16 décembre 2020

DOCUMENT
C-M(2020)0050-AS1

RAPPORT
DU COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN
SUR L'AUDIT DES ÉTATS FINANCIERS 2019
DU COMMANDEMENT ALLIÉ OPÉRATIONS (ACO)

NOTE SUR LA SUITE DONNÉE

Le 15 décembre 2020, au terme d'une procédure d'accord tacite, le Conseil a pris note du rapport du Bureau de la planification et de la politique générale des ressources (RPPB) annexé au C-M(2020)0050, a approuvé les conclusions et les recommandations contenues dans ce rapport et a marqué son accord pour que le rapport du RPPB, le rapport de l'IBAN et les états financiers 2019 de l'ACO soient rendus publics.

(signé) Jens Stoltenberg
Secrétaire général

NB : La présente note fait partie du C-M(2020)0050 et doit être placée en tête de ce document.

8 décembre 2020

DOCUMENT
C-M(2020)0050
Procédure d'accord tacite :
15 déc 2020 17:30

RAPPORT
DU COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN
SUR L'AUDIT DES ÉTATS FINANCIERS 2019
DU COMMANDEMENT ALLIÉ OPÉRATIONS (ACO)

Note du secrétaire général

1. On trouvera ci-joint le rapport du Collège international des auditeurs externes de l'OTAN (IBAN) sur l'audit des états financiers 2019 du Commandement allié Opérations (ACO). L'IBAN a émis une opinion sans réserve à la fois sur ces états financiers et sur la conformité.

2. Le rapport de l'IBAN a été examiné par le Bureau de la planification et de la politique générale des ressources (RPPB) (voir annexe 1).

3. Je ne pense pas que cette question doive être examinée plus avant. Par conséquent, **sauf avis contraire me parvenant d'ici au mardi 15 décembre 2020 à 17h30**, je considérerai que le Conseil aura pris note du rapport du RPPB, approuvé les conclusions et les recommandations qu'il contient et marqué son accord pour que le rapport du RPPB, le rapport de l'IBAN et les états financiers 2019 de l'ACO soient rendus publics.

(signé) Jens Stoltenberg
Secrétaire général

1 annexe
1 pièce jointe

Original : anglais

RAPPORT DE L'IBAN SUR L'AUDIT DES ÉTATS FINANCIERS 2019 DU COMMANDEMENT ALLIÉ OPÉRATIONS (ACO)

Rapport du Bureau de la planification et de la politique générale des ressources (RPPB)

Références :

A.	IBA-A(2020)0080	Rapport de l'IBAN sur l'audit des états financiers 2019 du Commandement allié Opérations (ACO)
B.	C-M(2015)0025	Règlement financier de l'OTAN (NFR)
C.	BC-D(2015)0260-REV1	Règles et procédures financières (FRP)
D.	PO(2015)0052	Mandat issu du sommet du pays de Galles concernant la transparence et l'obligation de rendre compte

INTRODUCTION

1. Le présent rapport du Bureau de la planification et de la politique générale des ressources (RPPB) concerne le rapport que le Collège international des auditeurs externes de l'OTAN (IBAN) a consacré à l'audit financier et à l'audit de conformité des états financiers 2019 du Commandement allié Opérations (ACO). L'IBAN a émis une opinion sans réserve sur ces états financiers ainsi que sur la conformité (référence A).

OBJET

2. Le présent rapport met en évidence les principaux points soulevés dans le rapport de l'IBAN (référence A), afin que le RPPB puisse réfléchir aux questions d'ordre stratégique découlant de l'audit des états financiers de l'entité concernée et, s'il y a lieu, recommander une ligne de conduite au Conseil, dans le cadre d'une démarche propre à accroître la transparence, à améliorer le compte rendu et à renforcer la cohérence.

EXAMEN DE LA QUESTION

3. Au cours de l'audit, l'IBAN a formulé une observation assortie d'une recommandation, qui porte sur les insuffisances qu'il a relevées au niveau du Groupe interarmées multinational pour les opérations psychologiques (CJPOTF) s'agissant du processus d'autorisation et de gestion pour des marchés concernant la mission Resolute Support. Cette observation n'a pas eu d'incidence sur l'opinion émise. L'IBAN a par ailleurs fait le point sur la suite donnée aux questions ayant fait l'objet d'observations et de recommandations lors de précédents audits. Il a constaté qu'une question avait été traitée et que dix questions étaient toujours en cours de traitement.

3.1 <u>Observation :</u> pour l'exercice 2019, l'IBAN a indiqué que des améliorations devaient être apportées s'agissant de l'octroi, dans le cadre d'activités du CJPOTF, de dérogations aux règles normales d'autorisation de passation de marchés pour la mission Resolute Support. La recommandation de l'IBAN porte sur le non-respect des dispositions relatives au niveau de l'autorité habilitée à approuver les décisions, l'insuffisance des justifications fournies à l'appui de l'octroi de dérogations pour la passation de marchés de gré à gré portant sur des activités de radio- et de télédiffusion, l'octroi de marchés à des fournisseurs dont les antécédents n'ont pas été vérifiés, les insuffisances dans la fixation des prix et le contrôle insatisfaisant de l'exécution des contrats pour des activités relatives au CJPOTF.

3.2 Afin de réduire la probabilité que de telles erreurs se reproduisent, le RPPB appuie la recommandation de l'IBAN visant à ce que l'ACO remédie aux insuffisances recensées concernant le CJPOTF en mettant l'accent sur les questions relatives à l'approbation des décisions, à l'octroi de dérogations autorisant la passation de marchés de gré à gré, à la vérification des antécédents, à la fixation des prix et au contrôle.

3.3 <u>Questions soulevées à l'issue d'audits précédents et entre-temps traitées :</u> en 2017, l'IBAN a recommandé à l'ACO d'établir des registres des actifs qui soient fiables et à jour. L'IBAN a noté que l'instruction permanente relative à la mission Resolute Support avait été révisée et que des inventaires ainsi que de nombreuses vérifications par sondage étaient effectués. Il considère donc la question comme étant traitée.

3.4 <u>Questions soulevées à l'issue d'audits précédents et en cours de traitement :</u> on trouvera dans les paragraphes qui suivent un point de la situation concernant uniquement trois des dix questions principales qui ont été soulevées au cours de précédents audits et qui sont toujours en cours de traitement.

3.5 S'agissant de l'exercice 2013, l'IBAN a recommandé que l'ACO se fasse confirmer par les autres entités OTAN présentant des états financiers le solde des éléments d'actif et de passif leur correspondant, en prévision de l'établissement des états financiers.

3.5.1 Le RPPB note que des améliorations ont été apportées dans ce domaine et que la question est toujours en cours de traitement. Il appuie donc la recommandation de l'IBAN visant à ce que l'ACO se fasse confirmer par les autres entités OTAN présentant des états financiers le solde des éléments d'actif et de passif de fin d'exercice leur correspondant, en prévision de l'établissement des états financiers.

3.6 Au cours de l'audit des états financiers de 2017, l'IBAN a recommandé à l'ACO de signer avec les pays-cadres des arrangements techniques pour l'utilisation d'équipements et d'infrastructures financés par l'OTAN. L'ACO n'a toutefois pas souscrit à cette recommandation et il a réaffirmé que les pays-cadres n'étaient pas intéressés par l'établissement d'arrangements techniques et que de tels arrangements n'étaient pas nécessaires.

3.6.1 L'IBAN considère la question de l'établissement d'arrangements techniques comme étant toujours en cours de traitement parce qu'il y a des infrastructures financées sur le programme OTAN d'investissement au service de la sécurité (NSIP) dans les sites considérés. Le RPPB prend note des commentaires de l'ACO concernant la signature avec les pays-cadres d'arrangements techniques relatifs à l'utilisation d'équipements et d'infrastructures financés par l'OTAN. Il note avec satisfaction que l'IBAN réévaluera la situation au cours de son prochain audit financier et compte tenu des modifications apportées à la mission Resolute Support.

3.7 S'agissant de l'exercice 2018, l'IBAN a recommandé que l'ACO établisse un plan d'action visant à lui permettre d'être davantage en mesure de mettre en question la validité des informations et des solutions fournies par l'Agence OTAN de soutien et d'acquisition (NSPA) et par l'Agence OTAN d'information et de communication (NCIA). À cet égard, l'ACO a confirmé qu'il n'était pas encore en mesure d'évaluer et de valider de manière appropriée les estimations fournies par la NCIA.

3.7.1 Afin d'atténuer les risques liés à cette situation, l'IBAN, appuyé en cela par le RPPB, invite l'ACO à établir un plan d'action devant lui permettre d'être davantage en mesure de mettre en question la validité des informations et des solutions fournies par les deux grandes agences de l'OTAN, et à soumettre ce plan d'action avec les états financiers de 2020. Le RPPB note aussi que la revue du cadre réglementaire pour le financement par le client relatif à la NCIA pourrait apporter certaines améliorations dans ce domaine.

CONCLUSIONS

4. Une nouvelle observation a été formulée pour l'ACO. Aucun des éléments de la nouvelle observation n'a eu d'incidence sur l'opinion émise au sujet des états financiers 2019 de l'ACO. À la date de l'établissement du rapport de l'IBAN, parmi les questions ayant fait l'objet d'observations lors de précédents audits, dix étaient en cours de traitement et une avait été traitée.

5. S'agissant de l'exercice 2019, l'IBAN a indiqué que des améliorations devaient être apportées au niveau du CJPOTF s'agissant de l'octroi de dérogations aux règles normales d'autorisation de passation de marchés pour la mission Resolute Support. Afin de réduire la probabilité que des erreurs se reproduisent, le RPPB appuie la recommandation de l'IBAN visant à ce que l'ACO remédie aux insuffisances constatées au sein du CJPOTF en mettant l'accent sur les questions relatives à l'approbation des décisions, à l'octroi de dérogations autorisant la passation de marchés de gré à gré, à la vérification des antécédents, à la fixation des prix et au contrôle.

6. L'IBAN a confirmé que l'ACO avait établi un registre des actifs cohérent, exact et à jour pour la mission Resolute Support. Il considère cette question relative à l'exercice 2017 comme étant traitée. S'agissant des questions qui ont été soulevées lors d'audits précédents et qui sont en cours de traitement, le RPPB prend note des progrès réalisés par l'ACO et appuie la recommandation de l'IBAN selon laquelle le Commandement devrait notamment poursuivre le travail d'amélioration du processus de confirmation par les autres entités OTAN présentant des états financiers des soldes des éléments d'actif et de passif

de fin d'exercice leur correspondant, et devrait réexaminer, dans le cadre du prochain audit financier, la question de savoir s'il faut signer avec les pays-cadres des arrangements techniques pour l'utilisation d'infrastructures et d'équipements financés par l'OTAN. Le RPPB demande à nouveau à l'ACO de s'employer à régler les dix questions en cours de traitement et de soumettre un plan d'action dans le cadre des états financiers de 2020.

RECOMMANDATIONS

7. Le Bureau de la planification et de la politique générale des ressources recommande au Conseil :

7.1 de prendre note du présent rapport ainsi que du rapport de l'IBAN (référence A) ;

7.2 d'approuver les conclusions formulées aux paragraphes 4 à 6 du présent rapport ;

7.3 d'autoriser la communication au public des états financiers 2019 de l'ACO, du rapport de l'IBAN correspondant ainsi que du présent rapport, conformément à la politique agréée dans le document de référence D.

IBA-A(2020)0080
26 août 2020

À : Secrétaire général
(À l'attention du Directeur du Cabinet)

Cc : Représentants permanents auprès de l'OTAN
Commandant suprême des forces alliées en Europe
Chef d'état-major du Commandement allié Opérations
Contrôleur des finances du Commandement allié Opérations
Président du Bureau de la planification et de la politique générale des ressources
Chef de la Branche Secrétariat et finances du Bureau OTAN des ressources
Bureau d'ordre du Cabinet

Objet : ***Opinion et lettre d'observations et de recommandations du Collège international des auditeurs externes de l'OTAN (IBAN) concernant l'audit des états financiers du Commandement allié Opérations (ACO) pour l'exercice clos le 31 décembre 2019 – IBA-AR(2020)0015***

Monsieur le Secrétaire général,

Vous trouverez ci-joint l'opinion (annexe 2) et la lettre d'observations et de recommandations (annexe 3) de l'IBAN, ainsi qu'une note succincte à l'intention du Conseil (annexe 1).

L'IBAN a émis une opinion sans réserve sur les états financiers du Commandement allié Opérations ainsi que sur la conformité pour l'exercice 2019.

Veuillez agréer, Monsieur le Secrétaire général, l'assurance de ma haute considération.

Daniela Morgante
Présidente

Pièces jointes : voir ci-dessus.

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ANNEXE 1

Note succincte
du Collège international des auditeurs externes de l'OTAN (IBAN)
à l'intention du Conseil
sur l'audit des états financiers consolidés
du Commandement allié Opérations (ACO)
pour l'exercice clos le 31 décembre 2019

L'IBAN a audité les états financiers consolidés (ci-après dénommés états financiers) du Commandement allié Opérations (ACO) pour l'exercice clos le 31 décembre 2019. En 2019, les dépenses (engagements plus déboursements effectifs) effectuées par l'ACO sur les budgets relevant du Comité des budgets se sont établies au total à 1,20 milliard d'euros (contre 1,13 milliard d'euros en 2018). En outre, l'ACO a déboursé 2,82 millions d'euros (MEUR) (contre 2,27 MEUR en 2018) pour des dépenses liées à des projets du programme OTAN d'investissement au service de la sécurité (NSIP).

L'IBAN a émis une opinion sans réserve sur les états financiers ainsi que sur la conformité pour l'exercice clos le 31 décembre 2019.

Au cours de l'audit, l'IBAN a formulé une observation, assortie de recommandations. Les constatations de l'IBAN sont présentées dans la lettre d'observations et de recommandations (annexe 3).

On trouvera ci-après la principale constatation, qui n'a pas d'incidence sur l'opinion émise au sujet des états financiers et de la conformité.

- Groupe interarmées multinational pour les opérations psychologiques (CJPOTF) : insuffisances dans le processus d'autorisation et de gestion pour des marchés concernant la mission Resolute Support.

L'IBAN a fait le point sur la suite donnée aux questions ayant fait l'objet d'observations et de recommandations lors de précédents audits. Il a constaté que une question avait été traitée et que dix questions étaient en cours de traitement.

L'opinion (annexe 2) et la lettre d'observations et de recommandations (annexe 3) ont été transmises à l'ACO, dont les commentaires ont ensuite été intégrés dans la lettre ainsi que, le cas échéant, la position de l'IBAN à leur sujet (appendice à l'annexe 3).

Une lettre a été adressée à la direction de l'ACO. Elle contient des observations et des recommandations qui ont été formulées au cours de l'audit et qui ne figurent pas dans la présente lettre d'observations et de recommandations, et elle fait le point sur les suites données à des observations formulées dans de précédentes lettres à la direction. En effet, l'IBAN estime que ces questions doivent être traitées par la direction de l'ACO et qu'elles relèvent dès lors de la responsabilité de celle-ci.

ANNEXE 2
IBA-AR(2020)0015

26 août 2020

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

OPINION SUR LES ÉTATS FINANCIERS CONSOLIDÉS DU COMMANDEMENT ALLIÉ OPÉRATIONS

(ACO)

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2019

**OPINION DE L’AUDITEUR EXTERNE
À L’INTENTION DU CONSEIL DE L’ATLANTIQUE NORD**

Audit des états financiers

Opinion sur les états financiers

Le Collège international des auditeurs externes de l'OTAN (IBAN) a audité les états financiers du Commandement allié Opérations (ACO) portant sur la période de 12 mois ayant pris fin le 31 décembre 2019. Diffusés sous la cote SH/FINAC/CAC/FC120/20 et soumis à l’IBAN le 29 avril 2020, ces états financiers se composent de l'état de la situation financière au 31 décembre 2019, de l'état de la performance financière, de l’état des variations de l'actif net/situation nette et du tableau des flux de trésorerie pour la période de 12 mois ayant pris fin le 31 décembre 2019, ainsi que d'un résumé des méthodes comptables importantes et d’autres notes explicatives. Ils contiennent en outre un rapport sur l’exécution du budget portant sur la période de 12 mois ayant pris fin le 31 décembre 2019.

L’opinion de l’IBAN est que les états financiers donnent une image fidèle et exacte de la situation financière de l’ACO au 31 décembre 2019 ainsi que de sa performance financière, de ses flux de trésorerie et de l’exécution du budget pour la période de 12 mois ayant pris fin le 31 décembre 2019, en application des dispositions comptables et des normes de compte rendu du cadre comptable OTAN.

Justification de l'opinion émise sur les états financiers

Le Règlement financier de l'OTAN (NFR) prévoit que l’audit externe des entités OTAN présentant des états financiers et des organismes OTAN établis en vertu du Traité de l'Atlantique Nord est effectué par l’IBAN.

L’IBAN a effectué son audit sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 1000-1810), définies par l’Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

L’IBAN est indépendant, ainsi que le prévoit le Code de déontologie de l’INTOSAI, et il s’est acquitté de ses responsabilités dans le respect des dispositions de ce code. Les responsabilités des membres de l’IBAN sont décrites de manière plus détaillée dans la section « Responsabilités de l’IBAN concernant l’audit des états financiers » et dans sa charte.

L’IBAN estime qu’il a obtenu par son audit les éléments probants nécessaires et suffisants pour lui permettre de formuler une opinion.

Responsabilité de la direction concernant les états financiers

La responsabilité de la direction concernant les états financiers est définie dans le NFR. Les états financiers de l'ACO sont établis en application des dispositions comptables et des normes de compte rendu du cadre comptable OTAN tel qu'approuvé par le Conseil. Il incombe au contrôleur des finances de soumettre les états financiers à l'IBAN au plus tard le 31 mars qui suit la fin de l'exercice visé dans les états financiers.

Les états financiers sont signés par le chef de l'entité OTAN concernée et par le contrôleur des finances. En apposant leur signature sur ces documents, ceux-ci confirment que des mesures de gouvernance financière, des mécanismes de gestion des ressources, des contrôles internes et des systèmes d'information financière ont été mis en place et maintenus afin de garantir une utilisation efficace et efficiente des ressources.

Cette confirmation couvre l'élaboration, la mise en place et le maintien d'un ensemble de contrôles internes de nature à permettre l'établissement et la présentation d'états financiers qui soient auditables et exempts d'inexactitudes significatives, que celles-ci relèvent d'une fraude ou d'une erreur. Elle couvre aussi le compte rendu relatif à la capacité de l'entité à poursuivre son activité, la présentation, le cas échéant, des questions relatives à la continuité de l'activité, et l'application du principe comptable de continuité d'activité, à moins qu'il soit prévu de liquider l'entité ou de mettre un terme à son activité ou qu'il ne soit pas réaliste de procéder de la sorte.

Responsabilités de l'IBAN concernant l'audit des états financiers

L'audit a pour objectif de permettre à l'IBAN d'obtenir une assurance raisonnable sur le point de savoir si les états financiers considérés dans leur ensemble sont exempts d'inexactitudes significatives, que celles-ci relèvent d'une fraude ou d'une erreur, et de formuler une opinion à leur sujet. L'assurance raisonnable correspond à un degré de certitude élevé, mais elle ne garantit pas qu'un audit effectué conformément aux ISSAI permettra dans tous les cas de détecter les inexactitudes significatives. Les inexactitudes, qui peuvent résulter d'une fraude ou d'une erreur, sont considérées comme significatives lorsque l'on peut raisonnablement s'attendre à ce que, considérées isolément ou collectivement, elles influent sur les décisions économiques que les utilisateurs des états financiers prennent en se fondant sur ceux-ci.

Dans le cadre d'audits effectués conformément aux ISSAI, les auditeurs font appel à leur jugement professionnel et à leur esprit critique tout au long de la planification et de la réalisation du travail. Cela nécessite de tenir compte des particularités que présentent les entités du secteur public. L'IBAN s'attache aussi :

- à recenser et à évaluer les risques d'inexactitudes significatives dans les états financiers, que celles-ci relèvent d'une fraude ou d'une erreur, à concevoir et à mettre en œuvre des procédures d'audit sensibles à ces risques ainsi qu'à obtenir par son audit les éléments probants nécessaires et suffisants pour lui permettre de formuler une opinion ; le risque de non-détection d'une inexactitude significative relevant d'une fraude est plus élevé que le risque de non-détection d'une inexactitude significative relevant d'une erreur, car la fraude peut résulter d'une collusion, d'une falsification, d'omissions intentionnelles, de fausses déclarations ou du contournement du contrôle interne ;

- à acquérir une connaissance du contrôle interne qui soit pertinente pour l'audit, le but étant d'élaborer des procédures d'audit qui soient adaptées à la situation considérée et non pas d'exprimer une opinion sur l'efficacité du système de contrôle interne de l'entité ;

- à déterminer si les méthodes comptables appliquées sont appropriées et si les estimations comptables et les informations connexes fournies par la direction sont raisonnables ;

- à se prononcer sur le caractère approprié ou non de l'utilisation du principe comptable de la continuité d'activité et à déterminer, à partir des éléments probants obtenus par l'audit, s'il existe une incertitude significative du fait d'événements ou de circonstances susceptibles de remettre fondamentalement en cause la capacité de l'entité à poursuivre son activité ; si l'IBAN juge qu'une telle incertitude existe, il est tenu d'appeler l'attention, dans son opinion, sur les informations correspondantes figurant dans les états financiers ou, si ces informations sont incomplètes, de formuler une opinion modifiée ; les conclusions de l'IBAN sont fondées sur les éléments probants en sa possession à la date d'établissement de son rapport d'audit ; il n'est toutefois pas exclu que l'entité soit amenée à cesser son activité en raison d'événements ou de circonstances futurs ;

- à évaluer la présentation générale, la structure et le contenu des états financiers, y compris les informations fournies, et à déterminer si les états financiers rendent compte fidèlement des opérations et des événements qui en font l'objet.

L'IBAN est tenu de communiquer avec les organes chargés de la gouvernance, et notamment de les informer du périmètre et du calendrier de la mission d'audit qu'il prévoit d'effectuer, des principales conclusions de l'audit et des lacunes significatives qu'il aura éventuellement constatées dans le contrôle interne au cours de l'audit.

L'opinion que l'IBAN formule à l'intention du Conseil de l'Atlantique Nord doit aider ce dernier à s'acquitter de son rôle. C'est la raison pour laquelle l'IBAN est responsable de ses travaux et de son opinion devant le seul Conseil.

Audit de conformité

Opinion sur la conformité

Sur la base des procédures qu'il a appliquées, l'IBAN estime que rien, dans son audit des états financiers, ne lui donne de raison de penser que les fonds n'ont pas été employés aux bonnes fins – pour le règlement de dépenses autorisées – et en conformité avec le Règlement financier de l'OTAN et le Règlement du personnel civil de l'OTAN.

Justification de l'opinion émise sur la conformité

L'IBAN a effectué l'audit de conformité sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 4000), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

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

Responsabilité de la direction concernant la conformité

Tous les membres du personnel – civils et militaires – de l'OTAN sont tenus de respecter le Règlement financier de l'OTAN ainsi que les règles et procédures financières qui s'y rattachent et les directives d'application particulières, dont le Règlement du personnel civil de l'OTAN fait partie.

Le commandant suprême est responsable et tenu comptable d'une saine gestion financière. Les organismes OTAN doivent administrer leurs finances en s'appuyant sur les principes suivants : adéquation, bonne gouvernance, obligation de rendre compte, transparence, gestion des risques et contrôle interne, audit interne, audit externe, prévention et détection des fraudes.

Responsabilité de l'IBAN concernant la conformité

Selon sa charte, en plus d'être responsable de fournir une assurance raisonnable quant à la question de savoir si les états financiers considérés dans leur ensemble sont exempts d'inexactitudes significatives, l'IBAN doit chaque année rendre au Conseil un avis indépendant lui assurant que les fonds ont été employés aux bonnes fins – pour le règlement de dépenses autorisées (adéquation) – et en conformité avec la réglementation en vigueur (régularité). Par « adéquation », on entend le respect des principes généraux régissant une gestion financière saine ainsi que la conduite des membres de l'administration. Par « régularité », on entend le respect de critères officiels tels que les règlements, règles et procédures applicables.

Il incombe ainsi à l'IBAN d'appliquer des procédures lui permettant d'obtenir en toute indépendance une assurance sur le point de savoir si les fonds ont été employés aux bonnes fins – pour le règlement de dépenses autorisées – et en conformité avec la réglementation en vigueur. De telles procédures prévoient notamment la prise en compte des risques de non-conformité significative.

Bruxelles, le 26 août 2020

Daniela Morgante
Présidente

26 août 2020

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS

CONCERNANT LE COMMANDEMENT ALLIÉ OPÉRATIONS

(ACO)

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2019

Introduction

Le Collège international des auditeurs externes de l'OTAN (IBAN) a audité les états financiers consolidés du Commandement allié Opérations (ACO) pour l'exercice clos le 31 décembre 2019. Il a émis une opinion sans réserve à leur sujet ainsi que sur la conformité.

Observations et recommandations

Au cours de l'audit, l'IBAN a formulé une observation, assortie de recommandations. Cette observation n'a pas d'incidence sur l'opinion émise concernant les états financiers et la conformité :

1. Groupe interarmées multinational pour les opérations psychologiques (CJPOTF) : insuffisances dans le processus d'autorisation et de gestion pour des marchés concernant la mission Resolute Support.

L'IBAN a fait le point sur la suite donnée aux questions ayant fait l'objet d'observations et de recommandations lors de précédents audits. Il a constaté que une question avait été traitée et que dix questions étaient en cours de traitement.

Une lettre a été adressée au chef d'état-major de l'ACO. Elle contient des observations et des recommandations qui ont été formulées au cours de l'audit et qui ne figurent pas dans la présente lettre d'observations et de recommandations, et elle fait le point sur les suites données à des observations formulées dans de précédentes lettres à la direction. En effet, l'IBAN estime que ces questions doivent être traitées par la direction et qu'elles relèvent dès lors de la responsabilité de celle-ci.

OBSERVATIONS ET RECOMMANDATIONS

1. GROUPE INTERARMEES MULTINATIONAL POUR LES OPERATIONS PSYCHOLOGIQUES (CJPOTF) : INSUFFISANCES DANS LE PROCESSUS D'AUTORISATION ET DE GESTION POUR DES MARCHES CONCERNANT LA MISSION RESOLUTE SUPPORT

Contexte

1.1 En vertu de l'article 32.2 du Règlement financier de l'OTAN (NFR), le contrôleur des finances fait en sorte que les principes d'acquisition et de passation de marchés soient respectés et qu'ils cadrent avec les principes de saine gestion financière.

1.2 Selon les règles et procédures financières (FRP) XXXII, des dérogations aux méthodes normales d'acquisition ne peuvent être accordées par le contrôleur des finances que pour des raisons de sécurité, en cas d'urgence, à des fins de normalisation de matériels ou dans des circonstances exceptionnelles. Lorsque le montant total est supérieur au niveau E des limites financières établies (LFE) (800 000 EUR), le dossier est soumis à la décision du Comité des budgets.

1.3 Selon le paragraphe 2-4 de la directive des commandements stratégiques en matière d'achats et de marchés (Bi-SCD 060-070), « *toute demande d'exception ou de dérogation doit être intégralement justifiée, et le dossier du marché doit contenir toute la documentation à l'appui. Les dérogations peuvent être accordées pour des raisons de sécurité, d'urgence opérationnelle et de normalisation ou en fonction d'autres considérations pratiques. Les demandes de dérogation doivent reposer sur l'incapacité pour l'ACO de respecter raisonnablement les critères de mise en concurrence. Cependant, l'urgence née d'une absence de décision en temps utile ne constitue pas un motif suffisant pour ne pas respecter les exigences eu égard au nombre minimum de fournisseurs et pour ne pas mettre en concurrence un maximum de fournisseurs admissibles.*»

1.4 Selon les paragraphes 15 C et 26 de l'instruction permanente 000803 (SOP 803), les personnes responsables des marchés sont tenues d'effectuer, au cours de la phase de préadjudication, une analyse de marché approfondie afin de recenser les entreprises afghanes qui ne font pas partie du groupe de base des fournisseurs existants. En outre, le paragraphe 27 de la SOP 803 prévoit un système de vérification des antécédents des fournisseurs visant à repérer ceux qui présentent un degré de risque élevé. Seuls les fournisseurs ayant reçu une cote acceptable auront la possibilité de participer à un appel d'offres et de passer un marché avec le QG de la mission Resolute Support de l'OTAN.

1.5 S'agissant des paiements relatifs à l'exécution d'un contrat, le paragraphe 2-16 de la directive Bi-SCD 060-070 stipule que « *les paiements ne sont effectués que lorsque le contractant s'est intégralement acquitté de toutes ses* *obligations contractuelles et sur présentation d'une facture originale correcte ou d'une copie certifiée conforme.»*

1.6 Le paragraphe 11 de la SOP 803 prévoit en outre que, en règle générale, les factures exactes, certifiées et validées doivent être réglées dans un délai de 30 jours à compter de leur réception par le contrôleur des finances (FINCON) de la mission Resolute Support. Étant donné que la mission Resolute Support/l'OTAN paie sur la base de la « recette » des biens et/ou des services, il est impératif de déterminer, pour chacune des prestations, si des biens ou des services sont défectueux, sont d'un niveau inférieur au niveau demandé ou sont manquants.

1.7 Enfin, concernant les dérogations, le paragraphe 7 de l'annexe b de la directive Bi-SCD 060-070 précise que toute dérogation – en vue de la passation d'un marché de gré à gré ou d'une procédure du mieux disant – doit faire l'objet d'une demande d'approbation avant le lancement de l'appel d'offres ou de l'appel de marché. Le niveau de l'autorité qui doit approuver le mémorandum de requête est déterminé sur la base du montant total sur lequel porte le marché.

Observations

Non-respect des dispositions concernant le niveau de l'autorité habilitée à approuver les demandes de dérogation

1.8 L'IBAN a examiné l'ensemble des 15 marchés relatifs au CJPOTF qui ont été attribués et modifiés en 2019. Ces 15 marchés, qui portent sur des activités de radio- et de télédiffusion, ont été attribués dans le cadre d'une dérogation autorisant la passation d'un marché de gré à gré.

1.9 Pour 8 de ces 15 marchés, le montant sur lequel ils portaient avait été sous-estimé au moment de l'attribution du contrat. Sur la base de ces montants incorrects, c'est le contrôleur des finances du QG de la mission Resolute Support qui a approuvé les dérogations autorisant la passation de marchés de gré à gré. Si les montants avaient été évalués de manière appropriée, c'est le contrôleur des finances du Commandement allié de forces interarmées de Brunssum (JFCBS) qui aurait dû autoriser les dérogations en vue de la passation de marchés de gré à gré.

1.10 Outre les 15 marchés mentionnés ci-dessus, l'IBAN a constaté que, en novembre 2019, le contrôleur des finances du JFCBS avait octroyé une dérogation autorisant la passation d'un marché de gré à gré portant sur la fourniture en Afghanistan de services de communication autres que des services de radio- et de télédiffusion, pour un montant de 440 000 EUR. Un mois plus tard, en décembre 2019, le contrat a finalement été signé, mais il portait sur un montant de 960 000 EUR principalement parce que des besoins supplémentaires avaient été pris en compte.

1.11 Sachant que le niveau de l'autorité à laquelle il faut soumettre les demandes de dérogation est déterminé en fonction du montant total sur lequel porte le contrat, dans le cas en question, c'est le Comité des budgets qui aurait dû approuver la dérogation.

1.12 Il faut estimer correctement les montants sur lesquels portent les marchés pour faire en sorte que les demandes de dérogation aux règles d'acquisition définies dans le NRF/les FRP soient soumises à l'autorité de niveau approprié, qui est déterminée sur la base du montant réel sur lequel porte le marché envisagé.

Insuffisance des justifications fournies à l'appui de l'octroi de dérogations pour la passation de marchés de gré à gré portant sur des activités de radio- et de télédiffusion

1.13 L'IBAN a examiné 19 dérogations aux méthodes normales d'acquisition qui ont été octroyées en 2019 au CJPOTF pour des services de radio- et de télédiffusion. Ces 19 dérogations couvraient les 15 marchés évoqués plus haut ainsi que 4 marchés qui n'ont pas été modifiés en 2019. Les montants concernés allaient de 70 664 EUR à 158 620 EUR, et de 61 748 USD à 618 132 USD. Pour les services de radiodiffusion, la principale justification avancée à l'appui du recours à un marché de gré à gré était que la station de radio considérée était très connue dans le district considéré et qu'elle se distinguait des autres stations de radio par sa capacité à diffuser les messages de la mission Resolute Support à des populations se trouvant dans des régions où la couverture par le réseau radio PSYOPS du CJPOTF était limitée, et à des populations de milieux socioéconomiques divers.

1.14 Aucune étude de marché ou analyse équivalente n'a été fournie pour justifier que seule la station de radio choisie était en mesure de proposer le service voulu. L'IBAN a également noté que certaines dérogations autorisant la passation d'un marché de gré à gré avaient été octroyées sur la base de besoins linguistiques et géographiques. Or, l'analyse des contrats a montré que plus d'une station radio aurait été en mesure de répondre à ces deux types de besoins.

1.15 L'IBAN note que, par prudence, les contrats ont été négociés pour un an, avec la possibilité de prolongation d'un an à la fois pendant 3 ans. Il note aussi que l'horizon de planification reste tributaire de la durée de la mission Resolute Support, sur laquelle planent toujours des incertitudes, et que le Comité des budgets a approuvé les demandes de passation de marchés de gré à gré mentionnées ci-dessus pour un montant de 13,18 MEUR, à compter de janvier 2019. Des dérogations autorisant la passation de marchés de gré à gré supplémentaires portant sur un montant d'environ 2,5 MEUR ont été octroyées au niveau local par le JFCBS et le QG de la mission Resolute Support pour des services de radiodiffusion.

1.16 Toutefois, aucun élément approprié n'a été fourni pour justifier le recours si fréquent à la procédure de passation de marchés de gré à gré en vue de la signature de contrats sur le théâtre et pour justifier l'octroi de dérogations au NFR et aux FRP.

Octroi de marchés à des fournisseurs dont les antécédents n'ont pas été vérifiés

1.17 En 2019, sur les 15 marchés mentionnés plus haut, le QG de la mission Resolute Support en a octroyé au moins 6 à des stations de radio qui n'étaient pas enregistrées dans le système de vérification des antécédents des fournisseurs, alors qu'il s'agit d'une exigence inscrite dans la SOP 803, qui doit permettre à la Division Vérification des antécédents des fournisseurs du QG de la mission Resolute Support de repérer les fournisseurs qui présentent un degré de risque élevé. Le montant total sur lequel portent les marchés en question est supérieur à 900 000 USD. Les fournisseurs n'étant pas enregistrés dans le système évoqué, le QG de la mission Resolute Support a résilié les contrats passés.

Insuffisances dans la fixation des prix

1.18 En examinant les marchés passés pour des services de radio- et de télédiffusion, l'IBAN a constaté qu'il n'y avait pas eu de négociation concrète entre le QG de la mission Resolute Support et le contractant. Il est d'usage que la personne responsable du marché envoie aux contractants potentiels un courriel pour leur demander de faire une offre de prix. Le contrat a ensuite été établi sur la base des informations communiquées par les contractants potentiels en réponse au courriel reçu. Ce n'est que dans des cas exceptionnels que la personne responsable du marché a soumis une contre-proposition au contractant potentiel.

1.19 Le service Achats et marchés du QG de la mission Resolute Support n'a pas réalisé d'étude de marché qui lui aurait permis d'avoir une idée de la fourchette de prix pour les services demandés. Par conséquent, le prix unitaire des messages radiodiffusés se situe dans une fourchette allant de 7 à 40 USD par minute dans la même plage horaire. Pour les messages télédiffusés par différentes sociétés de télévision, le prix unitaire peut aller de 20 à 25 USD par minute (fourchette basse) à 95 à 150 USD par minute (fourchette haute) dans la même plage horaire. Pour la fourchette basse (20 à 25 USD par minute), ce niveau de prix a été obtenu dans le cadre de l'une des rares procédures de mise en concurrence.

Insuffisances dans le contrôle de l'exécution de contrats concernant des activités du CJPOTF

1.20 Afin d'évaluer l'efficacité du processus de certification de la fourniture des services de radio- et de télédiffusion, l'IBAN a examiné les contrôles que le QG de la mission Resolute Support a effectués concernant l'exécution de 6 des 15 contrats mentionnés plus haut.

1.21 Dans 3 des 6 cas examinés, aucun contrôle n'avait été effectué. Dans les 3 autres cas, l'IBAN a constaté que le document de certification ne contenait pas d'informations essentielles telles que le nombre de jours, les plages horaires ou le nombre de messages radio- ou télédiffusés vérifiés par le QG de la mission Resolute

Support. Des paiements ont donc été effectués aux contractants sans que les services fournis aient fait l'objet d'une certification appropriée.

Recommandations

1.22 Pour les activités de radio- et de télédiffusion relatives à la mission Resolute Support, l'IBAN recommande à l'ACO :

- de respecter les dispositions concernant le niveau de l'autorité chargée d'approuver les dérogations, en particulier lorsque les montants sur lesquels portent les marchés sont modifiés à la hausse ;

- de faire en sorte que chacune des dérogations autorisant la passation d'un marché de gré à gré soit dûment justifiée au regard du NFR, des FRP et de la réglementation relative aux achats et aux marchés ;

- de renforcer le processus de certification pour les services de radio- et de télédiffusion fournis à la mission Resolute Support, en octroyant les marchés à des fournisseurs enregistrés dans le système de vérification des antécédents et en établissant un guide visant à faciliter la fixation des prix des services reçus.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

L'IBAN a fait le point sur la suite donnée aux questions ayant fait l'objet d'observations lors de précédents audits. On trouvera dans le tableau ci-après un récapitulatif de ces observations et des mesures prises par l'entité (dans la mesure où elles ont été examinées par l'IBAN), ainsi que l'état de la question.

Une question est considérée comme étant « à traiter » lorsqu'aucun progrès notable n'a encore été réalisé en vue de son règlement. Une question est considérée comme étant « en cours de traitement » lorsque l'entité a commencé à mettre en œuvre la recommandation correspondante ou lorsque certains éléments de la recommandation (mais pas tous) ont été suivis d'effets. Une question est considérée comme étant « traitée » lorsque la recommandation correspondante a été mise en œuvre ou qu'elle a été rendue ou est devenue caduque. Lorsque la recommandation se subdivise en plusieurs éléments, l'état de la question est indiqué pour chacun d'eux dans la colonne « Mesures prises ».

