPO TOTAL	
Receivables	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Current assets	511,212	487,947	5,105	4,107	28,428	23,855	(11)	(2,370)	544,734	513,539
Non-current assets	3,857	3,857	0	0	2,205	2,567	0	0	6,062	6,424
Total	515,069	491,804	5,105	4,107	30,632	26,422	**(11)**	**(2,370)**	550,795	519,963

	Log Ops		NAM		CEPS		*Inter-business unit eliminations*		NSPO TOTAL	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Receivables - Gross	515,247	492,380	5,105	4,107	30,861	26,650	(11)	(2,370)	551,202	520,767
Less Provision for doubtful Debts	(178)	(576)	0	0	(229)	(229)	0	0	(407)	(805)
Receivables - Net Realisable Value	**515,069**	**491,804**	**5,105**	**4,107**	**30,632**	**26,422**	**(11)**	**(2,370)**	**550,795**	519,963

d) Gross and net amount of unbilled sales taking into account provisions for doubtful debts

The gross and net amount of unbilled sales, taking into account provisions for doubtful debts (see *Note 16: Provisions* for further information) can be seen in the table below:

	Log Ops		NAM		CEPS		*Inter-business unit eliminations*		NSPO TOTAL	
Unbilled Sales	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Current assets	712,708	631,981	0	0	0	0	0	0	712,708	631,981
Non-current assets	20,085	0	0	0	0	0	0	0	20,085	0
Total	**732,793**	**631,981**	**0**	**0**	**0**	**0**	**0**	**0**	**732,793**	**631,981**

	Log Ops		NAM		CEPS		*Inter-business unit eliminations*		NSPO TOTAL	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Unbilled sales to customers - Gross	732,793	633,703	0	0	0	0	0	0	732,793	633,703
Less Provision for doubtful Debts	0	(1,722)	0	0	0	0	0	0	0	(1,722)
Unbilled sales to customer - Net Realisable Value	**732,793**	**631,981**	**0**	**0**	**0**	**0**	**0**	**0**	**732,793**	**631,981**

7. Prepayments

	Log Ops		NAM		CEPS		NSPO TOTAL	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Prepayments to employees	77	80	11	17	0	0	88	97
Prepayments to vendors	130,956	103,286	2,295	2,376	314	120	133,565	105,782
Prepayments to USA Foreign Military Sales	43,652	21,550	133,121	109,067	0	0	176,773	130,617
Total	**174,685**	**124,916**	**135,427**	**111,460**	**314**	**120**	**310,426**	**236,496**

8. Accounts Payable and Accruals

	Log Ops		NAM		CEPS		*Inter-business unit eliminations*		NSPO TOTAL	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Payables to vendors	42,023	40,746	252	2,545	6,501	4,396	(11)	(2,372)	48,765	45,315
Health care contributions	0	813	0	0	0	0	0	0	0	813
Pension contributions	18	614	0	0	0	0	0	0	18	614
Accruals	280,486	273,937	7,810	18,530	5,664	5,847	0	0	293,960	298,314
Taxes	0	0	0	0	0	0	0	0	0	0
Other	23,876	43,278	0	0	196	(604)	0	0	24,072	42,674
Total	**346,403**	**359,388**	**8,062**	**21,075**	**12,360**	**9,639**	**(11)**	**(2,372)**	**366,814**	**387,730**

9. Customer Advances

a) Current liabilities

	Log Ops		NAM		CEPS		NSPO TOTAL		
				Restated		*Restated*		*Restated*	*Original*
Current liabilities	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2017**
Customer advance payments	2,204,731	2,865,425	243,609	201,361	12,000	12,000	2,460,340	3,078,786	3,162,262
Customer and replenishment credits (allocated or to be allocated)	121,188	157,337	4,516	3,204	12,326	6,861	138,030	167,402	343,003
Total	**2,325,919**	**3,022,762**	**248,125**	**204,565**	**24,326**	**18,861**	**2,598,370**	**3,246,188**	3,505,265

Amounts are **restated** to reflect the change in accounting policy to disclose the amounts as current and non-current liabilities.

Customer Advance Payments

"Customer Advance Payments" represent the offsetting of legal commitments entered into by the Agency to purchase goods or services on Customers' behalf for individual, joint and common expenditures which have either not been re-billed to the customer at the year-end (considered "potential liabilities"), or are actual liabilities billed but not yet settled against customer advances.

Customer and replenishment credits (allocated or to be allocated)

Customer credits represent amounts owned by customers and consist of bank interest earned, realised exchange rate gains and losses, and miscellaneous income; in the case of the CEPS Programme Business Unit, it also includes surpluses for the period which are transferred to customer credits before they impact the "bottom line".

Replenishment credits represent amounts owned by customers of the Log Ops Business Unit for the replenishment of spare parts. In addition, there can be credits to be allocated on the closure of a Support Partnership or project.

Due to their nature (e.g. unplanned bank interest earned, realised exchange rate gains and losses, and miscellaneous income), not all customer and replenishment credits are backed by commitments. These credits are either allocated to customers in accordance with an appropriate cost sharing mechanism or are due to be allocated (i.e. currently unallocated).

Unallocated credits

At the end of 2018 the Log Ops Business Units had Euro 73m of credits to be allocated to customers (2017: 70m). The NAMP Business Unit has Euro 97m of funds (2017: Euro 74m) which were not allocated. The CEPS Business Unit has Euro 120m of funds and reserves (2017: Euro 117m) which were not allocated.

b) Non-current liabilities

Amounts are **restated** to reflect the change in accounting policy to disclose the amounts as current and non-current liabilities.

	Log Ops		NAM		CEPS		NSPO TOTAL		
		Restated		*Restated*		*Restated*		*Restated*	*Original*
Non - current liabilities	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2017**
Customer advance payments	806,548	0	13,963	12,507	0	0	820,511	12,507	0
Customer and replenishment credits (allocated or to be allocated)	0	0	93,159	70,810	173,735	175,762	266,894	246,572	0
Total	**806,548**	**0**	**107,122**	**83,317**	**173,735**	**175,762**	**1,087,405**	**259,079**	**0**

10. Bank Interest and foreign currency effects

a) Bank Interest

For the Log Ops Business Unit's operational activities and the NAMP Business Unit (but not the Log Ops Business Unit's administrative activities and the CEPS Business Unit), bank interest does not belong to the respective Business Unit or part thereof, but to their respective customers; these returns "pass through" the business unit or part thereof, and are reflected in the Statement of Financial Position under Customer Advances (Note 9) as "Customer and replenishment credits (allocated or to be allocated)". For the Log Ops Business Unit's operational activities and the NAMP Business Unit these amounts are not shown in the Statement of Financial Performance.

	Log Ops		NAM		CEPS		NSPO TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017
Bank interest earned on cash balances	2,764	1,332	4,447	3,016	76	84	7,287	4,432
Of which "Passes through" directly to customers	2,777	1,344	4,447	3,016	0	0	7,224	4,360
Reflected in Statement of Financial Performance	**(13)**	**(12)**	**0**	**0**	**76**	**84**	**63**	**72**

The Agency is currently exposed to very low or negative interest rates when investing customer funds in Euros; therefore most of the returns that can be seen in this table reflect interest earned on USD denominated term-deposits.

b) Realised Foreign Exchange Gains and Losses

For the Log Ops Business Unit and the NAMP Business Unit realised foreign exchange gains and losses do not belong to the respective Business Unit or part thereof, but to their respective customers; these returns "pass through" the business units and are reflected in the Statement of Financial Position under Customer Advances (Note 9) as "Customer and replenishment credits (allocated or to be allocated)".

	Log Ops		NAM		CEPS		NSPO TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017
Net realised foreign exchange gains and (losses) in year	(9,602)	(729)	(546)	(170)	0	0	(10,148)	(899)
Of which "Passes through" directly to customers	(9,602)	(729)	(546)	(170)	0	0	(10,148)	(899)
Reflected in Statement of Financial Performance	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

c) Unrealised Foreign Exchange Gains and Losses

Unrealised foreign exchange gains and losses, where received or incurred, pass through the Statement of Financial Performance for all business units.

