

NATO SANS CLASSIFICATION

25 mars 2022

DOCUMENT
PO(2022)0119-AS1

**RAPPORTS DU COLLÈGE INTERNATIONAL
DES AUDITEURS EXTERNES DE L'OTAN (IBAN)
SUR L'AUDIT DES ÉTATS FINANCIERS 2020
DU CENTRE D'INFORMATION ET D'ANALYSE
SUR LA SÉCURITÉ DES MUNITIONS (MSIAC),
DU RÉGIME DE PENSIONS COORDONNÉ,
DU RÉGIME DE PENSIONS À COTISATIONS DÉFINIES (DCPS),
ET DU FONDS DE COUVERTURE MÉDICALE DES AGENTS À LA RETRAITE (FCMR),
SUR L'AUDIT DES ÉTATS FINANCIERS 2020
RELATIFS AU PROJET DE NOUVEAU SIÈGE DE L'OTAN,
AINSI QUE SUR L'AUDIT DES ÉTATS FINANCIERS 2020 RECTIFIÉS
DU BUREAU DES FORACS OTAN (NFO)
ET DU SECRÉTARIAT INTERNATIONAL (SI)**

NOTE SUR LA SUITE DONNÉE

Le 24 mars 2022, 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) joint au PO(2022)0119, il a approuvé les conclusions et les recommandations contenues dans ce rapport, il a pris note des rapports de l'IBAN sur l'audit des états financiers 2020 du DCPS, du MSIAC, du régime de pensions coordonné et du FCMR, sur l'audit des états financiers 2020 relatifs au projet de nouveau siège de l'OTAN ainsi que sur l'audit des états financiers 2020 rectifiés du SI et du NFO, et il a donné son accord pour que le rapport du RPPB, les rapports de l'IBAN précités et les états financiers correspondants soient rendus publics.

(signé) Jens Stoltenberg
Secrétaire général

NB : La présente note fait partie du PO(2022)0119 et doit être placée en tête de ce document.

NATO SANS CLASSIFICATION



NATO SANS CLASSIFICATION

10 March 2022

DOCUMENT

PO(2022)0119

Procédure d'accord tacite :
24 Mar 2022 17:30

À : Représentants permanents (Conseil)

De : Secrétaire général

**RAPPORTS DU COLLÈGE INTERNATIONAL
DES AUDITEURS EXTERNES DE L'OTAN (IBAN)
SUR L'AUDIT DES ÉTATS FINANCIERS 2020
DU CENTRE D'INFORMATION ET D'ANALYSE
SUR LA SÉCURITÉ DES MUNITIONS (MSIAC),
DU RÉGIME DE PENSIONS COORDONNÉ,
DU RÉGIME DE PENSIONS À COTISATIONS DÉFINIES (DCPS),
ET DU FONDS DE COUVERTURE MÉDICALE DES AGENTS À LA RETRAITE (FCMR),
SUR L'AUDIT DES ÉTATS FINANCIERS 2020
RELATIFS AU PROJET DE NOUVEAU SIÈGE DE L'OTAN,
AINSI QUE SUR L'AUDIT DES ÉTATS FINANCIERS 2020 RECTIFIÉS
DU BUREAU DES FORACS OTAN (NFO)
ET DU SECRÉTARIAT INTERNATIONAL (SI)**

1. Vous trouverez en annexe le rapport du Bureau de la planification et de la politique générale des ressources (RPPB) sur les rapports que l'IBAN a consacrés à l'audit des états financiers 2020 du DCPS, du MSIAC, du régime de pensions coordonné et du FCMR, à l'audit des états financiers 2020 relatifs au projet de nouveau siège de l'OTAN, ainsi qu'à l'audit des états financiers 2020 rectifiés du SI et du NFO. Pour ces sept entités, l'IBAN a émis une opinion sans réserve sur les états financiers ainsi que sur la conformité.

2. Les rapports de l'IBAN ont été examinés par le RPPB (voir annexe).

3. Je ne pense pas que cette question doive être examinée plus avant. Par conséquent, **sauf avis contraire me parvenant d'ici au jeudi 24 mars 2022 à 17h30**, je considérerai que le Conseil aura pris note du rapport du RPPB, approuvé les conclusions et les recommandations qu'il contient, pris note des rapports de l'IBAN et donné son accord pour que le rapport du RPPB, les rapports de l'IBAN, les états financiers 2020 du DCPS, du MSIAC, du régime de pensions coordonné et du FCMR, les états financiers 2020 relatifs au projet de nouveau siège de l'OTAN et les états financiers 2020 rectifiés du SI et du NFO soient rendus publics.

(signé) Jens Stoltenberg

1 annexe
1 pièce jointe

Original : anglais

NATO SANS CLASSIFICATION

-1-



NATO SANS CLASSIFICATION

ANNEXE 1
PO(2022)0119

**RAPPORTS DU COLLÈGE INTERNATIONAL
DES AUDITEURS EXTERNES DE L'OTAN (IBAN)
SUR L'AUDIT DES ÉTATS FINANCIERS 2020
DU RÉGIME DE PENSIONS À COTISATIONS DÉFINIES (DCPS),
DU CENTRE D'INFORMATION ET D'ANALYSE
SUR LA SÉCURITÉ DES MUNITIONS (MSIAC),
DU RÉGIME DE PENSIONS COORDONNÉ,
ET DU FONDS DE COUVERTURE MÉDICALE DES AGENTS À LA RETRAITE (FCMR),
SUR L'AUDIT DES ÉTATS FINANCIERS 2020
RELATIFS AU PROJET DE NOUVEAU SIÈGE DE L'OTAN,
AINSI QUE SUR L'AUDIT DES ÉTATS FINANCIERS 2020 RECTIFIÉS
DU SECRÉTARIAT INTERNATIONAL (SI)
ET DU BUREAU DES FORACS OTAN (NFO)**

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

Références :

A. IBA-A(2021)0132	Rapport de l'IBAN sur l'audit des états financiers 2020 du DCPS
B. IBA-A(2021)0111	Rapport de l'IBAN sur l'audit des états financiers 2020 du MSIAC
C. IBA-A(2021)0118	Rapport de l'IBAN sur l'audit des états financiers 2020 du régime de pensions coordonné
D. IBA-A(2021)0117	Rapport de l'IBAN sur l'audit des états financiers 2020 relatifs au projet de nouveau siège de l'OTAN
E. IBA-A(2021)0155	Rapport de l'IBAN sur l'audit des états financiers 2020 du FCMR
F. IBA-A(2021)0154	Rapport de l'IBAN sur l'audit des états financiers 2020 rectifiés du SI
G. IBA-A(2021)0109	Rapport de l'IBAN sur l'audit des états financiers 2020 rectifiés du NFO
H. C-M(2015)0025	Règlement financier de l'OTAN
I. BC-D(2015)0260-REV1	Règles et procédures financières
J. CM(2016)0023	Cadre comptable OTAN
K. 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 RPPB concerne les rapports de l'IBAN sur l'audit des états financiers 2020 du DCPS, du MSIAC, du régime de pensions coordonné et du FCMR, sur l'audit des états financiers 2020 relatifs au projet de nouveau siège de l'OTAN¹, ainsi que

¹ Le Comité des budgets a décidé de clôturer le projet de nouveau siège de l'OTAN et les comptes de ce projet au 31 décembre 2020. Le rapport de l'IBAN sur l'audit des états financiers de 2020 est donc le dernier à être soumis au Conseil pour ce qui est de ce projet. Après la clôture des comptes, les crédits restants ont été alloués au SI et les soldes ont été reportés dans les comptes de cet organisme. À l'avenir, ils seront donc intégrés aux états financiers du SI.

NATO SANS CLASSIFICATION

NATO SANS CLASSIFICATIONANNEXE 1
PO(2022)0119

sur l'audit des états financiers 2020 rectifiés du SI et du NFO. Pour la deuxième année consécutive, l'IBAN a émis une opinion sans réserve à la fois sur les états financiers de tous ces organismes et sur la conformité pour l'exercice (voir documents de référence A à G).

OBJET

2. Le présent rapport met en avant les éléments les plus importants des rapports de l'IBAN (références A à G) afin que le RPPB puisse réfléchir aux questions d'ordre stratégique qui découlent de l'audit des états financiers des entités concernées et, s'il y a lieu, recommander au Conseil une ligne de conduite qui soit propre à accroître la transparence, à améliorer le compte rendu et à renforcer la cohérence.

3. En application des règles et procédures financières XXXV, qui correspondent à l'article 35 du Règlement financier de l'OTAN (NFR) (référence H), la contrôleuse des finances du SI est tenue de superviser l'établissement des états financiers de toutes les entités OTAN dont il est question ici, et de signer ces états financiers.

EXAMEN DE LA QUESTION

4. À l'issue de l'audit des états financiers 2020 des sept entités faisant l'objet du présent rapport, l'IBAN a formulé au total huit observations, assorties de recommandations, qui concernent le MSIAC, le régime de pensions coordonné, le FCMR, le SI et le NFO. Ces observations n'ont pas eu d'incidence sur les opinions émises au sujet des états financiers et de la conformité. L'IBAN a par ailleurs fait le point sur les suites données aux observations formulées lors d'audits précédents. À la date de l'établissement de ses rapports, neuf questions étaient en cours de traitement, quatre restaient à traiter et sept avaient été traitées.

4.1. Observation concernant le MSIAC – L'IBAN a relevé des erreurs mineures dans l'état de l'exécution du budget de l'organisme et dans les notes jointes à ses états financiers. Il souscrit à la recommandation par laquelle l'IBAN demande au MSIAC d'améliorer encore les contrôles internes et de mettre en place des procédures de vérification croisée qui permettent de corriger les éventuelles erreurs et de s'assurer de l'exactitude des informations présentées dans les états financiers.

4.2. Observation concernant le régime de pensions coordonné – L'IBAN a constaté que le grand livre général n'avait pas été rapproché avec les extraits de compte et que cela s'est traduit par une surévaluation de 89 811,66 EUR de la trésorerie et des équivalents de trésorerie ainsi que des « autres » éléments de passif. L'IBAN souscrit à la recommandation par laquelle l'IBAN demande au Bureau du contrôle financier (OFC) du SI de renforcer encore les contrôles internes portant sur l'établissement des états financiers, en veillant à ce que les comptes du grand livre général concordent avec les extraits de compte.

NATO SANS CLASSIFICATION

ANNEXE 1
PO(2022)0119

4.3. Observation 1 concernant le FCMR – L'IBAN a constaté qu'au contraire de ce qui est indiqué dans la note 3 jointe aux états financiers, l'augmentation (de 1,9 milliard d'euros) de l'obligation relative aux soins médicaux postérieurs à la période d'emploi ne résultait pas entièrement d'une perte actuarielle, mais s'expliquait en partie par la prise en considération, dans les calculs actuariels, d'affiliés qui, pour certains, avaient auparavant été exclus, à tort, des statistiques de population utilisées. L'IBAN a également constaté que la note 3 ne contenait pas toutes les informations requises au sujet de l'incidence de l'augmentation du nombre d'affiliés. Le RPPB souscrit à la recommandation par laquelle l'IBAN demande au SI d'instaurer des contrôles internes qui porteraient sur l'exhaustivité et l'exactitude des données communiquées au Service international des rémunérations et des pensions (SIRP), ainsi que de renforcer les contrôles internes portant sur le processus d'établissement du compte rendu financier. Bien que la note 3 fournisse des informations sur la nature des modifications apportées aux hypothèses actuarielles, le RPPB souscrit également à la recommandation de l'IBAN selon laquelle le SI devrait aménager une piste d'audit complète pour toutes les données reçues des entités OTAN qui sont envoyées au SIRP.

4.4. Observation 2 concernant le FCMR – L'IBAN a constaté que le Comité de surveillance du FCMR ne s'était réuni qu'une fois en 2020, alors que, selon l'article 3 de l'annexe XIII-2 du Règlement du personnel civil (RPC), il doit en principe se réunir deux fois par an. Il a également constaté que la décision de ne pas avoir de seconde réunion au cours de cette première année de la pandémie de COVID-19 n'avait pas été justifiée par écrit, ni approuvée par écrit par les membres du Comité de surveillance. Le RPPB souscrit à la recommandation par laquelle l'IBAN demande au Comité de se conformer à l'article 3 de l'annexe XIII-2 du RPC en se réunissant au moins deux fois par an ou en justifiant tout écart par rapport au RPC dans un document approuvé par ses membres.

4.5. Observation 1 concernant le SI – À la faveur d'une vérification par sondage, l'IBAN a constaté que, sur les 20 agents qui avaient bénéficié d'une indemnité de suppléance en 2020, neuf s'acquittaient des tâches et responsabilités liées à des postes de catégorie plus élevée, dont les titulaires doivent posséder un diplôme universitaire (autrement dit, des agents de catégorie B ou C remplaçaient des agents de catégorie A). En outre, il a constaté qu'il n'existait pas de dispositions précisant les critères à utiliser pour déterminer si un agent avait des compétences et une expérience suffisantes pour assumer les responsabilités afférentes à un poste de catégorie plus élevée ou à un poste de grade plus élevé au sein de sa catégorie. Enfin, il a observé qu'aucune limite de durée n'était fixée pour les remplacements. Le RPPB souscrit à la recommandation par laquelle l'IBAN demande aux Ressources humaines du SI de publier, au sujet des modalités d'octroi de l'indemnité de suppléance visée à l'article 32 du RPC, des instructions comprenant des critères qui permettent de déterminer quelles tâches et quelles responsabilités peuvent être assumées par un agent amené à en remplacer un autre, et pendant combien de temps.

4.6. Observation 2 concernant le SI – L'IBAN a relevé des erreurs manuelles dans les chiffres figurant dans le tableau de la note 30 jointe aux états financiers². Le RPPB souscrit à la recommandation par laquelle l'IBAN demande au SI de renforcer encore les mécanismes de contrôle interne relatifs au processus d'établissement des états financiers de façon à éviter les erreurs manuelles.

4.7. Observation 3 concernant le SI – Après la publication des états financiers de 2020, l'OFC a signalé à l'IBAN qu'en raison d'une défaillance logicielle, les états financiers contenaient des erreurs, les engagements étant surévalués dans l'état de l'exécution du budget et l'état de la situation financière. Ayant étudié la question plus avant, l'IBAN a constaté que les engagements extraits du module impacté par l'erreur, à savoir le module « Projets » du système de planification des ressources d'entreprise (ERP), n'avaient pas fait l'objet d'un rapprochement complet avec les données du module « Comptabilité » de l'ERP³. Le RPPB souscrit à la recommandation de l'IBAN selon laquelle demande, en attendant que la défaillance du système informatique soit corrigée, le SI devrait mettre en place des mécanismes de contrôle interne pour le module « Projets », de sorte que les engagements ne soient pas surévalués par erreur, et, par ailleurs, procéder au rapprochement des engagements notifiés dans le module « Projets » et dans le module « Comptabilité ». Il est conscient que des travaux sont en cours sur les ERP utilisés au sein de l'entreprise OTAN⁴, et il estime que la solution qui sera éventuellement retenue devra en tout cas permettre de réduire le nombre d'interventions manuelles requises pour l'établissement des états financiers.

4.8. Observation concernant le NFO – L'IBAN a constaté que le NFO avait, à tort, notifié des pertes de change non réalisées, ce qui s'était traduit par des inexactitudes dans ses états financiers⁵. Le RPPB souscrit à la recommandation par laquelle l'IBAN demande à l'OFC de renforcer encore les mécanismes de contrôle interne relatifs à l'établissement des états financiers, en particulier pour ce qui est des informations à fournir au sujet des différences de change.

4.9. Observations particulières⁶ sur certains états financiers – L'IBAN appelle l'attention, d'une part, sur les erreurs qu'il a constatées dans les notes jointes aux états financiers du MSIAC en ce qui concerne les montants facturés et, d'autre part, sur les incohérences dans la numérotation des notes explicatives jointes aux états financiers rectifiés du NFO. Il a également formulé une observation particulière au sujet de la note 3 jointe aux états financiers du FCMR, laquelle porte sur l'évaluation actuarielle.

² Les inexactitudes ont été corrigées dans les états financiers 2020 rectifiés, qui ont été soumis à l'IBAN le 8 septembre 2021.

³ L'OFC a ensuite procédé à un rapprochement pour les demandes d'achat liées au module « Projets ».

⁴ Voir C-M(2021)0034 et BC-D(2021)0142-ADD1.

⁵ Ces inexactitudes ont été corrigées dans les états financiers 2020 rectifiés qui ont été soumis à l'IBAN.

⁶ L'« 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 sa compréhension de ces documents.

4.10. Suites données aux observations antérieures : questions traitées – L'IBAN a considéré, au vu des progrès accomplis, que les trois questions qui avaient fait l'objet d'observations lors de l'audit des états financiers 2019 relatifs au projet de nouveau siège avaient été traitées. Ces questions avaient trait au rapport financier sur le budget global du programme de construction (LTPB), aux informations sur les crédits pour imprévus inscrits dans le LTPB, et au traitement comptable de la reprise sur provision opérée en 2019 pour les congés inutilisés. L'IBAN avait formulé la même observation sur les états financiers 2019 du SI et du NFO et, comme l'OFC a ajusté les chiffres, il a considéré que la question avait été traitée dans le cas de ces deux organismes également. Pour ce qui est du SI, il a considéré que la question de l'amélioration du contrôle des ajustements budgétaires avait été traitée. De même, pour ce qui est du FCMR, il a considéré que la question de l'amélioration du processus de confirmation du montant des cotisations versées au fonds avait été traitée dès lors que toutes les cotisations avaient été reçues, que tous les soldes avaient fait l'objet d'une confirmation et que les cotisations reçues avaient été rapprochées des enregistrements comptables.

4.11. Suites données aux observations antérieures : questions à traiter – Pour ce qui est du régime de pensions coordonné, l'IBAN a considéré que la question des montants échus à recevoir ou à payer restait à traiter, parce que les informations fournies dans les notes jointes aux états financiers au sujet de ces montants étaient toujours insuffisamment détaillées et que ceux-ci ne font toujours pas l'objet d'un suivi ni d'une analyse. Une question restant à traiter, formulée lors de l'audit des états financiers de 2019, concerne à la fois le régime de pensions coordonné et le FCMR. À ce propos, l'IBAN réaffirme que des progrès supplémentaires doivent être faits, au sens où l'OTAN doit comptabiliser, dans l'état de la situation financière des entités concernées, le passif correspondant aux avantages postérieurs à l'emploi, afin de se conformer à l'IPSAS 39 (*Avantages du personnel*). La question du bien-fondé de l'utilisation de l'IPSAS 39 pour la comptabilité et le compte rendu relatifs au régime de pensions coordonné et au FCMR sera examinée dans un rapport distinct du RPPB. Pour le reste, l'IBAN a noté que le NFO n'avait pas mis en place de procédure qui lui permettrait de recenser les opérations entre parties liées et de s'assurer de l'absence de conflits d'intérêts, et que ses principaux dirigeants n'avaient pas signé de déclaration concernant les relations ou les opérations avec des parties liées. Le RPPB note que les suites données à l'observation relative à la nécessité pour les principaux dirigeants de communiquer des déclarations relatives aux parties liées seront évaluées quand la question de l'interprétation à donner de la notion de « principaux dirigeants » aura été étudiée à l'échelle de l'OTAN et réglée dans le cadre comptable OTAN (référence J), dont le réexamen est prévu pour 2023.

4.12. Suites données aux observations antérieures : questions en cours de traitement – Pour ce qui est du DCPS, l'IBAN note que la part du montant compensatoire reçu de l'assureur qui revient aux affiliés n'a pas encore été entièrement répartie entre ceux-ci, et il fera le point sur cette question dans le cadre de l'audit des états financiers de 2021. Pour ce qui est du régime de pensions coordonné, l'IBAN recommande de continuer d'améliorer l'efficacité des contrôles internes portant sur le processus d'établissement des états financiers. En effet, lors de l'audit des états financiers de 2020, il a trouvé une erreur liée au rapprochement bancaire. Pour ce qui est du SI, il recommande à l'OFC d'améliorer encore

le rapprochement des éléments de trésorerie et des équivalents de trésorerie, et de mettre en place un processus de confirmation des soldes de fin d'exercice entre entités OTAN présentant des états financiers. Il lui recommande aussi d'améliorer encore la gestion des risques, le contrôle interne et l'audit interne. Pour ce qui est du NFO, l'IBAN prend note des progrès réalisés s'agissant de la comptabilisation des montants à recevoir, qui ont fait l'objet d'un rapprochement avec les informations communiquées par les polygones et avec les certificats d'audit délivrés par des tiers. Cependant, pour que la question puisse être considérée comme traitée, l'OFC doit encore mettre à jour, dans sa politique comptable⁷, la méthode d'estimation des montants à recevoir.

4.13. Suites données aux observations antérieures : questions en cours de traitement ou à traiter depuis plus de trois ans – De manière générale, le RPPB est préoccupé par les opinions avec réserve et par les observations qui s'adressent à toutes les entités OTAN présentant des états financiers et qui ne reçoivent pas la suite voulue, en particulier lorsqu'elles remontent à plus de trois ans. Il note que, dans les rapports faisant l'objet du présent document, l'IBAN n'a émis que des opinions sans réserve. Il appelle l'attention sur trois questions en cours de traitement depuis plus de trois ans qui concernent le MSIAC, le FCMR et le NFO. Il invite le Bureau OTAN des ressources à déterminer, en concertation avec l'IBAN, s'il est nécessaire, pour que les observations correspondantes reçoivent la suite voulue, d'en reparler avec la direction et/ou l'organe de gouvernance de ces entités ou, pour le RPPB, de formuler des recommandations plus ciblées à l'intention du Conseil. Le paragraphe suivant traite des observations en question.

4.13.1. À la suite de l'audit des états financiers 2012 du FCMR, l'IBAN avait appelé l'attention sur l'inadéquation de l'actif net du fonds pour le service des prestations escomptées. En 2013, le SIRP avait établi des prévisions de dépenses pour déterminer si l'actif du fonds serait suffisant pour que les obligations puissent être honorées. Plusieurs scénarios de rendement de l'actif avaient alors été étudiés et, comme cela avait été envisagé, les dépenses de fonctionnement du FCMR ont, en 2019, pour la première fois, dépassé les cotisations reçues. Le RPPB note que le SI travaille avec le SIRP à l'actualisation des prévisions, qu'une nouvelle étude sur les prestations escomptées devrait être finalisée en 2022 et que les prévisions actualisées relatives à la viabilité à long terme du FCMR seront communiquées aux pays dès que possible.

4.13.2. À la suite de l'audit des états financiers 2015 du MSIAC et du NFO, l'IBAN avait recommandé à ces deux organismes de se conformer pleinement à la version révisée du NFR, en particulier avec les articles relatifs au contrôle interne, à la gestion des risques et à l'audit interne. L'IBAN a noté que, depuis l'audit précédent, l'observation avait en partie reçu la suite voulue : le MSIAC a adopté le cadre de contrôle interne du COSO⁸ et le NFO a mis en place des procédures de contrôle interne et de gestion des risques. Cependant, pour que la question puisse être considérée comme traitée, le MSIAC doit encore finaliser sa politique de gestion des risques et faire réaliser une évaluation indépendante de l'application qu'il fait du cadre de contrôle interne du COSO. De son côté, le NFO doit faire

⁷ En novembre 2021, l'OFC a diffusé des méthodes comptables (ON(2021)0079) qui couvrent la comptabilisation des montants à recevoir.

⁸ Committee of Sponsoring Organisations of the Treadway Commission.

en sorte que sa politique de gestion des risques et ses registres des risques tiennent compte des risques liés au compte rendu financier et à la conformité, évaluer et consigner le fonctionnement de son système de contrôle interne et de ses procédures de gestion des risques, et renforcer ses activités d'audit interne⁹. Cela étant, en ce qui concerne l'application du cadre du COSO et les obligations en matière d'audit qui en découlent, le RPPB relève qu'aux termes de l'article 12.1 du NFR, les organismes OTAN doivent veiller à ce que les fonctions de gestion interne nécessaires soient en place pour assurer un contrôle interne efficace qui permette de fournir une assurance raisonnable quant à la réalisation de leurs objectifs. Il convient que l'effort pouvant être exigé en vue du règlement d'une question relative à l'application d'un cadre de contrôle interne, d'un système de contrôle interne et de procédures de gestion des risques doit être proportionnel à la taille et à l'échelle des activités de l'entité concernée. Il recommande aux gestionnaires du FCMR, au MSIAC et au NFO de s'attacher à traiter ces questions en suspens. Par ailleurs, il recommande au Conseil d'inviter ces trois organismes à lui communiquer, en même temps que leurs commentaires relatifs au rapport de l'IBAN sur l'audit des états financiers de 2021, un plan d'action correctif clair, assorti d'échéances, sur ce qui sera fait pour donner suite à ces recommandations.

CONCLUSIONS

5. L'IBAN a émis des opinions sans réserve sur les états financiers 2020 du DCPS, du MSIAC, du régime de pensions coordonné du FCMR, du SI et du NFO, sur les états financiers 2020 relatifs au nouveau siège de l'OTAN, ainsi que sur la conformité pour l'exercice. Huit nouvelles observations ont été formulées, qui concernent les états financiers du MSIAC, du régime de pensions coordonné, du FCMR, du SI et du NFO. Aucune d'elles n'a eu d'incidence sur les opinions émises. À la date de l'établissement des rapports de l'IBAN, neuf questions ayant fait l'objet d'observations lors d'audits précédents étaient en cours de traitement, quatre restaient à traiter et sept avaient été traitées.

6. Le RPPB se réjouit des progrès constants qui sont accomplis pour réduire le nombre d'observations. Il encourage le MSIAC, les gestionnaires du régime de pensions coordonné, les gestionnaires du FCMR, le SI et le NFO à traiter les questions en suspens qui concernent la mise en place, l'amélioration et le renforcement de leur système de contrôle interne, étant entendu qu'en application de l'article 12.1 du NFR, le contrôle interne ne doit pas faire davantage que permettre de fournir une assurance raisonnable. Il recommande aux gestionnaires du FCMR de prendre des mesures supplémentaires pour assurer la conformité avec le RPC. Il recommande enfin aux Ressources humaines du SI de publier des instructions relatives aux modalités d'octroi de l'indemnité de suppléance visée à l'article 32 du RPC. Il a pris note des observations particulières formulées par l'IBAN dans les rapports concernant certains organismes.

7. Le RPPB note, pour ce qui est du régime de pensions coordonné, que, selon l'IBAN, les informations figurant dans les notes jointes aux états financiers au sujet des montants

⁹ L'OFC fait valoir que, comme le MSIAC et le NFO sont de petits organismes, dont l'activité et les ressources sont modestes, il leur est difficile de se conformer pleinement au NFR.

NATO SANS CLASSIFICATIONANNEXE 1
PO(2022)0119

échus à recevoir ou à payer sont toujours insuffisantes et la comptabilisation du passif correspondant aux avantages postérieurs à l'emploi n'est pas encore conforme au cadre comptable OTAN. Il signale qu'il traitera la question de ces avantages dans un rapport distinct. Il note que la question de l'interprétation à donner de la notion de « principaux dirigeants » sera étudiée à l'occasion du réexamen prochain du cadre comptable OTAN.

8. Pour ce qui est des questions soulevées précédemment qui sont en cours de traitement, le RPPB prend note des progrès accomplis et appuie les recommandations par lesquelles l'IBAN demande aux gestionnaires du DCPS d'achever la répartition entre les affiliés de la part du montant compensatoire reçu de l'assureur qui leur revient, et aux gestionnaires du régime de pensions coordonné de renforcer les contrôles internes. Il note que le SI doit encore faire mieux dans le domaine de la gestion des risques, du contrôle interne et de l'audit interne, et que le SI et le NFO doivent encore s'améliorer en matière de rapprochement et de comptabilisation.

9. Pour ce qui est de la question en cours de traitement soulevée à la suite de l'audit des états financiers 2012 du FCMR, le RPPB recommande aux gestionnaires du fonds de communiquer dès que possible aux pays les prévisions actualisées relatives à sa viabilité à long terme. Pour ce qui est de la question en cours de traitement soulevée à la suite de l'audit des états financiers 2015 du MSIAC et du NFO, le RPPB attend de ces deux organismes qu'ils se conforment au NFR, en particulier avec les articles relatifs au contrôle interne, à la gestion des risques et à l'audit interne. En effet, le système de contrôle interne doit être appliqué par toutes les entités OTAN présentant des états financiers. Il recommande au Conseil d'inviter les gestionnaires du FCMR, le MSIAC et le NFO à lui communiquer, en même temps que leurs commentaires relatifs au rapport de l'IBAN sur l'audit des états financiers de 2021, un plan d'action assorti d'échéances sur ce qui sera fait pour donner suite à ces recommandations.

RECOMMANDATIONS

10. Le RPPB recommande au Conseil :

10.1. de prendre note du présent rapport ainsi que des rapports de l'IBAN cités en référence A à G ;

10.2. d'approuver les conclusions énoncées aux paragraphes 5 à 9 ;

10.3. d'inviter les gestionnaires du FCMR, le MSIAC et le NFO à lui communiquer, en même temps que leurs commentaires relatifs au rapport de l'IBAN sur l'audit des états financiers de 2021, un plan d'action assorti d'échéances sur ce qui sera fait pour donner suite aux recommandations en souffrance ;

10.4. d'approuver la communication au public des états financiers 2020 du DCPS, du MSIAC, du régime de pensions coordonné, du FCMR, du SI et du NFO, des états financiers 2020 relatifs au projet de nouveau siège de l'OTAN, des rapports de l'IBAN sur l'audit de ces états financiers (références A à G) ainsi que du présent rapport, en application de la politique agréée dans le document de référence K.

NATO SANS CLASSIFICATION



NORTH ATLANTIC TREATY ORGANIZATION
ORGANISATION DU TRAITÉ DE L'ATLANTIQUE NORD
INTERNATIONAL BOARD OF AUDITORS
COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

PIÈCE JOINTE 1
PO(2022)0119

NATO SANS CLASSIFICATION

IBA-A(2021)0132
15 octobre 2021

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

Cc : Représentants permanents auprès de l'OTAN
Secrétaire général adjoint pour la gestion exécutive
Contrôleuse des finances du Secrétariat international
Président du Bureau de la planification et de la politique générale des ressources
Chef de la Branche Secrétariat et finances du Bureau OTAN des ressources
Bureau d'ordre du Cabinet

Objet : ***Rapport du Collège international des auditeurs externes de l'OTAN (IBAN) sur l'audit des états financiers du régime de pensions à cotisations définies (DCPS) de l'OTAN pour l'exercice clos le 31 décembre 2020 – IBA-AR(2021)0032***

Monsieur le Secrétaire général, vous trouverez ci-joint le rapport d'audit approuvé ainsi qu'une note succincte à l'intention du Conseil.

L'IBAN a émis une opinion sans réserve sur les états financiers du DCPS ainsi que sur la conformité pour l'exercice 2020.

Je vous prie d'agréer, Monsieur le Secrétaire général, l'assurance de ma haute considération.

Daniela Morgante
Présidente

Pièces jointes : voir ci-dessus.

NATO SANS CLASSIFICATION

NATO UNCLASSIFIED

IBA-AR(2021)0032

**Summary Note for Council
by the International Board of Auditors for NATO (IBAN)
on the audit of the Financial Statements of the
NATO Defined Contribution Pension Scheme (DCPS)
for the year ended 31 December 2020**

The International Board of Auditors for NATO (IBAN) audited the NATO Defined Contribution Pension Scheme (DCPS), which is a money purchase pension scheme that includes contributions from staff recruited on or after 1 July 2005, as well as employer contributions from NATO. The value of the NATO DCPS's net assets available for benefits at 31 December 2020 was EUR 595.47 million (at the end of 2019, EUR 524.53 million). The DCPS had 4,795 members at 31 December 2020 (at the end of 2019, 4,352 members).

IBAN issued an unqualified opinion on the Financial Statements and on compliance for the year ended 31 December 2020.

During the audit, IBAN made no observations.

IBAN followed up on the status of observations and recommendations from the previous years' audits and found that one remains in progress.

The Audit Report was issued to the International Staff whose comments have been included, with the IBAN's position on those comments where necessary.

The observations and recommendations and the follow-up of the previous years' observations and recommendations that are not in the Audit Report are included in a Management Letter addressed to the NATO Defined Contribution Pension Scheme management. This is because IBAN considers that these matters are to be addressed by Management and therefore fall under the NATO Defined Contribution Pension Scheme's executive responsibility.

NATO UNCLASSIFIED

NATO UNCLASSIFIED

IBA-AR(2021)0032

15 October 2021

INTERNATIONAL BOARD OF AUDITORS FOR NATO

**AUDIT REPORT ON THE FINANCIAL STATEMENTS OF THE
NATO DEFINED CONTRIBUTION PENSION SCHEME
(DCPS)**

FOR THE YEAR ENDED 31 DECEMBER 2020

PUBLICLY DISCLOSED - PDN(2022)0014 - MIS EN LECTURE PUBLIQUE

NATO UNCLASSIFIED

NATO UNCLASSIFIED

IBA-AR(2021)0032

INDEPENDENT EXTERNAL AUDITOR'S REPORT TO THE NORTH ATLANTIC COUNCIL***Financial Statements*****Opinion on the Financial Statements**

The International Board of Auditors for NATO (IBAN) has audited the Financial Statements of the NATO Defined Contribution Pension Scheme, for the 12 month period ended 31 December 2020, issued under document reference FC(2021)0026, and submitted to IBAN on 31 March 2021. These Financial Statements comprise the Statement of Net Assets Available for Benefits as at 31 December 2020, the Statement of Changes in Net Assets Available for Benefits for the period ended 31 December 2020 and the Explanatory Notes, including a summary of significant accounting policies.

In our opinion, the Financial Statements give a true and fair view of the Statement of Net Assets Available for Benefits of the NATO Defined Contribution Pension Scheme as at 31 December 2020, and of its Statement of Changes in Net Assets Available for Benefits for the period ended 31 December 2020, in accordance with accounting requirements and reporting standards consistent with the NATO Accounting Framework (NAF) and International Accounting Standard (IAS) 26, Accounting and Reporting by Retirement Benefit Plans.

Basis for Opinion on the Financial Statements

In accordance with the NATO Financial Regulations (NFRs), external audit of the NATO bodies and reporting entities pursuant to the North Atlantic Treaty shall be performed by IBAN.

We have conducted our audit in accordance with the International Standards of Supreme Audit Institutions (ISSAI 2200-2899) developed by the International Organisation of Supreme Audit Institutions (INTOSAI) and in accordance with the additional terms of reference defined in our Charter.

We are independent in accordance with the INTOSAI Code of Ethics and we have fulfilled our other ethical responsibilities in accordance with these requirements. The responsibilities of the members of IBAN are more extensively described in the section «Auditor's Responsibilities for the Audit of the Financial Statements» and in our Charter.

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

NATO UNCLASSIFIED

Management's Responsibility for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISSAIs, we exercise professional judgement and maintain professional scepticism throughout the planning and performance of the audit. This involves taking into account Considerations Specific to Public Sector Entities. We also:

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

NATO UNCLASSIFIED

IBA-AR(2021)0032

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are required to communicate with the bodies charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. Our Independent External Auditor's Report is prepared to assist North Atlantic Council in carrying out its role. We are therefore responsible solely to the North Atlantic Council for our work and the opinion we have formed.

Compliance**Opinion on Compliance**

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

NATO UNCLASSIFIED

IBA-AR(2021)0032

Basis for Opinion on Compliance

We have conducted our compliance audit in accordance with the International Standards of Supreme Audit Institutions (ISSAI 4000-4899) developed by the International Organisation of Supreme Audit Institutions (INTOSAI) and in accordance with the additional terms of reference defined in our Charter.

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

Management's Responsibility for Compliance

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

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

Auditor's Responsibilities for Compliance

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

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

Brussels, 15 October 2021



Daniela Morgante
Chair

NATO UNCLASSIFIED

NATO UNCLASSIFIED

IBA-AR(2021)0032

OBSERVATIONS AND RECOMMENDATIONS

IBAN made no observations and recommendations.

IBAN followed up on the status of observations and recommendations from the previous years' audits and found that one remains in-progress.

The Audit Report was issued to the International Staff whose comments have been included, with the IBAN's position on those comments where necessary.

The observations and recommendations and the follow-up of the previous years' observations and recommendations that are not in the Audit Report are included in a Management Letter addressed to the NATO Defined Contribution Pension Scheme management. This is because IBAN considers that these matters are to be addressed by Management and therefore fall under the NATO Defined Contribution Pension Scheme executive responsibility.

FOLLOW-UP OF PREVIOUS YEARS' OBSERVATIONS

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

The Open status is used for recommendations that are open and for which no notable progress has been achieved to date. The In-progress status is used for open recommendations when the NATO Reporting Entity has started to implement the recommendation or when some (but not all) sub-recommendations are closed. The Closed status is used for recommendations that are closed because they have been implemented, are superseded, or have lapsed. In the case where there are sub-recommendations, the status related to each sub-recommendation is indicated in the Action Taken column.

OBSERVATION / RECOMMENDATION	ACTION TAKEN BY AUDITEE	STATUS
(1) DCPS FY 2019 IBA-AR(2016)28, paragraph 3 INSUFFICIENT EVIDENCE TO SUPPORT A RECEIVABLE AND PROVISION IN THE FINANCIAL STATEMENTS IBAN's Recommendation The Board recommends the Secretary General, responsible for the administration and management of the DCPS, review this situation as soon as possible in order to clarify NATO's agreement to this proposed compensation, which NATO reporting entity has the right to it, and, if received, who the	In December 2018, the Secretary General recommended that one third of the compensatory payment from the Insurer (EUR 1.726 million) should be distributed to those affiliates who actively	Observation In-Progress.

NATO UNCLASSIFIED

IBA-AR(2021)0032

OBSERVATION / RECOMMENDATION	ACTION TAKEN BY AUDITEE	STATUS
funds should ultimately be returned to (e.g. nations, DCPS participants, etc.).	contributed to the major risk insurance during the period between 1 January 2012 and 31 December 2015. This amount was paid by the Insurer to DCPS in May 2019. The remaining balance to be paid to the affiliates as at 31 December 2020 was EUR 0.55 million). This corresponds to the amounts due towards non-active DCPS members, whereby the NATO Pensions Unit has to reach out to each individual to obtain correct data in order to proceed with the payments. As the payments to the affiliates are still ongoing, the status will be re-assessed as part of the audit of the 2021 Financial Statements. As per BC-DS(2019)0067 (INV) the Budget Committee decided that the employers' contributions share of the Insurer's compensatory payment shall be returned to the respective NATO Reporting Entities (EUR 4.274 million). This amount was paid by the Insurer to DCPS in February and April 2020. The subsequent disbursement to the NATO Reporting Entities was finalised in 2020.	

NATO UNCLASSIFIED

NATO UNCLASSIFIED

IBA-AR(2021)0032

INTERNATIONAL STAFF (IS) FORMAL COMMENTS ON THE AUDIT REPORT AND THE INTERNATIONAL BOARD OF AUDITORS (IBAN) POSITIONS

FOLLOW-UP OF PREVIOUS YEARS' OBSERVATIONS

(1) DCPS 2019 FY

IBA-AR(2016)28, paragraph 3

INSUFFICIENT EVIDENCE TO SUPPORT A RECEIVABLE AND PROVISION IN THE FINANCIAL STATEMENTS

IS's Formal Comments

Not agreed.

As per BC-DS(2019)0067 (INV) the Budget Committee decided that the employers' contributions share of the Insurer's compensatory payment shall be returned to the respective NATO Reporting Entities (EUR 4.274 million). The Insurer paid this amount to DCPS in February and April 2020.

In December 2018, the Secretary General recommended that one third of the compensatory payment from the Insurer (EUR 1.726 million) should be distributed to those affiliates who actively contributed to the major risk insurance during 1 January 2012 and 31 December 2015. The Insurer paid this amount to DCPS in May 2019.

The Board's recommendation has been fulfilled, the situation has been reviewed and NATO's agreement to this proposed compensation has been clarified.

No further decisions are left pending, consequently IS is proposing the closure of this observation.

IBAN's Position

As the payments to the affiliates are still ongoing (EUR 0.55 million still to be paid as at 31 December 2020), the status will be re-assessed as part of the audit of the 2021 Financial Statements. IBAN's maintains its position and considers that this recommendation is in-progress.

NATO UNCLASSIFIED

NATO UNCLASSIFIED

IBA-AR(2021)0032

GLOSSARY OF TERMS

In accordance with International Standards of Supreme Audit Institutions (ISSAI 2705), audit opinions on financial statements and on compliance can be unqualified, qualified, a disclaimer, or adverse:

- An unqualified opinion is when IBAN issues an opinion that the financial statements and budget execution report are stated fairly and that nothing has come to our attention that causes us to believe that funds have not been properly used for the settlement of authorised expenditure or are not in compliance with the rules and regulations.
- A qualified opinion means that IBAN was generally satisfied with the presentation of the financial statements, but that some key elements of the statements were not fairly stated or affected by a scope limitation, or specific issues have come to our attention that causes us to believe that funds have not been properly used for the settlement of authorised expenditure or are not in compliance with the rules and regulations.
- A disclaimer is issued when the audit scope is severely limited and IBAN cannot express an opinion, or when there are material uncertainties affecting the financial statements or the use of funds.
- An adverse opinion is issued when the effect of an error or disagreement is so pervasive and material to the financial statements that IBAN concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements.

In accordance with auditing standards, three types of paragraphs may also be communicated in the auditor's report:

- Key Audit Matters (ISSAI 2701): Those matters that, in IBAN's professional judgement, were of most significance in the audit of the financial statements of the current period. Key Audit Matters are addressed to Council.
- Emphasis of Matter (ISSAI 2706): If IBAN considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that, in our judgement, is of such importance that it is fundamental to users' understanding of the financial statements.
- Other Matter (ISSAI 2706): If IBAN considers it necessary to communicate a matter other than those that are presented or disclosed in the financial statements that, in our judgement, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.

NATO UNCLASSIFIED

FC(2021)0026

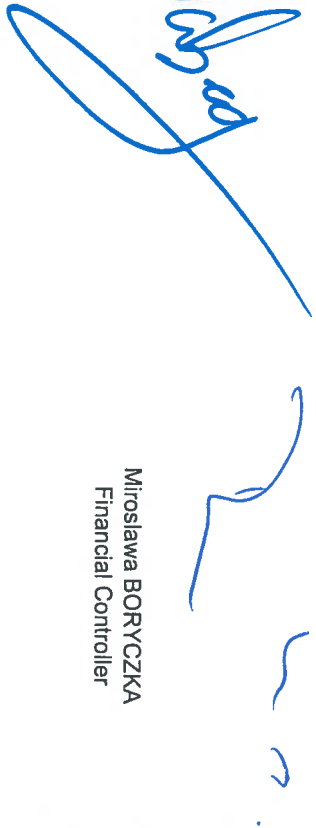
**NATO DEFINED CONTRIBUTION PENSION SCHEME
FINANCIAL STATEMENTS**

For the year ended 31 December 2020

Annexes

- | | |
|---|---|
| 1 | Statement of Net Assets Available for Benefits |
| 2 | Statement of Changes in Net Assets Available for Benefits |
| 3 | Notes to the Financial Statements |


Jens STOLTENBERG
Secretary General


Mirosława BORYCZKA
Financial Controller

NATO UNCLASSIFIED

NATO DEFINED CONTRIBUTION PENSION SCHEME
Statement of Net Assets Available for Benefits

(all amounts in EUR)		Notes	Current Year		Prior Year			
			31-Dec-20		31-Dec-19			
			Investments	Benefits	Total	Investments	Benefits	Total
Assets								
	3	Cash and cash equivalents	7,112,637.82	324,810.85	7,437,448.67	6,951,315.18	408,319.63	7,359,634.81
	4	Funds held by investment manager	588,716,610.24	-	588,716,610.24	518,398,036.29	-	518,398,036.29
	5	Accounts receivable	366.70	238,328.24	238,694.94	26,106.09	108,601.66	134,707.75
		Other receivables	-	-	-	-	-	-
Total Assets			595,829,614.76	563,139.09	596,392,753.85	525,375,457.56	516,921.29	525,892,378.85
Liabilities								
	6	Provisions claims and disputes	-	-	-	-	-	-
		Payable	(560,763.29)	(558,918.50)	(1,119,681.79)	(763,642.13)	(508,153.76)	(1,271,795.89)
	6	Other payables	-	(456.35)	(456.35)	-	(10,101.16)	(10,101.16)
	7	Surplus investment/desinvestment	(80,016.59)	-	(80,016.59)	(80,016.59)	-	(80,016.59)
	8	Current year surplus financial results	281,965.48	(3,764.24)	278,201.24	(305.46)	1,333.63	1,028.17
Total Liabilities			(358,814.40)	(563,139.09)	(921,953.49)	(843,964.18)	(516,921.29)	(1,360,885.47)
Net Assets Available for Benefits			595,470,800.36	-	595,470,800.36	524,531,493.38	-	524,531,493.38

NATO DEFINED CONTRIBUTION PENSION SCHEME
Statement of Changes in Net Assets Available for Benefits

(all amounts in EUR)			Current Year		Prior Year	
Notes	31-Dec-20		31-Dec-19			
	Investments	Benefits	Total	Investments	Benefits	Total
Increase in Net Assets						
Net unrealized profit in market value of investments	9					
Contributions	10	22,876,185.44	-	22,876,185.44	-	76,221,459.15
Inward transfer of pension rights	11	72,568,349.50	-	72,568,349.50	-	63,628,466.40
Transfers from Insurer	12	804,419.51	-	804,419.51	-	1,633,127.76
Transfers from Annuity Provider	12	-	1,160,555.00	1,160,555.00	813,293.49	813,293.49
Contribution for Tax Adjustments Due	16	-	119,412.52	119,412.52	109,118.97	109,118.97
Miscellaneous receipts	17	-	128,261.47	128,261.47	101,149.16	101,149.16
		-	11,655.43	11,655.43	-	-
Total Increase in Net Assets Available for Benefits		96,248,954.45	1,419,884.42	97,668,838.87	1,023,561.62	142,506,614.93
Decrease in Net Assets						
Net unrealized loss in market value of investments	9	-	-	-	-	-
Accounts closed (Staff)	13	24,660,836.01	-	24,660,836.01	-	24,988,280.76
Outward transfer of pension rights	13	648,811.46	-	648,811.46	-	350,535.87
Transfers to insurer and annuity providers	14	-	-	-	15,479.94	15,479.94
Pension Benefits	15	-	118,606.91	118,606.91	106,854.24	106,854.24
Invalidity, Survivor and Dependant Benefits	15	-	1,050,239.66	1,050,239.66	713,555.40	713,555.40
Tax Adjustment Paid to Beneficiaries	16	-	128,261.47	128,261.47	101,149.16	101,149.16
Employer Contributions to DCPS	15	-	118,157.66	118,157.66	82,492.09	82,492.09
Miscellaneous Expenses	17	-	4,618.72	4,618.72	4,030.79	4,030.79
Total Decrease in Net Assets Available for Benefits		25,309,647.47	1,419,884.42	26,729,531.89	1,023,561.62	26,362,378.25
Net Increase for the Year		70,939,306.98	-	70,939,306.98	-	116,144,236.68
Net Assets Available for Benefits, Beginning of Year		524,531,493.38	-	524,531,493.38	-	408,387,256.70
Net Assets Available for Benefits, End of Year		595,470,800.36	-	595,470,800.36	-	524,531,493.38

EXPLANATORY NOTES NATO DEFINED CONTRIBUTION PENSION SCHEME

NOTE 1: GENERAL INFORMATION

Description of the Fund

The NATO Defined Contribution Pension Scheme (DCPS) was implemented with effect from 1 July 2005 based on Council's approval of C-M(2000)53 and C-M(2005)0057. The DCPS aims to provide retirement benefits for NATO staff who are employed for the minimum six-year vesting period and to make cash payments to staff who leave before satisfying the vesting requirement. All new entrants recruited on or after 1 July 2005 are compulsorily affiliated to the NATO DCPS.

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

An account is opened for each member of the Scheme. Contributions are invested according to the member's instructions within the eleven funds currently available, described below. Members can check the status of their accounts and give instructions via a secure web portal.

Upon departure, the member's account is disinvested. Until 20 December 2012, the effective date of changes to related NATO Civilian Personnel Regulations (CPR), if the member had vested in the Scheme and was at least 50 years old, the member could take up to 25% of the proceeds as a cash lump sum and the balance had to be applied to the purchase of a retirement pension from a commercial provider. In 2009, the vesting period was five years; in 2010 the vesting period was increased to six years. Members who leave the NATO employer prior to vesting withdraw the entire proceeds as a cash lump sum.

On 20 December 2012 the NATO Council approved the current disinvestment rules which provide choice and flexibility for affiliates regarding their retirement benefits. There is no upper or lower limits on ages at which affiliates can take benefits. Affiliates leaving the DCPS may take any percentage of their holdings in cash. Affiliates' accounts no longer have to be closed when they reach 65. Affiliates may remain indefinitely as passive investors, with no further investments or switches until full disinvestment, beyond the age of 65.

As at 31 December 2020, there were 4795 NATO DCPS affiliates (members). Note 21 provides a summary of the evolution of the membership since inception.

Financing

Staff make a compulsory contribution of 8% of basic salary to the Scheme. Staff may make additional voluntary contributions to the Scheme up to 5% of basic salary. NATO pays employer contributions of 12% of basic salary of each active scheme member. Contributions to the DCPS are part of pay and are made monthly.

Scheme members may, under certain circumstances, transfer into their DCPS account any amounts corresponding to pension rights accrued under the pension scheme to which they were previously affiliated.

Governance

The DCPS is administered in accordance with NATO Civilian Personnel Regulations (CPRs), Annex VI, governing the DCPS approved by the Council under C-M(2005)0057.

The Secretary General is responsible for the administration and management of the Scheme, assisted by a consultative committee, the DCPS Management Board, whose Chairman is appointed by the Secretary General.

The committee also includes: seven representatives of the Administrative Services for the International Staff, the International Military Staff, the NATO Standardization Agency and the NATO Defense College, the Assistant Secretary General (ASG) Executive Management and the Financial Controller of the International Staff or their representatives; two representatives of the Administrative Services for the NATO Production and Logistics Organizations and other bodies not listed above; a representative from SHAPE J1 Manpower and Personnel, and the Financial Controller, Allied Command Operations, or their representatives; one representative from the Administrative Services of a NATO military body in Allied Command Transformation; six representatives nominated by the Confederation of NATO Civilian Staff Committees from among the members of the Scheme. At least one representative shall be a member of the NATO International Staff; one representative of retired NATO staff nominated by the Confederation of NATO Retired Civilian Staff Associations.

The Assistant Secretary General for Executive Management was appointed permanent Chairperson of the DCPS Management Board in late 2010 and remains as such since then.

The members of the DCPS Management Board, who are also NATO staff members, receive no additional remuneration or benefits in return for their participation.

Investments

The Management Board oversees the investment options of the Scheme.

Members of the NATO DCPS invest in their choice of several funds, consisting of equity, bond and cash funds. Investments are made in units in the respective funds; the unit price fluctuates according to its market value. Four additional investment funds, passively-managed (indexed) funds offered by Vanguard were selected by the NATO Contract Awards Committee in consultation with the DCPS Management Board in November 2013 and became available to DCPS affiliates in February 2014.

The funds are available in EUR and/or in USD, as presented in the table below:

	ISIN*
Equity Funds:	
Mellon Global Equity Portfolio EUR C	IE00B82M6789
Mellon Global Equity Portfolio USD C	IE00B7X4LZ98
Vanguard Global Stock Index Fund EUR	IE00B03HD191
Vanguard Global Stock Index Fund USD	IE00B03HD209
Bond Funds:	
Mellon Global Bond Portfolio EUR C	IE0003932385
Mellon Global Bond Portfolio USD C	IE0003932492
Mellon Euroland Bond Portfolio EUR C	IE0032722484
Vanguard Global Bond Index Fund USD	IE00B18GCB14
Vanguard Euro Government Bond Index Fund EUR	IE0007472990
Cash Funds:	
Mellon Universal Liquidity Funds – Liquidity Plus USD	IE0032713202
BNP Paribas InstiCash Fund – EUR	LU0094219127

* *International Securities Identification Number*

NATO shall not be held responsible for any losses on investments incurred by movement in the investment markets (Annex VI, Article 10.3 of the NATO Civilian Personnel Regulations).

Benefits

Upon retirement of a staff member, transfers are made to the pension provider in order to purchase the annuity for members who leave the DCPS and choose to take a DCPS retirement pension.

Until 30 June 2017 the insurer's company was responsible for annuity payments in cases of death in service and had a claim on the proceeds of the redemption of the affected deceased staff member's holdings. Nowadays the redemption proceedings are paid to the person(s) designated by the deceased staff member and the survivors' benefits, in cases of eligibility, are covered by the insurance. Since July 2020 the benefits for paid to orphans have increased.

Contributions, in the case of invalidity, are made to the DCPS and invested, until the beneficiary reaches retirement age. In the case of invalidity, contributions for medical insurance are also paid as required.

Retirement annuities received from commercial pension providers pending augmentation by the adjustment related to income tax and further transfer to the retired beneficiary are held in a separate bank account separate from that of the Investment element of the DCPS. The benefits received from the insurer pending augmentation plus the adjustment related to income tax are subject to a follow-on transfer to the survivor or disabled beneficiary.

Benefits are paid for retirement, survivor and invalidity pensions. They are paid at the end of each month.

The following table gives the number of beneficiaries per category of benefits.

As per end	Retirement	Survivor	Invalidity	Total
2013	4	3	3	10
2014	8	4	6	18
2015	8	5	7	20
2016	9	12	9	30
2017	10	12	10	32
2018	10	12	12	34
2019	12	11	11	34
2020	12	20	20	52

Pension Tax Adjustment

The Scheme is not subject to income tax under the terms of Articles IX and X of the Agreement on the Status of the North Atlantic Treaty Organization signed in Ottawa on 20 September 1951 (the Ottawa Treaty).

In accordance with Annex VI, Article 15 of the CPRs, beneficiaries are subject to tax by national authorities on their annuity receipts and receive an adjustment equivalent to 50% of the amount by which the recipient's pension would theoretically need to be increased, were the balance remaining after deduction of the amount of national income tax or taxes on the total to correspond to the amount of the pension calculated in accordance with the CPRs. This adjustment is paid out of the DCPS Retirement Pensions and Invalidity accounts and is funded by specific calls for contributions handled in the NATO Coordinated Pension Scheme accounts. Related information is disclosed in the Financial Statements of the NATO Coordinated Pension Scheme.

Amounts paid are disclosed in the Statement of Change in Net Assets.

Management of the DCPS

Previnet SPA (Italy) was selected as the Third Party Administrator of the DCPS at the introduction of the Scheme in July 2005, and has been administering the scheme on behalf of NATO since that date. Previnet is responsible for the individual accounts administration, benefit administration, reporting, customer services and maintenance of the DCPS web site with on-line facilities for the scheme members.

Previnet tracks contributions and individual holdings of scheme members. It also provides aggregated accounting data and investment instructions destined for NATO-IS and the Investment Managers.

NATO-IS Office of Financial Control (OFC) receives the monthly contributions from the various NATO body payroll centers in a custodial bank account and its bank converts the funds, based on the instructions prepared by the Scheme Administrator, into EUR or USD, as required, for the investment accounts. The OFC is responsible for transfer of the funds from the relevant bank account to the appropriate accounts with the Investment Managers, BNY Mellon, Vanguard and BNP Paribas, based on the Scheme Administrator's reconciliation of the global amount and validation of the amounts to be invested for each staff member.

NATO-IS Executive Management Human Resources Pensions Unit reconciles the number of units per member received from the Scheme Administrator against the accounts of the staff members leaving the scheme. OFC then transfers the redemption/lump sum amounts as per the bank account instructions provided by the leaving scheme members.

DCPS amounts redeemed for the purchase of pension annuities and amounts due from an outside insurer for invalidity pensions of former DCPS members are administered by the OFC. The member's holdings are transferred to the relevant pension provider when a leaving DCPS member has instructed NATO to purchase an annuity. OFC also transfers monthly invalidity pensions and the adjustments related to income tax to former DCPS members who qualify.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

Declaration of conformity

The financial statements of the NATO DCPS have been prepared in accordance with the NATO Financial Regulations and International Accounting Standard 26, "Accounting and Reporting by Retirement Benefit Plans". The NATO Accounting Framework, which is an adapted version of the International Public Sector Accounting Standards (IPSAS), does not have a specific standard for accounting and reporting by retirement benefit plans.

The accounting system currently used by the NATO DCPS is accrual based.

Basis of presentation

The financial statements have been prepared on a going-concern basis: the DCPS will continue in operation for the foreseeable future.

The amounts shown in these financial statements are presented in EUR.

Changes in accounting policy

None in 2020.

Reclassification of financial statements for previous years

None in 2020.

Use of estimates

In the application of accounting policies, described below, management is required to make judgments, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Foreign currency transactions

Contributions are made in the currency of the respective payroll center. Investments are made in USD and in EUR as chosen by the scheme member. NATO Parity Rates do not apply to

NATO UNCLASSIFIED

ANNEX 3 to
FC(2021)0026

3-6

purchases or sales in the DCPS. All bank transactions are processed at the market rate. Contributions received in currencies other than EUR and USD are converted in the latter at investment dates and payments to the Investment Managers are made in EUR and USD. Balance sheet amounts at year-end are reported using the NATO Parity Rates in effect on 31 December.

Cash and Cash Equivalents

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

Investments

Investments reported under these DCPS financial statements consist of equity funds, bond funds and cash funds. These investments are non-current assets with respect to the purpose of the DCPS.

Investments are recorded at market value on the reporting date.

Receivables

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

Payables

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

Net Assets

The net assets available at year-end correspond to investments at market value plus receivables and contributions awaiting investment less payables. Also included are interest earned on the custodial bank account, surpluses gained on transactions with the insurance company and miscellaneous gains and losses related to corrective transactions.

Financial Risks

The DCPS uses only non-derivative financial instruments as part of its normal operations. These financial elements include cash, investment funds, bank accounts and accounts receivable.

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

The DCPS is exposed to a variety of financial risks, including credit risk, market (price) risk and liquidity risk. The maximum exposure as at year end is equal to the total amount of bank balances and receivables. NATO shall not be held responsible for any losses on investments incurred by movement in the investment markets (Annex VI, Article 10.3 of the NATO Civilian Personnel Regulations).

Credit risk

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

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

Bank Name	Country of HQ	Short Term Ratings					
		FITCH		S&P GLOBAL		MOODY'S	
		Rating	Last Review Date	Rating	Last Review Date	Rating	Last Review Date
ING Bank	Netherlands	F1+	15-Oct-2020	A-1	10-Jul-2020	P-1	21-Oct-2020

Concerning receivables, the credit risk is managed by maintaining control procedures over receivables. These consist essentially of contributions due by NATO bodies' payroll centers. This risk is considered limited since these bodies are primarily funded by member nations which are considered creditworthy.

Price risk

The DCPS individual member holdings are exposed to equity and bond securities market risk. NATO shall not be held responsible for any losses on investments incurred by movement in the investment markets (Annex VI, Article 10.3 of the NATO Civilian Personnel Regulations).

Currency risk

The DCPS is exposed to a limited foreign currency exchange risk arising from fluctuations in currency rates. The contributions received in various currencies are converted into EUR or USD as required by the members' investment decisions. The converted amounts are invested in funds held in EUR or USD accordingly. With regards to benefits there is a limited currency risk since payments are sometimes made in another currency than the amounts received from the insurer or the annuity provider. However, so far, such costs have been immaterial.

Liquidity risk

A liquidity risk could arise from a short term liquidity requirement in relation to amounts due to departing staff. There is a very limited exposure to liquidity risk because the amounts due to departing staff are equal to their holdings, and because amounts transferred to the investment manager are equal to the contributions received from the payroll centers of NATO bodies which receive resources from member states funding the related budgets, or income from their customers which generally are other NATO bodies funded through their approved budgets.

However, there is a limited liquidity risk in relation to the payment of annuities to eligible members. These transactions are handled on bank accounts separate from those used for investments and disinvestments. Amounts due by the insurers arrive later than when annuities are due to members. Pension Adjustment is paid in advance from contributions due by the Coordinated Pension Scheme. This situation is managed through cash advances from the NATO International Staff (IS).

Below table provides the evolution on the standing advances DCPS has received from IS at year-end for the last 3 years.

End of Year	Cash Advance in EUR
2018	320,000.00
2019	500,000.00
2020	550,000.00

The increase of the cash advances, used to manage the liquidity risk during the year, is caused by the steady growth of benefits paid under the Defined Contribution Pension Scheme over the last years.

Interest rate risk

The DCPS is restricted from entering into borrowings.

A portion of DCPS is invested in bond funds. The market value of bonds fluctuates according to market perception of the issuer’s creditworthiness and to projected interest rates. The value of DCPS individual member accounts is therefore subject to some interest rate risk.

Statement of Net Assets Available for Benefits

NOTE 3: CASH AND CASH EQUIVALENTS

The various NATO entities pay their contributions into a custodial account. This account serves to effect the transfer of funds to be invested by the Investment Manager and to receive redemptions for departing staff. The total presented in the financial statements corresponds mainly to contributions received in December and awaiting transfer to the Investment Managers.

Separate bank accounts are held for transactions relating to the payment of pension and invalidity benefits.

NOTE 4: FUNDS HELD BY THE INVESTMENT MANAGER

Investments at Market Value

BNY Mellon is the Investment Manager for six of the funds listed below; BNP Paribas Investment Partners manages the BNP Paribas InstiCash Fund in Euro, while Vanguard Asset Management manages the four index funds.

Table below provides comparative data on the Investments at Market Value for two consecutive years:

	ISIN	2020		2019
		EUR or EUR equivalent of USD	USD	EUR
Equity Funds:				
Mellon Global Equity Portfolio EUR C	IE00B82M6789	263,491,605.67	-	241,718,238.90
Mellon Global Equity Portfolio USD C	IE00B7X4LZ98	22,128,557.66	26,888,410.41	21,580,534.98
Vanguard Global Stock Index Fund EUR	IE00B03HD191	56,491,507.45	-	46,123,072.36
Vanguard Global Stock Index Fund USD	IE00B03HD209	17,054,909.39	20,723,420.41	14,129,434.83
Bond Funds:				
Mellon Global Bond Portfolio EUR C	IE0003932385	42,842,912.19	-	34,289,206.74
Mellon Global Bond Portfolio USD C	IE0003932492	6,971,329.53	8,470,862.51	5,411,881.11
Mellon Euroland Bond Portfolio EUR C	IE0032722484	12,894,361.14	-	13,721,494.59
Vanguard Global Bond Index Fund USD	IE00B18GCB14	6,124,214.43	7,441,532.97	4,544,621.23
Vanguard Euro Government Bond Index Fund EUR	IE0007472990	17,902,114.97	-	13,397,981.70
Cash Funds:				
Mellon Universal Liquidity Funds – Liquidity Plus USD	IE0032713202	7,976,486.10	9,692,228.28	8,033,128.47
BNP Paribas InstiCash Fund – EUR	LU0094219127	134,838,611.71	-	115,448,441.38
TOTAL		588,716,610.24		518,398,036.30

Unit Price per Fund

New investments and redemptions may take place between the funds twice per month and the unit price for each fund fluctuates continuously. Income is therefore not reported by fund in absolute terms. The appropriate performance measure per fund is the unit price. The unit prices for each of the funds at year-end and the resulting annualized income per unit were as follows:

	ISIN	2020	2019	Annualized Income per Unit
Equity Funds:				
Mellon Global Equity Portfolio EUR C	IE00B82M6789	1.4886	1.3841	0.1045
Mellon Global Equity Portfolio USD C	IE00B7X4LZ98	1.6249	1.3821	0.2428
Vanguard Global Stock Index Fund EUR	IE00B03HD191	30.0772	28.3069	1.7703
Vanguard Global Stock Index Fund USD	IE00B03HD209	36.9723	31.9224	5.0499
Bond Funds:				
Mellon Global Bond Portfolio EUR C	IE0003932385	2.0384	2.0189	0.0195
Mellon Global Bond Portfolio USD C	IE0003932492	2.7872	2.5251	0.2621
Mellon Euroland Bond Portfolio EUR C	IE0032722484	1.2599	1.1964	0.0635
Vanguard Global Bond Index Fund USD	IE00B18GCB14	169.6067	159.8083	9.7984
Vanguard Euro Government Bond Index Fund EUR	IE0007472990	248.6867	237.6223	11.0644
Cash Funds:				
Mellon Universal Liquidity Funds – Liquidity Plus USD	IE0032713202	1.2646	1.258343	0.0063
BNP Paribas InstiCash Fund – EUR	LU0094219127	138.0671	138.7155	(0.6484)

NOTE 5: RECEIVABLES

Accounts Receivables in EUR

	2020			2019		
	Investments	Benefits	Total	Investments	Benefits	Total
Contributions from NATO bodies	366.70	-	366.70	-	-	-
Reimbursement of Tax Adjustment Paid	-	128,261.47	128,261.47	-	101,149.16	101,149.16
Insurer	-	103,572.17	103,572.17	26,106.09	7,452.50	33,558.59
Beneficiaries	-	6,494.60	6,494.60	-	-	-
Others	-	-	-	-	-	-
Total	366.70	238,328.24	238,694.94	26,106.09	108,601.66	134,707.75

Contributions for further investment are paid on a monthly basis by NATO bodies to the DCPS account. The process normally results in no such contributions receivable, or of limited amount, at year-end. Some transactions may still be pending regularization.

Tax adjustment payments are made to beneficiaries from the DCPS Benefits (Retirement, Invalidity and Survivor) accounts as an advance to be settled by the NATO Coordinated Pension Scheme budget which handles all tax adjustment operations NATO-wide and calls the related contributions by the nations concerned (i.e. in which the beneficiaries paid their income taxes). This resulted in amounts receivable from the NATO Coordinated Pension Scheme.

Amounts receivable from the insurer and the pension provider relate to individual cases to be settled.

Amounts receivable from beneficiaries relate to overpayment of specific allowances attached to their monthly benefits.

NOTE 6: PAYABLES AND OTHER PAYABLES

Payables in EUR

	2020			2019		
	Investments	Benefits	Total	Investments	Benefits	Total
NATO International Staff	5,030.85	550,000.00	555,030.85	40,459.96	500,000.00	540,459.96
Departing Staff	-	-	-	38,320.72	-	38,320.72
Insurer	-	6,496.53	6,496.53	-	7,004.90	7,004.90
Other 3rd parties	555,732.44	2,421.97	558,154.41	684,861.45	1,148.86	686,010.31
Total	560,763.29	558,918.50	1,119,681.79	763,642.13	508,153.76	1,271,795.89

Payables to NATO International Staff (IS) correspond to cash advances made by IS to allow for the timely payment of pension and invalidity benefits and tax adjustments and to the USD account.

Payables to Departing Staff are transactions pending final payment.

In cases where Allianz have made overpayments to beneficiaries, these need to be reimbursed to the insurer. These cases are included under the item Insurer payable.

Payables to the 3rd parties correspond mainly to the payments to former DCPS affiliates for the compensatory payment received from Allianz. In 2020 the distribution of the Allianz compensatory payment to NATO staff who were members of the DCPS during the period 2012-2015 is still ongoing. As per 31 December, the not yet distributed amount was EUR 554,864.59. This amount corresponds to the dues towards non active DCPS members whereby the NATO Pensions Unit has to reach out to each individual to obtain correct data in order to proceed with the payment. The latter has proven to be a cumbersome and lengthy process.

Others payables comprise the outstanding Allianz compensatory payment liability and some minor miscellaneous payables related with returned payments (that need to be re-paid) and banking accruals (interest/fees).

Other Payables in EUR

	2020			2019		
	Investments	Benefits	Total	Investments	Benefits	Total
Other 3rd parties	-	456.35	456.35	-	10,101.16	10,101.16
Total	-	456.35	456.35	-	10,101.16	10,101.16

NOTE 7: SURPLUS INVESTMENT/DESINVESTMENT

Until 1 July 2017, in cases of death in service, the insurance company providing the survivor's annuity had a claim on the proceeds of the redemption of the affected member's holdings in an amount equal to the lesser of the member's holdings on 31 October of the previous year or the insurer's previously established cost of that annuity. Until that date no shortfalls have occurred and the accumulated excess, amounting to EUR 80,016.59, has been kept on a suspense account.

NOTE 8: CURRENT YEAR SURPLUS FINANCIAL RESULTS

The DCPS current year deficit results from the offset between the cumulated realized interest earned on the custodial bank account, bank charges, from miscellaneous profit and loss on exchange rates and corrective investments effected by the third party administrator at year-end with the unrealized profit/loss recognized at 31 December 2020, as part of the mandatory foreign currency assets/liabilities revaluation.

Below we present a table with comparative figures for both realized and unrealized profit/loss:

Amounts in EUR	2020	2019
Unrealized profit/loss on exchange rates	(430,500.04)	(174,206.41)
Realized net financial result	152,298.80	173,178.24
Surplus or (Deficit)	(278,201.24)	(1,028.17)

Statement of Changes of Net Assets Available for Benefits**NOTE 9: NET UNREALIZED PROFIT OR LOSS IN MARKET VALUE INVESTMENTS**

Unrealized profit or loss in the market value of investments vary according to the volume of contributions invested, redemptions, currency fluctuations, and changes in the unit prices of the investment funds.

Due to the COVID-19 crisis the financial markets plummeted in the beginning of 2020 and only after that time started the slow recovery. This had a direct impact on the unrealized profit for 2020 which is significantly lower compared to 2019.

Below we present a table with comparative figures for the end 2019 and end 2020.

Amounts in EUR

	2020	2019
Net unrealized profit in market value investments	22,876,185.44	76,221,459.15

Table below presents the 2020 evolution for the both bond and equity funds as per period end in absolute value together with the difference compared to the previous month.

	Bonds		Equity	
	Value	Difference w/Previous Month	Value	Difference Previous Month
Dec-19	403.17100	(2.64)	63.43440	1.76
Jan-20	412.02530	8.85	63.03970	(0.39)
Feb-20	415.08040	3.06	57.93040	(5.11)
Mar-20	405.64800	(9.43)	50.36650	(7.56)
Apr-20	409.67870	4.03	55.90830	5.54
May-20	410.97600	1.30	58.11040	2.20
Jun-20	414.39540	3.42	59.46210	1.35
Jul-20	419.08680	4.69	60.76580	1.30
Aug-20	415.73080	(3.36)	64.49310	3.73
Sep-20	419.95880	4.23	62.79240	(1.70)
Oct-20	422.19600	2.24	61.08500	(1.71)
Nov-20	423.64110	1.45	68.04210	6.96
Dec-20	424.37890	0.74	70.16300	2.12

NOTE 10: CONTRIBUTIONS

A minimum of 8% is deducted from staff emoluments monthly and transferred to DCPS together with the NATO employers' contributions of 12% of emoluments. Staff may make additional voluntary contributions up to 5%, therefore bringing to 13% the maximum contribution that a staff member can pay into its DCPS account (8% mandatory + 5% voluntary).

There is also an employer contribution to the DCPS, paid by the insurance company, for the cases of invalidity benefits.

The normal trend is that both contributions increase every year due to the combined effect of increased membership and annual salary adjustments.

NOTE 11: INWARD TRANSFERS OF PENSION RIGHTS

The NATO Civilian Personnel Regulations (Annex VI, Article 6) provide that staff may, under certain circumstances, arrange for payment to the Organization of any amounts corresponding to the retirement pension rights accrued under the pension scheme to which the staff member was previously affiliated in so far as that scheme allows such a transfer. These payments are called inward transfers.

NOTE 12: TRANSFERS FROM INSURER AND ANNUITY PROVIDER

Transfers are received from the insurer in relation to amounts due to staff entitled to invalidity survivors' benefits (spouses and dependent children of serving staff who are DCPS members who die in service).

NOTE 13: ACCOUNTS CLOSED (STAFF) AND OUTWARD TRANSFERS OF THE PENSION RIGHTS

These correspond to accounts of former staff members leaving DCPS that are closed and the proceeds paid in whole or in part either to the former staff member.

Outward transfers are also allowed, in which cases the proceeds of ex-DCPS member's closed account are paid to the eligible pension scheme (CPR Annex VI, Article 11).

NOTE 14: TRANSFERS TO INSURER OR ANNUITY PROVIDER

These correspond to staff holdings transferred to the pension provider in order to purchase the annuity for members who leave the DCPS and take a DCPS retirement pension.

When these transactions occur, they are duly disclosed in the Statement of Changes in Net Assets Available for Benefits.

NOTE 15: PENSION, INVALIDITY, SURVIVOR AND DEPENDANT BENEFITS

Benefits are paid for retirement, survivor and invalidity pensions. They are paid at the end of each month. The following table gives the number of beneficiaries per category of benefits.

As per end	Retirement	Survivor	Invalidity	Total
2013	4	3	3	10
2014	8	4	6	18
2015	8	5	7	20
2016	9	12	9	30
2017	10	12	10	32
2018	10	12	12	34
2019	12	11	11	34
2020	12	20	20	52

In case of invalidity, for eligible staff, an employer contribution is made to the DCPS holdings of the individual concerned.

NATO UNCLASSIFIED

ANNEX 3 to
FC(2021)0026

3-14

NOTE 16: PENSION TAX ADJUSTMENT

More information on this item is provided under Note 1 (Pension Tax Adjustment).

NOTE 17: MISCELLANEOUS RECEIPTS AND EXPENSES

Miscellaneous receipts and payments correspond essentially to regularizations. For 2020, the costs resulting from payments to former DCPS affiliates during 2012-2015 in relation to DCPS group insurance compensatory payment was also booked under these items.

NOTE 18: CONTINGENT LIABILITIES

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

Adjustments related to income tax may be due to certain annuity recipients. The amounts are yet to be determined but the total of possible obligations relating to this item is not expected to be material.

NOTE 19: CONTINGENT ASSETS

None to report.

NOTE 20: RELATED PARTY TRANSACTIONS

Members of the DCPS Management Board receive no additional remuneration or benefits in return for their participation. The Chairperson of the DCPS Management Board is the Assistant Secretary General for Executive Management. The NATO International Staff (IS) Financial Controller is a member of the DCPS Management Board.

NATO International Staff, in particular Executive Management and the Office of Financial Control, are responsible for the day-to-day management of the DCPS. No management fees corresponding to the related costs are charged to the DCPS. In the global framework of the Administrative Support process, the NATO bodies are charged by the IS on a pro rata basis for these costs, including the fees paid to the Third Party Administrator. The related income reduces the contributions due from Nations to fund the NATO Civil Budget.