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
(1) ACO – Exercice 2018 **IBA-AR(2019)0016, paragraphe 1** **L'ACO DOIT ÊTRE UN « CLIENT INTELLIGENT » DES AGENCES OTAN FINANCÉES PAR LE CLIENT** **Recommandation de l'IBAN** L'IBAN recommande que l'ACO établisse un plan d'action visant à lui permettre d'être davantage en mesure de mettre en question la validité des informations et des solutions fournies par les deux grandes agences de l'OTAN. A. Concernant les services SIC, l'ACO devrait mettre en place des systèmes informatiques pour la réalisation des tâches décrites ci-après, et en assurer le suivi : - vérification des estimations fournies par la NCIA concernant le temps de travail du personnel et les coûts s'y rapportant ; - vérification de la cohérence entre les investissements et les coûts d'exploitation et de maintenance (O&M) liés aux paquets de capacités : - mesure de la qualité et de la performance des services fournis par la NCIA.	**Observation A** L'IBAN note que l'ACO n'est pas encore en mesure d'évaluer et de valider de manière correcte et appropriée les estimations fournies par la NCIA. Avec la mise en place du catalogue des tarifs des services aux clients de l'Agence (CCSC), approuvé par les pays, la visibilité et la transparence sont limitées en termes de coûts des SIC externes (ECIS) et de coûts du soutien des services (SSC). Par exemple, le lien entre les modifications des besoins et les modifications des coûts reste flou. Dans l'exercice de son rôle limité de client intelligent, l'ACO doit se concentrer principalement sur la définition des besoins et sur l'efficacité de la fourniture des services. Par ailleurs, le Grand quartier général des puissances alliées en Europe (SHAPE) a communiqué au Comité de surveillance de l'Agence (ASB) et au Comité des budgets des observations concernant les tarifs clients de l'Agence dans le but de mettre en question ces tarifs. La Direction	Question **en cours de traitement**

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
	Finances et acquisitions (FINAC) du SHAPE a également participé à la réunion d'examen trimestriel des niveaux de service afin d'analyser les activités d'exécution financière menées par l'Agence et les rapports sur les acquisitions prévues, et de soulever des questions si nécessaire. Un travail est en cours concernant les indicateurs de qualité (KQI) et les indicateurs de performance (KPI) utilisés par l'ACO, le but étant d'améliorer la mesure de la qualité et de la performance des services fournis par l'Agence. L'IBAN note que la Force aéroportée de détection lointaine et de contrôle de l'OTAN (NAEW&CF) n'a pas encore établi d'accord formel sur les niveaux de service (SLA). La Force est en train de revoir la manière d'organiser ses relations avec la NCIA.	
B. Pour les autres biens et services militaires, l'ACO devrait : - clarifier avec la NSPA, au niveau des processus de travail, les rôles et les responsabilités respectifs du Commandement et de l'équipe Intégration des contrats et les consigner dans l'accord de soutien logistique et dans le programme de travail s'y rapportant ; - se doter de moyens lui permettant de mettre en question les avis et les solutions de soutien logistique qui sont définis par l'équipe Intégration des contrats et que la NSPA fournit au Commandement, en améliorant pour cela l'utilisation d'indicateurs de performance.	**Observation B** L'IBAN note que le travail sur la version révisée du dossier de décision concernant l'équipe Intégration des contrats, renommée Équipe de planification et de liaison (NPLT) de l'Agence OTAN de soutien et d'acquisition (NSPA), est toujours en cours (travail suspendu en raison de la pandémie de COVID-19).	
(2) ACO – Exercice 2018 **IBA-AR(2019)0016, paragraphe 2** **L'ACO DOIT ATTÉNUER LES RISQUES LIÉS AU RECOURS À DES AGENCES OTAN FINANCÉES PAR LE CLIENT**		Question **en cours de traitement**

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
Recommandation de l'IBAN L'IBAN recommande à l'ACO de gérer tous les grands risques opérationnels, financiers et juridiques liés au recours à des agences OTAN financées par le client et, pour ce faire, d'inscrire ces risques dans les registres des risques opérationnels et financiers et d'établir des mesures d'atténuation claires. L'IBAN recommande en particulier de traiter les risques suivants : - longueur des délais pour les opérations et les missions de l'OTAN et coûts s'y rapportant ; - qualité insuffisante des équipements et des services SIC fournis notamment par des contractants SIC externes en dehors de l'accord sur les niveaux de service passé avec la NCIA ; - dépassement des coûts liés aux contractants SIC externes en raison du manque de cohérence dans l'application des accords fondés sur des prix fermes et définitifs ; - peu de possibilités de prendre des mesures dans le cadre des accords passés avec les agences et manque de clarté concernant la répartition des obligations financières découlant de ces accords.	L'IBAN note que les SLA existants ne prévoient toujours qu'un mécanisme de portée limitée pour le règlement des différends en cas de perturbations majeures ayant une incidence sur la continuité des services et pour le règlement des litiges soulevés dans le cadre de services fournis par des contractants externes. Au cours de l'audit, l'IBAN a toutefois noté que la Direction FINAC de l'ACO avait commencé à appliquer les dispositions du cadre COSO concernant la gestion du risque d'entreprise et le contrôle interne au processus relatif au budget centralisé des systèmes d'information et de communication de l'OTAN (NCCB). L'IBAN a également noté que, dans le cadre du processus de gestion des risques mis en place par la Direction FINAC de l'ACO, le Groupe Systèmes d'information et de communication de l'OTAN (NCISG) avait commencé à établir une procédure d'analyse des risques axée sur la validation des biens et des services reçus des agences de l'OTAN. L'IBAN a noté que le modèle de prix ferme et définitif (FFP) n'était toujours pas appliqué de manière uniforme dans l'ensemble de l'ACO, étant donné que certains QG locaux sont en mesure de modifier leurs ordres d'achat alors que d'autres ne le sont pas. En outre, l'IBAN a noté que des discussions étaient en cours au sujet des modifications à apporter au mécanisme de recours à des instances de niveau supérieur en cas de litige, et que la Direction FINAC du SHAPE avait demandé qu'un rapport sur les acquisitions prévues portant sur un montant supérieur à 160 000 EUR soit présenté dans chacun des rapports trimestriels sur les niveaux de service (QSLR). Une demande a également été soumise à la NCIA afin qu'il soit fait état dans les QSLR du montant	

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
	des déboursements effectifs et des engagements plutôt que d'un taux d'utilisation.	
(3) ACO – Exercice 2017 **IBA-AR(2018)0009, paragraphe 1** **INEXACTITUDES DANS LES REGISTRES DES ACTIFS POUR LA MISSION RESOLUTE SUPPORT** **Recommandation de l'IBAN** L'IBAN recommande à l'ACO de diffuser les instructions d'exploitation nécessaires pour faire en sorte que des registres des actifs pleinement fiables et à jour soient établis, et notamment d'y donner des instructions claires afin qu'une approche cohérente soit suivie dans les différents sites de la mission Resolute Support pour l'enregistrement comptable des actifs (par exemple les hôpitaux, les pistes et diverses installations d'aérodrome) dans les registres des actifs. En outre, les registres des actifs financiers devraient être pleinement justifiés et rapprochés des registres des stocks et des registres des infrastructures tenus par les ingénieurs et les logisticiens.	L'IBAN note que, depuis 2016, la mission Resolute Support a revu ses SOP et qu'elle effectue régulièrement (chaque trimestre) des inventaires complets ainsi que de nombreuses vérifications par sondage. L'IBAN a examiné tous les rapports portant sur les contrôles des stocks. En 2018, un groupe de travail sur la gestion des actifs a été mis en place. Composé de logisticiens, d'ingénieurs, de gestionnaires d'actifs et de personnel financier, ce groupe se réunit tous les mois. L'IBAN a également noté l'an dernier que, depuis 2017, un groupe de travail similaire effectuait de nombreuses vérifications par sondage dans les cinq grands sites OTAN sur le théâtre. Il a noté en outre que, depuis la fin 2017, l'ACO et la NSPA travaillaient sur le système logistique, à savoir le système de soutien des dépôts de l'OTAN (NDSS). Les données relatives aux infrastructures ont été enregistrées dans le NDSS en mai 2019. Les ingénieurs sont en train de consigner les nouvelles procédures dans une SOP. L'IBAN a noté par ailleurs que, en novembre 2018, le module de gestion et de maintenance du parc automobile (MTM) avait été implémenté pour la première fois dans le cadre de la mission Resolute Support, et que les données avaient été révisées et validées. En 2019, une approche simplifiée a été mise en œuvre pour la gestion des actifs au sein du QG de la mission Resolute	Question **traitée**

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
	Support. Il a été pleinement rendu compte de cette initiative dans les états financiers de 2019.	
(4) ACO Exercice 2017 **IBA-AR(2018)0009, paragraphe 4** **NÉCESSITÉ DE METTRE À JOUR LES MODALITÉS DE FINANCEMENT ET LES MÉMORANDUMS D'ENTENTE POUR CINQ SERVICES D'AÉRODROME ESSENTIELS DANS LE CADRE DE LA MISSION RESOLUTE SUPPORT** **Recommandation de l'IBAN** L'IBAN recommande que le SHAPE, en concertation avec le JFCBS, prenne les mesures nécessaires : a) pour mettre à jour et harmoniser les annexes des MoU et pour demander aux pays de mettre à jour les modalités de financement concernant la mission Resolute Support afin qu'elles reflètent mieux la situation actuelle et de spécifier les dépenses admissibles s'agissant des cinq services d'aérodrome essentiels ; b) pour envisager d'accorder expressément au JFCBS une certaine marge de manœuvre pour décider de l'admissibilité des demandes soumises par les pays-cadres pour des services qui ne sont pas inscrits spécifiquement dans les annexes des MoU mais qui pourraient avoir un lien avec la fourniture des cinq services d'aérodrome essentiels ; c) pour mettre à jour immédiatement le MoU concernant Hérat et faire ainsi en sorte qu'un accord écrit sur les coûts admissibles au financement commun soit mis en place.	a) Selon l'ACO, les modalités de financement de la mission Resolute Support ne peuvent être modifiées et/ou mises à jour que par le Bureau de la planification et de la politique générale des ressources (RPPB). b) Pour les MoU relatifs à certains pays-cadres, le SHAPE est en train d'établir une nouvelle annexe, en concertation étroite avec ces pays. Il faut toutefois encore approuver ces annexes. L'ACO doit encore réfléchir à la manière d'introduire de la flexibilité. c) Le MoU relatif à Hérat a été signé le 24 juin 2019.	Question **en cours de traitement**
(5) ACO Exercice 2017 **IBA-AR(2018)0009, paragraphe 5** **NON-SIGNATURE D'ARRANGEMENTS TECHNIQUES POUR L'UTILISATION DES ÉQUIPEMENTS ET DES INFRASTRUCTURES FINANCÉS PAR L'OTAN À L'AÉROPORT**		Question **en cours de traitement**

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
INTERNATIONAL HAMID KARZAÏ (HKIA), À MAZAR-I-SHARIF (MES) ET À HÉRAT **Recommandation de l'IBAN** L'IBAN recommande à l'ACO de faire en sorte que des arrangements techniques relatifs à l'utilisation d'actifs de l'OTAN soient signés avec chaque pays dès que possible, le but étant de garantir le respect de l'obligation de rendre compte grâce à une répartition claire des rôles et des responsabilités.	L'arrangement technique relatif à l'utilisation d'équipements financés par l'OTAN (NFE) et d'infrastructures financées par l'OTAN (NFI) au HKIA a été signé en août 2019. Selon l'ACO, il n'y a pas d'arrangement technique pour Hérat et Mazar-i-Sharif étant donné qu'il y a peu, voire pas de NFE et de NFI dans ces sites. Selon l'ACO, il n'est donc pas nécessaire d'établir de tels arrangements. L'IBAN estime toutefois que, comme il y a des NFI (infrastructures financées sur le NSIP) dans ces sites, l'ACO doit signer des arrangements techniques avec les pays-cadres.	
(6) ACO Exercice 2017 **IBA-AR(2018)0009, paragraphe 8** **NÉCESSITÉ D'APPORTER DES AMÉLIORATIONS DANS LES DOMAINES DE LA GESTION DES RISQUES ET DU CONTRÔLE INTERNE** **Recommandation de l'IBAN** L'IBAN formule les recommandations suivantes : a) l'ACO devrait finaliser au plus vite le travail d'évaluation et de consignation par écrit des procédures de contrôle interne ; b) une fois qu'une suite aura été donnée à la recommandation formulée au point a), le service d'audit interne de l'ACO devrait évaluer pleinement le contrôle interne et la gestion des risques dans l'ensemble de l'organisme, et il devrait veiller à ce que ce travail soit clairement documenté, de manière à ce que l'on puisse aboutir à la conclusion que l'ACO respecte le cadre choisi ;	L'IBAN note que l'ACO a fait des progrès considérables dans le traitement de cette question. Pour les recommandations a) et b), les progrès réalisés concernant le système de gestion stratégique de l'ACO sont les suivants : établissement du plan de gestion stratégique de l'ACO (ASMP) pour 2020-2024 (document actuellement à l'examen), et établissement de la nouvelle directive ACO 015-027, consacrée au système de gestion stratégique du Commandement et datée du 17 février 2020. La directive ACO sur le contrôle interne, qui porte spécifiquement sur le contrôle	Question **en cours de traitement**

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
	interne des opérations financières et des acquisitions, va être diffusée prochainement. Un tableau présentant le niveau d'assurance a été mis en place au sein de l'ACO sur la base du modèle des 3 lignes de défense. L'IBAN note que la commission consultative sur l'audit s'est vraiment investie dans son rôle de fournisseur d'assurance concernant l'efficacité du système de contrôle interne.	
c) l'ACO, en tant qu'entité consolidante, devrait se mettre en contact avec la Force NAEW&C et avec la NAGSF pour faire en sorte que des procédures de gestion des risques stratégiques soient mises en œuvre au sein de ces deux forces, que les risques soient repérés et qu'il y soit remédié de manière appropriée.	Pour la recommandation c), qui porte sur la NAEW&CF et la NAGSF, on trouvera ci-dessous les commentaires de l'IBAN. Au cours de l'audit, l'IBAN a noté que le QG de la NAEW&CF, à Geilenkirchen, avait mis en œuvre un système de gestion des risques fondé sur la norme ISO 31000. Des réunions sont organisées tous les trimestres et les risques ayant une incidence élevée sont examinés sur la base du manuel relatif à la gestion des risques. L'IBAN note que la NAGSF est toujours en train de travailler sur la question de la gestion des risques.	
(7) ACO – Exercice 2016 **IBA-AR(2017)08, paragraphe 2** **RÉALISATION DE PROGRÈS SUR LA VOIE DE LA CONFORMITÉ AVEC LE RÈGLEMENT FINANCIER DE L'OTAN, ET EN PARTICULIER AVEC LES ARTICLES RELATIFS AU CONTRÔLE INTERNE, À LA GESTION DES RISQUES ET À L'AUDIT INTERNE** **Recommandation de l'IBAN** L'IBAN formule les recommandations suivantes : d) le Conseil devrait faire en sorte que le NFR et les FRP soient cohérents en ce qui concerne la marge de manœuvre autorisée pour le report de crédits budgétaires de l'exercice en cours correspondant à des biens et	L'IBAN note que l'ACO, en concertation avec le Bureau OTAN des ressources (NOR) et le Groupe de travail des contrôleurs des finances (FCWG), s'est beaucoup investi dans la préparation de la mise à jour du NFR et des FRP de	Question **en cours de traitement**

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
services à fournir pendant l'exercice suivant ; s'agissant des FMS, il faudrait déterminer si, à des fins budgétaires, le NFR doit être adapté. Il conviendra de tenir compte de cette recommandation à l'occasion du recensement des enseignements à tirer de la nouvelle version du NFR qui doit être effectué en 2017.	l'OTAN, qui portera notamment sur la problématique évoquée. Le traitement de cette question est toujours en cours.	
(8) ACO – Exercice 2016 **IBA-AR(2017)08, paragraphe 3** **ABSENCE DE GARANTIE QUANT AU FONCTIONNEMENT CONTINU D'UN SYSTÈME ESSENTIEL AU SEIN DE LA FORCE AÉROPORTÉE DE DÉTECTION LOINTAINE ET DE CONTRÔLE DE L'OTAN (NAEW&CF)** **Recommandation de l'IBAN** L'IBAN recommande à la Force NAEW&C d'établir un plan destiné à garantir la bonne administration du PILS. Pour y parvenir, la Force pourrait par exemple veiller à former un plus grand nombre d'agents, désigner des suppléants, établir des procédures par écrit ainsi qu'un manuel sur le processus à suivre, ou réfléchir aux possibilités de recours à des contractants extérieurs pour l'exécution de certaines fonctions. La Force NAEW&C devrait en outre faire en sorte qu'une capacité adéquate de maintenance et d'administration du PILS soit en place.	L'IBAN note que le Bureau du commandant de la Force a diffusé le 17 juin 2019 la feuille d'instruction 2019/55, intitulée « ECD Q2 2020 "*PILS Gap Assessment Sustainment Plan*"», dans laquelle il est demandé à la Division Infrastructure et génie d'effectuer une évaluation des insuffisances actuelles du système de stocks du PILS et de formuler une recommandation de plan destiné à remédier aux insuffisances qui auront été recensées. En raison de la pandémie de COVID-19, l'établissement de ce plan a été reporté.	Question **en cours de traitement**
(9) ACO – Exercice 2016 **IBA-AR(2017)08, paragraphe 5** **ABSENCE DE MÉMORANDUM D'ACCORD AVEC LA NCIA** **Recommandation de l'IBAN** Le Collège recommande à l'ACO de poursuivre le travail d'établissement d'un mémorandum d'accord avec la NCIA. Il faudrait aussi établir au plus vite un SLA pour la KFOR.	Aucun mémorandum d'accord (MoA) n'a encore été signé entre l'ACO et la NCIA. Concernant la KFOR, la Division J6 Systèmes d'information et de communication (SIC) fournit au Commandement allié de forces interarmées de Naples (JFCNP) des rapports trimestriels sur les niveaux des services SIC.	Question **en cours de traitement**

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
	L'IBAN a noté que, fin 2019, des discussions étaient en cours entre l'ACO et la NCIA au sujet de l'établissement d'un accord général pour la fourniture de services SIC au sein de la KFOR.	
(10) ACO – Exercice 2015 **IBA-AR(2016)09, paragraphe 6** **NÉCESSITÉ D'ÉTABLIR DE NOUVEAUX ACCORDS DE SOUTIEN LOGISTIQUE AVEC LA NSPA** **Recommandation de l'IBAN** Pour une meilleure gestion des moyens déployables et du soutien de la Force NAEW&C, l'IBAN recommande à l'ACO de prendre des mesures afin d'établir des accords globaux avec la NSPA. Pour assurer une transparence et un compte rendu optimum, ces accords devraient spécifier clairement les services à fournir, les rôles, les responsabilités, les conditions, les indicateurs de performance, les indicateurs de qualité et les exigences en matière de compte rendu.	La version finale d'un projet de LSA entre la NAEW&CF et la NSPA a été établie. Elle a été envoyée début 2020 à l'Agence pour observations.	Question **en cours de traitement**
(11) ACO – Exercice 2013 **IBA-AR(2014)20, paragraphe 5** **NÉCESSITÉ D'UNE CONFIRMATION PAR LES ENTITÉS OTAN DU SOLDE DES ÉLÉMENTS D'ACTIF ET DE PASSIF EN FIN D'EXERCICE** **Recommandation de l'IBAN** L'IBAN recommande que, à partir de l'exercice 2014, l'ACO se fasse confirmer par les autres organismes OTAN concernés le solde des éléments d'actif et de passif leur correspondant en prévision de l'établissement des états financiers.	L'IBAN a noté que l'ACO continuait de consacrer une grande énergie au processus d'examen itératif de l'ensemble des sommes en souffrance s'agissant des montants à payer, des montants à recevoir, des avances et des ordres d'achat concernant les autres entités OTAN. Il a reçu l'état de fin d'exercice relatif au processus itératif pour la NSPA, la NCIA et d'autres entités OTAN. Il a noté que les données concernant l'état de fin d'exercice relatif aux ordres d'achat des agences (NSPA et NCIA) restaient incomplètes ou inexactes.	Question **en cours de traitement**

COMMENTAIRES OFFICIELS DU COMMANDEMENT ALLIÉ OPÉRATIONS (ACO) CONCERNANT LA LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS ET POSITION DU COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN (IBAN)

OBSERVATION N° 1 : GROUPE INTERARMEES MULTINATIONAL POUR LES OPERATIONS PSYCHOLOGIQUES (CJPOTF) : INSUFFISANCES DANS LE PROCESSUS D'AUTORISATION ET DE GESTION POUR DES MARCHES CONCERNANT LA MISSION RESOLUTE SUPPORT

Commentaires officiels de l'ACO

<u>Dérogations</u>
Le CJPOTF est une structure de communication fluide et dynamique, qui a pour tâche spécifique de mettre à exécution les projets du commandant de la mission Resolute Support. Cette tâche a été décrite dans des exposés qui ont été faits au Comité des budgets fin 2018, au moment où des demandes de dérogation ont été soumises à l'approbation de ce comité.
Il est à noter que, sur les 16 dérogations concernées, une seule n'a pas été soumise à l'approbation du Comité des budgets, contrairement à ce que prévoient les dispositions en place. Les 15 autres dérogations ont toutes suivi la procédure appropriée.

Flexibilité, adaptabilité et rapidité sont des caractéristiques inhérentes à la mise en place d'activités psychologiques pendant des opérations, ce qui donne parfois lieu à des modifications des estimations des coûts et, en fonction de la nature de ces modifications, une réévaluation doit être effectuée afin que les activités restent en phase avec les priorités fixées par le commandant de la mission Resolute Support. Les estimations initiales sont donc valables au moment de l'approbation, mais peuvent par la suite, avec du recul, se révéler incorrectes. Bien que les modifications soient explicables, la Division CJ8 s'emploiera à éviter que de telles situations se reproduisent à l'avenir, en veillant à ce qu'une supervision plus étroite soit exercée par le JFCBS.

<u>Marché de gré à gré</u>
La Division CJ8 de la mission Resolute Support et le CJPOTF sont largement convaincus que les décisions relatives à la passation d'un marché de gré à gré ont été prises parce qu'il n'existait qu'une seule entreprise de médias disponible qui avait une couverture suffisante pour répondre aux besoins de la mission, et notamment aux besoins en termes de région (province) visée ; de segment de population visé ; de langue nécessaire et/ou de moyens de

diffusion dans la région clé identifiée par la mission. S'il n'y a qu'un seul fournisseur pour un service et qu'une organisation a besoin de ce service, le prix augmente. Même s'il peut y avoir plusieurs entreprises dans une région donnée, il est possible qu'elles ne donnent pas suite à un appel d'offres en raison de l'environnement à haut risque. Cela a été expliqué de manière appropriée au Comité des budgets.

Vérification des antécédents
S'agissant de la vérification des antécédents, l'OTAN ne dispose pas de son propre service de vérification et est très largement tributaire des services offerts par un pays. Cela étant, les contrats PSYOPS ne sont pas des contrats standard : ils visent en effet des publics très spécifiques et il peut être nécessaire de faire appel à certains fournisseurs, que leurs antécédents aient été vérifiés ou non. L'obtention de l'effet souhaité par le commandant sur le terrain prime, plutôt que le recours exclusif à des fournisseurs dont les antécédents ont été vérifiés mais qui ne sont peut-être pas en mesure de répondre au besoin défini. Il s'agissait de l'une des priorités absolues du commandant du théâtre, et la question a été présentée en détail au Comité des budgets en mai 2019. Toutefois, comme indiqué dans le rapport de l'IBAN, les contrats qui ont appelé l'attention de l'IBAN en 2019 ont été résiliés par la Division CJ8 de la mission Resolute Support. Il existe au sein de cette mission un comité de vérification des antécédents des fournisseurs et de gestion des risques, qui doit veiller à ce que, avant l'octroi d'un marché, tous les fournisseurs intéressés aient fait l'objet d'une vérification suffisante et/ou aient été jugés appropriés.

Surveillance
Il est à noter que la division CJ8 de la mission Resolute Support travaille en concertation avec le CJPOTF en vue de la passation d'un marché avec une entreprise de surveillance des médias. Cela renforcera le contrôle en faisant en sorte que les services de médias soient fournis dans le respect des clauses et des conditions contractuelles.

Conclusion
L'ACO est d'accord pour dire que les procédures relatives aux dérogations doivent être strictement suivies. Il s'est employé par le passé à appeler l'attention sur cette question au cours de visites dans les commandements subordonnés. Ces visites sur place ont par ailleurs donné à l'ACO la possibilité de constater que les exceptions telles que celles relevées par l'IBAN étaient très peu nombreuses.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

(1) ACO – Exercice 2018
IBA-AR(2019)0016, paragraphe 1
L'ACO DOIT ÊTRE UN « CLIENT INTELLIGENT » DES AGENCES OTAN FINANCÉES PAR LE CLIENT

Commentaires officiels de l'ACO

L'ACO a pris note des commentaires succincts faits par l'IBAN dans le cadre de l'audit. Il a examiné plus avant certains éléments.

<u>Observation A</u>
Bien qu'on lui demande d'être un « client intelligent », l'ACO n'est pas encore en mesure d'évaluer et de valider de manière appropriée les estimations fournies par la NCIA. Avec la mise en place du catalogue des tarifs des services aux clients de l'Agence (CCSC), approuvé par les pays, la visibilité et la transparence ne reposent plus sur les coûts des SIC externes (ECIS) et les coûts du soutien des services (SSC). Dans ce catalogue, l'Agence donne uniquement un prix par service, ce qui ne laisse aucune marge de négociation au client. Dans l'exercice de son rôle limité de client intelligent, l'ACO se concentre principalement sur la définition des besoins et sur l'efficacité de la fourniture des services.
Au moment de l'intégration des besoins SIC en mars/avril, les nouveaux besoins et/ou les modifications à apporter à des besoins existants sont communiqués par l'Agence, qui présente donc les coûts ECIS et les SSC en vue de leur examen préalable au sein l'ACO en avril, puis de leur examen et de leur validation en mai par le groupe d'experts nationaux (WGNTE) et par le Bureau OTAN des ressources (NOR). Les tarifs définitifs ne sont approuvés que fin juin. Il est également très difficile de mettre en question les estimations du niveau d'effort jugé nécessaire pour la fourniture d'un service.
Enfin, la NCIA soumet des SSC plus détaillés au WGNTE/NOR, et l'ACO a demandé à recevoir ces informations au moment où de premières estimations sont fournies en début d'exercice.

Le SHAPE soumet à l'ASB et au Comité des budgets des observations sur les tarifs clients de l'Agence afin de mettre en question ces tarifs. La Direction FINAC du SHAPE participe également à la réunion d'examen trimestriel des niveaux de service afin d'analyser les activités d'exécution financière menées par l'Agence. Elle a en outre instauré le principe selon lequel il faut signaler les acquisitions prévues dont le montant dépasse le niveau D.

Un groupe de travail de l'ACO sur les KQI a été établi. Il est chargé de définir plus précisément les KQI et les KPI que la NCIA utilise pour la mesure de la *qualité et de la performance des services fournis et pour le compte rendu s'y rapportant. Il doit effectuer une revue de ces indicateurs sur la base d'une nouvelle approche client « de bout en bout ». Les résultats de cette revue devraient permettre de réaliser des progrès dans la mesure de la qualité et de la performance des services fournis par l'Agence.*

Enfin, la Division J6Cy a établi une stratégie pour les relations avec la NCIA, qui fait actuellement l'objet d'un processus d'approbation au niveau des dirigeants de l'ACO. Cette stratégie définit les lignes d'action visant à faire en sorte que l'ACO soit davantage en mesure de jouer son rôle de client intelligent s'agissant des services fournis par la NCIA et à faciliter la consignation par écrit des politiques et des procédures de l'ACO qui régissent l'établissement de SLA centralisés ou de SLA locaux et qui guident les parties prenantes du SHAPE et la communauté OTAN des utilisateurs (principaux) dans l'ensemble des quartiers généraux et dans le cadre plus large de l'Organisation.

Par ailleurs, la NAEW&CF réfléchit à la manière d'organiser ses relations avec la NCIA.

<u>Observation B</u>

Le travail sur la version révisée du dossier de décision concernant l'équipe Intégration des contrats, renommée Équipe de planification et de liaison (NPLT) de la NSPA, a été suspendu en raison de la pandémie de COVID-19.

Le projet de LSA entre la NAEW&CF et la NSPA vise à traiter les questions soulevées par l'IBAN. Par exemple, plusieurs KPI ont été proposés, assortis de dispositions selon lesquelles la Branche Gestion de la qualité de la Force doit avoir la possibilité d'auditer les contractants de la NSPA, même sous la supervision de l'Agence. En outre, d'autres clauses ont été insérées dans le projet de LSA, qui visent à donner à la Force plus de moyens de contrôle du travail de l'Agence s'agissant du soutien fourni à la Force.

(2) ACO – Exercice 2018
IBA-AR(2019)0016, paragraphe 2
L'ACO DOIT ATTÉNUER LES RISQUES LIÉS AU RECOURS À DES AGENCES OTAN FINANCÉES PAR LE CLIENT

Commentaires officiels de l'ACO

L'ACO a pris note des commentaires succincts de l'IBAN. Il a examiné plus avant certains éléments.

Comme l'ACO l'a indiqué dans les commentaires qu'il a formulés l'an dernier, les SLA existants prévoient un mécanisme « doux » et de portée limitée pour le règlement des différends en cas de perturbations majeures ayant une incidence sur la continuité des services et pour le règlement des litiges soulevés dans le cadre de services fournis par des contractants externes.
La Direction FINAC de l'ACO a commencé à analyser le processus NCCB dans le contexte des dispositions du cadre COSO concernant la gestion du risque d'entreprise et le contrôle interne, en mettant l'accent sur sa relation avec l'Agence pour ce qui concerne la fourniture de services SIC et les incidences financières du régime financé par le client.
Dans le cadre des activités de gestion des risques menées par la Direction FINAC de l'ACO, le NCISG a établi une procédure d'analyse des risques qui est axée sur la validation des biens et des services fournis par les agences de l'OTAN. Une des mesures d'atténuation des risques est l'application d'une instruction permanente (SOP) visant l'établissement d'une procédure interne permettant aux demandeurs dûment autorisés et/ou aux gestionnaires de fonds du NCISG de valider les services fournis par les agences de l'OTAN dans les cas où le compte rendu relatif à la qualité de ces services n'est pas jugé suffisant pour rendre possible une mesure appropriée de la qualité et de la performance des services fournis au Groupe. Cette SOP vise également la mise en place d'un mécanisme de recours à des instances de niveau supérieur en vue du règlement des éventuels différends entre les agences et le Groupe.

Pour tous les SLA relatifs à l'ACO, en cas de dépassement des coûts (en particulier lorsque le taux de satisfaction de la demande relative au secteur militaire tombe à 70 %, voire moins), l'Agence et le client doivent soumettre ensemble aux pays des solutions d'atténuation. En cas de dépassement des coûts dû à des coûts SIC externes, l'ACO attend dans un premier temps de l'Agence qu'elle cherche à savoir s'il reste, en interne, des soldes non dépensés, avant de réfléchir à des solutions de financement et de demander aux pays des fonds supplémentaires.
Le modèle de prix ferme et définitif (FFP) n'est pas appliqué de manière uniforme dans l'ensemble de l'ACO, étant donné que certains QG locaux sont en mesure de modifier leurs ordres d'achat tandis que d'autres ne le sont pas. Cela dépend aussi beaucoup de la mesure dans laquelle l'Agence est disposée à appliquer ce modèle et est à même de le comprendre. Des discussions sont en cours en vue de l'éventuelle application du modèle FFP pour les SSC et d'un modèle de coût remboursable pour les SIC externes, afin que des mesures puissent être prises lorsque des services n'auront pas été intégralement fournis.
S'agissant du modèle FFP, des propositions de modification relatives aux services non fournis ou partiellement fournis ont été soumises fin 2019 à la Commission consultative sur les changements (CAB) – Finances ; ces propositions n'ont toutefois pas été prises en considération dans

les SLA 2020 et seront examinées plus avant à la prochaine réunion de la CAB – Finances. Les informations détaillées proposées permettront à l'ACO d'adopter une approche cohérente concernant le modèle FFP. Elles permettront aussi d'adapter les ordres d'achat et les paiements correspondants lorsque des services n'auront pas été fournis.

En outre, la Direction FINAC du SHAPE a demandé qu'il soit fait état, dans chacun des QSLR, des acquisitions envisagées qui portent sur un montant supérieur au niveau D, le but étant d'avoir plus de visibilité sur les problèmes susceptibles de se poser à l'avenir et de mieux gérer les questions financières et contractuelles. Une demande a également été soumise à la NCIA afin qu'il soit fait état dans les QSLR du montant des déboursements effectifs et des engagements plutôt que d'un taux d'utilisation.
Dans le cadre de l'établissement du SLA 2021, la Direction FINAC de l'ACO travaille actuellement avec le service Finances de la NCIA afin de clarifier et/ou d'approuver les modifications relatives à la gestion financière.

(4) ACO Exercice 2017
IBA-AR(2018)0009, paragraphe 4
NÉCESSITÉ DE METTRE À JOUR LES MODALITÉS DE FINANCEMENT ET LES MÉMORANDUMS D'ENTENTE POUR CINQ SERVICES D'AÉRODROME ESSENTIELS DANS LE CADRE DE LA MISSION RESOLUTE SUPPORT

Commentaires officiels de l'ACO

L'ACO a pris note des commentaires succincts que l'IBAN a formulés sur la question dans le cadre de son audit.

S'agissant de l'Italie, le nouveau MoU pour Hérat a été signé le 24 juin 2019.

Pour les MoU concernant l'Allemagne, les États-Unis et la Turquie, une nouvelle version de l'annexe a été établie par le SHAPE. Le Bureau des affaires juridiques (OLA) a confirmé que la version révisée de cette annexe ne devait pas être soumise à l'approbation du Comité des budgets. Les pays ont été officiellement contactés.
On trouvera ci-dessous un point de la situation.

Pour le MoU relatif à l'Allemagne : une lettre officielle a été envoyée au représentant militaire allemand le 26 mars 2019. Après plusieurs échanges de vues, le document a été approuvé le 15 avril 2020.

Pour le MoU concernant les États-Unis : une lettre officielle a été envoyée au représentant militaire américain le 26 mars 2019. La Direction FINAC a eu *divers échanges de vues sur la question. L'annexe n'a pas encore été approuvée.*

Pour le MoU concernant la Turquie : une lettre officielle a été envoyée au représentant militaire turc le 26 mars 2019. La Direction FINAC a eu divers échanges de vues sur la question. L'annexe n'a pas encore été approuvée et, comme des points de vue divergents ont été exprimés, on a estimé en mars 2020 qu'il fallait encore travailler sur le document.

Il est à noter que, selon l'avis rendu par l'OLA, l'accord du Comité des budgets est nécessaire uniquement pour le nouveau MoU concernant l'Italie. Pour la version actualisée des 3 autres annexes, il faut uniquement qu'il y ait un accord entre les parties concernées.

(5) ACO Exercice 2017
IBA-AR(2018)0009, paragraphe 5
NON-SIGNATURE D'ARRANGEMENTS TECHNIQUES POUR L'UTILISATION DES ÉQUIPEMENTS ET DES INFRASTRUCTURES FINANCÉS PAR L'OTAN À L'AÉROPORT INTERNATIONAL HAMID KARZAÏ (HKIA), À MAZAR-I-SHARIF (MES) ET À HÉRAT

Commentaires officiels de l'ACO

L'ACO maintient sa position concernant cette observation.

L'arrangement technique relatif à l'utilisation des équipements financés par l'OTAN (NFE) et des infrastructures financées par l'OTAN (NFI) au HKIA a été signé en août 2019. L'arrangement technique relatif à l'utilisation des NFE et des NFI à l'aérodrome de Kandahar (KAF) avait été signé en février 2015 (États-Unis).

Il n'y a pas d'arrangement technique pour Hérat ni pour Mazar-i-Sharif étant donné qu'il y a très peu, voire pas de NFE et de NFI dans ces sites. Les pays-cadres ne sont pas intéressés par l'établissement d'arrangements techniques. De tels arrangements ne sont pas nécessaires.
Les arrangements techniques évoqués ne sont pas liés aux MoU pour le remboursement concernant les cinq services d'aérodrome essentiels dans les quatre sites stratégiques.

Position de l'IBAN

L'IBAN estime que la question faisant l'objet de cette recommandation est toujours en cours de traitement, étant donné qu'il y a des infrastructures financées sur le NSIP dans les sites évoqués. La question ne pourra être considérée comme traitée que lorsque la recommandation aura été mise en œuvre ou si le Conseil décide que le risque peut être accepté et que la recommandation ne doit pas être mise en œuvre.

(6) ACO Exercice 2017
IBA-AR(2018)0009, paragraphe 8
NÉCESSITÉ D'APPORTER DES AMÉLIORATIONS DANS LES DOMAINES DE LA GESTION DES RISQUES ET DU CONTRÔLE INTERNE

Commentaires officiels de l'ACO

L'ACO a pris note des commentaires succincts de l'IBAN. Il a examiné plus avant certains éléments.

Progrès réalisés concernant les recommandations a) et b)

Système de gestion stratégique de l'ACO : une révision en profondeur de ce système a été effectuée en 2019. Les deux principaux livrables de cette révision sont les suivants :

a. *établissement du plan de gestion stratégique de l'ACO (ASMP) pour 2020-2024, qui en est au dernier stade d'approbation par le Groupe de commandement du SHAPE ;*
b. *établissement de la nouvelle directive ACO 015-027, relative au système de gestion stratégique du Commandement, datée du 17 février 2020.*

Le service d'audit interne de l'ACO a évalué le nouveau système de gestion stratégique du Commandement, estimant qu'il constituait une amélioration considérable en termes de structure de contrôle et qu'il était susceptible d'apporter des avantages.
Le concept de contrôle interne, qui définit les parties prenantes clés, les documents clés pour le contrôle interne au sein de l'ACO et l'environnement de contrôle interne de l'ACO, a été approuvé en 2019. Il contribue à faire en sorte que le personnel de l'ACO ait une même conception du contrôle interne.
La nouvelle directive de l'ACO sur le contrôle interne (AD 015-029) est une refonte complète de la directive ACO 080-108, qui portait sur le cadre de contrôle interne au sein de l'ACO et datait du 22 août 2017. Établie sur la base

du concept de contrôle interne approuvé, cette nouvelle directive s'applique à l'ensemble des quartiers généraux et des unités de l'ACO. Elle décrit le cadre pour le contrôle interne et donne des orientations pour sa mise en œuvre dans l'ensemble du Commandement. Elle définit notamment les besoins, la méthode, les approches, les procédures, les rôles et les responsabilités clés et les échéances concernant le cadre de contrôle interne de l'ACO. Les nouveaux éléments introduits dans la directive sont le processus de certification, les points focaux pour le contrôle interne et la définition claire des rôles et des responsabilités dans le tableau RACI (responsabilité, approbation, consultation, information), avec les échéances applicables.

Tandis que la directive 015-029 fixe les principes généraux relatifs au cadre de contrôle interne, une version révisée de la directive 60-100 qui porte spécifiquement sur le système de contrôle interne pour les activités Finances et acquisitions a été établie et fait actuellement l'objet d'une concertation avec les contrôleurs des finances de l'ensemble de l'ACO. Il est à noter que, en vertu du NFR, la responsabilité d'une grande partie des opérations de contrôle interne incombe au contrôleur des finances de l'ACO.
L'objectif est de finaliser la directive 60-100 à l'automne 2020 après que la directive 015-029 aura été diffusée. La directive 60-100 donnera des informations détaillées au sujet du cadre de contrôle interne pour les activités Finances et acquisitions.

Un tableau présentant le niveau d'assurance a également été établi au sein de la Direction FINAC de l'ACO. Il rassemble des éléments probants montrant les domaines dans lesquels l'assurance est reçue sur la base du modèle des 3 lignes de défense. Il présente sous forme synthétique l'efficacité du contrôle interne par rapport aux risques connus. Il aide à repérer les lacunes et les chevauchements et permet de mieux superviser et suivre les domaines de préoccupation spécifiques. Le tableau présentant le niveau d'assurance a pour objet d'aider la direction à mieux comprendre la gestion des risques grâce à une plus grande visibilité et à une transparence accrue des activités relatives à l'assurance.

La déclaration sur le contrôle interne a été établie par la Direction FINAC du SHAPE en concertation avec l'ensemble des chefs d'état-major adjoints (DCOS), le Bureau des affaires juridiques (OLA), le Bureau Conseil organisationnel et gestion du changement (OACM), la Division Gestion des ressources (REM) de la Direction Facilitation stratégique (STREN), le Service Audit interne de l'ACO (AIA) et la Direction Gestion administrative (MGT). La commission consultative sur l'audit, qui est chargée de fournir l'assurance concernant l'efficacité du système de contrôle interne, a apporté une contribution à la déclaration sur le contrôle interne.
Dans certains domaines, comme celui des activités Finances et acquisitions, le contrôle interne est étayé par des documents fondés sur des éléments

probants. Parmi ces documents figurent l’évaluation formelle et détaillée émanant du directeur des marchés de l’ACO, l’auto-évaluation communiquée par chacun des QG locaux, le tableau présentant le niveau d’assurance mis à jour par la Direction FINAC du SHAPE, la procédure formelle d’établissement des états financiers consolidés annuels de l’ACO comprenant les listes de vérification établies par les contrôleurs des finances locaux, les déclarations relatives aux parties liées établies en vertu des IPSAS, la certification de l’auto-évaluation des contrôles internes communiquée par la NCIA s’agissant du système financier (FinS), le rapport annuel sur l’audit interne de l’ACO et l’auto-évaluation formelle et détaillée relative aux questions budgétaires fournie par chacun des QG de l’ACO, mise en place en 2020.
La diffusion de la nouvelle directive ACO relative au contrôle interne (AD 015-029) et le lancement du processus de certification au sein de l’ACO et avec les principales parties tierces constitueront de très grandes avancées sur la voie de l’établissement, au cours des années à venir, d’une déclaration sur le contrôle interne qui sera pleinement étayée et ne se limitera plus aux activités Finances et acquisitions.

Progrès réalisés concernant la recommandation c), qui porte sur la NAEW&CF et la NAGSF

Le QG de la NAEW&CF, à Geilenkirchen, a mis en œuvre un système complet de gestion des risques qui s’appuie sur la norme ISO 31000. Des réunions ont lieu tous les trimestres sous la présidence du commandant de la Force (FCC), et les risques ayant une incidence élevée ou d’un niveau supérieur encore font l’objet d’un examen entre le FCC et son adjoint (FCD). En outre, la Division Finances (FHF) se réunit chaque trimestre pour examiner la question de la gestion des risques, ainsi que le prévoit son manuel sur la gestion des risques.

