19 décembre 2024

DOCUMENT
PO(2024)0416-AS1

RAPPORT DU COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN (IBAN) SUR L'AUDIT DES ÉTATS FINANCIERS 2023 DE L'ORGANISATION OTAN D'INFORMATION ET DE COMMUNICATION (NCIO)

NOTE SUR LA SUITE DONNÉE

Le 19 décembre 2024, 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) et du rapport de l'IBAN respectivement joint et annexé au PO(2024)0416, il a approuvé les conclusions et les recommandations contenues dans le rapport du RPPB, et il a donné son accord pour que les états financiers 2023 de la NCIO, le rapport de l'IBAN et le rapport du RPPB soient rendus publics.

(signé) Mark Rutte
Secrétaire général

NB : La présente note fait partie du PO(2024)0416 et doit être placée en tête de ce document.

13 décembre 2024

DOCUMENT
PO(2024)0416
Procédure d'accord tacite :
19 déc 2024 17:30

À : Représentants permanents (Conseil)

De : Secrétaire général

RAPPORT
DU COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN (IBAN)
SUR L'AUDIT DES ÉTATS FINANCIERS 2023
DE L'ORGANISATION OTAN D'INFORMATION ET DE COMMUNICATION (NCIO)

1. Vous trouverez en annexe le rapport du RPPB concernant le rapport de l'IBAN sur l'audit des états financiers 2023 rectifiés de la NCIO. L'IBAN a émis une opinion sans réserve sur ces états financiers ainsi que sur la conformité pour cet exercice.

2. Je ne pense pas que ce dossier doive être examiné plus avant au Conseil. Par conséquent, **sauf avis contraire me parvenant d'ici au jeudi 19 décembre 2024 à 17h30**, je considérerai que le Conseil aura pris note du rapport du RPPB et du rapport de l'IBAN, approuvé les conclusions et les recommandations contenues dans le rapport du RPPB, et donné son accord pour que les états financiers 2023 de la NCIO, le rapport de l'IBAN et le rapport du RPPB soient rendus publics.

(signé) Mark RUTTE

1 annexe
2 pièces jointes

Original : anglais

ANNEXE 1
PO(2024)0416

RAPPORT DU COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN (IBAN) SUR L'AUDIT DES ÉTATS FINANCIERS 2023 DE L'ORGANISATION OTAN D'INFORMATION ET DE COMMUNICATION (NCIO)

Rapport du Bureau de la planification et de la politique générale des ressources

Références :	A.	IBA-AR(2024)0020	Rapport de l'IBAN sur l'audit des états financiers 2023 de la NCIO
	B.	C-M(2015)0025	Règlement financier de l'OTAN
	C.	C-M(2016)0023	Cadre comptable OTAN
	D.	PO(64)379	Règlement du personnel civil de l'OTAN
	E.	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 du Collège international des auditeurs externes de l'OTAN (IBAN) sur l'audit des états financiers 2023 rectifiés de l'Organisation OTAN d'information et de communication (NCIO). L'IBAN a émis une opinion sans réserve sur ces états financiers ainsi que sur la conformité pour cet exercice (référence A).

2. Le RPPB note que les observations formulées dans le rapport de l'IBAN ont été examinées et prises en considération par les pays participants, représentés au sein du Comité de surveillance de l'Agence (ASB) de la NCIO, qui est l'organe directeur compétent. En vertu de l'article 15 du Règlement financier de l'OTAN (NFR) (référence B), il est tenu d'examiner ce rapport et, s'il y a lieu, de formuler à son sujet des commentaires et des recommandations à l'intention du Conseil.

OBJET

3. Le présent rapport appelle l'attention sur les éléments les plus importants du rapport de l'IBAN afin que le RPPB puisse réfléchir aux questions d'ordre stratégique découlant de l'audit des états financiers de l'entité et, s'il y a lieu, recommander au Conseil une ligne de conduite propre à accroître la transparence, à améliorer le compte rendu et à renforcer la cohérence.

OBSERVATIONS DE L'IBAN ET AVIS DU RPPB

4. À l'issue de l'audit, l'IBAN a formulé deux observations, assorties de recommandations, à l'intention de la NCIO. Elles ont trait, pour la première, à la nécessité de renforcer les mécanismes de contrôle interne relatifs à l'établissement des états financiers et, pour la seconde, à la nécessité de veiller à ce que les méthodes comptables

ayant une incidence sur le fonds de fonctionnement soient pleinement conformes au cadre comptable OTAN (NAF) (référence C). Ces observations et recommandations n'ont pas eu d'incidence sur l'opinion émise au sujet des états financiers ni sur celle émise au sujet de la conformité.

4.1 Observation n° 1 – Le RPPB souscrit à la recommandation de l'IBAN selon laquelle la NCIO doit renforcer les mécanismes de contrôle interne relatifs à l'établissement des états financiers – et notamment mettre en place des contrôles internes complémentaires lorsque c'est nécessaire – afin qu'une assurance raisonnable puisse être obtenue quant à la conformité des états financiers avec le NAF et le NFR (référence C) Le RPPB note que cette recommandation s'applique principalement aux informations relatives aux immobilisations corporelles et aux moyens en cours de construction.

4.2 Observation n° 2 – Le RPPB souscrit à la recommandation de l'IBAN selon laquelle la NCIO doit veiller à ce que les méthodes comptables ayant une incidence sur le fonds de fonctionnement soient pleinement conformes au NAF. S'agissant en particulier des éléments de cette recommandation par lesquels l'IBAN préconise, d'une part, de décomptabiliser le passif correspondant aux congés non utilisés pour l'imputer sur le fonds de fonctionnement et, d'autre part, de ne comptabiliser et n'évaluer un passif que dans les cas exceptionnels prévus dans le Règlement du personnel civil (référence D), le RPPB note que la NCIO a appliqué aux congés non utilisés le traitement comptable qui avait été envisagé par le Groupe de travail OTAN sur la comptabilité à sa réunion de septembre 2017 puis validé par le Groupe de travail ad hoc des contrôleurs des finances (AHWGFC) à sa réunion d'octobre 2017. L'Agence a demandé à ces deux groupes de revenir sur la question et à la responsable OTAN de la politique en matière d'information financière de clarifier le traitement comptable à appliquer par tous les organismes OTAN aux congés non utilisés. Le RPPB note que cette responsable étudiera cette demande et fournira les lignes directrices voulues.

5. Observations particulières[1] sur les états financiers – L'IBAN a formulé une « observation particulière », qui porte sur le reclassement de la réserve pour financement des stocks dans le fonds de fonctionnement (voir observation n° 1).

6. L'IBAN a détaillé ses observations dans son rapport d'audit (référence A). Il a fait le point, dans le même document, sur les suites données aux observations et recommandations formulées lors d'audits précédents, et il a constaté que trois questions avaient été traitées et que quatre étaient en cours de traitement.

7. Le RPPB note que la NCIO a republié ses états financiers, dans la première version desquels l'IBAN avait relevé des erreurs significatives. S'ils n'avaient pas été rectifiés, les états financiers auraient contenu des erreurs significatives qui auraient amené l'IBAN à

[1] Une « observation particulière » est un paragraphe que l'IBAN ajoute dans la section « Opinion » du rapport d'audit afin d'appeler l'attention sur un élément présenté dans les états financiers dont l'importance est telle, selon lui, qu'il est indispensable à l'utilisateur pour la compréhension de ces documents.

émettre une opinion avec réserve à leur sujet, ainsi que sur la conformité. La responsable OTAN de la politique en matière d'information financière a évoqué la question des rectifications d'états financiers à la réunion de l'AHWGFC qui s'est tenue en novembre 2024. Les cas de rectification d'états financiers s'étant multipliés ces dernières années, elle a insisté sur le fait qu'il était important de renforcer les mécanismes de contrôle interne partout dans l'OTAN pour inverser la tendance.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES – QUESTIONS EN COURS DE TRAITEMENT OU À TRAITER DEPUIS PLUS DE TROIS ANS

8. Le RPPB invite la NCIO à fournir, lorsqu'elle présentera ses commentaires sur l'audit de ses états financiers de 2024, un plan d'action à l'intention du Conseil, assorti d'échéances, sur ce qui sera fait pour donner suite aux observations et recommandations relatives à l'exercice 2020 qui ne sont pas encore clôturées. Ces observations portent sur la nécessité d'améliorer le modèle des coûts d'achèvement appliqué par la NCIO pour la comptabilisation des produits. Le RPPB encourage l'organisme à continuer de mettre en œuvre des mesures correctives de manière à régler les questions en cours de traitement depuis plus de trois ans.

CONCLUSIONS

9. L'IBAN a émis une opinion sans réserve sur les états financiers 2023 rectifiés de la NCIO ainsi que sur la conformité pour l'exercice. Il a formulé deux observations, assorties de recommandations. Il a constaté que trois questions soulevées lors d'audits précédents avaient été traitées et que quatre étaient en cours de traitement.

10. Le RPPB souscrit aux recommandations de l'IBAN selon lesquelles la NCIO doit renforcer les mécanismes de contrôle interne relatifs à l'établissement des états financiers et veiller à ce que les méthodes comptables ayant une incidence sur le fonds de fonctionnement soient pleinement conformes au NAF. Le fait que la NCIO ait dû rectifier ses états financiers de 2023 pour corriger des inexactitudes significatives (qui concernaient principalement les immobilisations corporelles et les informations relatives aux moyens en cours de construction) prouve le bien-fondé de ces recommandations. Le RPPB note que la responsable OTAN de la politique en matière d'information financière a évoqué la question des rectifications d'états financiers lors d'une réunion de l'AHWGFC, et elle a insisté sur le fait qu'il était important de renforcer les mécanismes de contrôle interne partout dans l'OTAN pour inverser la tendance.

11. Le RPPB note que la responsable OTAN de la politique en matière d'information financière étudiera la demande de clarification du traitement comptable à appliquer aux congés non utilisés, et qu'elle fournira les lignes directrices voulues.

12. Le RPPB recommande au Conseil d'inviter la NCIO à lui communiquer, au moment de la présentation de ses commentaires sur l'audit de ses états financiers de 2024, un plan d'action, assorti d'échéances, sur ce qui sera fait pour donner suite aux observations et recommandations relatives à l'exercice 2020 qui ne sont pas encore clôturées.

RECOMMANDATIONS

13. Le RPPB recommande au Conseil :

13.1 de prendre note du présent rapport ainsi que du rapport de l'IBAN sur lequel il porte (référence A) ;

13.2 d'approuver les conclusions formulées aux paragraphes 9 à 12 du présent rapport ;

13.3 d'inviter la NCIO à lui communiquer, au moment de la présentation de ses commentaires sur l'audit de ses états financiers de 2024, un plan d'action, assorti d'échéances, sur ce qui sera fait pour appliquer les recommandations relatives à l'exercice 2020 ;

13.4 d'autoriser la communication au public des états financiers 2023 de la NCIO, du rapport de l'IBAN correspondant ainsi que du présent rapport, conformément à la politique agréée dans le document de référence E.

International Board of Auditors for NATO
Collège international des auditeurs externes de l'OTAN

Brussels - Belgium

NATO SANS CLASSIFICATION

27 août 2024 IBA-A(2024)0097

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

Cc : Représentants permanents auprès de l'OTAN
Président du Comité de surveillance de l'Agence de l'Organisation OTAN d'information et de communication (NCIO)
Directeur général de l'Agence OTAN d'information et de communication (NCIA)
Contrôleur des finances de la NCIA
Président du Bureau de la planification et de la politique générale des ressources
Chef de la Branche Gestion des ressources du Bureau OTAN des ressources
Bureau d'ordre du Cabinet

Objet : ***Rapport du Collège international des auditeurs externes de l'OTAN (IBAN) sur l'audit des états financiers de l'Organisation OTAN d'information et de communication (NCIO) pour l'exercice clos le 31 décembre 2023 – IBA-AR(2024)0020***

Monsieur le Secrétaire général,

Vous trouverez ci-joint le rapport approuvé par l'IBAN ainsi qu'une note succincte à l'intention du Conseil.

L'IBAN a émis une opinion sans réserve sur les états financiers 2023 de la NCIO ainsi que sur la conformité pour cet exercice.

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

Radek Visinger
Président

Pièces jointes : voir ci-dessus.

NATO SANS CLASSIFICATION

Collège international des auditeurs externes de l'OTAN
1110 Bruxelles (Belgique)
E-mail : mailbox.IBAN@hq.nato.int

Note succincte
du Collège international
des auditeurs externes de l'OTAN (IBAN)
à l'intention du Conseil
sur l'audit des états financiers
de l'Organisation OTAN d'information et de communication (NCIO)
pour l'exercice clos le 31 décembre 2023

L'Organisation OTAN d'information et de communication (NCIO) se compose d'un organe exécutif, l'Agence OTAN d'information et de communication (NCIA), et d'un organe de gouvernance, le Comité de surveillance de l'Agence (ASB). Elle a pour mission de fournir des services SIC (systèmes d'information et de communication) sécurisés, cohérents, interopérables et d'un bon rapport coût-efficacité à l'appui des capacités C3 (consultation, commandement et contrôle) et des capacités ISR (renseignement, surveillance et reconnaissance) de l'OTAN. Cette mission englobe le soutien informatique du siège, des agences et de la structure de commandement de l'OTAN. En 2023, les recettes de la NCIO se sont élevées à 779 millions d'euros (MEUR), et ses dépenses à 792 MEUR, d'où une perte de 13 MEUR.

L'IBAN ayant relevé des inexactitudes significatives dans les états financiers de 2023, la NCIO a demandé à les corriger et l'IBAN a accepté d'auditer les états financiers rectifiés, qui lui ont été présentés le 17 juin 2024. Sans ces corrections, les états financiers auraient contenu des erreurs significatives qui auraient amené l'IBAN à émettre une opinion avec réserve à leur sujet.

L'IBAN a émis une opinion sans réserve sur les états financiers 2023 rectifiés de la NCIO ainsi que sur la conformité pour cet exercice.

L'IBAN a formulé une « observation particulière » sur les états financiers, qui porte sur le reclassement de la réserve pour financement des stocks dans le fonds de fonctionnement. Dans cette observation, il appelle l'attention sur la note C jointe aux états financiers (*Note sur l'état des variations de l'actif net/situation nette*). En effet, dans les états financiers rectifiés, les soldes 2022 (75 MEUR) et 2023 (66 MEUR) de la réserve pour financement des stocks ont été reclassés dans le fonds de fonctionnement (c'est-à-dire dans les bénéfices non répartis), conformément aux IPSAS 1 et 23. Cette réserve était mal classée dans la première version de ses états financiers, car sa création et son utilisation n'ont pas été formellement autorisées par l'organe directeur compétent.

La réserve pour financement des stocks reclassée dans le fonds de fonctionnement de la NCIO représente, pour 28 MEUR, des « stocks généraux » ; c'est là le résultat d'un changement de méthode comptable intervenu à la suite de la mise en application du NAF, qui a conduit à inscrire pour la première fois à l'actif des stocks initialement passés en charges. La réserve représente par ailleurs, pour 38 MEUR, des « stocks réservés à un usage particulier », correspondant à des écarts sur stocks cumulés au fil du temps. Depuis sa création, la NCIO impute sur la réserve pour financement des stocks les bénéfices utilisés comme fonds de roulement, afin d'acheter des stocks. En constituant cette réserve, la NCIO entendait éviter tout déficit et être en mesure de respecter ses obligations contractuelles estimatives, découlant pour l'essentiel des contrats à prix fermes et définitifs conclus avec ses clients.

La correction effectuée a eu pour effet d'accroître le fonds de fonctionnement de 75 MEUR au 31 décembre 2022 et de 66 MEUR au 31 décembre 2023.

L'IBAN n'a pas été amené à modifier son opinion du fait de cette situation.

L'IBAN a formulé deux observations, assorties de recommandations, qui n'ont pas eu d'incidence sur l'opinion émise au sujet des états financiers et de la conformité. Elles portent sur les points suivants :

1. Nécessité de renforcer les mécanismes de contrôle interne relatifs à l'établissement des états financiers

2. Nécessité de veiller à ce que les méthodes comptables ayant une incidence sur le fonds de fonctionnement soient pleinement conformes au cadre comptable OTAN

L'IBAN a fait le point sur les suites données aux observations et recommandations formulées lors d'audits précédents, et il a constaté que trois questions avaient été traitées et que quatre autres étaient toujours en cours de traitement.

Le rapport d'audit a été transmis à la NCIO, dont les commentaires ont ensuite été intégrés dans le document ainsi que, le cas échéant, la position de l'IBAN à leur sujet.

IBA-AR(2024)0020

27 août 2024

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

RAPPORT SUR L'AUDIT DES ÉTATS FINANCIERS DE L'ORGANISATION OTAN D'INFORMATION ET DE COMMUNICATION (NCIO) POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2023

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 de l'Organisation OTAN d'information et de communication (NCIO) portant sur la période de 12 mois ayant pris fin le 31 décembre 2023. Diffusés sous la cote NCIA/FC/2024/03422 et soumis à l'IBAN le 18 juin 2024, ces états financiers se composent de l'état de la situation financière au 31 décembre 2023, 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 2023, 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 même période de 12 mois.

L'opinion de l'IBAN est que les états financiers donnent une image fidèle et exacte de la situation financière de la NCIO au 31 décembre 2023 ainsi que de sa performance financière, de ses flux de trésorerie et de l'exécution de son budget pour la période de 12 mois ayant pris fin à cette date, 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 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 en se fondant sur les principes définis par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), comme le prévoit sa charte, et sur des normes conformes aux normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 2000-2899).

L'IBAN est indépendant, comme 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.

Observation particulière sur les états financiers

Reclassement de la réserve pour financement des stocks dans le fonds de fonctionnement

L'IBAN appelle l'attention sur la note C jointe aux états financiers (*Note sur l'état des variations de l'actif net/situation nette*). En effet, dans les états financiers rectifiés, les soldes 2022 (75 MEUR) et 2023 (66 MEUR) de la réserve pour financement des stocks ont été reclassés dans le fonds de fonctionnement (c'est-à-dire dans les bénéfices non répartis), conformément aux IPSAS 1 et 23. Cette réserve était mal classée dans la première version de ses états financiers, car sa création et son utilisation n'ont pas été formellement autorisées par l'organe directeur compétent.

La réserve pour financement des stocks reclassée dans le fonds de fonctionnement de la NCIO représente, pour 28 MEUR, des « stocks généraux » ; c'est là le résultat d'un changement de méthode comptable intervenu à la suite de la mise en application du NAF, qui a conduit à inscrire pour la première fois à l'actif des stocks initialement passés en charges. La réserve représente par ailleurs, pour 38 MEUR, des « stocks réservés à un usage particulier », correspondant à des écarts sur stocks cumulés au fil du temps. Depuis sa création, la NCIO impute sur la réserve pour financement des stocks les bénéfices utilisés comme fonds de roulement, afin d'acheter des stocks. En constituant cette réserve, la NCIO entendait éviter tout déficit et être en mesure de respecter ses obligations contractuelles estimatives, découlant pour l'essentiel des contrats à prix fermes et définitifs conclus avec ses clients.

La correction effectuée a eu pour effet d'accroître le fonds de fonctionnement de 75 MEUR au 31 décembre 2022 et de 66 MEUR au 31 décembre 2023.

L'IBAN n'a pas été amené à modifier son opinion du fait de cette situation.

Responsabilité de la direction concernant les états financiers

La responsabilité de la direction concernant les états financiers est définie dans le Règlement financier de l'OTAN. Les états financiers de la NCIO 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 n'y ait pas moyen de faire autrement.

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 sur la base de normes conformes 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 sur la base de normes conformes 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 à 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 en se fondant sur les principes définis par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), comme le prévoit sa charte, et sur des normes conformes aux normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 4000-4899).

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 chef de l’entité OTAN présentant des états financiers est responsable et tenu comptable d’une saine gestion financière. Les organismes OTAN et les entités OTAN présentant des états financiers 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 chargé 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 27 août 2024

Radek Visinger
Président

OBSERVATIONS ET RECOMMANDATIONS

L'IBAN a formulé deux observations, assorties de recommandations. Ces observations n'ont pas eu d'incidence sur l'opinion émise au sujet des états financiers et de la conformité. Elles portent sur les points suivants :

1. Nécessité de renforcer les mécanismes de contrôle interne relatifs à l'établissement des états financiers

2. Nécessité de veiller à ce que les méthodes comptables ayant une incidence sur le fonds de fonctionnement de la NCIO soient pleinement conformes au cadre comptable OTAN

L'IBAN a fait le point sur les suites données aux observations et recommandations formulées lors d'audits précédents, et il a constaté que trois questions avaient été traitées et que quatre autres étaient toujours en cours de traitement.

1. NÉCESSITÉ DE RENFORCER LES MÉCANISMES DE CONTRÔLE INTERNE RELATIFS À L'ÉTABLISSEMENT DES ÉTATS FINANCIERS

Contexte

1.1 Aux termes de l'article 35.1 du Règlement financier de l'OTAN (NFR), *« des états financiers annuels propres aux différents organismes OTAN, consolidés s'il y a lieu, sont soumis au Collège international des commissaires aux comptes de l'OTAN par le contrôleur des finances aux fins d'audit, au plus tard le 31 mars qui suit la fin de l'exercice visé dans les états financiers. »*

1.2 Aux termes de l'IPSAS 1 (*Présentation des états financiers*), à laquelle se réfère le NAF, *« les états financiers doivent présenter une image fidèle de la situation financière, de la performance financière et des flux de trésorerie d[e l']entité. La présentation d'une image fidèle nécessite une représentation sincère des effets des transactions, autres événements et conditions[, suivant] les définitions et les critères de comptabilisation des actifs, des passifs, des produits et des charges exposés dans les IPSAS ».*

1.3 Les apports des contributeurs sont définis comme suit dans l'IPSAS 1 : *« Les apports des contributeurs désignent les avantages économiques futurs ou le potentiel de service apportés à l'entité par des parties extérieures à celle-ci, autres que ceux qui résultent en des passifs de l'entité. Ces apports créent un intérêt financier dans l'actif net/situation nette de l'entité, qui :*

(a) transfère un droit sur la distribution par l'entité, au cours de sa vie, d'avantages économiques futurs ou de potentiel de service (ces distributions étant fixées à la discrétion des contributeurs ou de leurs représentants) ainsi que sur la distribution de tout excédent éventuel des actifs sur les passifs en cas de liquidation de l'entité ; et/ou

(b) peut être vendu, échangé, transféré ou remboursé. »

1.4 Le paragraphe 37 de l'IPSAS 23, à laquelle se réfère le NAF, précise que la notion d'*« appor[t] d[e] contributeu[r est] défini[e] dans [l']IPSAS 1. Pour qu'une opération soit qualifiée d'apport des contributeurs, il fau[t] qu'elle satisfasse aux caractéristiques identifiées dans cette définition. Pour déterminer si une opération satisfait à la définition d'un apport d[e] contributeu[r], il convient de considérer sa substance plutôt que sa forme. Le paragraphe 38 indique les formes que peuvent revêtir les apports d[e] contributeurs. »*

1.5 Comme le prévoit l'article 6 du Règlement financier de l'OTAN (NFR), il incombe au contrôleur des finances d'exécuter les activités de l'entité OTAN qui concernent l'établissement du budget, la comptabilité et le compte rendu. Ainsi, le contrôleur des finances est notamment responsable du système de contrôle financier interne et de l'établissement des états financiers, qui doivent être conformes au NAF.

1.6 L'une des fonctions principales de tout système de contrôle interne est de garantir l'existence de procédures appropriées pour l'établissement, l'examen et la présentation des états financiers. En effet, l'existence d'une procédure d'examen appropriée conditionne la possibilité d'obtenir une assurance raisonnable sur le point de savoir si ceux-ci sont conformes au cadre de compte rendu financier applicable.

1.7 Aux termes de l'article 12.2 du NFR, « afin qu'il soit satisfait aux critères souhaités de contrôle interne, le contrôleur des finances veille à […] établir et tenir des registres comptables complets répertoriant tous les actifs et passifs ». Aux termes de l'article 12.3, « les activités de contrôle interne portent notamment sur […] la constitution de pistes d'audit adéquates ainsi que le maintien de la confidentialité, de l'intégrité et de la disponibilité des données dans les systèmes d'information ».

1.8 L'un des principaux mécanismes de contrôle interne relatifs à l'établissement des états financiers est la piste d'audit. De fait, il incombe à la NCIO, en vertu de l'article 12.3 du NFR, de constituer des pistes d'audit adéquates. Il s'agit notamment de faire en sorte que les états financiers primaires et les notes renvoient bien aux données sur lesquelles ils s'appuient et que toute différence mise en évidence par le rapprochement effectué soit étayée par des documents.

Constatations

1.9 L'IBAN a relevé plusieurs inexactitudes, parfois significatives, dans les états financiers que la NCIO lui avait soumis le 31 mars 2024 pour l'exercice 2023. Ces inexactitudes sont décrites ci-après. Certaines ont été corrigées dans les états financiers rectifiés qui ont été présentés le 18 juin 2024. Sans ces corrections, les états financiers auraient contenu des erreurs significatives qui auraient amené l'IBAN à émettre une opinion avec réserve à leur sujet ainsi qu'une opinion avec réserve sur la conformité.

1.10 L'IBAN a constaté que la réserve pour financement des stocks avait été mal classée. En effet, comme la création et l'utilisation de cette réserve n'ont pas été formellement autorisées par l'organe directeur compétent de la NCIO, les montants correspondants auraient dû être affectés au fonds de fonctionnement (c'est-à-dire aux bénéfices non répartis), conformément aux IPSAS 1 et 23. La correction effectuée a eu pour effet d'accroître le fonds de fonctionnement de 75 MEUR au 31 décembre 2022 et de 66 MEUR au 31 décembre 2023.

1.11 Par ailleurs, l'IBAN a constaté les inexactitudes suivantes dans la comptabilisation et l'évaluation des actifs ainsi que dans les informations fournies à leur sujet dans les notes. Ces inexactitudes ont été corrigées dans les états financiers rectifiés.

a) Un moyen transféré à un pays, d'une valeur de 36 MEUR, a été inscrit à l'actif au contraire de ce que prévoit le NAF, et l'information fournie à son sujet dans les notes est erronée. Du fait de cette comptabilisation fautive, les actifs étaient surévalués de 36 MEUR dans l'état de la situation financière de 2023, avec pour corollaire une sous-évaluation cumulative de 36 MEUR des charges des exercices précédents, la sous-évaluation s'élevant à 5 MEUR pour l'exercice 2023.

b) Un moyen en cours de construction a été erronément présenté comme achevé et classé comme tel et, à l'inverse, un moyen achevé a été classé comme moyen en cours de construction. L'information fournie dans les notes au sujet des moyens concernés est fautive. Les erreurs portent sur un montant net de 17 MEUR au 31 décembre 2023.

c) Les différents volets d'un projet ont été incorrectement répartis entre immobilisations corporelles et immobilisations incorporelles, avec pour conséquence des erreurs de classement et des erreurs dans l'information fournie dans les notes au sujet de ce projet. Les erreurs de classement portent sur un montant total de 17 MEUR au 31 décembre 2023.

d) Un moyen en cours de construction a été mal évalué du fait de la non-comptabilisation d'une écriture de journal passée manuellement, portant sur un montant d'environ 7 MEUR. Cette écriture visait à contrepasser une régularisation de l'exercice précédent. La comptabilisation de cette écriture aurait eu pour effet de réduire la valeur du moyen en question.

e) Des moyens acquis dans le cadre d'un projet finalement abandonné ont dû faire l'objet d'une réduction de valeur de 5 MEUR, ce qui a donné lieu à une erreur d'évaluation.

1.12 Les inexactitudes décrites dans les deux paragraphes précédents montrent que, pour éviter les inexactitudes ou erreurs significatives dans les informations fournies, il faut pouvoir s'appuyer sur des procédures adéquates d'établissement, d'examen et de présentation des états financiers.