	Log Ops		NAM		CEPS		NSPO TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017
Net unrealised foreign exchange gains and (losses) in year	11,925	(15,853)	39	177	0	0	11,964	(15,676)
Of which "Passes through" directly to customers	0	0	0	0	0	0	0	0
Reflected in Statement of Financial Performance	**11,925**	**(15,853)**	**39**	**177**	**0**	**0**	**11,964**	**(15,676)**

Foreign exchange gains and losses are due to the relative strength of the Euro vis-à-vis other currencies in the financial reporting period. Such gains and losses are greatest in an unhedged environment, an environment in which NSPA operates.

11. Expenses

a) Services and Support to Customers

	Chairperson's Office		Log Ops		NAM		CEPS		*Inter-business unit eliminations*		NSPO TOTAL		
Services and Support to Customers	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2017
						Restated		*Restated*				*Restated*	*Restated*
Common Support (including ACO and AWACS)	0	0	256,975	192,072	0	0	0	0	0	0	256,975	192,072	192,072
Individual brokerage	0	0	767,449	672,793	0	0	0	0	0	0	767,449	672,793	672,793
Individual maintenance and services	0	0	775,080	627,658	0	0	0	0	0	0	775,080	627,658	627,658
Operational logistics support	0	0	194,956	195,290	0	0	0	0	0	0	194,956	195,290	195,290
Transportation services	0	0	103,085	127,292	0	0	0	0	0	0	103,085	127,292	127,292
Airlift Services	0	0	0	0	20,874	48,152	0	0	(559)	(185)	20,315	47,967	47,967
Fuel Management	0	0	486,455	361,134	0	0	31,613	33,173	0	0	518,068	394,307	392,866
Net proceeds from changes in inventory	0	0	7,271	6,985	0	41	0	0	0	0	7,271	7,026	7,026
Other services	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**0**	**0**	**2,591,271**	**2,183,224**	**20,874**	**48,193**	**31,613**	**33,173**	**(559)**	**(185)**	**2,643,199**	**2,264,405**	2,262,964
USA Foreign Military Sales	0	0	32,251	29,364	17,839	44,225	0	0	0	0	50,090	73,589	73,589

For more detail on the restatement, refer to Note 24.

Many of the expenses in relation to "Common Support (including ACO and AWACS)" may also appear in the financial statements of other NATO entities such as Allied Command Operations (ACO) and the NAEW&C Programme Management Organization (NAPMO). AWACS refers to NATO's fleet of Airborne Early Warning and Control System aircraft which are ultimately under the operational control of the Supreme Allied Commander Europe but where much of the cost is borne through NAPMO.

b) ***Other Expenses***

Other expenses, shown on the face of the Statement of Financial Performance, are the expenses incurred in administering the respective Business Units; they include items such as communications, information systems, services and supplies, travel, transportation, non-operational consultants, public relations, training, utilities, and care of buildings.

12. Inter-Business Unit eliminations on consolidation

The following represent inter-business unit segment eliminations needed to create the NSPO Financial Statements 2018.

Statement of Financial Performance	2018			2017		
Revenue	**Log Ops revenue from NAMP**	**Log Ops revenue from CEPS**	**Total Inter-business unit**	**Log Ops revenue from NAMP**	**Log Ops revenue from CEPS**	**Total Inter-business unit**
Services and Support to Customers						
Individual Brokerage	0	0	0	0	0	0
Individual Maintenance and Services	0	0	0	0	0	0
Airlift Services	428	0	428	185	0	185
Administrative Support	2,369	0	2,369	2,384	0	2,384
Miscellaneous Revenue	2	0	2	0	0	0
Total	**2,799**	**0**	**2,799**	**2,569**	**0**	**2,569**
Expenditure	**NAMP expenditure at Log Ops**	**CEPS expenditure at Log Ops**	**Total Inter-business unit**	**NAMP expenditure at Log Ops**	**CEPS expenditure at Log Ops**	**Total Inter-business unit**
Services and Support to Customers						
Individual Brokerage	0	0	0	0	0	0
Individual Maintenance and Services	0	0	0	0	0	0
Airlift Services	559	0	559	185	0	185
Other Expenses	2,240	0	2,240	2,384	0	2,384
Total	**2,799**	**0**	**2,799**	**2,569**	**0**	**2,569**

Statement of Financial Position	2018			2017		
Current Assets	Receivable by Log Ops from NAMP	Receivable by Log Ops from CEPS	Total Inter-business unit	Receivable by Log Ops from NAMP	Receivable by Log Ops from CEPS	Total Inter-business unit
Accounts Receivable: Receivables	0	11	11	2,370	2	2,372
Current Liabilities	Payable from NAMP to Log Ops	Payable from CEPS to Log Ops	Total Inter-business unit	Payable from NAMP to Log Ops	Payable from CEPS to Log Ops	Total Inter-business unit
Accounts Payable: Payables to vendors	0	11	11	2,370	2	2,372

13. Employee Disclosures

a) Personnel Costs (including key management personnel)

	Chairperson's Office		Log Ops		NAM		CEPS		NSPO TOTAL		
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2017
								Restated		*Restated*	*Restated*
Salaries	591	560	81,173	73,134	2,681	2,484	37,156	36,087	121,601	112,265	111,788
Allowances	85	92	19,071	16,934	696	640	8,493	9,293	28,345	26,959	26,959
Pension contributions	37	32	5,940	4,704	330	325	2,811	1,893	9,118	6,954	6,954
Health care contributions	65	65	9,824	8,865	440	403	14,118	13,039	24,447	22,372	22,372
Loss-of-Job Indemnities (LOJI)	0	0	289	303	0	0	0	0	289	303	303
Other	5	4	1,277	1,076	65	78	1,398	1,567	2,745	2,725	2,455
Total	**783**	**753**	**117,574**	**105,016**	**4,212**	**3,930**	**63,976**	**61,879**	**186,545**	**171,578**	**170,831**

For more detail on the restatement, refer to Note 24.

b) Personnel Numbers

At 31 December, the following posts were filled:

	Chairperson's Office		Log Ops		NAM		CEPS		NSPO TOTAL	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
NATO Contracts	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
NSPA Consultants	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
CEPS National Organisation	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

The personnel of the CEPS Programme National Organisations are not employed on NATO personnel contracts. In total NSPA employed [redacted] consultants throughout the year (2017: [redacted]); the majority of these consultants were working in Theatre.

c) Retirement benefits of NSPA Personnel

NSPA personnel, past and present, are enrolled in various NATO pension schemes. NSPA contributes to the schemes for existing employees at amounts laid out in the NATO Civilian Personnel Regulations. NSPA does not control or manage any of the schemes or scheme assets and is not exposed to the risks and rewards of the schemes and hence does not record any assets or liabilities of the schemes on its statements of financial position.

14. Related Party Transactions

NSPO has no related party relationships where significant influence or control of the related party exists from a financial reporting perspective. NSPO is a military logistics support organisation which exists for its member nations and partners. Many member nations and partner countries have financial and operating control, or, significant influence over military suppliers based in their territories; as such NSPO can trade with military suppliers which may be controlled by its member nations. However, NSPO trades with such suppliers at “arms-length” and under transparent procurement regulations; while it aims to get the best value for money for its customers it does not do this through exerting control or significant influence over its suppliers.