Les travaux relatifs à la gestion des risques ont peu avancé au sein de la NAGSF, étant donné que celle-ci continue de centrer ses efforts sur la mise en place de ses activités. Suite à l’engagement d’une personne supplémentaire au sein du service Finances en octobre 2019, la Force devrait disposer de ressources suffisantes pour entamer en 2020 le travail de consignation par écrit et d’évaluation des procédures de gestion des risques financiers. La date du début des opérations de vol approchant, la Force s’emploie aussi pour le moment à examiner de plus près la gestion des risques en général et à consigner par écrit certains des processus s’y rapportant. L’objectif est de combiner les efforts en vue de l’établissement d’une stratégie globale de gestion des risques.

(7) ACO – Exercice 2016
IBA-AR(2017)08, paragraphe 2
RÉALISATION DE PROGRÈS SUR LA VOIE DE LA CONFORMITÉ AVEC LE RÈGLEMENT FINANCIER DE L'OTAN, ET EN PARTICULIER AVEC LES ARTICLES RELATIFS AU CONTRÔLE INTERNE, À LA GESTION DES RISQUES ET À L'AUDIT INTERNE

Commentaires officiels de l'ACO

L'ACO réaffirme sa position au sujet de cette observation et de la recommandation s'y rapportant.

En concertation avec le NOR et avec le Groupe de travail des contrôleurs des finances (WGFC), l'ACO s'est beaucoup investi dans la préparation de la mise à jour du NFR et des FRP, qui portera notamment sur la problématique évoquée.

La mise à jour du cadre comptable OTAN était prévue au départ pour juin 2020, mais elle a été reportée en raison de la pandémie de COVID-19. Des travaux supplémentaires seront menés au cours des prochains mois, en concertation avec le responsable OTAN de la politique en matière d'information financière et avec les membres du WGFC.

Un calendrier de travail actualisé a été fourni par le NOR, et la revue du NFR et des FRP a été reportée à 2021.

Il s'agit d'une question sur laquelle l'ACO n'a pas de prise. Son règlement dépend donc de parties prenantes extérieures à l'ACO.

(8) ACO – Exercice 2016
IBA-AR(2017)08, paragraphe 3
ABSENCE DE GARANTIE QUANT AU FONCTIONNEMENT CONTINU D'UN SYSTÈME ESSENTIEL AU SEIN DE LA FORCE AÉROPORTÉE DE DÉTECTION LOINTAINE ET DE CONTRÔLE DE L'OTAN (NAEW&CF)

Commentaires officiels de l'ACO

Le Bureau du FCC a diffusé en juin 2019 la feuille d'instruction 2019/55, intitulée « ECD Q2 2020 "PILS Gap Assessment Sustainment Plan" », dans laquelle il est demandé à la Division Infrastructure et génie d'effectuer une évaluation des insuffisances actuelles du PILS et de formuler une recommandation de plan destiné à remédier aux insuffisances qui auront été recensées s'agissant de la fourniture des futures fonctionnalités prévues dans le PILS à l'appui de la NAEW&CF.

En raison de la pandémie de COVID-19, l'exécution de cette tâche a été reportée, mais la question sera examinée plus avant dès que des réunions pourront avoir lieu. Le système PILS fera l'objet d'une importante mise à jour au quatrième trimestre de 2020, qui traitera certains des problèmes soulevés.

(9) ACO – Exercice 2016
IBA-AR(2017)08, paragraphe 5
ABSENCE DE MÉMORANDUM D'ACCORD AVEC LA NCIA

Commentaires officiels de l'ACO

L'ACO a pris note des commentaires succincts que l'IBAN a faits sur cette question dans le cadre de l'audit. Il a examiné plus avant certains éléments.

Aucun MoA n'a encore été signé entre l'ACO et la NCIA. Pour qu'un MoA puisse être établi, il faut que les deux parties conviennent de mettre en place les accords décrits dans les FRP XXVII. L'ACO ne peut pas établir de tels accords de manière unilatérale.
S'agissant de la KFOR :

a. la Division J6 fournit chaque trimestre au JFCNP des rapports sur les niveaux de service qui rendent compte du soutien SIC fourni au sein de la KFOR ;

b. dans les rapports que la KFOR établit à l'intention du JFCNP, il est indiqué comment les services SIC sont fournis sur le théâtre ;

c. le fait que la KFOR établisse des rapports à l'intention du JFCNP montre bien que ce dernier supervise et contrôle les services SIC fournis à la KFOR, à l'instar de ce qui se fait dans le cadre d'un SLA.

(10) ACO – Exercice 2015
IBA-AR(2016)09, paragraphe 6
NÉCESSITÉ D'ÉTABLIR DE NOUVEAUX ACCORDS DE SOUTIEN LOGISTIQUE AVEC LA NSPA

Commentaires officiels de l'ACO

La version finale d'un projet de LSA entre la NAEW&CF et la NSPA a été établie. Elle a été envoyée à l'Agence en mai 2020 pour observations. Un examen et une révision approfondis ont été effectués au niveau des hauts dirigeants de l'Agence et de la Force. Une fois terminé, le document sera envoyé à l'ACO pour examen final.

(11) ACO – Exercice 2013
IBA-AR(2014)20, paragraphe 5
NÉCESSITÉ D'UNE CONFIRMATION PAR LES ENTITÉS OTAN DU SOLDE DES ÉLÉMENTS D'ACTIF ET DE PASSIF EN FIN D'EXERCICE

Commentaires officiels de l'ACO

L'ACO réaffirme sa position concernant cette observation et la recommandation s'y rapportant.

L'ACO continue de consacrer une grande énergie au processus d'examen itératif de toutes les sommes en souffrance s'agissant des montants à payer, des montants à recevoir, des avances et des ordres d'achat pour ce qui concerne les autres entités OTAN. Les efforts ainsi déployés et le processus itératif en place ont certainement permis d'améliorer la situation. Toutefois, il reste difficile d'obtenir des informations complètes et exactes, notamment parce que la NCIA a été confrontée pendant des mois à des difficultés concernant son projet Application métier d'entreprise (EBA) (ré-implémentation de l'ERP). On s'attend à ce que la poursuite des efforts et le renforcement de la coordination donnent lieu à de nouvelles améliorations.

Le processus itératif actuel fonctionne bien avec certaines entités telles que le SI, l'EMI, l'ACT et l'Agence de gestion du programme du système aéroporté de détection lointaine et de contrôle de l'OTAN (NAPMA). Toutefois, en raison du volume et de la complexité des opérations effectuées avec certaines agences, des efforts supplémentaires sont déployés en vue de l'achèvement/de l'amélioration du processus évoqué pour ce qui concerne la NCIA et la NSPA.

GLOSSAIRE

En application des normes d’audit, les opinions émises au sujet des états financiers et au sujet de la conformité peuvent être des opinions sans réserve, des opinions avec réserve, des déclarations d'abstention ou des opinions défavorables.

- L’IBAN émet une opinion sans réserve (*unqualified opinion*) lorsqu’il estime que les états financiers et le rapport sur l'exécution du budget sont exacts et lorsque rien ne lui donne de raison de penser que les fonds n’ont pas été employés aux bonnes fins – pour le règlement de dépenses autorisées – et en conformité avec la réglementation en vigueur.
- L’IBAN émet une opinion avec réserve (*qualified opinion*) lorsque, d'une manière générale, il est satisfait de la présentation des états financiers, mais que, pour certains éléments clés, il constate que les états n’ont pas été correctement établis ou que l’ampleur de l’audit été limitée ou lorsque des problèmes particuliers lui donnent des raisons de penser que les fonds n’ont pas été employés aux bonnes fins – pour le règlement de dépenses autorisées – et en conformité avec la réglementation en vigueur.
- L’IBAN se déclare dans l’impossibilité d’exprimer une opinion (*disclaimer of opinion*) lorsque l'ampleur de l’audit est extrêmement limitée – au point que l’IBAN n’est pas en mesure d'exprimer une opinion – ou lorsque d'importantes incertitudes entourent les états financiers ou l’emploi des fonds.
- L’IBAN émet une opinion défavorable (*adverse opinion*) lorsqu'une erreur ou une anomalie présente dans les états financiers a des conséquences si étendues et si importantes que, selon lui, une réserve n'est pas suffisante pour faire apparaître le caractère trompeur ou incomplet des états financiers.

NATO
OTAN

ALLIED COMMAND OPERATIONS
CONSOLIDATED FINANCIAL STATEMENTS

2019

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Allied Command Operations Consolidated Financial Statements 2019

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ACO Consolidated Financial Statements 2019

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Executive Summary

1. The Allied Command Operations' (ACO) mission is to prepare for, plan and conduct military operations in order to meet Alliance political objectives.

2. ACO is a functional chain of military command and is neither a legal entity nor a juridical organisation. ACO Consolidated Financial Statements cannot be construed as superseding any existing agreements or organisational norms, or otherwise creating any legal effect.

3. The ultimate controlling and decision-making entity for the Alliance and its components are the 30 Alliance Member Nations, which provide military forces along with physical and financial resources for the daily operations of ACO and its subordinate commands.

4. The ACO Strategic Management System is geared to deliver the Supreme Allied Commander Europe (SACEUR) Vision for ACO as "a Command ready and relevant to the full range of missions and the changing, complex environment". The system adapts and develops the Command within the remits of high-level Direction and Guidance.

5. ACO's principal headquarters, the Supreme Headquarters Allied Powers Europe (SHAPE), is located in Casteau, Belgium. The ACO subordinate commands include two Allied Joint Force Commands located in Brunssum, the Netherlands (JFCBS) and in Naples, Italy (JFCNP). The Joint Force Commands are responsible for commanding missions, in Afghanistan, Balkans, Africa and Iraq. They are certified to command the NATO Forces in peace, crisis and conflict and conducting planning as part of the Alliance's deterrence and defence.

6. There are three ACO single service commands that fulfil the role of Theatre Component Commands and act as domain advisors: Allied Land Command in Izmir, Turkey (LANDCOM); Allied Maritime Command in Northwood, United Kingdom (MARCOM); and Allied Air Command in Ramstein, Germany (AIRCOM). The latter also includes two Combined Air Operations Centres (CAOC), in Uedem, Germany and in Torrejon, Spain; and the Deployable Air Command and Control Centre, located at Poggio Renatico, Italy (DACCC).

7. The Standing Joint Logistics Support Group Headquarters, currently co-located with SHAPE in Casteau, Belgium (SJLSG), fulfills a Theatre Component role, acts as the logistics domain advisor and is focused on theatre wide enablement, logistics, reinforcement and military mobility to facilitate the movement of troops and equipment for NATO's collective deterrence and defence. The NATO Communications and Information Systems Group is located in Casteau, Belgium (NCISG) and includes three subordinate NATO Signal Battalions located in Wesel, Germany; Grazzanise, Italy; and Bydgoszcz, Poland, all of which have deployable Communication Information System modules across the Alliance.

8. As part of the adaptation of the NATO Command Structure in order to bolster maritime security, logistics and military mobility, and cyber defence, two new entities were added which are a combination of NATO Command Structure and NATO Force Structure headquarters. One is a new Joint Force Command located in Norfolk, United States (JFCNF), which will aid the protection of sea lines of communication between North America and Europe. The other is the Joint Support and Enabling Command located in Ulm, Germany (JSEC), which will focus on the provision of trans-

national security to support enablement, logistics, reinforcement and military mobility for NATO's collective deterrence and defence. In recognition of cyberspace as an operational domain, a new Cyberspace Operations Centre (CyOC) was established at SHAPE and fulfills the role of Theatre Component and domain advisor for cyberspace.

9. Finally, there are two NATO Force Structure units with organisational and financial reporting requirements to ACO: the NATO Airborne Early Warning and Control Force in Geilenkirchen, Germany (NAEW&CF), and the NATO Alliance Ground Surveillance Force in Sigonella, Italy (NAGSF). The NATO Airborne Early Warning and Control Force aircraft are a key element of the Alliance's early warning capability, providing airborne surveillance, warning and control capability over large distances. The NATO Alliance Ground Surveillance Force core system consists of High Altitude Long Endurance aircraft with air, ground, and support segments which will provide NATO with ground surveillance capabilities across the full mission spectrum.

10. In 2019, ACO worked closely with its sister command Allied Command Transformation (ACT) to reassume overall responsibility for planning and conducting Exercises and Collective Training in 2020 and rebalancing responsibilities in the area of partnerships. In addition, there is an ongoing rebalancing of roles and responsibilities between ACO and ACT in the area of capability development as the New Governance Model is implemented.

2019 ACO FINANCIAL ACTIVITIES

11. The Council approved the 2019 NATO Budgets including the military budgets belonging to ACO. The total for ACO budgets was 1,078.4 MEUR (78.6 MEUR increase compared to the initial 2018 budget). The budget included 782.3 MEUR funded at 29 nations, 190.9 MEUR funded at 27+2 nations and 105.22 MEUR funded at 16 nations.

2019 Total Military Budget

Year	Total Military Budget	ACO Budgets
2019	1,395,171,700	1,078,405,820

The 2019 ACO budgets for which SACEUR is responsible (ACO entities and programmes in the NATO Command Structure, the Alliance Operations and Missions (AOM), NAGSF and the NAEW&CF programme) amount to 77.3% of the total international military budget.

In 2019 ACO continued to accommodate critical new operational requirements within the approved budgets. The current level of funding was sufficient to support all high priority activities such as NCS-Adaptation (NCS-A) and Allied Operations and Missions. The main aim of ACO HQ and programme budgets in 2019 was to maintain the budget submissions to zero nominal growth with the exception of where growth was justified in the Medium Term Resource Programme planning process. Some programme budgets increased due to the delivery of new capabilities (new deployable CIS equipment, deployable HQ assets and gradual implementation of the Air Command and Control System programme). The NCS-A budget which is aimed at refining and further strengthening NATO's defences for today's dynamic security environment in areas such as maritime security, logistics and military mobility, and cyber defence, also saw a significant increase in expenditures.

12. The ACO budget group's authorizations approved by the NAC were respected and combined budget execution rates were as follows[1]:

a. NATO Command Structure Entity and Programmes - 97%;

b. ACO NATO Command Structure -Adaptation - 100%;

c. NAEW&CF - 99.9%;

d. NAGSF - 86.4%;

e. Allied Operations and Missions - 100%.

Lapsed amounts mainly relate to lower than expected fill rates for both the NATO International Civilian (NIC) and the Local Wage Rate (LWR) payroll accounts, under execution of projects, savings in utilities and general maintenance contracts, delays in NSPA services in Air Command and Control System Support, delays to Information Technology Modernization and lower than expected costs of Real Life Support driven by delays in several infrastructure projects. These execution results demonstrate, ACO was highly effective at forecasting its requirements and expending the funds entrusted by the Nations to support critical activities and operations.

13. Other financial areas that ACO supports although not part of the ACO budget group authorizations are:

a. NATO Security and Investment Programme: during 2019 a total amount of 2,822,758 EUR was spent against eight projects, which are under SHAPE as Host Nation and executed by SHAPE, JFCBS and the Kosovo Force (KFOR). There were eight projects in three main categories that related to Alliance Operations and Missions, Static HQ and Centralized HQs;

b. Trust funds that are managed on a financial inflow and outflow through ACO basis with one exception for the Kosovo Security forces;

c. Morale and Welfare Activities that are comprised of non-appropriated funds and reported on an annual basis to the relevant Finance Committee.

RESPONSIBILITY

14. The attached, unaudited fiscal year 2019 ACO consolidated financial statements for the period starting 01 January 2019 and ending 31 December 2019, have been prepared in accordance with the NATO Financial Regulations, NATO Accounting Framework and relevant International Public Sector Accounting Standards. In accordance with NATO Financial Regulations Article 3.2, they are jointly signed by the ACO Strategic Commander and the ACO Financial Controller, and conform to the responsibility and accountability principles prescribed in the NATO Financial Regulations Article 3.1, and are submitted to the International Board of Auditors for NATO in accordance with the NATO Financial Regulations Article 35.

[1] Note these execution rates also include regular and special Carry Forward amounts.

15. In preparing these accounts, ACO has:

a. Observed the relevant accounting and disclosure requirements, and applied suitable accounting policies on a consistent basis.

b. Made judgements and estimates on a reasonable basis.

c. Stated whether applicable accounting standards approved by the North Atlantic Council have been followed and disclosed, and explained any material departures.

d. Prepared the accounts on a going concern basis.

16. We hereby certify that to the best of our knowledge, we have a reasonable assurance that the attached financial statements and notes present a true and fair view of the financial activities of ACO as at 31 December 2019.

Mr Christophe Rappe
Financial Controller
Allied Command Operations

Tod D. Wolters
General, U.S. Air Force
Supreme Allied Commander Europe

STATEMENT OF INTERNAL CONTROL 2019

I. Scope of Responsibility

1. The Supreme Allied Commander Europe (SACEUR), is responsible and accountable for maintaining a sound system of Internal Control providing reasonable assurance regarding the delivery of the tasks and other agreed objectives mandated by Nations.

2. The ACO Financial Controller (FC) supports SACEUR with respect to the administration of a system of financial Internal Controls that supports the ACO mission. He is also responsible for the adherence to the principles of sound financial management of the financial resources entrusted to ACO, in accordance with the responsibilities assigned in the NATO Financial Regulations (NFRs).

II. Purpose of ACO's Internal Control System and Limitations of the Statement of Internal Control

3. The policies and procedures adopted by the management for the proper execution of all functional activities constitute the ACO Internal Control System. The Internal Control System, a vital part of the management system, supports the achievement of the organization's objectives, improves the effectiveness of its performance, facilitates the effective mitigation of risks, and reduces the frequency of mistakes as well as the probability of fraud, corruption and mismanagement.

4. While the SACEUR and the FC have specific responsibilities in relation to Internal Control, all ACO staff have a responsibility for complying with Internal Controls in place to ensure ACO is being a good steward of the funds and resources entrusted to it by the nations. Each ACO staff member is responsible for adhering to policies, procedures, guidelines and Internal Control standards established to guide the operation of ACO. If a staff member is aware of any deficiencies in Internal Control, (s)he is responsible to report it. Internal Control depends on the participation of all staff, at every level. No matter how well designed and operated, Internal Control cannot provide absolute assurance that all ACO's objectives will be met. Factors outside the control or influence of management (like natural or man-made disaster, honest mistakes, collusion, judgement errors, etc.) can affect ACO's ability to achieve all of its goals.

5. As ACO is neither a legal entity nor a juridical organisation, the Statement of Internal Control cannot be construed as superseding any existing agreements or organisational norms, or otherwise creating any legal effect.

III. Key Elements of ACO's Internal Control System

<u>ACO Strategic Management System</u>

6. The ACO Strategic Management System is a key element of Internal Control in ACO. Geared to deliver SACEUR's Vision for ACO as "*a Command ready and relevant to the full range of missions and the changing, complex environment*", the ACO Strategic Management System adapts and develops the Command within the remits of high-level Direction and Guidance.

7. The ACO Management Board, by delegation of SACEUR, is responsible for the executive management of the ACO Strategic Management System through its deliberations, decisions and Direction and Guidance.

8. In order to enhance the provision of reasonable assurance that ACO Headquarters efficiently and effectively achieve their strategic objectives and adequately justify their resource requirements, a root-and-branch revision of the ACO Strategic Management System was conducted in 2019. Two key deliverables of this revision are:

a. the ACO Strategic Management Plan (ASMP) 2020-2024, currently in the final stage of endorsement by the SHAPE Command Group, and

b. the new ACO Directive 015-027 ACO Strategic Management System, dated 17 February 2020.

9. The ACO Internal Audit has assessed the new ACO Strategic Management System as "a *significant improvement in terms of control design and potential beneficial outcomes*".

10. The required degree of assurance by the ACO Strategic Management System is ensured through the conduct of the ACO Strategic Management Cycle set forth in ACO Directive 015-027, dated 17 February 2020.

11. The consolidation of the progress made in 2019 and the continued enhancement of the ACO Strategic Management System is particular dependent on maturing the strategic management culture and enhancing Strategic Management knowledge, skills and competences across ACO. The execution of the ACO Strategic Management Engagement Plan is a key driver in this regard.

<u>Additional Elements of ACO's Internal Control System</u>

12. Key Boards

a. As mentioned, at the strategic level the ACO Management Board is the principal executive body for implementing command-wide strategic management on behalf of SACEUR. It endorses the ACO Strategic Management Plan, prioritizes ACO objectives and monitors their status, endorses and prioritizes associated risk response and issue resolution activities, provides respective Direction and Guidance and decides about the balancing and distribution of resources.

b. At the strategic level the ACO Audit Advisory Panel is responsible for monitoring the effectiveness of ACO´s Internal Control, Internal Audit and Risk Management. The Audit Advisory Panel provides assurance over ACO reporting processes, reviews the findings of financial and non-financial compliance and performance audits and endorses the yearly Statement of Internal Control. The Audit Advisory Panel presents its findings and serves in an expert advisory capacity to SACEUR and the ACO Management Board.

c. At operational and tactical levels a HQ Management Board provides advice to the HQ Command Group and makes decisions on issues relating to the planning and management of HQ activities.

13. Key Documents

d. Statement of Internal Control as part of the ACO Financial Statements shall be signed jointly by SACEUR and the ACO Financial Controller and submitted not later than 31st March following the end of the financial year.

e. The Internal Control Concept defines Internal Control and ACO Internal Control Environment. The Internal Control Concept contributes to a common understanding of Internal Control among ACO key stakeholders. The ACO Directive on Internal Control has to be aligned based on the Internal Control Concept.

f. The ACO Directive on Internal Control, which is under revision, describes the framework and provides guidance on operating Internal Control across ACO including requirements, methodology, approaches, procedures, key roles & responsibilities and timelines associated with the ACO Internal Control Framework.

g. Assurance mapping is a collection of assurances in a table to show areas where assurance is received based on the 3 lines of defence model and summarizes evidence on the effectiveness of Internal Control versus known risks. It helps to identify gaps or overlaps and enables better oversight and focus on specific areas of concern. Assurance mapping aims to help management better understand the management of risks through improved visibility and transparency of assurance activities

14. Key Systems: The ACO centralised Financial Management System is the ACO management tool supporting the automation of the ACO financial and acquisition business processes in compliance with the NATO Financial Regulations and ACO Directives and serving as the key enabler for the financial Internal Control framework throughout ACO. The ACO Financial System includes control and management approval procedures designed to ensure complete, reliable and accurate accounting for financial and acquisition transactions and to limit potential exposure to fraud or loss of assets.

IV. Review of Effectiveness

ACO Audit Advisory Panel Contribution to the 2019 Statement of Internal Control

Scope of the ACO Audit Advisory Panel 2019 Programme of Work

15. As an independent advisory expert body, the ACO Audit Advisory Panel assists SACEUR in fulfilling his ACO oversight and governance responsibilities. Pursuant to NATO Financial Regulations and NATO Financial Rules and Procedures, the ACO Audit Advisory Panel achieves this through ensuring that SACEUR receives independent and objective assurance advice, particularly with regard to the effectiveness of ACO internal control processes, measures taken by ACO leadership to resolve observations, recommendations resulting from internal and external audits and the effectiveness of ACO risk management policies and procedures.

16. During 2019, the ACO Audit Advisory Panel met in January, June, September and December and focused primarily on:

a. Regular oversight of the ongoing development and progress made to achieve a more inclusive ACO-wide Internal Control Framework;

b. Overview of the processes by which individual ACO Headquarters manage and conduct NCS Adaptation Initial and Full Operational Capability assessments;

c. Monitoring the resolution of opinions and recommendations resulting from ACO-related internal audit reports and observations;

d. Detailed scrutiny of selected ACO Internal Audit reports;

e. Oversight of recommendations resulting from selected external audits conducted by the International Board of Auditors;

f. Monitoring the resolution of outstanding Asset Management issues, especially relating to RESOLUTE SUPPORT;

g. ACO key risks and issues, based on their impact, proximity and probability;

h. Reviewing and endorsing the ACO Internal Audit Charter, the ACO Audit Strategy Document and the 2018 ACO Internal Audit Report Summary.

<u>ACO Audit Advisory Panel Comments and Recommendations</u>

17. While identifying some areas for further attention, the Panel believes that it has discharged its duties in accordance with its current Terms of Reference.

<u>Internal Control Framework</u>

18. The Panel continues to emphasise the importance of fully institutionalising Internal Control processes throughout ACO, so that the intended benefits of a more results-focused approach to management and accountability are achieved and maintained. This overall strategy, combined with the ongoing establishment of Internal Control Officers within ACO (as part of the NATO Command Structure Adaptation initiative), provides the capability to commence with the design and implement a more inclusive Internal Control system and its related processes throughout ACO. Currently only the ACO Internal Control Officer at SHAPE and financial Internal Control Officers at SHAPE and JFCNP have been appointed. Whilst there are no dedicated Internal Control Officers at JFCBS, MARCOM, AIRCOM and LANDCOM yet, these military posts are part of the Tranche 3 of NATO Command Structure Adaptation.

<u>NATO Command Structure Adaptation Initial and Full Operational Capability Assessments</u>

19. The Panel recognises the progress made at some ACO Headquarters to develop and strengthen their management and assessment of NATO Command Structure Adaptation-related Initial and Full Operational Capability criteria during the current NATO Command Structure Adaptation implementation phase. The Panel notes in the initial assessment, significant variance in the level of detail in the criteria used in the process across the Headquarters. It also notes the ongoing follow-up and coordination action undertaken by SHAPE Organisational

Advisory and Change Management Branch on behalf of the NATO Command Structure Adaptation Programme Manager, and looks forward to more rigorous analysis of ACO Headquarters' implementation management and assessment processes.

Internal and External Audits

20. Panel members elected to receive the regular briefings on the key aspects of ACO-related audits, conducted by ACO Internal Audit and the International Board of Auditors during 2019, and also to examine and discuss in detail a selected number of internal and external audit reports.

21. Regarding their detailed scrutiny, the Panel undertook an in-depth review of the Internal Audit reports on: the Vulnerabilities of Information Technology Applications and Services Provided by NATO Communications and Information Agency; and, the Headquarters Land Command report on Contracting, Procurement and Morale and Welfare Activities. As far as International Board of Auditors external reports were concerned, the Panel focused their attention on the Performance Audit Report to Council on the Need for NATO to Take Actions to Prevent, Detect and Respond to Fraud and Corruption.

22. Panel members also received a detailed briefing from the International Board of Auditors on the ACO Consolidated Financial Statement 2018, during which they were advised that the International Board of Auditors had, for the first time, issued an Unqualified Opinion on the Financial Statements and on compliance.

23. From an overall assurance perspective, the Panel notes the action taken by individual HQs to resolve audit findings and recommendations. It, nevertheless, encourages continued efforts to reduce the time taken to close those recommendations which have remained open for protracted periods.

Increases Assurance between ACO and NATO Agencies

24. The Audit Advisory Panel recognises the significant reliance that ACO places on the NATO Communications and Information Agency (NCIA) and NATO Support and Procurement Agency (NSPA) for the delivery of goods and services, and logistic support; as such, the Panel has placed, as one of its highest priorities during 2020, oversight of the transparency and assurance arrangements between ACO and these Agencies.

Prevention of Fraud and Corruption

25. Combatting fraudulent, corrupt and collusive practices requires the full commitment of ACO leadership to a zero tolerance policy. The Panel encourages the establishment of an ACO Custodian to promote the processes and procedures required to manage and tackle such practices. Revised Directives on Fraud and on Standards of Conduct have been reviewed in April 2020.

Audit Advisory Panel Programme of Work for 2020

26. Members of the Panel have compiled their ACO Audit Advisory Panel 2020 Programme of Work to encompass a proportionate mix of operational, compliance-related and financial activities.

27. During 2020, Panel Members plan to receive comprehensive oversight of:

a. The progress made to develop, implement and institutionalise a more inclusive ACO Internal Control Framework and its related processes;

b. Individual headquarters' resolution of the findings and recommendations resulting from ACO-related internal and external (International Board of Auditors) audit reports;

c. ACO's ability, as the intelligent customer, to manage and mitigate risks that arise through its use of customer-funded NATO Agencies and of quality and control procedures introduced by NATO Communication and Information Agency and NATO Support and Procurement Agency to improve transparency of information provided to ACO;

d. Actions taken by ACO to prevent, detect and respond to fraud and corruption;

e. Flexibility measures available to mitigate manpower deficiencies and the extent to which they are used;

f. The development of Allied Command Operations Crisis Establishment and initiation of the resourcing process.

ACO Internal Audit Annual Report

28. The ACO Internal Audit Annual Report for 2019 was issued on 07 February 2020 and highlighted themes from audit findings associated with oversight, effective management information, personnel turnover, cost minimisation, and managing service delivery. At SHAPE corporate level the report recognised an encouraging direction of travel within some important initiatives central to the good governance of ACO. In particular this was observed in the ACO strategic management plan, improvements in the risk management process, development of an approach to fraud and with business continuity management. The challenge however remained one of matching limited resources to the level of ambition within these initiatives.

V. ACO Financial Controller Assessment/ Contribution

Internal Control Frameworks and Risk Management (Finance and Procurement)

29. In 2019 (Financial year 2018) ACO received its first ever unqualified audit opinion on the Consolidated Financial Statements and on compliance, indicating that ACO has made significant improvements to its financial processes, accounting practices and financial Internal Controls, particularly with respect to asset management. These improvements have been implemented in an iterative manner over a number of years and ACO continues to improve process and seek assurance that oversight and control are in place and effective.

30. In 2019 at SHAPE level, a Financial Internal Control Officer position was approved and staffed in December. Work is underway to publish a revised AD 60-100 on Financial and Acquisition Internal Control Framework. This revised AD 60-100 will supersede the former Audit and Internal Control Directive. It will provide a high level overview to the ACO HQs Financial Controllers and their staff of the principles of Internal Control as well as instructions and guidance on how to assess the effectiveness of the financial Internal Control system in managing the significant risks within the scope of their responsibility and adopt responses that

would ultimately result in the level of reasonable assurance to be reported in the Statement of Internal Control.

31. Additionally, with the aim of formalizing and reinforcing the ACO Internal Control and Risk Management processes the Acquisition Community continued to be at the forefront of implementation of the Internal Control Framework initiative and 2019 was its fourth year of using a formalised process and methodology. It uses the Committee of Sponsoring Organisation Internal Control-Integrated Framework model and consists of a Framework Document which is adjusted as required based on input obtained from all ACO HQs, through an Internal Control Self-Assessment performed by each HQ Financial Controller supported by the Purchasing and Contracting (P&C) Office Chief. The results are reviewed at the ACO level by the ACO Financial Controller and the ACO Head of Contracts.

32. The same approach was adopted in 2019 for budgetary processes (ACO wide) as well as for Morale and Welfare activities at SHAPE level with the completion of an Internal Control questionnaire endorsed by the Base Support Group Commander.

33. Finally, the ACO FINCON also developed an assurance mapping process based on the concept of the Three Lines of Defence; this methodology is to improve the overall assurance on the level of internal control as well as to provide an evidence based assessment on the areas under the ACO FINCON's responsibility.

Procurement Activities

34. Since 2016, the Acquisition Management Branch under the leadership of the ACO Head of Contracts has faithfully implemented Internal Control measures, risk management efforts and conducted oversight of the procurement activities through Staff Assistance Visits (SAVs). SAVs were mandated by COS as part of five enhanced checks and balances which together with Internal Control activities provides a minimum of functional assurance. Efforts such as the Internal Control Self-Assessment, which support the ACO Financial Controller in his assessment, relies on the professional integrity of local financial controllers and other key players in the requirement-to-pay process.

35. Issues regarding potential fraud at a subordinate Command[1] and some concerns related to Morale and Welfare activities clearly show that although self-assessments were generally positive with no major issues, unless the entire process is subject to similar Internal Controls, the inherent risk outside procurement itself is not mitigated to the extent it could be. Notwithstanding, the effort has proven valuable in providing a basis for discussion which otherwise might not take place.

36. In summary, in order to be effective, detection and mitigation of risks to an acceptable level relies on checks and balances applicable to the entire requirement definition to payment process. This necessitates a holistic HQ-wide effort where the tone from the top holds all stakeholders accountable to assess their risks and take the necessary steps to mitigate or manage the risk. Notwithstanding, the detection of risks such as incidents of potential inappropriate actions discovered in 2019 relies on a threefold approach: checks and balances which have been implemented in procurement but still require development in the rest of the process; detection by electronic controls and checks however fraud statistics shows that this

[1] The ACO FINCON has issued an action plan to be implemented by the subordinate HQ as well as by SHAPE FINAC specific areas in terms of reinforced monitoring. Other actions are under the responsibility of the Commander with the support of LEGAD.

only represents a minor percentage in terms of actual detection; and by involvement of personnel who discover and report incidents. This is necessary to enable an effective risk mitigation / management strategy to reduce opportunities for collusion but it must involve all stakeholders in the process. Further work is required in the areas which have yet to implement their checks and balances as part of the overall process to support those implemented in the procurement processes. Acquisition management continues to actively support and improve their checks and balances.

Finance and Accounting Management

37. ACO has strong controls in place within the finance and accounting management functions, such as Procure-to-Pay, General Ledger, Accounts Payable, Accounts Receivable and Cash Management. Since 2012 ACO has progressively implemented control mechanisms providing reasonable assurance that the local financial data making up the Consolidated Financial Statements reflect accurate and complete financial information pertaining to each of the ACO Commands before its release to the IBAN. Monthly reconciliations of accounting information are completed between the local Finance and Accounting Officers and Corporate Accounting and Control as well as, monitoring and reviews are performed on a recurring basis. Additionally, since 2015 and as part of the year end process, an interim financial closure process was established and duly implemented to guarantee proper revision and analysis of the financial data related to third parties such as the NATO Agencies. Formal revision and checklists are provided by the local Finance and Accounting Officers and Financial Controller to certify the information they provide to Corporate Accounting and Control for consolidation is complete, accurate and in compliance with ACO corporate guidance and regulations. Based on the analysis from previous years a number of changes to these checklists and certifications were completed in 2019. Since 2018, asset certification, a crucial element from the commands, has been a requirement and ACO Corporate Accounting and Control assessment is disclosed as a note in the ACO Consolidated 2019 Financial Statements. AD-hoc certification is also required for the financial data provided by other NATO entities, e.g. NSPA, NAPMA. Therefore, an iterative reconciliation process is in place and a formal certification is required at the end of the year from the entities' Financial Controllers to mitigate the risk of indirect access and control of the provided data. In 2019, there was also one instance where deficiencies in Internal Control were noted by the Finance and Accounting staff and it was reported and escalated for further assessment. This indicated the functional supervision within the FINAC structure is effective and an important factor for the FINAC Internal Control framework.

Enterprise Resource Planning and Segregation of Duties

38. The reliability of ACO's financial reporting is also dependent upon sound internal control systems supported by an effective Enterprise Resource Planning system. The ACO Financial Management System is structured as a corporate Enterprise Resource Planning tool, centralising financial and acquisition transactions and reporting. As mentioned above, the Financial Management System is a key enabler to strengthen the controls in the different finance and acquisition managed business processes and it contributes the accuracy and reliability of the financial data.

39. Internal audits have been conducted on key activities processed through the Financial Management System; useful recommendations of further automated controls have been highlighted but put on hold considering the critical shortfall of Enterprise Resource Planning dedicated resources within SHAPE FINAC. One issue that has been addressed related to the

Financial Management System is that Security patches were implemented in September 2019 and a plan is established with NCIA to implement Oracle security patches on a bi-yearly basis from 2020.

40. Within the assessment of the proper implementation of the revised NFRs/FRPs and the use of best practices, ACO released the guidance on the ACO Financial Management System Internal Control Activities as the outcome of the “Fortification Project” to further strengthen the internal control of the activities managed in the Financial Management System. These controls are respectively designed to limit the possibility of an undesirable outcome being realised, ensure that control objectives are achieved, and potential issues and violations are detected straight away. The approved ACO Segregation of Duties Matrix has been fully implemented at JFC Brunssum, used as pilot and since 2019 is applied on all new ACO Financial Management System access requests. Additional milestones for the completion of the project will be assessed during 2020 since the current lack of resources within the Internal Control and Financial Management System Office (within SHAPE FINAC) hamper the required implementation of the recommendations generated by this key project.

41. The Functional Review initiated in 2019 will reassess the level of resources required in SHAPE FINAC Internal Control Office to fully implement recommendations from internal audits and management findings.

42. For the first time in 2019, SHAPE FINAC requested NCIA provide a control self-assessment report that IT controls within the Financial Management System are implemented in line with the IT service provider’s best practices to ensure that the Financial Management System’s financial and non-financial data managed by the Agency are processed with integrity, security, availability, confidentiality and privacy.

<u>Follow up of IBAN and Internal Audit Findings</u>

43. SHAPE FINAC Corporate Accounting and Control is working in close coordination with all commands to address the audit findings of both Internal Audit and the IBAN. However, the lack of resources (unfilled OF-3 position and several vacancies due to retirement and turnover of personnel) forced SHAPE FINAC Corporate Accounting and Control to reassess the priorities. Therefore, with few exceptions, the assessment and follow up remained problematic. In particular, close monitoring and action has been taken by ACO with respect to RESOLUTE SUPPORT asset management. The audit findings are also closely scrutinized by the Audit Advisory Panel and senior management.

VI. Areas of Concern

<u>On-going Major Litigation</u>

44. The legacy issues related to the ISAF (International Security Assistance Force) Fuel Basic Ordering Agreement (BOA) have implied additional workload for ACO's staff. Since December 2015, with the unprecedented lawsuit filed by the Supreme Group (SG), a former Fuel supplier to ISAF, against SHAPE/JFCBS, both ACO Office of Legal Affairs (OLA) and FINAC staffs have dedicated substantial time and efforts to follow-up and provide oversight of the proper close-out and potential final settlement of the ISAF fuel contracts. Additionally, since March 2017, ACO OLA and FINAC followed-up on the development of the contractual dispute between the Supreme Group and JFCBS concerning the provision of food and catering services

to ISAF. The Resource Planning Policy Board (RPPB) has recognised the challenges faced by ACO in this respect and has agreed to allocate additional resources with the creation of the Special Litigation and Investigation Team (SPL) at SHAPE level, under the VCOS supervision. Since March 2017, when the Handover Takeover process with JFCBS was concluded, SHAPE SPL has been in the full lead of the management of the said disputes against the Supreme Group (SG).

45. The SG's claim under the Food BOA was settled in November 2019, after out-of-court amicable settlement negotiations with SHAPE.

46. Concerning the fuel dispute, the lawsuit initiated by SG in December 2015 remains stayed by the incidental proceedings on immunity from jurisdiction since June 2016. On 08 February 2017, the Dutch First Instance Court acknowledged the said immunity, but refused to uphold it when balanced against Art. 6 of the European Convention on Human Rights. This decision was appealed by SHAPE. The interim appeal against such decision was filed on 09 May 2017; the appeal decision of 10 December 2019 quashed the previous judgement and affirmed SHAPE's absolute immunity from jurisdiction based on customary international law. SHAPE's Paris Protocol-based Immunity from Execution has been successfully recognised and upheld by the Dutch courts in first instance and appeal. Moreover, proceedings to declare both judgements enforceable in Belgium have also been successful. On 21 August 2017, SG appealed against the ruling on Immunity from execution before the Supreme Court of the Netherlands, who requested the Court of Justice of the European Union for interpretative guidance, a decision of the Supreme Court cannot be expected earlier than mid-2020. Furthermore, SPL is currently engaged with the fuel BOA customer nations in order to build substantial evidence to counter Supreme's claims.

47. As done in the SG Food case, and as agreed upon by the fuel BOA customer nations, SPL is to explore the possibility of an out-of-court settlement of the case. To this extent, non-binding mediation proceedings took place, as a first step, between May and July 2019, but did not lead to a settlement. The proper management of this dispute by SPL, which entails legal as well as out of court proceedings, must be further supported by ACO in order to reduce risks to NATO's immunities and mitigate the potential financial impact on NATO and the fuel BOA customers.

<u>ITM Delays</u>

48. Completion of the Information Technology Modernisation (ITM) Project is essential to avoid further degradation in the reliability and availability of information technology services to the NCS. The modernisation of the NATO Secret/Automated Information System (NS/AIS) is crucial to support the Consultation, Command and Control (C3) processes, the C2 of Alliance Operations and Missions (AOM) and delivers the necessary networks IT to enable support and adapting NATO Command Structure.

49. Expansion and reconfiguration of the end-user equipment baselines is required to support geographical locations changes and increased PE introduced by new NCS. It is expected that the associated capacity increases in data centre systems can be accommodated within the modernised architecture but will require some amount of additional processing and storage equipment.