Recommandations

1.13 L'IBAN recommande à la NCIO de renforcer les mécanismes de contrôle interne relatifs à l'établissement des états financiers – et notamment en mettant en place des contrôles internes compensateurs si nécessaire – afin qu'une assurance raisonnable puisse être obtenue quant à la conformité des états financiers avec le cadre comptable OTAN et le règlement financier de l'OTAN.

2. NÉCESSITÉ DE VEILLER À CE QUE LES MÉTHODES COMPTABLES AYANT UNE INCIDENCE SUR LE FONDS DE FONCTIONNEMENT DE LA NCIO SOIENT PLEINEMENT AU CADRE COMPTABLE OTAN

Contexte

2.1 La récente révision du cadre réglementaire pour le financement de l'Agence OTAN de communication et d'information (NCIA) par le client (PO(2021)0141) ainsi que des règles et procédures financières (FRP) de la NCIO, en particulier de la définition du fonds de fonctionnement, a accru les risques de non-conformité de l'actif net/situation nette, dont font partie les bénéfices non répartis (qui constituent le fonds de fonctionnement). Lors de son audit des états financiers 2023 de la NCIO, l'IBAN a donc procédé à un examen de conformité approfondi de l'état des variations de l'actif net/situation nette, qui comprend deux postes, à savoir les bénéfices non répartis (fonds de fonctionnement) et le « report à nouveau ».

2.2 S'agissant du fonds de fonctionnement de la NCIA, le cadre réglementaire pour le financement de la NCIA par le client (PO(2021)0141) dispose notamment ce qui suit :

> *« 86. Le fonds de fonctionnement de la NCIA, où sont versés les bénéfices non répartis par l'Agence, est un fonds de régulation destiné à déposer les bénéfices et à couvrir les pertes résultant des activités financées par les clients qui sont associées à des risques contre lesquels c'est à l'Agence et non pas aux clients de se prémunir. Bien que le cadre réglementaire assigne une fonction supplémentaire au fonds de fonctionnement, celle de fonds de roulement, le fonds de fonctionnement n'est pas conçu pour constituer une source de financement d'investissements majeurs. Il permet essentiellement à l'Agence de gérer les risques liés aux contrats à prix fermes et définitifs, au fait que les tarifs clients sont standard ou aux éventuelles baisses de demande. Son plafond est censé être de 10 millions d'euros mais, ces dernières années, cette somme a toujours été dépassée.*
>
> *87. En application du cadre réglementaire, l'utilisation du fonds de fonctionnement est strictement contrôlée : la NCIA est habilitée, sur recommandation de l'ASB [Comité de surveillance de l'Agence] et après accord du Comité des budgets, à utiliser des sommes n'excédant pas 500 000 EUR ; le recours au fonds de fonctionnement pour des dépenses supérieures à 500 000 EUR nécessite l'approbation du RPPB [Bureau de la planification et de la politique générale des ressources]. L'ASB revendique une compétence de supervision directe et propose que tout excédent en fin d'exercice soit remboursé aux clients au travers de modifications tarifaires, et non pas versé à un fonds de fonctionnement qui gonfle au-delà du niveau cible. [...] ».*

2.3 Aux termes de l'article 27.3 du NFR, *« lorsque le modèle de fonctionnement suppose l'existence d'un fonds de fonctionnement, celui-ci est géré et utilisé conformément aux règles établies par l'autorité réglementaire compétente. »*

2.4 Le 29 septembre 2023, au terme d'une procédure d'accord tacite, l'ASB a approuvé une version révisée des FRP de la NCIO, diffusée sous la cote AC/337-D(2023)0067 (INV). La NCIA avait en effet proposé de modifier les FRP sur six points, dont la définition du fonds de fonctionnement.

2.5 Les FRP XXVII parlent du fonds de fonctionnement dans les termes suivants :

> *« Fonds de fonctionnement*
>
> *41) Les dépenses effectuées conformément au plan financier annuel sont financées au moyen des sommes reçues de la part des clients de l'Agence aux termes des accords conclus.*
>
> *42) À la fin de l'exercice, le bénéfice ou la perte net(te) affecté(e) aux bénéfices non répartis, hors montants affectés aux réserves spéciales, est transféré au fonds de fonctionnement de l'Agence.*
>
> *Règles générales relatives au fonds de fonctionnement*
>
> *43) C'est à l'ASB qu'il incombe de superviser la performance du fonds de fonctionnement.*
>
> *[…]*
>
> *Utilisation du fonds de fonctionnement*
>
> *50) Le fonds de fonctionnement sert de fonds de roulement pour couvrir les pertes liées à l'activité de l'Agence, et de fonds de dépôt pour les bénéfices liés à cette activité. Le contrôleur des finances établit une note à ce sujet dans le cadre de la certification des états financiers.*
>
> *[…]. »*

Stocks à rotation lente, obsolètes ou endommagés

2.6 Aux termes de l'IPSAS 12 (Stocks), à laquelle se réfère le NAF, *« les stocks doivent être évalués au plus faible du coût et de la valeur nette de réalisation ». « La valeur nette de réalisation est le prix de vente estimé dans le cours normal de l'activité, diminué des coûts estimés d'achèvement et des coûts estimés nécessaires pour réaliser la vente, l'échange ou la distribution. »*

> *[...] « Le coût des stocks peut ne pas être recouvrable si ces stocks ont été endommagés, s'ils sont devenus complètement ou partiellement obsolètes ou si leur prix de vente a subi une baisse.*

La pratique consistant à déprécier les stocks au-dessous [de leur] coût pour les ramener à leur valeur nette de réalisation est [conforme au] principe suivant lequel les actifs ne doivent pas [être comptabilisés] pour un montant supérieur au montant des avantages économiques futurs ou du potentiel de service que l'on s'attend à obtenir de leur vente, de leur échange, de leur distribution ou de leur utilisation. »

Par ailleurs, le NAF dispose ce qui suit : *« Moyens SIC (systèmes d'information et de communication) et Systèmes d'information automatisés (AIS) – Si l'Organisation OTAN d'information et de communication (NCIO) fournit des services aux commandements OTAN (y compris le Secrétariat international et l'État-major militaire international) s'agissant de stocks de moyens SIC et/ou AIS, elle est réputée contrôler ces moyens. »*

2.7 Le NAF dispose également ce qui suit : *« Dispositions relatives au compte rendu financier – Les entités OTAN présentant des états financiers : [...] peuvent choisir de déprécier à leur valeur nette de réalisation les éléments considérés comme [ayant été] à rotation lente au cours des 36 derniers mois ; la valeur de l'élément déprécié doit faire l'objet d'une mention dans la note relative aux stocks jointe aux états financiers ; peuvent choisir d'évaluer au coût historique les éléments de stock à rotation lente réputés stratégiques ; le compte rendu doit comprendre une description des éléments de stock ainsi qu'une description des actifs ou des services auxquels ces stocks se rapportent ; la base d'évaluation des stocks stratégiques doit être notifiée par les entités ».*

2.8 Le NAF ajoute ceci : *« certains éléments complexes de stocks à rotation lente peuvent être qualifiés de stratégiques si, d'une part, ils sont jugés indispensables au bon fonctionnement d'un actif et si, d'autre part, ils ne peuvent pas être aisément remplacés par des articles disponibles sur le marché ou ne peuvent plus être achetés parce que des entreprises du secteur privé ont décidé de fermer des lignes de production en raison de l'ancienneté de l'actif stratégique auquel se rapporte le stock. [...] Les pièces de moteurs d'aéronefs et les pièces de rechange destinées à des éléments sur mesure de systèmes de communication sont des exemples d'éléments de stock stratégique ».*

2.9 La méthode comptable de la NCIO relative aux stocks dispose que *« la NCIO a besoin de stocks de moyens SIC et/ou AIS pour garantir la continuité de la fourniture des services qu'elle doit délivrer à ses clients en application des accords sur les niveaux de service (SLA), des accords sur les niveaux opérationnels (OLA) et des projets relevant de la ligne de services Soutien des services. Par nature, ces stocks sont souvent à rotation lente et sont comptabilisés au coût moyen pondéré. La NCIO a d'ores et déjà lancé un processus (dont fait partie intégrante l'identification des types de stock susceptibles d'être jugés stratégiques en raison de leur nature) d'évaluation des éléments susceptibles d'être considérés comme étant à rotation lente compte tenu des dispositions du cadre comptable OTAN ainsi que des besoins opérationnels à court et à long terme. De plus, en application du cadre comptable OTAN, la NCIO peut choisir de déprécier à leur valeur nette de réalisation les éléments considérés comme ayant été à rotation lente au cours des 36 derniers mois. Elle a toutefois choisi de ne pas déprécier les stocks détenus. »*

2.10 D'après les informations fournies par la NCIA, les stocks classés dans l'actif net/situation nette au 31 décembre 2023 correspondaient, pour 37 MEUR, à des « stocks réservés à un usage particulier » et, pour 28 MEUR, à des « stocks généraux » (terminologie de la NCIA elle-même). La méthode comptable de l'Agence consiste à ne pas ramener les stocks à leur valeur nette de réalisation, même s'ils sont considérés comme ayant été à rotation lente au cours des 36 derniers mois ou pendant plus longtemps. Néanmoins, en 2023, la NCIA a entamé un processus d'évaluation de ses stocks afin de recenser ceux qui, obsolètes ou endommagés, devraient être sortis du bilan.

<u>Comptabilisation du passif correspondant aux congés non utilisés, en application de l'IPSAS 39</u>

2.11 Selon la note 10 (*Autres passifs à court terme*) jointe aux états financiers 2023 de la NCIO, *« en application de l'IPSAS 25* (Avantages du personnel)*, la NCIA considère que les congés non utilisés en fin d'exercice constituent un passif, qu'elle estime à 10,1 MEUR (2022 : 12,7 MEUR). Ce passif est recalculé chaque année : celui de l'exercice précédent est contrepassé à l'ouverture de l'exercice en cours, une nouvelle estimation est établie et la différence est passée en charge au titre des dépenses de personnel dans l'état de la performance financière. Le coût des jours de congé non utilisés est supporté en cours d'exercice au travers des salaires mensuels, et la perte de capacité de production découlant de l'utilisation de ces congés est imputée sur l'exercice suivant. Cette perte constitue un passif, qui est comptabilisé. »*

2.12 En application de ces principes, la NCIO a comptabilisé en fin d'exercice un passif représentant tous les jours de congé non utilisés par les membres de son personnel.

2.13 L'IPSAS 1 parle du principe de prudence dans les termes suivants : *« La prudence [...] [consiste à prendre une] certain[e] [...] précaution dans [l'exercice] [...] des jugements nécessaires [...] [à la réalisation d']estimations dans des conditions d'incertitude[. Elle vise à ce] [...] que les actifs ou les produits ne soient pas surévalués et [à ce] que les passifs ou les charges ne soient pas sous-évalués. Cependant l'exercice de la prudence ne permet pas, par exemple, la création de réserves dissimulées ou de provisions excessives, la sous-évaluation délibérée des actifs ou des produits, ou la surévaluation délibérée des passifs ou des charges, parce que les états financiers ne seraient pas neutres [...] [ni, par conséquent, fiables]. »*

2.14 L'IPSAS 39 (*Avantages du personnel*), à laquelle se réfère le NAF, dispose, au sujet des absences rémunérées de courte durée, que :

> *« L'entité doit comptabiliser comme suit le coût attendu des avantages à court terme prenant la forme d'absences rémunérées, conformément au paragraphe 11 :*
>
> *13. (a) dans le cas d'absences rémunérées cumulables, lorsque les membres du personnel rendent des services qui augmentent leurs droits à des absences rémunérées futures ; et*
> *(b) dans le cas d'absences rémunérées non cumulables, lorsque les absences se produisent.*

14. Une entité peut notamment rémunérer les absences pour cause de vacances, maladie et incapacité de courte durée, maternité ou paternité, convocation au tribunal en tant que juré et service militaire. On distingue deux catégories de droits à absences rémunérées :
(a) les droits cumulables ; et
(b) les droits non cumulables.

15. Dans le cas d'absences rémunérées cumulables, les droits à absences rémunérées sont reportables et peuvent être utilisés lors de périodes futures s'ils n'ont pas été intégralement utilisés dans la période en cours. Les absences rémunérées cumulables peuvent générer des avantages acquis (autrement dit, les membres du personnel ont droit, lorsqu'ils quittent l'entité, au règlement de leurs droits non utilisés) ou ne pas en générer (lorsque les membres du personnel n'ont pas droit, lors de leur départ, au règlement de leurs droits non utilisés). Lorsque les services rendus par les membres du personnel accroissent leurs droits à absences rémunérées futures, il en résulte une obligation pour l'entité. L'obligation existe et est comptabilisée même si les absences rémunérées ne génèrent pas d'avantages acquis ; toutefois, le fait que les membres du personnel puissent quitter l'entité avant d'avoir fait usage d'un avantage accumulé non acquis a un impact sur l'évaluation de cette obligation.

16. Une entité doit évaluer le coût attendu des absences rémunérées cumulables comme étant le montant supplémentaire qu'elle s'attend à payer du fait du cumul des droits non utilisés à la date de clôture. »

2.15 L'IPSAS 39 permet de comptabiliser un passif pour les absences rémunérées de courte durée qui ne génèrent pas d'avantages acquis. Cependant, son paragraphe 16 impose d'attribuer à ce passif la valeur correspondant au « montant supplémentaire que l'entité s'attend à payer ».

2.16 Aux termes de l'article 42.3 (chapitre IX, « Congés ») du Règlement du personnel civil (RPC) de l'OTAN,

« 42.3.1 Les agents [...] doivent, dans toute la mesure possible, [...] prendre [leur congé annuel] au cours de [l']année [civile]. Toutefois, si un agent est dans l'impossibilité de prendre la totalité de son congé annuel pendant cette année civile, il/elle peut prendre le reliquat de son congé avant le 30 avril de l'année suivante.

42.3.2 [S'il est impossible de respecter l'échéance fixée à l'article 42.3.1 (30 avril)], « les jours de congé non utilisés peuvent être reportés au-delà de la période de prorogation prévue. Les congés annuels qui ne sont pas pris avant le 31 octobre de l'année suivant laquelle ils ont été acquis sont perdus. Si le chef d'organisme OTAN demande à un membre du personnel d'apporter, pendant l'année considérée, un soutien direct pour une opération, une mission ou une activité approuvée par le Conseil, la date limite prévue dans le présent article sera reportée de la durée de ce soutien.

> *42.3.3 Il n'est pas prévu de compensation pour les jours de congé annuel non utilisés. Exceptionnellement, lorsqu[...]'il n'a pas été possible d'accorder à un agent la totalité du congé qui lui est dû avant son départ définitif de l'Organisation, [...] l'intéressé(e) a droit à une indemnité correspondant à un maximum de 30 jours d'émoluments. »*

2.17 En substance, le RPC dispose que les congés annuels qui ne sont pas pris au 31 octobre de l'année suivante sont perdus, sauf dans les cas exceptionnels cités, où ils peuvent être payés.

Constatations

2.18 L'IBAN constate qu'aux termes du cadre réglementaire pour le financement de la NCIA par le client, *« tout excédent en fin d'exercice [doit être] remboursé aux clients au travers de modifications tarifaires, et non pas versé à un fonds de fonctionnement qui gonfle[rait] au-delà du niveau cible. »* Comme le fonds de fonctionnement se compose à la fois de sommes résultant d'encaissements ou de décaissements et de montants résultant d'opérations hors trésorerie (stocks, régularisations, provisions, etc.), il est important de distinguer les premières des seconds dans la note C jointe aux états financiers (*Note sur l'état des variations de l'actif net/situation nette*), car l'organe de gouvernance doit savoir quelle part du fonds de fonctionnement s'adosse à de l'argent en banque.

2.19 Au 31 décembre 2023, le fonds de fonctionnement (c'est-à-dire les bénéfices non répartis) de la NCIO représentait 102 MEUR, ce qui est sensiblement plus qu'un an plus tôt. En effet, au cours de l'exercice, la réserve pour financement des stocks, s'élevant à 66 MEUR et mal classée au départ, y a été reclassée à l'occasion de la rectification des états financiers. Dans les faits, ce dernier montant ne correspond pas à un bénéfice qui serait adossé à de l'argent en banque susceptible d'être remboursé aux clients en application du cadre réglementaire pour le financement de la NCIA par le client.

2.20 Par ailleurs, l'IBAN est d'avis que la méthode comptable de la NCIA relative aux stocks – qui consiste à ne pas sortir de stocks détenus du bilan et à ne pas ramener les stocks à leur valeur nette de réalisation même s'ils sont considérés comme ayant été à rotation lente au cours des 36 derniers mois ou pendant plus longtemps – ne permet pas de donner une image fidèle des avantages économiques futurs ou du potentiel de service liés aux stocks.

2.21 L'IBAN juge qu'à la suite du reclassement de la réserve pour financement des stocks (66 MEUR) dans le fonds de fonctionnement, il serait d'autant plus important que la NCIA termine d'évaluer les stocks qu'elle détient – dont l'essentiel a été financé sur le bénéfice réalisé au travers des activités de prestation de services menées en exécution des contrats à prix fermes et définitifs conclus avec les clients –, afin d'en garantir l'exactitude et de pouvoir fournir des informations correctes au sujet des avantages économiques futurs ou du potentiel de service qui sont liés.

2.22 En outre, l'IBAN a constaté que la NCIO avait évalué et comptabilisé comme passif les congés non utilisés qui sont cumulables mais ne génèrent pas d'avantages acquis, même si elle ne s'attendait à payer aucun montant supplémentaire du fait de la non-utilisation des droits. La valorisation de ce passif a varié selon les exercices et les écarts ont été comptabilisés dans l'état de la performance financière. Au 31 décembre 2023, cela s'est traduit par la constations de charges sans décaissement d'un montant cumulé de 10 MEUR, imputées sur le fonds de fonctionnement (élément de l'actif net/situation nette).

2.23 Enfin, l'IBAN a constaté que la NCIO s'était référée à l'IPSAS 25 dans les notes jointes à ses états financiers de 2023 ; c'est incorrect puisque cette norme a été remplacée par l'IPSAS 39 au 1er janvier 2018.

2.24 La situation décrite ci-dessus en ce qui concerne le passif correspondant aux congés non utilisés n'est pas conforme aux dispositions de l'IPSAS 39, et elle se traduit, dans l'état de la situation financière 2023 de la NCIO, par une surévaluation des « autres passifs à court terme » à hauteur de 10 MEUR au 31 décembre 2023 (montant cumulé) et une sous-évaluation du fonds de fonctionnement, élément de l'actif net/situation nette, à hauteur du même montant.

Recommandations

2.25 L'IBAN recommande à la NCIO de veiller à ce que les méthodes comptables ayant une incidence sur le fonds de fonctionnement soient pleinement conformes au cadre comptable OTAN et, à cet effet :

a) de distinguer, dans son fonds de fonctionnement, les sommes résultant de décaissements ou d'encaissements et les éléments hors trésorerie, et de bien établir cette distinction dans la note C jointe aux états financiers (*Note sur l'état des variations de l'actif net/situation nette*) ;

b) de terminer d'évaluer les stocks qu'elle détient, afin de pouvoir comptabiliser dans les états financiers toute sortie de bilan ainsi que toute dépréciation qui porterait sur ces stocks et de fournir dans les notes les informations voulues à ce sujet, conformément aux IPSAS 1 et 12, auxquelles se réfère le NAF ;

c) de décomptabiliser le passif de 10 MEUR correspondant aux congés non utilisés qui a été constaté au 31 décembre 2023 sous la rubrique « Autres passifs à court terme » et de le réimputer au fonds de fonctionnement, élément de l'actif net/situation nette, dans l'état de la situation financière de 2023, en application de l'IPSAS 39, à laquelle se réfère le NAF ;

d) de ne comptabiliser et de n'évaluer un passif que dans les cas exceptionnels prévus dans le Règlement du personnel civil, c'est-à-dire, conformément à l'IPSAS 39, lorsque la NCIO s'attend à payer un montant supplémentaire du fait de la non-utilisation des droits ;

e) de se référer à l'IPSAS 39 et non plus à l'IPSAS 25 dans les notes jointes à ses états financiers, la première ayant remplacé la seconde.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

L'IBAN a fait le point sur les suites données aux observations formulées lors d'audits précédents. On trouvera dans le tableau ci-après un récapitulatif de ces observations et recommandations et des mesures prises par l'entité (pour autant qu'elles aient 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) Exercice 2022 **IBA-AR(2023)0022, paragraphe 1.19** **NÉCESSITÉ DE RENFORCER LES MÉCANISMES DE CONTRÔLE INTERNE RELATIFS À L'ÉTABLISSEMENT DES ÉTATS FINANCIERS** **Recommandation de l'IBAN** L'IBAN recommande à la NCIO :		Question **en cours de traitement**.
a) de renforcer les mécanismes de contrôle interne relatifs à l'établissement des états financiers – et notamment de procéder à des contrôles internes complémentaires lorsque c'est nécessaire – afin qu'une assurance raisonnable puisse être obtenue quant à la conformité des états financiers avec le NAF et le NFR ;	a) L'IBAN a relevé des inexactitudes significatives dans la première version des états financiers de 2023 qui lui avait été soumise. Sous-question **en cours de traitement**.	
b) de respecter le NFR et la charte de l'IBAN en renforçant la piste d'audit et en présentant à l'IBAN en temps voulu – c'est-à-dire avant qu'il ne commence ses vérifications sur le terrain – un dossier spécifique contenant tous les justificatifs des informations figurant dans les états financiers, y compris les notes.	b) Lors de l'audit des états financiers de 2023, l'IBAN a constaté que la NCIO avait amélioré la piste d'audit et qu'elle s'était mieux préparée à l'audit. Sous-question **traitée**.	

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
(2) Exercice 2022 **IBA-AR(2023)0022, paragraphe 2.11** **ABSENCE DE MENTION, DANS LES NOTES JOINTES AUX ÉTATS FINANCIERS, D'UN STOCK DÉTENU PAR UN TIERS** **Recommandation de l'IBAN** L'IBAN recommande à la NCIO : a) de mentionner dans les notes jointes à ses états financiers les stocks détenus par des tiers, conformément au cadre comptable OTAN ; b) de mentionner, dans les notes jointes à ses états financiers, que le nombre d'éléments de stock détenus par des tiers et l'évaluation de ces éléments font l'objet d'un contrôle annuel et de tenir à disposition les pièces justificatives correspondantes.	a) L'IBAN a constaté que la NCIO avait dûment mentionné, dans les notes jointes à ses états financiers, les stocks détenus par des tiers. Sous-question **traitée**. b) L'IBAN a constaté que la NCIO avait gardé une trace écrite des contrôles ayant porté sur les stocks détenus par des tiers. Sous-question **traitée**.	Question **traitée**.
(3) Exercice 2022 **IBA-AR(2023)0022, paragraphe 3.11** **COMPENSATION DES MONTANTS À RECEVOIR AU TITRE DU NSIP ET DES PASSIFS CORRESPONDANTS NON CONFORME À L'IPSAS 1 (*PRÉSENTATION DES ÉTATS FINANCIERS*)** **Recommandation de l'IBAN** L'IBAN recommande à la NCIO de comptabiliser de manière séparée, dans l'état de la situation financière, les actifs financiers et les passifs financiers correspondant aux contributions au NSIP, sauf dans les cas où la compensation de tels actifs et passifs est conforme à l'IPSAS 28.	L'IBAN a constaté que la NCIO avait comptabilisé de manière séparée, dans l'état de la situation financière de 2023, les actifs financiers et les passifs financiers correspondant aux contributions au NSIP. Sous-question **traitée**.	Question **traitée**.
(4) Exercice 2022 **IBA-AR(2023)0022, paragraphe 4.11** **NON-CONFORMITÉ AVEC L'IPSAS 18 (*INFORMATION SECTORIELLE*)** **Recommandation de l'IBAN** L'IBAN recommande à la NCIO : a) de définir des segments d'activité pertinents ;	a) L'IBAN a constaté que la NCIO avait défini cinq segments d'activité pertinents, en fonction de la source du financement par le client. Sous-question **traitée**.	Question **traitée**.

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
b) de joindre à ses états financiers une note fournissant des informations sectorielles, conformément au cadre comptable OTAN, plus précisément à l'IPSAS 18.	b) L'IBAN a constaté que la NCIO avait joint à ses états financiers de 2023 une note fournissant des informations sectorielles. Sous-question **traitée**.	
(5) Exercice 2021 **IBA-AR(2022)0015, observation n° 2** **NÉCESSITÉ DE RENFORCER LES CONTRÔLES INTERNES PORTANT SUR LA GESTION DE TRÉSORERIE** **Recommandations de l'IBAN** L'IBAN recommande à la NCIO : a) de se conformer au point 3 de l'annexe à l'AC/4-D/2663 en reportant les intérêts bancaires générés par les fonds NSIP (dépôts bancaires relevant du Comité des investissements) ainsi que les éventuels gains et pertes dans un compte « Divers » spécial, et de tenir compte systématiquement du résultat de cette opération dans les appels de contributions au NSIP, en concertation avec le Bureau OTAN des ressources ; b) de faire en sorte que les procédures relatives à la trésorerie qui sont approuvées par le contrôleur des finances de la NCIA couvrent la gestion des comptes bancaires relevant du Comité des investissements et du Comité des budgets, les transferts entre ces comptes et la répartition des intérêts perçus ; c) d'installer le système de gestion de trésorerie (TMS) afin que la gestion de l'activité soit pleinement intégrée dans l'EBA.	a) Dans le précédent rapport d'audit (IBA-AR(2023)0022), cette sous-question a été considérée comme traitée. Sous-question **traitée**. b) Dans le précédent rapport d'audit (IBA-AR(2023)0022), cette sous-question a été considérée comme traitée. Sous-question **traitée**. c) L'IBAN a constaté qu'un prestataire de services avait été sélectionné et que l'installation du TMS était prévue pour 2024. Sous-question **en cours de traitement**.	Question **en cours de traitement**.

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
(6) Exercice 2021 **IBA-AR(2022)0015, observation n° 4** **FAIBLESSES DANS LE SYSTÈME DE DROITS D'ACCÈS À L'EBA ET LA SÉPARATION DES TÂCHES** **Recommandation de l'IBAN** L'IBAN recommande à la NCIO :		Question **en cours de traitement**.
a) d'élaborer et de tenir à jour, de façon systématique, un plan d'action détaillé pour l'application des recommandations formulées par le Bureau d'audit interne ;	a) L'IBAN a constaté que la NCIO avait élaboré et tenait à jour, de façon systématique, un plan d'action détaillé pour l'application des recommandations formulées par son bureau d'audit interne au sujet de l'EBA et que ce plan d'action faisait l'objet d'un suivi par le gestionnaire du programme EBA. Sous-question **traitée**.	
b) d'améliorer la séparation des tâches ; à cet effet :	b) L'IBAN a constaté ce qui suit.	
i. de faire en sorte que tous les rôles et responsabilités concernant l'EBA soient dûment étayés par des documents ;	i. Selon la NCIA, les rôles et responsabilités concernant l'EBA seront mis par écrit en 2024, dans le cadre d'un plan d'amélioration des procédures de gestion des accès à ce système. Sous-question **en cours de traitement**.	
ii. d'établir un tableau sur la séparation des tâches qui fasse l'inventaire de tous les rôles et responsabilités incompatibles entre eux ;	ii. Un tableau sur la séparation des tâches, qui fait l'inventaire de tous les rôles et responsabilités incompatibles entre eux, a été établi et un relevé des incompatibilités a pu être généré automatiquement. Sous-question **traitée**.	
c) quand des agents quittent la NCIA, de révoquer leurs droits d'accès au moment de leur départ ;	c) L'IBAN a noté que, selon la NCIO, cela serait prévu dans le plan d'amélioration des procédures de gestion des accès à l'EBA. Sous-question **en cours de traitement**.	
d) de réaliser, au sujet des agents qui changent de fonction ou de service au sein de la NCIA, une analyse qui permette de s'assurer que leurs nouvelles attributions ne contreviennent pas au principe de séparation des tâches.	d) Voir c). Sous-question **en cours de traitement**.	