NSPO is an integral part of NATO and it transacts in its normal business activities with other NATO bodies and these transactions occur at cost. On occasions, NSPO segments transact with each other at the cost of providing goods or services; for example, Log Ops can provide services to the NAM and CEPS Programmes. The costs of inter-NSPO transactions are eliminated on the consolidation of the financial statements.

a) Related Party Transactions of Members of the Agency Supervisory Board

The Agency Supervisory Board's Secretariat (the Chairperson's Office) is informed by members of the Agency Supervisory Board if any change in the status of related party transactions they may have with the Agency were to occur during the length of their respective mandate as an NSPO ASB Representative. No member has disclosed any related party transactions with the Agency.

b) Related Party Transactions of Management Personnel

The Financial Controller contacts all management personnel which he considers to have positions of influence at the end of the financial year to garner information in respect of possible related party transactions. The personnel contacted include key management personnel (see Note 15) and other personnel such as Programme Managers, the Competition Advocate, and the chiefs of support divisions. None of the personnel contacted considered that they had related transactions with the Agency in 2018.

15. Key Management Personnel

Key management personnel hold positions of responsibility within NSPA. They are responsible for implementing the Strategic Direction, which is approved by the ASB, and carrying out the operational management of NSPA; they are entrusted with significant authority.

In theory, their responsibilities may enable them to influence the benefits of office that flow to them or their related parties (such as family members) and hence certain financial reporting disclosures must be made about:

- the remuneration of key management personnel and close members of the family of key management personnel during the reporting period,
- loans made to them, and
- payments provided to them for services they provide to the entity other than as an employee.

Salaries and benefits paid to key management personnel

Remuneration type	2018	2017
Basic salaries	1,114,559	939,767
Allowances	204,715	163,902
Employer's contribution to insurance	131,190	115,814
Employer's contribution to pension	97,129	94,173
Total	**1,547,593**	**1,313,656**

Key management personnel and roles

Name	Nationality	Role	Grade/step	Loans received from NSPA	Family members receiving income from NSPA	Other revenue from NSPA or NATO
[redacted]	NLD	General Manager	A7/3	Nil	Nil	Nil
[redacted]	GBR	Chief of Staff	A6/2	Nil	Nil	Nil
[redacted]	USA	Financial Controller	A6/5	Nil	Nil	Nil
[redacted]	FRA	Director of Procurement	A6/8	Nil	Nil	Nil
[redacted]	DEU	Director of Life Cycle Management	A6/4	Nil	Nil	Nil
[redacted]	TRK	Director of Support to Operations	A6/6	Nil	Nil	Nil
[redacted]	BEL	CEPS Programme Manager	A6/4	Nil	Nil	Nil
[redacted]	NLD	NAM Programme Manager	A6/5	Nil	Nil	Nil

During 2018 there were eight Full-time Equivalent (FTE) key management personnel; one FTE was of Grade A7 while seven (2017: six) FTE staff were Grade A6.

Representative Allowance of the General Manager

The General Manager, in addition to other allowances to which all staff are entitled, received representation allowance for 2018 of Euro 10,107 (2017: Euro 10,107), due to the requirement to represent NSPA at events, of which Euro 10,063 was spent (2017: Euro 8,044). Expenditure made against this allowance is supported by invoices and is approved by the Financial Controller. This representation allowance includes a 25 per cent contribution to the rent of accommodation.

Hospitality Allowances of Directors

NSPA Directors receive a total hospitality allowance of Euro 5,000 (2017: Euro 5,000) between them, of which Euro 2,798 (2017: Euro 1,754) was spent in 2018.

Hospitality Allowance of the ASB's Secretariat

The ASB approved a Euro 23,000 (2017: Euro 22,000) hospitality allowance to its Secretariat for 2018 of which Euro 12,889 was spent (2017: Euro 12,715). Expenditure made against this allowance is supported by invoices. The Chairperson of the ASB and the Chairperson of the CEPS and NAM Programme Boards respectively, do not receive a Representation Allowance.

Remuneration of the Chairperson of the NSPO Agency Supervisory Board

The salary and allowances of the Chairperson of the NSPO Agency Supervisory Board, [redacted], remain at the financial charge of her sending nation, Canada. While she is not a NATO international staff member, she is reimbursed her travel expenses while working on NSPO business in accordance with the NATO Civilian Personnel Regulations. In 2017, due to the length of travel time from Canada to Luxembourg, it was decided by the General Manager and the Financial Controller that for the purposes of her travel, economy class travel, which is permitted by the NATO Civilian Personnel Regulations, can be interpreted to include a specific type of fully flexible premium-economy class ticket. In 2018, the Chairperson's travel costs (including transportation and per diems) totalled Euro 30,433. In 2017, the travel costs of the Chairperson, totalled Euro 28,212; this amount is slightly lower than the amount of Euro 28,495 which was disclosed in the 2017 Financial Statements and was due to a small payment error which was subsequently corrected.

16. Provisions

IPSAS defines a provision as "a liability of uncertain timing or amount". The following table shows changes in provisions:

	2018					2017				
	Log Ops 2018					Log Ops 2017				
	Opening Balance	Additions	Reversals	Usage	Closing Balance	Opening Balance	Additions	Reversals	Usage	Closing Balance
Doubtful Debts	2,298	0	(1,708)	(412)	178	2,120	178	0	0	2,298
Contractual issue	0	359	0	0	359	0	0	0	0	0
Total	**2,298**	**359**	**(1,708)**	**(412)**	**537**	**2,120**	**178**	**0**	**0**	**2,298**
	CEPS 2018					CEPS 2017				
	Opening Balance	Additions	Reversals	Usage	Closing Balance	Opening Balance	Additions	Reversals	Usage	Closing Balance
Doubtful Debts	229	0	0	0	229	267	0	0	(38)	229
Early Retirement Provisions of the German National Organsiation	3,564	0	0	(690)	2,874	4,458	0	0	(894)	3,564
Total	**3,793**	**0**	**0**	**(690)**	**3,103**	**4,725**	**0**	**0**	**(932)**	**3,793**
	NSPO 2018					NSPO 2017				
	Opening Balance	Additions	Reversals	Usage	Closing Balance	Opening Balance	Additions	Reversals	Usage	Closing Balance
Doubtful Debts	2,527	0	(1,708)	(412)	407	2,387	178	0	(38)	2,527
Early Retirement Provisions of the German National Organsiation	3,564	0	0	(690)	2,874	4,458	0	0	(894)	3,564
Contractual issues	0	359	0	0	359	0	0	0	0	0
Total	**6,091**	**359**	**(1,708)**	**(1,102)**	**3,640**	**6,845**	**178**	**0**	**(932)**	**6,091**

a) Doubtful Debts

In 2018, there was the reversal of a provision for doubtful debts in relation to a contract which had been paid by the Log Ops Business Unit but which had not been rebilled to customers. The Agency overestimated the amount which had not been rebilled, and this has led to the reversal of an amount of Euro 1.7m which has been shown in the Statements of Financial Performance as “Reversal of Provisions”.

b) Early Retirement Provisions of the German National Organisation (CEPS Business Unit)

In view of the CEPS Neutralization Phases 2 and 3, the German National Organisation implemented social plans which resulted in early retirement of personnel. The reduction in provision relates to the retirement expenses incurred in the year.

c) Contractual Issues

The Log Ops Business Unit has provided for the following incidences of potential contract issues which may result in non-budgeted liabilities for its customers:

- While performing work in theatre the Agency required a contractor to obtain visas. The cost of this work is disputed between the parties; with the Agency's estimate of the extra work done by the contractor being Euro 111k. The Agency is awaiting confirmation from the contractor of the acceptance of this estimate.
- A contractor had to terminate a contract because it could not access the area in which it needed to work. The likely termination costs of the contract, which will have to be borne by the customer, is likely to be up to Euro 170k.
- At a theatre border crossing in May 2013, food trucks were blocked at the border resulting in a “force majeure” situation. Consequently, additional costs were generated and paid by NSPA which the applicable customer refused to reimburse. These costs will have to be rebilled to the nations and hence a provision of Euro 78k is being recognised.

17. Contingent Liabilities and Contingent Assets

a) Contingent Liabilities

IPSAS defines a contingent liability as:

> “A possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or a present obligation that arises from past events, but is not recognized because: 1) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or 2) The amount of the obligation cannot be measured with sufficient reliability”.