50. Other Core Services projects programmed in Capability Package 9C0150[2] related to the modernization of most core Enterprise IT systems needs to be delivered as planned and not delayed to avoid the increase of technological obsolescence and ensure the NCS is supported by modern, efficient and responsive information services.

51. The value of a persistent information environment to support NATO Force Structure (NFS) preparation and standby has been well demonstrated by the Mission Information Rooms (MIRs) at SHAPE and JFC Naples. The requirement for the MIRs and their associated Mission Anchor Functions (MAFs) as part of the basic CIS infrastructure supporting the Bi-SCs are essential for the provision of common foundational and standard interface to support Community of Interest (COI) services and cross domain interoperability within NATO, with NATO nations and with partner nations, in support of C2 processes at all static and deployable commands. The absence of ITM facilities and services poses severe risks to the proper functioning of the NCS and NFS and hampers the achievement to enable of the core tasks of the Alliance through better collaboration, information sharing and exploitation as well as command and control.

52. Increased resilience and survivability provided by the ITM project represents the key enablers for the ACO Business continuity.

53. ACO has continuously incurred higher operation and maintenance costs due to the need to extend break/fix maintenance support to IT infrastructure, equipment and legacy Functional Services beyond their economic lifetime. Compressed delivery timelines, the absence of clear Migrations and Transition Plans and uncertainty regarding site-specific data backup procedures have inferred that a high potential risk exists when delays are announced by the Host Nation. Users may be forced to rely upon existing infrastructure/services for a longer period, with associated increases to potential failures caused by obsolete equipment, along with delays to dependent projects, increased O&M expenditures and reduced Operational Effectiveness.

54. ACO is fully committed to work with NCIA and the Independent Performance Evaluation and Assessment of Capabilities in a transparent way to provide an updated overview of the level of the projected yearly Operation & Maintenance financial impact related to the implementation of all the new services being provided through Capability Package 9C0150.

VII. Areas of Improvement

<u>Asset Management and Reporting</u>

55. ACO continues to face challenges with third party asset management and reporting, particularly with organisations that utilise disparate Information Technology (IT) systems that are not compatible with the Financial Management System for transactional reporting.

56. Therefore, ACO Commands continue to face gaps and challenges already identified in the use of the legacy systems. These gaps were the root-cause of the major difficulties faced by several ACO entities that critically impacted the processes in place within single level command and allowed local misuse and/or mismanagement (fortunately, such instances were immediately escalated).

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[2] Projects programmed in CP 9C0150 are: 0IS03090 " New NATO Messaging Service"; 0IS03094 "SOA and IDM Platform Service'; 0IS03095 'Information as Service; 0IS03098 'Geographical Information Service'; 0IS03102 'Information Exchange Gateways'

57. The main concerns related to RESOLUTE SUPPORT (RS) asset management and reporting were deeply analysed during 2018. In 2019, a solution in the form of a simplified approach for asset management in RS HQ was implemented. This initiative, fully reflected in the 2019 Financial Statements, took substantial staff efforts from the tactical to strategic level in close coordination with NSPA responsible for the logistics software. An evaluation of this approach will be made to assess its feasibility/applicability within the other ACO entities.

Evidence Based Statement of Internal Control – Full Completion of Internal Control and Risk Management Initiatives

58. As highlighted to the Audit Advisory panel by the ACO FINCON, a structured and evidence based approach to build the annual Statement of Internal control should be adopted by all support functions (in areas such as Human Resources, business continuity, legal assessment, IT security, Fraud, Health and Safety, …). The additional resources and revised responsibilities in the context of the NCS-Adaptation will enhance ACO's capacity to further reinforce its internal control framework. However sufficient efforts and attention should be dedicated to adopt a consistent approach to provide a more robust assurance on the effectiveness of key controls ACO wide. This also includes the need to have consistent risk registers adopted and regularly updated on key processes ACO-wide.

ACO Prevention and Detection of Fraud

59. COS SHAPE agreed on 18 December 2018 that an Integrated Planning Team (IPT) would be established in response to IBA-A (2018)0140, Performance Audit Report to Council on the need for NATO to take actions to prevent, detect and respond to fraud and corruption – IBA – AR (2018_0027, dated 3 Dec. 2018). The aim was to produce an action plan and a risk assessment on fraud awareness, prevention and detection at the ACO level. As a result of this IPT, two new revised Directives have been released on Fraud policy and ACO Standards of Conduct. The ACO FINCON and the ACT LEGAD are leading those initiatives with the support of other stakeholders namely the ACO Internal Audit. The principles highlighted in those directives will be the subject, during 2020, of specific communication tailored to various audiences ACO wide (from all staff to ACO Commanders).

Morale and Welfare Activities

60. Based on the 2015 NFRs (NATO Financial Regulations) and reviewed NATO Morale and Welfare Regulations, an Internal Control agenda for non-appropriated funds continues to be pursued. An informal working group was established with participation from FINAC and Base Support Group. The working group developed an Internal Control questionnaire tailored for SHAPE Morale and Welfare. The general conclusion was that the activities do not pose any material risk for common funding albeit, findings indicated that there is room for improvement. Initiatives for improvement include, guidance provided to all ACO Financial Controllers and the introduction of SHAPE assistance visits in ACO.

61. The experience to be gained from ACO-wide application is considered an opportunity to refine the framework and the questionnaire. However, lack of staff at the SHAPE Base Support Group level has hampered the progress started in 2018. Nevertheless, the expansion of Internal Control is expected to provide increased certainty that ACO Morale and Welfare Activities operations carry non-material risk to Common Funds (CF). In the future, though, there is risk that due to the lack of dedicated resources to support Morale and Welfare Activities, the controls may not be fully effective.

VIII. Overall Assessment/Conclusion

62. ACO continues to mature and strengthen systems of Risk Management and Internal Control to reflect best practices and promote a culture of proactive Risk Management amongst all our personnel. We will therefore continue to ensure that the necessary internal management functions are in place to support effective Internal Control and provide reasonable assurance that assets are properly safeguarded, that established managerial and command policies are adhered to, that the Command operates in an efficient manner, that a system of internal financial and budgetary controls are in place which embrace all aspects of financial management for appropriated and non-appropriated funds within our jurisdiction, and that the accuracy and reliability of accounting data and records are verified.

Christophe Rappe
ACO Financial Controller
Allied Command Operations

Tod D. Wolters
General, U.S. Air Force
Supreme Allied Commander Europe

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ACO Consolidated Financial Statements 2019

STATEMENT 1: ACO CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(I)

For the year ended 31 December 2019 *in EUR*	*Notes*	*2019*	*Restated* *2018 (II)*	*2018*
ASSETS				
Current Assets				
Cash and Cash Equivalents	B.1	1,060,299,840	1,094,089,689	1,094,089,689
Short Term Investments	B.2	763,389,492	533,503,561	533,503,561
Receivables	B.3	202,146,953	128,317,081	128,284,580
Prepayments	B.4	23,353,798	18,375,831	18,375,831
Other Current Assets	B.5	2,341,513	3,016,885	4,229,874
Inventories	B.6	41,318,176	40,172,465	43,219,462
Total Current Assets		**2,092,849,772**	**1,817,475,512**	**1,821,702,997**
Non-current Assets				
Receivables		-	-	-
Property, Plant & Equipment	B.7	642,778,123	571,910,806	562,283,404
Other Non-current Assets	B.8	8,782,931	7,870,661	6,657,673
Total Non-current Assets		**651,561,054**	**579,781,467**	**568,941,077**
Total ASSETS		**2,744,410,826**	**2,397,256,979**	**2,390,644,074**
LIABILITIES				
Current Liabilities				
Payables (III)	B.9	(385,501,077)	(300,142,640)	(300,110,139)
Deferred Revenue	B.10	(1,482,032,050)	(1,274,576,145)	(1,277,623,142)
Advances	B.11	(280,269,207)	(295,513,643)	(295,513,643)
Short Term Provisions	B.12	(303,151)	(392,562)	(3,701,831)
Total Current Liabilities		**(2,148,105,485)**	**(1,870,624,990)**	**(1,876,948,755)**
Non-current Liabilities				
Long Term Provisions	B.13	(11,084,312)	(10,491,256)	(7,181,987)
Non-current Deferred Revenue	B.14	(585,221,029)	(516,140,733)	(506,513,332)
Total Non-current Liabilities		**(596,305,341)**	**(526,631,989)**	**(513,695,319)**
Total LIABILITIES		**(2,744,410,826)**	**(2,397,256,979)**	**(2,390,644,074)**
NET ASSETS		**-**	**-**	**-**

(I) In all tables, credit amounts/balances such as liabilities and revenue are presented with negative signs. Debit amounts such as assets and expenses carry a positive sign.
(II) Restatement mainly concerns prepayments, inventory and PP&E. More information can be found in the relevant note disclosure.
(III) Not all balances provided are reported on accrual basis. More information can be found in the notes A (Significant accounting policies - basis of preparation) and B.9.

STATEMENT 2: ACO CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

(I)

For the year ended 31 December 2019 *in EUR*	*Notes*	*2019*	*Restated 2018 (II)*	*2018*
Revenue				
Revenue		(1,054,550,949)	(1,016,774,544)	(1,014,434,635)
Other Revenue		(2,517,373)	(4,271,470)	(4,303,971)
Financial Revenue		(578,846)	(8,297,940)	(8,297,940)
Total to be returned to the Nations	C.17	1,198,996	5,171,303	5,171,303
Total Revenue	C.15	**(1,056,448,172)**	**(1,024,172,651)**	**(1,021,865,243)**
Expenses				
Personnel		195,379,602	189,657,916	189,657,916
Contractual Supplies and Services		769,533,415	743,249,766	742,744,513
Foreign Military Sales (FMS) *(III)*		17,134,640	24,286,640	24,286,640
Depreciation and Amortization		71,982,772	61,223,476	59,421,321
Provisions		-	-	-
Other Expenses		4,072	75	75
Financial Costs		2,413,672	5,754,779	5,754,779
Total Expenses	C.16	**1,056,448,172**	**1,024,172,651**	**1,021,865,243**
Result of the year		-	-	-

(I) In all tables, credit amounts/balances such as liabilities and revenue are presented with negative signs. Debit amounts such as assets and expenses carry a positive sign.

(II) Restatement mainly concerns prepayments, inventory and PP&E. More information can be found in the relevant note disclosure

(III) The amount for FMS is on cash rather than accrual basis. More information can be found in the note A (Significant accounting policies - basis of preparation).

ACO Consolidated Financial Statements 2019

STATEMENT 3: ACO CONSOLIDATED STATEMENT OF CASH FLOWS

(I)

As at 31 December 2019 *in EUR*	*2019*	*Restated 2018 (II)*	*2018*
CASH FLOWS FROM OPERATING ACTIVITIES			
Result of the year	-	-	-
Non-cash movements			
Depreciation	71,982,772	61,223,476	59,421,321
Increase (Decrease) in payables	85,358,438	(19,826,857)	(19,859,358)
Increase (Decrease) in other current liabilities	190,335,037	173,965,787	180,322,051
Increase (Decrease) in other non-current liabilities	593,056	3,304,218	(5,050)
Increase (Decrease) in current deferred revenue for PP&E	1,787,021	20,197,273	20,197,273
Increase (Decrease) in non-current deferred revenue for PP&E	69,080,295	211,017,168	201,389,766
(III) Property, plant and equipment, from other funding	(130,470,231)	(277,652,751)	(267,281,851)
(Increase) Decrease in other current assets	(4,302,594)	14,768,576	13,555,588
(Increase) Decrease in other non-current assets	(912,270)	(1,259,114)	(46,126)
(Increase) Decrease in receivables	(73,829,873)	(62,406,940)	(62,374,439)
(Increase) Decrease in Inventories	(1,145,711)	(2,548,316)	(5,595,313)
Net cash flows from operating activities	208,475,940	120,782,519	119,723,862
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and AuC	(12,379,857)	(14,785,166)	(13,726,509)
Proceeds from sale of plant and equipment	-	-	-
Proceeds from sale of investments	-	-	-
Short term investment	(229,885,932)	(93,261,861)	(93,261,861)
Net cash flows from investing activities	(242,265,789)	(108,047,027)	(106,988,370)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	-	-	-
Repayment of borrowings	-	-	-
Distribution/dividend to Nations	-	-	-
Net cash flows from financing activities	-	-	-
Change in cash flow	**(33,789,849)**	**12,735,492**	**12,735,492**
Cash and cash equivalents at beginning of period	*1,094,089,689*	*1,081,354,197*	*1,081,354,197*
Cash and cash equivalents at end of period	*1,060,299,840*	*1,094,089,689*	*1,094,089,689*
Net increase/(decrease) in cash and cash equivalents	**(33,789,849)**	**12,735,492**	**12,735,492**

(I) In all tables, credit amounts/balances such as liabilities and revenue are presented with negative signs. Debit amounts such as assets and expenses carry a positive sign.

(II) Restatement mainly related to prepayments, inventory, PP&E. More information can be found in the relevant note disclosure

(III) Other funding refers to assets funded through NSIP, or programmes like NAPMA, where other entities than SHAPE are acting as Host Nation, and of AuC that has been completed and capitalised within the reporting year. This did not require any cash outflow from ACO.

ACO Consolidated Financial Statements 2019

STATEMENT 4: ACO CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY

For the year ended 31 December 2019			*Restated*	
in EUR	*Notes*	*2019*	*2018*	*2018*
Equity at beginning of year		-	-	-
Result of for the year	C.18	-	-	-
Net recognized revenue and expenses for the year		**-**	**-**	**-**
Equity at End of year		**-**	**-**	**-**

ACO Consolidated Financial Statements 2019

STATEMENT 5/1: ACO BC BUDGET EXECUTION REPORT

(Note H)

EUR

	Initial Budget	*Transfers*	*BA2*	*Transfers*	*BA3*	*Transfers*	*Final Budget*	*Commitments*	*Expenses*	*Total Spent*	*Carry-Forward*	*Lapsed*
2019 NCSEP												
	491,276,194	***-***	***491,276,194***	***-***	***491,276,194***	***-***	***491,276,195***	***12,272,738***	***464,836,569***	***477,109,307***	***12,272,738***	***14,166,888***
Budget 101 SHAPE	72,525,259	890,000	73,415,259	-	73,415,259	-	73,415,259	1,742,008	70,151,708	71,893,716	1,742,008	1,521,543
Budget 103 JFC HQ BRUNSSUM	25,347,511	(30,000)	25,317,511	-	25,317,511	-	25,317,511	560,925	23,544,831	24,105,756	560,925	1,211,755
Budget 104 JFC HQ NAPLES	27,127,248	-	27,127,248	-	27,127,248	-	27,127,248	127,130	26,262,961	26,390,091	127,130	737,157
Budget 105 HQ AIRCOM RAMSTEIN	21,898,829	(725,000)	21,173,829	(56,437)	21,117,392	-	21,117,392	446,346	17,184,168	17,630,515	446,346	3,486,877
Budget 111 HQ LANDCOM IZMIR	11,046,020	(305,000)	10,741,020	(368,460)	10,372,560	-	10,372,560	75,293	9,995,715	10,071,008	75,293	301,552
Budget 118 HQ MARCOM NORTHWOOD	8,321,477	-	8,321,477	45,459	8,366,937	-	8,366,937	47,760	8,303,738	8,351,498	47,760	15,439
Budget 131 HQ DEPLOYABLE ASSETS	10,800,626	-	10,800,626	-	10,800,626	-	10,800,626	5,112	10,440,411	10,445,523	5,112	355,103
Budget 164 AIR DEFENCE (GROUND)	30,981,386	-	30,981,386	-	30,981,386	224,000	31,205,386	4,757,916	26,278,803	31,036,719	4,757,916	168,667
Budget 166 ACCS SUPPORT	91,217,893	-	91,217,893	-	91,217,893	(224,000)	90,993,893	812,805	87,563,431	88,376,236	812,805	2,617,657
Budget 177 NCCB	150,483,592	-	150,483,592	56,437	150,540,029	-	150,540,029	2,003,644	148,093,066	150,096,711	2,003,644	443,318
Budget 178 NATO CIS GROUP (NCISG)	37,286,354	-	37,286,354	-	37,286,354	-	37,286,354	1,680,839	32,826,656	34,507,494	1,680,839	2,778,860
Budget 502 OUTREACH PROGRAMMES (ACO)	4,240,000	170,000	4,410,000	323,000	4,733,000	-	4,733,000	12,960	4,191,080	4,204,041	12,960	528,959
2019 NCS-ADAPTATION												
	15,328,209	***-***	***15,328,209***	***-***	***15,328,209***	***(26,635)***	***15,301,574***	***9,266,192***	***6,035,382***	***15,301,574***	***9,266,192***	***-***
Budget 124 NCS-ADAPTATION (ACO)	15,328,209	-	15,328,209	-	15,328,209	(26,635)	15,301,574	9,266,192	6,035,382	15,301,574	9,266,192	-
2019 AGS												
	34,186,300	***-***	***34,186,300***	***-***	***34,186,300***	***-***	***34,186,300***	***15,134,288***	***14,042,468***	***29,176,756***	***15,134,288***	***5,009,544***
Budget 167 AGS O&S	34,186,300	-	34,186,300	-	34,186,300	-	34,186,300	15,134,288	14,042,468	29,176,756	15,134,288	5,009,544
2019 AGS												
	2,368,310	***-***	***2,368,310***	***-***	***2,368,310***	***-***	***2,368,310***	***-***	***2,368,310***	***2,368,310***	***-***	***-***
Budget 168 AGS CIS	2,368,310	-	2,368,310	-	2,368,310	-	2,368,310	-	2,368,310	2,368,310	-	-
2019 NAEW												
	156,776,687	***-***	***156,776,687***	***-***	***156,776,687***	***-***	***156,776,687***	***12,719,824***	***143,604,449***	***156,324,273***	***12,719,824***	***452,415***
Budget 163 NAEW&CF EMPLOYMENT	156,776,687	-	156,776,687	-	156,776,687	-	156,776,687	12,719,824	143,604,449	156,324,273	12,719,824	452,415
2019 NAEW												
	105,223,312	***-***	***105,223,312***	***-***	***105,223,312***	***-***	***105,223,312***	***31,165,381***	***74,057,931***	***105,223,312***	***31,165,381***	***-***
Budget 162 NAEW&CF PROVISIONING	105,223,312	-	105,223,312	-	105,223,312	-	105,223,312	31,165,381	74,057,931	105,223,312	31,165,381	-
2019 AOM												
	273,246,807	***(260,615)***	***272,986,192***	***(108,379)***	***272,877,813***	***-***	***272,877,813***	***13,170,783***	***255,489,148***	***268,659,932***	***13,170,783***	***4,217,881***
Budget 183 BALKANS OPERATIONS	22,760,237	(260,615)	22,499,622	28,000	22,527,622	-	22,527,622	764,052	21,310,999	22,075,051	764,052	452,571
Budget 187 NATO SUPPORT TO THE AFRICAN UNION	442,946	-	442,946	-	442,946	-	442,946	1,571	351,203	352,774	1,571	90,172
Budget 189 Operation SEA GUARDIAN	257,859	-	257,859	(136,379)	121,480	-	121,480	607	116,010	116,618	607	4,862
Budget 194 RESOLUTE SUPPORT	234,879,497	-	234,879,497	-	234,879,497	-	234,879,497	12,251,534	222,627,963	234,879,497	12,251,534	-
Budget 195 NMI	14,906,268	-	14,906,268	-	14,906,268	-	14,906,268	153,019	11,082,973	11,235,992	153,019	3,670,276
Total 2019	**1,078,405,819**	**(260,615)**	**1,078,145,204**	**(108,379)**	**1,078,036,825**	**(26,635)**	**1,078,010,191**	**93,729,206**	**960,434,257**	**1,054,163,462**	**93,729,206**	**23,846,729**

EUR	Initial Budget	Transfers	BA2	Transfers	BA3	Transfers	Final Budget	Commitments	Expenses	Total Spent	Carry-Forward	Lapsed
2018 NCSEP												
	27,598,868	**-**	**27,598,868**	**-**	**27,598,868**	**-**	**27,598,868**	**2,199,813**	**20,629,239**	**22,829,052**	**2,199,813**	**4,769,816**
Budget 101 SHAPE	919,950	-	919,950	-	919,950	-	919,950	7,164	817,799	824,963	7,164	94,988
Budget 103 JFC HQ BRUNSSUM	261,192	-	261,192	-	261,192	-	261,192	-	252,764	252,764	-	8,427
Budget 104 JFC HQ NAPLES	38,167	-	38,167	-	38,167	-	38,167	810	30,480	31,290	810	6,878
Budget 105 HQ AIRCOM RAMSTEIN	539,419	-	539,419	-	539,419	-	539,419	87	470,497	470,583	87	68,836
Budget 111 HQ LANDCOM IZMIR	9,578	-	9,578	-	9,578	-	9,578	-	9,578	9,578	-	-
Budget 118 HQ MARCOM NORTHWOOD	81,648	-	81,648	-	81,648	-	81,648	-	69,346	69,346	-	12,303
Budget 164 AIR DEFENCE (GROUND)	7,437,626	-	7,437,626	-	7,437,626	-	7,437,626	1,040,896	1,902,114	2,943,011	1,040,896	4,494,615
Budget 166 ACCS SUPPORT	3,238,330	-	3,238,330	-	3,238,330	-	3,238,330	908,156	2,299,175	3,207,331	908,156	30,999
Budget 177 NCCB	7,117,292	-	7,117,292	-	7,117,292	-	7,117,292	-	7,117,292	7,117,292	-	-
Budget 178 NATO CIS GROUP (NCISG)	7,952,350	-	7,952,350	-	7,952,350	-	7,952,350	242,700	7,657,054	7,899,754	242,700	52,597
Budget 502 OUTREACH PROGRAMMES (ACO)	3,315	-	3,315	-	3,315	-	3,315	-	3,142	3,142	-	173
2018 AGS												
	6,407,307	**-**	**6,407,307**	**-**	**6,407,307**	**-**	**6,407,307**	**5,393,518**	**738,322**	**6,131,839**	**5,393,518**	**275,467**
Budget 167 AGS O&S	6,407,307	-	6,407,307	-	6,407,307	-	6,407,307	5,393,518	738,322	6,131,839	5,393,518	275,467
2018 NAEW												
	12,310,529	**-**	**12,310,529**	**-**	**12,310,529**	**-**	**12,310,529**	**2,338,340**	**9,972,188**	**12,310,528**	**2,338,340**	**-**
Budget 163 NAEW&CF EMPLOYMENT	12,310,529	-	12,310,529	-	12,310,529	-	12,310,529	2,338,340	9,972,188	12,310,528	2,338,340	-
2018 NAEW												
	26,140,042	**-**	**26,140,042**	**-**	**26,140,042**	**-**	**26,140,042**	**9,827,347**	**16,312,486**	**26,139,833**	**9,827,347**	**209**
Budget 162 NAEW&CF PROVISIONING	25,702,507	-	25,702,507	-	25,702,507	-	25,702,507	9,393,996	16,308,510	25,702,507	9,393,996	-
Budget 123 NAEW&CF REORGANISATION	437,536	-	437,536	-	437,536	-	437,536	433,351	3,976	437,326	433,351	209
2018 AOM												
	6,673,912	**-**	**6,673,912**	**-**	**6,673,912**	**-**	**6,673,911**	**621,176**	**3,911,596**	**4,532,772**	**621,176**	**2,141,139**
Budget 183 BALKANS OPERATIONS	1,395,516	-	1,395,516	-	1,395,516	-	1,395,516	466,203	794,727	1,260,930	466,203	134,586
Budget 187 NATO SUPPORT TO THE AFRICAN UNION	5,829	-	5,829	-	5,829	-	5,829	773	2,126	2,899	773	2,930
Budget 189 Operation SEA GUARDIAN	23,778	-	23,778	-	23,778	-	23,778	-	23,647	23,647	-	131
Budget 194 RESOLUTE SUPPORT	4,605,420	-	4,605,420	-	4,605,420	-	4,605,420	-	2,636,001	2,636,001	-	1,969,419
Budget 195 NMI	643,370	-	643,370	-	643,370	-	643,370	154,200	455,095	609,295	154,200	34,074
Total 2018	**79,130,657**	**-**	**79,130,657**	**-**	**79,130,657**	**-**	**79,130,657**	**20,380,193**	**51,563,831**	**71,944,025**	**20,380,193**	**7,186,632**

EUR

	Initial Budget	*Transfers*	*BA2*	*Transfers*	*BA3*	*Transfers*	*Final Budget*	*Commitments*	*Expenses*	*Total Spent*	*Carry-Forward*	*Lapsed*
2017 NCSEP												
	3,556,298	***-***	***3,556,298***	***-***	***3,556,298***	***-***	***3,556,298***	***-***	***488,441***	***488,442***	***-***	***3,067,856***
Budget 101 SHAPE	17,527	-	17,527	-	17,527	-	17,527	-	-	-	-	17,527
Budget 103 JFC HQ BRUNSSUM	388,415	-	388,415	-	388,415	-	388,415	-	388,415	388,415	-	-
Budget 105 HQ AIRCOM RAMSTEIN	12,564	-	12,564	-	12,564	-	12,564	-	953	953	-	11,611
Budget 164 AIR DEFENCE (GROUND)	3,053,690	-	3,053,690	-	3,053,690	-	3,053,689	-	51,035	51,035	-	3,002,655
Budget 166 ACCS SUPPORT	84,102	-	84,102	-	84,102	-	84,102	-	48,038	48,038	-	36,064
2017 AGS												
	43,518,795	***-***	***43,518,795***	***-***	***43,518,795***	***-***	***43,518,795***	***43,000,000***	***518,795***	***43,518,795***	***43,000,000***	***-***
Budget 167 AGS O&S	43,518,795	-	43,518,795	-	43,518,795	-	43,518,795	43,000,000	518,795	43,518,795	43,000,000	-
2017 NAEW												
	7,427,231	***-***	***7,427,231***	***-***	***7,427,231***	***-***	***7,427,231***	***-***	***5,084,818***	***5,084,818***	***-***	***2,342,413***
Budget 162 NAEW&CF PROVISIONING	7,427,231	-	7,427,231	-	7,427,231	-	7,427,231	-	5,084,818	5,084,818	-	2,342,413
2017 NAEW												
	173,340	***-***	***173,340***	***-***	***173,340***	***-***	***173,340***	***-***	***173,340***	***173,340***	***-***	***-***
Budget 123 NAEW&CF REORGANISATION	173,340	-	173,340	-	173,340	-	173,340	-	173,340	173,340	-	-
Total 2017	**54,675,664**	**-**	**54,675,664**	**-**	**54,675,664**	**-**	**54,675,664**	**43,000,000**	**6,265,395**	**49,265,395**	**43,000,000**	**5,410,269**

EUR	Initial Budget	Transfers	BA2	Transfers	BA3	Transfers	Final Budget	Commitments	Expenses	Total Spent	Carry-Forward	Lapsed
2014 NCSEP												
2014 AOM												
	25,807,206	-	***25,807,206***	-	***25,807,206***	-	***25,807,206***	***25,343,456***	***463,750***	***25,807,206***	***25,343,456***	-
Budget 185 ISAF	25,807,206	-	25,807,206	-	25,807,206	-	25,807,206	25,343,456	463,750	25,807,206	25,343,456	-
Total 2014	**25,807,206**	-	**25,807,206**	-	**25,807,206**	-	**25,807,206**	**25,343,456**	**463,750**	**25,807,206**	**25,343,456**	-

EUR

	Initial Budget	*Transfers*	*BA2*	*Transfers*	*BA3*	*Transfers*	*Final Budget*	*Commitments*	*Expenses*	*Total Spent*	*Carry-Forward*	*Lapsed*
2013 NCSEP												
	300,324	***-***	***300,324***	***-***	***300,324***	***-***	***300,324***	***300,324***	***-***	***300,324***	***300,324***	***-***
Budget 178 NATO CIS GROUP (NCISG)	300,324	-	300,324	-	300,324	-	300,324	300,324	-	300,324	300,324	-
Total 2013	**300,324**	**-**	**300,324**	**-**	**300,324**	**-**	**300,324**	**300,324**	**-**	**300,324**	**300,324**	**-**
Total for all MB Cost Shares, Years and Budgets	**1,238,319,670**	**(260,615)**	**1,238,059,055**	**(108,379)**	**1,237,950,675**	**(26,635)**	**1,237,924,042**	**182,753,179**	**1,018,727,233**	**1,201,480,412**	**182,753,179**	**36,443,629**

Notes to the ACO Consolidated Financial Statements 2019

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NOTES TO THE ACO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

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A. Significant accounting Policies

Basis of preparation

The consolidated financial statements (FS) of the Allied Command Operation (ACO) have been prepared in accordance with the NATO Accounting Framework[1] (NAF) as adopted by the NATO Council. The NATO Accounting Framework is an adaptation of the International Public Sector Accounting Standards (IPSAS).

The FS comply with the financial reporting requirements of the NATO Financial Regulations (NFRs) and the relevant ACO directives and policies. Where the NAF permits a choice of accounting policy, the accounting policy, judged as the most appropriate to the particular circumstances of the ACO for giving a true and fair view, has been selected.

The FS have been prepared on a going-concern basis and on the historical cost basis except for financial instruments that are measured at fair value at the end of each reporting period. The principal accounting policies are set out below. They have been applied consistently to all periods presented. The accounting principles deemed as appropriate for the recognition, measurement and reporting of the financial position, performance and cash flows on an accrual based accounting using historical costs have been applied consistently throughout the reporting period. There is one exception related to the Foreign Military Sales acquired directly or via a NATO Agency from the US Defence Department where the financial data on accrual basis are not always available and are therefore reflected on a modified cash basis. Details are disclosed in the relevant notes.

In accordance with Article 2.1 of the NFRs, the financial year of ACO begins on 1 January 2019 and ends on 31 December 2019.

Changes in Accounting Standards

ACO discloses whenever it has not yet applied a new accounting standard, and provides any information relevant to assessing the possible impact that the initial application of the new standard would have on the FS.

The standards reported below are effective for annual financial statements covering period beginning on or after 1 January 2019.

IPSAS	***Name***	***Effective date for periods beginning on or after***	***ACO Assessment***
IPSAS 40	*Public Sector Combinations*	*1 January 2019*	*Considering the current ACO structure, this standard has no impact on ACO*
IPSAS 41	*Financial Instruments*	*1 January 2022*	*This standard will replace part of IPSAS 29, Financial Instruments: Recognition and Measurement. ACO has not yet assessed whether this standard will have an impact on its financial reporting*

Accounting estimates and judgments

In accordance with IPSAS and generally accepted accounting principles, the FS necessarily include amounts based on estimates and assumptions made by the management and based on historical experience as well as on the most reliable information available.

Specifically, when precise information was not available for measuring the value of Property, Plant & Equipment (PP&E) to be recognised in the statement of financial position some estimates have been applied by reference to the buying price of similar assets in an active and liquid market or to the historical cost trend of similar acquisitions occurred over the last 3 - 5 years. For infrastructure funded through the NATO Security and Investment Programme (NSIP) and where no actual cost has been provided by the territorial host nation, the authorised amount has been used as basis for the acquisition cost. Moreover, a percentage of the acquisition cost of these infrastructures has been applied for determining the value of the fixed assets and the installed equipment where the project authorisation breakdown was not available.

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

[1] C-M-(2016)0023: NATO Accounting Framework, dated 29 Apr. 2016.

Changes in Accounting Policy

The same accounting policies are applied within each period and from one period to the next, unless a change in accounting policy meets one of the criteria set in IPSAS 3. For the 2019 FS, the NAF and ACO accounting policies have been applied consistently throughout the reporting period.

There is no major change in the 2019 ACO accounting policy. If any specific change in the financial data, the impacts have been identified in the notes under the appropriate headings.

Reclassification

The financial data related to the provisions were reclassified in Short-Term and Long-Term and reported accordingly for the 2019 data and previous year.

No other reclassification was applied to the 2019 financial data.

Restatements

ACO has restated a number of balances in the FS. They mainly relate to PP&E, Inventory, including assessment of previous years' audit observations.

Foreign currency

These FS are presented in Euro, which is the ACO functional and reporting currency. All entities included in the consolidated FS adopt Euro as functional currency. Data from ACO budgets approved in different currency are converted and reported in Euro using a fixed rate. The fixed rate applied for GBP for 2019 is equal to 0.8799 EUR representing the NATO corporate rate as of 1st January 2018.

Foreign currency transactions are translated into Euro at the NATO exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at year-end are translated into Euro using the NATO exchange rates applicable at 31 December 2019. Resulting realised and unrealised gains and losses are recognised in the Statement of Financial Performance.

Consolidation

The ACO Consolidated FS include the financial results of ACO[2] as the controlling entity exercising control over the controlled entities listed below.

ACO HQ NAME	LOCATION
SHAPE HQ	Casteau, Belgium
JFC Brunssum HQ	Brunssum, Netherlands
Resolute Support HQ	Kabul, Afghanistan
NAEW&C Force GK HQ	Geilenkirchen, Germany
JFC Naples HQ[3]	Naples, Italy
AIRCOM Ramstein[4] HQ	Ramstein, Germany
MARCOM Northwood HQ	Northwood, UK
NCIS Group HQ[5]	Casteau, Belgium
KFOR HQ	Pristina, Kosovo
NHQSa HQ	Sarajevo, Bosnia Herzegovina
LANDCOM Izmir HQ	Izmir, Turkey
NAGSF HQ	Sigonella, Italy
ACO Corporate Accounting and Control Office	Casteau, Belgium

[2] ACO is a functional chain of military command and neither a legal entity nor an organization. The consolidation of statements into the ACO FS cannot be construed as creating any other legal effect that for financial reporting purposes in accordance with IPSAS 6 principles. The term "ACO Headquarters" relates only to those principles and does not supersede the legal status or personality of existing Headquarters across ACO

[3] It includes data related to NATO Mission Iraq (NMI), under the control of JFCNP HQ.

[4] It includes data related to AIRCOM HQ, Ramstein, Germany, Deployable Air Command and Control Centre (DACCC), Poggio Renatico, Italy, Combined Air Operations Centre (CAOC), Uedem, Germany, Combined Air Operations Centre (CAOC), Torrejon, Spain

[5] It includes data related to the NCISG HQ, SHAPE, Belgium, 1st NSB, Wesel, Germany, 2nd NSB, Grazianise, Italy, 3rd NSB, Bydgoszcz, Poland

Inter-entity balances and transactions have been eliminated in consolidation. ACO has obtained from the above listed Commands the information and financial data for the production of the accounts that show ACO's consolidated assets and liabilities as well as revenues and expenses. The Financial Controllers of the above mentioned controlled entities have certified the correctness of the data reported to ACO Corporate Accounting and Control (CAC) for further analysis and consolidation in the ACO FS. This includes as well the assurance of the check and balance for the asset reporting. However, it has to be highlighted that, due to the lack of resources currently dedicated to asset management mainly in the Engineering area, only a partial certification on those data was issued by BSG at Landcom HQ[6].

Moreover, it is to be noted that this year the overall process was very difficult due to the lack of personnel at corporate level, the turnover and/or internal reorganisation in few local HQs and the pandemic event impacting all the ACO locations.

The ACO MWA financial data are not consolidated into the primary ACO FS in line with the adapted IPSAS 6 included in the NAF, even when they are considered to be under the control, from a financial reporting perspective, of the NATO Reporting Entity preparing and issuing the FS.

Relevant details are reported by way of a disclosure note (Note M).

Services in-kind

In these consolidated FS, services in kind are not recognised.

Financial Instruments disclosure/presentation

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

ACO uses only non-derivative financial instruments as part of its normal operations. These financial instruments include cash and cash equivalents, term deposits, accounts receivable, liabilities. They are recognised in the statement of financial position at fair value.

Financial risk factors

ACO has no powers to borrow money or to invest surplus funds. Other than financial assets and liabilities which are generated by day-to-day operational activities, no financial instruments are held.

Credit risk

ACO's clients are mainly NATO Members' Nations or Troop Contributing Nations (TCNs) very often sponsored by NATO's Nations and NATO agencies. ACO is therefore not exposed to material credit risks.

Liquidity risk

ACO is not exposed to any liquidity risk due to the funding mechanisms from the contributing NATO's Member Nations, as well as internal policies and procedure put in place to ensure there are always appropriate resources to meet the financial obligations.

Foreign currency risk

ACO has some exposure to foreign currency due to some contracts and activities managed in currencies different than EUR, mainly USD, GBP and AFN. A constant monitoring of the activities in foreign currencies is executed to identify the potential exposure to exchange rate variations and to manage the risk accordingly. ACO doesn't maintain significant assets or liabilities in foreign currency, except for some operational balances for services provided at MARCOM HQ, NAEW&C Force, Resolute Support HQ and the TCNs in theatre.

Realised and unrealised gains and losses resulting from the settlement of transactions in foreign currencies and from the revaluation at the reporting date are recognised in the Statement of Financial Performance.

Interest rate risk

ACO has successfully implemented a centralised Cash Management office. The cash holding is mainly kept and managed at corporate level with few exceptions. Liquidity is invested in saving accounts until 3 months, short term deposits for not more than 12 months and term deposits divided in packages that can be liquidated within 31 calendar days at no cost. All investments profiles are in accordance with NFRs, to ensure the best possible return on cash holdings considering the current financial market situation. The exposure to interest risk strictly follows the current market for all public and international organisations. Additional details are disclosed at Note B.1 and B.2.

[6] Follow-on Staff Assistance visit 19-20 Feb 2020 – Action Report, (SH/FINAC/ICFO/FC74/20 dated 6 Mar. 2020.

Assets

a. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, petty cash, current bank accounts, deposits held with banks, other short-term highly liquid investments with original maturities of three months or less.

Any amounts held in a foreign currency are translated into Euro at the exchange rate on the date of reporting.

b. Short-term investments

These are term deposits mainly with a maturity of more than 3 and less than 12 months. During 2019, ACO made also term deposit packages for a nominal period of 36 months with the possibility to withdraw the liquidity at no cost within 31 calendar days. This measure was done to mitigate the risk of negative interest on the EUR balance held in Treasury for the ACO budget groups and the various projects. The related interests for those packages are reported on a quarterly basis.

c. Receivables

Receivables are stated at net realisable value, after provision for doubtful and uncollectible debts. It also includes amounts due by other NATO entities and nations.

Contribution receivables are recognised when a call for contribution has been issued to the member nations. No allowance for impairment loss is recorded with respect to member nations' assessed contributions receivable except for exceptional and agreed technical reasons.

d. Inventories

In accordance with the adapted IPSAS 12 as approved within the NAF, items acquired from 1 January 2013 and held on stock at the reporting date are recorded as inventories if their useful life is less than one year and they exceed the materiality threshold reported in the table below.

Inventory Categories	Threshold	Basis
Consumable	€50,000	Per location/warehouse
Spare parts	€50,000	Per location/warehouse
Ammunition	€50,000	Per location/warehouse

ACO Inventory items are classified by group classes with the exception of NAEW&C Force GK HQ for which the Tech Degree codes (ERRC) is considered the first filter for categorizing items as inventory. Remaining codes are classified in accordance with the assigned group class.

Shipping/transportation costs have been added for the recognition of new items as actual cost, if identifiable, or apportioned from the total costs of delivering inventory to the warehouse. The materiality threshold is 2% of the overall budget executed by the respective ACO Command.

ACO inventories are reported using the weighted average cost (WAC) method where adjustment is made to cater for the reduced value of non-strategic slow moving items.

Inventories qualified as non-strategic held on stock at the reporting date and which were identified as 'slow moving' over the last three reporting periods are written down to the net realisable value, it being 35% of the last WAC of the same inventory item, The category of 'slow moving' is reported only for items identified at NAEW&C Force HQ.

Inventory and spare parts to be used in meeting NCISG's readiness requirements for NRF and kept in a central stock at NSPA in Capellen are assessed to be under the control of NCISG and valued at replacement cost in the ACO FS.

ACO is reporting as well legacy assets (i.e. those acquired before 1 January 2013) by way of a disclosure note to include the approximate number of items per inventory category for each respective location iaw NAF.

e. Property, Plant and Equipment

According to the NAF all assets qualified as PP&E, which were under the control of ACO at the reporting date, acquired (received) from 1 January 2013 have been capitalised and recognised as non-current assets in the statement of financial position if acquisition cost exceed the ACO capitalisation thresholds.

Depreciation is recognised to write off the cost of the assets, less their residual values, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of PP&E is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal or retirement of an item is determined as the difference between the sales proceeds and the carrying amount of the asset and it is recognised in the statement of financial performance.