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
(7) Exercice 2020 **IBA-AR(2021)0016, observation n° 5** **NÉCESSITÉ D'AMÉLIORER LE MODÈLE DES COÛTS D'ACHÈVEMENT APPLIQUÉ PAR LA NCIO POUR LA COMPTABILISATION DES PRODUITS** **Recommandation de l'IBAN** Bien que l'IBAN reconnaisse que le modèle des coûts d'achèvement (CTC) appliqué pour la comptabilisation des produits a été amélioré depuis 2018 grâce à l'implémentation de l'EBA et que, de manière générale, il n'ait pas constaté d'incohérences significatives, il recommande à la NCIO :		Question **en cours de traitement**.
a) de remplacer le processus basé sur Excel par un processus EBA spécialement adapté à l'activité de la NCIO, qui garantisse la traçabilité, l'intégrité et la sécurité des données ;	a) L'IBAN a constaté que la NCIO avait entrepris d'élaborer un plan visant à utiliser l'outil de gestion existant (Microsoft Power BI) pour automatiser la fonctionnalité CTC et ainsi garantir la traçabilité, l'intégrité et la sécurité des données. Sous-question **en cours de traitement**.	
b) de faire en sorte que les procédures relatives à la trésorerie qui sont approuvées par le contrôleur des finances de la NCIA couvrent la gestion des comptes bancaires relevant du Comité des investissements et du Comité des budgets, les transferts entre ces comptes et la répartition des intérêts perçus ;	b) Dans le précédent rapport d'audit (IBA-AR(2023)0022), cette sous-question a été considérée comme traitée. Sous-question **traitée**.	
c) d'intégrer à l'interface EPM-EBA un mécanisme de validation – par signature électronique des responsables – de l'estimation finale des coûts d'achèvement, validation à laquelle seraient joints les documents de gestion de projet étayant l'estimation.	c) L'IBAN a constaté que le logiciel de gestion des performances d'entreprise (EPM) avait été remplacé par ServiceNow, qui intègre un mécanisme de validation – par signature électronique des responsables – de l'estimation finale des coûts d'achèvement. Sous-question **traitée**.	

COMMENTAIRES OFFICIELS DE L'ORGANISATION OTAN D'INFORMATION ET DE COMMUNICATION (NCIO) SUR LE RAPPORT D'AUDIT ET POSITION DU COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN (IBAN)

OBSERVATION N° 1
NÉCESSITÉ DE RENFORCER LES MÉCANISMES DE CONTRÔLE INTERNE RELATIFS À L'ÉTABLISSEMENT DES ÉTATS FINANCIERS

Commentaires officiels de la NCIO

La NCIO souscrit à la recommandation.

Elle poursuivra son effort d'amélioration continue du contrôle interne et travaillera en particulier sur les éléments suscitant des préoccupations, à savoir les données relatives aux immobilisations corporelles et aux moyens en cours de construction.

OBSERVATION Nº 2 :
NÉCESSITÉ DE VEILLER À CE QUE LES MÉTHODES COMPTABLES AYANT UNE INCIDENCE SUR LE FONDS DE FONCTIONNEMENT DE LA NCIO SOIENT PLEINEMENT CONFORMES AU CADRE COMPTABLE OTAN

Commentaires officiels de la NCIO

La NCIO souscrit à la recommandation.

Recommandation a) :

La NCIO a pris bonne note de la réflexion de l'IBAN.

Recommandation b) :

L'Agence vérifie régulièrement la valeur des stocks détenus et actualise les prix courants en conséquence. Elle continuera de le faire en 2024.

En outre, la NCIO vérifiera, comme elle le fait déjà, la valorisation des actifs pour s'assurer que celle-ci est conforme au NAF et qu'elle reflète le potentiel de service lié aux actifs.

Recommandations c) et d) :

La NCIO a appliqué aux congés non utilisés le traitement comptable que le Groupe de travail OTAN sur la comptabilité et le Groupe de travail ad hoc des contrôleurs des finances avaient respectivement proposé et validé pour garantir l'uniformité du mode de comptabilisation de ces congés à l'échelle de l'OTAN.

Le coût lié aux jours de congé non utilisés est supporté en cours d'exercice au travers des salaires mensuels, et la perte de capacité de production découlant de l'utilisation de ces congés est imputée sur l'exercice suivant. Cette perte est comptabilisée comme charge à payer, à laquelle correspond un passif. Le traitement comptable appliqué aux congés non utilisés doit être le même partout dans l'OTAN. Le Groupe de travail ad hoc des contrôleurs des finances demandera au responsable OTAN de la politique en matière d'information financière de clarifier la question.

Recommandation e) :

La NCIO souscrit à la recommandation.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

(1) Exercice 2022
IBA-AR(2023)0022, paragraphe 1.19
NÉCESSITÉ DE RENFORCER LES MÉCANISMES DE CONTRÔLE INTERNE RELATIFS À L'ÉTABLISSEMENT DES ÉTATS FINANCIERS

Commentaires officiels de la NCIO

La NCIO est d'accord.

Elle n'a pas de commentaire à formuler.

(2) Exercice 2022
IBA-AR(2023)0022, paragraphe 2.11
ABSENCE DE MENTION, DANS LES NOTES JOINTES AUX ÉTATS FINANCIERS, D'UN STOCK DÉTENU PAR UN TIERS

Commentaires officiels de la NCIO

La NCIO est d'accord.

Elle n'a pas de commentaire à formuler.

(3) Exercice 2022
IBA-AR(2023)0022, paragraphe 3.11
COMPENSATION DES MONTANTS À RECEVOIR AU TITRE DU NSIP ET DES PASSIFS CORRESPONDANTS NON CONFORME À L'IPSAS 1 (*PRÉSENTATION DES ÉTATS FINANCIERS*)

Commentaires officiels de la NCIO

La NCIO est d'accord.

Elle n'a pas de commentaire à formuler.

(4) Exercice 2022
IBA-AR(2023)0022, paragraphe 4.11
NON-CONFORMITÉ AVEC L'IPSAS 18 (*INFORMATION SECTORIELLE*)

Commentaires officiels de la NCIO

La NCIO est d'accord.

Elle n'a pas de commentaire officiel à formuler.

(5) Exercice 2021
IBA-AR(2022)0015, observation n° 2
NÉCESSITÉ DE RENFORCER LES CONTRÔLES INTERNES PORTANT SUR LA GESTION DE TRÉSORERIE

Commentaires officiels de la NCIO

La NCIO est d'accord.

Elle n'a pas de commentaire officiel à formuler.

(6) Exercice 2021
IBA-AR(2022)0015, observation n° 4
FAIBLESSES DANS LE SYSTÈME DE DROITS D'ACCÈS À L'EBA ET LA SÉPARATION DES TÂCHES

Commentaires officiels de la NCIO

La NCIO est d'accord.

Elle n'a pas de commentaire officiel à formuler.

(7) Exercice 2020
IBA-AR(2021)0016, observation n° 5
NÉCESSITÉ D'AMÉLIORER LE MODÈLE DES COÛTS D'ACHÈVEMENT APPLIQUÉ PAR LA NCIO POUR LA COMPTABILISATION DES PRODUITS

Commentaires officiels de la NCIO

La NCIO est d'accord.

Elle n'a pas de commentaire officiel à formuler.

GLOSSAIRE

En application de la norme internationale des institutions supérieures de contrôle des finances publiques (ISSAI) 2705, 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 à 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 a été limitée, ou lorsque des problèmes particuliers lui donnent à 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 qu'il 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.

En application des normes d'audit, trois types de paragraphe peuvent figurer dans le rapport d'audit :

- Questions clés de l'audit (ISSAI 2701) – Paragraphe qui concerne des questions qui, selon le jugement professionnel de l'IBAN, sont les plus importantes parmi celles qui ressortent de l'audit des états financiers de la période considérée. Les questions clés de l'audit sont portées à l'attention du Conseil.

- Observation particulière (ISSAI 2706) – Paragraphe que l'IBAN ajoute dans la section « Opinion » du rapport d'audit afin d'appeler l'attention sur un élément présenté dans les états financiers dont l'importance est telle, selon lui, qu'il est indispensable à l'utilisateur pour sa compréhension de ces documents.

- Autre observation (ISSAI 2706) – Paragraphe que l'IBAN ajoute dans la section « Opinion » du rapport d'audit pour fournir des informations sur un élément autre que ceux présentés dans les états financiers qui, selon lui, est important pour la compréhension, par l'utilisateur, de l'audit, des responsabilités de l'auditeur ou du rapport d'audit.

NATO Communications and Information Agency

Office of the Financial Controller

Boulevard Leopold III
1140 Brussels, Belgium
Telephone: +32 (0)2 707 8286

NCIA/FC/2024/03422
17 June 2024

To : IBAN Board Member Mr. Carlo Mancinelli

Subject : **Re-submission of the NCIO 2023 Financial Statements**

Reference : A. IBA-A(2024)0050, IBAN audit of NCIO 2023 Financial Statements – Request to resubmit the NCIO 2023 Financial Statements (FS).

Dear Carlo,

As per reference A, the Agency herewith issues the resubmitted NCIO 2023 Financial Statements to be audited by your team.

The Agency recognises the importance of correcting any material elements detected during the audit which may affect understanding of the Financial Statements readers. The Agency is fully committed to reflect sound and robust data within the NCIO Financial Statements.

The reason for the resubmission of the NCIO 2023 Financial Statements is to specifically address the audit findings raised by IBAN to FC on 21 May and 10 June 2024. The following errors were reported to NCIA and would be addressed through the resubmission;

- NATO ACCS Replication Construction in Progress; the capitalized cost will need to be reversed for a total of 36 MEUR. Assets were not delivered to a NATO Command Structure but to a Territorial Host Nation hence NCIO should not report these assets on the face of its Statement of Financial Position in accordance with the NATO Accounting Framework.

- ITM Wave 1 Capitalised Asset; several corrections mounting up to an amount of 40 MEUR ; these corrections will address;
    - classification error between tangible and intangible assets
    - classification error of completed/in-service assets (should be construction in progress)
    - impairment required on the ITM construction in progress value.

- ITM Mitigation Tranche; Construction in progress (CIP); classification of 5.8 MEUR from CIP towards In-Service Assets.

- Replace UHF TACSAT radios; reduce the CIP value with 6 MEUR mainly due to missing reversal of accrual.

NATO Communications and Information Agency
Boulevard Leopold III
1110 Brussels
Belgium
www.ncia.nato.int

NCIA/FC/2024/03422

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NATO Communications and Information Agency

Additionally we have also addressed the audit finding on the inventory reserve, Agency has reclassified from reserves towards a subcategory within the Operating Fund, although it remains under Net Assets.

The NCI Agency stands ready to provide all necessary support to the audit team to provide detailed reconciliations/explanations between the FS version submitted on 31 March 2024 and the enclosed version.

Ludwig Decamps	Antoine Pailhès
General Manager	Financial Controller

Enclosure:
1. NCIO Financial Statements for the year ended 31 December 2023

Distribution:

External
Chair Agency Supervisory Board

Internal

Members of Executive Management Board

Head of Internal Audit

NATO Communications and Information Agency

Agence OTAN d'Information et de Communication

Enclosure to
NCIA/FC/2024/03422

NATO Communications and Information Organisation

Financial Statements
for the year ended 31 December 2023

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Overview of the NATO Communication and Information Organisation (NCIO) and Agency (NCI Agency)

The NATO Communications and Information Agency – or NCI Agency – acts as NATO's principal Consultation, Command and Control (C3) deliverer and Communications and Information Systems (CIS) provider. It also provides IT-support to NATO Headquarters, the NATO Command Structure and NATO Agencies. The NCI Agency acquire, deploy and defend communications systems for NATO's political decision-makers and Commands.
The Agency is on the frontlines against cyber-attacks and work closely with governments and industry to prevent future debilitating attacks. The Agency is working to deliver a secure, modern digital infrastructure to NATO – wherever the Alliance is working. In addition, the Agency conducts the central planning, system engineering, implementation and configuration management for the NATO Air Command and Control System (ACCS) Programme.

The NCI Agency, led by a General Manager, is headquartered at Boulevard Leopold III, 1140 Brussels, Belgium. It has major locations in The Hague, the Netherlands, Braine-l'Alleud and Mons, Belgium.

The Agency is the executive arm of the NATO Communication and Information Organisation (NCIO), which aims to achieve maximum effectiveness in delivering NATO's Consultation, Command and Control capabilities to stakeholders, while ensuring their coherence and interoperability, and ensuring the provision of secure CIS services at minimum cost to Allies – individually and collectively.

NCIO is managed by an Agency Supervisory Board (ASB) composed of representative from each NATO nation. The ASB oversees the work of the NCIO. After consulting with the NATO Secretary General, NCIO's ASB appoints the General Manager of the Agency. All NATO nations are members of the NCIO.
The ASB, which reports to the North Atlantic Council (NAC), issues directives and makes general policy decisions to enable NCIO to carry out its work. Its decisions on fundamental issues such as policy, finance, organization and establishment require unanimous agreement by all member countries.

The NCI Agency was created on 1 July 2012 through the merger of the NATO C3 Organisation, NATO Communication and Information Systems Services Agency (NCSA), NATO Consultation, Command and Control Agency (NC3A), NATO Air Command and Control System Management Agency (NACMA), and NATO Headquarters Information and Communication Technology Service (ICTM).

For 65 years, the NATO Communications and Information Organisation and Agency and their predecessors have worked tirelessly in providing the means that enable the connectedness and togetherness that keep our Alliance strong. There is a long legacy of dedication to our mission and commitment to our customers. Our fundamental role as enshrined in the NCIO Charter is to act as NATO's principal C3 capability deliverer and CIS service provide for the full range of its entitled requirements holders and customers.

As established by the NCIO Charter in mid-2012, the NCI Agency is customer funded for delivering ICT to NATO and nations. The principles of Customer Funding are based on the NCIO Charter:

- Customers shall be charged the direct costs plus overhead to cover general administrative expenditures, recuperation of capital investments, and Agency operating and running costs;
- Charges to customers shall be subject to customer agreement prior to being incurred;
- Customer Rates and Service Rates are set in such a way to ensure balance between planned income (revenue) and expenditure (expenses) to achieve breakeven over the planning period; and are submitted, after review by the ASB Finance Committee (FINCOM), to the Agency Supervisory Board (ASB) for endorsement and finally to the Budget Committee (BC) for approval on behalf of all Customers.

The Customer Funding Regulatory Framework (CFRF) forms the basis of the Agency's financial operations. A key aspect of this framework covers the issues contained within the overarching principles for funding eligibility:

- Definition of customers internal/external and their roles and responsibilities;
- Coordination with existing programming and planning mechanisms;
- Recapitalization of ICT assets and equipment;
- Roles of the ASB, Resource Policy and Planning Board (RPPB), Budget Committee (BC), and Investment Committee (IC);
- Service demand and requirements validation;
- Pricing of Agency services;
- Provision of independent advice to the NATO resource community;
- Roles of other stakeholders in the governance of the NCI Agency;
- Requirement for ICT Services and Capabilities;

- Procedures governing the use of the Operating Fund.

Governed by the Nations, the Operating Fund, in this context, performs the function of a repository for Accumulated Surpluses or Deficits and is a risk management reserve. A process has been put in place to return Operating Fund surpluses over the target level back to customers through Customer Rates rebates.

The main aim of the Customer Funding financial model is to empower the customer who can define requirements and/or volume of services and thus secure the best value for money in obtaining the services it requires. The concept also aims to ensure that the beneficiaries of the goods and services are those who pay the full costs of the benefits they receive. The customers state their requirements; generally in the context of the draft Service Level Agreement (SLA), Service Support Packages (SSP), Service Support Training Packages (SST), Capability Package (CP) or by submitting a Task Order (TO) or a Customer Request Form (CRF). The Agency confirms its ability to fulfil the requirements, and following internal staffing and coordination, proposes a cost for each service or capability requested based on approved Customer Rates and/or the CCSC. Operating as an integral part of NATO, the Agency must remain attentive to NATO's funding constraints and in close coordination with its customers to tailor its service levels to the requirements and priorities set by its customers.

By being Customer Funded, the Agency must recover all of its costs from the work and services it provides its customers. In line with the BC's guidance, the Customer Rates or professional labour fees are used to determine Service Rates and Agency charges to its customers, respectively by Project Service Costs (PSCs) for capability development and Service Support Costs (SSCs) for ICT services, with the aim to achieve financial breakeven over time.

The Agency's Customer Rates are based on the actual costs as disclosed in the Annual Financial Statements Year-1, or from the latest and most accurate possible execution data from Year-1. Following the Nations approval, since 2017, the Customer Rates used are a single set of rates. This is offering more transparency and traceability of the Agency's cost structure, and allows for a more stable calculation methodology and comparison over the years.

Consistent with the CFRF, the Agency predominantly provides customers with CIS services based on Firm Fixed Price (FFP) agreements whereby the Agency delivers a specified set of goods or services for a fixed price. The use of FFP agreements reduce administration costs and provides customers with more stability and less risk as the Agency manages associated risks with delivering the goods or services within the agreed price unless otherwise agreed with the customer. The Agency's obligation is the delivery of goods and services in accordance with the agreed customer specifications, and the customers' obligation is the payment of the agreed amount. The Agency relies on the customer provided funding via advance payments and the timely payment of invoices to provide the cash flow for daily Agency business operations.

The Agency continues to leverage cutting-edge technology and collaborative partnerships with NATO entities and industry. For instance, in 2023, the Agency's IT modernisation initiative made strides in overcoming technical obsolescence, delivering 6,500 new workstations, laptops, tablets, and other devices to users throughout NATO. In the space realm, the Agency completed the upgrade of four NATO Satellite Ground Stations, doubling the previous satellite communications ground coverage and enabling the Alliance to do more with fewer stations.

To strengthen cyber security, the Agency has upgraded and configured mission-critical cyber security capabilities and systems at 22 NATO sites, increasing its ability to monitor and defend the Alliance's networks from cyber-attacks and malicious activities. The Agency also provides critical support to NATO operations, missions and exercises. In 2023, the Agency enabled information-sharing and connectivity for over 100 NATO and national exercises. In 2023, the NATO Communications and Information Agency played a significant role in helping Ukraine to reduce cyber risks and improve cyber information sharing, including by delivering key IT capabilities such as satellite phones and GPS trackers to enhance Ukraine's ability to communicate during Russia's war against Ukraine.

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

NATO Allies have increased substantially their military spending following the Russian invasion of Ukraine in February 2022. As a consequence this has led to an increased operational spend at the Agency in 2023 and will continue to lead to an increase in expenditure in 2024 and beyond.

The NATO 2030 agenda sets a higher level of ambition and provides a clear direction for the future adaptation of the Alliance. To meet these requirements in a more challenging security environment, increased resources will be needed across all three NATO budgets: military, civil, and infrastructure. NATO Leaders agreed to identify these additional resources, including through NATO common funding, to ensure that the Alliance continues to ensure its common defence and security through 2030 and beyond. The Agency would expect that some of this increase in National spending will come to NCIO through increased requirements.

Financial Statements general information & certification

Basis of Preparation

The NCIO Financial Statements are a formal record of the financial activities and position of the NCI Agency and the ASB Secretariat. These include an extensive set of notes to the financial statements describing each item on the statement of financial position, performance, cash flow and budget execution statement in further detail.

The NCIO Financial Statements are a standalone document and undergo a specific approval process as well as an audit by the International Board of Auditors for NATO (IBAN). For full visibility of the Agency's operating performance and strategic alignment to the NATO mission, readers should consult the NCIO Annual Report.

In respect to the 2023 NCIO Financial Statements, these were prepared:

- for public disclosure
- on a going-concern principle
- on the basis of a single entity
- on an accrual basis and a historical cost convention, except as disclosed in the accounting policies and detailed notes.

Amounts in the financial statements are stated in Euro currency.

Compliance with Financial Regulations

The NCIO Financial Statements are submitted to the Agency Supervisory Board (ASB) and the International Board for Auditors of NATO (IBAN) in accordance with NAC approved standards, including the International Public Accounting Standards (IPSAS) as adopted through the NATO Accounting Framework and the NATO Financial Regulations (NFR).

Article 35 of the NATO Financial Regulations: "An annual financial statement for each NATO body, consolidated where applicable and appropriate, shall be submitted for audit to the International Board of Auditors for NATO by the Financial Controller not later than 31st March following the end of the financial year. The IBAN audit report, together with the associated financial statements, shall be finally noted or approved by the Council not later than 31 December."

This is consistent with Article 53 of the NCIO Charter: "The General Manager shall submit to the ASB and the International Board of Auditors for NATO annual financial statements in accordance with NAC approved standards, including the International Public Sector Accounting Standards (IPSAS) as adopted by NATO, and the provisions of the NATO Financial Regulations".

The Financial Regulations that are applicable to NCIO are described in the NCIO Charter under Article 50: "The NCIO shall be governed by the provisions of the NATO Financial Regulations, subject to such derogations as may be approved by the NAC upon recommendation by the Resource Policy and Planning Board".

Article 27 of the NATO Financial Regulations specifically relates to the Agency as a Customer Funded entity: "Customer-Funded bodies make agreements with Customers to provide goods and services in accordance with Customer requirements. Customers' agreement will describe the requirements for how funds are to be made available to the Customer-Funded bodies and how the funds will be committed and carried forward; these requirements may be different from common-funded NATO bodies".

The NATO Communications & Information Agency Customer Funding Regulatory Framework is a fundamental part of the governance of the Agency, along with the NCIO Charter provisions. It is designed to deliver effective and efficient C&I service provision by NCI Agency by establishing mechanisms for validating Agency costs and for validation of all requirements, including ICT services, while future C&I capability requirements will continue to be provided through the Capability Package process with greater emphasis on ICT asset renewal which will be on a biennial schedule to ensure that technology upgrades and replacement of obsolescent equipment keeps up with the military requirement.

Certification of the NCIO Financial Statements

The NCIO 2023 Financial Statements were prepared in accordance with the following reference documents:

- C-M(2012)0049, Charter of the NATO Communications and Information Organisation, approved by Council, dated 14 June 2012.
- C-M(2015)0025), NATO Financial Regulations, approved by Council, dated 4 May 2015;
- PO(2015)0394, NATO Communications & Information Agency Customer Funding Regulatory Framework (CFRF), approved by Council, dated 16 July 2015 and regular reviews by RPPB towards the CFRF ;
- C-M(2016)0023, revised NATO Accounting Framework (IPSAS adaptation), approved by Council, dated 29 April 2016;
- C-M(2017)0022(INV), NATO Accounting policy for Property Plant and Equipment , approved by Council, dated 31 May 2017;

- C-M(2017)0044, NATO Accounting Policy for Intangible Assets, approved by Council, dated 08 September 2017
- C-M(2017)0043, NATO Accounting Policy for Inventory, approved by Council, dated 08 September 2017;
- PO(2023)0315-AS1 (INV), amendments to the NATO Accounting Framework, approved by Council, dated 03 August 2023;
- AC/337-D(2016)0014-REV2 (INV), NCIO Financial Rules and Procedures, approved by the ASB, dated 05 October 2023;

The NCI Agency General Manager and NCI Agency Financial Controller certify that the NCIO 2023 Financial Statements present fairly the NCIO's financial position, financial performance, cash flows and changes in net assets/equity during the period.

Ludwig Decamps	Antoine Pailhès
General Manager	Financial Controller

NCIO Statement of Financial Position
For the year ended 31 December 2023
(all figures are expressed in thousands of Euro)

	Note	NCIO 2023	2022 Restated	2022
ASSETS				
Current Assets				
Cash and Cash Equivalents	1	271,243	253,753	253,753
Receivables	2	332,231	345,776	172,590
Prepayments and Miscellaneous Assets	3	16,852	7,328	7,328
Inventory	4	69,758	64,250	64,250
Work in Progress	5	5,476	4,304	4,304
Other Current Assets		0	0	0
Total Current Assets		**695,562**	**675,412**	**502,226**
Non-Current Assets				
Financial Assets		0	0	0
Non-current Receivables	6	549	548	548
Property, Plant and Equipment	7	408,924	339,633	389,547
Intangible Assets	7	421,740	372,697	357,508
Other Non-Current Assets		0	0	0
Total Non-Current Assets		**831,213**	**712,878**	**747,603**
TOTAL ASSETS		**1,526,775**	**1,388,290**	**1,249,829**
LIABILITIES				
Current Liabilities				
Payables	8	125,923	102,347	102,347
Deferred Revenue and Advances	9	525,180	493,912	331,578
Other Current Liabilities	10	18,244	23,099	23,099
Total Current Liabilities		**669,347**	**619,358**	**457,025**
Non-Current Liabilities				
Non-Current Payables		0	0	0
Non-Current Deferred Revenue and Advances	9	725,491	619,016	650,484
Non-Current Borrowings		0	0	0
Provisions	11	4,625	9,276	9,276
Total Non-Current Liabilities		**730,116**	628,292	659,760
TOTAL LIABILITIES		**1,399,463**	**1,247,651**	**1,116,785**
NET ASSETS/EQUITY				
Retained Earnings	27	**102,299**	115,727	44,645
Reserved Earnings	26	**25,013**	24,912	88,399
TOTAL NET ASSETS/EQUITY		**127,312**	**140,639**	**133,044**
TOTAL LIABILITIES AND NET ASSETS/EQUITY		**1,526,775**	**1,388,290**	**1,249,829**

NCIO Statement of Financial Performance

For the year ended 31 December 2023

(all figures are expressed in thousands of Euro)

	Note	NCIO 2023	NCIO 2022 Restated	NCIO 2022
REVENUE				
Project and Support Services Revenue	12	355,089	342,601	341,511
External Services Revenue	13	199,818	188,813	191,023
Acquisition Revenue	14	208,386	175,564	168,609
Other Revenue	15	8,497	4,923	4,923
Financial Revenue	16	7,201	3,335	3,335
TOTAL REVENUE		**778,991**	**715,236**	**709,401**
EXPENSES				
Cost of Acquisition	17	(130,518)	(110,421)	(98,274)
Personnel Costs	18	(304,261)	(284,882)	(282,957)
Contractual Supplies and Services	21	(250,814)	(231,991)	(236,313)
Depreciation and Amortisation	22	(99,235)	(91,925)	(94,304)
Provisions Expenses	23	(4,678)	(5,841)	(7,278)
Financial Expenses	16	(2,812)	(2,752)	(2,752)
Other Expenses		0	0	0
TOTAL EXPENSES		**(792,318)**	**(727,812)**	**(721,878)**
SURPLUS/(DEFICIT)		**(13,327)**	**(12,576)**	**(12,477)**
Distributed(net) to Retained Earnings	27	**(13,428)**	**(18,508)**	**(7,619)**
Distrubuted(net) to Reserved Earnings	26	**101**	**5,932**	**(4,858)**

NCIO Statement of Cash Flows

For the year ended 31 December 2023

(all figures are expressed in thousands of Euro)

	NCIO		
	2023	**2022 Restated**	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus/(Deficit) for the Period	(13,327)	(12,576)	(12,477)
Depreciation and Amortisation	97,742	91,683	92,853
Revaluation of Assets	0	0	0
Decr./(Incr.) Receivables	13,545	25,256	46,718
Decr./(Incr.) Prepayments and Miscellaneous Assets	(9,524)	2,203	2,203
Decr./(Incr.) Inventory	(5,508)	11,778	11,778
Decr./(Incr.) Work in Progress	(1,172)	(1,860)	(1,860)
Decr./(Incr.) Other Current Assets	0	0	0
Incr./(Decr.) Payables	23,576	(2,598)	(2,598)
Incr./(Decr.) Deferred Revenue and Advances	31,267	52,235	35,785
Incr./(Decr.) Non-Current Deferred Revenue and Advances	106,474	80,456	82,714
Incr./(Decr.) Borrowings	0	0	0
Incr./(Decr.) Other Current Liabilities	(4,854)	9,389	9,389
Incr./(Decr.) Provisions	(4,651)	1,422	1,422
NET CASH FLOWS FROM OPERATING ACTIVITIES	**233,568**	**257,389**	**265,929**
CASH FLOWS FROM INVESTING ACTIVITIES			
Decr./(Incr.) Financial Assets	0	0	0
Decr./(Incr.) Non-current Receivables	(1)	0	0
Decr./(incr.) PP&E and Intangible Assets	(216,076)	(190,352)	(198,892)
Decr./(Incr.) Other Non-Current Assets	0	0	0
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(216,078)**	**(190,352)**	**(198,892)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Incr./(Decr.) Non-Current Payables	0	0	0
Incr./(Decr.) Non-Current Borrowings	0	0	0
Incr./(Decr.) Other Non-Current Liabilities	0	0	0
NET CASH FLOWS FROM FINANCING ACTIVITIES	**0**	**0**	**0**
NET INCR./(DECR.) CASH AND CASH EQUIVALENTS	**17,491**	**67,037**	**67,037**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**253,753**	**186,716**	**186,716**
Incr./(Decr.) Cash and Cash Equivalents	17,491	67,037	67,037
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**271,243**	**253,753**	**253,753**

NCIO Statement of Change in Net Assets/Equity

For the year ended 31 December 2023

(all figures are expressed in thousands of Euro)

	NCIO		
	2023	**2022 Restated**	**2022**
BALANCE AT BEGINNING OF PERIOD	140,639	153,215	145,521
Net surplus/(deficit) for the period	(13,327)	(12,576)	(12,477)
BALANCE AT END OF PERIOD	**127,312**	**140,639**	**133,044**
RESERVES AT BEGINNING OF PERIOD	**24,912**	**18,979**	**93,257**
Net decrease/(increase) of bookvalue of property, plant and equipment	589	5,359	6,370
Net decrease/(increase) of Internal Investements reserves	(488)	648	648
Net decrease/(increase) of Transition reserves	0	(74)	(74)
Net decrease/(increase) of Inventory reserves	0	0	(11,801)
Net decrease/(increase) of currency translation differences	0	0	0
RESERVES AT END OF PERIOD	**25,013**	**24,912**	**88,399**
RETAINED EARNINGS AT END OF PERIOD (OF)	**102,299**	**115,727**	**44,645**
Retained Earnings/Operating fund (excluding Inventories)	**36,603**	**53,035**	**44,645**
Retained Earnings/Operating fund related to Inventories	**65,696**	**62,692**	**0**
NET ASSETS/EQUITY AT END OF PERIOD	**127,312**	**140,639**	**133,044**

NCIO Statement of Change in Net Asset/Equity detail can be found under note C.

