

	NATO	NORTH ATLANTIC COUNCIL
	OTAN	CONSEIL DE L'ATLANTIQUE NORD

NATO SANS CLASSIFICATION

8 décembre 2021

DOCUMENT
C-M(2021)0029-REV1-AS1

**OPINIONS ET LETTRES D'OBSERVATIONS ET DE RECOMMANDATIONS
DU COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN (IBAN)
CONCERNANT L'AUDIT DES ÉTATS FINANCIERS 2019
DU RÉGIME DE PENSIONS À COTISATIONS DÉFINIES (DCPS) DE L'OTAN,
DU SECRÉTARIAT INTERNATIONAL (SI),
DU CENTRE D'INFORMATION ET D'ANALYSE SUR LA SÉCURITÉ DES MUNITIONS
(MSIAC),
DU RÉGIME DE PENSIONS COORDONNÉ DE L'OTAN,
DU BUREAU DES FORACS OTAN,
DU PROJET DE NOUVEAU SIÈGE DE L'OTAN,
ET DU FONDS DE COUVERTURE MÉDICALE DES AGENTS À LA RETRAITE (FCMR)**

NOTE SUR LA SUITE DONNÉE

Le 7 décembre 2021, au terme d'une procédure d'accord tacite, le Conseil a pris note du rapport du RPPB annexé au C-M(2021)0029-REV1, a approuvé les conclusions et les recommandations qu'il contient et a donné son accord pour que ce rapport, les opinions et lettres d'observations et de recommandations de l'IBAN et les états financiers 2019 des sept entités concernées soient rendus publics.

(signé) Jens Stoltenberg
Secrétaire général

NB : La présente note fait partie du C-M(2021)0029-REV1 et doit être placée en tête de ce document.



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24 novembre 2021

DOCUMENT

C-M(2021)0029-REV1

Procédure d'accord tacite :

7 déc 2021 17:30

**OPINIONS ET LETTRES D'OBSERVATIONS ET DE RECOMMANDATIONS
DU COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN
CONCERNANT L'AUDIT DES ÉTATS FINANCIERS 2019
DU RÉGIME DE PENSIONS À COTISATIONS DÉFINIES (DCPS) DE L'OTAN,
DU SECRÉTARIAT INTERNATIONAL (SI),
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(MSIAC),
DU RÉGIME DE PENSIONS COORDONNÉ DE L'OTAN,
DU BUREAU DES FORACS OTAN,
DU PROJET DE NOUVEAU SIÈGE DE L'OTAN,
ET DU FONDS DE COUVERTURE MÉDICALE DES AGENTS À LA RETRAITE (FCMR)**

Note du secrétaire général

1. On trouvera ci-joint les opinions et lettres d'observations et de recommandations du Collège international des auditeurs externes de l'OTAN (IBAN) concernant l'audit des états financiers 2019 du régime de pensions à cotisations définies (DCPS) de l'OTAN, du Centre d'information et d'analyse sur la sécurité des munitions (MSIAC), du régime de pensions coordonné de l'OTAN, du Bureau des FORACS OTAN, du projet de nouveau siège de l'OTAN et du fonds de couverture médicale des agents à la retraite (FCMR), ainsi que l'audit des états financiers rectifiés du SI. Pour ces sept entités, l'IBAN a émis une opinion sans réserve à la fois sur les états financiers et sur la conformité.
2. Les rapports de l'IBAN ont été examinés par le Bureau de la planification et de la politique générale des ressources (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 mardi 7 décembre 2021 à 17h30**, je considérerai que le Conseil aura pris note du rapport du RPPB, approuvé les conclusions et les recommandations qu'il contient et marqué son accord pour que le rapport du RPPB, les opinions et lettres d'observations et de recommandations de l'IBAN et les états financiers 2019 correspondants des sept entités concernées soient rendus publics.

(signé) Jens Stoltenberg

Annexe 1 : Rapport du RPPB
Pièce jointe 1 : Rapports de l'IBAN + états financiers

Original : anglais

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**OPINIONS ET LETTRES D'OBSERVATIONS ET DE RECOMMANDATIONS
DU COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN
CONCERNANT L'AUDIT DES ÉTATS FINANCIERS 2019
DU RÉGIME DE PENSIONS À COTISATIONS DÉFINIES (DCPS) DE L'OTAN,
DU SECRÉTARIAT INTERNATIONAL (SI),
DU CENTRE D'INFORMATION ET D'ANALYSE SUR LA SÉCURITÉ DES MUNITIONS
(MSIAC),
DU RÉGIME DE PENSIONS COORDONNÉ DE L'OTAN,
DU BUREAU DES FORACS OTAN,
DU PROJET DE NOUVEAU SIÈGE DE L'OTAN,
ET DU FONDS DE COUVERTURE MÉDICALE DES AGENTS À LA RETRAITE (FCMR)**

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

Références :

A.	IBA-A(2021)0055	Opinion et lettre d'observations et de recommandations de l'IBAN concernant l'audit des états financiers 2019 du DCPS
B.	IBA-A(2021)0053	Opinion et lettre d'observations et de recommandations de l'IBAN concernant l'audit des états financiers 2019 rectifiés du SI
C.	IBA-A(2021)0058	Opinion et lettre d'observations et de recommandations de l'IBAN concernant l'audit des états financiers 2019 du MSIAC
D.	IBA-A(2021)0056	Opinion et lettre d'observations et de recommandations de l'IBAN concernant l'audit des états financiers 2019 du régime de pensions coordonné de l'OTAN
E.	IBA-A(2021)0052	Opinion et lettre d'observations et de recommandations de l'IBAN concernant l'audit des états financiers 2019 du Bureau des FORACS OTAN
F.	IBA-A(2021)0054	Opinion et lettre d'observations et de recommandations de l'IBAN concernant l'audit des états financiers 2019 du projet de nouveau siège de l'OTAN
G.	IBA-A(2021)0057	Opinion et lettre d'observations et de recommandations de l'IBAN concernant l'audit des états financiers 2019 du FCMR
H.	C-M(2015)0025	Règlement financier de l'OTAN (NFR)
I.	BC-D(2015)0260-REV1	Règles et procédures financières (FRP)
J.	C-M(2016)0023	Cadre comptable OTAN (NAF)
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 porte sur les opinions et lettres d'observations et de recommandations du Collège international des auditeurs externes de l'OTAN (IBAN)

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concernant l'audit des états financiers 2019 du régime de pensions à cotisations définies (DCPS) de l'OTAN, du Centre d'information et d'analyse sur la sécurité des munitions (MSIAC), du régime de pensions coordonné de l'OTAN, du Bureau des FORACS OTAN, du projet de nouveau siège de l'OTAN et du fonds de couverture médicale des agents à la retraite (FCMR), ainsi que l'audit des états financiers rectifiés du Secrétariat international (SI). Pour ces sept entités, l'IBAN a émis une opinion sans réserve à la fois sur les états financiers et sur la conformité (voir documents de référence A à G).

OBJET

2. Le présent rapport fait le point sur les opinions et lettres d'observations et de recommandations de l'IBAN afin que le RPPB puisse réfléchir aux questions ou préoccupations d'ordre stratégique découlant de l'audit des états financiers des entités concernées et, s'il y a lieu, recommander au Conseil une ligne de conduite propre à accroître la transparence, à améliorer le compte rendu et à renforcer la cohérence.

3. En application de l'article 35 du Règlement financier de l'OTAN (NFR) et des règles et procédures financières (FRP) XXXV, qui définissent les responsabilités des contrôleurs des finances, c'est le contrôleur des finances du SI qui s'est chargé de superviser la préparation des états financiers 2019 de toutes les entités faisant l'objet du présent rapport ainsi que de signer ces états financiers.

EXAMEN DE LA QUESTION

4. À l'issue de l'audit des états financiers 2019 des sept entités faisant l'objet du présent rapport, l'IBAN a formulé au total onze observations, assorties de recommandations. 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 et recommandations formulées lors d'audits précédents. À la date de l'établissement des opinions et lettres d'observations et de recommandations de l'IBAN, huit questions ayant fait l'objet d'observations lors d'audits précédents étaient en cours de traitement, deux restaient à traiter et onze avaient été traitées.

4.1. Observations 1 et 3 pour le SI – L'IBAN a constaté que la diminution de l'enveloppe du budget civil approuvée en 2019 n'avait pas été correctement enregistrée comme telle dans le système ERP car la manipulation finale consistant à exclure manuellement du système les données relatives au régime de pensions à prestations définies de l'OTAN n'avait pas été effectuée. Cela a eu une incidence sur l'état de l'exécution du budget et amené le SI à publier des états financiers rectifiés. Par ailleurs, l'IBAN a relevé une différence nette entre les montants notifiés dans l'état de la situation financière et les

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montants notifiés par les bureaux satellites de l'OTAN. Les liquidités et les passifs ont de ce fait été surévalués. L'IBAN a également relevé plusieurs cas dans lesquels le solde de la petite caisse dépassait le plafond fixé et plusieurs cas dans lesquels ce solde n'était pas de zéro en fin d'exercice. De plus, une perte n'a pas été radiée comme le prévoit pourtant le NFR (référence H). Ayant pris note des recommandations de l'IBAN, le RPPB est favorable à ce que le SI établisse des procédures de contrôle interne qui garantissent que les ajustements budgétaires seront enregistrés correctement dans le système ERP, à ce qu'il procède au rapprochement des informations de fin d'exercice figurant dans l'état de l'exécution du budget et des données du système d'information budgétaire, et à ce qu'il mette en place des solutions techniques visant à supprimer les interventions manuelles dans le système ERP. Par ailleurs, le RPPB souscrit aux recommandations de l'IBAN, qui souhaite que le SI vérifie les montants notifiés par les bureaux satellites de l'OTAN, veille à ce que le solde de la petite caisse ne dépasse pas le plafond fixé à la fin de chaque mois et radie la perte inscrite dans un compte de petite caisse comme le prévoit le NFR.

4.2. Observation 1 pour le Bureau des FORACS OTAN – Comme indiqué dans la note 5 jointe aux états financiers 2019 du Bureau des FORACS OTAN, les excédents budgétaires annuels doivent être présentés en tant qu'actif (montants à recevoir) et passif (excédents restituables aux pays) à court terme. Les montants à recevoir qui sont notifiés dans les états financiers doivent correspondre aux excédents notifiés dans les états de l'exécution du budget des polygones. L'IBAN a constaté que les engagements qui sont mentionnés dans les certificats d'audit délivrés pour deux polygones étaient inférieurs aux montants figurant dans leurs états de l'exécution du budget respectifs, et il n'a pas trouvé trace d'une décision du Comité directeur autorisant les polygones à traiter les montants non engagés comme des reports. Ayant pris note des recommandations de l'IBAN, le RPPB est favorable à ce que le Bureau des FORACS OTAN veille à l'exhaustivité et à l'exactitude des montants à recevoir et mette à jour en conséquence la méthode d'estimation de ces montants.

4.3. Observation 2 pour le Bureau des FORACS OTAN – L'IBAN a constaté que la note 26 (« Parties liées ») jointe aux états financiers du Bureau des FORACS OTAN n'était pas étayée par des documents tels que des déclarations concernant les parties liées ou l'absence de conflit d'intérêts qu'auraient fournies les principaux dirigeants. Le RPPB prend note des recommandations de l'IBAN et estime quant à lui que, s'agissant de recenser les opérations entre parties liées et de s'assurer de l'absence de conflits d'intérêts, le Bureau des FORACS OTAN devrait mettre en place une procédure qui soit en adéquation avec l'ampleur de ses activités.

4.4. Observations 1 et 2 pour le projet de nouveau siège de l'OTAN – L'IBAN a constaté que les responsables du projet de nouveau siège de l'OTAN n'avaient pas, au cours du premier trimestre de 2020, fourni de rapport sur la situation financière du budget global du programme de construction (LTPB) au Comité des représentants permanents adjoints (DPRC) et qu'ils n'avaient pas donné d'informations, dans les notes jointes aux états financiers, au sujet de l'état, en fin d'exercice 2019, de tous les crédits pour imprévus qui étaient inscrits dans le LTPB. Ayant pris note des recommandations de l'IBAN, le RPPB est favorable à ce que le SI présente les rapports sur la situation financière du LTPB ainsi que

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les informations sur l'état de tous les crédits pour imprévus inscrits dans le LTPB afin que l'IBAN puisse réévaluer la situation dans le cadre de son audit des états financiers 2020 du projet de nouveau siège.

4.5. Observation 2 pour le SI et observation 3 pour le Bureau des FORACS OTAN et le projet de nouveau siège de l'OTAN – À la fin de l'exercice, le SI, le Bureau des FORACS OTAN et les responsables du projet de nouveau siège de l'OTAN n'ont pas procédé dans l'état de la performance financière à l'écriture de contrepartie de la reprise de la provision totale pour congés non utilisés, ce qui a donné lieu à une surévaluation des charges et des produits. Le RPPB souscrit à la recommandation de l'IBAN et invite le SI, le Bureau des FORACS OTAN et les responsables du projet de nouveau siège de l'OTAN à présenter, pour les besoins de l'audit de leurs états financiers de 2020, les informations relatives à la comptabilisation de la reprise de la provision pour congés non utilisés de l'exercice précédent.

4.6. Observation 1 pour le RMCF – L'IBAN a constaté que les entités OTAN participant au financement du FCMR n'avaient pas toutes confirmé le montant de leur cotisation et il a relevé des différences comptables. Ayant pris note des recommandations de l'IBAN, le RPPB est favorable à ce que les demandes de confirmation des soldes en fin d'exercice soient envoyées suffisamment tôt pour que les entités OTAN cotisant au FCMR puissent répondre en temps voulu, et à ce qu'un rapprochement soit effectué entre les cotisations reçues et les enregistrements comptables.

4.7. Observation 1 pour le régime de pensions coordonné de l'OTAN – L'IBAN a constaté que les informations figurant dans les notes jointes aux états financiers au sujet de montants échus à recevoir ou à payer étaient insuffisamment détaillées et ne montraient pas quels montants étaient en souffrance depuis plus d'un an, plus de deux ans ou plus de cinq ans. Ayant pris note des recommandations de l'IBAN, le RPPB est favorable à ce que, pour améliorer l'information présentée, le Bureau du contrôle financier (OFC) du SI mentionne, dans les notes jointes aux états financiers, les montants échus à recevoir ou à payer, et achève l'analyse de ces montants.

4.8. Suites données aux observations antérieures : questions à traiter – En ce qui concerne les questions restant à traiter à la fois pour le régime de pensions coordonné et pour le FCMR, l'IBAN réaffirme que des progrès doivent être faits à l'égard de l'observation formulée lors de l'audit précédent concernant la nécessité pour l'OTAN de comptabiliser le passif correspondant aux avantages postérieurs à l'emploi, afin de se conformer à l'IPSAS 39 (*Avantages du personnel*). La question 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, qui visera à faire cadrer une décision prise antérieurement par le Conseil, l'IPSAS 39 et le NAF (référence J).

4.9. Suites données aux observations antérieures : questions traitées – Pour le SI, au vu des progrès réalisés, l'IBAN considère comme traitées les questions concernant la nécessité d'apporter des améliorations à la déclaration sur le contrôle interne, la publication

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tardive des états financiers, les erreurs dans le tableau des flux de trésorerie, et la comptabilisation des fonds relatifs à l'ex-Organisation de production et de logistique OTAN HAWK. Grâce à la mise en application par le SI d'une politique sur la comptabilisation et le compte rendu des opérations libellées en monnaie étrangère, la question correspondante est considérée comme traitée pour le DCPS et le régime de pensions coordonné. Le Conseil ayant approuvé une demande de dérogation au NFR, la question relative au recours par le MSIAC à un fonds de réserve de gestion est considérée comme traitée, tandis qu'une question qui était restée en suspens pour le projet de nouveau siège est désormais considérée comme traitée puisque tous les chiffres relatifs aux actifs à long terme ont été présentés correctement dans les notes jointes aux états financiers de 2019. Afin que les questions correspondantes puissent être considérées comme traitées, le Bureau des FORACS OTAN a corrigé le tableau des flux de trésorerie, il a comptabilisé et consigné les produits perçus au titre de services fournis à des pays non membres, et il a comptabilisé dans ses états financiers les excédents budgétaires à recevoir des polygones.

4.10. Suites données aux observations antérieures : questions en cours de traitement – Le SI, le MSIAC et le Bureau des FORACS OTAN doivent tous trois s'améliorer dans les domaines de la gestion des risques, du contrôle interne et de l'audit interne. Bien que des progrès aient été accomplis dans ces domaines, le SI et le MSIAC doivent encore adopter une politique de gestion des risques et élaborer un registre global des risques, et ils doivent, tout comme le Bureau des FORACS OTAN, redoubler d'efforts pour évaluer et consigner le fonctionnement du système de contrôle interne et améliorer les activités d'audit interne. Les responsables du projet de nouveau siège ont encore des progrès à faire en ce qui concerne la collecte d'éléments probants sur la modification des activités et le rapprochement entre les chiffres figurant dans les états financiers et ceux figurant dans l'état de l'exécution du LTPB, tandis que, pour le régime de pensions coordonné, il conviendrait de mettre en place des contrôles internes plus efficaces pour l'établissement des états financiers. Comme le RPPB l'avait demandé instamment l'année dernière, le SI devrait fournir aux pays membres de l'OTAN une estimation du montant minimal à injecter dans le FCMR pour assurer sa viabilité et lui permettre de faire face à ses obligations sur le long terme. S'agissant du DCPS, les suites données à la recommandation formulée en 2015 par l'IBAN quant à la nécessité de fournir une justification adéquate de la constatation d'un montant à recevoir et d'une provision dans les états financiers seront réexaminées dans le cadre de l'audit des états financiers de 2020.

CONCLUSIONS

5. Onze nouvelles observations ont été formulées concernant les états financiers 2019 des sept entités faisant l'objet du présent rapport. Aucune d'elles n'a eu d'incidence sur les opinions émises. À la date de l'établissement des opinions et lettres d'observations et de recommandations de l'IBAN, huit questions ayant fait l'objet d'observations lors d'audits précédents étaient en cours de traitement, deux restaient à traiter et onze avaient été traitées.

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6. Le RPPB se réjouit des progrès constants qui sont accomplis pour réduire le nombre d'observations et il encourage le SI à traiter les questions relatives au contrôle des ajustements budgétaires et au rapprochement de la trésorerie et des équivalents de trésorerie. Il note que le SI, le Bureau des FORACS OTAN et les responsables du projet de nouveau siège doivent prendre de nouvelles mesures afin de donner suite à l'observation, qui leur est commune, portant sur une inexactitude comptable dans l'état de la performance financière. Il note également que le Bureau des FORACS OTAN doit veiller à l'exhaustivité et à l'exactitude des montants à recevoir et mettre en place une procédure lui permettant de recenser les opérations entre parties liées. Comme l'IBAN, le RPPB estime que les responsables du projet de nouveau siège doivent présenter les rapports financiers sur le LTPB et donner des informations sur l'état des crédits pour imprévus qui sont inscrits dans le LTPB. Par ailleurs, il recommande, pour le FCMR, que les demandes de confirmation des soldes soient envoyées suffisamment tôt pour que les entités OTAN cotisant au FCMR puissent répondre en temps voulu et, pour le régime de pensions coordonné, que l'OFC présente dans les notes jointes aux états financiers les montants à recevoir ou à payer restant en souffrance.

7. Enfin, le RPPB note que le SI s'efforce de traiter les questions restées en suspens à la suite des audits précédents.

8. Le RPPB examinera séparément l'observation formulée lors de l'audit précédent concernant la nécessité pour l'OTAN de comptabiliser le passif correspondant aux avantages postérieurs à l'emploi afin de se conformer au NAF.

RECOMMANDATIONS

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

9.1. de prendre note du présent rapport ainsi que des opinions et lettres d'observations et de recommandations de l'IBAN citées dans les documents de référence A à G ;

9.2. d'approuver les conclusions formulées aux paragraphes 5 à 8 du présent rapport ;

9.3. d'approuver la communication au public du présent rapport, des opinions et lettres d'observations et de recommandations de l'IBAN (documents de référence A à G) et des états financiers 2019 correspondants, en vertu de la politique agréée dans le document de référence K.

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

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Pièce-jointe C-M(2021)0029-REV1

IBA-A(2021)0055
4 juin 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 : ***Opinion et lettre d'observations et de recommandations du Collège international des auditeurs externes de l'OTAN (IBAN) concernant l'audit des états financiers du régime de pensions à cotisations définies (DCPS) de l'OTAN pour l'exercice clos le 31 décembre 2019 – IBA-AR(2021)0010***

Monsieur le Secrétaire général,

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

Aux termes de l'article 15 du Règlement financier de l'OTAN, l'IBAN adresse son rapport final, comprenant les commentaires factuels et les commentaires officiels et accompagné des états financiers audités, au Conseil au plus tard le 31 août qui suit la fin de l'exercice visé dans le rapport. Ayant reçu les informations avec beaucoup de retard les informations à requises par les normes d'audit, il n'a pas pu respecter l'échéance du 31 août 2020.

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

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

Daniela Morgante
Présidente

Pièces jointes : voir ci-dessus.

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ANNEXE 1

**Note succincte
du Collège international des auditeurs externes de l'OTAN
à l'intention du Conseil
sur l'audit des états financiers
du régime de pensions à cotisations définies (DCPS) de l'OTAN
pour l'exercice clos le 31 décembre 2019**

Le Collège international des auditeurs externes de l'OTAN (IBAN) a audité les états financiers 2019 du régime de pensions à cotisations définies (DCPS) de l'OTAN, régime de pensions par capitalisation auquel cotisent les agents recrutés depuis le 1^{er} juillet 2005 ainsi que l'OTAN, en tant qu'employeur. Au 31 décembre 2019, l'actif net disponible pour le service des prestations s'établissait à 524,53 millions d'euros (contre 408,39 millions d'euros à la fin 2018) et le régime comptait 4 352 affiliés (contre 3 974 à la fin 2018).

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

L'IBAN n'a pas eu d'observation à formuler à l'issue de l'audit.

L'IBAN a fait le point sur la suite donnée aux observations formulées lors des audits précédents, et il a constaté qu'une question avait été traitée et que l'autre était toujours en cours de traitement.

L'opinion et la lettre d'observations et de recommandations ont été transmises au Secrétariat international, dont les commentaires ont ensuite été intégrés dans la lettre ainsi que, le cas échéant, la position de l'IBAN à leur sujet (appendice 1 à l'annexe 3).

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

4 juin 2021

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

OPINION SUR LES ÉTATS FINANCIERS

DU RÉGIME DE PENSIONS À COTISATIONS DÉFINIES (DCPS) DE L'OTAN

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2019

NATO SANS CLASSIFICATION

ANNEXE 2
IBA-AR(2021)0010**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 à cotisations définies (DCPS) de l'OTAN portant sur la période de 12 mois ayant pris fin le 31 décembre 2019. Diffusés et soumis à l'IBAN le 21 avril 2020, ces états financiers se composent de l'état de l'actif net disponible pour le service des prestations au 31 décembre 2019, 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 au 31 décembre 2019 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 (NFR) prévoit que l'audit externe des entités OTAN présentant des états financiers et des organismes OTAN établis en vertu du Traité de l'Atlantique Nord est effectué par l'IBAN.

L'IBAN a effectué son audit sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 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.