ACO PP&E categories for static HQs are listed in the table below:

Category	**Threshold**	**Depreciation life**
Land	€200,000	N/A
Buildings	€200,000	40 years
Other infrastructure	€200,000	*Dependent on type*
Installed equipment	€30,000	*Dependent on type*
Machinery	€30,000	10 years
Vehicles	€10,000	5 years
Aircraft (Planes, Upgrades & Spare parts)	€200,000	*Dependent on type*
Vessels	€200,000	*Dependent on type*
Mission equipment	€50,000	3 years
Furniture	€30,000	10 years
Communications	€50,000	3 years
Automated Information Systems	€50,000	3 years

The above categories and thresholds are valid also for the ACO AOM operations assets physically located in a theatre of operation. However, according to the NAF each of the AOM PP&E asset categories has a useful life of one year to reflect the intensive nature of the operations.

PP&E items have been identified based on the groups and classes identified by the US Federal Supply Classification which classifies items of supply identified under the Federal Cataloguing Program. This approach is in place within all the ACO Commands with the exception of NAEW&C Force GK HQ where the primary criterion is related to the serialisation of the item.

Assets acquired through other NATO entities and handed-over at the reporting date to ACO or managed by third parties on behalf of ACO, such as the deployable non-CIS assets stored in the NSPA Depot in Taranto (ITA), are included in the ACO FS.

The CIS assets (Communication and Automated Information System) reported in the 2019 ACO FS relate to NHQSa and NAEW&C Force GK HQ. In those 2 ACO sites the CIS assets are not under the control of the NCIA but of ACO.

The category of 'Asset under Construction' (AuC) refers to NSIP projects expenses occurred after 1 January 2013 for ACO requirements and implemented by SHAPE as HN; AuC is reported by ACO until the project is accepted by the users (completed) and put in service by the receiving HQ. It also includes building, equipment installation and infrastructure projects managed by local HQs via annual budgets mainly related to SHAPE HQ and NAEW&C Force GK HQ.

ACO is not recognising any other AuC.

The PP&E data of Resolute Support include the NATO assets located at HQ RS plus the four regional airports of KAF, MeS, Herat and HKIA where USA, Germany, Italy and Turkey respectively assumed responsibilities as Framework Nations (FWN). The Memorandum Of Understanding (MOUs) for the RS Mission airfield services refer to Technical Agreements (TA) and determine the responsibilities for the use of the NATO-funded assets by the FWN. However, the SHAPE CMRB decision dated 8 September 2014 clarified that the NATO Chain of Command remains accountable for all the NATO funded assets through the end of the RS Mission. To this extent the transfer of NATO assets from ISAF to RS Mission following the procedures set forth by the ACO Directive 80-100 has been considered under the on-going concern principle.

Building and infrastructure facilities in use across the ACO static Commands have been analysed in light of the control criteria set forth by the NAF and the Garrison Support Agreements as well as the Host Nation Support Policy and Standards[7], the Base Support Concept[8] and the NSIP regulations, to determine whether they are under the control of ACO or the HNs. Although the analysis highlighted that the HN, besides being the owners maintain also a certain level of control over the infrastructure, these buildings and infrastructure have been reported in the ACO FS even when for some criteria the control over the infrastructure has resulted to be either of ACO or shared

[7] PO(2011)0020 dated 8 February 2011
[8] CM-128-2011 dated 16 November 2011

between ACO and the HNs. The HQ facilities in Sarajevo for NHQSa are not reported as they are under the control and responsibility of EUFOR based on the Berlin Plus Agreement.

Further to the PO (2015)0342, Organisational Framework for the Operations and Support of NATO Alliance Ground Surveillance (AGS) Force, dated 17 June 2015, the assets of the NATO AGS Core System are not reported by ACO as they fall under the direct responsibility of the AGS Support Partnership which is governed by the NATO Support and Procurement Agency (NSPA) as executive body. Equipment facilities, building and capital improvements provided by the HN Italy will remain the property of the HN, buildings and capital improvements provided through NATO funding will be reported by NAGSF; whilst ownership rights and accountability responsibilities of the AGS Core system assets will be transferred from NAGSMO to NSPA as the NATO AGS Governance Body.

ACO does not report assets of the Alliance Defence Ground (ADG) and Air Command and Control System (ACCS) either, as they are under National control and responsibility.

ACO is reporting also the legacy assets (i.e. those acquired before 1 January 2013) by way of a disclosure note to include the approximate number of items per asset category for each respective location.

Leases

Leases are classified as finance leases whenever the terms of the lease substantially transfer all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rental payable under lease contract are recognised as an expense in the statement of financial performance on a straight-line basis over the lease term.

In these FS ACO is not reporting any assets or liabilities related to finance lease.

f. Intangible Assets

ACO does not hold intangible assets at the reporting date.

Impairment of tangible and intangible assets

At the end of each accounting period, ACO reviews the carrying amounts of its tangible and intangible to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated, being the greater of the asset's fair value minus costs to sell and value in use. Impairment losses, if any, are recognised in the statement of financial performance.

For 2019 ACO is not reporting any impairment.

Liabilities

a. Payables

Payables (including amounts due to other NATO entities) are amounts due to third parties for goods and services received that remain unpaid as of the reporting date. They are recognised at their fair value. This includes estimates of accrued obligations for goods and services received at year-end but not yet invoiced.

b. Deferred Revenue

Deferred revenue represents income/contributions from member nations and/or third parties that have been called for current or prior years' budgets and that have not yet been recognised as revenue.

c. Advances

Advances are income/contributions from member nations/third parties called or received related to future years' budgets.

d. Employee benefits

The employees in ACO[9] participate in one of the three NATO pension's funds: the Provident Fund and the Coordinated Pension Scheme are benefit plans, and the Defined Contribution Pension Scheme (DCPS) is a contribution plan, all are administered by NATO and RMCF.

The assets and liabilities for these pension schemes are accounted for centrally at NATO Headquarters and therefore are not recognised in these FS, ACO accounts only for the contribution paid during the year.

<u>DCPS and Provident Fund:</u>

[9] ACO is neither a legal entity nor an organization in the legal sense of the term. ACO cannot exert the rights and prerogatives, nor bear the liabilities of an employer. In conformity with NAF and IPSAS 6 principles, the term "employee" is meant for the purposes of financial reporting exclusively. It cannot be construed as superseding existing status or contracts between the relevant legal persons, either moral or natural.

ACO contributes a specified percentage of payroll costs to the DCPS and to the Provident Fund to fund the benefits. In addition to the employer's contribution, a portion of the employees' salaries is deducted and contributed to the annual financing of the DCPS, or provident fund. These contributions are recognised as an expense during the year the services are rendered and represent the total pension obligation of the ACO HQs.

Further to an analysis covering the last years of the history of death in service risks in relation to premiums paid by the Organisation during 2012-2015, a compensation of 6 MEUR at the NATO-wide level was agreed by the insurance company. At the end of 2018, the NATO Secretary General decided that a fraction of this amount (circa 1,7 MEUR) had to be paid to NATO staff who were members of the DCPS during the period 2012-2015 in proportion to the contributions they made to the DCPS.

Staff employed by "NATO body" during the period 2012-2015 and affiliated to the DCPS is therefore entitled to a payment to be made from the NATO DCPS accounts. During 2019 staff members have received direct compensation based on the above.

For the ACO entities an amount totalling 918,517.06 EUR has been assigned and paid during the first quarter of 2020. In line with BC-DS (2019)0067 (INV), the aforementioned NATO's DCPS Group Insurance Compensatory Payment has been recognised as miscellaneous income in the FS.

Coordinated Pension Scheme:

Employees who have joined NATO before 1 July 2005 are members of the NATO Coordinated Pension Scheme which is a funded defined benefit plan. Under the plans and upon completion of 10 years employment with NATO, the employees are entitled to retirement benefits of 2% per year of service of final basic salary on attainment of a retirement age of 60. No other post-retirement benefits are provided to these employees. Staff members whose length of service is not sufficient to entitle them to a retirement pension are eligible for a leaving allowance.

ACO recognises a provision in the Statement of Financial Position for the TFR to be paid to the Italian Local Wage Rate employees by JFC HQ Naples as a termination benefit (further details are disclosed in Note D) and other severance and/or bonus obligations to staff members. The accounting treatment consists of partial advance to the national entity responsible for the collection and the allocation of the remaining obligation as provision. The amount is counterbalanced by a receivable from the Nation for future funding when required.

e. Provisions

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

Net Assets

Net assets represent the residual interest in the assets of the entity after deducting its liabilities. Unspent revenue and potential revenue from liquidation of assets are to be reimbursed to the contributing nations and is recorded as a liability. ACO is therefore not recording any net assets.

Revenue and expense recognition

a. Revenue

Revenue comprises contributions from Member Nations and income from other customers to fund ACO's requirements through the Military Budget (MB) and the NATO Security Investment Programme (NSIP). It is recognised in the year when these contributions are used for their intended purpose. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be measured reliably. Unused contributions and other revenue that relate to future periods are deferred accordingly.

Interest income is accrued on a time-basis, by reference to the principal outstanding and at the effective interest rate applicable.

Bank interests earned and accrued as of 31 December 2019, exchange rate revenue due to transactions in foreign currency and realised exchange rate revenue in accordance with the entity Policy IPSAS 4 – Effect of the foreign exchange rate are recognised as financial revenue.

b. Expenses

Budgetary expenses are recognised when occurred. Accrual of expenses is based on the criteria of accruing when goods and services are received.

Bank charges, exchange rate losses due to transactions in foreign currency and realised/unrealised exchange rate losses are recognised as finance costs.

Result of the year

In accordance with ACO accounting policies ACO revenue is recognised up to the amount of the matching expenses, therefore any result is the net of financial and/or other miscellaneous income and expenses.

Trust Funds

ACO manages a number of trust funds on behalf of other entities. The primary purpose of trust funding is to provide a mechanism for the NATO Commander to achieve objectives and undertake authorised activities, complementary to the mission, which are not eligible for NATO common funding through the Military budget or the NSIP.

Trust Funds are not considered core activities of ACO. NATO recognises an asset when it controls access to the asset and gains economic benefit or service potential, but matches this to an equal liability. ACO does not recognise any expenditure or revenue in relation to the Trust Funds in its statement of financial performance which it does not control with the only exception of the remaining KSF project related to KFOR, if required. Details are shown in Note K.

Cash-flow statement

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

B. Notes to Statement of Financial Position

Assets – Current Assets

1. Cash and cash equivalents

Cash and cash equivalents	2019	2018 Restated	2018
Cash accounts	199,661	249,700	249,700
Petty Cash and Advances	325,125	341,910	341,910
Current Bank Accounts	520,347,647	800,982,541	800,982,541
Clearing-Bank accounts	(8,579)	(39,036)	(39,036)
Cash Equivalent	539,435,986	292, 554,574	292, 554,574
Total	**1,060,299,840**	**1,094,089,689**	**1,094,089,689**

2. Short Term Investments

Short Term Investments	2019	2018 Restated	2018
Total	**763,389,492**	**533,503,561**	**533,503,561**

The overall cash holding in ACO for 2019 is higher compared to the balance of the previous year, due to an increase of 196 MEUR.

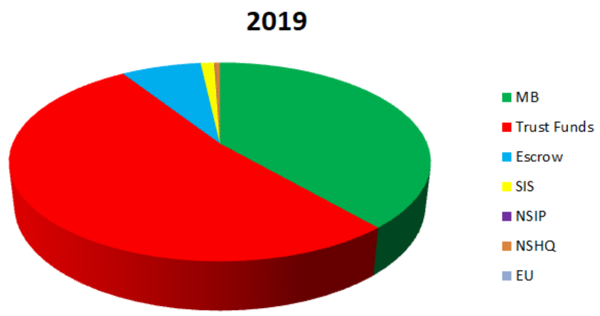
The main variances are for the MB cash holdings with a decrease of 42.5 MEUR, ANA TF cash holdings with an increase of 147 MEUR.

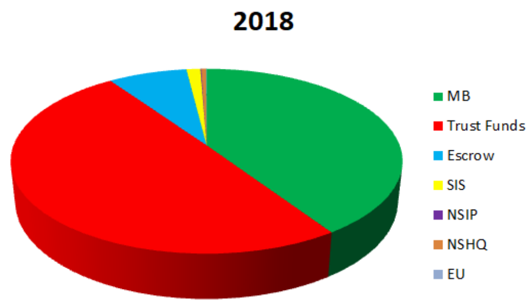
The corresponding balance of the Escrow account, net of the 2019 outflow and the accrued interest is higher than 2018 due to the exchange rate between EUR/USD as of 31 December 2019.

The local cash holdings are kept as low as possible due to the centralised cash management structure within ACO. ACO holds bank accounts in foreign currencies to execute the management of activities conducted in foreign currencies. The balances are constantly monitored to ensure the required balances are available and additional currency is acquired at a reasonable exchange rate when needed.

The breakdown for the main categories is reported below:

<u>Table 1.A – ACO Cash holdings breakdown</u>



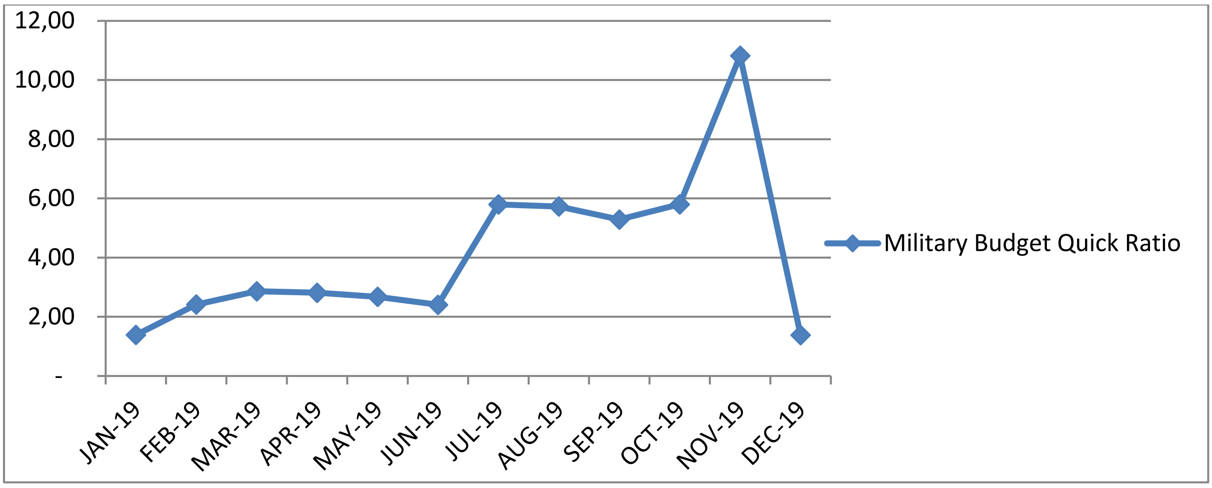


The year-end balance is not representative of the average cash holdings during the financial year. Cash holdings tend to increase towards the end of the financial year due to the cash received upon the final cash call and the request of some nations to liquidate uncalled contributions for the following year. The trend continues until March of the following financial year. As part of the revision of the Cash Call methodology, ACO started to coordinate with Nations payment schedule to mitigate the risk of negative interest of the EUR balance.

The cash holdings are shown in the chart below through the Quick Ratio. This ratio measures the ability of the entity to meet its short-term obligations at a certain point in time; a value higher than 1 means that the entity can pay off all its short-term liabilities.

The ratio is close to 1 at the end of 2019 due to the end of year assessment of accruals which has a direct impact on the level of liability recognised at year-end.

Table 1.B – ACO MB Quick ratio Fiscal year 2019



At ACO the cash and cash equivalents shown in Note B.1 include balances for purposes other than MB budget and NSIP. Since ACO has control of these balances, they are shown as assets of ACO with a matching liability.

Funds categorized as cash equivalent are invested in saving accounts for a period not exceeding 3 months. They are convertible to known amounts of cash and subject to no risk of changes in value. The MB cash equivalent at the end of 2019 is 325 MEUR. The Trust Funds cash equivalent at the end of 2019 is 214 MEUR.

Short-term investments (STIs) include term deposits for a period within 12 months. During 2019, ACO continued to work with term deposit packages for a nominal period of 36 months with the possibility to withdraw the liquidity at no cost within 31 calendar days. This measure was initiated to mitigate the risk of negative interest on the EUR balance held in Treasury for the ACO budget groups and the various projects. The related interests for those packages are reported on a quarterly basis

The STIs reported at the end of 2019 are related to MB Funds for 251 MEUR, ANA Trust Funds for 495 MEUR and to other projects for approximately 17 MEUR.

All investments (savings and term deposits) are managed centrally by ACO CAC branch.

Interest rates

From early 2016 some banks started charging negative interests to customers holding deposits of above 5 MEUR in their bank account. ACO managed so far to avoid any negative interest despite the considerable EUR balance.

During the last months of 2019 ACO reported to the BC that ACO's major bank had announced its intention to reduce drastically, as of 1st March 2020, the ceiling above which negative interests would be applied on EUR liquidity. As part of its risk mitigation strategy, ACO requested to deviate from the FRP art. XXXI in order to place deposits not to exceed 4 years and up to 400 MEUR and work with NOR and other NATO funding entities to reassess the methodology for the annual Calls. The BC approved this request in January 2020. ACO continues to diversify its approach placing cash liquidity with different financial institutions and focusing on its cash forecast analysis in close coordination with all the parties involved (ACO Commands, Nations, and NATO agencies). Moreover, , ACO is currently exploring the possibility to establish during the year ad-hoc payment schedule with NATO Nations for the annual official calls as further measure to reduce the impact of negative interest on excess EUR liquidity.

It is to be noted that interest revenue is only one part of the relationship ACO has with banks. ACO pays almost no fees taking into account the volume of the transactions managed in all currencies and countries (involving corresponding banks and potential extra costs). ACO regularly analyses and considers as well the most valuable approach regarding foreign currencies.

3. Receivables

Receivables	2019	2018 Restated	2018
Receivables Contribution from NATO Nations	94,129,606	48,707,136	48,707,136
Receivable Assessment/under call	3,077,596	3,017,200	3,017,200
Receivables from Troop Contributing Nations	68,313,080	45,669,686	45,669,686
Receivables from Other NATO bodies	9,091,112	15,113,485	15,113,485
Receivables from Staff Members	209,481	218,900	218,900
Receivables from Nations	2,360,559	3,725,681	3,725,681
Other Receivables/Recoverable	24,965,520	11,864,991	11,832,491
Total	**202,146,953**	**128,317,081**	**128,284,580**

The main accounts receivable balance is reported in the ACO CAC segment reporting. ACO CAC receives funds mainly from Nations for Calls for Contributions, recovery of the NBC and other calls for contribution.

The balances in foreign currencies are converted to the reporting currency at the NATO exchange rate prevailing at the end of the reporting period.

The difference between 2019 and 2018 of 74 MEUR is mainly due to the increase of the outstanding credits for the contributions from NATO Nations (94 MEUR versus 49 MEUR in 2018) and to an increase of the outstanding credits for the NBC for an overall of 23 MEUR due to NMI and ISAF/HKIA.

Receivable Contribution from NATO Nations

The balance represents mainly outstanding calls for contribution for the various ACO Annual budgets: NCSEP for 39.3 MEUR (14.8 MEUR in 2018), NAEW&C FC for 9.6 MEUR (27.4 MEUR in 2018), AOM for 42.3 MEUR (6.1 MEUR in 2018), AGS for 2.7 MEUR (87 KEUR in 2018). There is an outstanding credit for NSIP for 104 KEUR as well (202 KEUR in 2018).

Called assessment/under called 2018

The balance represents the NCSEP budget increase related to 2018 that will be included in the 2020 2nd Call for ACO.

Receivable from TCNs

Receivable from TCNs	2019	2018 Restated	2018
NHQSa NBC	101,152	88,948	88,948
KFOR NBC	1,899,055	1,761,800	1,761,800
RAC	43,907	41,054	41,054
ISAF/Resolute Support NBC/HKIA	58,218,015	40,136,720	40,136,720
Supreme Food Claim	1,534,914	2,704,044	2,704,044
NMI	6,516,036	937,120	937,120
Total	**68,313,080**	**45,669,686**	**45,669,686**

These credits are for NBC outstanding from Nations participating in the AOM activities and for which ACO is providing services related to their troops.

The outstanding credits are monitored on a recurring basis and a follow-up procedure is in place. The NBC financial management workload continues to be due to the constant necessary liaison between ACO and the TCNs. While some of the amounts have been outstanding for a significant period of time, it is considered that they remain collectable and ACO will continue to work with Nations to pursue resolution.

<u>ISAF/Resolute Support NBC .</u> Resolute Support HQ is still a large NBC work oriented area. The ending receivable balances for 2019 are still showing a significant amount of uncollected NBC items for ISAF/Resolute Support. This is mainly related to HKIA pre-financing and is concentrated on few TCNs. As per NAC (PO (2018)0009), ACO is tasked to manage the HKIA billing and follow-up for TCNs during the fiscal year 2018 and 2019. Efforts are ongoing to resolve significant TCNs outstanding credits for more than 90 days.

<u>NHQSa/EUFOR</u>: NBC continues to be raised for the remaining troops at Camp Butmir. Since 2011, the low costs include some additional charges of severance being made to the TCNs.

<u>KFOR</u>: In 2019 there have been no significant billing issues related to TCNs for KFOR HQ NBC.

NMI: As expected, the NATO Mission in Iraq expanded with a considerable increase in the volume of NBC activities in 2019. The outstanding credits represent the data already assessed by the site and allocated to the corresponding TCNs by the central CAC office in charge of the billing process.

Supreme Food Claim: As the settlement of the Food Case relates to claims brought by Supreme under the Food Basic Ordering Agreement ACO-BRU-08-89, the BC confirmed that NBC mechanism was applicable. Therefore, the TCNs were invoiced for their share of the awarded claim (2.7 MEUR) including legal fees (33 KEUR), calculated on the basis of the annual payments from Oct 2010 until Dec. 2014.

Currently, 43% of the total amount has been reimbursed by the majority of the TCNs billed, leaving an outstanding credit of 57% belonging to few TCNs. ACO will provide a status report to the BC during 2020.

Receivable from staff members[10]

These are receivables from staff members, such as short term loans, salaries and allowances to be reimbursed by staff members and other receivables. Collections are assured through payroll withholding and staff separation payments. For 2019, there is an amount of 12,457 EUR for JFCNP related to short-term loans granted to LWR employees.

Other Receivable/Recoverables

These are receivables mainly for outstanding invoices issued to National Support Elements for the Reimbursable Program Host-Tenant Agreement and for other reimbursable procurements. For JFCNP there is an amount of 10 MEUR for invoices to be established related to NBC for NMI. Following the NBC procedure, the amount will be assessed by the local site and reallocated to each TCN accordingly by the central CAC office in the first quarter of 2020.

4. Prepayments

Prepayments	**2019**	**2018 Restated**	**2018**
Advances and Prepayments	23,353,798	18,375,831	18,375,831
Total	**23,353,798**	**18,375,831**	**18,375,831**

Prepayments are net of related accruals previously recorded and associated expenses. Advances entered in foreign currency were accrued in that currency.

The reported amount reflects mainly advances and prepayments to other NATO entities and LWR Severance Pay (TFR) for JFC Naples (2 MEUR) as described in Note A – ‘Employee benefits’.

It should be noted that the prepayments related to NAEW&C Force GK HQ is made by advances done to NSPA for FMS for which financial data on accrual basis are not available.

This prepayment balance includes as well FMS cases and 4.4 MEUR paid by NAEW&C Force GK HQ to NAPMA for upgrade related to the Mode 5 projects.

5. Other current assets

Other current assets	**2019**	**2018 Restated**	**2018**
Bank Interest Accrued	2,038,362	2,424,323	2,424,323
Receivable for Provisions	303,151	592,562	1,805,551
Total	**2,341,513**	**3,016,885**	**4,229,874**

The majority of the Bank Interest Accrued relates to deposits with ACO CAC bank accounts and the Escrow USD bank account managed by ACO CAC.

Details for the provisions are reported in Note D.

6. Inventories

Inventories	**2019**	**2018 Restated**	**2018**
Consumables	16,642,692	16,352,336	16,995,664
Spare parts	24,675,484	23,820,130	26,223,798
Total	**41,318,176**	**40,172,465**	**43,219,462**

[10] See footnote n. 8 at page N-7.

ACO is reporting inventory as established in the ACO accounting policy.

No inventory is pledged as security for liabilities.

Inventory	
Opening as of 1 January 2018	37,624,149
Adjustments to opening	89,451
Adjusted opening as of 1 January 2018	**37,713,600**
Additions	39,204,988
Expensed	(34,748,793)
Write off/write down	(42,548)
Adjustments to ending	(1,954,782)
Ending balance as of 31 December 2018	**40,172,465**
Opening as of 1 January 2019	40,172,465
Adjustments to opening	74,452
Adjusted opening as of 1 January 2019	**40,246,918**
Additions	38,167,319
Expensed	(35,807,295)
Write off/write down	(142,427)
Adjustments to ending	(1,146,338)
Ending balance as of 31 December 2019	**41,318,176**

Restatement/adjustments of the 2018 inventories

The adjustments to ending balances for FY 2018 are mainly due to the NCISG and HKIA inventory restatement. NCISG inventory have been restated to account for items held at the NSPA Central Stock Warehouse in Capellen, because assessed under ACO control and valued at replacement cost. Moreover, the Hamid Karzai International Airport (HKAIA) warehouse has been de-recognised for an amount of 3,480,670 EUR since these were not considered as being under ACO control.

Assets - Non-current Assets

7. Property, Plant and Equipment

Property, Plant & Equipment	2019	2018 Restated	2018
Land	-	-	-
Buildings	75,432,397	63,558,179	64,117,359
Other infrastructure	23,676,445	22,861,963	22,689,402
Installed Equipment	33,158,775	28,966,692	28,484,139
Machinery	6,180,441	6,287,461	6,782,594
Vehicles	15,725,747	16,770,707	16,782,557
Aircrafts (Planes, Upgrades & Spare parts)	449,123,399	371,120,207	359,907,453
Mission Equipment	16,941,421	28,505,103	28,939,009
Furniture	2,455,335	2,153,219	2,237,072
Communication (CIS)	12,768,487	19,041,675	19,547,150
Automated Information Systems	3,815,195	5,810,971	5,962,040
AuC	3,500,480	6,834,630	6,834,630
Total for Property, Plant and Equipment	**642,778,122**	**571,910,806**	**562,283,404**

According to the NAF all assets qualified as PP&E under the control of ACO at the reporting date, acquired (received) from 1 January 2013 have been capitalized and recognised as non-current assets in the statement of financial position in accordance with the ACO capitalisation thresholds.

The Communication assets are CIS assets at NAEW&C Force GK HQ and NHQSa HQ.

No assets are pledged as security for liabilities.

Restatement 2018

The main restatements reported relate to NAEW&C Force GK HQ and Resolute Support HQ with a minor restatement relating to JFC Brunssum HQ.

For NAEW&C Force GK HQ, restatements of 11.2 MEUR were made in relation to additional costs received for the aircraft communication and navigation system (CNS/ATM) upgrades completed in 2017 and 2018. Other minor restatements were made in relation to asset categories Buildings (139 KEUR), Other Infrastructures (172 KEUR), Installed Equipment (527 KEUR), Mission Equipment (433 KEUR), Communication (536 KEUR) and AIS (151 KEUR). These were due to updates to the date the asset was placed in service.

For Resolute Support HQ, restatements of 420 KEUR were made in relation to asset categories Buildings in relation to additional information received concerning the PAX Terminal and the date the asset was placed in service. Other restatements were made in relation to asset categories Communications (31 KEUR), Furniture (84 KEUR), Installed Equipment (45 KEUR), Machinery (495 KEUR) and Vehicles (12 KEUR) as part of the deviation on asset reporting for HQRS. A full reconciliation has been conducted between the FinS system and NDSS system while a new reporting threshold of 1000 EUR has been applied where all assets below 1000 EUR are no longer tracked. As a result of the reconciliation, a number of assets have been uploaded or retired to reflect the correction implied by the deviation implemented.

The minor restatement relating to JFC Brunssum HQ for 49KEUR was made relating to reinstated assets meeting the capitalisation threshold at SWHQ Castlegate

2019 data

NAEW: Fleet modernisation

The main variance reported in the PP&E is still for NAEW&C Force GK HQ. NAEW&C Force GK HQ operates a fleet of fourteen surveillance (E-3A) airplanes, however as they relate to data prior 2013, they are not accounted with a financial value.

A programme of material upgrades to the airplanes is ongoing. During 2017 and 2018, the communication and navigation systems (CNS/ATM) were upgraded from analogue to digital, as well as training devices. Additional costs were received in 2019 resulting in the restatements described above.

During 2019, thirteen of the airplanes received the certificate of completion for the enhanced MODE 5 / IP COMMs upgrades authorizing them for operational use. The 99.8 MEUR cost of this upgrade has been included in the financial statements and depreciation started based on the date that the airplane became operational. The final airplane did not receive authorization for operational use until January 2020. Costs for this airplane will be accounted in 2020 in line with NATO Accounting Policy for Property, Plant and Equipment.

As a part of this modernisation, the fleet was reduced from seventeen to fourteen planes. In 2015, 2017 and 2018, three planes were shipped to the USA for destruction and are no longer considered under NAEW’s operational control.

In addition, the handover of the restoration of the Fire, Crash and Rescue building at NAEW&C Force GK HQ was completed during 2019. This results in an increase of 8.9 MEUR in the Buildings asset category and 2.2 MEUR in the Installed Equipment asset category.

Other ACO sites

In addition to the Fire, Crash and Rescue building at NAEW&C Force GK HQ, the Building asset category increased by 5.3 MEUR for buildings upgrades at NCISG Vilnius and Bydgoszcz and 2.3 MEUR for building modifications and improvements at KFOR Camp Film City.

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TABLE 7 – Property, Plant and Equipment – Breakdown of transactions for the year

Property, Plant and Equipment	Land		Buildings		Other Infrastructures		Installed Equipment		Machinery		Vehicles	
Acquisition cost as of 1 January 2018		-		84,949,425		69,743,498		28,253,711		10,377,973		11,046,856
Adjustment to opening balance		-		(30,576)		252,462		7,486,529		(92,947)		(221,054)
		-		84,918,849		69,995,960		35,740,241		10,285,027		10,825,802
Additions FinS	-		411,345		1,838,695		1,718,766		1,527,365		4,107,750	
Manual additions - NSIP/Other funding	-		20,914,006		4,379,721		7,512,544		92,673		12,657,274	
Adjustment to additions 2018	-		-		-		-		(540,145)		(11,850)	
Adjustment to additions - NSIP/Other funding	-		-		-		-		-		-	
+ Total Additions	-		21,325,351		6,218,416		9,231,310		1,079,894		16,753,174	
- Disposals/retirements	-		-		-		-		-		-	
- Capitalized/Expensed WIP	-		-		-		-		-		-	
+ Revaluations	-		-		-		-		-		-	
- Impairments	-	-	-	21,325,351	-	6,218,416	-	9,231,310	-	1,079,894	-	16,753,174
		-		106,244,200		76,214,376		44,971,551		11,364,921		27,578,976
- Accumulated depreciation	-		(36,574,487)		(48,943,437)		(4,785,539)		(3,838,963)		(6,482,708)	
Adjustment to opening balance	-		(19,692)		(42,486)		(6,980,770)		28,524		221,054	
	-		(36,594,179)		(48,985,923)		(11,766,308)		(3,810,439)		(6,261,655)	
+ Disposals/retirements	-		-		-		-		-		-	
- Depreciation 2018	-		(5,582,930)		(4,329,075)		(4,215,343)		(1,312,033)		(4,546,615)	
Adjustment to depreciation 2018	-	-	(508,911)	(42,686,021)	(37,415)	(53,352,414)	(23,207)	(16,004,859)	45,012	(5,077,460)	-	(10,808,270)
Ending balance as of 31 December 2018		**-**		**63,558,179**		**22,861,963**		**28,966,692**		**6,287,461**		**16,770,707**
Acquisition cost as of 1 January 2019		-		106,244,200		76,214,376		44,971,551		11,364,921		27,578,976
Adjustment to opening balance		-		-		-		-		-		-
		-		106,244,200		76,214,376		44,971,551		11,364,921		27,578,976
Additions FinS	-		17,495		(9,335)		3,689,584		1,045,524		1,101,372	
Manual additions - NSIP/Other funding	-		19,258,943		5,788,802		3,997,610		65,498		3,604,483	
+ Total additions	-		19,276,438		5,779,468		7,687,193		1,111,022		4,705,854	
- Disposals/retirements	-		(0)		0		(0)		(35,940)		(49,210)	
- Capitalized/Expensed WIP	-		-		-		-		-		-	
+ Revaluations	-		-		-		-		-		-	
- Impairments	-	-	-	19,276,438	-	5,779,468	-	7,687,193	-	1,075,082	-	4,656,644
Accumulated acquisition cost		-		125,520,638		81,993,844		52,658,744		12,440,003		32,235,621
- Accumulated depreciation as of 1 January 2019	-		(42,686,021)		(53,352,414)		(16,004,859)		(5,077,460)		(10,808,270)	
Adjustment to opening balance	-		-		-		-		-		-	
	-		(42,686,021)		(53,352,414)		(16,004,859)		(5,077,460)		(10,808,270)	
+ Disposals/retirements	-		0		0		(0)		35,940		49,210	
- Depreciation 2019	-	-	(7,402,221)	(50,088,242)	(4,964,985)	(58,317,399)	(3,495,110)	(19,499,969)	(1,218,041)	(6,259,562)	(5,750,814)	(16,509,874)
Ending balance as of 31 December 2019		**-**		**75,432,397**		**23,676,445**		**33,158,775**		**6,180,441**		**15,725,747**

	Airplanes & Components		Mission Equipment		Furniture		Communications		AIS		AuC		Total	
Acquisition cost as of 1 January 2018		189,865,691		94,566,603		2,287,782		14,025,793		8,419,307		7,116,712		520,653,351
Adjustment to opening balance		11,946,037		(2,601,701)		(503,119)		223,525		-				16,459,157
		201,811,727		91,964,902		1,784,663		14,249,318		8,419,307		7,116,712		537,112,508
Additions FinS	435,117		412,607		215,790		17,775		762,234				11,447,446	
Manual additions - NSIP/Other funding	189,373,946		17,567,276		980,105		14,062,941		2,302,510		2,243,116		272,086,113	
Adjustment to additions 2018	-		-		-		46,742		-				(505,253)	
Adjustment to additions - NSIP/Other funding	-		-		-		-		-		-		-	
+ Total Additions	189,809,063		17,979,883		1,195,895		14,127,458		3,064,745		2,243,116		283,028,306	
- Disposals/retirements	-		-		(1,207)		-		-		-		(1,207)	
- Capitalized/Expensed WIP	-		-		-		-		-		(2,525,199)		(2,525,199)	
+ Revaluations	-		-		-		-		-				-	
- Impairments	-	189,809,063	-	17,979,883	-	1,194,689	-	14,127,458	-	3,064,745		(282,082)	-	280,501,901
		391,620,791		109,944,785		2,979,352		28,376,775		11,484,052		6,834,630		817,614,408
- Accumulated depreciation	(5,377,523)		(67,500,989)		(499,006)		(2,642,002)		(3,312,331)		-		(179,956,986)	
Adjustment to opening balance	(125,859)		2,566,593		-		(360,126)		-		-		(4,712,763)	
	(5,503,383)		(64,934,396)		(499,006)		(3,002,128)		(3,312,331)		-		(184,669,748)	
+ Disposals/retirements	-		-		1,207		-		-		-		1,207	
- Depreciation 2018	(14,389,777)		(16,101,870)		(747,599)		(5,797,983)		(2,209,681)		-		(59,232,906)	
Adjustment to depreciation 2018	(607,424)	(20,500,584)	(403,417)	(81,439,682)	419,266	(826,133)	(534,989)	(9,335,100)	(151,069)	(5,673,081)	-	-	(1,802,154)	(245,703,602)
Ending balance as of 31 December 2018		**371,120,207**		**28,505,103**		**2,153,219**		**19,041,675**		**5,810,971**		**6,834,630**		**571,910,806**
Acquisition cost as of 1 January 2019		391,620,791		109,944,785		2,979,352		28,376,775		11,484,052		6,834,630		817,614,408
Adjustment to opening balance		-		-		-		-		-		-		-
		391,620,791		109,944,785		2,979,352		28,376,775		11,484,052		6,834,630		817,614,408
Additions FinS	592,638		1,117,741		812,046		1,278,932		474,802				10,120,798	
Manual additions - NSIP/Other funding	99,755,655		2,696,597		(273)		895,850		-		4,361,816		140,424,982	
+ Total additions	100,348,293		3,814,338		811,773		2,174,782		474,802		4,361,816		150,545,780	
- Disposals/retirements	-		(65,312)		(7,750)		(34,195)		(52,424)		-		(244,831)	
- Capitalized/Expensed WIP	-		-		-		-		-		(7,695,965)		(7,695,965)	
+ Revaluations	-		-		-		-		-		-		-	
- Impairments	-		-	3,749,026	-	804,023	-	2,140,588	-	422,378	-	(3,334,149)	-	42,256,691
Accumulated acquisition cost		491,969,084		113,693,812		3,783,375		30,517,363		11,906,429		3,500,480		960,219,393
- Accumulated depreciation as of 1 January 2019	(20,500,584)		(81,439,682)		(826,133)		(9,335,100)		(5,673,081)		-		(245,703,602)	
Adjustment to opening balance	-		3,038		-		(1,975)		-		-		1,063	
	(20,500,584)		(81,436,644)		(826,133)		(9,337,075)		(5,673,081)		-		(245,702,539)	
+ Disposals/retirements	-		51,428		6,454		4,102		52,192		-		199,326	
- Depreciation 2019	(22,345,102)	(42,845,685)	(15,367,174)	(96,752,390)	(508,361)	(1,328,040)	(8,415,903)	(17,748,876)	(2,470,346)	(8,091,234)	-	-	(71,938,058)	(317,441,270)
Ending balance as of 31 December 2019		**449,123,399**		**16,941,421**		**2,455,335**		**12,768,487**		**3,815,195**		**3,500,480**		**642,778,122**

8. Other Non-Current Assets

Other Non-Current Assets	2019	2018 Restated	2018
Long Term Receivables for Provisions	8,782,931	7,870,661	6,657,673
Total	**8,782,931**	**7,870,661**	**6,657,673**

The accounts Long Term Receivable for Provisions cover amounts reported as Provisions for which it is not expected a settlement at short-term.

This amount reflects the assets net of Special Carry Forward approved as of 31 December 2019.

Details are provided in Note D.

Liabilities – Current Liabilities

9. Payables

Payables	2018	2018 Restated	2018
Payables to Suppliers	(377,578,711)	(291,248,578)	(291,248,578)
Payables to Staff members	(360,323)	(64,213)	(64,213)
Other Payables	(7,562,043)	(8,829,848)	(8,797,347)
Total	**(385,501,077)**	**(300,142,639)**	**(300,110,139)**

Accrued amounts for goods and services are not automatically classified by the accounting system to match the reported categories. They are reported as Payable to Suppliers.

Payables to suppliers

Payables to suppliers include:

Suppliers as third parties invoices received from commercial vendors not settled, and goods and services received and accrued where no invoice has been received by the reporting date.

Foreign Military Sales (FMS) cases

This category represents payables due for goods and services acquired for NAEW&C Force GK HQ through NSPA including those related to FMS cases acquired from the US Defence Department through the Agency. To note that ACO is managing directly FMS cases only in SHAPE and NAGSF. Further details are shown in the Note C.16.

Untaken leave

The balance of untaken leave is classified as 'Other payable'. For 2019 the balance is 5.3 MEUR.

Detailed information for the amount reported as untaken leave is disclosed in Note C.

10. Deferred Revenue

Deferred Revenue	2019	2018 Restated	2018
Deferred Revenue MB	(182,331,626)	(159,389,537)	(159,389,537)
Liabilities from MB Lapse	(69,144,614)	(36,642,692)	(36,642,692)
Liabilities from MB Result of the year	(3,242,985)	(5,538,062)	(5,538,062)
Liability from unrealised exchange rate differences	(2,957,077)	(4,957,163)	(4,957,163)
Liabilities from NSIP Cash Call	2,089,858	162,903	162,903
Liabilities from NSIP Accumulated result of the year	27,336	28,664	28,664
Other Deferred Revenue	(1,127,597,725)	(972,297,720)	(972,297,720)
Deferred Revenue Inventory	(41,318,124)	(40,172,465)	(43,219,462)
Deferred Revenue PP&E	(57,557,094)	(55,770,073)	(55,770,073)
Total	**(1,482,032,050)**	**(1,274,576,145)**	**(1,277,623,142)**

Deferred Revenue MB

Deferred revenue for MB budgets corresponds to contributions for each budget/cost share under ACO responsibility eligible for call to NATO members' Nations for which corresponding expenditures will be incurred after the reporting date. It is accounted for by type, cost share and year in accordance with the ACO policy.