NCIO ASB Secretariat

NCIO Budget Execution Statement

For the year ended 31 December 2023

(all figures are expressed in thousands of Euro)

	NCIO									
	Initial Budget	Transfers	Budget Revision	Transfers	Final Budget	Net Commitment	Expenses	Total Spent	Carry Forward	Lapsed
BUDGET										
Chapter 1 - Personnel	1,336	0		0	1,182	0	1,216	1,216	0	120
Chapter 2 - Contractual supplies and services	232	0	0	0	235	0	91	91	0	141
Chapter 3 - Investments	0	0	0	0	0	0	0	0	0	0
Total Fiscal Year 2023	**1,569**	**0**	**0**	**0**	**1,416**	**0**	**1,307**	**1,307**	**0**	**261**
Chapter 1 - Personnel	1,124	0	58	0	1,182	0	1,173	1,173	0	9
Chapter 2 - Contractual supplies and services	235	0	0	0	235	0	166	166	0	69
Chapter 3 - Investments	0	0	0	0	0	0	0	0	0	0
Total Fiscal Year 2022	**1,359**	**0**	**58**	**0**	**1,416**	**0**	**1,339**	**1,339**	**0**	**78**
Chapter 1 - Personnel	168	0		0	168	0	168	168	0	0
Chapter 2 - Contractual supplies and services	0	0	0	0	0	0	0	0	0	0
Chapter 3 - Investments	0	0	0	0	0	0	0	0	0	0
Total Fiscal Year 2021	**168**	**0**	**0**	**0**	**168**	**0**	**168**	**168**	**0**	**0**
TOTAL	**3,095**	**0**	**58**	**0**	**3,001**	**0**	**2,814**	**2,814**	**0**	**339**

NCIO Budget Execution Statement details can be found under note E.

Accounting Policies

1. General information

The below information provides a summary of the material accounting policies that have been applied by the NATO Communications and Information Organisation (NCIO) when preparing its Financial Statements for the year ended 31 December 2023. The NCIO Financial Statements are a formal record of the financial activities and position of the NCI Agency (NCIA) and the Agency Supervisory Board (ASB) Secretariat. These include an extensive set of notes to the Financial Statements describing each item on the Statement of Financial Position, Performance, Cash Flow and Budget Execution Statement in further detail.

Article 35 of the NATO Financial Regulations state that financial statements prepared by NCIO have to be submitted for audit to the International Board of Auditors for NATO (IBAN) by the NCIO Financial Controller no later than 31st March following the end of the financial year. In addition, Financial Statements also have to be submitted to the ASB. The IBAN audit report, together with the associated Financial Statements, have to be finally noted or approved by the Council not later than 31 December following the end of the financial year.

2. Summary of significant accounting policies

a. Statement of compliance and basis of preparation

These Financial Statements have been prepared in accordance with the NATO Accounting Framework (NAF) which is based upon the International Public Sector Accounting Standards (IPSAS). NCIO applies all IPSAS apart from the below standards which have been adapted by the Council.

The following IPSAS were adapted by the Council in August 2013:

- IPSAS 6 – Consolidated financial statements and accounting for controlled entities;
- IPSAS 12 – Inventories;
- IPSAS 17 – Property, Plant and Equipment;
- IPSAS 31 – Intangible Assets.

The following standard was adapted by the Council in April 2016:

- IPSAS 1 – Presentation of Financial Statements.

The following standard was further adapted by the Council in July 2023:

- IPSAS 17 – Property, Plant and Equipment;
- IPSAS 31 – Intangible Assets.

In addition, these financial statements are also prepared in accordance with the NATO Financial Regulations (NFRs) and NCIO Financial Rules and Policies (FRPs).

The NCIO Financial Statements consist of:

- A statement of financial position;
- A statement of financial performance;
- A statement of changes in net assets;
- A statement of changes in cash flows;
- Accompanying notes.

NCIO prepares its Financial Statements on the basis that it will continue to operate as a going concern basis which means that those charged with governance of NCIO consider that they believe NCIO will continue in existence for at least a year from the date the financial statements are issued. The Financial Statements have been prepared on the basis of historical cost, unless stated otherwise. The Cash Flow Statement is prepared using the indirect method for operating, investing and financing activities as well. The Financial Statements are prepared on an accrual basis.

The preparation of Financial Statements in compliance with the NAF requires the use of certain critical accounting estimates and requires that those responsible for preparing and presenting the financial statements of NCIO use judgement in applying these accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in the notes to the financial statements.

The policies have been consistently applied to all the years presented.

b. Presentation and functional currency used in these financial statements

The NCIO financial statements are presented in EUR, which is the functional and presentation currency of NCIO. Figures included in these financial statements are expressed in thousands EUR, unless otherwise stated. Because the amounts are stated in thousand of Euro it could result to certain immaterial rounding differences in the presented numbers.

c. Financial period covered by these financial statements

The financial statements are prepared on an annual basis, beginning on the first day of January and ending on the thirty-first day of December each year.

d. Changes in accounting policies

New and amended standards and interpretations;

New and amended standards adopted by NCIO in the reporting period

The International Public Sector Accounting Standards Board (IPSASB) has published the following new standards that became effective for annual financial reporting periods commencing from 1 January 2023:

- **IPSAS 41 - Financial Instruments and subsequent amendment.** This standard replaces the existing IPSAS 29 - Financial Instruments - and sets out new requirements for recognition and measurement of financial instruments, including impairment, de-recognition and general hedge accounting. NCIO’s main financial assets consists of cash and cash equivalents, short-term investments as well as trade and other receivables. NCIO’s main financial liabilities consist of trade payables and non-current and current unearned revenue liabilities. No derivative financial instruments are held by NCIO, neither NCIO applies any hedging activities. The impact of applying IPSAS 41 by NCIO is therefore limited to the changes in accounting for credit losses on trade receivables as a result of implementing the revised guidance on accounting for provisions for expected credit losses on these trade receivables. The impact of the initial application/restatement can be found in detail in the NCIO Financial Statements under chapter 2. Accounts Receivable of the Notes to the NCIO Statement of Financial Position.
- **IPSAS 42 - Social Benefits.** This standard defines social benefits as cash transfers to individuals to mitigate the effect of social risks and address the needs of society as a whole and provides guidance for their accounting. This standard has no impact on the financial statements of the NCIO.

New and amended standards not yet adopted by NCIO in the reporting period

The International Public Sector Accounting Standards Board has published the following new accounting standards, which are not yet effective as at 31 December 2023:

- **IPSAS 43 – Leases.** This Standard will be applicable to annual financial statements covering periods beginning on or after 1 January 2025. Earlier application is permitted provided the entity applies IPSAS 41 'Financial instruments' at the same time. This standard will replace IPSAS 13. The NCIO is in the process of identifying the impact of this new standard on its financial statements. NCIO intends to apply this standard from its effective date.
- **IPSAS 44 – Non-current assets held for sale and discontinued operations.** This Standard will be applicable to annual financial statements covering periods beginning on or after 1 January 2025. Earlier application is permitted provided the entity applies IPSAS 43 'Leases' at the same time. This standard will likely have no material impact on the financial statements. The NCIO intends to apply this standard from its effective date.
- **IPSAS 45 – Property, plant & equipment**. This Standard will be applicable to annual financial statements covering periods beginning on or after 1 January 2025. This standard will replace IPSAS 17, Property, Plant, and Equipment by adding current operational value as a measurement basis in the updated current value model for assets within its scope, identifying the characteristics of heritage and infrastructure assets, and adding new guidance on how these important types of public sector assets should be recognized and measured. Earlier application is permitted. The NCIO does not have heritage assets recognised at the reporting date. This standard will likely have no material impact on the financial statements. IPSAS 17 is adapted by NATO within the NATO Accounting Framework (NAF) hence NCIO expects that this new IPSAS 45 Standard will also be adapted soon within NATO and the NAF will be updated accordingly.
- **IPSAS 46 – Measurement**. This Standard will be applicable to annual financial statements covering periods beginning on or after 1 January 2025. Earlier application is permitted. The NCIO is not expected to be materially impacted by this standard. The NCIO intends to apply this standard from its effective date.
- **IPSAS 47 – Revenue**. This Standard will be applicable to annual financial statements covering periods beginning on or after 1 January 2026. Earlier application is permitted. IPSAS 47 presents two accounting models based on the existence of a binding arrangement. A binding arrangement is an arrangement that confers both rights and obligations, enforceable through legal or equivalent means, on the parties to the arrangement. NCIO has a minor budget funded revenue source, however it mainly derives its revenue from its customer funded activities that are entered into by NCIO by means of a binding arrangement. Therefore, at the inception of the contract, NCIO has to identify all compliance obligations in the binding arrangement. Revenue is to be recognized at the amount allocated to a compliance obligation when NCIO satisfies the compliance obligation. NCIO is in the process of identifying the impact of this new standard on its financial statements. NCIO intends to apply this standard from its effective date.
- **IPSAS 48 – Transfer expenses**. This Standard will be applicable to annual financial statements covering periods beginning on or after 1 January 2026. Earlier application is permitted. The NCIO is not expected to be impacted by this standard as it does not generally provide a good, service or asset to another entity without directly receiving any good, service, or other asset in return, however the NCIO is in the process of identifying the impact of this new standard on its financial statements. The NCIO intends to apply this standard from its effective date.

Changes in Accounting Policies/Standards and Adoption

As per IPSAS 3 – Accounting Policies, changes in accounting estimates and errors requires that "A change in the accounting treatment, recognition, or measurement of a transaction, event, or condition within a basis of accounting is regarded as a change in accounting policy".

The Agency has changed at the start of FY2023:

- **IPSAS 41 - Financial Instruments** and subsequent amendment. This standard replaces the existing IPSAS 29 - Financial Instruments - and sets out new requirements for recognition and measurement of financial instruments, including impairment, de-recognition and general hedge accounting. NCIO's main financial assets consists of cash and cash equivalents, short-term investments as well as trade and other receivables. NCIO's main financial liabilities consist of trade payables and non-current and current unearned revenue liabilities. No derivative financial instruments are hold by NCIO, neither NCIO applies any hedging activities. The impact of applying IPSAS 41 by NCIO is therefore limited to the changes in accounting for credit losses on trade receivables as a result of implementing the revised guidance on accounting for provisions for expected credit losses on these trade receivables.

- **IPSAS 42 - Social Benefits**. This standard defines social benefits as cash transfers to individuals to mitigate the effect of social risks and address the needs of society as a whole and provides guidance for their accounting. This standard has no impact on the financial statements of the NCIO.
- **Change in measurement of a transaction/recognition**; Revenue generated on Firm Fix Price customer agreements/contracts are recognised equal to the agreed firm fix price/amount hence no deferral of revenue is accounted for unless there is a clear indication that the services/goods have not been delivered towards the customer.

Restatement and reclassifications that impact the face of the NCIO Financial Statements

Property, plant and Equipment and Intangible assets have been restated. The ongoing improvement effort and review of assets under construction and in-services assets resulted into a corrective action/restatement. This restatement also impacted the deferred revenue, revenue, depreciation cost and net assets.

Revenue and deferred revenue are restated as a result of the change in measurement of a transaction/recognition for firm fix price customer agreements/contracts.

Trade Receivables, Provisions and Net assets are restated due to implementing IPSAS 41 Financial Instruments.

NSIP QAFR advances which are now disclosed as a liability and not netted anymore with current assets - receivables.

Inventory reserve under the Nets Asset Reserve Earnings is reclassified toward Net Assets Retained Earnings to align to the applicable NATO policy documents.

Further details can be found in the respective notes to the financial statements.

e. Revenue Recognition

Main Revenue Streams

Communications and Information partnerships agreed by the NCIO are customer funded agreements between NCIO, two or more NATO nations and, if mutually agreed, non-NATO nations, whereby NCIO provides the participating nations with technical expertise, services, or support (i.e. development and maintenance of C3 and CIS assets) within the scope of approved missions and activities. All the activities performed by NCIO are therefore customer funded.

Under this Customer Funding Regulatory Framework, NCIO customer funded revenue is reported as follows:

Revenue line item	Description
Project and Support Services Revenue	**Project revenue** represents revenue that is generated by NCIO from customers in relation to recharged personnel costs mainly incurred by NCIO staff throughout the construction phase of C3 and CIS tangible and intangible assets. **Support Services revenue** represents revenue that is generated by NCIO from customers in relation to recharged personnel costs incurred by NCIO staff throughout the operational maintenance activities on these C3 and CIS tangible and intangible assets, and other standard and non-standard services as per the service agreements (throughout their useful life).
External Services Revenue	**External services revenue** represents revenue that is generated by NCIO from customers as result of recharges made by NCIO of maintenance costs incurred and procurement of low value assets from industry in relation to maintenance activities of C3 and CIS assets.

Acquisition revenue	**Acquisition revenue** represents amounts that can be invoiced to customers in relation to NCIO's costs incurred in relation to materials and effort procured from the market and utilized in the development of both C3 and CIS assets.

Revenue recognition pattern for C3 and CIS assets whereby NCIO acts as the service provider for NATO Command Structure, NATO IS and NATO IMS

The amount of revenue recognised by NCIO in relation to C3 and CIS assets for which it acts as a service provider is derived from the costs capitalized in accordance with IPSAS 17 – Property, Plant and Equipment and/or IPSAS 31 – Intangible Asset. As a result, revenue in relation to C3 and CIS assets is recognised by NCIO in its Statement of Financial Performance on a straight-line basis over the estimated useful life of the related assets matching the corresponding depreciation and/or amortization charge recognised for the related assets.

Additional revenue can be recognised by NCIO upon performing maintenance services on these assets throughout their useful life.

Revenue recognition pattern for C3 and CIS assets whereby NCIO does not act as the service provider for NATO Command Structure, NATO IS and NATO IMS

Revenue in relation to C3 and CIS assets for which NCIO does not act as a service provider are recognised by reference to the stage of completion or the cost burn rate, depending on the type of funding agreement, firm fixed price or cost reimbursable, respectively.

As per IPSAS 11, when the outcome of a construction contract can be reliably estimated, revenue and costs related to the contract are recognised by NCIO by reference to the stage of completion at the reporting date. Under the percentage of completion method, contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and surplus/deficit that can be attributed to the proportion of work completed.

Additional revenue can be recognised by NCIO upon performing maintenance services on these assets throughout their useful life.

Financial Revenue

Mainly consist of bank interest or gains on foreign currency exchanges which occur when transactions are settled in another currency than EUR. Realised gains on foreign currency transactions are either refunded, charged or absorbed by the NCI Agency, depending on the agreement with the Customers.

Other Revenue

All activities performed by the ASB Executive Secretariat are not customer funded and distinct contributions are obtained from the different NATO member states on the basis of the NAC-agreed cost shares for NATO's Military Budget to cover the funding of its independent secretariat and the direct costs of supporting ASB meetings.

Revenue from non-exchange transactions is recognised by NCIO in the Statement of Financial Performance at the same moment on which the related expense, covered by the revenue from non-exchange transactions, is incurred by NCIO.

f. Expenses Recognition

Expenses are defined as decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets.

Expenses are recognized by NCIO when the transaction or event causing the expense occurs, and the recognition of the expense is therefore not linked to when cash or its equivalent is received or paid.

NCIO typically incurs the following main type of expenses:

- **Acquisition costs:** Acquisition costs mainly relate to costs incurred by NCIO to acquire goods or obtain services in relation to assets whereby NCIO acts as a principal on behalf of sponsors, NATO entities or Member Nations.
- **Personnel costs:** Personnel costs are costs derived from the employment of civilian personnel, as per NATO Civilian personnel regulations, including salaries, allowances, pension contribution, joining and leaving costs. In addition, this also includes costs incurred for training and medical activities as well as the costs incurred for Interim Workforce Contractors, temporary staff and external consultants.
- **Contractual supplies and services costs:** These costs mainly relate to goods and services procured from industry partners (either directly in support of the delivery of services and capabilities or required for the normal functioning of the Agency's facilities and equipment).
- **Costs related to depreciations, amortisations and provisions:** These costs mainly relate to spreading the capitalised costs of property, plant and equipment as well as intangible assets over their useful life. In addition, it relates to additional expenses recognised for provisions.
- **Financial Expenses;** losses on foreign currency exchanges occur when transactions are settled in another currency than EUR. Realised losses on foreign currency transactions are either refunded, charged or absorbed by the NCI Agency, depending on the agreement with the Customers.

g. Foreign Currency Transactions

Transactions entered into by NCIO in a currency other than EUR (which is NCIO's functional and presentation currency) are recorded at the exchange rates in effect when the transactions occur. The use of exchange rates does not materially impact the financial statements.

NSIP and Third-Party acquisition transactions are converted using the quarterly exchange rates issued by the Investment Committee (IC). This rate is imposed by the IC and allows the NCI Agency to get reimbursed for all exchange, bank and miscellaneous financial results. All other foreign currency transactions are recorded by converting the foreign currency amount at the Budget Committee (BC) conversion rates valid at the date of the transaction.

NCIO adheres to the following principles when reporting foreign currency items at each reporting date:

- Foreign currency monetary items are translated using the closing rate: and
- Foreign currency non-monetary items (i.e. those at historical cost) are translated using the exchange rate at the date of the transaction.

All exchange differences are reported as a financial expense or financial revenue in the Statement of Financial Performance in the period in which they occur.

h. Segment Reporting

A segment is a distinguishable activity of NCIO for which it is appropriate to separately report financial information. At NCIO, segment information is based on customer funding sources. As such, NCIO reports separate financial information for five segments:

#	Segments	Customer base	Description
A.	**Investment Committee**	**Internal customers IC funded**: • Investment Committee	Internal Customers are NATO common funded and comprise: • The Investment Committee, which is assigning NCIA as Host Nation and is authorising NSIP funding for the development and implementation of common-funded C3 capabilities. Although the Strategic Commands are primarily the requirements holders, the investment committee is responsible for fulfilling the role of internal customer of NCI Agency.
B.	**Budget Committee**	**Internal customers BC funded**:	

#	Segments	Customer base	Description
		• NATO Command Structure (ACO and ACT) • NATO International Staff (IS) • NATO International Military Staff (IMS)	• The BC funded entities (NCS, IS and IMS), which are common funded entities resourced through direct contributions to NATO budgets to support objectives, priorities and activities that serve the interests of the Alliance as a whole – and cannot reasonably be borne by any single member – such as Alliance operations and missions or NATO-wide air defense, command and control structure.
C.	**(Multi-) National and other**	**External customers**	External Customers are non-common funded customers. External customers include non-common funded NATO Agencies, NATO Force Structure, NATO nations, Other Agencies and Multinational Organisations and Partner Nations to which NCI Agency delivers projects and services.
D.	**Budget funded**	**Not applicable.**	This segment reflects the running costs of the Independent Secretariat in support of the ASB Chairman and Nations, funded directly by a NATO common funded budget envelop.
E.	**NCI Agency (CIS support & running support)**	**Not applicable.**	This segment discloses the Agency Operating running costs intra-segment allocation to Internal and External Customers as well as the Communication and Information System (CIS) support. It also refers mainly to Overhead & General

NCIO allocates operating assets, liabilities, revenues and expenses that are directly attributable to the segment or can be allocated to the segment on a reasonable basis to the different identified segments they relate to.

Some assets, liabilities and revenues and expenses cannot be directly attributed towards customer funding sources, or allocated on a reasonable basis towards the individual segments.

Within NCIO, limited segment information is available for cash and cash equivalents as well as net assets across the different segments. These elements are shown within an 'unallocated segment' allowing to reconcile the segment disclosures to the aggregate amounts of revenue, expense, asset and liabilities that are presented in the financial statements of NCIO that are prepared in accordance with IPSAS.

i. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets, Type of financial assets hold by NCIO;

- Cash and Cash Equivalents
- Receivables

Financial Liabilities, Type of financial liabilities hold by NCIO;

- Trade and Accrued Payables
- Advances and/or Unearned Revenue

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

NCIO's financial obligations are financed by payments and advances from its Customers, who are either NATO Nations or Partners. NCIO does not borrow money and only invests on short term bank deposits. No other financial instruments are held other than financial assets and liabilities which are generated by day-to-day operational activities.

Risk Types

Liquidity risk
NCIO's financial requirements and capital expenditure are met by its Customers and are typically funded in advance. NCIO is therefore not exposed to material liquidity risks. Nevertheless, to ensure business continuity, Treasury holds around 3 months payroll costs equivalent of cash as a security buffer. Based on agreed procedures, Treasury may request additional advance payments to NATO bodies if the cash levels approach to the security buffer or cash forecasts indicate any potential liquidity problems.

Credit risk
NCIO's Customers are member and partner Nations of NATO and hence NCIO is therefore not exposed to material credit risks.

Foreign currency risk
Agency aims to have natural hedge in its transactions to avoid foreign currency risk exposure. Agency operates mainly in EUR, USD, GBP and NOK currencies. Treasury may request calls for contributions in these currencies, in line with expected outflows, based on either cash projections or previous business experiences.
Treasury holds currency bank accounts in those currencies to pay and receive funds.
In addition to the main currencies, there are fewer transactions in other currencies; PLN, TRY, RON and CAD. Agency holds a TRY bank account in Türkiye as an advance account to facilitate direct debit payments in Türkiye. Aligned with NFR, Treasury does not take any speculative positions nor makes any speculative transactions. All foreign currency transactions are related to current or future business needs.

j. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to cash and that are subject to an insignificant risk of changes in value, with original maturities of three months or less, and bank overdrafts.

k. Receivables

Receivables are measured at Net Realisable Value after taking bad and doubtful debts into account. NCIO, as required in accordance with IPSAS 41, considers forward looking information in its Expected Credit Loss (ECL) model. As a general rule, the Agency considers that as it works with customers which are funded through national governments, that debts are considered to be "good"; only on rare occasions provisions are made for bad or doubtful debts.

NCIO utilizes its historical credit loss experience for receivables to estimate the 12-month expected credit losses. NCIO applies provision matrix based:

- on a 3 year average basis provision rates function of total trade receivable amount overdue beyond 60 days;
- on the diversity of its customer base, NCIO distinguishes two categories of customers:

- All NATO entities, including, but not limited to, NATO International Staff, NATO International Military Staff, NATO Agencies, NATO Command Structures etc.
- Member and Partner Nations, or External Organisations, public or private.

The average would have to be review on a yearly basis to maintain the trend of the receivables paid/impaired within a 3-year basis analysis.

The standard introduces a Forward-Looking Impairment Model deriving Expected Credit Losses, which no longer depend on a triggering event based on an objective indication for recognizing impairment. The model is designed to provide users of financial statements with information on Expected Credit Losses that is more useful and timely.

IPSAS 41 proposes an AR Provision Matrix for ECL estimations, with calculations begin solely derived from the year-end AR Aging Balances. These are extracted separately for every 31st of December of the year, for period 2021 to 2023 included. As stated in the introduction, we then identify each customer as NATO or Non-NATO body, based on their respective funding source.

The calculations also require a deep analysis of the Total Write-Off amounts performed for trade receivables. Similar to the previous paragraph, we also aim to identify the funding source for classifying the amounts belonging to NATO and Non-NATO bodies.

NCIO adopt a 3-Year ECL model for better reflection of impairment, for the purpose of the exercise we shall report ECL values separately for each NCIO customer category, however the final average amount will combine both of them, following the standard’s accounting treatment.

The impact of the initial application/restatement can be found in detail in the NCIO Financial Statements under chapter 2. Accounts Receivable of the Notes to the NCIO Statement of Financial Position.

l. Accounts Payable

Accounts Payable represent amounts for which goods and services, supported by a vendor invoice, have been received at the year-end but which remain unpaid. Accounts payable include services and goods received supported by an unpaid invoice and estimates of accrued obligations for goods and services received but not yet invoiced by the vendors.

m. Advances and/or Unearned Revenue

In order to ensure that Customer and budget requirements can be met, NCIO can call for money in advance of need to provide adequate cash flow. The advance is shown as an asset but is matched by a liability because until the funds are used, they are owed back to the Customer who provided the funding.

n. Prepayments and Miscellaneous assets

Prepayments mainly relate to amounts paid in advance by NCIO to suppliers for goods or services not yet received.

o. Property, Plant and Equipment

Recognition

In addition to the IPSAS requirements and definition on control, the NATO Accounting Framework (NAF) establishes criteria as to assist in assessing the level of control that any NATO Reporting Entity has for reporting assets in its financial statements. The NAF states that the NCIO acts as a service provider for CIS and/or Automated Information Systems (AIS) assets (including the construction of these assets) for the NATO Military Commands (Allied Command Operations (ACO) and Allied Command Transformation (ACT)) as well as for the International Staff (IS) and the International Military Staff (IMS). NCIO has control over these assets because it uses them to provide goods and services to its customers and therefore reports them in its Financial Statements since 1 January 2018.

In adherence to the NAF, NCIO capitalises all CIS Assets, including Assets under Construction (AuC) starting as of 1 January 2018. NCIO considers CIS Assets, including AuC prior to 1 January 2018 as fully expensed. If AuC continue after 1 January 2018, only the portion that has not already been expensed should be capitalised.