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IBA-AR(2021)0010**Responsabilité de la direction concernant les états financiers**

La responsabilité de la direction concernant les états financiers est définie dans le NFR. Les états financiers du DCPS 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 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

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

- à acquérir une connaissance du contrôle interne qui soit pertinente pour l'audit, le but étant d'élaborer des procédures d'audit qui soient adaptées à la situation considérée et non pas d'exprimer une opinion sur l'efficacité du système de contrôle interne de l'entité ;
- à déterminer si les méthodes comptables appliquées sont appropriées et si les estimations comptables et les informations connexes fournies par la direction sont raisonnables ;
- à se prononcer sur le caractère approprié ou non de l'utilisation du principe comptable de la continuité d'activité et à déterminer, à partir des éléments probants obtenus par l'audit, s'il existe une incertitude significative du fait d'événements ou de circonstances susceptibles de remettre fondamentalement en cause la capacité de l'entité à poursuivre son activité ; si l'IBAN juge qu'une telle incertitude existe, il est tenu d'appeler l'attention, dans son opinion, sur les informations correspondantes figurant dans les états financiers ou, si ces informations sont incomplètes, de formuler une opinion modifiée ; les conclusions de l'IBAN sont fondées sur les éléments probants en sa possession à la date d'établissement de son rapport d'audit ; il n'est toutefois pas exclu que l'entité soit amenée à cesser son activité en raison d'événements ou de circonstances futurs ;
- à évaluer la présentation générale, la structure et le contenu des états financiers, y compris les informations fournies, et à déterminer si les états financiers rendent compte fidèlement des opérations et des événements qui en font l'objet.

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

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

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IBA-AR(2021)0010**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 NFR 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'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 NFR ainsi que les règles et procédures financières qui s'y rattachent et les directives d'application particulières, dont le Règlement du personnel civil 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.

Il incombe ainsi à l'IBAN d'appliquer des procédures lui permettant d'obtenir en toute

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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 4 juin 2021



Daniela Morgante
Présidente

4 juin 2021

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS

CONCERNANT

LE RÉGIME DE PENSIONS À COTISATIONS DÉFINIES (DCPS) DE L'OTAN

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2019

NATO SANS CLASSIFICATIONANNEXE 3
IBA-AR(2021)0010**Introduction**

Le Collège international des auditeurs externes de l'OTAN (IBAN) a audité les états financiers du régime de pensions à cotisations définies (DCPS) de l'OTAN pour l'exercice clos le 31 décembre 2019, et il a émis une opinion sans réserve à leur sujet ainsi qu'une opinion sans réserve sur la conformité.

Observations et recommandations:

L'IBAN n'a pas eu d'observation à formuler à l'issue de l'audit.

L'IBAN a fait le point sur la suite donnée aux observations formulées lors des audits précédents, et il a constaté qu'une question avait été traitée et que l'autre était toujours en cours de traitement.

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

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SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

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

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

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
(1) DCPS – Exercice 2015 IBA-AR(2016)28, paragraphe 3 JUSTIFICATION INSUFFISANTE DE LA CONSTATATION D'UN MONTANT À RECEVOIR ET D'UNE PROVISION DANS LES ÉTATS FINANCIERS Recommandation de l'IBAN Le Collège recommande au secrétaire général, qui assume la responsabilité de l'administration et de la gestion du DCPS, d'examiner cette situation dès que possible afin de déterminer si l'OTAN est d'accord avec l'indemnité proposée, à quelles entités OTAN présentant des états financiers revient cette indemnité et à qui les fonds correspondants, s'ils sont reçus, devraient <i>in fine</i> être restitués (par exemple : pays, affiliés au DCPS).	En décembre 2018, le secrétaire général a recommandé de répartir un tiers du montant qui serait reçu de l'assureur à titre de dédommagement, soit 1,726 million d'euros, entre les affiliés qui, entre le 1^{er} janvier 2012 et le 31 décembre 2015, avaient activement cotisé au régime d'assurance couvrant les principaux risques. En mai 2019, l'assureur a versé la somme précitée. Le remboursement des affiliés n'est pas encore terminé, car il s'effectue par tranche depuis 2019. Dans l'état de la situation financière de 2019, le solde à restituer aux affiliés (0,687 million d'euros) est présenté comme un montant « à payer ». Comme indiqué dans le BC-DS(2019)0067 (INV), le Comité des budgets a décidé que la part du montant compensatoire versé par l'assureur qui correspond aux cotisations de l'employeur (4,274 millions d'euros) serait reversé aux entités OTAN présentant des états	Question en cours de traitement.

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OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
	financiers concernées. Dans l'état de la situation financière de 2019, ces 4,274 millions d'euros ne sont plus considérés comme un actif ou un passif du DCPS, car il s'agit d'un flux de trésorerie (encaissement puis décaissement) qu'il convenait de comptabiliser comme montant à recevoir de l'assureur par les entités OTAN en question. En février et en avril 2020, l'assureur a versé, en deux fois, les 4,274 millions d'euros. Les décaissements au bénéfice des entités OTAN concernées a donc commencé en 2020. La situation sera réévaluée à l'occasion de l'audit des états financiers de 2020.	
(2) DCPS – Exercice 2015 IBA-AR(2016)28, paragraphe 7 MANQUE DE CLARTÉ DE LA MÉTHODE DE CHANGE Recommandation de l'IBAN Le Collège recommande de mettre au point et d'appliquer une méthode complète pour la comptabilisation et le compte rendu des opérations libellées en monnaie étrangère.	Le SI a mis en application la politique de l'OFC diffusée sous la cote FC(FAC)(2020)004_FC, intitulée « Comptabilisation et compte rendu des opérations libellées en monnaie étrangère ».	Question traitée.

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RÉGIME DE PENSIONS À COTISATIONS DÉFINIES (DCPS) DE L'OTAN

COMMENTAIRES OFFICIELS
SUR LA LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS
ET POSITION DU COLLÈGE INTERNATIONAL
DES AUDITEURS EXTERNES DE L'OTAN (IBAN)

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

(1) DCPS – Exercice 2015
IBA-AR(2016)28, paragraphe 3
JUSTIFICATION INSUFFISANTE DE LA CONSTATATION D'UN MONTANT À
RECEVOIR ET D'UNE PROVISION DANS LES ÉTATS FINANCIERS

Commentaires officiels du Secrétariat international

Pas d'accord.

Dans les états financiers de 2019, la présentation du montant à recevoir et de la provision est conforme aux documents – complets – reçus d'Allianz ainsi qu'aux décisions des pays.

Le SI suggère de considérer cette question comme traitée.

Position de l'IBAN

L'IBAN maintient sa position, estimant que la question est en cours de traitement dès lors que le remboursement aux affiliés, qui s'effectue par tranches depuis 2019, n'est pas encore terminé. De plus, le remboursement des entités OTAN présentant des états financiers a commencé en 2020. La situation sera réévaluée à l'occasion de l'audit des états financiers de 2020.

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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.



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

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IBA-A(2021)0053
4 juin 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 : ***Opinion et lettre d'observations et de recommandations du Collège international des auditeurs externes de l'OTAN (IBAN) concernant l'audit des états financiers rectifiés du Secrétariat international (SI) pour l'exercice clos le 31 décembre 2019 – IBA-AR(2021)0013***

Monsieur le Secrétaire général,

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

L'article 15 du Règlement financier de l'OTAN prévoit que l'IBAN adresse au Conseil son rapport final, comprenant les commentaires factuels et les commentaires officiels et accompagné des états financiers audités, au plus tard le 31 août qui suit la fin de l'exercice visé dans le rapport. Cependant, ayant reçu avec un retard considérable les informations requises en application des normes d'audit, l'IBAN n'a pas pu respecter l'échéance du 31 août 2020.

L'IBAN a émis une opinion sans réserve sur les états financiers rectifiés du Secrétariat international ainsi que sur la conformité pour l'exercice 2019.

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

Daniela Morgante
Présidente

Pièces jointes : voir ci-dessus.

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ANNEXE 1

Note succincte
du Collège international des auditeurs externes de l'OTAN
à l'intention du Conseil sur l'audit des états financiers rectifiés
du Secrétariat international (SI)
pour l'exercice clos le 31 décembre 2019

Le Secrétariat international (SI) assiste le Conseil de l'Atlantique Nord et ses comités dans leurs travaux. Dans ses états financiers rectifiés de 2019, le montant total des dépenses était de 278 millions d'euros (MEUR).

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

À l'issue de l'audit, l'IBAN a formulé trois observations, qui n'ont pas eu d'incidence sur l'opinion émise :

1. Nécessité d'améliorer le contrôle des ajustements budgétaires.
2. Traitement comptable de la reprise sur provision pour les congés non utilisés.
3. Absence de rapprochement de la trésorerie et des équivalents de trésorerie.

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 que quatre questions avaient été traitées et que deux autres étaient toujours en cours de traitement.

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

Une lettre a été adressée à la direction du SI. Elle contient des observations et des recommandations qui ont été formulées au cours de l'audit et qui ne figurent pas dans la lettre d'observations et de recommandations, et elle fait le point sur la suite donnée aux observations 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.

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4 juin 2021

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

**OPINION SUR LES ÉTATS FINANCIERS RECTIFIÉS
DU SECRÉTARIAT INTERNATIONAL (SI)
POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2019**

PUBLICLY DISCLOSED - PDN(2022)0003 - MIS EN LECTURE PUBLIQUE

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IBA-AR(2021)0013**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 2019. Diffusés sous la cote FC(2020)0044-REV1 et soumis à l'IBAN le 19 juin 2020, ces états financiers se composent de l'état de la situation financière au 31 décembre 2019, de l'état de la performance financière, de l'état des variations de l'actif net/situation nette et du tableau des flux de trésorerie pour la période de 12 mois ayant pris fin le 31 décembre 2019, ainsi que d'un résumé des méthodes comptables importantes et d'autres notes explicatives. Ils contiennent en outre un rapport sur l'exécution du budget portant sur la 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 2019 ainsi que de sa performance financière, de ses flux de trésorerie et de l'exécution du budget pour la période de 12 mois ayant pris fin 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.

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IBA-AR(2021)0013**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 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

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obtenir par son audit les éléments probants nécessaires et suffisants pour lui permettre de formuler une opinion ; le risque de non-détection d'une inexactitude significative relevant d'une fraude est plus élevé que le risque de non-détection d'une inexactitude significative relevant d'une erreur, car la fraude peut résulter d'une collusion, d'une falsification, d'omissions intentionnelles, de fausses déclarations ou du contournement du contrôle interne ;

- à acquérir une connaissance du contrôle interne qui soit pertinente pour l'audit, le but étant d'élaborer des procédures d'audit qui soient adaptées à la situation considérée et non pas d'exprimer une opinion sur l'efficacité du système de contrôle interne de l'entité ;
- à déterminer si les méthodes comptables appliquées sont appropriées et si les estimations comptables et les informations connexes fournies par la direction sont raisonnables ;
- à se prononcer sur le caractère approprié ou non de l'utilisation du principe comptable de la continuité d'activité et à déterminer, à partir des éléments probants obtenus par l'audit, s'il existe une incertitude significative du fait d'événements ou de circonstances susceptibles de remettre fondamentalement en cause la capacité de l'entité à poursuivre son activité ; si l'IBAN juge qu'une telle incertitude existe, il est tenu d'appeler l'attention, dans son opinion, sur les informations correspondantes figurant dans les états financiers ou, si ces informations sont incomplètes, de formuler une opinion modifiée ; les conclusions de l'IBAN sont fondées sur les éléments probants en sa possession à la date d'établissement de son rapport d'audit ; il n'est toutefois pas exclu que l'entité soit amenée à cesser son activité en raison d'événements ou de circonstances futurs ;
- à évaluer la présentation générale, la structure et le contenu des états financiers, y compris les informations fournies, et à déterminer si les états financiers rendent compte fidèlement des opérations et des événements qui en font l'objet.

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

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

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IBA-AR(2021)0013**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 rectifiés, 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.

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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 4 juin 2021

Daniela Morgante
Présidente

4 juin 2021

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

**LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS
CONCERNANT LE SECRÉTARIAT INTERNATIONAL (SI)
POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2019**

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IBA-AR(2021)0013**Introduction**

Le Collège international des auditeurs externes de l'OTAN (IBAN) a audité les états financiers rectifiés du Secrétariat international (SI) pour l'exercice clos le 31 décembre 2019, et il a émis une opinion sans réserve à leur sujet ainsi qu'une opinion sans réserve sur la conformité.

Observations et recommandations

À l'issue de l'audit, 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 et de la conformité.

1. Nécessité d'améliorer le contrôle des ajustements budgétaires.
2. Traitement comptable de la reprise sur provision pour les congés non utilisés.
3. Absence de rapprochement de la trésorerie et des équivalents de trésorerie.

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 que quatre questions avaient été traitées et que deux 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 ont été formulées au cours de l'audit et qui ne figurent pas dans la présente lettre d'observations et de recommandations, et elle fait le point sur la suite donnée aux observations 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.

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OBSERVATIONS ET RECOMMANDATIONS

1. NÉCESSITÉ D'AMÉLIORER LE CONTRÔLE DES AJUSTEMENTS BUDGÉTAIRES**Contexte**

1.1 L'article 6 de la section II du Règlement financier de l'OTAN (NFR), qui porte sur les attributions du contrôleur des finances, prévoit ce qui suit : « Le secrétaire général, les commandants suprêmes et les autres chefs d'organisme OTAN disposent parmi leur personnel d'un contrôleur des finances qui est leur conseiller financier principal et qui exerce en leur nom les attributions ci-après, cette liste n'étant pas limitative :

- a) exécuter les activités de l'organisme OTAN qui concernent l'établissement du budget, la comptabilité et le compte rendu ;
- b) veiller au respect des principes de saine gestion financière énoncés à l'article 4 ;
- [c)] organiser et administrer le système de contrôle financier interne établi conformément à l'article 12.1. »

1.2 Par ailleurs, l'article 12.2 du NFR dispose que : « Afin qu'il soit satisfait aux critères souhaités de contrôle interne, le contrôleur des finances veille à :
établir un système de contrôle financier et budgétaire interne couvrant tous les aspects de la gestion financière, et notamment les opérations sur autorisations ouvertes et les opérations sur les fonds extrabudgétaires dont il peut autoriser la constitution dans le cadre de ses attributions. »

Constatations

1.3 Le budget civil est administré à l'aide du système d'information budgétaire Hyperion. Une fois le budget approuvé, les données chiffrées sont importées dans le système de planification des ressources d'entreprise (ERP). Cela étant, bien que la dotation du régime de pensions coordonné de l'OTAN (régime de pensions à prestations définies) apparaisse dans le budget civil, elle ne relève pas de la partie principale du budget du SI. Le Bureau du contrôle financier (OFC) du SI doit donc passer en revue les entrées dans le système ERP et, si nécessaire, procéder à une manipulation finale consistant à exclure manuellement du système les données relatives au régime de pensions à prestations définies.

1.4 Le 11 juin 2020, l'OFC a indiqué à l'IBAN qu'il comptait rectifier les états financiers 2019 du SI. L'une des raisons avancées était que l'état de l'exécution du budget devait être modifié de manière à faire apparaître la diminution de l'enveloppe du budget civil 2019 approuvée dans le BC-D(2019)0213 (INV). Cette diminution n'avait pas été correctement enregistrée comme telle dans le système ERP car l'OFC n'avait pas exclu du système les données relatives au régime de pensions à prestations définies.

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1.5 Si l'ajustement budgétaire a été approuvé par le Comité des budgets en octobre 2019 (BC-D(2019)0213 (INV)), l'erreur dans le système ERP n'a été découverte qu'en avril 2020, soit après la publication des états financiers, ce qui a amené l'OFC à les rectifier. Qui plus est, la correction n'a été effectuée dans le système ERP que le 14 juillet 2020.

Recommandations

1.6 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.

2. TRAITEMENT COMPTABLE DE LA REPRISE SUR PROVISION POUR LES CONGÉS NON UTILISÉS**Contexte**

2.1 D'après l'IPSAS 19, les provisions doivent être revues à chaque date de reporting et ajustées pour refléter l'estimation la plus correcte à ce moment-là. S'il devient improbable qu'une sortie de ressources représentatives d'avantages économiques ou d'un potentiel de service soit nécessaire pour éteindre l'obligation, la provision doit être reprise.

2.2 Par conséquent, la reprise, totale ou partielle, d'une provision implique la suppression ou la déduction du passif correspondant dans la catégorie de charges (et de produits) pour laquelle la provision avait été initialement comptabilisée.

2.3 L'état de la performance financière doit dès lors faire apparaître les flux nets liés à la variation des provisions entre deux exercices consécutifs.

Constatations

2.4 À la fin de l'exercice 2019, le SI a comptabilisé en charges une provision totale pour congés non utilisés de 2 037 072 EUR. En 2018, cette provision et la charge

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correspondante étaient de 1 966 535 EUR. Le SI a dûment procédé à la reprise de la provision de l'exercice précédent dans l'état de la situation financière, conformément à la méthode comptable qui était d'application. Cependant, il n'a pas procédé dans l'état de la performance financière à l'écriture de contrepartie de cette reprise sur provision (1 966 535 EUR).

2.5 De ce fait, les charges notifiées dans l'état de la performance financière ne reflètent pas correctement la variation de la provision pour congés non utilisés, à savoir, pour 2019, une hausse de 70 537 EUR et non de 2 037 072 EUR. Les charges figurant dans l'état de la performance financière sont donc surévaluées de 1 966 535 EUR. De plus, comme le SI procède à l'écriture de produits en contrepartie des charges correspondant à la provision pour congés non utilisés, ces produits sont surévalués d'autant.

Recommandations

2.6 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.

3. ABSENCE DE RAPPROCHEMENT DE LA TRÉSORERIE ET DES ÉQUIVALENTS DE TRÉSORERIE**Contexte**

3.1 L'article 17.1 du NFR prévoit que « le secrétaire général, les commandants suprêmes, les commandants subordonnés, en vertu des pouvoirs qui leur sont délégués, et les autres chefs d'organisme OTAN peuvent, par les soins du contrôleur des finances (désigné conformément à l'article 6) et après enquête approfondie, autoriser la décharge des pertes en argent liquide, en matériel et autres actifs à concurrence des sommes prescrites dans les règles et procédures financières adoptées par le comité financier concerné conformément à l'article 4.4 ».

3.2 Le paragraphe 4 c) des règles et procédures financières (FRP) VI dispose que
« le contrôleur des finances veille à ce [que] tous les comptes [soient] régulièrement rapprochés et vérifiés, et [à ce que] toutes les activités ayant des incidences financières, y compris les activités financées sur des fonds multinationaux et sur des fonds extrabudgétaires, [fassent] l'objet d'inspections périodiques ».

3.3 La sous-section 5.5.5.4 du manuel des bureaux satellites prévoit ce qui suit : « À la fin de chaque mois, le solde de la petite caisse ne pourra pas dépasser 500 EUR. Il devra être de zéro au 31 décembre de chaque année. »

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IBA-AR(2021)0013**Constatations**

3.4 Au cours de la vérification par sondage de la trésorerie et des équivalents de trésorerie, l'IBAN a relevé une différence nette de 45 425 EUR entre les montants notifiés dans l'état de la situation financière et les montants notifiés par les bureaux satellites de l'OTAN.

3.5 Cette différence tient au fait qu'une opération a été comptabilisée dans le grand livre général sous l'année 2020, alors qu'elle aurait dû l'être sous l'année 2019. De ce fait, tant les liquidités que les passifs sont surévalués de 45 425 EUR dans l'état de la situation financière.

3.6 Par ailleurs, l'IBAN a relevé plusieurs cas dans lesquels le solde de la petite caisse dépassait en fin de mois le plafond de 500 EUR fixé dans le manuel des bureaux satellites.

3.7 De plus, bien que le solde de la petite caisse de tous les bureaux satellites doive être de zéro au 31 décembre de chaque année, le compte de petite caisse de dix bureaux présentait un solde allant de 4,55 EUR à 5 224,77 EUR le 31 décembre 2019.

3.8 Enfin, le compte de petite caisse 570104 affichait toujours une perte de 792 EUR remontant à septembre 2015. Ce montant n'a pas été approuvé pour radiation par la contrôlease des finances du SI comme le prévoit pourtant le NFR.

Recommandations

3.9 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.

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SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

L'IBAN a fait le point sur les suites données aux observations formulées lors de précédents audits. On trouvera dans le tableau ci-après un récapitulatif de ces observations 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 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 Recommandations de l'IBAN L'IBAN recommande au SI de se donner pour priorité de se mettre en conformité 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 :	En 2019, le SI a pris les mesures suivantes : - le poste d'administrateur chargé du contrôle interne a été créé et pourvu ; - le Bureau de l'audit interne et de la gestion des risques (OIARM) a été créé ; son effectif est actuellement au complet ; - le COSO a été choisi comme cadre de contrôle interne ; - un exercice d'autoévaluation du système de contrôle interne a été mis en place, de même qu'une évaluation périodique (début 2019) ; - un registre des risques couvrant l'ensemble de l'entité a été établi ; - un projet de politique de gestion des risques est en cours de finalisation.	Question en cours de traitement.

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OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
- 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 ; - 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 ; - 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.	Toutefois, le processus visant à finaliser la politique de gestion des risques applicable à toute l'entité et à élaborer un registre global des risques couvrant toutes les interdépendances transversales est toujours en cours. Le travail d'évaluation et de consignation du fonctionnement du système de contrôle interne et de gestion des risques que le SI effectue afin de se conformer au NFR et aux FRP est toujours en cours. Une réflexion est en cours sur les activités d'audit à mener par l'OIARM 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.	
(2) Exercice 2018 IBA-AR(2019)0020, paragraphe 2.9 NÉCESSITÉ D'APPORTER DES AMÉLIORATIONS À LA DÉCLARATION SUR LE CONTRÔLE INTERNE Recommandations de l'IBAN L'IBAN recommande que le SI de l'OTAN améliore la déclaration sur le contrôle interne en faisant en sorte que ce document couvre de manière exhaustive toutes les exigences fixées dans les FRP XII et présente expressément les éléments pour lesquels une confirmation n'est pas possible.	La déclaration sur le contrôle interne établie par le SI pour 2019 répond à toutes les exigences fixées dans les FRP XII.	Question traitée.
(3) Exercice 2018 IBA-AR(2019)0020, paragraphe 3.4 LACUNES DANS LE PROCESSUS DE CONFIRMATION DES SOLDES DE FIN D'EXERCICE ENTRE ENTITÉS OTAN		Question en cours de traitement.

NATO SANS CLASSIFICATION

ANNEXE 3
IBA-AR(2021)0013

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
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 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.	
(4) Exercice 2017 IBA-AR(2018)0028, paragraphe 2.3 PUBLICATION TARDIVE DES ÉTATS FINANCIERS Recommandations de l'IBAN La diffusion tardive des états financiers 2017 du SI a donné lieu à la formulation d'une opinion avec réserve sur la conformité.	Les états financiers de 2019 ont été présentés le 27 avril 2020, soit avec un retard raisonnable vu la situation inédite engendrée par la pandémie de COVID-19 (voir communication de l'OFC du SI sous la cote FC(2020)0052, du 27 mars 2020).	Question traitée.
(5) Exercice 2016 IBA-AR(2018)40, paragraphe 2.2 ERREURS DANS LE TABLEAU DES FLUX DE TRÉSORERIE Recommandations de l'IBAN Le Collège recommande au SI de faire en sorte que les tableaux des flux de trésorerie	Aucune erreur n'a été relevée dans les tableaux des flux de	Question traitée.