Liabilities from MB Lapse

MB Lapse	2019	2018 Restated	2018
Budgetary lapses	(36,443,629)	(23,785,336)	(23,785,336)
Overestimated accruals	(32,709,051)	(12,818,394)	(12,818,394)
Other adjustments	8,066	(38,962)	(38,962)
Total	**(69,144,614)**	**(36,642,692)**	**(36,642,692)**

These liabilities are used to record unused budget credits authorized as of end of year 2019. The lapse is an amount owed back to the Nations. The balance will be included in the 2nd Assessment call for 2020 and will be distributed by type, cost share and budget year.

The increase in the overestimated accruals is mainly related to Resolute Support. An amount of 27.6 MEUR is for previous accrued expenses reported for NCIA for which the agency released the final invoices during 2019 for the period 2015-2018. 2 MEUR were reported by SHAPE and 1.2 MEUR by NAEW.

Liabilities from Result of the year

Distribution of Result of the year	2019	2018 Restated	2018
Result of the year MB	(1,198,996)	(5,171,303)	(5,171,303)
Unrealised exchange rate gain/loss	(2,000,086)	(321,529)	(321,529)
Liabilities to MB Nations	(45,231)	-	-
Result of the year NSIP	1,328	(45,231)	(45,231)
Liabilities from Result of the year	**(3,242,985)**	**(5,538,062)**	**(5,538,062)**

The net amount of miscellaneous income, interest revenue, bank charges, and realised exchange rate gain/losses to be returned to the Nations is summarised at ACO level, apportioned by budget group and cost share, and reported as a liability. The balance will be included in the 2nd Assessment call for 2020 and will be distributed by type and cost share.

The unrealised gain/loss for exchange rate is not part of the redistribution.

The liability to MB Nations of 45 KEUR is an oversight in the calculation of the calls of previous year and will be cleared with the inclusion in the 2nd Calls for Contribution for 2020.

Liabilities from NSIP Cash Call

ACO is reporting NSIP expenses on a quarterly basis. No funds are requested in advance for ACO; therefore if any positive balance, it is due to expenses to be reimbursed.

Liabilities Result of the year NSIP

Result of the year NSIP	2019	2018 Restated	2018
Cumulated result of previous years	28,664	(16,567)	(16,567)
Result of the year	(1,328)	45,231	45,231
Liabilities from NSIP Result of the year	**27,336**	**28,664**	**28,664**

Interest and results, distributed by cost share are reported on an annual basis to the NOR who is responsible for the redistribution to the Nations via the NSIP call for contributions.

The balance for Deferred Revenue NSIP for 2029 is nil.

On a quarterly basis, expenses, forecasts and status of the projects are updated in the CIRIS system tracking the NSIP projects for all the HNs. The quarterly revision is the basis for the calculations of the NSIP calls for contributions. Calls not expensed in the year are Deferred Revenue. Any difference is normally returned or received with the following cash calls.

Other Deferred Revenue

The amount represents funds related to ACO non-core activities like SHAPE International School (SIS), NSHQ, EU Operation Althea, Escrow Account and Trust Funds. Even if those activities are defined as non-core, it can be assessed as critical due to their financial management complexity. For two of them the volume is material. The deferred revenue for the Escrow Accounts is kept in the original USD currency and amounts to 135 MEUR as of 31 Dec 2019. Details related to Trust Funds are reported at Note K.

Deferred Revenue Inventory

This amount consists of Deferred Revenue received from Nations used for acquisition of inventories. It will be recognised as revenue in the applicable reporting period

Deferred Revenue PP&E

Revenue is recognised incrementally and equally with the depreciation. The revenue is matched to the depreciation to correspond to revenue earned with the consumption of the asset. With this option, there is no surplus or deficit resulting from asset depreciation or acquisition.

The Current Deferred Revenue reported here represents the counterpart of the PP&E Net Value.

11. Advances

Advances	**2019**	**2018 Restated**	**2018**
Advance MB Contributions	(278,505,239)	(295,160,667)	(295,160,667)
Other Advance	(1,763,968)	(352,976)	(352,976)
Total	**(280,269,207)**	**(295,513,643)**	**(295,513,643)**

Advance MB Contributions

The amount is related to:

- Advance contribution called on the 2nd call 2019 for an amount of EUR 269,485,000 (AGS/NCSEP/AOM/NAEW cost share) and related to budget authorization for 2019. These advances are recorded using appropriate account code by type/year/cost share.
- Advances for an amount of EUR 8,887,489 made by some member Nations, mainly in coordination with the NATO IS Treasury for non ACO called advances.
- Other advances relates mainly to amounts received for NBC.

12. Short Term Provisions

Short Term Provisions	**2019**	**2018 Reclassified**	**2018**
Personnel	(15,000)	(91,202)	(3,193,269)
Services	(288,151)	(301,360)	(508,562)
Total	**(303,151)**	**(392,562)**	**(3,701,831)**

Provisions are assessed using the best accounting estimate available. The amounts of the provisions reported in the ACO 2019 statement of financial position are shown in more detail in Note D.

Provisions are reported as either short term or long term liability based on the assessment of when the cases are expected to be settled and separated into Personnel or Service categories due to the nature of the liability. During 2019, a review of the provisions was undertaken to split provisions into Personnel or Service categories. This resulted in reclassification of some provisions with the main change being that EUR 3,193,268 for the “Trattamento di Fine Rapporto” (TFR) for JFCNP currently recognised as a long term provision for personnel. For 2019, ACO is reporting long term provisions of EUR 11,084,312; the remaining amount of EUR 303,151 is considered as short term.

Liabilities – Non-Current Liabilities

13. Long Term Provisions

Long Term Provisions	2019	2018 Restated	2018
Personnel	(7,141,705)	(6,426,754)	(7,181,987)
Services	(3,942,607)	(4,064,502)	0
Total	**(11,084,312)**	**(10,491,256)**	**(7,181,987)**

See Note B10 for short term provisions.

14. Non-current Deferred Revenue

Deferred Revenue	2019	2018 Restated	2018
Deferred Revenue for PP&E and AuC	(585,221,029)	(516,140, 733)	(506,513,332)
Total	**(585,221,029)**	**(516,140,733)**	**(506,513,332)**

Revenue is recognised incrementally and equally with the depreciation. The revenue is matched to the depreciation to correspond to revenue earned with the consumption of the asset. With this option, there is no surplus or deficit resulting from asset depreciation or acquisition.

The non-current Deferred Revenue is the counterpart of the PP&E net of the amount recorded as current deferred revenue.

C. Notes to Statement of Financial Performance

15. Revenue

The revenue recognition is matched with the recognition of expenses against the ACO budgets.

16. Expenses

Expenses for ACO entities are recognised by nature as follows:

a) Personnel[11]

Personnel	2019	2018 Restated	2018
Total	**195,379,602**	**189,657,916**	**189,657,916**

All civilian and military Personnel expenses as well as other non-salary related expenses, in support of common funded activities. The amounts include expenses for salaries and emoluments for approved NATO permanent civilian positions and temporary personnel, for other salary related and non-related allowances including overtime, medical examinations, recruitment, installation, and removal and for contracted consultants and training.

Employee Disclosure

Employees in ACO are compensated for the service they provide in accordance with rules and amounts established by NATO.

The compensation consists of basic salary, various allowances, health insurance, pension plan and other benefits as agreed with each Host Nation and the Protocols of NATO. Cash compensations are exempt from income tax in accordance with NATO Nations agreement. ACO is not liable for retirement benefits.

Different pension plans are applicable to employees in ACO; provident fund, defined benefit plan, and defined contribution plan. All pension plans are managed by NATO HQ and are therefore not included in the ACO FS. Contributions to the plans are expensed when occurred. The total amount paid for 2019 is 4,270,675 EUR (which shows a slight increase as compared to 3,909,417 EUR reported in 2018) for NIC

[11] See footnote n. 8 at page N-8.

staff. Accurate data is not available for locally hired staff, LWR and LCH, but based on available data, expenses are estimated to be 1.5 MEUR.

Untaken leave

Untaken Leave	2019	2018
Opening	4,009,602	3,816,172
Addition	32,501	4,009,602
Reversed	(4,042,103)	(3,816,172)
Ending	**5,307,242**	**4,009,602**

IPSAS requires the specific disclosure of employee benefits. Employee benefits relating to the current financial year are reported as an expense under “Personnel” in the Statement of Financial Performance.

The cost for these untaken leave days has been absorbed during the year through the monthly salaries whereas the loss of production capacity when the leave to be taken is pushed forward into the next year. This constitutes an ACO liability towards the future which is recognized. The amount of EUR 32,501 is a restatement for Resolute Support Mission and NHQSa as the threshold for reporting was removed.

Other

Termination benefits are applicable if PE positions are deleted and replacement of an employee is not possible. This change requires approval at high level and budget credits must be approved by the BC. Termination benefits are recorded as a liability when employees have been notified of termination, as described under Note D for provision, and expensed when paid.

ACO has different groups of employees[12]. Below is a table showing a summary of the different groups with number for filled positions.

Table C.16.A – ACO Personnel

PE positions	**6,608**
Military	*5,661*
Civilian	*947*
CE Positions	**1,437**
Military	*1,432*
Civilian	*5*
ICC	**173**
LWR/LCH	**970**
Others	**540**

The category ‘Others’ includes mainly additional military staff provided by Nations.

b) Contractual Supplies and Services

Contractual Suppliers and Services	2019	2018 Restated	2018
Total	**769,533,415**	**743,249,766**	**742,744,513**

Contractual Supplies and Services expenses include expenses for general administrative overheads, and the maintenance costs of buildings/grounds, communication and information systems, transportation, travel expenses, representation/hospitality and miscellaneous expenses. These expenses were mainly needed to meet HQs’ operational requirements in order to fulfil the different missions. The expenses reflected in this area are also related to budget credits nominally labelled ‘*Capital & Investment*’.

During 2019 in NAEW a total amount of 32.5 MEUR was expensed for the ongoing maintenance related to Depot Level Maintenance (DLM).

In 2019 the total expense recorded for Foreign Military Sales (FMS) is 17,134,640 EUR. This financial information is reported in a separate line in accordance with the ACO Policy reported at Note A.

[12] See footnote n. 8 at page N-7.

Foreign Military Sales (FMS)	2019	2018 Restated	2018
Total	**17,134,640**	**24,286,640**	**24,286,640**

ACO manage directly FMS only for SHAPE HQ and NAGSF HQ. In 2019 NAGSF had an amount of 39,056 EUR to be disclosed, while SHAPE had nil to report.

The amount of EUR 17,095,584 EUR belongs to FMS cases for NAEW managed directly by NSPA. Those expenses are reported in the ACO FS on a modified cash basis build on the cash credit request/outflows exchange between the two NATO entities. The expenses for the financial year are not recognised on accrual basis with the exception of the FMS cases where tangible information is provided by the NAEW customers with regards to the effective delivery of goods and services.

As a result, credits provided by NAEW to NSPA for those FMS cases might be reconciled by the FMS organisation with a considerable time gap between the NATO release of the funds and the final bill. The NAEW&C Force GK HQ conducts twice a year (March and September) FMS case review meetings with several US organisations (AFSAC, DFAS, ANG, NAPMO US Agent, TCG) in close coordination with NSPA. Key factor of these meetings is the review of each single pending FMS case with respect of period of performance, deliveries and budgets in order to ensure financial correctness, at least in terms of cash expenditures as no accruals data are available.

Operating Leases

The following table shows a list of operating leases in force in the various ACO Commands at the reporting date. The disclosure of this information is made for those leases which exceed ACO's financial reporting materiality threshold of 50 KEUR per lease contract/year, in relation to lease payments occurred during the reporting year, and expose ACO to future liabilities beyond the reporting period. The information shown in the table includes the amount of payments recognised as an expense in the reporting period, the total of future payments to be made in the subsequent periods, a general description of the leasing arrangements including renewal or purchase options and/or restrictions.

Table C.16.B – Operating leases

Site	Asset leased	PPE Category	Amount paid (EUR) in 2019	Amount to pay (EUR) in 2020	Amount to pay (EUR) in 2021-2023	Amount to pay (EUR) after 2023	Renewal or purchase options/restrictions
SHAPE	4 Year Operational Lease of one armored vehicle for SACEUR - IFIB ACO-SH-15-09	Transport Equipment	64,200	18,725	-	-	
SHAPE	2 Year Short/Long Term rental, BSG Transportation Services - Blue (Fleet Replacement) 2018 -2019	Transport Equipment	338,925	-	-	-	
SHAPE	3- Year Lease of reprographic equipment 1 May 2018 - Apr 2022	Printing	170,512	166,010	65,825	-	2 one year options are foreseen beyond 2021
JFCBS	Blue Fleet	Transport Equipment	147,137	147,137	441,410	-	IFIB-ACO-BRU-17-18
JFCBS	Copiers	Printing	64,604	64,604	193,812	-	IFIB-ACO-BRU-18-09
NAEW	SERVERS	CIS	129,537	-	-	-	EXTENSION OF ORIGINAL 13PO3222A
NAEW	PRINTERS	AIS	147,471	145,817	-	-	CONTRACT 2018-007 (EXTENSION OPTION FOR 4 YEARS)
JFCNP	Multifunctional Digital Copiers (Photocopier, Scanner, Printer, Fax)	AIS	182,068	-	-	-	Contract terminated 31-DEC-19. From 01 Jan 2020 service provided through NCIA
JFCNP	Villa Addis Ababa for NS2AU	Structures	106,494	106,494	106,494	-	One base year from 01-JAN-17 to 31-DEC-17 plus four option years
JFCNP	NMI-One year lease contract 2019 for four vehicles in Taji	Vehicles	52,812	-	-	-	Terminated on 31-DEC-19

c) Depreciation

Depreciation and Amortization	2019	2018 Restated	2018
Total	**71,982,772**	**61,223,476**	**59,421,321**

The amount recognised for 2019 includes depreciation for the different asset categories set out in Table 7 – Property, Plant and Equipment.

The depreciation for each category in 2019 was as follows; 22.3 MEUR for Aircraft upgrades and spare parts, 15.4 MEUR for Mission Equipment, 8.4 MEUR for Communication systems (mainly relating to aircraft communications), 7.4 MEUR for buildings, 5.8 MEUR for Vehicles, 5 MEUR for Other infrastructure, 3.5 MEUR for installed equipment, 2.5 MEUR for AIS (Automated Information Systems), 1.2 MEUR for Machinery and 0.5 MEUR for Furniture. Finally, the Net Book Value (NBV) of assets retired resulted in retirement losses of 45 KEUR (189 KEUR in 2018).

Provisions

The table below provides a summary of the movement in the provisions pending at the reporting date. During 2019, three cases were closed with provisions of 270 KEUR being used. One other case was closed with no requirement to meet the costs from provisions set aside. This amount, along with two cases where the estimated provision was lower than in 2018, amounts to the 139 KEUR; the related provision was reversed. Finally, the addition of 913 KEUR relates to one case reassessed and previously reported as a Contingent Liability with no reliable amount; two cases where the likely outflow of economic resources is higher than the amount estimated in 2018, plus two new cases provided for as at 31 December 2019.

Provisions	**Amount (EUR)**
ACO 2018 FS	**10,883,818**
Adjustment 2018	-
Restated 2018 / Opening 2019	**10,883,818**
Addition 2019	912,678
Reversed 2019	(139,396)
Used 2019	(269,637)
Ending Balance 31 Dec 2019	**11,387,463**

Reimbursable activities

ACO manages a number of reimbursable activities on behalf of other non-ACO entities. The total expenses made by ACO for reimbursable activities in 2019 amount to 62.5 MEUR which reflects an increase of 14.1 MEUR compared to 2018, mainly due to slightly increased real life support services required in the missions. The reimbursable costs relate to a variety of services financially administered by ACO, as reported below.

An amount of approximately 4.6 MEUR (2018 5.2 MEUR) relates to reimbursable costs made by HQ NAEW&C Force GK HQ for the provision of aviation fuel for national use.

An amount of 3.5 MEUR (2018 2.9 MEUR) corresponds to travel services and administration of payrolls provided to the NCIA by JFC Naples HQ, JFC Brunssum HQ, LANDCOM Izmir HQ, AIRCOM Ramstein HQ and MARCOM Northwood HQ.

A total amount of approximately 27 MEUR (2018 12,2 MEUR) corresponds to real life support services provided mainly by NMI, KFOR HQ and Resolute Support HQs to the TCNs, such as messing, water, billeting, and laundry, fuel whose costs are not eligible for common funding and, therefore, shall be borne by the Nations (NBC). The NBC costs are, therefore, pre-financed by ACO and afterwards recovered from the TCNs through an established cost recovery mechanism. The NMI started in OCT-18 with a very limited number of staff that increased over time. Most of the actuals (13 MEUR) are related to the RLS/BLS support provided by the coalition in the sites of Union III, Taji and BDSC. The remaining part is RLS/BLS at Besmayah camp (1,4MEUR) and at the British Embassy Baghdad (1,5MEUR).

Expenses for security guards on SHAPE are managed by SHAPE HQ but reimbursed by Host Nation in accordance with the Garrison Support Agreement; the amount for 2019 is MEUR 3.7.

Expenses for the remaining amount of 23,7 MEUR were made mainly by the ACO Commands on behalf of local NMRs or NSEs, MWAs, Host Nations and other co-located entities in accordance with Memorandum of Understanding or other ad-hoc agreements. This includes, but is not limited to, advance payments made by ACO for shared utilities, maintenance and cleaning services, etc. which is recovered from the customers through charges calculated on a pro-rata basis

Some expenses are also related to the SHAPE Special Litigation (SPL) team[13]

17. Total to be returned

The result of the year is the difference of non-budgetary revenue and expenses, such as interests, exchange rate loss or gain, and depreciation. The amount, except unrealised gain/losses for exchange rate, will be re-distributed to the Nations in the 2nd Assessment Call for 2020.

18. Net Asset

As explained in Note A, ACO is not recording any net assets.

[13] Reference to BC-DS(2016)0054, dated 14 Nov. 2016, BC-DS(2017)0021, dated 02 Jun. 2017, AC/335-N(2018)0015-AS1

D. Contingent Assets, Contingent Liabilities and Provisions

Contingent Assets

As required by IPSAS 19. Para 105, a contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

For the 2019 Financial Year, ACO assessed an estimated amount of 1.2 MEUR for LANDCOM HQ for Real Life Service provided to the Host-Nation during the period 2014-2018. The estimated amount reflects the Building Life Expectancy cap of 20% increase for Building older than 20 years. The Service Level Agreement (SLA) between the HQ and the Host Nation is still at the final stage and its signature is expected during 2020. From 2019, the local Finance Office has been tracking any Cost Shared Maintenance in line with the criteria and cost shares reflected in the coordinated SLA document.

Contingent Liabilities and Provisions

Based on IPSAS 19 and nature of items identified in the 2019 reporting period, ACO aggregated Contingent Liabilities and Provisions reported by ACO consolidated entities in the following categories:

I. **NATO Administrative Tribunal**: includes cases related to NATO employees pending before the NATO Administrative Tribunal (NAT);

II. **Claims under Art. VIII SOFA**: includes cases related to damages caused to third parties by NATO personnel. The majority of the cases reported relate to damages to property or to individuals, including those provoked due to car accidents or initiated through health and safety Offices. The category also includes claims raised in the Bosnia and Herzegovina (BiH) theatre of operations, although the claim process is governed by the GFAP SOFA and Claims Annex to the Technical Arrangement between the Republic of BIH Ministry of Justice and Implementation forces and not by article VIII of NATO SOFA. The amounts, when disclosed and related to article VIII SOFA, represent 75% due by NATO being the remaining 25% to be paid by the Host Nation; the same cost share does not apply in the BiH where under the terms of GFAP SOFA, the entire burden (100%) for the payment of claims rests with NATO HQ Sarajevo, as legal successor of IFOR and SFOR.

III. **Labour court cases**: includes cases pending before local Courts in relation to employment issues;

IV. **Litigations**: includes other cases of legal or contractual litigations such as contractual claims for alleged damages;

V. **Liabilities due to HQs closure**: includes costs for dismantling/removal of NATO property or any type of direct/indirect liabilities derived from closure of AOMs, ACO Commands, their transformation and transfer or for closure of programmes of works previously contracted.

VI. **Others**: this is a residual category where there are reported cases which do not fall within one of the above mentioned categories, including liabilities for employees' emoluments due to severance pay, Trattamento di Fine Rapporto (TFR)[14], pensions contributions, etc.

Contingent Liabilities (CL)

The table A below provides the summary of the CL pending at the reporting date as reported by the ACO Commands, broken down into the above mentioned categories, whose possible out-flow of resources can be reliably estimated.

[14] Liabilities due to TFR for JFCNP are only reported as provisions.

TABLE D.A – Summary of the 2019 CL

CL Categories	Amount (EUR)
I NATO Administrative Tribunal	-
II Claims under Art. VIII SOFA	575,692
III Labour court cases	28,388,277
IV Litigations	676,402
V Liabilities due to HQs closure	1,706,431
VI Others	482,901
TOTAL	**31,829,703**

A breakdown of these amounts is provided in the following paragraphs, including the disclosure of the CL whose out-flow of resources cannot be reliably estimated.

I. NATO Administrative Tribunal: Nothing to report for 2019.

II. Claims under Art. VIII SOFA: The total amount disclosed under this category is EUR 760,808. Of this, EUR 544,692 was reported by NHQSa, with the remaining amount of EUR 31,000 reported collectively by JFCNP (EUR 30,000) and NAEW (EUR 1,000) representing the possible NATO-share of costs for various alleged damages caused to property or individuals as per the NATO SOFA.
As far as NHQSa is concerned, two claims are due to damages arising from the usage of a factory in Visoko, BIH for an amount of EUR 363,436 and one claim relates to the regularisation of “self-pay” pension contributions for an amount of EUR 171,000.The remaining amount of EUR 10,256 relates to a traffic accident claim. The EUR 30,000 relating to JFCNP relates to a number of claims under Art. VIII SOFA of minor amounts and the remaining EUR 1,000 under this category is for NAEW relating to a traffic incident. This category also includes various cases reported by SHAPE JFCNP, KFOR and NHQSa for which it is not possible to estimate reliably the amount to settle the liability. For KFOR this includes Camp Cabra and for NHQSa potential claims in Glamoc Range.

III. Labour court cases: Out of the total amount of EUR 28,388,277 disclosed in this category, the amount of EUR 27,598,583 relates to NHQSa’s possible liability due to a labour contract dispute. This is an increase on the amount disclosed in 2018 (EUR 8,988,592) due to a new complaint being lodged in 2019 that halted the main proceedings. An update of liabilities has been reported based on the claimants most recent claim submission and it should be noted this amount may change if the claimants make subsequent future claims. A preliminary judgement is scheduled for mid-2020. An amount of 764,946 is reported by SHAPE for litigations pending before the Labour Court in relation to the transfer of the Fire Brigade to the Belgium HN under the HNS Policy and Standards. The remaining amount of EUR 24,748 disclosed in this category is reported by LANDCOM and relates to various liabilities for employment cases pending at the reporting date before the respective local labour Courts.

This category also includes two cases where the amount cannot be determined by the relevant operating unit. One case relates to a previously disclosed case reported by JFCNP for potential claims before the local Labour Court due to cases of death allegedly caused by asbestos. This claim has still not been submitted to the Court. The other case reported by LANDCOM HQ relates to wage related payments in relation to contract termination by NATO. Initial hearings occurred during 2019 and will continue into 2020 and beyond.

IV. Litigations: The total amount disclosed under category IV is EUR 676,402. It is made by two amounts; the first one is a CL already disclosed last year by KFOR amounting to EUR 490,286 (537,500 USD) related to a claim for accommodation for rental services contracted in 1999 with a private company to rent premises for housing and related services for KFOR troops at the Sports and Recreation Centre in Pristina. This case is being handled by the NATO/IS LEGAD. The second part relates to SHAPE and is made by the amount of 186,116 relates to an old NSPA invoice (from 2010) for administration costs relating to HQ deployable assets. SHAPE and NSPA will come to a final assessment regarding this invoice in 2020.

This category also includes two cases where the amount cannot be reliably estimated by the relevant operating unit. One case relates to a claim by a former contractor for NATO and TCNs fuel services for

ISAF that could be counterbalanced by the ACO counter claim against the company. However, at this stage the potential outflows/inflows of resources cannot be reliably measured, as it was previously reported in the 2018 FS. The other case relates to a challenge to a payment injunction issued against JFCNP in relation to invoices issued by an energy service provider.

V. Liabilities due to HQs closure: Within this category, JFCBS has reported possible liabilities due to the termination of the ISAF mission on 31 December 2014 and the NATO reduced footprint in Resolute Support Mission. The liability is related to the ACO's responsibility towards NSPA for the payment of the LOJI associated with redundant NSPA NIC manpower approved by SHAPE to support the ISAF operation and the RS Mission. The amount of EUR 1,706,431 (EUR 1,579,892 in 2018) represents the updated NATO share of the liability. The costs for this liability are part of the special carry forward of credits approved by the BC from the 2014 ISAF Budget.

In addition, as part of this category, KFOR reported possible liabilities, whose amount cannot be reliably measured, for the dismantling and restoration of Camp Novo Selo.

VI. Others: Liabilities in the amount of EUR 482,901 are updated amounts for RS Severance Pay and Removal Allowance as well as retroactive social contributions reported by JFCNP. JFCBS has reported a contingent liability due to potential compensation for future RS Severance Pay and Removal Allowance for ICCs and LCHs. In accordance with RS Civilian Personnel Policy & Regulation (CPPR), NATO is required to pay Severance Pay and Removal allowance for civilian staff members, ICCs and LCHs, once two consecutive years of employment have been completed. Based on RS CJ1 calculation this liability is estimated at an amount of EUR 392,901 (EUR 334,115 in 2018) and refers to ICCs and LCHs employed in RS who have not yet completed two consecutive years. The costs for those employees who are instead eligible to receive the above mentioned compensation are recognised as a provision in the same category. An amount of EUR 90,000 has been reported by JFCNP in relation to retroactive social contributions in relation to sick leave.

E. Segment Reporting

In accordance with IPSAS 18, ACO discloses financial statement information about distinguishable activities of its consolidated reporting entities. IPSAS 18 distinguishes two types of 'segments':

a) 'service segments' refer to a distinguishable component of an entity as engaged in providing outputs or achieving particular operating objectives consistent with the overall mission of each entity; and

b) 'geographical segments' are a distinguishable component of an entity as engaged in providing outputs or achieving particular operating objectives within a specific geographical area.

The financial reporting by segments elected by ACO is based on service segments on the HQ structure shown under the 'Consolidation' section that represents the grouping of activities for which ACO is responsible. In the preparation of the ACO 2019 FS the segment reporting has been prepared in conformity with the accounting policies and also reported in the ACO guidance for EOY 2019.

The tables presented for the segment reporting are adjusted for balances against other parts/segments within the entity. Where reported, the column 'restated' reflects mainly the changes in pre-payments and PP&E. Each segment includes the intercompany balance at year-end between ACO consolidated entities that is cleared at consolidated level.

NSIP is shown as a separate segment and includes all 3 locations executing the different projects for which SHAPE is HN. The aggregated segment information disclosed is reconciled to the information reported in the consolidated FS, according to IPSAS 18, para 64.

Segment reporting MB
Statement of Financial Position per HQ

	SHAPE HQ			NAGSF HQ			JFC Brunssum HQ		
	2019	2018 RESTATED	2018	2019	2018 RESTATED	2018	2019	2018 RESTATED	2018
ASSETS									
Current Assets									
Cash and Cash Equivalents	14,666	14,333	14,333	303	122	122	55,898	73,891	73,891
Interentity	132,373,024	80,302,999	80,302,999	7,304,110	2,039,698	2,039,698	5,628,862	4,903,801	4,903,801
Receivables	12,452,341	12,862,874	12,862,874	68,855	51,272	51,272	1,409,412	1,578,332	1,578,332
Prepayments	3,848,711	3,945,953	3,945,953	(3,228)	355,938	355,938	22,397	35,727	35,727
Other Current Assets	-	-	-	-	-	-	15,000	84,000	-
Inventories	765,795	584,739	584,739	114,992	81,581	81,581	177,923	189,256	189,256
Total Current Assets	***149,454,537***	***97,710,898***	***97,710,898***	***7,485,032***	***2,528,612***	***2,528,612***	***7,309,492***	***6,865,006***	***6,781,006***
Non-current Assets									
Receivables	-	-	-	-	-	-	-	-	-
Property, plant & equipment	18,551,492	24,398,621	24,398,621	14,497,134	15,195,922	15,195,922	13,966,537	14,396,751	14,357,485
Other Non-current Assets	-	-	-	-	-	-	-	-	84,000
Total Non-current Assets	***18,551,492***	***24,398,621***	***24,398,621***	***14,497,134***	***15,195,922***	***15,195,922***	***13,966,537***	***14,396,751***	***14,441,485***
Total ASSETS	**168,006,029**	**122,109,518**	**122,109,518**	**21,982,166**	**17,724,534**	**17,724,534**	**21,276,029**	**21,261,757**	**21,222,491**
LIABILITIES									
Current Liabilities									
Payables	(142,601,671)	(90,233,870)	(90,233,870)	(7,350,912)	(2,443,360)	(2,443,360)	(6,247,526)	(2,508,760)	(2,508,760)
Deferred Revenue	(9,342,115)	(11,573,266)	(11,573,266)	(847,950)	(799,130)	(799,130)	(1,415,626)	(4,319,765)	(4,319,765)
Advances	(18,869)	(3,300)	(3,300)	-	-	-	-	-	-
Short Term Provisions	-	-	-	-	-	-	(15,000)	(84,000)	-
Other Current Liabilities	-	-	-	-	-	-	-	-	-
Surpl./Deficit to be returned	(292,571)	(581,293)	(581,293)	(1,932)	1,158	1,158	(78,032)	(244,996)	(244,996)
Total Current Liabilities	***(152,255,225)***	***(102,391,730)***	***(102,391,730)***	***(8,200,794)***	***(3,241,333)***	***(3,241,333)***	***(7,756,183)***	***(7,157,521)***	***(7,073,521)***
Non-current Liabilities									
Payables	-	-	-	-	-	-	-	-	-
Long Term Provisions	-	-	-	-	-	-	(421,553)	(524,314)	(608,314)
Deferred Revenue	(15,750,804)	(19,717,789)	(19,717,789)	(13,781,372)	(14,483,201)	(14,483,201)	(13,098,293)	(13,579,921)	(13,540,655)
Other Non-current Liabilities	-	-	-	-	-	-	-	-	-
Total Non-current Liabilities	***(15,750,804)***	***(19,717,789)***	***(19,717,789)***	***(13,781,372)***	***(14,483,201)***	***(14,483,201)***	***(13,519,846)***	***(14,104,236)***	***(14,148,970)***
Total LIABILITIES	**(168,006,029)**	**(122,109,518)**	**(122,109,518)**	**(21,982,166)**	**(17,724,534)**	**(17,724,534)**	**(21,276,029)**	**(21,261,757)**	**(21,222,491)**
NET ASSETS	-	-	-	-	-	-	-	-	-

	AIRCOM Ramstein HQ			NAEW&C Force HQ			JFC Naples HQ		
	2019	2018 RESTATED	2018	2019	2018 RESTATED	2018	2019	2018 RESTATED	2018
ASSETS									
Current Assets									
Cash and Cash Equivalents	25,828	26,357	26,357	187,202	274,443	274,443	345,508	103,149	103,149
Interentity	1,238,263	1,745,688	1,745,688	44,092,704	40,308,728	40,308,728	13,763,406	8,321,967	8,321,967
Receivables	735,293	1,070,397	1,070,397	4,300,026	3,455,474	3,455,474	13,524,456	5,500,400	5,500,400
Prepayments	13,888	19,661	19,661	3,477,392	9,314,379	9,314,379	1,986,039	3,211,677	3,211,677
Other Current Assets	-	-	-	48,331	178,435	178,435	200,305	200,225	1,497,213
Inventories	120,435	143,548	143,548	33,625,682	32,929,061	32,929,061	100,486	92,601	92,601
Total Current Assets	***2,133,707***	***3,005,650***	***3,005,650***	***85,731,336***	***86,460,520***	***86,460,520***	***29,920,199***	***17,430,019***	***18,727,007***
Non-current Assets									
Receivables	-	-	-	-	-	-	-	-	-
Property, plant & equipment	2,655,545	2,862,738	2,862,738	542,657,711	473,273,126	462,660,843	297,556	317,562	317,562
Other Non-current Assets	-	-	-	-	-	-	5,146,307	5,161,490	3,864,502
Total Non-current Assets	***2,655,545***	***2,862,738***	***2,862,738***	***542,657,711***	***473,273,126***	***462,660,843***	***5,443,863***	***5,479,052***	***4,182,064***
Total ASSETS	**4,789,252**	**5,868,388**	**5,868,388**	**628,389,047**	**559,733,646**	**549,121,363**	**35,364,062**	**22,909,071**	**22,909,071**
LIABILITIES									
Current Liabilities									
Payables	(1,826,540)	(2,808,227)	(2,808,227)	(49,655,466)	(49,417,331)	(49,417,331)	(27,339,238)	(15,116,534)	(15,116,534)
Deferred Revenue	(619,999)	(704,074)	(704,074)	(79,166,720)	(74,080,671)	(74,080,671)	(868,942)	(272,731)	(272,731)
Advances	-	-	-	-	-	-	(3,600)	-	-
Short Term Provisions	-	-	-	(48,331)	(178,435)	(178,435)	(200,000)	-	(3,393,269)
Other Current Liabilities	-	-	-	-	-	-	-	-	-
Surpl./Deficit to be returned	(6,510)	14,276	14,276	(1,159,742)	(961,167)	(961,167)	289,962	(18,200)	(18,200)
Total Current Liabilities	***(2,453,049)***	***(3,498,025)***	***(3,498,025)***	***(130,030,259)***	***(124,637,604)***	***(124,637,604)***	***(28,121,818)***	***(15,407,465)***	***(18,800,733)***
Non-current Liabilities									
Payables	-	-	-	-	-	-	-	-	-
Long Term Provisions	-	-	-	-	-	-	(7,026,136)	(7,257,770)	(3,864,502)
Deferred Revenue	(2,336,203)	(2,370,363)	(2,370,363)	(498,358,788)	(435,096,042)	(424,483,759)	(216,108)	(243,836)	(243,836)
Other Non-current Liabilities	-	-	-	-	-	-	-	-	-
Total Non-current Liabilities	***(2,336,203)***	***(2,370,363)***	***(2,370,363)***	***(498,358,788)***	***(435,096,042)***	***(424,483,759)***	***(7,242,244)***	***(7,501,606)***	***(4,108,337)***
Total LIABILITIES	**(4,789,252)**	**(5,868,388)**	**(5,868,388)**	**(628,389,047)**	**(559,733,646)**	**(549,121,363)**	**(35,364,062)**	**(22,909,071)**	**(22,909,071)**
NET ASSETS	-	-	-	-	-	-	-	-	-

	NHQSa HQ			LANDCOM Izmir HQ			NCIS Group HQ		
	2019	2018 RESTATED	2018	2019	2018 RESTATED	2018	2019	2018 RESTATED	2018
ASSETS									
Current Assets									
Cash and Cash Equivalents	163,977	333,744	333,744	375,029	1,044,914	1,044,914	9,959	15,745	15,745
Interentity	690,474	649,258	649,258	449,489	(1,393,689)	(1,393,689)	7,060,034	1,518,324	1,518,324
Receivables	116,750	102,334	84,754	876,142	1,034,343	1,034,343	1,385,805	4,010,450	4,010,450
Prepayments	-	-	-	10,241	1,547	1,547	78,987	15,910	15,910
Other Current Assets	39,820	117,925	117,925	2,658	9,415	9,415	-	5,000	5,000
Inventories	1,081,099	994,217	994,217	1,111,714	1,142,578	1,142,578	1,035,404	1,058,971	625,298
Total Current Assets	***2,092,119***	***2,197,478***	***2,179,898***	***2,825,273***	***1,839,108***	***1,839,108***	***9,570,190***	***6,624,400***	***6,190,727***
Non-current Assets									
Receivables	-	-	-	-	-	-	-	-	-
Property, plant & equipment	56,838	-	-	2,866,343	2,643,206	2,643,206	40,625,863	30,696,625	30,696,625
Other Non-current Assets	78,105	-	-	1,781,057	1,277,249	1,277,249	-	-	-
Total Non-current Assets	***134,943***	***-***	***-***	***4,647,400***	***3,920,455***	***3,920,455***	***40,625,863***	***30,696,625***	***30,696,625***
Total ASSETS	**2,227,062**	**2,197,478**	**2,179,898**	**7,472,674**	**5,759,562**	**5,759,562**	**50,196,053**	**37,321,025**	**36,887,352**
LIABILITIES									
Current Liabilities									
Payables	(662,068)	(1,065,715)	(1,048,135)	(1,753,999)	(842,108)	(842,108)	(8,207,131)	(5,310,223)	(5,310,223)
Deferred Revenue	(1,445,692)	(996,759)	(996,759)	(1,242,023)	(1,251,144)	(1,251,144)	(6,298,689)	(4,814,227)	(4,380,554)
Advances	-	-	-	-	-	-	-	-	-
Short Term Provisions	(39,820)	(117,925)	(117,925)	-	(7,202)	(7,202)	-	(5,000)	(5,000)
Other Current Liabilities	-	-	-	-	-	-	-	-	-
Surpl./Deficit to be returned	(1,377)	(17,079)	(17,079)	40,543	154,212	154,212	21,856	(33,147)	(33,147)
Total Current Liabilities	***(2,148,957)***	***(2,197,478)***	***(2,179,898)***	***(2,955,479)***	***(1,946,243)***	***(1,946,243)***	***(14,483,964)***	***(10,162,596)***	***(9,728,924)***
Non-current Liabilities									
Payables	-	-	-	-	-	-	-	-	-
Long Term Provisions	(78,105)	-	-	(1,781,057)	(1,277,249)	(1,277,249)	-	-	-
Deferred Revenue	-	-	-	(2,736,137)	(2,536,071)	(2,536,071)	(35,712,089)	(27,158,429)	(27,158,429)
Other Non-current Liabilities	-	-	-	-	-	-	-	-	-
Total Non-current Liabilities	***(78,105)***	***-***	***-***	***(4,517,194)***	***(3,813,320)***	***(3,813,320)***	***(35,712,089)***	***(27,158,429)***	***(27,158,429)***
Total LIABILITIES	**(2,227,062)**	**(2,197,478)**	**(2,179,898)**	**(7,472,674)**	**(5,759,562)**	**(5,759,562)**	**(50,196,053)**	**(37,321,025)**	**(36,887,353)**
NET ASSETS	-	-	-	-	-	-	-	-	-

	Resolute Support Mission HQ			KFOR HQ			MARCOM Northwood HQ		
	2019	2018 RESTATED	2018	2019	2018 RESTATED	2018	2019	2018 RESTATED	2018
ASSETS									
Current Assets									
Cash and Cash Equivalents	51,353	84,053	84,053	2,659,847	2,068,547	2,068,547	86,457	71,274	71,274
Interentity	157,290,362	124,463,002	124,463,002	(1,420,483)	(875,606)	(875,606)	2,345,241	171,348	171,348
Receivables	91,109	222,195	207,275	305,393	373,797	373,797	435,242	615,189	615,189
Prepayments	201,737	57,506	57,506	274,511	374,771	374,771	1,087,131	536,779	536,779
Other Current Assets	-	-	-	-	-	-	-	-	-
Inventories	2,972,968	2,872,875	6,353,545	110,860	-	-	100,817	83,039	83,039
Total Current Assets	***160,607,529***	***127,699,632***	***131,165,381***	***1,930,128***	***1,941,508***	***1,941,508***	***4,054,888***	***1,477,630***	***1,477,630***
Non-current Assets									
Receivables	-	-	-	-	-	-	-	-	-
Property, plant & equipment	2,844,993	3,767,878	4,792,025	898,787	3,070,375	3,070,375	837,473	750,108	750,108
Other Non-current Assets	1,777,461	1,431,922	1,431,922	-	-	-	-	-	-
Total Non-current Assets	***4,622,454***	***5,199,800***	***6,223,948***	***898,787***	***3,070,375***	***3,070,375***	***837,473***	***750,108***	***750,108***
Total ASSETS	**165,229,983**	**132,899,432**	**137,389,329**	**2,828,914**	**5,011,882**	**5,011,882**	**4,892,361**	**2,227,738**	**2,227,738**
LIABILITIES									
Current Liabilities									
Payables	(131,893,162)	(122,126,506)	(122,111,585)	(1,632,827)	(1,790,923)	(1,790,923)	(3,963,984)	(1,416,775)	(1,416,775)
Deferred Revenue	(33,228,630)	(10,374,661)	(13,855,331)	(1,044,338)	(3,084,605)	(3,084,605)	(157,744)	(100,808)	(100,808)
Advances	-	(225,472)	(225,472)	-	-	-	-	-	-
Short Term Provisions	-	-	-	-	-	-	-	-	-
Other Current Liabilities	-	-	-	-	-	-	-	-	-
Surpl./Deficit to be returned	2,085,492	923,335	923,335	(151,749)	(128,350)	(128,350)	22,529	34,823	34,823
Total Current Liabilities	***(163,036,300)***	***(131,803,304)***	***(135,269,053)***	***(2,828,914)***	***(5,003,878)***	***(5,003,878)***	***(4,099,199)***	***(1,482,760)***	***(1,482,760)***
Non-current Liabilities									
Payables	-	-	-	-	-	-	-	-	-
Long Term Provisions	(1,777,461)	(1,431,922)	(1,431,923)	-	-	-	-	-	-
Deferred Revenue	(416,222)	335,794	(688,353)	-	(8,005)	(8,005)	(793,162)	(744,978)	(744,978)
Other Non-current Liabilities	-	-	-	-	-	-	-	-	-
Total Non-current Liabilities	***(2,193,683)***	***(1,096,128)***	***(2,120,276)***	***-***	***(8,005)***	***(8,005)***	***(793,162)***	***(744,978)***	***(744,978)***
Total LIABILITIES	**(165,229,983)**	**(132,899,432)**	**(137,389,329)**	**(2,828,914)**	**(5,011,882)**	**(5,011,882)**	**(4,892,361)**	**(2,227,738)**	**(2,227,738)**
NET ASSETS	-	-	-	-	-	-	-	-	-