Log Ops Business Unit

The following represent contingent liabilities of the Log Ops Business Unit:

- A contractor working on a military exercise is seeking financial compensation of Euro 426k because the work it performed was less than indicated in the Statement of Work. The decision on how to proceed with this claim rests with the customer and hence the possible financial obligation can only be confirmed on instruction from the customer.

- Another NATO body is currently in a legal dispute with a contractor. This contractor provided service to the Agency in Theatre and owes the Agency Euro 8 million which has been outstanding for over three years. The Agency is currently working with the contractor and the NATO body involved in resolving the dispute. The complexity of the dispute means that the Agency is unable to make a sufficiently reliable estimate of whether, and how much of the Euro 8 million owed, is likely to be recovered.

- A contractor working in Theatre has submitted an invoice for Euro 295k for work that is not supported by a contract. The Agency is assessing whether the possibility that this leads to the Agency paying is remote or more likely. It is disclosing this on the grounds of prudence.

- A contractor working in Theatre has submitted an invoice for Euro 48k for work that is not supported by a contract. The Agency is assessing whether the possibility that this leads to the Agency paying is remote or more likely. It is disclosing this on the grounds of prudence.

- A staff member is in dispute with the Agency which has the possibility of leading to an outflow of NSPO resources. The nature of the dispute and possible financial implications are not disclosed because it could be expected to prejudice seriously the position of the Agency.

CEPS Programme Business Unit

The CEPS Programme Business Unit is exposed to possible obligations that may require a collective outflow of resources if NSIP or national funding does not cover potential obligations. The likelihood of these items leading to a possible financial obligation is considered remote, rather than possible, but they are disclosed as contingent liabilities to be prudent:

- In one host nation, many legislative and regulatory texts have appeared over the past 15 years may have long-term financial consequences because of the measures they impose on the CEPS facilities which are classified for environmental protection in France and on the Oléoducs de défense commune (ODC). The scale of any possible financial obligation is difficult to quantify. In 2019, the five-year review of the hazard study regarding the hydrocarbon transportation pipeline network will be carried out in accordance with article R.554-46 of the French Environmental Code.

- In 2005, an accident in one of the Programme's member nations led to a site being polluted for which a clean-up plan was foreseen to last until 2023. The costs of the clean-up are common funding eligible with an estimated cost of Euro 10.1m payable in 2 parts. It is not yet known if third parties will submit claims against the Programme's member nation.

- In 2015, an attempted theft on the pipeline system resulted in damages and significant pollution. Repair and depollution of the site has already been undertaken by CEPS; however, the owner of the ground has officially filed a complaint against the relevant member nation; the amount of any future claim is not yet known.

b) Contingent Assets

IPSAS defines a contingent assets as:

> "A possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity".

NATO's personnel insurer has agreed a commercial gesture concerning insurance premiums related to the Death-in-Service benefit for staff in the NATO Defined Contribution Pension Scheme for the period 2012-2015. Of the total amount to be reimbursed for contributions made by NATO bodies of upward of Euro 4 million, it is possible that NSPA will ultimately be reimbursed for its share of contributions, which could total up to Euro 1 million. The decision on whether, and how, the reimbursement will be made rests with NATO Headquarters.

18. Leases

IPSAS defines a lease as "An agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time". Typical examples of leases are the rental of vehicles and photocopiers. NSPO does not have any finance leases or significant operating leases.

19. Financial Instruments

NSPO's financial requirements are met from its customers who are members or partners of NATO. Generally, NSPO has no powers to borrow money; although the CEPS National Organisations can have short-term borrowing facilities. Other than financial assets and liabilities which are generated by day-to-day business activities, no financial instruments are held.

Liquidity risk
NSPO's financial requirements and capital expenditure are met by its customers and are typically funded in advance. NSPO is therefore not exposed to material liquidity risks.

Credit risk
NSPO's customers are member and partner nations of NATO and hence NSPO is not exposed to material credit risks.

Foreign currency risk
NSPO has limited exposure to foreign currency risk which is borne by its customers.

20. Write-offs

In 2018 the Log Ops Business Unit wrote-off assets with a net book value of Euro 1,189k (2017: Euro 93k) which includes an uncollectable receivable of Euro 1k . In 2018, the NAMP Business Unit wrote-off assets with a zero net book value (2017: 70k). In 2018, the CEPS Business Unit wrote-off assets with a net book value of Euro 67k (2017: 25k).

21. Financial Plan Execution

NSPO is not required to follow "*IPSAS 24 - Presentation of Budget Information in Financial Statements*" because it prepares an Annual Financial Plan which includes a Statement of Planned Income and Expenditures. However, NSPA provides a high-level summary of the approved administrative cost elements of the financial plan of the Log Ops Business Unit, and full summary plans for the CEPS and the NAM Business Units, with the authorised commitments and expenditures made against them. In addition, NSPA chooses to show the amounts funded jointly by members of Support or Procurement Partnerships (individual national procurement activity is not shown). Details of Financial Plan Execution are found in the Annex.

22. Inventories managed on behalf of ACO

NSPA manages some inventories on behalf of ACO. The recorded value of inventories managed on behalf of Allied Command Operations (ACO) at the year-end was Euro 273m (2017: Euro 276 m). It is important to note that while the inventories are managed on behalf of ACO they are not considered to be "controlled" by ACO from a financial reporting perspective and hence are not capitalised in ACO's financial statements.

23. CEPS Revenues

CEPS is funded by a number of revenue streams, these being: the use of the pipeline system by military and non-military customers, funding provided by the programme nations and other revenue. The 2017 sources of revenue are restated. The CEPS Business Unit used to record an agreed percentage contribution of the revenues gained from the Non-Military use of French Depots as a revenue in the Statements of Financial Performance. In a change to accounting policy, the Financial Statements now reflect the gross revenues and expenditures from the Non-military use of French Depots.

Sources of Revenue	**2018**	**2017 Restated**	**2017 Original**	**Difference**
Military use of the Pipeline-System	16,126	16,672	16,672	
Non-military use of the Pipeline-System	96,247	91,837	88,102	3,735
Provided by Programme Nations	36,843	35,079	34,652	426
Other revenue	2,102	9,769	9,764	5
Total	**151,318**	**153,357**	**149,191**	4,166
Revenue as per Statement of Financial Performance	122,846	118,854	114,688	4,166
Difference relating to asset purchases	28,471	34,503	34,503	

24. Restatements of 2017 Financial Statements

This note should be read in conjunction with the Accounting Policies Note and the Statement of Changes in Net Assets.

a) NAMP Business Unit

The NAMP Business Unit has restated its 2017 financial statements to:

- Correct errors in the net book value of PPE and Intangible Assets
- Correct errors in the Statement of Financial Position through not distinguishing between customer advances as current and non-current assets respectively

NAMP Statement of Financial Performance

For the year-ended 31 December (all figures are in Euro '000)		NAM		Change	Reason for change
		Restated	*Original*		
Revenue	**Note**	**2017**	**2017**		
Services and Support to Customers		92,404	92,404		
Administrative Support		6,723	6,723		
Bank interest	10	0	0		
Unrealised foreign currency effects	10	177	177		
Reversal of provisions	16	0	0		
Miscellaneous Revenue		41	41		
Total Revenue		**99,345**	**99,345**		
Expenses					
Services and Support to Customers	11	(48,193)	(48,193)		
Commercial Discounts Earned *		0	0		
USA Foreign Military Sales **	11	(44,225)	(44,225)		
Personnel	13	(3,930)	(3,930)		
Depreciation and Amortisation		(28,170)	(26,905)	(1,265)	Correction of error in value of PPE and intangible assets
Provisions	16	0	0		
Other Expenses	11	(2,820)	(2,820)		
Transfers to customer credits		0	0		
Total Expenses		**(127,338)**	**(126,073)**		
Surplus / (Deficit) for the year		**(27,993)**	**(26,728)**	(1,265)	