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ANNEXE 3
IBA-AR(2021)0013

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
pour 2018 soient arithmétiquement corrects, qu'ils soient conformes à l'IPSAS 2 et qu'ils puissent être rapprochés des mouvements présentés dans l'état de la situation financière et dans l'état de la performance financière.	trésorerie.	
(6) Exercice 2010 IBA-AR(2012)08, paragraphe 5.2 COMPTABILISATION DES FONDS RELATIFS À L'EX-ORGANISATION DE PRODUCTION ET DE LOGISTIQUE OTAN HAWK Recommandations de l'IBAN Le Collège recommande au SI de déterminer la meilleure méthode à suivre pour la comptabilisation et la présentation des actifs et des passifs du Bureau de gestion OTAN HAWK ainsi que des mouvements de fonds enregistrés au cours de l'exercice.	Un rapport spécial a été établi par l'OFC du SI et communiqué à l'IBAN au sujet des opérations financières liées à la clôture financière de l'ex-Bureau de gestion OTAN HAWK qui ont été effectuées au cours de la période allant du 1^{er} juillet 2010 au 31 décembre 2016 (FC(2019)00133). L'IBAN a examiné les informations figurant dans ce rapport spécial. Il confirme que les soldes notifiés dans les états financiers 2019 rectifiés du SI sont présentés de manière fidèle et en conformité avec le cadre comptable OTAN et que rien ne lui donne à penser que ces soldes ne sont pas conformes au NFR.	Question traitée.

NATO SANS CLASSIFICATION

APPENDICE 1
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IBA-AR(2021)0013**COMMENTAIRES OFFICIELS DU SECRÉTARIAT INTERNATIONAL (SI)
CONCERNANT LA LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS
ET POSITION DU COLLÈGE INTERNATIONAL
DES AUDITEURS EXTERNES DE L'OTAN****OBSERVATION 1 :
NÉCESSITÉ D'AMÉLIORER LE CONTRÔLE DES AJUSTEMENTS BUDGÉTAIRES****Commentaires officiels du SI**

Le SI souscrit à la recommandation.

La question ayant donné lieu à la recommandation a été traitée en 2020. Le budget qui est transféré de Hyperion vers la suite e-Business ne comprend plus le budget DBPS et il n'est donc plus nécessaire de procéder à l'exclusion manuelle des données relatives au DBPS.

Le SI reconnaît que les interventions manuelles dans le système ERP doivent être évitées et que les procédures de contrôle interne doivent être appropriées. Il est constamment à la recherche de solutions techniques ou de solutions éprouvées permettant d'améliorer la situation ; toutefois, ce processus est fortement tributaire des ressources disponibles.

**OBSERVATION 2 :
TRAITEMENT COMPTABLE DE LA REPRISE SUR PROVISION POUR LES
CONGÉS NON UTILISÉS****Commentaires officiels du SI**

Le SI souscrit à la recommandation.

L'erreur a été corrigée dans les états financiers de 2020.

**OBSERVATION 3 :
ABSENCE DE RAPPROCHEMENT DE LA TRÉSORERIE ET DES ÉQUIVALENTS
DE TRÉSORERIE****Commentaires officiels du SI**

Le SI souscrit à la recommandation.

a) Dans le cadre du processus de clôture des comptes de 2020, le SI a veillé à ce que les informations transmises par les bureaux satellites de l'OTAN soient d'encore meilleure qualité.

NATO SANS CLASSIFICATION

APPENDICE 1
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IBA-AR(2021)0013

- b) L'OFC tiendra compte de cette recommandation et reverra les procédures et/ou les pratiques en vigueur.*
- c) Le montant en question a été radié conformément aux procédures.*

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES**(1) 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***

Le SI souscrit à l'analyse de l'IBAN.

Le SI fait observer que, vu le peu de ressources dont il dispose (deux auditeurs, qui contribuent aussi au développement du cadre de gestion des risques du SI), l'OIARM n'est pas en mesure d'évaluer le caractère approprié et l'efficacité du cadre de gestion des risques du SI.

(3) 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.

Le SI a amélioré encore le processus de rapprochement dans le cadre de la clôture des comptes de 2020.

NATO SANS CLASSIFICATION

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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.



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

IBA-A(2021)0058
4 juin 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 : ***Opinion et lettre d'observations et de recommandations du Collège international des auditeurs externes de l'OTAN (IBAN) concernant l'audit des états financiers du Centre d'information et d'analyse sur la sécurité des munitions (MSIAC) pour l'exercice clos le 31 décembre 2019 – IBA-AR(2021)0007***

Monsieur le Secrétaire général,

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

L'article 15 du Règlement financier de l'OTAN prévoit que l'IBAN adresse son rapport final, comprenant les commentaires factuels et les commentaires officiels et accompagné des états financiers audités, au Conseil au plus tard le 31 août qui suit la fin de l'exercice visé dans le rapport. L'IBAN ayant reçu avec un retard considérable les informations requises en application des normes d'audit, il n'a pas pu respecter l'échéance du 31 août 2020.

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 2019.

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

ANNEXE 1
IBA-AR(2021)0007

**Note succincte du Collège international des auditeurs externes de l'OTAN
à l'intention du Conseil 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 2019**

Le Centre d'information et d'analyse sur la sécurité des munitions (MSIAC) constitue, au sein de l'Alliance, un organe de coordination destiné à faciliter les programmes OTAN et nationaux de conception de munitions. Le MSIAC est dirigé et géré par un comité directeur et un directeur de projet. En 2019, la dotation budgétaire du MSIAC (reports compris) s'élevait à 1,76 million d'euros (MEUR), et les dépenses au titre du budget ont représenté 1,72 MEUR.

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

L'IBAN n'a pas eu d'observation à formuler à l'issue de l'audit.

L'IBAN a fait le point sur la suite donnée aux questions ayant fait l'objet d'observations lors de précédents audits, et il a constaté qu'une question avait été traitée et qu'une autre était toujours en cours de traitement.

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

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

4 juin 2021

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

OPINION SUR LES ÉTATS FINANCIERS

**DU CENTRE D'INFORMATION ET D'ANALYSE SUR LA SÉCURITÉ DES
MUNITIONS**

(MSIAC)

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2019

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

Le Collège international des auditeurs externes de l'OTAN (IBAN) a audité les états financiers du Centre d'information et d'analyse sur la sécurité des munitions (MSIAC) portant sur la période de 12 mois ayant pris fin le 31 décembre 2019. Diffusés sous la cote FC(2020)0016 et soumis à l'IBAN le 31 mars 2020, ces états financiers se composent de l'état de la situation financière au 31 décembre 2019, de l'état de la performance financière, de l'état des variations de l'actif net/situation nette et du tableau des flux de trésorerie pour la période de 12 mois ayant pris fin le 31 décembre 2019, ainsi que d'un résumé des méthodes comptables importantes et d'autres notes explicatives. Ils contiennent en outre un rapport sur l'exécution du budget portant sur la période de 12 mois ayant pris fin le 31 décembre 2019.

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

Justification de l'opinion émise sur les états financiers

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

L'IBAN a effectué son audit sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 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 NFR. Les états financiers du MSIAC 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 (le directeur de projet du MSIAC) et par le contrôleur des finances. En apposant leur signature sur ces documents, ceux-ci confirment que des mesures de gouvernance financière, des mécanismes de gestion des ressources, des contrôles internes et des systèmes d'information financière ont été mis en place et maintenus afin de garantir une utilisation efficace et efficiente des ressources.

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

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

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

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

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

non-détection d'une inexactitude significative relevant d'une erreur, car la fraude peut résulter d'une collusion, d'une falsification, d'omissions intentionnelles, de fausses déclarations ou du contournement du contrôle interne ;

- à acquérir une connaissance du contrôle interne qui soit pertinente pour l'audit, le but étant d'élaborer des procédures d'audit qui soient adaptées à la situation considérée et non pas d'exprimer une opinion sur l'efficacité du système de contrôle interne de l'entité ;
- à déterminer si les méthodes comptables appliquées sont appropriées et si les estimations comptables et les informations connexes fournies par la direction sont raisonnables ;
- à se prononcer sur le caractère approprié ou non de l'utilisation du principe comptable de la continuité d'activité et à déterminer, à partir des éléments probants obtenus par l'audit, s'il existe une incertitude significative du fait d'événements ou de circonstances susceptibles de remettre fondamentalement en cause la capacité de l'entité à poursuivre son activité ; si l'IBAN juge qu'une telle incertitude existe, il est tenu d'appeler l'attention, dans son opinion, sur les informations correspondantes figurant dans les états financiers ou, si ces informations sont incomplètes, de formuler une opinion modifiée ; les conclusions de l'IBAN sont fondées sur les éléments probants en sa possession à la date d'établissement de son rapport d'audit ; il n'est toutefois pas exclu que l'entité soit amenée à cesser son activité en raison d'événements ou de circonstances 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 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.

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 4 juin 2021

Daniela Morgante
Présidente

NATO SANS CLASSIFICATION

**ANNEXE 3
IBA-AR(2021)0007**

4 juin 2021

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

**LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS
CONCERNANT LE CENTRE D'INFORMATION ET D'ANALYSE
SUR LA SÉCURITÉ DES MUNITIONS**

(MSIAC)

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2019

PUBLICLY DISCLOSED - PDN(2022)0003 - MIS EN LECTURE PUBLIQUE

NATO SANS CLASSIFICATION

NATO SANS CLASSIFICATIONANNEXE 3
IBA-AR(2021)0007**Introduction**

Le Collège international des auditeurs externes de l'OTAN (IBAN) a audité les états financiers du Centre d'information et d'analyse sur la sécurité des munitions (MSIAC) pour l'exercice clos le 31 décembre 2019. Il a émis une opinion sans réserve à leur sujet ainsi qu'au sujet de la conformité.

Observations et recommandations

L'IBAN n'a pas eu d'observation à formuler à l'issue de l'audit.

L'IBAN a fait le point sur la suite donnée aux questions ayant fait l'objet d'observations et de recommandations lors de précédents audits, et il a constaté qu'une question avait été traitée et qu'une autre était toujours en cours de traitement.

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

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SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

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

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

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
(1) MSIAC – Exercice 2015 IBA-AR(2018)0001, paragraphe 1 RECOURS À UN FONDS DE RÉSERVE DE GESTION CONTREVENANT À LA VERSION RÉVISÉE DU RÈGLEMENT FINANCIER DE L'OTAN (NFR) Recommandation de l'IBAN Le Collège recommande au MSIAC de se conformer à l'article 29.3 du NFR et de limiter les avoirs en caisse au minimum requis pour couvrir les paiements prévus jusqu'à la réception de la tranche de contribution suivante. Si, néanmoins, le Comité directeur du MSIAC reste convaincu de la nécessité d'une telle réserve de gestion, il doit solliciter l'approbation par le Conseil d'une dérogation aux articles 24.2 et 29.3 du NFR.	En février 2020, la contrôlease des finances du Secrétariat international de l'OTAN et le directeur de projet du MSIAC ont soumis au RPPB une demande de dérogation aux articles 24.2 et 29.3 du NFR. D'après la note sur la suite donnée au rapport de l'IBAN sur la vérification des états financiers 2018 du MSIAC(C-M(2020)0012-AS1), le Conseil a pris note du rapport du RPPB le 28 mai 2020, au terme d'une procédure d'accord tacite. Il a également approuvé les conclusions et les recommandations du RPPB concernant l'approbation d'une dérogation aux articles 24.2 et 29.3 du NFR, visant à régulariser le recours par le MSIAC aux excédents cumulés pour financer des besoins urgents et constituer une réserve opérationnelle plafonnée à 650 000 euros.	Question traitée.

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(2) MSIAC – Exercice 2015 IBA-AR(2018)0001, paragraphe 6 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 Le Collège formule les recommandations ci-après. a) Le MSIAC devrait publier une politique de gestion des risques et faire en sorte que des registres de risques soient mis en place et utilisés. b) En application des FRP XII, alinéa 3) (e), le MSIAC devrait se doter d'un cadre de contrôle interne spécifique pour l'évaluation de son système de contrôle interne, prévue par l'article 12 du NFR. Étant donné que d'autres entités OTAN, dont l'ACT et la NAPMA, ont déjà adopté le cadre de contrôle interne du COSO, susceptible d'être utilisé par des entités de toutes tailles, le MSIAC devrait envisager d'adopter lui aussi ce cadre. c) En coordination avec le Secrétariat international, lorsqu'il y a lieu, le MSIAC devrait entamer un travail d'évaluation et de consignation du fonctionnement du système de contrôle interne et des	a) Le MSIAC n'a pas publié de politique de gestion des risques, estimant que ses instructions permanentes permettent de répondre aux besoins en la matière. Le Comité directeur du MSIAC a passé en revue ces instructions permanentes à l'automne 2020 et le directeur de projet compte y apporter les dernières modifications nécessaires. La section 2 des instructions permanentes du MSIAC, consacrée à la planification et au compte rendu, n'est pertinente que pour ce qui concerne la tenue d'un registre des risques. Le registre des risques a été établi par le Groupe de planification stratégique du MSIAC (MSPG) puis a été examiné et approuvé par le Comité directeur. Il est tenu et actualisé par le MSPG. Le MSIAC doit néanmoins encore mettre en place une politique de gestion des risques. Question en cours de traitement. b) En janvier 2020, le MSIAC a adopté le cadre intégré de contrôle interne (2013) du COSO (<i>Committee of Sponsoring Organisations of the Treadway Commission</i>). Question traitée. c) Le MSIAC a procédé à une évaluation détaillée de la manière dont il répond aux exigences découlant des 17 principes du cadre COSO. Cette évaluation n'a révélé aucune lacune majeure dans le	Question en cours de traitement.
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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. d) Le MSIAC devrait 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 MSIAC.	fonctionnement du système de contrôle interne du MSIAC. Toutefois, ce dernier devra encore procéder à l'évaluation et à la consignation des procédures de gestion des risques une fois que celles-ci auront été définies. Question en cours de traitement. d) Aucun audit interne n'a été réalisé jusqu'à présent. Néanmoins, le MSIAC procède régulièrement à des vérifications internes s'agissant de ses transactions, de ses activités, de l'avancement de son plan de travail, de ses orientations stratégiques, de son budget et de son plan de dépenses. Depuis janvier 2020, des vérifications de ce genre ont été effectuées par deux fois à l'appui de réunions du Comité directeur, lesquelles sont l'occasion d'approuver toutes les activités du MSIAC et d'en assurer la supervision directe. Étant donné la taille relativement restreinte du MSIAC et l'angle d'approche relativement large adopté par le Bureau du contrôle financier (OFC) du Secrétariat international de l'OTAN, des éléments tels que le compte rendu financier et la conformité ne font l'objet que de vérifications périodiques par le directeur de projet du MSIAC et par l'OFC. Le MSIAC estime que ces vérifications sont suffisantes pour garantir un niveau de contrôle interne adéquat par rapport à la taille et à la complexité de l'organisation, et que lui-même ne pourrait pas, réalistement, organiser des audits internes indépendants. Cependant, d'après le NFR, tous les organismes OTAN sont soumis à l'obligation d'audit interne, que ce soit en faisant appel à leur propre capacité d'audit interne ou en recourant à des moyens extérieurs. Question à traiter.	
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APPENDICE 1
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IBA-AR(2021)0007

**COMMENTAIRES OFFICIELS
DU CENTRE D'INFORMATION ET D'ANALYSE SUR LA SÉCURITÉ
DES MUNITIONS (MSIAC)
CONCERNANT LA LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS
ET POSITION DU COLLÈGE INTERNATIONAL
DES AUDITEURS EXTERNES DE L'OTAN**

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

**(2) MSIAC – EXERCICE 2015
IBA-AR(2018)0001, paragraphe 6**

**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 SI

Le SI souscrit à l'observation.

*L'approche adoptée pour donner suite à la recommandation est en cours
d'évaluation, et le processus de mise en application se poursuit.*

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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.



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

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IBA-A(2021)0056
4 juin 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 : ***Opinion et lettre d'observations et de recommandations du Collège international des auditeurs externes de l'OTAN (IBAN) concernant l'audit des états financiers du régime de pensions coordonné de l'OTAN pour l'exercice clos le 31 décembre 2019 – IBA-AR(2021)0009***

Monsieur le Secrétaire général,

Vous trouverez ci-joint l'opinion (annexe 2) et la lettre d'observations et de recommandations (annexe 3) de l'IBAN, ainsi qu'une note succincte à l'intention du Conseil (annexe 1). Dans les états financiers, le régime de pensions coordonné de l'OTAN est désigné sous l'appellation « régime de pensions à prestations définies (DBPS) de l'OTAN ».

Aux termes de l'article 15 du Règlement financier de l'OTAN, l'IBAN doit adresser son rapport final, comprenant les commentaires factuels et les commentaires officiels et accompagné des états financiers audités, au Conseil au plus tard le 31 août qui suit la fin de l'exercice visé dans le rapport. Cependant, ayant reçu avec beaucoup de retard les informations requises par les normes d'audit, il n'a pas pu respecter l'échéance du 31 août 2020.

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 2019.

L'IBAN appelle tout particulièrement votre attention sur l'observation, formulée à la suite de l'audit des états financiers de 2018, qui porte sur la 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*)). En 1997, le Conseil avait noté que ce passif ne serait pas mentionné dans les états financiers du régime de pensions à prestations définies (voir C-M(97)85). Comme, par la suite, il a décidé d'adopter les normes comptables internationales du secteur public (IPSAS) et approuvé le cadre comptable OTAN, il n'est pas certain que sa décision de ne pas faire mentionner ce

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passif soit toujours d'application. C'est d'autant moins le cas que le cadre comptable OTAN n'adapte pas l'IPSAS 39 ni ne fait allusion à la décision prise par le Conseil en 1997. Au 31 décembre 2019, la valeur actuarielle du passif accumulé par le régime au titre des pensions s'élevait à 8,45 milliards d'euros (contre 8,1 milliards d'euros au 31 décembre 2018). L'IBAN souhaite donc souligner l'importance qu'il y a à donner suite sans tarder à l'observation susdite.

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



Daniela Morgante
Présidente

Pièces jointes : voir ci-dessus.

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**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 2019**

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 2019, l'actif net du régime de pensions coordonné de l'OTAN a baissé de 2,78 millions d'euros (MEUR) (il avait augmenté de 4,69 MEUR en 2018).

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

À l'issue de l'audit, l'IBAN a formulé une observation, qui n'a pas eu d'incidence sur l'opinion émise :

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

Par ailleurs, l'IBAN a fait le point sur la suite donnée aux observations formulées lors des audits précédents, et il a constaté qu'une question était traitée, qu'une autre était en cours de traitement et que la dernière restait à traiter.

L'IBAN appelle tout particulièrement l'attention sur l'observation, formulée à la suite de l'audit des états financiers de 2018, qui porte sur la 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*)). En 1997, le Conseil avait noté que ce passif ne serait pas mentionné dans les états financiers du régime de pensions à prestations définies (voir C-M(97)85). Comme, par la suite, il a décidé d'adopter les normes comptables internationales du secteur public (IPSAS) et approuvé le cadre comptable OTAN, il n'est pas certain que sa décision de ne pas faire mentionner ce passif soit toujours d'application. C'est d'autant moins le cas que le cadre comptable OTAN n'adapte pas l'IPSAS 39 ni ne fait allusion à la décision prise par le Conseil en 1997. Au 31 décembre 2019, la valeur actuarielle du passif accumulé par le régime au titre des pensions s'élevait à 8,45 milliards d'euros (contre 8,1 milliards d'euros au 31 décembre 2018). L'IBAN souligne donc l'importance qu'il y a à donner suite sans tarder à l'observation susdite.

L'opinion et la lettre d'observations et de recommandations ont été transmises au

NATO SANS CLASSIFICATION**ANNEXE 1**

Secrétariat international, dont les commentaires ont ensuite été intégrés dans la lettre ainsi que, le cas échéant, la position de l'IBAN à leur sujet (appendice à l'annexe 3).

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

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4 juin 2021

COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN

**OPINION SUR LES ÉTATS FINANCIERS
DU RÉGIME DE PENSIONS COORDONNÉ DE L'OTAN
POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2019**

PUBLICLY DISCLOSED - PDN(2022)0003 - MIS EN LECTURE PUBLIQUE

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IBA-AR(2021)0009**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 procédé à l'audit des états financiers du régime de pensions coordonné de l'OTAN portant sur la période de 12 mois ayant pris fin le 31 décembre 2019. Diffusés et soumis à l'IBAN le 27 avril 2020, ces états financiers se composent de l'état de l'actif net disponible pour le service des prestations au 31 décembre 2019, 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 régime de pensions coordonné de l'OTAN au 31 décembre 2019 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 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 (NFR) prévoit que l'audit externe des entités OTAN présentant des états financiers et des organismes OTAN établis en vertu du Traité de l'Atlantique Nord est effectué par l'IBAN.

L'IBAN a effectué son audit sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 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.

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IBA-AR(2021)0009**Responsabilité de la direction concernant les états financiers**

La responsabilité de la direction concernant les états financiers est définie dans le NFR. Les états financiers 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 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

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

- à acquérir une connaissance du contrôle interne qui soit pertinente pour l'audit, le but étant d'élaborer des procédures d'audit qui soient adaptées à la situation considérée et non pas d'exprimer une opinion sur l'efficacité du système de contrôle interne de l'entité ;
- à déterminer si les méthodes comptables appliquées sont appropriées et si les estimations comptables et les informations connexes fournies par la direction sont raisonnables ;
- à se prononcer sur le caractère approprié ou non de l'utilisation du principe comptable de la continuité d'activité et à déterminer, à partir des éléments probants obtenus par l'audit, s'il existe une incertitude significative du fait d'événements ou de circonstances susceptibles de remettre fondamentalement en cause la capacité de l'entité à poursuivre son activité ; si l'IBAN juge qu'une telle incertitude existe, il est tenu d'appeler l'attention, dans son opinion, sur les informations correspondantes figurant dans les états financiers ou, si ces informations sont incomplètes, de formuler une opinion modifiée ; les conclusions de l'IBAN sont fondées sur les éléments probants en sa possession à la date d'établissement de son rapport d'audit ; il n'est toutefois pas exclu que l'entité soit amenée à cesser son activité en raison d'événements ou de circonstances futurs ;
- à évaluer la présentation générale, la structure et le contenu des états financiers, y compris les informations fournies, et à déterminer si les états financiers rendent compte fidèlement des opérations et des événements qui en font l'objet.

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

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

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IBA-AR(2021)0009**Audit de conformité****Opinion sur la conformité**

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

Justification de l'opinion émise sur la conformité

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

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

Responsabilité de la direction concernant la conformité

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

Le 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.

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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 4 juin 2021

Daniela Morgante
Présidente

4 juin 2021

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

**LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS
CONCERNANT LE RÉGIME DE PENSIONS COORDONNÉ DE L'OTAN
POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2019**

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IBA-AR(2021)0009**Introduction**

Le Collège international des auditeurs externes de l'OTAN (IBAN) a audité les états financiers du régime de pensions coordonné de l'OTAN pour l'exercice clos le 31 décembre 2019, et il a émis une opinion sans réserve à leur sujet ainsi qu'une opinion sans réserve sur la conformité. Dans les états financiers, le régime de pensions coordonné de l'OTAN est désigné sous l'appellation « régime de pensions à prestations définies (DBPS) de l'OTAN ».

Observations et recommandations

À l'issue de l'audit, l'IBAN a formulé une observation, assortie de recommandations.

Cette observation n'a pas eu d'incidence sur les opinions émises au sujet des états financiers et de la conformité.

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

Par ailleurs, l'IBAN a fait le point sur la suite donnée aux observations et recommandations formulées lors des audits précédents, et il a constaté qu'une question était traitée, qu'une autre restait à traiter et que la dernière était en cours de traitement.

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

OBSERVATIONS ET RECOMMANDATIONS**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****Contexte**

1.1 Les états financiers doivent être exempts de toute inexactitude et de toute autre erreur ou omission découlant d'un contrôle insuffisant au moment de leur établissement. Chaque entité OTAN présentant des états financiers 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 soldes et les informations présentés dans ses états financiers soient cohérentes et exactes.

1.2 Le Secrétariat international (SI) établit les états financiers du régime de pensions coordonné de l'OTAN conformément au cadre comptable de l'Organisation. Selon la norme comptable internationale du secteur public (IPSAS) 1, 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 comptabilisation des actifs, des passifs, des produits et des charges exposés dans les IPSAS. Pour que les états financiers soient transparents, il faut fournir toutes les informations nécessaires et présenter fidèlement les informations utiles pour la prise de décision par les pays.