Since DCPS does not have its own cash holdings to pay the benefits, advances are made by NATO IS, to allow the timely payment of annuities for Pensioners, Invalids and Survivors.

The table below provides an overview of the extant Cash advances at year-end, for the last 3 years.

End of Year	Cash Advance in EUR
2018	320,000.00
2019	500,000.00
2020	550,000.00

Conversely, tax adjustment payments are made to beneficiaries from the DCPS Retirement and Invalidity accounts as an advance to be settled by the Defined Benefit Pension Scheme budget, which handles all tax adjustment operations NATO-wide. This resulted in amounts receivable from the latter.

As provided for by the CPRs (Annex VI, articles 13 and 14), survivors' benefits for the surviving spouses and dependent children of serving staff who die in service and invalidity benefits to serving staff are funded (partially for survivor benefits, totally for invalidity benefits) through the payment of insurance premiums which are paid directly by the NATO bodies to the insurance company and are not accounted for in the present financial statements. The table below provides comparative data on the insurance premiums paid for Death and Invalidity, over last two years:

Death and Invalidity Premiums in EUR		
	2020	2019
Death	4,227,589.99	3,758,148.31
Invalidity	4,654,745.96	4,234,655.62

NOTE 21: KEY MANAGEMENT PERSONNEL

For the purposes of these financial statements, Key Management Personnel are considered to be the NATO International Staff (IS) Assistant Secretary General for Executive Management and the Financial Controller. Their remuneration is totally covered by the NATO International Staff.

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

NOTE 22: STATISTICAL INFORMATION

Evolution of DCPS memberships (number of affiliates)				
Calendar Year	Members Joined	Members Departed	Members Cancelled	Total
2005	274	0	0	274
2006	527	6	0	795
2007	501	23	0	1,273
2008	511	43	0	1,741
2009	443	71	0	2,113
2010	477	208	0	2,382
2011	454	260	0	2,576
2012	274	188	0	2,662
2013	310	190	0	2,782
2014	433	214	0	3,001
2015	345	174	0	3,172
2016	454	207	0	3,419
2017	469	220	0	3,668
2018	547	241	0	3,974
2019	618	240	0	4,352
2020	644	200	1	4,795



NORTH ATLANTIC TREATY ORGANIZATION
ORGANISATION DU TRAITÉ DE L'ATLANTIQUE NORD
INTERNATIONAL BOARD OF AUDITORS
COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

PIÈCE JOINTE 2
PO(2022)0119

NATO SANS CLASSIFICATION

IBA-A(2021)0111
25 août 2021

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

Cc : Représentants permanents auprès de l'OTAN
Président du Comité directeur du MSIAC
Directeur de projet du MSIAC
Contrôleuse des finances du Secrétariat international
Président du Bureau de la planification et de la politique générale des ressources
Chef de la Branche Secrétariat et finances du Bureau OTAN des ressources
Bureau d'ordre du Cabinet

Objet : ***Rapport du Collège international des auditeurs externes de l'OTAN (IBAN) sur l'audit des états financiers du Centre d'information et d'analyse sur la sécurité des munitions (MSIAC) pour l'exercice clos le 31 décembre 2020 – IBA-AR(2021)0025***

Monsieur le Secrétaire général,

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

L'IBAN a émis une opinion sans réserve sur les états financiers du Centre d'information et d'analyse sur la sécurité des munitions ainsi que sur la conformité pour l'exercice 2020.

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

Daniela Morgante
Présidente

Pièces jointes : voir ci-dessus.

NATO SANS CLASSIFICATION

NATO UNCLASSIFIED

IBA-AR(2021)0025

**Summary Note for Council
by the International Board of Auditors for NATO (IBAN)
on the audit of the Financial Statements of the
Munitions Safety Information Analysis Center (MSIAC)
for the year ended 31 December 2020**

The Munitions Safety Information Analysis Center (MSIAC) provides a focal point within NATO to assist national and NATO munitions development programmes. The MSIAC project is directed and administered by a Steering Committee and a Project Manager. The final budget for the year 2020 amounted to EUR 1.74 million, while budget expenditure amounted to EUR 1.66 million.

IBAN issued an unqualified opinion on the financial statements and on compliance for the year ended 31 December 2020.

IBAN made one observation and recommendation. This finding does not impact the audit opinion on the financial statements and on compliance.

1. Improvement needed in the internal control process for the preparation of financial statements and the statement of budget execution.

IBAN followed up on the status of observations and recommendations from the previous years' audits and found that one remains in progress.

The Audit Report was issued to MSIAC whose comments have been included, with the IBAN's position on those comments where necessary.

The observations and recommendations and the follow-up of the previous years' observations and recommendations that are not in the Audit Report are included in a Management Letter addressed to MSIAC management. This is because IBAN considers that these matters are to be addressed by Management and therefore fall under MSIAC's management responsibility.

NATO UNCLASSIFIED

NATO UNCLASSIFIED

IBA-AR(2021)0025

25 August 2021

INTERNATIONAL BOARD OF AUDITORS FOR NATO

**AUDIT REPORT ON THE FINANCIAL STATEMENTS OF THE
MUNITIONS SAFETY INFORMATION ANALYSIS CENTER**

(MSIAC)

FOR THE YEAR ENDED 31 DECEMBER 2020

PUBLICLY DISCLOSED - PDN(2022)0014 - MIS EN LECTURE PUBLIQUE

NATO UNCLASSIFIED

NATO UNCLASSIFIED

IBA-AR(2021)0025

INDEPENDENT EXTERNAL AUDITOR'S REPORT TO THE NORTH ATLANTIC COUNCIL***Financial Statements*****Opinion on the Financial Statements**

The International Board of Auditors for NATO (IBAN) has audited the Financial Statements of Munitions Safety Information Analysis Center (MSIAC), for the 12 month period ended 31 December 2020], issued under document reference FC(2021)0018, and submitted to IBAN on 31 March 2021. These Financial Statements comprise the Statement of Financial Position as at 31 December 2020, the Statement of Financial Performance, the Statement of Changes in Net Assets/Equity and the Statement of Cash Flow, for the 12 month period ended 31 December 2020, including a summary of significant accounting policies and other explanatory notes. In addition, the Financial Statements include a Budget Execution Statement for the 12 month period ended 31 December 2020.

In our opinion, the Financial Statements give a true and fair view of the financial position of MSIAC as at 31 December 2020, and of its financial performance, its cash flows and budget execution for the 12 month period ended 31 December 2020, in accordance with accounting requirements and reporting standards consistent with the NATO Accounting Framework (NAF).

Basis for Opinion on the Financial Statements

In accordance with the NATO Financial Regulations (NFRs), external audit of the NATO bodies and reporting entities pursuant to the North Atlantic Treaty shall be performed by IBAN.

We have conducted our audit in accordance with the International Standards of Supreme Audit Institutions (ISSAI 2200-2899) developed by the International Organisation of Supreme Audit Institutions (INTOSAI) and in accordance with the additional terms of reference defined in our Charter.

We are independent in accordance with the INTOSAI Code of Ethics and we have fulfilled our other ethical responsibilities in accordance with these requirements. The responsibilities of the members of IBAN are more extensively described in the section «Auditor's Responsibilities for the Audit of the Financial Statements» and in our Charter.

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

NATO UNCLASSIFIED

NATO UNCLASSIFIED

IBA-AR(2021)0025

Emphasis of Matter on the Financial Statements

We draw attention to errors in the Table in Note 4 “Accounts Receivable” to the 2020 Financial Statements, which presents detailed information on the amounts billed during 2020 to both Member and Partner Nations. For 2020, the amounts billed to Germany is EUR 176,000 and not EUR 88,000, and the amounts billed to Italy is EUR 88,000 and not EUR 176,000. These errors do not affect the total amount billed disclosed in Note 4. This is a presentational issue in the Financial Statements and the underlying balances were correctly accounted for. Our opinion is not modified in this respect.

Management’s Responsibility for the Financial Statements

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISSAIs, we exercise professional judgement and maintain professional scepticism throughout the planning and performance of the audit. This involves taking into account Considerations Specific to Public Sector

NATO UNCLASSIFIED

IBA-AR(2021)0025

Entities. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are required to communicate with the bodies charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. Our Independent External Auditor's Report is prepared to assist North Atlantic Council in carrying out its role. We are therefore responsible solely to the North Atlantic Council for our work and the opinion we have formed.

Compliance**Opinion on Compliance**

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

Basis for Opinion on Compliance

We have conducted our compliance audit in accordance with the International Standards of Supreme Audit Institutions (ISSAI 4000-4899) developed by the International Organisation of Supreme Audit Institutions (INTOSAI) and in accordance with the additional terms of reference defined in our Charter.

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

Management's Responsibility for Compliance

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

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

Auditor's Responsibilities for Compliance

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

NATO UNCLASSIFIED

IBA-AR(2021)0025

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

Brussels, 25 August 2021



Daniela Morgante
Chair

NATO UNCLASSIFIED

NATO UNCLASSIFIED

IBA-AR(2021)0025

OBSERVATIONS AND RECOMMENDATIONS

IBAN made one observation and recommendation. This observation does not impact the audit opinion on the financial statements and on compliance.

1. Improvement needed in the internal control process for the preparation of financial statements and the statement of budget execution.

IBAN followed up on the status of observations and recommendations from the previous years' audits and found that one remains in progress.

The Audit Report was issued to MSIAC whose comments have been included, with the IBAN's position on those comments where necessary.

The follow-up of the previous years' observations and recommendations that are not in the Audit Report are included in a Management Letter addressed to MSIAC's management. This is because IBAN considers that these matters are to be addressed by Management and therefore fall under MSIAC's executive responsibility.

1. IMPROVEMENT NEEDED IN THE INTERNAL CONTROL PROCESS FOR THE PREPARATION OF FINANCIAL STATEMENTS AND THE STATEMENT OF BUDGET EXECUTION

Reasoning

1.1 According to IPSAS 1, the Financial Statements shall present fairly the Financial Position, Financial Performance, and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSAS.

1.2 Article 6 of the NATO Financial Regulations (NFRs) requires the Financial Controller to exercise the responsibility of budgeting, accounting and reporting activities of the NATO entity. This includes being responsible for the Financial internal control system established, and for the preparation of the Financial Statements in accordance with the NATO Accounting Framework.

Observations

1.3 We found the following errors in the MSIAC 2020 Financial Statements and related notes:

- a) In the MSIAC Statement of Budget Execution, the total of column "Transfers" should be zero and not equal to EUR 159,000 as disclosed in the Financial Statements. The error is due to the omission of the negative sign for transfers

NATO UNCLASSIFIED

IBA-AR(2021)0025

related to Chapter 2 that should be “EUR -79,500” instead of the positive amount of “EUR 79,500”. The final budget is however disclosed correctly.

- b) The Table in Note 4 “Accounts Receivable” to the 2020 Financial Statements presents detailed information on the amounts billed during 2020 to both Member and Partner Nations. For 2020, the amounts billed to Germany is EUR 176,000 and not EUR 88,000, and the amounts billed to Italy is EUR 88,000 and not EUR 176,000. These errors do not affect the total amount billed disclosed in Note 4. This is a presentational issue in the Financial Statements and the underlying balances were correctly accounted for.

Recommendations

1.4 IBAN recommends that MSIAC improves internal controls and develops cross review procedures of its final Financial Statements before their issuance, to be able to correct potential errors and ensure accuracy of information disclosed in MSIAC Financial Statements.

FOLLOW-UP OF PREVIOUS YEARS’ OBSERVATIONS

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

The Open status is used for recommendations that are open and for which no notable progress has been achieved to date. The In-progress status is used for open recommendations when the NATO Reporting Entity has started to implement the recommendation or when some (but not all) sub-recommendations are closed. The Closed status is used for recommendations that are closed because they have been implemented, are superseded, or have lapsed. In the case where there are sub-recommendations, the status related to each sub-recommendation is indicated in the Action Taken column.

OBSERVATION / RECOMMENDATION	ACTION TAKEN BY AUDITEE	STATUS
(1) MSIAC FY 2015 IBA-AR(2018)0001, paragraph 6 EFFORTS TO ACHIEVE COMPLIANCE WITH THE REVISED NATO FINANCIAL REGULATIONS, PARTICULARLY THOSE ARTICLES ON INTERNAL CONTROL, RISK MANAGEMENT AND INTERNAL AUDIT IBAN’s recommendations The Board recommends that MSIAC:	IBAN acknowledges that progress was made since previous years.	Observation In-Progress.

NATO UNCLASSIFIED

IBA-AR(2021)0025

OBSERVATION / RECOMMENDATION	ACTION TAKEN BY AUDITEE	STATUS
a) Issues a risk management policy and that risk registers are developed and employed. b) As required by FRP XII 3) (e), chooses a specific internal control framework that it will use to assess its system of internal control. The assessment is required by Article 12 of the NFRs. Since other NATO entities, including ACT and NAPMA, have already adopted COSO as their internal control framework, and it is a framework that can be used by entities of all sizes, MSIAC should consider adopting COSO as their internal control framework. c) In coordination with the International Staff where applicable, begins the work of assessing and documenting the system of internal control and risk management procedures to support compliance with NFR Articles 11 and 12, FRPs XI and XII, and the internal control framework that it chooses. d) Through outsourcing if considered to be more cost effective, ensure internal audit activities are evaluating MSIAC risk management and internal control.	a) A draft risk management policy was prepared but still needs to be finalised. The risk register is prepared by the MSIAC Strategic Planning Group (MSPG) and approved by the MSIAC Steering Committee. In-progress. b) In January 2020 MSIAC adopted the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Integrated Framework (2013). Closed. c) In January 2020, MSIAC adopted the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework, which includes elements of risk management in its 17 principles. MSIAC made an assessment of how it was meeting the requirements of the COSO Principles. In-progress. d) The NATO's Office of Internal Audit and Risk Management (OIARM) is able to perform an independent assessment of the COSO Internal Control framework adopted by MSIAC. As the OIARM's Audit Plan is determined on a risk-based methodology, MSIAC may be included at an appropriate time. IBAN will reassess the progress done by MSIAC as part of the audit of the 2021 Financial Statements. In-progress.	

NATO UNCLASSIFIED

NATO UNCLASSIFIED

IBA-AR(2021)0025

**MUNITIONS SAFETY INFORMATION ANALYSIS CENTER (MSIAC) FORMAL
COMMENTS ON THE AUDIT REPORT AND THE INTERNATIONAL BOARD OF
AUDITORS (IBAN) POSITIONS**

MSIAC made no formal comments on the report and previous year observations.

PUBLICLY DISCLOSED - PDN(2022)0014 - MIS EN LECTURE PUBLIQUE

NATO UNCLASSIFIED

GLOSSARY OF TERMS

In accordance with International Standards of Supreme Audit Institutions (ISSAI 2705), audit opinions on financial statements and on compliance can be unqualified, qualified, a disclaimer, or adverse:

- An unqualified opinion is when IBAN issues an opinion that the financial statements and budget execution report are stated fairly and that nothing has come to our attention that causes us to believe that funds have not been properly used for the settlement of authorised expenditure or are not in compliance with the rules and regulations.
- A qualified opinion means that IBAN was generally satisfied with the presentation of the financial statements, but that some key elements of the statements were not fairly stated or affected by a scope limitation, or specific issues have come to our attention that causes us to believe that funds have not been properly used for the settlement of authorised expenditure or are not in compliance with the rules and regulations.
- A disclaimer is issued when the audit scope is severely limited and IBAN cannot express an opinion, or when there are material uncertainties affecting the financial statements or the use of funds.
- An adverse opinion is issued when the effect of an error or disagreement is so pervasive and material to the financial statements that IBAN concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements.

In accordance with auditing standards, three types of paragraphs may also be communicated in the auditor's report:

- Key Audit Matters (ISSAI 2701): Those matters that, in IBAN's professional judgement, were of most significance in the audit of the financial statements of the current period. Key Audit Matters are addressed to Council.
- Emphasis of Matter (ISSAI 2706): If IBAN considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that, in our judgement, is of such importance that it is fundamental to users' understanding of the financial statements.
- Other Matter (ISSAI 2706): If IBAN considers it necessary to communicate a matter other than those that are presented or disclosed in the financial statements that, in our judgement, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.

NATO UNCLASSIFIED

FC(2021)0018

NATO MSIAC
FINANCIAL STATEMENTS
Financial Year 2020

Annexes:

- 1 Statement of Financial Position
- 2 Statement of Financial Performance
- 3 Cash Flow Statement
- 4 Statement of Changes in Net Assets
- 5 Statement of Budget Execution
- 6 Explanatory notes to the Financial Statements



Charles DENHAM
Project Manager MSIAC



Mirosława BORYCZKA
Financial Controller NATO-IS

NATO UNCLASSIFIED

NATO MSIAC
Statement of Financial Position

As at 31 December 2020

(in EUR)			
	Notes	Current Year	Prior Year
		2020	2019
Assets			
Current assets			
Cash and cash equivalents	3	986,141.68	1,395,389.05
Short term investments	3	0.00	0.00
Receivables	4	83,097.75	5,000.00
Prepayments	5	0.00	918.16
Other current assets	5	90,818.68	64,151.21
Inventories	6		
		1,160,058.11	1,465,458.42
Non-current assets			
Receivables	8	0.00	0.00
Property, plant & equipment	7	0.00	0.00
Intangible assets	7	0.00	0.00
Other non-current assets	8	0.00	0.00
		0.00	0.00
Total assets		1,160,058.11	1,465,458.42
Liabilities			
Current liabilities			
Payables	9	323,451.65	590,033.06
Deferred revenue	10	35,000.57	0.01
Advances	11	0.00	176,000.00
Provisions	12	58,963.38	33,212.41
Other current liabilities	13	145,073.57	46,501.47
		562,489.17	845,746.95
Non-current liabilities			
Payables	14	0.00	0.00
Long term provisions	14	0.00	0.00
Non Current Deferred revenue	14	0.00	0.00
Other non-current liabilities	14	0.00	0.00
		0.00	0.00
Total liabilities		562,489.17	845,746.95
Net assets			
Capital assets			
Reserves			
Accumulated surplus / (deficit)		596,768.94	591,711.47
Current year surplus / (deficit)		800.00	28,000.00
Total net assets/ equity	15	597,568.94	619,711.47

NATO MSIAC
Statement of Financial Performance

As at 31 December 2020

		(in EUR)	
	Notes	Current Year	Prior Year
		2020	2019
Revenue	16		
Non exchange revenue		1,676,786.19	1,723,542.21
Services, Joining Fees and Early Access			
Contributions		800.00	28,000.00
Exchange revenue		0.00	0.00
Other revenue		7,849.27	10,898.78
Financial revenue		1,300.60	0.00
Total revenue		1,686,736.06	1,762,440.99
Expenses	17		
Personnel		1,346,759.14	1,308,315.21
Contractual supplies and services		311,917.36	413,299.49
Depreciation and amortization		0.00	0.00
Impairment		0.00	0.00
Provisions		25,750.97	12,215.70
Other expenses		0.00	0.00
Finance costs		1,508.59	610.59
Total expenses		1,685,936.06	1,734,440.99
Surplus/(Deficit) for the period		800.00	28,000.00

NATO MSIAC Statement of Cash Flow

As at 31 December 2020

(in EUR)

	<u>2020</u>	<u>Restated 2019</u>
Cash flow from operating activities		
Surplus/(Deficit)	800.00	28,000.00
Non-cash movements		
Depreciation/ Amortisation		
Impairment		
Use of Cash Reserves	-22,942.53	-47,801.21
Increase /(decrease) in payables	-266,581.41	-117,092.90
Increase/ (decrease) in other current liabilities	-42,427.34	185,402.69
Increase/ (decrease) in provisions	25,750.97	12,215.70
(Gains)/losses on sale of property, plant and equipment		
Decrease/ (Increase) in other current assets	-25,749.31	-42,410.44
Decrease/ (Increase) in receivables	-78,097.75	-5,000.00
Decrease/ (Increase) in other non-current assets		
Net cash flow from operating activities	<u>-409,247.37</u>	<u>13,313.84</u>
Cash flow from investing activities		
Purchase of property plant and equipment / Intangible assets		
Proceeds from sale of property plant and equipment		
Net cash flow from investing activities	<u>0.00</u>	<u>0.00</u>
Cash flow from financing activities		
Net cash flow from financing activities	<u>0.00</u>	<u>0.00</u>
Net increase/(decrease) in cash and cash equivalents	<u>-409,247.37</u>	<u>13,313.84</u>
Cash and cash equivalent at the beginning of the period	<u>1,395,389.05</u>	<u>1,382,075.21</u>
Cash and cash equivalent at the end of the period	<u>986,141.68</u>	<u>1,395,389.05</u>

NATO MSIAC
Statement of Change in Net Assets/Equity

As at 31 December 2020

(in EUR)

Balance at the beginning of the period 2019	639,512.68
Changes in accounting policy	
Restated balance	
Net gains/(losses) recognised directly in net assets/equity	
Exchange difference on translating foreign operations	
Gain on property revaluation	
Use of Cash Reserves	-47,801.21
Surplus/(deficit) for the period	28,000.00
Change in net assets/equity for the year ended 2019	619,711.47
Balance at the beginning of the period 2020	619,711.47
Changes in accounting policy	
Restated balance	
Exchange difference on translating foreign operations	
Gain on property revaluation	
Use of Cash Reserves	-22,942.53
Surplus/(deficit) for the period	800.00
Change in net assets/equity for the year ended 2020	597,568.94
Balance at the end of the period 2020	597,568.94

NATO UNCLASSIFIED

ANNEX 5 to
FC(2021)0018

NATO MSIAC
Statement of Budget Execution
as at 31 December 2020

(Amounts in euro)	Initial budget	Transfers	BA2	Transfers	BA3	Increase / Decrease	Final budget	Actuals	Carry forward	Lapsed
Budget 2020										
Chapter 1	1,280,294	79,500	1,359,794	0	1,359,794	0	1,359,794	1,346,759	0	13,035
Chapter 2	460,350	79,500	380,850	0	380,850	0	380,850	312,215	35,001	33,634
Chapter 3	0	0	0	0	0	0	0	0	0	0
Chapter 4	0	0	0	0	0	0	0	0	0	0
Total FY 2020	1,740,644	159,000	1,740,644	0	1,740,644	0	1,740,644	1,658,975	35,001	46,669
Budget 2019										
Chapter 1	0	0	0	0	0	0	0	0	0	0
Chapter 2	0	0	0	0	0	0	0	0	0	0
Chapter 3	0	0	0	0	0	0	0	0	0	0
Chapter 4	0	0	0	0	0	0	0	0	0	0
Total FY 2019	0	0	0	0	0	0	0	0	0	0
Budget 2018										
Chapter 1	0	0	0	0	0	0	0	0	0	0
Chapter 2	0	0	0	0	0	0	0	0	0	0
Chapter 3	0	0	0	0	0	0	0	0	0	0
Total FY 2018	0	0	0	0	0	0	0	0	0	0
Total all budgets	1,740,644	159,000	1,740,644	0	1,740,644	0	1,740,644	1,658,975	35,001	46,669

NATO UNCLASSIFIED

NATO UNCLASSIFIED

ANNEX 5 to
FC(2021)0018

NATO MSIAC
Statement of Budget Execution
as at 31 December 2019

(Amounts in euro)	Initial budget	Transfers	BA2	Transfers	BA3	Increase / Decrease	Final budget	Actuals	Carry forward	Lapsed
Budget 2019										
Chapter 1	1,280,700	0	1,280,700	0	1,280,700	30,000	1,310,700	1,308,315	0	2,385
Chapter 2	434,350	0	434,350	0	434,350	0	434,350	413,910	0	20,440
Chapter 3	0	0	0	0	0	0	0	0	0	0
Chapter 4	0	0	0	0	0	0	0	0	0	0
Total FY 2019	1,715,050	0	1,715,050	0	1,715,050	30,000	1,745,050	1,722,225	0	22,825
Budget 2018										
Chapter 1	0	0	0	0	0	0	0	0	0	0
Chapter 2	11,850	0	11,850	0	11,850	0	11,850	0	0	11,850
Chapter 3	0	0	0	0	0	0	0	0	0	0
Chapter 4	0	0	0	0	0	0	0	0	0	0
Total FY 2018	11,850	0	11,850	0	11,850	0	11,850	0	0	11,850
Budget 2017										
Chapter 1	0	0	0	0	0	0	0	0	0	0
Chapter 2	0	0	0	0	0	0	0	0	0	0
Chapter 3	0	0	0	0	0	0	0	0	0	0
Total FY 2017	0	0	0	0	0	0	0	0	0	0
Total all budgets	1,726,900	0	1,726,900	0	1,726,900	30,000	1,756,900	1,722,225	0	34,675

NATO UNCLASSIFIED

**EXPLANATORY NOTES TO MSIAC
2020 FINANCIAL STATEMENTS****NOTE 1: GENERAL INFORMATION**

At the October 1990 Conference of National Armaments Directors (CNAD) meeting, the MOU establishing NATO Insensitive Munitions Information Centre (NIMIC) as a Project Office under CNAD was signed. The project transitioned to cover the wider aspects of Munition Safety in 2004 becoming the Munitions Safety Information Analysis Centre (MSIAC)

MSIAC is a member nations' funded and directed NATO Project office. Its goal is to help nations reduce and eliminate the risk to personnel and materiel from explosive incidents associated with own munitions. To help nations realise this goal, the project exchanges and analyses information and technology related to munition safety. MSIAC plays a central role in facilitating member nation's efforts to safely store, design, develop, procure and use safer munitions.

At the end of 2017, MSIAC had thirteen participating countries: Australia, Belgium, Canada, Finland, France, Germany, Italy, the Netherlands, Norway, Spain, Sweden, the United Kingdom and the United States. Poland joined MSIAC in 2018 bringing the membership to fourteen, followed by the Republic of Korea bringing the total to fifteen nations.

MSIAC allows other nations to participate in selected MSIAC sponsored courses or training events. These are called MSIAC Partner Nations.

The MSIAC Steering Committee (one representative per member nation) is the governing body of the MSIAC. Steering Committee members are nominated by their respective national authorities.

For administrative purposes only, MSIAC is attached to the Defence Investment Division of the IS.

The member countries pay all operational and administrative costs relating to the Project office, in accordance with an agreed cost-sharing formula which is based on a share value (EUR 84,000 for 2017 and 2018 and EUR 88,000 for 2019 and 2020).

In 2020, there were 11 nations paying 1 share and 4 nations paying 2 shares (total of 19 shares from official members).

ANNEX 6 to
FC(2021)0018

NOTE 2: ACCOUNTING POLICIES

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

Declaration of Conformity

The MSIAC financial statements have been prepared in accordance with NATO Financial Regulations (NFR), the Financial Rules and Procedures (FRP) and the NATO Accounting Framework, which is an adapted version of the International Public Sector Accounting Standards (IPSAS).

Basis of Preparation

These financial statements have been prepared on a going-concern basis. The assumption is that MSIAC is a going concern and will continue in operation and meet its objectives and obligations for the foreseeable future.

The financial year is from 1 January to 31 December.

The amounts shown in these financial statements are presented in EUR.

MSIAC applied IPSAS 9 Revenue from exchange transactions and IPSAS 23 Revenue from non-exchange transactions.

The following IPSAS have no material effect on the 2020 MSIAC financial statements:

- IPSAS 5: Borrowing Costs
- IPSAS 6: Consolidated and Separate Financial
- IPSAS 7: Investments in Associates.
- IPSAS 8: Interests in Joint Ventures
- IPSAS 10: Financial Reporting in Hyperinflationary Economies
- IPSAS 11: Construction Contracts
- IPSAS 16: Investment Property
- IPSAS 21: Impairment of non-cash generating assets
- IPSAS 26: Impairment of Cash-Generating Assets
- IPSAS 27: Agriculture
- IPSAS 32: Service Concession Arrangements: Grantor

NATO UNCLASSIFIED

6-3

ANNEX 6 to
FC(2021)0018**Changes in accounting policy**

In 2020, MSIAC has aligned its accounting policy to the other entities under control of NATO IS Office of Financial Control. The provision for untaken leave is therefore reported under “Provisions” instead of “Other current liabilities” as part of the Liabilities in the Statement of Financial Position

Reclassification of Financial Statements of Previous Years

None.

Restatement of Financial Statements of Previous Years

NATO policy (both Civilian Personnel Regulations and HR directives) is that untaken leave must be paid only as a last recourse (Staff is compelled to take all their leave before retiring), for informative purposes we disclose the amount payable, if MSIAC would shut down its activities at the end of the financial year, i.e. 31 December.

MSIAC recognized, as per 31 December 2018, a provision of EUR 20,996.71 for untaken leave and a provision of EUR 33,212.41 as per 31 December 2019.

In 2019, the 2018 untaken leave provision has been reversed. However, this reversal was not reflected in the Statement of Financial Performance as at 31 December 2019.

MSIAC reported the provision for untaken leave in the Statement of Financial Position under “Other current liabilities” in 2019. In order to align the accounting policy for all entities under control of NATO IS Office of Financial Control, the provision is now reported under “Provisions”.

As a consequence, both the Statement of Financial Position and Statement of Financial Performance as per 31 December 2019 are restated as follows:

Restated Statement of Financial Position as per end December 2019:

	Notes	Current Year	Prior Year	Prior Year
		2020	2019	2019
Liabilities				
Current liabilities				
Payables	9	323,451.65	590,033.06	590,033.06
Deferred revenue	10	35,000.57	0.01	0.01
Advances	11	0.00	176,000.00	176,000.00
Provisions	12	25,750.97	33,212.41	0.00
Other current liabilities	13	179,085.98	46,501.47	79,713.88
		563,289.17	845,746.95	845,746.95

NATO UNCLASSIFIED

6-3

ANNEX 6 to
FC(2021)0018

Restated Statement of Financial Performance as per end December 2019:

	Notes	Prior Year	Prior Year
		2019 Restated	2019
Revenue	16		
Non exchange revenue		1,723,542.21	1,744,538.92
Services, Joining Fees and Early Access Contributions		28,000.00	28,000.00
Exchange revenue		0.00	0.00
Other revenue		10,898.78	10,898.78
Financial revenue		0.00	0.00
Total revenue		1,762,440.99	1,783,437.70
Expenses	17		
Personnel		1,308,315.21	1,308,315.21
Contractual supplies and services		413,299.49	413,299.49
Depreciation and amortization		0.00	0.00
Impairment		0.00	0.00
Provisions		12,215.70	33,212.41
Other expenses		0.00	0.00
Finance costs		610.59	610.59
Total expenses		1,734,440.99	1,755,437.70
Surplus/(Deficit) for the period		28,000.00	28,000.00

This restatement impacts also the statement of cash flow. The 2019 figures have been updated accordingly in Annex 3.

Use of Estimates

In accordance with generally accepted accounting principles, the financial statements include amounts based on estimates and assumptions by management, according to the most reliable information available, judgement and assumptions. Estimates include accrued revenue and expenses. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

Foreign Currency Transactions

The MSIAC budget is authorized and managed in EUR so contributions called are made in EUR. Foreign currency transactions as required are accounted for at the NATO exchange rates prevailing on the date of the transactions. Monetary assets and liabilities at year-end which were denominated in foreign currencies were converted into EUR using the NATO rates of exchange applicable at year end.

Realised and unrealised gains and losses resulting from the settlement of such transactions and from the revaluation of monetary assets at the reporting dates, and liabilities denominated in foreign currencies are recognised in the Statement of Financial Performance.

MSIAC does not have any unrealised gains and losses resulting from the translation of statements.

MSIAC accounting is subject to FC(FAC)(2020)004 which sets out IS/OFC policy for accounting and reporting transactions in foreign Currency.

Financial Risks

MSIAC uses only non-derivative financial instruments as part of its normal operations. These financial instruments include cash, bank accounts and deposit accounts.

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

The organisation is exposed to a variety of financial risks, including foreign exchange risk, credit risk, currency risk, liquidity risk and interest rate risk.

a. Foreign currency exchange risk

The exposure to foreign currency risk is limited as the majority of the NATO-MSIAC's expenditures are made in EUR, the currency of its budget. The current bank accounts are held in EURO.

b. Credit risk

NATO MSIAC incurs credit risks from cash and cash equivalent held with banks and from receivables.

The maximum exposure as of year-end is equal to the total amount of bank balances, short-term deposits and receivables. There is very limited credit risk associated with the realization of these elements.

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

Bank Name	Country of HQ	Short Term Ratings					
		FITCH		S&P GLOBAL		MOODY'S	
		Rating	Last Review Date	Rating	Last Review Date	Rating	Last Review Date
ING Bank	Netherlands	F1+	15-Oct-2020	A-1	10-Jul-2020	P-1	21-Oct-2020

The MSIAC outstanding accounts receivable are managed by maintaining control procedures over receivables. Most cash receivables are due from Member Nations, which are considered credit worthy.

c. Liquidity risk

The liquidity risk, also referred to as funding risk, is based on the assessment as to whether the Organisation will encounter difficulties in meeting its obligations associated with financial liabilities. A liquidity risk could arise from a short-term liquidity requirement. There is a very limited exposure to liquidity risk since MSIAC funding mechanism guarantees contributions in relation to approved budgets. Some limited risk could be

ANNEX 6 to
FC(2021)0018

due to the accuracy of budget forecasts. However, history shows that the budgetary process results in surpluses and, in any case, the applicable rules allow the revision of budgets.

d. Interest rate risk

Except for certain cash and cash equivalent balances, MSIAC's financial assets and liabilities do not have associated interest rates. MSIAC is restricted from entering into borrowings and investments, and, therefore, there is an insignificant interest rate risk. Interest earned is not a budgetary resource but contributes to the surplus owed to Nations. In case of negative interest rates, these are added to the amounts called from Member Nations.

Current Assets

a. Cash and cash equivalents

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

b. Receivables

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

Contributions receivable are recognised when a call for contribution has been issued to the funding nations. No allowance for loss is recorded with respect to Member countries' assessed contributions receivable.

c. Prepayments

A prepayment is a payment in advance of the period to which it pertains and is mainly in respect of an advance payment made to a third party. This item may include advances made to staff in accordance with Civilian Personnel Regulations (such as advances on salary or on education allowance in consideration of the fact that these are the advances on future staff benefits).

d. Inventories

NATO's adaptations of IPSAS are spelled out in C-M(2016)0023 of April 2016, which includes IPSAS 12 Inventories. Furthermore, C-M(2017)0043 of September 2017, approved the NATO Accounting Policy for Inventory.

When it comes to assessing the control of NATO Inventory, these documents define a set of 10 criteria to be used in assessing the level of control of an inventory asset. A positive response on six of the criteria will lead to the asset being capitalized in the Financial Statements if it is above the capitalization threshold. This is applied from January 2013 under the initial NATO Accounting Framework C-M(2013)0039 of July 2013.

NATO UNCLASSIFIED

6-7

ANNEX 6 to
FC(2021)0018

Criteria that may indicate control of an asset:

- The act of purchasing the asset carried out (or resulted from instructions given) by the NATO Reporting Entity.
- The legal title is in the name of the NATO Reporting Entity.
- The asset is physically located on the premises or locations used by the NATO Reporting Entity.
- The asset is physically used by staff employed by the NATO Reporting Entity or staff working under the NATO Reporting Entity's instructions.
- The fact that the NATO Reporting Entity can decide on an alternative use of the asset.
- The fact that the NATO Reporting Entity can decide to sell or to dispose the asset.
- The fact that the NATO Reporting Entity, if it has to remove or destroy the asset, can take the decision to replace it.
- The fact that a representative of the NATO Reporting Entity regularly inspects the asset to determine its current condition.
- The fact that the asset is used in achieving the objectives of the NATO Reporting Entity.
- The fact that the asset will be retained by the NATO Reporting Entity at the end of the activity.

Capitalization thresholds relevant to the financial statement are as follows:

Category	Threshold	Basis
Consumables	€50,000	Per location/warehouse
Spare Parts	€50,000	Per location/warehouse
Ammunition	€50,000	Per location/warehouse
Strategic stocks	€50,000	Per location/warehouse

The MSIAC will capitalize inventory which it controls in its financial statements. Where there is a conflict between more than one NATO Reporting Entity as to the control of inventory, only the end-user entity will report the inventory in its financial statements, based on reliable information provided by the NATO services provider entity as defined in individual agreements between the two entities.

The MSIAC will include transportation costs involved in bringing the inventories to their present location and condition in the initial valuation of inventory. These costs will be measured on the actual cost of transportation per item of inventory or by using an apportionment of the global transportation costs of bringing the inventories to their present location and condition across all inventory items in the period. Transportation costs involved in the subsequent movement of inventory which brings them into operational use will not be included in the value of inventory. The method of measuring these costs will be disclosed.

The MSIAC considers inventory acquired prior to 1 January 2013 as fully expensed.

For inventory held prior to 1 January 2013, and not previously recognized as an asset, the MSIAC will provide a brief description of inventory held within their inventory recording systems in the notes to the

ANNEX 6 to
FC(2021)0018

financial statements. Such disclosure will include as a minimum the types of inventories held, locations where inventories are held and the approximate number of items held per asset category.

Where this adaptation conflicts with another requirement of IPSAS this adaptation shall apply. For the remainder, IPSAS 12 shall apply.

The MSIAC assesses inventories under IPSAS 12. The outcome of this assessment is that the value of the inventories is immaterial both in value and in terms of the nature of the items held. Consequently, inventory is fully expensed on receipt. The materiality will be assessed each year.

In consideration of all the above, MSIAC currently has no inventory.

Non-current assets - Fixed assets (Property, Plant & Equipment and Intangible Assets)

a. Property, Plant & Equipment

NATO's adaptation of IPSAS are spelled out in C-M(2016)0023 of April 2016 among which are specific items addressing IPSAS 17 PPE. Furthermore, C-M(2017)0022 (INV) approved the NATO Accounting Policy for Property, Plant and Equipment.

When it comes to assessing the control of NATO over PPE, these documents define a set of 10 criteria to be used in assessing the level of control of a tangible asset. A positive response on six of the criteria will lead to the asset being capitalized in the Financial Statements if it is above the capitalization threshold. This is applied from January 2013 under the initial NATO Accounting Framework C-M(2013)0039 of July 2013.

Capitalization thresholds relevant to the financial statement are as follows:

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

The MSIAC considers PPE acquired prior to 1 January 2013 as fully expensed. However, existing accounting policies will continue to be applied for any PPE assets already capitalized prior to 1 January 2013. For PPE upgraded after 1 January 2013, only the portion related to the modification will be capitalized.

In consideration of the above thresholds, MSIAC currently has no PPE.

b. Intangible Assets

NATO's adaptations of IPSAS are spelled out in C-M(2017)0023 of April 2013, which includes IPSAS 31 Intangible Assets. Furthermore, C-M(2017)0044 approved the NATO Accounting Policy for Intangible Assets.

When it comes to assessing the control of NATO over Intangible Assets, these documents define a set of 10 criteria to be used in assessing the level of control of an Intangible Asset – they are the same as mentioned above under Inventory. A positive response on six of the criteria will lead to the asset being capitalized in the Financial Statements if it is above the capitalization threshold. This is applied from January, 2013, under the initial NATO Accounting Framework C-M(2013)0039 of July 2013.

MSIAC will capitalize each intangible asset item above the following agreed NATO thresholds:

Category	Threshold	Depreciation Life	Method
Computer software (commercial off the shelf)	€50,000	4 years	Straight line
Computer software (bespoke)	€50,000	10 years	Straight line
Computer database	€50,000	4 years	Straight line
Integrated system	€50,000	4 years	Straight line

For anything below the threshold, the MSIAC will have the flexibility to expense specific items.

MSIAC will capitalize integrated systems and include research, development, implementation and can include both software and hardware elements. But the MSIAC will not capitalize the following types of intangible assets in their financial statements:

- rights of use (air, land and water);
- landing rights;
- airport gates and slots;
- historical documents; and,
- publications

NATO UNCLASSIFIED

6-10

ANNEX 6 to
FC(2021)0018

MSIAC will capitalize other types of intangible assets acquired after 1 January 2013 including:

- Copyright
- Intellectual Property Rights
- Software development

MSIAC considers Intangible Assets acquired prior to 1 January 2013 as fully expensed.

MSIAC will report controlled Intangible assets in its financial statements. Where there is a conflict between more than one NATO Reporting Entity as to the control of intangible assets, only the end-use entity will capitalize the intangible asset in its financial statements based on reliable information provided by the NATO services provider entity as defined in individual agreements between the two entities.

For intangible assets held prior to the 1 January 2013, and not previously recognized as an asset, MSIAC will provide a brief description of intangible assets held in its intangible asset recording systems in the notes to the financial statements. Such disclosure will include as a minimum the types of intangible held, locations where intangible assets are held and the approximate number of items held per asset category.

If an intangible asset is upgraded after 1 January 2013, only the portion related to the modification will be capitalized.

Where this adaptation conflicts with another requirement of IPSAS this adaptation will apply. For the remainder, IPSAS 31 shall apply. This adaptation is effective for financial reporting periods beginning on 1 January 2013.

In consideration of the above thresholds, MSIAC has no Intangible Assets.

Non-Current Assets other than PPE

In case there are any non-current assets, these will be disclosed in the Statement of Financial Position.

Current Liabilities

a. Payables

Payables are amounts due to third parties, including Member Nations, based on goods received or services provided that remain unpaid. These include estimates of accrued obligations to third parties for goods and services received but not yet invoiced. Amounts due to Member Nations in the context of their budget contributions are booked under Other Current Liabilities.

b. Advances and Unearned revenue

Advances are contributions received related to future year's budgets. Funds are called in advance of their need because MSIAC has no capital that would allow it to pre-finance any of its activities.

Unearned revenue represents Member Nations contributions which have been called for current budgets but that have not yet been recognised as revenue in the absence of any related budgetary expenditure.

NATO UNCLASSIFIED

6-10

c. Other Current Liabilities

Amounts corresponding to the current budgetary surplus (lapsed credits + net interests + miscellaneous income) are considered a liability towards the Member Nations. The settlement does not follow the normal accounts payable process, since the standard approach is to return them to Member Nations via a deduction of the following year's call for budget contributions. This liability is therefore classified under Other Current Liabilities.

This item may include other liabilities that do not result from the standard procure-to-pay process, such as miscellaneous transactions to be regularized between entities managed by the IS Office of Financial Control.

Non-Current Liabilities

The MSIAC has no non-current liabilities.

Net Assets

Net Assets correspond to MSIAC's Project Accumulated Surplus. Project Accumulated Surplus relates to funds resulting from past years' contributions by MSIAC member Nations in excess of budget execution that the Steering Committee decided not to redistribute to the member nations but keep for the needs of MSIAC. It is held at the direction of the Steering Committee.

Revenue Recognition

Revenue comprises contributions from Member Nations, pro-rated contributions (partial calls), joining fees from new Member Nations and services, such as training sessions, provided.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be measured reliably. The balance of unspent contributions and other revenues that relate to future periods are deferred accordingly.

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

Contributions to be called from Member Nations, based on the budget they approved, are initially recorded as unearned revenue liabilities. They are recognised as revenue in the statement of financial performance when such contributions are used for their intended purpose as envisioned in the approved Budget.

On the other hand, calls related to non-budgeted contributions (new membership early access, access during the year, and Joining Fees from new Member Nations) are recognized when they are issued and as Non-Exchange revenue in the Statement of Financial Performance, considering that it is not possible to directly identify and value the consideration provided by MSIAC directly in return for the resources received. There are no expenses to be matched against these resources which are not refundable to nations.

Segment Reporting

A segment is a distinguishable activity or group of activities for which it is appropriate to separately report financial information. There is no segment in MSIAC.

ANNEX 6 to
FC(2021)0018

Statement of Financial Position

NOTE 3: CASH AND CASH EQUIVALENTS – SHORT TERM INVESTMENTS

The current bank accounts are held in EUR. Cash deposited is immediately available. There are no short-term investments.

Below is a snapshot of MSIAC's cash and cash equivalents at the year-end:

Amounts in EUR	2020	2019
Cash at bank	986,141.68	1,395,389.05
Petty cash	-	-
Total	986,141.68	1,395,389.05

NOTE 4: ACCOUNTS RECEIVABLE

Below is a snapshot of MSIAC's receivables at the year-end:

Amounts in EUR	2020	2019
Budgetary contributions	-	-
Others	83,097.75	5,000.00
Total	83,097.75	5,000.00

The receivables correspond to two open invoices to be paid by Partner Nations.

Contributions receivable from Member Nations are funds requested from the Nations to finance the current year MSIAC budget, while Partners are Extraordinary Revenue directly recognized into the surplus/deficit of the period concerned.

NATO UNCLASSIFIED

6-13

ANNEX 6 to
FC(2021)0018

Table below presents the detailed information on the amounts billed during 2020 to both Member and Partner Nations.

Amounts in EUR	Contributions	Other Revenue	Total
<i>1 - Member Nations</i>	<i>1,320,000.00</i>		<i>1,320,000.00</i>
Belgium	88,000.00		88,000.00
Canada	88,000.00		88,000.00
France	176,000.00		176,000.00
Germany	88,000.00		88,000.00
Italy	176,000.00		176,000.00
Netherlands	88,000.00		88,000.00
Norway	88,000.00		88,000.00
Poland	88,000.00		88,000.00
Spain	88,000.00		88,000.00
United Kingdom	176,000.00		176,000.00
United States	176,000.00		176,000.00
<i>2 - Partner Nations</i>	<i>352,000.00</i>	<i>83,097.75</i>	<i>435,097.75</i>
Australia	88,000.00		88,000.00
Finland	88,000.00		88,000.00
Republic of Korea	88,000.00		88,000.00
Sweden	88,000.00		88,000.00
Ukraine		800.00	800.00
United States (DoD Explosives Safety Board)		82,297.75	82,297.75
Grand Total	1,672,000.00	83,097.75	1,755,097.75

NOTE 5: PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and Other Current Assets relate to miscellaneous amounts due to the Project Office in relation to services to be received in the following years and advances made to staff in relation to benefits of the following year (essentially advances to staff for education allowances or for travel, etc.).

Other Current Assets include the counterpart of untaken leave as a valuation of the potential budgetary contribution that would be required if this untaken leave were to be paid. Even though NATO policy (both Civilian Personnel Regulations and IS HR directives) is that untaken leave must be paid only as a last recourse (Staff is compelled to take all their leave before retiring), for informative purposes we have chosen to disclose the amount payable, if MSIAC would shut down its activities as of 31 December 2020. For 2020 the recognized Untaken Leave amount is EUR 58,963.38.

This item also includes EUR 28,794.00 of Education Allowance advances and EUR 353.30 related to a cash advance paid by NATO-IS and EUR 2,708 of deferred expenses.

NATO UNCLASSIFIED

ANNEX 6 to
FC(2021)0018

Following table presents a snapshot of MSIAC's prepayments and other current assets at the year-end:

Amounts in EUR	2020	2019
Prepayments to Suppliers	-	918.16
Prepayments to Staff	-	-
Other Current Assets	90,818.68	64,151.21
Total	90,818.68	65,069.37

NOTE 6: INVENTORIES

Nothing to report, inventories are not considered material.

NOTE 7: PROPERTY, PLANT AND EQUIPEMENT AND INTANGIBLE ASSETS

MSIAC does not hold any property, plant and equipment. Nor does MSIAC hold any intangible assets.

NOTE 8: NON-CURRENT RECEIVABLES AND OTHER NON-CURRENT ASSETS

MSIAC has registered no non-current receivables or other non-current assets.

NOTE 9: PAYABLES

Payables and accrued expenses may relate to commercial suppliers, staff, other NATO bodies or MSIAC Member Nations.

Payable to suppliers relates to goods and services for which an invoice has been received, checked, and queued for payment but for which payment was still pending at year-end.

Accrued expenses correspond to EUR 15,825.30 and is the estimated accrual obligation to third parties for goods and services received but not yet invoiced. The remainder, EUR 388.40, corresponds to accrued revenue.

Payable to nations

The payable to Member Nations is linked to the reimbursable salaries and represents the amount due to the United States (US) for one civilian staff member who is paid directly by the US government. This amount remains to be regularised. In 2020, the US MSIAC contribution (EUR 176,000.00) was offset with part of this payable item. At the end of the year, this payable account showed a balance of EUR 270,218.98.

NATO UNCLASSIFIED

6-15

ANNEX 6 to
FC(2021)0018

Below is a snapshot of MSIAC's payables at the year-end:

Amounts in EUR	2020	2019
Suppliers	37,018.97	116,465.92
Personnel	-	270.50
Member Nations	270,218.98	446,218.98
Accruals	16,213.70	27,077.66
Total	323,451.65	590,033.06

NOTE 10: DEFERRED REVENUE

Deferred revenue corresponds to contributions called for the current year or before (received or receivable) that MSIAC intends to use for its initial purpose, but for which corresponding goods or services could not be received in the course of the current budget year but will be incurred after the end of the reporting period. If these amounts carried forward are not spent by the end of the second year following the year for which they were approved, these funds lapse, unless a specific decision is taken by Member Nations for a further carry-forward. At the end of 2020 there were no appropriations subject to a special carry-forward.

NOTE 11: ADVANCES

None.

NOTE 12: PROVISIONS

The provision relates to the staff untaken leave liability as per end December 2020.

The valuation of untaken leave amounts to EUR 58,963.38 (EUR 33,212.41 end 2019). Compared to the 2019 provision, the increase is considerable, mainly due to the COVID-19 crisis as staff postponed their leave due to global travel restrictions.

NOTE 13: OTHER CURRENT LIABILITIES

Other Current Liabilities include the Current Year Budget Surplus. Amounts corresponding to the current year budgetary surplus of MSIAC, i.e. lapsed credits, net interests, miscellaneous income, are considered a liability towards the Member Nations. The settlement does not follow the standard accounts payable process, since the surplus is to be returned to Member Nations via a deduction of the following year's call for budget contributions. To date, the agreed practice of the MSIAC Steering Committee has been to add these amounts to the Project Accumulated Surplus (see note on Net Assets).

NATO UNCLASSIFIED

6-15

ANNEX 6 to
FC(2021)0018

Below is a snapshot of MSIAC's other current liabilities at the year-end:

(amounts in EUR)	2020	2019
Lapsed Appropriations	46,668.88	34,674.70
Net Financial Income	90.07	5.43
Miscellaneous Income	7,849.27	11,021.34
Cash Advance Received from Partner Nations	82,297.75	
Others	8,167.60	800.00
Total	145,073.57	46,501.47

NOTE 14: NON-CURRENT LIABILITIES AND LONG TERM UNEARNED REVENUE

The long term unearned revenue is unearned revenue in relation to net carrying amounts of Property, Plant and Equipment and intangible assets. Revenue is recognised over the estimated life cycle of the Property, plant and equipment and the intangible assets.

There are no non-current liabilities.

NOTE 15: TOTAL NET ASSETS / EQUITY

Net Assets correspond to MSIAC's Project Accumulated Surplus from previous years and the surplus (deficit) from the current year.

Project Accumulated Surplus relates to funds resulting from past contributions by MSIAC Member Nations in excess of budget execution that the Steering Committee decided not to redistribute to the Member Nations but keep for the needs of MSIAC. This reserve also includes the former surpluses originating, for instance, from non-budgeted new membership contributions and joining fees paid by incoming Member Nations to contribute to the products and services developed over the entire lifespan of MSIAC operations. It is held at the direction of the Steering Committee. The Steering Committee may use these funds to contribute to future costs associated with MSIAC operations, or in case of emergency funding needs for the Project. The growth in accumulated surplus over previous years reflects more Nations entering the Project but zero growth in Project staff. A five-year plan is agreed yearly and incrementally reduces this fund to target levels agreed by the MSIAC Steering Committee.

In May 2020 a deviation from Articles 24.2 and 29.3 of the NATO Financial Regulations has been approved by Council. As per C-M(2020)0012 the decision entails the use of MSIAC accumulated surpluses in an emergency fund and as an operational reserve up to a limit of EUR 650,000.00.

NATO UNCLASSIFIED

6-17

ANNEX 6 to
FC(2021)0018

Amounts in EUR	2020	2019
Cumulated Surplus beginning of the year	619,711.47	639,512.68
+ Lapses from previous year	45,701.47	25,248.79
+ Net Financial Income (Interest, Bank Fees) previous year		
+ Miscellaneous Income previous year		
- Surplus allocated to current year budget	- 68,644.00	- 73,050.00
Cumulated Surplus end of the year	596,768.94	591,711.47
Current Year Extraordinary Surplus	800.00	28,000.00
Net Assets as off 01 Jan Y+1	597,568.94	619,711.47

Statement of Financial Performance**NOTE 16: REVENUE**

Amounts in EUR	2020	2019
Non exchange revenue	1,676,786.19	1,723,542.21
Called from Nations	1,672,000.00	1,672,000.00
Additional budget to be taken from reserve fund	-	30,000.00
Budget to be taken from refundable surplus	- 20,964.78	9,326.51
Provision for Untaken Leave as off 31Dec20	25,750.97	12,215.70
Services, Joining Fees and Early Access Contributions	800.00	28,000.00
Training fees	800.00	28,000.00
Joining fees		
Other revenue	7,849.27	10,898.78
Over accrual 2019	7,849.27	-
DCPS Allianz Compensatory	-	10,898.78
Financial revenue	1,300.60	-
Realized Exchange Gains	1,300.60	-
Total Revenue	1,686,736.06	1,762,440.99

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be measured reliably.

Revenue from Member Nations' budgetary contributions is considered as non-exchange revenue in consideration of the fact that the contributions by Member Nations are based on the number of shares and not in proportion of the service they receive. Non-exchange revenue is matched with expenses stemming from budget execution.

Other contributions such as non-budgeted contributions (new membership early access, access during the year, training fees, and Joining Fees from new Member Nations) whilst being also recognized as Non-exchange revenue, do not follow the matching principle since it is not possible to directly identify and value the consideration provided by MSIAC directly in return for the resources received. There are no expenses

NATO UNCLASSIFIED

6-17

NATO UNCLASSIFIED

6-18

ANNEX 6 to
FC(2021)0018

to be matched against this revenue and thus is not refundable to nations. Therefore, this result miscellaneous revenue must revert directly into Surplus of the period concerned.

NOTE 17: EXPENSES**Wages, Salaries and Employee Benefits**

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

Services rendered, Supplies and Consumables Used

This item may also include expenses attributed to Capital Expenses (Property, Plant and Equipment) from a budget perspective, if they do not meet the criteria of PPE or Intangible Assets.

Provisions

This position reflects the change of the provision of Untaken Leave as of 31 December 2020.

Other Expenses

There are no such expenses in 2020.

Finance Costs

This item comprises miscellaneous financial costs like bank charges, exchange rates losses, etc.

NOTE 18: BUDGET INFORMATION**NATO MSIAC Budget**

Presently, the NATO MSIAC Budget is not publicly available.

The actual amounts referred to by IPSAS 24 ("amounts that result from execution of the budget") are expenses incurred during the execution of the budget and appearing under the heading "Actuals" in the Budget Execution Statement.

Presentation of budget information in the financial statements

An analysis of the budget execution for the current and the previous year carry-forward amounts is provided in Annex 5. The MSIAC budget execution compares the budget's authorized credits against the amounts committed and expended.

NATO UNCLASSIFIED

6-18

The MSIAC budget classification is based on the economic nature of the expenses broken down into three chapters as follows:

Chapter I	:	Personnel Expenses
Chapter II	:	Operating Expenses
Chapter III	:	Capital Costs

The MSIAC Budget is prepared for the same period (1 January to 31 December) and encompasses the same entity as these financial statements.

Changes to the budgetary regulations were introduced by the North Atlantic Council in 2015 in approving a new set of NATO Financial Regulations. They have in particular instilled an accruals based approach to budget preparation and budget execution, whereas before the approach was largely commitment and cash based.

Despite a stronger emphasis on this principle in annual budgets, the approved and executed budget cannot be considered as fully accruals-based, since the new regulations allow for a number of exceptions, such as carrying forward commitments for goods and services that were expected to be delivered in the course of the year but for various reasons were not, or authority given to the member Nations to allow for special carry forward of appropriations unused at year-end.

The MSIAC budget is prepared and executed as follows:

- 1) The commitment of appropriations is the advance acceptance and recording of the financial consequence resulting from a legal obligation incurred during the financial year. Therefore, appropriations are allocated, and commitments are approved, for goods, services and works to be delivered at a later stage. Commitments are settled when the service is rendered or goods delivered as is the case for expenses under accrual accounting.
- 2) Approved Commitments for which no goods could be received or services rendered at year-end will normally lapse. However, if they are supported by a legal obligation and correspond to goods or services that could not be received during the course of the year for specific reasons, they may be carried forward and added to the budget of the following financial year. Uncommitted appropriations may be subject of a special carry forward to the following year if a specific agreement is given by the Steering Committee. Outstanding commitments can be carried forward for two years. As a consequence, the services or goods received may relate to a commitment of appropriations from previous years' budgets. The carry-forward should be justified by a reason for which the services or goods could not be received in the course of the year. In addition, in accordance with Financial Regulations, Member Nations may agree to a further carry-forward of commitments that were already carried forward twice.
- 3) Commitments, because they are an advance acceptance, and because payments cannot be made above approved appropriations levels, typically include an estimation factor and are (if only slightly) higher than the actual amount eventually paid. This results in commitments being higher than the actual expenses and in appropriations eventually lapsing.
- 4) Commitments are only made in respect of expenses relating to the initial purpose of the commitment. Commitments for capital expenditures are normally made in the year during which

ANNEX 6 to

FC(2021)0018

the purchase order is issued. In accrual accounting, the related costs would not appear in the Statement of Financial Performance but in the Balance Sheet and only upon reception of the works, goods or services. Conversely, there is no budgetary commitment of appropriations for non-cash flow transactions such as capital depreciation or provisions which would normally appear in the Statement of Financial Performance under accrual accounting.

- 5) On an exceptional basis, the Steering Committee may approve the special carry-forward of credits without any prior legal commitment, for instance for projects at their initiation stage or planned expenditures. In accrual accounting there would be no expense recorded.
- 6) The balance of unused budgetary appropriations (not committed) lapses and is returned to Member Nations at year-end. Lapses may include cases where a project was eventually not completed or started, and therefore lead to no expense.
- 7) As per Council decision, C-M(2020)0012, surpluses can be accumulated in an emergency fund and as an operational reserve up to a limit of EUR 650,000.00.

Reconciliation between Budget Execution and Statement of Financial Performance

(amounts in EUR)

BUDGET EXECUTION		2020	2019
Total Budget (including carried-forward from previous year)	(a)	1,740,644.01	1,756,900.00
Credits Carried Forward in Following Year	(b)	35,000.57	0.00
Lapsed Appropriations	(c)	46,668.88	34,674.71
Budget Execution Expenses	(d) = (a-b-c)	1,658,974.56	1,722,225.29

RECONCILIATION		2020	2019
Financial Performance Expenses (total)	(e)	1,685,936.06	1,734,440.99
Other net expenses (financial and miscellaneous)	(f)	26,961.50	12,215.70
Increase in Non-Current Assets	(g)	0.00	0.00
Other Elements	(h)	0.00	0.00
Sub-Total	(i)=(e-f+g+h)	1,658,974.56	1,722,225.29
Difference to Budget Expenses	(d-i)	0.00	0.00

Budget execution

The MSIAC budget execution for the current year appropriations and previous year carry-forwards is shown at Annex 5, which compares the budget's authorized appropriations against the amounts committed and expended.

Credits are transferred under the authority delegated to the NATO-IS Financial Controller by the NATO Financial Regulations and Financial Rules and Procedures.

NATO UNCLASSIFIED

6-21

ANNEX 6 to
FC(2021)0018**Reconciliation between Budget and Calls for Contributions**

The funding of the budget is made of a call for contributions, carried over credits and a part of previous years' surplus. There is one call for contributions per year, which is usually issued at the beginning of the year. No advances are called for the following financial year.

In accordance with MSIAC's Steering Committee decision, new Member Nations have to contribute a one-off Joining Fee, besides the normal annual contributions.

There were no new accessions in 2020.

Member Nations' contributions are assessed based on a share value of EUR 88,000. In 2020, f nations paid 1 share and four nations paid 2 shares (total of 19 shares from official and early members).

As directed by the Steering Committee, the calls covered EUR 1,672,000 in 2020.

During 2020, MSIAC also collected 800.00 EUR of training fees, due to training provided to staff of a partner nation.

These proceedings are considered non-budgetary revenue, recognizable directly as a period surplus and will be moved to equity in the beginning of the following year.

The table below reconciles the approved budget and the sources of funding.

Amounts in EUR	2020	2019
Initial Budget	1,740,644.00	1,715,050.00
Revised Budget	-	30,000.00
Total Annual Budget	1,740,644.00	1,745,050.00
Advance called previous year	-	-
Call in current year	1,672,000.00	1,672,000.00
Total Cash Calls	1,672,000.00	1,672,000.00
Use of Previous Year's Surplus	-	-
Use of Project Accumulated Surplus	68,644.00	73,050.00
Other Funding Sources	68,644.00	73,050.00
Total Funding	1,740,644.00	1,745,050.00

NOTE 19: WRITE-OFFS

There are no write-offs to report in 2020.

NOTE 20: LEASES

MSIAC does not have any financial leases.

NATO UNCLASSIFIED

6-21

ANNEX 6 to
FC(2021)0018

NOTE 21: RESTRICTIONS ON FIXED ASSETS

There are no restrictions on fixed assets.

NOTE 22: CONTINGENT LIABILITIES

There have been no contingent liabilities identified that would be expected to result in a material obligation.

NOTE 23: CONTINGENT ASSETS

Nothing to report in 2020.

NOTE 24: EMPLOYEE DISCLOSURE

Accounting for employee benefits is accounting for any liability in relation to all forms of consideration given by an entity in exchange of service rendered by employees.

Paid leave is an employee benefit and as such part of overall personnel expenses. In accordance with personnel regulations, the remaining balance at year-end may be carried forward but must be taken before 30 April of the following year. It can be exceptionally expanded to 31 October in accordance with Civilian Personnel Regulations art. 42.3.5 and 42.3.6. After this date it lapses and is not paid to staff. For these financial statements, untaken leave is specifically reported if its monetary value is more than 10% of the total annual leave entitlement. The cost of untaken leave days is usually absorbed during the year through the monthly salaries; leave to be taken carried forward into the next year constitutes a liability towards the future and would notionally require funding from Member Nations.

End 2020, untaken leave was estimated EUR 58,963.38

MSIAC's employee breakdown as of 31 December 2020, is shown below:

	Total Approved PE	Total Filled Positions
Civilian (PE)	10	10
VNC	0	0
Short term	0	0
Interns	0	0
Others - explain	0	0

For 2020, MSIAC had an approved Personnel Establishment of 10 positions funded by the MSIAC budget.

It should be noted that the NATO-IS is managing centrally two pension programmes, namely the Defined Benefit Pension Scheme (DBPS) and the Defined Contribution Pension Scheme (DCPS) as well as the Retirees Medical Claims Fund (RMCF), covering staff employed by all NATO bodies. NATO-wide financial

statements are issued by NATO-IS Office of Financial Control for the two Pension Schemes and the RMCF, therefore, no post-employment benefit related assets or liabilities are recognised in the MSIAC financial statements.

End 2020, 9 staff members (10 in 2019) participated in the Defined Contribution Pension Scheme (DCPS) administered by NATO. The DCPS provides that the MSIAC budget makes a 12 percent monthly matching contribution to the staff members' contributions for current service.

Furthermore, by end 2020, there was still 1 employee (1 in 2019) participating in NATO's Defined Benefit Pension Scheme (DBPS): a deduction of 11.8% of their salaries is made and contributed to the annual financing of this Plan. In addition, the MSIAC budget makes a monthly matching contribution of 19% to the DBPS. These contributions are expensed during the year concerned and represent the sole pension related obligation of the entity. Consequently, the MSIAC has neither DBPS nor DCPS liabilities for its staff members.

The table below presents a list of contributions paid to the different Pension Schemes:

Amounts in EUR		2020	2019
Co-ordinated Pension Scheme	Staff	7,403.64	5,866.68
	Employer	14,807.28	11,733.36
	Total	22,210.92	17,600.04
Defined Contribution Pension Scheme	Staff	81,566.83	80,475.37
	Employer	101,889.82	99,271.12
	Total	183,456.65	179,746.49
TOTAL	Staff	88,970.47	86,342.05
	Employer	116,697.10	111,004.48
	Total	205,667.57	197,346.53

NOTE 25: KEY MANAGEMENT PERSONNEL

The MSIAC Steering Committee (one representative per Member Nation) is the governing body of the MSIAC. Steering Committee members are nominated by their respective national authorities. They are paid on the basis of applicable national pay scales. The Steering Committee members do not receive from MSIAC or NATO any additional remuneration for Steering Committee responsibilities or access to benefits.

The key management personnel of the MSIAC Office consists of the Project Manager established post (A5). The Project Manager is responsible for the overall operational management of MSIAC.

There are no other remunerations or benefits to key management personnel or their family members.

6-24

ANNEX 6 to
FC(2021)0018

NOTE 26: RELATED PARTIES

Key management personnel have no significant party relationships that could affect the operation of the MSIAC Office.

In 2020, NATO International Staff charged MSIAC for the following burden sharing costs:

Burden Sharing Charges

Amounts in EUR	2020	2019
COMOPS	39,345.00	57,921.76
Admin Costs	44,053.02	47,258.50

* * * * *

List of acronyms:

CNAD	Conference of National Armaments Directors
DBPS	Defined Benefit Pension Scheme
DCPS	Defined Contribution Pension Scheme
IPSAS	International Public Sector Accounting Standards
IS	International Staff
MOU	Memorandum of Understanding
MSIAC	Munitions Safety Information Analysis Centre
NIMIC	NATO Insensitive Munitions Information Centre
OFC	Office of Financial Control
PPE	Property, Plant and Equipment
RPPB	Resource Planning and Prioritization Board
NAC	North Atlantic Council
RMCF	Retirees Medical Claims Fund

ANNEX 6 to
FC(2021)0018

Preparer	Reviewer	Approver
Nicolas Iva	Maaïke Deconinck	Christophe Smet



NORTH ATLANTIC TREATY ORGANIZATION
 ORGANISATION DU TRAITÉ DE L'ATLANTIQUE NORD
 INTERNATIONAL BOARD OF AUDITORS
 COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

PIÈCE JOINTE 3
 PO(2022)0119

NATO SANS CLASSIFICATION

IBA-A(2021)0118
 25 août 2021

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

Cc : Représentants permanents auprès de l'OTAN
 Secrétaire général adjoint pour la gestion exécutive
 Contrôleuse des finances du Secrétariat international
 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 du régime de pensions coordonné de l'OTAN pour l'exercice clos le 31 décembre 2020 – IBA-AR(2021)0029***

Monsieur le Secrétaire général,

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

L'IBAN a émis une opinion sans réserve sur les états financiers du régime de pensions coordonné de l'OTAN ainsi que sur la conformité pour l'exercice 2020.

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

Daniela Morgante
 Présidente

Pièces jointes : voir ci-dessus.

NATO SANS CLASSIFICATION

NATO SANS CLASSIFICATION

IBA-AR(2021)0029

**Note succincte
du Collège international des auditeurs externes de l'OTAN
à l'intention du Conseil
sur l'audit des états financiers
du régime de pensions coordonné de l'OTAN
pour l'exercice clos le 31 décembre 2020**

Le régime de pensions coordonné de l'OTAN, régime non financé à prestations définies, s'applique à tous les agents civils recrutés entre le 1^{er} juillet 1974 et le 30 juin 2005. Les agents recrutés avant juillet 1974 sont membres de la Caisse de prévoyance, et ceux recrutés depuis le 1^{er} juillet 2005 sont affiliés au régime de pensions à cotisations définies.

Les pays membres de l'Alliance garantissent collectivement le versement des prestations. En 2020, l'actif net du régime de pensions coordonné de l'OTAN a augmenté de 4,59 millions d'euros (MEUR) (il avait baissé de 2,78 MEUR en 2019).

L'IBAN a émis une opinion sans réserve sur les états financiers de 2020 ainsi que sur la conformité pour cet exercice.

L'IBAN a formulé une observation, assortie d'une recommandation. Cette observation n'a pas eu d'incidence sur l'opinion émise au sujet des états financiers et de la conformité. Elle porte sur le point suivant :

1. Erreur liée au rapprochement bancaire

L'IBAN a fait le point sur les suites donnée aux observations et recommandations formulées lors des audits précédents, et il a constaté que deux questions restaient à traiter et que la troisième était en cours de traitement.

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

Une lettre a été adressée aux gestionnaires du régime de pensions coordonné de l'OTAN (Secrétariat international). Elle contient des observations et des recommandations qui ne figurent pas dans le présent rapport d'audit et elle fait le point sur les suites données aux observations et aux recommandations formulées dans de précédentes lettres à la direction. En effet, l'IBAN estime que ces questions doivent être traitées par les gestionnaires précités et qu'elles relèvent dès lors de leur responsabilité.

25 août 2021

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

**RAPPORT SUR L'AUDIT DES ÉTATS FINANCIERS
DU RÉGIME DE PENSIONS COORDONNÉ DE L'OTAN
POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2020**

NATO SANS CLASSIFICATION

IBA-AR(2021)0029

**OPINION DE L'AUDITEUR EXTERNE À L'INTENTION DU CONSEIL DE
L'ATLANTIQUE NORD*****Audit des états financiers*****Opinion sur les états financiers**

Le Collège international des auditeurs externes de l'OTAN (IBAN) a audité les états financiers du régime de pensions coordonné de l'OTAN portant sur la période de 12 mois ayant pris fin le 31 décembre 2020. Diffusés sous la cote FC(2021)0030 et soumis à l'IBAN le 31 mars 2021, ces états financiers se composent de l'état de l'actif net disponible pour le service des prestations au 31 décembre 2020, de l'état des variations de l'actif net disponible pour le service des prestations au cours de la période ayant pris fin le 31 décembre 2020, ainsi que de notes explicatives.

L'opinion de l'IBAN est que les états financiers donnent une image fidèle et exacte de l'actif net disponible pour le service des prestations du régime de pensions coordonné de l'OTAN au 31 décembre 2020 ainsi que des variations de cet actif net au cours de la période ayant pris fin à cette date, en application des dispositions comptables et des normes de compte rendu du cadre comptable OTAN et de la norme comptable internationale (IAS) 26 (*Comptabilité et rapports financiers des régimes de retraite*).

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 sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 2200-2899), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

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

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

Responsabilité de la direction concernant les états financiers

La responsabilité de la direction concernant les états financiers est définie dans le Règlement financier de l'OTAN. Les états financiers du régime de pensions coordonné de l'OTAN sont établis en application des dispositions comptables et des normes de compte rendu du cadre comptable OTAN tel qu'approuvé par le Conseil et de l'IAS 26 (*Comptabilité et rapports financiers des régimes de retraite*). Il incombe au contrôleur

NATO SANS CLASSIFICATION

IBA-AR(2021)0029

des finances de soumettre les états financiers à l'IBAN au plus tard le 31 mars qui suit la fin de l'exercice visé dans les états financiers.

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

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

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

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

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

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

NATO SANS CLASSIFICATION

IBA-AR(2021)0029

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

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

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

Audit de conformité

Opinion sur la conformité

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

Justification de l'opinion émise sur la conformité

L'IBAN a effectué l'audit de conformité sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 4000-4899), définies par l'Organisation internationale des institutions supérieures de contrôle des

NATO SANS CLASSIFICATION

IBA-AR(2021)0029

finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

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

Responsabilité de la direction concernant la conformité

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

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

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

Bruxelles, le 25 août 2021



Daniela Morgante
Présidente

NATO SANS CLASSIFICATION

IBA-AR(2021)0029

OBSERVATIONS ET RECOMMANDATIONS

L'IBAN a formulé une observation, assortie d'une recommandation. L'observation, qui n'a pas eu d'incidence sur l'opinion émise au sujet des états financiers et de la conformité, porte sur le point suivant :

1. Erreur liée au rapprochement bancaire

L'IBAN a fait le point sur les suites donnée aux observations et recommandations formulées lors des audits précédents, et il a constaté que deux questions restaient à traiter et que la troisième était en cours de traitement.

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

Une lettre a été adressée aux gestionnaires du régime de pensions coordonné de l'OTAN (Secrétariat international). Elle fait le point sur les suites données aux observations et aux recommandations formulées dans de précédentes lettres à la direction. En effet, l'IBAN estime que ces questions doivent être traitées par les gestionnaires précités et qu'elles relèvent dès lors de leur responsabilité.

1. ERREUR LIÉE AU RAPPROCHEMENT BANCAIRE

Contexte

1.1 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 cadre comptable OTAN.

1.2 S'agissant du contrôle interne, l'article 12.3 du NFR dispose que « les activités de contrôle interne portent notamment sur la constitution de pistes d'audit adéquates ainsi que [sur] le maintien de la confidentialité, de l'intégrité et de la disponibilité des données dans les systèmes d'information ».

1.3 Quant aux états financiers, ils doivent être exempts de toute inexactitude, de toute erreur de chiffres, de toute incohérence et de toute autre erreur ou omission découlant d'un contrôle insuffisant au moment de leur établissement. Chaque entité doit disposer d'un système approprié de contrôle interne, et notamment d'une procédure d'examen et de rapprochement, lui permettant de s'assurer de la cohérence et de l'exactitude des informations présentées dans ses états financiers.

NATO SANS CLASSIFICATION

IBA-AR(2021)0029

1.4 L'un des enjeux essentiels du système de contrôle interne est la mise en place de procédures adéquates d'établissement, d'examen et de présentation des états financiers. En effet, l'existence d'une procédure d'examen des états financiers conditionne la possibilité d'obtenir l'assurance raisonnable que ceux-ci sont conformes au cadre de compte rendu financier applicable.

Constatations

1.5 L'IBAN a constaté que le compte 532122 du grand livre général (dépôt en couronnes norvégiennes auprès de la banque ING) affichait un solde de 89 811,66 EUR alors que, d'après l'extrait de compte et le rapprochement bancaire, le solde était nul.

1.6 Au cours de l'audit, l'IBAN a obtenu la confirmation du Bureau du contrôle financier (OFC) que le solde de ce compte du grand livre général devrait être nul. L'OFC a expliqué que, lors de la réévaluation en fin d'exercice des éléments libellés en monnaie étrangère, le montant n'avait pas été enregistré dans le bon compte du grand livre général.

1.7 Par conséquent, la trésorerie et équivalents est surévaluée de 89 811,66 EUR, de même que les « autres » éléments de passif.