NAMP Statement of Financial Position

As of 31 December (all figures are in Euro '000)		NAM		Change	Reason for change
		Restated	*Original*		
ASSETS	**Note**	**2017**	**2017**		
Current Assets					
Cash and Cash Equivalents	2	191,524	191,524		
Accounts Receivable	6	5,973	5,973		
Inventory	5	2,074	2,074		
Prepayments	7	111,460	111,460		
		311,031	311,031		
Non-current Assets					
Investments	2	0	0		
Accounts Receivable	6	0	0		
Property Plant and Equipment	3	412,256	411,709	547	Correction of error in value of PPE
Intangible Assets	4	14,506	15,227	-721	Correction of error in value of Intangibles
		426,762	426,936		
Total Assets		**737,793**	**737,967**		
LIABILITIES					
Current Liabilities					
Accounts Payable and Accruals	8	21,075	21,075		
Customer Advances	9	204,565	287,881	-83,316	Change in Accounting Policy to correct errors: Reclassification from current to non-current liability
Loans	2	0	0		
Provisions	16	0	0		
		225,640	308,956		
Non-current Liabilities					
Customer Advances	9	83,317	0	83,317	Change in Accounting Policy to correct errors: Reclassification from current to non-current liability
Provisions	16	0	0		
		83,317	0		
Total Liabilities		**308,957**	**308,956**		
Net Assets		428,836	429,011	-175	

b) CEPS Business Unit

The CEPS Business Unit has restated its 2017 financial statements to:

- Correct an error in the Statement of Financial Position through not distinguishing between customer advances as current and non-current assets respectively
- Reflect the full activities of non-military use of French depots in the Statement of Financial Performance.

CEPS Statement of Financial Performance

For the year-ended 31 December (all figures are in Euro '000)		CEPS		Change	Reason for change
		Restated	*Original*		
Revenue	**Note**	**2017**	**2017**		
Services and Support to Customers		93,863	89,871	3,992	
Administrative Support		15,222	15,053	169	**Change in Accounting Policy:** The CEPS Business Unit used to record an agreed percentage contribution of the revenues gained from the Non-Military use of French Depots as a revenue in the Statements of Financial Performance. In a change to accounting policy the Financial Statements now reflect the gross revenues and expenditures from the Non-military use of French Depots.
Bank interest	10	84	84		
Unrealised foreign currency effects	10	0	0		
Reversal of provisions	16	0	0		
Miscellaneous Revenue		9,685	9,680	5	
Total Revenue		**118,854**	**114,688**		
Expenses					
Services and Support to Customers	11	(33,173)	(31,732)	-1,440	
Commercial Discounts Earned *		0	0		
USA Foreign Military Sales **	11	0	0		**Change in Accounting Policy:** The CEPS Business Unit used to record an agreed percentage contribution of the revenues gained from the Non-Military use of French Depots as a revenue in the Statements of Financial Performance. In a change to accounting policy the Financial Statements now reflect the gross revenues and expenditures from the Non-military use of French Depots.
Personnel	13	(61,879)	(61,132)	-747	
Depreciation and Amortisation		(10,582)	(10,298)	-284	
Provisions	16	0	0		
Other Expenses	11	(15,222)	(15,053)	-169	
Transfers to customer credits		(8,580)	(6,770)	-1,810	
Total Expenses		**(129,436)**	**(124,986)**		
Surplus / (Deficit) for the year		**(10,582)**	**(10,298)**	-284	

CEPS Statement of Financial Position

As of 31 December *(all figures are in Euro '000)*		CEPS		Change	Reason for change
		Restated	*Original*		
ASSETS	**Note**	**2017**	**2017**		
Current Assets					
Cash and Cash Equivalents	2	181,496	181,496		
Accounts Receivable	6	23,872	23,872		
Inventory	5	6,647	6,647		
Prepayments	7	120	120		
		212,135	212,135		
Non-current Assets					
Investments	2	0	0		
Accounts Receivable	6	2,567	2,567		
Property Plant and Equipment	3	156,160	156,160		
Intangible Assets	4	2,394	2,394		
		161,121	161,121		
Total Assets		**373,256**	**373,256**		
LIABILITIES					
Current Liabilities					
Accounts Payable and Accruals	8	9,639	9,639		
Customer Advances	9	18,861	194,623	-175,762	Change in Accounting Policy to correct errors: Reclassification from current to non-current liability
Overdrafts	2	0	0		
Provisions	16	1,227	3,793	-2,566	Change in Accounting Policy to correct errors: Reclassification from current to non-current liability
		29,727	208,055		
Non-current Liabilities					
Customer Advances	9	175,762	0	175,762	Change in Accounting Policy to correct errors: Reclassification from current to non-current liability
Provisions	16	2,566	0	2,566	Change in Accounting Policy to correct errors: Reclassification from current to non-current liability
		178,328	0		
Total Liabilities		**208,055**	**208,055**		
Net Assets		165,201	165,201		

c) Log Ops Business Unit

The following changes in accounting policy are required to correct errors in the 2018 Financial Statements:

- the Statement of Financial Position now distinguishes between current (i.e. under one year) and non-current (i.e. over one year) balances in respect of customer advances and unbilled sales; and,
- the Agency's methodology for calculating accrued liabilities is no longer based on a statistical methodology which led to a material understatement of balances; it is now based on a review of amounts unpaid at the year-end for goods and services delivered by the year-end.

There is no restatement of the 2017 balances to correct these errors. This is because it is impracticable to determine the extent of the 2017 prior-period and the cumulative effect up until the start of the 2017 period as a result of these errors; as such there is no restatement made which is reflected in the net assets brought forward at the beginning of the 2018 finance year. The first impact of the change in accounting policy to correct the error is 2018.

25. Events after the financial reporting date of 31 December 2018

NSPO is required to disclose events, both favourable and unfavourable, that occurred between the reporting date of 31 December 2018 and the date when these financial statements were authorized for issue by the General Manager and the Financial Controller. IPSAS requires two types of events which should be identified:

a. Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
b. Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Management considers there are no events categorised under (a) or under (b) which should be disclosed.

Annex: NSPO Financial Plan Execution

1. Log Ops and Chairperson's Office Business Unit – Administrative Costs Elements

All figures in Euro '000	PRIOR 2018 UNPAID COMMITMENTS BROUGHT FORWARD	2018 AUTHORISED CREDITS (BEFORE TRANSFERS AND INCREASES TO BUDGETS)	TRANSFERS AND INCREASES TO BUDGETS	2018 AUTHORISED CREDITS (AFTER TRANSFERS AND INCREASES TO BUDGETS)	PAYMENTS AGAINST COMMITTED CREDITS	UNPAID COMMITMENTS (i.e. LEGAL OBLIGATIONS) CARRIED FORWARD	TOTAL CREDITS CONSUMED IN YEAR	LAPSED CREDITS
Personnel Expenditure	1,043	126,413	-126	126,287	117,784	413	118,197	9,133
General Administrative, Operating & Maintenance Expenditure	6,085	15,807	-115	15,692	13,389	6,471	19,861	1,917
Project Specific Expenditure	4,759	31,462	499	31,960	15,005	5,630	20,635	16,084
Investments	6,051	8,830	560	9,390	8,336	3,003	11,339	4,102
Total	**17,939**	**182,512**	**818**	**183,329**	**154,515**	**15,517**	**170,032**	**31,236**

"2018 Authorised Credits (after transfers and increases to budgets)" includes prior-2018 unpaid commitments brought forward.