NCIO provides a brief description on the items of PP&E that were held and expensed prior to 1 January 2013 in the notes to the financial statements. In addition, as from 1 January 2018 onwards, NCIO provides in the notes to the financial statements further disclosure on types and the locations of CIS assets that were under construction prior to 1 January 2018.

Measurement

Initial measurement

PP&E is initially recognised at cost, which includes the purchase price (inclusive of import duties, non-refundable purchase taxes, and deducting trade discounts and rebates) and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating, such as costs of site preparation, initial delivery and handling costs and installation costs.

Regarding self-constructed assets, the eligible costs for capitalization include expenses such as material costs, site preparation, installation and assembly, project service, internal engineering services, external professional fees (architecture and engineering fees), direct attributable labour costs, and any other directly attributable costs.

Each category of PP&E has specified capitalization threshold values per item. Items falling below these thresholds are treated as expenses. Refer for more information to the next section.

Subsequent measurement

PP&E is subsequently measured at cost less accumulated depreciation and impairment.
Depreciation is applied to all PP&E items, using a straight-line pro-rata basis to gradually reduce their carrying value over their expected useful economic lives. Land and AuC are not subject to depreciation.
According to the NAF, costs related to assets used in support of Allied Operation Missions (AOM) must be capitalised and depreciated over 12 months.
According to the NAF, the capitalization thresholds, useful lives, and annual depreciation for each category of PP&E items are outlined below:

SUB CATEGORIES	Threshold	Economic Life Time (years)	Annual Depreciation %
CLASS 1: PLANT AND EQUIPMENT			
CATEGORY 1.1: AUTOMATIC DATA PROCESSING EQUIPMENT(NAF: AUTOMATED INFORMATION SYSTEMS)	50,000	3	33.33%
CATEGORY 1.2: COMMUNICATION SYSTEMS (NAF: COMMUNICATIONS)	50,000	3	33.33%
CATEGORY 1.3: MACHINERY (NAF: MACHINERY)	30,000	10	10.00%
CATEGORY 1.4: INSTALLED EQUIPMENT (NAF: INSTALLED EQUIPMENT)	30,000	10	10.00%

CATEGORY 1.5: FURNITURE (NAF: FURNITURE)	30,000	10	10.00%
CATEGORY 1.6: TRANSPORT EQUIPMENT (NAF: VEHICLES)	10,000	5	20.00%
CATEGORY 1.7: MISSION EQUIPMENT (NAF: MISSION EQUIPMENT)	50,000	3	33.33%
CLASS 2: LAND AND BUILDINGS			
CATEGORY 2.1: LAND (NAF: LAND)	200,000	N/A	N/A
CATEGORY 2.2: BUILDINGS (NAF: BUILDINGS)	200,000	40	2.50%
CATEGORY 2.3: INFRASTRUCTURE (NAF: OTHER INFRASTRUCTURE)	200,000	40	2.50%

The assets' residual values and useful lives are reviewed, and adjusted prospectively, if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

De-recognition

NCIO derecognizes an item of PP&E in the following potential circumstances when it is disposed of, or when no future economic benefits and service potential are expected from its use.

In case of received donations (prior approval required) the PP&E Item is recognised at fair value, with the exception of items of PP&E acquired before 1 January 2013 and for Assets constructed by NCIO before 1 January 2018 where no recognition requirement exists. Where the item of PP&E has a net book value at the moment of de-recognition, a loss is being accounted for in the Statement of Financial Performance.

In case of a transfer (between a NATO entity and NCIO) an item of PP&E is de-recognised at one NATO entity disposing the item and recognised at the other entity receiving the item according to the provisions of C-M(2017)0022(INV), NATO Accounting policy for Property Plant and Equipment, approved by Council, dated 31 May 2017.

Upon completion of the development of CIS assets, a reclassification from AuC to PP&E and /or Intangible Assets is made by NCIO.

The request to write-off of assets is done in accordance with the NFRs. The request to write-off NSIP funded assets is submitted to the Investment Committee for approval in accordance with the NFRs and the Procedure on Property Accountability and write-off Authority for NATO Infrastructure for which NATO MNCs or Agencies are Responsible (Annex II to Addendum to AC/4-D/1058 (Final)).

Services-in-kind

NCIO occupies different buildings and facilities which it received for free by the Host Nation or the hosting Organisation. The usage of these buildings and facilities is considered by NCIO as free service provided (services in kind) and not as concessionary leases. As NCIO has the access to the usage, it can be categorized as services in-kind instead of goods in-kind. Services in kind are services provided to public sector entities in a non-exchange transaction. IPSAS allows an entity to recognise services in kind in its financial statements. If the entity elects (accounting policy choice) to do so, it recognises a revenue and a corresponding expense at the fair value of the service received during the period in which the service is received. NCIO does not measure nor record it in its financial statements these services-in-kind.

p. Intangible Assets

Recognition

The recognition of intangible assets is in line with the recognition of PPE as described above.

Measurement

An Intangible asset is initially recognised when the asset is controlled by NCI Agency and subsequently carried at cost less accumulated amortization and impairment.

The measurement of intangible assets is in line with the measurement of PPE as described above.

According to the NAF, the capitalization thresholds, useful lives, and annual amortization for each category of intangible items are outlined below:

SUB CATEGORIES	Threshold	Economic Life Time (years)	Annual Amortization %
CLASS 3: INTANGIBLE ASSETS			
CATEGORY 3.1: SOFTWARE (NAF: COMPUTER SOFTWARE(COMMERCIAL OF THE SHELF); COMPUTER DATABASE, INTEGRATED SYSTEM)	50,000	4	25%
CATEGORY 3.2: RIGHTS OF WAY, INTELLECTUAL PROPERY RIGHTS (IPR'S), ADMINISTRATIVE CONCESSION RIGHTS (NAF: COPYRIGHTS, INTELLECTUAL PROPERTY RIGHTS)	50,000	N/A	N/A
CATEGORY 3.3: INVESTMENTS IN RESEARCH AND DEVELOPMENT (R&D) (NAF: SOFTWARE DEVELOPMENT)	50,000	N/A – Tested annually for impairment	N/A
CATEGORY 3.4: SOFTWARE (NAF: COMPUTER SOFTWARE (BESPOKE))	50,000	10	10%

The assets' residual values and useful lives are reviewed, and adjusted prospectively, if appropriate, at the end of each reporting period.
An intangible asset's carrying amount is written down immediately to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

De-recognition

De-recognition of intangible assets is similar to de-recognition of PPE.

q. Leases

NCIO classifies a lease as a finance lease if the contract transfers substantially all the risks and rewards incidental to ownership from the lessor to the lessee. All other leases are classified as an operating lease. The following are examples of situations that, individually or in combination, would normally lead to a lease being classified as a finance lease:

- ownership is transferred to the lessee at the end of the lease term;

- the lessee has an option to buy the leased asset at the end of the lease term, priced so that it is reasonably certain at inception that the lessee will exercise the option;
- the lease term is for the majority of the economic life of the asset;
- at inception, the fair value of the asset is not significantly more than the present value of the minimum lease payments;
- the leased asset is much specialised and only the lessee can use it without major modifications.

Additional indicators that a lease may be a finance lease include the following:

- if the lessee can cancel the lease, it bears any losses of the lessor that arise from the cancellation;
- the lessee benefits from fluctuations in the fair value of the residual value, for example by receiving rent rebates for most of the sales proceeds at the end of the lease;
- the lessee can continue the lease for a secondary period at a below-market rent, making it highly probable that the lease will be renewed.

Finance lease

At the commencement of the lease, NCIO recognises assets acquired under finance leases as assets, and the associated lease obligations as liabilities in its statements of financial position. The amount recognised as an asset and liability is the lower of:

- the fair value of the leased asset; and
- the present value of the minimum lease payments.

To calculate the present value, the minimum lease payments are discounted at the interest rate implicit in the lease, which is the rate that makes the sum of the minimum lease payments and the unguaranteed residual value equal to the fair value of the leased asset plus initial direct costs.

If this rate is not available, NCIO uses its incremental borrowing rate, i.e. the rate it would have to pay on a similar lease or on borrowings over a similar term with similar security.

The leased assets are depreciated over the shorter of the lease term and its useful life. If it is reasonably certain that title will pass to the lessee at the end of the lease term, the asset is depreciated over its useful life.

Lease rentals are split into two components: an interest charge and the reduction in the lease liability.

Operating lease

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term by NCIO.

All leases entered into by NCIO as a lessee are currently classified as an operating lease. Main types of assets leased by NCIO relate to buildings, fiber optic/coax network/pipeline or other IT infrastructure lease, leased communication lines, network stations, sites, antennas, nodes, other machinery/equipment leases (e.g., Satcom MOU), towers/ground satellite station lease, data center lease, cloud computing leases, transmission capacities, photocopiers and cars.

r. Inventories

Inventories are assets in the form of materials or supplies to be consumed or distributed in the production process or in the rendering of services or held for sale or distribution in the ordinary course of operations or in the process of production for sale or distribution.

Recognition

NCIO recognises an inventory item when all the following apply:

- it is probable that the future economic benefits or service potential associated with the item will flow to NCIO;
- NCIO has control over it; and
- the cost can be measured reliably (estimates are also permitted).

In accordance with the NAF, NCIO acts as a service provider for inventory items of CIS and/or AIS for the NATO Military Commands ((ACO) and (ACT)) as well as for (IS) and (IMS). As a result, NCIO has control over these inventories because it uses them to provide goods and services to its customers. It therefore reports these inventory items in its financial statements

Stock items within NCIO, therefore, mainly include the following tangible items:

- materials or supplies to be consumed in the production process;
- materials or supplies to be consumed or distributed in the rendering of services;
- held for sale or distribution in the ordinary course of operations; or
- in the process of production for sale or distribution.

NCIO has not applied capitalisation thresholds towards its Inventory holdings.

Initial measurement

The cost of inventories comprises all costs of purchase, cost of conversion, and other costs incurred in bringing the inventories to their present location and condition.
The costs of purchase comprise the purchase price; import duties and other taxes (insofar as not recoverable from the taxing authorities) and transport, handling, and other costs directly attributable to the acquisition of finished goods, materials and supplies.
Trade discounts, rebates and other similar items are deducted. The costs of conversion include costs directly related to the units of production, such as direct labour and a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods.
Other costs are included in the cost of inventories only to the extent that they are incurred in bringing the inventories to their present location and condition.

Subsequent measurement

The cost of standard items of inventories is measured by using the weighted average cost (WAC) formula at NCIO.
After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.
Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.
Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the NCIO.

s. Impairment of non-financial assets – cash generating assets

The recoverable amounts of cash generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change, which may then impact management's estimations and require a material adjustment to the carrying value of tangible assets.

NCIO reviews and tests the carrying value of cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Cash generating assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates of expected future cash flows are prepared for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

t. Impairment of non-financial assets – non-cash generating assets

NCIO reviews and tests the carrying value of non-cash generating assets when events or changes in circumstances suggest that there may be a reduction in the future service potential that can reasonably be expected to be derived from the asset. Where indicators of possible impairment are present, NCIO undertakes impairment tests, which require the determination of the fair value of the asset and its recoverable service amount.

u. Provisions

General

Provisions are recognized when NCIO has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

NCIO recognises provisions for liabilities of uncertain timing or amount including those for legal disputes. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date. The reversal of the unused provision is recognized under 'Other Revenue' in the Statement of Financial Performance. The expense relating to any provision is presented in the Statement of Financial Performance net of any reimbursement.

v. Contingent liabilities and contingent assets

NCIO does not recognize any contingent liabilities, instead contingent liabilities are disclosed, unless the possibility of an outflow is remote. NCIO discloses the inflow of economic benefits when it is probable.

NCIO discloses in the notes to the Financial Statements contingent liabilities where:

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

Contingent assets are recognized when it is virtually certain that the economic benefits will flow into the Group.

w. Events after the financial reporting date of 31 December 2023

NCIO will disclose events, both favourable and unfavourable, that occurred between the reporting date of 31 December 2023 and the date when these Financial Statements were authorised for issue by the General Manager. IPSAS requires two types of events which should be identified:

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

x. Employee benefits

Employment of NATO civilian staff is governed by the NATO Civilian Personnel Regulations. Different rules apply depending on the circumstances of employment. NCIO recognizes the following categories of employee benefits: short-term employee benefits, post-employment benefits, other long-term employee benefits and termination benefits.

Short-term employee benefits

Short-term employee benefits are expected to be settled within 12 months of the reporting date and are measured at their nominal values based on accrued entitlements at current rates of pay. Short-term employee benefits mainly consist of regular monthly benefits such as wages, salaries and allowances and other benefits such as education allowances and home leave at NCIO. An expense is recognised when employees render service to NCIO and a liability is recognised for an entitlement that has not been settled at the reporting date.

Post-employment benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

Provident Fund and Defined Contribution Pension Scheme (DCPS)

Contributions to Provident Fund and DCPS are charged to the Statement of Financial Performance in the year to which they relate. NCIO is not exposed directly to any liabilities that may arise on the scheme and have no control over the assets of the scheme which is accounted for centrally at NATO Headquarters.

Defined Benefit Pension Scheme (DBPS)

Contributions to the NATO Defined Benefit Pension Scheme are charged to the Statement of Financial Performance in the year to which they relate. NCIO is not exposed directly to any liabilities that may arise on the scheme and has no control over the assets of the scheme which is accounted for centrally at NATO Headquarters.

Termination benefits

Termination benefits are employee benefits payable as a result of either NCIO’s decision to terminate a staff member’s employment before the normal retirement date; or a Staff members’ decision to accept voluntary redundancy in exchange for those benefits. A typical example of a termination benefit is a compensation that is paid for loss of job indemnities (LOJI).

The event that gives rise to an obligation is not the service rendered by the employee but the termination itself. NCIO therefore only recognizes a liability for termination benefits when it is effectively committed to either:

- terminating the employment of a (group of) staff member(s) before the normal retirement date; or
- providing termination benefits as a result of an offer made in order to encourage voluntary redundancy.

NCIO needs to have a detailed formal plan for the termination, without realistic possibility of withdrawal.

NCIO recognises its termination benefits as an expense at the moment the employee is notified by means of official letters. In the case of an offer made to encourage voluntary redundancy, NCIO bases its measurement of the termination benefits on the number of employees expected to accept the offer.

y. Related Party Disclosures

NCIO has no related party relationships where significant influence or control of the related party exists from a financial reporting perspective. Many Member Nations and Partner Countries have financial and operating control, or, significant influence over suppliers based in their territories; as such the NCIO can trade with suppliers which may be controlled or influenced by its Member Nations. However, NCIO trades with such suppliers at “arms-length” and under transparent procurement regulations; while it aims to get the best value for money for its Customers, it does not do this through exerting control or significant influence over its suppliers.

The general criteria state that a person, or a close member of that person’s family as well as another entity is a related party of NCIO if that person or entity:

- as control or joint control over NCIO;
- has significant influence over NCIO; or
- is a member of the key management personnel of NCIO.

A related party, therefore, can be an individual person or an entity. A related party transaction is defined as a transfer of resources, services or obligations between a reporting entity (i.e., NCIO) and a related party, regardless of whether a price is charged. NCIO’s main related parties are the Agency Supervisory Board and its key management personnel.

z. Net Assets/Equity including Operating Fund

The Net Surplus / (Deficit) for the Period as realised by NCIO is carried forward in the Statement of Changes in Net Assets/Equity of NCIO by allocating amounts to:

- Net increase / (decrease) to the Reserved Earnings; and
- Net increase / (decrease) to the Retained Earnings.

The Reserved Earnings are further broken down in different subcategories of reserves (see further).

- Reserves – Tangible and Intangible Assets Depreciation Reserves
- Reserves – Internal Investments Reserves
- Reserves – Special Programmes Reserves

The Tangible and Intangible Assets Depreciation Reserves includes the earnings which remain reserved for the assets not yet fully depreciated and/or impaired. The tangible and intangible assets depreciation reserve increases by the acquisition of fixed assets (additions of the year) and decreases by the depreciation of the year. It therefore matches with the carrying amount of owned Intangible Assets and Property, Plant and Equipment at the end of the reporting period.

The aim of the Internal Investment Reserves is to fund Agency Internal Investments.

The Special Programmes Reserves (transition reserve) relates to the Agency’s transition activities at the moment the Agency was formed.

The Retained Earnings encompass two components:

1. Retained Earnings/Operating fund (excluding Inventories)
   - the surplus (deficits) carried forward from prior years; and
   - a portion of the Surplus (Deficits) for the current year, which is allocated to Retained Earnings (therefore not allocated to Reserved Earnings).
2. Retained Earnings/Operating fund related to Inventories

The Inventory accounting is composed of earnings on the accounting for inventories, including low value PPEs (below thresholds) stored at the CSSC and CSU warehouses and as a result of changes in inventory asset values (WAC). These inventory flows are mainly non-monitary elements and therefore are kept separetly from the Retained Earnings/Operating fund used for the Customer Rates Calculation rebates. This approach is similar to the accounting principle applied for the depreciation reserve mechanism.

The main reason for splitting into 2 components is to provide transparency to our Governance and to provide the useful information for future decision on the usage of the Operating Fund.

aa. Budget Execution Statement/Financial Plan

IPSAS 24 - Presentation of Budget Information in Financial Statements applies to public sector entities which are required or elected to make their approved budgets publically available, NCIO does not make their approved budgets publicly available, hence NCIO do not apply IPSAS 24. However, NCIO shows a budget execution summary for specific budget elements to provide useful information to the reader of the Financial Statements.

NCI Agency, under full Customer Funding, has no budget but an Annual Financial Plan, which is approved by the ASB under the NCIO Charter, and which includes a statement of planned income (revenue) and expenditure (expenses).

3. Significant accounting judgements, estimates, assumptions and legal proceedings

The preparation of Financial Statements in accordance with IPSAS requires NCIO to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the year. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

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

The areas where estimates, assumptions or judgements are significant to NCIO’s Financial Statements include, but are not limited to:

- the assessment and measurement of revenue and related expenses in relation to developing C3 and CIS assets during the asset under construction phase using the percentage of completion method;
- the period over which non-current assets (i.e. intangible assets and property, plant and equipment) are depreciated or amortised;
- the measurement of provisions and pension obligations; and
- the estimates used in impairment tests that have been carried out.

Legal proceedings both real and possible

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

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

NOTES TO THE FINANCIAL STATEMENTS

A. *Notes to the NCIO Statement of Financial Position*

1. Cash and Cash Equivalents

(all figures in the table are expressed in thousands of Euro)

		2023	2022 Restated	2022
Cash and Cash Equivalents				
100	Cash in hand	27	26	26
102	Current bank accounts - Euro	247,242	196,776	196,776
104	Current bank accounts - Non-Euro	10,500	19,708	19,708
106	Current investments accounts - Euro	10,184	10,025	10,025
108	Current investments accounts - Non-Euro	3,291	27,217	27,217
		271,243	**253,753**	**253,753**

Cash in hand is mainly related to cash that is held by the approved Agency business credit card users and the advance account in Izmir. It represents the cash withdrawn from the ATMs for the procurement of low value, urgent items but not yet spent.

Current bank accounts are considered to be cash that can be accessed at very short notice (e.g. 1 working day) while Current investments represents short-term deposits with a duration of typically one to three months. Non-Euro bank accounts are mainly held in USD, GBP and NOK currencies to pay Agency liabilities in these currencies.

Cash and Cash equivalents Current bank accounts and investments are spread among a number of banks that have “A grade” credit ratings to optimise the bank charges and interest cost as well as to manage the counterparty risk. The only exception to a grade rated bank is an advance account in Türkiye with a total value of 25 KEUR to facilitate local operations.

Cash and cash equivalents include amounts advanced by Customers for future usage, the NCI Agency relies on the Customer provided funding via advance payments and timely payment of invoices to provide the cash flow for daily operations.

2. Accounts Receivable

(all figures in the table are expressed in thousands of Euro)

		2023	2022 Restated	2022
Receivables				
11001	Customer receivables (A/R) - Common funded - NATO and NATO entities	193,323	193,067	20,297
11002	Customer receivables (A/R) - Not common funded	20,675	10,092	10,092
1107	Customer receivables - Bad debts	78	1,157	1,157
11000	Customer receivables (A/R) - Common funded - NSIP	0	0	0
113	Customer receivables - Recoverable expenses	14	(156)	(156)
114	Customer receivables - Impairments	(837)	(1,184)	(1,157)
115	Current receivables - Tax or personnel related	4,753	3,965	3,965
116	Current receivables - Accrued, unbilled revenue	114,211	138,835	138,393
119	Current receivables - Other	15	0	0
		332,231	**345,776**	**172,590**

NCIO adopted the new IPSAS 41 standard in respect to Trade Receivables for financial risks by utilizing historical credit loss experience to determine the provisioned amount. The Impairments show a decrease of 0.8MEUR in comparision to the 2022 Financial Statement note restated.

As per IBAN recommendation, NSIP Quarterly Accounting Financial Report (QAFR) bookings for 172.7 MEUR in 2022 has been restated to current liabilities – deferred revenue and advances.

The NCI Agency reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Cash generating assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities.

3. Prepayments and Miscellaneous Assets

(all figures in the table are expressed in thousands of Euro)

		2023	2022 Restated	2022
Prepayments and Miscellaneous Assets				
13	Prepayments	16,852	7,328	7,328
		16,852	**7,328**	**7,328**

This amount represents advances and prepayments made to vendors (including prepaid expenses) required to maintain continuity in service provision toward the Agency customers.

4. Inventories

(all figures in the table are expressed in thousands of Euro)

		2023	2022 Restated	2022
Inventory				
14000	Inventory - Consumables	24,543	22,959	22,959
14001	Inventory - Spare parts	1,854	1,465	1,465
14005	Inventory - Minor Equipment	43,362	39,826	39,826
		69,758	**64,250**	**64,250**

The NATO Accounting Framework clarifies that the NCI Agency on behalf of the NCI Organisation acts as a service provider for inventory of CIS and/or Automated Information Systems (AIS) for the NATO Military Commands (Allied Command Operations (ACO) and Allied Command Transformation (ACT)) as well as for International Staff (IS) and International Military Staff (IMS). NCIO has control over these inventories in order to provide goods and services to its customers and, therefore, reports them as inventories in its financial statements.

Since the NCI Agency became fully Customer Funded as of 1 Jan 2014 inventories are fully disclosed, as the NCI Agency is no longer acting as an agent on behalf of a third party but rather as a principal in rendering services to its Customers.

The regular inventory variance of the year is reflected within the statement of performance. CSSC logistic staff conducts regularly a count of the inventories, and where necessary, they update the items on stock that requires weighted average cost price adjustments based at the best fair value. At the end of Fiscal Year 2023, the inventory ending balance amounts to 69.8 MEUR (increase of stock)[1].

NCIO CIS/AIS inventories are required to assure the delivery of services by NCIO to our customers and are in line with Service Level Agreements, Service Support Projects and Operational Level Agreements. These items are often, due to their nature, slow moving and are disclosed at weighted average cost. NCIO has already initiated a process (integral part of which is the identification of that kind of stock which could be deemed strategic due to its nature) of valuation of items that could potentially be characterized as slow

[1] NSPO held inventory on behalf of NCI Agency for providing logistical services and support for certain NATO equipment. Those inventory items are financially reported as assets under construction under Property, Plant and Equipment (PP&E) and Intangible Assets note.

moving, taking into consideration NATO Accounting Framework provisions as well as short and long term operational needs. Furthermore NCIO, as per NATO Accounting Framework, retains the option to write down to the net realizable value, items which are considered as slow-moving over the last 36 months. NCIO has chosen not to perform a write down on the inventory holdings.

5. Work In Progress

(all figures in the table are expressed in thousands of Euro)

		2023	2022 Restated	2022
Work in Progress				
145	Work in progress	5,476	4,304	4,304
		5,476	**4,304**	**4,304**

The work in progress consists of capitalised expenses for pre-financed projects, cost overruns on Advance Planning Funds (APF) and for recoverable exceptions.

Pre-financed projects totalling 0.5 MEUR are governed by existing binding arrangements (overarching framework agreements such as Memorandum of Understanding – MOU) between the Agency and its main customers. All existing pre-finance authorisations are granted as per the terms and conditions prescribed in the FRPs specifically developed for the Agency operating under its Customer Funding Regime. The decision to pre-finance projects is assessed by the Chief Operating Officer (COO), Production Chiefs and the Financial Controller prior to being approved on a case-by-case basis by the Financial Controller. Accordingly this is not considered as a technical contingent asset.

For projects sponsored by NSIP, APFs may be authorised to cover the initial cost for writing the full project price proposal (TBCE). In some cases the APFs are insufficient to cover this initial effort in which case the NCI Agency capitalises the shortfall pending approval of the Project Service Cost (PSC). Funds expended during this stage are capitalised as work in progress for a total amount of 0.1 MEUR.

In the course of executing projects, sometimes the Customer requests changes in specifications, scope, or duration that results in the costs exceeding the contracted revenue. Similarly to APF over-runs, for these recoverable exceptions, costs are capitalised until the exceptions are contractually regularised. The total capitalised amount of recoverable exceptions is 4.9 MEUR.

6. Non-current Receivables

(all figures in the table are expressed in thousands of Euro)

		2023	2022 Restated	2022
Non-current Receivables				
160	Non-current financial assets	549	548	548
		549	**548**	**548**

These are outstanding prepayments on long term (> 1 year) to suppliers.

7. Property, Plant and Equipment (PP&E) and Intangible Assets

The NCI Agency has applied the NATO Accounting Framework (NAF), adapting IPSAS 17 on Property Plant and Equipment (PP&E) and IPSAS 31 on Intangible Fixed Assets, in that respect all Tangible and Intangible (PPE and Intangible Assets) acquired prior to 1 Jan 2013 are considered expensed.

According to the NATO Accounting Framework and in accordance with IPSAS 17 Property, Plant and Equipment and IPSAS 31 Intangible Assets, NCIO shall capitalise all CIS Assets including under Construction or Development for the NATO Command Structure as well as for IS and IMS as of 1 January 2018.

This shall apply for all new CIS assets with construction starting on or after 1 January 2018 but also, for existing assets partially under Construction or Development that continue after 1 January 2018. The costs as of 1 January 2018 have to be capitalised and the cost of assets under construction prior to 1 January 2018 shall be expensed as per the NATO Accounting Framework – Note by the Deputy Secretary General reference C-M(2016)0023.

The restatement is the result of a continuing Asset Management process improvement and Finance internal control effort on CIS Assets Under Construction or Under Development, and CIS In-Service Assets including Tangible and Intangible Assets where NCIO acts as a service provider toward the NATO Command Structure as well as for IS and IMS. In comparison with 2022 published Financial statements, the restated Property Plant and Equipment and Intangible Assets decreased for a total Net Book Value of 9.1 MEUR that can be further broken-down by an historical cost increase of 1.1 MEUR, an accumulated depreciation increase of (5,4 MEUR)and Write-Offs decrease of (1.2 MEUR). The restated Depreciation/Impairments balance of 31-Dec-21 includes as well an impairment of 4.6 MEUR for which there is indicator of no future service potential and therefore the valuation of these assets has been reduced to zero. Additional details and comparative analysis by Asset Category can be found in the below 2023, 2022 Restated and 2022 published Note tables.

In accordance to NCIO Financial Rules and Procedures, the 2022 (restated) and 2023 Write Offs related to CIS PPEs and Asset under Constructions is disclosed on Note 26.

In 2022 and 2023, the Agency submitted the request ofthe write-off of NSIP funded assets to the Investment Committee for approval in accordance with the NFRs and the Procedure on Property Accountability and write-off Authority for NATO Infrastructure for which Agencies (NCIO) are Responsible (Annex II to Addendum to AC/4-D/1058 (Final)).