Recommandation

1.8 L'IBAN recommande au Bureau du contrôle financier de renforcer les contrôles internes portant sur l'établissement des états financiers et, en particulier, de veiller à ce que les comptes du grand livre général concordent avec les extraits de compte.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

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

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

NATO SANS CLASSIFICATION

IBA-AR(2021)0029

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
(1) DBPS – Exercice 2019 IBA-A(2021)0036, paragraphe 1 NÉCESSITÉ D'AMÉLIORER LES INFORMATIONS PRÉSENTÉES DANS LES ÉTATS FINANCIERS OU MENTIONNÉES DANS LES NOTES QUI Y SONT JOINTES, AINSI QUE LE SUIVI Y AFFÉRENT, POUR CE QUI EST DES MONTANTS ÉCHUS À RECEVOIR OU À PAYER Recommandation de l'IBAN L'IBAN recommande à l'OFC : a. d'indiquer, dans les notes jointes aux états financiers, quels sont les montants échus à recevoir ou à payer qui sont en souffrance depuis plus d'un an, depuis plus de deux ans et depuis plus de cinq ans ; l'utilisateur des états financiers du régime de pensions coordonné de l'OTAN bénéficiera ainsi d'une image plus fidèle de ces montants ; b. d'achever, en collaboration avec le Bureau des affaires juridiques, l'analyse détaillée des montants échus à recevoir ou à payer, et déterminer quelles sont les mesures à prendre ;	Les notes jointes aux états financiers n'indiquent pas quels sont les montants échus à recevoir ou à payer. L'analyse n'a pas encore été faite.	Question à traiter
(2) DBPS – Exercice 2018 IBA-AR(2019)0028, paragraphe 1 NÉCESSITÉ POUR L'OTAN DE COMPTABILISER LE PASSIF CORRESPONDANT AUX AVANTAGES POSTÉRIEURS À L'EMPLOI, AFIN DE SE CONFORMER À SON CADRE COMPTABLE (IPSAS 39 (AVANTAGES DU PERSONNEL)) Recommandation de l'IBAN L'IBAN recommande que l'OFC, en tant que contrôleur des finances du régime de pensions coordonné de l'OTAN, définisse les critères de comptabilisation du passif correspondant aux avantages postérieurs à l'emploi et fasse en sorte que ce passif soit constaté conformément au cadre comptable OTAN (IPSAS 39 (<i>Avantages du personnel</i>)).	Les notes 3 jointes aux états financiers du régime de pensions coordonné de l'OTAN et du fonds de couverture médicale des agents à la retraite mentionnent les avantages postérieurs à l'emploi, calculés conformément à l'IPSAS 39 par l'actuaire du Service international des	Question à traiter

NATO SANS CLASSIFICATION

NATO SANS CLASSIFICATION

IBA-AR(2021)0029

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
	rémunérations et des pensions (SIRP). Cependant, ces avantages ne sont constatés dans l'état de la situation financière d'aucune entité OTAN, si bien qu'à l'échelle de l'Organisation, l'IPSAS 39, qui fait partie du cadre comptable OTAN, n'est pas respectée. Cette question restera « à traiter » jusqu'à ce que le problème soit résolu pour l'ensemble de l'Organisation.	
(3) DBPS – Exercice 2018 IBA-AR(2019)0028, paragraphe 2 NÉCESSITÉ DE METTRE EN PLACE DES CONTRÔLES INTERNES PLUS EFFICACES PORTANT SUR LE COMPTE RENDU FINANCIER Recommandation de l'IBAN L'IBAN recommande que, pour éviter et détecter les erreurs, l'OFC mette en place des contrôles internes plus efficaces portant sur le processus d'établissement des états financiers ; entre autres choses, il consignera les procédures qu'il convient d'appliquer pour vérifier les informations et les montants figurant dans les états financiers, avant que ceux-ci ne soient présentés à l'audit.	Lors de l'audit des états financiers de 2020, l'IBAN a trouvé une erreur liée au rapprochement bancaire. Il faut donc mettre en place des contrôles internes supplémentaires pour que les états financiers, y compris les notes qui y sont jointes, soient exempts d'inexactitudes.	Question en cours de traitement

NATO SANS CLASSIFICATION

IBA-AR(2021)0029

COMMENTAIRES OFFICIELS DU SECRÉTARIAT INTERNATIONAL (SI) SUR LE RAPPORT D'AUDIT ET POSITION DU COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN (IBAN)

**OBSERVATION N° 1 :
ERREUR LIÉE AU RAPPROCHEMENT BANCAIRE**

Commentaires officiels du SI

Le SI souscrit à la recommandation.

L'OFC tiendra compte de l'observation et mettra en place des contrôles adéquats.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

(1) DBPS – Exercice 2019

IBA-A(2021)0036, paragraphe 1

NÉCESSITÉ D'AMÉLIORER LES INFORMATIONS PRÉSENTÉES DANS LES ÉTATS FINANCIERS OU MENTIONNÉES DANS LES NOTES QUI Y SONT JOINTES, AINSI QUE LE SUIVI Y AFFÉRENT, POUR CE QUI EST DES MONTANTS ÉCHUS À RECEVOIR OU À PAYER

Commentaires officiels du SI

Le SI est d'accord.

L'OFC est conscient que le système informatique actuellement utilisé pour les opérations relatives aux pensions ne permet pas de répondre pleinement aux exigences en matière de compte rendu.

Le respect de ces exigences est rendu particulièrement difficile par l'insuffisance des ressources humaines affectées à ces opérations et par le faible degré d'automatisation des procédures.

(2) DBPS – Exercice 2018

IBA-AR(2019)0028, paragraphe 1

NÉCESSITÉ POUR L'OTAN DE COMPTABILISER LE PASSIF CORRESPONDANT AUX AVANTAGES POSTÉRIEURS À L'EMPLOI, AFIN DE SE CONFORMER À SON CADRE COMPTABLE (IPSAS 39 (AVANTAGES DU PERSONNEL))

Commentaires officiels du SI

Le SI est d'accord.

L'analyse de l'applicabilité de l'IPSAS 39 est en cours.

(3) DBPS – Exercice 2018

IBA-AR(2019)0028, paragraphe 2

NÉCESSITÉ DE METTRE EN PLACE DES CONTRÔLES INTERNES PLUS EFFICACES PORTANT SUR LE COMPTE RENDU FINANCIER

Le SI est d'accord.

Le contrôle interne est amélioré en permanence, conformément au cadre COSO, et il sera dûment tenu compte des nouvelles constatations de l'IBAN.

NATO SANS CLASSIFICATION

IBA-AR(2021)0029

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 que 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 certains éléments 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 la 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 UNCLASSIFIED

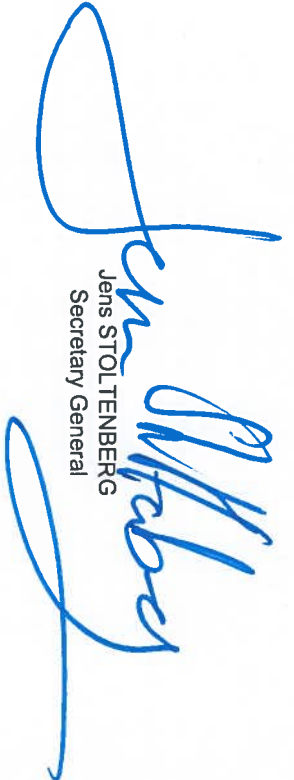
FC(2021)0030

**NATO COORDINATED PENSION SCHEME
FINANCIAL STATEMENTS**

For the year ended
31 December 2020

Annexes

- | | |
|---|---|
| 1 | Statement of Net Assets Available for Benefits |
| 2 | Statement of Changes in Net Assets Available for Benefits |
| 3 | Notes to the Financial Statements |


Jens STOLTENBERG
Secretary General


Mirosława BORYCZKA
Financial Controller

NATO UNCLASSIFIED

NATO COORDINATED PENSION SCHEME
Statement of Net Assets Available for Benefits

(All amounts in EUR)	Notes	Current Year	Previous Year
		31-Dec-20	31-Dec-19
Assets			
Cash and cash equivalents	4	109,650,254.86	115,465,541.61
Financial investments	5	40,000,000.00	0.00
Staff member contributions receivable	6	614,177.17	535,961.57
Employer contributions receivable	7	24,098.92	32,200.24
Nation contributions receivable	8	83,963,995.69	98,683,407.03
Pension tax adjustment contributions receivable	9	28,816,641.36	28,675,509.02
Credit for past service to be refunded by staff	10	44,057.89	55,010.41
Advance Cash Interfunds receivable	2,11	405,934.93	0.00
Other	2,11	524,340.60	429,467.63
Total assets		264,043,501.42	243,877,097.51
Liabilities			
Contributions called for y+1	8	177,875,300.00	167,472,848.00
Voluntary advances	8	0.00	0.00
Pension tax adjustments called for y+1	9	31,569,900.00	31,107,500.00
Other	12	5,848,754.88	1,135,978.55
Total Liabilities		215,293,954.88	199,716,326.55
Net Assets Available for Benefits	13	48,749,546.54	44,160,770.96

THE NATO COORDINATED PENSION SCHEME
Statement of Changes in Net Assets Available for Benefits

(All amounts in EUR)	Notes	Current Year	Previous Year
		31-Dec-20	31-Dec-19
Increase in net assets		221,225.66	1,094,132.42
Interest income	2,14	27,104.36	35,478.14
Transfers from other pension funds	15	89,011.19	957,205.98
Other	16	105,110.11	101,448.30
Contributions		185,206,945.16	169,939,138.99
Staff members	6	16,879,862.25	14,463,111.37
Employers	7	263,020.04	270,755.07
Nations	8	168,064,062.87	155,205,272.55
Regularizations previous years		0.00	0.00
Tax adjustments	9	26,577,854.48	27,767,387.69
Total increase in net assets available for benefits		212,006,025.30	198,800,659.10
Decrease in net assets		180,839,395.24	173,816,097.94
Pension benefits	19	180,623,736.85	173,329,282.12
Leaving allowances	19	0.00	0.00
Other costs	2,17	123,832.94	405,691.78
Bank costs	2,14	91,825.45	81,124.04
Tax adjustments	9	26,577,854.48	27,767,387.69
Total decrease in net assets available for benefits		207,417,249.72	201,583,485.63
Net change for the year		4,588,775.58	-2,782,826.53
Net assets available for benefits, beginning of year		44,160,770.96	46,943,597.49
Net assets available for benefits, end of year		48,749,546.54	44,160,770.96

**EXPLANATORY NOTES TO THE
2020 FINANCIAL STATEMENTS OF THE
NATO COORDINATED PENSION SCHEME**

NOTE 1: GENERAL INFORMATION

Description

The NATO Coordinated Pension Scheme is a defined benefit retirement plan that applies to NATO staff recruited between 1 July 1974 and 30 June 2005. NATO staff recruited before 1 July 1974 participated in the NATO Provident Fund, a defined contribution retirement plan. NATO staff recruited after 30 June 2005 are participants in the NATO Defined Contribution Pension Scheme (DCPS), also a defined contribution retirement plan.

NATO IS operates the Coordinated Pension Scheme for all NATO staff. This Scheme is often referred to as the NATO Defined Benefit Pension Scheme, and is hereafter referred to as the NATO DBPS.

The NATO DBPS is coordinated with five other international organizations, namely:

- The Organization for Economic Co-operation and Development (OECD)
- The Council of Europe
- The European Space Agency (ESA)
- The European Centre for Medium-Range Weather Forecasts (ECMWF)
- The European Organization for the Exploitation of Meteorological Satellites (EUMETSAT)

These Coordinated Organizations apply a common set of rules concerning the present defined benefit retirement plan. These rules are initiated and recommended by the Coordinating Committee on Remuneration and are approved by the North Atlantic Council. They are embedded in the NATO Civilian Personnel Regulations (CPRs), Annex IV.

The scheme includes provisions for retirement, invalidity, survivor, orphan and dependent's pensions. Benefits paid are usually calculated as a proportion of the staff member's final salary, based on the number of reckonable years of service. NATO civilian staff recruited between 1 July 1974 and 30 June 2005 become eligible for a retirement pension after 10 years of service; those who depart before 10 years of service receive a leaving allowance. The details of the conditions and entitlements of each component of the NATO DBPS are laid down in Annex IV of the CPRs.

Financing Policy

The benefits of the NATO DBPS are paid from annual budgets approved by the North Atlantic Council. Funding sources consist of compulsory contributions from active staff, employer contributions of certain NATO bodies, and, as a balancing resource, budgetary contributions by NATO member Nations. Contrary to most, if not all, of the other Co-ordinated Organizations, NATO has not set aside funds to be invested to fund future costs and, therefore, NATO's funding of the Coordinated Pension Scheme is on a pay-as-you-go basis.

NATO UNCLASSIFIED

ANNEX 3 to
FC(2021)0030

3-2

Staff Contributions

The rate of the staff contribution is set in order to represent the cost, in the long term, of one-third of the benefits provided at the coordinated level. Therefore, this rate is not specific to NATO; it is the same for all the Coordinated Organizations.

The staff contribution rate is adjusted in accordance with the result of an actuarial study, which is carried out every 5 years. This rate has been increasing over time. It was 7.0% from the inception of the scheme until it was brought to 8.0% in 1995. The rate was further increased to 8.3% in 2000 and to 8.9% in 2005.

As of 1 January 2010, contributions to the NATO DBPS from serving staff increased from 8.9% to 9% of their basic salary, further to a change in the method used to calculate such rates in order to take account of the closure of the pension scheme in certain Coordinated Organizations. The rate was further increased to 9.5% as from 1 January 2015.

From January 2020 the staff contribution rate is 11.8%. At the same time the annual pension payment adjustments are no longer connected to the serving staff salary increase, which has been the rule since the inception of the scheme. Instead, the DBPS annual pension payments shall be adjusted in accordance with revaluation coefficients based on the consumer price index for the country of the scale used.

Employer contributions

In specific cases, and in particular for a few NATO activities, limited either in time or in numbers of personnel, or with a specific financial basis, Nations decided that the pension liability is best discharged through a contribution equal to twice the staff contribution rate from the annual budget of the concerned activity or NATO entity (BC-WP(83)3(Revised) paragraph 5(1) and C-M(83)34). This contribution is considered as an employer's contribution. This contribution, together with the staff's, is deemed to provide the necessary funds for the subsequent pensions liability of the entities concerned. Employer contributions are due from the following NATO bodies: the Munitions Safety Information Analysis Centre (MSIAC), the NATO Naval Forces Sensor and Weapon Accuracy Check Sites (FORACS), the NATO Battlefield Information Collection and Exploitation Systems (BICES) Agency and the NATO Alliance Ground Surveillance Management Agency (NAGSMA) and, until mid-2020, the New NATO Headquarters Project Office (NHQPO).

Nations' contributions

The member states jointly guarantee the payment of benefits. Should a country, being a member or ex-member of the Organization, fail to comply with its obligations, the other countries shall meet the cost thereof in proportion to their contributions to the budget of the Organization as fixed annually from and after the said country's default (article 40.4 of Civilian Personnel Regulations, Annex IV).

Contributions from member states are called once a year based on the authorized annual budgets. They are calculated as the difference between the anticipated benefits due for the year under review and the main sources of funding, primarily staff contributions and employer's contributions. The NATO DBPS is funded through two separate budgets approved by the North Atlantic Council, one for the International Staff and the other for the Military Budget, which includes NATO agencies.

The related calls for contributions are issued in advance, usually towards the end of the preceding year. Costs are shared among NATO member countries based on the cost-shares applicable to the NATO body for which the staff member worked before he/she became a beneficiary of the scheme. In practice, the annual call is based on a weighted average of each NATO body's cost-share weighted by the related pension costs as per the latest available financial statements.

Management of the DBPS

Administrative services and secretarial support are provided by the Pensions Unit of NATO-IS Human Resources. The Pensions Unit assesses the entitlement to benefits payable under the DBPS for the whole NATO community. Financial services are provided by the NATO-IS Office of Financial Control (OFC). The OECD's International Service for Remunerations and Pensions (ISRP) provides overall support concerning the global NATO DBPS (actuarial studies, adjustment calculations, etc.).

An Administrative Committee on Pensions of the Coordinated Organizations (CAPOC) was set up to ensure that provisions of the Pension Scheme Rules are uniformly applied at the coordinated level. Copies of the meeting minutes can be found in the IS/EM-HR Pensions Unit.

None of the above-mentioned management services provided by NATO and the ISRP is charged to the NATO DBPS (see note on Related Parties).

Pension Adjustment

The recipient of a pension is entitled to an adjustment applying to the member country of the organization in which the pension and adjustment relating thereto are chargeable to income taxes under the tax regulations in force in that country. This adjustment (sometimes referred to as "tax adjustment") concerns members of the NATO DBPS and of the DCPS. The adjustment equals 50% of the amount by which the recipient's pension would theoretically need to be increased, so that the net pension balance remaining after deduction of the amount of national income tax (or taxes) would correspond to the amount of the pension calculated in accordance with the rules of the NATO DBPS or of the DCPS.

The adjustment is borne by the country in which the recipient is subject to taxes on income for the period considered and, therefore, separate accounts are drawn up for each individual country.

For practical reasons, the operations relating to the adjustment of pensions are included in the present financial statements rather than in a separate set of financial statements.

A specific call for contributions is issued to the countries concerned.

NATO UNCLASSIFIED

ANNEX 3 to
FC(2021)0030

3-4

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

Declaration of conformity

The financial statements of the NATO DBPS have been prepared in accordance with the NATO Financial Regulations and International Accounting Standard 26 (IAS 26), "Accounting and Reporting by Retirement Benefit Plans". The NATO Accounting Framework, which is an adapted version of the International Public Sector Accounting Standards (IPSAS), does not have a specific standard for accounting and reporting by retirement benefit plans.

The accounting system currently used by the NATO DBPS is accrual based.

The financial statements summarize the transactions, net assets available for benefits and the changes in net assets available for benefits. In accordance with IAS 26, the actuarial present value of promised retirement benefits of the NATO DBPS is presented in Note 3.

Basis of presentation

The financial statements have been prepared on a going-concern basis: the NATO DBPS will continue in operation for the foreseeable future.

The amounts shown in these financial statements are presented in EUR.

Changes in accounting policy

None in 2020.

Restatement of financial statements of previous year

None in 2020.

Use of estimates

In the application of accounting policies judgments, estimates and assumptions are made about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Estimates include, but are not limited to, the long term obligation of the NATO DBPS and receivables.

Foreign currency transactions

NATO entities pay their staff's contributions in various currencies (EUR mostly, GBP, USD, NOK, PLN and DKK) normally in the bank accounts denominated in the same currency. Contributions from the Nations to the pension budget and for the pension tax adjustment are exclusively called in EUR at the year-end for the following year and received in the EUR bank account.

Benefits are paid in various currencies. Benefits are calculated by reference to salary scales applicable to the country of the staff member's last posting. However the staff member may opt

for the scale applicable to another country if the former staff member settles subsequently: in a member country of one of the Coordinated Organizations of which he is a national, or in a member country of one of the Coordinated Organizations of which his spouse is a national, or in a country where he/she has served at least five years in one of the organizations of the Coordinated Organizations. Consequently, payments are made in a variety of currencies such as EUR, AUD, CAD, CHF, DKK, GBP, NOK, NZD, SEK, THB, TRY and USD.

Foreign currency transactions are accounted for at the NATO exchange rates prevailing on the date of transactions. The monetary assets and liabilities at year-end are reported in EUR using the NATO rates of exchange that were applicable at year-end. Profit and loss resulting from the settlement of such transactions and from the revaluation at the reporting dates of monetary assets and liabilities denominated in foreign currencies are recognized as expenses and revenues.

Accounting for the DBPS is subject to FC(FAC)(2020)004 which sets out IS/OFC policy for accounting and reporting transactions in foreign currency.

Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term assets. They include cash in banks, term deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash.

Financial Investments

Financial investments with a fixed redemption value, acquired with the intention to be held to maturity, matching DBPS obligations or parts thereof, are recognized at ultimate redemption value.

In 2020 the Budget Committee authorized as per BC-DS(2020)0002 all NATO common-funded entities a deviation from FRP Article XXXI 1) to allow for exceptional term deposits not to exceed four years and up to MEUR 400, on the condition that the deposited funds can be reclaimed at any time during the investment period with no impact on the original invested amounts. This authorization was granted in the context of negative interest rates imposed by the European Central Bank (ECB).

Under this specific authorization DBPS has deposited MEUR 40 with Credit Agricole.

Receivables

Receivables are stated at their book value. No allowance for loss is recorded for receivables relating to NATO bodies' statutory contributions or to national contributions.

Payables

Payables are amounts due to third parties based on rights acquired by staff or pensioners, or services provided that remain unpaid. This includes, as required, an estimate of the related accrued obligation for rights not liquidated, or services provided but not yet invoiced.

Financial instruments

The NATO DBPS uses non-derivative financial instruments as part as its normal operations. These financial elements include current bank accounts and deposit accounts.

Credit risk

The NATO DBPS incurs credit risks from cash, cash equivalents, and receivables.

Credit risk on cash and cash equivalents is managed by holding current accounts and short term highly liquid deposits that are readily convertible to a known amount of cash held with registered banking institutions with the following ratings (short term).

Bank Name	Country of HQ	Short Term Ratings					
		FITCH		S&P GLOBAL		MOODY'S	
		Rating	Last Review Date	Rating	Last Review Date	Rating	Last Review Date
ING Bank	Netherlands	F1+	15-Oct-2020	A-1	10-Jul-2020	P-1	21-Oct-2020
BNP PF	Belgium	F1	21-Oct-2020	A1	23-Apr-2020	P-1	25-Oct-2020
Credit Agricole	France	F1	10-Nov-2020	A1	21-Oct-2020	P-1	19-Sep-2020

Credit risk is also managed by maintaining control procedures over receivables. These consist essentially of contributions due from NATO member countries. This risk is considered limited since these countries are generally considered creditworthy. Similarly, the risk linked to employer or staff contributions due from NATO bodies is considered limited since these bodies are directly funded by member Nations or indirectly in the case of customer funding.

The NATO Coordinated Pension Scheme holds a bank account with AION but without significant cash holdings.

Currency risk

The NATO DBPS is exposed to foreign currency exchange risk arising from fluctuations in currency rates. The scheme receives contributions in EUR from member Nations. It receives mostly EUR but also GBP, USD, NOK, PLN and DKK from NATO bodies. As explained above, benefits due to participants in the scheme are in various currencies. Payments are made mainly in EUR. Foreign currencies are purchased as needed on a monthly basis keeping foreign currency holdings at a minimum. There is therefore very little currency risk because cash and cash equivalent balances on bank accounts in foreign currencies are always a small percentage of the cash and cash equivalents.

The table below provides a breakdown of the DBPS pension related payments by currency during 2020.

Currency	Percentage/EUR
EUR	84.65%
GBP	7.85%
USD	3.33%
NOK	1.21%
CAD	1.12%
DKK	1.12%
TRY	0.39%

Currency	Percentage/EUR
CHF	0.08%
THB	0.05%
AUD	0.05%
MXN	0.05%
NZD	0.03%
SEK	0.03%
CZK	0.02%
PLN	0.01%
Total	100.00%

The calls for contributions from Nations related to Pension Adjustments are in EUR. Pension Adjustments paid to pensioners are primarily in EUR. There is therefore very little currency risk.

Liquidity risk

A liquidity risk could arise from an unforeseen short-term liquidity requirement. There is a very limited exposure to liquidity risk because contributions ensure funding commensurate with budgeted benefit disbursements and are called in advance, and because member states jointly guarantee the funding of this pension scheme. Some limited risk could be due to the validity of forecasts used for the NATO DBPS budget formulation. However, history shows that this process results in surpluses.

The outflows of cash follow fairly regular paths and so do the staff and employer contributions but the latter are of a smaller amount. While the timing of member Nations' contributions is not entirely predictable, staff and employer contributions as well as benefit outflows are very stable. The budgetary surplus shields NATO DBPS from liquidity risk.

Cash, cash equivalents, and capital-guaranteed financial investments (if any) are managed to avoid liquidity risk.

The calls for contributions related to the Pension Adjustments tend to be lower than the actual requirement due to difficulties in making accurate forecasts. This situation generates a liquidity risk that is managed through the excess cash on the DBPS side.

Interest rate risk

The scheme is restricted from entering into borrowings and therefore, there is no related interest rate risk.

Market risk

At the end of 2020, DBPS was not exposed to market risks.

NOTE 3: ACTUARIAL VALUATION**The ISRP Actuarial Study Introduction**

The International Service for Remunerations and Pensions (ISRP) is an organization that provides statistical, mathematical and actuarial support to the following organizations:

- NATO
- Council of Europe
- Organization for Economic Cooperation and Development (OECD)
- European Space Agency (ESA)
- European Centre for Medium-Range Weather Forecast (ECMWF)
- European Organization for the Exploitation of Meteorological Satellites (EUMETSAT)

In accordance with the requirements of the Letter of Mission (LM/SIRP/NATO(2012)35) signed by NATO and the ISRP, the latter performed an actuarial study aiming at:

- Estimating the accrued pension and medical coverage liabilities at 31 December 2020 according to the International Public Sector Accounting Standards (IPSAS).
- Producing the IPSAS accounting disclosures related to these liabilities.

The study is based on comprehensive data of the affiliated population at the end of 2020 provided to ISRP by NATO.

NATO has also supplied data regarding DBPS cash flows over 2020.

NATO IS believes that the results of this report represent a reasonable measure of the DBPS underlying liabilities.

The previous full valuation was performed as at 31 December 2019.

The study has been conducted in accordance with generally accepted actuarial practices, in close collaboration with NATO. Whilst the report complies with IPSAS 39, NATO DBPS financial statements are prepared under IAS 26.

Actuarial Valuation Method

ISRP used the Projected Unit Credit approach. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. In addition, where the amount of a benefit is a constant proportion of final salary for each accrued unit of rights, future salary increases will affect the amount required to settle the obligation, therefore the method requires projecting the salary to its final value.

Only the rights accrued up to the valuation date have been taken into account. The rights of employees with less than 10 years of service are taken into account proportionally.

Actuarial Assumptions

Actuarial assumptions can be classified as either financial or demographic assumptions. Financial assumptions impact the amount of benefits to be paid over time and the net present value whilst demographic assumptions reflect the likelihood of payment and factors internal to NATO Financial Assumptions.

The below financial assumptions were considered:

Assumptions	As at 31 Dec 2019	As at 31 Dec 2020
Discount Rate		
Pension Schemes	0.27%	-0.23%
Price Inflation	2.00%	2.00%
Salary Inflation	2.24%	2.24%
Pension Increase Rate	2.00%	2.00%

The discount rate used was the Euro area AAA Government Yield Curve, as at 31 December 2020. The change in discount rate is due to the change in financial market conditions over 2020.

In accordance with past practice, as a long-term inflation rate, the European Central Bank's long-term inflation rate target of 2.0% is used.

Salary inflation is calculated as a 0.24% increase to the derived rate of inflation as used in the most recent actuarial study of the contribution rate for the Co-Ordinated Organizations.

The pension increase rate is in line with price inflation for the DBPS. Up to 1 January 2020, pensioners were increased with salary inflation. As at 31 December 2020, the pension increase rate assumption is set equal to the inflation assumption of 2.0%.

Demographic Assumptions

The demographics at this year-end are the same as those used for the previous year-end.

Mortality tables are a set of probabilities of a person dying within the year at a specific age and are an important assumption for the calculation of pension obligations. The ISRP, have produced mortality tables specific to international civil servants based in Europe since 2008 in order to have more appropriate results, compared to national or regional tables, on the life expectancy of the relevant population. This series of tables is known as the International Civil Servants Life Table (ICSLT).

Set out below is a comparison of life expectancies based on the ICSLT 2018 mortality table projected from 2019 and the ICSLT 2018 projected from 2020:

	ICSLT 2018 2019 Projection	ICSLT 2018 2020 Projection
Males		
60 year old	28.4	28.5
40 year old now at 60	29.0	29.0
Females		
60 year old	31.1	31.1
40 year old now at 60	31.5	31.5

Other demographic assumption taken into consideration are:

- Turnover
- Probability to retire
- Probability of becoming invalid
- Career progression
- Probability of being married
- Age difference in couples
- Age of pension suspension for Orphans

- Family allowances

Results for DBPS current obligation

The DBPS obligation as estimated at the end year 2020 is KEUR 9,294,915. It has increased by approximately 10% compared to the 2019 year-end.

The change in the liability during 2020 can be summarized as follows:

(amount in KEUR)	2020
Obligation at 1 January 2020	8,446,358
Interest Cost	22,559
Current Service Cost	192,464
Benefits Paid	-182,148
Actuarial (Gains)/Losses	815,681
Obligation at 31 December 2020	9,294,915

Overall, the pension obligation has increased by KEUR 848,557 during 2020. This is principally due to the reduction in the discount rate. This increase was slightly offset by experience gains due to salary and pension increases being lower than expected.

The breakdown of the pension obligation by member status at 31 December 2020 is shown below:

(amount in KEUR)	2020
Actives	3,572,878
Deferreds	171,123
Pensioners	5,550,914
Obligation at 31 December 2020	9,294,915

An actuarial loss of KEUR 815,681 occurred during 2020. This is explained by a number of factors, including the updated population and the decreased discount rate.

The analysis of the impact of the actuarial loss is as follows:

Impact of Change in ...	Type Loss / (Gain)	Amount in KEUR	% of 2020 YE Liability
Population	Experience	-92,553	-1.0%
Updated Early Retirement Coefficients	Updated Coefficients	4,594	+0.1%
Financial Assumptions	Assumption	903,640	+9.7%
Total Actuarial Loss / (Gain)		815,681	+8.8%

NOTE 4: CASH AND CASH EQUIVALENTS

Separate bank accounts are held in various currencies (AUD, CAD, CHF, DKK, EUR, GBP, NOK and USD), namely for those currencies that represent most of the pensions paid, in order to ensure the recurring foreign currency payments. However, payments are also made in other currencies (e.g. NZD, SEK, TRY), but these are usually made from the EUR bank account.

Some cash is also held on account of third parties. These funds belong to Nations, members of former NAMS (now NSP), who decided that amounts credited to them further to the transfer

of staff from the Provident Fund to the DBPS (validation costs) would be kept at their disposal. (see Note 12).

The below table provides an overview of DBPS's cash holdings (incl. short-term deposits) as of 31 December 2020:

Cash and cash equivalents (EUR)	
As at 31/12/2020	As at 31/12/2019
109,656,528.26	115,465,541.61

In the table below, we provide comparative data for the short-time deposits held over two consecutive years:

Short-time deposit accounts (EUR)	
As at 31/12/2020	As at 31/12/2019
35,089,811.66	65,907,518.93

NOTE 5: FINANCIAL INVESTMENTS

Under the BC specific authorization (see note 2, Financial investment), the DBPS has invested MEUR 40 with Credit Agricole, MEUR 20 for a maximum period of 3 years and MEUR 20 for a maximum period of 4 years.

NOTE 6: STAFF MEMBER CONTRIBUTIONS

Staff member contributions are paid monthly by the NATO payroll centers. Since 1 January 2020 the staff contribution rate is 11.8% of basic salary while this was 9.0% until the end of 2019. The increase in staff contribution rate in 2020 explains the increase of staff contributions while the number of contributing staff reduces and newly recruited staff are members of the DCPS.

Outstanding amounts at year-end (Receivables) are linked to contributions due on staff salaries for December from several NATO entities, which were all received in early 2021.

The below chart provides an overview of the staff contributions over the last two consecutive years:

Staff contributions (EUR)	2020	2019
CIVIL	3,758,494.15	3,316,962.33
MILITARY	13,121,368.10	11,146,149.04
Total	16,879,862.25	14,463,111.37

NOTE 7: EMPLOYER CONTRIBUTIONS

Employer contributions are due from the following NATO bodies: MSIAC, FORACS, NAGSMA and the NATO BICES Agency. In 2020 the NHQPO had no employees affiliated to DBPS. The Employer contributions are paid monthly.

The outstanding amounts (Receivables) slightly decreased in 2020.

NATO UNCLASSIFIED

ANNEX 3 to
FC(2021)0030

3-12

The below chart provides an overview of the employer's contributions over the last two consecutive years:

Employer contributions (EUR)	2020	2019
CIVIL	58,110.00	75,940.10
MILITARY	204,910.04	194,814.97
Total	263,020.04	270,755.07

The increase in the Military Employers' contribution reflects the salary increases of NATO BICES Agency and NAGSMA, while the decrease in the Civil Employers' contribution is explained by reduced number of entities still contributing (FORACS and MSIAC).

NOTE 8: NATION CONTRIBUTIONS

Contributions due from NATO member Nations to fund the NATO DBPS of a given budget year are called once annually, towards the end of the preceding year. In accordance with Article XXIX 8) of the NATO Financial Rules and Procedures, amounts called are to be paid in principle within a period of one month after receipt of the request. Amounts recognized are those amounts called.

The DBPS call for contributions is a single call issued towards the end of the year. It includes an advance on next year's pension budget and takes into account the previous year's surplus or deficit, and it also regularizes any adjustments done in the course of the budget year such as budget revisions.

The amounts called at year-end as advances for the following year (Liabilities) are:

Budget called in Y-1 (EUR)	2021		2020	
	CIVIL	MILITARY	CIVIL	MILITARY
	40,725,300.00	137,150,000.00	38,562,300.00	128,910,000.00
	177,875,300.00		167,472,300.00	

In terms of execution (Statements of Changes in Net Assets Available for Benefits), below is provided a reconciliation between the calls and the costs recognized against nations contributions:

Nation contributions (EUR)		2020	2019
CIVIL	Call Y	38,562,300.00	38,134,400.00
	Regul. revised call Y	2,360,000.00	1,000,000.00
	Regul. call Y-1	398,193.63	-585,419.82
	Total	41,320,493.63	38,548,980.18
MILITARY	Call Y	128,910,000.00	125,830,000.00
	Regul. revised call Y	0.00	-4,270,000.00
	Regul. call Y-1	-2,166,430.83	-4,903,707.66
	Total	126,743,569.17	116,656,292.34
Rounding difference		0.07	0.03
TOTAL		168,064,062.87	155,205,272.55

NATO UNCLASSIFIED

3-12

Uncollected budgetary contributions from Nations (Receivables) relate mainly to the call for the 2021 pension budget.

Hereunder is a breakdown of such outstanding contributions as at 31 December 2020:

DBPS Nations outstanding receivables as at 31/12/2020 (EUR)	
ALBANIA	183,767.82
BELGIUM	4,587,702.21
CANADA	2,800,066.98
CROATIA	222,837.60
CZECH REPUBLIC	430,194.86
DENMARK	2,283,301.68
FINLAND	-1,216.07
FRANCE	4,270,018.94
GREECE	1,334,192.80
HUNGARY	633,761.20
ITALY	3,574,445.28
LUXEMBOURG	443,875.60
MONTENEGRO	36,487.72
NAMFI	26,653.50
NETHERLANDS	6,006,421.69
NORTH MACEDONIA	52,954.86
NORWAY	2,994,267.94
PORTUGAL	1,420,226.30
ROMANIA	2,514,907.37
SLOVENIA	442,614.46
SPAIN	2,135,803.78
SWEDEN	-6,688.25
TURKEY	5,884,482.66
UNITED STATES	41,692,914.76
<i>NATO International Staff</i>	398,193.63
Total	84,362,189.32

The open receivable from NATO International Staff corresponds with the amount agreed by BC, BC-D(2020)0105, to fund the 2019 deficit for civilian's pensions.

On occasion, NATO member Nations may voluntarily pay supplementary advance contributions, table below compares these values over the last two consecutive years:

DBPS Nations Voluntary Advances (EUR)	
2020	2019
6,332,986.04	0.00

NOTE 9: PENSION TAX ADJUSTMENT

For practical reasons, the operations relating to the adjustment of pensions for national taxation on NATO pensions income are included in the present financial statements. Members of the DCPS are also entitled to such an adjustment. DCPS related payments are a very small fraction and therefore are included on DBPS's Tax adjustment call and advanced by the DBPS.

The adjustment is paid monthly by way of advance at the same time as the pension.

The following table provides the breakdown of actual payments by country for Pension Tax Adjustments as disclosed under the Statement of Changes of Net Assets Available for Benefits:

Tax adjustments payments called under DBPS		
Country	2020	2019
ALBANIA	0.00	0.00
BELGIUM	12,929,837.40	13,272,599.60
BULGARIA	0.00	0.00
CANADA	311,614.72	267,570.08
CROATIA	0.00	0.00
CZECH REPUBLIC	1,617.95	981.68
DENMARK	468,322.05	490,933.71
ESTONIA	0.00	0.00
FRANCE	176,423.00	1,529,604.00
GERMANY	2,573,870.00	2,429,179.00
GREECE	224,558.00	188,183.00
HUNGARY	0.00	0.00
ICELAND	0.00	0.00
ITALY	2,204,389.62	2,161,027.38
LATVIA	0.00	0.00
LITHUANIA	0.00	0.00
LUXEMBOURG	1,640,301.00	1,558,720.00
MONTENEGRO	0.00	0.00
NETHERLANDS	3,143,112.35	2,864,784.65
NORTH MACEDONIA	0.00	0.00
NORWAY	386,877.39	402,695.50
POLAND	17,930.31	17,519.67
PORTUGAL	147,769.00	141,462.00
ROMANIA	0.00	0.00
SLOVAKIA	0.00	0.00
SLOVENIA	0.00	0.00
SPAIN	352,105.00	402,397.00
TURKEY	0.00	0.00
UNITED KINGDOM OF GREAT BRITAIN	1,519,607.15	1,559,705.55
UNITED STATES OF AMERICA	356,670.07	368,573.71
<i>DCPS Tax Adjustments</i>	128,261.47	101,149.16
<i>Regularizations</i>	-5,412.00	10,302.00
Total	26,577,854.48	27,767,387.69

The DCPS tax adjustments, as mentioned in the table above, can be broken down per country as follows:

DCPS tax adjustments breakdown	2020	2019
BELGIUM	31,464.00	32,664.00
CANADA	19,763.54	20,137.88
GERMANY	22,049.00	736.00
SPAIN	6,072.00	6,077.00
UNITED KINGDOM OF GREAT BRITAIN	6,476.78	1,666.18
ITALY	6,852.00	5,652.00
NETHERLANDS	27,992.00	26,176.00
NORWAY	6,272.22	6,647.30
UNITED STATES OF AMERICA	1,319.93	1,392.80
Total	128,261.47	101,149.16

Pension Adjustment amounts paid to pensioners as reported in euro in the tables above are impacted by a variety of factors, among which: exchange rates, number of pensioners having their tax residence in a given country (which may be different from their country of origin or the country in which the NATO entity for which staff worked is located), household/family situation, level of the pension itself, national taxation policies, etc. As a consequence, amounts due by individual Nations may vary from one year to the other and are not related to their cost shares of the NATO entity for which staff worked.

There are still some pending regularizations. The amount is considered not material (EUR 5,412.00), however it has been properly segregated in the table above "Tax adjustments payments called under DBPS". Proper action will be taken.

Contributions due by Nations concerned to fund the Pension Adjustment of a given budget year are called towards the end of the preceding year. In accordance with Article XXIX 8) of the NATO Financial Rules and Procedures, amounts called are to be paid in principle within one month after receipt of the request. Amounts recognized are those amounts called.

Advances on the next year's payments of the pension adjustment are called towards the end of the current year. At year end the balance of advances (Liabilities) were:

DBPS budget called in Y-1 (EUR)	2021		2020	
	CIVIL	MILITARY	CIVIL	MILITARY
	11,460,600.00	20,109,300.00	11,208,000.00	19,899,500.00
	31,569,900.00		31,107,500.00	

In 2020, the DBPS tax adjustments calls balance (difference between what is called from the nations and what is paid to pensioners) shows an accumulated surplus of EUR 4,391,449.10. This accumulated surplus is the sum of 2019 accumulated deficit (EUR 296,415.69) and 2020 surplus (EUR 4,687,864.79).

Consequently, this accumulated surplus has been classified, in the statement of net assets available for benefits, as other liability.

The table below provides an overview of Nations' amounts due in terms of tax adjustments at year-end.

DBPS Nations outstanding tax adjustment receivables as at 31/12/2020 (EUR)	
BELGIUM	15,142,394.00
CANADA	329,812.61
CZECH REPUBLIC	2,181.68
DENMARK	412,558.81
FRANCE	650,899.00
GERMANY	2,846,369.00
GREECE	214,029.00
ITALY	2,526,867.00
LUXEMBOURG	2,019,137.00
NETHERLANDS	3,136,392.00
NORWAY	429,017.36
PORTUGAL	117,711.00
SPAIN	299,146.00
UNITED STATES	690,126.90
Total	28,816,641.36

NOTE 10: CREDIT FOR PAST SERVICE TO BE REFUNDED BY STAFF

This relates to amounts due from staff who had left the Organization and were paid a leaving allowance but who were later re-employed by the Organization or to staff who retroactively became members of the Coordinated Scheme further to NATO Administrative Tribunal decisions.

The table below provides an overview of such receivables in EUR for the last two consecutive years:

2020	2019
44,057.89	55,010.41

NOTE 11: OTHER ASSETS

The main positions of the Other Assets include for 393,260.84 EUR pending claims from pensioners and 127,804.50 EUR for tax adjustments due from the DCPS.

NOTE 12: OTHER LIABILITIES

These correspond to amounts relating to bank fees, life insurance capital due and other miscellaneous amounts due to be regularized (including reimbursement to the DCPS of amounts paid in relation to Pension Adjustments and pensions not yet paid), and some accruals.

This item also includes funds held on behalf of certain Nations corresponding to their share of former NAMSA (now NSPA) staff members' validation costs, which date back to the date when

the DBPS was established. By that time, staff who decided to transfer from the Provident Fund had to return the value of their accounts to the DBPS. The related holdings were returned to the Nations but certain Nations decided to keep the funds in the DBPS accounts. The funds left remained unchanged in 2020.

NOTE 13: NET ASSETS AVAILABLE FOR BENEFITS

The net assets available for benefits at year-end correspond essentially to the surplus linked to the budgetary process, the inward transfer of pension rights and credit for past service by staff. As explained in the introductory note on the funding of the DBPS, contrary to most, if not all, of the other Coordinated Organizations, NATO has not set aside funds to be invested to fund future costs and, therefore, NATO's funding of the Coordinated Pension Scheme is on a pay-as-you-go basis.

Breakdown of Net Assets Available for Benefits (EUR)	2020	2019
Credits for Past Services	44,057.89	55,010.41
Pensions Rights transferred to DBPS	42,426,534.54	42,337,523.35
Budgetary Surplus at End of Year	6,278,954.11	1,768,237.20
Total	48,749,546.54	44,160,770.96

The surplus at year-end is the difference between the final approved pension budgets and actual amounts required to ensure the payment of benefits due for the period covered by these financial statements. It therefore normally contains excess funding from Nations. The surplus is due to the budgetary context under which the NATO DBPS operates and normally results from prudent estimation of the net funding requirements and unforeseen net revenue (such as the net result from interest revenue, foreign exchange profit and loss, bank charges and other miscellaneous income and expenditure).

This surplus is not invested into a fund from which future benefits would be paid: it is returned to contributing Nations. The surplus is taken into account, as a deduction, in the assessment of the net contributions to be called from member Nations for the budgets of the second year after the reporting period (the surplus end of 2020 will be returned to Nations with the call for the 2022 budget to be issued end 2021).

NOTE 14: INTERESTS EARNED AND BANK COSTS

This corresponds to expenses and revenues related to financial operations, interests earned on cash holdings and bank charges paid on transactions.

The table below provides an overview of these costs and revenues over the last two consecutive years:

(EUR)	2020	2019
Bank Charges	91,825.45	81,124.04
Financial Income	27,104.36	35,478.14

NOTE 15: INWARD TRANSFER OF PENSION RIGHTS FROM PENSION SYSTEMS

The NATO Civilian Personnel Regulations (Annex IV, Article 12) provide that staff may, under certain circumstances, arrange for payment to the Organization of any amounts corresponding to the retirement pension rights accrued under the pension scheme to which the staff member was previously affiliated as far as that scheme allows such a transfer. Agreements can be signed with other pension systems to establish the conditions under which such transfers apply to staff in given conditions.

For the individuals concerned, the related amount is converted into a number of years of reckonable service with which the staff member concerned has been credited under his/her own pension scheme.

In 2009, the Belgian Authorities allowed such inward transfers to NATO and accordingly gave the then-active staff a limited period of time, from 1 December 2009 to 31 May 2010, to make their requests. For 2010 and 2011, the Belgian "Office National des Pensions" was the sole case concerned, with contributions amounting to respectively EUR 22.507 million and EUR 10.914 million. As of 31 December 2013, NATO-IS OFC had received EUR 36.025 million from the Belgian "Office National des Pensions" (EUR 35.714 million as of end 2012, EUR 33.422 million as of 31 December 2011).

In 2012, the inward transfers received amounted to EUR 3.294 million, with the main contributions coming from the following national pension systems: Belgium (EUR 2.291 million), Greece (EUR 0.471 million), the Netherlands (EUR 0.369 million) and Luxemburg (0.072 million).

In 2013, the inward transfers received amounted to EUR 2.694 million, with the main contributions coming from the following national pension systems: Belgium (EUR 0.311 million), Greece (EUR 0.232 million), the Netherlands (EUR 2.026 million) and Luxemburg (0.124 million).

In 2014, the inward transfers received amounted to EUR 0.329 million, with the main contributions coming from the following pension systems: Greece (EUR 0.191 million), the Netherlands (EUR 0.034 million) and International Organizations (0.103 million).

In 2015, the inward transfers received amounted to EUR 0.274 million, with the main contribution being the repayment of a Leaving Allowance (EUR 0.222 million) and the rest coming from a pension system of the Netherlands (EUR 0.052 million).

In 2017, the inward transfers received amounted to EUR 199,660.66.

In 2018, the total amount of inward transfers received throughout the year was EUR 947,287.18.

End 2019 the total amount of inward transfers received throughout the year was EUR 957,205.98.

In 2020 the DBPS received EUR 89,011.19 of inward transfers, which resulted in an accumulated balance of EUR 42,426,534.54.

In consideration of the fact that these inward transfers of rights are evaluated at the actuarial value of future benefits due to the concerned staff, the corresponding amounts have been considered as a net asset available for future benefits. They have also been included in the actuarial value of the future obligation of the NATO DBPS.

The Budget Committee approved, per BC-DS(2011)0055, that the related budgetary receipts be applied not as a lump sum to the current year but rather spread over time and should offset expenses when they occur.

NOTE 16: OTHER INCREASES IN NET ASSETS

This corresponds mainly to realized exchange gains and other miscellaneous revenues.

NOTE 17: OTHER DECREASES IN NET ASSETS

This corresponds mainly to realized exchange losses (EUR 90,261.06 in 2020 and EUR 373,004.55 in 2019), the cost of the actuarial study (EUR 22,488.99 in 2020 and EUR 21,707.52 in 2019), and other miscellaneous expenses.

NOTE 18: PENSION BENEFITS

The table below provides a breakdown of payments according to the nature of pensions paid in 2020 per budget:

(amounts in EUR)	Civil	Military	Total
Retirement Pensions	32,064,333.86	97,070,727.08	129,135,060.94
Survivor's Pensions	5,600,951.07	17,910,093.69	23,511,044.76
Orphan Pensions	99,006.65	458,086.46	557,093.11
Invalidity Pension	4,949,470.34	14,079,877.26	19,029,347.60
Family Allowance	1,900,353.23	6,490,837.21	8,391,190.44
Total Pension Benefits	44,614,115.15	136,009,621.70	180,623,736.85

NOTE 19: CONTINGENT ASSETS

Nothing to report.

NOTE 20: CONTINGENT LIABILITIES

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

NOTE 21: SEGMENT INFORMATION

Although there are only two main sources of funding (Civil Budget and Military Budgets), each of the NATO bodies has its own individual funding cost share which is taken into account when calculating the final contributions for each individual country.

Segment information is developed in the following tables to show income and expenditure by NATO body (i.e. the NATO body that was the last employer of the retired staff member on the

expense side, and the NATO body that is currently employing the contributing staff member on the revenue side).

NATO UNCLASSIFIED

3-21

ANNEX 3 to
FC(2020)0032

PUBLICLY DISCLOSED - PDN(2022)0014 - MIS EN LECTURE PUBLIQUE

SEGMENT TABLE NATO BODIES 2020 (1/2)	ACO-ACT	ACO-ACT (16N)	ACO-ACT (17N)	BGOH (2N)	BGOH (8N)	BGOH (9N)	CEPMA (6N)	CEPMA (7N)	CEPMA (8N)	Ex NACISA (14N)	IMS
PAYMENTS / PAIEMENTS											
Retirement Pension / Pension d'Ancienneté	24,086,522.77	15,542,182.50	211,403.40	354,953.46	36,615.71	991,964.11	14,730.80	178,353.52	1,479,459.03	909,731.30	4,237,736.08
Survivor Pension / Pension de Survie	6,444,785.10	2,210,277.22	0.00	35,169.20	13,363.27	611,335.88	2,729.79	6,629.50	804,532.00	501,001.46	638,708.38
Orphans Pension / Pension d'Orphelins	92,628.08	23,672.64	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Invalidity Pension / Pension d'Invalidité	2,078,345.10	5,365,232.66	0.00	90,742.34	6,392.66	192,635.18	67,810.06	14,266.56	38,130.02	36,597.09	642,847.69
Family Allowance / Allocations Familiales	1,420,360.94	1,400,908.51	9,165.60	36,346.93	2,769.66	53,628.89	1,642.65	9,626.55	67,693.23	52,106.78	251,351.94
Leaving Allowance / Allocations de Départ	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Validation Costs Paid / Coûts de Validation payés	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Miscellaneous / Divers	13,291.77	9,559.93	85.92	201.47	23.04	720.46	33.86	81.36	930.90	584.07	2,247.83
Total Payments / Paiements	34,135,933.76	24,551,833.46	220,654.92	517,413.40	59,164.34	1,850,284.52	86,947.16	208,957.49	2,390,745.18	1,500,020.70	5,772,891.92
RECEIPTS / RECETTES											
Staff Contributions / Contributions des Agents	2,313,225.90	1,932,813.69	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	627,670.69
Employer Contributions / Contributions de l'Employeur	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	171,841.40
Validation Costs Received / Coûts de Validation reçus	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interests, Profit & Loss / Intérêts, Pertes & Profits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Miscellaneous / Divers	-370.27	-309.38	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-127.98
Contributions due by Staff Center	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Receipts / Recettes	2,312,855.63	1,932,504.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	799,384.11
Funding Requirement / Besoin de financement	31,823,078.13	22,619,329.15	220,654.92	517,413.40	59,164.34	1,850,284.52	86,947.16	208,957.49	2,390,745.18	1,500,020.70	4,973,507.81

NATO UNCLASSIFIED

3-21

NATO UNCLASSIFIED

ANNEX 3 to
FC(2020)0032

3-22

PUBLICLY DISCLOSED - PDN(2022)0014 - MIS EN LECTURE PUBLIQUE

<i>SEGMENT TABLE NATO BODIES 2020 (2/2)</i>	IS	NAHEMA (5N)	NAMEADSMA (2N)	NAMMA (3N)	NAPMA (16N)	NCIA	NEFMA (4N)	NETMA (4N)	NSPA	Total
PAYMENTS / PAIEMENTS										
Retirement Pension / Pension d'Ancienneté	32,064,333.86	67,611.84	0.00	29,578.03	2,181,237.12	21,852,099.64	90,737.28	646,841.16	24,158,969.33	129,135,060.94
Survivor Pension / Pension de Survie	5,600,951.07	0.00	0.00	39,592.56	469,922.88	1,684,567.96	82,203.48	238,754.52	4,126,520.49	23,511,044.76
Orphans Pension / Pension d'Orphelins	99,006.65	0.00	0.00	0.00	6,545.50	107,899.46	0.00	16,496.88	210,843.90	557,093.11
Invalidity Pension / Pension d'Invalidité	4,949,470.34	0.00	0.00	39,592.56	402,195.24	1,596,255.52	94,644.00	164,545.14	3,249,645.44	19,029,347.60
Family Allowance / Allocations Familiales	1,900,353.23	5,220.00	0.00	2,569.17	176,350.05	1,481,133.67	8,963.28	37,345.52	1,473,653.84	8,391,190.44
Leaving Allowance / Allocations de Départ	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Validation Costs Paid / Coûts de Validation payés	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Miscellaneous / Divers	17,378.50	28.37	0.00	43.37	1,260.61	10,408.98	107.72	430.03	12,940.02	70,358.23
Total Payments / Paiements	44,631,493.65	72,860.21	0.00	111,375.69	3,237,511.40	26,732,365.23	276,655.76	1,104,413.25	33,232,573.02	180,694,095.08
RECEIPTS / RECETTES										
Staff Contributions / Contributions des Agents	3,758,494.15	0.00	16,708.29	0.00	131,997.40	4,490,577.67	0.00	0.00	3,608,374.46	16,879,862.25
Employer Contributions / Contributions de l'Employeur	58,110.00	0.00	0.00	0.00	0.00	33,068.64	0.00	0.00	0.00	263,020.04
Validation Costs Received / Coûts de Validation reçus	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interests, Profit & Loss / Intérêts, Pertes & Profits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Miscellaneous / Divers	0.00	0.00	-2.67	0.00	-21.13	-724.09	0.00	0.00	-577.58	-2,133.10
Contributions due by Staff Center	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Receipts / Recettes	3,816,604.15	0.00	16,705.62	0.00	131,976.27	4,522,922.22	0.00	0.00	3,607,796.88	17,140,749.19
Funding Requirement / Besoin de financement	40,814,889.50	72,860.21	-16,705.62	111,375.69	3,105,535.13	22,209,443.01	276,655.76	1,104,413.25	29,624,776.14	163,553,345.89

NATO UNCLASSIFIED

3-22

NOTE 22: BUDGET EXECUTION

Presently the NATO DBPS budgets are not made available to the public. The following table compares approved budgets and actuals:

Budget Execution 2020				
(amounts in EUR)	Initial Budget (a)	Revised Budget (b)	Actuals (c)	Difference (b-c)
CIVIL BUDGET				
<u>PAYMENTS / PAIEMENTS</u>				
Retirement Pension / Pension d'Ancienneté	29,406,681.00	31,906,681.00	32,064,333.86	-157,652.86
Survivor Pension / Pension de Survie	5,787,168.00	5,812,168.00	5,600,951.07	211,216.93
Orphans Pension / Pension d'Orphelins	196,420.00	111,420.00	99,006.65	12,413.35
Invalidity Pension / Pension d'Invalidité	4,980,009.00	4,980,009.00	4,949,470.34	30,538.66
Family Allowance / Allocations Familiales	1,843,154.00	1,903,154.00	1,900,353.23	2,800.77
Leaving Allowance / Allocations de Départ	0.00	0.00	0.00	0.00
Validation Costs Paid / Coûts de Validation payés	0.00	0.00	0.00	0.00
Miscellaneous / Divers	0.00	0.00	17,378.45	-17,378.45
Total Payments / Paiements	42,213,432.00	44,713,432.00	44,631,493.60	81,938.40
<u>RECEIPTS / RECETTES</u>				
Staff Contributions / Contributions des Agents	3,588,754.00	3,728,754.00	3,758,494.15	-29,740.15
Employer Contributions / Contributions de l'Employeur	62,378.00	62,378.00	58,110.00	4,268.00
Validation Costs Received / Coûts de Validation reçus	0.00	0.00	0.00	0.00
Interests, Profit & Loss / Intérêts, Pertes & Profits	0.00	0.00	0.00	0.00
Miscellaneous / Divers	0.00	0.00	0.00	0.00
Contributions due by Staff Center	0.00	0.00	0.00	0.00
Total Receipts / Recettes	3,651,132.00	3,791,132.00	3,816,604.15	-25,472.15
Funding Requirement / Besoin de financement	38,562,300.00	40,922,300.00	40,814,889.45	107,410.55
MILITARY BUDGETS				
<u>PAYMENTS / PAIEMENTS</u>				
Retirement Pension / Pension d'Ancienneté	100,500,000.00	100,500,000.00	97,070,727.08	3,429,272.92
Survivor Pension / Pension de Survie	18,750,000.00	18,750,000.00	17,910,093.69	839,906.31
Orphans Pension / Pension d'Orphelins	610,000.00	610,000.00	458,086.46	151,913.54
Invalidity Pension / Pension d'Invalidité	15,000,000.00	15,000,000.00	14,079,877.26	920,122.74
Family Allowance / Allocations Familiales	6,850,000.00	6,850,000.00	6,490,837.21	359,162.79
Leaving Allowance / Allocations de Départ	0.00	0.00	0.00	0.00
Validation Costs Paid / Coûts de Validation payés	0.00	0.00	0.00	0.00
Miscellaneous / Divers	150,000.00	150,000.00	52,979.78	97,020.22
Total Payments / Paiements	141,860,000.00	141,860,000.00	136,062,601.48	5,797,398.52
<u>RECEIPTS / RECETTES</u>				
Staff Contributions / Contributions des Agents	12,770,000.00	12,770,000.00	13,121,368.10	-351,368.10
Employer Contributions / Contributions de l'Employeur	180,000.00	180,000.00	204,910.04	-24,910.04
Validation Costs Received / Coûts de Validation reçus	0.00	0.00	0.00	0.00
Interests, Profit & Loss / Intérêts, Pertes & Profits	0.00	0.00	0.00	0.00
Miscellaneous / Divers	0.00	0.00	-2,133.10	2,133.10
Total Receipts / Recettes	12,950,000.00	12,950,000.00	13,324,145.04	-374,145.04
Funding Requirement / Besoin de financement	128,910,000.00	128,910,000.00	122,738,456.44	6,171,543.56
TOTAL CIVIL + MILITARY BUDGETS				
TOTAL Funding Requirement	167,472,300.00	169,832,300.00	163,553,345.89	6,278,954.11

Miscellaneous payments and receipts are financial and miscellaneous expenses and revenues linked to the payment of pension benefits and to the receipt of pension contributions. Examples of these costs/revenues are:

TYPES OF DBPS FINANCIAL AND MISCELLANEOUS REVENUES/EXPENSES	
FINANCIAL	Realized exchange gains and losses
	Bank interests and charges
	Rounding differences (minor)
	Payment differences (minor)
MISCELLANEOUS	General admin support expenses
	Miscellaneous income

These miscellaneous expenses and revenues are allocated between civil and military budgets following the proportion of civil and military payments and receipts in the total amounts.

Only the expenses (whether from civil or military budget) incur financial and miscellaneous revenues and costs. For this reason, all revenues/costs have been dispatched on the payments, except for the realized exchange gains and losses. Those are prorated separately because they also regard the military budget receipts (agency contributions received in currency). No revenue/cost is prorated on civil budget receipts because all contributions are received in euros.

The chart below shows details of these proratas:

BUDGET EXECUTION 2020 (EUR)		Prorata <i>MISC & FIN</i> expenses	
		MISC & FIN except 654/754 & 655/755	FIN 654/754
CIV		41,446.32	31,045.08
Payments			
Main	44,614,115.15 25%	25%	23%
Misc	17,378.52	10,237.25	7,141.27
Rounding diff	-0.07		
	17,378.45		
Receipts			
Main	3,816,604.15 22%		
Misc			
MIL			
Payments			
Main	136,009,621.70 75%	75%	70%
Misc	52,979.78	31,209.07	21,770.71
Receipts			
Main	13,326,278.14 78%		7%
Misc	2,133.10		2,133.10
	180,623,736.85 100%	17,142,882.29 100%	

The “actual amounts” referred to by IPSAS 24 (“amounts that result from execution of the budget”) are considered to be the commitment of credits. In the case of the NATO DBPS, there are no differences between the budget and accounting bases. The notion of commitments used for the NATO DBPS budget execution corresponds to expenses incurred during the course of the year. In this respect, the NATO DBPS budget should be considered as prepared and executed on an accrual basis. There are no timing or entity differences.

The table below provides comparative data about the approved budgets and revised budgets for the two last consecutive years:

(EUR)	2020		2019	
	CIVIL	MILITARY	CIVIL	MILITARY
Budget called in Y-1	38,562,300.00	128,910,000.00	38,134,400.00	125,830,000.00
	167,472,300.00		163,964,400.00	
Regularization in Y	2,360,000.00	0.00	1,000,000.00	-4,270,000.00
	2,360,000.00		-3,270,000.00	
Revised budget in Y	40,922,300.00	128,910,000.00	39,134,400.00	121,560,000.00
	169,832,300.00		160,694,400.00	
Regularization in Y+1			398,193.63	-2,166,430.83
			-1,768,237.20	
Revised budget in Y+1			39,532,593.63	119,393,569.17
			158,926,162.80	

The difference between approved budgets and actuals for both the Civil Budget and the Military Budgets mainly concern the following items: invalidity pensions and staff contributions. Invalidity pensions do not follow regular evolution paths and prove to be more difficult to anticipate. Newly recruited staff are automatically members of the DCPS. Consequently, the number of staff contributing to the NATO DBPS is declining. The impact of this trend has proven difficult to forecast. Approved budgets are based on a principle of prudence and therefore there is a tendency to underestimate revenue.

NOTE 23: RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

During 2020, there have been the following related party transactions:

Administrative Expenses

Administrative expenses in relation to the NATO DBPS are not recognized in these financial statements, the management of all pension schemes is performed by NATO IS.

NATO's contribution towards the annual administrative costs of the International Service for Remunerations and Pensions (ISRP which took over, among others, the activities of the former Joint Pensions Administrative Section) paid to the OECD in 2020 was EUR 103,677.20.

These administrative expenses are charged to the NATO Civil Budget, which includes the IS. In the framework of the Human Resource Shared Services process applied by NATO IS to all of the other NATO bodies to which such kind of services are provided, NATO-IS charges these expenses to the other individual NATO bodies in proportion to the number of NATO established posts. The related income is returned to NATO member Nations as a deduction to the Civil Budget contributions called from them.

Key Management Personnel

For the purposes of these financial statements, Key Management Personnel are considered to be the NATO-IS Assistant Secretary General for Executive Management and the Financial Controller. Their remuneration is totally covered by the NATO International Staff.

NOTE 24: STATISTICAL INFORMATION

The following table provides information concerning the number of beneficiaries in the NATO Coordinated Pension Scheme.

Year	Retirement Pensions	Survivor and Reversion Pensions	Orphan's and Dependent's Pensions	Invalidity Pensions	Total
1995	830	330	88	155	1,403
1996	878	340	91	168	1,477
1997	926	374	97	188	1,585
1998	967	395	98	202	1,662
1999	1,020	409	104	224	1,757
2000	1,096	424	96	229	1,845
2001	1,134	432	102	248	1,916
2002	1,187	448	98	275	2,008
2003	1,243	461	103	293	2,100
2004	1,344	479	96	313	2,232
2005	1,417	500	99	336	2,352
2006	1,469	515	96	379	2,459
2007	1,548	515	90	406	2,559
2008	1,629	523	77	419	2,648
2009	1,715	537	79	452	2,783
2010	1,838	543	71	472	2,924
2011	1,950	561	68	480	3,059
2012	2,023	592	72	480	3,167
2013	2,149	609	64	491	3,313
2014	2,272	624	59	470	3,425
2015	2,380	652	58	459	3,549
2016	2,589	665	65	439	3,758
2017	2,665	684	58	436	3,843
2018	2,759	699	53	432	3,943
2019	2,863	699	41	414	4,017
2020	2,940	716	37	412	4,105

List of acronyms:

BICES:	Battlefield Information Collection and Exploitation Systems Agency
CPR:	Civilian Personnel Regulations
DCPS:	Defined Contribution Pension Scheme
DBPS:	Defined Benefit Pension Scheme
FORACS:	NATO Naval Forces Sensor and Weapons Accuracy Check Sites
IPSAS:	International Public Sector Accounting Standards
IS:	International Staff
ISRP:	International Service for Remunerations and Pensions
MSIAC:	Munitions Safety Information Analysis Centre
NAGSMA:	NATO Alliance Ground Surveillance Management Agency
NHQPO	New Headquarters Program Office
NSPA:	NATO Support Agency
OECD:	Organization for Economic Co-operation and Development
OFC:	Office of Financial Control

Internal Control		
Preparer	Reviewer	Approver
P. Soler	M. Deconinck	C. Smet



NORTH ATLANTIC TREATY ORGANIZATION
ORGANISATION DU TRAITÉ DE L'ATLANTIQUE NORD
INTERNATIONAL BOARD OF AUDITORS
COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

NATO SANS CLASSIFICATION

PIÈCE JOINTE 4
PO(2022)0119

IBA-A(2021)0117
25 août 2021

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

Cc : Représentants permanents auprès de l'OTAN
Secrétaire général adjoint pour la gestion exécutive
Secrétaire général adjoint délégué, Division Gestion exécutive
Contrôleuse des finances du Secrétariat international
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 relatifs au projet de nouveau siège de l'OTAN pour l'exercice clos le 31 décembre 2020 – IBA-AR(2021)0021***

Monsieur le Secrétaire général,

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

L'IBAN a émis une opinion sans réserve sur les états financiers relatifs au projet de nouveau siège de l'OTAN ainsi que sur la conformité pour l'exercice 2020.

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

Daniela Morgante
Présidente

Pièces jointes : voir ci-dessus.

NATO SANS CLASSIFICATION

NATO SANS CLASSIFICATION

IBA-AR(2021)0021

**Note succincte
du Collège international des auditeurs externes de l'OTAN
à l'intention du Conseil
sur l'audit des états financiers
relatifs au projet de nouveau siège de l'OTAN
pour l'exercice clos le 31 décembre 2020**

Le Collège international des auditeurs externes de l'OTAN (IBAN) a audité les états financiers relatifs au projet de nouveau siège de l'OTAN pour l'exercice clos le 31 décembre 2020.

Au sommet de Washington, en avril 1999, les chefs d'État et de gouvernement des pays de l'OTAN ont officiellement décidé de faire construire un nouveau siège à Bruxelles, afin de répondre aux besoins de l'Alliance pour le XXI^e siècle. Le Conseil de l'Atlantique Nord, sur recommandation du Comité des budgets, approuvait un budget pour ce projet. Ce budget était alimenté par les contributions des pays de l'OTAN sur la base d'un accord spécifique de partage des coûts. Le plafond du budget global du programme de construction (LTPB), sur lequel a été financé le projet, avait été fixé à 1,18 milliard d'euros.

Le Comité des budgets a pris la décision de clôturer le projet de nouveau siège de l'OTAN et les comptes de ce projet au 31 décembre 2020. L'IBAN note que les états financiers pour l'exercice considéré sont les derniers qui concernent le projet de nouveau siège, car les pays membres ont décidé que, après le 31 décembre 2020, les soldes seraient reportés dans les comptes du Secrétariat international (SI) et intégrés aux états financiers du SI.

L'IBAN a émis une opinion sans réserve sur les états financiers ainsi que sur la conformité pour l'exercice clos le 31 décembre 2020.

L'IBAN n'a pas formulé d'observation ni de recommandation.

L'IBAN a fait le point sur les suites données aux observations et recommandations formulées lors des audits précédents, et il a constaté que les trois questions en suspens avaient été traitées.

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

Une lettre a été adressée aux responsables du projet de nouveau siège de l'OTAN. Elle contient des observations et des recommandations qui ne figurent pas dans le rapport d'audit et elle fait le point sur les suites données aux observations et aux recommandations formulées dans de précédentes lettres adressées à ces responsables. En effet, l'IBAN estime que ces questions doivent être traitées par ces personnes et qu'elles relèvent dès lors de leur responsabilité.

25 août 2021

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

**RAPPORT SUR L'AUDIT DES ÉTATS FINANCIERS
RELATIFS AU PROJET DE NOUVEAU SIÈGE DE L'OTAN
POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2020**

NATO SANS CLASSIFICATION

IBA-AR(2021)0021

**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 relatifs au projet de nouveau siège de l'OTAN portant sur la période de 12 mois ayant pris fin le 31 décembre 2020. Diffusés sous la cote FC(2021)0038 et soumis à l'IBAN le 31 mars 2021, ces états financiers se composent de l'état de la situation financière au 31 décembre 2020, 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 2020, 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 du projet de nouveau siège de l'OTAN au 31 décembre 2020 ainsi que de sa performance financière, de ses flux de trésorerie et de l'exécution du budget pour la période de 12 mois ayant pris fin 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 sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 2200-2899), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

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

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

NATO SANS CLASSIFICATION

IBA-AR(2021)0021

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 relatifs au projet de nouveau siège de l'OTAN sont établis en application des dispositions comptables et des normes de compte rendu du cadre comptable OTAN tel qu'approuvé par le Conseil. Il incombe au contrôleur des finances de soumettre les états financiers à l'IBAN au plus tard le 31 mars qui suit la fin de l'exercice visé dans les états financiers.

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

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

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

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

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

- à recenser et à évaluer les risques d'inexactitudes significatives dans les états financiers, que celles-ci relèvent d'une fraude ou d'une erreur, à concevoir et à mettre en œuvre des procédures d'audit sensibles à ces risques ainsi qu'à obtenir par son audit les éléments probants nécessaires et suffisants pour lui

NATO SANS CLASSIFICATION

IBA-AR(2021)0021

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.

NATO SANS CLASSIFICATION

IBA-AR(2021)0021

Audit de conformité**Opinion sur la conformité**

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

Justification de l'opinion émise sur la conformité

L'IBAN a effectué l'audit de conformité sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 4000-4899), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

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

Responsabilité de la direction concernant la conformité

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

Le secrétaire général 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.

Responsabilités de l'IBAN concernant la conformité

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

NATO SANS CLASSIFICATION

IBA-AR(2021)0021

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 25 août 2021



Daniela Morgante
Présidente

NATO SANS CLASSIFICATION

NATO SANS CLASSIFICATION

IBA-AR(2021)0021

OBSERVATIONS ET RECOMMANDATIONS

L'IBAN n'a pas formulé d'observation ni de recommandation.

L'IBAN a fait le point sur les suites données aux observations et recommandations formulées lors des audits précédents, et il a constaté que les trois questions en suspens avaient été traitées.

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

Une lettre a été adressée aux responsables du projet de nouveau siège de l'OTAN. Elle contient des observations et des recommandations qui ne figurent pas dans le présent rapport d'audit et elle fait le point sur les suites données aux observations et aux recommandations formulées dans de précédentes lettres adressées à ces responsables. En effet, l'IBAN estime que ces questions doivent être traitées par ces personnes et qu'elles relèvent dès lors de leur responsabilité.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

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

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

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
(1) Projet de nouveau siège de l'OTAN – Exercice 2019 IBA-AR(2021)0011, paragraphe 1 ABSENCE DE PRÉSENTATION, À LA FIN DE L'EXERCICE 2019, D'UN RAPPORT FINANCIER SUR LE BUDGET GLOBAL DU PROGRAMME DE CONSTRUCTION (LTPB)		Question traitée.

NATO SANS CLASSIFICATION

IBA-AR(2021)0021

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
Recommandation de l'IBAN L'IBAN recommande au Secrétariat international de présenter sans retard les rapports sur la situation financière du budget global du programme de construction (LTPB) en application des décisions prises par les organes directeurs.	La Division Gestion exécutive du SI n'a pas encore présenté le rapport sur la situation financière du LTPB pour 2020. Comme les activités du nouveau siège en 2021 seront couvertes par les états financiers 2021 du SI, la question est considérée comme traitée.	
(2) Projet de nouveau siège de l'OTAN – Exercice 2019 IBA-AR(2021)0011, paragraphe 2 ABSENCE D'INFORMATIONS SUR LES CRÉDITS POUR IMPRÉVUS SOUS LE CONTRÔLE DE LA BELGIQUE PAYS HÔTE QUI ÉTAIENT INSCRITS DANS LE BUDGET GLOBAL DU PROGRAMME DE CONSTRUCTION (LTPB) Recommandation de l'IBAN L'IBAN recommande au Bureau du contrôle financier du Secrétariat international de veiller à l'exhaustivité des informations sur les crédits pour imprévus inscrits dans le budget global du programme de construction qui sont fournies dans la note 23 jointe aux états financiers.	La note 23 jointe aux états financiers de 2020 contient toutes les informations voulues au sujet des crédits pour imprévus inscrits dans le LTPB. En août 2020, le Conseil a approuvé le transfert de la compétence de suivi et de contrôle de ces crédits du Comité des représentants permanents adjoints au Comité des budgets. Le 10 mars 2021, le Comité des budgets a approuvé le transfert des crédits pour imprévus restants vers les comptes de l'Agence OTAN d'information et de communication.	Question traitée.
(3) Projet de nouveau siège de l'OTAN – Exercice 2019 IBA-AR(2021)0011, paragraphe 3 TRAITEMENT COMPTABLE DE LA REPRISE SUR PROVISION POUR LES CONGÉS NON UTILISÉS Recommandation de l'IBAN L'IBAN recommande aux responsables du projet de nouveau siège de l'OTAN de comptabiliser dans l'état de la performance	Le Bureau du contrôle financier du SI a ajusté les chiffres de 2019 afin d'avoir une base	Question traitée.

NATO SANS CLASSIFICATION

NATO SANS CLASSIFICATION

IBA-AR(2021)0021

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
financière la reprise de la provision pour congés non utilisés de l'exercice précédent.	de comparaison correcte. Comme le LTPB a cessé d'exister après le 31 décembre 2020 et que tout le personnel est parti, aucune nouvelle provision n'a été comptabilisée.	

COMMENTAIRES OFFICIELS DU SECRÉTARIAT INTERNATIONAL (SI) SUR LE RAPPORT D'AUDIT ET POSITION DU COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN (IBAN)

Le SI n'a pas fait de commentaires officiels sur le présent rapport ni sur les observations antérieures.