	ACO Corporate Accounting and Control Office			NSIP		
	2019	2018 RESTATED	2018	2019	2018 RESTATED	2018
ASSETS						
Current Assets						
Cash and Cash Equivalents	1,055,388,480	1,088,591,884	1,088,591,884	935,333	1,387,233	1,387,233
Short Term Investment	763,389,492	533,503,561	533,503,561	-	-	-
Interentity	(369,868,817)	(261,797,540)	(261,797,540)	(946,668)	(357,978)	(357,978)
Receivables	166,341,891	97,237,311	97,237,311	104,238	202,713	202,713
Prepayments	12,355,994	505,984	505,984	-	-	-
Other Current Assets	2,035,399	2,421,886	2,421,886	-	-	-
Inventories	-	-	-	-	-	-
Total Current Assets	***1,629,642,440***	***1,460,463,085***	***1,460,463,085***	***92,903***	***1,231,968***	***1,231,968***
Non-current Assets						
Receivables	-	-	-	-	-	-
Property, plant & equipment	-	-	-	2,021,851	537,895	537,895
Other Non-current Assets	-	-	-	-	-	-
Total Non-current Assets	-	-	-	***2,021,851***	***537,895***	***537,895***
Total ASSETS	**1,629,642,440**	**1,460,463,085**	**1,460,463,085**	**2,114,754**	**1,769,863**	**1,769,863**
LIABILITIES						
Current Liabilities						
Payables	(156,457)	(3,638,774)	(3,638,774)	(2,210,097)	(1,423,534)	(1,423,534)
Deferred Revenue	(1,345,273,021)	(1,156,857,808)	(1,156,857,808)	2,089,858	162,903	162,903
Advances	(280,246,738)	(295,284,871)	(295,284,871)	-	-	-
Short Term Provisions	-	-	-	-	-	-
Other Current Liabilities	-	-	-	-	-	-
Surpl./Deficit to be returned	(3,966,224)	(4,681,632)	(4,681,632)	27,336	28,664	28,664
Total Current Liabilities	***(1,629,642,440)***	***(1,460,463,085)***	***(1,460,463,085)***	***(92,903)***	***(1,231,968)***	***(1,231,968)***
Non-current Liabilities						
Payables	-	-	-	-	-	-
Long Term Provisions	-	-	-	-	-	-
Deferred Revenue	-	-	-	(2,021,851)	(537,895)	(537,895)
Other Non-current Liabilities	-	-	-	-	-	-
Total Non-current Liabilities	-	-	-	***(2,021,851)***	***(537,895)***	***(537,895)***
Total LIABILITIES	**(1,629,642,440)**	**(1,460,463,085)**	**(1,460,463,085)**	**(2,114,754)**	**(1,769,863)**	**(1,769,863)**
NET ASSETS	-	-	-	-	-	-

	TOTAL FOR SEGMENTS			ELIMINATIONS			CONSOLIDATED		
	2019	2018 RESTATED	2018	2019	2018 RESTATED	2018	2019	2018 RESTATED	2018
ASSETS									
Current Assets									
Cash and Cash Equivalents	1,060,299,840	1,094,089,689	1,094,089,689	-	-	-	1,060,299,840	1,094,089,689	1,094,089,689
Short Term Investment	763,389,492	533,503,561	533,503,561	-	-	-	763,389,492	533,503,561	533,503,561
Interentity	-	-		-	-	-			-
Receivables	202,146,953	128,317,081	128,284,580	-	-	-	202,146,953	128,317,081	128,284,580
Prepayments	23,353,798	18,375,831	18,375,831	-	-	-	23,353,798	18,375,831	18,375,831
Other Current Assets	2,341,513	3,016,885	4,229,874	-	-	-	2,341,513	3,016,885	4,229,874
Inventories	41,318,176	40,172,465	43,219,462	-	-	-	41,318,176	40,172,465	43,219,462
Total Current Assets	***2,092,849,773***	***1,817,475,512***	***1,821,702,997***	-	-	-	***2,092,849,772***	***1,817,475,512***	***1,821,702,997***
Non-current Assets									
Receivables	-	-	-	-	-	-	-	-	-
Property, plant & equipment	642,778,122	571,910,806	562,283,404	-	-	-	642,778,122	571,910,806	562,283,404
Other Non-current Assets	8,782,931	7,870,661	6,657,673	-	-	-	8,782,931	7,870,661	6,657,673
Total Non-current Assets	***651,561,053***	***579,781,467***	***568,941,077***	-	-	-	***651,561,053***	***579,781,467***	***568,941,077***
Total ASSETS	**2,744,410,826**	**2,397,256,979**	**2,390,644,074**	-	-	-	**2,744,410,825**	**2,397,256,979**	**2,390,644,074**
LIABILITIES									
Current Liabilities									
Payables	(385,501,077)	(300,142,640)	(300,110,139)	-	-	-	(385,501,077)	(300,142,640)	(300,110,139)
Deferred Revenue	(1,478,861,632)	(1,269,066,746)	(1,272,113,743)	3,170,418	5,509,399	5,509,399	(1,482,032,050)	(1,274,576,145)	(1,277,623,142)
Advances	(280,269,207)	(295,513,643)	(295,513,643)	-	-	-	(280,269,207)	(295,513,643)	(295,513,643)
Short Term Provisions	(303,151)	(392,562)	(3,701,831)	-	-	-	(303,151)	(392,562)	(3,701,831)
Other Current Liabilities	-	-	-	-	-	-	-	-	-
Surpl./Deficit to be returned	(3,170,418)	(5,509,399)	(5,509,399)	(3,170,418)	(5,509,399)	(5,509,399)			-
Total Current Liabilities	***(2,148,105,485)***	***(1,870,624,990)***	***(1,876,948,755)***	-	-	-	***(2,148,105,485)***	***(1,870,624,990)***	***(1,876,948,755)***
Non-current Liabilities									
Payables	-	-	-	-	-	-			
Long Term Provisions	(11,084,312)	(10,491,256)	(7,181,987)	-	-	-	(11,084,312)	(10,491,256)	(7,181,987)
Deferred Revenue	(585,221,029)	(516,140,733)	(506,513,332)	-	-	-	(585,221,029)	(516,140,733)	(506,513,332)
Other Non-current Liabilities	-	-	-	-	-	-	-	-	-
Total Non-current Liabilities	***(596,305,341)***	***(526,631,989)***	***(513,695,319)***	-	-	-	***(596,305,341)***	***(526,631,989)***	***(513,695,319)***
Total LIABILITIES	**(2,744,410,826)**	**(2,397,256,979)**	**(2,390,644,074)**	-	-	-	**(2,744,410,825)**	**(2,397,256,979)**	**(2,390,644,074)**
NET ASSETS	-	-	-	-	-	-	-	-	-

Segment reporting MB
Statement of Financial Performance per HQ

	SHAPE HQ			NAGSF HQ			JFC Brunssum HQ		
	2019	2018 RESTATED	2018	2019	2018 RESTATED	2018	2019	2018 RESTATED	2018
REVENUE									
Revenue	(369,862,215)	(336,414,748)	(336,414,748)	(17,437,926)	(14,076,878)	(14,076,878)	(25,839,368)	(21,251,278)	(21,242,229)
Other Revenue	(257,021)	(576,945)	(576,945)	-	-	-	(255,775)	(256,049)	(256,049)
Financial Revenue	290,814	(480,310)	(480,310)	(2,143)	1,123	1,123	51	(51)	(51)
Total to be returned to the Nations	292,571	581,293	581,293	1,932	(1,158)	(1,158)	78,032	244,996	244,996
Total REVENUE	**(369,535,852)**	**(336,890,709)**	**(336,890,709)**	**(17,438,138)**	**(14,076,913)**	**(14,076,913)**	**(26,017,061)**	**(21,262,382)**	**(21,253,333)**
EXPENSES									
Expenses	**361,592,513**	**325,151,249**	**325,151,249**	**16,723,938**	**13,507,718**	**13,507,718**	**25,157,255**	**20,393,996**	**20,393,996**
Personnel	37,346,352	36,295,103	36,295,103	1,299,967	938,985	938,985	10,573,122	9,218,111	9,218,111
Contractual Supplies and Services	324,246,161	288,817,184	288,817,184	15,384,915	12,524,726	12,524,726	14,584,133	11,175,885	11,175,885
Foreign Military Sales (FMS)	-	38,962	38,962	39,056	44,008	44,008	-	-	-
Depreciation	8,269,702	11,263,499	11,263,499	713,988	569,160	569,160	853,875	824,459	815,410
Provisions	1,227	-	-	-	-	-	-	32,823	32,823
Other Expenses	-	-	-	-	-	-	897	-	-
Financial Costs	(327,591)	475,962	475,962	211	35	35	5,034	11,104	11,104
Total EXPENSES	**369,535,852**	**336,890,709**	**336,890,710**	**17,438,138**	**14,076,913**	**14,076,913**	**26,017,061**	**21,262,382**	**21,253,333**
Result of the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

	AIRCOM Ramstein HQ			NAEW&C Force HQ			JFC Naples HQ		
	2019	2018 RESTATED	2018	2019	2018 RESTATED	2018	2019	2018 RESTATED	2018
REVENUE									
Revenue	(20,537,794)	(21,760,015)	(21,760,015)	(286,247,201)	(285,128,346)	(283,178,420)	(44,262,830)	(41,025,585)	(41,025,585)
Other Revenue	(19,201)	(13,404)	(13,404)	(1,616,502)	(2,467,182)	(2,467,182)	(101,262)	(193,389)	(193,389)
Financial Revenue	4,857	15,785	15,785	(376,601)	(237,148)	(237,148)	4,102	(10,131)	(10,131)
Total to be returned to the Nations	6,510	(14,276)	(14,276)	1,159,742	961,167	961,167	(289,962)	18,200	18,200
Total REVENUE	**(20,545,628)**	**(21,771,909)**	**(21,771,909)**	**(287,080,563)**	**(286,871,509)**	**(284,921,583)**	**(44,649,952)**	**(41,210,904)**	**(41,210,904)**
EXPENSES									
Expenses	**19,884,361**	**20,968,446**	**20,968,446**	**241,760,060**	**253,055,793**	**253,055,793**	**44,201,689**	**41,134,099**	**41,134,099**
Personnel	4,877,478	4,565,281	4,565,281	74,994,597	75,566,353	75,566,353	17,119,538	14,582,307	14,582,307
Contractual Supplies and Services	15,006,884	16,403,165	16,403,165	149,669,879	153,285,770	153,285,770	27,082,151	26,551,792	26,551,792
Foreign Military Sales (FMS)	-	-	-	17,095,584	24,203,670	24,203,670	-	-	-
Depreciation	653,433	791,569	791,569	44,617,246	32,941,588	30,991,661	75,900	71,199	71,199
Provisions	-	-	-	-	-	-	-	-	-
Other Expenses	742	-	-	-	-	-	-	-	-
Financial Costs	7,092	11,895	11,895	703,257	874,128	874,128	372,363	5,606	5,606
Total EXPENSES	**20,545,628**	**21,771,909**	**21,771,909**	**287,080,563**	**286,871,509**	**284,921,583**	**44,649,952**	**41,210,904**	**41,210,904**
Result of the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

	NHQSa HQ			LANDCOM Izmir HQ			NCIS Group HQ		
	2019	2018 RESTATED	2018	2019	2018 RESTATED	2018	2019	2018 RESTATED	2018
REVENUE									
Revenue	(2,558,879)	(3,112,675)	(3,095,095)	(10,923,917)	(11,770,665)	(11,770,665)	(45,940,936)	(34,471,360)	(34,471,360)
Other Revenue	(2,057)	(539,239)	(556,819)	(102)	(407,782)	(407,782)	(14,444)	(2,703)	(2,703)
Financial Revenue	(1,220)	(1,003)	(1,003)	(16,435)	(25,148)	(25,148)	28,456	(28,429)	(28,429)
Total to be returned to the Nations	1,377	17,079	17,079	(40,543)	(154,212)	(154,212)	(21,856)	33,147	33,147
Total REVENUE	**(2,560,778)**	**(3,635,838)**	**(3,635,838)**	**(10,980,997)**	**(12,357,807)**	**(12,357,807)**	**(45,948,780)**	**(34,469,346)**	**(34,469,346)**
EXPENSES									
Expenses	**2,545,329**	**3,575,492**	**3,575,492**	**10,299,448**	**12,096,758**	**12,096,758**	**41,491,944**	**32,115,555**	**32,115,555**
Personnel	1,742,827	2,939,621	2,939,621	3,659,951	3,860,784	3,860,784	7,546,046	7,554,097	7,554,097
Contractual Supplies and Services	802,502	635,871	635,871	6,639,497	8,235,974	8,235,974	33,945,898	24,561,458	24,561,458
Foreign Military Sales (FMS)	-	-	-	-	-	-	-	-	-
Depreciation	13,549	59,096	59,096	127,863	74,559	74,559	4,453,991	2,350,805	2,350,805
Provisions	52	-	-	496,606	-	-	-	5,000	5,000
Other Expenses	219	75	75	-	-	-	-	-	-
Financial Costs	1,628	1,175	1,175	57,080	186,491	186,491	2,844	(2,014)	(2,014)
Total EXPENSES	**2,560,778**	**3,635,838**	**3,635,838**	**10,980,997**	**12,357,807**	**12,357,807**	**45,948,780**	**34,469,346**	**34,469,346**
Result of the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

	Resolute Support Mission HQ			KFOR HQ			MARCOM Northwood HQ		
	2019	2018 RESTATED	2018	2019	2018 RESTATED	2018	2019	2018 RESTATED	2018
REVENUE									
Revenue	(200,407,431)	(221,757,435)	(221,394,082)	(18,922,468)	(16,765,338)	(16,765,338)	(10,271,180)	(8,526,286)	(8,526,286)
Other Revenue	(64,496)	-	-	(111,420)	(227,834)	(227,834)	-	-	-
Financial Revenue	902,625	827,555	827,555	(44,784)	(842)	(842)	7,828	34,138	34,138
Total to be returned to the Nations	(2,085,492)	(923,335)	(923,335)	151,749	128,350	128,350	(22,529)	(34,823)	(34,823)
Total REVENUE	**(201,654,793)**	**(221,853,215)**	**(221,489,862)**	**(18,926,924)**	**(16,865,663)**	**(16,865,663)**	**(10,285,882)**	**(8,526,971)**	**(8,526,971)**
EXPENSES									
Expenses	**193,349,337**	**212,762,439**	**212,257,186**	**13,467,929**	**13,224,518**	**13,224,518**	**10,235,051**	**8,494,324**	**8,494,324**
Personnel	27,819,458	26,546,067	26,546,067	6,002,411	5,548,693	5,548,693	2,397,855	2,042,516	2,042,516
Contractual Supplies and Services	165,529,879	186,216,372	185,711,119	7,465,519	7,675,825	7,675,825	7,837,195	6,451,808	6,451,808
Foreign Military Sales (FMS)	-	-	-	-	-	-	-	-	-
Depreciation	6,712,556	8,619,762	8,776,582	5,454,539	3,625,820	3,625,820	36,130	31,962	31,962
Provisions	345,539	375,234	360,313	-	-	-	-	-	-
Other Expenses	2,214	-	-	-	-	-	-	-	-
Financial Costs	1,245,148	95,780	95,780	4,455	15,326	15,326	14,701	685	685
Total EXPENSES	**201,654,793**	**221,853,216**	**221,489,862**	**18,926,924**	**16,865,663**	**16,865,663**	**10,285,882**	**8,526,971**	**8,526,971**
Result of the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

	ACO Corporate Accounting and Control Office			NSIP		
	2019	2018 RESTATED	2018	2019	2018 RESTATED	2018
REVENUE						
Revenue	-	-	-	(1,338,802)	(713,935)	(713,935)
Other Revenue	(918,517)	-	-	-	-	-
Financial Revenue	(1,375,040)	(8,371,174)	(8,371,174)	(1,357)	(22,306)	(22,306)
Total to be returned to the Nations	1,966,138	4,360,103	4,360,103	1,328	(45,231)	(45,231)
Total REVENUE	**(327,419)**	**(4,011,070)**	**(4,011,070)**	**(1,338,831)**	**(781,472)**	**(781,472)**
EXPENSES						
Expenses	-	-	-	**1,338,802**	**713,935**	**713,935**
Personnel	-	-	-	-	-	-
Contractual Supplies and Services	-	-	-	1,338,802	713,935	713,935
Foreign Military Sales (FMS)	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Provisions	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-
Financial Costs	327,419	4,011,070	4,011,070	29	67,537	67,537
Total EXPENSES	**327,419**	**4,011,070**	**4,011,070**	**1,338,831**	**781,472**	**781,472**
Result of the year	-	-	-	-	-	-

	TOTAL FOR SEGMENTS			ELIMINATIONS			CONSOLIDATED PERFORMANCE		
	2019	2018 RESTATED	2018	2019	2018 RESTATED	2018	2019	2018 RESTATED	2018
REVENUE									
Revenue	(1,054,550,949)	(1,016,774,544)	(1,014,434,635)	-	-	-	(1,054,550,949)	(1,016,774,544)	(1,014,434,635)
Other Revenue	(3,360,797)	(4,684,527)	(4,702,108)	(843,424)	(413,057)	(398,137)	(2,517,373)	(4,271,470)	(4,303,971)
Financial Revenue	(578,846)	(8,297,940)	(8,297,940)	-	-	-	(578,846)	(8,297,940)	(8,297,940)
Total to be returned to the Nations	1,198,996	5,171,303	5,171,303	-	-	-	1,198,996	5,171,303	5,171,303
Total REVENUE	**(1,057,291,596)**	**(1,024,585,709)**	**(1,022,263,380)**	**(843,424)**	**(413,057)**	**(398,137)**	**(1,056,448,172)**	**(1,024,172,651)**	**(1,021,865,243)**
EXPENSES									
Expenses	**982,047,656**	**957,194,322**	**956,689,069**				**982,047,656**	**957,194,322**	**956,689,069**
Personnel	195,379,602	189,657,916	189,657,916	-	-	-	195,379,602	189,657,916	189,657,916
Contractual Supplies and Services	769,533,415	743,249,766	742,744,512	-	-	-	769,533,415	743,249,766	742,744,513
Foreign Military Sales (FMS)	17,134,640	24,286,640	24,286,640	-	-	-	17,134,640	24,286,640	24,286,640
Depreciation	71,982,772	61,223,476	59,421,321	-	-	-	71,982,772	61,223,476	59,421,321
Provisions	843,424	413,058	398,136	843,424	413,058	398,136	-	-	-
Other Expenses	4,072	75	75	-	-	-	4,072	75	75
Financial Costs	2,413,672	5,754,779	5,754,779	-	-	-	2,413,672	5,754,779	5,754,779
Total EXPENSES	**1,057,291,596**	**1,024,585,709**	**1,022,263,380**	**843,424**	**413,058**	**398,136**	**1,056,448,172**	**1,024,172,651**	**1,021,865,243**
Result of the year	-	-	-	-	-	-	-	-	-

F. Related Parties Disclosure

IPSAS 20 requires that financial statements disclose the existence of related party relationships and transactions between the entity and its related parties. Under IPSAS 20 related parties are parties that control or have significant influence over the reporting entity.

(1) Identification of ACO related parties.

(a) Key Management Personnel (KMP). KMP include members of the governing body **who have the greatest responsibility for the government of ACO** and their close family members. Based on the definitions provided by IPSAS 20 and the KMP within ACO have been identified as follows[15]:

i. Members of the governing body of the entity: SACEUR'S Commanders' Conference (SCC)[16] which acts as the **ACO Board of Directors**.
ii. Key advisors: the members of the SHAPE Management Board/Crisis Operations Board (SMB/COB) are considered as the **key advisors**.
iii. Senior management group of the reporting entity: **the ACO Management Board is the principle executive body within ACO** for implementing command-wide strategic management on behalf of SACEUR

(b) Consolidated entities: they are the ACO subordinate Commands that are controlled by SHAPE The list of those entities is provided in the Note A.

(c) Other NATO entities: this includes the NATO agencies which provide goods and services to ACO at an agreed price.

(2) Identification of the transactions between ACO and its related parties.

(a) ACO and the KMP. Since the remuneration of the military personnel is a national responsibility under the principle of 'costs lie where they fall' the only amount charged against the international funds is to cover the salary payment of 3 NATO International Civilians (NICs) identified within this category, i.e. the ACO Financial Controller, the SHAPE Legal Advisor and the SHAPE Chief of the Strategic & International Affairs. The net remuneration received during the reporting year by these 3 NICs, including any salary transfer in foreign currencies, amounts to 545,048 EUR (corresponding to 135,964 EUR plus 175,070 EUR plus 234,014 EUR, respectively, for the three mentioned NICs).

As a result of a campaign of enhancing transparency at ACO and in accordance with IPSAS 20 requirements, as well as the NATO code of conduct, the KMP were requested to fill in and sign a declaration statement of any related party transaction between them, their close family members and ACO. The statements made by the ACO KMP were all collected prior to publishing the 2019 FS. They will not be given public disclosure but only made available upon request for audit purposes.

(b) ACO and its consolidated entities. All intercompany transactions are posted and balances are reconciled with ACO CAC as of the reporting date. Intercompany balances are eliminated as part of the consolidation.

(c) ACO and other NATO entities. ACO is an integral part of NATO and it transacts in its normal business activities with other NATO bodies and these transactions occur at cost.

(3) Gratuities

As part of the effective management of the ethic program and to specifically ensure that any actual, potential or apparent conflicts of interest arising from staff members' financial interests, business relationships or other outside activities can be identified and managed in the best interest of ACO, a list of gratuities accepted by the ACO Commanders on behalf of the respective Headquarters is submitted annually to ACO in accordance with the prescriptions of the ACO Directive 60-54. A negative statement is also requested to be reported to ACO.

(4) Representation of funds

The current ACO Directive for Hospitality and Representation aims at reducing the bureaucracy and focuses on the distinction between Representation versus Hospitality, aligns the type of expenditures eligible for both Funds as well as the ratio to be used between guest(s) and host(s).

[15] The composition and Job titles have been updated in accordance with the AD 015-004, ACO High level Business Processes, dated 31 Oct. 2013.
[16] Only the ACO KMP of the SCC that are part of the NATO Command Structure, plus the NAEW&C Force GK Commander and Commander NAGSF.

Within ACO Representation and Hospitality funds are provided to high officials of the ACO Headquarters, primarily the Commanders who may make sub-allocations to their most senior staff and deputy Commanders.

During 2019 the total expenditure made by ACO for Representation amounted to 362.6 KEUR which represents 75% of the overall authorised budget of 485.5 KEUR.

G. Events after Reporting Date

ACO is required to disclose events, both favourable and unfavourable, that occurred between the reporting date and the date when the FS are authorized for issue by the SACEUR and the ACO 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).

ACO is not aware of any events categorized under the two categories that need to be reported.

It is to be noted that the outbreak of the pandemic crisis in the first period of 2020 will have an impact on the ACO activities. However, it is too early to assess its financial implication ACO-wide.

H. MB Budget Execution

According to article 34.4 of the NFRs ACO has included the ACO Budget execution report in its FS. In addition, in line with BC-D(2019)0037(INV) and in view of the performance of the Budget Holders and the timely presentation of the Financial Statements, it was considered that the 3rd Budget Execution Report could be discontinued and overall assessment which formed an important part of the 3rd Budget Execution Report could be incorporated directly into the Financial Statements.

It is worth noting that although ACO deems that the ACO budgets and the actual amounts in its FS are prepared on a comparable basis, there are, in fact some differences.

The budgets in the year concerned do include a commitment-based component carried over from the past two years; however, excluding the special carry forwards which are approved by the relevant Committee under exceptional circumstances, the percentage in the ACO budgets of amounts estimated on a commitment basis versus those prepared on actual and accrual basis is significantly lower and it can be considered not material.

The ACO budget groups were approved by the BC in BA3 in the following amounts:

Table H.1 ACO Budget Groups: approved BA3 amounts

Budget Category	Amount (EUR)
ACO portion of the NATO Command Structure Entities and Programmes (NCSEP)	491,276,194
ACO portion of the NCS-Adaptation	15,328,209
Alliance Operations and Missions (AOM)	272,877,813
NAEW&C Force	261,999,999
NAGSF	36,554,610
TOTAL ACO	**1,078,036,825**

The figures contained in this report represent the net result of all transfers, costs increases and decreases and the impact of changes in parity and inflation rates during the reporting period. As a result of these fluctuations, reductions were implemented across ACO, as necessary, to offset increased legal obligations and prioritized operational requirements.

NATO COMMAND STRUCTURE ENTITIES AND PROGRAMMES (NCSEP)

The final Budget Authorization (BA3) for the NCSEP budget totalled 491.3 MEUR. The combined execution rate reached 97%, which includes Regular Carry Forwards totalling 14,4 MEUR as detailed below of which 1.7 MEUR relates to AD(G), (BC 164), specifically due to delays in service delivery for routine repair cases and RAT-31 LIP Spares.

The BC approved three special carry forwards in the ACO portion of the 2019 NCSEP: 300 KEUR in SHAPE (BC 101) for vehicles and building maintenance; 980.5 KEUR in NCCB (BC 177) for upgrades to the Mission Information Room; and 100 KEUR in NCISG (BC 178) for procurement of consumable supplies.

With BC-D (2019)0229 (INV) ACO already anticipated 4.6 MEUR lapsable credits in this budget group and provided explanations for these expected lapses. It was also reported that another 0.5 MEUR will became lapsable if not unfrozen in the JFCBS budget to mitigate the delay in the ITM project. The final lapse in this budget group amounts to 13 MEUR that will be returned to the Nations. The additional lapse of 8.4 MEUR includes, but is not limited to: some 1.5 MEUR in the SHAPE (BC 101) budget (lower than expected fill rates for both the NATO International Civilian (NIC) and the LWR payroll accounts, under execution of projects, and savings in utilities and general maintenance contracts), 1.8 MEUR in the ACCS Support (BC 166) budget (delays in NSPA services), 2.8 MEUR in the NCISG (BC 178) budget (delays in recruitment process of vacated posts, lower than expected costs of RLS driven by delays in several infrastructure projects and a shift of DFAS mitigation project from NCISG budget to NCS Adaptation budget (to be executed within Tranche 3)), and 2.3 MEUR in the AIRCOM (BC 105) budget (NCIA's inability to provide a service listed in the SLA). The AIRCOM SLA requirement in question was linked to the unsuccessful NCIA recruitment of 20 additional posts (AIRCOM-wide) screened by the WGTNE and approved in 2019 budget. As of 1 Nov 2019, NCIA had successfully completed/contracted only one of these posts. ACO, in our capacity as an intelligent customer, challenged the NCIA invoice for 2019 services, and the Agency agreed to provide a credit note for the corresponding amount.

NATO COMMAND STRUCTURE ADAPTATION (ACO PORTION)

The final Budget Authorization (BA3) for the ACO NCS-A budget totalled 15.3 MEUR. The execution rate reached 100%, which includes Regular Carry Forwards totalling .9 MEUR and Special Carry Forwards (SCF) of 8.3 MEUR. All SCF are summarized in Table H-C – ACO Special Carry Forward.

With BC-DS(2019)0069 (INV), the Committee agreed to special carry forward and freeze the total amount remaining lapsable in the 2019 NCS-A ACO budget, for requirements in support of potential flexibility measures in 2020 resulting in zero lapses in this budget. The total amount SCF for flexibility measures is 6.7 MEUR which is an additional 3,902,296.31 EUR from the original amount approved.

NATO AIRBORNE EARLY WARNING AND CONTROL FORCE (NAEW&CF)

The NAEW&CF Budget Group (BCs 162/163) BA3 totalled 262.0 MEUR and reached a combined execution rate of 99.9%, which includes 43.9 MEUR or 16.8% in Regular Carry Forward. The budget group lapsed a total of 452 KEUR.

It should be noted that the high level of Regular Carry Forward (43.9 MEUR) are structural in nature and are part of major obsolescence management programmes and large discrete acquisitions of goods and services. As discussed during the Lesson Learned reviews, these programmes do not lend themselves to a strict application of Article 25 as they involve multi-year actions and a frequent requirement for pre-emptive procurement actions (buys of limited production spare parts) where appropriations must be committed/obligated even when the known delivery date is expected to take place after the end of the fiscal year.

NATO ALLIANCE GROUND SURVEILLANCE FORCE (NAGSF)

The NAGSF Budget Group (BCs 167/168) BA3 totalled 36.6 MEUR and reached a combined execution rate of 86.4%, including the SCF of 7 MEUR.

Regular carry forward in the AGS budget amounts to 8.1 MEUR linked to large commitments to NSPA for training services and logistics and technical support that have not yet been billed.

With BC-D (2019)0229 (INVG) ACO informed the BC that 7 MEUR of the 2019 budget could not be executed by NSPA. The BC authorized the SCF of these surplus credits to partially cover the shortfall in long-lead order spare part requirements.

Surpluses beyond the 7 MEUR SCF amounted to 5.0 MEUR and are lapsed due to delays in the delivery of the AGS core system and beginning of service support contracts NSPA spending was less than originally planned

ALLIANCE OPERATIONS AND MISSIONS (AOM)

The AOM Budget Group BA3 totalled 272,9 MEUR and reached a combined execution rate of 100%, including the SCF of 10.66 MEUR.

For Resolute Support (RS), the Special Carry Forward totals 10.66 MEUR as follows:

a. With BC-DS(2019)0069 (INV), the Committee agreed to special carry forward and freeze the total amount remaining lapsable in the 2019 RS budget, for requirements in support of potential requirements in 2020 resulting in zero lapses in this budget. The total amount SCF for flexibility measures is 7.88MEUR an additional 2,928,299.01 EUR from the original amount approved. This SCF is for requirements related to replacement of the Private Automated Branch Exchange (PABx), Herat Fuel Storage increase and other emerging critical requirements.

b. 2.7 MEUR to support twelve RS requirements to include: upgraded CIS, electronic countermeasure mitigation, router replacement, computer memory upgrades, Explosive Ordnance Disposal (EOD) robot upgrade, and recruiting 2 full time equivalents (FTE) for technical engineering services.

The ISAF budget expenditure totalled 463,750 EUR and 240,575 EUR are carried forward. The remaining 25,102,881 is specially carried forward for potential requirements in 2020 and for archiving. With BC-DS(2019)0069 (INV), the Committee agreed to special carry forward and freeze the total amount remaining lapsable in the ISAF budget, for requirements in support of potential requirements in 2020 resulting in zero lapses in this budget. The total amount SCF for flexibility measures is In accordance with BC-DS(2019)0069 (INV), MEUR 25,102,881, an additional 208,839.82 EUR from the original amount approved.

For NATO Mission Iraq (NMI), lapses totaling 3.7 MEUR were mainly due to: delays in hiring mission civilian (MCIV) and local civilian hire (LCH) personnel (1 MEUR); savings in Basic Logistic Support (BLS), in real life support (RLS) and in Hospitality and Representation expenses (0.25 MEUR); savings in NCIA CIS Services due to procurement cancellation for CIS (spares, equipment and consumables) as well as delays on the deployment of the Screening and Vetting Teams (1.7 MEUR); savings in Transportation expenses due to the non-determination of a Marshalling Location, less travels effected (0.65 MEUR)

2019 Budget Execution of non-ACO Budgets

The table below reports the summary execution of the budgets delegated to ACO. They are all related to the ACT Exercise Budget.

Table H.A – Summary Budget Execution NON-ACO Budgets

Budget Year	Budget	Expenditure Ceiling	Net Commitment	Actual Expenses	Total Spend
2019	259 ACT EXERCISES & TRAINING	8,327,667	148,008	7,730,398	7,878,407
2018	259 ACT EXERCISES & TRAINING	416,989	29,310	(391,857)	(362,547)
2017	259 ACT EXERCISES & TRAINING	0	0	(27,747)	(27,747)
TOTAL		**8,744,656**	**177,318**	**7,310,795**	**7,488,113**

ACO Budget Execution/ACO Statement of Financial Performance reconciliation (EUR)

The table below reports the reconciliation between the ACO Budget Execution and the ACO Consolidated Financial Performance.

Table H.B - ACO Budget Execution/ACO Statement of Financial Performance reconciliation

Official Tables	ACO Statement of Financial Performance	Budget execution report (adjusted)
	EUR	EUR
ACO Budget Execution Report: total expenses		1,018,727,233
Budget Execution Report-other: total expenses		7,310,795
Inventory variances		(2,217,597)
Property, Plant and Equipment and AuC		(11,659,856)
Over-estimated accruals		(32,709,051)
Untaken Leave		1,257,330
NSIP 2019 execution		1,338,802
		982,047,657
ACO Consolidated Statement of Financial Performance:		
Personnel	195,379,602	
Contractual Supplies and Services	769,533,415	
Foreign Military Sales (FMS) (IV)	17,134,640	982,047,657

Statement of transfers

In accordance with the NFRs, Art. 26, transfers of appropriations approved by the relevant finance committee or the Financial Controller within his/her delegated authority shall be recorded in the annual financial statements. Further to the FRPs which have specified that only inter-budget transfers between NATO bodies shall be reported in the annual FS, the following NCSEP Budget group transfers occurred in 2019 are hereafter disclosed:

There is a transfer of EUR 26,635 from ACO to ACT for NCS-A as per BC-DS 2019 0069 (INV).

The changes between the initial and the final budget which were due to reallocations either authorised by the BC or by the ACO Financial Controller are presented in the Budget Execution Report which is prepared using a similar accrual basis approach in place for the preparation of the statements of financial position and performance.

The ACO Budget Execution Report also includes the contract authority already committed against credits converted into cash in the same financial year.

Statement of Credits Carried Forward

The credits carried forward are presented in the Budget Execution Statement. They represent the remaining credits due to later than expected delivery of goods/services when contracts placed in good faith of delivery before end of 2019. For all of them there is a legal liability and are equal to the closing Deferred Revenue.

Special Carry Forward

The total special carry forward of funds authorised by NAC into 2020 from the past seven years ACO budgets amount totally to EUR 101,146,752 (2018 EUR 94,755,957).

NCSEP: An amount of 1,680,991 EUR is carried forward from 2013 and 2019 to cover various ACO requirements within the ACO Static Commands and programmes for CIS requirements and vehicle replacement

AGS: An amount of 55,125,000 EUR is carried forward from 2017, 2018 and 2019 for provision of initial spares and operational test and evaluation, the purchase of specialized vehicles and long lead spare parts.

AOM: An amount of 35,765,180 EUR is carried forward from 2014 and 2019 budgets; the 2014 amounts are mainly to cover potential ISAF/RS liabilities such as for NSPA LOJI, for redeployment and disposal activities and for ongoing litigations with former ISAF provider for catering services. The 2019 amounts are for 12 distinct RS requirements, and for specific emerging requirements such as the replacement of the Private Automated Branch Exchange (PABX) and the Herat fuel storage.

NCS-A: An amount of 8,335,086 EUR is carried forward from 2019 for 4 specific requirements and for potential flexibility measures in 2020.

The table below provides the summary of the approved 2020 special carry forward reconciled with the related contingent liabilities and provisions, if any, as further disclosed in the Note D. An amount of 1,355,000 EUR outlined and approved in BC-D(2019)0235-REV2 and BC-DS(2019)0069 for NAEW was not required as a contract was entered into in late 2019.