NCIO Statement of Property, Plant and Equipment and Intangible Assets

	ACQUISITION						DEPRECIATION/IMPAIRMENT				BOOK VALUE
As of 31 December 2023 *(all figures are expressed in thousands of Euro)*	31-Dec-22 Restated	Current Year	Transfers / Reversals	Disposals / Adjustm.	Revaluation	31-Dec-23	31-Dec-22 Restated	Current Year	Disposals / Adjustm.	31-Dec-23	31-Dec-23
PLANT, PROPERTY AND EQUIPMENT											
Automated Data Processing (ADP) Equipment	261,635	1,200	68,192	0	0	**331,027**	(157,473)	(65,648)	0	**(223,121)**	**107,906**
Communications Equipment	4,871	162	497	0	0	**5,530**	(2,192)	(1,481)	0	**(3,673)**	**1,857**
Mission Equipment	6,217	105	172	0	0	**6,495**	(4,513)	(1,135)	0	**(5,647)**	**848**
Machinery	3,907	0	2	0	0	**3,909**	(2,341)	(391)	0	**(2,732)**	**1,177**
Installed Equipment	6,455	129	1,258	0	0	**7,841**	(2,708)	(691)	0	**(3,399)**	**4,443**
Office Furniture	9,250	0	34	0	0	**9,285**	(1,447)	(933)	0	**(2,380)**	**6,905**
Passenger Vehicles	544	0	0	0	0	**544**	(404)	(38)	0	**(442)**	**102**
Buildings	4,504	0	924	0	0	**5,427**	(146)	(524)	0	**(670)**	**4,757**
Other Infrastructure	12,439	0	322	0	0	**12,761**	(158)	(324)	0	**(482)**	**12,279**
Assets under construction - Tangible	205,774	140,281	(71,401)	(1,423)	0	**273,231**	(4,581)	0	0	**(4,581)**	**268,651**
TOTAL PLANT, PROPERTY AND EQUIPMENT	**515,596**	**141,877**	**0**	**(1,423)**	**0**	**656,050**	**(175,962)**	**(71,163)**	**0**	**(247,126)**	**408,924**
INTANGIBLE ASSETS											
Software Licences - COTS	31,322	0	9,187	0	0	**40,509**	(17,987)	(9,219)	0	**(27,207)**	**13,303**
Software Licences - Bespoke	165,664	0	17,652	0	0	**183,316**	(37,178)	(17,360)	0	**(54,538)**	**128,778**
Assets under construction - Intangible	230,876	75,660	(26,839)	(38)	0	**279,659**	0	0	0	**0**	**279,659**
TOTAL INTANGIBLE ASSETS	**427,862**	**75,660**	**0**	**(38)**	**0**	**503,484**	**(55,165)**	**(26,579)**	**0**	**(81,744)**	**421,740**
TOTAL PLANT, PROPERTY AND EQUIPMENT & INTANGIBLE	**943,458**	**217,538**	**0**	**(1,461)**	**0**	**1,159,534**	**(231,128)**	**(97,742)**	**0**	**(328,870)**	**830,664**
DEPRECIATION RESERVE	**22,687**	**4,886**	0	0	0	**27,573**	**(6,370)**	**(4,297)**	0	**(10,667)**	**16,906**
INCREASE/(DECREASE) DEPRECIATION RESERVE	0	4,886	0	0	0	**4,886**	0	(4,297)	0	**(4,297)**	**589**
DEFERRED REVENUE	**920,770**	**212,652**	0	**(1,461)**	0	**1,131,961**	**(224,757)**	**(93,446)**	0	**(318,203)**	**813,758**
INCREASE/(DECREASE) DEFERRED REVENUE	0	212,652	0	(1,461)	0	**211,191**	0	(93,446)	0	**(93,446)**	**117,745**

NCIO Statement of Property, Plant and Equipment and Intangible Assets

	ACQUISITION						DEPRECIATION/IMPAIRMENT				BOOK VALUE
As of 31 December 2022 Restated *(all figures are expressed in thousands of Euro)*	31-Dec-21 Restated	Current Year	Transfers / Reversals	Disposals / Adjustm.	Revaluation	31-Dec-22	31-Dec-21 Restated	Current Year	Disposals / Adjustm.	31-Dec-22 Restated	31-Dec-22 Restated
PLANT, PROPERTY AND EQUIPMENT											
Automated Data Processing (ADP) Equipment	155,866	1,990	103,666	112	0	261,635	(94,814)	(62,659)	0	(157,473)	104,162
Communications Equipment	1,746	251	2,875	0	0	4,871	(960)	(1,232)	0	(2,192)	2,680
Mission Equipment	5,405	692	120	0	0	6,217	(3,145)	(1,368)	0	(4,513)	1,705
Machinery	3,663	212	31	0	0	3,907	(1,960)	(381)	0	(2,341)	1,566
Installed Equipment	5,554	46	856	0	0	6,455	(2,129)	(580)	0	(2,708)	3,747
Office Furniture	9,250	0	0	0	0	9,250	(522)	(925)	0	(1,447)	7,803
Passenger Vehicles	511	33	(0)	0	0	544	(370)	(34)	0	(404)	140
Buildings	1,557	0	2,947	0	0	4,504	(56)	(90)	0	(146)	4,358
Other Infrastructure	2,665	0	9,773	0	0	12,439	(65)	(93)	0	(158)	12,281
Assets under construction - Tangible	209,054	116,988	(120,268)	0	0	205,774	(4,581)	0	0	(4,581)	201,194
TOTAL PLANT, PROPERTY AND EQUIPMENT	**395,272**	**120,211**	**0**	**112**	**0**	**515,596**	**(108,601)**	**(67,362)**	**0**	**(175,962)**	**339,633**
INTANGIBLE ASSETS											
Software Licences - COTS	29,646	0	1,676	0	0	31,322	(10,076)	(7,911)	0	(17,987)	13,335
Software Licences - Bespoke	161,291	0	4,372	0	0	165,664	(20,768)	(16,410)	0	(37,178)	128,486
Assets under construction - Intangible	166,896	70,327	(6,049)	(299)	0	230,876	0	0	0	0	230,876
TOTAL INTANGIBLE ASSETS	**357,834**	**70,327**	**0**	**(299)**	**0**	**427,862**	**(30,844)**	**(24,321)**	**0**	**(55,165)**	**372,697**
TOTAL PLANT, PROPERTY AND EQUIPMENT & INTANGIBLE	**753,106**	**190,539**	**0**	**(187)**	**0**	**943,458**	**(139,444)**	**(91,683)**	**0**	**(231,128)**	**712,330**
DEPRECIATION RESERVE	**14,690**	**7,998**	0	0	0	22,687	**(3,731)**	**(2,639)**	0	(6,370)	16,317
INCREASE/(DECREASE) DEPRECIATION RESERVE	0	7,998	0	0	0	7,998	0	(2,639)	0	(2,639)	5,359
DEFERRED REVENUE	**738,416**	**182,541**	0	**(187)**	0	920,770	**(135,713)**	**(89,044)**	0	(224,757)	696,013
INCREASE/(DECREASE) DEFERRED REVENUE	0	182,541	0	(187)	0	182,354	0	(89,044)	0	(89,044)	93,310

NCIO Statement of Property, Plant and Equipment and Intangible Assets

As of 31 December 2022 *(all figures are expressed in thousands of Euro)*	ACQUISITION 31/12/2021 Restated	Current Year	Transfers / Reversals	Disposals / Adjustm.	Revaluation	31-Dec-22	DEPRECIATION 31/12/2021 Restated	Current Year	Disposals / Adjustm.	31-Dec-22	BOOK VALUE 31-Dec-22
PLANT, PROPERTY AND EQUIPMENT											
Automated Data Processing (ADP) Equipment	180,804	1,614	102,948	0	0	285,366	(102,714)	(68,701)	0	(171,415)	113,951
Communications Equipment	994	120	3,179	0	0	4,292	(623)	(1,110)	0	(1,733)	2,559
Mission Equipment	3,062	0	1,074	0	0	4,136	(2,127)	(912)	0	(3,039)	1,097
Machinery	140	179	65	0	0	384	(32)	(29)	0	(61)	324
Installed Equipment	3,293	0	812	0	0	4,105	(807)	(337)	0	(1,144)	2,961
Office Furniture	9,250	0	0	0	0	9,250	(685)	(925)	0	(1,610)	7,640
Passenger Vehicles	451	0	0	0	0	451	(369)	(19)	0	(389)	63
Buildings	1,557	0	2,947	0	0	4,504	(56)	(69)	0	(125)	4,379
Other Infrastructure	2,665	0	9,773	0	0	12,439	(65)	(132)	0	(197)	12,241
Assets under construction - Tangible	224,643	141,885	(120,798)	(1,396)	0	244,333	0	0	0	0	244,333
TOTAL PLANT, PROPERTY AND EQUIPMENT	**426,859**	**143,798**	**0**	**(1,396)**	**0**	**569,261**	**(107,478)**	**(72,235)**	**0**	**(179,713)**	**389,547**
INTANGIBLE ASSETS											
Software Licences - COTS	24,843	0	953	0	0	25,796	(9,786)	(6,726)	0	(16,512)	9,284
Software Licences - Bespoke	111,176	0	36,335	0	0	147,511	(15,758)	(13,891)	0	(29,649)	117,862
Assets under construction - Intangible	211,161	56,490	(37,289)	0	0	230,362	0	0	0	0	230,362
TOTAL INTANGIBLE ASSETS	**347,179**	**56,490**	**0**	**0**	**0**	**403,669**	**(25,544)**	**(20,618)**	**0**	**(46,161)**	**357,508**
TOTAL PLANT, PROPERTY AND EQUIPMENT & INTANGIBLE	**774,038**	**200,288**	**0**	**(1,396)**	**0**	**972,930**	**(133,022)**	**(92,853)**	**0**	**(225,875)**	**747,055**
DEPRECIATION RESERVE	**13,674**	**8,243**	0	0	0	21,917	**(2,931)**	**(1,873)**	0	(4,804)	17,112
INCREASE/(DECREASE) DEPRECIATION RESERVE	0	8,243	0	0	0	8,243	0	(1,873)	0	(1,873)	6,370
DEFERRED REVENUE	**760,364**	**192,045**	0	**(1,396)**	0	951,013	**(130,091)**	**(90,979)**	0	(221,070)	729,943
INCREASE/(DECREASE) DEFERRED REVENUE	0	192,045	0	(1,396)	0	190,649	0	(90,979)	0	(90,979)	99,669

8. Payables

(all figures in the table are expressed in thousands of Euro)

		2023	2022 Restated	2022
Payables				
2000	Supplier payables - Accounts payable	42,877	31,337	31,337
2004	Supplier payables - Accrued supplier invoices	82,337	69,931	69,931
2006	Supplier payables - Warranties received	709	1,079	1,079
		125,923	**102,347**	**102,347**

Trade payables are short-term (< 1 year) liabilities to Vendors; directly related to the activities and operations of the Agency.

9. Deferred Revenue and Advances

(all figures in the table are expressed in thousands of Euro)

		2023	2022 Restated	2022
Deferred Revenue and Advances				
Current Liabilities		**525,180**	**493,912**	**331,578**
211	Deferred Revenue	325,932	276,278	286,714
215	Advances	199,247	217,634	44,864
Non-Current Liabilities		**725,491**	**619,016**	**650,484**
271	Deferred Revenue (NC*)	725,491	619,016	650,484
		1,250,670	**1,112,929**	**982,063**

*Non-Current

The Current and Non-Current Deferred/Unearned Revenue and Advances are composed of:

- Revenue billed for ongoing projects and services, however revenue earned is determined through the stage of completion resulting in 1,051 MEUR of revenue billed but not yet recognised as earned.
- Advances and prepayments of 199.2 MEUR refer to deposits from customers and nations for projects and services that will be delivered by the agency.

For comparative reasons, the 2022 deferred revenue, Current and Non-Current were restated.

This restatements is related to:

- The ongoing improvement effort and review of assets under construction and in-services assets Property, plant and Equipment and Intangible assets;
- The change in measurement of a transaction/recognition for firm fix price customer agreements/contracts;
- NSIP QAFR advances which are now disclosed as an advance. The restatement resulted to a net increase of 166.7 MEUR in current deferred revenue and advances; and a net decrease of 10.2 MEUR in the non-current deferred revenue.

10. Other Current Liabilities

(all figures in the table are expressed in thousands of Euro)

		2023	2022 Restated	2022
Other Current Liabilities				
250	Current tax and personnel related liabilities	10,523	12,988	12,988
254	Current other liabilities	7,721	10,111	10,111
		18,244	**23,099**	**23,099**

The Other Current Liabilities arecomposed of:

- The current Tax and personnel related liabilities of 11MEUR which include:
  - The NCI Agency estimated liability for the untaken leave days outstanding at year end, in accordance with IPSAS 25 Employee benefits, constitutes a liability towards the future for 10.1 MEUR (2022: 12.7 MEUR). This liability is calculated on a rolling basis, i.e. the prior year liability is reversed at the beginning of the year and a new estimate calculated, thus charging the change for the year to the personnel costs in the Statement of Financial Performance. The costs of these untaken leaves days has been absorbed during the year through the monthly salaries whereas the loss of production of capacity when the leave to be taken is pushed forward to the next year. This constitutes an Agency liability towards the future which is recognized.
  - The liability made of 0.1 MEUR (2022: 0.1 MEUR for JFC Naples for "Trattamento di Fine Rapporto (TFR)" in application of the Italian Law and of IPSAS 19. TFR is a vested benefit payable to the employee for a part of his / her salary deferred in time to the moment when termination of the contract takes place. The calculation of the value of this liability takes place annually and includes interests for the loan forcedly made by the employee to the employer given the fact that payment is deferred to a later time. In view of the foregoing, TFR has to be considered as one extra monthly instalment of the annual pay.
- The current other liabilities of 7.7 MEUR mainly represent NSIP annual gains and losses.

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11. Provisions

(all figures in the table are expressed in thousands of Euro)

		2023	2022 Restated	2022
Provisions				
2901	Provisions - Major risks and costs	4,625	9,276	9,276
		4,625	**9,276**	**9,276**

Provisions are liabilities and obligations, which are known to exist but for which the amount is not certain yet and the probability of occurrence is not fully known at the time of the disclosure.

Provisions - Major risks and costs 2023	Beginning Balance	Additions	Used	Reversal	Ending Balance
Provisions for future/expected loss on active Project/Service contracts	937	2,254	(597)	0	2,594
Provisions for litigations	8,339	1,692	(2,652)	(5,348)	2,031
Total 2023	**9,276**	**3,946**	**(3,249)**	**(5,348)**	**4,625**

Major risks and costs:

- Projects are constantly monitored and deviations from the original cost estimates and authorised budgets are reported and analysed. At year-end closing a thorough cost-to-complete exercise is carried out to determine what the current status is in terms of costs and revenue to date, and to estimate what the cost-to-complete will be for multiple year projects. If, as a result of this process, the project management together with the NCI Agency Capability Development's financial management come to the conclusion that the project is likely to generate a loss at completion, then a provision is made to cover for that potential future loss. Analysis conducted at a later stage may result in a change of estimates which translates in an increase or decrease of the provision built up in prior years. The total provision for the Customer Funded projects stands at 2.6 MEUR following an increase of 1.7 MEUR.
- Provisions related to litigations (contractual) and other major risks amount to 2 MEUR, reflecting a decrease of 6.3 MEUR.

B. *Notes to the NCIO Statement of Financial Performance*

12. Projects and Support Service Revenue

(all figures in the table are expressed in thousands of Euro)

		2023	2022 Restated	2022
Project and Support Services Revenue				
5000	Project services revenue - Billed	143,740	129,359	129,359
5005-5009	Project services revenue - Accrued/(Deferred)	(35,287)	(33,586)	(32,928)
5010	Support services revenue - Billed	246,090	245,759	245,759
5015-5019	Support services revenue - Accrued/(Deferred)	545	1,070	(679)
		355,089	**342,601**	**341,511**

With the introduction of full Customer Funding as of 1 Jan 2014, the 2023 operations revenue can be categorised as either Project Services Revenue for 108.5 MEUR and Support Services Revenue for 246.6 MEUR, coming from signed Service Level Agreements (Service Support Costs) and other Service Agreements, all agreed and calculated at approved Customer Rates.

For all Customer Funded revenue, revenue is recognised, in accordance with IPSAS 9 and 11, by reference to the stage of completion or the cost burn rate, depending on the type of funding agreement; firm fixed price or cost reimbursable. In applying this revenue recognition a "cost to complete" is calculated based on either inputs from the project manager as to the resources required to complete the project/deliverables or either based on information from the financial system as to the legal liabilities incurred per the end of 2023, but not yet accrued or expended, and which nevertheless form part of the 2023 services signed with the Customers through the Service Level Agreements.

For comparative reasons, the 2022 numbers were restated related resulting to an increase of 1.1 MEUR in comparison with 2022 audited note.

This restatements is related to:

- The ongoing improvement effort and review of assets under construction and in-services assets Property, Pand Equipment and Intangible assets;
- The change in measurement of a transaction/recognition for firm fix price customer agreements/contracts.

13. External Service Revenue

(all figures in the table are expressed in thousands of Euro)

		2023	2022 Restated	2022
External Services Revenue				
5100	External CIS revenue – Billed	199,052	184,030	184,030
5105-5109	External CIS revenue – Accrued/(Deferred)	766	4,783	6,994
		199,818	**188,813**	**191,023**

The total revenue per service as specified in the Service Level agreements have two revenue components. There is the Service Support Revenue element that is based on effort charged at approved customer rates and the External CIS Revenue of 199.8 MEUR in 2023 that represents the revenue charged to customers to cover the contractual supplies and services delivered by industry required by the NCI Agency to provide its CIS services.

For comparative reasons, the 2022 numbers were restated resulting in a decrease of 2.2 MEUR in comparison with audited 2022 note.
This restatements is related to:

- The ongoing improvement effort and review of assets under construction and in-services assets Property, plant and Equipment and Intangible assets;
- The change in measurement of a transaction/recognition for firm fix price customer agreements/contracts;

14. Acquisition Revenue

(all figures in the table are expressed in thousands of Euro)

		2023	2022 Restated	2022
Acquisition Revenue				
5110	Acquisition revenue - Billed	356,042	246,443	246,443
5115-5119	Acquisition revenue – Accrued/(Deferred)	(147,656)	(70,879)	(77,834)
		208,386	**175,564**	**168,609**

Acquisition Revenue is earned as Host Nation for the NSIP, and for other NATO entities and Nations.

Revenue is recognised by reference to the stage of completion or the cost burn rate, depending on the type of funding agreement; firm fixed price or cost reimbursable. All of NSIP and, most other agreements as well, are through cost reimbursable funding agreements, and thus at cost burn rate.

For comparative reasons, the 2022 numbers were restated resulting to an increase of 7.0 MEUR in comparison with audited 2022 note. This restatements is related to the ongoing improvement effort and review of assets under construction and in-services assets Property, Plant and Equipment and Intangible assets.

15. Other Revenue

(all figures in the table are expressed in thousands of Euro)

		2023	2022 Restated	2022
Other Revenue				
52	Other operations revenue	2,070	2,532	2,532
546	Reversal of unused Provisions	6,427	2,392	2,392
		8,497	**4,923**	**4,923**

Other Revenue consists of elements such as:

- Revenue from 2023 budget for the ASB Independent Secretariat for a total of 1.3 MEUR. Details and their Budget Execution Statement can be found under section E of the Notes to the Financial Statements.
- Reversal of provisions resulting from positive outcome of contractual litigations from the prior years, for a total of value of 6.4 MEUR for 2023 fiscal year.

16. Financial Revenue and Expenses

(all figures in the table are expressed in thousands of Euro)

		2023	2022 Restated	2022
Financial Revenue and Expenses				
550	Foreign exchange surpluses	2,375	2,641	2,641
555	Other financial surpluses	4,826	694	694
750	Foreign exchange deficits	(2,798)	(2,584)	(2,584)
7550	Financial costs - Current liabilities	(15)	(168)	(168)
7555	Financial costs - Other	(0)	(0)	(0)
		4,389	**583**	**583**

The total result from financial revenue and expenses is a gain of 4.4MEUR.For IC acquisition activity the financial result is borne by NSIP and is thus not included here.

17. Cost of Acquisitions

(all figures in the table are expressed in thousands of Euro)

		2023	2022 Restated	2022
Cost of Acquisition				
727560	Contractors, general services and supplies for NSIP	144,694	144,319	114,705
727560	Contractors, general services and supplies for Third Parties	88,750	49,803	79,417
727561	Lease Expenses for NSIP	61,190	54,223	54,223
7291	Capitalized costs - Acquisition costs	(164,116)	(137,924)	(150,071)
		130,518	**110,421**	**98,274**

The NCI Agency procures goods and services using funds provided by all its customers but the main expenses represented in the cost of acquisition are related to IC/NSIP funds.

As for the revenue, the cost of acquisitions does not include the Project Service Costs (PSCs) of the NCI Agency to enact the procurements on behalf of customers. These professional fees are accounted for through the Project and Service Support Revenue as they relate to the NCI Agency work across the C4ISR lifecycle. It must be noted that there is not a direct relationship for any financial year between the PSCs with the specific acquisition payments and costs associated with major acquisitions. This is due to the fact that PSCs are recognisable when the service is provided and not when the actual acquisition transactions occur, particularly as the subsequent receipt of goods and payment to Vendors can occur over many years when downstream activity is minimal.

The decrease of capitalized Acquisition costs of 12.1 MEUR in the 2022 restated column in comparison with the 2022 column is the result of a corrective action on the capitalized costs related to the construction of CIS Assets for which NCIO acts as a service provider toward the NATO Command Structure as well as for IS and IMS, including Asset Under Construction or Under Development, and In-Service Tangible or Intangible Assets.

The Contractors, general services and supplies expenses for NSIP increased in the 2022 restated column with 29.6 MEUR due to the an incorrect classification of expenses under Contracts, general services and supplies for Third Parties.

Operating Lease Commitments:

(all figures in the table are expressed in thousands of Euro)

At 31 December 2023 the Agency was party in an operating lease agreement related to its activities that expires within the contractual terms agreed. The minimum future non-cancellable operating lease payments under the agreement are as follows:

	2023	2022 Restated	2022
Operating Lease - Future Commitments			
Less than 1 year	63,823	63,849	62,572
More than 1 year and less than 5 years	242,630	243,982	243,982
More than 5 years	401,956	464,427	464,427
	708,410	**772,258**	**770,981**

The rent expense under such lease for the period ended 31 December 2023 amounted to 63.8 MEUR and is included in the surplus/deficit of the year. The 2022 Operating lease commitments are restated to represent the actual cost of 2023.
In some particular cases, NCIA recognizes operating lease expenses on accrual basis when the services are obtained, that represents more correctly the time when the benefits are received.

18. Personnel Costs

(all figures in the table are expressed in thousands of Euro)

		2023	2022 Restated	2022
Personnel Costs				
710	Salaries, allowances and other remunerations	240,405	220,177	220,177
711	Interim Workforce Capacity (IWC)	61,470	66,571	66,571
712	Recruitment costs and installation and separation allowances	2,969	2,112	2,112
713	Clothing costs and allowances	89	93	93
715	Medical examinations and general personnel related insurances	23,372	21,046	21,046
716	Education and training	5,891	5,047	5,047
717	Employer contributions to pensions; loss of job and other personnel contracts related indemnities	603	251	251
718	NATO Pensions (Pension funds)	18,867	16,535	16,535
719	Capitalized personnel Costs	(48,807)	(44,530)	(46,455)
7191	Usage of Provision	(597)	(2,420)	(2,420)
		304,261	**284,882**	**282,957**

Personnel costs in this category are for staff members hired under the NATO Civilian Personnel Regulations (CPRs) and contractors. The figures represent the costs of personnel working on activities required to operate the NCI Agency and deliver services to Customers.
LOJI paid in 2023 was for 0.145 MEUR and the provision is 0.25 MEUR for a settlement payment.

The capitalized personnel costs of 48 MEUR in the 2023 slighty increased in comparison with the 2022. It is the result of the disclosure of capitalized labour costs related to the construction of CIS Assets for which NCIO acts as a service provider toward the NATO Command Structure as well as for IS and IMS and other Asset Under Construction or Under Development, and In-Service Tangible or Intangible Assets. The capitalized costs of 2022 are restated, a decrease of 1.9 MEUR in comparision to the 2022 published.

19. Employee Disclosures

Staff Numbers

At 31 December 2023 - 667 (2022: 690) military posts and 2185 (2022: 2038) NATO civilian posts were filled.

Retirement benefits

NCI Agency NICs and temporary personnel (not contractors), past and present, are enrolled in various NATO pension schemes. The NCI Agency contributes to the schemes for existing employees at amounts laid out in the CPR.
The NCI Agency does not control or manage any of the schemes or scheme assets and is not exposed to the risks and rewards of the schemes and hence does not record any assets or liabilities of the schemes on its Statement of Financial Position. In 2023 the NCI Agency contributed 18.9 MEUR (2022: 16.5 MEUR) to the various NATO pension schemes, this is displayed within disclosure note 'Personnel Costs' – 718 NATO Pensions (Pension funds).

20. Related Party Transactions

Related Party Transactions of Members of Boards and Committees

The NCIO reports to a number of Boards and Committees which form part of its governance. With the exception of the ASB, those charged with governance may also have potential related party transactions with NCIO this has not been validated.

Representative Allowance of the General Manager

The General Manager (GM), in addition to other allowances to which all staff are entitled, receives a representation allowance due to the requirements to represent the NCI Agency.

Since 2013, management of the GM representation allowance moved, per the BC guidance, from a situation where recipients receive the representation allowance as an advance and return the unspent amount to the NATO body, to a situation where all recipients are reimbursed permitted expenses within the limits of their individual representation allowance allocation.

The total entitlement to representation allowance for the NCI Agency GM was 10,000 EUR. The actual expenses during 2023: 275 EUR (2022: 280 EUR) were as follows:

- Rental supplement: € 0
- Functions: € 275
- Total representation allowance: € 275

Key Management Personnel

Key Management Personnel hold positions of responsibility within NCI Agency. They are responsible for implementing the strategic direction and carrying out the operational management of NCI Agency; they are entrusted with significant authority. Procedures are in place to ensure Key Management Personnel carry out their responsibilities impartially and in compliance with the Code of Conduct (applicable to all staff) and the Agency discloses:

- the remuneration of Key Management Personnel,
- related parties,
- loans made, and
- payments provided for services provided to the entity other than as an employee.

Euro (G24/A7 - G23/A6)	2023	2022
Basic salaries	1,526,003	1,004,019
Allowances	321,508	191,251
Post-employment benefits	0	0
Employer's contribution to Insurance	171,608	110,961
Employer's contribution to Pension	141,257	82,641
Total	**2,160,376**	**1,388,872**

FTE	2023	2022
General Manager	1	1
Directors (A6/OF6/OF7)	10	7.23

Name	***Nationality***	***Role***	***Loans received from NCI Agency***	***Family members receiving income from NCI Agency***	***Other revenue from NCI Agency or NATO***
Ludwig Julien DECAMPS	*BEL*	*General Manager*	*Nil*	*Nil*	*Nil*
Johannes Martinus FOLMER	*NLD*	*Chief of Staff*	*Nil*	*Nil*	*Nil*
Timothy MURPHY	*GBR*	*Chief Service Operations*	*Nil*	*Yes*	*Nil*
Michael STOLTZ (left 30 Jun 23)	*DEU*	*Director Air and Missile Defence Command & Control*	*Nil*	*Nil*	*Nil*
Michael STOLTZ (app 01 Jul 23)	*DEU*	*Chief Quality Officer*	*Nil*	*Nil*	*Nil*
Garry HARGREAVES	*GBR*	*Director of the Academy*	*Nil*	*Nil*	*Nil*
Antonio Jose CALDERON PEREZ	*ESP*	*Chief Technology Officer*	*Nil*	*Nil*	*Nil*
Su Jin CHAN	*CAN*	*Legal Adviser*	*Nil*	*Yes*	*Nil*
Antoine Pierre Jean PAILHES	*FRA*	*Financial Controller*	*Nil*	*Nil*	*Nil*
Jennifer Colleen UPTON	*USA*	*Chief of Acquisition*	*Nil*	*Nil*	*Nil*
Wiebe Eelco Ids NAUTA	*NLD*	*Chief Operating Officer*	*Nil*	*Nil*	*Nil*
Ralf HOFFMANN	*DEU*	*Director of CIS Support Units*	*Nil*	*Nil*	*Nil*

All Key Management Personnel of the NCI Agency must sign a declaration statement that supports the disclosure requirements of IPSAS 20.