Administrative costs do not include the costs charged by vendors for supplying goods and services to customers – these can be found in the "Log Ops Business Unit – Jointly and Commonly Funded Operational Projects" Financial Plan Execution

Under the NSPO Financial Rules and Procedures, financial commitments made under the Administrative Budgets are required to be made against the year in which a good or a service will be delivered, for example, a good to be delivered in 2019 should be financially committed against the 2019 budget. The ASB gave the Agency until the end-of-June 2019 to fully implement this rule, and as such, some of the financial commitments made in 2018 may include commitments for goods and services which will be delivered in year 2019 or 2020.

2. Log Ops Business Unit – Jointly and Commonly Funded Operational Projects

Jointly funded projects are funded by between one and twenty-eight NATO nations, while commonly funded projects are funded by all twenty-nine NATO nations. The figures exclude individual customer requirements

OPERATIONAL BUDGETS	SOURCE OF FUNDING	PRIOR 2018 UNPAID COMMITMENTS BROUGHT FORWARD	2018 PAYMENTS AGAINST PRIOR 2018 COMMITMENTS	PRIOR 2018 UNPAID COMMITMENTS CARRIED FORWARD TO 2019	CREDITS AVAILABLE IN 2018	COMMITMENTS MADE IN 2018	ACCRUALS EXPENDITURE	UNPAID COMMITMENTS	UNUSED CREDITS
[redacted]	NSIP	14,452	10,374	658	165,499	7,346	4,065	3,281	158,153
	MULTINATIONAL	8,374	3,889	3,017	18,688	10,894	2,606	8,288	7,794
	PARTNERSHIPS	1,231	285	827	368	299	70	230	69
	PARTNERSHIPS	4,963	2,984	1,867	5,886	5,235	4,461	776	652
	PARTNERSHIPS	2,488	819	1,552	1,917	1,878	402	1,476	39
	PARTNERSHIPS	424	216	43	1,113	812	318	497	300
	OTHER NATO BODIES	722	377	851	104	66	0	66	38
	OTHER NATO BODIES	67,347	72,250	28,951	106,339	87,657	47,259	41,820	18,682
	PARTNERSHIPS	51,775	11,755	39,255	25,186	16,700	2,681	14,071	8,486
	PARTNERSHIPS	489	40	446	833	318	0	318	515
	PARTNERSHIPS	0	0	0	517	341	0	341	176
	PARTNERSHIPS	96	83	0	52	31	29	2	21
	PARTNERSHIPS	489	108	380	147	127	7	120	20
	PARTNERSHIPS	1,391	567	824	1,736	1,568	912	656	168
	PARTNERSHIPS	4,264	3,570	23	9,824	9,438	3,265	6,173	386
	PARTNERSHIPS	5,046	2,271	2,649	35,675	24,356	321	24,034	11,319
	PARTNERSHIPS	0	0	0	113	113	9	104	0
	PARTNERSHIPS	1,265,209	107,692	1,156,864	237,989	222,863	51,167	171,696	15,127
	NSIP	1,888	3	1,819	5,948	389	359	30	5,560
	PARTNERSHIPS	1,893	1,893	0	7,618	7,618	4,812	2,806	0
	PARTNERSHIPS	0	0	0	2	0	0	0	2
	AUTHORISED CUSTOMERS	470	452	0	3,126	2,538	1,162	1,432	588
	PARTNERSHIPS	52	45	5	764	676	277	403	88
	OTHER NATO BODIES	10,354	1,454	115	28,580	20,940	17,007	4,249	7,639
	OTHER NATO BODIES	0	0	0	928	927	466	486	1
	NSIP	1,544	1,029	515	761	567	543	16	194
	OTHER NATO BODIES	0	0	0	838	810	445	405	29
	NSIP	13,417	10,904	2,384	293,160	65,820	10,281	55,540	227,340

Log Ops Business Unit – Jointly and Commonly Funded Operational Project Costs continues overleaf….

OPERATIONAL BUDGETS	SOURCE OF FUNDING	PRIOR 2018 UNPAID COMMITMENTS BROUGHT FORWARD	2018 PAYMENTS AGAINST PRIOR 2018 COMMITMENTS	PRIOR 2018 UNPAID COMMITMENTS CARRIED FORWARD TO 2019	CREDITS AVAILABLE IN 2018	COMMITMENTS MADE IN 2018	ACCRUALS EXPENDITURE	UNPAID COMMITMENTS	UNUSED CREDITS
[redacted]	OTHER NATO BODIES	189	138	7	1,511	1,506	1,262	248	5
[redacted]	NSIP	4,537	1,839	2,698	3,204	9	5	3	3,195
[redacted]	PARTNERSHIPS	6,465	2,788	3,677	11,970	10,984	3,349	7,635	986
[redacted]	PARTNERSHIPS	630	459	169	306	4	3	1	302
[redacted]	PARTNERSHIPS	0	0	0	2	0	0	0	2
[redacted]	OTHER NATO BODIES	724	261	78	5,165	5,099	4,277	832	66
[redacted]	OTHER NATO BODIES	192	164	13	561	513	386	127	48
[redacted]	PARTNERSHIPS	834	371	373	335	335	34	301	0
[redacted]	PARTNERSHIPS	76	13	59	35	7	7	0	28
[redacted]	NATIONAL PROJECTS	4,981	547	2,042	11,391	10,321	8,177	2,248	1,070
[redacted]	PARTNERSHIPS	113	0	113	0	0	0	0	0
[redacted]	MULTINATIONAL	0	0	0	215	215	215	0	0
[redacted]	PARTNERSHIPS	51,273	51,273	0	3,500	0	0	0	3,500
[redacted]	PARTNERSHIPS	7	0	0	14,565	14,280	5,380	8,900	285
[redacted]	MULTINATIONAL	0	0	-3	0	0	0	0	0
[redacted]	NATIONAL PROJECTS	52	-27	0	0	0	0	0	0
[redacted]	NATIONAL PROJECTS	482	479	2	0	0	0	0	0
[redacted]	NATIONAL PROJECTS	26	0	0	0	0	0	0	0
[redacted]	NATIONAL PROJECTS	14,646	9,358	482	1,514	1,255	1,018	237	258
[redacted]	NATIONAL PROJECTS	817	301	0	6,209	4,073	3,476	597	2,136
[redacted]	NATIONAL PROJECTS	4,349	1,760	0	23,595	20,754	17,611	3,143	2,841
[redacted]	NATIONAL PROJECTS	2,490	1,900	0	19,871	13,937	12,608	1,328	5,934
[redacted]	NATIONAL PROJECTS	9,101	5,809	9	54,465	50,191	38,313	11,878	4,275
[redacted]	NATIONAL PROJECTS	136	94	0	1,378	683	599	84	694
[redacted]	NATIONAL PROJECTS	236	161	0	3,036	1,502	1,221	282	1,533
[redacted]	OTHER NATO BODIES	645	0	0	0	0	0	0	0
[redacted]	NATIONAL PROJECTS	147	104	0	1,822	971	871	100	851
[redacted]	NATIONAL PROJECTS	1,242	889	0	5,834	5,257	4,584	673	577

Log Ops Business Unit – Jointly and Commonly Funded Operational Project Costs continues overleaf….