NATO SANS CLASSIFICATION

IBA-AR(2021)0021

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 que 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 certains éléments 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 UNCLASSIFIED

FC(2021)0038

**NATO NEW HQ
FINANCIAL STATEMENTS**

For the year ended
31 December 2020

Annexes

- | | |
|---|---|
| 1 | Statement of Financial Position |
| 2 | Statement of Financial Performance |
| 3 | Cash Flow Statement |
| 4 | Statement of Changes in Net Assets |
| 5 | Budgetary Execution Statements |
| 6 | Explanatory Notes to the Financial Statements |


Jens STOLTENBERG
Secretary General


Mirosława BORYCZKA
Financial Controller

NATO UNCLASSIFIED

NATO NEW HQ Statement of Financial Position

As at 31 December 2020

(All amounts in EUR)

	Notes	2020	2019
Assets			
Current assets			
Cash and cash equivalents	3	27,158,363.38	20,250,908.51
Short term investments	4	5,000,000.00	30,600,000.00
Receivables	5	363,218.79	616,264.13
Prepayments	6	4,031,144.94	8,087,650.70
Other current assets	7	268,810.94	47,655.64
Inventories		0.00	0.00
		36,821,538.05	59,602,478.98
Non-current assets			
Receivables		0.00	0.00
Property, plant & equipment	8	0.00	0.00
Intangible assets		0.00	0.00
Other non-current assets		0.00	0.00
		0.00	0.00
Total assets		36,821,538.05	59,602,478.98
Liabilities			
Current liabilities			
Payables	9	14,445,313.31	9,696,809.97
Deferred revenue	10	5,001,227.74	41,710,212.41
Advances	11	44,843.82	3,216,780.51
Short term provisions	12	112.88	652,342.53
Other current liabilities	13	16,830,040.30	4,326,333.56
		36,321,538.05	59,602,478.98
Non-current liabilities			
Payables		0.00	0.00
Long term provisions	12	500,000.00	0.00
Deferred revenue	14	0.00	0.00
Other non-current liabilities		0.00	0.00
		500,000.00	0.00
Total liabilities		36,821,538.05	59,602,478.98
Net assets			
Capital assets		0.00	0.00
Reserves		0.00	0.00
Current year Surplus / (Deficits)		0.00	0.00
Accumulated surpluses / (deficits) prior year		0.00	0.00
Total net assets/ equity	17	0.00	0.00

NATO NEW HQ

Statement of Financial Performance

As at 31 December 2020

(All amounts in EUR)

	Notes	2020	2019
Revenue	15		
Non exchange revenue		4,996,604.84	12,827,129.77
Exchange revenue		0.00	0.00
Other revenue		268,738.94	51,479.91
Financial revenue		22,239.96	37,671.22
Total revenue		5,287,583.74	12,916,280.90
Expenses	16		
Personnel		531,092.47	1,530,559.64
Contractual supplies and services		4,297,796.81	10,727,992.91
Depreciation and amortization		0.00	0.00
Impairment		0.00	0.00
Provisions		457,663.52	652,342.53
Other expenses		0.00	0.00
Finance costs		1,030.94	5,385.82
Total expenses		5,287,583.74	12,916,280.90
Surplus/(Deficit) for the period	17	0.00	0.00

NATO NEW HQ Statement of Cash Flow

As at 31 December 2020
(All amounts in EUR)

	Notes	2020	Restated 2019
Cash Flow from Operating Activities	18		
Surplus/(Deficit)		-	-
Non-cash movements			
Depreciation/ Amortisation		-	-
Impairment		-	-
Increase /(decrease) in payables		4,748,503.34	(2,598,094.16)
Increase/ (decrease) in other current liabilities		(27,377,214.62)	(20,679,993.69)
Increase/ (decrease) in provisions		(152,229.65)	578,960.27
(Gains)/losses on sale of property, plant and equipment			
Decrease/ (increase) in receivables		253,045.34	1,784,933.61
Decrease/ (increase) in other current assets		3,835,350.46	6,370,824.78
Increase/ (decrease) in other non-current liabilities		-	-
Net cash flow from operating activities		(18,692,545.13)	(14,543,369.19)
Cash Flow from Investing Activities	18		
Purchase of property plant and equipment / Intangible assets		-	-
Proceeds from sale of property plant and equipment		-	-
Net cash flow from investing activities		-	-
Cash Flow from Financing Activities	18		
Net Cash Flow from Financing Activities		-	-
Net Increase/(Decrease) in Cash and Cash Equivalents	18	(18,692,545.13)	(14,543,369.19)
Cash and Cash Equivalent at the Beginning of the Period		<u>50,850,908.51</u>	<u>65,394,277.70</u>
Cash and Cash Equivalent at the End of the Period		<u>32,158,363.38</u>	<u>50,850,908.51</u>

NATO NEW HQ Statement of Changes in Net Assets

As at 31 December 2020

(All amounts in EUR)

	Accumulated surpluses/(deficits)
Balance at 31 December 2018	0.00
Deficit on revaluation of property	0.00
Surplus on revaluation of investments (1)	0.00
Currency translation differences	0.00
Net gains and losses not recognized in the statement of financial performance	0.00
Net for the period	0.00
Balance at 31 December 2019	0.00
Balance at 31 December 2019	0.00
Deficit on revaluation of property	0.00
Surplus on revaluation of investments (1)	0.00
Currency translation differences	0.00
Net gains and losses not recognized in the statement of financial performance	0.00
Net for the period	0.00
Balance at 31 December 2020	0.00

(1) fixed assets in progress

NEW NATO HEADQUARTERS
BUDGETARY OPERATIONS FOR FINANCIAL YEAR 2020
n=2020, all amounts in EUR

CHAPTER Article		BUDGET AUTHORISATIONS			COMMITMENTS	EXPENDITURES	BUDGETARY SURPLUS	
		BUDGET (ref.) C-M(2017)0070	AUTHORIZED TRANSFERS	ADJUSTED CREDITS			CREDITS CARRIED FORWARD TO n+1	LAPSED CREDITS
		(1)	(2)	(3) = (1)+(2)			(6) = (4) - (5)	(7) = (3) - (4)
I.	PERSONNEL COSTS							
01.01	Basic salaries and related expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00
01.02	Temporary staff and consultants	0.00	0.00	0.00	0.00	0.00	0.00	0.00
01.03	Statutory travel	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Carried forward:							
2019	Financial year n-1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2018	Financial year n-2	880,098.26	0.00	880,098.26	0.00	395,013.42	0.00	485,084.84
2017	Financial year n-3	183,158.39	0.00	183,158.39	0.00	61,907.46	0.00	121,250.93
2016	Financial year n-4	402,246.32	0.00	402,246.32	0.00	4,610.21	0.00	397,636.11
2015	Financial year n-5	15,556.00	0.00	15,556.00	0.00	0.00	0.00	15,556.00
2014	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2013	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		1,481,058.97	0.00	1,481,058.97	0.00	461,531.09	0.00	1,019,527.88
II.	OPERATING COSTS							
02.01	Official missions	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02.02	Administrative support	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02.03	Hospitality	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02.04	Telecommunications	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02.05	Operating costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02.06	Construction Site Guard	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02.07	Materials Procurement	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02.10	Miscellaneous and unforeseen	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Carried forward:							
2019	Financial year n-1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2018	Financial year n-2	1,060,514.74	1,236,112.16	2,296,626.90	0.00	1,976,399.50	0.00	320,227.40
2017	Financial year n-3	2,179,176.94	-902,842.05	1,276,334.89	0.00	1,214,681.91	0.00	61,652.98
2016	Financial year n-4	306,044.25	-186,452.61	119,591.64	0.00	200,490.22	0.00	-80,898.58
2015	Financial year n-5	46,792.06	-46,357.50	434.56	0.00	577.18	0.00	-142.62
2014	Financial year n-6	8,091.05	-8,091.05	0.00	0.00	0.00	0.00	0.00
2013	Financial year n-7	2,334.42	-341.42	1,993.00	0.00	-104.00	0.00	2,097.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		3,602,953.46	92,027.53	3,694,980.99	0.00	3,392,044.81	0.00	302,936.18
III.	INTELLECTUAL SERVICES							
03.01	Consultants & studies	0.00	0.00	0.00	0.00	0.00	0.00	0.00
03.02	Project management team	0.00	0.00	0.00	0.00	0.00	0.00	0.00
03.04	Concept design team	0.00	0.00	0.00	0.00	0.00	0.00	0.00
03.05	Overall CDT fees on addit Constr W	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Carried forward:							
2019	Financial year n-1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2018	Financial year n-2	250,220.28	0.00	250,220.28	0.00	-128,084.97	0.00	378,305.25
2017	Financial year n-3	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2016	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2015	Financial year n-5	100,000.02	0.00	100,000.02	0.00	0.00	0.00	100,000.02
2014	Financial year n-6	49,999.98	0.00	49,999.98	0.00	0.00	0.00	49,999.98
2013	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		400,220.28	0.00	400,220.28	0.00	-128,084.97	0.00	528,305.25
IV.	CONSTRUCTION WORKS							
04.01	Works Requirements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Carried forward:							
2019	Financial year n-1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2018	Financial year n-2	11,260,724.43	-4,456,757.00	6,803,967.43	0.00	0.00	0.00	6,803,967.43
2017	Financial year n-3	8,564,731.54	-2,804,200.00	5,760,531.54	0.00	361,490.00	0.00	5,399,041.54
2016	Financial year n-4	749,655.02	-92,027.53	657,627.49	112,539.00	171,525.10	112,539.00	373,563.39
2015	Financial year n-5	4,048,879.97	-4,049,212.00	-332.03	0.00	-14,836.74	0.00	14,504.71
2014	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2013	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		24,623,990.96	-11,402,196.53	13,221,794.43	112,539.00	518,178.36	112,539.00	12,591,077.07
V.	SPECIAL EQUIPMENT							
05.01	Special equipment	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Carried forward:							
2019	Financial year n-1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2018	Financial year n-2	264,640.88	11,310,169.00	11,574,809.88	0.00	11,048,062.04	0.00	526,747.84
2017	Financial year n-3	2,743,304.06	0.00	2,743,304.06	945,286.50	1,444,457.51	945,286.50	353,560.05
2016	Financial year n-4	1,024,289.40	0.00	1,024,289.40	0.00	439,098.14	0.00	585,191.26
2015	Financial year n-5	170,328.86	0.00	170,328.86	0.00	101,518.20	0.00	68,810.66
2014	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2013	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		4,202,563.20	11,310,169.00	15,512,732.20	945,286.50	13,033,135.89	945,286.50	1,534,309.81
	GRAND TOTAL							
	Financial year n	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Carried forward:							
2019	Financial year n-1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2018	Financial year n-2	13,716,198.59	8,089,524.16	21,805,722.75	0.00	13,291,389.99	0.00	8,514,332.76
2017	Financial year n-3	13,670,370.93	-3,707,042.05	9,963,328.88	945,286.50	3,082,536.88	945,286.50	5,935,505.50
2016	Financial year n-4	2,462,234.99	-278,480.14	2,203,754.85	112,539.00	815,723.67	112,539.00	1,275,492.18
2015	Financial year n-5	4,361,556.91	-4,095,569.50	285,987.41	0.00	87,258.64	0.00	198,728.77
2014	Financial year n-6	58,091.03	-8,091.05	49,999.98	0.00	0.00	0.00	49,999.98
2013	Financial year n-7	2,334.42	-341.42	1,993.00	0.00	-104.00	0.00	2,097.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GRAND TOTAL	34,310,786.87	0.00	34,310,786.87	1,057,825.50	17,276,805.18	1,057,825.50	15,976,156.19

NEW NATO HEADQUARTERS

BUDGETARY OPERATIONS FOR FINANCIAL YEAR 2019
n=2019, all amounts in EUR

CHAPTER Article		BUDGET AUTHORISATIONS			COMMITMENTS (4)	EXPENDITURES (5)	BUDGETARY SURPLUS	
		BUDGET (ref.) C-M(2017)0070	AUTHORIZED TRANSFERS	ADJUSTED CREDITS			CREDITS CARRIED FORWARD TO n+1	LAPSED CREDITS
		(1)	(2)	(3) = (1)+(2)			(6) = (4) - (5)	(7) = (3) - (4)
I.	PERSONNEL COSTS							
01.01	Basic salaries and related expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00
01.02	Temporary staff and consultants	0.00	0.00	0.00	0.00	0.00	0.00	0.00
01.03	Statutory travel	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Carried forward:							
	Financial year n-1	1,437,800.06	0.00	1,437,800.06	1,437,800.06	557,701.80	880,098.26	0.00
	Financial year n-2	1,430,002.05	0.00	1,430,002.05	1,430,002.05	1,246,843.66	183,158.39	0.00
	Financial year n-3	501,893.46	0.00	501,893.46	501,893.46	99,647.14	402,246.32	0.00
	Financial year n-4	15,700.00	0.00	15,700.00	15,700.00	144.00	15,556.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		3,385,395.57	0.00	3,385,395.57	3,385,395.57	1,904,336.60	1,481,058.97	0.00
II.	OPERATING COSTS							
02.01	Official missions	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02.02	Administrative support	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02.03	Hospitality	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02.04	Telecommunications	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02.05	Operating costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02.06	Construction Site Guard	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02.07	Materials Procurement	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02.10	Miscellaneous and unforeseen	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Carried forward:							
	Financial year n-1	5,196,205.64	0.00	5,196,205.64	5,196,205.64	4,135,690.90	1,060,514.74	0.00
	Financial year n-2	3,739,091.19	0.00	3,739,091.19	3,739,091.19	1,559,914.25	2,179,176.94	0.00
	Financial year n-3	552,982.23	0.00	552,982.23	552,982.23	246,937.98	306,044.25	0.00
	Financial year n-4	46,792.06	0.00	46,792.06	46,792.06	0.00	46,792.06	0.00
	Financial year n-5	8,174.95	0.00	8,174.95	8,174.95	83.90	8,091.05	0.00
	Financial year n-6	4,341.42	0.00	4,341.42	4,341.42	2,007.00	2,334.42	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		9,547,587.49	0.00	9,547,587.49	9,547,587.49	5,944,634.03	3,602,953.46	0.00
III.	INTELLECTUAL SERVICES							
03.01	Consultants & studies	0.00	0.00	0.00	0.00	0.00	0.00	0.00
03.02	Project management team	0.00	0.00	0.00	0.00	0.00	0.00	0.00
03.04	Concept design team	0.00	0.00	0.00	0.00	0.00	0.00	0.00
03.05	Overall CDT fees on addit Constr W	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Carried forward:							
	Financial year n-1	378,161.00	0.00	378,161.00	378,161.00	809.25	377,351.75	0.00
	Financial year n-2	115,865.13	0.00	115,865.13	115,865.13	242,996.60	-127,131.47	0.00
	Financial year n-3	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-4	100,000.02	0.00	100,000.02	100,000.02	0.00	100,000.02	0.00
	Financial year n-5	49,999.98	0.00	49,999.98	49,999.98	0.00	49,999.98	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		644,026.13	0.00	644,026.13	644,026.13	243,805.85	400,220.28	0.00
IV.	CONSTRUCTION WORKS							
04.01	Works Requirements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Carried forward:							
	Financial year n-1	11,260,724.43	0.00	11,260,724.43	11,260,724.43	0.00	11,260,724.43	0.00
	Financial year n-2	9,828,619.54	0.00	9,828,619.54	9,828,619.54	1,263,888.00	8,564,731.54	0.00
	Financial year n-3	1,194,710.29	0.00	1,194,710.29	1,194,710.29	445,055.27	749,655.02	0.00
	Financial year n-4	7,357,226.22	0.00	7,357,226.22	7,357,226.22	3,308,346.25	4,048,879.97	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		29,641,280.48	0.00	29,641,280.48	29,641,280.48	5,017,289.52	24,623,990.96	0.00
V.	SPECIAL EQUIPMENT							
05.01	Special equipment	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Carried forward:							
	Financial year n-1	360,563.49	0.00	360,563.49	360,563.49	95,922.61	264,640.88	0.00
	Financial year n-2	4,152,006.45	0.00	4,152,006.45	4,152,006.45	1,408,702.39	2,743,304.06	0.00
	Financial year n-3	1,300,802.59	0.00	1,300,802.59	1,300,802.59	276,513.19	1,024,289.40	0.00
	Financial year n-4	206,361.05	0.00	206,361.05	206,361.05	36,032.19	170,328.86	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		6,019,733.58	0.00	6,019,733.58	6,019,733.58	1,817,170.38	4,202,563.20	0.00
	GRAND TOTAL							
	Financial year n	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Carried forward:							
	Financial year n-1	18,633,454.62	0.00	18,633,454.62	18,633,454.62	4,790,124.56	13,843,330.06	0.00
	Financial year n-2	19,265,584.36	0.00	19,265,584.36	19,265,584.36	5,722,344.90	13,543,239.46	0.00
	Financial year n-3	3,550,388.57	0.00	3,550,388.57	3,550,388.57	1,068,153.58	2,482,234.99	0.00
	Financial year n-4	7,726,079.35	0.00	7,726,079.35	7,726,079.35	3,344,522.44	4,381,556.91	0.00
	Financial year n-5	58,174.93	0.00	58,174.93	58,174.93	83.90	58,091.03	0.00
	Financial year n-6	4,341.42	0.00	4,341.42	4,341.42	2,007.00	2,334.42	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GRAND TOTAL	49,238,023.25	0.00	49,238,023.25	49,238,023.25	14,927,236.38	34,310,786.87	0.00

EXPLANATORY NOTES TO NEW NATO HEADQUARTERS PROJECT 2020 FINANCIAL STATEMENTS

NOTE 1: GENERAL INFORMATION

In 1999, Heads of State of the NATO member countries decided at the Washington Summit to build a New NATO Headquarters (NNHQ) to meet Alliance requirements for the 21st century. For this New NATO HQ Project a separate budget was established in 2000.

The budget for the common funded part is approved on an annual basis by the North Atlantic Council, further to screening and recommendation by the Budget Committee and the Resource Policy and Planning Board (RPPB). The project is managed following NSIP procedures.

The main construction project, the electronic security services and the audio-visual infrastructure contracts are managed by the Belgian Ministry of Defence Host Nation Project Management Team (PMT) under the provisions of the NATO-Belgium MOU, signed on 8 December 2004.

NATO Communications and Information Agency (NCIA) acts as Host Nation for the Active Network Infrastructure contract. NATO-International Staff (IS) is the Host Nation for the Furniture contract and for the Business Data and Applications Migration Project (BDAM).

NATO is represented by the IS Defence Investment Division Headquarters Project Office (HQPO), which is in charge of programme management, coordination, approval procedures and the definition of requirements. HQPO also represents the interests of Nations in all dealings with the Host Nation

A Transition Office (TO) within the IS Executive Management (EM) Division was created in 2011 to manage the practical and organisational aspects of the transition from the Previous NATO Headquarters (PNHQ) to the new one.

During the first half of 2018, NATO moved to its new premises further to the handover from the Host Nations (Belgium and NCIA) to NATO of all of the main elements of the projects that enabled operations in the new building. As a consequence, and as per the provisions of the NATO Accounting Framework (C-M(2016)0023), all assets that were recorded as work in progress have been transferred to the NATO International Staff, or the NCIA (for the IT assets).

The move from the PNHQ to the new site triggered the consolidation of the HQ Project Office and the Transition Office, under the dual oversight of the Defence Investment Division and Executive Management of the International Staff.

The transition process encompassed not only the actual move from the previous site to the new facilities (that took place in 2018) but also the maintenance of the PNHQ until its handover to Host Nation Belgium on 1 September 2020.

In light of the forthcoming closure of the Headquarters Project Office and Transition Office (NHQPO/TO) in 2020, the daily management of the LTPB was transferred to EM Division as of 1 May 2020, previously managed by Defence Investment (DI) Division. The New NATO HQ Project closed on 31 December 2020.

NATO Member Nations maintained oversight of the project through the Deputies Committee (DPRC), a Board comprised of the Deputy Permanent Representatives HQPO/TO was responsible for financial management and for coordination with the DPRC, the Budget Committee (BC), the RPPB, and the North Atlantic Council. In August 2020, Council approved to transfer the oversight and control from the DPRC to the BC.

The overall programme budget ceiling was EUR 1,179 million.

NOTE 2: ACCOUNTING POLICIES

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

Declaration of conformity

The New NATO Headquarters financial statements have been prepared in accordance with the NATO Accounting Framework (which adapts a small number of IPSAS standards to better suit the specific requirements of the Alliance) and with the NATO Financial Regulations (NFR), the Financial Rules and Procedures (FRP).

Basis of preparation

These statements have been prepared on a non-going concern basis. In December 2019, with DPRC-N(2019)0067-REV1- AS1 (INV), NATO Member Nations decided not to continue the New NATO HQ Project beyond 30 June 2020. In November 2020, with BC-D(2020)0198, NATO Member Nations revisited their decision of December 2019 and decided to discontinue the New NATO HQ Project as per 31 December 2020. The final financial closure will take place only when all assets and liabilities related with the New NATO HQ Project are settled. These statements disclose information on the assets and liabilities as known at the date of their preparation. The amounts shown in these financial statements are presented in EUR.

In C-M(2020)0058 the NATO Member Nations reconfirmed their decision of C-M(2000)36, BC-D(2000)16 and BC-D(2009)0008-ADD1 that the funds remaining in the LTPB after its final closure will be returned to nations according to individual nations' instructions.

These statements are the last ones issued for the New NATO HQ Project. In C-M(2020)0058 the NATO Member Nations decided that with the closure of the NNHQ project financial books on 31 December 2020, the open balances and net assets of the LTPB will be transferred to earmarked IS accounts to allow proper accounting and reporting during the period needed for its final closure.

The following IPSAS have no material effect on the 2020 financial statements of the New NATO Headquarters Project:

- IPSAS 5: Borrowing Costs.
- IPSAS 6: Consolidated and Separate Financial
- IPSAS 7: Investments in Associates.
- IPSAS 8: Interests in Joint Ventures
- IPSAS 10: Financial Reporting in Hyperinflationary Economies
- IPSAS 11: Construction Contracts
- IPSAS 16: Investment Property
- IPSAS 18: Segment reporting
- IPSAS 21: Impairment of non-cash generating assets
- IPSAS 26: Impairment of Cash-Generating Assets
- IPSAS 27: Agriculture
- IPSAS 32: Service Concession Arrangement: Grantor

The Cash Flow Statement has been prepared using the indirect method.

Segment Reporting

A segment is a distinguishable activity or group of activities for which it is appropriate to separately report financial information. No segments are identified in this project and are therefore not reported in these financial statements.

Changes in Accounting Policy

None.

Restatement of Financial Statements of Previous Years

NATO policy (both Civilian Personnel Regulations and HR directives) is that untaken leave must be paid only as a last recourse (Staff is compelled to take all their leave before retiring), for informative purposes we disclose the amount payable, if the New NATO Headquarters would shut down its activities at the end of the financial year, i.e. 31 December.

New NATO Headquarters recognized, as per 31 December 2018, a provision of EUR 73,382.26 for untaken leave and a provision of EUR 42,336.48 as per 31 December 2019.

In the beginning of 2019, the 2018 untaken leave provision has been reversed. However, this reversal was not properly reflected in the Statement of Financial Performance as at 31 December 2019 and as a result the positions "provision" (non-exchange revenue and expenses) were overstated by EUR 73,382.26 each, with neutral effect on surplus / deficit for the period.

	Notes	2019 - Restated	2019
Revenue	15		
Non exchange revenue		12,753,747.51	12,827,129.77
Exchange revenue		0.00	0.00
Other revenue		51,479.91	51,479.91
Financial revenue		37,671.22	37,671.22
Total revenue		12,842,898.64	12,916,280.90
Expenses	16		
Personnel		1,530,559.64	1,530,559.64
Contractual supplies and services		10,727,992.91	10,727,992.91
Depreciation and amortization		0.00	0.00
Impairment		0.00	0.00
Provisions		578,960.27	652,342.53
Other expenses			0.00
Finance costs		5,385.82	5,385.82
Total expenses		12,842,898.64	12,916,280.90
Surplus/(Deficit) for the period	17	0.00	0.00

The other current assets and liabilities were understated by EUR 42,336.48 in 2019 Financial Statements. The Statement of Financial Position for 2019 is restated as follows:

	Notes	2019 - Restated	2019
Assets			
Current assets			
Cash and cash equivalents	3	20,250,908.51	20,250,908.51
Short term investments	4	30,600,000.00	30,600,000.00
Receivables	5	616,264.13	616,264.13
Prepayments	6	8,087,650.70	8,087,650.70
Other current assets	7	47,655.64	5,319.16
Inventories		0.00	0.00
		59,602,478.98	59,560,142.50
Total assets		59,602,478.98	59,560,142.50
Liabilities			
Current liabilities			
Payables	9	9,696,809.97	9,696,809.97
Deferred revenue	10	41,710,212.41	41,710,212.41
Advances	11	3,216,780.51	3,216,780.51
Short term provisions	13	652,342.53	652,342.53
Other current liabilities	12	4,326,333.56	4,283,997.08
		59,602,478.98	59,560,142.50
Total liabilities		59,602,478.98	59,560,142.50

Reclassification of Financial Statements of Previous Years

None.

Use of estimates

In accordance with generally accepted accounting principles, the financial statements include amounts based on estimates and assumptions by management, according to the most reliable information available, judgement and assumptions. Estimates include work in progress, provisions, accrued revenue and expenses. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

NATO IS will estimate the value of provisions for the following costs:

- A Bad Debts Provision is notionally posted for 0.5% of the long outstanding receivables at year-end, however it is reversed in the beginning of the following year. Debts from Member Nations in lieu with Common Funded calls are excluded, since in case of default they shall be collectively covered (by all Allies) as per NATO's charter;
- A notional Untaken Leave Provision if the number of untaken leave days at year-end, is found to be above 10% of the annual leave entitlement, calculated by the man/day cost of December payroll;
- Other present obligations resulting of a past event if resulting of a possible payment of a foreseeable value (incl. loss of job indemnities, court cases, etc.)

Foreign currency transactions

The New NATO Headquarters Project's budget is authorized and managed in EUR so contribution calls have been made in EUR. Foreign currency transactions as required are accounted for at the NATO parity rates prevailing on the date of the transaction. Monetary assets and liabilities at year-end which were denominated in foreign currencies were converted into EUR using the NATO parity rates applicable at 31 December.

Realised and unrealised profit and loss resulting from the settlement of such transactions and from the revaluation at the reporting dates of monetary assets and liabilities denominated in foreign currencies are recognised in Non-Current Liabilities.

New NATO Headquarters accounting is subject to FC(FAC)(2020)004 which sets out IS/OFC policy for accounting and reporting transactions in foreign currency.

Financial risks

The New NATO Headquarters Project Office uses only non-derivative financial instruments as part of its normal operations. These financial elements include cash, bank accounts, deposit accounts, accounts receivable and Funds Managed for Third Parties (National Funding, including Fit-out and EUROCONTROL funds).

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

The New NATO Headquarters Project is exposed to a variety of financial risks, including foreign exchange risk, credit risk, currency risk, liquidity risk and interest rate risk.

Foreign currency exchange risk

The exposure to foreign currency risk is limited as the majority of the New NATO Headquarters Project's expenditures are made in EUR, the currency of its budget. All bank accounts are held in EUR.

Credit risk

The New NATO Headquarters Project incurs credit risks from cash and cash equivalent held with banks and from receivables.

The maximum exposure as at 31 December is equal to the total amount of bank balances, short term deposits and receivables. There is very limited credit risk associated with the realization of these elements.

Concerning cash and cash equivalent the New NATO Headquarters Project credit risk is managed by holding current bank accounts and short term highly liquid deposits that are readily convertible to a known amount of cash held with the banks: ING, BNP Paribas Fortis and Credit Agricole which have the following short term credit ratings:

Bank Name	Country of HQ	Short Term Ratings					
		FITCH		S&P GLOBAL		MOODY'S	
		Rating	Last Review Date	Rating	Last Review Date	Rating	Last Review Date
ING Bank	Netherlands	F1+	15-Oct-2020	A-1	10-Jul-2020	P-1	21-Oct-2020
BNP PF	Belgium	F1	21-Oct-2020	A 1	23-Apr-2020	P-1	25-Oct-2020
Credit Agricole	France	F1	10-Nov-2020	A 1	21-Oct-2020	P-1	19-Sep-2020

The New NATO Headquarters project is also holding a bank account with AION (former Monte Paschi) but with no significant cash holdings.

The New NATO Headquarters Project's outstanding accounts receivable are managed by maintaining control procedures over receivables. Most cash receivables are due from NATO member nations, which are considered credit worthy.

NATO UNCLASSIFIED

ANNEX 6 to
FC(2021)0038

6-6

Liquidity risk

The liquidity risk, also referred to as funding risk, is based on the assessment as to whether the New NATO Headquarters Project will encounter difficulties in meeting its obligations associated with financial liabilities. A liquidity risk could arise from a short term liquidity requirement. There is a very limited exposure to liquidity risk because of the funding mechanism which guarantees contributions in relation to the approved New NATO Headquarters Project budget. Some limited risk could be due to the accuracy of budget forecasts or to late payment of Nations' contributions.

Interest rate risk

Except for certain cash and cash equivalent balances, the New NATO Headquarters' financial assets and liabilities do not have associated interest rates. The New NATO Headquarters is restricted from entering into borrowings and investments, and, therefore, there is an insignificant interest rate risk. Interest earned is not a budgetary resource but contributes to the surplus owed to Nations.

Current Assets

Cash and cash equivalents

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

Cash held on behalf of third parties corresponding to amounts called and received in relation to the nationally funded elements and the fit-out of delegations, and amounts corresponding to anticipated contributions, are reported separately.

Receivables

Receivables are stated at net realisable value, after provision for doubtful and uncollectable debts, also known as bad debts. NATO OFC policy is to notionally recognize at year-end, as bad debts all outstanding receivables which are due for more than 360 days. Debts from Member Nations in lieu with Common Funded calls are excluded, since in case of default they shall be collectively covered (by all Allies) as per NATO's charter.

Contributions receivable are recognised when a call for contribution, based on the approved budget, has been issued to the funding Nations. These receivables represent the uncollected contributions from Member Nations. The same policy applies for contributions related to the nationally funded elements and to the fit-out of delegations. No allowance for loss is recorded with respect to Member countries' assessed contributions receivable.

Prepayments

A prepayment is a payment in advance of the period to which it pertains and is mainly in respect of advance payments made to third parties. In the case of the New NATO Headquarters Project, advance payments are essentially related to the pre-financing of PMT and NCIA expenses. The terms of the MOU prevent Host Nation Belgium (PMT) from pre-financing any aspect of the project.

Other Current Assets

Other Current Assets relate to miscellaneous amounts due to the Project such as accrued interest or other assets that do not result from the standard order to cash process, such as miscellaneous transactions to be regularized between NATO New Headquarters Project and PMT or entities managed by the IS Office of Financial Control.

Inventories

NATO has adapted a number of IPSAS Standards to better suit the requirements of the Alliance, resulting the NATO Accounting Framework (NAF) NATO's adaptations of IPSAS are spelled out in C-

M(2016)0023 of April 2016, which included IPSAS 12 Inventories. Furthermore, C-M(2017)0043 of September 2017, approved the NATO Accounting Policy for Inventory.

When it comes to assessing the control of NATO Inventory, these documents define a set of 10 criteria to be used in assessing the level of control of an Inventory asset. A positive response on six of the criteria will lead to the asset being capitalized in the Financial Statements if it is above the capitalization threshold. This is applied from January 2013, under the initial NATO Accounting Framework C-M(2013)0039 of July 2013.

Criteria that may indicate control of an asset:

- The act of purchasing the asset carried out (or resulted from instructions given) by the NATO Reporting Entity.
- The legal title is in the name of the NATO Reporting Entity.
- The asset is physically located on the premises or locations used by the NATO Reporting Entity.
- The asset is physically used by staff employed by the NATO Reporting Entity or staff working under the NATO Reporting Entity's instructions.
- The fact that the NATO Reporting Entity can decide on an alternative use of the asset.
- The fact that the NATO Reporting Entity can decide to sell or to dispose the asset.
- The fact that the NATO Reporting Entity, if it has to remove or destroy the asset, can take the decision to replace it.
- The fact that a representative of the NATO Reporting Entity regularly inspects the asset to determine its current condition.
- The fact that the asset is used in achieving the objectives of the NATO Reporting Entity.
- The fact that the asset will be retained by the NATO Reporting Entity at the end of the activity.

Capitalization thresholds relevant to the financial statement are as follow:

Category	Threshold	Basis
Consumables	€50,000	Per location/warehouse
Spare Parts	€50,000	Per location/warehouse
Ammunition	€50,000	Per location/warehouse
Strategic stocks	€50,000	Per location/warehouse

The NNHQ Project capitalizes inventory which it controls in its financial statements. Where there is a conflict between more than one NATO Reporting Entity as to the control of inventory, only the end-user entity will report the inventory in its financial statements, based on reliable information provided by the NATO services provider entity as defined in individual agreements between the two entities.

The NNHQ Project will include transportation costs involved in bringing the inventories to their present location and condition in the initial valuation of inventory. These costs will be measured on the actual cost of transportation per item of inventory or by using an apportionment of the global transportation costs of bringing the inventories to their present location and condition across all inventory items in the period. Transportation costs involved in the subsequent movement of inventory which brings them into operational use will not be included in the value of inventory.

Where this adaptation conflicts with another requirement of IPSAS this adaptation shall apply. For the remainder, IPSAS 12 shall apply.

The introduction of this adaptation to IPSAS 12 has no impact on the way these financial statements are presented. The value of NNHQ inventories is immaterial both in value and in terms of the nature of the items held. Consequently, inventory is fully expensed when goods are received.

Non-Current Assets:**Property, Plant & Equipment and Intangible Assets:**

As mentioned above NATO's adaptation of IPSAS are spelled out in C-M(2016)0023 of April 2016 among which were specific items addressing IPSAS 17 PPE. Furthermore, C-M(2017)0022(INV) approved the NATO accounting policy for Property, Plant and Equipment.

When it comes to assessing the control of NATO over PPE these documents define a set of 10 criteria to be used in assessing the level of control of a tangible asset. A positive response on six of the criteria will lead to the asset being capitalized in the Financial Statements if it is above the capitalization threshold. This is applied from January 2013, under the initial NATO Accounting Framework C-M(2013)0039 of July 2013

Common funded and nationally funded construction works are managed as a single project. At this point, and from an accounting standpoint, the fact remains that the economic benefit or the service potential is measured by the contribution to consensus building and therefore it cannot be separated from NATO's purpose. Therefore, this would not justify a separate accounting treatment.

It should be noted that this approach does not apply to the national fit-out segment, for which four nations have decided to act separately.

Capitalization thresholds relevant to the financial statement are as follow:

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

The principles of valuing and depreciating fixed assets, according to NATO Accounting Framework, are the following:

Buildings are shown at fair value based on internal valuations at the reporting date. Valuation is done based on judgment using the best available information from relevant sources. With regard to land on which the buildings are erected, see note on Leases.

All other non-current assets, Property, Plant and Equipment (PPE) and intangible assets are recorded at their historical cost less accumulated depreciation and any recognized impairment loss.

The introduction of this adaptation to IPSAS 17 has no impact on the way these financial statements are presented. Although the adaptation to IPSAS allows one to consider PPE acquired prior to 1 January 2013 as fully expensed, it was decided not to do so: amounts considered as PPE work in progress prior to 1 January 2013 remain capitalized in the interest of disclosing relevant and complete information regarding the value of the NATO new site.

In the case of the New NATO Headquarters Project until 2018, PPE has been accounted for as "work in progress". In the course of 2017 and 2018 all of the main elements of the PPE that would enable NATO to move to and operate on the new premises have been handed over from the Host Nations (PMT and NCIA) to HQPO and in turn immediately to NATO International Staff.

Consequently these non-current assets were transferred and will now appear in the books of the latter except for the IT part which in accordance with the NATO Accounting Framework is to be considered an NCIA asset. There are no longer any PPE or IT assets appearing on the statement of financial position of the NNHQ.

Intangible Assets:

As mentioned above, NATO's adaptations of IPSAS are spelled out in C-M(2016)0023 of April 2016, which included IPSAS 31 Intangible Assets. Furthermore, C-M(2017)0044 approved the NATO accounting policy for intangible assets.

When it comes to assessing the control of NATO over Intangible Assets, these documents define a set of 10 criteria to be used in assessing the level of control of an Intangible asset – they are the same as mentioned above under Inventory. A positive response on six of the criteria will lead to the asset being capitalized in the Financial Statements if it is above the capitalization threshold. This is applied from January 2013, under the initial NATO Accounting Framework C-M(2013)0039 of July 2013.

NATO Intangible Assets Capitalization Thresholds - the NNHQ Project will capitalize each intangible asset item that is above the following agreed NATO thresholds:

Category	Threshold	Depreciation Life	Method
Computer software (commercial off the shelf)	€50,000	4 years	Straight line
Computer software (bespoke)	€50,000	10 years	Straight line
Computer database	€50,000	4 years	Straight line
Integrated system	€50,000	4 years	Straight line

The NNHQ Project capitalizes all controlled intangible assets above the NATO Intangible Asset Capitalization Threshold. For anything below the threshold, the NNHQ has the flexibility to expense specific items.

The NNHQ Project capitalizes integrated systems and include research, development, implementation and can include both software and hardware elements. But the NNHQ Project does not capitalize the following types of intangible assets in its financial statements:

- rights of use(air, land and water);
- landing rights;
- airport gates and slots;
- historical documents; and,
- publications

The NNHQ Project capitalized other types of intangible assets acquired after 1 January 2013 including:

- Copyright
- Intellectual Property Rights
- Software development

The NNHQ could consider Intangible Assets acquired prior to 1 January 2013 as fully expensed, however it has decided not to do so, for the sake of consistency with the treatment given to PPE.

The NNHQ Project reported controlled Intangible assets in its financial statements. Where there was a conflict between more than one NATO Reporting Entity as to the control of intangible assets, only the end-user entity capitalized the intangible asset in its financial statements based on reliable information provided by the NATO services provider entity as defined in individual agreements between the two entities.

NATO UNCLASSIFIED

ANNEX 6 to
FC(2021)0038

6-10

Where this adaptation conflicts with another requirement of IPSAS, this adaptation will apply. For the remainder, IPSAS 31 shall prevail. This adaptation is effective for financial reporting periods beginning on 1 January 2013.

The introduction of this adaptation to IPSAS 31 has no impact on the way these financial statements are presented.

For the practical consequences resulting from the handovers from Host Nations Belgium and NCIA, please see above under PPE.

Current liabilities

Payables

Payables are amounts due to third parties, including Participating Nations, based on goods received or services provided that remain unpaid. These include estimates of accrued obligations to third parties for goods and services received but not yet invoiced. Amounts due to Participating Nations in the context of their budget contributions are presented under Other Current Liabilities.

Advances and Deferred Revenue

Deferred Revenue represents participating Nations' contributions related to approved annual budgets that have not yet been recognised as revenue in the absence of matching expenses, but which have been called for current common funded budgets and for nationally funded construction works. Funds are called in advance of requirements because the New NATO Headquarters Project has no capital that would allow it to pre-finance any of its activities.

Advances are contributions called related to future years' budgets. Voluntary advances made outside of the call for contributions process are accounted as funds managed for third parties. There have been no such advances called for 2020.

Provisions

Under this item only a provision for receivable invoices that have remained unpaid for longer than one year (bad debt provision) has been recognised.

Other Current Liabilities

Other Current Liabilities include in particular the surplus as per the NATO Financial Regulations, i.e. lapsed credits, financial income and miscellaneous income. In authorizing the New NATO Headquarters Project budget, Nations agreed that it would be a special budget extending over several years. Consequently, it was agreed that credits and the refundable surplus can be maintained with the entity until the Project's completion (C-M(2000)36). Amounts which would have been normally returned to contributing Nations in the framework of the NATO Financial Regulations' provisions – such as net interest earned, miscellaneous receipts, lapsed credits, accumulated surplus – did remain on the entity's accounts.

This item may include other liabilities that do not result from the standard procure-to-pay process, such as miscellaneous transactions to be regularized between entities managed by the IS Office of Financial Control, namely: the surplus from the US sponsored 9/11 Memorial.

As a consequence of the decision to close the NHHQ project on 31 December 2020, lapsed credits, financial income and miscellaneous income identified by this date are presented as accumulated surplus, to be returned to the Nations upon the final closure of the LTPB when all outstanding assets and liabilities have been settled.

Funds Managed for Third Parties (National Funds)

Funds managed on behalf of third parties (national funds) are held in cash or as receivables if they correspond to an unpaid non-budgetary contribution in relation to nationally funded elements. In case of an anticipated/voluntary contribution, they are accounted for when cash is effectively received. The corresponding amounts are presented as a current liability under funds managed for third parties (National and EUROCONTROL funds).

As a consequence of the recognition of the nationally funded elements as non-current assets, contributions called from the Nations with regard to the nationally funded elements are treated in a way comparable to that of budgetary contributions. Amounts called and amounts not converted to unearned revenue, which fund the related works, are included as liabilities

Non-Current Liabilities

The long term unearned revenue is unearned revenue in relation to net carrying amounts of Property, Plant and Equipment and Intangible Assets. Revenue is recognised over the estimated life cycle of the Property, Plant and Equipment and The Intangible Assets.

On 1 September 2020 the previous NATO Headquarters has been handed over to Host Nation Belgium who indicated that some soil is contaminated. The NNHQ liability for the soil decontamination is estimated at EUR 500,000.00 and is expected to be paid in, or after, fiscal year 2022. Hence, this provision is reported under non-current liabilities in the statement of financial position.

Revenue and expense recognition

Up until 2018 all the costs incurred under the New NATO Headquarters Project since its inception, except those related to the Transition Office and furniture, qualified to be capitalized as PPE Work in Progress. This included personnel and operating costs. The matching budget resources provided by Nations to fund these Works in Progress were recognised as a liability in the Statement of Financial Position as Long Term Unearned Revenue. No revenue was recognised in the Statement of Financial Performance, except for the part attributable to the Transition Office and furniture.

The task of the Transition Office was to plan and execute the transition from the previous NATO HQ to the new NATO HQ. After the completion of the move from the PNHQ to the new site, the Transition Office was merged with the NHQPO, becoming the NHQPO/TO. Since then the work of the NHQPO/TO has no longer focused on the NHQ project but rather on the Building Z project, the management of the remnants of the LTPB and the maintenance of the PNHQ until its hand-over to the Host Nation, residual removal actions and some minor works still performed in the NHQ (design corrections, modifications, etc.). Transition Office and NHQPO/TO related costs consisted mainly in salaries of its staff and the costs of consultancy services and they do not fulfil the criteria set by IPSAS 17 to qualify as directly attributable costs of the asset under construction. As a consequence Transition Office and NHQPO/TO costs are expended rather than capitalized. Therefore, as explained in "Changes to Accounting Policies", during 2019 all costs related to NHQPO/TO were expensed, i.e. no longer capitalized into the NHQ building project.

In 2020 the only capitalized costs were works performed by Host Nation and NCIA (see note 8), that were transferred at year-end to NATO IS and NCIA.

Revenue from exchange and non-exchange transactions

There is no revenue from exchange transactions, as the contributions by Nations were based on a fixed cost-share of reimbursable costs for the construction of the New NATO Headquarters Project. The outstanding balances are disclosed as deferred revenue.

Long Term Unearned Revenue

Since 2018 all assets have been transferred to NATO IS and NCIA, thus there is no more long term unearned revenue disclosed under NHQ financial statements.

Statement of Financial Position**NOTE 3: CASH AND CASH EQUIVALENTS**

The current bank accounts are held in EUR. Deposits (see note 4) are held in interest-bearing bank current accounts, immediately available.

Derogations to NATO Financial Regulations were approved by the Council (C-M(2000)36 and BC-D(2000)20). In particular paragraphs 4.4 of the latter document introduce flexible arrangements for national contributions to allow Nations to make anticipated contributions. No ceiling is applicable to the amount of cash holdings.

For the Common funded part of the project the IS Office of Financial Control has issued specific calls for contributions. To meet the Project's payment for the fit-out and nationally funded elements under the NSIP rules and procedures, has issued separate contribution calls. The unspent amounts of Common, National and Fit-Out funding are held as a liability towards the nations.

NNHQ holds also funds from EUROCONTROL (EUR 40,408.94) as the remainder of its contribution to works for a secure pedestrian access between its headquarters and the NNHQ site. This surplus will be returned upon the project closure.

The below table provides comparative data on the NNHQ's Cash Position, over two consecutive years:

(amounts in EUR)	2020	2019
Common Funded	27,070,299.02	12,687,137.66
Nationally Funded	20,091.02	2,593,501.75
Fit-Out	27,564.40	4,929,860.16
Eurocontrol	40,408.94	40,408.94
TOTAL	27,158,363.38	20,250,908.51

NOTE 4: SHORT TERM INVESTMENTS

The below table provides comparative data on the NHQ's Short term Investments, over two consecutive years:

(amounts in EUR)	2020	2019
Common Funded	5,000,000.00	30,000,000.00
Nationally Funded		600,000.00
Fit-Out		
TOTAL	5,000,000.00	30,600,000.00

The MEUR 5 corresponds to short-term investments which are available at 35 days' notice period with ING.

NOTE 5: ACCOUNTS RECEIVABLE

Contributions receivable from member Nations are funds requested from the Nations to finance the Common Funded Budget, the Nationally Funded component and the Fit-Out.

No call for contributions was issued since 2017. Expenses in relation to the project until its completion are covered by credits carried forward. This explains the decrease in budgetary contributions receivables from 2019 to 2020.

There are other receivables from Nations concerning amounts due for cases other than contributions to the NNHQ budget or nationally funded elements.

Other Receivables relate to miscellaneous amounts due to the Project (e.g. reimbursement of operating costs, insurance claims, advances to staff for education allowances etc.).

The below table provides comparative data on the NHQ's Accounts Receivable, over two consecutive years:

Receivables (in EUR)	2020	2019
Budgetary contributions	270,413.00	543,132.85
Recoverable Expenses	70,230.39	328.64
Long Outstanding Debts	22,575.40	29,010.52
Accruals	-	43,792.12
Total	363,218.79	616,264.13

The budgetary contributions refer to the outstanding debt from Montenegro (acquisition of delegation space).

The recoverable expenses relate to the interest charged to Montenegro in the context of the New NATO Headquarters funding arrangement and the NNHQ regularization of Annex K.

The Long Outstanding Debts disclose receivables that remain open for more than 360 days. The receivable does not relate to a Common Funded call for funds but to security costs (USA).

NOTE 6: PREPAYMENTS

Prepayment are done mainly to Host Nation Belgium (PMT), NCIA (as CIS Host Nation) and some staff related advances.

The terms of the MOU between NATO and Host Nation Belgium, stipulate that there will be no national pre-financing of the Project. Therefore, receivables from the PMT relate to advance payments made which are not regularised at year end as they do not correspond to works completed. The NCIA prepayment correspond to advance payments made in connection to CIS works (mainly ANWI), which are not regularised at year end as they do not correspond to works completed.

The below table provides comparative data on the NHQ's Prepayments, over two consecutive years:

Prepayments (in EUR)	2020	2019
Prepayment PMT	2,898,792.84	2,939,029.07
Prepayment NCIA	1,132,352.10	4,918,751.76
Other suppliers	-	215,823.20
Staff (Education Allowance)	-	14,046.67
Total	4,031,144.94	8,087,650.70

The final liquidation of these outstanding prepayments will be settled after the reporting date.

NOTE 7: OTHER CURRENT ASSETS

Other Current Assets correspond mainly to a reimbursement that New NATO Headquarters will receive as part of an insurance settlement (EUR 268,738.94).

NOTE 8: NON-CURRENT ASSETS

By early 2018 all of the main elements of the PPE that have enabled NATO to move to and operate on the new premises have been handed over from the Host Nations (PMT and NCIA) to NATO International Staff. Consequently these assets now appear in the books of the latter except for the IT part which in accordance with the NATO Accounting Framework is to be considered an NCIA asset. There are no longer any PPE or IT assets appearing on the statement of financial position of the NNHQ. In the tables below, the reduction in the value of non-current assets under "Other Changes" reflects this transfer of assets between two NATO entities, under the same legal personality, which was done as direct balance sheet transactions, impacting similarly the Long Term Unearned Revenue.

Up until this transfer, costs charged as PPE Work in Progress cover the common funded PPE and the nationally funded construction works held on behalf of the member Nations which during the execution of the project are considered not separable from the overall amount of fixed assets.

The following tables reconcile the evolution of works related with PPE since 2019 until the end of 2020.

(amounts in EUR)	Carrying Amount end 2018	Additions	Disposals	Depreciation	Other Changes	Carrying Amount end 2019
COMMON FUNDED						
Personnel (chapter 1)	0	0			0	0
Operating Costs (chapter 2)	0	0			0	0
Professional fees (chapter 3)	0	219,860			(219,860)	0
Works (chapter 4)	0	644,049			(644,049)	0
Special Equipment (chapter 5)	0	0			0	0
SUB-TOTAL COMMON FUNDED	0	863,909	0	0	(863,909)	0
						0
NATIONALLY FUNDED						0
Works	0	0			0	0
SUB-TOTAL NATIONALLY FUNDED	0	0	0	0	0	0
						0
TOTAL	0	863,909	0	0	(863,909)	0

(amounts in EUR)	Carrying Amount end 2019	Additions	Disposals	Depreciation	Other Changes	Carrying Amount end 2020
COMMON FUNDED						
Personnel (chapter 1)	0	0			0	0
Operating Costs (chapter 2)	0	0			0	0
Professional fees (chapter 3)	0	0			0	0
Works (chapter 4)	0	361,490			(361,490)	0
Special Equipment (chapter 5)	0	0			0	0
SUB-TOTAL COMMON FUNDED	0	361,490	0	0	(361,490)	0
						0
NATIONALLY FUNDED						0
Works	0	0			0	0
SUB-TOTAL NATIONALLY FUNDED	0	0	0	0	0	0
						0
TOTAL	0	361,490	0	0	(361,490)	0

For 2020, included is an amount of EUR 361,490 corresponding to costs incurred by the PMT for completed works at end 2020. These assets were transferred to IS at 2020 year-end.

The following table reconciles the ANWI Assets since 2019 until the end of 2020:

(amounts in EUR)	Carrying Amount end 2018	Additions	Disposals	Depreciation	Other Changes	Carrying Amount end 2019
COMMON FUNDED						
Personnel (chapter 1)	0	0				0
Operating Costs (chapter 2)	0	0				0
Professional fees (chapter 3)	0	1,090			(1,090)	0
Works (chapter 4)	0	12,977			(12,977)	0
Special Equipment (chapter 5)	0	1,368,172			(1,368,172)	0
TOTAL COMMON FUNDED	0	1,382,239	0	0	(1,382,239)	0

NATO UNCLASSIFIED

6-15

ANNEX 6 to
FC(2021)0038

(amounts in EUR)	Carrying Amount end 2019	Additions	Disposals	Depreciation	Other Changes	Carrying Amount end 2020
COMMON FUNDED						
Personnel (chapter 1)	0	0				0
Operating Costs (chapter 2)	0	0				0
Professional fees (chapter 3)	0	32,495			(32,495)	0
Works (chapter 4)	0	0			0	0
Special Equipment (chapter 5)	0	12,134,525			(12,134,525)	0
TOTAL COMMON FUNDED	0	12,167,020	0	0	(12,167,020)	0

During 2020, an additional EUR 12,167,020.00, were billed by NCIA in relation to the ANWI, which in accordance with the NATO Accounting Framework is to be considered an NCIA and not NNHQ asset.

NOTE 9: PAYABLES

Payables and accrued expenses may be to commercial suppliers, staff, Member Nations and other NATO bodies.

Payable to suppliers

Payable to suppliers relates to goods and services for which an invoice has been received, checked, and queued for payment but for which payment was still pending at year-end.

Payable to personnel

Payable to personnel relates to amounts due to staff in relation to remuneration.

Payable to Nations

A payable of EUR 1,513,305.90 (unchanged compared to 2019) is in relation to the reimbursable salaries due to the United States for a civilian staff member who is paid directly by the United States government.

Under this item we also disclose the unused Fit-Out funds of EUR 27,564.40 that need to be returned in line with Nations instructions.

Accruals

Accrued expenses correspond to the estimated accrual obligation to third parties for goods and services received but not yet invoiced.

Below a table is provided with comparative data on the outstanding payables at year-end for two consecutive years:

Payables (in EUR)	2020	2019
Payable to suppliers	12,577,684.94	1,543,591.62
Payable to staff	5,309.54	9,268.24
Surplus Fit out to reimburse to Nations	27,564.40	4,936,958.72
US Reimbursable	1,513,305.90	1,513,305.90
Accruals	320,635.50	1,693,685.49
Other Nato Entity	813.03	
Total	14,445,313.31	9,696,809.97

NOTE 10: DEFERRED REVENUE**Deferred Revenue from Budgetary Appropriations**

Deferred Revenue from budgetary appropriations corresponds to contributions called in relation to approved budgets but for which corresponding expenses have not incurred before the reporting date of 31 December 2020 and carried-forward in accordance with the NATO Financial Regulations (and the specific waiver thereto applicable to this project) and advances made to the PMT and the NCIA.

At 2020 year-end the deferred revenue from budgetary appropriations amounts to EUR 4,997,454.89 for the Common funded.

Other Deferred Revenue

There are also National Funds corresponding to funds managed on behalf of Nations outside of the standard call for Common Funded budgetary contributions process which are the counterpart of specific contributions called from Nations to meet the Project's payment for the Fit-Out or for Nationally Funded elements. As of 2020 year end there are only EUR 3,772.85 left from the National Funding, corresponding to accumulated interest.

The decision of the use of final balance of Deferred Revenue positions lies with the respective contributors during the final closure of the LTPB.

NOTE 11: ADVANCES**Advances Related to the Budgetary Process**

No advances related with the common funded component of the project were paid/received in 2020. At 2020 year-end, there are only EUR 248.00 of outstanding advances from nations.

Other Advances

The table below provides an overview of the outstanding advances held at year-end for two consecutive years:

Advances for NF (in EUR)	2020	2019
Advance from Member Nations	4,434.91	3,176,371.60
Advance from Third Parties	40,408.91	40,408.91
Total	44,843.82	3,216,780.51

At 2020 year-end, there are no advances left in the Fit-Out program but only in National Funded part of the project. The advance from third party is the surplus reimbursement from PMT related to EUROCONTROL contribution to the NHQ Project

The final balance of these items is to be returned to the respective contributors during the final closure of the NHQ accounts.

NOTE 12: PROVISIONS**Short Term Provisions**

A provision for receivable invoices that have remained unpaid for longer than one year has been registered and is reported under provisions.

Long Term Provisions

A provisions for soil decontamination of the previous NATO Headquarters is estimated at EUR 500,000.00 and is expected to be paid in, or after, fiscal year 2022.

NOTE 13: OTHER CURRENT LIABILITIES**Other Current Liabilities linked to the budget process**

Lapsed credits are budget funds for which no legal liability exists. They cannot be spent in subsequent years. Lapsed credits are normally deducted from the contributions due from Nations in the call of the following year.

Receipts linked to interest, foreign exchange difference profit and bank charges are normally deducted from the contributions due by Nations in the following year.

The standard budgetary process provides that amounts corresponding to the current year budgetary surplus, i.e. lapsed credits, net interests and miscellaneous income, are considered a liability towards the contributing nations. The settlement does not follow the normal accounts payable process, since the standard approach is to return them to contributing nations via a deduction of the following year's call for budget contributions. In the case of the NNHQ Project member nations have decided that this rule would not apply until completion of the project and that all available appropriations at the end of each year would be carried forward. Consequently, calls for contributions were equal to the gross amount of the approved budget with no deductions for any surplus.

As a result of the BC decision to discontinue the NNHQ project per 31 December 2020, the lapsed appropriations have been identified in amount of EUR 15,976,156.30.

Other Types of Current Liabilities

Under this item are disclosed all minor surpluses that do not relate to the budgetary process (common funding, national funding and Fit-Out), but rather to miscellaneous and financial income, including the surplus of the 9/11 Memorial Grant.

The table below provides comparative data year-end balances of other type of current liabilities, for two consecutive years:

Other Current Liabilities (in EUR)	2020	2019
Contribution LTPB to Building Z	-	3,762,403.00
Lapsed Appropriations	15,976,156.30	
Surplus Miscellaneous result	316,176.31	47,437.37
Surplus Financial result	525,450.17	504,235.67
Surplus 9/11 Memorial	12,257.52	12,257.52
Other		
Total	16,830,040.30	4,326,333.56

NOTE 14: LONG TERM UNEARNED REVENUE

This revenue corresponds to the contributions, budgetary and non-budgetary, that funded fixed assets work in progress.

Since the all fixed assets have been transferred out to either NATO IS or NCIA, the NNHQ accounts no longer hold any non-current assets, and hence there is no Long Term Unearned Revenue.

Statement of Financial Performance**NOTE 15: REVENUE**

Until 2018 budgetary revenue has been matched to recognised expenses relating to the activities of the Transition Office.

In 2019 and 2020, this rationale was also applied to the NHQPO/TO expenses, since as off the hand-over of the building to NATO IS, their work is no longer to be capitalized as PPE Work in Progress.

Any interest gained is attributed to the funding of the construction itself, as a liability towards the nations and is therefore is recognized as a surplus.

Financial revenue originates from bank interests, interests charged to Nations and currency exchange profit, while Other revenue originate from minor cost reimbursements and mainly from the payment to be received from host nation related to reimbursement of insurance claims.

NOTE 16: EXPENSES

The only expenses recognised are those related Headquarters Project Office and Transition Office (NHQPO/TO). They consist mainly of the costs related with operation and maintenance of the PNHQ until its hand-over to the host nation (utilities, security services), removal costs and some minor works still performed in the NHQ building (design corrections, modifications, etc.), together with the salaries of staff, administrative expenses and miscellaneous consultancy studies.

As explained under Note 2 (Revenue and expense recognition), starting 2019 all costs related to NHQPO are totally expensed, i.e. no longer capitalized into the NHQ building project.

Banking costs are not recognised as expenses but are deducted from interests earned. A total of EUR 1,030.94 has been recognized as financial cost deriving mainly from currency exchange rate losses.

There are also Provision costs for the soil decontamination of the previous HQ and for long outstanding receivables.

During 2020, the NHQ project did not purchase any additional items of PPE, except those mentioned in Note 8.

NOTE 17: NET RESULT OF THE PERIOD

Given that revenue stemming from budgetary resources is recognised in an equal amount to expenses, the result of the year is nil.

NOTE 18: CASH FLOW STATEMENT

The cash flow statement is presented following the indirect method.

NOTE 19: BUDGET INFORMATION AND RECONCILIATION WITH CASH FLOWS

Presently, NATO NHQ budgets are not publicly available.

Presentation of budget information in the financial statements

Besides NATO Financial Regulations and Financial Rules and Procedures as well as elements of the NSIP procedure, the New Headquarters Project is governed by the following:

- Project Authorization to Ministry of Defense BE: C-M(2007)0076-AS1;
- MOU between Ministry of Defense BE and NATO: SG(2004)1220-REV4;
- CDT Contract signed between Belgium and CDT in December 2004 (PMT responsibility);
- Council derogation to NATO Financial Regulations (C-M(2000)36) and Budget Committee derogation to NFR (BC-DS(2007)0005). The derogation concerns, in particular: committed, or to be committed credits, which may be carried forward until the closure of the Project; the only limitations to cash holdings being the actual funding requirements.

There are three types of funding:

1. NATO Common Funding (CF) for Common Infrastructure requirements: based on an approved Cost Sharing Formula specific to the New NATO HQ Project (SG(99)1707, C-M(2004)0061 and BC-D(2009)0008-ADD1).
2. National Funding (NF) for Construction of Private Space of Delegations: calculated on the basis of actual 'shell and core' costs based on the number of gross square meters of occupied space,
3. National Funding for Fit-Out of Delegations: based on actual costs to fit-out the occupied space of each Delegation.

The latest New NATO Headquarters Financial Status report (BC-D(2020)0167) shows an amount of EUR 34,310,787 related to credits carried over from previous financial years which remained available to be used under the LTPB. There were no new requirements for National Funding nor for the Fit-Out programme for 2020.

In 2020, the daily management of the New NATO Headquarters Long Term Programme Budget has been transferred from DI to EM on 1 May (DPRC-DS(2020)0037). As per PO(2020)0263-AS1, the oversight and control of the New NATO Headquarters Long Term Programme Budget has been transferred from the Deputies Committee to the Budget Committee.

As per DPRC-N(2019)0067-REV1-AS1 (INV), Nations declared their intent to close the Long Term Programme Budget and to disestablish the HQPO/TO on 30 June 2020. As per BC-D(2020)0198 Nations confirmed to close the LTPB as 31 December.

It should be noted that the credits approved for 2020, as for previous budget years, do not correspond to the full extent of the annual costs, including for Salaries and Operations and Maintenance. Credits carried forward from previous years were used, with the agreement of Nations, to fund 2020 commitments and expenses.

Budget execution statements for 2020 and 2019 are provided at Annex 5, the appendix to Annex 6 provide the last Budget Execution report provide by DI as per document BC-D(2020)0167.

Reconciliation of the Budget Execution Statement and the Financial Performance Statement

The budget is prepared for the same period (1 January to 31 December) and encompasses the same entity as these financial statements but the basis and the presentation format are different.

The New NATO HQ Project budget is prepared and executed on a commitment basis. The commitment of credits is the advance acceptance and recording of the financial consequence resulting from a legal obligation incurred during the financial year. Unliquidated commitments are carried forward and added to the budget of the following financial year to the extent of existing legal liabilities or if a special

agreement is given by the Budget Committee. The balance of unused budgetary credits (not committed) lapses but is not returned to nations at year-end, in accordance with the derogation agreed by the NAC.

The budget classification is based on the economic nature of the expenses broken down into five chapters as follows:

Chapter I	Personnel Expenses
Chapter II	Operating Expenses
Chapter III	Intellectual Services
Chapter IV	Demolition/Construction Works
Chapter V	Special Equipment

Up until 2018 with the exception of those relating to the Transition Office, all costs were considered as investing activities. In 2020 EUR 12,528,509.90 were capitalized and transferred at year-end to NATO IS (EUR 361,490) and NCIA (EUR 12,167,019.90)

Concerning the budget execution statement, it must be noted that the approved budget concerns exclusively the Common Funded component of the building. The Nationally Funded component is not strictly speaking a budget (see below) but, the execution of its expenses in a quasi-budget context does result in increases of the related non-current assets and changes in related cash advances to the Host Nations.

Also, carried forward credits, in the case of the NNHQ Project, correspond to unused funds only budget expenses have a financial impact. As a consequence the reconciliation of the budget execution statement should be made between the budget expenses on one side, and, on the other side, the statement of financial performance, changes in the level of non-current assets and of advances to Host Nations, taking into account the distinction between the Common Funded and the Nationally Funded components. Such is the purpose of the table below.

The table below reconciles the budget execution with statement of financial performance for 2020.

2020 Reconciliation of Budget to Financial Performance

BUDGET EXECUTION		Common Funded	National Funded	Total
Total budget (including Carry-forward from Previous year)	(a)	34,310,786.87	0.00	34,310,786.87
Credits Carried Forward in Following Year	(b)	17,033,981.69	0.00	17,033,981.69
Budget Execution Expenses	(c) = (a-b)	17,276,805.18	0.00	17,276,805.18
RECONCILIATION		Common Funded	National Funded	Total
Financial Performance Expenses (excluding Depreciation, Financial and Other costs)	(d)	4,290,631.76	0.00	4,290,631.76
Increase in Non-Current Assets	(e)	12,528,509.90	0.00	12,528,509.90
Provision decontamination - untaken leave	(f)	457,663.52		457,663.52
Sub-Total	(g) = (d+e+f)	17,276,805.18	0.00	17,276,805.18
Difference to Budget Expenses	(c-g)	0.00	0.00	0.00

Nationally Funded Component

Although not considered as a common funded budget, specific amounts are approved for the nationally funded component (excluding Fit-Out). Related expenses are apportioned using physical criteria (such as surface, number of parking spaces) rather than the cost-shares applicable to the Common Funded Component. The table below compares the cumulative approved amounts, related advances to the PMT and accrued expenses. There were no changes since 2018.

	(amounts in EUR)						
	Up to 2015	2016	2017	2018	2019	2020	Cumulative
Approved Amounts	97,086,113	1,422,252	516,950	0	0	0	99,025,315
Cash advances	81,599,999	16,908,366	516,950	0	0	0	99,025,315
Expenses	77,666,447	18,174,145	3,184,723	0	0	0	99,025,315

Fit-Out

Operations related to the Fit-Out of national delegations are not executed in the context of a budget framework; they result in outflows of cash to the PMT and other vendors (ex. move costs) for settlement of related invoices.

NOTE 20: WRITE-OFFS

Nothing to report.

NOTE 21: LEASES

With the completion of the move in 2018 and transfer of the NHQ building to NATO IS, the lease rights granted by Host Nation Belgium over the plot of land where the NHQ is located passed on to NATO IS and therefore no further disclosures are required in this respect under the NHQ financial statements notes.

The New NATO Headquarters Project does not have any financial leases, however in 2020 the following operational lease was funded by the LTPB:

Contract No	ASSET LEASED	AMOUNT PAID IN 2020	EXPENSE ACCOUNT CHARGED	AMOUNT TO PAY FOR 2021
(CPA)				
1980	Building XRay	3,000.00	NH0100-0000-000000-00000-0000-444023-00000-0-0	-

NOTE 22: RESTRICTIONS ON FIXED ASSETS

There are no restrictions on fixed assets.

NATO UNCLASSIFIED

ANNEX 6 to
FC(2021)0038

6-22

NOTE 23: CONTINGENCY CREDITS AND CONTINGENT LIABILITIES**Contingency credits overview (budgetary approach)**

References:

- (a) BC-D(2020)0167
- (b) BC-D(2020)0163-REV1
- (c) BC-D(2020)0169-ADD1-AS1
- (d) BC-D(2020)0218-REV1-AS1

In August 2020, Council approved to transfer the oversight and control from the DPRC to the BC.

At reference (a), the BC noted the financial status report for the LTPB as of 31 December 2019. A financial status report for the LTPB as of 31 December 2020 will be presented to the BC by the EM after the issuance of these financial statements.

At reference (b) the BC was informed about the financial status of the LTPB at 24 September 2020. On 12 November 2020 (reference c) the BC decided to use the remaining contingencies under their control to fund the amounts authorized to the NCI Agency for the correction of JFAI deficiencies impacting operational performance. The relevant budget transfers were approved by the BC on 10 March 2021 (reference d).

Reference (d) provides the latest status of the LTPB contingencies under the BC control:

Description	Budget 2019 NNHQ Financial Statements	Budget After Transfers	Open Appropriations After Transfers
Contingencies - DPRC control	10,582,498	155,433	-
Contingencies - DPRC control (Transition)	481,216	481,216	481,216

Contingent Liabilities

The stakeholders of the Project were regularly informed at the DPRC or Budget Committee level about potential claims under discussion between PMT and its suppliers, possible related legal disputes and their financial consequences on the course of the Project.

In accordance with information collected from the Deputy Assistant Secretary General for HQST, no contingent liabilities are known at 2020 year-end.

NOTE 24: CONTINGENT ASSETS

Nothing to report.

NOTE 25: EMPLOYEE DISCLOSURE

By the end of 2020 the New NATO Headquarters project all staff members left the NNHQ Project

Employee Status

At 31 December 2020, New NATO Headquarters Project Office and Transition Office had the below approved Personnel Establishment.

Position by HQ	NATO Civilians	
	31/12/2020	31/12/2019
Total Approved PE	0	14
Total Filled Positions	0	7
Arrivals in the year	0	0
Departures in the year	7	7

At the end March one temporary staff member left the NNHQ Project. At the end of June, 2 permanent staff members left together with 3 temporary staff members. The contract of the last staff member ended at the end of December 2020, the latter contract had been extended from July onwards, which aligns with the updated revisited decision of the BC to close the NNHQ Project as per 31 December 2020.

Pension Schemes

The NATO-IS centrally manages three pension programs, namely the Defined Benefit Pension Scheme (DBPS) and the Defined Contribution Pension Scheme (DCPS), as well as the Retiree Medical Claims Fund (RMCF), covering staff employed by all NATO bodies. NATO wide financial statements are issued by the NATO-IS Office of Financial Control for the two Pension Schemes and the RMCF; therefore, no related assets or liabilities are recognised in these financial statements.

The DCPS provides that the New NATO Headquarters Project budget makes a 12% monthly matching contribution to the staff members' contributions for current service. As for the DBPS a deduction of 11.8% of their salaries is made and contributed to the annual financing of this plan, in addition, the New NHQPO budget makes a matching contribution to the DBPS equal to 19% of their basic salaries, which in accordance with (BC-WP(83)3(Revised) and C-M(83)34) is deemed to provide the necessary funds for the subsequent pensions liability of the NHQPO. These contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the entity (find reference). Consequently, the NHQPO has neither DBPS nor DCPS liability for its staff members.

The below table provides an overview of the Pension Schemes affiliation to the pension schemes, for the last two consecutive years:

NHQPO/TO Staff Affiliation Per Pension Scheme		
	2020	2019
DCPS	3	3
DBPS	0	1

During 2020 the NHQPO/TO paid the following amount as contributions for DBPS and DCPS pension schemes:

amounts in EUR	2020			2019		
	Staff	Employer	Total	Staff	Employer	Total
Co-ordinated Pension Scheme	-	-	-	14,946.68	29,893.36	44,840.04
Defined Contribution Pension Scheme	7,538.11	15,883.49	23,421.60	37,247.68	59,157.95	96,405.63
TOTAL	7,538.11	15,883.49	23,421.60	52,194.36	89,051.31	141,245.67

Leave

Paid leave is an employee benefit and as such part of overall personnel expenses. In accordance with personnel regulations, the remaining balance at year end may be carried forward but must be taken before 30 April of the following year. It can be exceptionally expanded to 31 October in accordance with Civilian Personnel Regulations art. 42.3.5 and 42.3.6. After this date it lapses and is not paid to staff. For these financial statements, untaken leave is specifically reported if its monetary value is more than 10% of the total annual leave entitlement. The cost of untaken leave days is usually absorbed during the year through the monthly salaries; leave to be taken carried forward into the next year constitutes a liability towards the future and would notionally require funding from Participating Nations. Estimates end 2019 amount to EUR 42,336.48 (EUR 73,382.26 end 2018). This provision has been released as NHPO/TO ceased its operations at 31 December and all staff left at 31 December 2020

Loss of Job Indemnities (LOJI)

In 2020, with the closure of the NHPO/TO some LOJI's have been paid to the respective staff in lieu with the separation. The total amount paid was EUR 609,860.99.

NATO UNCLASSIFIED

ANNEX 6 to
FC(2021)0038

6-24

NOTE 26: KEY MANAGEMENT PERSONNEL

The Deputies Committee (DPRC) is responsible for the oversight of the New NATO HQ Project management. The DPRC took over this responsibility from the DPRHQB which was disbanded in 2010. Members of the DPRC are nominated by their respective National Authorities. They are paid on the basis of applicable national pay scales. They do not receive from NATO any additional remuneration for their responsibilities or access to benefits. As per PO(2020)0263-AS1, the oversight and control of the New NATO Headquarters Long Term Programme Budget has been transferred from the Deputies Committee to the Budget Committee.

For the purposes of IPSAS 20 implementation, until 30 June 2020, Key Management Personnel of New NATO HQ Project consisted of the Director of the NHQPO/TO. This position was remunerated in accordance with its NATO A6 grade. From May 2020 the Deputy Assistant Secretary General for HQST is in charge of the LTPB execution, with no additional remuneration for their responsibilities.

There are no other remuneration or benefits to key management personnel and their family members. Key Management Personnel are entitled to receive loans which are also available to other members of the NATO International Staff.

NOTE 27: RELATED PARTIES**NATO Bodies**

For administrative purposes the NHQPO/TO is attached to the NATO International Staff Defense Investment Division. The Assistant Secretary General of the Defense Investment Division chairs the DPRC when it addresses issues related to the Project. From May 2020, the daily management of the NHPO/TO has been assumed by the Executive Management (EM) Division

The NCI Agency is the Host Nation in charge of equipping the New NATO HQ with modern and cost effective Information and Communication Technologies solutions, to include voice, video and data management, processing and storage through the Active Network Infrastructure (ANWI) project. As off 31 December 2020, there were still the identified JFAI deficiencies on ANWI that will be settled during 2021 together with some minor elements that have been delayed because of the COVID-19 crisis or other unforeseen events.

Member Nations

NATO Security Investment Programme (NSIP) procedures are the management process for the New NATO HQ. Belgium is the Host Nation for the construction, the passive network infrastructure, the building management system, the electronic security system and audio visual infrastructure. In exchange for this service, Belgium receives fees (National Administrative Expense (NAE) equal to 3% of works) the total amount of which is estimated EUR 21.7 million over the duration of the project.

Each delegation's fit-out is the financial responsibility of the Nation concerned. Twenty four Nations agreed to have their delegations' fit-out undertaken by the PMT. Specific advance contributions were requested from the Nations concerned to cover the related costs (C-M(2006)0096). The other four Nations have decided to have their fit-out done nationally without the intervention by the PMT. In 2018 the republic of Montenegro became a member of the Alliance, and decided to also delegate their Fit-out works to the PMT. North Macedonia became a member during 2020 of the Alliance and the related works are managed by NATO International Staff.