21. Contractual Supplies and Services

(all figures in the table are expressed in thousands of Euro)

		2023	2022 Restated	2022
Contractual Supplies and Services				
720	Rent and operational leasing costs	31,726	27,099	27,099
721	Maintenance and repair (Services)	122,767	115,417	115,417
722	Consumables and spare parts (Supplies)	1,173	4,662	4,662
723	Minor equipment (Investments below threshold)	28,112	29,484	29,484
724	Utilities, postal and courier services, travel and transportation	18,903	15,900	15,900
725	Facilities management, environment, safety and security	12,983	10,579	10,579
726	Public relations, representation, hospitality and moral and welfare	266	186	186
727	Contractors, general services and supplies	35,878	27,524	27,524
730-738	Investment costs	7,392	11,083	11,083
7290/7390	Capitalized Costs	(8,385)	(9,944)	(5,622)
		250,814	**231,991**	**236,313**

The 2022 restated balance was decreased by a total of 4.3 MEUR, due to a a correction on the first time disclosure of capitalized Contractual Supplies and Services costs related to the construction of CIS Assets where NCIO acts as a service provider toward the NATO Command Structure as well as for IS and IMS, including Asset Under Construction or Under Development, and In-Service Tangible or Intangible Assets.

Operating Lease Commitments:

(all figures in the table are expressed in thousands of Euro)

At 31 December 2023 the Agency was party in an operating lease agreement related to its activities that expires within the contractual terms agreed. The minimum future non-cancellable operating lease payments under the agreement are as follows:

	2023	2022 Restated	2022
Operating Lease - Future Commitments			
Less than 1 year	1,318	1,287	0
More than 1 year and less than 5 years	5,273	5,273	0
More than 5 years	2,142	3,461	0
	8,734	**10,020**	**0**

The rent expense under such lease for the period ended 31 December 2023 amounted to 1.3 MEUR (2022: 316KEUR) and is included in the surplus/deficit of the year. The 2022 commitments are restated due to a accounting error the operating lease was not disclosed in 2022.
In some particular cases, NCIA recognizes operating lease expenses on accrual basis when the services are obtained, that represents more correctly the time when the benefits are received.

22. Depreciation and Amortisation

(all figures in the table are expressed in thousands of Euro)

		2023	2022 Restated	2022
Depreciation and Amortisation				
740	Amortisation and depreciation	97,742	91,683	92,853
741	Write-offs	1,493	242	1,451
		99,235	**91,925**	**94,304**

For Fixed Assets, the NCI Agency takes into account the current year depreciation as a cost which amounts to 97.7 MEUR (2022 restated: 91.6 MEUR) and write-offs for 1.5 MEUR in 2023 and, for 242 KEUR in 2022 Restated.
Full details on the 2023, 2022 restated and 2022 annual depreciation and retirements by asset categories can be found within note: Property, Plant and Equipment (PP&E) and Intangible Assets. The 2022 Restated column is the result of corrections on first time disclosure of capitalized costs related to the construction of CIS Assets for which NCIO acts as a service provider toward the NATO Command Structure as well as for IS and IMS, including Asset Under Construction or Under Development, and In-Service Tangible or Intangible Assets.

23. Provisions Expenses

(all figures in the table are expressed in thousands of Euro)

		2023	2022 Restated	2022
Provisions Expenses				
7461	Provisions Expenses - Major risks and costs	4,678	5,841	7,278
		4,678	**5,841**	**7,278**

NCIO has made the following provisions:

- Major risks and costs, provisions were made for future losses for active projects/services. The expected loss was recognised as an expense immediately (IPSAS 9 and 11);

- Provision for bad debt and impairment loss related to outstanding receivables.

For reasons of commercial confidentiality, details of which programmes/projects/customers are not disclosed.

Further details can be found under note 11, Provisions. IPSAS defines a provision as “a liability of uncertain timing or amount”.

24. Contingent Liabilities

IPSAS defines a contingent liability as “A possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or, a present obligation that arises from past events, but is not recognised because:

1) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or

2) The amount of the obligation cannot be measured with sufficient reliability”. The Agency has a process to capture information on provisions and contingent liabilities at year-end from all the organisational elements, and is implementing a process to capture that information throughout the year.

NCI Agency carried out extensive analysis due to continuing uncertainty surrounding the Governance decision on the future of NATO’s AIRC2 capability.

Budget Committee approved interim financing appropriation for the NATINAMDS commencing in the first quarter 2024 recommending preparation of the ramp-down plan.

25. Write-offs

Per the applicable NCIO Financial Rules and Procedures (document AC/337-D(2016)0014-REV2 (INV));
FRP XVII 8) on write-offs, information will be provided to the NATO budget Committee and the Finance Committee on an aggregated level in the Financial Statements as audited by IBAN.
For the period between 01 January 2023 and 31 December 2023 the NCI Agency has written off:

- CIS assets with total net book value of 1.5 MEUR (Restated 2022: 187 KEUR);
- Accounts receivable with a total value of 31,416.92 EUR;
- Pre-Fin anticipatory commitments write off with total value of 41,243.34 EUR.

C. *Notes to the NCIO Statement of Changes in Net Assets/Equity*

Under its Charter and its Customer Funding model, the NCIO is allowed to have an Operating Fund (OF) which represents its retained earnings accumulated over the years. The use of the OF is regulated by the Customer Funding Regulatory Framework approved by Council in 2015 (PO(2015)0394-AS1) and are part of the NCIO Financial Rules and Procedures (FRPs)

The OF is not the NCI Agency’s only source of working capital, because the NCI Agency benefits from significant advance payments from its main customers for purposes of the execution of its programmes and services. In addition all the work performed by the Agency in its role as Host Nation under the NSIP and acquisition projects for Third Parties is funded in advance respectively by the Investment Committee and by NATO Nations & Organisations. The Retained Earnings/Operating fund is composed of 2 elements:

1. Retained Earnings/Operating fund (excluding Inventories)
    - the surplus (deficits) carried forward from prior years; and
    - a portion of the Surplus (Deficits) for the current year, which is allocated to Retained Earnings (therefore not allocated to Reserved Earnings).
2. Retained Earnings/Operating fund related to Inventories

The Inventory accounting is composed of earnings on the accounting for inventories, including low value PPEs (below thresholds) stored at the CSSC and CSU warehouses and as a result of changes in inventory asset values (WAC). These inventory flows are mainly non-monitary elements and therefore are kept separetly from the Retained Earnings/Operating fund used for the Customer Rates Calculation rebates. This approach is similar to the accounting principle applied for the depreciation reserve mechanism.

The main reason for splitting into 2 components is to provide transparency to our Governance and to provide the useful information for future decision on the usage of the Operating Fund.

This operating fund from inventory accounting is composed of earnings on accounting for low value PPEs (below thresholds) stored at the CSSC and CSU warehouses and adjustment of Inventory asset values (WAC).

When implementing IPSAS 17, a portion of these earnings were partially encumbered for the value of fixed assets not yet fully depreciated, reported separately as a depreciation reserve. The categories of assets and the breakdown of the remaining book value per category is reported in the Statement of Property Plant and Equipment (PPE).

(all figures in the table are expressed in thousands of Euro)	Opening 2022 (published)	Adjustement of the carrying amount (restated)	Opening 2022 (restated)	Result of the Year 2022 (published)	Adjustment to 2022 published result	Result of the Year 2022 (restated)	Closing 2022 (restated)	Resut of the Year 2023 (unaudited)	Closing 2023 (unaudited)
Operating Fund	**52,263**	**81,972**	**134,235**	**(7,619)**	**(10,890)**	**(18,508)**	**115,727**	**(13,428)**	**102,299**
Reserves	**93,257**	**(74,278)**	**18,979**	**(4,858)**	**10,790**	**5,932**	**24,912**	**101**	**25,013**
Reserves - Tangible and Intangible Assets Depreciation Reserves	10,743	216	10,958	6,370	**(1,011)**	5,359	16,317	589	16,906
Reserves - Internal Investements	5,820	0	5,820	648	**0**	648	6,468	(488)	5,980
Reserves - Special Programmes	2,201	0	2,201	(74)	**0**	(74)	2,127	0	2,127
Reserves - Inventory Assets	74,494	(74,494)	0	(11,801)	**11,801**	0	0	0	0
Total Net Assets/Equity	**145,521**	**7,694**	**153,215**	**(12,477)**	**(99)**	**(12,576)**	**140,639**	**(13,327)**	**127,312**

The above table shows the reconciliation to the restated opening and closing balances of the reserved and retained earnings.

3. Reserved Earnings

(all figures in the table are expressed in thousands of Euro)

		2023	2022 Restated	2022
Reserved Earnings				
3100, 3101	Reserves - Tangible and Intangible Assets Depreciation Reserves	16,906	16,317	17,112
311	Reserves - Internal Investements	5,980	6,468	6,468
311	Reserves - Special Programmes	2,127	2,127	2,127
3102	Reserves - Inventory Assets	0	0	62,692
		25,013	**24,912**	**88,399**

The reserved earning is composed of:

- 16.9 MEUR of earnings remain reserved for Tangible and Intangible Assets not yet fully depreciated
- In 2023, the net decrease of the Internal Investement reserve resulting from an consumption 5.5 MEUR and a buget increase of 5 MEUR in the other end;
- 6.4MEUR of accumulated transition expenses are booked against the Transition Reserve thus decreasing from a total 8.6 MEUR at 31 December 2013 to 2.1 MEUR at 31 December 2023;
- 62.6M EUR inventory reserve is reclassified in Retained Earnings/Operating fund-Inventory accounting in accordance to NATO policy documents.

The Reserve – Tangible and Intangible Assets depreciation have been restated. The ongoing improvement effort and review of assets under construction and in-services assets resulted in to corrective action/restatement.

		2023	2022 Restated	2022
Special Programmes Reserves				
311000	Special programmes reserves - Transition projects - Approved and authorised	801	801	801
311001	Special programmes reserves - Transition projects - Approved, not authorised	1,325	1,325	1,325
		2,127	**2,127**	**2,127**

Special Programmes - Transition Expenses

	Authorised	Spent < 2023	Remaining
Transition OF funded	7,244,724	6,443,317	801,407

In order to fund its transition activities between 2014 and 2018, the Agency requested 8.6 MEUR of the Operating Fund (OF) and 18.9 MEUR of common funding. The subsequent IC/BC decision sheet (AC/4 (PP) D/27275 – ADD1 and BC-D(2013)0214) authorised 17 MEUR of common funding and 7.2 MEUR from the Agency OF. The latter has been reserved to pay for backfill consultancy cost and travel of the NCI Agency personnel involved in activities related to the Transition Programme as per the decision sheet. The difference between the RPPB approved amount (8.6 MEUR) and the detailed amount approved by the IC/BC (7.2 MEUR), has also been reserved for future possible use. As the transition programs are completed, NCIO will address its governance to dissolve this transition reserve in year 2024.

Internal Investment Reserve

		2023	2022 Restated	2022
Internal Investements Reserves				
311131	Special programmes reserves - A2I - EBA R4	346	2,554	2,554
311132	Special programmes reserves - A2I - Interim Facility (IF)/Braine L'Alleud (BLL)	0	830	830
311133	Special programmes reserves - A2I - Multi Year Investment Plan (MYIP)	5,634	3,084	3,084
		5,980	**6,468**	**6,468**

The RPPB approved 4 MEUR from the Operating Fund (AC/335-D(2021)0036 dated 21 May 2021) to fund for the EBA release 4 program. The Operating Fund evolution is elaborated in detail at section 2.6 of Financial Plan 2022-2024 (AC/337-D(2021)0050 dated 10 December 2021). The remaining funds at the year-end of FY2023 are 0.3 MEUR for EBA R4.

As per the AC/337(FC)D(2021)0054 - NCI Agency Internal Investment Reserve (MYIP) - Mechanism and Governance Framework paragraph 20; In the Financial Statements, the internal investment reserve will be accounted for separately within Reserved Earnings, considered as the accumulated surplus and deficit that is reserved for a specific purpose.
Furthermore, the internal investment reserve is under the control of the ASB with authority over the fund delegated to the ASB Finance Committee.

4. Retained Earnings

(all figures in the table are expressed in thousands of Euro)

		2023	2022 Restated	2022
Retained Earnings				
5	Revenue	778,991	715,236	709,401
7	Expenses	(792,318)	(727,812)	(721,878)
	Surplus (Deficits) Current Year	(13,327)	(12,576)	(12,477)
	Distributed(net) to Retained Earnings	(13,428)	(18,508)	(7,619)
	Distributed(net) to Reserved Earnings	101	5,932	(4,858)
30, 301	Surplus (Deficits) carried forward - Prior Years	115,727	134,235	52,263
	Retained Earnings (OF)	**102,299**	**115,727**	**44,645**

The 2022 Restated column is the result of:

- The ongoing improvement effort and review of assets under construction and in-services assets resulted in to corrective action/restatement.
- Of the change in measurement of a transaction/recognition for firm fix price customer agreements/contracts.
- Implementation of IPSAS 41 Financial Instruments.
- The reclassification of inventory in accordance to NATO policy documents.

Note: Retained earnings columns in the below tables on Net Assts/Equity represents the Operating fund.

NCIO Reconciliation of Net Assets/Equity

For the year ended 31 December 2023

(all figures are expressed in thousands of Euro)

	Property, Plant and Equipment (PP&E) & Intangible Assets		Reserves - Tangible and Intangible Assets Depreciation	Reserves - Special Programmes	Reserves - Internal Investements	RESERVED EARNINGS	Retained Earnings/Operating fund related to Inventories	Retained Earnings/Operating fund (excluding Inventories)	NET ASSETS/EQUITY	
	Acq. Value	Depreciation	Book Value						Surpl./(Def.) Yr	Yr-end Balance
31-Dec-21	**13,674**	**(2,931)**	**10,743**	**2,201**	**5,820**	**18,764**	**74,494**	**52,263**		**145,521**
2022 as Published (Audited)	21,917	(4,804)	17,112	2,127	6,468	25,707	62,692	44,645	(12,477)	**(12,477)**
31-Dec-22	**21,917**	**(4,804)**	**17,112**	**2,127**	**6,468**	**25,707**	**62,692**	**44,645**		**133,044**
2022 as Published Restated (Unaudited)	22,687	(6,370)	16,317	2,127	6,468	24,912	62,692	53,035	(12,576)	**(12,576)**
31-Dec-22	**22,687**	**(6,370)**	**16,317**	**2,127**	**6,468**	**24,912**	**62,692**	**53,035**		**140,639**
2023 Published (Unaudited)	27,573	(10,667)	16,906	2,127	5,980	25,013	65,696	36,603	(13,327)	**(13,327)**
31-Dec-23	**27,573**	**(10,667)**	**16,906**	**2,127**	**5,980**	**25,013**	**65,696**	**36,603**		**127,312**

YEAR-END BALANCES	Year-end Balance	Property, Plant and Equipment (PP&E) & Intangible Assets		Reserves - Tangible and Intangible Assets Depreciation	Reserves - Special Programmes	Reserves - Internal Investements	RESERVED EARNINGS	Retained Earnings/Operating fund related to Inventories	Retained Earnings/Operating fund (excluding Inventories)	NET ASSETS/EQUITY
		Acq. Value	Acc. Deprec.	Book Value						Yr-end Balance
31-Dec-21	**100,624**	3,055	(2,582)	**474**	**2,201**	**5,820**	**8,495**	**42,756**	**49,374**	**100,624**
31-Dec-21 Restated	**145,521**	13,674	(2,931)	**10,958**	**2,201**	**5,820**	**18,764**	**74,494**	**52,263**	**145,521**
31-Dec-22	**133,044**	21,917	(4,804)	**17,112**	**2,127**	**6,468**	**25,707**	**62,692**	**44,645**	**133,044**
31-Dec-22 Restated	**140,639**	22,687	(6,370)	**16,317**	**2,127**	**6,468**	**24,912**	**62,692**	**53,035**	**140,639**
31-Dec-23	**127,312**	27,573	(10,667)	**16,906**	**2,127**	**5,980**	**25,013**	**65,696**	**36,603**	**127,312**

INCR./(DECR.) FOR THE YEAR	Surplus/(Def.) for the Year	Property, Plant and Equipment (PP&E) & Intangible Assets		Reserves - Tangible and Intangible Assets Depreciation	Reserves - Special Programmes	Reserves - Internal Investements	RESERVED EARNINGS	Retained Earnings/Operating fund related to Inventories	Retained Earnings/Operating fund (excluding Inventories)	NET ASSETS/EQUITY
		Acq. Value Yr	Deprec. Yr	Δ Book Value						Surpl./(Def.) Yr
12/31/2021	**25,523**	(2,874)	1,550	**(1,325)**	**(172)**	**5,820**	**4,323**	**0**	**21,200**	25,523
31/12/2021 Restated	**36,001**	7,744	1,200	**9,160**	**(172)**	**5,820**	**14,592**	**31,738**	**(10,328)**	36,001
12/31/2022	**(12,477)**	8,243	(1,873)	**6,154**	**(74)**	**648**	**6,943**	**(11,801)**	**(7,619)**	(12,477)
31/12/2022 Restated	**(12,576)**	7,998	(2,639)	**5,359**	**(74)**	**648**	**5,932**	**(11,801)**	**(6,707)**	(12,576)
12/31/2023	**(13,327)**	4,886	(4,297)	**589**	**0**	**(488)**	**101**	**3,004**	**(16,432)**	(13,327)

5. Events after the financial reporting date of 31 December 2023

NCIO is required to disclose events, both favourable and unfavourable, that occurred between the reporting date of 31 December 2023 and the date when these Financial Statements were authorised for issue by the General Manager. 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).

NCIO has not detected any events after reporting for disclosure.

6. MWA disclosure

NCIO also has some Morale and Welfare Activities (MWA) which are not consolidated into the Financial Statements as per the NAF adapted IPSAS 6, even if they are considered to be under the control, from a financial reporting perspective of the NCI Agency. They are reported separately towards the ASB FinCom.

Revenue generated throughout the year for MWA activities amounted at 18,628 EUR (2022: 42,232 EUR), originated primarily from contributions from external parties (3,602 EUR) and tickets sale for two major social events with additional contribution funds (14,171 EUR).
Total expenses for the MWA activities related to 2023 amounted 30,767 EUR (2022: 48,298 EUR). Hence al loss for the year 2023 of 12.139 EUR.

Main assets of the MWA consists of cash and cash equivalents balance of 60,361 EUR and payables of 27,875 EUR. Provision was accounted for receivables to amount 50,000 EUR in Fiscal Year 2020 because there would be a risk that settlement of these receivables would not happen.

D. *Notes to the NCIO Segment Reporting*

(all figures in the table are expressed in thousands of Euro)

SEGMENTED STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 December 2023
(all figures are expressed in thousands of Euro)

	CUSTOMER FUNDING								BUDGET FUNDING		Unallocated		CONSOLIDATED	
	NATO Security Investment Programme		Budget Committee		Multi-National		Overhead & General		Agency Supervisory Board Secretariat		Segment			
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
SEGMENTED REVENUE														
Project and Support Services Revenue	28,517	31,140	279,120	265,097	47,453	46,364	0	0	0	0	0	0	355,089	342,601
External Services Revenue	0	0	186,180	177,273	13,638	11,540	0	0	0	0	0	0	199,818	188,813
Acquisition Revenue	140,474	138,250	33,372	3,883	34,540	33,431	0	0	0	0	0	0	208,386	175,564
Other Revenue	5,379	2,271	37	57	67	300	0	0	1,307	1,532	1,706	763	8,497	4,923
Financial Revenue	0	0	464	(0)	245	143	0	0	0	0	6,492	3,192	7,201	3,335
SUBTOTAL SEGMENTED REVENUE	**174,370**	**171,661**	**499,172**	**446,310**	**95,943**	**91,777**	**0**	**0**	**1,307**	**1,532**	**8,198**	**3,956**	**778,991**	**715,236**
INTRA-SEGMENTS ELIMINATIONS REVENUE														
Intra-Segment Service Delivery	0	0	0	0		0	0	0	0	0	0	0	0	0
SUBTOTAL INTRA -SEGMENTS ELIMINATIONS REVENUE	**0**	**0**	**0**	**0**		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL SEGMENTED REVENUE	**174,370**	**171,661**	**499,172**	**446,310**	**95,943**	**91,777**	**0**	**0**	**1,307**	**1,532**	**8,198**	**3,956**	**778,991**	**715,236**
SEGMENTED EXPENSES														
Cost of Acquisition	(205,621)	(198,544)	(51,734)	(14,322)	(35,476)	(35,420)	(1,802)	0	0	0	0	0	(294,634)	(248,285)
Personnel Costs	0	(0)	(1,498)	(2,355)	(195)	(442)	(345,700)	(324,799)	(1,227)	(1,341)	0	0	(348,620)	(328,937)
Contractual Supplies and Services	(10,983)	(3,207)	(19,212)	(21,045)	(6,541)	(8,042)	(22,561)	(31,696)	(80)	(191)	0	0	(59,378)	(64,181)
Capitalization Costs (+)	186,589	168,700	30,680	22,035	2,230	2,702							219,499	193,437
Depreciation and Amortisation	(88,239)	(84,639)	(6,711)	(4,652)	(39)	(292)	(4,247)	(2,341)	0	0	0	0	(99,235)	(91,925)
Provisions Expenses	(3,496)	(5,259)	(0)	(23)	(47)	0	0	0	0	0	(1,135)	(560)	(4,678)	(5,841)
Financial Expenses	0	(0)	(364)	(0)	(353)	(196)	0	0	0	(0)	(2,095)	(2,556)	(2,812)	(2,752)
Other Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SUBTOTAL TOTAL SEGMENTED EXPENSES	**(121,750)**	**(122,948)**	**(48,839)**	**(20,362)**	**(40,422)**	**(41,690)**	**(374,310)**	**(358,836)**	**(1,307)**	**(1,532)**	**(3,230)**	**(3,115)**	**(589,858)**	**(548,484)**
INTRA-SEGMENTS ELIMINATIONS/ALLOCATIONS EXPENSES														
Intra-Segment Service Delivery	(4,919)	(5,925)	(200,788)	(189,500)	(18,468)	(14,085)	24,354	31,696	0	0		0	(199,821)	(177,814)
Intra-Segment Workforce Capacity	(50,425)	(48,020)	(257,889)	(243,572)	(40,026)	(34,721)	345,700	324,799	0	0		0	(2,639)	(1,514)
SUBTOTAL INTRA -SEGMENTS ELIMINATIONS/ALLOCATIONS EXPENSES	**(55,343)**	**(53,945)**	**(458,676)**	**(433,072)**	**(58,494)**	**(48,806)**	**370,054**	**356,495**	**0**	0	**0**	0	**(202,460)**	**(179,328)**
TOTAL SEGMENTED EXPENSES	(177,093)	**(176,894)**	(507,516)	**(453,434)**	(98,916)	**(90,496)**	(4,256)	**(2,341)**	(1,307)	**(1,532)**	(3,230)	**(3,115)**	(792,318)	**(727,812)**
SEGMENTED SURPLUS/(DEFICIT) FOR THE PERIOD	**(2,723)**	**(5,232)**	**(8,343)**	**(7,124)**	**(2,973)**	**1,281**	**(4,256)**	**(2,341)**	**0**	**0**	**4,968**	**841**	**(13,327)**	**(12,576)**
Revaluation of Assets														
CONSOLIDATION ELIMINATIONS														

SEGMENTED EXPENSES TO STATEMENT OF PERFORMANCE RECONCILIATION	CUSTOMER FUNDING								BUDGET FUNDING		Unallocated		CONSOLIDATED	
	NATO Security Investment Programme		Budget Committee		Multi-National		Overhead & General		Agency Supervisory Board Secretariat		Segment			
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
SEGMENTED EXPENSES														
Cost of Acquisition	(64,036)	(73,524)	(30,285)	(2,886)	(34,395)	(34,012)	(1,802)	0	0	0		0	(130,518)	(110,421)
Personnel Costs	(9,092)	(7,953)	(254,238)	(241,062)	(39,703)	(34,526)	(0)	0	(1,227)	(1,341)		0	(304,261)	(284,882)
Contractual Supplies and Services	(12,231)	(5,519)	(215,917)	(204,811)	(24,378)	(21,470)	1,793	0	(80)	(191)		0	(250,814)	(231,991)
TOTAL	**(85,358)**	**(86,996)**	**(500,441)**	**(448,759)**	**(98,476)**	**(90,008)**	**(10)**	**0**	**(1,307)**	**(1,532)**	**0**	**0**	**(685,593)**	**(627,294)**
SEGMENTED EXPENSES														
Cost of Acquisition	(205,621)	(198,544)	(51,734)	(14,322)	(35,476)	(35,420)	(1,802)	0	0	0	0	0	(294,634)	(248,285)
Personnel Costs	0	(0)	(1,498)	(2,355)	(195)	(442)	(345,700)	(324,799)	(1,227)	(1,341)	0	0	(348,620)	(328,937)
Contractual Supplies and Services	(10,983)	(3,207)	(19,212)	(21,045)	(6,541)	(8,042)	(22,561)	(31,696)	(80)	(191)	0	0	(59,378)	(64,181)
Capitalization Costs (+)	186,589	168,700	30,680	22,035	2,230	2,702	0	0	0	0	0	0	219,499	193,437
TOTAL	**(30,015)**	**(33,051)**	**(41,765)**	**(15,687)**	**(39,982)**	**(41,202)**	**(370,064)**	**(356,495)**	**(1,307)**	**(1,532)**	**0**	**0**	**(483,133)**	**(447,966)**
INTRA-SEGMENTS ELIMINATIONS/ALLOCATIONS EXPENSES														
Intra-Segment Contract Supplies and Services	(4,919)	(5,925)	(200,788)	(189,500)	(18,468)	(14,085)	24,354	31,696	0	0	0	0	(199,821)	(177,814)
Intra-Segment Personnel Costs	(50,425)	(48,020)	(257,889)	(243,572)	(40,026)	(34,721)	345,700	324,799	0	0	0	0	(2,639)	(1,514)
SUBTOTAL INTRA -SEGMENTS ELIMINATIONS/ALLOCATIONS EXPENSES	**(55,343)**	**(53,945)**	**(458,676)**	**(433,072)**	**(58,494)**	**(48,806)**	**370,054**	**356,495**	**0**	**0**	**0**	**0**	**(202,460)**	**(179,328)**
TOTAL	**(85,358)**	**(86,996)**	**(500,441)**	**(448,759)**	**(98,476)**	**(90,008)**	**(10)**	**0**	**(1,307)**	**(1,532)**	**0**	**0**	**(685,593)**	**(627,294)**

OTHER SEGMENTED INFORMATION

For the year ended 31 December 2023
(all figures are expressed in thousands of Euro)

	CUSTOMER FUNDING								BUDGET FUNDING		Unallocated Segment		CONSOLIDATED	
	NATO Security Investment Programme		Budget Committee		Multi-National		Overhead & General		Agency Supervisory Board Secretariat					
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
SEGMENTED ASSETS														
Current Assets														
Subtotal Segmented Cash and Cash Equivalents	87,741	95,270	0	(0)	0	0	0	0	0	0	183,502	158,482	271,243	253,753
Subtotal intra-segments eliminations cash and cash equivalents	(25,946)	(76,072)	0	0	0	0	0	0	0	0	25,946	76,072	0	0
Total Cash and Cash Equivalents	61,795	19,198	0	(0)	0	0	0	0	0	0	209,448	234,555	271,243	253,753
Receivables	111,662	188,620	186,479	131,580	27,996	22,890	0	0	58	58	6,036	2,629	332,231	345,776
Prepayments and Miscellaneous Assets	3,070	3,417	176	524	384	1,119	0	0	0	1	13,222	2,267	16,852	7,328
Inventory	(0)	0	38,721	34,636	(0)	(0)	0	0	0	0	31,037	29,615	69,758	64,250
Work in Progress	4,758	3,668	59	177	659	459	0	0	0	0	0	0	5,476	4,304
Other Current Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Current Assets	**181,286**	**214,904**	**225,435**	**166,917**	**29,039**	**24,467**	**0**	**0**	**58**	**58**	**259,743**	**269,066**	**695,562**	**675,412**
Non-Current Assets														
Financial Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-current Receivables	0	0	0	0	0	0	0	0	0	0	549	548	549	548
Property, Plant and Equipment	342,704	292,230	58,328	38,584	0	0	7,892	8,819	0	0	0	0	408,924	339,633
Intangible Assets	400,609	355,334	12,191	9,988	0	0	8,940	7,375	0	0	0	0	421,740	372,697
Other Non-Current Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Non-Current Assets	**743,313**	**647,564**	**70,519**	**48,572**	**0**	**0**	**16,832**	**16,194**	**0**	**0**	**549**	**548**	**831,213**	**712,878**
TOTAL SEGMENTED ASSETS	**924,598**	**862,468**	**295,955**	**215,489**	**29,039**	**24,467**	**16,832**	**16,194**	**58**	**58**	**260,293**	**269,614**	**1,526,775**	**1,388,290**
SEGMENTED LIABILITIES														
Current Liabilities														
Payables	51,897	52,271	11,880	4,060	6,338	9,786	0	0	196	193	55,612	36,037	125,923	102,347
Deferred Revenue and Advances	247,269	258,323	89,485	61,830	188,368	173,760	0	0	58	0	0	0	525,180	493,912
Borrowings	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	7,460	10,033	(4)	10	1,553	795	0	0	261	78	8,974	12,184	18,244	23,099
Total Current Liabilities	**306,626**	**320,627**	**101,361**	**65,900**	**196,260**	**184,341**	**0**	**0**	**514**	**271**	**64,586**	**48,220**	**669,347**	**619,358**
Non-Current Liabilities														
Non-Current Payables	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-Current Deferred Revenue and Advances	661,402	575,110	64,088	43,907	0	0	0	0	0	0	0	0	725,491	619,016
Non-Current Borrowings	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Provisions	3,682	8,251	154	183	47	3	0	0	0	0	742	839	4,625	9,276
Other Non-Current Liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Non-Current Liabilities	**665,084**	**583,361**	**64,242**	**44,089**	**47**	**3**	**0**	**0**	**0**	**0**	**742**	**839**	**730,116**	**628,292**
TOTAL SEGMENTED LIABILITIES	**971,711**	**903,988**	**165,603**	**109,989**	**196,307**	**184,344**	**0**	**0**	**514**	**271**	**65,328**	**49,059**	**1,399,463**	**1,247,651**

Consistent with the definition under IPSAS 18, a segment is a distinguishable activity or group of activities whose identification shall be driven by the evaluation of the entity's past performance in achieving its objectives from accountability purposes and, the decision-making about the future allocation of resources.