Table H.C – ACO Special Carry Forward

Ref: BC-D(2019)0235-REV2 + BC-DS(2019)0069

NCSEP	2013	2014	2017	2018	2019	Total	Note
BC 101 - Vehicle replacement and Building Maintenance					300,000	300,000	BC-DS(2019) 0069 (INV)
BC 177- completion of Mission Information Room					980,587	980,587	BC-DS(2019) 0069 (INV)
BC 178 - NATO CIS Group Consumables					100,000	100,000	BC-DS(2019) 0069 (INV)
BC 178 - Afloat Command Platform equipment and manpower requirements	300,324					300,324	BC-DS(2019) 0069 (INV)
NCSEP Total	**300,324**	**0**	**0**	**0**	**1,380,587**	**1,680,911**	
AGS	**2013**	**2014**	**2017**	**2018**	**2019**	**Total**	
BC 167 - Operational Test & Evaluation			8,000,000			8,000,000	BC-DS(2019) 0069 (INV)
BC 167 - Provision of initial spares			35,000,000			35,000,000	BC-DS(2019) 0069 (INV)
BC 167 - Provision of initial spares				5,000,000		5,000,000	BC-DS(2019) 0069 (INV)
BC 167 - Purchase specialized vehicles				125,000		125,000	BC-DS(2019) 0069 (INV)
BC -167- Long Lead Spare Parts					7,000,000	7,000,000	BC-DS(2019) 0069 (INV)
AGS Total	**0**	**0**	**43,000,000**	**5,125,000**	**7,000,000**	**55,125,000**	
AOM	**2013**	**2014**	**2017**	**2018**	**2019**	**Total**	
BC 185 - Potential residual requirements in 2020		24,469,437				24,469,437	BC-DS(2019)0069 (INV) and NOR clarification on its interpretation led to special carry forward all lapsable credits at the end of 2019 (additional amount of 208,840 EUR compared to the amount provided at the time of the special carry forward submission). These amounts are required for the following potential residual ISAF requirements in 2020: Redeployment Activities, Remediation and Descoping, Container Storage, Food Claim liabilities, NCIA costs, ISAF Archiving, provision recognised for an amount of 421,553 EUR for severance pay and removal allowance related to ISAF employees, and a contingent liability is disclosed for an amount of 726,592 EUR for LOJI related to NSPA staff
BC 185 - ISAF Archivist		633,444				633,444	BC-DS(2018)0054: A total of 1,003,714 EUR was agreed for specific use as Contract Authority for ISAF archivists contracts from 2018 until 2021. The breakdown of the CA for next years is 329,516 EUR for 2020 and 303,928 EUR for 2021. The remaining 178,173 EUR from 2019 was also carried over for use outside this project and is reflected in potential residual requirements for 2020
BC 194 - 12 RS requirements					2,773,000	2,773,000	BC-DS(2019) 0069 (INV) 12 requirements are: CIS for role 1, Mikrotik Routers, CIS TAC closure study, T3SA LoE2, ECM mitigation measures, KBC Resiliency, Computer RAM upgrade Inter-Theatre Connectivity Resiliency, EOD robot, CFT Replacement in KAF, A/C Retrofits for BFI Vehicles, Technical Engineering Services
BC 194 - For potential 2020 requirements					7,889,299	7,889,299	BC-DS(2019)0069 (INV) and NOR clarification on its interpretation led to special carry forward of all lapsable credits at the end of 2019 (additional amount of 2,928,299 EUR compared to the amount provided at the time of the special carry forward submission)
AOM Total	**0**	**25,102,881**	**0**	**0**	**10,662,299**	**35,765,180**	
NCS (A)	**2013**	**2014**	**2017**	**2018**	**2019**	**Total**	
BC 124 - Four distinct ACO requirements					1,637,800	1,637,800	BC-DS(2019) 0069 (INV)- Four distinct requirements are: LOJI for NICs at SHAPE 380,000 EUR; Procurement of CIS JFCNP NCS-A- 957,315 EUR, Reconfigure office space NCS-A JFCNP 155,000 EUR, Centrally managed CIS NCS-A 145,485EUR.
BC -124 -Flexibility measures					6,697,286	6,697,286	BC-DS(2019)0069 (INV) and NOR clarification on its interpretation led to special carry forward of all lapsable credits at the end of 2019 (additional amount of 3,902,296.31 EUR compared to the amount provided at the time of the special carry forward submission)
NCS (A) Total					**8,335,086**	**8,335,086**	
Total per year	**2013**	**2014**	**2017**	**2018**	**2019**	**Total**	
All budget groups	**300,324**	**25,102,881**	**43,000,000**	**5,125,000**	**27,377,972**	**100,906,177**	

Table H.D – ACO CONTRACT AUTHORITIES as of 31 Dec 2019

ACO BC CONTRACT AUTHORITIES								
EUR	Initial Budge	Transfers	BA2	Transfers	BA3	Transfers	Final Budget	Net Commitme
NCSEP at 29								
	158,346,981	***18,939,554***	***177,286,535***	***(878,413)***	***176,408,122***	***78,082,864***	***254,490,985***	***173,704,511***
101 SHAPE	9,649,308	1,325,262	10,974,570	-	10,974,570	4,156,160	15,130,730	708,430
103 JFC HQ BRUNSSUM	3,150,361	150,000	3,300,361	-	3,300,361	-	3,300,361	150,000
104 JFC HQ NAPLES	4,670,044	-	4,670,044	78,396	4,748,440	-	4,748,440	4,474,910
105 HQ AIRCOM RAMSTEIN	1,261,400	(12,000)	1,249,400	(988,384)	261,016	(56,258)	204,758	189,443
111 HQ LANDCOM IZMIR	-	58,200	58,200	31,575	89,775	-	89,775	89,775
118 HQ MARCOM NORTHWOOD	32,674	2,159	34,834	-	34,834	-	34,833	33,300
131 HQ DEPLOYABLE ASSETS	483,672	-	483,672	-	483,672	-	483,672	224,604
164 AIR DEFENCE (GROUND)	10,810,000	1,500,000	12,310,000	-	12,310,000	189,000	12,499,000	-
166 ACCS Support	36,097,989	525,987	36,623,976	-	36,623,976	7,736,844	44,360,820	-
177 NCCB	92,191,534	15,389,945	107,581,479	-	107,581,479	65,366,518	172,947,997	167,834,050
178 NATO CIS GROUP (NCISG)	-	-	-	-	-	690,600	690,600	-
NCS-ADAPTATION								
	600,000	*-*	***600,000***	***252,783***	***852,783***	*-*	***852,783***	***70,237***
124 NCS-ADAPTATION (ACO)	600,000	-	600,000	252,783	852,783	-	852,783	70,237
AGS at 27+2								
	20,479,515	*-*	***20,479,515***	***256,045***	***20,735,560***	*-*	***20,735,560***	***19,041,454***
167 AGS O&S	20,479,515	-	20,479,515	256,045	20,735,560	-	20,735,560	19,041,454
NAEW at 16								
	96,689,635	***18,928,406***	***115,618,041***	***1,627,033***	***117,245,074***	*-*	***117,245,074***	***76,114,670***
162 NAEW&CF PROVISIONING	96,689,635	18,928,406	115,618,041	1,627,033	117,245,074	-	117,245,074	76,114,670
NAEW at 27+2								
	46,113,336	***6,733,304***	***52,846,640***	***896,710***	***53,743,350***	***1,431,500***	***55,174,850***	***40,109,671***
163 NAEW&CF EMPLOYMENT	46,113,336	6,733,304	52,846,640	896,710	53,743,350	1,431,500	55,174,850	40,109,671
AOM at 29								
	6,003,283	***9,384,704***	***15,387,987***	***88,074,175***	***103,462,162***	***3,208,546***	***106,670,708***	***3,608,594***
183 Balkans Operations	6,003,283	814,729	6,818,012	-	6,818,012	1,705,346	8,523,358	612,507
194 RESOLUTE SUPPORT	-	3,721,094	3,721,094	88,074,175	91,795,269	343,200	92,138,469	2,401,737
195 NMI	-	4,848,881	4,848,881	-	4,848,881	1,160,000	6,008,881	594,350
Total for all MBC Cost Shares, Years and Budget	**327,632,750**	**53,985,968**	**381,618,718**	**89,975,550**	**471,594,268**	**82,722,909**	**554,317,177**	**312,578,901**

The table above is showing the ACO Contract Authorities approved by the BC[17] during 2019.

[17] BC-BA(2019)0001-REV1 (INV) 103 dated 9 May 2019

BC-BA(2019)0002 (INV)103 dated 19 Jul 2019

BC-BA(2019)0003(INV) 103 dated 31 Oct. 2019

BC-DS(2019)0062 dated 18 Nov 2019

BC-DS(2019)0065 (INV) dated 26 Nov 2019

BC-DS(2019)0074 dated 22 Jan. 2020

Table H.E – Reconciliation between ACO authorised Budgets and Calls in 2019

The table below is showing the reconciliation between the Budget Authorisation and the Calls made in 2019:

Budget authorization 2019

Budget Groups	Total Called as of 31 Dec 2019 (BA2)	Final Budget (1)	Actual as of 31 Dec 19	CF as of 31 Dec 19	Difference between Calls, Actual and CF as of 31 Dec 19	Lapse	Adjustment
29N NCSEP (1)	506,517,371	506,577,769	470,871,951	21,538,929	14,106,491	(14,166,888)	(60,397)
							-
27N AGS	34,186,300	34,186,300	14,042,468	15,134,288	5,009,544	(5,009,544)	-
29N AGS	2,368,310	2,368,310	2,368,310	-	-	-	-
							-
26+2N/27+2N NAEW	156,776,687	156,776,687	143,604,449	12,719,824	452,414	(452,415)	(1)
16N NAEW	105,223,312	105,223,312	74,057,931	31,165,381	-	-	-
							-
29N AOM (1)	272,983,495	272,877,813	255,489,148	13,170,778	4,323,569	(4,217,886)	105,683
TOTAL	**1,078,055,475**	**1,078,010,191**	**960,434,257**	**93,729,200**	**23,892,018**	**(23,846,733)**	**45,285**

'(1) Exchange rate: budgets authorised in GBP were converted and executed using a fixed rate for the fiscal year 2019.
The rate used was as of 1st January 2018, 1 EUR = GBP 0.8799. The 2nd cash call was converted to EUR using the rate 1 EUR = GBP 0.8892

Budget authorization 2018

Budget Groups	Carry Forward	Adjustment to Carry Forward	Adjusted Carry Forward	Actual as of 31 Dec 19	CF as of 31 Dec 19	Lapse
29N NCSEP	27,598,868		27,598,868	20,629,239	2,199,813	(4,769,816)
			-			-
27N AGS	6,407,307		6,407,307	738,322	5,393,518	(275,467)
			-			-
26+2N/27+2N NAEW	12,310,529		12,310,529	9,972,188	2,338,340	(1)
16N NAEW	26,140,042		26,140,042	16,312,486	9,827,347	(209)
			-			-
29N AOM	6,673,911		6,673,911	3,911,596	621,176	(2,141,139)
TOTAL	**79,130,657**	**-**	**79,130,657**	**51,563,831**	**20,380,194**	**(7,186,632)**

Budget authorization 2017

Budget Groups	Carry Forward	Adjustment to Carry Forward	Adjusted Carry Forward	Actual as of 31 Dec 19	CF as of 31 Dec 19	Lapse
28N/29 NCSEP	3,556,298		3,556,298	488,441	-	(3,067,857)
						-
26/27N AGS	43,518,795		43,518,795	518,795	43,000,000	-
						-
16+1N/26+2N NAEW	7,427,231		7,427,231	5,084,818	-	(2,342,413)
16N NAEW	173,340		173,340	173,340	-	-
						-
						-
TOTAL	**54,675,664**	**-**	**54,675,664**	**6,265,394**	**43,000,000**	**(5,410,269)**

Budget authorization 2014

Budget Groups	Carry Forward	Adjustment to Carry Forward	Adjusted Carry Forward	Actual as of 31 Dec 19	CF as of 31 Dec 19	Lapse
28N AOM	25,807,206		25,807,206	463,750	25,343,456	-
TOTAL	**25,807,206**	**-**	**25,807,206**	**463,750**	**25,343,456**	**-**

Budget authorization 2013

Budget Groups	Carry Forward	Adjustment to Carry Forward	Adjusted Carry Forward	Actual as of 31 Dec 19	CF as of 31 Dec 19	Lapse
28N NCSEP	300,324		300,324	-	300,324	-
TOTAL	**300,324**	**-**	**300,324**	**-**	**300,324**	**-**

ACO Budget Groups	Final budget	Actual as of 31 Dec 19	Lapse	Carry Forward	Adjustment
GRAND TOTAL	**1,237,924,042**	**1,018,727,233**	**(36,443,636)**	**182,753,173**	**45,285**

I. NSIP Project Execution

Table I-A - NSIP Active projects[18]

OVERALL - NSIP PROJECT EXECUTION STATUS					
Active projects					
Status	*Authorized Budget*	*Commitments*	*Actuals YTD*	*Actuals PJTD*	*Funds Available*
BRUNSSUM	4,790,151	35,665	565,495	2,471,208	2,283,278
NAPLES	19,749,709	-	-	19,640,261	109,448
KFOR	5,700,006	-	86,292	4,980,935	719,071
NHQSa	7,680,532	-	-	7,680,532	-
SHAPE	82,080,224	411,207	2,170,971	76,468,504	5,200,512
Grand Total	**120,000,622**	**446,872**	**2,822,758**	**111,241,441**	**8,312,309**

TABLE I-B - NSIP closed projects with COFFA

TOTAL TABLES I-A & I-B

OVERALL - NSIP PROJECT EXECUTION STATUS					
Closed projects					
Status	*Authorized Budget*	*Commitments*	*Actuals YTD*	*Actuals PJTD*	*Funds Available*
BRUNSSUM	78,165,523	-	-	78,165,523	-
NAPLES	28,071,938	-	-	28,071,938	-
KFOR	92,309,141	-	-	92,309,141	-
NHQSa	115,089,335	-	-	115,089,335	-
SHAPE	558,311,172	-	-	558,311,172	-
Grand Total	**871,947,108**	**-**	**-**	**871,947,108**	**-**

TOTAL TABLES I-A & I-B

Total	**991,947,730**	**446,872**	**2,822,758**	**983,188,549**	**8,312,309**

The tables A and B above show the overall value, respectively, of the NSIP projects assigned to SHAPE HN still active and of the projects which have been completed and financially closed at the reporting date. The amounts shown in the tables are broken down by the ACO Commands responsible for the implementation of the projects further to the delegation of authority provided by SHAPE.

During 2019 a total amount of 2,822,758 EUR was spent against eight NSIP projects in total, which are being executed by SHAPE (2,170,971 EUR) as well as JFCBS (565,495 EUR) and KFOR (86,292 EUR) through delegation. The eight projects refer to three main categorises as follows:

a) **AOM**. An amount of 651,788 EUR was charged against AOM projects. One contingency funding to repair critical infrastructure as well as one funding for low value civil works have been executed in support of the RS Mission. Another project funded a new PSYOPS radio team facility at KFOR.

b) **Static HQs**. An amount of 545,820 EUR was spent to hire some additional temporary NIC personnel to support the SHAPE Project Office for the construction of new ACO Main HQ Building. In addition, an amount of 36,366 EUR was spent to hire personnel to support the provision of temporary office space required by the NCS adaptation. Finally an amount of 1,402,693 EUR was spent to enhance the SHAPE CCTV capability.

c) **Centralised projects**. An amount of 186,092 EUR was further spent on two projects. One to upgrade the ACO/ACT Mission Identification System (AMIS) at SHAPE in order to standardise a common AMIS ID card throughout the entire NCS and the other to provide NATO-wide AIR C2 Capabilities.

The total amount of 871.9 MEUR shown at Table B represents the aggregated value of the projects assigned to SHAPE HN which were closed at the reporting date. The projects financially closed during 2019 are contingency projects that have not incurred any cost.

[18] YTD indicates the actual data as of 31 December 2018; PJTD indicates the cumulated data for all the projects until 31 December 2018.

The amounts shown in the tables I-A and I-B above are based on data recorded in the ACO Financial system (FinS). Any discrepancy with the data provided by CIRIS for the same projects have been duly verified and reconciled.

J. Write-off and donations

Write Off and Donations

In accordance with article 17 of the NFRs, an annual summary of property and cash losses written-off in 2019 is annexed to the annual FS at the following tables:

Table J.A – ACO Headquarters International Property Write-off

	SHAPE		AGS		JFCBS		JFCNP		AIRCOM		MARCOM		LANDCOM		NAEW		NCISG		RSM		KFOR		NHQSa		TOTAL	
ASSET CATEGORY	Qty	€	Qty	€	Qty	€	Qty	€	Qty	€	Qty	€	Qty	€	Qty	€	Qty	€	Qty	€	Qty	€	Qty	€	Qty	€
BUILDING	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-
OTHER INFRASTRUCTURE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8	-	-	-	8	-
INSTALLED EQUIPMENT	1	-	-	-	-	-	-	-	106	-	-	-	30	-	649	-	2	-	40	-	23	-	9	-	860	-
MACHINERY	112	-	1	-	19	-	40	-	44	-	-	-	15	-	336	-	14	-	59	-	45	-	66	-	751	-
TRANSPORT EQUIPMENT - VEHICLES	-	-	-	-	5	-	-	-	3	-	1	-	-	-	78	-	2	-	22	-	33	-	-	-	144	-
AIRCRAFT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	243	-	-	-	-	-	-	-	-	-	243	-
MISSION EQUIPMENT	69	-	-	-	1	-	6	-	207	-	-	-	6	-	1,649	10,846	9	-	512	-	400	-	-	-	2,859	10,846
FURNITURE	5,101	-	-	-	435	-	379	-	1,123	-	367	-	710	-	111	-	2	-	57	-	3,876	-	-	-	12,161	-
COMMUNICATIONS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	490	5,529	-	-	-	-	-	-	199	-	689	5,529
AUTOMATION INFORMATION SYSTEMS	-	-	-	-	1	-	-	-	-	-	-	-	-	-	380	232	1	-	-	-	-	-	970	-	1,352	232
Consumables	-	-	-	-	-	-	13	-	43	98	-	-	2,301	4,975	11,697	65,400	4	-	4,648	26,286	558	1,741	-	-	19,264	98,500
Spare parts	-	-	-	-	-	-	-	-	-	-	-	-	18	-	2,341	43,908	2	19	-	-	-	-	-	-	2,361	43,927
Ammunition																									-	-
Grand Total	**5,284**	-	**1**	-	**461**	-	**438**	-	**1,526**	**98**	**368**	-	**3,080**	**4,975**	**17,974**	**125,915**	**36**	**19**	**5,338**	**26,286**	**4,943**	**1,741**	**1,244**	-	**40,693**	**159,034**

The table above shows the number of items written-off during 2019 by the ACO Commands per asset categories and the related accounting value.

In general, the majority of the write-offs relate to the legacy assets (acquired prior to the aforementioned cut-off date) that are fully depreciated with a zero residual value as per the NAF. Some of the items included in the total quantities reported above refer also to assets acquired after 1 January 2013. In accordance with the revised NFRs/FRPs the assets were written off under the authority of the Financial Controllers based on the net book value (NBV). However, due to the system in place in some Commands, (e.g PILS system in place in NAEW), it is not possible to reconcile the write-offs against the accounting value in the ACO FinS system.

ACO Headquarters International cash losses and irrecoverable debt write-off

In 2019 there was no write-off due to cash losses. Three entities reported write-off for irrecoverable debts: JFCBS for 896.67 EUR, RSM 2,214 EUR and AIRCOM 742 EUR, the majority of which relate to uncollectable debts from former employees.

Table J-B – ACO Headquarters International Property Donations

In accordance with article 17.4 of the NFRs, donations of property/assets that ACO has ownership and control of which were authorised during the year by the relevant finance committee shall be reported in the Annual FS.

ASSET CATEGORY	HQ	ITEMS	BENEFICIARY	QTY
Installed Equipment	NATO HQ Sarajevo	2 X Generator 75 KVA	Armed Forces of Bosnia and Herzegovina	9
		2 X Generator 160 KVA		
		3 X Generator 36 KVA		
		2 X Generator 6 KVA		
			Total	9

The table above shows a list of donation approved in 2019 by the relevant Finance Committee. The donation was approved late in 2019, but the actual did not take place until 2020.

K. Trust Funds

The Trust Funds reported in 2019 are the Trust Funds for Afghan National Army (ANA), Kosovo Security Forces (KSF), MHI missions and nationally-funded projects. Trust Funds contributions are transferred to the ACO CAC dedicated bank accounts. Upon proper authorisation ACO CAC also executes payments on behalf of the Trust Funds Boards. All incoming and outgoing funds are recorded in the Weekly Status Reports and in FinS. All the Trust Funds at ACO are managed purely for inflow and outflow through ACO CAC with the exception of KSF.

One of the main fund is the ANA Trust Fund (ANA TF), originally set up by the NAC in 2006 to support the efforts to equip the Afghan National Army. The role of ANA was expanded first in 2009 and later in 2013 taking into consideration the 2012 Chicago Summit commitments. A revised MOU dated 17 June 2014 was signed by the US, NATO HQ and SHAPE. On November 2017, the NAC agreed to extend the validity of the ANA Trust Fun Arrangements, Roles and Responsibilities and of the terms of Reference for the ANA trust Fund Board until 31 December 2020 (PO(2017)0544). The role of SHAPE is confirmed as responsible for the financial management of the SHAPE ANA TF bank accounts by providing Treasury Functions. The daily management of the ANA TF falls to the NATO ANA TF Office (NATFO).

The following tables show the Trust Funds balance as of 31 December 2019:

	Funds received	Interests	Actual expenses	Cash transfers	Assessment rate	Total	Accumulated balance
ANA Trust Funds							
Previous years	2,186,622,548	15,204,042	(3,461,093)	(1,392,658,403)	(2,432,617)	803,274,477	803,274,477
2019	382,304,695	11,322,573		(267,635,137)	21,001,726	146,993,857	950,268,334
Total	2,568,927,243	26,526,615	(3,461,093)	(1,660,293,539)	18,569,108	950,268,334	
KSF Trust Funds							
Previous years	7,673,728	106,234	(7,740,777)	-	-	39,186	39,186
2019	-	40	-	-	-	40	39,226
Total	7,673,728	106,275	(7,740,777)	-	-	39,226	
KSF Trust Funds - US National funded							
Previous years	1,777,500	49,766	(1,777,500)	-	-	49,766	49,766
2019	-	51	-	-	-	51	49,817
Total	1,777,500	49,817	(1,777,500)	-	-	49,817	
Multinational Helicopter Initiative (MHI)							
Previous years	32,305,172	547,981	-	(27,367,257)	(51,822)	5,434,074	5,434,074
2019	-	(16)	-	(2,292,970)	-	(2,292,986)	3,141,088
Total	32,305,172	547,966	-	(29,660,227)	(51,822)	3,141,088	
POHRF - ISAF							
Previous years	4,983,792	(5,232)	-	(4,942,720)	-	35,839	35,839
2019	-	-	-	-	-	-	35,839
Total	4,983,792	(5,232)	-	(4,942,720)	-	35,839	

L. Inventory and PP&E prior to 2013

Data reported in the Tables below are shown net of write-offs and presented by location and type of assets with the indication of the approximate number of items held per asset category, in accordance with the requirements set forth by the NAF.

Table L-A – Inventory prior to 2013- status as of 31 December 2019 (quantities per site/category)

Inventory Categories	NAEW&C Force GK	NHQSA	LANDCOM HQ	Total
CONSUMABLES	1,965,737	470,345		**2,436,082**
SPARE PARTS	842,591	13,699	6,869	**863,159**
AMMUNITION	19,753			**19,753**
Grand Total	**2,828,081**	**484,044**	**6,869**	**3,318,994**

Inventories acquired prior to 1 January 2013 and still present as of 31 December 2019 are reported by NHQSa, LANDCOM HQ Izmir and NAEW&C Force GK HQ. The former still holds a significant quantity of consumables and spare parts due to stockpiles accumulated in the past to satisfy maintenance requirements of the former NE-3A Component AWACS fleet. The items are continuously monitored through normal stock-counting and technically checked to verify their serviceability. There is currently an effort conducted in order to identify any parts in excess that would be eligible for sale or relocation while initiating write offs through Reports of Surveys (ROS) for the remainder part. It is Important to note that the policy to not consider any parts or equipment as excess when currently installed on NE-3A fleet or used by aircrafts support systems, remains applicable. This policy is essential for supporting the E-3A fleet until 2035 due to increasing threat from diminishing manufacturing sources and material shortage.

Amongst the inventories shown in the Table above there are also CIS legacy for NHQSa and a minor quantity of ammunition reported by the NAEW&C Force GK HQ which represents an exception as ammunitions are normally provided by the Nations.

TABLE L-B – PP&E prior to 2013 – status as of 31 December 2019 (quantities per site/category)

ASSET CATEGORY	SHAPE HQ	JFC Brunssum HQ	AIRCOM HQ	RSM HQ	NAEW &C Force GK HQ	JFC Naples HQ	NHQSa HQ	LANDCOM HQ	NCISG HQ	KFOR HQ	MARCOM HQ	Total
LAND	-	1	-	-	1	-	-	-	-	-	-	**2**
BUILDING	24	40	16	237	209	9	203	30	51	106	1	**926**
OTHER INFRASTRUCTURE	57	15	8	663	173	18	-	17	6	11	-	**968**
INSTALLED EQUIPMENT	92	267	149	295	3,930	65	55	22	167	193	5	**5,240**
MACHINERY	746	1,231	461	473	3,581	622	1,524	323	335	1,881	69	**11,246**
TRANSPORT EQUIPMENT - VEHICLES	219	41	93	353	307	25	96	29	743	55	1	**1,962**
TRANSPORT EQUIPMENT - AIRPLANES (Upgrades, Training Devices & Spare Parts)	-	-	-	-	15,383	-	-	-	-	-	-	**15,383**
MISSION EQUIPMENT	947	386	195	649	8,358	207	1,899	252	235	359	6	**13,493**
FURNITURE	29,674	7,286	11,709	113	170	14,508	13,690	7,886	2,989	7,757	1,941	**97,723**
COMMUNICATIONS	-	-	12	65	14,086	-	337	-	-	16	-	**14,516**
AUTOMATION INFORMATION SYSTEMS	-	-	-	5	4,864	-	568	-	-	-	-	**5,437**
Grand Total	**31,759**	**9,267**	**12,643**	**2,853**	**51,062**	**15,454**	**18,372**	**8,559**	**4,526**	**10,378**	**2,023**	**166,896**

As specified in Note A (Assets) above the legal ownership of installations and facilities fixed to the ground belongs to the respective territorial Host Nations. However, due to the fact that ACO exercises a certain control over these assets they are reported in the ACO FS. The category of buildings mainly includes the facilities provided by the HNs to ensure the effective operation of the NATO installations as well as a variety of infrastructure made by concrete/brick and by metal and wood frame. They also include other facilities such as the access control posts at the entrance gates, warehouses, storage houses, garages, bunkers, electrical stations, etc. Although traced, the electrical systems, fire detection, transformers etc. which are part of the infrastructure are not counted as separate assets from the infrastructure they serve.

The HQ facilities of the NHQSa are not reported as they are under the control and responsibility of EU Operation Althea based on the Berlin-Plus Agreement.

The only CIS assets reported in the 2019 ACO FS relate to NHQSa HQ and NAEW&C Force GK HQ as they are not under the control of the NCIA but rather of ACO as disclosed in Note A above.

There were no significant changes in quantities reported during 2019, with the exception of NAEW where a discrepancy in the matrix used for PILS reporting meant that some prior 2013 items were reported as PP&E instead of Inventory in 2018. The impact on 2019 FS is on three asset categories (Machinery, Mission Equipment and Communications) and with a reduction of 28,255 items in the NAEW prior 2013 asset register.

M. ACO Morale & Welfare Activities

The ACO Morale & Welfare Activities report is presented on an annual basis to the BC.

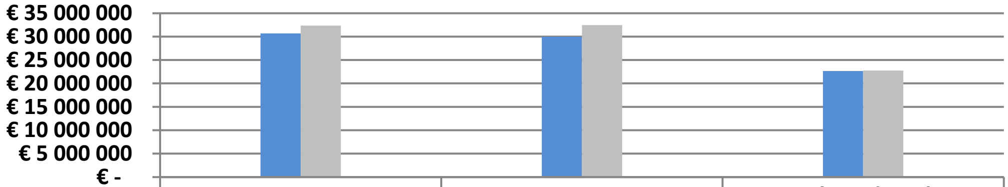
All the ACO commands with the exception of NHQSa have performed MWA activities during 2019. The result is characterised by an overall profit of 713,355 EUR versus the loss of 104,636 incurred in 2018 (restated data).

The positive result is mainly due by a decrease in the overall expense as disclosed in the Table M-1.

In 2019, ACO had four sites reporting losses (NAEW, JFCNP, JFCBS and AIRCOM, the last one for a very small amount). JFCNP is still reporting a negative result loss but with a considerable difference compared to previous years, mainly due to the reduction of the personnel. However, all the remaining MWA activities showed a positive result. In addition, the structural analysis of the financial data indicates that a high level of cash and capital reserves have been ring-fenced by the various MWA programmes to cater for current losses and for future contingencies as well as to protect themselves against discontinuity of revenue income. This is in accordance with the operating profit model instructed by the ACO Directive 5-1 to maintain high liquidity and to establish capital reserves.

The table below reflects the 2019/2018 comparative data of the ACO consolidated figures for Revenue, Expense and cash holdings.

Table M-1- ACO Consolidated Key data – Morale Welfare Activities Financial Year 2019/2018



	Revenue	Expenses	Cash and Cash Equivalents
2019	€ 30 656 164	€ 29 942 809	€ 22 646 343
2018 (Restated)	€ 32 331 755	€ 32 436 391	€ 22 755 612

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ACRONYMS

ACO	Allied Command Operations	Strategic NATO Military HQ located in Casteau Belgium
ACT	Allied Command Transformation	Strategic NATO Military HQ located in Norfolk VA, USA
ADG	Air Defence Ground	Network of radars providing an early warning system
AGS	Alliance Ground Surveillance	The AGS system performs wide-area terrestrial and maritime surveillance in near real-time
AMB	ACO Management Board	Principal executive body within ACO for providing command-wide direction on requirements, prioritisation, and resource allocation
ANA	Afghan National Army	A service branch of the military of Afghanistan, which is currently trained by the coalition forces to ultimately take the role in land-based military operations in Afghanistan
AOM	Alliance Operations & Missions	Acronym for operations mounted by NATO in response to a crisis
AWACS	Airborne Warning and Control System	An airborne radar system designed to detect aircraft; used at a high altitude, the radars allow the operators to distinguish between friendly and hostile aircraft from hundreds of miles away
AuC	Assets under Constructions	
BA1	Budget Authorisation 1	Initial Budget Authorisation amount approved by the Budget Committee for a given Fiscal Year
BA2	Budget Authorisation 2	Second Budget Authorisation amount approved by the Budget Committee for a given Fiscal Year after the first review
BA3	Budget Authorization 3	Final Budget Authorisation amount approved by the Budget Committee for a given Fiscal Year after the final review
BC	Budget Committee	NATO body responsible for approving and administering annual NATO budgets
CAC	Corporate Accounting and Control	The Cash, Accounting, Finance and Travel Branch within the NATO, ACO J8 Division
CAOC	Combined Air Operations Centre	The command and control of airpower throughout the theatre of operations.
CE	Crisis Establishment	NATO command structure for a contingency operation
CF	Common Funding	Budgetary contributions provided to the Alliance by the Nations based on established cost-shares
CIS	Communications Information Services	Used occasionally to refer to communications budgets
CNS/ATM	Communication, Navigation and Surveillance/Air Traffic Management	Systems and procedures based largely on digital technologies, satellite systems and various levels of automation to establish a seamless Global Air Traffic Management.
COS	Chief of Staff	A principal staff officer, who is the coordinator of the supporting staff or a primary aide to an important individual
CRP	Consolidated Resource Proposal	Provides a summary of additional NATO and national infrastructure required (as well as associated NATO and national capital costs) and NATO operation and maintenance and manpower costs necessary to achieve the required capability
CSSC	CIS Sustainment Support Centre	NCIA's asset management and repair facility located in Brunssum, Netherlands
DACCC	Deployable Air Command and Control Centre	A fully deployable air command & control centre to support deployed NATO air operations worldwide. Located at Poggio Renatico, Italy
EOY	End of Year	Occurring or done at the end of the fiscal year
ERP	Enterprise Resource Planning	Associated with business application software suites; ERP serves as architecture for integrating business applications, they act as one system even though each module can be implemented alone
EUFOR	European Union Force–Operation Althea	European Union military mission in Sarajevo, starting from 1st December 2004
EUR	Euro	The official currency of the Eurozone; utilized by 19 of the 28 member states of the European Union (EU) consisting of Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania (from 2015), Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain. The currency is also used in Montenegro, Kosovo, Andorra, Monaco, San Marino and Vatican.
EURIBOR	Euro Interbank Offered Rate	A daily reference rate based on the averaged interest rates at which banks offer to lend unsecured funds to other banks in the euro wholesale money market
FA	Fixed Assets	A term used for assets and property which cannot easily be converted into cash
FinS	Financial Accounting System	NAFS is replaced by a newer version of software and a centralised architecture; this new system, pronounced "finesse" is shortened from the Bi-Strategic Command Automated Information Systems Financial Services (Bi-Sc AIS FinS)
FMS	Foreign Military Sales	Facilitates sales of arms, defense equipment, defense services, and military

		training to foreign governments
FOC Plus	Full Operational Capability Plus	A dedicated communications backbone; this program provides 66 points of presence across the Afghanistan theatre
FRP	Financial Rules & Procedures	Financial rules laid down by the member nations, via NATO which provide more specific guidance than the over arching rules expressed in the NATO Financial Regulations
FS	Financial Statements	A formal record of the financial activities of a business, person, or other entity
FY	Fiscal Year	Within NATO, runs from 1 January to 31 December
HN	Host Nation	The organization appointed to be responsible for the execution of NSIP projects
HQ	Headquarter(s)	Denotes the location where most, if not all, of the important functions of an organization are coordinated
HRM	Human Resource Management	The management of an organization's workforce, or human resources. It is responsible for the attraction, selection, training, assessment, and rewarding of employees, while also overseeing organizational leadership and culture, and ensuring compliance with employment and labour laws
BSG	Base Support Group	
IASB	International Accounting Standards Board	An independent standard-setting body of the IFRS foundation; it is responsible for developing International Federation Reporting Standards (IFRS)
IBAN	International Board of Auditors for NATO	Provides the North Atlantic Council and the governments of NATO member countries with assurance that common funds have been properly used for the settlement of authorised expenditure.
IC	Infrastructure Committee	Responsible for monitoring, authorisation and overall implementation of all projects funded by the NATO Security Investment Programme
ICC	International Civilian Consultant	These positions are for civilian nationals of NATO Member countries and Troop Contributing Nations who can provide a NATO recognised Security Clearance certificate
IFAC	International Federation of Accountants	The global organization for the accountancy profession; the organization, through its independent standard-setting boards, establishes international standards on ethics, auditing and assurance, accounting education, and public sector accounting
IMS	International Military Staff	The executive body of the Military Committee, NATO's senior military authority
IPSAS	International Public Sector Accounting Standards	A set of accounting standards issued by the International Public Sector Accounting Standards Board of the IFAC for use by public sector entities around the world in the preparation of financial statements
IPSASB	IPSAS Board	IFAC established the IPSASB to develop the IPSAS; these standards are based on the IFRS issued by the IASB with suitable modifications relevant for public sector accounting
ISAF	International Stabilisation Force – Afghanistan	NATO AOM mission in Afghanistan. Completed 31 December 2014
IT	Information Technology	The acquisition, processing, storage and dissemination of data by a microelectronics-based combination of computing and telecommunications
JFC	Joint Forces Command	Joint Headquarters overseeing the activities of separately assigned subordinate headquarters responsible for Air, Land, and Maritime operations within an assigned region of NATO
KAIA	Kabul International Airport	The primary international airfield in Afghanistan; services commercial and military flights each day
KFOR	Kosovo Force	NATO AOM operation in Kosovo
KSF	Kosovo Security Force	Dissolution of the KPC took place in parallel with the creation of the KSF; the KSF has primary responsibility for security tasks that are not appropriate for the police such as emergency response, explosive ordnance disposal and civil protection; it may also participate in crisis response operations, including peace support operations; this professional, all-volunteer force is trained according to NATO standards and placed under civilian-led, democratic control
LCH	Local Civilian Hire	ISAF positions meant for Afghan nationals.
LEGAD	Legal Advisor	A label customarily attached to lawyers who advise commanders in the field in NATO operations and within the countries participating in NATO peacekeeping
LIFO	Last In, First Out	An accounting technique used in managing inventory and financial matters meaning that the newest inventory items are recorded as sold first. This techniques is not allowed in accordance with IPSAS
LOJI	Loss of Job Indemnity	Income replacement indemnity payments extended to individuals who have lost employment
LWR	Local Wage Rate	A member of the NATO work force who typically performs skilled or unskilled manual labour
M & W MWA	Morale and Welfare Morale and Welfare Activities	A network of support and leisure services and activities that enhances the lives of Military, Civilians, Families, and other eligible participants

MB	Military Budget	Follows the principles of the common funding with costs shared by the contributing Nations
MEUR	Million Euro	€ 1,000,000.00
MHI	Multinational Helicopter Initiative	Supports the financing of helicopter deployment-related activities
MOD	Ministry of Defence	The government department responsible for implementation of government defence policy and the headquarters of the Armed Forces
Mode 5		Aircraft transponder that works as an identification system for friendly or enemy forces. Mode 5 is a secure version of Mode S and is used by the military
MOU	Memorandum of Understanding	A document describing a bilateral or multilateral agreement between parties
NAC	North Atlantic Council	The NAC has effective political authority and powers of decision for NATO; consists of permanent representatives of all member nations and meets at least weekly
NAEW&C Force GK	NATO Airborne Early Warning and Control Force HQ	Single International Military HQ comprising the NAEW&C Force HQ, the E3A-Component and the Mission Systems Engineering Centre. Starting date is 1 Dec. 2015.
NAF	Non-Appropriated Funds	Resources internally generated by NATO military and civilian staffs through retails and service facilities operated by the Command
NAF	NATO Accounting Framework	NATO's adaption to IPSAS (approved by the NAC)
NATO	North Atlantic Treaty Organisation	An intergovernmental military alliance based on the North Atlantic Treaty signed on 4 April 1949; the organization constitutes a system of collective defence whereby its member states agree to mutual defence in response to an attack by any external party
NATO IS	NATO International Staff	An advisory and administrative body, working under the authority of the Secretary General and supporting the delegations of NATO members at different committee levels and helps implement their decisions
NBC	Nation Borne Costs	Cost eligible for common funding: covered by Military Budget and the responsibility of the Troop Contributing Nation; NBC, types include: Individual Real Life Support (RLS) related costs (e.g. Food) National Entities RLS related costs (e.g. power) National Entities usage of NATO capabilities (e.g. CIS)
NCCB	NATO Centralised CIS Budget	
NCIA	NATO Communication and Information Agency	NATO Communication and Information Agency. Created by consolidating former NCSA, NC3A, and NACMA.
NCS	NATO Command Structure	Divided into two commands, one for operations and one for transformation. • Allied Command Operations is located at SHAPE, Mons, Belgium. • Allied Command Transformation) is located in Norfolk, Virginia. It
NCSEP	NATO Command Structure Headquarters and Programme	Budget formerly known as "MBC 28 Nations"
NDSS	NATO Depot & Support System	A software package maintained by NSPA; it covers most areas of logistics support, such as item identification, supply, maintenance and property accounting
NFR	NATO Financial Regulations	Regulations published by NATO HQ governing the use and reporting of NATO financial assets
NHQSa	NATO Headquarter Sarajevo	NATO AOM operation in Bosnia Herzegovina
NIC	NATO International Civilian	A permanent international post of NATO grade A, L, B, or C authorized to be filled by a civilian whose pay and allowances are established by the North Atlantic Council and provided from the international budget.
NMA	NATO Military Authority	Consisting of ACO, ACT and NCSA
NMR	National Military Representative	Senior military officers from NATO nations serving as members of the Military Committee
NOR	NATO Office of Resources	Brings together all international staff working on NATO military common-funded issues with the aim of reinforcing military common-funded resource management at the NATO HQ
NSHQ	NATO Special Operations Headquarters	Manages the NATO Special Operations capabilities. HQ is located at SHAPE, Casteau
NSIP	NATO Security Investment Programme	Funds authorized and allocated by the BC for specific NATO projects e.g., runways, bunkers, roads, buildings, etc.
NSPA	NATO Support Agency	Agency created by consolidating former NAMSA, NAMA, and CEPMA.
NSU	National Support Unit	Responsible for relaying logistics and personnel support to the respective national units
O&M	Operations and Maintenance	A category of appropriations which traditionally finance those things whose benefits are derived for a limited period of time, i.e., expenses, rather than investments. Examples of costs financed by O&M funds are headquarters operations, civilian salaries and awards, travel, fuel, minor construction projects, expenses of operational military forces, training and education, recruiting, depot maintenance, base operations support,
OCC	Operational Capability Concept	Designed to establish new means and mechanisms to reinforce Partnership for Peace's operational capabilities through enhanced and closer military

		cooperation
OPLAN	Operational Plan	Military plan prepared by ACO to conduct a mission approved by the NAC
OS	Ocean Shield	NATO's contribution to international efforts to combat piracy off the Horn of Africa
PAO	Property Accountable Officer	Maintains PP&E and inventory records, for NATO-owned equipment and is responsible for assigning property, performing inventories, and for providing reports and information
PE	Peacetime Establishment	NATO command structure
PILS	Program Integrated Logistics System	Used by NAEW&CF to manage the data of procurement, supply and maintenance processes
PO	Private Office (memo)	File designation for correspondence coming directly from the NATO Secretary General's Office
PP&E	Property, Plant and Equipment	Referring to IPSAS 17. this principal a) recognizes the assets, b) determines their carrying amounts and c)depreciates charges and impairment losses to be recognized in relation to them
RAC	Reach Back Analytical Cell	
RAP	Readiness Action Plan	NATO strategy to ensure responds to security challenges
RPPB	Resource Policy and Planning Board	The senior advisory body to the NAC on the management of all NATO resources; responsible for the overall management of NATO's civil and military budgets, as well as NSIP and manpower
RSM	Resolute Support Mission	NATO AOM mission in Afghanistan. Started 1 January 2015
SACEUR	Supreme Allied Commander Europe	The commanding officer of Allied Command Operations
SACT	Supreme Allied Commander Transformation	The commanding officer of Allied Command Transformation
SHAPE	Supreme Headquarters Allied Powers Europe	The major NATO HQ for ACO located Casteau, Belgium
SILCEP	Security Investment, Logistics and Civil Emergency Planning	
SLA	Service Level Agreement	A service level agreement is a negotiated agreement between two parties where one is the customer and the other is the service provider; this can be a legally binding formal or informal "contract"
SMB	SHAPE Management Board	ACO Principal body within SHAPE for providing direction on SHAPE related requirements, prioritisation, and resource allocation issues
SMG	Senior Management Group	Those key advisors who have access to privileged information and have power to exercise control or participate in the financial operating policy decisions of ACO
SOFA	Status of Forces Agreement	Legally binding document entered into between nations governing all legal aspects of military forces treatment when assigned outside their national boundaries; NATO governs the legal administration of NATO assigned forces when operating within a specific country also enters into these agreements
SRB	Senior Resource Board	A subsidiary body of the NAC and the Defence Planning Committee which have given the Board a lead policy and planning role in all military resource areas
SSLP	System Stock List Price	Default system price for item in NDSS
STANAG	Standard NATO Agreement	An agreement promulgated by the Director NATO Standardization Agency under the authority vested in him by the NATO Standardization Organisation Charter
TF	Trust Funds	Funding provided by nations to achieve objectives complimentary to the NATO mission which are not eligible for NATO common funding
TFR	Trattamento di Fine Rapporto	a vested benefit payable to the employee for a part of his/her salary deferred in time to the moment when termination of contract takes place
USAREUR	U. S. Army Europe	Trains and leads Army Forces in support of U.S. European Command and Headquarters, Department of the U. S. Army
VNC	Voluntary National Contribution	Supports NATO's Counter-IED (C-IED) Action Plan the fund facilitates multinational cooperation by combining financial and non-financial national contributions in support of specific C-IED projects
WAC	Weighted Average Cost	A method of calculating ending inventory cost
WG	Working Group	An assembly of experts brought together for intensive work on a specific topic

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