* * * * *

List of Acronyms:

ANWI: Area Network Infrastructure
EUROCONTROL: European Organization for the Safety of Air Navigation
DPRC: Deputy Permanent Representatives Committee
IS: International Staff
LOJI: Loss of Job Indemnity
LTPB: NHQ Long Term Program Budget
MOU: Memorandum of Understanding
NCIA: NATO Communication and Information Agency
NHQPO: NATO New HQ Program Office
NHQPO/TO: Combined NHQPO+TO
NSIP: NATO Security Investment Programme
PMT: Project Management Team
PNHQ: Previous NATO HQ
PPE: Property, Plant and Equipment
TO: Transition Office

Latest Budget Execution Report as per BC-D(2020)0167

NEW NATO HQ BUDGET EXECUTION REPORT AS OF 31 DECEMBER 2019								
Line	Description	Opening Budget 2019	Budget Transfers	Budget 2019	Committed 2019	Paid 2019	Available 31 Dec 2019	Carried Forward on 31 Dec 2019 FC(2020)0040
		(03)	(04)	(05)	(06)	(07)	(08)	(09) = (06) + (08)
01-01-01-00	Basic Salaries	1,498,918	(174,000)	1,324,918	-	651,088	673,830	673,830
01-01-02-00	Other Emoluments	231,359	174,000	405,359	377	342,613	62,369	62,746
01-01-04-00	Instruction and staff training	356,162		356,162	1,820	144	354,198	356,018
01-01-06-00	Staff restructuring	842,548		842,548	-	713,318	129,229	129,229
01-01-08-00	Pensions	223,198		223,198	-	89,051	134,147	134,147
01-02-01-00	Temporary staff	128,729		128,729	2,772	88,831	37,126	39,898
01-02-02-00	Consultants	104,482		104,482	5,500	19,291	79,691	85,191
CHAPTER 1	PERSONNEL COSTS	3,385,396	-	3,385,396	10,470	1,904,337	1,470,589	1,481,059
02-01-00-00	Travel on official business	2,326		2,326	351	84	1,891	2,242
02-03-00-00	Hospitality	4,341		4,341	-	2,007	2,334	2,334
02-05-01-00	Operating expenses	345,304		345,304	182	8,854	336,267	336,450
02-05-01-01	Operating Overlap costs (Transition)	3,496,000	2,100,000	5,596,000	511,852	3,879,241	1,204,907	1,716,760
02-05-03-00	Disposal of PNHQ (Transition)	2,606,627		2,606,627	26,086	1,768,393	812,148	838,234
02-05-04-00	New HQ launch (Transition)	814,303		814,303	241,118	133,430	439,754	680,872
02-06-00-00	Construction Site Guard	152,625		152,625	-	152,625	(0)	(0)
02-08-00-00		26,062		26,062	-	-	26,062	26,062
CHAPTER 2	OPERATING EXPENSES	7,447,587	2,100,000	9,547,587	779,590	5,944,634	2,823,364	3,602,953
03-01-04-01	Legal Consultancy NATO	150,000		150,000	-	141,525	8,475	8,475
03-01-13-01	ICT Prog Mgt	19,021		19,021	-		19,021	19,021
03-02-00-00	Belgian Project Managt Team	283,842		283,842	283,842		-	283,842
03-02-01-00	NCIA fees for ICT	82,844		82,844	33,025	1,090	48,728	81,754
03-04-00-00	Concept Design Team Fees	108,319		108,319	-	101,190	7,129	7,129
CHAPTER 3	INTELLECTUAL SERVICES	644,026	-	644,026	316,867	243,806	83,353	400,221
04-01-02-00	Construction of new site and PNWI	12,185,654		12,185,654	12,185,654	-	-	12,185,654
04-01-02-01	Electronic Security System	25,000		25,000	25,000	-	-	25,000
04-01-02-02	Contingencies - DPRC control	17,222,614	(2,100,000)	15,122,614	-	4,540,115	10,582,498	10,582,498
04-01-02-04	Contingencies - DPRC control (Transition)	481,216		481,216	10,784	-	470,431	481,216
04-01-02-05	One-time requirements (Transition)	1,135,312		1,135,312	275,940	443,359	416,012	691,953
04-01-03-00	Audio Visual Equipment	632,087		632,087	632,087	32,119	(32,119)	599,968
04-01-05-00	Construction Security equipment	59,398		59,398	-	1,696	57,702	57,702
CHAPTER 4	CONSTRUCTION COSTS	31,741,280	(2,100,000)	29,641,280	13,129,466	5,017,290	11,494,525	24,623,991
05-01-01-00	ICT Active Network Infrastructure (NCIA)	2,376,811		2,376,811	7,032	86,125	2,283,654	2,290,686
05-01-02-00	ICT Technical Application Migration & ICTM	2,534,568		2,534,568	723,871	1,471,921	338,776	1,062,647
05-01-03-00	Furniture either internal or external	577,236		577,236	22,262	145,404	409,571	431,832
05-01-03-01	Sports or recreational equipment	67,922		67,922	-	-	67,922	67,922
05-01-04-00	Relocation costs	463,196		463,196	56,451	113,720	293,024	349,476
CHAPTER 5	SPECIAL EQUIPMENT	6,019,734	-	6,019,734	809,616	1,817,170	3,392,947	4,202,563
TOTAL BUDGET - COMMON FUNDING		49,238,023	-	49,238,023	15,046,009	14,927,236	19,264,778	34,310,787



NORTH ATLANTIC TREATY ORGANIZATION
ORGANISATION DU TRAITÉ DE L'ATLANTIQUE NORD
INTERNATIONAL BOARD OF AUDITORS
COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

PIÈCE JOINTE 5
PO(2022)0119

NATO SANS CLASSIFICATION

IBA-A(2021)0155
26 novembre 2021

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

Cc : Représentants permanents auprès de l'OTAN
Secrétaire général adjoint pour la gestion exécutive
Contrôleuse des finances du Secrétariat international
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 du fonds de couverture médicale des agents à la retraite (FCMR) pour l'exercice clos le 31 décembre 2020 – IBA-AR(2021)0035***

Monsieur le Secrétaire général,

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

L'IBAN a émis une opinion sans réserve sur les états financiers du FCMR ainsi que sur la conformité pour l'exercice 2020.

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

Daniela Morgante
Présidente

Pièces jointes : voir ci-dessus.

NATO SANS CLASSIFICATION

NATO SANS CLASSIFICATION

IBA-AR(2021)0035

**Note succincte
du Collège international des auditeurs externes de l'OTAN
à l'intention du Conseil
sur l'audit des états financiers
du fonds de couverture médicale des agents à la retraite (FCMR)
pour l'exercice clos le 31 décembre 2020**

Le fonds de couverture médicale des agents à la retraite (FCMR) a été créé au 1^{er} janvier 2001 par suite de l'approbation du PO(2000)123 par le Conseil. L'objectif était de constituer une réserve afin de garantir la disponibilité de fonds suffisants pour permettre à l'OTAN, dans les années ultérieures, de faire face aux obligations qui lui incombent s'agissant de la prise en charge des dépenses médicales des agents retraités répondant aux critères fixés et des personnes reconnues comme étant à leur charge.

Le FCMR est doté d'un comité de surveillance, qui est chargé d'en superviser la gestion. Ce comité se réunit au moins deux fois par an.

En 2020, les cotisations des entités OTAN présentant des états financiers et du personnel de l'OTAN se sont élevées à 28,6 millions d'euros (MEUR), contre 26,5 MEUR en 2019, et les primes d'assurance prélevées sur le fonds se sont établies à 27,4 MEUR, contre 26,9 MEUR en 2019. Fin 2020, le gestionnaire du fonds détenait 378,6 MEUR au nom de l'OTAN (contre 369,9 MEUR fin 2019).

L'IBAN a émis une opinion sans réserve sur les états financiers 2020 du FCMR ainsi que sur la conformité pour l'exercice.

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

1. Informations à fournir au sujet des erreurs survenues lors de périodes précédentes dans l'estimation de l'obligation relative aux soins médicaux postérieurs à la période d'emploi
2. Nécessité pour le Comité de surveillance du FCMR de se réunir conformément au Règlement du personnel civil de l'OTAN

L'IBAN a formulé une « observation particulière » au sujet de la note 3 jointe aux états financiers, qui concerne l'évaluation actuarielle. En effet, selon l'IBAN, l'importance de cet élément est telle qu'il est indispensable à l'utilisateur pour sa compréhension des états financiers.

L'IBAN a fait le point sur les suites données aux observations formulées lors d'audits précédents, et il a constaté qu'une question avait été traitée, qu'une autre était en cours de traitement et qu'une autre encore restait à traiter.

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

NATO SANS CLASSIFICATION

IBA-AR(2021)0035

26 novembre 2021

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

**RAPPORT SUR L'AUDIT DES ÉTATS FINANCIERS
DU FONDS DE COUVERTURE MÉDICALE DES AGENTS À LA RETRAITE
(FCMR)
POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2020**

PUBLICLY DISCLOSED - PDN(2022)0014 - MIS EN LECTURE PUBLIQUE

NATO SANS CLASSIFICATION

NATO SANS CLASSIFICATION

IBA-AR(2021)0035

OPINION DE L'AUDITEUR EXTERNE À L'INTENTION DU CONSEIL DE L'ATLANTIQUE NORD***Audit des états financiers*****Opinion sur les états financiers**

Le Collège international des auditeurs externes de l'OTAN (IBAN) a audité les états financiers du fonds de couverture médicale des agents à la retraite (FCMR) portant sur la période de 12 mois ayant pris fin le 31 décembre 2020. Diffusés sous la cote FC(2021)0034 et soumis à l'IBAN le 31 mars 2021, ces états financiers se composent de l'état de l'actif net disponible pour le service des prestations au 31 décembre 2020, de l'état des variations de l'actif net disponible pour le service des prestations au cours de la période ayant pris fin à cette date, ainsi que de notes explicatives, notamment un résumé des méthodes comptables importantes.

L'opinion de l'IBAN est que les états financiers donnent une image fidèle et exacte de l'actif net disponible pour le service des prestations du FCMR au 31 décembre 2020 ainsi que des variations de l'actif net disponible pour le service des prestations du FCMR au cours de la période ayant pris fin à cette date, en application des dispositions comptables et des normes de compte rendu du cadre comptable OTAN (NAF) et en application de la norme comptable internationale (IAS) 26 (*Comptabilité et rapports financiers des régimes de retraite*).

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 sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 2200-2899), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

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

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

NATO SANS CLASSIFICATION

IBA-AR(2021)0035

Observation particulière sur les états financiers

L'IBAN souhaite ici mettre en avant 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.

La note 3 jointe aux états financiers 2020 du FCMR, qui présente l'évaluation actuarielle, donne des informations en sus de celles requises par le NAF. L'IBAN appelle l'attention sur cette évaluation, bien que le NAF n'exige pas qu'une note soit fournie à ce sujet. D'après la note 3, l'augmentation de 1,9 milliard d'euros en 2020 du montant de l'obligation relative aux soins médicaux postérieurs à la période d'emploi – qui est passée de 3,44 milliards d'euros au 31 décembre 2019 à 5,34 milliards d'euros au 31 décembre 2020 – s'explique principalement par une perte actuarielle de 1,63 milliard d'euros. Cependant, l'IBAN considère qu'en réalité, elle tient principalement au fait que le nombre d'affiliés est passé de 8 746 au 31 décembre 2019 à 9 842 au 31 décembre 2020, soit une hausse de 1 096 affiliés, qui pour la plupart étaient auparavant exclus à tort de la population prise en considération et donc de l'estimation du passif correspondant aux avantages postérieurs à l'emploi. La prise en compte de ces affiliés a eu une incidence sur le montant de l'obligation estimative. Toutefois, le solde de cette obligation à l'ouverture (1^{er} janvier 2020) ne le montre pas.

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 du FCMR 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.

NATO SANS CLASSIFICATION

IBA-AR(2021)0035

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

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

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

- à recenser et à évaluer les risques d'inexactitudes significatives dans les états financiers, que celles-ci relèvent d'une fraude ou d'une erreur, à concevoir et à mettre en œuvre des procédures d'audit sensibles à ces risques ainsi qu'à obtenir par son audit les éléments probants nécessaires et suffisants pour lui permettre de formuler une opinion ; le risque de non-détection d'une inexactitude significative relevant d'une fraude est plus élevé que le risque de non-détection d'une inexactitude significative relevant d'une erreur, car la fraude peut résulter d'une collusion, d'une falsification, d'omissions intentionnelles, de fausses déclarations ou du contournement du contrôle interne ;
- à acquérir une connaissance du contrôle interne qui soit pertinente pour l'audit, le but étant d'élaborer des procédures d'audit qui soient adaptées à la situation considérée et non pas d'exprimer une opinion sur l'efficacité du système de contrôle interne de l'entité ;
- à déterminer si les méthodes comptables appliquées sont appropriées et si les estimations comptables et les informations connexes fournies par la direction sont raisonnables ;
- à se prononcer sur le caractère approprié ou non de l'utilisation du principe comptable de la continuité d'activité et à déterminer, à partir des éléments probants obtenus par l'audit, s'il existe une incertitude significative du fait d'événements ou de circonstances susceptibles de remettre fondamentalement en cause la capacité de l'entité à poursuivre son activité ; si l'IBAN juge qu'une telle incertitude existe, il est tenu d'appeler l'attention, dans son opinion, sur les informations correspondantes figurant dans les états financiers ou, si ces informations sont incomplètes, de formuler une opinion modifiée ; les conclusions de l'IBAN sont fondées sur les éléments probants

NATO SANS CLASSIFICATION

IBA-AR(2021)0035

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 sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 4000-4899), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

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

Responsabilité de la direction concernant la conformité

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

Le secrétaire général 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 :

NATO SANS CLASSIFICATION

IBA-AR(2021)0035

adéquation, bonne gouvernance, obligation de rendre compte, transparence, gestion des risques et contrôle interne, audit interne, audit externe, prévention et détection des fraudes.

Responsabilité de l'IBAN concernant la conformité

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

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

Bruxelles, le 26 novembre 2021



Daniela Morgante
Présidente

NATO SANS CLASSIFICATION

NATO SANS CLASSIFICATION

IBA-AR(2021)0035

OBSERVATIONS ET RECOMMANDATIONS

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

1. Informations à fournir au sujet des erreurs survenues lors de périodes précédentes dans l'estimation de l'obligation relative aux soins médicaux postérieurs à la période d'emploi
2. Nécessité pour le Comité de surveillance du FCMR de se réunir conformément au Règlement du personnel civil de l'OTAN

L'IBAN a fait le point sur les suites données aux observations formulées lors d'audits précédents, et il a constaté qu'une question avait été traitée, qu'une autre était en cours de traitement et qu'une autre encore restait à traiter.

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

1. INFORMATIONS À FOURNIR AU SUJET DES ERREURS SURVENUES LORS DE PÉRIODES PRÉCÉDENTES DANS L'ESTIMATION DE L'OBLIGATION RELATIVE AUX SOINS MÉDICAUX POSTÉRIEURS À LA PÉRIODE D'EMPLOI

Contexte

1.1 Aux termes de l'article 51.2 du Règlement du personnel civil (RPC), les agents civils OTAN à statut international « *bénéficient de la garantie de l'assurance-groupe dès le début du premier jour de leur entrée en fonction jusqu'à la fin de la dernière journée de fonctions* ». Cet article dispose également que « *les agents qui quittent l'Organisation après avoir accompli au moins 10 ans de service sans interruption et qui ont atteint l'âge de 55 ans ont droit sans limitation de durée au remboursement des frais médicaux pour eux/elles-mêmes et pour les personnes reconnues à leur charge, dans les limites prescrites* ».

1.2 Créé au 1^{er} janvier 2001, le FCMR (régi par l'annexe XIII du RPC) a pour objet de constituer une réserve afin de garantir la disponibilité de fonds suffisants pour permettre à l'OTAN, dans les années à venir, de faire face aux obligations qui lui incombent en vertu de l'article 51.2 du RPC.

1.3 Les états financiers publiés par le Bureau du contrôle financier (OFC) du Secrétariat international (SI) pour le FCMR sont des états financiers à usage général. L'obligation relative aux soins médicaux postérieurs à la période d'emploi n'y est pas comptabilisée. Ce traitement comptable est conforme au cadre comptable OTAN

NATO SANS CLASSIFICATION

IBA-AR(2021)0035

(NAF), car la norme comptable internationale du secteur public (IPSAS) 39 ne s'applique qu'à l'employeur, qui doit constater tous les avantages du personnel, et non pas au FCMR lui-même, qui n'a pas d'employés.

1.4 Aux termes de l'IPSAS 1, « *les entités sont encouragées à présenter des informations complémentaires de manière à aider les utilisateurs à évaluer la performance et la qualité de la gestion des actifs de l'entité ainsi qu'à prendre et évaluer leurs décisions en matière d'affectation de ressources* ». Selon la même norme, « *[l']application des IPSAS, accompagnée de la présentation d'informations complémentaires lorsque nécessaire, est présumée conduire à des états financiers qui donnent une image fidèle* ».

1.5 Chaque année, l'OFC fournit des informations complémentaires sur l'évaluation actuarielle. Pour l'exercice 2020, ces informations figurent dans la note 3 jointe aux états financiers. Elles portent sur l'étude actuarielle réalisée par le Service international des rémunérations et des pensions (SIRP), exposent la méthode d'évaluation actuarielle et les hypothèses actuarielles, et expliquent quels en sont les effets sur l'obligation à la charge du FCMR.

1.6 Fournies en sus des informations qui doivent être communiquées en application du NAF, elles sont importantes pour les utilisateurs des états financiers à usage général. En effet, elles sont les seules dont ces utilisateurs – contribuables, législateur, créanciers, fournisseurs, médias et personnel – disposent au sujet de la valeur actuelle de l'obligation relative aux soins médicaux postérieurs à la période d'emploi.

1.7 Comme indiqué dans la note 3, le SIRP a réalisé une étude actuarielle qui vise :

– à *estimer le montant des passifs constitués au 31 décembre 2020 au titre des prestations définies (pensions et couverture médicale), en application des normes comptables internationales du secteur public (IPSAS) ;*

– à *produire les informations comptables à fournir au sujet de ces passifs en application des IPSAS.*

L'étude se base sur des données exhaustives relatives à la population affiliée à la fin 2020, qui sont communiquées au SIRP par l'OTAN.

1.8 Le SI collecte les données requises (nombre d'affiliés, etc.) auprès des différents organismes OTAN et les envoie sous forme agrégée au SIRP, qui établit sur cette base son rapport actuariel annuel. Dans le document qui énonce la procédure de contrôle des études actuarielles, le SIRP indique que « *la responsabilité première de l'intégrité et de la validité des données incombe aux fournisseurs de données* », c'est-à-dire en l'occurrence à l'OTAN. Il est donc important que le SI veille à ce que les données communiquées au SIRP soient effectivement exhaustives et exactes, car toute donnée manquante peut fausser l'évaluation actuarielle du passif correspondant aux avantages postérieurs à l'emploi.

NATO SANS CLASSIFICATION

IBA-AR(2021)0035

1.9 La comptabilisation d'éléments dans les états financiers, leur évaluation, leur présentation et les informations fournies à leur sujet peuvent être entachées d'erreurs qui, parfois, ne sont détectées qu'au cours d'une période ultérieure. En application du paragraphe 47 de l'IPSAS 3 (*Méthodes comptables, changements d'estimations comptables et erreurs*), l'entité est tenue, si elle détecte une erreur dans les états financiers d'une période antérieure, de fournir les informations suivantes :

- a) la nature de l'erreur relative à la période antérieure ;
- b) pour chaque période antérieure présentée, dans la mesure du possible, le montant de la correction pour chaque poste concerné des états financiers ;
- c) le montant de la correction au début de la première période présentée ;
- d) si le retraitement rétrospectif est irréalisable pour une période antérieure donnée, les circonstances qui ont mené à cette situation et une description de la manière et de la date à partir de laquelle l'erreur a été corrigée.

1.10 D'après le paragraphe 31 de l'IPSAS 3, l'ajustement relatif aux périodes antérieures est généralement pratiqué sur les soldes cumulés. Cependant, *« toute autre information fournie concernant [c]es périodes [...], telle que les synthèses historiques de données financières, est également retraitée en remontant aussi loin que praticable »*.

Constatations

1.11 L'IBAN a constaté que le SI ne veillait pas à ce que les données relatives aux bénéficiaires du FCMR qui sont envoyées au SIRP soient exhaustives et exactes. En 2020, le SIRP a actualisé les profils médicaux des affiliés au FCMR et demandé des informations complémentaires au SI. À cette occasion, il a remarqué que la population d'affiliés qu'il avait prise en considération avant 2020 pour estimer le passif correspondant aux avantages postérieurs à l'emploi était significativement incomplète. En effet, la population d'affiliés prise en considération pour l'estimation de l'obligation relative aux soins médicaux postérieurs à la période d'emploi a augmenté de 1 096 unités (13 %), passant de 8 746 au 31 décembre 2019 à 9 842 au 31 décembre 2020. Pour l'essentiel, cette augmentation tient au fait que, par le passé, certaines informations concernant le nombre d'affiliés n'ont pas été communiquées.

1.12 Dans son étude actuarielle, le SIRP donne les précisions suivantes à propos de la population d'affiliés prise en considération en 2020 : *« Cette année, l'OTAN a communiqué des données qualitativement meilleures au sujet des affiliés au régime d'assurance soins de santé. La population prise en considération inclut d'anciens affiliés au régime de pensions à cotisations définies ou à la Caisse de prévoyance, qui ne perçoivent pas de pension OTAN et qui, auparavant, étaient laissés de côté dans l'évaluation de l'obligation relative aux soins médicaux. Le nombre d'affiliés dont la présente évaluation a tenu compte a donc nettement augmenté. »*

NATO SANS CLASSIFICATION

IBA-AR(2021)0035

1.13 L'obligation relative aux soins médicaux postérieurs à la période d'emploi est passée de 3,44 milliards d'euros (EUR) au 31 décembre 2019 à 5,34 milliards EUR au 31 décembre 2020, soit une augmentation de 1,9 milliard EUR en 2020. D'après la note 3 jointe aux états financiers du FCMR, cette augmentation s'explique principalement par une perte actuarielle de 1,63 milliard EUR qui découle pour 392,4 millions EUR des changements apportés à la population, pour 578 millions EUR des caractéristiques de celle-ci, et pour 700,8 millions EUR des hypothèses financières retenues. En réalité, elle résulte principalement de la prise en considération de 1 096 affiliés supplémentaires qui auparavant étaient exclus des statistiques de population communiquées au SIRP et, par conséquent, de l'estimation du passif correspondant aux avantages postérieurs à l'emploi. La prise en compte de ces affiliés a bien eu une incidence sur le montant estimatif de l'obligation, mais ce n'est pas parce que les hypothèses actuarielles ont été modifiées. Il n'y a donc pas eu de perte actuarielle en 2020, au contraire de ce qui est affirmé dans la note 3.

1.14 Par ailleurs, s'agissant du compte rendu financier, l'IBAN a constaté que la note 3 ne contenait pas toutes les informations requises par le NAF (IPSAS 1 et 3) en ce qui concerne l'incidence de l'augmentation du nombre d'affiliés. Plus précisément, bien que la note 3 précise à combien s'élevait l'obligation à l'ouverture d'une part et à la clôture d'autre part, les états financiers du FCMR au 31 décembre 2020 n'indiquent pas quel a été le montant de la correction rétrospective ou, le cas échéant, pourquoi il n'a pas été possible de fournir cette information pour les périodes antérieures. La note 3 commise au cours des périodes précédentes n'indique pas quelle est l'incidence nette de l'erreur sur le montant du passif correspondant aux avantages postérieurs à l'emploi. Si l'incidence de cette erreur avait été présentée rigoureusement, le solde à l'ouverture (1^{er} janvier 2020) du passif correspondant aux avantages postérieurs à l'emploi aurait été sensiblement plus élevé et, à l'inverse, la perte actuarielle encourue pour l'exercice 2020 aurait été sensiblement plus faible.

Recommandations

1.15 L'IBAN recommande au SI de renforcer les contrôles internes qui portent sur l'information relative au passif correspondant aux avantages postérieurs à l'emploi. Il recommande au SI, à cet effet, de mettre en place et de consigner une procédure qui prévoit :

- a) l'instauration de contrôles internes spécifiques de l'exhaustivité et de l'exactitude des données communiquées au SIRP pour les besoins de l'établissement du rapport actuariel annuel ;
- b) l'aménagement d'une piste d'audit complète pour toutes les données reçues des entités OTAN qui sont envoyées au SIRP comme matériau pour l'établissement du rapport actuariel annuel ;
- c) le renforcement des contrôles internes du processus d'établissement du compte rendu financier, de façon à ce que les éléments clés du rapport actuariel annuel du SIRP se retrouvent dans l'information financière.

NATO SANS CLASSIFICATION

IBA-AR(2021)0035

2. NÉCESSITÉ POUR LE COMITÉ DE SURVEILLANCE DU FCMR DE SE RÉUNIR CONFORMÉMENT AU RÈGLEMENT DU PERSONNEL CIVIL DE L'OTAN

Contexte

2.1 L'article 3 de l'annexe XIII-2 du RPC stipule qu'un comité de surveillance est créé pour superviser la gestion du FCMR,

2.2 Aux termes du même article, ce comité « se réunit deux fois par an pour être informé, par le gestionnaire, de la stratégie d'investissement et de ses résultats ».

2.3 Dans le paragraphe 2 de l'IBA-AR(2017)0025, l'IBAN relevait que le Comité de surveillance ne s'était pas réuni en 2016, et il formulait la recommandation rappelée au paragraphe suivant.

2.4 « Le Collège recommande de se conformer au RPC en règle générale. Si le Comité juge superflu ou inutilement coûteux de se réunir, il convient que la présidence en consigne clairement les raisons dans un document, qu'elle soumette celui-ci à tous les membres du Comité, que ceux-ci marquent leur accord par écrit, et que le document et les réponses des membres soient dûment classés, afin que le Comité puisse apporter la preuve qu'il a honoré ses obligations pour ce qui est du FCMR. »

2.5 Dans l'IBA-AR(2018)0014, l'IBAN a considéré que la question avait été traitée, car le Comité avait respecté le RPC en se réunissant deux fois en 2017.

Constatations

2.6 En 2020, le Comité de surveillance du FCMR s'est réuni le 26 juin. Dans le compte rendu de la réunion, il a rappelé qu'en application de l'article 3 de l'annexe XIII-2 du RPC, il devait se réunir deux fois par an, et il a convenu qu'une deuxième réunion devrait se tenir avant la fin de l'année.

2.7 L'IBAN a constaté que le Comité de surveillance ne s'était cependant réuni qu'une fois en 2020. D'après l'OFC, la pandémie de COVID-19 a contraint le SI et le SIRP à revoir leurs priorités en 2020. Cette année-là, le nombre de réunions a été réduit le plus possible et, comme aucune question urgente ne requérait l'attention du Comité, celui-ci ne s'est réuni qu'une fois.

2.8 La décision de ne pas avoir de seconde réunion n'a pas été justifiée par écrit ni approuvée par écrit par les membres du Comité.

Recommandations

2.9 L'IBAN recommande au Comité de surveillance du FCMR de se conformer à l'article 3 de l'annexe XIII-2 du RPC en se réunissant au moins deux fois par an ou de

NATO SANS CLASSIFICATION

IBA-AR(2021)0035

justifier tout écart par rapport au RPC dans un document soumis à l'approbation de tous ses membres.

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 2019 IBA-AR(2021)0008, paragraphe 1 NÉCESSITÉ D'AMÉLIORER LE PROCESSUS DE CONFIRMATION DU MONTANT DES COTISATIONS VERSÉES AU FCMR Recommandation de l'IBAN L'IBAN recommande au Bureau du contrôle financier du SI de faire en sorte que : a) les demandes de confirmation des soldes en fin d'exercice soient envoyées au tout début de l'exercice suivant, afin que toutes les entités OTAN cotisant au FCMR puissent répondre en temps voulu ; b) un rapprochement soit effectué entre les cotisations reçues et les enregistrements comptables.	Les soldes de cotisations ont tous été confirmés, et un rapprochement a été effectué entre les cotisations reçues et les enregistrements comptables.	Question traitée.
(2) Exercice 2018 IBA-AR(2019)0026, paragraphe 1 NÉCESSITÉ POUR L'OTAN DE COMPTABILISER LE PASSIF CORRESPONDANT AUX AVANTAGES POSTÉRIEURS À L'EMPLOI, AFIN DE SE CONFORMER À SON CADRE		Question à traiter.

NATO SANS CLASSIFICATION

IBA-AR(2021)0035

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
COMPTABLE (IPSAS 39 (AVANTAGES DU PERSONNEL)) Recommandation de l'IBAN L'IBAN recommande que l'OFC, en tant que contrôleur des finances du FCMR, définisse les critères de comptabilisation du passif correspondant aux avantages postérieurs à l'emploi et fasse en sorte que ce passif soit constaté conformément au cadre comptable OTAN (IPSAS 39 (<i>Avantages du personnel</i>)).	Les notes 3 jointes aux états financiers du régime de pensions coordonné de l'OTAN et du FCMR mentionnent le montant des avantages postérieurs à l'emploi, calculés conformément à l'IPSAS 39 par l'actuaire du SIRP. Cependant, ce montant n'est constaté dans l'état de la situation financière d'aucune entité OTAN, si bien qu'à l'échelle de l'Organisation, l'IPSAS 39, qui fait partie du cadre comptable OTAN, n'est pas respectée. Cette question restera « à traiter » tant que le problème n'aura pas trouvé de solution à l'échelle de l'OTAN.	
(3) Exercice 2012 IBA-AR(2013)25, paragraphe 5 INADÉQUATION DE L'ACTIF NET DU FCMR POUR LE SERVICE DES PRESTATIONS ESCOMPTÉES Recommandation de l'IBAN Le Collège appelle l'attention du Conseil sur le fait que les ressources prévues actuellement ne suffiront pas pour permettre à l'OTAN de faire face à ses obligations, alors que c'est là l'objet même du fonds, et il recommande que, comme proposé dans le SG(2009)0302, le SI fournisse une estimation du montant minimal qu'il faudra injecter dans le FCMR pour assurer sa viabilité. Cette estimation devra être basée sur les résultats de l'étude de la gestion des actifs et des passifs communiqués à la réunion tenue en décembre 2012 par le Comité de surveillance, ainsi que sur le rapport final relatif à cette étude, daté du 30 avril 2013. Le Collège recommande également que le SI fournisse toutes les informations nécessaires et qu'il présente toute mesure corrective mise en œuvre pour limiter le	En 2013, le SIRP a établi des prévisions de dépenses pour déterminer si l'actif du fonds serait suffisant pour que les obligations puissent être honorées. Plusieurs scénarios de rendement de l'actif ont été étudiés. Comme cela avait été envisagé, les dépenses de fonctionnement du FCMR ont, en 2019, pour la première fois, dépassé les cotisations reçues. Le SI travaille avec le SIRP à l'actualisation des prévisions. En avril 2021, le Comité de surveillance du FCMR a autorisé le SI à commander une nouvelle étude, qui devrait être finalisée d'ici à la fin 2021.	Question en cours de traitement.

NATO SANS CLASSIFICATION

NATO SANS CLASSIFICATION

IBA-AR(2021)0035

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
niveau des obligations. Le tout devrait être présenté aux pays dans les meilleurs délais afin de leur permettre de prendre, si c'est encore possible, les mesures correctives supplémentaires qui s'imposent.		

NATO SANS CLASSIFICATION

IBA-AR(2021)0035

COMMENTAIRES OFFICIELS DU SECRÉTARIAT INTERNATIONAL (SI) SUR LE RAPPORT D'AUDIT ET POSITION DU COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN (IBAN)**OBSERVATION 1 :
INFORMATIONS À FOURNIR AU SUJET DES ERREURS SURVENUES LORS DE PÉRIODES PRÉCÉDENTES DANS L'ESTIMATION DE L'OBLIGATION RELATIVE AUX SOINS MÉDICAUX POSTÉRIEURS À LA PÉRIODE D'EMPLOI****Commentaires officiels du SI**

Le SI souscrit aux recommandations a) et b).

C'est aux services RH des différents organismes OTAN qu'il incombe d'assurer l'intégrité des données dans le PMIS. Bien que le SI ait accès à ce système et puisse en extraire des informations, il ne dispose d'aucun élément de contexte ni d'aucune ressource pour les confronter à la réalité du terrain. Les données enregistrées le sont sous l'autorité du chef de chaque organisme OTAN et du centre de paie compétent, lequel assure une gestion attentive des données individuelles qui relèvent de sa responsabilité.

Les responsables du PMIS et des RH rencontreront des représentants du SIRP pour améliorer la qualité et le traitement des données pour ce qui est des données relatives aux agents en fonction et de celles qui sont utilisées pour l'établissement des comptes du régime de pensions coordonné (dans le contexte du transfert des données de certains organismes d'Athena vers Magellan).

Le SI souscrit partiellement à la recommandation c).

L'évaluation actuarielle dont il est question dans la note 3 jointe aux états financiers du FCMR n'a pas d'incidence sur le déficit ou l'excédent en fin d'exercice, n'a pas d'incidence sur le solde d'ouverture de la période précédente/considérée/suivante et n'a pas d'effet cumulatif (car elle résulte d'une prévision à horizon glissant basée sur des hypothèses actuarielles mises à jour annuellement). Chaque hypothèse actuarielle (et la validation actuarielle elle-même) n'est valable qu'à la date de clôture (et n'a pas d'incidence sur la période considérée ni sur la période précédente) et vise à donner des informations sur des éventualités futures.

La note 3 jointe aux états financiers 2020 du FCMR fournit des informations sur la nature des modifications apportées aux hypothèses actuarielles. L'OFC convient qu'il aurait été intéressant d'expliquer pourquoi il n'a pas été possible d'effectuer le calcul rétrospectivement, et il appliquera la recommandation de l'IBAN si une situation semblable devait se produire à l'avenir.

NATO SANS CLASSIFICATION

IBA-AR(2021)0035

**OBSERVATION 2 :
NÉCESSITÉ POUR LE COMITÉ DE SURVEILLANCE DU FCMR DE SE RÉUNIR
CONFORMÉMENT AU RÈGLEMENT DU PERSONNEL CIVIL DE L'OTAN****Commentaires officiels du SI**

*Le SI souscrit à la recommandation.
Il en prend bonne note et s'efforcera de s'y conformer à l'avenir.*

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES**(1) Exercice 2019****IBA-AR(2021)0008, paragraphe 1****NÉCESSITÉ D'AMÉLIORER LE PROCESSUS DE CONFIRMATION DU MONTANT
DES COTISATIONS VERSÉES AU FCMR****Commentaires officiels du SI**

Le SI est d'accord avec la recommandation.

Il n'a aucun commentaire à formuler.

(2) Exercice 2018**IBA-AR(2019)0026, paragraphe 1****NÉCESSITÉ POUR L'OTAN DE COMPTABILISER LE PASSIF CORRESPONDANT
AUX AVANTAGES POSTÉRIEURS À L'EMPLOI, AFIN DE SE CONFORMER À
SON CADRE COMPTABLE (IPSAS 39 (AVANTAGES DU PERSONNEL))****Commentaires officiels du SI**

Le SI est d'accord avec la recommandation.

L'analyse de l'applicabilité de l'IPSAS 39 est en cours.

(3) Exercice 2012**IBA-AR(2013)25, paragraphe 5****INADÉQUATION DE L'ACTIF NET DU FCMR POUR LE SERVICE DES
PRESTATIONS ESCOMPTÉES****Commentaires officiels du SI**

Le SI est d'accord avec la recommandation.

*Les prévisions actualisées relatives à la viabilité à long terme du FCMR seront
communiquées aux pays dès que possible.*

NATO SANS CLASSIFICATION

IBA-AR(2021)0035

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 que 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 certains éléments 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 UNCLASSIFIED

FC(2021)0034

**NATO RETIREES MEDICAL CLAIMS FUND
FINANCIAL STATEMENTS**

For the year ended
31 December 2020

Annexes

- | | |
|---|---|
| 1 | Statement of Net Assets Available for Benefits |
| 2 | Statement of Changes in Net Assets Available for Benefits |
| 3 | Notes to the Financial Statements |


Jens STOLTENBERG
Secretary General


Mirosława BORYCZKA
Financial Controller

NATO UNCLASSIFIED

NATO RETIREES MEDICAL CLAIMS FUND
Statement of Net Assets Available for Benefits

(All amounts in EUR)

	Notes	Current Year 31-Dec-20	Prior Year 31-Dec-19
Assets			
Cash and cash equivalents	(4)	1,235,185.05	1,014,435.07
Investments at market value	(5)	378,594,921.63	369,868,416.37
Accounts receivable	(6)	905,924.17	944,473.83
Total Assets		380,736,030.85	371,827,325.27
Liabilities			
Accounts payable	(7)	2,474,985.43	4,573,090.31
Total Liabilities		2,474,985.43	4,573,090.31
Net Assets Available for Benefits		378,261,045.42	367,254,234.96

NATO RETIREES MEDICAL CLAIMS FUND
Statement of Changes in Net Assets Available for Benefits

(All amounts in EUR)

	Notes	Current Year 31-Dec-20	Prior Year 31-Dec-19
Increase in net assets			
Net unrealized gain in market value of investments	(5)	13,523,008.91	54,789,687.99
Contributions for current year	(8)	28,637,329.45	26,476,762.44
Profit sharing per agreement with insurer	(9)	31,082.00	-
Fund rebates	(5)	203,496.35	509,285.36
Interest income	(10)	-	-
Miscellaneous	(12)	5,269.39	2,529.58
Total Increase in net Assets Available for Benefits		42,400,186.10	81,778,265.37
Decrease in net assets			
Redemptions	(5)	2,500,000.00	-
Insurance premiums	(11)	27,408,482.00	26,905,920.00
Insurance management fee	(11)	1,466,219.52	1,615,138.20
Fund purchase fees/financial costs	(10)	18,442.93	7,653.54
Miscellaneous	(12)	231.19	1,626.38
Total Decrease in Net Assets Available for Benefits		31,393,375.64	28,530,338.12
Net Increase for the Year		11,006,810.46	53,247,927.25
Net Assets Available for Benefits, Beginning of Year		367,254,234.96	314,006,307.71
Net Assets Available for Benefits, End of Year		378,261,045.42	367,254,234.96

**EXPLANATORY NOTES TO THE
2020 FINANCIAL STATEMENTS OF THE
NATO RETIREES' MEDICAL CLAIMS FUND**

NOTE 1: GENERAL INFORMATION

The Retirees' Medical Claims Fund (RMCF) was set up with effect from 1 January 2001 pursuant to Council approval of PO(2000)123. The purpose was to establish a reserve to ensure that sufficient funds are available for the years to come to enable NATO to meet its obligations to pay the medical expenses of eligible retired staff members and their recognised dependants.

Description of the Fund

Staff leaving the Organization after 10 consecutive years of service and having reached the age of 55 are eligible to reimbursement of medical costs for themselves and their recognized dependants (Article 51.2 of the Civilian Personnel Regulations (CPR)).

Until 31 December 2000, any staff who had at least 10 years consecutive service and reached the age of 65, was covered for life for their medical expenses through Organization's insurers. However, with the rise in the number of retirees and the increasing medical costs, the insurers were no longer able to cover the expenses. Accordingly, the Organization assumed this responsibility as from 1 January 2001.

For this purpose, the Retirees' Medical Claims Fund was set up with effect from 1 January 2001 pursuant to Council approval of PO(2000)123. The Council agreed to the establishment of a reserve to ensure that sufficient funds are available for the years to come to enable NATO to meet its obligations.

However, on the date of the creation of the RMCF there existed a potential liability towards staff who filled the age and service conditions mentioned above but had not yet retired. No asset was provided to fund this initial liability; therefore, from its inception the RMCF was underfunded.

The Fund only finances retirees from the age of 65. Former staff between the ages of 55 and 65 are insured under a different financing scheme.

The RMCF is maintained primarily by the annual premiums paid as continuing insurance. The surplus funds collected are invested with the Investment Manager.

Financing

The Fund receives the following contributions:

- 4.5% of the active agents' emoluments (1/3 borne by the staff, 2/3 by NATO).
- 5% of the last basic salary of the retirees who are required to contribute (1/3 borne by the staff, 2/3 by NATO).

In 2015, changes to the Civilian Personnel Regulations were introduced to put an end to situations that enabled staff recruited before 1 January 2001 and having contributed at least 25 years not to pay a premium after the age of 65.

Governance

The rules and principles governing the RMCF are provided at Annex XIII of the NATO CPRs. A consultative committee, called the Supervisory Committee, oversees the management of the RMCF with the object of ensuring that sufficient funds will always be available to cover medical costs until the last NATO pensioner or his/her dependants die. It acts as advisor to the NATO Secretary General.

The composition of the Supervisory Committee is as follows: a Chair appointed by the Secretary General (Director of Economics or Financial Controller, NATO-IS - the Chair shall be neutral); one representative of the International Staff (Director of Economics or Financial Controller, NATO-IS); two representatives for the NATO Production and Logistics Organisations; one representative for bodies governed by the Paris Protocol; two staff representatives appointed by the Confederation of NATO Civilian Staff Committees and two representatives appointed by the Confederation of NATO Retired Civilian Staff Associations.

The Fund, held in the name of NATO, is entrusted to an independent Investment Manager.

The Supervisory Committee determines the investment strategy and decides in which funds to invest. The Investment Manager executes purchases and sells according to instructions received from NATO-IS Treasury within the Office of Financial Control, which are in accordance with Supervisory Committee decisions.

The Investment Manager keeps the Supervisory Committee informed of all matters relating to the composition and performance of the funds through regular meetings with the Committee members.

Members of the RMCF Supervisory Committee do not receive any additional remuneration or benefits in return for their responsibilities.

Investment strategy

For 2020, as since 2009, the Supervisory Committee left unchanged the strategy of investing in index funds and maintaining holdings approximately as follows:

- 50% in European government (sovereign) bonds
- 25% in global equities
- 25% in European equities

With a tolerance of 3% for equities (22-28%) and 5% for bonds (45-55%).

Vanguard Investment Series plc, a prominent index-fund manager, known as the Investment Manager, buys and sells bonds and equities on behalf of the Fund within the objectives and restrictions set out in the contract signed with the Organization. Investments are in Euro.

Management of the RMCF

NATO International Staff, in particular Executive Management – Human Resources and the Office of Financial Control, are responsible for the day-to-day management of the RMCF. Financial services are provided by the Office of Financial Control, NATO-IS. Administrative services and secretarial support are provided by Human Resources, Personnel Support.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

Declaration of conformity

The financial statements of the NATO RMCF have been prepared in accordance with the NATO Financial Regulations and International Accounting Standard 26 (IAS 26), “Accounting and Reporting by Retirement Benefit Plans”. The NATO Accounting Framework, which is an adapted version of the International Public Sector Accounting Standards (IPSAS), does not have a specific standard for accounting and reporting for post-employment benefits.

The accounting system currently used by the NATO RMCF is accrual based.

The financial statements summarize the transactions and net assets of the Fund. The statements do not take into account the liability to pay benefits that fall due after the year end of the reporting period. The actuarial position of the NATO RMCF, which takes these liabilities into account, is disclosed in Note 3.

Basis of presentation

The financial statements have been prepared on a going-concern basis: the RMCF will continue in operation for the foreseeable future.

The amounts shown in these financial statements are presented in EUR.

Changes in accounting policy

There are no changes to report.

Use of estimates

In the application of accounting policies, which are described below, management is required to make judgments, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Estimates include, but are not limited to: the long term obligation of the continued medical coverage and contingent assets.

Foreign currency transactions

The insurance premiums are calculated and paid in EUR and the accounting is in EUR. Since mid-2009, contributions are made in EUR; consequently, foreign currency transactions are not material. Realized profit and loss resulting from such transactions appear in the Statement of Changes in Net Assets Available for Benefits.

Accounting for the DBPS is subject to FC(FAC)(2020)004 which sets out IS/OFC policy for accounting and reporting transactions in foreign currency.

Cash and Cash Equivalents

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

Investments

Investments reported under these RMCF financial statements consist of equities and government bonds in indexed investment funds. These investments are reported as non-current assets reflecting the long term financial strategy of the RMCF.

An index fund is a collective investment scheme that aims to replicate the movements of an index of a specific financial market, regardless of market conditions. It does not aim to out-perform the market. Index funds are commonly composed of a representative sample rather than all the securities in a given market, in appropriate weights. They are subject to a form of passive management rather than active management.

At the end of each reporting period a valuation is made by the Investment Manager at fair value by reference to official prices quoted on the day of valuation. The Account Statement received from Vanguard's transfer agent uses the Generally Accepted Accounting Principles (GAAP) methodology to calculate the Daily Net Asset Value (Daily NAV), a tradable, realisable value on the last trading day of the month. These are the values generally reported in financial statements by fund investors.

Amounts are net of purchase costs and increased by rebates.

Receivables

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

Payables

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

Net Assets

The net assets available at year-end correspond essentially to the surplus contributions that were not used to pay the insurance premiums and were invested with the Investment Manager or awaiting transfer.

Financial Risks

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

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

The RMCF is exposed to a variety of financial risks, including credit risk, market (price) risk and liquidity risk. The maximum exposure as at 31 December 2020 is equal to the total amount of bank balances, short term deposits, investment funds, and receivables.

Credit risk

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

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

Bank Name	Country of HQ	Short Term Ratings					
		FITCH		S&P GLOBAL		MOODY'S	
		Rating	Last Review Date	Rating	Last Review Date	Rating	Last Review Date
ING Bank	Netherlands	F1+	15-Oct-2020	A-1	10-Jul-2020	P-1	21-Oct-2020

Concerning receivables, the credit risk is managed by maintaining control procedures over receivables. These consist essentially of contributions due by NATO payroll centers and the NATO Coordinated Pension Scheme. This risk is considered limited since these entities are funded by member nations which are considered credit worthy.

Price risk

The RMCF is exposed to equity securities market risk.

The two index equity funds in which RMCF funds are invested are not rated. The European Government Bond Index Fund is comprised of bonds with ratings as indicated below:

Rating	AAA	AA	A	BBB	<BBB	Not rated	Cash
At 31.12.2020	24.20%	37.00%	16.40%	22.30%	0.00%	0.10%	0.00%

Credit ratings are derived from Moody's, S&P and Fitch. When ratings from all three are available, the median rating is used. When ratings are available from two of the agencies, the lower rating is used. When one rating is available, that rating is used.

Currency risk

Since mid-2009, RMCF is not exposed to foreign currency exchange risk arising from fluctuations in currency rates. The scheme receives contributions only in EUR. As explained above, funds are invested in EUR and insurance premiums are due in EUR.

Liquidity risk

A liquidity risk could arise from a short term liquidity requirement. There is a very limited exposure to liquidity risk because contributions from NATO payroll centers are received on a monthly basis, are higher than the insurance premiums and are paid by NATO bodies; the NATO bodies receive either contributions from their member states or income from their customers, generally other NATO bodies funded through their approved budgets. It is only the excess funds (after payment of insurance premiums) that are invested with Vanguard Investment Series plc, the Investment Manager, with the aim of increasing the assets available for benefits over time.

In 2020, the RMCF has reached the point where disinvestments are made to pay the due insurance premiums.

Interest rate risk

The RMCF is restricted from entering into borrowings.

A portion of RMCF is invested in bonds. The market value of bonds fluctuates according to market perception of the issuer's creditworthiness and to projected interest rates. The value of assets available for benefits is therefore subject to some interest rate risk.

NOTE 3: ACTUARIAL VALUATION

The ISRP Actuarial Study Introduction

The International Service for Remunerations and Pensions (ISRP) is an organization that provides statistical, mathematical and actuarial support to the following organizations:

- NATO
- Council of Europe
- Organization for Economic Cooperation and Development (OECD)
- European Space Agency (ESA)
- European Centre for Medium-Range Weather Forecast (ECMWF)
- European Organization for the Exploitation of Meteorological Satellites (EUMETSAT)

In accordance with the requirements of the Letter of Mission (LM/SIRP/NATO(2012)35) signed by NATO and the ISRP, the later performed an actuarial study aiming at:

- Estimating the accrued pension and medical coverage liabilities at 31 December 2020 according to the International Public Sector Accounting Standards (IPSAS).
- Producing the IPSAS accounting disclosures related to these liabilities.

The study is based on comprehensive data of the affiliated population at the end of 2020 provided to ISRP by NATO.

NATO has also supplied data regarding RMCF cash flows over 2020 and asset information for the RMCF up to 31 December 2020.

NATO IS believes that the results of this report represent a reasonable measure of the RMCF underlying liabilities.

The previous full valuation was performed as at 31 December 2019.

The study has been conducted in accordance with generally accepted actuarial practices, in close collaboration with NATO. Whilst the report complies with IPSAS 39 NATO, RMCF financial statements are prepared under IAS 26.

Actuarial Valuation Method

ISRP used the Projected Unit Credit approach. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. In addition, where the amount of a benefit is a constant proportion of final salary for each accrued unit of rights, future salary increases will affect the amount required to settle the obligation, therefore the method requires projecting the salary to its final value.

Only the rights accrued up to the valuation date have been taken into account. The rights of employees with less than 10 years of service are taken into account proportionally.

For the calculation of NATO's medical liabilities, the expected post-retirement reimbursements of the current DBPS and DCPS population have been estimated, and the expected post-retirement contributions from current and future pensioners have been subtracted.

Actuarial Assumptions

Actuarial assumptions can be classified as either financial or demographic assumptions. Financial assumptions impact the amount of benefits to be paid over time and the net present value whilst demographic assumptions reflect the likelihood of payment and factors internal to NATO.

Financial Assumptions

The below financial assumptions were considered:

Assumptions	As at 31 Dec 2019	As at 31 Dec 2020
Discount Rate		
Post-Employment Medical Scheme	0.34%	-0.17%
Price Inflation	2.00%	2.00%
Medical Inflation	4.00%	4.00%

The discount rate used was the Euro area AAA Government Yield Curve, as at 31 December 2020. The change in discount rate is due to the change in financial market conditions over 2020.

In accordance with past practice, as a long-term inflation rate, the European Central Bank's long-term inflation rate target of 2.0% is used.

Medical inflation is calculated as a 4.0% increase to the derived rate of inflation.

Demographic Assumptions

The demographics at this year-end are the same as those used for the previous year end.

Mortality tables are a set of probabilities of a person dying within the year at a specific age and are an important assumption for the calculation of pension obligations. The ISRP, have produced mortality tables specific to international civil servants based in Europe since 2008 in order to have more appropriate results, compared to national or regional tables, on the life expectancy of the relevant population. This series of tables is known as the International Civil Servants Life Table (ICSLT).

Set out below is a comparison of life expectancies based on the ICSLT 2018 mortality table projected from 2019 and the ICSLT 2018 projected from 2020:

	ICSLT 2018 2019 Projection	ICSLT 2018 2020 Projection
Males		
60 year old	28.4	28.5
40 year old now at 60	29.0	29.0
Females		
60 year old	31.1	31.1
40 year old now at 60	31.5	31.5

RMCF Specific Assumptions

The medical inflation assumption remains at 4.0%, like last year.

The administrative costs remains estimated at 6.6% of medical reimbursements paid to pensioners.

100% of the current active staff, who become vested deferred members after age 55, are assumed to return to claim medical benefits during their retirement.

Results for RMCF current obligation

The RMCF obligation as estimated at the end year 2020 is KEUR 5,338,722 (55% change compared to the 2019 valuation).

The estimation of the present value of the Post-Employment Medical Scheme Obligation at the end of 2019 was KEUR 3,442,044. The change in the liability during 2020 can be summarized as follows:

(amount in KEUR)	2020
Obligation at 1 January 2020	3,442,045
Interest Cost	11,666
Current Service Cost	235,402
Benefits Paid	-21,637
Actuarial (Gains)/Lossess	1,671,247
Obligation at 31 December 2020	5,338,772

Overall, the currently estimated medical obligation is higher by KEUR 1,896,677 than estimated last year.

An actuarial loss of KEUR 1,671,247 on the liabilities is calculated for 2020. This is explained by a number of factors including the updated population and the decreased discount rate.

An analysis of the impact of the actuarial loss is included below:

Impact of Change in ...	Type Loss / (Gain)	Amount in KEUR	% of 2020 YE Liability
Population	Experience	392,433	+ 7.4%
Demographic	Profiles Update	578,003	+10.8%
Financial Assumptions	Assumption	700,810	+13.1%
Total Actuarial Loss / (Gain)		1,671,247	+31.3%

The 2020 estimations of medical obligations and actuarial loss are not fully comparable with the 2019 ones due to the different populations and financial assumptions. The 2020 calculation includes ex-Defined Contribution Pension Scheme and ex-Provident Fund members who have rights to continuing medical cover as well as the updated medical profiles, which has additionally an impact on different nature of benefits.

NOTE 4: CASH AND CASH EQUIVALENTS

The various NATO entities and pensioners pay their contributions into a suspense account. This account serves to pay insurance premiums and effect the transfers of funds to be invested by the Investment Manager. Short term investments are made as required.

NOTE 5: FUNDS HELD BY THE INVESTMENT MANAGER

Distribution of Assets as of 31 December

	2020		2019	
	EUR	%	EUR	%
Euro Gov't Bond Index Fund	172,399,712.15	45.54%	164,663,770.78	44.52%
Europe Stock Index Fund	95,456,436.14	25.21%	98,489,666.72	26.63%
Global Stock Index Fund	110,738,773.34	29.25%	106,714,978.87	28.85%
TOTAL	378,594,921.63	100.00%	369,868,416.37	100.00%

Details of the changes in investment fund balances available for benefits over the past two years are as follows:

in EUR	Euro Govt Bond Index Fund	Europe Stock Index Fund	Global Stock Index Fund	TOTAL
Purchases before purchase fees	0.00	0.00	0.00	0.00
Withdrawals	0.00	0.00	0.00	0.00
Distributions	0.00	0.00	0.00	0.00
Rebates received	179,786.99	175,898.46	153,599.91	509,285.36
Purchase Fees	0.00	0.00	0.00	0.00
2019 net transactions	179,786.99	175,898.46	153,599.91	509,285.36
Sum of 31 Dec 2018 balance and 2019 net transactions	155,018,910.45	77,889,124.03	82,170,693.90	315,078,728.38
Profit/loss in market value excluding 2019 net transactions	9,644,860.33	20,600,542.69	24,544,284.97	54,789,687.99
31 Dec 2019 balance	164,663,770.78	98,489,666.72	106,714,978.87	369,868,416.37
Purchases before purchase fees	0.00	0.00	0.00	0.00
Withdrawals	0.00	0.00	-2,500,000.00	-2,500,000.00
Distributions	0.00	0.00	0.00	0.00
Rebates received	67,116.15	35,284.00	101,096.20	203,496.35
Purchase Fees	0.00	0.00	0.00	0.00
2020 net transactions	67,116.15	35,284.00	-2,398,903.80	-2,296,503.65
Sum of 31 Dec 2019 balance and 2020 net transactions	164,730,886.93	98,524,950.72	104,316,075.07	367,571,912.72
Profit/loss in market value excluding 2020 net transactions	7,668,825.21	-3,068,514.58	6,422,698.28	11,023,008.91
31 Dec 2020 balance	172,399,712.15	95,456,436.14	110,738,773.34	378,594,921.63

Fund's Overall Performance

In 2020, Vanguard Investment Series plc index funds tracked their respective benchmarks during the period. Their returns, net of expenses and including the effect of reinvested dividends, are compared below to that of the corresponding benchmarks for the past two years:

Returns						
Vanguard index fund				Benchmark		
ISIN*	Fund name	2020	2019		2020	2019
IE0007472990	Euro Government Bond Index Fund EUR Institutional Shares	4.66%	6.35%	Spliced Euro Govt Float Adj Bond Index	4.72%	6.34%
IE0007987708	European Stock Index Fund EUR Institutional Shares	-3.12%	26.73%	MSCI Europe	-3.32%	26.05%
IE00B03HD191	Global Stock Index Fund EUR Institutional Shares	6.25%	30.11%	MSCI World	6.33%	30.02%

* International Securities Identification Number

The number of units and daily NAV per unit for the RMCF at year end, together with the resulting year-end market values, were as follows:

	2020			2019		
	Units	NAV in EUR	Market Value in EUR	Units	NAV in EUR	Market Value in EUR
Euro Gov't Bond Index Fund	693,240.58	248.6867	172,399,712.15	692,964.30	237.6223	164,663,770.78
Europe Stock Index Fund	4,326,343.19	22.064	95,456,436.14	4,324,596.88	22.7743	98,489,666.72
Global Stock Index Fund	3,681,817.90	30.0772	110,738,773.34	3,769,928.14	28.3069	106,714,978.87
TOTAL			378,594,921.63			369,868,416.37

In 2020 the RMCF disinvested EUR 2,500,000.00 to ensure the fund liquidity.

Although the RMCF started withdrawing funds, there is still a limited growth of the investments at market value as per the end December.

The below table provides comparative data of the profit in market value for the last two consecutive years:

(amounts in EUR)	2020	2019
Profit (Loss) in Market Value	11,023,008.91	54,789,687.99

Due to the COVID-19 crisis the financial markets plummeted in the beginning of 2020 and only after that time started the slow recovery. This had a direct impact on the unrealized profit for 2020 which is significantly lower compared to 2019.

NOTE 6: ACCOUNTS RECEIVABLE

Receivables at year-end were as follows:

(amounts in EUR)	2020	2019
Contributions	874,842.17	944,473.83
Receivable from insurer	31,082.00	-
Total accounts receivable	905,924.17	944,473.83

Contributions are paid on a monthly basis. At the date of issuance of these financial statements, no contributions were a year or more past due.

There are profit sharing agreements in place for the periods 2012-2016 and 2017-2021 (see note 9). For 2020 the profit, which will be settled in 2022, is EUR 31,082.

NOTE 7: ACCOUNTS PAYABLE

The table below provides comparative data of the amounts payable at year-end for the last two consecutive years:

(amounts in EUR)	2020	2019
Insurance Premiums	2,623,620.20	3,425,556.45
Insurer Management Fee	(148,918.68)	145,477.85
Cash Advance	-	1,000,000.00
Miscellaneous	283.91	2,056.01
Total accounts payable	2,474,985.43	4,573,090.31

For 2020, the RMCF has net payable position of EUR 2,474,701,52 to the insurer. This equals to the final 2020 settlement whereby the advances paid to the insurer are regularized against the 2020 actual insurance premium and management cost.

Miscellaneous amounts correspond to operations to be regularised with contributors and accrued bank fees.

NOTE 8: CONTRIBUTIONS RECEIVED

Contributions received in the course of the year were as follows:

Contributions (in EUR)	2020	2019
Active Staff and NATO Employer	27,739,437.32	25,721,653.04
Retired Staff from DBPS (Defined Benefit Pension Scheme)	826,577.38	704,692.87
Retired Staff from DCPS (Defined Contribution Pension Scheme)	12,334.16	8,140.43
Other Retired Staff	58,980.59	42,276.10
Total	28,637,329.45	26,476,762.44

NOTE 9: PROFIT SHARING AGREEMENT WITH INSURER

A profit-sharing arrangement has been entered into, covering the period 2012-2016, whereby NATO would be refunded the totality of the difference Premiums X 97% – Reimbursements, if it is positive. The final settlement for this period was done during the first quarter of 2018 and resulted in no profit to be shared. There was, therefore, no revenue for the RMCF for the period 2012-2016.

A similar arrangement is in place covering the period 2017-2021, being tacitly renewed annually.

The result of the profit sharing agreement for 2020 amounts to EUR 31,082(difference between 97% of the insurance premiums paid for the year and the reimbursements paid to the beneficiaries).

NOTE 10: INTEREST

Interest is earned on the bank account for the period during which cash holdings are pending investment. Amounts presented are netted of bank charges.

No interests were earned in 2020.

NOTE 11: INSURANCE PREMIUMS AND MANAGEMENT FEES

The insurance premium to cover the medical expenses of the retirees is subject to the NATO Group Insurance Policy agreement.

The value of the insurance premium paid to the insurance company is essentially based on the number and age of the beneficiaries.

The Management Fee is payable annually to the third party administrator, i.e. Allianz.

In accordance with the group insurance contract, NATO IS pays a monthly advance to the third party administrator. Around February of the following year, when the final costs are known, these are offset against the advances paid during the year.

The below table provides comparative data on the insurance premiums and management fee costs over the last two consecutive years:

(amounts in EUR)	2020	2019
Insurance Premium	27,408,482.00	26,905,920.00
Management Fee	1,466,219.52	1,615,138.20

The increase in insurance premiums between 2019 and 2020 is caused by increased number of affiliates and the aging factor. The decrease in management fees between 2019 and 2020 is due to a decrease in the monthly rate per family from EUR 44.85 to EUR 40.62, granted by the insurer.

The table below provides comparative data for the two last consecutive years:

(amounts in EUR)	2020	2019
Contributions	28,637,329.45	26,476,762.44
Insurance Premiums	27,408,482.00	26,905,920.00
Management fees	1,466,219.52	1,615,138.20
Net Result	(237,372.07)	(2,044,295.76)

Although the contributions have increased from 2019 to 2020 by 8.16%, the increase was not sufficient to cover the cost of the insurance premium and management fee.

NOTE 12: MISCELLANEOUS

Corresponds to miscellaneous transactions essentially net financial results and foreign exchange results.

NOTE 13: CONTINGENT ASSETS

None to report.

NOTE 14: CONTINGENT LIABILITIES

There are no material contingent liabilities arising from legal actions and claims that are likely to result in significant liability to the RMCF. A series of claim appeals introduced in relation to the deletion of the Civil Personnel Regulation provision concerning staff obtaining free medical coverage after 25 years of contributions, were dismissed by the NATO Administrative Tribunal in 2020.

NOTE 15: RELATED PARTY TRANSACTIONS

The following related party transactions took place during the year ended 31 December 2019.

NATO International Staff, in particular Executive Management – Human Resources and the Office of Financial Control, are responsible for the day-to-day management of the RMCF. None of the costs related to the administrative services provided by NATO International Staff are charged to the RMCF.

NOTE 16: KEY MANAGEMENT PERSONNEL

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

Members of the RMCF Supervisory Committee do not receive any additional remuneration or benefits in return for their responsibilities. The International Staff Financial Controller is the Chairperson of the Supervisory Committee.

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

NOTE 17: STATISTICAL INFORMATION

Evolution of RMCF (number of beneficiaries)			
Calendar Year	Members Joined	Members Departed	Total
2001	166	0	166
2002	250	1	415
2003	229	4	640
2004	242	14	868
2005	328	15	1,181
2006	258	27	1,412
2007	259	25	1,646
2008	333	37	1,942
2009	330	32	2,240
2010	316	37	2,519
2011	401	39	2,881
2012	265	27	3,119
2013	268	63	3,324
2014	533	62	3,795
2015	386	163	4,018
2016	729	136	4,611
2017	286	211	4,686
2018	305	146	4,845
2019	350	214	4,981
2020	392	227	5,146

Preparer	Reviewer	Approver
Patricia Soler	Maaïke Deconinck	Mirosława Boryczka



NORTH ATLANTIC TREATY ORGANIZATION
ORGANISATION DU TRAITÉ DE L'ATLANTIQUE NORD
INTERNATIONAL BOARD OF AUDITORS
COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

PIÈCE JOINTE 6
PO(2022)0119

NATO SANS CLASSIFICATION

IBA-A(2021)0154
3 décembre 2021

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

Cc : Représentants permanents auprès de l'OTAN
Secrétaire général adjoint pour la gestion exécutive
Contrôleuse des finances du Secrétariat international
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 rectifiés du Secrétariat international (SI) pour l'exercice clos le 31 décembre 2020 – IBA-AR(2021)0034***

Monsieur le Secrétaire général,

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

L'IBAN a émis une opinion sans réserve sur les états financiers du SI ainsi que sur la conformité pour l'exercice 2020.

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

Daniela Morgante
Présidente

Pièces jointes : voir ci-dessus.

NATO SANS CLASSIFICATION

-1-

NATO SANS CLASSIFICATION

IBA-AR(2021)0034

**Note succincte
du Collège international
des auditeurs externes de l'OTAN
à l'intention du Conseil
sur l'audit des états financiers rectifiés
du Secrétariat international (SI)
pour l'exercice clos le 31 décembre 2020**

Le Secrétariat international (SI) assiste le Conseil de l'Atlantique Nord et ses comités dans leurs travaux. Dans ses états financiers rectifiés de 2020, le montant total des dépenses était d'environ 289 millions d'euros (MEUR).

L'IBAN a émis une opinion sans réserve sur les états financiers rectifiés ainsi que sur la conformité pour l'exercice clos le 31 décembre 2020.

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

1. Nécessité de publier des instructions concernant les modalités d'octroi de l'indemnité de suppléance.
2. Nécessité de renforcer les mécanismes de contrôle interne relatifs à l'établissement des états financiers.
3. Détection d'une défaillance logicielle ayant eu des incidences sur l'état de l'exécution du budget et sur l'état de la situation financière.

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

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

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

NATO SANS CLASSIFICATION

IBA-AR(2021)0034

3 décembre 2021

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

RAPPORT SUR L'AUDIT DES ÉTATS FINANCIERS RECTIFIÉS

DU SECRÉTARIAT INTERNATIONAL

(SI)

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2020

PUBLICLY DISCLOSED - PDN(2022)0014 - MIS EN LECTURE PUBLIQUE

NATO SANS CLASSIFICATION

NATO SANS CLASSIFICATION

IBA-AR(2021)0034

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 rectifiés du Secrétariat international (SI) portant sur la période de 12 mois ayant pris fin le 31 décembre 2020. Diffusés sous la cote FC(2021)0042-REV1 et soumis à l'IBAN le 8 septembre 2021, ces états financiers se composent de l'état de la situation financière au 31 décembre 2020, 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 2020, 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 rectifiés donnent une image fidèle et exacte de la situation financière du SI au 31 décembre 2020 ainsi que de sa performance financière, de ses flux de trésorerie et de l'exécution du budget pour la période de 12 mois ayant pris fin 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 sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 2200-2899), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

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

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

NATO SANS CLASSIFICATION

IBA-AR(2021)0034

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 du SI 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 conformément aux ISSAI permettra dans tous les cas de détecter les inexactitudes significatives. Les inexactitudes, qui peuvent résulter d'une fraude ou d'une erreur, sont considérées comme significatives lorsque l'on peut raisonnablement s'attendre à ce que, considérées isolément ou collectivement, elles influent sur les décisions économiques que les utilisateurs des états financiers prennent en se fondant sur ceux-ci.

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

- à recenser et à évaluer les risques d'inexactitudes significatives dans les états financiers, que celles-ci relèvent d'une fraude ou d'une erreur, à concevoir et à mettre en œuvre des procédures d'audit sensibles à ces risques ainsi qu'à obtenir par son audit les éléments probants nécessaires et suffisants pour lui

NATO SANS CLASSIFICATION

IBA-AR(2021)0034

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.

NATO SANS CLASSIFICATION

IBA-AR(2021)0034

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 sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 4000-4899), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

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

Responsabilité de la direction concernant la conformité

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

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

Il incombe ainsi à l'IBAN d'appliquer des procédures lui permettant d'obtenir en toute

NATO SANS CLASSIFICATION

IBA-AR(2021)0034

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 3 décembre
2021



Daniela Morgante
Présidente

NATO SANS CLASSIFICATION

NATO SANS CLASSIFICATION

IBA-AR(2021)0034

OBSERVATIONS ET RECOMMANDATIONS

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

1. Nécessité de publier des instructions concernant les modalités d'octroi de l'indemnité de suppléance.
2. Nécessité de renforcer les mécanismes de contrôle interne relatifs à l'établissement des états financiers.
3. Détection d'une défaillance logicielle ayant eu des incidences sur l'état de l'exécution du budget et sur l'état de la situation financière.

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

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

1. NECESSITE DE PUBLIER DES INSTRUCTIONS CONCERNANT LES MODALITES D'OCTROI DE L'INDEMNITE DE SUPPLEANCE

Contexte

1.1 L'article 32 du Règlement du personnel civil (RPC) dispose ce qui suit : « Lorsqu'un poste comportant des responsabilités bien définies demeure vacant, soit par suite de difficultés de recrutement, soit par suite de l'absence prolongée de son titulaire, une indemnité de suppléance peut être versée à tout agent de grade inférieur officiellement désigné pour assumer, dans l'intérêt du service, toutes les responsabilités afférentes à ce poste ».

1.2 Il faut être titulaire d'un diplôme universitaire pour occuper un poste de catégorie A et exercer les fonctions correspondantes. Pour les catégories B et C, aucun diplôme universitaire n'est requis.

1.3 L'indemnité de suppléance telle que définie à l'article 32 du RPC revêt par nature un caractère temporaire et son octroi doit donc être limité dans le temps.

NATO SANS CLASSIFICATION

IBA-AR(2021)0034

Constatations

1.4 Suite à une vérification par sondage, l'IBAN a constaté qu'en 2020, une indemnité de suppléance avait été accordée à 20 agents. Sur ces 20 agents, neuf s'acquittaient des tâches et des responsabilités d'un agent de catégorie plus élevée (par exemple, un B.4 remplaçant un A.2, un A.3 ou un A.4, ou un C.5 remplaçant un A.3).

1.5 Il faut être en possession d'un diplôme universitaire pour occuper un poste de catégorie A. Ainsi, avant d'inviter des agents de catégorie B ou C à assumer les responsabilités afférentes à un poste de catégorie A, il convient de s'assurer, par un examen approfondi sur la base de critères clairement définis, que les personnes pressenties possèdent bien les compétences techniques et l'expérience professionnelle requises.

1.6 Cependant, l'IBAN a constaté qu'il n'existait pas de dispositions précisant les critères à utiliser pour déterminer si un agent a des compétences et une expérience suffisantes pour assumer les responsabilités afférentes à une poste de catégorie plus élevée. Les Ressources humaines du SI ont confirmé qu'il n'existait pas d'instructions sur lesquelles s'appuyer pour déterminer si un agent de catégorie B ou C peut exécuter les tâches d'un agent de catégorie A, ou si un agent de grade A.3 peut exercer les fonctions d'un agent de grade A.5 par exemple. Par ailleurs, le RPC ne fixe pas de durée maximale pour les remplacements.

Recommandations

1.7 L'IBAN recommande aux Ressources humaines du SI de publier des instructions concernant les modalités d'octroi de l'indemnité de suppléance visée à l'article 32 du RPC. Ces instructions devraient comprendre une liste de critères clairement définis devant servir à déterminer quelles tâches et quelles responsabilités peuvent être assumées par un agent amené à en remplacer un autre, et pendant combien de temps.

2. NECESSITE DE RENFORCER LES MECANISMES DE CONTROLE INTERNE RELATIFS A L'ETABLISSEMENT DES ETATS FINANCIERS

Contexte

2.1 Comme le prévoit le 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 conformément au cadre comptable OTAN.

2.2 D'après la norme comptable internationale du secteur public (IPSAS) 1, les états financiers doivent présenter une image fidèle de la situation financière, de la performance financière et des flux de trésorerie de l'entité. La présentation d'une

NATO SANS CLASSIFICATION

IBA-AR(2021)0034

image fidèle nécessite de représenter sincèrement les effets des opérations, les autres événements et les circonstances, selon les définitions et les critères de comptabilisation des actifs, des passifs, des produits et des charges exposés dans les IPSAS.

2.3 La note 30 jointe aux états financiers présente des informations sur les segments suivants : budget civil, charges remboursables, système informatique de gestion du personnel, fonds extrabudgétaires, locaux des pays partenaires, rénovation du bâtiment Z (connu aujourd'hui sous le nom de « bâtiment Manfred Wörner ») et activités sociorécréatives.

Constatations

2.4 L'IBAN a relevé des erreurs et des incohérences dans le tableau de la note 30 jointe aux états financiers. Il a en particulier constaté que les montants présentés pour le segment « Charges remboursables » étaient en réalité ceux qui avaient été notifiés pour l'exercice 2019 (1 580 748 EUR). Cela tiendrait à une erreur manuelle commise dans le cadre du processus d'établissement des états financiers de 2020. Sur la base des informations fournies au cours de l'audit, il s'avère que le total des charges à notifier pour ce segment aurait dû être de 3 687 503 EUR. De ce fait, les charges et les produits étaient sous-évalués de 2 106 755 EUR. Cette erreur a été corrigée dans les états financiers rectifiés qui ont été soumis à l'IBAN le 8 septembre 2021.

Recommandations

2.5 L'IBAN recommande au SI de renforcer les mécanismes de contrôle interne relatifs au processus d'établissement des états financiers de façon à éviter les erreurs manuelles.

3. DETECTION D'UNE DEFAILLANCE LOGICIELLE AYANT EU DES INCIDENCES SUR L'ETAT DE L'EXECUTION DU BUDGET ET SUR L'ETAT DE LA SITUATION FINANCIERE

Contexte

3.1 Comme le prévoit le 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 conformément au cadre comptable OTAN.

3.2 D'après la norme comptable internationale du secteur public (IPSAS) 1, les états financiers doivent présenter une image fidèle de la situation financière, de la performance financière et des flux de trésorerie de l'entité. La présentation d'une image fidèle nécessite de représenter sincèrement les effets des opérations, les autres événements et les circonstances, selon les définitions et les critères de

NATO SANS CLASSIFICATION

IBA-AR(2021)0034

comptabilisation des actifs, des passifs, des produits et des charges exposés dans les IPSAS.

3.3 Aux termes du paragraphe 4 alinéas b) et c) des règles et procédures financières (FRP) VI, « le contrôleur des finances veille à ce qui suit :

(b) des systèmes comptables intégrés sont établis et tenus à jour pour tous les fonds et biens ;

(c) tous les comptes sont régulièrement rapprochés et vérifiés, et toutes les activités ayant des incidences financières, y compris les activités financées sur des fonds multinationaux et sur des fonds extrabudgétaires, font l'objet d'inspections périodiques. »

Constatations

3.4 Après la publication des états financiers de 2020, le Bureau du contrôle financier (OFC) du SI a indiqué à l'IBAN qu'en raison d'une défaillance logicielle, les états financiers, et plus précisément l'état de l'exécution du budget et l'état de la situation financière, contenaient des erreurs.

3.5 Dans un premier temps, le 16 juin, l'OFC a signalé à l'IBAN une erreur de 633 378,60 EUR, correspondant à une surévaluation des engagements notifiés dans l'état de l'exécution du budget. Les opérations concernées avaient trait aux subventions accordées par certaines des divisions du SI. Elles sont détaillées au chapitre 4 de l'état de l'exécution du budget, qui présente les dépenses relatives aux programmes, dont les subventions.

3.6 L'OFC a indiqué à l'IBAN que le fournisseur du logiciel n'avait toujours pas trouvé l'origine de la défaillance et qu'il avait précisé que celle-ci était non reproductible, c'est-à-dire qu'elle ne pouvait pas être recréée de manière à ce que ses effets puissent être simulés.

3.7 Suite à de nouvelles recherches et après de nouvelles analyses effectuées par le fournisseur du logiciel, l'OFC a actualisé le montant concerné :

- 630 828,60 EUR (le 13 août 2021)
- 155 828,60 EUR (le 13 septembre 2021).

3.8 L'OFC a été amené à actualiser le montant estimatif communiqué initialement car les engagements extraits du module « Projets » impacté par l'erreur n'avaient pas fait l'objet d'un rapprochement complet avec les données du module « Comptabilité ». Il a ensuite procédé à un rapprochement pour les demandes d'achat liées au module « Projets ».

3.9 Pour la gestion des subventions, le SI recourt à un module « Projets » dédié dans le système ERP, avec un processus de réservation des fonds différent de celui qui s'applique aux autres activités du SI.

NATO SANS CLASSIFICATION

IBA-AR(2021)0034

3.10 L'erreur se produit lorsqu'une demande d'achat est émise aux fins du versement des fonds au bénéficiaire de la subvention. Le système est alors censé procéder automatiquement à une reprise de la demande d'achat mais, comme il ne le fait pas, il en résulte une surévaluation des demandes d'achat et des engagements.

3.11 Après avoir fait le point sur l'erreur qui lui avait été notifiée le 13 septembre 2021, l'IBAN a confirmé que les états financiers de 2020 contenaient les inexactitudes suivantes :

État de l'exécution du budget		État de la situation financière	
Surévaluation des dépenses totales et des reports	Sous-évaluation des crédits annulables	Surévaluation des produits constatés d'avance	Sous-évaluation des autres dettes à court terme (crédits annulables)
155 828,60	155 828,60	155 828,60	155 828,60

Recommandations

3.12 L'IBAN recommande au SI :

- de mettre en place et de consigner des mécanismes de contrôle interne spécifiques pour le module « Projets », de sorte que les engagements ne soient pas surévalués par erreur, en attendant que le fournisseur du logiciel corrige la défaillance du système informatique ;
- de procéder au rapprochement des engagements notifiés dans le module « Projets » et dans le module « Comptabilité » afin de garantir l'exactitude des états financiers.