Observations

1.3 Au cours de l'audit des états financiers 2019 du régime de pensions coordonné de l'OTAN, l'IBAN a constaté qu'au 31 décembre 2019 :

- des montants à recevoir depuis plus de 365 jours, se rapportant à la période allant de 2014 à 2018 et représentant 417 592 EUR (somme ramenée à 344 129 EUR en octobre 2020), étaient présentés dans la rubrique « Autres actifs » ; ils correspondent à des diverses dettes de retraités envers l'OTAN, qui n'ont été contrebalancées par aucun encaissement ultérieur ;
- des montants à payer depuis plus de 365 jours, se rapportant à la période allant de 2014 à 2018 et représentant 750 269 EUR (somme ramenée à 291 258 EUR en octobre 2020), étaient présentés au passif ; ils correspondent à des montants dus à d'anciens agents ; plusieurs tentatives de paiement ont échoué : les retraités ou leurs héritiers ne répondent pas, ou les retraités n'ont pas fourni de certificat de vie depuis plus d'un an ;
- les informations figurant dans les notes jointes aux états financiers au sujet de ces montants échus à recevoir ou à payer étaient insuffisamment

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détaillées, en ce qu'elles ne montrent pas quels montants sont en souffrance depuis plus d'un an, plus de deux ans ou plus de cinq ans.

1.4 Le Bureau du contrôle financier (OFC) a commencé à analyser en détail les montants échus à recevoir ou à payer. Cependant, il faut aller au fond des choses en sortant certains montants de l'état de la situation financière s'il y a lieu.

Recommandations

1.5 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 ;
- c) d'obtenir les autorisations requises pour sortir de l'état de la situation financière les montants à recevoir pour lesquels toutes les tentatives de recouvrement auront échoué.

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SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

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

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

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
(1) 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 rémunérations et des pensions (SIRP). Cependant, ces avantages ne sont constatés dans l'état de la situation financière d'aucune entité OTAN, si bien que, dans l'ensemble, l'IPSAS 39, qui fait partie du cadre comptable de l'Organisation, n'est pas respectée.	Question à traiter.
(2) Exercice 2018 IBA-AR(2019)0028, paragraphe 2 NÉCESSITÉ DE METTRE EN PLACE DES CONTRÔLES INTERNES PLUS		Question en cours de

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OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
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.	Le SI a choisi le cadre COSO (<i>Committee of Sponsoring Organisations of the Treadway Commission</i>) comme cadre de référence pour le contrôle interne. En application des principes 16 et 17 de ce cadre, il utilise toutes les sources externes et internes disponibles pour évaluer son système de contrôle interne, en assurer le suivi, en déceler les faiblesses et recenser les possibilités de l'améliorer. Le contrôle du compte rendu financier fait partie du processus permanent et normal d'amélioration de l'efficacité des mécanismes de contrôle au sein du SI. Au cours de l'audit des états financiers de 2019, l'IBAN a constaté une différence inexpliquée, de 15 bénéficiaires, entre le nombre effectif de bénéficiaires du régime de pensions coordonné de l'OTAN et le nombre théorique établi d'après les pièces justificatives fournies. Par ailleurs, certaines des pièces justificatives qui auraient permis à l'IBAN de s'assurer de l'exactitude d'un montant de l'ordre du 1 MEUR mentionné dans la note 23 (et se rapportant à des charges administratives liées à la gestion du régime de pensions par le SI) n'ont pas été présentées à l'audit. Il faut donc mettre en place des contrôles internes supplémentaires pour faire en sorte que les états financiers, y compris les notes qui y sont jointes, soient exempts d'inexactitudes.	traitement.
(3) Exercice 2015 IBA-AR(2017)23, paragraphe 8 MANQUE DE CLARTÉ DE LA MÉTHODE DE CHANGE Recommandation de l'IBAN Le Collège recommande de mettre au point et d'appliquer une méthode complète pour la comptabilisation et le compte rendu des opérations et des soldes libellés en	Le SI a mis en application la politique de l'OFC diffusée sous la cote FC(FAC)(2020)004_FC, intitulée « Comptabilisation et compte rendu des	Question traitée.

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OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
monnaie étrangère. Le Collège recommande qu'en fin d'exercice, les actifs et passifs monétaires soient réévalués en euros sur la base des taux de change applicables en fin d'exercice.	opérations libellées en monnaie étrangère ». Lors de sa vérification des états financiers de 2019, l'IBAN n'a pas constaté de problème significatif dans la réévaluation en fin d'exercice des soldes libellés en monnaie étrangère.	

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APPENDICE 1
ANNEXE 3
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**RÉGIME DE PENSIONS COORDONNÉ DE L'OTAN
COMMENTAIRES OFFICIELS
SUR LA LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS
ET POSITION DU COLLÈGE INTERNATIONAL
DES AUDITEURS EXTERNES DE L'OTAN**

**OBSERVATION N° 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

D'accord.

*Le SI va poursuivre le travail d'amélioration des pratiques et des politiques de
gestion des montants échus à recevoir ou à payer.*

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

(1) 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

D'accord.

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

Position de l'IBAN

En 1997, le Conseil avait noté que ce passif ne serait pas mentionné dans les états financiers du régime de pensions à prestations définies (voir C-M(97)85). Comme, par la suite, il a décidé d'adopter les IPSAS et a approuvé le cadre comptable OTAN, il n'est pas certain que sa décision de ne pas faire mentionner ce passif soit toujours d'application. C'est d'autant moins le cas que le cadre comptable OTAN n'adapte pas l'IPSAS 39 ni ne fait allusion à la décision prise par le Conseil en 1997. L'IBAN souligne donc l'importance qu'il y a à donner suite sans tarder à l'observation susdite.

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(2) EXERCICE 2018**IBA-AR(2019)0028, paragraphe 2****NÉCESSITÉ DE METTRE EN PLACE DES CONTRÔLES INTERNES PLUS EFFICACES PORTANT SUR LE COMPTE RENDU FINANCIER*****Commentaires officiels du SI***

D'accord.

Le contrôle interne est amélioré en permanence, conformément au cadre COSO.

Le SI suggère de considérer cette question comme traitée.

Position de l'IBAN

Lors de l'audit des états financiers 2019 du DBPS, l'IBAN a détecté dans le contrôle interne les problèmes décrits dans le tableau ci-dessus. Il maintient donc sa recommandation, estimant que l'OFC doit mettre en place des contrôles internes plus efficaces de la procédure d'établissement des états financiers. La situation sera réévaluée à l'occasion de l'audit des états financiers de 2020.

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APPENDICE 2
ANNEXE 3
IBA-AR(2021)0009

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.



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

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IBA-A(2021)0052
4 juin 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 Secrétariat et finances du Bureau OTAN des ressources
Bureau d'ordre du Cabinet

Objet : **Opinion et lettre d'observations et de recommandations du Collège international des auditeurs externes de l'OTAN (IBAN) concernant l'audit des états financiers du 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 2019 – IBA-AR(2021)0012**

Monsieur le Secrétaire général,

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

L'article 15 du Règlement financier de l'OTAN prévoit que l'IBAN adresse au Conseil son rapport final, comprenant les commentaires factuels et les commentaires officiels et accompagné des états financiers audités, au plus tard le 31 août qui suit la fin de l'exercice visé dans le rapport. Cependant, comme il l'avait déjà indiqué le 24 juillet 2020 (voir IBA-C(2020)0014), l'IBAN n'a pas pu respecter l'échéance du 31 août 2020 car il a reçu avec un retard considérable les informations requises en application des normes d'audit.

L'IBAN a émis une opinion sans réserve sur les états financiers du Bureau des FORACS OTAN ainsi que sur la conformité pour l'exercice 2019.

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

Daniela Morgante
Présidente

Pièces jointes : voir ci-dessus.

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**Note succincte
du Collège international des auditeurs externes de l'OTAN
à l'intention du Conseil sur l'audit des 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 2019**

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 2019, la dotation budgétaire du Bureau des FORACS OTAN (reports compris) s'élevait à 1,92 million 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 ainsi que sur la conformité pour l'exercice clos le 31 décembre 2019.

À l'issue de l'audit, l'IBAN a formulé trois observations, assorties de recommandations, qui sont présentées dans la lettre d'observations et de recommandations (annexe 3).

On trouvera ci-après un relevé des principales constatations, qui n'ont pas eu d'incidence sur l'opinion émise par l'IBAN au sujet des états financiers et de la conformité.

1. Incohérences dans la comptabilisation et la présentation des crédits non engagés au niveau des polygones.
2. Nécessité de mieux étayer la note relative aux parties liées jointe aux états financiers.
3. Traitement comptable de la reprise sur provision pour les congés non utilisés.

L'IBAN a par ailleurs fait le point sur la suite donnée aux questions ayant fait l'objet d'observations et de recommandations lors de précédents audits, et il a constaté que deux questions avaient été traitées, qu'une question avait été rendue caduque par l'observation 1 formulée pour l'exercice 2019 et qu'une autre était toujours en cours de traitement.

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

4 juin 2021

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

OPINION SUR 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 2019

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

Le Collège international des auditeurs externes de l'OTAN (IBAN) a audité les états financiers du Bureau des sites de contrôle de la précision des détecteurs et des armes des forces navales de l'OTAN (Bureau des FORACS OTAN) portant sur la période de 12 mois ayant pris fin le 31 décembre 2019. Diffusés sous la cote FC(2020)0026 et soumis à l'IBAN le 31 mars 2020, ces états financiers se composent de l'état de la situation financière au 31 décembre 2019, de l'état de la performance financière, de l'état des variations de l'actif net/situation nette et du tableau des flux de trésorerie pour la période de 12 mois ayant pris fin le 31 décembre 2019, ainsi que d'un résumé des méthodes comptables importantes et d'autres notes explicatives. Ils contiennent en outre un rapport sur l'exécution du budget portant sur la période de 12 mois ayant pris fin le 31 décembre 2019.

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

Justification de l'opinion émise sur les états financiers

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

L'IBAN a effectué son audit sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 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 NFR. 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 de la réalisation du travail. Cela nécessite de tenir compte des particularités que présentent les entités du secteur public. L'IBAN s'attache aussi :

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

collusion, d'une falsification, d'omissions intentionnelles, de fausses déclarations ou du contournement du contrôle interne ;

- à acquérir une connaissance du contrôle interne qui soit pertinente pour l'audit, le but étant d'élaborer des procédures d'audit qui soient adaptées à la situation considérée et non pas d'exprimer une opinion sur l'efficacité du système de contrôle interne de l'entité ;
- à déterminer si les méthodes comptables appliquées sont appropriées et si les estimations comptables et les informations connexes fournies par la direction sont raisonnables ;
- à se prononcer sur le caractère approprié ou non de l'utilisation du principe comptable de la continuité d'activité et à déterminer, à partir des éléments probants obtenus par l'audit, s'il existe une incertitude significative du fait d'événements ou de circonstances susceptibles de remettre fondamentalement en cause la capacité de l'entité à poursuivre son activité ; si l'IBAN juge qu'une telle incertitude existe, il est tenu d'appeler l'attention, dans son opinion, sur les informations correspondantes figurant dans les états financiers ou, si ces informations sont incomplètes, de formuler une opinion modifiée ; les conclusions de l'IBAN sont fondées sur les éléments probants en sa possession à la date d'établissement de son rapport d'audit ; il n'est toutefois pas exclu que l'entité soit amenée à cesser son activité en raison d'événements ou de circonstances futurs ;
- à évaluer la présentation générale, la structure et le contenu des états financiers, y compris les informations fournies, et à déterminer si les états financiers rendent compte fidèlement des opérations et des événements qui en font l'objet.

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

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

Audit de conformité

Opinion sur la conformité

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

Justification de l'opinion émise sur la conformité

L'IBAN a effectué l'audit de conformité sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 4000-4899), 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 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 4 juin 2021

Daniela Morgante
Présidente

4 juin 2021

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

**LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS
CONCERNANT
LE 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 2019**

PUBLICLY DISCLOSED - PDN(2022)0003 - MIS EN LECTURE PUBLIQUE

Introduction

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 2019, et il a émis une opinion sans réserve à leur sujet ainsi qu'une opinion sans réserve sur la conformité.

Observations et recommandations

À l'issue de l'audit, l'IBAN a formulé trois observations, assorties de recommandations.

Ces observations n'ont pas eu d'incidence sur les opinions émises.

1. Incohérences dans la comptabilisation et la présentation des crédits non engagés au niveau des polygones.
2. Nécessité de mieux étayer la note relative aux parties liées jointe aux états financiers.
3. Traitement comptable de la reprise sur provision pour les congés non utilisés.

L'IBAN a par ailleurs fait le point sur la suite donnée aux questions ayant fait l'objet d'observations et de recommandations lors de précédents audits, et il a constaté que deux questions avaient été traitées, qu'une question avait été rendue caduque par l'observation 1 formulée pour l'exercice 2019 et qu'une autre était toujours en cours de traitement.

OBSERVATIONS ET RECOMMANDATIONS**1. INCOHÉRENCES DANS LA COMPTABILISATION ET LA PRÉSENTATION DES CRÉDITS NON ENGAGÉS AU NIVEAU DES POLYGONES****Contexte**

1.1 On peut lire ce qui suit dans la note 5 jointe aux états financiers 2019 du Bureau des FORACS OTAN : « À l'issue de l'audit des états financiers de 2018 (IBA-AR(2019)0022), l'IBAN a formulé une recommandation visant à ce que les excédents budgétaires annuels des polygones, dont les montants sont généralement connus vers le mois d'avril de l'exercice suivant, soient présentés en tant qu'actif (montants à recevoir) et passif (excédents restituables aux pays) à court terme dans les états financiers du Bureau des FORACS OTAN. Se conformant à cette recommandation, le Bureau des FORACS OTAN a ainsi fait figurer ces montants dans ses états financiers de 2019. »

1.2 Les délais étant serrés pour la clôture des comptes, le Bureau des FORACS OTAN s'est fait confirmer le montant des excédents sur la base d'une déclaration, en contactant directement chaque responsable de polygone. Les montants à recevoir qui sont notifiés dans les états financiers du Bureau des FORACS OTAN doivent correspondre aux excédents notifiés dans les états de l'exécution du budget des polygones pour 2019 et présentés dans le plan d'entreprise 2020-2021 des FORACS OTAN (NFO(2020)011-484), diffusé en avril 2020.

1.3 L'exécution du budget des polygones n'entre pas dans le cadre de la mission d'audit de l'IBAN. Les dépenses des polygones sont vérifiées et certifiées par le ministère de la Défense de chaque pays hôte, dans le respect des lois et réglementations nationales applicables. Les comptes du FORACS OTAN Norvège (NFN) et du FORACS OTAN Grèce (NFG) ont été certifiés pour l'exercice 2019. En revanche, le département de la Marine des États-Unis, qui applique des règles particulières, n'a plus délivré de certificat d'audit pour le FORACS OTAN AUTEK (NFA) depuis 2017.

1.4 Ces certificats d'audit délivrés par des tiers indépendants constituent une base solide pour la corroboration des montants à recevoir qui sont notifiés dans les états financiers du Bureau des FORACS OTAN. Ce sont des éléments probants, qui permettent à l'IBAN d'assurer au final que les « états financiers [...] présent[ent] une image fidèle de la situation financière, de la performance financière et des flux de trésorerie d'une entité » et qu'ils sont « établis sur une base de continuité d'activité », ainsi que le prévoit l'IPSAS 1 dans le cadre comptable OTAN.

Constatations

1.5 S'agissant des excédents restituables aux pays, les montants notifiés en tant qu'actif à court terme (montants à recevoir) dans les états financiers du Bureau des FORACS OTAN concordent avec les informations qui figurent dans les états de l'exécution du budget des polygones. Toutefois, l'IBAN a constaté que les engagements qui sont

mentionnés dans les certificats d'audit délivrés pour les polygones NFN et NFG qui ont été communiqués au Comité directeur sont inférieurs aux montants figurant dans leurs états de l'exécution du budget respectifs. Divers montants correspondant à des crédits supplémentaires apparaissent en tant que reports dans les états de l'exécution du budget des polygones alors qu'ils apparaissent en tant que montants non engagés dans les certificats d'audit. Par ailleurs, l'IBAN n'a pas trouvé trace d'une décision du Comité directeur autorisant les polygones à traiter ces fonds non engagés comme des reports.

1.6 Par conséquent, si les polygones avaient, dans leurs états de l'exécution du budget respectifs, déclaré les montants engagés en se basant sur les montants certifiés, les montants à recevoir et le passif correspondant aux excédents des polygones auraient été supérieurs, dans l'état de la situation financière du Bureau des FORACS OTAN, de 233 020 EUR (2 325 195 NOK) pour le NFN et de 59 099 EUR pour le NFG. Par ailleurs, il convient de noter que, comme aucun certificat d'audit n'a été délivré pour le NFA depuis 2017 (voir section « Contexte »), l'IBAN n'est pas en mesure de fournir une assurance raisonnable quant à l'exactitude du montant des excédents restituables pour ce polygone.

Recommandations

1.7 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.

2. NÉCESSITÉ DE MIEUX ÉTAYER LA NOTE RELATIVE AUX PARTIES LIÉES JOINTE AUX ÉTATS FINANCIERS

Contexte

2.1 L'IPSAS 20, qui fait partie du cadre comptable OTAN, exige « la fourniture d'informations sur l'existence de relations avec des parties liées, lorsqu'il y a une situation de contrôle, et la fourniture d'informations sur les opérations entre l'entité et ses parties liées, dans certaines circonstances. Cette information est nécessaire à des fins de reddition de comptes et pour faciliter la bonne compréhension de la situation financière et de la performance de l'entité présentant les états financiers. »

2.2 Ces informations doivent être transmises par les « parties qui contrôlent ou exercent une influence notable sur l'entité présentant les états financiers », à savoir les parties qui ont « le pouvoir de participer aux décisions de politique financière et opérationnelle d'une

entité, sans toutefois exercer un contrôle sur ces politiques ». « Une influence notable peut être exercée de plusieurs manières, généralement par une représentation au conseil d'administration ou à un organe de direction équivalent. »

2.3 Par ailleurs, « lorsqu'une entité est soumise à la tutelle d'un représentant élu ou désigné de l'organe de direction de l'autorité publique à laquelle l'entité appartient, cette personne est incluse dans les principaux dirigeants si la fonction de tutelle comprend l'autorité et la responsabilité de l'organisation, de la direction et du contrôle des activités de l'entité ».

2.4 Pour pouvoir répertorier les parties liées et les opérations entre parties liées, l'entité présentant les états financiers doit interroger tous ceux qui sont considérés comme ses principaux dirigeants, au nombre desquels figurent, d'après le cadre comptable OTAN, les membres des organes directeurs, et constituer une piste d'audit adéquate à l'appui des informations présentées dans les états financiers.

2.5 En l'absence d'éléments formels de ce type, les auditeurs externes ne sont pas en mesure de certifier, premièrement, que les déclarations faites par la direction en application du cadre comptable OTAN (IPSAS 20) sont fidèles et exactes et, deuxièmement, que les activités de contrôle interne permettent de détecter les opérations entre parties liées.

2.6 À cet égard, 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 conformément au cadre comptable OTAN.

2.7 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 ».

Constatations

2.8 Il est indiqué dans la note 26 (« Parties liées ») jointe aux états financiers du Bureau des FORACS OTAN que « ni les membres du Comité directeur ni les principaux dirigeants n'entretiennent avec des parties liées des relations susceptibles d'avoir une incidence sur les activités du Bureau des FORACS OTAN ». Toutefois, cette affirmation n'est pas étayée par des documents tels que des déclarations concernant les parties liées et l'absence de conflit d'intérêts qu'auraient fournies les principaux dirigeants.

2.9 Comme expliqué dans la section « Contexte », faute de preuves de ce type, l'exactitude des informations financières et l'existence d'une piste d'audit ne peuvent être démontrées. L'obtention de ces déclarations fournit 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. L'établissement d'une telle déclaration est une formalité qui doit être renouvelée tous les ans par chaque membre du personnel concerné et qui ne doit pas être confondue avec, par exemple, l'adhésion au code de conduite général de l'OTAN, qui découle de la signature du contrat de travail.

2.10 Par ailleurs, ainsi que le prévoit le cadre comptable OTAN (IPSAS 20), cette obligation incombe aussi aux représentants du Comité directeur dès lors qu'ils ont le pouvoir de participer aux décisions de politique financière et opérationnelle, indépendamment de l'ampleur du contrôle qu'ils exercent sur les activités courantes et du cadre réglementaire dans lequel chacun d'eux a été nommé.

Recommandations

2.11 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.

3. TRAITEMENT COMPTABLE DE LA REPRISE SUR PROVISION POUR LES CONGÉS NON UTILISÉS

Contexte

3.1 D'après le cadre comptable OTAN (IPSAS 19), les provisions doivent être revues à chaque date de *reporting* et être ajustées pour refléter l'estimation la plus correcte à ce moment-là. S'il devient improbable qu'une sortie de ressources représentatives d'avantages économiques ou d'un potentiel de service soit nécessaire pour éteindre l'obligation, la provision doit être reprise.

3.2 Par conséquent, la reprise, totale ou partielle, d'une provision implique la suppression ou la déduction du passif correspondant dans la catégorie de charges pour laquelle la provision avait été initialement comptabilisée.

3.3 L'état de la performance financière doit dès lors faire apparaître les flux nets liés à la variation des provisions entre deux exercices consécutifs.

Constatations

3.4 À la fin de l'exercice 2019, le Bureau des FORACS OTAN a comptabilisé en charges une provision totale pour congés non utilisés de 12 676 EUR. En 2018, cette provision et la charge correspondante étaient de 11 243 EUR. Le Bureau des FORACS OTAN a dûment procédé à la reprise de la provision de l'exercice précédent dans l'état de la situation financière, conformément à la méthode comptable qui était d'application. Cependant, il n'a pas procédé dans l'état de la performance financière à l'écriture de contrepartie de cette reprise sur provision (11 243 EUR).

3.5 De ce fait, les charges notifiées dans l'état de la performance financière ne reflètent pas correctement la variation de la provision pour congés non utilisés, à savoir, pour 2019, une hausse de 1 432 EUR et non de 12 676 EUR. Les charges figurant dans l'état de la performance financière sont donc surévaluées de 11 243 EUR. De plus, comme le Bureau des FORACS OTAN procède à l'écriture de produits en contrepartie des charges correspondant à la provision pour congés non utilisés, ces produits sont surévalués d'autant.

Recommandations

3.6 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.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

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

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

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
(1) Exercice 2018 IBA-AR(2019)0022, paragraphe 1.8 INSUFFISANCES DANS LE CONTRÔLE INTERNE DU COMPTE RENDU FINANCIER Recommandations de l'IBAN a) L'IBAN recommande de corriger le tableau des flux de trésorerie de manière à ce que les placements à court terme assortis d'une échéance inférieure à trois mois soient présentés comme des équivalents de trésorerie. b) L'IBAN recommande de mettre en place et de consigner par écrit des procédures de vérification des chiffres à faire figurer dans les états financiers de manière à prévenir ou à détecter les erreurs de ce type avant la publication des états financiers.	La présentation du tableau des flux de trésorerie a été corrigée suivant la recommandation de l'IBAN. Une procédure visant à prévenir et à détecter les erreurs avant la publication des états financiers a été régulièrement appliquée pour l'exercice 2019, et l'audit n'a révélé aucune anomalie.	Question traitée .
(2) Exercice 2018 IBA-AR(2019)0022, paragraphe 2.6 COMPTABILISATION DES PRODUITS CORRESPONDANT AUX SERVICES FOURNIS PAR LES POLYGONES À DES PAYS NON MEMBRES Recommandations de l'IBAN		Question traitée .