OPERATIONAL BUDGETS	SOURCE OF FUNDING	PRIOR 2018 UNPAID COMMITMENTS BROUGHT FORWARD	2018 PAYMENTS AGAINST PRIOR 2018 COMMITMENTS	PRIOR 2018 UNPAID COMMITMENTS CARRIED FORWARD TO 2019	CREDITS AVAILABLE IN 2018	COMMITMENTS MADE IN 2018	ACCRUALS EXPENDITURE	UNPAID COMMITMENTS	UNUSED CREDITS
[redacted]	NATIONAL PROJECTS	685	495	0	8,273	4,772	4,265	507	3,501
[redacted]	MULTINATIONAL	0	0	0	4,127	4,126	3,768	359	0
[redacted]	NATIONAL PROJECTS	0	0	0	89,409	81,447	70,384	11,944	7,962
[redacted]	MULTINATIONAL	0	0	0	2,369	2,218	1,952	370	151
[redacted]	NATIONAL PROJECTS	25,860	1,854	157	1,310	1,257	1,257	0	53
[redacted]	OTHER NATO BODIES	1,961	-93	0	339	339	339	0	0
[redacted]	NATIONAL PROJECTS	1,613	1,329	12	5,290	4,391	3,682	709	899
[redacted]	MULTINATIONAL	1,561	1,281	3	8,036	7,506	6,390	1,122	530
[redacted]	MULTINATIONAL	7,308	4,377	2,010	65,224	51,366	47,904	3,640	13,859
[redacted]	MULTINATIONAL	117	109	3	872	419	274	144	453
[redacted]	PARTNERSHIPS	288	187	34	2,080	976	393	584	1,104
[redacted]	PARTNERSHIPS	1,223	333	351	5,438	2,687	922	1,765	2,751
[redacted]	PARTNERSHIPS	6	1	2	168	6	4	2	162
[redacted]	PARTNERSHIPS	101	100	0	5,522	1,698	9	1,689	3,824
[redacted]	PARTNERSHIPS	1,216	538	484	9,117	2,004	909	1,112	7,113
[redacted]	PARTNERSHIPS	0	0	0	169	106	15	92	63
[redacted]	PARTNERSHIPS	0	0	0	24	1	1	0	23
[redacted]	PARTNERSHIPS	812	369	19	2,816	2,775	744	2,031	41
[redacted]	PARTNERSHIPS	0	0	0	60	0	0	0	60
[redacted]	AUTHORISED CUSTOMERS	31	31	0	768	596	52	551	171
[redacted]	MULTINATIONAL	0	0	0	3,642	0	0	0	3,642
[redacted]	PARTNERSHIPS	2	0	0	980	0	0	0	980
[redacted]	PARTNERSHIPS	2,421	1,659	534	3,256	2,482	752	1,735	774
[redacted]	PARTNERSHIPS	0	0	0	65	0	0	0	65
[redacted]	PARTNERSHIPS	0	0	0	3	0	0	0	3
		1,607,973	**324,312**	**1,256,373**	**1,343,547**	**803,390**	**400,334**	**406,288**	**540,157**

The figures in the column "Prior 2018 unpaid commitments carried forward to 2019" do not represent the arithmetical differences between the amounts within column "Prior 2018 unpaid commitments brought forward" and "2018 payments against prior-2018 commitments"; these differences are mainly due to de-commitments/adjustments made during the reporting year against the open purchase orders/funds reservations from previous years forwarded in 2018. Unused Credits can be carried forward or lapsed depending on the rules governing the specific project of funder.

3. NAM Programme Business Unit

The NAM Programme bases its financial plan in USD and as such, the report on financial plan execution is reported here in USD.

All figures in USD '000	UNUSED AUTHORISED CREDITS AND UNPAID COMMITMENTS BROUGHT FORWARD	2018 AUTHORISED CREDITS	PAYMENTS AGAINST COMMITMED AUTHORISED CREDITS	UNUSED AUTHORISED CREDITS AND COMMITMENTS CARRIED FORWARD	TOTAL CREDITS CONSUMED IN YEAR	LAPSED CREDITS
	Restated					
Acquisition	$64,590	$0	$2,792	$51,443	$54,235	$10,355
Operational	$165,018	$79,986	$75,159	$123,490	$198,648	$46,355
Total	**$229,608**	**$79,986**	**$77,951**	**$174,932**	**$252,883**	**$56,710**

All figures in USD '000	PRIOR 2018 UNPAID COMMITMENTS CARRIED FORWARD	2018 AUTHORISED CREDITS	PAYMENTS AGAINST COMMITMENTS & AUTHORIZED CREDITS	UNPAID COMMITMENTS (i.e. LEGAL OBLIGATIONS) CARRIED FORWARD	TOTAL CREDITS CONSUMED IN YEAR	LAPSED CREDITS
Administration	$442	$8,641	$7,963	$504	$8,467	$616

Restatement

There is a small restatement relating to “Unused Authorised Credits and Unpaid Commitments brought forward” which derived from the 2017 Operational Budgets (shown in the 2017 Financial Plan Execution under the column “Unused Authorised Credits and Commitments carried forward”). The original financial statements amount was USD 163,038k; the amount should have been USD 165,018k.

Budgetary Transfers

During 2018, the Programme made a number of small budget transfers. There was a small transfer of USD 6k within the Administration Budgets from capital to non-capital based budgets and two transfers totalling USD 160k within the Operational Budget from FMS Training into certification and registration (USD 100K) and freight transportation (USD 60k).

4. Central Europe Pipeline System Business Unit *(figures given to the Euro)*

	Budget Type	PRIOR 2018 AUTHORISED CREDITS BROUGHT FORWARD	2018 AUTHORISED CREDITS	BUDGETARY EXPENDITURE AGAINST CREDITS	AUTHORISATIONS CARRIED FORWARD	LAPSED CREDITS
Operational Budgets						
Personnel	O&M	22,376	62,083,700	61,573,600	76,265	456,211
	NP2	478,929	300,000	736,087	14,360	28,482
	NP3	358,535	180,000	345,621	182,057	10,857
Outside temporary staff	O&M	46,049	1,300,200	1,097,496	177,796	70,958
Training of personnel	O&M	119,672	399,800	340,019	150,638	28,814
Travel and transportation	O&M	52,763	3,647,200	3,536,165	6,588	157,211
Hospitality	O&M	749	62,000	59,733	354	2,662
Operations	O&M	1,365,850	19,779,100	18,102,091	1,713,095	1,329,764
Maintenance	O&M	5,872,139	14,926,000	12,507,880	7,453,622	836,637
	NP2	3,075,176	-	365,950	2,081,436	627,790
	NP3	1,021,142	950,000	218,596	1,271,015	481,531
General administrative expenses	O&M	1,204,414	11,306,500	10,914,946	1,231,631	364,337
TOTAL Operational Expenses		**13,617,795**	**114,934,500**	**109,798,184**	**14,358,858**	**4,395,253**

Central Europe Pipeline System Business Unit is continued overleaf….

	Budget Type	PRIOR 2018 AUTHORISED CREDITS BROUGHT FORWARD	2018 AUTHORISED CREDITS	BUDGETARY EXPENDITURE AGAINST CREDITS	AUTHORISATIONS CARRIED FORWARD	LAPSED CREDITS
Capital						
Fixed installations	O&M	-	27,000	-	27,000	-
	NP2	1,304,025	-	-	1,304,025	-
Plant equipment	O&M	1,046,331	1,588,100	765,362	1,710,682	158,386
Vehicles	O&M	261,954	851,800	367,382	731,497	14,875
Office equipment	O&M	1,621,347	1,410,700	1,157,506	1,749,575	124,967
TOTAL Capital Expenses		**4,233,657**	**3,877,600**	**2,290,249**	**5,522,779**	**298,228**
Long-Term Investments						
Modernisation 100% CEPS	O&M	38,066,425	17,930,000	18,468,776	33,806,023	3,721,626
INFRA projects - cost shares	O&M	227,451	471,670	162,284	536,837	-
TOTAL Long-Term Investment Expenses		**38,293,876**	**18,401,670**	**18,631,061**	**34,342,860**	**3,721,626**
Non-military use of Depots		-	4,588,962	3,559,988	801,104	227,869
Grand Total		**56,145,328**	**141,802,732**	**134,279,482**	**55,025,601**	**8,642,977**

A summary of key transfers and budget increases in respect of CEPS budgets made in the year are shown in this table:

Chapter	Organisation	Amount	
1 - Personnel	Germany	653,000	Salary increase higher than orignal buget and the need to ensure a proper hand-over for new personnel.
1 - Personnel	France	130,000	Budget adjustment following the recruitment of two staff members
1 - Personnel	Netherlands	200,000	Higher salaries as a result of 2017 negotiations with the Unions
1 - Personnel	Netherlands	150,000	7 additional temporary posts for 5 years due to partial retirement of personnel
1 - Personnel	Belgium	39,000	An interim cleaning lady for the entire year was not foreseen when preparing the budget
1 - Personnel	Germany	100,000	Salary increase higher than orignal buget and the need to ensure a proper hand-over for new personnel
2 - Temporary Staff	Germany	(55,000)	Overestimation of additional outside staff due to shorter sick leaves than before
2 - Temporary Staff	France	11,000	Transfer from Chapter 01 for the remuneration of temporary employees hired for the summer period
3 - Training	Germany	27,000	Transfer of credits referring to training that had originally been included in the DMS project (Chapter 17)
4 - Travel and transporation	Germany	(25,000)	Savings in vehicle maintenance
4 - Travel and transporation	Belgium	19,000	Higher price of the fuel for vehicles
6 - Operations	Belgium	(13,000)	Overestimation of the budget
6 - Operations	Belgium	290,000	Fuel price higher than foreseen in the budget
6 - Operations	Belgium	(170,000)	Overestimation of the budget
6 - Operations	Belgium	5,000	Special waste collections were asked in the contract
6 - Operations	Germany	(40,100)	Overestimation of IT/data lines
6 - Operations	CEPS Central	(120,000)	Transfers from the centralised reserve for pumping energy to NOs based on the activity planning and energy prices fluctuations
7 - Maintenance	France	170,000	Works on Tank 4 at Mirecourt Depot
7 - Maintenance	Belgium	(10,000)	No need to clear trees close to the pipeline
7 - Maintenance	Belgium	20,000	More spare parts required for the engines
7 - Maintenance	Belgium	(10,000)	Budget for filter basket not used
7 - Maintenance	Belgium	15,000	Replacement of an anode bed
7 - Maintenance	Belgium	25,000	A lot of network boxes were replaced in 2018
7 - Maintenance	Belgium	(15,000)	Contract for marker posts not renewed in 2018
7 - Maintenance	Belgium	34,000	Overestimation of the budget for the tank cleaning contract
7 - Maintenance	Belgium	(74,000)	Due to the weather conditions the budget for the gardening was overestimated
7 - Maintenance	Belgium	(13,000)	Due to the gardening contract, the budget for the maintenance of garden equipment was overestimated
7 - Maintenance	Belgium	20,000	Due to flash strikes we had to ask for extra budget for remote guarding
7 - Maintenance	Germany	100,000	Additional credits for the relocation of an injection facility from Aalen Depot to Lechfeld Airbase
7 - Maintenance	Germany	(109,900)	Savings in programmed maintenance and special works
7 - Maintenance	Netherlands	25,000	Pilot pipeline survey with satellite
7 - Maintenance	Netherlands	34,000	Pipeline maintenance - spare valves at Schiphol
7 - Maintenance	Netherlands	50,000	Maintenance of operating equipment at Schiphol
7 - Maintenance	Netherlands	100,000	Replacement of five leaking valves on the Dutch part Glons - Würselen
7 - Maintenance	Netherlands	20,000	Repair tank shaft protection against rain
7 - Maintenance	Netherlands	70,000	Repairs on Tank 2 at Pernis Depot
7 - Maintenance	Netherlands	(8,100)	Sites programmed maintenance
7 - Maintenance	Netherlands	41,500	Maintenance of operating equipement - special works
7 - Maintenance	Germany	950,000	Action D08 Aalen-Unterpfaffenhofen IP run

Chapter	Organisation	Amount	
9 - Admin Expenses	CEPS Programme Office	37,000	Anticipated cost increase related to the administration of pension pending decision on the cost allocation (transfer from Chapter 01)
9 - Admin Expenses	Germany	(30,000)	Savings in assistance contracts and licenses
9 - Admin Expenses	Germany	(100,000)	Savings in external consultants
9 - Admin Expenses	Germany	64,000	Transfer from Chapter 17 for the DMS maintenance
9 - Admin Expenses	Netherlands	(47,500)	Cleaning not invoiced by the MoD
9 - Admin Expenses	Netherlands	(29,000)	Technical & administration fees
9 - Admin Expenses	Netherlands	(9,000)	Other office supplies
9 - Admin Expenses	Belgium	(12,000)	Overestimation of the budget
9 - Admin Expenses	Belgium	9,000	Additional replacement of office furniture
9 - Admin Expenses	Belgium	(17,000)	As the PMS was activated in December, there was no need for the maintenance budget
9 - Admin Expenses	Belgium	(6,000)	As the accounting programme was activated in September, only part of the maintenance budget was needed
9 - Admin Expenses	Belgium	(19,000)	Overestimation of the budget for the environmental study
9 - Admin Expenses	France	23,000	Maintenance of the Pipeline Management System (PMS)
9 - Admin Expenses	France	140,000	Continuation of work on the streering tool for Facilities classified for environmental protection, and hazard studies
14 - Plant and equipment	CEPS Central	(55,600)	Transfers from the centralised reserve for laboratory equipment to NOs for the procurement of equipment on a case-by-case basis
14 - Plant and equipment	Germany	33,000	Transfer from the centralized budget for laboratory equipment
14 - Plant and equipment	Germany	(100,000)	Savings in the procurement of GPS devices - Adaptation of radio installation in several depots
14 - Plant and equipment	Germany	62,000	Additional credits in the MYR for a small filter/ water separator and for 5 electric explosion-proof pumps
14 - Plant and equipment	Germany	20,000	Transfer from Chapter 9 for air conditioning and defibrillator
14 - Plant and equipment	Belgium	24,000	Underestimation of the budget for the transmitter pigs
14 - Plant and equipment	Belgium	15,500	Additional budget for laboratory equipment
14 - Plant and equipment	Belgium	11,500	No need to buy the containers and cart for the extiguishing foam
14 - Plant and equipment	Belgium	8,000	A high-pressure cleaner broke down
14 - Plant and equipment	Belgium	39,000	Additional need to replace the server for the leak detection system
14 - Plant and equipment	Netherlands	23,700	Replacement of laboratory equipment
14 - Plant and equipment	Netherlands	8,100	Additional tools
14 - Plant and equipment	Netherlands	44,000	Replacement of tools
14 - Plant and equipment	France	68,400	Replacement of 19 modems for remote transmission of information between Champforgeuil HQ and local sites (3 in the East region and 16 in the North region)
16 - Vehicles	Belgium	(16,000)	Overestimation of the vehicle budget
17 - Office Equipment	Belgium	8,500	Additional budget for an A0 printer
17 - Office Equipment	Germany	(27,000)	Transfer to Chapter 3 for DMS training (originally included in the DMS project)
17 - Office Equipment	Germany	(64,000)	Transfer to Chapter 9 for DMS maintenance (originally included in the DMS project)
17 - Office Equipment	Germany	29,000	Additional credits for server racks, autocad and banking software
17 - Office Equipment	Netherlands	120,000	Migration of SAP to S4 HANA
17 - Office Equipment	CEPS Central	190,000	ERP project (budget revision)
18 - Modernisation 100% CEPS	Netherlands	87,000	Replacement of flowmeters at Pernis Depot
18 - Modernisation 100% CEPS	Netherlands	2,000	Vapour filter equipment for storage tanks at Pernis Depot
18 - Modernisation 100% CEPS	Netherlands	51,000	Eindhoven spurline - integrity assessment and urgent repairs
18 - Modernisation 100% CEPS	Netherlands	5,000	Restore main storage tanks at Klaphek and Pernis
18 - Modernisation 100% CEPS	Netherlands	3,000	Replacement of tank level indicators at Markelo Depot
18 - Modernisation 100% CEPS	Germany	(300,000)	NSIP authorization
18 - Modernisation 100% CEPS	Germany	219,000	Restore cathodic protection on Fürfeld-Ginsheim PL
18 - Modernisation 100% CEPS	Germany	38,000	Restore grounding and lightning protection installations at 6KED