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

NATO SANS CLASSIFICATION

IBA-AR(2021)0034

(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 2019 IBA-AR(2021)0013, paragraphe 1 NÉCESSITÉ D'AMÉLIORER LE CONTRÔLE DES AJUSTEMENTS BUDGÉTAIRES Recommandations de l'IBAN L'IBAN recommande à l'OFC du SI : a) d'établir et de consigner des procédures de contrôle interne qui garantissent que les ajustements budgétaires seront enregistrés correctement dans le système ERP ; b) de mettre en place et de consigner une procédure de rapprochement des informations de fin d'exercice figurant dans l'état de l'exécution du budget et des pièces justificatives fournies dans le système d'information budgétaire Hyperion ; c) de mettre en place des solutions techniques visant à supprimer les interventions manuelles dans le système ERP.	a) et b) Problème résolu : le budget qui est transféré de Hyperion vers la suite e-Business ne comprend plus le budget du régime de pensions à prestations définies (DBPS). Le Bureau du contrôle financier (OFC) du SI n'a donc plus besoin de procéder à l'exclusion manuelle des données relatives au DBPS. Il a par ailleurs encore renforcé les procédures de rapprochement entre lui-même et la Section Planification et analyse budgétaires (BPA). c) De manière générale, il est difficile de mettre en place des solutions techniques visant à supprimer les interventions manuelles dans le système ERP. La résolution de ce problème nécessite que tous les responsables comprennent bien la situation et coopèrent pleinement. En outre, elle est fortement tributaire du développement de solutions techniques et des ressources disponibles. Il n'est plus nécessaire de trouver une solution technique pour les ajustements budgétaires liés au DBPS. Cette question est donc considérée comme traitée.	Question traitée.

NATO SANS CLASSIFICATION

NATO SANS CLASSIFICATION

IBA-AR(2021)0034

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
(2) Exercice 2019 IBA-AR(2021)0013, paragraphe 2 TRAITEMENT COMPTABLE DE LA REPRISE SUR PROVISION POUR LES CONGÉS NON UTILISÉS Recommandations de l'IBAN L'IBAN recommande au SI de comptabiliser dans l'état de la performance financière, en application de la méthode comptable qui est d'application, la reprise de la provision pour congés non utilisés de l'exercice précédent.	L'erreur a été corrigée dans les états financiers de 2020.	Question traitée.
(3) Exercice 2019 IBA-AR(2021)0013, paragraphe 3 ABSENCE DE RAPPROCHEMENT DE LA TRÉSORERIE ET DES ÉQUIVALENTS DE TRÉSORERIE Recommandations de l'IBAN L'IBAN recommande au SI : a) de vérifier les montants notifiés par les bureaux satellites de l'OTAN avant de publier les états financiers ; b) de veiller à ce que le solde de la petite caisse des bureaux satellites de l'OTAN ne dépasse pas le plafond de 500 EUR à la fin de chaque mois et à ce qu'il soit de zéro au 31 décembre de chaque année ; c) de radier la perte inscrite dans le compte de petite caisse n° 570104, après avoir procédé à une enquête approfondie comme le prévoit l'article 17 du NFR.	a) et b) L'OFC est toujours en train de revoir les procédures et les pratiques en vigueur. Question à traiter. c) La radiation a été approuvée et comptabilisée dans les états financiers de 2020. Une enquête a été menée conformément aux dispositions de l'article 17 du NFR. Question traitée.	Question en cours de traitement.
(4) Exercice 2018 IBA-AR(2019)0020, paragraphe 1.9 NECESSITE D'APPORTER DES AMELIORATIONS DANS LES DOMAINES DE LA GESTION DES RISQUES, DU CONTROLE INTERNE ET DE L'AUDIT INTERNE Recommandations de l'IBAN L'IBAN recommande au SI de se donner pour priorité de se mettre en conformité	L'IBAN prend note des progrès réalisés en ce qui concerne les	Question en cours de traitement.

NATO SANS CLASSIFICATION

NATO SANS CLASSIFICATION

IBA-AR(2021)0034

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
avec toutes les dispositions de la nouvelle version du NFR et des FRP, en particulier pour ce qui est de la gestion des risques et du contrôle interne. Ainsi, le SI devrait s'attacher notamment : a) à mettre la touche finale à la politique de gestion des risques applicable à toute l'entité et à élaborer un registre global des risques couvrant toutes les interdépendances transversales ; b) à évaluer et à consigner par écrit le fonctionnement de son système de contrôle interne et de gestion des risques afin de se conformer au NFR et aux FRP ; c) à faire organiser par son service Audit interne des activités d'audit aux fins d'une évaluation du caractère approprié, de la qualité et de l'efficacité du contrôle interne et de la gestion des risques dans l'ensemble de l'entité.	procédures de contrôle interne et de gestion des risques : a) le COSO a été choisi fin 2019 comme cadre de référence pour le contrôle interne, le Bureau de l'audit interne et de la gestion des risques (OIARM) a été créé, la politique de gestion des risques a été approuvée en 2020 et des améliorations ont été apportées aux pratiques de contrôle interne et de gestion des risques. Toutefois, le processus visant à élaborer un registre global des risques couvrant toutes les interdépendances transversales est toujours en cours. Question en cours de traitement. b) Le SI a choisi le cadre de contrôle interne du COSO et a entamé le travail d'évaluation et de consignation du fonctionnement du système de contrôle interne et des procédures de gestion des risques. L'IBAN fera le point sur cette question au cours de son prochain audit. Question en cours de traitement. c) L'IBAN note que l'OFC a contacté le Bureau de l'audit interne et de la gestion des risques (OIARM) de l'OTAN au sujet d'une évaluation indépendante du cadre de contrôle interne du COSO, adopté en 2019. Le travail est toujours en cours. L'IBAN fera le point sur les progrès accomplis dans le cadre de son audit des états financiers de 2021. Question en cours de traitement.	

NATO SANS CLASSIFICATION

IBA-AR(2021)0034

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
(5) Exercice 2018 IBA-AR(2019)0020, paragraphe 3.4 LACUNES DANS LE PROCESSUS DE CONFIRMATION DES SOLDES DE FIN D'EXERCICE ENTRE ENTITÉS OTAN Recommandations de l'IBAN L'IBAN recommande au SI d'établir des procédures officielles efficaces qui permettront de confirmer le solde des éléments d'actif et de passif correspondant aux autres organismes OTAN en prévision de l'établissement des états financiers. S'il y a des différences, le SI devrait organiser une réunion avec les organismes OTAN concernés afin de procéder à un rapprochement des montants et de faire la lumière sur les éléments en souffrance.	L'IBAN prend note des améliorations apportées. L'OFC du SI a ainsi demandé aux principales entités OTAN présentant des états financiers qui étaient concernées de confirmer le solde de fin d'exercice des montants à payer et des montants à recevoir. Les informations fournies ont ensuite été rapprochées d'une liste de factures (sous forme de tableau). Il n'a pas été fourni de rapprochement avec les données relatives aux montants à payer telles qu'extraites de l'ERP. Aucun processus officiel de confirmation des soldes de fin d'exercice entre entités OTAN présentant des états financiers n'a pour l'heure été mis en place.	Question en cours de traitement.

NATO SANS CLASSIFICATION

IBA-AR(2021)0034

COMMENTAIRES OFFICIELS DU SECRÉTARIAT INTERNATIONAL (SI) SUR LE RAPPORT D'AUDIT ET POSITION DU COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN (IBAN)

**OBSERVATION 1
NÉCESSITÉ DE PUBLIER DES INSTRUCTIONS CONCERNANT LES MODALITÉS D'OCTROI DE L'INDEMNITÉ DE SUPPLÉANCE**

Commentaires officiels du SI

Le SI souscrit à la recommandation de l'IBAN portant sur la publication d'instructions concernant les modalités d'octroi de l'indemnité de suppléance. Le travail est déjà en cours. La Commission consultative en matières administratives examinera le projet de directives sur l'application de l'article 32 du RPC qui a été établi par les Ressources humaines du SI (Division Gestion exécutive). Il est prévue que ces directives, qui pourraient être appliquées à l'échelle de l'OTAN, contiennent les critères dont il est question dans la recommandation.

**OBSERVATION 2
NÉCESSITÉ DE RENFORCER LES MÉCANISMES DE CONTRÔLE INTERNE RELATIFS À L'ÉTABLISSEMENT DES ÉTATS FINANCIERS**

Commentaires officiels du SI

Le SI souscrit à la recommandation.

L'OFC s'attache en permanence à améliorer le contrôle interne. Cherchant à optimiser l'efficacité des mécanismes en place, le SI s'efforcera de trouver d'autres manières encore d'améliorer le processus d'établissement des états financiers.

**OBSERVATION 3
 DÉTECTION D'UNE DÉFAILLANCE LOGICIELLE AYANT EU DES INCIDENCES SUR L'ÉTAT DE L'EXÉCUTION DU BUDGET ET SUR L'ÉTAT DE LA SITUATION FINANCIÈRE**

Commentaires officiels du SI

Le SI souscrit à la recommandation.

Après avoir détecté ce problème dans le cadre de ses activités de contrôle interne, l'OFC l'a dûment signalé à l'IBAN et a pris immédiatement les mesures d'atténuation appropriées.

NATO SANS CLASSIFICATION

IBA-AR(2021)0034

Avec la correction technique de la défaillance logicielle grâce à la mise à jour de l'ERP et la prise de mesures supplémentaires, le SI estime que cette question devrait être réglée pour l'audit des états financiers de 2021.

L'observation de l'IBAN vient pleinement appuyer l'ensemble des mesures prises.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES**(1) Exercice 2019****IBA-AR(2021)0013, paragraphe 1****NÉCESSITÉ D'AMÉLIORER LE CONTRÔLE DES AJUSTEMENTS BUDGÉTAIRES*****Commentaires officiels du SI***

Le SI souscrit à l'analyse de l'IBAN.

(2) Exercice 2019**IBA-AR(2021)0013, paragraphe 2****TRAITEMENT COMPTABLE DE LA REPRISE SUR PROVISION POUR LES CONGÉS NON UTILISÉS*****Commentaires officiels du SI***

Le SI souscrit à l'analyse de l'IBAN.

(3) Exercice 2019**IBA-AR(2021)0013, paragraphe 3****ABSENCE DE RAPPROCHEMENT DE LA TRÉSORERIE ET DES ÉQUIVALENTS DE TRÉSORERIE*****Commentaires officiels du SI***

Le SI souscrit à l'analyse de l'IBAN.

L'OFC est en train de revoir les procédures et les pratiques en vigueur.

NATO SANS CLASSIFICATION

IBA-AR(2021)0034

(4) Exercice 2018**IBA-AR(2019)0020, paragraphe 1.9****NÉCESSITÉ D'APPORTER DES AMÉLIORATIONS DANS LES DOMAINES DE LA GESTION DES RISQUES, DU CONTRÔLE INTERNE ET DE L'AUDIT INTERNE****Commentaires officiels du SI**

a) *Le SI ne souscrit pas à l'analyse de l'IBAN.*

Le registre global des risques a été diffusé par le Cabinet en mai 2021 (DC(2021)0055), sous l'intitulé « Registre général des risques » (HLRR).

La gestion des risques étant un processus dynamique, le HLRR est revu en permanence, l'OIARM apportant un soutien direct aux propriétaires des risques.

Nous proposons donc à l'IBAN de considérer que cette partie de la question a été traitée.

Position de l'IBAN

Le Registre général des risques (HLRR), diffusé par le Cabinet en mai 2021 (DC(2021)0055), peut être un élément constitutif d'un registre global des risques. Cela étant, un registre global des risques couvrant toutes les interdépendances transversales doit également faire mention des risques recensés par chacune des divisions du SI. L'IBAN maintient dès lors sa position, à savoir que cette partie de la recommandation est en cours de traitement et il fera le point à ce sujet au cours de son prochain audit.

b) *Le SI souscrit à l'analyse de l'IBAN.*

(5) Exercice 2018**IBA-AR(2019)0020, paragraphe 3.4****LACUNES DANS LE PROCESSUS DE CONFIRMATION DES SOLDES DE FIN D'EXERCICE ENTRE ENTITÉS OTAN****Commentaires officiels du SI**

Le SI souscrit à l'analyse de l'IBAN.

Depuis que l'observation a été formulée, l'OFC a amélioré les procédures de rapprochement en vigueur au SI. Par ailleurs, il continue de travailler avec les autres entités OTAN.

NATO SANS CLASSIFICATION

IBA-AR(2021)0034

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 que 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 certains éléments 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 UNCLASSIFIED

FC(2021)0042-REV1

**NATO INTERNATIONAL STAFF
FINANCIAL STATEMENTS**

For the year ended
31 December 2020

Annexes

- | | |
|---|---|
| 1 | Statement of Financial Position |
| 2 | Statement of Financial Performance |
| 3 | Cash Flow Statement |
| 4 | Changes in Net Assets |
| 5 | Budgetary Execution Statements |
| 6 | Explanatory Notes to the Financial Statements |


Jens STOLTENBERG
Secretary General


Mirosława BORYCZKA
Financial Controller

NATO UNCLASSIFIED

NATO UNCLASSIFIED

ANNEX 1 to
FC(2021)0042-REV1**NATO INTERNATIONAL STAFF
Statement of Financial Position**

As at 31 December 2020

(All amounts in EUR)

	Notes	2020	2019
Assets			
Current assets			
Cash and cash equivalents	3	74,917,635.09	95,868,780.40
Short term investments	4	39,500,000.00	25.02
Receivables	5	45,101,756.69	51,003,663.44
Prepayments	6	1,506,511.85	2,376,028.54
Other current assets	7	7,529,461.59	3,832,719.02
Inventories	8	570,113.51	545,117.25
		169,125,478.73	153,626,333.67
Non-current assets			
Receivables	9	0.00	0.00
Property, plant & equipment	10	865,368,539.37	902,685,826.86
Intangible assets	11	3,204,531.61	4,563,548.09
Other non-current assets	12	4,023,619.00	16,652,386.00
		872,596,689.98	923,901,760.95
Total Assets		1,041,722,168.71	1,077,528,094.62
Liabilities			
Current liabilities			
Payables	13	26,056,601.53	25,234,508.77
Deferred revenue	14	61,606,872.21	69,756,383.65
Advances	15	55,689,504.53	55,813,370.11
		0.00	0.00
Short term provisions	16	5,019,817.01	2,044,128.50
Other current liabilities	17	23,751,451.48	16,352,530.99
		172,124,246.76	169,200,922.02
Non-current liabilities			
Payables	18	0.00	0.00
Long term provisions	18	0.00	0.00
Deferred revenue	19	868,573,070.98	907,249,374.95
Other non-current liabilities	20	0.00	0.00
		868,573,070.98	907,249,374.95
Total Liabilities		1,040,697,317.74	1,076,450,296.97
Net assets			
Capital assets	21	0.00	0.00
Reserves		0.00	0.00
Current year Surplus / (Deficits)		-52,946.68	216,611.72
Accumulated surpluses / (deficits) prior year		1,077,797.65	861,185.93
Total net Assets / Equity		1,024,850.97	1,077,797.65

NATO UNCLASSIFIED

NATO UNCLASSIFIED

ANNEX 2 to
FC(2021)0042-REV1**NATO INTERNATIONAL STAFF
Statement of Financial Performance**

As at 31 December 2020

(All amounts in EUR)

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Revenue			
Non exchange revenue	22	259,744,963.73	257,054,229.85
Exchange revenue	23	14,523,221.91	12,153,999.79
Other revenue	24	13,950,905.93	7,263,636.24
Financial revenue	25	321,961.18	225,368.69
Total Revenue		<u>288,541,052.75</u>	<u>276,697,234.57</u>
Expenses			
Personnel	26	128,270,517.29	124,007,060.06
Contractual supplies and services	26	108,687,466.97	103,056,514.50
Depreciation and amortization	26	48,258,224.09	49,220,361.52
Impairment	26	18,753.70	0.00
Provisions	26	2,975,996.17	77,151.64
Other expenses	26	0.00	501.00
Finance costs	26	383,041.21	119,034.13
Total Expenses		<u>288,593,999.43</u>	<u>276,480,622.85</u>
Surplus/(Deficit) for the period	27	<u>-52,946.68</u>	<u>216,611.72</u>

NATO UNCLASSIFIED

NATO UNCLASSIFIED

ANNEX 3 to
FC(2021)0042-REV1**NATO INTERNATIONAL STAFF
Statement of Cash Flow**

As at 31 December 2020

(All amounts in EUR)

	Notes	2020	2019
Cash Flow from Operating Activities	28		
Surplus/(Deficit)		(52,946.68)	216,611.72
Non-cash movements		(52,946.68)	216,611.72
Depreciation/ Amortisation		48,258,224.09	49,220,361.52
Impairment			
Increase /(decrease) in payables, deferred revenue and advances		(7,451,284.26)	(3,077,312.26)
Increase/ (decrease) in other current and non current liabilities		(31,277,383.48)	(42,018,210.09)
Increase/ (decrease) in provisions		2,975,688.51	8,901.18
(Gains)/losses on sale of property, plant and equipment			
Decrease/ (Increase) in other current assets		(50,780,230.67)	(47,361,929.76)
Decrease/ (Increase) in receivables, prepayments and inventories		6,746,427.18	1,195,804.41
Decrease/ (Increase) in other non current assets		51,305,070.97	30,938,934.73
Net Cash Flow from Operating Activities		19,776,512.34	(11,093,450.27)
Cash Flow from Investing Activities			
Purchase of property plant and equipment / Intangible assets		(1,174,735.99)	(2,514,364.91)
Proceeds from sale of property plant and equipment			
Net Cash Flow from Investing Activities		(1,174,735.99)	(2,514,364.91)
Cash Flow from Financing Activities		-	-
Net Cash Flow from Financing Activities			
Net Increase/(Decrease) in Cash and Cash Equivalents		18,548,829.67	(13,391,203.46)
Cash and Cash Equivalent at the Beginning of the Period		95,868,805.42	109,260,008.88
Cash and Cash Equivalent at the End of the Period		114,417,635.09	95,868,805.42

NATO UNCLASSIFIED

NATO UNCLASSIFIED

ANNEX 4 to
FC(2021)0042-REV1

NATO INTERNATIONAL STAFF
Statement of Changes in Net Assets/Equity

As at 31 December 2020

(All amounts in EUR)

Balance at the beginning of the period 2019	861,185.93
Changes in accounting policy	
Restated balance	
Net (gains)/losses recognised directly in net assets/equity	
Exchange difference on translating foreign operations	
Gain on property revaluation	
Surplus/(deficit) for the period	216,611.72
Change in net assets/equity for the year ended 2019	216,611.72
Balance at the end of the period 2019	1,077,797.65
Balance at the beginning of the period 2020	1,077,797.65
Changes in accounting policy	
Restated balance	
Net (gains)/losses recognised directly in net assets/equity	
Exchange difference on translating foreign operations	
Gain on property revaluation	
Surplus/(deficit) for the period	-52,946.68
Change in net assets/equity for the year ended 2020	-52,946.68
Balance at the end of the period 2020	1,024,850.97

NATO UNCLASSIFIED

NATO UNCLASSIFIED

ANNEX 5 to
FC(2021)0042-REV1INTERNATIONAL STAFF
Statement of Budget Execution as at 31 December 2020

(amounts in euro)	Initial Budget	Increase / Decrease	Revised Budget	Transfers	Frozen Budget	Final budget	Commitments	Expenses	Total spent	Carry forward	Special carry forward	Lapsed
CIVIL BUDGET												
Chapter 1	135,076,580.00	(208,570.00)	134,868,010.00	(191,200.00)	-	134,676,810.00	683,254.96	131,464,163.05	132,147,418.01	683,254.96	68,000.00	2,461,391.99
Chapter 2	59,409,178.00	(464,598.00)	58,944,580.00	(149,698.00)	-	58,794,882.00	1,988,828.54	53,700,977.75	55,689,806.29	1,988,828.54	803,283.00	2,301,792.71
Chapter 3	6,268,842.00	(699,055.00)	5,569,787.00	403,352.00	4,150,260.00	5,973,139.00	370,496.78	1,051,408.17	1,421,904.95	370,496.78	200,000.00	4,351,234.05
Chapter 4	24,193,470.00	(987,777.00)	23,205,693.00	(62,454.00)	-	23,143,239.00	6,210,260.97	15,784,696.67	21,994,957.64	6,210,260.97	85,849.00	1,062,432.36
Total FY 2020	224,948,070.00	(2,360,000.00)	222,588,070.00	-	4,150,260.00	222,588,070.00	9,252,841.25	202,001,245.64	211,254,086.89	9,252,841.25	1,157,132.00	10,176,851.11
CIVIL BUDGET												
Chapter 1	467,968.95	-	467,968.95	-	-	467,968.95	162,031.07	226,676.50	388,707.57	162,031.07	-	79,261.38
Chapter 2	1,326,420.06	-	1,326,420.06	-	-	1,326,420.06	335,123.65	692,819.39	1,027,943.04	335,123.65	-	298,477.02
Chapter 3	369,676.05	-	369,676.05	-	-	369,676.05	20,094.89	292,368.34	312,463.23	20,094.89	-	57,212.82
Chapter 4	5,531,158.82	-	5,531,158.82	-	-	5,531,158.82	1,211,259.04	3,652,178.71	4,863,437.75	1,211,259.04	-	667,721.07
Total FY 2019	7,695,223.88	-	7,695,223.88	-	-	7,695,223.88	1,728,508.65	4,864,042.94	6,592,551.59	1,728,508.65	-	1,102,672.29
CIVIL BUDGET												
Chapter 1	106,223.57	-	106,223.57	-	-	106,223.57	-	1,450.43	1,450.43	-	-	104,773.14
Chapter 2	123,374.56	-	123,374.56	-	-	123,374.56	-	56,095.82	56,095.82	-	-	67,278.74
Chapter 3	680.01	-	680.01	-	-	680.01	-	-	-	-	-	680.01
Chapter 4	1,068,807.01	-	1,068,807.01	-	-	1,068,807.01	46,325.55	809,662.75	855,988.30	46,325.55	-	212,818.71
Total FY 2018	1,299,085.15	-	1,299,085.15	-	-	1,299,085.15	46,325.55	867,209.00	913,534.55	46,325.55	-	385,550.60
SPECIAL CARRY FORWARDS												
Chapter 1	4,244,226.62	-	4,244,226.62	-	1,122,592.00	4,244,226.62	150,119.21	1,273,073.71	1,423,192.92	150,119.21	1,124,185.55	1,696,848.15
Chapter 2	2,330,498.83	-	2,330,498.83	-	-	2,330,498.83	79,930.04	1,657,594.61	1,737,524.65	79,930.04	54,096.52	538,877.66
Chapter 3	4,305,111.98	-	4,305,111.98	-	1,500,000.00	4,305,111.98	399,716.43	1,986,036.45	2,385,752.88	399,716.43	366,805.40	1,552,553.70
Chapter 4	18,896.38	-	18,896.38	-	-	18,896.38	11,000.01	(2,171.80)	8,828.21	11,000.01	-	10,068.17
Total SPECIAL CARRY FORWARDS	10,898,733.81	-	10,898,733.81	-	2,622,592.00	10,898,733.81	640,765.69	4,914,532.97	5,555,298.66	640,765.69	1,545,087.47	3,798,347.68
	244,841,112.84	(2,360,000.00)	242,481,112.84	-	6,772,852.00	242,481,112.84	11,668,441.14	212,647,030.55	224,315,471.69	11,668,441.14	2,702,219.47	15,463,421.68

NATO UNCLASSIFIED

NATO UNCLASSIFIED

ANNEX 5 to
FC(2021)0042-REV1INTERNATIONAL STAFF
Statement of Budget Execution as at 31 December 2019

(amounts in euro)	Initial Budget	Increase / Decrease	Revised Budget	Transfers	Frozen Budget	Final budget	Commitments	Expenses	Total spent	Carry forward	Special carry forward	Lapsed
CIVIL BUDGET												
Chapter 1	136,800,663.00	(311,537.00)	136,489,126.00	609,394.00	-	137,098,520.00	467,968.95	129,517,199.39	129,985,168.34	467,968.95	3,231,457.00	3,881,894.66
Chapter 2	58,777,850.00	(889,747.00)	57,888,103.00	(664,096.00)	-	57,224,007.00	1,326,420.06	54,819,336.61	56,145,756.67	1,326,420.06	838,002.00	240,248.33
Chapter 3	1,280,759.00	86,874.00	1,367,633.00	531,262.00	-	1,898,895.00	369,676.05	1,025,225.71	1,394,901.76	369,676.05	450,000.00	53,993.24
Chapter 4	23,795,610.00	114,410.00	23,910,020.00	(476,560.00)	-	23,433,460.00	5,531,158.82	17,650,784.40	23,181,943.22	5,531,158.82	-	251,516.78
Total FY 2019	220,654,882.00	(1,000,000.00)	219,654,882.00	-	-	219,654,882.00	7,695,223.88	203,012,546.11	210,707,769.99	7,695,223.88	4,519,459.00	4,427,653.01
CIVIL BUDGET												
Chapter 1	339,015.30	-	339,015.30	-	-	339,015.30	106,223.57	176,272.33	282,495.90	106,223.57	-	56,519.40
Chapter 2	1,830,852.84	-	1,830,852.84	-	-	1,830,852.84	123,374.56	1,300,737.44	1,424,112.00	123,374.56	-	406,740.84
Chapter 3	95,097.60	-	95,097.60	-	-	95,097.60	680.01	95,151.27	95,831.28	680.01	-	(733.68)
Chapter 4	3,056,625.10	-	3,056,625.10	-	-	3,056,625.10	1,068,807.01	1,298,360.86	2,367,167.87	1,068,807.01	-	689,457.23
Total FY 2018	5,321,590.84	-	5,321,590.84	-	-	5,321,590.84	1,299,085.15	2,870,521.90	4,169,607.05	1,299,085.15	-	1,151,983.79
CIVIL BUDGET												
Chapter 1	22,175.99	-	22,175.99	-	-	22,175.99	-	19,007.04	19,007.04	-	-	3,168.95
Chapter 2	46,954.25	-	46,954.25	-	-	46,954.25	-	525.50	525.50	-	-	46,428.75
Chapter 3	154,351.55	-	154,351.55	-	-	154,351.55	-	19,703.55	19,703.55	-	-	134,648.00
Chapter 4	1,250,196.71	-	1,250,196.71	-	-	1,250,196.71	-	1,112,928.74	1,112,928.74	-	-	137,267.97
Total FY 2017	1,473,678.50	-	1,473,678.50	-	-	1,473,678.50	-	1,152,164.83	1,152,164.83	-	-	321,513.67
SPECIAL CARRY FORWARDS												
Chapter 1	3,710,533.04	-	3,710,533.04	-	-	3,710,533.04	65,091.39	1,299,958.76	1,365,050.15	65,091.39	1,986,743.00	358,739.89
Chapter 2	4,880,381.65	-	4,880,381.65	-	-	4,880,381.65	138,934.10	3,458,502.51	3,597,436.61	138,934.10	611,973.75	670,971.29
Chapter 3	4,388,811.28	-	4,388,811.28	-	-	4,388,811.28	266,404.98	718,869.64	985,274.62	266,404.98	3,291,231.00	112,305.66
Chapter 4	627,186.02	-	627,186.02	-	-	627,186.02	18,896.40	594,189.61	613,086.01	18,896.40	-	14,100.01
Total SPECIAL CARRY FORWARDS	13,606,911.99	-	13,606,911.99	-	-	13,606,911.99	489,326.87	6,071,520.52	6,560,847.39	489,326.87	5,889,947.75	1,156,116.85
	241,057,063.33	(1,000,000.00)	240,057,063.33	-	-	240,057,063.33	9,483,635.90	213,106,753.36	222,590,389.26	9,483,635.90	10,409,406.75	7,057,267.32

NATO UNCLASSIFIED

NATO UNCLASSIFIED

ANNEX 5 to
FC(2021)0042-REV1

NATO HR Shared Services
Statement of Budget Execution as at 31 December 2020

	Initial budget	Transfers	BA2	Transfers	BA3	Transfers	Final budget	Actuals	Carry forward	Lapsed
(amounts in euro)										
HRSS										
Chapter 1	209,173	-	209,173	-	209,173	-	209,173	215,639	-	(6,466)
Chapter 2	325,002	-	325,002	-	325,002	-	325,002	339,861	-	(14,859)
Chapter 3	-	-	-	-	-	-	-	-	-	-
Total FY 2020	534,175	-	534,175	-	534,175	-	534,175	555,500	-	(21,325)
HRSS										
Chapter 1	-	-	-	-	-	-	-	-	-	-
Chapter 2	-	-	-	-	-	-	-	-	-	-
Chapter 3	-	-	-	-	-	-	-	-	-	-
Total FY 2019	-	-	-	-	-	-	-	-	-	-
HRSS										
Chapter 1	-	-	-	-	-	-	-	-	-	-
Chapter 2	-	-	-	-	-	-	-	-	-	-
Chapter 3	-	-	-	-	-	-	-	-	-	-
Total FY 2018	-	-	-	-	-	-	-	-	-	-
Total All Budgets	534,175	-	534,175	-	534,175	-	534,175	555,500	-	(21,325)

NATO UNCLASSIFIED

NATO UNCLASSIFIED

ANNEX 5 to
FC(2021)0042-REV1

NATO HR Shared Services
Statement of Budget Execution as at 31 December 2019

	Initial budget	Transfers	BA2	Transfers	BA3	Transfers	Final budget	Actuals	Carry forward	Lapsed
(amounts in euro)										
HRSS										
Chapter 1	202,400	-	202,400	-	202,400	-	202,400	205,878	-	(3,478)
Chapter 2	311,082	-	311,082	-	311,082	-	311,082	286,737	-	24,345
Chapter 3	-	-	-	-	-	-	-	-	-	-
Total FY 2019	513,482	-	513,482	-	513,482	-	513,482	492,616	-	20,866
HRSS										
Chapter 1	-	-	-	-	-	-	-	-	-	-
Chapter 2	-	-	-	-	-	-	-	-	-	-
Chapter 3	-	-	-	-	-	-	-	-	-	-
Total FY 2018	-	-	-	-	-	-	-	-	-	-
HRSS										
Chapter 1	-	-	-	-	-	-	-	-	-	-
Chapter 2	-	-	-	-	-	-	-	-	-	-
Chapter 3	-	-	-	-	-	-	-	-	-	-
Total FY 2017	-	-	-	-	-	-	-	-	-	-
Total All Budgets	513,482	-	513,482	-	513,482	-	513,482	492,616	-	20,866

NATO UNCLASSIFIED

NATO UNCLASSIFIED

6-1

ANNEX 6 to
FC(2021)0042-REV1EXPLANATORY NOTES TO NATO INTERNATIONAL STAFF
2020 FINANCIAL STATEMENTS**NOTE 1: GENERAL INFORMATION**

NATO's essential purpose is to safeguard the freedom and security of its members through political and military means. Politically, NATO promotes democratic values and encourages consultation and cooperation on defense and security issues to build trust and, in the long run, prevent conflict. Militarily, NATO is committed to the peaceful resolution of disputes. If diplomatic efforts fail, it has the military capacity needed to undertake crisis-management operations. These are carried out under Article 5 of the Washington Treaty - NATO's founding treaty - or under a United Nations mandate, alone or in cooperation with other countries and international organizations.

The International Staff (NATO-IS) was created in 1951 to support the North Atlantic Council (NAC) (Council resolution D-D(51)30). The "Agreement on the Status of the North Atlantic Treaty Organization" defined its status, which National Representative and International Staff negotiated and signed in September of 1951.

The IS is an advisory and administrative body whose primary role is to support the national delegations of the 30 member states at NATO Headquarters. It produces policy papers, background notes and reports on issues relevant to NATO's political and military agenda and, in doing so, supports the process of consensus building and decision-making in the Alliance. The IS then helps to implement the decisions taken in NATO's committees and liaises closely with the nations and NATO's International Military Staff (IMS).

Headed by the Secretary General, the IS includes eight divisions, each headed by an Assistant Secretary General and a number of Independent Offices headed by Directors. Some 1,000 civilians work within the IS at NATO Headquarters in Brussels, Belgium. They owe their allegiance to the Alliance throughout the period of their appointment. They are either recruited directly by the Organization or seconded by their governments and each appointment is approved by the Secretary General.

The financial statements cover the budgetary and financial operations relating to the NATO International Staff (IS) budgeted and non-budgeted functions and programs.

NOTE 2: ACCOUNTING POLICIES

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

Declaration of conformity

The NATO-IS financial statements have been prepared in accordance with the NATO Accounting Framework which adapts a small number of IPSAS standards to better suit the specific requirements of the Alliance (as originally approved by nations under C-M(2013)0039 on 26 July 2013 and revised under C-M(2016)0023 on 29 April 2016) and with the NATO Financial Regulations (NFR) and respective Financial Rules and Procedures (FRP).

Basis of preparation

The financial statements have been prepared on a going-concern basis: NATO-IS will continue in operation for the foreseeable future.

The amounts shown in these financial statements are presented in EUR.

The financial year begins on 1 January and ends on 31 December of the same year.

NATO UNCLASSIFIED

6-1

NATO UNCLASSIFIED

ANNEX 6 to
FC(2021)0042-REV1

6-2

The following IPSAS have no material effect on the 2019 financial statements of the NATO-IS:

- IPSAS 5: Borrowing Costs
- IPSAS 7: Investments in Associates.
- IPSAS 8: Interests in Joint Ventures
- IPSAS 10: Financial Reporting in Hyperinflationary Economies
- IPSAS 11: Construction Contracts
- IPSAS 16: Investment Property
- IPSAS 21: Impairment of non-cash generating assets
- IPSAS 26: Impairment of Cash-Generating Assets
- IPSAS 27: Agriculture
- IPSAS 32: Service Concession Arrangements: Grantor

Segment Reporting

A segment is a distinguishable activity or group of activities for which it is appropriate to separately report financial information. For NATO IS the segment information is based on principal activities and different sources of financing for different categories of activities of the organisation. To this end, the following segments have been adopted: Civil Budget, Reimbursable Expenses, Human Resources Shared Services (which includes inter alia the Personnel Management Information System and the NATO Talent Acquisition Platform), Extra-Budgetary Funds, Partners' Accommodation, Refurbishment of Building Z (currently known as Manfred Wörner Building) and the Morale and Welfare Recreational Activities.

Building Z Project Financing Model

The Building Z project was initiated in 2012 through DPRC-DS(2012)0012, whereby nations agreed to offer space to partner missions in the Building Z. The projects comprises two strains of works; the Standard and Reinvestment works (refurbishment and security enhancements) and the individual partners missions Optional works. The funding of the latter are a responsibility of the respective partner nations and thus paid upfront. As for the Standard and Reinvestment works, Allies decided through DPRC-DS(2014)0084-REV3 and DPRC-N(2014)0070-REV1, that these will be pre-financed by NATO IS cash liquidity and later reimbursed by Partner Nations.

Morale, Welfare and Recreation

The financial closure of the former NATO Staff Centre took place on 31 December 2018 and as of 1 January 2019 all its assets and liabilities were transferred to the NATO International Staff accounts. The new management model adopted by Nations, as per PO(2018)0329, concerning Morale, Welfare and Recreation (MWR) activities, requires the consolidation of MWR accounts into the NATO International Staff financial statements.

MWR activities are financed from various sources deriving from commercial activities (sport facilities, concessionaires/retailers), special contributions from MWR stakeholder entities (incl. NATO IS, IMS, NCIA) and tax-free fuel operations. The surplus/deficit on the MWR activities is a liability towards the stakeholders.

Changes in Accounting Policy

None.

NATO UNCLASSIFIED

6-2

NATO UNCLASSIFIED

6-3

ANNEX 6 to
FC(2021)0042-REV1**Reclassification of Financial Statements of Previous Years**

NATO policy (both Civilian Personnel Regulations and HR directives) is that untaken leave must be paid only as a last recourse (Staff is compelled to take all their leave before retiring), for informative purposes we disclose the amount payable, if NATO-IS would shut down its activities at the end of the financial year, i.e. 31 December.

NATO-IS recognized, as per 31 December 2018, a provision of EUR 1,966,535.32 for untaken leave and a provision of EUR 2,037,071.94 as per 31 December 2019.

In 2019, the 2018 untaken leave provision has been reversed. However, this reversal was not reflected in the Statement of Financial Performance as at 31 December 2019. This incorrect reversal overstated the non-exchange revenue and expenses, however, the effect on the year-end result is neutral.

As a consequence, the Statement of Financial Performance as per 31 December 2019 is restated as follows:

NATO INTERNATIONAL STAFF
Statement of financial performance
 As at 31 December 2019
 (All amounts in EUR)

	Notes	2019 - Restated	2019
Revenue			
Non exchange revenue	22	257,054,229.85	259,021,205.03
Exchange revenue	23	12,153,999.79	12,153,999.79
Other revenue	24	7,263,636.24	7,263,636.24
Financial revenue	25	225,368.69	225,368.69
Total revenue		276,697,234.57	278,664,209.75
Expenses			
Personnel	26	124,007,060.06	124,007,060.06
Contractual supplies and services	26	103,056,514.50	103,056,514.50
Depreciation and amortization	26	49,220,361.52	49,220,361.52
Impairment	26	0.00	0.00
Provisions	26	77,151.64	2,044,126.82
Other expenses	26	501.00	501.00
Finance costs	25	119,034.13	119,034.13
Total expenses		276,480,622.85	278,447,598.03
Surplus for the period	27	216,611.72	216,611.72

NATO UNCLASSIFIED

6-3

NATO UNCLASSIFIED

ANNEX 6 to
FC(2021)0042-REV1

6-4

Use of estimates

In accordance with generally accepted accounting principles, the financial statements include amounts based on estimates and assumptions by management, according to the most reliable information available, judgement and assumptions. Estimates include accrued revenue and expenses. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

NATO IS estimates the value of Provisions for the following costs:

- A Bad Debts Provision is notionally posted for 0.5% of the long outstanding receivables at year-end, however it is reversed in the beginning of the following year. Debts from Member Nations in lieu with Common Funded calls are excluded, since in case of default they shall be collectively covered (by all Allies) as per NATO's charter;
- A notional Untaken Leave Provision is posted if the number of untaken leave days at year-end, is found to be above 10% of the annual leave entitlement;
- Other present obligations resulting of a past event if resulting of a possible payment of a foreseeable value.

Foreign currency transactions

The NATO-IS budget is authorized and managed in EUR so contributions are called in EUR. The same situation prevails for the other segments which are budget driven such as the Personnel Management Information System. Foreign currency transactions as required are accounted for at the NATO exchange rates prevailing on the date of the transaction. Monetary assets and liabilities at year-end which were denominated in foreign currencies were converted into EUR using the NATO exchange rates applicable at 31 December of the fiscal year.

Realised and unrealised profit and loss resulting from the settlement of such transactions and from the revaluation at the reporting dates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Financial Performance.

NATO-IS accounting is subject to FC(FAC)(2020)004 which sets out IS/OFC policy for accounting and reporting transactions in foreign Currency.

Financial risks

NATO-IS uses only non-derivative financial instruments as part of its normal operations. These financial elements include cash, bank accounts and deposit accounts.

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

The Organisation is exposed to a variety of financial risks, including foreign exchange risk, credit risk, currency risk, liquidity risk and interest rate risk.

a. Foreign currency exchange risk

The exposure to foreign currency risk is limited as the majority of the NATO-IS's expenditures are made in EUR. The current bank accounts are held in EUR, CAD, CHF, DKK, GBP, NOK and USD. There are transactions in foreign currencies for the Information and Liaison Offices. The currency risk associated with these holdings is considered limited in consideration of the level of the aggregated amount held in these accounts.

The maximum exposure as at year end is equal to the total amount of bank balances, short term deposits and receivables. There is very limited credit risk associated with the realization of these elements.

NATO UNCLASSIFIED

6-4

NATO UNCLASSIFIED

6-5

ANNEX 6 to
FC(2021)0042-REV1

b. Credit risk

Concerning cash and cash equivalent, the NATO-IS credit risk is managed by holding current bank accounts and short term highly liquid deposits that are readily convertible to a known amount of cash held with accredited banking institutions.

Table below presents the short term credit ratings, for every banking institutions in which IS holds cash and cash equivalents at 2020 year-end:

Bank Name	Country of HQ	Short Term Ratings					
		FITCH		S&P GLOBAL		MOODY'S	
		Rating	Last Review Date	Rating	Last Review Date	Rating	Last Review Date
ING Bank	Netherlands	F1+	15-Oct-2020	A-1	10-Jul-2020	P-1	21-Oct-2020
BNP PF	Belgium	F1	21-Oct-2020	A 1	23-Apr-2020	P-1	25-Oct-2020
Credit Agricole	France	F1	10-Nov-2020	A 1	21-Oct-2020	P-1	19-Sep-2020

NATO-IS holds also a bank account with AION but without significant cash holdings.

c. Liquidity risk

The liquidity risk, also referred to as funding risk, is based on the assessment as to whether the Organisation will encounter difficulties in meeting its obligations associated with financial liabilities. A liquidity risk could arise from a short term liquidity requirement. There is a very limited exposure to liquidity risk because of the funding mechanism which guarantees contributions in relation to the approved budgets. Some limited risk could be due to the accuracy of budget forecasts. However, past history shows that this process results in surpluses, and the budgetary rules provide for revised budgets. Segments relying on revenue from their commercial operations (i.e. MWR) have proven to be more exposed to liquidity risk.

d. Interest rate risk

Except for certain cash and cash equivalent balances, the NATO-IS financial assets and liabilities do not have associated interest rates. NATO-IS is restricted from entering into borrowings and investments, and, therefore, there is an insignificant interest rate risk. Interest earned is not a budgetary resource but contributes to the surplus owed to Nations.

Current Assets

a. Cash and cash equivalents

Cash and cash equivalents are defined as short-term assets. They include cash in hand, deposits held with banks, other short term highly liquid investments. This includes funds managed on behalf of third parties which are held in cash and are presented as a liability. They are accounted for when cash is effectively received.

b. Receivables

Receivables are stated at net realisable value. Contributions receivable are recognised when a call for contribution, based on the approved budget, has been issued to the funding Nations. These receivables represent the uncollected contributions from Member Nations. No allowance for loss is recorded with respect to Member countries assessed contributions receivable.

c. Prepayments

A prepayment is a payment in advance of the period to which it pertains and is mainly in respect of advance payments made to third parties. This item may include advances made to NATO staff in accordance with Civilian Personnel Regulations (such as advances on salaries or on education allowance).

NATO UNCLASSIFIED

6-5

NATO UNCLASSIFIED

ANNEX 6 to
FC(2021)0042-REV1

6-6

d. Other Current Assets

Other Current Assets correspond to miscellaneous amounts due to NATO IS such as accrued income, rent related deposits, and other assets that do not result from the standard order to cash process, such as a counterpart of untaken leave, miscellaneous transactions to be regularized, including between entities managed by the IS Office of Financial Control, and advances made to non-consolidated NATO entities, generally in order to ease their treasury situation.

e. Inventories

As mentioned above, NATO's adaptations of IPSAS are spelled out in C-M(2016)0023 of April 2016, which included IPSAS 12 Inventories. Furthermore, C-M(2017)0043 of September 2017 approved the NATO Accounting Policy for Inventory.

When it comes to assessing the control of NATO Inventory, these documents define a set of 10 criteria to be used in assessing the level of control of an Inventory asset. A positive response on six of the criteria will lead to the asset being capitalized in the financial statements if it is above the capitalization threshold. This is applied from January, 2013, under the initial NATO Accounting Framework C-M(2013)0039 of July 2013.

Criteria that may indicate control of an asset:

- The act of purchasing the asset carried out (or resulted from instructions given) by the NATO Reporting Entity.
- The legal title is in the name of the NATO Reporting Entity.
- The asset is physically located on the premises or locations used by the NATO Reporting Entity.
- The asset is physically used by staff employed by the NATO Reporting Entity or staff working under the NATO Reporting Entity's instructions.
- The fact that the NATO Reporting Entity can decide on an alternative use of the asset.
- The fact that the NATO Reporting Entity can decide to sell or to dispose the asset.
- The fact that the NATO Reporting Entity, if it has to remove or destroy the asset, can take the decision to replace it.
- The fact that a representative of the NATO Reporting Entity regularly inspects the asset to determine its current condition.
- The fact that the asset is used in achieving the objectives of the NATO Reporting Entity.
- The fact that the asset will be retained by the NATO Reporting Entity at the end of the activity.

Capitalization thresholds relevant to the financial statement are as follow:

Category	Threshold	Basis
Consumables	€50,000	Per location/warehouse
Spare Parts	€50,000	Per location/warehouse
Ammunition	€50,000	Per location/warehouse
Strategic stocks	€50,000	Per location/warehouse

Slow moving inventory – Assuming turnover of stock is over a 12 month period, any items not used over a 36 month period will be deemed to be slow moving.

Strategic stock – Some complex elements of slow moving stock can be identified as strategic if they are deemed essential to the effective operation of an asset and cannot be readily replaced by commercial off the shelf items or cannot be purchased due to market decisions to close production lines of key inventory items due to the advanced age of the strategic asset to which the stock relates.

NATO IS capitalizes inventory which it controls in its financial statements. Where there is a conflict between more than one NATO Reporting Entity as to the control of inventory, only the end-user entity will report the inventory in its financial statements, based on reliable information provided by the NATO services provider entity as defined in individual agreements between the two entities.

NATO UNCLASSIFIED

6-6

NATO UNCLASSIFIED

6-7

ANNEX 6 to
FC(2021)0042-REV1

NATO IS will include transportation costs involved in bringing the inventories to their present location and condition in the initial valuation of inventory. These costs will be measured on the actual cost of transportation per item of inventory or by using an apportionment of the global transportation costs of bringing the inventories to their present location and condition across all inventory items in the period. Transportation costs involved in the subsequent movement of inventory which brings them into operational use will not be included in the value of inventory.

NATO IS considered inventory acquired prior to 1 January 2013 as fully expensed.

For inventory held prior to 1 January 2013, and not previously recognized as an asset, NATO IS will provide a brief description of inventory held within their inventory recording systems in the notes to the financial statements. Such disclosure will include as a minimum the types of inventories held, locations where inventories are held and the approximate number of items held per asset category.

Where this adaptation conflicts with another requirement of IPSAS this adaptation shall apply. For the remainder, IPSAS 12 shall apply.

At year end, NATO IS assesses its inventories under IPSAS 12, against the materiality Thresholds defined by the NATO policy, based on this assessment NATO IS decides whether to capitalize or fully expense its inventories.

The materiality will be assessed each year in relation to the inventories held across the IS HQ. Inventories in external offices abroad are not considered to be material.

Fixed assets (Property, Plant & Equipment and Intangible Assets)

a. Property, Plant & Equipment

NATO's adaptation of IPSAS are spelled out in C-M(2016)0023 of April 2016 among which were specific items addressing IPSAS 17 PPE. Furthermore, C-M(2017)0022(INV) approved the NATO accounting policy for Property, Plant and Equipment.

When it comes to assessing the control of NATO over PPE these documents define a set of 10 criteria to be used in assessing the level of control of a tangible asset. A positive response on six of the criteria will lead to the asset being capitalized in the financial statements if it is above the capitalization threshold. This is applied from January 2013, under the initial NATO Accounting Framework C-M(2013)0039 of July 2013

Capitalization thresholds relevant to the financial statement are as follow:

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

In light of the move to the New NATO HQ in 2018, it was decided, that core PPE relating to the previous HQ and Building Z will be fully expensed as will any fixed equipment and furniture that is not to be

NATO UNCLASSIFIED

6-7

NATO UNCLASSIFIED

ANNEX 6 to
FC(2021)0042-REV1

6-8

transferred to the current HQ. Only movable items purchased with a view to being used again in the current HQ/Building Z environment would continue to be capitalized.

Where and as appropriate, the value of specific pieces of PPE (for example buildings), will be broken down into component parts to allow depreciation of different parts of the asset at different rates. The IS has considered PP&E acquired prior to 1 January 2013 as fully expensed. For PPE held prior to 1 January 2013 and not previously recognized as an asset, the IS provides a brief description under Note 10.

b. Intangible Assets

As mentioned above, NATO's adaptations of IPSAS are spelled out in C-M(2017)0023 of April 2013, which included IPSAS 31 Intangible Assets. Furthermore, C-M(2017)0044 approved the NATO accounting policy for intangible assets.

When it comes to assessing the control of NATO over Intangible Assets, these documents define a set of 10 criteria to be used in assessing the level of control of an Intangible asset – they are the same as mentioned above under Inventory. A positive response on six of the criteria will lead to the asset being capitalized in the Financial Statements if it is above the capitalization threshold. This is applied from January 2013, under the initial NATO Accounting Framework C-M(2013)0039 of July 2013.

NATO Intangible Assets Capitalization Thresholds – NATO-IS will capitalize each intangible asset item that is above the following agreed NATO thresholds:

Category	Threshold	Depreciation Life	Method
Computer software (commercial off the shelf)	€50,000	4 years	Straight line
Computer software (bespoke)	€50,000	10 years	Straight line
Computer database	€50,000	4 years	Straight line
Integrated system	€50,000	4 years	Straight line

NATO-IS capitalizes all controlled intangible assets above the NATO Intangible Asset Capitalization Threshold. For anything below the threshold, the IS will have the flexibility to expense specific items. NATO-IS will capitalize integrated systems and include research, development and implementation, and can include both software and hardware elements. But NATO-IS does not capitalize the following types of intangible assets in its financial statements:

- rights of use(air, land and water);
- landing rights;
- airport gates and slots;
- historical documents; and,
- publications

NATO-IS will capitalize other types of intangible assets acquired after 1 January 2013 including:

- Copyright
- Intellectual Property Rights
- Software development

NATO-IS considers intangible assets acquired prior to 1 January 2013 as fully expensed. The IS looked as far back as 2006 in establishing values of work in progress, especially software under development.

NATO-IS reports controlled intangible assets in its financial statements. Where there is a conflict between more than one NATO Reporting Entity as to the control of intangible assets, only the end-use entity will capitalize the intangible asset in its financial statements based on reliable information provided by the NATO services provider entity as defined in individual agreements between the two entities.

NATO UNCLASSIFIED

6-8

NATO UNCLASSIFIED

6-9

ANNEX 6 to
FC(2021)0042-REV1

For intangible assets held prior to the 1 January 2013 and not previously recognized as an asset, NATO-IS should provide a brief description of intangible assets held in its intangible asset recording systems in the notes to the financial statements. Such disclosure will include as a minimum the types of intangible assets held, locations where they are held, and the approximate number of items held per asset category. However NATO does not possess any such items

If an intangible asset is upgraded after 1 January 2013, only the portion related to the modification will be capitalized.

Where this adaptation conflicts with another requirement of IPSAS, this adaptation will apply. For the remainder, IPSAS 31 shall apply. This adaptation is effective for financial reporting periods beginning on 1 January 2013.

Current liabilities

a. Payables

Payables are amounts due to Nations in relation with budget rules or to third parties for goods received and services provided that remain unpaid. This includes an estimate of accrued obligations to third parties for goods and services received but not yet invoiced.

b. Advances and Unearned revenue

Funds are always called in advance of need because NATO-IS has no capital that would allow it to pre-finance any of its activities.

Unearned revenue represents participating Nations' contributions which have been called for current budgets but that have not yet been recognised as revenue in the absence of matching expenses.

Advances are recognised when calls in relation to future year budgets are issued. Advances made by contributing nations outside of the call for contributions process are recorded when cash is received.

c. Provisions

Estimates of present obligations resulting of a past event if resulting of a possible payment or loss of a foreseeable value are presented under Provisions. This item includes, inter alia, an Untaken Leave Provision and a Bad Debts Provision

d. Other Current Liabilities

Amounts corresponding to the current year budgetary surplus, i.e. lapsed credits, net interest and miscellaneous income, are considered a liability towards the contributing nations. The settlement does not follow the normal accounts payable process, since the standard approach is to return them to contributing nations via a deduction of the following year's call for budget contributions. This liability is therefore classified under Other Current Liabilities.

This item may include other liabilities that do not result from the standard procure to pay process, such as miscellaneous transactions to be regularized between entities managed by the IS Office of Financial Control.

Non-Current Liabilities

The long term unearned revenue is unearned revenue in relation to net carrying amounts of Property, Plant and Equipment and Intangible Assets. Revenue is recognised over the estimated life cycle of the Property, Plant and Equipment and the Intangible Assets.

NATO UNCLASSIFIED

6-9

NATO UNCLASSIFIED

ANNEX 6 to
FC(2021)0042-REV1

6-10

Net Assets

Net Assets correspond to cumulative surpluses/deficits of non-budgetary activities such as Partner Accommodation where income follows a process that is relatively independent from the actual level of expenses, and does not automatically balance expenses as in the standard NATO budget process. For such activities, the yearly execution results in a surplus or a deficit.

Leases

IS does not enter into financial leases. All IS leases are operational leases. Lease contracts are in place for vehicles, office equipment, etc.

Additionally IS has entered into leases for temporary pre-fabricated buildings that are used to accommodate space requirements from some Allied and Partner delegations located on the previous NATO Headquarter site. With the handover of the previous HQ to the Host Nation Belgium and the move of the Partner Delegations into the refurbished Building Z, the lease contracts came to an end in 2020. The related costs have been charged back to the occupants in relation to the surface they occupy in the leased buildings.

Revenue and expense recognition

a. Revenue from non-exchange transactions

Revenue from non-exchange transactions comprises contributions from Participating Nations when they are based on officially approved cost shares or on a voluntary basis that are not approximately equal to the proportion of value received. This applies to all budget driven segments or entities (e.g. Civil Budget) and to Extra Budgetary Funds.

Civil Budget contributions to be called from Member Nations, based on the budget approved by the North Atlantic Council, are initially recorded as unearned revenue liabilities. Because contributions are subject to conditions that, if unfulfilled, require the return of the transferred resources, the entity recognises a liability until the condition is fulfilled.

Assessed contributions for the NATO-IS Civil Budget are accounted for as unearned revenue when called; revenue is recognised and the liability is discharged when the conditions are fulfilled. Revenue is recognised in that it is probable that the economic benefits will flow to the entity and the revenue can be measured reliably. The balance of unspent contributions and other revenues which relate to future periods are deferred accordingly.

Voluntary contributions such as pledges in relation to Extra Budgetary Funds are accounted for as unearned revenue when confirmed by the donor; revenue is recognised and the liability is discharged when the conditions are fulfilled.

In-kind contributions of services or goods are currently not recognised in the Statement of Financial Performance. The number of Voluntary National Contributions (VNCs) staff is disclosed under note 36 "Employee Disclosure".

b. Revenue from exchange transactions

Resources of revenue from exchange transactions are measured at fair value of the consideration received or receivable and are recognised when goods and services are delivered. This is revenue in relation to the reimbursement of administrative support and common operating costs, Refundable Expenses, Human Resources Shared Services (HRSS) and Partners' Accommodation costs. It also includes revenue from audits performed by IBAN on Multi-nationally funded entities and MWR activities.

c. Long term unearned revenue

The budget resources provided by Nations for the funding of capital expenditure are recognised as a liability in the Statement of Financial Position as long term unearned revenue. Earned revenue will be

NATO UNCLASSIFIED

6-10

NATO UNCLASSIFIED

6-11

ANNEX 6 to
FC(2021)0042-REV1

progressively recognised from long term unearned revenue, in an amount equal to annual depreciation of the related non-current assets, as future economic benefits and service potential will flow to the NATO International Staff when the asset is operational.

NOTE 3: CASH AND CASH EQUIVALENTS

The current bank accounts at NATO HQ are held in EUR, CAD, CHF, DKK, GBP, NOK and USD. Deposits are held in bank current accounts that are immediately available.

NATO-IS has satellite offices in Moldova, Ukraine, Georgia and Russia which holds bank accounts with their local banks.

Cash is also held for Extra Budgetary Funds for which NATO-IS is the executing agent and therefore acts as the principal, or for which NATO-IS acts as Treasurer. These projects are not financed by the common funding principle. These Extra Budgetary Funds managed on behalf of third parties are held in cash or as a receivable if they correspond to an unpaid non-budgetary contribution in relation to nationally funded elements. The corresponding amounts are presented as a current liability.

NATO Reimbursable Expenses, Partners' Accommodation, HRSS and Building Z Refurbishment Project use the same bank account as NATO IS.

While the consolidated NATO IS cash position is positive, the implicit position of some segments may be negative, in case they find themselves in a cash shortage position such as Reimbursable Expenses and the Building Z Refurbishment Project.

The table below presents a breakdown of all Cash and Cash equivalents under the control of NATO IS:

(amounts in EUR)	2020	2019
NATO HQ Civil Budget	26,837,332.91	57,883,306.73
NATO Satellite Offices	357,247.03	629,537.43
NATO Petty Cash	12.63	3,366.78
NATO Reimbursable Expenses	(1,857,246.41)	175,249.04
HR Shared Services	180,363.63	(160,126.29)
Office of Shared Services	829,632.37	942,678.71
Extra Budgetary Funds	48,278,260.60	41,254,243.12
Partners Accomodation	1,461,743.25	202,713.88
Refurbishment of Building Z	(1,765,969.45)	(5,543,451.80)
Morale and Welfare Recreational Activities (Staff Centre)	596,258.53	481,262.80
Total	74,917,635.09	95,868,780.40

Negative balance of Building Z in 2020 is the result of the pre-financing operations with the use of NATO IS cash liquidity and it decreases with time. The negative balance for Reimbursable Expenses is due to expenses that have been charged back but not yet paid.

NOTE 4: SHORT TERM INVESTMENTS

Short term investments are made in highly liquid deposits in consideration of the situation of interest rates. These include cash from NATO IS and also from other segments over which NATO IS exerts control.

In 2020 at year-end there was MEUR 39,5 cash held as short-term investments. In 2019, all cash was deposited in current bank accounts (EUR 25.02 in 2019, referred to the remnants of an investment account (interest gained)).

NATO UNCLASSIFIED

6-11

NATO UNCLASSIFIED

ANNEX 6 to
FC(2021)0042-REV1

6-12

The table below provides comparative data on this item over two consecutive years:

(amounts in EUR)	2020	2019
NATO IS HQ Civil Budget	39,500,000.00	25.02
NATO IS HQ Reimbursable Expenses	-	-
NATO IS External Offices	-	-
HR Shared Services	-	-
Office of Shared Services	-	-
Extra Budgetary Funds	-	-
Partners' Accommodation	-	-
Refurbishment of Building Z	-	-
Total	39,500,000.00	25.02

NOTE 5: CURRENT ASSETS: ACCOUNTS RECEIVABLE

Accounts receivable are mainly outstanding contributions for the NATO Civil Budget related to the call issued at the end of the year and amounts due by other bodies and member Nations for services rendered by the International Staff (Accommodation costs, and Administrative Support).

Contributions receivable from NATO Member Nations are essentially funds requested from the Nations to finance the Civil Budget and the advances called in relation to the following year Civil Budget that remain unpaid at year end. In accordance with the standard procedure, one advance for the following year's budget is called at the end of the current year and two calls for contributions are issued during year, usually in February and in November. Other receivables from NATO Member Nations correspond mainly to amounts due in relation to common operating costs, administrative support and rental of office accommodation.

Receivables from Member or Partner Nations and others correspond to amounts due in relation to accommodation costs, administrative support, rental of modular buildings, accommodation fees of Partner buildings, items procured on behalf of third parties, contributions to the Von Karman Institute etc. They also correspond to outstanding amounts in relation to the funding of specific national requirements concerning the refurbishment of Building Z.

Receivables from staff correspond to miscellaneous services and also includes amounts due from the insurer to compensate for salary costs of staff on long term sick leave.

The table below provides comparative data of the Receivables balances, taking into account the eliminations, at year-end, for two consecutive years:

(amounts in EUR)	2020	2019
International Staff	37,148,574.76	47,139,153.78
Refundable Expenses	3,321,620.34	578,786.24
HR Shared Services	27,732.99	484,824.96
Extra Budgetary Funds	267,446.74	266,319.53
Partner Accommodation	387,887.06	470,466.28
Building Z Refurbishment	3,681,908.26	1,149,990.00
Moral, Welfare and Recreation	266,586.54	914,122.65
TOTAL	45,101,756.69	51,003,663.44

NATO UNCLASSIFIED

6-12

NATO UNCLASSIFIED

6-13

ANNEX 6 to
FC(2021)0042-REV1**NOTE 6: PREPAYMENTS**

Prepayments to suppliers relate to expenses paid in advance..

Prepayments to staff members correspond to advances to be regularised (mainly education allowances for the following year but also travel on duty, and loans, as provided by the CPRs).

The tables below provide comparative data of the Prepayment balances at year-end, for two consecutive years:

2020					
Prepayments (in EUR)	IS	Partners' Accomodation	Extra Budgetary Funds	Refundable Expenses	Total
Suppliers	22,604.17	-	-	-	22,604.17
Staff - Education Allowance	1,476,430.14	-	-	7,005.33	1,483,435.47
Staff - Travel	-	-	472.21	-	472.21
TOTAL	1,499,034.31	-	472.21	7,005.33	1,506,511.85

2019			
Prepayments (in EUR)	IS	Partners' Accomodation	Total
Suppliers	356,075.54	613,894.05	969,969.59
Staff	1,406,058.95	-	1,406,058.95
Others	-	-	-
TOTAL	1,762,134.49	613,894.05	2,376,028.54

NOTE 7: OTHER CURRENT ASSETS

These consist essentially of the counterpart of the valuation of untaken leave, cash advances to pension systems (DCPS, RMCF) and a pending litigations receivables that were passed on to NATO IS after the closure of the old site Staff Centre entity.

The counterpart of untaken leave is a valuation of the potential budgetary contribution that would be required if this untaken leave were to be paid. However as indicated in the note on Employee Disclosure, untaken leave is normally never paid.

The below table provides a breakdown of the year-balances for the segment NATO IS, for two consecutive years:

Other Current Assets (in EUR)	2020	2019
Untaken Leave provision	5,018,851.30	2,037,071.94
Warranty	8,161.59	10,836.82
Litige Carrefour and Grand Optical (old SC)	284,236.86	284,236.86
Other	59,862.35	5,075.14
Deferred revenue	929,440.01	0.00
Inter-entity cash advances (DCPS, RMCF)	550,000.00	1,500,000.00
Total	6,850,552.11	3,837,220.76

NATO UNCLASSIFIED

6-13

NATO UNCLASSIFIED

ANNEX 6 to
FC(2021)0042-REV1

6-14

NOTE 8: INVENTORIES

The table below provides insight on the movements as well as the balances of Inventories at year-end for two consecutive years:

Description	EUR Stock Value per 31 Dec 19	2020 Yearly Issues (EUR)	2020 Yearly Purchases (EUR)	EUR Stock Value per 31 Dec 20
Office Supplies	238,438.12	88,713.62	96,141.88	245,866.38
Buildings & Infrastructure Supplies	246,225.23	142,881.10	141,556.26	244,900.39
NOS Consumables	60,788.02	25,745.33	44,304.00	79,346.69
Total				570,113.46

NOTE 9: NON CURRENT ASSETS: RECEIVABLES

Nothing to report.

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

The following principles have been applied.

Property, Plant and Equipment (PPE)

Infrastructure, plant and equipment are stated under the accounting principles mentioned in Note 2 above.

Land and buildings

Land and buildings are shown at fair value, based on internal valuation and judgment on each reporting date.

Concerning the current NATO HQ:

During the first half of 2018, NATO moved to its new premises further to the handover from the Host Nations (Belgium and NCIA) to NATO of all of the main elements of the projects that enabled operations in the new building. As a consequence, and as per the provisions of the NATO Accounting Framework (C-M(2016)0023), all assets that were recorded as work in progress in the "New NATO HQ" financial statements have been transferred to the NATO International Staff, or the NCIA (for the IT assets).

The value of the current HQ building includes items considered as Common Funded and items considered as Nationally Funded. The reasoning stems from a number of factors. The current HQ building constitutes a coherent and global building whose purpose is to bring together member nations in order to enable an efficient and effective consultation process. This situation whereby dedicated National Representations are present on site is very specific to NATO and does not always exist in other comparable international organizations. The member nations are not considered, from a legal perspective, as having direct property rights on the parts of the building corresponding to their own delegation premises, but rather having an exclusive right of use. In this respect the different funding mechanisms cannot be deemed a factor justifying a specific accounting treatment. The situation also carries certain restrictions, such as the inability to execute works affecting or altering the basic structure of the building, or to use the premises for purposes different than housing their national delegation to NATO, or to independently sell their premises. Additionally, it is difficult to accurately distinguish the value between these common and nationally funded elements. Their inclusion provides useful and clear information which contributes to financial transparency. Common funded and nationally funded construction works were managed as a single project. The economic benefit or the service potential is measured by the contribution to consensus building and therefore it cannot be separated from NATO's purpose. Therefore, this would not justify a separate accounting treatment.

It should be noted that this approach does not apply to the national fit-out segment, for which four nations decided to act separately.

NATO UNCLASSIFIED

6-14

NATO UNCLASSIFIED

6-15

ANNEX 6 to
FC(2021)0042-REV1

Concerning the previous NATO HQ:

Belgium granted to NATO by way of concession a plot of land on which NATO was authorized to erect all necessary buildings and facilities needed to perform its functions. A symbolic price is paid annually for the rent. NATO is the full owner of all structures built thereon. Belgium remains the sole and full owner of the land, which is public domain ("domaine public"). The concession ends 180 days after NATO has left the buildings and facilities. At the end of the concession, there will be no property rights transferred to NATO. As a consequence, given the indefinite economic life of land and the specific nature of concessions, the use of the land is classified as an operational lease. The rent charged by the host nation is recognised as an expense in the Statement of Financial Performance. The original buildings of the previous HQ site are estimated as having a zero value in consideration of their age, of the terms of the concession agreement, of the limited value for money of an evaluation study and of the move to new premises in 2018.

Items purchased prior to 1 January 2013:

Material and non-recorded items purchased prior to 1 January 2013 are the fourth wing of Building Z, assessed at the historical cost of EUR 2.566 million, and the Secretary General's residence with an assessed market value of EUR 12,000,000 as at October 2020.

PPE and Land and Buildings disclosures

The table below shows the status of the PPE and Land and Buildings in the Civil Budget segment at year-end:

(amounts in EUR)	Carrying Amount end 2019	Corrections related to PPE module	Additions	Disposals	Depreciation	Reclass	Impairment	Carrying Amount end 2020
COMMON FUNDED								
Land & Building	641,168,389.68		361,490.00		(16,689,872.54)			624,840,007.14
Installed equipment	249,067,278.55		150,000.00		(29,594,735.51)			219,622,543.04
Machinery	406,173.58				(66,014.05)			340,159.53
Transportation Equipment	277,952.00		147,875.19		(106,793.08)			319,034.11
Communications	211,620.34		83,054.07		(74,966.00)			219,708.41
IT Equipment	109,442.14		180,520.07		(115,029.77)			174,932.44
TOTAL	891,240,856.29	-	922,939.33	-	(46,647,410.95)	-	-	845,516,384.87

As for the Building Z, all expenditures (including the salaries of the project staff) are accrued under a "Fixed Assets Under Construction" account until the finalization of the project when the project accumulated cost will be finally recognized as Land & Buildings.

The table below shows the status of the PPE and Land and Buildings in the Building Z segment at year-end:

Building Z	2020	2019
Assets under construction	19,852,154.70	11,444,970.57

Total Warranty Contract

In 01/12/2018 NATO IS signed with COFELY a nine years contract (expires in 30/11/2027) for the maintenance of the IS HQ equipment's and technical installations. This contract is referred to as a Total Warranty Contract.

NATO UNCLASSIFIED

6-15

NATO UNCLASSIFIED

ANNEX 6 to
FC(2021)0042-REV1

6-16

The below table disclose the items that were replaced by COFELY during 2020, as part of the contract execution:

COFELY TOTAL WARRANTY REPLACEMENTS 2020	
ITEMS REPLACED	COST in EUR
RPL DES CARTES ELECTRONIQUES UPS 14100380962001	4,678.20
RPL MITIGEURS LAVABOS	10,800.00
ACHAT DISPLAY ASCENSEURS POUR LE STOCK	17,970.00
RPL DU MOTEUR PRV DU FRIGO 4	7,129.79
RPL DU THERMO-CAPILLAIRE FRIGO 2	2,404.26
RPL CONDENSATEURS UPS SOCOMEC	36,174.98
2X POMP GRUNDFOSS	3,909.12
FOSSE SEPTIQUE JARDIN JAPONNAIS	5,101.43
REPLACEMENT CARTES ELECTRONIQUES JAGA	6,241.20
REPLACEMENTS CONDENSATEURS TGNT C1 01 N	2,206.85
REPARATION DES RIDEAUX STOBICH-KELLER	6,550.40
REPARATION SERVEUR KOLLMORGEN	2,862.12
RPL BATTERIES BLOCS DE SECOURS	131,466.36
RPL BATTERIES POMPES SPRINKLAGE	1,867.06
RPL BATTERIES UPS	2,568.09
TOTAL	241,929.86

After an analysis IS-OFC decided that since all acquired items falls under the consumable/spare part category, in 2020 NATO IS shall not recognize COFELY's replaced items as PP&E.

The contract also stipulates that the difference between the costs paid by COFELY and the contractual annual replacements ceilings are captured under a "Solde du Fonds de Réserve" and that at the end of the ninth year of contract, NATO IS will get back one half of the funds not spent. However, if the balance is negative, NATO will not pay COFELY any compensatory payment.

As per NFR's when and if this income realizes, it shall be returned to Nations as Miscellaneous Income of the year concerned.

The balance of the "Solde du Fonds de Réserve" at 31 December 2020, shows a positive balance of EUR 637,527.02 (EUR 306,692.48 as per end 2019).

However, since the settlement of the "Solde du Fonds de Réserve" is receivable only at the end of the contract (30/11/2027), IS-OFC does not recognize any related asset/liability in lieu with the Total Warranty Contract.

NOTE 11: INTANGIBLE ASSETS

Intangible assets are stated at historical cost minus accumulated depreciation and any recognized impairment loss.

NATO UNCLASSIFIED

6-16

NATO UNCLASSIFIED

6-17

ANNEX 6 to
FC(2021)0042-REV1

The table below shows the status of Intangible Assets in the Civil Budget segment at year-end:

(amounts in EUR)	Carrying Amount end 2019	Corrections related to PPE module	Additions	Disposals	Depreciation	Reclass	Impairment	Carrying Amount end 2020
COMMON FUNDED								
Intangible assets								
LS RELATED COSTS: IMPLEMENTATION, SW, PROJECT STAFF	23,587.58				(5,896.90)			17,690.68
WCM RELATED COSTS: IMPLEMENTATION, SW, PROJECT STAFF	499,107.60				(166,369.20)			332,738.40
PPM RELATED COSTS: IMPLEMENTATION, SW, PROJECT STAFF	-							-
EIM RELATED COSTS: IMPLEMENTATION, SW, PROJECT STAFF	3,456.26	-	-	-	(3,456.26)	-	-	-
DAMS RELATED COSTS: IMPLEMENTATION, SW, PROJECT STAFF (2)	48,763.50	-		-	(16,254.50)	-	-	32,509.00
ERP RELEASE II + OBI	740,112.54				(467,439)			272,673.41
ERP RELEASE III (HR, Programs, SharePoint)	2,895,616.02			-	(847,765.58)		-	2,047,850.44
OTHER ASSETS	352,808.56	-	-	-	(103,541.93)		-	249,266.63
TOTAL	4,563,452.06	-	-	0	(1,610,723.50)	-	0	2,952,728.56
Intangible assets under construction	6.39		251,796.66					251,803.05
TOTAL	4,563,548.11	-	251,796.66	-	(1,610,723.50)	-	-	3,204,531.61

During 2020, the implementation of a new Travel Management System started. With the go-live scheduled for 2021, the according expenditure is reported under "Assets under construction" for an amount of EUR 251,796.66.

Depreciation

Straight-line depreciation method is used for all categories, with the life cycles in keeping with those stated in the accounting policy.

Impairment of fixed assets

The carrying amounts of fixed assets are reviewed for impairment if events or changes of circumstances indicate that they may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the impairment loss. Any provision for impairment losses is charged against the Statement of Financial Performance in the year concerned.

NOTE 12: OTHER NON-CURRENT ASSETS

The amount of MEUR 4.023 is the balance of pre-financing of the cost of refurbishment and re-investment works in Building Z. Occupancy fees to be charged to future occupants including the NATO International Staff will offset this amount.

NOTE 13: PAYABLES

Payables and accrued expenses may be to commercial suppliers, staff, Member Nations, other NATO bodies and Partner Nations.

Payable to suppliers

Payable to suppliers relates to goods and services for which an invoice has been received, checked, and queued for payment but for which payment was still pending at year-end.

Payable to personnel

Payable to personnel relates to amounts due to staff in relation to travel expenses and hospitalities.

Payable to Nations

There is a payable in relation to the reimbursable salaries due to certain countries (United States, Norway and the Netherlands) for civilian staff members who are paid directly by their governments. This amount payable can be used by the nations in question applying it against any calls for contributions.

NATO UNCLASSIFIED

6-17

NATO UNCLASSIFIED

ANNEX 6 to
FC(2021)0042-REV1

6-18

Payable to other NATO bodies

This includes amounts received from NATO bodies in support of projects funded by the Civil Budget.

Accruals

Accrued expenses correspond to the estimated obligation to third parties for goods and services received but not yet invoiced.

The table below presents detailed breakdown of payables at year-end for the IS segment for two consecutive years:

(in EUR)	2020	2019
Suppliers	12,321,072.68	7,969,687.70
Personnel Related	482,621.11	45,864.76
Member Nations	4,126,223.85	2,963,471.51
Accruals	849,024.60	9,927,387.86
Others		
Total	17,778,942.24	20,906,411.83

Morale, Welfare and Recreation

At the end of 2020, the MWR showed a payable position to NATO International Staff amounting to EUR 2,219,503 and corresponding to the unpaid expenses for 2019 and 2020 accommodation costs.

MWR cash holdings are not sufficient to cover this liability.

NOTE 14: DEFERRED/UNEARNED REVENUE

Civil Budget:

Unearned revenue corresponds to contributions called for the current or previous years that NATO IS plans to use as originally intended, but for which corresponding expenses will be incurred after the reporting date.