NATO SANS CLASSIFICATION

ANNEXE 3
IBA-AR(2021)0012

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
a) L'IBAN recommande que les produits perçus par le Bureau des FORACS OTAN au titre de services fournis par les polygones à des pays non membres soient consignés et comptabilisés comme des produits d'opérations sans contrepartie directe.	Le Bureau des FORACS OTAN a pris note de la recommandation visant à ce que les produits perçus au titre de services fournis par les polygones à des pays non membres soient consignés et comptabilisés comme des produits d'opérations sans contrepartie directe. Ce cas de figure ne s'est pas présenté en 2019.	
(3) Exercice 2018 IBA-AR(2019)0022, paragraphe 3.7 COMPTABILISATION ET PRÉSENTATION DES MONTANTS À RECEVOIR DES POLYGONES DU FAIT D'EXCÉDENTS BUDGÉTAIRES Recommandations de l'IBAN a) L'IBAN recommande de comptabiliser dans les états financiers les excédents budgétaires des polygones pour l'exercice, lesquels seront restitués au Bureau des FORACS OTAN au cours de l'exercice suivant, en tant qu'actif à court terme, et d'y faire figurer leur contrepartie au passif que sont les excédents restituables au pays ; b) L'IBAN recommande de présenter dans les états financiers les excédents budgétaires des polygones en tant qu'actifs et passifs éventuels si les montants ne sont pas connus ou s'ils ne sont pas suffisamment fiables à la date de clôture.	Depuis 2019, le Bureau des FORACS OTAN comptabilise dans ses états financiers les excédents budgétaires à recevoir des polygones. Cette question est « traitée » car rendue caduque par l'observation 1 formulée pour l'exercice 2019.	Question traitée .
(4) Exercice 2015 IBA-AR(2017)22, paragraphe 7.8 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 a) Le Bureau des FORACS OTAN devrait veiller à ce que sa politique de gestion des risques et ses registres des	a) À l'instar de ce qui a été fait les années précédentes, l'annexe 6 du 91^e compte rendu de réunion du	Question en cours de traitement .

NATO SANS CLASSIFICATION

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
risques tiennent compte des risques liés au compte rendu financier et à la conformité. b) En application des FRP XII, alinéa 3) (e), le Bureau des FORACS OTAN devrait se doter d'un cadre de contrôle interne spécifique pour l'évaluation de son système de contrôle interne, prévue par l'article 12 du NFR. Étant donné que d'autres entités OTAN ont déjà adopté le cadre de contrôle interne du COSO, susceptible d'être utilisé par des entités de toutes tailles, le Bureau des FORACS OTAN devrait envisager d'adopter lui aussi ce cadre. c) En coordination avec le SI, lorsqu'il y a lieu, le Bureau des FORACS OTAN devrait entamer 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. d) Le Bureau des FORACS OTAN devrait 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.	Comité directeur des FORACS OTAN contient une liste complète et à jour des risques opérationnels et des mesures d'atténuation visant à assurer la continuité des activités du Bureau des FORACS OTAN et des polygones. Toutefois, les éléments du compte rendu financier et de la conformité pour lesquels le Bureau du contrôle financier (OFC) du Secrétariat international (SI) a un rôle à jouer ne sont toujours pas bien documentés. Question en cours de traitement. b) Le Comité directeur des FORACS OTAN a confirmé, en février 2019, l'adoption du cadre de contrôle interne du COSO (modèle 2013). L'objectif est à présent de mettre en œuvre ce cadre de la manière la plus efficace possible, avec l'OFC du SI. Question traitée. c) L'OFC du SI et le directeur de projet du Bureau des FORACS OTAN estiment que le dispositif de contrôle interne adopté par le Bureau des FORACS OTAN est en adéquation avec la taille du Bureau et la complexité de ses activités, mais que les détails doivent être documentés à des fins d'audit. Ce travail est en cours. Question en cours de traitement. d) Le Service Audit interne du SI n'a pas encore procédé à l'analyse du contrôle interne et de la gestion des risques. L'IBAN note que le directeur de projet du Bureau des FORACS OTAN a transmis au Service Audit interne du SI les informations pertinentes relatives à la gestion des risques et au contrôle interne. Il note également que le plan d'audit interne du SI a été établi sur la base d'une analyse des risques. Il appartient au Bureau des FORACS OTAN de	

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
e) Le Bureau des FORACS OTAN devrait veiller à ce que les crédits budgétaires supplémentaires ne servent qu'à engager les dépenses correspondant à des biens et des services à recevoir pendant l'exercice. Il devrait recourir à des autorisations de programme pour les biens et les services à recevoir au cours d'exercices futurs.	veiller à ce que des activités d'audit interne soient effectivement menées. Le Bureau des FORACS OTAN attend que le Service Audit interne du SI procède à une analyse. Question à traiter. e) Ces dernières années, les FORACS ont apporté des modifications au processus d'approbation des crédits supplémentaires, lesquels ne servent désormais que pour les biens et les services à recevoir pendant l'exercice. Ce processus d'approbation s'applique aussi au Bureau des FORACS OTAN. Question traitée.	

**COMMENTAIRES OFFICIELS DU BUREAU DES FORACS OTAN
CONCERNANT LA LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS
ET POSITION DU COLLÈGE INTERNATIONAL
DES AUDITEURS EXTERNES DE L'OTAN**

**OBSERVATION 1 :
INCOHÉRENCES DANS LA COMPTABILISATION ET LA PRÉSENTATION DES
CRÉDITS NON ENGAGÉS AU NIVEAU DES POLYGONES**

Commentaires officiels du Bureau des FORACS OTAN

Le Bureau des FORACS OTAN souscrit à la recommandation.

a) *Le Bureau des FORACS OTAN prend note de la recommandation de l'IBAN concernant les crédits non engagés au niveau des polygones et leur traitement dans les états financiers de l'entité. L'objectif est de réfléchir aux changements susceptibles d'offrir au Bureau des FORACS OTAN la souplesse nécessaire pour gérer l'exécution de projets s'étendant sur plusieurs exercices financiers tout en continuant de fournir, à des fins d'audit, des informations claires sur le financement et l'état d'avancement des projets.*

b) *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.*

**OBSERVATION 2 :
NÉCESSITÉ DE MIEUX ÉTAYER LA NOTE RELATIVE AUX PARTIES LIÉES JOINTE
AUX ÉTATS FINANCIERS**

Commentaires officiels du Bureau des FORACS OTAN

Le Bureau des FORACS OTAN ne souscrit pas à la recommandation.

a) *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, nous examinerons à l'occasion de l'évaluation périodique de l'efficacité des mécanismes de contrôle réalisée dans le cadre du COSO si le processus de collecte d'informations peut être modifié de manière à améliorer l'efficacité et l'efficience des procédures administratives et, éventuellement, d'apporter une valeur ajoutée.*

b) *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.

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.

OBSERVATION 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 la recommandation.

Le Bureau des FORACS OTAN prend note de la recommandation de l'IBAN concernant le traitement comptable de la reprise sur provision pour les congés non utilisés. Cette recommandation a été prise en compte lors de l'établissement des états financiers de 2020.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

(4) Exercice 2015

IBA-AR(2017)22, paragraphe 7.8

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

Le Bureau des FORACS OTAN ne souscrit pas à l'évaluation.

NATO SANS CLASSIFICATION

APPENDICE 1
ANNEXE 3
IBA-AR(2021)0012

a) *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) *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) *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 2019), 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 2020.

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.



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

IBA-A(2021)0054
4 juin 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 Secrétariat et finances du Bureau OTAN des ressources
Bureau d'ordre du Cabinet
- Objet : ***Opinion et lettre d'observations et de recommandations du Collège international des auditeurs externes de l'OTAN (IBAN) concernant l'audit des états financiers relatifs au projet de nouveau siège de l'OTAN pour l'exercice clos le 31 décembre 2019 – IBA-AR(2021)0011***

Monsieur le Secrétaire général,

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

L'article 15 du Règlement financier de l'OTAN prévoit que l'IBAN adresse son rapport final, comprenant les commentaires factuels et les commentaires officiels et accompagné des états financiers audités, au Conseil au plus tard le 31 août qui suit la fin de l'exercice visé dans le rapport. L'IBAN ayant reçu avec un retard considérable les informations requises en application des normes d'audit, il n'a pas pu respecter l'échéance du 31 août 2020.

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 2019.

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

Daniela Morgante
Présidente

Pièces jointes : voir ci-dessus.

NATO SANS CLASSIFICATION

**Note succincte 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 2019**

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 2019.

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, approuve le budget relatif au projet de nouveau siège. Ce budget est alimenté par les contributions des pays de l'OTAN sur la base d'un accord spécifique de partage des coûts.

Le projet de nouveau siège de l'OTAN a été entièrement financé sur le budget global du programme de construction (LTPB), qui devait prendre fin en 2018 et pour lequel le plafond avait été fixé à 1,179 milliard d'euros. Sur ce montant, une somme résiduelle de 49,2 millions d'euros (MEUR) a été reportée sur l'exercice 2019.

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

À l'issue de l'audit, l'IBAN a formulé trois observations, qui n'ont pas eu d'incidence sur l'opinion émise :

1. absence de présentation, à la fin de l'exercice 2019, d'un rapport financier sur le budget global du programme de construction (LTPB) ;
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) ;
3. traitement comptable de la reprise sur provision pour les congés non utilisés.

L'IBAN a fait le point sur la suite donnée aux questions ayant fait l'objet d'observations et de recommandations lors de précédents audits, et il a constaté qu'une question avait été traitée et qu'une autre était toujours en cours de traitement.

L'opinion et la lettre d'observations et de recommandations ont été transmises aux responsables du projet de nouveau siège de l'OTAN, dont les commentaires ont ensuite été intégrés dans la lettre avec, le cas échéant, la position de l'IBAN à leur sujet (appendice à l'annexe 3).

Une lettre a été adressée aux responsables du projet de nouveau siège. Elle contient des observations et des recommandations qui ont été formulées au cours de l'audit et qui ne figurent pas dans la lettre d'observations et de recommandations, et elle fait le point sur la suite donnée aux observations 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.

4 juin 2021

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

OPINION SUR LES ÉTATS FINANCIERS

RELATIFS AU PROJET DE NOUVEAU SIÈGE DE L'OTAN

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2019

NATO SANS CLASSIFICATIONANNEXE 2
IBA-AR(2021)0011**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 2019. Diffusés sous la cote FC(2020)0040 et soumis à l'IBAN le 27 avril 2020, ces états financiers se composent de l'état de la situation financière au 31 décembre 2019, de l'état de la performance financière, de l'état des variations de l'actif net/situation nette et du tableau des flux de trésorerie pour la période de 12 mois ayant pris fin le 31 décembre 2019, ainsi que d'un résumé des méthodes comptables importantes et d'autres notes explicatives. Ils contiennent en outre un rapport sur l'exécution du budget portant sur la période de 12 mois ayant pris fin le 31 décembre 2019.

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

Justification de l'opinion émise sur les états financiers

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

L'IBAN a effectué son audit sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 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 CLASSIFICATIONANNEXE 2
IBA-AR(2021)0011**Responsabilité de la direction concernant les états financiers**

La responsabilité de la direction concernant les états financiers est définie dans le NFR. Les états financiers 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

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obtenir par son audit les éléments probants nécessaires et suffisants pour lui permettre de formuler une opinion ; le risque de non-détection d'une inexactitude significative relevant d'une fraude est plus élevé que le risque de non-détection d'une inexactitude significative relevant d'une erreur, car la fraude peut résulter d'une collusion, d'une falsification, d'omissions intentionnelles, de fausses déclarations ou du contournement du contrôle interne ;

- à acquérir une connaissance du contrôle interne qui soit pertinente pour l'audit, le but étant d'élaborer des procédures d'audit qui soient adaptées à la situation considérée et non pas d'exprimer une opinion sur l'efficacité du système de contrôle interne de l'entité ;
- à déterminer si les méthodes comptables appliquées sont appropriées et si les estimations comptables et les informations connexes fournies par la direction sont raisonnables ;
- à se prononcer sur le caractère approprié ou non de l'utilisation du principe comptable de la continuité d'activité et à déterminer, à partir des éléments probants obtenus par l'audit, s'il existe une incertitude significative du fait d'événements ou de circonstances susceptibles de remettre fondamentalement en cause la capacité de l'entité à poursuivre son activité ; si l'IBAN juge qu'une telle incertitude existe, il est tenu d'appeler l'attention, dans son opinion, sur les informations correspondantes figurant dans les états financiers ou, si ces informations sont incomplètes, de formuler une opinion modifiée ; les conclusions de l'IBAN sont fondées sur les éléments probants en sa possession à la date d'établissement de son rapport d'audit ; il n'est toutefois pas exclu que l'entité soit amenée à cesser son activité en raison d'événements ou de circonstances futurs ;
- à évaluer la présentation générale, la structure et le contenu des états financiers, y compris les informations fournies, et à déterminer si les états financiers rendent compte fidèlement des opérations et des événements qui en font l'objet.

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

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

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IBA-AR(2021)0011**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 NFR 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.

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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 4 juin 2021

Daniela Morgante
Présidente

4 juin 2021

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

**LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS
CONCERNANT LE PROJET DE NOUVEAU SIÈGE DE L'OTAN
POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2019**

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IBA-AR(2021)0011**Introduction**

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 2019, et il a émis une opinion sans réserve à leur sujet ainsi qu'au sujet de la conformité.

Observations et recommandations

À l'issue de l'audit, l'IBAN a formulé trois observations, assorties de recommandations.

Ces observations n'ont pas eu d'incidence sur les opinions émises.

1. Absence de présentation, à la fin de l'exercice 2019, d'un rapport financier sur le budget global du programme de construction (LTPB)
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)
3. Traitement comptable de la reprise sur provision pour les congés non utilisés.

L'IBAN a fait le point sur la suite donnée aux questions ayant fait l'objet d'observations et de recommandations lors de précédents audits, et il a constaté qu'une question avait été traitée et qu'une autre était toujours en cours de traitement.

Une lettre a été adressée aux responsables du projet de nouveau siège de l'OTAN. Elle contient des observations et des recommandations qui ont été formulées au cours de l'audit et qui ne figurent pas dans la présente lettre d'observations et de recommandations, et elle fait le point sur la suite donnée aux observations 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.

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OBSERVATIONS ET RECOMMANDATIONS

1. ABSENCE DE PRESENTATION, A LA FIN DE L'EXERCICE 2019, D'UN RAPPORT FINANCIER SUR LE BUDGET GLOBAL DU PROGRAMME DE CONSTRUCTION (LTPB)**Contexte**

1.1 Le Comité des représentants permanents adjoints (DPRC) a décidé que le Bureau pour le projet de nouveau siège et la transition (HQPO-TO) cesserait ses activités le 30 juin 2020 (DPRC-N(2019)0067-REV1-AS1). Un rapport sur la situation financière du LTPB au 31 décembre 2019 devait lui être soumis au cours du premier trimestre de 2020.

1.2 La nécessité de présenter un tel rapport est également évoquée dans la note 23 des états financiers 2019 relatifs au projet de nouveau siège de l'OTAN, qui prévoit que le HQPO-TO soumettra au DPRC un rapport sur la situation financière du LTPB au 31 décembre 2019 après la publication de ces états financiers.

Constatations

1.3 Le HQPO-TO, rattaché à la Division Investissement de défense, n'a pas fourni au cours du premier trimestre de 2020 de rapport sur la situation financière du LTPB au 31 décembre 2019, contrairement à ce que le DPRC avait décidé (DPRC-N(2019)0067-REV1-AS1). Un tel rapport a seulement été présenté le 22 septembre 2020 au Comité des budgets (BC-D(2020)0167).

1.4 Le déménagement dans le nouveau siège de l'OTAN a eu lieu en juin 2018. Si un rapport sur la situation financière au 31 décembre 2019 avait été présenté sans retard, cela aurait permis aux pays d'avoir en temps utile une vue d'ensemble des engagements et des besoins financiers restant jusqu'à l'achèvement du projet.

Recommandation

1.5 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.

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IBA-AR(2021)0011**2. ABSENCE D'INFORMATIONS SUR LES CREDITS POUR IMPREVUS SOUS LE CONTROLE DE LA BELGIQUE PAYS HOTE QUI ETAIENT INSCRITS DANS LE BUDGET GLOBAL DU PROGRAMME DE CONSTRUCTION (LTPB)****Contexte**

2.1 Des procédures budgétaires et financières particulières ont été adoptées afin d'assurer une gestion transparente et responsable du projet de nouveau siège de l'OTAN. Des états financiers relatifs à ce projet sont établis chaque année. Ils doivent comprendre, comme qu'en a décidé le Comité des budgets dans le BC-D(2000)16, « des comptes rendus d'exécution budgétaire ainsi qu'un bilan et un tableau de financement ».

2.2 Ainsi, depuis 2013, les notes jointes aux états financiers relatifs au projet de nouveau siège de l'OTAN présentent un point de situation de fin d'exercice concernant les crédits pour imprévus inscrits dans le LTPB, étant donné que ces crédits ont bien été utilisés au fil du temps avec indication de leur taux d'utilisation.

2.3 Des crédits pour imprévus d'un montant total de 247 millions d'euros (MEUR) ont été inscrits dans le LTPB. Sur ce montant, 203 MEUR ont été alloués à la Belgique en tant que pays hôte, 38,4 MEUR au Comité des représentants permanents adjoints, 3,98 MEUR à l'Agence OTAN d'information et de communication (NCIA) en tant que pays hôte et 1,2 MEUR au Secrétariat international (SI) en tant que pays hôte. Le montant total des crédits pour imprévus autorisés pour la NCIA et le SI en tant que pays hôtes a été pleinement engagé.

Constatations

2.4 Dans la note 23 (« Crédits pour imprévus et passifs éventuels ») jointe aux états financiers 2019 relatifs au projet de nouveau siège de l'OTAN, des informations sont données au sujet du remboursement, par la Belgique pays hôte, d'un montant estimé à 15,4 MEUR dans le cadre du contrat de construction. Dans le BC-D(2020)0167, du 22 septembre 2020, le Comité des budgets indique que la Belgique pays hôte a confirmé que, dans l'enveloppe globale autorisée, une somme d'environ 13 200 kEUR ne serait plus nécessaire et serait mise à la disposition de l'OTAN dans le courant de l'année 2020.

2.5 Aucune information n'est toutefois donnée au sujet de l'état, au 31 décembre 2019, des crédits pour imprévus placés sous le contrôle de la Belgique pays hôte. La note 23 jointe aux états financiers présente uniquement le dernier état en date des crédits pour imprévus placés sous le contrôle du Comité des représentants permanents adjoints (DPRC).

2.6 L'un des derniers points sur les crédits pour imprévus alloués à la Belgique pays hôte a été fait dans la note diffusée le 6 novembre 2018 par le DPRC sous la

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cote DPRC-N(2018)0075-REV1, qui fait état d'un montant disponible estimé à 10,8 MEUR.

2.7 Comme ils ne donnent pas toutes les informations sur les crédits pour imprévus, les états financiers 2019 relatifs au projet de nouveau siège de l'OTAN ne sont pas aussi clairs qu'il le faudrait en vertu des principes mentionnés plus haut. Il est possible que des parties prenantes aient besoin de telles informations financières pour prendre des décisions concernant l'utilisation des crédits pour imprévus disponibles en vue du financement de coûts supplémentaires relatifs à l'ancien siège de l'OTAN et du maintien du LTPB jusqu'en décembre 2020.

Recommandation

2.8 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.

3. TRAITEMENT COMPTABLE DE LA REPRISE SUR PROVISION POUR LES CONGES NON UTILISES**Contexte**

3.1 D'après l'IPSAS 19, les provisions doivent être revues à chaque date de *reporting* et ajustées pour refléter l'estimation la plus correcte à ce moment-là. S'il devient improbable qu'une sortie de ressources représentatives d'avantages économiques ou d'un potentiel de service soit nécessaire pour éteindre l'obligation, la provision doit être reprise.

3.2 Par conséquent, la reprise, totale ou partielle, d'une provision implique la suppression ou la déduction du passif correspondant dans la catégorie de charges (et de produits) pour laquelle la provision avait été initialement comptabilisée.

3.3 L'état de la performance financière doit dès lors faire apparaître les flux nets liés à la variation des provisions entre deux exercices consécutifs.

Constatations

3.4 A la fin de l'exercice 2019, les responsables du projet de nouveau siège ont comptabilisé en charges une provision totale pour congés non utilisés de 42 336 EUR. En 2018, cette provision et la charge correspondante étaient de 73 382 EUR. Les responsables du projet ont dûment procédé à la reprise de la provision de l'exercice précédent dans l'état de la situation financière concernant le projet de nouveau siège de l'OTAN. Cependant, ils n'ont pas procédé dans l'état de la performance financière à l'écriture de contrepartie de cette reprise sur provision (73 382 EUR).

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3.5 De ce fait, les charges notifiées dans l'état de la performance financière ne reflètent pas correctement la variation de la provision pour congés non utilisés, à savoir, pour 2019, une baisse de 31 046 EUR, et non une hausse de 42 336 EUR. Les charges figurant dans l'état de la performance financière sont donc surévaluées de 73 382 EUR. De plus, comme les responsables du projet procèdent à l'écriture de produits en contrepartie des charges correspondant à la provision pour congés non utilisés, ces produits sont surévalués d'autant.

Recommandation

3.6 L'IBAN recommande aux responsables du projet de nouveau siège de l'OTAN de comptabiliser dans l'état de la performance financière la reprise de la provision pour congés non utilisés de l'exercice précédent.

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SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

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

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

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
(1) Exercice 2018 IBA-AR(2019)0021, paragraphe 1 DIVERGENCES ENTRE LES CHIFFRES FIGURANT DANS LES RAPPORTS SUR L'EXÉCUTION DU BUDGET GLOBAL DU PROGRAMME DE CONSTRUCTION DU NOUVEAU SIÈGE ET CEUX DES ÉTATS FINANCIERS Recommandations de l'IBAN Pour que l'exactitude des chiffres figurant dans les rapports sur l'exécution du budget soit assurée, l'IBAN recommande : - que les « activités de fin d'exercice » soient modifiées dans l'ERP de manière à ce que les régularisations soient dûment répercutées dans le budget annuel ; - que l'équipe du HQPO et le Bureau du contrôle financier du SI effectuent des rapprochements chaque trimestre.	L'IBAN n'a pas reçu d'éléments probants permettant de déterminer si les « activités de fin d'exercice » ont été modifiées dans l'ERP de manière à ce que les régularisations soient dûment répercutées dans le budget annuel. En outre, il n'a pas reçu de rapport sur les rapprochements trimestriels que l'équipe du HQPO et le Bureau du contrôle financier du SI devaient effectuer.	Question En cours de traitement.
(2) Exercice 2018 IBA-AR(2019)0021, paragraphe 2 ERREURS DANS LA NOTE 8, PORTANT SUR LES ACTIFS À LONG TERME Recommandations de l'IBAN L'IBAN recommande au Bureau du contrôle financier du SI de s'assurer, avant le	Cette erreur a été corrigée dans	Question traitée.

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OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
transfert au SI et à la NCIA, de l'exactitude de tous les chiffres relatifs aux actifs à long terme qui sont présentés dans la note 8 jointe aux états financiers relatifs au projet de nouveau siège.	les états financiers de 2019.	

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**COMMENTAIRES OFFICIELS DES RESPONSABLES
DU PROJET DE NOUVEAU SIÈGE DE L'OTAN
CONCERNANT LA LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS
ET POSITION DU COLLÈGE INTERNATIONAL
DES AUDITEURS EXTERNES DE L'OTAN**

**OBSERVATION 1 :
ABSENCE DE PRESENTATION, A LA FIN DE L'EXERCICE 2019, D'UN RAPPORT
FINANCIER SUR LE BUDGET GLOBAL DU PROGRAMME DE
CONSTRUCTION (LTPB)**

***Commentaires officiels des responsables du projet de nouveau siège de
l'OTAN***

Les responsables du projet souscrivent à cette observation.