With the Agency Supervisory Board Finance Committee's expressed support as per AC/337(FC)DS(2023)0005 (INV) dated 03 October 2023, NCIO has defined five distinctive segment in in its Financial Statements based on Customer Funding sources (Customer Funding and Budget Funding), almost similar with the main business segments structure within the Agency's Business and Financial Plans guidance. It fairly represent the way the NCI Agency's past performance is evaluated and the way decisions are made about future allocation of resources.

Intra-segment eleminations/allocations:

- **CIS support costs to Customers segments**: These are annual Service Level Agreement mainly related to maintenance costs incurred from industry in relation to maintenance activities of C3 and CIS assets.
- **Agency costs to Customers segments:** These are Agency running costs, including Personnel costs and Contractual Supplies and Services that are realocated on the time and effort basis to Customers.

Unallocated segment:

Some assets, liabilities and revenues and expenses cannot be directly attributed towards customer funding sources, or allocated on a reasonable basis towards the individual segments.

For comparative reason, the 2022 opening and 2022 movement have been restated. The Cash Flow reconciliation is kept at the consolidated financial level.

E. *Notes to the NCIO Budget Execution Statement*

Although NCIA is fully Customer Funded as of 2014, the NCIO Independent Secretariat is Budget Funded, as per the Charter of the NCIO, approved by Council on 19 June 2012 under C-M(2012)0049, the NCIO is composed of an ASB and an executive body composed of a General Manager and his/her staff (the NCI Agency).

Article 26 (e) of the Charter, the chairperson of the ASB is supported by an Independent Secretariat that is only responsible to the chairperson.

Article 50 (c) and AC/337-D(2014)0007-AS1 dated 9 May 2014, the ASB approved core funding (distinct and separate from NATO common funding) for the NCIO Independent Secretariat.

The ASB approves an annual budget.The basic structure of the Military Budget cost share model is used;

- Budgets are submitted with the following breakdown of nature of costs; Chapter 1 - Personnel, Chapter 2 - Contractual supplies and services and Chapter 3 - Investments.
- Commitments ; As per the NCIO FRP XXV; '…Appropriations shall be committed only for the purposes and to the extent authorised in the approved budget…' and '…commitment of appropriations (budget) is the acceptance and recording of a legal liability to expend international funds..'.
- Expenses include expense accruals for goods and services delivered.
- Carry forward amounts are the net commitments at the end of the financial year that have not been converted into expenses at the end of the financial year.
- Lapsed amounts represent budget funds that were not used (unspent) during the course of the financial year.

NCIO does not provide their budgets publically available, this table only represents a summary of the appropriations related to the running cost of the ASB secretariat.

NATO Accounting Framework (NAF) additional disclosures
NAF Impact prior 1 January 2013 Expensed PPE/Inventory and prior 1 January 2018 Assets under Construction

NATO assets are composed of Property Plant and Equipment and Intangible Elements. The classification of the different assets is done in accordance with the requirements set forth by the NAF. If multiple categories were applicable the assignment was done on the intended use of the asset involved. The NCI Agency was established July 1st 2012, following the merger of three legacy NATO Agencies (NACMA, NC3A and NCSA).

1. Property Plant and Equipment and Intangible Assets

In accordance with the NATO Accounting Framework (C-M(2016)0023) the NCIO shall, for PPE and intangible assets held prior to 1 January 2013, and not previously recognized as an asset, provide a brief description of the assets in the notes to the financial statements.
The projects were funded by the Infrastructure Committee, and are summarised as follows.

Infrastructure Assets put in Service prior to 01 January 2013

Location of Project (1)	Type of Project	Number (2)
ACO and former ACE area	Networking and Command and Control Capabilities for Military Commands.	48
ACT and former Aclant area	Networking and Command and Control Capabilities for Military Commands.	33
Former Yugoslavia	Communication networks and installations in theatre.	98
Peace Support Operations	CIS support for Peace Support Operations located in Former Yugoslavia.	32
SATCOM	Military Satellite Communications projects.	23
Various Networking Projects	NATO-wide networking infrastructure.	186
TOTAL		**420**

(1) Project defined as Infrastructure Committee slice serials.
(2) Table does not include infrastructure completed by the legacy agencies prior to the year 2000.

It should be noted that almost all of these projects were delivered to legacy military commands, prior to NATO military reorganisation in 2012. Many of the projects were installed 'in theatre' (former Yugoslavia). All the items are largely or completely obsolescent, and due to their age, should be considered as fully depreciated.

2. Inventory

In accordance with the NATO Accounting Framework (C-M(2016)0023) the NCIO shall, for inventory held prior to 1 January 2013, and not previously recognized as an asset, provide a brief description of the inventory in the notes to the financial statements.

NSPO held inventory prior to 1 January 2023 on behalf of NCI Agency for providing logistical services and support for certain NATO equipment whose location, description and quantities cannot be publically disclosed due to restricted information.

3. Assets under Construction/Development

In accordance with the NATO Accounting Framework,the NATO ACCOUNTING POLICY FOR PROPERTY, PLANT AND EQUIPMENT (C-M(2017)0022 APPENDIX 1 ANNEX 1) and the NATO ACCOUNTING POLICY FOR INTANGIBLE ASSETS (C-M(2017)0044 APPENDIX 1 ANNEX 1); the NCIO shall for the NCIO controlled CIS Assets under Construction/Development before 1 January 2018 provide a brief description on the types and locations of CIS assets that were under construction prior to 1 January 2018 for the NATO Command Structure as well as for IS and IMS.

The Assets under Construction/Development are grouped by geographical region, if multiple locations are involved no specific region was assigned but kept general. (e.g. ACCS, NATO wide location was assigned as this asset is located in the different NATO member countries)

Asset Location[2]	NATO Asset Category	Asset Type	Number of Assets[1]
Eastern Europe	**Automated Information Systems**	VARIOUS Networking Projects	3
NATO-WIDE	**Automated Information Systems**	Networking and Command and Control Capabilities for Military Commands	7
	Automated Information Systems	VARIOUS Networking Projects	61
	Communications	SATCOM	8
	Mission Equipment	Peace Support Operations	5
	Vehicles	Peace Support Operations	2
North America	**Automated Information Systems**	Networking and Command and Control Capabilities for Military Commands	1
Northern Europe	**Automated Information Systems**	VARIOUS Networking Projects	1
Southern Europe	**Automated Information Systems**	Networking and Command and Control Capabilities for Military Commands	4
	Automated Information Systems	VARIOUS Networking Projects	2
Theatre	**Automated Information Systems**	VARIOUS Networking Projects	3
Western Europe	**Automated Information Systems**	Networking and Command and Control Capabilities for Military Commands	2
	Automated Information Systems	VARIOUS Networking Projects	3
	Communications	SATCOM	1
Grand Total			**103**

(1) Asset defined as Infrastructure Committee slice serials.
(2) Countries by Geographic Locations:
Eastern Europe: Czech Republic, Lithuania, Montenegro, Poland, North Macedonia, Slovakia, Hungary, Romania
NATO-Wide: Albania, Belgium, Bulgaria, Canada, Croatia, Czech Republic, Denmark, Estonia, France, Germany, Greece, Hungary, Iceland, Italy, Latvia, Lithuania, Luxembourg, Montenegro, Netherlands, North Macedonia, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Türkiye, United Kingdom, United States
North America: United States
Southern Europe: Italy, Portugal, Türkiye
Theatre: Balkans
Western Europe: Belgium, France, Germany, Netherlands

4. Assets under Construction/Development completed during the period of 2013-2017

In accordance the NAF and related accounting policies for CIS Assets constructed and developed for the NATO Command Strcuture as well as for IS and IMS, which were completed during the period 01 January 2013 and 31 December 2017. NCIO discloses the number assets that were completed by Asset location, Asset Category and Asset Type.

The assets are grouped similar to the disclosure under paragraph 3 Assets under Construction/Development.

Asset Location[(2)]	NATO Asset Category	Asset Type	Number of Assets[(1)]
Eastern Europe	Automated Information Systems	Networking and Command and Control Capabilities for Military Commands	2
	Automated Information Systems	VARIOUS Networking Projects	2
NATO-WIDE	Automated Information Systems	Networking and Command and Control Capabilities for Military Commands	11
	Automated Information Systems	VARIOUS Networking Projects	4
	Software Bespoke	Command and Control Capabilities for Military Commands	2
	Software COTS	Command and Control Capabilities for Military Commands	1
	Communications	Networking and Command and Control Capabilities for Military Commands	1
North America	Automated Information Systems	Command and Control Capabilities for Military Commands	1
Southern Europe	Automated Information Systems	Networking and Command and Control Capabilities for Military Commands	1
	Automated Information Systems	VARIOUS Networking Projects	4
	Communications	Networking and Command and Control Capabilities for Military Commands	1
Theatre	Automated Information Systems	Networking and Command and Control Capabilities for Military Commands	1
	Automated Information Systems	VARIOUS Networking Projects	1
Western Europe	Automated Information Systems	Networking and Command and Control Capabilities for Military Commands	1
	Automated Information Systems	VARIOUS Networking Projects	2
	Software COTS	Command and Control Capabilities for Military Commands	1
	Communications	SATCOM	1
TOTAL			**37**

(1) Asset defined as Infrastructure Committee slice serials.

(2) Countries by Geographic Locations:

Eastern Europe: Czech Republic, Lithuania, Montenegro, Poland, North Macedonia, Slovakia, Hungary, Romania

NATO-Wide: Albania, Belgium, Bulgaria, Canada, Croatia, Czech Republic, Denmark, Estonia, France, Germany, Greece, Hungary, Iceland, Italy, Latvia, Lithuania, Luxembourg, Montenegro, Netherlands, North Macedonia, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Türkiye, United Kingdom, United States

North America: United States

Southern Europe: Italy, Portugal, Türkiye

Theatre: Balkans

Western Europe: Belgium, France, Germany, Netherlands

NATO OTAN
NATO Communications and Information Agency

Office of the Financial Controller
Boulevard Leopold III
1140 Brussels, Belgium
Telephone: +32 (0)2 707 8286

NCIA/FC/2024/03378

Subject : **Statement of Internal Control**
NATO Communications and Information Organisation (NCIO)
Financial Statements for the period 01 January 2023 to
31 December 2023

1. This Statement of Internal Control applies to the NCIO Financial Statements for the year ended 31 December 2023. Internal control is driven by the requirement of the NATO Financial Regulations, the NCIO Financial Rules and Procedures, the NATO Accounting Framework, the NCIO Internal Control Framework and good business practices. Internal control is to ensure that NATO assets are utilized for the purposes intended and that the transactions relating to their usage reflect the highest standards of integrity to justify continued confidence of the NATO Member Nations.

2. The NCIO system of internal control is based on an ongoing process effected by the Board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance. As part of the process, identified risks to the achievement of NCI Organisation goals and objectives, are managed efficiently, effectively and economically. In detail:

    a. The ASB has the responsibility to: (1) ensure that effective risk management measures are in place and monitor performance execution on that basis; (2) exercise management control by comparison of the NCIA activities with applicable ASB directives; (3) oversee the delivery of results against targets; (4) evaluate the performance against objectives of the NCIA; (5) benchmark the NCIA against comparable organisations;

    b. The ASB has established an Audit Committee (AC) comprising representatives of all NATO nations. The AC assists the Board in fulfilling its oversight responsibilities in the areas of internal controls, risk management, internal and external audits, financial reporting, and regulatory compliance. In 2023, the AC carried out four meetings in plenary session.

    c. The Chairman of the ASB is responsible to maintain a sound system of internal control that supports the ASB Secretariat and ensures it delivers on its mandate;

    d. The General Manager (GM) is responsible to maintain a sound system of internal control that supports the NCI Agency and ensures it delivers on its Chartered mandate;

    e. The Chief Operating Officer (COO) is responsible to maintain a sound system of internal control for business planning together with the related business intake and capacity management, as well as monitoring programme/project exceptions;

    f. The Chief of Acquisition is responsible to maintain a sound system of internal control that ensures the integrity of the procurement process;

    g. The Chief People Officer is responsible to maintain a sound system of internal control relating to the recruitment and departure of staff and associated payment of salaries and allowances;

    h. The Financial Controller is responsible for maintaining a sound system of internal financial controls, for the correct use and accounting of funds made available to the NCI Agency and the ASB Independent Secretariat.

3. Key aspects of the NCIO's system of internal control for 2023:

    a. All funds received are recorded, accounted and managed through a set of information systems, which include: ServiceNow Strategic Portfolio Management (including a time accounting platform) and the Oracle R 12 based tool Enterprise Business Applications (EBA)[1]. Controls are in place at transactional level to control use and disbursement of funds.

[1] Go-Live' was in Q1 2019 for EBA Release 1

b. The Independent Secretariat has its budget approved and funded by ASB Member Nations.

c. The NCI Agency annually updates its Customer Rates based on the ASB approved Customer Rates Principles and Methodology[2]. These are endorsed by the ASB, and approved by the NATO Budget Committee on behalf of all Customers.

d. The NCI Agency also annually updates its Services Rates (based on Customer Rates for the Agency's professional services element) and these are validated by the ASB and NATO Budget Committee.

e. The NCI Agency has an integrated planning process comprising the Strategic Plan; Business Plan; the Multi-Year Investment Plan; and Financial Plan. It prepares annually a Financial Plan (three years planning horizon) covering revenue and expenses related to Customer Funding, which is signed-off by the Executive Management Board, chaired by the GM. The Financial Plan is approved by the ASB.

f. Agreements with Customers are in writing and are usually concluded on a Firm Fixed Price and/or Cost Reimbursable basis.

g. Procurement activities are under the responsibility of the Chief of Acquisition with the specific involvement of the GM. For some deviations from normal competition the Agency has a designated Competition Advocate – a role covered by the Agency Chief Information Officer, who advises the GM.

h. Through its Service Lifecycle Management Board (SLMB) chaired by the COO, the Agency oversees the operational environment with a focus on early identification and quantification of risks which affect services and projects to allow for timely management oversight and/or assistance to mitigate.

i. The Agency has an Enterprise-wide Risk Management Policy and Framework which sets out the risk management processes in place and details the roles and responsibilities of staff in relation to risk. This policy has been issued to all staff who are expected to work within the Agency's risk management policies, to alert management on emerging risks and control weaknesses and assume responsibility for risks and controls within their own area of work. There are regular reviews by senior management of key risks and related controls.

j. The Agency has adopted the Three Lines Model for its internal governance. This model, published on 20 June 2020 by the Institute of Internal Auditors as an update of the Three Lines of Defence Model, is based on an assurance system combined around three lines, providing a comprehensive view of how the different parts of the Agency interact in an effective and coordinated manner, increasing the efficiency of the processes for management and internal control of the entity's significant risks. Its purpose is to improve the operational efficiency of the Agency.

k. In compliance with Agency Directive 1 (Executive Structures), the Agency has established in 2023 the function of Chief Quality Officer. The Chief Quality Officer is responsible to the Chief of Staff and ultimately the General Manager for the establishment and running of the Agency's Quality Management System. This includes the execution of independent test, verification, validation and assurance activities related to Agency systems, services, processes, programmes and projects.

l. The Agency has an Internal Audit Function, compliant with internationally accepted Internal Auditing standards and with an approved risk-based three years audit plan, which reviews, amongst other areas, internal control and risk mitigation. The Head of Internal Audit reports functionally to the ASB and administratively to the GM.

m. The Agency has Fraud Prevention and Detection function. It reports to the Investigative Authority delegated by the GM and provides regular updates on lessons learned at the Internal Control Panel and the Complaints Triage Board. The Agency has established procedures for managing risks of fraud, including fraud prevention, detection and response in line with the NATO wide Strategy on the prevention, detection and response to Fraud and Corruption. In 2023, the Agency was not exposed to material fraudulent activities.

n. In order to support the NCI Agency Management and the ASB in undertaking internal control responsibilities, an Internal Control Questionnaire and Assessment (ICQA) is used to serve as a management self-assessment and

[2] AC/337(FC)WP(2023)0011-REV1-AS1 (INV), dated 13 April 2023

evaluation tool. This questionnaire is in line with the provisions of the NCIO Internal Control Framework which was developed based on the guidance issued by the Committee of Sponsoring Organizations of the Tread way Commission (COSO) approved by ASB in November 2016. On 10 June 2022, the ASB approved the updated version of the NCIO Internal Control Framework (ICF), to address organizational and operational changes introduced over time. Management has continued work on developing the internal control framework within the Finance Directorate by employing a risk based methodology to design process controls in line with the COSO guidance.

o. With this Internal Control Statement, GM and FC certify that no work was done that was not specifically requested and paid for by a customer, beyond what could be absorbed as part of a reasonable overhead envelope as approved by the ASB. This certification is based on internal reassurance mechanism whereby each manager entrusted with business responsibility has to provide in writing reinsurance to the GM and FC. As part of this reassurance process, Agency is willing to make transparent that the PMO of Polaris ITM remained funded from Agency overheads in 2023.

p. Currently new joiners to the Agency receive information about Agency procedures and behaviour standards. Moreover, the Agency has a Code of Conduct for all staff, as well as an Anti-Fraud Directive, and staff must undergo training in ethical behaviour and appropriate use of resources.

Overall control environment and the control activities continued to be strengthened in the Agency with the maturation of Agency's ERP (EBA). Reporting tools and their standardisation across the Agency are improving. Agency continues to improve business planning and resource allocation with improved practices and the roll out of modern resources planning tools. In 2023, however with the start-up of ServiceNow, for project planning and monitoring, the Agency faced challenges providing accurate and timely management data during the year. The situation was corrected by the end of year which allowed to secure data quality for the Financial Statements. The Asset Management Program (AM) phase 1 has been completed and delivered significant progresses. This program will continue in 2024 to further mature the core AM processes.

Considering the statements above, senior management and the Financial Controller can provide confirmation that, the system of internal control of the Agency is generally effective.

4. IBAN observations

During its last Financial Statements audit, the International Board of Auditors for NATO (IBAN) made four observations and recommendations related to the 2022 NCIO Financial Statements. These findings are listed in the Letter of Observations and Recommendations. None of the observations and recommendations impact the audit opinion on the Financial Statements and compliance: (1) Need to strengthen internal controls over the preparation of the financial statements, (2) Non-disclosure of inventory held at third parties' locations, (3) Offsetting of NSIP receivables and liabilities not compliant with the NAF (IPSAS 1) Presentation of Financial Statements and (4) Ensure compliance with the NAF (IPSAS 18) Segment Reporting. IBAN followed up on the status of observations and recommendations from the previous years' audits and found that three were closed and three remain open.

The NCIO remains focused and committed to resolving all IBAN observations and recommendations.

Ludwig Decamps	Antoine Pailhès
General Manager	Financial Controller

Distribution:

External

Chairman Board of Auditors for NATO

Chairman NCIO Agency Supervisory Board

Internal

Members Executive Management Board

ACRONYMS

AAS	ADVISORY AND ASSISTANCE SERVICES
ACCS	NATO AIR COMMAND AND CONTROL SYSTEM
ACO	ALLIED COMMAND OPERATIONS
ACPV	ASSET, CONFIGURATION, PATCH AND VULNERABILITY
ACT	ALLIED COMMAND TRANSFORMATION
AIR C2	AIR COMMAND AND CONTROL
AIS	AUTOMATED INFORMATION SYSTEM
APF	ADVANCE PLANNING FUNDS
ASB	AGENCY SUPERVISORY BOARD
AuC	ASSET UNDER CONSTRUCTION/DEVELOPMENT
FinCom	AGENCY SUPERVISORY BOARD FINANCE COMMITTEE
BC	NATO BUDGET COMMITTEE
BEUR	BILLION EUR
BMD	BALLISTIC MISSILE DEFENCE
C4ISR	CONSULTATION, COMMAND, CONTROL, COMMUNICATIONS, INTELLIGENCE, SURVEILLANCE AND RECONNAISSANCE
C3	CONSULTATION, COMMAND AND CONTROL
CCSC	AGENCY'S COSTED CUSTOMER SERVICE CATALOGUE
CFRF	CUSTOMER FUNDING REGULATORY FRAMEWORK
CIS	COMMUNICATION INFORMATION SYSTEMS
CMBC	THE CRISIS MANAGEMENT AND BUSINESS CONTINUITY OFFICE
COO	CHIEF OPERATING OFFICER
COSO	COMMITTEE OF SPONSORING ORGANISATIONS
CP	CAPABILITY PACKAGE
CPR	NATO CIVILIAN PERSONNEL REGULATIONS
CRF	CUSTOMER REQUEST FORM
CSSC	CIS SUSTAINMENT SUPPORT CENTRE
EBA	ENTERPRISE BUSINESS APPLICATIONS
ECL	EXPECTED CREDIT LOSS
EPM	ENTERPRISE PROJECT MANAGEMENT
ERM	ENTERPRISE RISK MANAGEMENT
ESPE	END STATE PEACETIME ESTABLISHMENT
FFP	FIRM FIXED PRICE
FRP	FINANCIAL RULES AND PROCEDURES
FS	FINANCIAL STATEMENTS

GM	GENERAL MANAGER
HN	HOST NATION
HO/TO	HANDOVER/TAKEOVER
IA	INTERNAL AUDIT
IBAN	INTERNATIONAL BOARD OF AUDIT FOR NATO
IC	NATO INVESTMENT COMMITTEE
ICF	INTERNAL CONTROL FRAMEWORK
ICQA	INTERNAL CONTROL QUESTIONNAIRE AND ASSESSMENT
ICTM	INFORMATION COMMUNICATIONS TECHNOLOGY MANAGEMENT
IMS	INTERNATIONAL MILITARY STAFF
IS	INTERNATIONAL STAFF
ISAF	INTERNATIONAL SECURITY ASSISTANCE FORCE
ISMERLO	THE INTERNATIONAL SUBMARINE ESCAPE AND RESCUE LIAISON OFFICE
ISPAS	INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS
ITM	IT MODERNIZATION (PROGRAM)
KEUR	THOUSAND EURO
KFOR	KOSOVO FORCES
LC2IS	LAND COMMAND AND INFORMATION SYSTEM
MC	MILITARY COMMITTEE
MEUR	MILLION EURO
MYIP	MULTI YEAR INVESTMENT PLAN
MWA	MORALE AND WELFARE ACTIVITIES
IWC	INTERIM WORKFORCE CAPACITY
NAC	NORTH ATLANTIC COUNCIL
NAF	NATO ACCOUNTING FRAMEWORK
NAGSMOIL	NATO ALLIANCE GROUND SURVEILLANCE MANAGEMENT ORGANISATION IN LIQUIDATION
NATO	NORTH ATLANTIC TREATY ORGANISATION
NCI Agency	NATO COMMUNICATIONS AND INFORMATION AGENCY
NCIO	NATO COMMUNICATIONS AND INFORMATION ORGANISATION
NCS	NATO COMMAND STRUCTURE
NDEC	NCI Agency DIGITAL ENTERPRISE CENTRE
NFR	NATO FINANCIAL REGULATIONS

NIC	NATO INTERNATIONAL CIVILIAN
NITEC	NATO INDUSTRY CONFERENCE AND TECHNET INTERNATIONAL
NSIP	NATO SECURITY INVESTMENT PROGRAMME
OF	OPERATING FUND
PE	PEACETIME ESTABLISHMENT/PERSONNEL ESTABLISHMENT
PP&E	PROPERTY PLANT and EQUIPMENT
PSC	PROJECT SERVICE COSTS
QAFR	QUARTERLY ACCOUNTING FINANCIAL REPORT
RPPB	NATO RESOURCE POLICY AND PLANNING BOARD
RS	RESOLUTE SUPPORT
SATCOM	SATELLITE COMMUNICATION
SATCOM MOU	SATELLITE COMMUNICATION MEMORANDUM OF UNDERSTANDING

SLA	SERVICE LEVEL AGREEMENT
SLMB	SERVICE LIFECYCLE MANAGEMENT BOARD
SSC	SERVICE SUPPORT COST
SSP	SERVICE SUPPORT PACKAGES
SST	SERVICE SUPPORT TRAINING PACKAGES
TFR	‘TRATTAMENTI DI FINE RAPPORTO’
TO	TASK ORDER
TOPFAS	TOOLS FOR OPERATIONS PLANNING FUNCTIONAL AREA SERVICE
WAC	WEIGHTED AVERAGE COST
WGNTE	WORKING GROUP OF NATIONAL TECHNICAL EXPERTS