Unearned revenue includes principally those amounts of contributions which will be spent in subsequent years on the NATO Civil Budget as credits carried-forward resulting from the budget execution in accordance with the NATO Financial Regulations. If the funds are not spent by the end of the second year following the year for which they were approved, these funds will lapse unless a specific decision is taken by member nations for a further carry-forward.

Extra Budgetary Funds:

Unearned Revenue corresponds essentially to contributions received in relation to Trust Funds for which the related project activities are not yet completed. These amounts should be spent in future years as the projects evolve.

Other segments:

Other segments that also present Unearned Revenue balances are the Building Z project (Assets under Construction) and HRSS.

NATO UNCLASSIFIED

6-18

NATO UNCLASSIFIED

6-19

ANNEX 6 to
FC(2021)0042-REV1

The table below presents a breakdown of the Deferred/Unearned Revenue balances at 2020 year-end:

(in EUR)	2020	2019
NATO IS	14,363,817.88	19,880,367.97
Extra Budgetary Funds	45,423,806.03	39,649,583.25
Building Z	1,819,248.30	10,226,432.43
Total	61,606,872.21	69,756,383.65

NOTE 15: ADVANCES

The standard call for budget contributions process includes an advance on the following year's budget. In addition, some Nations may make ad hoc voluntary advances for budget contributions, ahead of the call issue. Under the new MWR mandate there are advances received in lieu with services.

The table below discloses detailed breakdown of the advances at the year-end for the IS segment for two consecutive years:

Advances	2020	2019
Advances called on next year Budget	53,000,000.00	52,000,000.00
Voluntary Advances from nations	1,357,546.90	3,098,884.32
Total	54,357,546.90	55,098,884.32

NOTE 16: SHORT TERM PROVISIONS

Included at year end 2020 is an Untaken Leave Provision (which has no impact on the current budgets) in the amount of EUR 5,018,851.30 (EUR 2,037,071.94 end 2019) and Bad Debts Impairments in the IS (EUR 475.38) and in other segments. The Untaken Leave Provision increased considerable in comparison to 2019, mainly due to the COVID-19 crisis, as staff postponed their leave due to global travel restrictions.

NOTE 17: OTHER CURRENT LIABILITIES:**Other Current Liabilities Linked to the Budget Process**

Amounts corresponding to the current year budgetary surplus, i.e. lapsed credits, net interest and miscellaneous income, are considered a liability towards the contributing nations. The settlement does not follow the normal accounts payable process, since the standard approach is to return them to contributing nations via a deduction of the following year's call for budget contributions. Nations may also decide that part or all of the budgetary surplus is made available for use in future years (see Note on Budget Information).

Lapsed credits are budget funds for which no legal liability exists. They cannot be spent in subsequent years. Lapsed credits are deducted from the contributions due from Nations to fund the Civil Budget in the second call of the following year. For the HRSS, lapsed credits are deducted from the amounts due by the NATO participating entities for the following year. The other activities do not follow the standard budget process.

For the Civil Budget, receipts linked to interest, realized foreign exchange difference gains and bank charges are deducted from the contributions due by Nations to fund the Civil Budget in the following year; the deduction is made in the second call.

Miscellaneous receipts correspond to amounts collected by NATO-IS for services rendered to staff or services rendered to and works performed for entities, including Delegations, present on the HQ site (e.g. telephone, refurbishment works, cabling). They also include amounts related to Science for Peace and Security grants returned to NATO-IS. These receipts come as a deduction in the calculation of the

NATO UNCLASSIFIED

6-19

NATO UNCLASSIFIED

ANNEX 6 to
FC(2021)0042-REV1

6-20

contributions due from nations to fund the Civil Budget in the following year; the deduction is made in the second call.

There can occasionally be an under-call or over-call of contributions. This was the case in 2018 since the information related to operations and maintenance amounts to be called from occupants of the HQ building was not complete or available at the moment of the issuance of the last call for budget contributions. Amounts concerned are regularised with the following calls for contributions.

The table below discloses year-end comparative data for the IS segment (materiality concern), for two consecutive years:

(in EUR)	2020	2019
Lapsed Appropriations	15,463,421.68	7,057,267.32
Miscellaneous Income	5,164,899.96	6,576,644.03
Net Financial Income	46,684.39	(78,709.09)
Total	20,675,006.03	13,555,202.26

Other Current Liabilities linked to closed or ad-hoc projects

Other Current Liabilities consist of funds initially contributed by Nations relating to balances of closed Extra Budgetary Funds for which NATO-IS is awaiting instructions on the redistribution of funds and to the settlement of the closure of former NATO entities and projects: HAWK Agency, Office of Shared Services and to ad-hoc contributions by some Nations to specific projects.

Hawk Management Office

On 28 November 2019 the IS –OFC issued to IBAN a report on the financial closure of the former NATO Hawk Management Office (FC(2019)00133). The report discloses an asset of EUR 1,028,655.59, and a breakdown of the individual amounts to be returned to the former members of the HAWK Agency. Once the report is audited, the IS-OFC will send request for instructions to all former HAWK member nations involved on how to proceed for the respective reimbursement.

Office of Shared Services

After the closure of the Office of Shared Services (OSS) in 2016, some residual actions continued to take place, namely under the General Procurement Shared Services initiative under the aegis of NSPA. However, since 2018 there was no further funding requirements to be covered by the OSS budget. Since 2018, EUR 942,678.71 are kept under NATO IS control and remain as such at 2019 year-end.

As per C-M(2017)0063 the BC noted that the OSS pre-financing was put in place with the expectation it would not be required beyond 2018. And in 2018 (BC-D(2018)0197) the BC noted the proposal not to return amounts concerned until further guidance is issued. As a consequence, the funds are held by NATO IS and reported as a liability.

In 2020 a payment of EUR 113,046.34 has been done out of the remaining funds. This has resulted in a balance of EUR 829,632.37 kept under NATO-IS control.

Stikker Fund

The Stikker Fund originates from a donation made by former Secretary General D.U. Stikker in the 1960s. In accordance with the conditions laid down by the donor, the Fund is used for special financial aid to NATO staff in exceptional and distressing circumstances (EUR 75,774.61 as per end 2019). In 2020 a payment of EUR 25,662.22 was done from this fund, as per EM(HR)(2020)0189, reducing the value of this fund to 50,112.39.

NATO UNCLASSIFIED

6-20

NATO UNCLASSIFIED

6-21

ANNEX 6 to
FC(2021)0042-REV1**Global overview**

The table below presents detailed breakdown of Current Liabilities at for the IS segment only, for two consecutive years.

(in EUR)	2020	2019
Current Year Surplus	20,675,006.03	13,555,202.26
Closed Operations (Trust Funds, Pro	2,626,960.35	2,739,309.76
Stikker Fund	50,112.39	75,774.61
Interco Liability	398,547.30	-
Other	629,860.56	561,641.20
Overcall		
Total	24,380,486.63	16,931,927.83

The intercompany liability mainly refers to the contribution of the Civil Budget to cover for the 2019 shortfall of the civilian pensions for which the cash transfer was pending at year-end.

The EUR 629,860.56 ("Other") refers mainly to stock inventory (EUR 570,113.51).

NOTE 18: NON-CURRENT LIABILITIES: LONG TERM PROVISIONS

Nothing to report.

NOTE 19: NON-CURRENT LIABILITIES: DEFERRED REVENUE

Long term unearned revenue is unearned revenue in relation to net carrying amounts of PP&E and intangible assets. Revenue is recognised over the estimated life cycle of the PP&E and the intangible assets when PP&E and intangible assets are recognized.

NOTE 20: OTHER NON-CURRENT LIABILITIES

Nothing to report.

NOTE 21: NET ASSETS

Corresponds to miscellaneous accumulated surpluses/deficits generated outside of the budget execution context, essentially Partners Accommodation.

When the funding policy for Partners Accommodation (referred to as "Annex IV") was established in 1997 (BC-DS(97)18 Revised), Annex IV had budgetary credits authorised to provide for Partner accommodation on site. These were expanded to create offices in the previous Manfred Wörner Building. The Civil Budget Committee then decided to have the Partners reimburse the total rent and operational costs in proportion to the space they occupied. Further, Nations agreed that financing of Annex IV should be treated separately from the Civil Budget. They also agreed that Annex IV would, in future, be funded by Partners' rental payments, therefore Annex IV is not subject to the lapse rules foreseen in NATO's Financial Regulations. Over time, this process resulted in surpluses.

In 2020, the Partners Accommodation produced a deficit of EUR 52,946.68, which results over the years in an accumulated surplus of EUR 1,024,850.97 as of 31 December 2020.

NATO UNCLASSIFIED

6-21

NATO UNCLASSIFIED

ANNEX 6 to
FC(2021)0042-REV1

6-22

NOTE 22: REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the result can be measured reliably.

The total revenue from non-exchange transactions is essentially related to budget (or equivalent) driven segments and the contributions. For MWR segment non-exchange revenue derives from: contributions from the MWR stake holders (NATO entities) and the revenue from Gym membership and tax-free fuel operations.

Budget contributions, when called, are booked as unearned revenue and subsequently recognised as revenue when earned. The revenue recognition is matched with the recognition of expenses against the budgets. For Extra Budgetary Funds: revenue is matched to the costs of activities undertaken.

NOTE 23: REVENUE FROM EXCHANGE TRANSACTIONS

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the result can be measured reliably.

The total revenue from exchange transactions is broken down as follows.

- For the IS: revenue in relation to the reimbursement to the Civil Budget of administrative support and common operating costs, revenue received from concessions, miscellaneous income.
- For the HRSS: contributions from other NATO bodies to cover the expenses of the HRSS operations according to their proportion of established posts.
- For Partners' Accommodation: rent charged principally to Partner Countries for office space at NATO HQ (Buildings VVA/previous Manfred Wörner).
- For MWR: rents from concessionaires and retailers and other miscellaneous operations.

NOTE 24: OTHER REVENUE

In the case of the Building Z Refurbishment, Other Revenue is the balancing element in order to capitalize all expenses related to this project.

In 2020, this item consists also of over-accruals and other miscellaneous revenue from previous years.

NOTE 25: FINANCIAL REVENUE

Financial revenue (principally from the Civil Budget) is measured at fair value received or receivable for interest and foreign exchange gains.

In 2020 the major sources of financial income came from the IS (EUR 190,484.22) and Extra-Budgetary Funds (EUR 131,476.95) segments.

These amounts include EUR 64,762.48 of Unrealized Profit originating from the year-end revaluation of cash and cash equivalents held in foreign currency and EUR 52,589.00 that is charged to Partner Nations who have opted to pay back NATO-IS for the Building Z refurbishment works over multiple years

This source of revenue is impacted by the current context where negative interest rates apply to EUR cash holdings.

NATO UNCLASSIFIED

6-22

NATO UNCLASSIFIED

6-23

ANNEX 6 to
FC(2021)0042-REV1**NOTE 26: EXPENSES****Wages, salaries and employee benefits**

The personnel related costs include all staff expenses, as well as other non-salary related expenses in support of common funded activities. The amounts include expenses for salaries and emoluments for approved NATO-IS positions and temporary personnel, for other salary related and non-related allowances including overtime, medical exams, recruitment, installation and removal and for contracted consultants and training in accordance with Civilian Personnel Regulations.

Operating costs: rents, supplies and consumables used

The operating costs relate primarily to costs necessary to the day to day operation of the HQ, as well as travel expenses. This item includes expenses classified as Capital expenditure from a budget perspective (to include items such as IT, security, television and radio studios etc.) but that did not qualify as capital according to IPSAS or NATO Accounting Framework.

Programmes and grants

The majority of grants are considered expended upon notification to the beneficiary of the decision to attribute the grant/award. Programmes and grants is a broad term that covers activities with Partners and NATO nations ranging from funding seminars and conferences through NGOs, to bringing groups of experts to NATO HQ for briefings and attributing grants in the framework of the Science for Peace Security Programme (the latter being the main component).

Programmes and grants expenses include advances paid to beneficiaries of grants.

Depreciation and amortization

Depreciation and amortization expenses are not budgeted for.

Financial costs

Financial costs include expenses for banking costs and foreign exchange losses.

Other expenses

Are miscellaneous expenses that do not fall under any of the above categories.

NOTE 27: RESULT OF THE PERIOD (SURPLUS/DEFICIT)

The surplus/deficit is realised from the activities in support of Partner accommodation.

In 2020, the Partners Accommodation produced a deficit of EUR 52,946.68.

NOTE 28: CASH FLOW STATEMENT

In accordance with the new NATO Accounting Framework, the cash flow statement is presented based on the indirect method.

NOTE 29: BUDGET INFORMATION**Presentation of budget information in the financial statements**

For the purposes of these financial statements, the term "budget" is understood as corresponding to a formal approval of expense limits by the North Atlantic Council or the Budget Committee. It does not

NATO UNCLASSIFIED

6-23

NATO UNCLASSIFIED

ANNEX 6 to
FC(2021)0042-REV1

6-24

correspond to situations where the term "budget" may be used for more managerial purposes and/or is used to forecast expenditure rather than limit its allocations.

From a budget perspective, the International Staff Financial Statements include the budget transactions of the following budget entities: the NATO Civil Budget and the HRSS.

Presently, none of these budgets is publicly available.

The actual amounts referred to by IPSAS 24 ("amounts that result from execution of the budget") are considered to be the actuals and the commitment of appropriations when the corresponding services or goods could not be received in the course of the year.

Budget Execution Rules and Principles

The following comments relate to the Civil Budget since it is the most important entity. The analysis and processes apply to a very large extent to the other two budget entities.

The initial approved budget corresponds to total appropriations authorised by the North Atlantic Council, normally at the end of the previous financial year. During the year the budget is adjusted as required. The final authorisation is the approved appropriations' situation as reported at the end of the financial year including budgetary increases/decreases approved by the Budget Committee and transfers approved by the Budget Committee or by the Financial Controller, depending on thresholds.

The budgets are prepared for the same period (1 January to 31 December) and encompass the NATO International Staff and the HRSS (for PMIS and NTAP).

Changes to the budgetary regulations were introduced by the North Atlantic Council in 2015 in approving a new set of NATO Financial Regulations. The new NATO Financial Regulations were made applicable to the 2015 budget year as from 1 May 2015. They have in particular instilled an accruals based approach to budget preparation and budget execution, whereas before the approach was largely commitment and cash based.

Despite a stronger emphasis on the principle of annual budgets, the approved and executed budget cannot be considered as fully accruals-based, since the new regulations allow for a number of exceptions, such as carrying forward commitments for goods and services that were expected to be delivered in the course of the year but for various reasons were not, or authority given to the member Nations to allow for special carry forward of appropriations unused at year-end or a further carry-forward of commitments not expended after having been carried-forward twice.

The Civil Budget is prepared and executed as follows:

- 1) The commitment of appropriations is the advance acceptance and recording of the financial consequence resulting from a legal obligation incurred during the financial year. As a consequence appropriations are allocated, and commitments are approved, for goods, services and works to be delivered at a later stage. Commitments are settled when the service is rendered or goods delivered as is the case for expenses under accrual accounting.
- 2) Unliquidated commitments are carried forward and added to the budget of the following financial year in relation to an existing legal commitment or if a special agreement is given by the Budget Committee. Under the new regulations they correspond to services not received or goods not delivered, at year-end, for specific circumstances. Outstanding commitments can be carried forward for two years. As a consequence, the services or goods received may relate to a commitment of appropriations from previous years' budgets. The carry-forward should be justified by a reason for which the services or goods could not be received in the course of the year. In addition, in accordance with Financial Regulations, member Nations may agree to a further carry-forward of commitments that were already carried forward twice.
- 3) Commitments, because they are an advance acceptance, and because payments cannot be made above approved credit levels, typically include an estimation factor and are (if only

NATO UNCLASSIFIED

6-24

NATO UNCLASSIFIED

6-25

ANNEX 6 to
FC(2021)0042-REV1

slightly) higher than the actual amount eventually paid. This results in commitments being higher than the actual expenses and in appropriations eventually lapsing.

- 4) Commitments are only made in respect of expenses relating to the initial purpose of the commitment. Commitments for capital expenditures are normally made in the year during which the purchase order is issued. In accrual accounting, the related costs would not appear in the Statement of Financial Performance but in the Balance Sheet and only upon reception of the works, goods or services. Conversely, there is no budgetary commitment of appropriations for non-cash transactions such as capital depreciation or provisions which would normally appear in the Statement of Financial Performance under accrual accounting.
- 5) On an exceptional basis, the NATO Member Nations may approve the special carry-forward of appropriations without any prior legal commitment, for instance for projects at their initiation stage or planned expenditures. In accrual accounting there would be no expense recorded.
- 6) The balance of unused budgetary appropriations (not committed) lapses and is returned to Member Nations at year-end, unless differently agreed by Member Nations. Lapses may include cases where a project was eventually not completed or started, and therefore led to no expense.

The NATO Civil Budget

The Civil Budget is based on an Objective Based Budgeting (OBB) system which links financial and human resources to Global Objectives. Contributions to these Global Objectives by IS Divisions and Independent Offices are broken down into Operational Objectives. The OBB system is based on eight Global Objectives which are defined at a political and strategic level of the Organization.

The eight objectives are set out below:

- Crisis Management & Operations
- Collective Defense
- Cooperative Security
- Public Relations
- Consultation Process
- Operational Environment of the Headquarters Site
- Governance and Regulation
- Headquarters Security

The budget classification is also based on the economic nature of the expenses broken down into four Resource Pools as follows:

Resource Pool 1	Personnel
Resource Pool 2	Operations and Maintenance
Resource Pool 3	Capital
Resource Pool 4	Programmes

All budget transactions, commitments and expenses are tracked according to a classification by Objective and by Resource Pool.

Initial Civil Budget – Revised Civil Budget

In December 2019, the Council approved the 2020 Civil Budget of EUR 217,917,860 (C-M(2019)0031 (INV)) (excluding the Defined Benefit Pension Scheme (DBPS), which is reported outside the IS Financial Statements). The initial budget comprised the core 2020 Civil Budget of EUR 211,219,160 and contributions to the Defined Contribution Pension Scheme (DCPS) of EUR 6,698,700. The Budget Committee froze EUR 20.2 million for Communication and Information Services (CIS) requirements, including the asset replacements and investments, including the special carry forward of lapsable appropriations for CIS into 2020, pending the Working Group of National Technical Experts (WGNTes)

NATO UNCLASSIFIED

6-25

NATO UNCLASSIFIED

ANNEX 6 to
FC(2021)0042-REV1

6-26

recommendations. In February 2020, the Budget Committee unfroze EUR 20.2 million for 2020 CIS requirements (BC-DS(2020)0009 (INV)). In the context of the revised 2020 Civil Budget, in November 2020, the Budget Committee approved a transfer of EUR 2.06 million from the core 2020 Civil Budget to the DBPS, reducing the core budget to EUR 209,159,160. In the revised budget, the Budget Committee also approved a transfer of EUR 300,000 from the DCPS to the DPBS (BC-D(2020)0183-REV1 +AS1).

At reference C-M(2019)0031 (INV), the Council noted the Budget Committee-approved special carry forward of appropriations from 2015, 2016, 2017, 2018 and 2019 into 2020 of EUR 10,437,507 and estimated (pending the confirmation in the 2019 IS Financial Statements (FS)) lapsable appropriations from 2019 and priors years into 2020 of EUR 7.89 million. The Budget Committee froze the special carry forward of EUR 4.5 million of appropriations and EUR 6.45 million of lapsable appropriations. The 2019 IS FS showed lower lapses than estimated at reference C-M(2019)0031 (INV), resulting in an actual special carry forward of lapsable appropriations of EUR 7,030,210, and a decrease of the frozen lapsable appropriations from EUR 6.45 to EUR 5.59 million. In 2020, the Budget Committee unfroze: (1) EUR 622,000 of lapsable appropriations for the 2020 CIS requirements (BC-DS(2020)0009 (INV), as part of EUR 20.2 million); (2) EUR 398,194 of lapsable appropriations, initially foreseen for the Civil Budget future investments, to pay for the 2019 DBPS deficit (BC-D(2020)0105-ADD1 +AS1); (3) EUR 422,921 of lapsable appropriations to pay for the 2019 MWR deficit (BC-D(2020)0161-ADD1 +AS1); and, (4) a total of EUR 1,877,408 for various NATO Headquarters Functional Review Group 3 requirements (BC-D(2020)0009-REV1+ addenda +AS1 and BC-DS(2020)0019).

An analysis of budget execution for the NATO Civil Budget is provided at Annex 5.

Reconciliation between Budget Execution and Statement of Financial Performance

The tables below provide an overview of the reconciliation of for the two last consecutive years:

2020

EXPENSES RECONCILIATION		
		Amounts
Budget Execution Statement Total Costs		212,647,030.55
Depreciation & Amotisation Charges + PP&E Recognition	+	47,083,488.10
Impairments PP&E, Intangible Assets and Stock	+	
Impairments Receivables	+	
Stock Variation	-	24,996.26
NBV Fixed Assets Losses	+	
Financial Costs	+	258,426.13
Non-Budgetary Provisions	+	2,975,947.28
Reconciliation difference	+	
Statement of Financial Performance Costs		262,939,895.80

NATO UNCLASSIFIED

6-26

NATO UNCLASSIFIED

6-27

ANNEX 6 to
FC(2021)0042-REV1

2019

EXPENSES RECONCILIATION		
		Amounts
Budget Execution Statement Total Costs		213,106,753.36
Depreciation & Amotisation Charges + PP&E Recognition	+	46,706,025.70
Impairments PP&E, Intangible Assets and Stock	+	
Impairments Receivables	+	
Stock Variation	-	184,829.18
NBV Fixed Assets Losses	+	
Financial Costs	+	113,974.27
Non-Budgetary Provisions	+	2,037,071.94
Reconciliation difference	+	15.63
Statement of Financial Performance Costs		261,778,980.46

Human Resources Shared Services

The NATO IS Executive Management Human Resources was appointed as the provider of NATO-wide Human Resources Shared Services. In this context, a wide variety of services will be provided over time. During 2018 in addition to extant services related to the Integrated Payroll Personnel Management Information System (PMIS), operations related to the NATO Talent Acquisition Platform (NTAP) were put in place. In terms of financial reporting, both categories of services are now recorded in this HR Shared Services segment which until 2016 was used to report only on PMIS operations.

In 2020, the Budget Committee approved the following special purpose budgets:

- The 2020 NATO-wide Payroll Management and Information System budget of EUR 245,426 through references BC-D(2020)0008 (INV) and BC-DS(2020)0004 (INV); and,
- The 2020 NATO Talent Acquisition Platform budget of EUR 288,749 through reference BC-D(2020)0031 (INV).

Funding is provided through contributions by the NATO bodies in proportion to their staffing levels for PMIS and in proportion of hires per annum for NTAP. Invoices are reduced by the amount of previous year's surplus.

A budget execution statement is provided at Annex 5.

Building Z Refurbishment Project

In 2020, NATO continued the refurbishment works in Building Z in conjunction with the move to the current NATO Headquarters. Partner Nations have been asked to pay in advance for the works corresponding to their specific requests (called Optional Programme) in addition to the basic refurbishment. NATO Members agreed that the rest of the works would be pre-financed by the IS treasury. During 2020 MEUR 6.4 has been paid back by Partner Nations.

All expenses are capitalized.

The table below provides information about the evolution of the Building Z budget (DPRC-N(2019)0021-REV3 (INV)) which hasn't changed during 2020:

Building Z Budgetary Ceilings * (EUR)		
	2020	2019
Optional Programme	3,801,939	3,801,939
NATO Pre-Financed	17,868,149	17,868,149

NATO UNCLASSIFIED

6-27

NATO UNCLASSIFIED

ANNEX 6 to
FC(2021)0042-REV1

6-28

*Budgetary ceiling for the totality of the refurbishment project (irrespective of the execution in previous financial years).

NOTE 30: SEGMENTS

The tables below provide segment information for financial performance and financial position statements for two consecutive years. The following segments have been adopted: Civil Budget, Reimbursable Expenses, Personnel Management Information System, Extra-Budgetary Funds, Partners' Accommodation, Refurbishment of Building Z and the Morale and Welfare Recreational Activities (MWR).

In the below Statements of Financial Position and Performance, eliminations or neutralizations correspond essentially to movements between segments.

Statement of Financial Position segment based:

	Notes	IS	Refundable Expenses	HR Shared Services	Extra Budgetary Funds	PARTNER ACCOMMODATION	BUILDING Z REFINISHMENT	MWR	Elimination	2020	2019
Assets											
Current assets											
Cash and cash equivalents	3	28 024 224.94	-1,857,248.41	180 363.63	48 278 260.60	1,461,743.25	-1,765 969.45	596 258.53		74,817 635.09	95 868 790.49
Short term investments	4	39 500 000.00								39 500 000.00	29.00
Receivables	5	39 456 195.36	3,321,529.34	27 732.59	275 388.98	387,887.06	3 681 958.26	1,101,670.54	3,150,646.84	45,101 758.89	51,003 965.44
Prepayments	6	1 490 034.31	7 905.33	0.00	472.21	0.00				1 506 511.35	2 376 028.54
Other current assets	7	6 850 552.11			678 096.45		813.03	0.00		7 528 461.59	3 832 719.02
Inventories	8	570 113.51								570 113.51	545 117.25
		115,880,120.23	1,471,379.26	288,896.82	49,232,218.24	1,849,638.31	1,916,751.84	1,697,929.87	3,159,646.84	168,125,678.73	152,628,233.87
Non-current assets											
Receivables	9									0.00	0.00
Property plant & equipment	10	845 516 384.67					19 852,154.70			865 368 539.37	902 685 826.86
Intangible assets	11	3 204 531.61								3 204 531.61	4 563 548.09
Other non-current assets	12	4 023 619.00					4 023 619.00		4 023 619.00	4 023 619.00	16 652,346.00
		852,744,525.28	0.00	0.00	0.00	0.00	23,875,773.70	0.00	4,023,619.00	872,596,689.98	925,981,760.95
Total Assets		968,624,645.51	1,471,379.26	288,896.82	49,232,218.24	1,849,638.31	25,792,525.54	1,697,929.87	7,174,265.84	1,641,722,168.71	1,877,528,094.82
Liabilities											
Current liabilities											
Payables	13	17 778 942.24	3 115 009.1	85 731.68	3 692 185.33	824 371.69	4 121 020.54	2 389 557.82	3 150 646.84	26 056 601.53	25 234 508.77
Deferred revenue	14	14 363 917.88			45 423 906.03		1 819 248.30			61 306 872.21	69 758 363.65
Advances	15	54 357 546.90	1,156 962.50		15 000.00			160 895.13		55 589 504.53	55 813 370.11
Short term provisions	16	5 019 326.58		82.55		407.63		0.20		5 019 817.01	2 044 128.50
Other current liabilities	17	24 380 486.63	307.56	122 282.39	100 426.88		72.00	-452 524.08		23 751 451.48	16 352 530.99
		115,880,120.23	1,471,379.26	288,896.82	49,232,218.24	824,779.34	5,940,370.84	1,697,929.87	3,159,646.84	175,124,246.26	169,288,932.82
Non-current liabilities											
Payables	18									0.00	0.00
Long term provisions	19	848 720 916.28					19 852,154.70			868 573 070.98	907 249 374.95
Other non-current liabilities	20	4 023 619.00							4 023 619.00	0.00	0.00
		852,744,525.28	0.00	0.00	0.00	0.00	19,852,154.70	0.00	4,023,619.00	868,573,070.98	907,249,374.95
Total Liabilities		968,624,645.51	1,471,379.26	288,896.82	49,232,218.24	824,779.34	25,792,525.54	1,697,929.87	7,174,265.84	1,640,897,117.24	1,876,458,298.87
Net assets	21										
Capital assets										0.00	0.00
Reserves										0.00	0.00
Current year Surplus / (Deficit)						-52 946.63				-52 946.58	216 611.72
Accumulated surplus / (deficit) prior year						1,077 797.55				1,077 797.55	861 185.93
Total net Assets / Equity		0.00	0.00	0.00	0.00	1,824,859.97	0.00	0.00	0.00	1,824,859.97	1,077,797.55

NATO UNCLASSIFIED

6-28

NATO UNCLASSIFIED

6-29

ANNEX 6 to
FC(2021)0042-REV1

	Notes	IS	Refundable Expenses	HR Shared Services	Extra Budgetary Funds	PARTNER ACCOMMODATION	BUILDING Z REFURBISHMENT	MWR	Neutralisation of Internal Transactions	2019
Assets										
Current assets										
Cash and cash equivalents	3	59 458 889.65	175 249.04	-160 126.29	41 254 243.12	202 713.88	-5 543 451.80	481 262.80		95 868 780.40
Short term investments	4	25 02								25 02
Receivables	5	49 282 120.46	578 786.24	484 824.96	266 319.53	470 466.28	1 149 990.00	914 122.65	2 122 966.68	51 003 663.44
Prepayments	6	1 797 034.49		4 500.00		613 894.05				2 376 028.54
Other current assets	7	3 837 220.76			0.00			368 716.58	373 218.32	3 832 719.02
Inventories	8	545 117.25								545 117.25
		<u>114 861 007.63</u>	<u>754 035.28</u>	<u>329 198.67</u>	<u>41 520 562.65</u>	<u>1 287 074.21</u>	<u>-4 393 461.80</u>	<u>1 764 102.03</u>	<u>2 496 185.00</u>	<u>153 626 333.87</u>
Non-current assets										
Receivables	9									0.00
Property plant & equipment	10	891 240 896.29					11 444 970.57			902 685 826.86
Intangible assets	11	4 503 548.09								4 503 548.09
Other non-current assets	12	12 889 983.00					16 652 386.00		12 889 983.00	16 652 386.00
		<u>908 694 387.38</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>28 097 356.57</u>	<u>0.00</u>	<u>12 889 983.00</u>	<u>923 981 760.95</u>
Total assets		<u>1 023 555 395.01</u>	<u>754 035.28</u>	<u>329 198.67</u>	<u>41 520 562.65</u>	<u>1 287 074.21</u>	<u>23 703 894.77</u>	<u>1 764 102.03</u>	<u>15 386 168.00</u>	<u>1 077 528 094.82</u>
Liabilities										
Current liabilities										
Payables	13	20 906 411.83	163 679.54	258 803.39	1 692 313.97	208 899.66	2 026 629.93	2 100 737.13	2 122 966.68	25 234 508.77
Deferred revenue	14	19 880 367.97			39 649 583.25		10 226 432.43			69 756 383.65
Advances	15	55 098 884.32	590 109.15					124 376.64		55 813 370.11
										0.00
Short term provisions	16	2 043 415.68	246.59	24.69		376.90		64.64		2 044 128.50
Other current liabilities	17	16 931 927.83		70 370.59	178 665.43		5 861.84	-461 076.38	373 218.32	16 352 530.99
		<u>114 861 007.63</u>	<u>754 035.28</u>	<u>329 198.67</u>	<u>41 520 562.65</u>	<u>209 276.56</u>	<u>12 258 924.20</u>	<u>1 764 102.03</u>	<u>2 496 185.00</u>	<u>169 200 922.02</u>
Non-current liabilities										
Payables	18									0.00
Long term provisions	19	895 804 404.38					11 444 970.57			907 249 374.95
Deferred revenue	20	12 889 983.00							12 889 983.00	0.00
Other non-current liabilities		<u>908 694 387.38</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>11 444 970.57</u>	<u>0.00</u>	<u>12 889 983.00</u>	<u>907 249 374.95</u>
Total liabilities		<u>1 023 555 395.01</u>	<u>754 035.28</u>	<u>329 198.67</u>	<u>41 520 562.65</u>	<u>209 276.56</u>	<u>23 703 894.77</u>	<u>1 764 102.03</u>	<u>15 386 168.00</u>	<u>1 076 450 296.97</u>
Net assets	21									
Capital assets										0.00
Reserves										0.00
Current year Surplus / (Deficits)						216 611.72				216 611.72
Accumulated surpluses / (deficits) prior year						861 185.93				861 185.93
Total net assets/ equity		<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1 077 797.55</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1 077 797.55</u>

Statement of Financial Performance segment based:

	Notes	IS	Refundable Expenses	HR Shared Services	Extra Budgetary Funds	Partner Accommodation	BUILDING Z REFURBISHMENT	MWR	Elimination	2020	2019
Revenue											
Non exchange revenue	22	249 308 368.03			0 014 671.06			823 898.82		250 744 063.73	267 954 229.85
Exchange revenue	23	6 542 257.26	3 806 170.21	246 904.00	56 045.91	2 483 201.50		370 956.21	1 084 312.40	14 523 221.91	12 153 999.79
Other revenue	24	4 200 759.27		547 751.72		0.00		7 671 984.48	1 330 411.46	13 950 905.93	7 283 636.24
Financial revenue	25	190 484.22			111 476.95				0.01	321 961.18	225 968.84
Total Revenue		<u>262 939 899.80</u>	<u>3 806 170.21</u>	<u>796 655.72</u>	<u>9 202 193.64</u>	<u>2 483 201.50</u>	<u>7 871 864.48</u>	<u>2 626 264.30</u>	<u>1 084 312.40</u>	<u>289 541 652.75</u>	<u>276 697 234.67</u>
Expenses											
Personnel	26	126 481 810.35	378 342.19	215 639.19	978 641.87		126 356.76	89 526.93	129 270 517.29	1 24 007 060.06	1 24 007 060.06
Contractual supplies and services	26	84 965 487.85	3 427 828.02	580 933.98	8 099 927.80	2 536 119.90	7 745 927.72	2 415 657.00	1 084 312.40	108 987 463.97	103 056 514.50
Depreciation and amortization	26	48 256 224.09								48 256 224.09	48 220 381.52
Impairment	26							18 753.78		18 753.78	0.00
Provisions	26	2 975 947.28		82.55		30.78		-84.44		2 975 993.17	77 151.64
Other expenses	26							0.00		0.00	501.00
Finance costs	26	258 426.13			123 423.97			1 191.11		383 041.21	119 034.13
Total Expenses		<u>262 939 899.80</u>	<u>3 806 170.21</u>	<u>796 655.72</u>	<u>9 202 193.64</u>	<u>2 536 147.68</u>	<u>7 871 864.48</u>	<u>2 626 264.30</u>	<u>1 084 312.40</u>	<u>289 593 999.43</u>	<u>276 480 622.85</u>
Surplus/(Deficit) for the period	27	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>-53 946.68</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>-53 946.68</u>	<u>216 611.72</u>

NATO UNCLASSIFIED

6-29

NATO UNCLASSIFIED

ANNEX 6 to
FC(2021)0042-REV1

6-30

	Notes	IS	Refundable Expenses	HR Shared Services	Extra Budgetary Funds	Partner Accommodation	Building Z Refurbishment	MWR	Neutralisation of Internal Transactions	2019	2018
Revenue											
Non exchange revenue	22	251,437,898.89			5,841,825.67			1,741,680.47		259,021,205.03	249,181,944.28
Exchange revenue	23	8,452,497.00	1,580,748.14	220,882.32	48,926.82	2,572,835.00		873,730.72	1,395,620.31	12,153,999.79	15,899,501.86
Other revenue	24	1,773,148.53		708,703.65		0.00	3,470,303.15	1,311,480.91		7,263,636.24	1,368,520.99
Financial revenue	25	115,436.04			109,932.62			0.03		225,368.69	398,177.18
Total revenue		261,778,980.46	1,580,748.14	929,585.97	6,000,485.21	2,572,835.00	3,470,303.15	3,726,892.13	1,395,620.31	278,664,209.75	266,848,144.29
Expenses											
Personnel	26	122,539,347.42	77,968.32	205,878.46	975,733.36		186,222.66	21,909.84		124,007,060.06	123,205,006.76
Contractual supplies and services	26	87,861,610.29	1,502,779.82	723,707.51	5,020,444.96	2,355,845.58	3,284,080.49	3,703,656.16	1,395,620.31	103,056,514.50	103,369,685.87
Depreciation and amortization	26	49,220,361.52								49,220,361.52	37,523,699.60
Impairment	26									0.00	5,251.84
Provisions	26	2,043,686.96			-1.68	376.90		64.64		2,044,128.82	2,035,229.00
Other expenses	26				336.00	0.00		165.00		501.00	11,714.27
Finance costs	26	113,974.27			3,972.57	0.80		1,088.49		119,034.13	394,050.67
Total expenses		261,778,980.46	1,580,748.14	929,585.97	6,000,485.21	2,356,223.28	3,470,303.15	3,726,892.13	1,395,620.31	278,447,698.03	266,544,638.01
Surplus/(Deficit) for the period	27	0.00	0.00	0.00	0.00	216,611.72	0.00	0.00	0.00	216,611.72	303,506.28

NOTE 31: LEASES

An analysis of lease contracts was conducted and it was considered that some of them had characteristics that could have led them to be considered as finance leases (in the IPSAS 13 sense) in particular as relates to the rent of porta cabins for temporary accommodation (e.g. Buildings V, VA) and the previous Manfred Wörner building. However, in consideration of the fact that NATO-IS moved to new premises in 2018, the rental period will be shorter than the remaining economic life of this equipment. As a consequence, all leases in NATO IS are classified as operating leases. Fees payable under these lease agreements are accounted as expenses in the Statement of Financial Performance on a straight-line basis over the relevant lease term.

Host Nation Belgium has granted to NATO by way of concession a plot of land on which NATO is authorized to erect all necessary buildings and facilities needed to perform its functions (previous HQ). A symbolic price is paid annually for the rent. NATO is the full owner of all constructions made. Host Nation Belgium remains the sole and full owner of the land, which is public domain ("domaine public"). The concession ends 180 days after NATO has left the buildings and facilities. At the end of the concession, there will be no property rights transferred to NATO. As a consequence, given the indefinite economic life of land and the specific nature of concessions, the use of the land is classified as an operational lease. The rent charged by the host nation is recognised as an expense in the Statement of Financial Performance. The previous NATO Headquarters has been handed over to Host Nation Belgium on 1 September 2020.

Host Nation Belgium has granted to NATO by way of concession a plot of land on which NATO has been authorized to erect all necessary buildings and facilities related to the NATO New Headquarters Project. The annual fee is EUR 250. NATO is the full owner of all constructions made. Host Nation Belgium remains the sole and full owner of the land, which is military public domain. The concession ends 180 days after NATO has left the buildings and facilities. In such case, if Host Nation Belgium would decide to use the building and facilities, it shall pay a fair indemnity to NATO. If Host Nation Belgium should decide to demolish them, it will not be obliged to pay an indemnity to NATO neither will NATO have to contribute to the demolition cost. At the end of the concession, there would be no property rights transferred to NATO. As a consequence, given the indefinite economic life of land and the specific nature of concessions, the use of the land is classified as an operational lease.

NATO UNCLASSIFIED

6-30

NATO UNCLASSIFIED

6-31

ANNEX 6 to
FC(2021)0042-REV1

The operating leases at the reporting date can be classified into three main categories: temporary offices, transport equipment and photocopiers. The reduction in leases for offices is linked to the move to the current NATO HQ where there is no such requirement.

The table below provides an overview of the existing operational lease contracts as of 31 December 2020:

Contract No (CPA)	ASSET LEASED	AMOUNT PAID IN 2020	EXPENSE ACCOUNT CHARGED	AMOUNT TO PAY FOR 2021	AMOUNT TO PAY IN 2022-2025	AMOUNT TO PAY AFTER 2025	RENEWAL OR PURCHASE OPTION/RESTRICTION
19180	Lease Agreement for office space for the NATO liaison office in Chisinau, Moldova	54,554.18	IS0100-2020-011110-P.EAP-P003-611700-00000-0-0	59,749.72	-	-	
29964	HQ Water fountains	5,065.05	IS0100-2020-081410-M.HOS-Y160-611200-00000-0-0	5,070.00	4,940.00	-	
12331	Printing machines	260,916.00	IS0100-2020-085600-N.N8H-IC02-611001-00000-0-0	260,916.00	565,318.00	-	
17273	Vehicle (CPA no. 43421)	55,287.00	IS0100-2020-150120-S.S61-J002-611500-00000-0-0	61,715.13	47,250.00	-	
17271	Vehicle (CPA no. 43419)	79,200.00	IS0100-2020-150120-S.S61-J002-611500-00000-0-0	126,500.00	76,300.00	-	
17272	Vehicle (CPA no. 43420)	79,200.00	IS0100-2020-150120-S.S61-J002-611500-00000-0-0	126,500.00	76,300.00	-	
849	Vehicle	18,892.08	IS0100-2020-150120-S.S61-J002-611500-00000-0-0	-	-	-	
848	Vehicle	18,883.80	IS0100-2020-150120-S.S61-J002-611500-00000-0-0	-	-	-	
59	Vehicle	22,346.28	IS0100-2020-150120-S.S61-J002-611500-00000-0-0	-	-	-	
20356	Building U	746,154.35	IS0300-0000-000000-00000-0000-444023-00000-0-0	-	-	-	
2920	Building VA	128,038.53	IS0300-2020-081430-M.OSP-Y110-611700-00000-0-0	-	-	-	
2910	Building V	47,816.01	IS0300-2020-081430-M.OSP-Y110-611700-00000-0-0	-	-	-	

NOTE 32: RESTRICTIONS ON FIXED ASSETS

There are no restrictions on fixed assets.

NOTE 33: CONTINGENT LIABILITIES

An assessment was made on the possible provisions, contingent liabilities that could impend over IS.

In line with IPSAS 19, NATO IS discloses contingent liabilities, of an estimated value of KEUR 202 which may derive from Administrative Tribunal litigations.

NOTE 34: WRITE OFF

The table below summarizes the write-off procedures for IS equipment in 2020.

IS 2020 WRITE-OFF REPORT								
Serial	Ref. Document	Date	Location	Type of Items	Acquisition Value (EUR)	Net Book Value	Reason for Write-off	Disposal Method
1	Dossier 003-2020	15/4/2020	IS HQ	Furniture	58,408.89	-	Sold to the Delegation of North Macedonia for the installation of their offices	Sale to the NM Delegation
2	Dossier 004-2020 BC-D(2020)0088	29/04/2020 16/06/2020	IS HQ	Vehicle (mini-bus)	26,409.00	-	Obsolete and no longer matching environmental legislation in the HN	Donation to Hungarian NGO
TOTALS					84,817.89			

Under the segment of MWR Activities, a write-off approved by BC under BC-D(2020)0210, took place for EUR 18,753.70. This corresponds to an uncollectable receivable.

NATO UNCLASSIFIED

6-31

NATO UNCLASSIFIED

ANNEX 6 to
FC(2021)0042-REV1

6-32

Under the IS segment, by delegated authority to the Financial Controller, approved by FC(CAF)(2020)008, a cash write-off was done for EUR 792.38, corresponding to cash lost in 2015.

NOTE 35: CONTINGENT ASSETS

Nothing to report

NOTE 36: EMPLOYEE DISCLOSURE**Employee status**

There are 5 different hire categories: NATO Civilians, Voluntary National Contributions (VNC), Temporary Staff, Interns and Consultants.

VNC's represent "in kind" services provided by nationally funded personnel. VNCs may work for the IS in the HQ but also at the NATO external offices, or in support of specific projects on-site.

The tables below provide comparative data for two consecutive years:

Position by HQ	NATO Civilians	
	31/12/2020	31/12/2019
Total Approved PE	1137	1137
Total Filled Positions	1054	1028
Arrivals in the year	116	75
Departures in the year	90	90

Position by HQ	Total Approved PE	Total Filled Positions
Civilian (PE)	1137	1054
VNC	-	99
Short term (Temps)		144
Interns		60
Others – explain (consultant)	-	

Pension Schemes

The NATO-IS manages centrally three pension schemes, namely the Defined Benefit Pension Scheme (DBPS), the Defined Contribution Pension Scheme (DCPS), as well as the Retirees Medical Claims Fund (RMCF), covering staff employed by all NATO bodies.

As for the DBPS, a deduction of 11.8% of staff salaries is made and contributed to the annual financing of this plan. The funding mechanism of the DBPS provides that Nations contribute, in the course of a given year, for the difference between amounts due to pensioners and staff contributions received.

The DCPS affiliated staff make a compulsory contribution of 8% of basic salary to the Scheme. Staff may make additional voluntary contributions to the Scheme up to 5% of basic salary. NATO pays employer contributions of 12% of the basic salary of each active scheme member. Contributions to the DCPS are part of the payroll and are made monthly.

NATO wide financial statements are issued by the NATO-IS Office of Financial Control for the two remaining pension schemes and the RMCF; therefore, no related assets or liabilities are recognised in IS financial statements.

NATO UNCLASSIFIED

6-32

NATO UNCLASSIFIED

6-33

ANNEX 6 to
FC(2021)0042-REV1

The table below provide comparative data about the staff affiliation to the different pension schemes for two consecutive years:

IS Staff Pension Schemes Affiliation Statistics		
Pension Scheme	2020	2019
DBPS	345	381
DCPS	709	641

The table below indicates the contributions made by IS to the two pension schemes:

(Amounts in EUR)		2020	2019
DBPS	Staff	3,729,439.15	3,229,395.06
	Employer	-	-
	Total	3,729,439.15	3,229,395.06
DCPS	Staff	4,546,624.65	3,969,128.32
	Employer	6,262,121.35	5,670,565.78
	Total	10,808,746.00	9,639,694.10
TOTAL	Staff	8,276,063.80	7,198,523.38
	Employer	6,262,121.35	5,670,565.78
	Total	14,538,185.15	12,869,089.16

Reimbursable Staff

Reimbursable staff are employees that are paid by their own nations on a reimbursable basis. Their salary is paid directly by their national governments using national salary scales and accruing pension rights under their national pension systems, in return NATO IS reimburses their countries in an amount corresponding to the grade of the post occupied by the staff member in NATO IS establishment.

Currently IS has active agreements with the US and Norway.

The table below provide comparative data about this type of staff for two consecutive years:

Statistics on number of IS Reimbursable Staff		
Country	2020	2019
US	5	7
Norway	4	3

Leave

Paid leave is an employee benefit and as such part of overall personnel expenses. In accordance with personnel regulations, the remaining balance at year end may be carried forward but must be taken before 30 April of the following year. It can be exceptionally extended to 31 October in accordance with Civilian Personnel Regulations art. 42.3.5 and 42.3.6. After this date it lapses and is not paid to staff. For these financial statements, untaken leave is specifically reported if its monetary value is more than 10% of the total annual leave entitlement. The cost of untaken leave days is usually absorbed during the year through the monthly salaries; leave to be taken carried forward into the next year constitutes a liability towards the future and would notionally require funding from Participating Nations.

NOTE 37: KEY MANAGEMENT PERSONNEL

The North Atlantic Council is the governing body of NATO. It approves the Civil Budget further to screening and recommendation by the Budget Committee (BC) and the Resource Policy and Planning Board (RPPB). Members of the North Atlantic Council, the BC and the RPPB are nominated by their

NATO UNCLASSIFIED

6-33

NATO UNCLASSIFIED

ANNEX 6 to
FC(2021)0042-REV1

6-34

respective national authorities. They are paid on the basis of applicable national pay scales. They do not receive from NATO any additional remuneration for their responsibilities or access to benefits.

For the purposes of IPSAS 20 implementation, key management personnel of the International Staff are the Secretary General, the Deputy Secretary General, the Director of the Private Office, the eight Assistant Secretary Generals, the Senior Civilian Representative in Afghanistan and the three Directors of Independent Offices (Security, Resources and Financial Control). The aggregated remuneration of the 18 staff members considered as Key Managers (20 in 2019) was EUR 3,777,822.82 (EUR 3,398,100.55 in 2019).

A payment in lieu of untaken leave (EUR 17,317.22) is included in the aggregated remuneration. No loss of job indemnity has been paid in 2020.

The variation in the aggregate remuneration is essentially due to the rotation of posts during the year and to changes in the individual situation (e.g. family situation) of newly recruited members.

The Secretary General is provided with accommodation at no cost in premises belonging to the Organisation. The residence is serviced by three established posts. The cost of operations and maintenance of the residence (including renovations), suffer annual variations derived from the residence annual work plan.

The Deputy Secretary General is provided with an approved special allowance to contribute towards the lease of accommodation suitable for representation at the Ministerial and distinguished visitor level. The Secretary General is entitled upon departure to a special leaving allowance, equal to one year's basic salary if a full four year term was served.

On 1 June, 2013, the NAC approved changes to the Representation Allowance system. A key element was that in lieu of monthly allowances being paid out and then reimbursed by the recipients if unused, recipients now submit receipts and are then reimbursed up to the allocated ceiling. The OFC is responsible for the day to day verification, with IBAN able to disallow expenses if deemed necessary. Unused funds and disallowed expenses are returned to the Organization.

Several senior staff positions are entitled to a Representation Allowance, the use of which is subject to a specific control by the OFC. This includes: the Secretary General, Deputy Secretary General, Director of the Private Office, Eight Assistant Secretary Generals, PASP Deputy Assistant Secretary General and the NATO IS Spokesperson. The amount of Representation Allowance paid in 2020 was EUR 16,301.83 (EUR 67,792.99 in 2019).

Key management staff have access to a pool of vehicles and drivers for official business.

There is no other remuneration or benefit to key management personnel and their family members. Key management personnel is entitled to receive loans which are also available to other members of the NATO International Staff.

NOTE 38: RELATED PARTIES

There have been the following related party relations.

Member Nations and NATO bodies

NATO-IS performs certain administrative support and provides charge back common operating costs for which it is reimbursed by National delegations and other NATO entities that share the use of the NHQ compound.

The IS also charges back the Morale and Welfare and Recreation (MWR), Operational and Maintenance (O&M) costs, attributable to the Staff Center and commercial retailers and concessions that operate within the HQ compound.

NATO UNCLASSIFIED

6-34

NATO UNCLASSIFIED

6-35

ANNEX 6 to
FC(2021)0042-REV1

These amounts represent a deduction to the budget contributions due from Nations to fund the Civil Budget and as such are a non-common funded source of income of the Civil Budget.

In 2020 the IS has invoiced under these income categories, the following amounts:

Type of Income in EUR	2020	2019
Accommodation Costs	8,683,988	8,452,497
Admin and HR Shared Services	2,344,334	2,573,689
Morale, Welfare and Recreation	814,366	1,135,191
Commercial Entities	269,946	260,429

Host Nation Belgium

Host Nation Belgium provides military personnel in support of activities related to security (Delegation Militaire de la Sécurité Technique), that are charged by the Belgian Ministry of Defence and paid by the Civil Budget. Below there is comparative data of the associated costs for two consecutive years:

Belgium – Delegation Militaire de la Sécurité Technique		
Amounts in EUR	2020	2019
Costs	596,402.50	589,375.50

There are also personnel provided by nations under a reimbursable basis or as VNCs. (see note 36)

Extra Budgetary Funds

The NATO-IS Office of Financial Control is the Treasurer for the operations related to a number of Extra Budgetary Funds. Trust Funds were authorized under NATO's Partnership for Peace Programme, the Mediterranean Dialogue Programme, the NATO-Russia Council, the NATO-Ukraine Commission and the NATO-Georgia Commission. The OFC also received financial resources on a bilateral ad-hoc basis from nations in support of specific activities conducted by NATO-IS or as a complement to the Civil Budget funding for certain activities. For Extra Budgetary Funds, including Trust Funds, a Lead Nation (NATO member) is normally designated. Partner Nations can also participate in such additional funding. No management fees are charged by the IS to cover the related costs.

Appendix 1 presents a breakdown of the Statements of Financial Position and of Financial Performance for the Extra Budgetary Funds.

Employee Benefits

NATO-IS is responsible for the management at the NATO-wide level for the two pension systems (Defined Benefit Pension Scheme, Defined Contribution Pension Scheme) and the Retirees Medical Claims Fund. Separate financial statements are issued by the NATO-IS Office of Financial Control. No management fees corresponding to the related costs incurred by NATO-IS are charged to these entities.

Staff Centre

The previous HQ Staff Centre, which was a separate NATO entity issuing separate financial statements, was officially closed in September 2018 and therefore it is no longer a going concern. Further to its financial closure on 31 December 2018 its net assets were transferred to the NATO International Staff. All former Staff Centre pending assets/liabilities in 31 December 2018, were settled during 2019 and the remaining receivables related with an old litigation with Grand Optical and Carrefour, were transferred to NATO IS (see Note 7).

NATO UNCLASSIFIED

6-35

NATO UNCLASSIFIED

6-36

APPENDIX 1 to
ANNEX 6 to
FC(2021)0042-REV1

Statement of Financial Position as at 31 December 2020, EBFs.

	IS0600	IS0700	IS0800	IS0900	IS1000	IS1200	IS2010	IS2040	IS2050	IS2060	IS2090	IS2100	IS2105	IS2110	IS2130
(All amounts in EUR)	Von Karman Institute	Children Summer Camps	US Trami	EW Trial Air	EW Trial Nav	Audit of Multi- Nationally Funded Bodies	TF Moldova III	TF Azerbaijan (PPF Proj JCP)	TF Armenia	TF Ukraine II Phase 2	TF CNAD VNCF	TF Jordan III	TF Jordan IV	TF Serbia IV	Global NAF (TF APM Destruction Belarus)
Assets															
Current assets															
Cash and cash equivalents	1,337,512.27	0.00	603,324.40	931,297.76	244,293.09	179,089.63	132,531.01	107,060.57	1,263,126.51	1,918,371.23	1,366,306.77	897,378.00	347,560.16	1,524,259.41	-11,519.95
Short term investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Receivables	194,528.68	0.00	0.00	61,000.00	13,801.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Prepayments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other current assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	658,496.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventories	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	1,532,040.95	0.00	603,324.40	992,297.76	258,094.09	179,089.63	132,531.01	765,557.02	1,263,126.51	1,918,371.23	1,366,306.77	897,378.00	347,560.16	1,524,259.41	-11,519.95
Non-current assets															
Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Property, plant & equipment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Intangible assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other non-current assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total assets	1,532,040.95	0.00	603,324.40	992,297.76	258,094.09	179,089.63	132,531.01	765,557.02	1,263,126.51	1,918,371.23	1,366,306.77	897,378.00	347,560.16	1,524,259.41	-11,519.95
Liabilities															
Current liabilities															
Payables	1,337,512.27	0.00	231,084.68	23,704.00	0.00	0.00	0.00	658,496.45	158,300.69	0.00	0.00	787,166.84	0.00	0.00	555.89
Deferred revenue	194,528.68	0.00	408,900.95	953,593.76	258,094.09	0.00	132,531.01	107,060.57	1,104,825.82	1,918,371.23	1,366,306.77	110,211.16	347,560.16	1,524,259.41	26,749.35
Advances	0.00	0.00	0.00	15,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Short term provisions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other current liabilities	0.00	0.00	-36,661.23	0.00	0.00	179,089.63	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-38,825.19
	1,532,040.95	0.00	603,324.40	992,297.76	258,094.09	179,089.63	132,531.01	765,557.02	1,263,126.51	1,918,371.23	1,366,306.77	897,378.00	347,560.16	1,524,259.41	-11,519.95
Non-current liabilities															
Payables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Long term provisions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other non-current liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total liabilities	1,532,040.95	0.00	603,324.40	992,297.76	258,094.09	179,089.63	132,531.01	765,557.02	1,263,126.51	1,918,371.23	1,366,306.77	897,378.00	347,560.16	1,524,259.41	-11,519.95
Net assets															
Capital assets															
Reserves															
Current year Surplus / (Deficits)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accumulated surpluses / (deficits) prior year	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total net assets/ equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

NATO UNCLASSIFIED

6-36

NATO UNCLASSIFIED

6-37

APPENDIX 1 to
ANNEX 6 to
FC(2021)0042-REV1

	IS2140	IS2160	IS2170	IS2191	IS2200	IS2201	IS2211	IS2220	IS2230	IS2240	IS2260	IS2270	IS2290
(All amounts in EUR)	TF Ukraine II SALW Mun. Destr.	TF NATO DEFENCE CAPACITY BUILDING	TF JWGD Prof Dev Pgrm	TF Mauritania II	TF Building Integrity	TF Building Integrity - Phase 4	TF SPS- DEXTER	TF Georgia Professional Development	TF UKRAINE MCT	TF UKRAINE L&S	TF UKRAINE C4	TF UKRAINE MEDICAL REHABILITATION	TF UKRAINE EOD/CIED
Assets													
Current assets													
Cash and cash equivalents	813.16	22,162,518.07	941,452.81	73,766.56	111,711.82	1,121,442.30	202,730.29	215,844.84	-3,317.87	474,336.85	2,522,415.67	2,007,204.09	561,396.78
Short term investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Receivables	0.00	0.00	-148.83	0.00	2,090.42	665.84	0.00	0.00	3,451.87	0.00	0.00	0.00	0.00
Prepayments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other current assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventories	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	813.16	22,162,518.07	941,303.98	73,766.56	113,802.24	1,122,108.14	202,730.29	215,844.84	134.00	474,336.85	2,522,415.67	2,007,204.09	561,396.78
Non-current assets													
Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Property, plant & equipment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Intangible assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other non-current assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total assets	813.16	22,162,518.07	941,303.98	73,766.56	113,802.24	1,122,108.14	202,730.29	215,844.84	134.00	474,336.85	2,522,415.67	2,007,204.09	561,396.78
Liabilities													
Current liabilities													
Payables	0.00	79,896.07	0.00	10,051.00	0.00	21,076.41	15,194.98	0.00	-15.60	331,792.49	-9,928.77	0.00	0.00
Deferred revenue	813.16	22,082,563.56	941,425.18	63,715.56	119,853.72	1,101,085.36	187,535.31	216,981.67	162.23	142,544.36	2,532,344.44	2,007,204.09	561,396.78
Advances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Short term provisions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other current liabilities	0.00	58.44	-121.20	0.00	-6,051.48	-53.63	0.00	-1,136.83	-12.63	0.00	0.00	0.00	0.00
	813.16	22,162,518.07	941,303.98	73,766.56	113,802.24	1,122,108.14	202,730.29	215,844.84	134.00	474,336.85	2,522,415.67	2,007,204.09	561,396.78
Non-current liabilities													
Payables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Long term provisions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other non-current liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total liabilities	813.16	22,162,518.07	941,303.98	73,766.56	113,802.24	1,122,108.14	202,730.29	215,844.84	134.00	474,336.85	2,522,415.67	2,007,204.09	561,396.78
Net assets													
Capital assets													
Reserves													
Current year Surplus / (Deficits)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accumulated surpluses / (deficits) prior year	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total net assets/ equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

NATO UNCLASSIFIED

6-37

NATO UNCLASSIFIED

6-38

APPENDIX 1 to
ANNEX 6 to
FC(2021)0042-REV1

	IS2310	IS2350	IS2360	IS2370	IS2380	IS2390	IS5000	IS5051	IS5061	IS5070	IS5090	IS6000	2020
	TF NATO Defense & Security Campaign -Pilot phase	TF NATO- UKRAINE PLATFORM ON COUNTERING HYBRIDE WARFARE	TF Communi- cation Activities in W- Balkans	TF DEEP BIH	TF Ukraine Disposal of Radioactive Waste II	Pandemic Relief TF	TF NRC CAI IV	TF Counter Narcotics	TF Montenegr o	TF UK Stratcom	TF MIC- SPS G6395 FR MICR IMAG CURT	Women, Peace and Security	
(All amounts in EUR)													
Assets													
Current assets													
Cash and cash equivalents	7,145.30	308,873.26	23,710.90	74,949.23	600,000.00	4,913,549.63	98,470.40	137,667.79	167,960.16	233,680.54	100,000.00	379,347.16	48,278,260.60
Short term investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	275,388.98
Prepayments	0.00	0.00	0.00	0.00	0.00	472.21	0.00	0.00	0.00	0.00	0.00	0.00	472.21
Other current assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	19,500.00	678,096.45
Inventories	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	7,145.30	308,873.26	23,710.90	74,949.23	600,000.00	4,914,021.84	98,470.40	137,667.79	167,960.16	233,680.54	100,000.00	398,947.16	49,232,218.24
Non-current assets													
Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Property, plant & equipment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Intangible assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other non-current assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total assets	7,145.30	308,873.26	23,710.90	74,949.23	600,000.00	4,914,021.84	98,470.40	137,667.79	167,960.16	233,680.54	100,000.00	398,947.16	49,232,218.24
Liabilities													
Current liabilities													
Payables	0.00	0.00	0.00	-2,432.74	0.00	22,993.04	0.00	0.00	0.00	528.45	0.00	26,609.18	3,692,585.33
Deferred revenue	7,145.30	308,873.26	23,710.90	77,381.97	600,000.00	4,891,028.80	98,470.40	133,388.02	167,960.16	232,890.86	100,000.00	372,337.98	45,423,806.03
Advances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15,000.00
Short term provisions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other current liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,279.77	0.00	261.23	0.00	0.00	100,826.88
	7,145.30	308,873.26	23,710.90	74,949.23	600,000.00	4,914,021.84	98,470.40	137,667.79	167,960.16	233,680.54	100,000.00	398,947.16	49,232,218.24
Non-current liabilities													
Payables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Long term provisions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other non-current liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total liabilities	7,145.30	308,873.26	23,710.90	74,949.23	600,000.00	4,914,021.84	98,470.40	137,667.79	167,960.16	233,680.54	100,000.00	398,947.16	49,232,218.24
Net assets													
Capital assets													
Reserves													
Current year Surplus / (Deficits)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accumulated surpluses / (deficits) prior year	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total net assets/ equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

NATO UNCLASSIFIED

6-38

NATO UNCLASSIFIED

6-39

APPENDIX 1 to
ANNEX 6 to
FC(2021)0042-REV1

Statement of Financial Performance as at 31 December 2020, EBFs.

	IS0600	IS0800	IS0900	IS1000	IS1200	IS2010	IS2040	IS2050	IS2060	IS2090	IS2100	IS2105	IS2110	IS2130
(All amounts in EUR)	Von Karman Institute	US Tramil	EW Trial Air	EW Trial Nav	Audit of Multi- Nationally Funded Bodies	TF Moldova III	TF Azerbaijan (PFP Proj JCP)	TF Armenia	TF Ukraine II Phase 2	TF CNAD VNCF	TF Jordan III	TF Jordan IV	TF Serbia IV	Global NAF (TF APM Destruction Belarus)
Revenue														
Non exchange revenue	339,703.27	1,414,223.16	78,708.84	70,000.00	-55,674.41	659,786.02	0.00	316,674.18	0.00	154,277.82	1,458,806.54	0.00	0.00	19,636.95
Exchange revenue	0.00	0.00	0.00	0.00	56,045.61	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financial revenue	0.00	8,141.91	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	23,454.11
Total revenue	339,703.27	1,422,365.07	78,708.84	70,000.00	371.20	659,786.02	0.00	316,674.18	0.00	154,277.82	1,458,806.54	0.00	0.00	43,091.06
Expenses														
Personnel	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Contractual supplies and services	339,703.27	1,337,725.55	78,704.00	70,000.00	371.20	659,786.02	0.00	316,674.18	0.00	154,277.82	1,458,806.54	0.00	0.00	0.00
Depreciation and amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Impairment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Finance costs	0.00	84,639.52	4.84		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	43,091.06
Total expenses	339,703.27	1,422,365.07	78,708.84	70,000.00	371.20	659,786.02	0.00	316,674.18	0.00	154,277.82	1,458,806.54	0.00	0.00	43,091.06
Surplus/(Deficit) for the period	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

NATO UNCLASSIFIED

6-39

NATO UNCLASSIFIED

6-40

APPENDIX 1 to
ANNEX 6 to
FC(2021)0042-REV1

	IS2140	IS2160	IS2170	IS2191	IS2200	IS2201	IS2211	IS2220	IS2230	IS2240	IS2260	IS2270	IS2290
(All amounts in EUR)	TF Ukraine II SALW Mun. Destr.	TF NATO DEFENCE CAPACITY BUILDING	TF JW GDR Prof Dev Pgrm	TF Mauritania II	TF Building Integrity	TF Building Integrity - Phase 4	TF SPS- DEXTER	TF Georgia Professional Development	TF UKRAINE MCT	TF UKRAINE L&S	TF UKRAINE C4	TF UKRAINE MEDICAL REHABILITA TION	TF UKRAINE EOD/CIED
Revenue													
Non exchange revenue	0.00	781,382.85	198,543.07	248,698.80	22.79	281,235.73	89,344.38	165,482.33	42,219.61	1,079,835.15	571,427.05	386,844.63	107,327.66
Exchange revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financial revenue	0.00	1,446.55	6,761.78	0.00	-22.79	102.28	0.00	567.79	-194.59	0.00	2,543.11	0.00	0.00
Total revenue	0.00	782,829.40	205,304.85	248,698.80	0.00	281,338.01	89,344.38	166,050.12	42,025.02	1,079,835.15	573,970.16	386,844.63	107,327.66
Expenses													
Personnel	0.00	195,624.74	154,868.37	0.00	0.00	215,830.54	89,344.38	-2,432.95	704.44	0.00	0.00	0.00	0.00
Contractual supplies and services	0.00	587,194.66	49,682.02	248,698.80	0.00	65,189.18	0.00	168,447.72	41,301.95	1,079,835.15	573,970.16	386,844.63	107,327.66
Depreciation and amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Impairment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Finance costs	0.00	10.00	754.46	0.00	0.00	318.29	0.00	35.35	18.63	0.00	0.00	0.00	0.00
Total expenses	0.00	782,829.40	205,304.85	248,698.80	0.00	281,338.01	89,344.38	166,050.12	42,025.02	1,079,835.15	573,970.16	386,844.63	107,327.66
Surplus/(Deficit) for the period	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

NATO UNCLASSIFIED

6-40

NATO UNCLASSIFIED

6-41

APPENDIX 1 to
ANNEX 6 to
FC(2021)0042-REV1

(All amounts in EUR)	IS2310 TF NATO Defense & Security Campaign -Pilot phase	IS2350 TF NATO- UKRAINE PLATFORM ON COUNTERING HYBRIDE WARFARE	IS2360 TF Communication Activities in W- Balkans	IS2370 TF DEEP BIH	IS2380 TF Ukraine Disposal of Radioactive Waste II	IS2390 Pandemic Relief Trust Fund	IS5000 TF NRC CAI IV	IS5051 TF Counter Narcotics	IS5061 TF Montenegro	IS5070 TF UK Stratcom	IS5090 TF MIC-SPS G5395 FR MICR IMAG CURT	IS6000 Women, Peace and Security	2020
Revenue													
Non exchange revenue	19,085.00	28,706.89	0.00	16,088.76	0.00	23,592.41	78,661.93	-2,278.14	0.00	170,968.31	100,000.00	171,339.50	9,014,671.08
Exchange revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	56,045.61
Other revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financial revenue	0.00	0.00	0.00	36.50	0.00	0.00	0.00	88,379.07	0.00	261.23	0.00	0.00	131,476.95
Total revenue	19,085.00	28,706.89	0.00	16,125.26	0.00	23,592.41	78,661.93	86,100.93	0.00	171,229.54	100,000.00	171,339.50	9,202,193.64
Expenses													
Personnel	0.00	0.00	0.00	0.00	0.00	22,993.04	0.00	0.00	0.00	172,160.69	0.00	129,748.62	978,841.87
Contractual supplies and services	19,085.00	28,706.89	0.00	16,126.68	0.00	0.00	78,661.93	91,215.91	0.00	0.00	100,000.00	41,590.88	8,099,927.80
Depreciation and amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Impairment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Finance costs	0.00	0.00	0.00	-1.42	0.00	599.37	0.00	-5,114.98	0.00	-931.15	0.00	0.00	123,423.97
Total expenses	19,085.00	28,706.89	0.00	16,125.26	0.00	23,592.41	78,661.93	86,100.93	0.00	171,229.54	100,000.00	171,339.50	9,202,193.64
Surplus/(Deficit) for the period	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

NATO UNCLASSIFIED

6-41



NORTH ATLANTIC TREATY ORGANIZATION
ORGANISATION DU TRAITÉ DE L'ATLANTIQUE NORD
INTERNATIONAL BOARD OF AUDITORS
COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

PIÈCE JOINTE 7
PO(2022)0119

NATO SANS CLASSIFICATION

IBA-A(2021)0109
25 août 2021

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

Cc : Représentants permanents auprès de l'OTAN
Président du Comité directeur des FORACS OTAN
Directeur de projet et directeur technique du Bureau des FORACS OTAN
Contrôleuse des finances du Secrétariat international
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 rectifiés du Bureau des sites de contrôle de la précision des détecteurs et des armes des forces navales de l'OTAN (Bureau des FORACS OTAN) pour l'exercice clos le 31 décembre 2020 – IBA-AR(2021)0023***

Monsieur le Secrétaire général,

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

L'IBAN a émis une opinion sans réserve sur les états financiers rectifiés du Bureau des FORACS OTAN ainsi que sur la conformité pour l'exercice 2020.

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

Daniela Morgante
Présidente

Pièces jointes : voir ci-dessus.

NATO SANS CLASSIFICATION

NATO SANS CLASSIFICATION

IBA-AR(2021)0023

**Note succincte
du Collège international des auditeurs externes de l'OTAN
à l'intention du Conseil sur l'audit des états financiers rectifiés
du Bureau des sites de contrôle de la précision des détecteurs
et des armes des forces navales de l'OTAN (Bureau des FORACS OTAN)
pour l'exercice clos le 31 décembre 2020**

Le Collège international des auditeurs externes de l'OTAN (IBAN) a audité les états financiers du Bureau des sites de contrôle de la précision des détecteurs et des armes des forces navales de l'OTAN (Bureau des FORACS OTAN) pour l'exercice clos le 31 décembre 2020. Les sites de contrôle de la précision des détecteurs et des armes des forces navales de l'OTAN (FORACS OTAN) se chargent de l'étalonnage complet des détecteurs associés aux systèmes d'armes d'unités navales de l'OTAN comme les navires de surface, les sous-marins et les hélicoptères de lutte anti-sous-marine. Les mesures sont effectuées sur trois polygones FORACS OTAN, relevant respectivement de la Norvège, de la Grèce et des États-Unis.

La gestion d'ensemble du programme incombe au Comité directeur des FORACS OTAN, qui a pour organe exécutif le Bureau des FORACS OTAN, implanté au siège de l'OTAN. En 2020, la dotation budgétaire du Bureau des FORACS OTAN (reports compris) s'élevait à 2,01 millions d'euros (MEUR), et les dépenses au titre du budget ont représenté 1,18 MEUR.

L'IBAN a émis une opinion sans réserve sur les états financiers rectifiés ainsi que sur la conformité pour l'exercice 2020.

L'IBAN a formulé une observation, assortie d'une recommandation. Cette observation, qui n'a pas eu d'incidence sur l'opinion émise, est énoncée plus bas.

L'IBAN a formulé une observation particulière concernant des incohérences dans la numérotation des notes explicatives jointes aux états financiers 2020 rectifiés du Bureau des FORACS OTAN. Il souhaite appeler l'attention des utilisateurs sur ce point.

1. Nécessité d'améliorer le processus de contrôle interne relatif à l'établissement des états financiers.

L'IBAN a par ailleurs fait le point sur les suites données aux observations et recommandations formulées lors des audits précédents, et il a constaté qu'une question avait été traitée, qu'une question restait à traiter et que deux questions étaient toujours en cours de traitement.

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

25 août 2021

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

**RAPPORT SUR L'AUDIT DES ÉTATS FINANCIERS RECTIFIÉS
DU BUREAU DES SITES DE CONTRÔLE DE LA PRÉCISION DES DÉTECTEURS
ET DES ARMES DES FORCES NAVALES DE L'OTAN
(BUREAU DES FORACS OTAN)
POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2020**

NATO SANS CLASSIFICATION

IBA-AR(2021)0023

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 rectifiés du Bureau des FORACS OTAN portant sur la période de 12 mois ayant pris fin le 31 décembre 2020. Diffusés sous la cote FC(2021)0022-REV1 et soumis à l'IBAN le 5 juillet 2021, ces états financiers se composent de l'état de la situation financière au 31 décembre 2020, 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 à cette date, 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 rectifiés donnent une image fidèle et exacte de la situation financière du Bureau des FORACS OTAN au 31 décembre 2020 ainsi que de sa performance financière, de ses flux de trésorerie et de l'exécution du budget pour la période de 12 mois ayant pris fin à cette date, en application des dispositions comptables et des normes de compte rendu du cadre comptable OTAN.

Observation particulière sur les états financiers

L'IBAN appelle l'attention des utilisateurs sur les incohérences relevées dans la numérotation des notes explicatives jointes aux états financiers 2020 rectifiés du Bureau des FORACS OTAN. Les numéros de note figurant dans l'état de la situation financière et dans l'état de la performance financière ne renvoient pas aux notes auxquelles ils sont censés se rapporter.

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 sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 2200-2899), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

L'IBAN est indépendant, ainsi que le prévoit le Code de déontologie de l'INTOSAI, et il s'est acquitté de ses responsabilités dans le respect des dispositions de ce code. Les responsabilités des membres de l'IBAN sont décrites de manière plus détaillée

NATO SANS CLASSIFICATION

IBA-AR(2021)0023

dans la section « Responsabilités de l'IBAN concernant l'audit des états financiers » et dans sa charte.

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

Responsabilité de la direction concernant les états financiers

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

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

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

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

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

Dans le cadre d'audits effectués conformément aux ISSAI, les auditeurs font appel à leur jugement professionnel et à leur esprit critique tout au long de la planification et

NATO SANS CLASSIFICATION

IBA-AR(2021)0023

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

NATO SANS CLASSIFICATION

IBA-AR(2021)0023

prévoit d'effectuer, des principales conclusions de l'audit et des lacunes significatives qu'il aura éventuellement constatées dans le contrôle interne au cours de l'audit.

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

Audit de conformité**Opinion sur la conformité**

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

Justification de l'opinion émise sur la conformité

L'IBAN a effectué l'audit de conformité sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 4000-4899), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

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

Responsabilité de la direction concernant la conformité

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

Le directeur de projet 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.

Responsabilités de l'IBAN concernant la conformité

Selon sa charte, en plus d'être responsable de fournir une assurance raisonnable quant à la question de savoir si les états financiers considérés dans leur ensemble sont exempts d'inexactitudes significatives, l'IBAN doit chaque année rendre au Conseil un avis indépendant lui assurant que les fonds ont été employés aux bonnes

NATO SANS CLASSIFICATION

IBA-AR(2021)0023

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 25 août 2021



Daniela Morgante
Présidente

NATO SANS CLASSIFICATION

IBA-AR(2021)0023

OBSERVATIONS ET RECOMMANDATIONS

L'IBAN a formulé une observation, assortie d'une recommandation. Cette observation n'a pas eu d'incidence sur l'opinion émise au sujet des états financiers et de la conformité. Elle porte sur le point suivant :

1. Nécessité d'améliorer le processus de contrôle interne relatif à l'établissement des états financiers.

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

L'IBAN a par ailleurs fait le point sur les suites données aux observations et recommandations formulées lors des audits précédents, et il a constaté qu'une question avait été traitée, qu'une question restait à traiter et que deux questions étaient en cours de traitement.