Le projet de nouveau siège a été clôturé le 31 décembre 2020.

**OBSERVATION 2 :
ABSENCE D'INFORMATIONS SUR LES CREDITS POUR IMPREVUS SOUS LE
CONTROLE DE LA BELGIQUE PAYS HOTE QUI ETAIENT INSCRITS DANS LE
BUDGET GLOBAL DU PROGRAMME DE CONSTRUCTION (LTPB)**

***Commentaires officiels des responsables du projet de nouveau siège de
l'OTAN***

Les responsables du projet ne souscrivent pas à cette observation.

*Le projet du nouveau siège a été clôturé à la fin de l'exercice 2020 et il ne
devrait pas rester de crédits pour imprévus dans les derniers états financiers.*

Position de l'IBAN

Cette recommandation porte sur les états financiers 2019 relatifs au projet de nouveau siège de l'OTAN, qui ne contiennent pas 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. L'IBAN maintient dès lors sa recommandation et réévaluera l'état de la question dans le cadre de l'audit des états financiers de 2020.

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**OBSERVATION 3 :
TRAITEMENT COMPTABLE DE LA REPRISE SUR PROVISION POUR LES
CONGÉS NON UTILISÉS**

***Commentaires officiels des responsables du projet de nouveau siège de
l'OTAN***

Les responsables du projet souscrivent à cette observation.

Le projet du nouveau siège a été clôturé à la fin de l'exercice 2020 et il ne devrait pas rester de provision pour les congés non utilisés dans les derniers états financiers.

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SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

(1) Exercice 2018

IBA-AR(2019)0021, paragraphe 1

DIVERGENCES ENTRE LES CHIFFRES FIGURANT DANS LES RAPPORTS SUR L'EXÉCUTION DU BUDGET GLOBAL DU PROGRAMME DE CONSTRUCTION DU NOUVEAU SIÈGE ET CEUX DES ÉTATS FINANCIERS***Commentaires officiels des responsables du projet de nouveau siège de l'OTAN***

Les responsables du projet ne sont pas d'accord.

La situation a été présentée et expliquée aux pays membres en juin 2019 (voir le DPRC-N(2019)0037(INV)). Les chiffres présentés dans les états financiers sont exacts.

Le SI suggère de considérer cette question comme étant traitée.

Position de l'IBAN

L'IBAN note que les divergences entre les états financiers et le LTPB ont été expliquées dans le DPRC-N(2019)0037 (INV). Il n'a toutefois pas reçu d'éléments probants permettant de déterminer si les « activités de fin d'exercice » ont été modifiées dans l'ERP de manière à ce que les régularisations soient dûment répercutées dans le budget annuel. En outre, il n'a pas reçu de rapport sur les rapprochements trimestriels que l'équipe du HQPO et le Bureau du contrôle financier du SI devaient effectuer. Il maintient dès lors sa recommandation et réévaluera l'état de la question dans le cadre de l'audit des états financiers de 2020.

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.



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

IBA-A(2021)0057
4 juin 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 : ***Opinion et lettre d'observations et de recommandations du Collège international des auditeurs externes de l'OTAN (IBAN) concernant l'audit des états financiers du fonds de couverture médicale des agents à la retraite (FCMR) pour l'exercice clos le 31 décembre 2019 – IBA-AR(2021)0008***

Monsieur le Secrétaire général,

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

Aux termes de l'article 15 du Règlement financier de l'OTAN, l'IBAN doit adresser son rapport final, comprenant les commentaires factuels et les commentaires officiels et accompagné des états financiers audités, au Conseil au plus tard le 31 août qui suit la fin de l'exercice visé dans le rapport. Cependant, ayant reçu avec beaucoup de retard les informations requises par les normes d'audit, il n'a pas pu respecter l'échéance du 31 août 2020.

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

L'IBAN appelle tout particulièrement votre attention sur l'observation formulée à la suite de l'audit des états financiers de 2018. Cette observation porte sur la 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*)). En 1997, le Conseil avait noté que ce passif ne serait pas mentionné dans les états financiers des régimes à prestations définies (voir C-M(97)85). Comme, par la suite, il a décidé d'adopter les normes comptables internationales du secteur public (IPSAS) et approuvé le cadre comptable OTAN, il n'est pas certain que sa décision de ne pas faire mentionner ce passif soit toujours d'application. C'est d'autant moins le cas que le cadre comptable OTAN n'adapte pas l'IPSAS 39 ni ne fait allusion à cette décision. Fin 2019, la valeur actuarielle nette de l'obligation à long terme relative aux soins médicaux postérieurs à la période d'emploi s'établissait à 3,4 milliards d'euros. L'IBAN souhaite donc souligner l'importance qu'il y a à donner suite sans tarder à l'observation susdite.

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



Daniela Morgante
Présidente

Pièces jointes : voir ci-dessus.

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ANNEXE 1

**Note succincte
du Collège international des auditeurs externes de l'OTAN
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 2019**

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 2019, les cotisations des entités OTAN présentant des états financiers et du personnel de l'OTAN se sont élevées à 26,5 millions d'euros (MEUR), contre 25 MEUR en 2018, et les primes d'assurance prélevées sur le fonds se sont établies à 26,9 MEUR, contre 23,5 MEUR en 2018. Fin 2019, le gestionnaire du fonds détenait 369,9 MEUR au nom de l'OTAN (contre 314,6 MEUR fin 2018).

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

À l'issue de l'audit, l'IBAN a formulé une observation, qui n'a pas eu d'incidence sur l'opinion émise :

1. Nécessité d'améliorer le processus de confirmation du montant des cotisations versées au FCMR

L'IBAN a fait le point sur la suite donnée aux observations formulées à l'issue des audits précédents, et il a constaté qu'une question était en cours de traitement et que l'autre restait à traiter.

L'IBAN appelle tout particulièrement l'attention sur l'observation formulée à la suite de l'audit des états financiers de 2018. Cette observation porte sur la 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*)). En 1997, le Conseil avait noté que ce passif ne serait pas mentionné dans les états financiers des régimes à prestations définies (voir C-M(97)85). Comme, par la suite, il a décidé d'adopter les normes comptables internationales du secteur public (IPSAS) et approuvé le cadre comptable OTAN, il n'est pas certain que sa décision de ne pas faire mentionner ce passif soit toujours d'application. C'est d'autant moins le cas que le cadre comptable OTAN n'adapte pas l'IPSAS 39 ni ne fait allusion à cette décision.

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ANNEXE 1

Fin 2019, la valeur actuarielle nette de l'obligation à long terme relative aux soins médicaux postérieurs à la période d'emploi s'établissait à 3,4 milliards d'euros (contre 3 milliards fin 2018). L'IBAN souhaite donc souligner l'importance qu'il y a à donner suite sans tarder à l'observation susdite.

L'opinion et la lettre d'observations et de recommandations ont été transmises au Secrétariat international, dont les commentaires ont ensuite été intégrés dans la lettre ainsi que, le cas échéant, la position de l'IBAN à leur sujet (appendice 1 à l'annexe 3).

4 juin 2021

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

OPINION SUR LES ÉTATS FINANCIERS

DU FONDS DE COUVERTURE MÉDICALE DES AGENTS À LA RETRAITE

(FCMR)

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2019

NATO SANS CLASSIFICATION

ANNEXE 2
IBA-AR(2021)0008**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 2019. Diffusés et soumis à l'IBAN le 21 avril 2020, ces états financiers se composent de l'état de l'actif net disponible pour le service des prestations au 31 décembre 2019, 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 2019 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 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 (NFR) prévoit que l'audit externe des entités OTAN présentant des états financiers et des organismes OTAN établis en vertu du Traité de l'Atlantique Nord est effectué par l'IBAN.

L'IBAN a effectué son audit sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 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.

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IBA-AR(2021)0008**Responsabilité de la direction concernant les états financiers**

La responsabilité de la direction concernant les états financiers est définie dans le NFR. Les états financiers 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 et de l'IAS 26 (*Comptabilité et rapports financiers des régimes de retraite*). 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

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

- à acquérir une connaissance du contrôle interne qui soit pertinente pour l'audit, le but étant d'élaborer des procédures d'audit qui soient adaptées à la situation considérée et non pas d'exprimer une opinion sur l'efficacité du système de contrôle interne de l'entité ;
- à déterminer si les méthodes comptables appliquées sont appropriées et si les estimations comptables et les informations connexes fournies par la direction sont raisonnables ;
- à se prononcer sur le caractère approprié ou non de l'utilisation du principe comptable de la continuité d'activité et à déterminer, à partir des éléments probants obtenus par l'audit, s'il existe une incertitude significative du fait d'événements ou de circonstances susceptibles de remettre fondamentalement en cause la capacité de l'entité à poursuivre son activité ; si l'IBAN juge qu'une telle incertitude existe, il est tenu d'appeler l'attention, dans son opinion, sur les informations correspondantes figurant dans les états financiers ou, si ces informations sont incomplètes, de formuler une opinion modifiée ; les conclusions de l'IBAN sont fondées sur les éléments probants en sa possession à la date d'établissement de son rapport d'audit ; il n'est toutefois pas exclu que l'entité soit amenée à cesser son activité en raison d'événements ou de circonstances futurs ;
- à évaluer la présentation générale, la structure et le contenu des états financiers, y compris les informations fournies, et à déterminer si les états financiers rendent compte fidèlement des opérations et des événements qui en font l'objet.

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

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

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IBA-AR(2021)0008**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 NFR et le Règlement du personnel civil de l'OTAN.

Justification de l'opinion émise sur la conformité

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

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

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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 4 juin 2021



Daniela Morgante
Présidente

4 juin 2021

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS

CONCERNANT

LE FONDS DE COUVERTURE MÉDICALE DES AGENTS À LA RETRAITE

(FCMR)

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2019

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IBA-AR(2021)0008**Introduction**

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) pour l'exercice clos le 31 décembre 2019, et il a émis une opinion sans réserve à leur sujet ainsi qu'une opinion sans réserve sur la conformité.

Observations et recommandations

À l'issue de l'audit, l'IBAN a formulé une observation, assortie de recommandations.

Cette observation n'a pas eu d'incidence sur les opinions émises au sujet des états financiers et de la conformité.

1. Nécessité d'améliorer le processus de confirmation du montant des cotisations versées au FCMR

L'IBAN a fait le point sur la suite donnée aux observations et recommandations formulées à l'issue des audits précédents, et il a constaté qu'une question restait à traiter et que l'autre était en cours de traitement.

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OBSERVATIONS ET RECOMMANDATIONS

1. NÉCESSITÉ D'AMÉLIORER LE PROCESSUS DE CONFIRMATION DU MONTANT DES COTISATIONS VERSÉES AU FCMR**Contexte**

1.1 Aux termes de l'article 6 du Règlement financier de l'OTAN, les chefs d'organisme OTAN disposent parmi leur personnel d'un contrôleur des finances qui est leur conseiller financier principal et qui exerce en leur nom les attributions ci-après, cette liste n'étant pas limitative :

- a) *exécuter les activités de l'organisme OTAN qui concernent l'établissement du budget, la comptabilité et le compte rendu ; [...]*
- b) *organiser et administrer le système de contrôle financier interne établi conformément à l'article 12.1.*

1.2 La fiabilité des éléments probants est fonction de leur source et de leur nature, et dépend des circonstances de leur obtention. Dès lors, et en application des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI), les éléments probants prenant la forme de confirmations reçues de tiers sont plus fiables que ceux générés en interne par l'entité.

Observations

1.3 L'IBAN a vérifié les cotisations reçues en 2019 des entités OTAN présentant des états financiers qui participent au financement du FCMR. La procédure habituelle prévoit que le Secrétariat international (SI) demande à ces entités de confirmer les montants versés au FCMR et confronte les confirmations reçues et les enregistrements comptables (la confirmation est généralement apportée par courrier électronique). S'agissant de l'exercice 2019, les demandes de confirmation officielles ont été envoyées par le SI à toutes les entités OTAN concernées. L'IBAN a constaté ce qui suit en ce qui concerne cet exercice :

- malgré plusieurs rappels, certaines entités OTAN participant au financement du FCMR n'ont pas confirmé le montant de leur cotisation ; le montant total des cotisations versées représente 26,49 millions d'euros et le montant non confirmé s'établit à 10,6 millions d'euros ; les confirmations servent principalement à donner l'assurance que toutes les cotisations dues ont été versées et que les versements ont été effectués sans erreur ;
- la comptabilisation des cotisations reçues d'autres entités OTAN présente quelques erreurs non significatives, qui résultent principalement de l'imputation de versements rectificatifs ou partiels sur le compte de la mauvaise entité ou dans un mauvais compte du grand livre général.

Recommandations

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1.4 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.

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SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

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

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

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
(1) FCMR – 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)) 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 Service international des rémunérations et des pensions (SIRP). Cependant, ce montant n'est constaté dans l'état de la situation financière d'aucune entité OTAN, si bien que, dans l'ensemble, l'IPSAS 39, qui fait partie du cadre comptable de l'Organisation, n'est pas respectée.	Question à traiter.
(2) FCMR – Exercice 2012 IBA-AR(2013)25, paragraphe 5 INADÉQUATION DE L'ACTIF NET DU FCMR POUR LE SERVICE DES		Question en cours de

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OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
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 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.	Comme prévu dans l'étude actuarielle, l'exercice 2019 a été le premier au cours duquel le coût (primes d'assurance + frais de gestion, total de 28,521 millions d'euros) a dépassé le montant des cotisations reçues (24,476 millions d'euros). Malgré cela, l'actif net disponible pour le service des prestations a enregistré une croissance nette au cours de l'exercice, ce qui s'explique principalement par la plus-value nette latente constatée sur les placements (54,789 millions d'euros). Le SI a donc l'intention de demander une nouvelle étude actuarielle afin de pouvoir livrer aux pays membres de l'OTAN des prévisions actualisées quant à la viabilité à long terme du FCMR.	traitement.

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**FONDS DE COUVERTURE MÉDICALE DES AGENTS À LA RETRAITE (FCMR)
COMMENTAIRES OFFICIELS
SUR LA LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS
ET POSITION DU COLLÈGE INTERNATIONAL
DES AUDITEURS EXTERNES DE L'OTAN (IBAN)**

**OBSERVATION N° 1 :
NÉCESSITÉ D'AMÉLIORER LE PROCESSUS DE CONFIRMATION DU MONTANT
DES COTISATIONS VERSÉES AU FCMR**

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 mis en place, le SI a décidé d'utiliser le cadre COSO comme cadre de référence pour le contrôle interne et de revoir les procédures de contrôle interne en vigueur. La possibilité d'améliorer le processus de rapprochement sera analysée.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

**(1) FMCR – 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 souscrit à la recommandation.

L'analyse visant à déterminer s'il est possible d'appliquer l'IPSAS 39 est en cours.

Position de l'IBAN

En 1997, le Conseil avait noté que le passif correspondant aux avantages postérieurs à l'emploi ne serait pas mentionné dans les états financiers des régimes à prestations définies (voir C-M(97)85). Comme, par la suite, il a décidé d'adopter les normes comptables internationales du secteur public (IPSAS) et approuvé le cadre comptable OTAN, il n'est pas certain que sa décision de ne pas faire mentionner ce passif soit toujours d'application. C'est d'autant moins le cas que le cadre comptable OTAN n'adapte pas l'IPSAS 39 ni ne fait allusion à cette décision. L'IBAN souhaite donc souligner l'importance qu'il y a à donner

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suite sans tarder à l'observation susdite.

(2) FMCR – Exercice 2012

IBA-AR(2013)25, paragraphe 5

INADEQUATION DE L'ACTIF NET DU FCMR POUR LE SERVICE DES
PRESTATIONS ESCOMPTÉES

Commentaires officiels du SI

Le SI souscrit à la recommandation.

*Les prévisions actualisées relatives à la viabilité à long terme du FCMR seront
livrées aux pays dès que possible.*

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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.

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**NATO DEFINED CONTRIBUTION PENSION SCHEME
FINANCIAL STATEMENTS**

For the year ended 31 December 2019

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 DEFINED CONTRIBUTION PENSION SCHEME
Statement of Net Assets Available for Benefits

(All amounts in EUR)	Notes	Current Year			Prior Year		
		Investment Management	Benefits	Total	Investment Management	Benefits	Total
		31-Dec-19			31-Dec-18		
Assets							
Cash	3	6,951,315.18	408,319.63	7,359,634.81	5,514,746.32	222,528.31	5,737,274.63
Investments at market value	4	518,398,036.29		518,398,036.29	403,243,016.32		403,243,016.32
Accounts receivable	5	26,106.09	108,601.66	134,707.75	1,726,106.09	110,424.28	1,836,530.37
Other receivables		-	-	-		-	-
Total Assets		525,375,457.56	516,921.29	525,892,378.85	410,483,868.73	332,952.59	410,816,821.32
Liabilities							
Provisions claims and disputes	6	-	-	-	-	-	-
Payable	7	(763,642.13)	(508,153.76)	(1,271,795.89)	(2,017,815.31)	(320,793.73)	(2,338,609.04)
Other payables	7	-	(10,101.16)	(10,101.16)		(10,101.16)	(10,101.16)
Surplus investment/desinvestment	8	(80,016.59)	-	(80,016.59)	(80,016.59)		(80,016.59)
Current year surplus financial results	8	(305.46)	1,333.63	1,028.17	1,219.87	(2,057.70)	(837.83)
Total Liabilities		(843,964.18)	(516,921.29)	(1,360,885.47)	(2,096,612.03)	(332,952.59)	(2,429,564.62)
Net assets available for benefits		524,531,493.38	-	524,531,493.38	408,387,256.70	-	408,387,256.70

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NATO DEFINED CONTRIBUTION PENSION SCHEME

Statement of Changes in Net Assets Available for Benefits

(All amounts in EUR)

	Notes	Current Year			Prior Year		
		31-Dec-19			31-Dec-18		
		Investments	Benefits	Total	Investments	Benefits	Total
Increase in net assets							
Net unrealized gain in market value of investments	4	76,221,459.15		76,221,459.15			
Contributions	9	63,628,466.40		63,628,466.40	57,342,204.50		57,342,204.50
Inward transfer of pension rights	10	1,633,127.76		1,633,127.76	656,828.06		656,828.06
Transfers from Insurer	11		813,293.49	813,293.49		763,593.03	763,593.03
Transfers from Annuity Provider	11		109,118.97	109,118.97		104,916.46	104,916.46
Contribution for Tax Adjustments Due	15		101,149.16	101,149.16		95,008.26	95,008.26
Miscellaneous receipts	16		0.00	0.00	1,726,106.09	1,962.85	1,728,068.94
Total increase in net assets available for benefits		141,483,053.31	1,023,561.62	142,506,614.93	59,725,138.65	965,480.60	60,690,619.25
Decrease in net assets							
Net unrealized loss in market value of investments	4			0.00	6,066,404.72		6,066,404.72
Accounts closed (Staff)	12	24,988,280.76		24,988,280.76	21,048,500.07		21,048,500.07
Outward transfer of pension rights	12	350,535.87		350,535.87	227,743.43		227,743.43
Transfers to insurance and annuity providers	13		15,479.94	15,479.94			0.00
Pension Benefits	14		106,854.24	106,854.24		105,372.80	105,372.80
Invalidity, Survivor and Dependant Benefits	14		713,555.40	713,555.40		688,146.35	688,146.35
Tax Adjustment Paid to Beneficiaries	15		101,149.16	101,149.16		95,008.26	95,008.26
Employer Contributions to DCPS	14		82,492.09	82,492.09		75,344.62	75,344.62
Miscellaneous Expenses	16		4,030.79	4,030.79	1,726,106.09	1,608.57	1,727,714.66
Total decrease in net assets available for benefits		25,338,816.63	1,023,561.62	26,362,378.25	29,068,754.31	965,480.60	30,034,234.91
Net increase for the year		116,144,236.68	-	116,144,236.68	30,656,384.34	-	30,656,384.34
Net assets available for benefits, beginning of year		408,387,256.70	-	408,387,256.70	377,730,872.36	-	377,730,872.36
Net assets available for benefits, end of year		524,531,493.38	-	524,531,493.38	408,387,256.70	-	408,387,256.70

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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 2019, there were 4352 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.

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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 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 on the next page.

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Equity Funds:	ISIN
Mellon Global Equity Portfolio EUR C	IE00B82M6789
Mellon Global Equity Portfolio USD C	IE00B7X4LZ98
Vanguard Global Stock Index Fund	IE00B03HD191
Vanguard Global Stock Index Fund	IE00B03HD209
Bond Funds:	ISIN
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	IE0007472990
Cash Funds:	ISIN
Mellon Universal Liquidity Funds –	IE0032713202
BNP Paribas InstiCash Fund – EUR	LU0094219127

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.

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.

at year 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

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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 (Annexes 3 and 4) 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 aggregate 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.

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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

Back in 2015, the DCPS Group Insurance provider (ALLIANZ) has decided to pay NATO a compensation in lieu with overestimated deductions performed on both the Employees and Employers contributions to the insurance premium.

This compensatory payment amounts to EUR 6,000,000.00 of which EUR 1,726,106.09 refers to staff contributions and EUR 4,273,893.91 refer to Employers (NATO bodies) contributions.

Since 2015, the DCPS has presented these EUR 6,000,000.00 in the Statement of Financial position of DCPS has an Asset and a Liability (Long-Term Provision). The decision to book this proceeding in such a way had to do with the uncertainty about what would be the Nations decision about the final use of these funds.

Through EM(2018)0502 dated 19 December 2018 and Tasker 2385/2018, the SG mandated the IS to repay back to the staff affiliates the EUR 1,726,106.09 related with the Employee contributions share.

In 2019, as per BC-DS(2019)0067(INV) Nations decided to return the Employers portion to the respective NATO bodies. Thus it became evident that this proceeding should no longer be considered an Asset/Liability of DCPS, since in reality it is a mere pass-through cash-flow from Allianz to the respective NATO bodies.

Therefore, a re-statement of DCPS 2018 financial statements is required, in order to reduce the DCPS asset/liability by the amount of the Employers contribution (EUR 4,273,893.91), leaving behind only the unpaid Employees portion (EUR 1,726,106.09).

Restatement of financial statements for previous years

As explained above, the 2018 FS's have to be re-stated, as a consequence of changes in the accounting policy:

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(All amounts in EUR)

	2018 FS's Re-Statement			2018 Published FS's		
	Investment Management	Benefits	Total	Investment Management	Benefits	Total
	31-Dec-18			31-Dec-18		
Assets						
Cash	5,514,746.32	222,528.31	5,737,274.63			
Investments at market value	403,243,016.32		403,243,016.32	5,514,746.32	222,528.31	5,737,274.63
Short term Investments				403,243,016.32		403,243,016.32
Accounts receivable	1,726,106.09	110,424.28	1,836,530.37			
Other receivables				6,000,000.00	110,424.28	6,110,424.28
Total Assets	410,483,868.73	332,952.59	410,816,821.32	414,757,762.64	332,952.59	415,090,715.23
Liabilities						
Provisions claims and disputes						
Payable	(2,017,815.31)	(320,793.73)	(2,338,609.04)	(4,273,893.91)		(4,273,893.91)
Other payables		(10,101.16)	(10,101.16)	(2,017,815.31)	(320,793.73)	(2,338,609.04)
Surplus investment/desinvestment	(80,016.59)		(80,016.59)		(10,101.16)	(10,101.16)
Current year surplus financial results	1,219.87	(2,057.70)	(837.83)	(80,016.59)		(80,016.59)
Total Liabilities	(2,096,612.03)	(332,952.59)	(2,429,564.62)	1,219.87	(2,057.70)	(837.83)
Net assets available for benefits	408,387,256.70	-	408,387,256.70	(6,370,505.94)	(332,952.59)	(6,703,458.53)
				408,387,256.70	-	408,387,256.70

Reclassification of financial statements for previous years

None in 2019.

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 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.

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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 as 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 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 AS AT 10.01.20		
		FITCH	S&P	Moody's
ING BANK	NE	F1+	A-1	P1

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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).

In cases of death in service, the insurance company who will provide the survivor's annuity has 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. While there have been no shortfalls to date, there is a risk that the value of available holdings on the date of transfer to the insurance company could be less than that of the preceding 31 October. However, so far, this resulted in the available amounts being higher. The surplus is kept on a suspense account and forms part of the net assets. This stipulation in the insurance contract was deleted with effect as from 1 July 2017 and therefore this risk, no longer exist from that date. Nowadays the redemption proceedings are paid to the person designated by the staff member and no longer transferred to the insurance company responsible for the annuity.

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.

Below a table is provided with the statistics on the advances DCPS has received from IS at year-end for the last 3 years.

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End of Year	Cash Advance €
2017	200,000.00
2018	320,000.00
2019	500,000.00

The DCPS is restricted from entering into borrowings.

Statement of Net Assets Available for Benefits

NOTE 3: CASH AND CASH EQUIVALENTS

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

NOTE 4: FUNDS HELD BY THE INVESTMENT MANAGER

Below we provide a table with comparative data on the Investments at Market Value for two consecutive years:

		2019	2018
Equity Funds:	ISIN	EUR or EUR equivalent of USD	USD
Mellon Global Equity Portfolio EUR C	IE00B8ZM6789	241,718,238.90	-
Mellon Global Equity Portfolio USD C	IE00B7X4J298	21,580,534.98	23,658,740.50
Vanguard Global Stock Index Fund EUR	IE00B03H0D191	46,123,072.36	-
Vanguard Global Stock Index Fund USD	IE00B03H0D209	14,129,434.83	15,490,099.44
Bond Funds:	ISIN		
Mellon Global Bond Portfolio EUR C	IE0003932385	34,289,206.74	-
Mellon Global Bond Portfolio USD C	IE0003932492	5,411,881.11	5,933,045.26
Mellon Euroland Bond Portfolio EUR C	IE0032722484	13,721,494.59	-
Vanguard Global Bond Index Fund USD	IE00B186GB14	4,544,621.23	4,982,268.26
Vanguard Euro Government Bond Index Fund EUR	IE0007472990	13,397,981.70	-
Cash Funds:	ISIN		
Mellon Universal Liquidity Funds – Liquidity Plus USD	IE0032713202	8,033,128.47	8,806,718.74
BNP Paribas InstiCash Fund – EUR	LU0094419127	115,448,441.38	-
TOTAL		518,398,036.29	403,243,016.33

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Unrealized Gain/Loss in Market Value of Investments

Unrealized gains and losses 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.

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:

Equity Funds:	ISIN	2019	2018	Annualized Income per Unit
Mellon Global Equity Portfolio EUR C	IE00B82M6789	1.3841	1.0783	0.3058
Mellon Global Equity Portfolio USD C	IE00B7X4LZ98	1.3821	1.0982	0.2839
Vanguard Global Stock Index Fund EUR	IE00B03HD191	28.3069	21.7901	6.5168
Vanguard Global Stock Index Fund USD	IE00B03HD209	31.9224	25.0253	6.8971
Bond Funds:	ISIN			
Mellon Global Bond Portfolio EUR C	IE0003932385	2.0189	1.8469	0.1720
Mellon Global Bond Portfolio USD C	IE0003932492	2.5251	2.356	0.1691
Mellon Euroland Bond Portfolio EUR C	IE0032722484	1.1964	1.1223	0.0741
Vanguard Global Bond Index Fund USD	IE00B18GCB14	159.8083	147.4704	12.3379
Vanguard Euro Government Bond Index Fund EUR	IE0007472990	237.6223	223.6922	13.9301
Cash Funds:	ISIN			
Mellon Universal Liquidity Funds – Liquidity Plus USD	IE0032713202	1.258343	1.121496	0.1368
BNP Paribas InstiCash Fund – EUR	LU0094219127	138.7155	139.2903	(0.5748)

NOTE 5: RECEIVABLES

Receivables amounts in EUR	2019		2018	
	Investments	Benefits	Investments	Benefits
Contributions from NATO bodies				
Reimbursement of Tax Adjustment Paid		101,149.16		95,008.26
Insurer	26,106.09	7,452.50	1,726,106.09	13,272.29
Beneficiaries		-		2,143.73
Others		-		-
Total	26,106.09	108,601.66	1,726,106.09	110,424.28
		134,707.75		1,836,530.37

As of 31 December 2019, an amount of 26,106.09 was accrued, to be called from Allianz, regarding the compensatory payment. In 2018 an amount of EUR 1,726,106.09, was a receivable from the insurance company further to an analysis covering the last years of the history of death in service risks in relation to premiums paid by the Organization (see Note on Related Parties for details concerning the insurance premiums). For presentation purposes, this amount was attributed to the "Investments" segment. In 2018 the amount shown was EUR 6,000,000.00, but as per a change in accounting policy (see note on "Changes in accounting

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2019 for the serving staff and now the liability has been reduced to EUR 687,020.41, which corresponds to the dues towards retirees. It is expected that during the course of 2020, this balance will be completely settled.

More information about the Employers share is available under the notes "Changes in accounting policy - Reclassification of financial statements of previous years" and "Restatement of financial statements for previous years").

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).

NOTE 8: SURPLUS

The custodial account also receives the proceeds of redeemed holdings of deceased DCPS affiliates. Until 1 July 2017, the insurance contract gave the insurer a claim on the proceeds of the redemption of the deceased 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. To date, holdings on the date of transfer to the insurance company have been higher than the amount recorded as of the preceding 31 October, and the corresponding amount of EUR 80,016.59 (same as end 2018) kept on a suspense account. As from 1 July 2017, the related contract clause with the insurance company no longer applies, and as such no more such proceedings were accrued.

The DCPS surplus results from the offset between the cumulated realized interest earned on the custodial bank account, bank charges, from miscellaneous gains and losses on exchange rates and corrective investments effected by the third party administrator at year-end with the unrealized profit/loss recognized at 31 December 2019, as part of the mandatory foreign currency assets/liabilities revaluation.

Below we present a comparative table with comparative figures for both realized and unrealized gains/losses:

amounts in EUR	2019	2018
Unrealised loss on exchange rates	174,206.41	138,074.81
Losses	(173,178.24)	(138,912.64)
Surplus	1,028.17	(837.83)

Statement of Changes of Net Assets Available for Benefits

NOTE 9: 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.

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

NOTE 10: INWARD/OUTWARD 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.

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).

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

NOTE 11: 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 12: STAFF ACCOUNTS CLOSED

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 or to an outside pension scheme.

NOTE 13: 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, or transferred to the insurer in case of death in service (this last provision no longer applies as from 1 July 2017).

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

NOTE 14: PENSION, INVALIDITY and SURVIVOR 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.

at year 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

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

NOTE 15: 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).

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

NOTE 16: MISCELLANEOUS RECEIPTS AND EXPENSES

Miscellaneous receipts and payments correspond essentially to regularizations. For 2019, the payment to former DCPS affiliates during 2012-2015 in relation to DCPS group insurance compensatory payment was also booked under these items.

NOTE 17: 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 18: CONTINGENT ASSETS

None to report.

NOTE 19: RELATED PARTY TRANSACTIONS

Members of the DCPS Management Board receive no additional remuneration or benefits in return for their participation. The Chairman of the Management Board is the ASG for Executive Management. The NATO-IS Financial Controller is a member of the 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 of approximately EUR 360,000 per year reduces the contributions due from Nations to fund the NATO Civil Budget.

Since DCPS does not have its own cash holdings, 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.

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End of Year	Cash Advance €
2017	200,000.00
2018	320,000.00
2019	500,000.00

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 paid			
	2019	2018	
Death	3,758,148.31	3,664,782.27	
Invalidity	4,234,655.62	4,031,263.48	

The Scheme does not hold any securities of the employer sponsor or, directly, of its related parties.

NOTE 20: 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. Members of the DCPS Management Board do not receive any additional remuneration or benefits in return for their responsibilities. The Management Board is chaired by the Assistant Secretary General for Executive Management. The IS Financial Controller is a member of the Board.

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NOTE 21: STATISTICAL INFORMATION

Evolution of DCPS membership (number of affiliates)		
year-end	2004	Affiliates
	2005	Joined
	2005	Exited
year-end	2005	Affiliates
	2006	Joined
	2006	Exited
year-end	2006	Affiliates
	2007	Joined
	2007	Exited
year-end	2007	Affiliates
	2008	Joined
	2008	Exited
year-end	2008	Affiliates
	2009	Joined
	2009	Exited
year-end	2009	Affiliates
	2010	Joined
	2010	Exited
year-end	2010	Affiliates
	2011	Joined
	2011	Exited
year-end	2011	Affiliates
	2012	Joined
	2012	Exited
year-end	2012	Affiliates
	2013	Joined
	2013	Exited
year-end	2013	Affiliates
	2014	Joined
	2014	Exited
year-end	2014	Affiliates
	2015	Joined
	2015	Exited
year-end	2015	Affiliates
	2016	Joined
	2016	Exited
year-end	2016	Affiliates
	2017	Joined
	2017	Exited
year-end	2017	Affiliates
	2018	Joined
	2018	Exited
year-end	2018	Affiliates
	2019	Joined
	2019	Exited
year-end	2019	Affiliates

NOTE 22: EVENTS AFTER THE REPORTING DATE

As at 31 December 2019 the DCPS Investments portfolio had a market value of EUR 518,398,036.29, having recorded at year-end an unrealized market value gain of EUR 76,221,459.15

Due to the COVID19 crisis the financial markets have plummeted since mid-February 2020, and as such IS-OFC is disclosing the latest available information on the market value of such investments.

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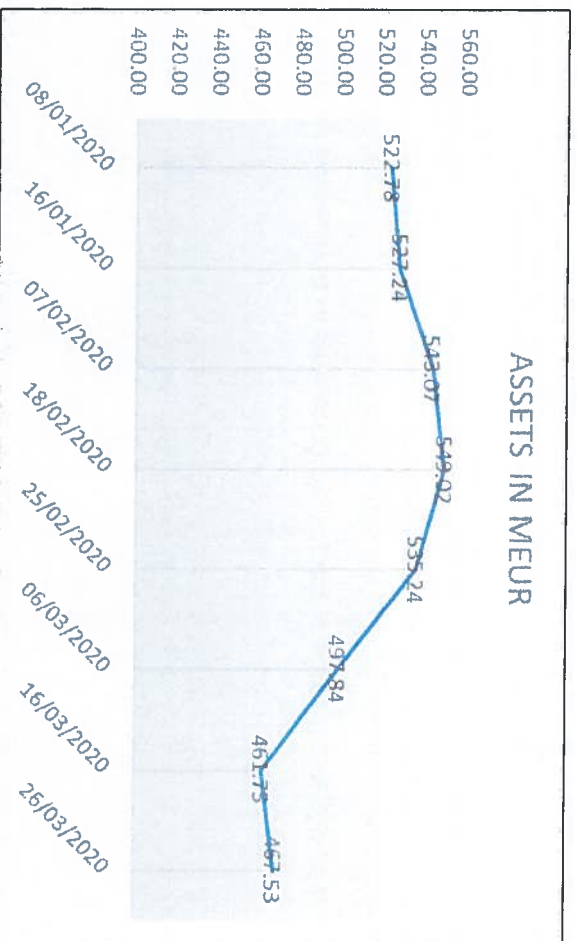
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The below graphic shows the evolution of the market value of DCPS investments, since the beginning of 2020 until 26 March 2020 (frequency approximately every 10 days):



As of 26 March 2020 the DCPS Investment portfolio shows a value of EUR 467,532,213.67, which is lower by EUR 50,865,822.62, than on 31 December 2019.

The total value of holdings is adjusted by the monthly contributions (increase) and redemptions (decrease) at the first trade date of each month. So, apart from the unit price variation from market fluctuations and the switches done by the members (which may magnify or dampen the market effect), the contributions invested into/disinvested from the funds also affect the total value of DCPS Investment portfolio.

Given the ongoing COVID19 crisis, it is very difficult to predict the short to medium term behavior of the markets and of the investment decisions made by the DCPS members, but it's not unreasonable to expect that the high volatility will persist in the coming months.

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**NATO INTERNATIONAL STAFF
FINANCIAL STATEMENTS**

For the year ended
31 December 2019

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

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ANNEX 1 to
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As at 31 December 2019
(All amounts in EUR)

	Notes	2019	2018
Assets			
Current assets			
Cash and cash equivalents	3	95,868,780.40	48,479,952.66
Short term investments	4	25.02	60,780,056.22
Receivables	5	51,003,663.44	50,424,592.65
Prepayments	6	2,376,028.54	4,335,733.07
Other current assets	7	3,832,719.02	3,176,765.87
Inventories	8	545,117.25	360,298.07
		<u>153,626,333.67</u>	<u>167,557,408.33</u>
Non-current assets			
Receivables	9	0.00	0.00
Property, plant & equipment	10	902,665,826.86	938,775,632.97
Intangible assets	11	4,563,548.09	6,277,754.78
Other non-current assets	12	16,652,386.00	9,787,308.00
		<u>923,907,760.95</u>	<u>954,840,695.66</u>
Total assets		<u>1,077,528,094.62</u>	<u>1,122,398,104.07</u>
Liabilities			
Current liabilities			
Payables	13	25,234,508.77	31,549,390.01
Deferred revenue	14	69,756,383.65	66,476,633.98
Advances	15	55,813,370.11	55,855,550.79
		0.00	0.00
Short term provisions	16	2,044,128.50	2,035,227.32
Other current liabilities	17	16,352,530.99	20,566,728.35
		<u>169,200,922.02</u>	<u>176,483,530.46</u>
Non-current liabilities			
Payables	18	0.00	0.00
Long term provisions	18	0.00	0.00
Deferred revenue	19	907,249,374.95	945,053,387.66
Other non-current liabilities	20	0.00	0.00
		<u>907,249,374.95</u>	<u>945,053,387.66</u>
Total liabilities		<u>1,076,450,296.97</u>	<u>1,121,536,918.14</u>
Net assets	21		
Capital assets			
Reserves		0.00	0.00
Current year Surplus / (Deficits)		216,611.72	303,506,287.95
Accumulated surpluses / (deficits) prior year		861,185.93	557,679,655.95
Total net assets/ equity		<u>1,077,797.65</u>	<u>861,185,931.90</u>

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ANNEX 2 to
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**NATO INTERNATIONAL STAFF
Statement of financial performance**

As at 31 December 2019
(All amounts in EUR)

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Revenue			
Non exchange revenue	22	259,021,205.03	249,181,944.26
Exchange revenue	23	12,153,999.79	15,899,501.86
Other revenue	24	7,263,636.24	1,368,520.99
Financial revenue	25	225,368.69	398,177.18
Total revenue		<u>278,664,209.75</u>	<u>266,848,144.29</u>
Expenses			
Personnel	26	124,007,060.06	123,205,006.76
Contractual supplies and services	26	103,056,514.50	103,369,685.87
Depreciation and amortization	26	49,220,361.52	37,523,699.60
Impairment	26	0.00	5,251.84
Provisions	26	2,044,126.82	2,035,229.00
Other expenses	26	501.00	11,714.27
Finance costs	26	119,034.13	394,050.67
Total expenses		<u>278,447,598.03</u>	<u>266,544,638.01</u>
Surplus/(Deficit) for the period	27	<u>216,611.72</u>	<u>303,506.28</u>

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ANNEX 3 to
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NATO INTERNATIONAL STAFF Statement of Cash Flow

As at 31 December 2019
(All amounts in EUR)

	Notes	2019	2018
Cash flow from operating activities	28		
Surplus/(Deficit)		216,611.72	303,506.28
Non-cash movements		216,611.72	303,506.28
Depreciation/ Amortisation		49,220,361.52	37,523,699.60
Impairment			
Increase/(decrease) in payables, deferred revenue and advances		(3,077,312.26)	24,571,179.75
Increase/ (decrease) in other current liabilities		(42,018,210.09)	927,257,363.45
Increase/ (decrease) in provisions		8,901.18	68,692.00
(Gains)/losses on sale of property, plant and equipment			
Decrease/ (Increase) in other current assets		(47,361,929.76)	926,238,213.22
Decrease/ (Increase) in receivables, prepayments and inventories		1,195,804.41	(18,404,056.76)
Decrease/ (Increase) in other non current assets		30,938,934.73	(938,495,691.30)
Net cash flow from operating activities		(11,093,450.27)	958,759,399.96
Cash flow from investing activities			
Purchase of property plant and equipment / Intangible assets		(2,514,364.91)	(964,432,104.14)
Proceeds from sale of property plant and equipment		(2,514,364.91)	(964,432,104.14)
Net cash flow from investing activities		-	-
Cash flow from financing activities			
Net cash flow from financing activities			
Net increase/(decrease) in cash and cash equivalents		(13,391,203.46)	(5,369,197.90)
Cash and cash equivalent at the beginning of the period		109,260,008.88	114,629,206.74
Cash and cash equivalent at the end of the period		95,868,805.42	109,260,008.88

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NATO INTERNATIONAL STAFF
Statement of Changes in Net Assets/Equity
As at 31 December 2019

	(in EUR)
Balance at the beginning of the period 2018	557,679.65
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	303,506.28
Surplus/(deficit) for the period	303,506.28
Change in net assets/equity for the year ended 2018	861,185.93
Balance at the end of the period 2018	861,185.93
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	216,611.72
Surplus/(deficit) for the period	216,611.72
Change in net assets/equity for the year ended 2019	1,077,797.65
Balance at the end of the period 2019	1,077,797.65

INTERNATIONAL 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	1 299 086.15	2 870 521.90	4 169 607.05	1 299 086.15	-	1 161 983.79
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

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ENCLOSURE 1
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FC(2020)0044-REV1INTERNATIONAL STAFF
Statement of Budget Execution as at 31 December 2018

(amounts in euro)	Initial Budget	Increase / Decrease	Revised Budget	Transfers	Frozen Budget	Final budget	Commitments	Expenses	Totals spent	Carry forward	Special carry forward	Lapsed
Civil Budget												
Chapter 1	127,879,384.42	1,198,476.27	129,077,860.69	147,581.00	-	129,225,441.69	339,015.30	127,534,426.86	127,873,442.16	339,015.30	249,985.00	1,102,014.53
Chapter 2	68,480,609.00	(131,375.85)	68,349,233.15	(620,113.00)	-	67,729,120.15	1,830,852.84	55,247,923.44	57,078,776.28	1,830,852.84	4,127,699.76	6,522,644.11
Chapter 3	2,106,787.00	1,720,169.00	3,826,956.00	435,032.00	-	4,261,988.00	95,097.60	1,357,581.24	1,452,678.84	95,097.60	2,556,408.00	252,901.16
Chapter 4	23,822,210.00	(325,269.32)	23,496,940.68	37,500.00	-	23,534,440.68	3,056,625.10	18,823,383.85	21,880,008.95	3,056,625.10	543,200.00	1,111,231.73
Total FY 2018	222,288,990.42	2,462,000.10	224,750,990.52	-	-	224,750,990.52	5,221,590.84	202,963,216.39	208,284,906.23	5,221,590.84	7,477,292.76	8,988,791.53
Civil Budget												
Chapter 1	851,819.37	-	851,819.37	-	-	851,819.37	22,175.99	63,248.46	85,424.45	22,175.99	-	766,394.92
Chapter 2	1,742,098.92	-	1,742,098.92	-	-	1,742,098.92	46,954.25	245,194.79	292,149.04	46,954.25	-	1,449,949.88
Chapter 3	654,148.01	-	654,148.01	-	-	654,148.01	154,351.55	491,880.76	646,232.31	154,351.55	-	7,915.70
Chapter 4	5,728,382.89	-	5,728,382.89	-	-	5,728,382.89	1,250,196.71	3,762,516.71	5,012,713.42	1,250,196.71	-	715,669.47
Total FY 2017	8,976,449.19	-	8,976,449.19	-	-	8,976,449.19	1,473,878.50	4,562,840.72	6,038,518.22	1,473,878.50	-	2,339,329.97
Civil Budget												
Chapter 1	127,376.16	-	127,376.16	-	-	127,376.16	-	59.02	59.02	-	-	127,317.14
Chapter 2	144,509.42	-	144,509.42	-	-	144,509.42	-	21,901.89	21,901.89	-	-	122,607.53
Chapter 3	15,046.19	-	15,046.19	-	-	15,046.19	-	-	-	-	-	15,046.19
Chapter 4	1,203,562.66	-	1,203,562.66	-	-	1,203,562.66	-	696,211.23	696,211.23	-	-	507,351.43
Total FY 2016	1,490,494.43	-	1,490,494.43	-	-	1,490,494.43	-	718,172.14	718,172.14	-	-	772,322.29
SPECIAL CARRYFORWARDS												
Chapter 1	3,014,312.15	-	3,014,312.15	-	-	3,014,312.15	83,207.10	1,687,864.84	1,771,071.94	83,207.10	778,354.00	464,886.21
Chapter 2	3,690,815.16	-	3,690,815.16	-	-	3,690,815.16	187,043.85	2,645,766.29	2,832,810.14	187,043.85	565,638.09	292,366.93
Chapter 3	6,778,535.88	-	6,778,535.88	-	-	6,778,535.88	21,752.30	2,005,903.34	2,027,655.64	21,752.30	4,409,638.00	341,242.24
Chapter 4	732,813.43	-	732,813.43	-	-	732,813.43	8,399.99	641,913.06	650,313.05	8,399.99	75,586.00	6,914.38
Total SPECIAL CARRYFORWARDS	14,216,476.62	-	14,216,476.62	-	-	14,216,476.62	300,403.24	6,981,447.53	7,281,850.77	300,403.24	5,829,216.09	1,105,469.76
	246,972,410.66	2,462,000.10	249,434,410.76	-	-	249,434,410.76	7,095,672.58	215,225,775.78	222,321,446.36	7,095,672.58	13,306,508.85	13,806,453.55

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NATO HR Shared Services
Statement of Budget Execution
 As at 31 December 2019

(amounts in euro)	Initial budget	Transfers	BA2	Transfers	BA3	Transfers	Final budget	Actuals	Carry forward	Lapsed
PMIS										
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 2018	513,482	-	513,482	-	513,482	-	513,482	492,616	-	20,866
PMIS										
Chapter 1	-	-	-	-	-	-	-	-	-	-
Chapter 2	-	-	-	-	-	-	-	-	-	-
Chapter 3	-	-	-	-	-	-	-	-	-	-
Total FY 2017	-	-	-	-	-	-	-	-	-	-
PMIS										
Chapter 1	-	-	-	-	-	-	-	-	-	-
Chapter 2	-	-	-	-	-	-	-	-	-	-
Chapter 3	-	-	-	-	-	-	-	-	-	-
Total FY 2016	-	-	-	-	-	-	-	-	-	-
Total all budgets	513,482	-	513,482	-	513,482	-	513,482	492,616	-	20,866

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ENCLOSURE 1
C-M(2021)0029-REV1ANNEX 5 to
FC(2020)0044-REV1**NATO HR Shared Services
Statement of Budget Execution**

As at 31 December 2018

(amounts in euro)

	Initial budget	Transfers	BA2	Transfers	BA3	Transfers	Final budget	Actuals	Carry forward	Lapsed
PMIS										
Chapter 1	192,700	-	192,700	-	192,700	-	192,700	185,956	-	6,744
Chapter 2	302,179	-	302,179	-	302,179	-	302,179	275,477	-	26,702
Chapter 3	-	-	-	-	-	-	-	-	-	-
Total FY 2018	494,879	-	494,879	-	494,879	-	494,879	461,433	-	33,446
PMIS										
Chapter 1	-	-	-	-	-	-	-	-	-	-
Chapter 2	-	-	-	-	-	-	-	-	-	-
Chapter 3	-	-	-	-	-	-	-	-	-	-
Total FY 2017	-	-	-	-	-	-	-	-	-	-
PMIS										
Chapter 1	-	-	-	-	-	-	-	-	-	-
Chapter 2	-	-	-	-	-	-	-	-	-	-
Chapter 3	-	-	-	-	-	-	-	-	-	-
Total FY 2016	-	-	-	-	-	-	-	-	-	-
Total all budgets	494,879	-	494,879	-	494,879	-	494,879	461,433	-	33,446

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**EXPLANATORY NOTES TO NATO INTERNATIONAL STAFF
2019 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 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 29 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.