1. NÉCESSITÉ D'AMÉLIORER LE PROCESSUS DE CONTRÔLE INTERNE RELATIF À L'ÉTABLISSEMENT DES ÉTATS FINANCIERS**Contexte**

1.1 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 interne et de l'établissement des états financiers conformément au cadre comptable OTAN.

1.2 Par ailleurs, aux termes de l'article 12.3 du NFR, « les activités de contrôle interne portent notamment sur la constitution de pistes d'audit adéquates ainsi que [sur] le maintien de la confidentialité, de l'intégrité et de la disponibilité des données dans les systèmes d'information ».

1.3 Les états financiers doivent être exempts de toute inexactitude, de toute erreur de chiffres, de toute incohérence et de toute autre erreur ou omission découlant d'un contrôle insuffisant au moment de leur établissement. Chaque entité doit disposer d'un système approprié de contrôle interne, et notamment d'un mécanisme d'examen et de rapprochement, pour faire en sorte que les informations présentées dans ses états financiers soient cohérentes et exactes.

1.4 L'une des fonctions principales du système de contrôle interne est de garantir l'existence de processus appropriés pour l'établissement, l'examen et la présentation des états financiers. Un processus d'examen approprié est nécessaire pour obtenir

NATO SANS CLASSIFICATION

IBA-AR(2021)0023

une assurance raisonnable quant au fait que les états financiers ont été établis conformément au cadre de compte rendu financier applicable.

Constatations

1.5 L'IBAN a relevé une erreur significative concernant les différences de change présentées dans les états financiers 2020 du Bureau des FORACS OTAN. Cette erreur a été corrigée dans les états financiers rectifiés qui ont été soumis à l'IBAN le 5 juillet 2021.

1.6 Dans la première version des états financiers, le Bureau des FORACS OTAN avait notifié des pertes de change non réalisées, s'élevant à 16 701 EUR pour le FORACS OTAN Norvège (NFN) et à 72 877 EUR pour le FORACS OTAN AUTEC (NFA). Or les pertes de change ne doivent être notifiées que lorsqu'elles sont réalisées. Du fait de cette erreur, les "bénéfices non répartis" ont été surévalués de 89 578 EUR et les "autres dettes à court terme" ont été sous-évaluées du même montant dans l'état de la situation financière. Cette erreur a également eu une incidence sur le tableau des flux de trésorerie et sur l'état des variations de l'actif net/situation nette.

1.7 Pour rappel, la direction est responsable de l'établissement et de la présentation des états financiers de l'entité. Un processus d'examen approprié est nécessaire pour obtenir une assurance raisonnable quant au fait que les états financiers ont été établis conformément au cadre de compte rendu financier applicable, ainsi que pour éviter et détecter les erreurs avant leur publication.

Recommandation

1.8 L'IBAN recommande au Bureau du contrôle financier (OFC) du SI de renforcer les mécanismes de contrôle interne relatifs à l'établissement des états financiers du Bureau des FORACS OTAN et à leur examen avant publication, en particulier pour ce qui est de la comptabilisation des différences de change.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

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

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

NATO SANS CLASSIFICATION

IBA-AR(2021)0023

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
(1) Exercice 2019 IBA-AR(2021)0012, paragraphe 1 INCOHÉRENCES DANS LA COMPTABILISATION ET LA PRÉSENTATION DES CRÉDITS NON ENGAGÉS AU NIVEAU DES POLYGONES Recommandations de l'IBAN L'IBAN recommande au Bureau des FORACS OTAN : a) de veiller à l'exhaustivité et à l'exactitude des montants à recevoir en vérifiant que les montants à recevoir notifiés dans ses états financiers concordent avec les excédents présentés à la fois dans les états de l'exécution du budget des polygones et dans les certificats d'audit délivrés par des tiers ; b) de mettre à jour en conséquence la méthode d'estimation des montants à recevoir dans sa politique comptable.	a) L'IBAN prend note des progrès réalisés s'agissant de la comptabilisation des montants à recevoir. Les montants à recevoir notifiés dans les états financiers 2020 du Bureau des FORACS OTAN ont fait l'objet d'un rapprochement avec les informations communiquées par les polygones et avec les certificats d'audit délivrés par des tiers, excepté pour le NFA. Aucun certificat d'audit pour le NFA n'était disponible pour 2020. Question traitée. b) L'IBAN note que l'OFC est en train de revoir les méthodes comptables applicables aux entités dont il est responsable. L'OFC tiendra compte de cette recommandation lorsqu'il élaborera de nouveaux mécanismes et procédures dans ce domaine. Question en cours de traitement.	Question en cours de traitement.

NATO SANS CLASSIFICATION

IBA-AR(2021)0023

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
(2) Exercice 2019 IBA-AR(2021)0012, paragraphe 2 NÉCESSITÉ DE MIEUX ÉTAYER LA NOTE RELATIVE AUX PARTIES LIÉES JOINTE AUX ÉTATS FINANCIERS Recommandations de l'IBAN L'IBAN recommande au Bureau des FORACS OTAN : a) de mettre en place, à l'appui des notes jointes aux états financiers, une procédure lui permettant de recenser les opérations entre parties liées et de s'assurer de l'absence de conflits d'intérêts ; b) de se conformer au cadre comptable OTAN (IPSAS 20) en faisant en sorte que ses principaux dirigeants, y compris les membres du Comité directeur, remplissent et signent tous des déclarations concernant les relations ou les opérations avec des parties liées qui sont susceptibles d'avoir une incidence sur l'activité de l'entité.	a) Le Bureau des FORACS OTAN n'a pas encore mis en place de procédure qui lui permettrait de recenser les opérations entre parties liées et de s'assurer de l'absence de conflits d'intérêts. L'IBAN note que le Bureau des FORACS OTAN prévoit d'examiner, à l'occasion de l'évaluation périodique du cadre du <i>Committee of Sponsoring Organisations</i> (COSO), si le processus de collecte d'informations peut être modifié. Question à traiter. b) Les principaux dirigeants n'ont pas signé de déclaration concernant les relations ou les opérations avec des parties liées. Question à traiter.	Question à traiter.
(3) Exercice 2019 IBA-AR(2021)0012, paragraphe 3 TRAITEMENT COMPTABLE DE LA REPRISE SUR PROVISION POUR LES CONGÉS NON UTILISÉS Recommandations de l'IBAN L'IBAN recommande au Bureau des FORACS OTAN de comptabiliser dans l'état de la performance financière, en application de la méthode comptable qui est d'application, la reprise de la provision pour congés non utilisés de l'exercice précédent.	L'OFC du SI a rectifié les chiffres de 2019 afin d'avoir une base de comparaison correcte.	Question traitée.

NATO SANS CLASSIFICATION

NATO SANS CLASSIFICATION

IBA-AR(2021)0023

(4) Exercice 2015 IBA-AR(2017)22, paragraphe 7 EFFORTS SUR LA VOIE DE LA CONFORMITÉ AVEC LA VERSION RÉVISÉE DU RÈGLEMENT FINANCIER DE L'OTAN, ET EN PARTICULIER AVEC LES ARTICLES RELATIFS AU CONTRÔLE INTERNE, À LA GESTION DES RISQUES ET À L'AUDIT INTERNE Recommandations de l'IBAN L'IBAN recommande au Bureau des FORACS OTAN : a) de veiller à ce que sa politique de gestion des risques et ses registres des risques tiennent compte des risques liés au compte rendu financier et à la conformité. c) d'entamer, en coordination avec le SI, lorsqu'il y a lieu, un travail d'évaluation et de consignation du fonctionnement du système de contrôle interne et des procédures de gestion des risques, afin de se conformer aux articles 11 et 12 du NFR, aux FRP XI et XII et au cadre de contrôle interne qu'il aura choisi.	L'IBAN prend note des progrès réalisés en ce qui concerne les procédures de contrôle interne et de gestion des risques. a) Le Bureau des FORACS OTAN a mis en place une procédure d'évaluation de tous les risques recensés, qui prévoit que le Groupe de planification stratégique (SPG) examine, à chaque réunion, les risques au niveau des projets et les mesures d'atténuation correspondantes sur la base d'une définition préétablie des notions de « probabilité » et de « conséquence ». Cette procédure s'inscrit dans le cadre du plan d'entreprise, qui est actualisé chaque année. Le tableau des risques est examiné et actualisé à chaque réunion du SPG et est communiqué au Comité directeur à l'automne de chaque année pour que celui-ci l'entérine officiellement, après quoi la version révisée est intégrée dans le plan d'entreprise. Question en cours de traitement. c) Le Bureau des FORACS OTAN a choisi le cadre de contrôle interne du COSO et a entamé le travail d'évaluation et de consignation du fonctionnement du système de contrôle interne et des procédures de gestion des risques. L'IBAN fera le point sur cette question au cours de son prochain audit. Question en cours de traitement.	Question en cours de traitement.
---	--	--

NATO SANS CLASSIFICATION

IBA-AR(2021)0023

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
d) de veiller, en recourant à l'externalisation si elle est jugée plus intéressante sur le plan financier, à ce que les activités d'audit interne comportent une analyse de la gestion des risques et du contrôle interne dans l'ensemble du Bureau des FORACS OTAN.	d) L'IBAN note que le directeur de projet du Bureau des FORACS OTAN a contacté le chef du Bureau de l'audit interne et de la gestion des risques (OIARM) de l'OTAN au sujet d'une évaluation indépendante du cadre de contrôle interne du COSO, adopté en 2019 par le Bureau des FORACS OTAN. Le plan d'audit de l'OIARM étant établi sur la base d'une analyse des risques, le Bureau des FORACS OTAN y sera inclus en temps opportun. L'IBAN fera le point sur les progrès accomplis par le Bureau des FORACS OTAN dans le cadre de son audit des états financiers de 2021. Question en cours de traitement.	

NATO SANS CLASSIFICATION

IBA-AR(2021)0023

COMMENTAIRES OFFICIELS DU BUREAU DES FORACS OTAN SUR LE RAPPORT D'AUDIT ET POSITION DU COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN (IBAN)

**OBSERVATION 1 :
NÉCESSITÉ D'AMÉLIORER LE PROCESSUS DE CONTRÔLE INTERNE RELATIF À L'ÉTABLISSEMENT DES ÉTATS FINANCIERS**

Commentaires officiels du Bureau des FORACS OTAN

Le Bureau des FORACS OTAN souscrit à la recommandation.

Le Bureau des FORACS OTAN et l'OFC prennent note de la recommandation de l'IBAN concernant la nécessité d'améliorer le processus de contrôle interne relatif à l'établissement et à l'examen des états financiers.

L'OFC modifiera la politique relative à la comptabilisation et à la présentation des opérations en devises de sorte que les opérations en devises des FORACS soient enregistrées en fonction de leur nature.

Le Bureau des FORACS OTAN et l'OFC proposent que des membres du personnel de l'OFC assistent à nouveau aux réunions du Comité directeur des FORACS OTAN pour les questions qui les concernent, et que soient organisées périodiquement des réunions de suivi informelles de manière à faciliter le rapprochement des états financiers avec les données du Bureau des FORACS OTAN.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

(1) Exercice 2019

IBA-AR(2021)0012, paragraphe 1

INCOHÉRENCES DANS LA COMPTABILISATION ET LA PRÉSENTATION DES CRÉDITS NON ENGAGÉS AU NIVEAU DES POLYGONES

Commentaires officiels du Bureau des FORACS OTAN

a) Le Bureau des FORACS OTAN souscrit à l'analyse de l'IBAN.

Aucune mesure supplémentaire n'est proposée.

b) Le Bureau des FORACS OTAN souscrit à l'analyse de l'IBAN.

L'OFC est en train de revoir les méthodes comptables applicables aux entités dont il est responsable, et il tiendra compte de cette recommandation lorsqu'il élaborera de nouveaux mécanismes et procédures dans ce domaine.

(2) Exercice 2019**IBA-AR(2021)0012, paragraphe 2****NÉCESSITÉ DE MIEUX ÉTAYER LA NOTE RELATIVE AUX PARTIES LIÉES
JOINTE AUX ÉTATS FINANCIERS****Commentaires officiels du Bureau des FORACS OTAN**

a) *Le Bureau des FORACS OTAN ne souscrit pas à l'analyse de l'IBAN.*

Le Bureau des FORACS OTAN prend note de la recommandation de l'IBAN concernant les relations avec des parties liées et les opérations entre parties liées, mais il estime que les informations fournies sont suffisantes. Néanmoins, comme l'a indiqué l'IBAN, nous examinerons, à l'occasion des évaluations périodiques du cadre du COSO, si le processus de collecte d'informations peut être modifié de manière à améliorer l'efficacité et l'efficacité des procédures administratives et, éventuellement, d'apporter une valeur ajoutée. Comme mentionné précédemment, l'IPSAS 20 (« Information relative aux parties liées ») n'impose pas de méthode particulière pour la collecte des informations à communiquer. Nous sommes d'avis que le système actuel de collecte des informations sur les parties liées est adapté à la structure de gouvernance de l'entité et que les informations fournies dans les états financiers, qui sont conformes aux dispositions de l'IPSAS 20, donnent une image fidèle et exacte de la situation.

b) *Le Bureau des FORACS OTAN ne souscrit pas à l'analyse de l'IBAN.*

Dans son rapport au Conseil (AC/335-D(2021)0040), le RPPB a pris note de la recommandation de l'IBAN et estimé quant à lui que le Bureau des FORACS OTAN devait mettre en place une procédure qui soit en adéquation avec l'ampleur de ses activités, s'agissant de recenser les opérations entre parties liées et de s'assurer de l'absence de conflits d'intérêts.

Position de l'IBAN

L'IBAN a conscience que l'IPSAS 20 (« Information relative aux parties liées ») n'impose pas de méthode particulière pour la collecte des informations à communiquer. Cela étant, faute de documents tels que des déclarations concernant les parties liées et l'absence de conflit d'intérêts qu'auraient fournies les principaux dirigeants, le Bureau des FORACS OTAN ne peut pas démontrer l'exactitude des informations financières ni l'existence d'une piste d'audit, comme l'exige pourtant le NFR. L'obtention de ces déclarations fournirait, à tout le moins, une assurance minimale quant au fait que l'entité a prévu, dans son système de contrôle interne, une procédure lui permettant de s'assurer de l'absence de conflits d'intérêts et qu'elle est en mesure de détecter les cas dans lesquels des relations avec des parties liées sont susceptibles d'avoir une incidence sur son activité.

NATO SANS CLASSIFICATION

IBA-AR(2021)0023

(3) Exercice 2019**IBA-AR(2021)0012, paragraphe 3****TRAITEMENT COMPTABLE DE LA REPRISE SUR PROVISION POUR LES CONGÉS NON UTILISÉS****Commentaires officiels du Bureau des FORACS OTAN***Le Bureau des FORACS OTAN souscrit à l'analyse de l'IBAN.**Aucune mesure supplémentaire n'est proposée.***(4) Exercice 2015****IBA-AR(2017)22, paragraphe 7****EFFORTS SUR LA VOIE DE LA CONFORMITÉ AVEC LA VERSION RÉVISÉE DU RÈGLEMENT FINANCIER DE L'OTAN, ET EN PARTICULIER AVEC LES ARTICLES RELATIFS AU CONTRÔLE INTERNE, À LA GESTION DES RISQUES ET À L'AUDIT INTERNE****Commentaires officiels du Bureau des FORACS OTAN***a) Le Bureau des FORACS OTAN ne souscrit pas à l'analyse de l'IBAN.**Il considère que toutes les suites voulues ont été données à cette recommandation. Le Bureau des FORACS OTAN et le SI ont pris toutes les mesures nécessaires. En application du NFR et des FRP, la gestion des risques financiers incombe au contrôleur des finances. Le Bureau des FORACS OTAN étant placé sous la responsabilité du Bureau du contrôle financier du SI, les risques liés au compte rendu financier et à la conformité relèvent de la politique de gestion des risques et des registres des risques du SI.**c) Le Bureau des FORACS OTAN ne souscrit pas à l'analyse de l'IBAN.**Il considère que toutes les suites voulues ont été données à cette recommandation. Non seulement le travail d'évaluation et de consignation du fonctionnement du système de contrôle interne et des procédures de gestion des risques a débuté, mais il est par ailleurs soumis à un processus d'amélioration continue dans le respect des principes du COSO.**d) Le Bureau des FORACS OTAN ne souscrit pas à l'analyse de l'IBAN.**Il considère que toutes les suites voulues ont été données à cette recommandation. Le directeur de projet du Bureau des FORACS OTAN a contacté le chef du Bureau de l'audit interne et de la gestion des risques (OIARM) de l'OTAN au sujet d'une évaluation indépendante du cadre de contrôle interne du COSO, adopté en 2019 par le Bureau des FORACS OTAN. Le plan d'audit de l'OIARM étant établi sur la base d'une analyse des risques, le Bureau des FORACS OTAN y sera inclus en temps opportun.*

Position de l'IBAN

À la date de clôture des comptes (31 décembre 2020), le cadre du COSO, adopté en 2019, et les instruments de contrôle interne et de gestion des risques n'étaient pas encore pleinement opérationnels :

a) à cette date, le Bureau des FORACS OTAN n'avait pas encore suffisamment documenté les éléments du compte rendu financier et de la conformité pour lesquels le Bureau du contrôle financier du SI a un rôle à jouer ;

c) à cette date, le Bureau des FORACS OTAN devait encore documenter pleinement le système de contrôle interne et les procédures de gestion des risques, dans une version adaptée en fonction du degré de matérialité peu élevé résultant de la taille de l'entité et de sa complexité limitée ;

d) aux termes du NFR, le Bureau des FORACS OTAN est tenu, en tant qu'entité OTAN distincte présentant des états financiers, de veiller à ce que les activités d'audit interne comportent une analyse de sa gestion des risques et de son contrôle interne. Le Bureau des FORACS OTAN ne doit pas programmer ces activités d'audit interne en fonction du plan d'audit du SI, qui est une entité OTAN distincte présentant des états financiers.

L'IBAN réitère donc les sous-recommandations précitées, et il fera le point sur les progrès réalisés par le Bureau des FORACS OTAN dans le cadre de l'audit des états financiers de 2021.

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 que 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 certains éléments 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 UNCLASSIFIED

FC(2021)0022-REV1

NATO FORACS OFFICE

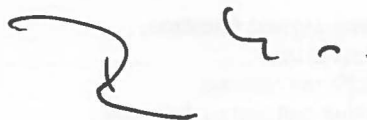
FINANCIAL STATEMENTS Financial Year 2020

Annexes:

- 1 Statement of Financial Position
- 2 Statement of Financial Performance
- 3 Statement of Cash Flow
- 4 Statement of Changes in Net Assets/Equity
- 5 Statement of Budget Execution
- 6 Explanatory Notes to the Financial Statements



Michael MAGAN
Project Manager FORACS



Mirosława BORYCZKA
Financial Controller NATO-IS

NATO UNCLASSIFIED

NATO UNCLASSIFIED

ANNEX 1 to
FC(2021)0022-REV1NATO FORACS OFFICE
Statement of Financial Position
As at 31 December 2020

(in EUR)			
	Notes	Current Year	Prior Year
		2020	2019
Assets			
Current assets			
Cash and cash equivalents	(3),(4)	5,284,065.91	5,398,957.26
Short term investments	(3),(4)	0.00	0.00
Receivables	(5)	1,023,796.69	703,063.67
Prepayments	(6)	1,661,410.78	1,636,053.33
Other current assets	(6)	51,203.46	24,386.09
Inventories	(7)		
		8,020,476.84	7,762,460.35
Non-current assets			
Receivables			
Property, plant & equipment			
Intangible assets	(8)	1,685,581.64	1,685,581.64
		1,685,581.64	1,685,581.64
Total assets		9,706,058.48	9,448,041.99
Liabilities			
Current liabilities			
Payables	(9)	276,295.49	502,084.38
Deferred revenue	(10)	100,527.22	26,491.74
Advances	(11)	5,200,319.15	5,352,081.27
Provisions	(12)	20,703.28	12,676.55
Other current liabilities	(13)	1,713,482.67	1,431,662.52
		7,311,327.81	7,324,996.46
Non-current liabilities			
Provisions		0.00	0.00
Deferred revenue	(14)	1,685,581.64	1,685,581.64
Other non-current liabilities			
		1,685,581.64	1,685,581.64
Total liabilities		8,996,909.45	9,010,578.10
Surplus/Deficit		0.00	0.00
Retained earnings	(15)	709,149.03	437,463.89
Reserves			
Total net assets		709,149.03	437,463.89

NATO UNCLASSIFIED

NATO UNCLASSIFIED

ANNEX 2 to
FC(2021)0022-REV1NATO FORACS OFFICE
Statement of Financial Performance

As at 31 December 2020

		(in EUR)	
	Notes	Current Year	Prior Year
		2020	2019
Revenue			
Non-Exchange Revenue		1,174,157.91	1,192,453.76
Exchange revenue		0.00	0.00
Financial revenue		5,714.71	226.06
Other revenue		13,197.59	13,400.56
Total revenue	(16)	1,193,070.21	1,206,080.38
Expenses			
Personnel		701,471.14	655,607.37
Contractual supplies and services		479,499.41	527,559.16
Depreciation and amortization		0.00	0.00
Impairment		0.00	0.00
Provisions		8,026.73	12,676.55
Other expenses		0.00	0.00
Finance costs		4,072.93	10,237.30
Total expenses	(17)	1,193,070.21	1,206,080.38
Surplus/(Deficit) for the period		0.00	0.00

NATO UNCLASSIFIED

NATO UNCLASSIFIED

ANNEX 3 to
FC(2021)0022-REV1

NATO FORACS OFFICE

Statement of Cash Flow

As at 31 December 2020

	(in EUR)	
	Notes	
	Current Year	Prior Year
	2020	2019
Cash flow from operating activities		
Surplus/(Deficit)	0.00	0.00
Non-cash movements		
Depreciation/ Amortisation	0.00	0.00
Impairment	0.00	0.00
Use of Cash Reserves	271,685.14	64,565.03
Increase /(decrease) in payables	-225,788.89	-251,797.47
Increase/ (decrease) in other current liabilities	204,093.51	894,167.48
Increase/ (decrease) in provisions	8,026.73	1,432.97
Increase/ (decrease) in other non current liabilities	0.00	0.00
(Gains)/losses on sale of property, plant and equipment	0.00	0.00
Decrease/ (Increase) in other current assets	0.00	0.00
Decrease/ (Increase) in receivables	-372,907.84	356,004.38
Net cash flow from operating activities	-114,891.35	1,064,372.39
Cash flow from investing activities		
Purchase of property plant and equipment / Intangible assets	0.00	0.00
Proceeds from sale of property plant and equipment	0.00	0.00
Net cash flow from investing activities	0.00	0.00
Cash flow from financing activities		
Decrease/ (Increase) Deposit		
Net cash flow from financing activities	0.00	0.00
Net increase/(decrease) in cash and cash equivalents	-114,891.35	1,064,372.39
Cash and cash equivalent at the beginning of the period	5,398,957.26	4,334,584.87
Cash and cash equivalent at the end of the period	5,284,065.91	5,398,957.26

NATO UNCLASSIFIED

NATO UNCLASSIFIED

ANNEX 4 to
FC(2021)0022-REV1

NATO FORACS OFFICE
Statement of Changes in Net Assets/Equity

As at 31 December 2020

	(in EUR)
Balance at the beginning of the period 2019	<u>(372,898.86)</u>
Changes in accounting policy	
Restated balance	
Net (gains)/losses recognised directly in net assets/equity	
Exchange difference on translating foreign operations	
Use of cash Reserves	(64,565.03)
Gain on property revaluation	
Surplus/(deficit) for the period	
Change in net assets/equity for the year ended 2019	<u>(437,463.89)</u>
Balance at the beginning of the period 2020	<u>(437,463.89)</u>
Changes in accounting policy	
Restated balance	
Net (gains)/losses recognised directly in net assets/equity	
Exchange difference on translating foreign operations	
Use of cash Reserves	(271,685.14)
Gain on property revaluation	
Surplus/(deficit) for the period	
Change in net assets/equity for the year ended 2020	<u>(709,149.03)</u>

NATO UNCLASSIFIED

NATO UNCLASSIFIED

ANNEX 5 to
FC(2021)0022-REV1

NATO FORACS OFFICE
Statement of Budget Execution
 As at 31 December 2020

(Amounts in EUR)	Initial budget	Budget increase	BA2	Budget Revision	BA3	Transfers	Final budget	Expenses	Total spent	Carry forward	Lapsed
Budget 2020											
Chapter 1	779,000	-	779,000	-	779,000	-	779,000	701,471	701,471	-	77,529
Chapter 2	421,365	-	421,365	215,000	636,365	-	636,365	291,981	291,981	-	344,384
Chapter 3	55,000	-	55,000	518,074	573,074	-	573,074	161,026	161,026	100,527	311,521
Chapter 4	-	-	-	-	-	-	-	-	-	-	-
Total	1,255,365	-	1,255,365	733,074	1,988,439	-	1,988,439	1,154,478	1,154,478	100,527	733,434
Budget 2019											
Chapter 1	-	-	-	-	-	-	-	-	-	-	-
Chapter 2	1,337	-	1,337	-	1,337	-	1,337	1,337	1,337	-	0
Chapter 3	25,155	-	25,155	-	25,155	-	25,155	25,155	25,155	-	(0)
Chapter 4	-	-	-	-	-	-	-	-	-	-	-
Total	26,492	-	26,492	-	26,492	-	26,492	26,492	26,492	-	(0)
Budget 2018											
Chapter 1	-	-	-	-	-	-	-	-	-	-	-
Chapter 2	(0)	-	-	-	-	-	-	-	-	-	-
Chapter 3	-	-	-	-	-	-	-	-	-	-	-
Total	(0)	-	(0)	-	(0)	-	(0)	-	-	-	-
Total All Budgets	1,281,857	-	1,281,857	733,074	2,014,931	-	2,014,931	1,180,971	1,180,971	100,527	733,434

NATO UNCLASSIFIED

NATO UNCLASSIFIED

6-1

ANNEX 6 to
FC(2021)0022-REV1**EXPLANATORY NOTES TO NATO FORACS OFFICE
2020 FINANCIAL STATEMENTS****NOTE 1: GENERAL INFORMATION**

NATO FORACS' mission is to measure the bearing, range, position and heading accuracy of sensors and navigation systems and to provide communications systems and interoperability testing in surface ships, submarines and maritime aircraft to satisfy national requirements and to meet NATO material readiness standards.

The NATO FORACS Memorandum of Understanding was signed in 1974 by seven NATO nations: Denmark, Germany, Greece, Italy, Norway, the United Kingdom and the United States. In September 1994, Canada became the eighth signatory. Collectively the eight nations are referred to as the Member Nations.

Three NATO FORACS (Naval Forces Sensor and Weapons Accuracy Check Sites) test Ranges were authorized under the management of a NATO FORACS Steering Committee (NFSC).

NATO FORACS Office (NFO) was established at NATO Headquarters in January 1977. This office provides technical direction for the project, quality control over test procedures, and maintains a data bank of test results for national summary reports.

NATO FORACS Norway (NFN) began routine testing in 1978.

NATO FORACS Greece (NFG) was opened for routine operation in 1985.

In 1994 the US FORACS range at AUTC (Atlantic Underwater Test and Evaluation Center) became an affiliated NATO FORACS test range called NATO FORACS AUTC (NFA).

Member Nations maintain oversight of the project through the NATO FORACS Steering Committee. The Steering Committee executes its responsibility through an executive Project Manager at the NFO in Brussels.

Normal operations and maintenance of NATO FORACS activities are funded by the Member Nations on a cost-sharing basis. Non-member nations utilize the resources and capabilities based on a calculated 'day rate' for services. Fixed facilities and capital costs are commonly funded through the NATO Security Investment Programme (NSIP). NATO International Staff Office of Financial Control provides accounting and budgeting for the NFO and handles annual calls to Member Nations to fund operations for the Project.

These financial statements relate only to the NFO. The three NATO FORACS Ranges (NFA, NFG and NFN, referred to also as the Ranges) are responsible for executing their own budgets and issuing their own financial statements under their national budgeting and financial rules.

NATO FORACS conducts tests for Alliance nations in response to NATO's tasking to provide mission capable platforms. This testing also supports Nation's acquisition and upgrade programmes testing ship, submarine and maritime aircraft. Having systems in ships, submarines and maritime aircraft aligned and calibrated to the same common reference and to clearly defined accuracy standards aligns with the Connected Forces Initiative and improves interoperability of maritime systems within

NATO UNCLASSIFIED

6-1

NATO UNCLASSIFIED

ANNEX 6 to
FC(2021)0022-REV1

6-2

and between nations. In 2013, FORACS adopted a strategic tag line: *Operational Confidence Through Accuracy*

The NATO FORACS Project continues to demonstrate a quality management culture based on ISO 9001:2015 and on 22 Dec 2020 achieved recertification for a further three years.

NOTE 2: ACCOUNTING POLICIES

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

Declaration of Conformity

The NFO financial statements have been prepared in accordance with NATO Financial Regulations (NFR), the Financial Rules and Procedures (FRP) and the NATO Accounting Framework, which is an adapted version of the International Public Sector Accounting Standards (IPSAS).

Basis of Preparation

These financial statements relate to the NATO FORACS Office (NFO). They also include transactions with the Ranges only in as much as they relate to the calls for contribution process of their respective budgets and therefore concerns cash, short term investments, receivables, payables, advances, and the Ranges' other current liabilities to the IS OFC on behalf of the NFO. Funds are called from Member Nations; receivables are recorded; funds are transferred to the Ranges upon request of the Range Managers. Cash and cash equivalents are held on separate bank accounts controlled by the IS Office of Financial Control. None of the ensuing financial transactions of the Ranges (commitments, expenses, payments, etc.) are disclosed in these financial statements since they are executed under the exclusive authority and responsibility of the Ranges in accordance with their respective national regulations. The NFO plays no role in this respect.

All budget related decisions are taken by the FORACS Steering Committee, not by the FORACS Office. The latter has no financial authority over the Ranges, which operate under national regulations for all aspects of their management (budget execution, procurement, human resources, health and safety, financial reporting, external audit, etc.). The NFO holds an executive management function but does not exercise any power over the Ranges and it does not have rights over their surpluses or assets, neither can it be considered liable for their obligations. As a consequence, the NFO exercises no control over the Ranges for financial reporting purposes and therefore its financial statements are not consolidated with those of the Ranges.

These financial statements have been prepared on a going-concern basis. The assumption is that NFO is a going concern and will continue in operation and meet its objectives and obligations for the foreseeable future.

The financial year is from 1 January to 31 December.

The amounts shown in these financial statements are presented in EUR

FORACS applied IPSAS 9 Revenue from exchange transactions and IPSAS 23 Revenue from non-exchange transactions.

NATO UNCLASSIFIED

6-3

ANNEX 6 to
FC(2021)0022-REV1

The following IPSAS have no material effect on the 2020 NFO financial statements:

- IPSAS 5: Borrowing Costs
- IPSAS 7: Investments in Associates.
- IPSAS 8: Interests in Joint Ventures
- IPSAS 10: Financial Reporting in Hyperinflationary Economies
- IPSAS 11: Construction Contracts
- IPSAS 16: Investment Property
- IPSAS 21: Impairment of non-cash generating assets
- IPSAS 26: Impairment of Cash-Generating Assets
- IPSAS 27: Agriculture
- IPSAS 32: Service Concession Arrangements: Grantor

Changes in accounting policy

None.

Restatement of Financial Statements of Previous Years

NATO policy (both Civilian Personnel Regulations and HR directives) is that untaken leave must be paid only as a last recourse (Staff is compelled to take all their leave before retiring), for informative purposes we disclose the amount payable, if FORACS would shut down its activities at the end of the financial year, i.e. 31 December.

FORACS recognized, as per 31 December 2018, a provision of EUR 11,243.58 for untaken leave and a provision of EUR 12,676.55 as per 31 December 2019.

In the beginning of 2019, the 2018 untaken leave provision has been reversed. However, this reversal was not properly reflected in the Statement of Financial Performance as at 31 December 2019 and as a result the positions "provision" (non-exchange revenue and expenses) were overstated by EUR 11,243.58 each, with neutral effect on surplus / deficit for the period.

NATO UNCLASSIFIED

6-3

NATO UNCLASSIFIED

ANNEX 6 to
FC(2021)0022-REV1

6-4

Restated Statement of Financial Performance as per end December 2019:

	(in EUR)		
	Restated 2019	Initial 2019	Variance
Revenue			
Non-Exchange Revenue	1,181,210.18	1,192,453.76	-11,243.58
Exchange revenue	-	-	0.00
Financial revenue	226.06	226.06	0.00
Other revenue	13,400.56	13,400.56	0.00
Total revenue	1,194,836.80	1,206,080.38	-11,243.58
Expenses			
Personnel	655,607.37	655,607.37	0.00
Contractual supplies and services	527,559.16	527,559.16	0.00
Depreciation and amortization	0.00	0.00	0.00
Impairment	0.00	0.00	0.00
Provisions	1,432.97	12,676.55	-11,243.58
Other expenses	0.00	0.00	0.00
Finance costs	10,237.30	10,237.30	0.00
Total expenses	1,194,836.80	1,206,080.38	-11,243.58
Surplus/(Deficit) for the period	0.00	0.00	0.00

Reclassification of Financial Statements of Previous Years

None.

Use of Estimates

In accordance with generally accepted accounting principles, the financial statements include amounts based on estimates and assumptions by management, according to the most reliable information available, judgement and assumptions. Estimates include accrued revenue and expenses. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

Foreign Currency Transactions

The NFO's budget is authorized and managed in EUR so the contribution call is made in EUR. Foreign currency transactions as required are accounted for at the NATO exchange rates prevailing on the date of the transactions. Monetary assets and liabilities at year-end which were denominated in foreign currencies were converted into EUR using the NATO foreign currency exchange rates as of 31 December 2020.

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

NATO UNCLASSIFIED

6-4

NATO UNCLASSIFIED

6-5

ANNEX 6 to
FC(2021)0022-REV1

NFO does not have any unrealised gains or losses resulting from the translation of statements.

NATO FORACS accounting is subject to FC(FAC)(2020)004 which sets out IS/OFC policy for accounting and reporting transactions in foreign currency.

Financial Risks

NFO uses only non-derivative financial instruments as part of its normal operations. These financial instruments include cash, bank accounts and deposit accounts.

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

The organisation is exposed to a variety of financial risks, including foreign exchange risk, credit risk, currency risk, liquidity risk and interest rate risk.

a. Foreign currency exchange risk

The exposure to foreign currency risk is limited as the vast majority of NFO's expenditures are made in EUR, the currency of its budget. The current bank accounts are held in EUR.

b. Credit risk

NFO incurs credit risks from cash and cash equivalent held with banks and from receivables.

The maximum exposure as at year-end is equal to the total amount of bank balances, short term deposits and receivables. There is very limited credit risk associated with the realization of these elements.

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

Bank Name	Country of HQ	Short Term Ratings					
		FITCH		S&P GLOBAL		MOODY'S	
		Rating	Last Review Date	Rating	Last Review Date	Rating	Last Review Date
ING Bank	Netherlands	F1+	15-Oct-2020	A-1	10-Jul-2020	P-1	21-Oct-2020

The NFO outstanding accounts receivable are managed by maintaining control procedures over receivables. All cash receivables are due from NATO member nations, which are considered credit worthy.

c. Liquidity risk

The liquidity risk, also referred to as funding risk, is based on the assessment as to whether the Organisation will encounter difficulties in meeting its obligations associated with financial liabilities. A liquidity risk could arise from a short term liquidity requirement. There is a very limited exposure to liquidity risk because of the funding mechanism which guarantees contributions in relation to the approved budgets. In addition, the NFO maintains an Operational Reserve. Some limited risk could be due to the inaccuracy of budget forecasts. However, past history shows that this process results in surpluses and since the budgetary rules provide for revised budgets, it also helps risk mitigation.

NATO UNCLASSIFIED

ANNEX 6 to
FC(2021)0022-REV1

6-6

The NFO incurs a liquidity risk since it collects the budget contributions for the Ranges and sends to the Ranges the funds they require, sometimes in advance of the budget year. This transfers the liquidity risk from the Ranges to the NFO and could result in a liquidity issue if contributions from Participating Nations were late.

d. Interest rate risk

Except for certain cash and cash equivalent balances, NFO's financial assets and liabilities do not have associated interest rates. NFO is restricted from entering into borrowings and investments, and, therefore, there is an insignificant interest rate risk. Interest earned is not a budgetary resource but contributes to the surplus owed to Nations. In case of negative interest rates, these are added to the amounts called from Member Nations.

Current Assets

a. Cash and cash equivalents

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

b. Funds managed for third parties

Funds managed on behalf of third parties are held in cash and are presented as a liability. They are accounted for when cash is effectively received.

c. Receivables

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

Outstanding budget contributions concerning the Ranges are also recorded as Receivables.

Contributions receivable are recognised when a call for contribution has been issued to the Member Nations. No allowance for loss is recorded with respect to Member Nations' assessed contributions receivable.

d. Prepayments

A prepayment is a payment in advance of the period to which it pertains and is mainly in respect of an advance payment made to a third party. This item may include advances made to staff in accordance with Civilian Personnel Regulations (such as advances on salary or on education allowance in consideration of the fact that these are advances on future staff benefits).

e. Other Current Assets

Other Current Assets relate to miscellaneous amounts due to the FORACS such as accrued interest, counterpart of untaken leave, etc. This item may include other assets that do not result from the standard order to cash process, such as miscellaneous transactions to be regularized between entities managed by the IS Office of Financial Control.

NATO UNCLASSIFIED

6-7

ANNEX 6 to
FC(2021)0022-REV1

f. Inventories

As mentioned above, NATO's adaptations of IPSAS are spelled out in C-M(2016)0023 of April 2016, which included IPSAS 12 Inventories. Furthermore, C-M(2017)0043 of September 2017, approved the NATO Accounting Policy for Inventory.

When it comes to assessing the control of NATO Inventory, these documents define a set of 10 criteria to be used in assessing the level of control of an Inventory asset. A positive response on six of the criteria will lead to the asset being capitalized in the Financial Statements if it is above the capitalization threshold. This is applied from January, 2013, under the initial NATO Accounting Framework C-M(2013)0039 of July 2013.

Criteria that may indicate control of an asset:

- The act of purchasing the asset carried out (or resulted from instructions given) by the NATO Reporting Entity.
- The legal title is in the name of the NATO Reporting Entity.
- The asset is physically located on the premises or locations used by the NATO Reporting Entity.
- The asset is physically used by staff employed by the NATO Reporting Entity or staff working under the NATO Reporting Entity's instructions.
- The fact that the NATO Reporting Entity can decide on an alternative use of the asset.
- The fact that the NATO Reporting Entity can decide to sell or to dispose the asset.
- The fact that the NATO Reporting Entity, if it has to remove or destroy the asset, can take the decision to replace it.
- The fact that a representative of the NATO Reporting Entity regularly inspects the asset to determine its current condition.
- The fact that the asset is used in achieving the objectives of the NATO Reporting Entity.
- The fact that the asset will be retained by the NATO Reporting Entity at the end of the activity.

Capitalization thresholds relevant to the financial statement are as follow:

Category	Threshold	Basis
Consumables	€50,000	Per location/warehouse
Spare Parts	€50,000	Per location/warehouse
Ammunition	€50,000	Per location/warehouse
Strategic stocks	€50,000	Per location/warehouse

Slow moving inventory – Assuming turnover of stock is over a 12 month period, any items not used over a 36 month period will be deemed to be slow moving.

Strategic stock – Some complex elements of slow moving stock can be identified as strategic if they are deemed essential to the effective operation of an asset and cannot be readily replaced by commercial off the shelf items or cannot be purchased due to market decisions to close production lines of key inventory items due to the advanced age of the strategic asset to which the stock relates

NFO capitalizes inventory which it controls in its financial statements. Where there is a conflict between more than one NATO Reporting Entity as to the control of inventory, only the end-user entity reports the inventory in its financial statements, based on reliable information provided by the NATO services provider entity as defined in individual agreements between the two entities.

NATO UNCLASSIFIED

ANNEX 6 to
FC(2021)0022-REV1

6-8

NFO includes transportation costs involved in bringing the inventories to their present location and condition in the initial valuation of inventory. These costs will be measured on the actual cost of transportation per item of inventory or by using an apportionment of the global transportation costs of bringing the inventories to their present location and condition across all inventory items in the period. Transportation costs involved in the subsequent movement of inventory which brings them into operational use will not be included in the value of inventory. The method of measuring these costs will be disclosed.

NFO considers inventory acquired prior to 1 January 2013 as fully expensed.

For inventory held prior to 1 January 2013, and not previously recognized as an asset, NFO will provide a brief description of inventory held within their inventory recording systems in the notes to the financial statements. Such disclosure will include as a minimum the types of inventories held, locations where inventories are held and the approximate number of items held per asset category. Where this adaptation conflicts with another requirement of IPSAS this adaptation shall apply. For the remainder, IPSAS 12 shall apply.

NFO assesses inventories under IPSAS 12. The outcome of this assessment is that the value of the inventories is immaterial both in value and in terms of the nature of the items held. Consequently, inventory is fully expensed on receipt. The materiality will be assessed each year.

In consideration of the above thresholds, the NFO currently has no inventory.

Non-Current Assets - Fixed Assets (Property, Plant & Equipment)

a. Property, Plant & Equipment

As mentioned above NATO's adaptation of IPSAS are spelled out in C-M(2016)0023 of April 2016 among which were specific items addressing IPSAS 17 PPE. Furthermore, C-M(2017)0022(INV) approved the NATO accounting policy for Property, Plant and Equipment.

When it comes to assessing the control of NATO over PPE these documents define a set of 10 criteria to be used in assessing the level of control of a tangible asset. A positive response on six of the criteria will lead to the asset being capitalized in the Financial Statements if it is above the capitalization threshold. This is applied from January 2013, under the initial NATO Accounting Framework C-M(2013)0039 of July 2013

Capitalization thresholds relevant to the financial statement are as follow:

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

NATO UNCLASSIFIED

6-8

NATO UNCLASSIFIED

6-9

ANNEX 6 to
FC(2021)0022-REV1

NFO considers PPE acquired prior to 1 January 2013 as fully expensed. However, existing accounting policies will continue to be applied for any PPE assets already capitalized prior to 1 January 2013. For PPE upgraded after 1 January 2013, only the portion related to the modification will be capitalized.

In consideration of the above thresholds, the NFO currently has no PPE.

b. Intangible Assets

As mentioned above, NATO's adaptations of IPSAS are spelled out in C-M(2017)0023 of April 2013, which included IPSAS 31 Intangible Assets. Furthermore, C-M(2017)0044 approved the NATO accounting policy for intangible assets.

When it comes to assessing the control of NATO over Intangible Assets, these documents define a set of 10 criteria to be used in assessing the level of control of an Intangible asset – they are the same as mentioned above under Inventory. A positive response on six of the criteria will lead to the asset being capitalized in the Financial Statements if it is above the capitalization threshold. This is applied from January 2013, under the initial NATO Accounting Framework C-M(2013)0039 of July 2013.

NATO Intangible Assets Capitalization Thresholds - the NATO FORACS will capitalize each intangible asset item above the following agreed NATO thresholds:

Category	Threshold	Depreciation Life	Method
Computer software (commercial off the shelf)	€50,000	4 years	Straight line
Computer software (bespoke)	€50,000	10 years	Straight line
Computer database	€50,000	4 years	Straight line
Integrated systems	€50,000	4 years	Straight line

NATO FORACS capitalizes all controlled intangible assets above the NATO Intangible Asset Capitalization Threshold. For anything below the threshold, the NATO FORACS will have the flexibility to expense specific items.

NATO FORACS capitalizes integrated systems and include research, development, implementation and can include both software and hardware elements. But NATO FORACS will not capitalize the following types of intangible assets in their financial statements:

- rights of use (air, land and water);
- landing rights;
- airport gates and slots;
- historical documents; and,
- publications

NATO FORACS capitalizes other types of intangible assets acquired after 1 January 2013 including:

- Copyright
- Intellectual Property Rights
- Software development

NATO UNCLASSIFIED

6-9

NATO UNCLASSIFIED

ANNEX 6 to
FC(2021)0022-REV1

6-10

NATO FORACS considers Intangible Assets acquired prior to 1 January 2013 as fully expensed.

NATO FORACS will report controlled Intangible assets in its financial statements. Where there is a conflict between more than one NATO Reporting Entity as to the control of intangible assets, only the end-use entity will capitalize the intangible asset in its financial statements based on reliable information provided by the NATO services provider entity as defined in individual agreements between the two entities.

NATO FORACS has no intangible assets acquired or held prior to 1 January 2013.

If an intangible asset is upgraded after 1 January 2013, only the portion related to the modification is capitalized.

Where this adaptation conflicts with another requirement of IPSAS this adaptation will apply. For the remainder, IPSAS 31 shall apply. This adaptation is effective for financial reporting periods beginning on 1 January 2013.

In 2015, the NFO has initiated a replacement of a software required for its operations.

This new software, denoted as Integrated Data Acquisition and Test System version X (IDATS) has completed development and is undergoing formal acceptance trials before formal introduction into service with NATO FORACS. The finalization of the acceptance trials is anticipated for 2021.

Current Liabilities

a. Payables

Payables are amounts due to third parties, including Participating Nations, based on goods received or services provided that remain unpaid. These include estimates of accrued obligations to third parties for goods and services received but not yet invoiced. Amounts due to Participating Nations in the context of their budget contributions are booked under Other Current Liabilities.

b. Advances and Deferred Revenue

Advances are contributions received related to future year's budgets. Advances include all advances linked to the budget process of the NFO and of the Ranges. This reflects the nature of the transactions since they result from the call for budgetary contributions process, handled by IS OFC, irrespective of the entity, and harmonises the approach between the NFO and the Ranges.

Deferred Revenue represents Participating Nations' contributions which have been called for current NFO budgets but that have not yet been recognised as revenue in the absence of any related budgetary expenses.

c. Other Current Liabilities

Amounts corresponding to the current year budgetary surplus of NFO, i.e. lapsed credits, net financial income and miscellaneous income, are considered a liability towards the Participating Nations. The settlement does not follow the normal accounts payable process, since the standard approach is to return them to Participating Nations via a deduction from the following year's call for budget contributions. This liability is therefore classified under Other Current Liabilities.

This item may include other liabilities that do not result from the standard procure to pay process, such as miscellaneous transactions to be regularized between entities managed by the IS Office of Financial Control.

Non-Current Liabilities

The long term unearned revenue is unearned revenue in relation to net carrying amounts of Property, Plant and Equipment and Intangible Assets. Revenue is recognised over the estimated life cycle of the Property, Plant and Equipment and The Intangible Assets.

Net Assets

Net Assets correspond to NATO FORACS' Project Accumulated Surplus. Project Accumulated Surplus relates to funds resulting from past years contributions by NATO FORACS' Member Nations in excess of budget execution that the Steering Committee decided not to redistribute to the Member Nations but keep for the needs of NATO FORACS as an operational reserve. It is held at the direction of the Steering Committee, with North Atlantic Council approval for the NFRs deviation.

Revenue Recognition

Revenue comprises contributions from NATO FORACS Member Nations and amounts due by beneficiaries of services provided by the NATO FORACS Ranges.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be measured reliably. The balance of unspent contributions and other revenues that relate to future periods are deferred accordingly.

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

Contributions to be called from Member Nations, based on the budget they approved, are initially recorded as unearned revenue liabilities. They are recognised as revenue in the statement of financial performance when such contributions are used for their intended purpose as envisioned in the approved Budget.

Transformational adjustments are made in calculating earned revenue and expenses in the Statement of Financial Performance.

Segment Reporting

A segment is a distinguishable activity or group of activities for which it is appropriate to separately report financial information. There is no segment in NFO. The Ranges are NATO FORACS components but are not NATO entities and do not form part of NFO, so cannot be considered as segments of NFO. Separate information concerning the Ranges is provided when appropriate, but this should not be considered as being done with the intent of complying with IPSAS 18 on Segment Reporting, which is not applicable in the case of these financial statements.

Statement of Financial Position

NOTE 3: CASH AND CASH EQUIVALENTS

The current NFO bank accounts are held in EUR. Deposits (if any) are held in interest-bearing bank accounts, immediately available.

Overview of the cash and cash equivalents held by FORACS:

amounts in EUR		
	2020	2019
NFO	2,641,931.12	2,686,848.05
Petty Cash	0.00	0.00
TOTAL	2,641,931.12	2,686,848.05

Funds managed for third parties

The NATO-IS Office of Financial Control holds funds, in cash, contributed to the NFG, NFA and, NFN budgets. These bank accounts are controlled by the IS Office of Financial Control, in the context of the management of FORACS financial operations, thus the closing balances are reported in the NFO's financial statements. Upon request of the Range Managers, funds are transferred to the Greek, US and Norwegian officials respectively, under the supervision of the Range Managers to execute their budget following their national rules.

The breakdown is as follows:

amounts in EUR		
	2020	2019
NFA	925,740.26	1,003,631.83
NFA - short term deposit	0.00	0.00
NFG	535,069.00	623,427.40
NFN	1,181,325.53	1,085,049.98
TOTAL	2,642,134.79	2,712,109.21

NOTE 4: SHORT TERM INVESTMENTS

The FORACS does not hold short term investments as per 31 December 2020.

NOTE 5: ACCOUNTS RECEIVABLE

At the end of 2020 this position consists mostly of the receivable from lapsed Ranges' credits, being part of their yearly budgetary surplus.

Contributions receivable are funds requested from the Nations to finance the current and following year budgets of all the NATO FORACS components. There is normally only one call for contribution, issued during the summer period. As directed by the Steering Committee, the call includes approximately 20% of the current year's budget credits and an advance of approximately 80% for next financial year, at 2020 year-end there was one partial outstanding contribution receivable to report from Member Nation Greece.

NATO UNCLASSIFIED

6-13

ANNEX 6 to
FC(2021)0022-REV1

The amounts recorded as receivables represent the lapses of the Ranges reported in their respective Budget Execution Statements.

The below table provides an overview of open receivables at year-end for two consecutive years:

amounts in EUR

	2020	2019
Budgetary contributions	70,690.00	-
Ranges	953,106.69	703,063.67
Staff	-	-
Other NATO bodies	-	-
Users of FORACS services	-	-
TOTAL	1,023,796.69	703,063.67

NOTE 6: PREPAYMENTS

Advances are made to the Ranges based on their respective budget for the following year in accordance with the process of centralisation of all budgetary calls under the NFO umbrella.

Prepayments to staff (typically advances on salaries, advances on education allowances, travel expenses) are done in accordance with the NATO Civilian Personnel Regulations. As per end of 2020, prepayments to staff are only related to education allowances. At the end of 2020, a small prepayment was done for minor expense via the credit card.

Below table gives the breakdown of the different prepayments for the last 2 consecutive years:

Amounts in EUR

	2020	2019
Prepayments to the Ranges	1,640,646.63	1,630,421.86
Prepayments to Suppliers	265.48	2,433.47
Prepayments to Staff	20,498.67	3,198.00
TOTAL	1,661,410.78	1,636,053.33

The advances made to the Ranges are broken down as follows:

amounts in EUR

	2020	2019
NFA	635,206.98	624,964.33
NFG	363,600.00	355,350.00
NFN	641,839.65	650,107.53
TOTAL	1,640,646.63	1,630,421.86

NOTE 7: OTHER CURRENT ASSETS

Other Current Assets include the counterpart of untaken leave as a valuation of the potential budgetary contribution that would be required if this untaken leave were to be paid. However as indicated in the note on Employee Disclosure untaken leave is normally never paid. This item also includes accrued financial revenue and deferred expenses.

Amounts in EUR

	2020	2019
Accrual bank interest	699.94	11,709.54
Untaken leave	20,703.28	12,676.55
Deferred expenses	29,800.74	-
TOTAL	51,203.96	24,386.09

NOTE 8: INVENTORIES

Nothing to report, inventories are not considered material.

NOTE 9: INTANGIBLE ASSETS

FORACS intends to replace the data recording and analysis software used for its operations. To this effect, end 2015, a contract was signed with the NATO Communications and Information Agency for the delivery of this project. The software is still undergoing a series of tests before it can be declared available for operational purposes, therefore no depreciation has been recorded in 2020.

In the below chart, it is provided an overview of the project's carrying amount at the year-ends.

(amounts in EUR)	Carrying Amount end 2016	Additions	Disposals	Depreciation	Other Changes	Carrying Amount end 2017
Software	796,959	601,462				1,398,422
TOTAL FORACS	796,959	601,462	0	0	0	1,398,422

(amounts in EUR)	Carrying Amount end 2017	Additions	Disposals	Depreciation	Other Changes	Carrying Amount end 2018
Software	1,398,422	287,160				1,685,582
TOTAL FORACS	1,398,422	287,160	0	0	0	1,685,582

(amounts in EUR)	Carrying Amount end 2018	Additions	Disposals	Depreciation	Other Changes	Carrying Amount end 2019
Software	1,685,582	0				1,685,582
TOTAL FORACS	1,685,582	0	0	0	0	1,685,582

(amounts in EUR)	Carrying Amount end 2019	Additions	Disposals	Depreciation	Other Changes	Carrying Amount end 2020
Software	1,685,582					1,685,582
TOTAL FORACS	1,685,582	0	0	0	0	1,685,582

NATO UNCLASSIFIED

6-15

ANNEX 6 to
FC(2021)0022-REV1**NOTE 10: PAYABLES**

Payables and accrued expenses (accruals) are to commercial suppliers, staff, other NATO bodies, NATO FORACS Member Nations or other NATO FORACS entities.

Payable to suppliers relates to goods and services for which an invoice has been processed but for which payment was still pending at year-end. The invoices open in a currency different from the budget currency (EUR) has been revalued on 31 December 2020.

Accrued expenses (accruals) correspond to the estimated accrual obligation to third parties for goods and services received but not yet invoiced.

Below tables provide details of the payables balances for the last 2 financial years at year-end:
amounts in EUR

	2020	2019
Suppliers	91,912.54	102,474.80
Personnel	-	306.92
Other FORACS entities	- 10,063.19	57,466.02
Member Nations	150,300.82	147,417.60
Accruals	44,145.32	194,419.04
TOTAL	276,295.49	502,084.38

Payable to Participating Nations

A payable of EUR 150,300.82 (EUR 147,417.60 in 2019) is in relation to reimbursable salaries and represents the amount due to the United States (US) for civilian staff members who are or have been employed by FORACS but paid directly by the US government. The amount available at the beginning of 2020 was used to offset the budgetary contribution of the US called in 2020. The net outstanding amount remains to be regularised.

NOTE 11: DEFERRED REVENUE**Deferred Revenue**

This item is limited to NFO since it is the only NATO FORACS entity over which the IS Office of Financial Control exercises budgetary control.

Deferred Revenue corresponds to NFO contributions called for the current year budget or before (received or receivable) that NFO intends to use for its initial purpose, but for which corresponding goods or services could not be received in the course of the current budget year but will be incurred after the end of the reporting period. If these amounts carried forward are not spent by the end of the second year following the year for which they were approved, these funds will lapse unless a specific decision is taken by Member Nations for a further carry-forward.

There were no appropriations subject to a special carry-forward, neither to a further carry-forward.

NATO UNCLASSIFIED

ANNEX 6 to
FC(2021)0022-REV1

6-16

NOTE 12: ADVANCES

The standard call for contribution process includes an advance on the following year's budgets for all NATO FORACS components. The NATO FORACS Ranges may in turn request that part or all of the advances be transferred to them. The amounts called as advances at year end were the following:

amounts in EUR

	2020	2019
NFO	997,305.00	1,004,291.00
NFA	1,546,772.28	1,666,571.19
NFG	969,358.00	947,599.00
NFN	1,686,883.87	1,733,620.08
TOTAL	5,200,319.15	5,352,081.27

NOTE 13: PROVISIONS

The provision relates to the staff Untaken Leave liability.

The valuation of Untaken Leave (which has no impact on the current budget of NFO) amounts to EUR 20,703.28 (EUR 12,676.55 end 2019).

NOTE 14: OTHER CURRENT LIABILITIES

Amounts corresponding to the current year budgetary surplus of NFO, i.e. lapsed credits, net financial income and miscellaneous income, are considered a liability towards the Participating Nations. The settlement does not follow the normal accounts payable process, since the standard approach is to return them to Participating Nations via a deduction of the following year's call for budget contributions. Up to now, the standard practice of the NATO FORACS Steering Committee has been to use these amounts to fund the NFO Supplementary Budget or to add them to the Project Accumulated Surplus (see note on Net Assets).

Below is a snapshot of NFO's current year surplus at year ends:

amounts in EUR

	Current Year Budget Surplus NFO	
	2020	2019
Lapsed Appropriations	733,433.03	711,011.02
Net Financial Income	992.38	- 9,930.52
Miscellaneous Income	13,197.59	13,400.56
TOTAL	747,623.00	714,481.06

Miscellaneous income is an over-accrual from previous year of EUR 13,197.59.

Financial income is the result of foreign exchange rate differences on the payments of the supplementary budget to the ranges NFN and NFA, payments to suppliers, bank charges and interest collected throughout the year.

Other current liabilities cover also the current year budgetary surplus of the Ranges, i.e. lapsed credits and net financial income.

NATO UNCLASSIFIED

6-17

ANNEX 6 to
FC(2021)0022-REV1

During the course of 2020, NFN has returned to NFO an amount EUR 136,246 which is part of their 2020 unused credits.

Detailed breakout is presented in the table below.

amounts in EUR

	2020	2019
NFO Current Year Budget Surplus	747,623.00	714,481.06
Lapses NFA	331,613.04	308,886.25
Lapses NFG	187,280.85	67,515.00
Lapses NFN	431,408.83	326,662.42
Financial Surplus Ranges	15,556.95	14,117.79
Other	0.00	0.00
TOTAL	1,713,482.67	1,431,662.52

NOTE 15: NON CURRENT LIABILITIES AND LONG TERM DEFERRED REVENUE

The long term deferred revenue is unearned revenue in relation to net carrying amounts of Property, Plant and Equipment and Intangible Assets. Revenue is recognised over the estimated life cycle of the Property, Plant and Equipment and the Intangible Assets.

In the future this account will be used as a counterpart of the IDATS, once it becomes available for operational use and thus recognized as an Intangible Asset and subject to yearly depreciations.

NOTE 16: RETAINED EARNINGS

Retained earnings correspond to NATO FORACS' Project Accumulated Surplus.

Project Accumulated Surplus relates to funds resulting from past contributions by NATO FORACS member Nations in excess of budget execution that the Steering Committee decided not to redistribute to the member nations but keep for the needs of the NATO FORACS project. This decision was approved by the NAC (C-M(2018)0032-AS1 dated 26 Jun 2018, under "Approval of FORACS Operational Reserve Fund"). It is an Operational Reserve held at the direction of the Steering Committee essentially in the case of emergency funding needs for the Project to ensure continuity of service and also for reallocation among NATO FORACS entities when the Steering Committee approves their Supplementary Budgets. It originates from previous years' budgetary and financial operations of the various NATO FORACS entities.

Statement of Financial Performance

NOTE 17: REVENUE

Non-Exchange Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be measured reliably. The non-exchange revenue is matched with the expenses stemming from budget execution.

Contributions, when called, are booked as an Unearned Revenue and subsequently recognized as Non-Exchange Revenue when it is earned.

Exchange Revenue may result from services provided by NATO FORACS to entities other than the Participating Nations. This type of revenue is assessed on a calculated day rate for services.

Below there is a snapshot of the 2020 revenue breakdown:

amounts in EUR

	2020	2019
Non Exchange revenue	1,174,157.91	1,181,210.18
Called from Nations	251,073.00	238,335.94
Budget to be taken from refundable surplus	689,973.00	800,636.46
Budget to be taken from Operational Reserve	-43,101.00	124,840.00
To be received/paid from/to the ranges	43,101.00	-124,840.00
Provision untaken leave	8,026.73	1,432.97
Extra budget to be taken from call	225,085.18	140,804.81
Exchange revenue	0.00	0.00
Services provided by FORACS to non member Nations	0.00	0.00
Financial Revenue	5,714.71	226.06
Exchange gain	5,714.71	226.06
Other revenue	13,197.59	13,400.56
DCPS Allianz Compensatory payment	0.00	2,842.30
Overaccrual	13,197.59	10,558.26
Total Revenue	1,193,070.21	1,194,836.80

Exchange Revenue

Nothing to report.

Financial Revenue

This includes exchange rate differences.

Other Revenue

This includes the regularization of overestimated accruals from previous year.

NOTE 18: EXPENSES**Wages, Salaries and Employee Benefits**

The personnel costs only pertain to all civilian personnel in support of funded activities. They also include expenses for salaries and emoluments for approved NATO permanent civilian positions and temporary personnel, for other salary related and non-related allowances including overtime, medical examinations, recruitment, installation and removal.

Supplies and Consumables Used

This item may also include expenses attributed to Capital Expenses (Property, Plant and Equipment and Intangible Assets) from a budget perspective, if they do not meet the criteria of PPE or Intangible Assets.

Depreciation and Amortization

Nothing to report.

Impairments

Nothing to report.

Provisions

This item includes changes in any provisions disclosed in the financial statements, including a valuation of the untaken leave liability.

Other Expenses

Nothing to report.

Finance Costs

This items includes bank charges and exchange rate differences.

NOTE 19: BUDGET INFORMATION**NATO FORACS Office Budget**

Presently, the NATO FORACS Budgets are not publicly available.

The actual amounts referred to by IPSAS 24 ("amounts that result from execution of the budget") are expenses incurred during the execution of the budget and appearing under the heading "Actuals" in the Budget Execution Statement.

Presentation of budget information in the financial statements

In the present financial statements budget information is limited to NFO since it is the only entity over which the IS OFC exercises budgetary control.

NATO UNCLASSIFIED

ANNEX 6 to
FC(2021)0022-REV1

6-20

The NFO budget classification is based on the economic nature of the expenses broken down into three chapters as follows:

Chapter I	Personnel Expenses
Chapter II	Operating Expenses
Chapter III	Capital Costs

The NFO Budget is prepared for the same period (1 January to 31 December) as these financial statements.

These financial statements also include transactions with NFA, NFG and NFN in relation to their funding as components of NATO FORACS (calls for their budgets' contributions, prepayment of advances on their budgets, transfers related to budget adjustments). Their respective budget execution and control are conducted in accordance with their own national regulations. Neither the NFO nor the IS Financial Controller have any responsibility or authority in this respect. As a consequence their budget executions are not reflected in the budget execution statement of the NFO presented in these financial statements.

Changes to the budgetary regulations were introduced by the North Atlantic Council in 2015 in approving a new set of NATO Financial Regulations. The new NATO Financial Regulations were made applicable to the 2015 budget year as from 1 May 2015. They have in particular instilled an accruals based approach to budget preparation and budget execution, whereas before the approach was largely commitment and cash based.

Despite a stronger emphasis on the principle of annual budgets, the approved and executed budget cannot be considered as fully accruals-based, since the new regulations allow for a number of exceptions, such as carrying forward commitments for goods and services that were expected to be delivered in the course of the year but for various reasons were not, or authority given to the member Nations to allow for special carry forward of appropriations unused at year-end.

The NFO budget is prepared and executed as follows:

- 1) The commitment of appropriations is the advance acceptance and recording of the financial consequence resulting from a legal obligation incurred during the financial year. As a consequence appropriations are allocated, and commitments are approved, for goods, services and works to be delivered at a later stage. Commitments are settled when the service is rendered or goods delivered as is the case for expenses under accrual accounting.
- 2) Approved Commitments for which no goods could be received or services rendered at year end normally lapse. However, if they are supported by a legal obligation and correspond to goods or services that could not be received during the course of the year for specific reasons, they may be carried forward and added to the budget of the following financial year. Uncommitted appropriations may be subject of a special carry forward to the following year if a specific agreement is given by the Steering Committee. Outstanding commitments can be carried forward for two years. As a consequence, the services or goods received may relate to a commitment of appropriations from previous years' budgets. The carry-forward should be justified by a reason for which the services or goods could not be received in the course of the year. In addition, in accordance with Financial Regulations, member Nations may agree to a further carry-forward of commitments that were already carried forward twice.
- 3) Commitments, because they are an advance acceptance, and because payments cannot be made above approved appropriations levels, typically include an estimation factor and may

NATO UNCLASSIFIED

6-21

ANNEX 6 to
FC(2021)0022-REV1

be (if only slightly) higher than the actual amount eventually paid. This results in commitments being higher than the actual expenses and in appropriations eventually lapsing.

- 4) Commitments are only made in respect of expenses relating to the initial purpose of the commitment. Commitments for capital expenditures are normally made in the year during which the purchase order is issued. In accrual accounting, the related costs would not appear in the Statement of Financial Performance but in the Balance Sheet and only upon reception of the works, goods or services. Conversely, there is no budgetary commitment of appropriations for non-cash flow transactions such as capital depreciation or provisions which would normally appear in the Statement of Financial Performance under accrual accounting.
- 5) On an exceptional basis, the Steering Committee may approve the carry-forward of credits without any prior legal commitment, for instance for projects at their initiation stage or planned expenditures. In accrual accounting there would be no expense recorded.
- 6) The balance of unused budgetary appropriations (not committed) lapses and is to be returned to Contributing Nations or added to the Operational Reserve at year-end (the latter being the usual practice). Lapses may include cases where a project was eventually not completed or started, and therefore lead to no expense.

Budget approval

Every year, an initial budget for Operations and Maintenance is requested in order to provide contributors with a stable level of contribution and a significant amount is planned for under the supplementary budget.

amounts in EUR

	2020	2019
Initial Budget	1,255,363.00	1,192,810.00
Supplementary Budget	733,076.06	675,796.00
Additions/Reductions	0.00	0.00
Total Annual Budget	1,988,439.06	1,868,606.00

There were no frozen appropriations.

Budget execution

The NFO budget execution for the current and previous year is shown at Annex 5.

Table below compare the budget's authorized appropriations and the actual amounts committed and expended, i.e. the comparison between the Budget Execution and the Statement of Financial Performance.

NATO UNCLASSIFIED

ANNEX 6 to
FC(2021)0022-REV1

6-22

BUDGET EXECUTION		
Total Budget (including carried-forward from previous year)	(a)	2,014,931
Credits Carried Forward in Following Year	(b)	100,527
Lapsed Appropriations	(c)	733,434
Budget Execution Expenses	(d) = (a-b-c)	1,180,971

RECONCILIATION		
Financial Performance Expenses (Excluding financial costs)	(d)	1,188,997
Increase in Non-Current Assets	(e)	-
Provisions	(f)	8,027
Other Expenses	(g)	-
Sub-Total	(h)=(d+e-f-g)	1,180,971
Difference to Budget Expenses	(c-h)	(0)

Reconciliation between NFO Budget and Calls for Contributions

The funding of the NFO budget is made of an advance call and a call for contributions, carried over credits, the previous year's surplus, and on occasion, as directed by the Steering Committee, a contribution from/to the Project's Accumulated Surplus and/or a transfer from/to another FORACS entity's current year budget.

One call for contributions is issued every year which includes an advance concerning the budget of the following year and the remainder concerning the current year's budget (i.e. current year budget minus advance called during the previous year and any other adjustments among the FORACS entities).

The table below reconciles the approved budget and the sources of funding.

amounts in EUR

	2020	2019
Initial Budget	1,255,363	1,192,810
Supplementary Budget	733,076	675,796
Total Annual Budget	1,988,439	1,868,606
Advance called previous year	1,004,290	954,248
Call in current year	251,073	238,562
Total Cash Calls	1,255,363	1,192,810
Use of Previous Year's Surplus	714,481	800,636
Use of (Contribution to) Project Accumulated Surplus	-	-
Transfer from (to) other FORACS entities	18,595	- 124,840
Other Funding Sources	733,076	675,796
Total Funding	1,988,439	1,868,606

NOTE 20: WRITE-OFFS

There were no write-offs during 2020.

NATO UNCLASSIFIED

6-23

ANNEX 6 to
FC(2021)0022-REV1**NOTE 21: LEASES**

NFO does not have any financial leases.

NOTE 22: RESTRICTIONS ON FIXED ASSETS

There are no restrictions on fixed assets.

NOTE 23: CONTINGENT LIABILITIES

There have been no contingent liabilities identified that would be expected to result in a material obligation.

NOTE 24: CONTINGENT ASSETS

Nothing to report.

NATO UNCLASSIFIED

6-23

NATO UNCLASSIFIED

ANNEX 6 to
FC(2021)0022-REV1

6-24

NOTE 25: EMPLOYEE DISCLOSURE

Employee Status

The tables below provide comparative data about FORACS staff for two consecutive years:

	NATO Civilians	
	2020	2019
Total Approved PE	4	4
Total Filled Positions	4	4
Arrivals in the year	1	0
Departures in the year	1	0

	Total Approved PE	Total Filled Positions
Civilian (PE)	4	4
VNC	0	0
Short term	0	0
Interns	0	0
Others – explain	0	0

Leave

Paid leave is an employee benefit and as such part of overall personnel expenses. In accordance with personnel regulations, the remaining balance at year end may be carried forward but must be taken before 30 April of the following year. It can be exceptionally expanded to 31 October in accordance with Civilian Personnel Regulations art. 42.3.5 and 42.3.6. After this date it lapses and is not paid to staff. For these financial statements, untaken leave is specifically reported if its monetary value is more than 10% of the total annual leave entitlement. The cost of untaken leave days is usually absorbed during the year through the monthly salaries; leave to be taken carried forward into the next year constitutes a liability towards the future and would notionally require funding from Participating Nations.

Pension Schemes

NATO-IS is managing centrally three pension programs, namely the Defined Benefit Pension Scheme (DBS), the Defined Contribution Pension Scheme (DCPS) as well as the Retiree Medical Claims Fund (RMCF), covering staff employed by all NATO bodies.

NFO staff is covered by one the two NATO pensions schemes (DCPS or DBPS). The DCPS provides that the NFO budget makes a 12 percent monthly matching contribution to the staff members' contributions for current service. As for the DBPS, a deduction of 11.8% of staff salaries is made and contributed to the annual financing of this Plan. In addition, the NFO budget makes a monthly matching contribution of 19% to the DBPS. These contributions are expensed during the year concerned and represent the sole pension related obligation of the entity. Consequently, the NFO has neither DBPS nor DCPS liabilities for its staff members.

NATO UNCLASSIFIED

6-25

ANNEX 6 to
FC(2021)0022-REV1

The table below provides comparative data about the staff affiliation to the different pension schemes for two consecutive years:

FORACS STAFF PENSION SCHEME AFFILIATION

	2020	2019
Co-ordinated Pension Scheme	2	2
Defined Contribution Pension Scheme	1	1

Out of the 4 permanent staff of the NFO, one is a US reimbursable employee and as such is not affiliated to any of the NATO pension schemes.

The table below indicates the contributions made by NFO to the various pension programs.

amounts in EUR

		2020	2019
Co-ordinated Pension Scheme	Staff	21,651.36	17,156.64
	Employer	43,302.72	34,313.28
	Total	64,954.08	51,469.92
Defined Contribution Pension Scheme	Staff	8,826.89	16,046.07
	Employer	14,817.63	14,811.69
	Total	23,644.52	30,857.76
Total	Staff	30,478.25	33,202.71
	Employer	58,120.35	49,124.97
	Total	88,598.60	82,327.68

NOTE 26: KEY MANAGEMENT PERSONNEL

The NATO FORACS Steering Committee (one representative per member nation) is the governing body of the NFO and of the NFG, NFN and NFA. Steering Committee members are nominated by their respective National Authorities. They are paid on the basis of applicable National pay scales. The Steering Committee members do not receive from NATO any additional remuneration for Steering Committee responsibilities or access to benefits.

The key management personnel of the NFO consists of the Project Manager. The Project Manager is responsible for the overall operational management of NATO FORACS. The Project Manager reviews the three Ranges' budgets, proposed by the Range Managers, and proposes all four budgets to the Steering Committee for approval. The three sites are managed operationally by Range Managers, each nominated by the participating nation where the site is located.

There are no other remuneration or benefits to Steering Committee members or key management personnel or their family members.

NOTE 27: RELATED PARTIES

In reviewing the four budgets on an annual basis, the Steering Committee determines the budgetary credits for the initial and the Supplementary Budgets. It is in this context that funds for the O&M budget are called (Supplementary Budget funds are already held by NFO on behalf of the Project) and held in cash or cash equivalents by the NATO-IS Office of Financial Control to finance three other NATO FORACS budgets, namely NATO FORACS Greece, NATO FORACS AUTEC and

NATO UNCLASSIFIED

6-25

NATO FORACS Norway. For more effective cash management purposes, the Steering Committee approved the call procedure whereby funds pertaining to NFG, NFA and NFN are transferred into accounts at NATO Headquarters. These bank accounts are controlled by NFO, thus the closing balances are reported in the NFO's financial statements. Upon request of the Range Managers, funds are transferred to the Greek, US and Norwegian defence authorities respectively, with whom the Range Managers engage to execute their budget following their national rules.

NATO Office of Financial Control holds the surplus funds of all the NATO FORACS entities on the NFO bank account. These funds are not controlled by the NFO Project Manager, but are approved for expenditure by the Steering Committee to enable it to implement its Supplementary Budget authorisations. Remaining funds constitute the Operational Reserve.

Both the Steering Committee members and Key management personnel have no significant party relationships that could affect the operation of the NFO.

In 2020, NATO International Staff charged NATO FORACS for the following cost- sharing:

amounts in EUR

	Burden Sharing Charges	
	2020	2019
COMOPS	18,534.00	19,333.37
Admin Cost	32,436.21	31,999.73
Other	0.00	0.00
Total	50,970.21	51,333.10

List of acronyms:

AUTEC	Atlantic Underwater Test and Evaluation Center
DOD	Department of Defense
BC	Budget Committee
FORACS	Naval Forces Sensor and Weapon Accuracy Check Sites
IPSAS	International Public Sector Accounting Standards
IS	International Staff
MOD	Ministry of Defense
MOU	Memorandum of Understanding
NCIA	NATO Communication and Information Agency
NFA	NATO FORACS AUTEC
NFG	NATO FORACS Greece
NFN	NATO FORACS Norway
NFO	NATO FORACS Office
NFSC	NATO FORACS Steering Committee
OFC	Office of Financial Control
PPE	Property, Plant and Equipment

Preparer:	Reviewer:	Approver:
Thomas Massin	Maaïke Deconinck	Mirosława Boryczka