The following IPSAS have no material effect on the 2019 financial statements of the NATO-IS:
IPSAS 5: Borrowing Costs

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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 and the Morale and since October 2018 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 later 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 Center 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 PQ(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

In 2018 the untaken leave was disclosed as "Other Expenses", however we have reconsidered this policy, since even though NATO IS policy is that untaken leave shall be paid only as a last recourse (Staff is compelled to take all their leave before retiring), we believe that for informative and transparency purposes, this liability should be recognized as if NATO would shut down its activities as of 31Dec19 and disclosed as a Provision instead of an actual expense, since its realization is uncertain.

In 2019 NATO IS decided to start recognizing a provision for bad debts, thus aligning with the policies already followed in other financial statements produced by NATO IS. Since this Provision is notional only (posted and reversed in the following year) these financial statements do not provide comparative data for 2018.

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Reclassification of Financial Statements of Previous Years

A minor reclassification was done, concerning untaken leave. As explained above there was a change in our accounting policy, and thus it is no longer disclosed as "Other Expense" in the statement of financial performance, but as a Provision.

The table below summarises the change.

NATO INTERNATIONAL STAFF Statement of financial performance			
As at 31 December 2018 (All amounts in EUR)			
	Notes	2018 - Reclassified	2018
Revenue			
Non exchange revenue	22	249,181,944.26	249,181,944.26
Exchange revenue	23	15,899,501.86	15,899,501.86
Other revenue	24	1,368,520.99	1,368,520.99
Financial revenue	25	398,177.18	398,177.18
Total revenue		266,848,144.29	266,848,144.29
Expenses			
Personnel	26	123,205,006.76	123,205,006.76
Contractual supplies and services	26	103,369,685.87	103,369,685.87
Depreciation and amortization	26	37,523,699.60	37,523,699.60
Impairment	26	5,251.84	5,251.84
Provisions	26	2,035,229.00	68,693.68
Other expenses	26	11,714.27	1,978,249.59
Finance costs	25	394,050.67	394,050.67
Total expenses		266,544,638.01	266,544,638.01
Surplus/(Deficit) for the period	27	303,506.28	303,506.28

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, and calculated with the use of 2018 base value adjusted by 2019 salary and staff number increase

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- 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 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.

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.

- 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 2019 year-end:

SHORT TERM RATINGS					
BANK NAME	COUNTRY OF HQ	RATING DATE	FITCH	S&P	Moody's
ING BANK	NE	10.01.2020	F1+	A-1	P1
BNP PARIBAS FORTIS	FR	10.01.2020	F1+	A-1	P1
WELLS FARGO	US	10.01.2020	F1+	A-1	P1
MONTE PASCHI/AION	IT	31.12.2019	B	N/A	N/A

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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.

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, after provision for doubtful and uncollectable debts. 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).

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.

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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 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.

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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

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
Missile 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 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

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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 are currently not recognised in the Statement of Financial Performance. The number of Voluntary National Contributions (VNCs) staff is disclosed in these Notes under "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 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.

Four NATO-IS information and liaison offices (Moscow, Kyiv, Tbilisi and Chisinau) have their current accounts held with 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.

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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 HRSS and Building Z Project.

The table below presents a breakdown of all Cash and Cash equivalents under the control of NATO IS:

Cash and cash equivalent (amounts in EUR)	2019	2018
NATO IS HQ Civil Budget	57,883,306.73	33,163,660.98
NATO IS External Offices	629,537.43	586,742.36
NATO IS Petty Cash	3,366.78	7,964.51
NATO IS HQ Reimbursable Expenses	175,249.04	(1,504,337.10)
PMIS	(160,126.29)	(157,838.58)
Office of Shared Services	942,678.71	942,678.71
Extra Budgetary Funds	41,254,243.12	13,439,184.32
Partners' Accommodation	202,713.88	(470,356.86)
Refurbishment of Building Z	(5,543,451.80)	2,137,025.48
Morale and Welfare Recreational Activities (Staff Centre)	481,262.80	335,228.86
Total	95,868,780.40	48,479,952.66

Negative balance of Building Z in 2019 is the result of the pre-financing operations with the use of NATO IS cash liquidity. In 2018 the balance was still positive, due the fact that the Partners' contributions for their optional works was still higher than the costs incurred in the project (See Note 2 on "Building Z Project Financing").

NOTE 4: SHORT TERM INVESTMENTS

Short term investments are made in highly liquid and high quality paper 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 2019 at year-end there was no cash held as short-term investments. This was a result of changes in cash management due to the negative interest rate environment. In 2019, all cash was deposited in current bank accounts (in 2018 EUR 60,780,056.22). The EUR 25.02 disclosed in 2019, refers just the remnants of an investment account (interest gained).

The table below provides comparative data on this item over two consecutive years:

Short Term Investments (amounts in EUR)	2019	2018
NATO IS HQ Civil Budget	25.02	50,000,025.02
NATO IS HQ Reimbursable Expenses)	-	-
NATO IS External Offices	-	-
PMIS	-	-
Office of Shared Services	-	-
Extra Budgetary Funds	-	10,780,031.20
Partners' Accommodation	-	-
Refurbishment of Building Z	-	-
Total	25.02	60,780,056.22

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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 (e.g. use of telephone for private purposes). This item also includes amounts due from the insurer to compensate for salary costs of staff on long term sick leave.

Under this item it is also booked the receivable accrual for NATO IS share of the Employers' part of DCPS compensatory payment, amounting to EUR 663,827.16 (see Note 35).

The table below provides comparative data of the Receivables balances at year-end, for two consecutive years:

RECEIVABLES	2019	2018
IS	47,139,153.78	45,258,241.35
Refundable Expenses	578,786.24	1,884,192.47
PMIS	484,824.96	346,056.21
Extra Budgetary Funds	266,319.53	1,948,976.72
PARTNER ACCOMMODATION	470,466.28	128,430.08
BUILDING Z REFURBISHMENT	1,149,990.00	65,450.00
MWR	914,122.65	793,245.67
OSS	-	-
TOTAL	51,003,663.44	50,424,592.50

NOTE 6: PREPAYMENTS

Prepayments to suppliers relate mostly to rental fees on the Partners Accommodation, which have to be 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:

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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

2018			
Prepayments (in EUR)	IS	Partners' Accomodation	Total
Suppliers	1,708,311.69	1,290,043.89	2,998,355.58
Staff	1,337,379.09	-	1,337,379.09
Others	-	-	-
TOTAL	3,045,690.78	1,290,043.89	4,335,734.67

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 Center 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)	2019	2018
Untaken Leave offset	2,037,071.94	1,966,535.32
Warranty	10,836.82	10,836.82
Litige Carrefour and Grand Optical (old SC)	284,236.86	
Other	5,075.14	405,735.86
Inter-entity cash advances (DCPS, RMCF)	1,500,000.00	1,137,898.75
Total	3,837,220.76	3,521,006.75

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	Stock Value as per 31Dec18	2019 Yearly Issues	2018 Yearly Purchases	Stock Value as per 31Dec19
Office Supplies	€ 229,899.71	€ 70,650.67	€ 79,389.08	€ 238,438.12
Buildings & Infrastructure Supplies	€ 68,800.97	€ 25,233.38	€ 202,657.64	€ 246,226.23
NOS Consumables	€ 56,082.60	€ 22,770.70	€ 27,142.00	€ 60,453.90
				€ 545,117.25

NOTE 9: NON CURRENT ASSETS: RECEIVABLES

Nothing to report.

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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 the 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.

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 publique"). 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:

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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 10,300,000 as at November 2013.

Since 2014, the residence has benefited from several maintenance and renovation works, that must have increased its market value. A new audit and re-valuation of the Residence is foreseen to take place in October 2020 and by then the residence market value will be re-assessed.

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 2018	Corrections related to PPE module	Additions	Disposals	Depreciation	Reclass	Impairment	Carrying Amount end 2019
COMMON FUNDED								
Land & Building	657,172,894.34		635,442.17		(16,639,946.83)		0	641,168,389.68
Installed equipment	278,138,805.42		228,467.00		(29,299,994)		0	249,067,278.55
Machinery	472,187.63				(66,014)		0	406,173.58
Transportation Equipment	248,982.30		112,253.37		(83,284)		0	277,952.00
Communications	8,620.95		224,068.50		(21,069)		0	211,620.34
IT Equipment	191,184.66				(81,743)		0	109,442.14
TOTAL	936,232,675.30	-	1,200,231.04	-	(46,192,050.05)	-	-	891,240,856.29

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	2019	2018
Assets under construction	11,444,970.57	2,542,957.60

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.

The below table disclose the items that were replaced by COFELY until the end of 2019, as part of this contract execution:

COFELY TOTAL WARRANTY REPLACEMENTS 2019		
ITEMS REPLACED		COST
RPL DES BATTERIES DE SECOURS EN JANVIER ET FEVRIER 2019		129,826.46
Réparation disjoncteur DEBA suite aux tests haute tension du 15 décembre 2018		7,158.75
Remplacement de 2 membranes hydrolyse		7,615.07
Remplacement vase d'expansion sanitaire local géothermie		1,741.68
REP DES POMPES SUR EAU PUIITS AL7		6,741.28
RPL DE LA POMPE DE RELEVAGE SC/B1		1,607.30
RPL DES CONDENSEA TEURS DES UPS		40,151.10
RPL DES POMPES DU CIRCUIT DE STERILISATION DES HUMIDIFICATEURS SUITE A L'ETAT ZERO		12,348.16
RPL DES MEMBRANES HYDROLYSE DE SEL		7,430.82
RPL DES POMPES DE RECIRCULATION DES TOURS DE REFROIDISSEMENT 3+7		8,921.50
TOTAL		223,542.12

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After an analysis IS-OFC decided that since all acquired items falls under the consumable/spare part category, in 2019 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 2019, shows a positive balance of EUR 306,692.48.

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.

The table below shows the status of Intangible Assets in the Civil Budget segment at year-end:

	(amounts in EUR)	Carrying Amount end 2016	Corrections related to PPE module	Additions	Disposals	Depreciation	Reclass	Impairment	Carrying Amount end 2019
COMMON FUNDED									
Intangible assets									
ILS RELATED COSTS: IMPLEMENTATION: SW: PROJECT STAFF		29,484.48				(5,897.7)			23,587.59
WCM RELATED COSTS: IMPLEMENTATION: SW: PROJECT STAFF		665,478.80				(166,389.9)			499,107.60
PPM RELATED COSTS: IMPLEMENTATION: SW: PROJECT STAFF		425,516.74				(423,517.7)			-
EDM RELATED COSTS: IMPLEMENTATION: SW: PROJECT STAFF		1,079,270.38	-	-	-	(1,075,614.10)	-	-	3,656.26
DAMS RELATED COSTS: IMPLEMENTATION: SW: PROJECT STAFF (2)		115,151.53	-	65,018.00	-	(131,406.03)	-	-	48,763.50
ERP RELEASE II + OEI		1,207,552.03				(467,439.9)			740,112.54
OTHER ASSETS		590,319.29	-	1,239,463.79	-	(478,825.95)	2,134,978.18	-	2,895,816.02
		4,118,770.23	-	9,652.01	-	(277,043.06)	24,000.00	-	352,898.22
TOTAL		6,277,754.80	-	1,314,133.80	0	(3,028,311.47)	2,158,978.18	0	4,563,546.11
Intangible assets under construction		2,158,984.67	-				(2,158,978.18)		6.39
TOTAL		8,436,739.47	-	1,314,133.80	-	(3,028,311.47)	-	-	4,563,546.11

In 2019 the works on ERP R3 have been finalized which is reflected in the reclassification of EUR 2,134,978.18 from Assets Under Construction to the ERP Intangible asset. An additional EUR 24,000.00 has been re-classified for the MIT Project.

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 16,652, comprises MEUR 12,890 corresponding to the balance of pre-financing of the cost of refurbishment and re-investment works in Building Z and MEUR 3,762 relating to the amount due from the LTPB as a contribution to the Building Z project. Occupancy fees to be charged to future occupants including the NATO International Staff will offset this amount.

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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.

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 presents detailed breakdown of payables at the year-end for the IS segment for two consecutive years:

Payables (in EUR)	2019	2018
Suppliers	7,969,687.70	4,047,547.10
Personnel Related	45,864.76	1,165,049.75
Member Nations	2,963,471.51	3,544,243.39
Accruals	9,927,387.86	19,232,424.96
Others		
Total	20,906,411.83	27,989,265.20

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:

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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.

In the table below it is disclosed a breakdown of the Deferred/Unearned Revenue balances at 2019 year-end:

Deferred revenue (in EUR)	2019	2018
Nato IS	19,880,367.97	20,394,995.80
Extra Budgetary Funds	39,649,583.25	35,702,466.79
Building Z	10,226,432.43	10,379,171.40
Total	69,756,383.65	66,476,633.99

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	2019	2018
Advances called on next year Budget	52,000,000.00	52,000,000.00
Voluntary Advances from nations	3,098,884.32	3,432,530.00
Total	55,098,884.32	55,432,530.00

NOTE 16: SHORT TERM PROVISIONS

Included at year end 2019 is a Provision for the valuation of Untaken Leave (which has no impact on the current budgets) in the amount of EUR 2,037,071.94 (EUR 1,966,534.32 end 2018) and Bad Debts Impairments in the Civil Budget (EUR 6,343.74) and in the other segments.

NOTE 17: OTHER CURRENT LIABILITIES:

Other Current Liabilities Linked to the Budget Process

Amounts corresponding to the current year budgetary surplus (lapsed credits + net interest + 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

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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 (e.g. private phone calls) 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 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:

Civil Budget Surplus (in EUR)	2019	2018
Lapsed Appropriations	7,057,267.32	13,806,453.55
Miscellaneous Income	6,576,644.03	(84,467.69)
Net Financial Income	(78,709.09)	3,868.43
Total: Current Year Surplus	13,555,202.26	13,725,854.29
Under-Call (Over-Call)		(3,916,859.84)
Total	13,555,202.26	17,642,714.13

Other Current Liabilities linked to closed or ad-hoc projects

Other Current Liabilities consist of monies initially contributed by Nations relating to balances of closed Trusts Funds for which NATO-IS is awaiting instructions on the redistribution of funds, 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.

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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 95,774.61 unchanged between 2017 and 2018). In 2019 a payment of EUR 20,000 was done from this fund, as per EM(HR)(2019)0296, reducing the value of this fund to 75,774.61.

Global overview

The table below presents detailed breakdown of Current Liabilities at for the IS segment only, for two consecutive years.

(in EUR)	2019	2018
Current Year Surplus	13,555,202.26	13,725,854.29
Closed Operations (Trust Funds, Projects or Entities)	2,739,309.76	2,052,698.88
Stikker Fund	75,774.61	95,774.61
Interco Liability	-	10,000,000.00
Other	561,641.20	272,412.12
Overall		3,916,859.84
Total Other Current Liabilities	16,931,927.83	30,063,599.74

Note: During consolidation the positive/negative balances of all segments are offset (see also Note 30)

The EUR 561K disclosed as "Other" refer mainly to the Liability balance related with the recognition of Stock Inventories (EUR 545K), together with some minor items like; Deferred Expenses, Inter-segment transactions, etc.

The EUR 10,000,000.00 shown in 2018, are related with an incidental investment done for the Extra Budgetary Funds segment cash holdings done under NATO IS investment accounts.

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 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.

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In 2020, with the foreseen move of partner nation's delegations to the new Partners Building (Building Z), the operations currently managed under the Partners Accommodation segment will be terminated.

In 2019, the Partners Accommodation produced a surplus of EUR 216,611.72, which results over the years in an accumulated surplus of EUR 1,077,797.65 as of 31 December 2019.

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/Wöhrner).
- 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 2019, under this item, it is also disclosed the Allianz compensatory payment, the acquisition of extra space for the German delegation, 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 2019 the major sources of financial income came from the IS (EUR 115,436.04) and Extra-Budgetary Funds (EUR 109,932.62) segments.

These amounts include EUR 55,643.72 of Unrealized Gains originating from the year-end revaluation of cash and cash equivalents held in foreign currency.

This source of revenue is impacted by the current context where negative interest rates apply to EUR cash holdings.

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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). It also includes the cost of running NATO Information and External Offices in Afghanistan, Russia, Ukraine, Georgia, Moldova, Kuwait, Austria and the United States (New York).

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 2019, the Partners Accommodation produced a surplus of EUR 216,611.72.

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 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.

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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 slightly) higher than the actual amount eventually paid. This results in commitments being higher than the actual expenses and in appropriations eventually lapsing.

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- 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. 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 2018, the Council approved the initial 2019 Civil Budget of EUR 212,384,882 (C-M(2018)0066 +COR1). The initial budget comprised the core 2019 Civil Budget of EUR 205,759,782 and contributions to the Defined Contribution Pension Scheme (DCPS) of EUR 6,625,100. In November 2019, the Budget Committee approved a transfer of EUR 1.0 million from the initial 2019 Civil Budget to the Defined Benefit Pension Scheme (DBPS), reducing the initial budget to EUR 211,384,882 (BC-D(2019)0213 (INV)).

With C-M(2018)0066 +COR1, the Council noted the Budget Committee-approved special carry forward of appropriations from 2015, 2016, 2017 and 2018 of EUR 14,020,670 and lapsable appropriations of EUR 8.27 million from 2018 and prior years and froze the entire amount (Annex 3 to BC-D(2019)0028

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+COR1 (INV). In February 2019, the Budget Committee unfrozen EUR 5.27 million (BC-D(2019)0005 (INV)).

Appropriations were transferred under the authority delegated to the Secretary General and the IS Financial Controller by the NATO Financial Regulations and Financial Rules and Procedures.

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 a reconciliation of overview for the two last consecutive years:

2019

EXPENSES RECONCILIATION		Amounts
Budget Execution Statement Total Costs		213,106,753.36
Depreciation & Amortisation 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

2018

	Amounts	
Budget Execution Statement Total Costs	215,225,775.78	
Depreciation & Amortisation Charges + PP&E Recognition	+	34,667,758.50
Impairments PP&E, Intangible Assets and Stock	+	
Impairments Receivables	+	
Stock Variation	+	66,457.32
NBV Fixed Assets Losses	+	
Financial Costs	+	323,872.83
Non-Budgetary Provisions	+	1,966,535.32
Other Non-Budgetary Costs	+	
Statement of Financial Performance Costs		252,250,399.75

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 2019, the Budget Committee approved the following special purpose budgets:

- The 2019 NATO-wide Payroll Management and Information System budget of EUR 236,512 through references BC-D(2019)0035 (INV) and BC-DS(2019)0008 (INV); and,

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- The 2019 NATO Talent Acquisition Platform budget of EUR 276,970 through references BC D(2019)0085 (INV) and BC-DS(2019)0021 (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 2019, 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. All expenses are capitalized.

The table below provides information about the evolution of the Building Z budget (DPRC-N(2019)0021-REV3 (INV)):

Building Z Budgetary Ceilings * (EUR)		
	2019	2018
Optional Programme	3,801,939	2,934,037
NATO Pre-Financed	17,868,149	9,787,000

*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).

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Notes		IS				PARTNER		MNR		Neutralisation of Internal Transactions		2019
		Refundable Expenses	HR Shared Services	Budgetary Funds	ACCOMMODATION	BUILDING Z REFURBISHMENT						
Assets												
Current assets		3	56 468 869.65	175 240.64	100 129.26 ²	41 254 243.12	202 713.66	-5 543 451.80	481 262.80			95 868 780.40
Cash and cash equivalents	4	29.02										25.02
Short term investments	5	40 280 120.48	576 798.24	404 824.86	268 319.53	470 468.28	1 148 990.00	814 122.65	2 122 865.68			51 003 883.44
Receivables	6	1 757 633.49		4 500.00		813 894.05						2 370 628.54
Prepayments	7	3 837 229.76			0.00		308 718.56		373 219.32			3 832 718.02
Other current assets	8	545 117.25										545 117.25
Intangible assets		114 881 087.33	754 035.38	328 188.87	41 530 562.85	1 387 874.21	-4 333 481.80	1 764 102.03	2 488 185.80			153 880 353.87
Non-current assets												
Receivables	9											0.00
Property, plant & equipment	10	891 240 858.29					11 444 870.57					892 685 828.86
Intangible assets	11	4 563 548.08					18 652 386.00					4 563 548.08
Other non-current assets	12	12 889 883.00					78 697 358.37					18 652 386.00
		898 884 287.38	0.00	0.00	0.00	0.00	28 697 358.37	0.00	12 889 883.00			892 596 178.85
Total assets		1 023 565 393.93	754 035.38	328 188.87	41 530 562.85	1 387 874.21	23 703 884.77	1 764 102.03	15 388 185.80			1 077 538 844.82
Liabilities												
Current liabilities												
Payables	13	20 980 411.83	163 879.54	258 803.39	1 882 313.97	208 899.66	2 028 829.83	2 100 737.13	2 122 865.68			28 234 508.77
Deferred revenue	14	18 860 267.87			39 848 583.25		10 228 432.43		124 378.64			66 756 383.85
Advances	15	55 098 884.32	590 108.15									55 613 370.11
Short term provisions	16	2 043 415.68	248.59	24.89		376.80			64.64			2 044 128.50
Other current liabilities	17	18 831 827.83	754 035.38	70 370.59	171 865.43	289 278.58	5 861.84	-461 678.38	373 219.32			18 352 520.89
		114 881 087.83	754 035.38	328 188.87	41 530 562.85	289 278.58	12 258 594.20	1 764 102.03	2 488 185.80			188 280 323.02
Non-current liabilities												
Payables	18											0.00
Long term provisions	19	885 884 104.38					11 444 870.57					887 249 374.88
Deferred revenue	20	1 238 883.30										12 889 883.00
Other non-current liabilities		908 884 387.38	0.00	0.00	0.00	0.00	11 444 870.57	0.00	12 889 883.00			907 249 374.85
Total liabilities		1 023 565 393.93	754 035.38	328 188.87	41 530 562.85	289 278.58	23 703 884.77	1 764 102.03	15 388 185.80			1 077 480 288.87
Net assets	21											
Capital assets												0.00
Reserves												0.00
Current year Surplus / (Deficits)												216 811.72
Accumulated surpluses / (deficits) prior year												881 185.83
Total net asset/equity		0.00	0.00	0.00	0.00	1 077 737.65	0.00	0.00	0.00			1 077 737.65

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Notes										2018	
Assets	IS	Refundable Expenses	PMIS	OSS	Extra Budgetary Funds	PARTNER ACCOMMODATION	BUILDING Z REFURBISHMENT	MWR	Neutralisation of Internal Transactions		
Current assets											
Cash and cash equivalents	3	31,758,387.85	-1,594,337.10	-157,838.58	942,678.71	13,439,184.32	2,137,025.48	335,228.88		48,479,932.66	
Short term investments	4	50,000,025.92	1,884,192.47	346,956.21	0.00	10,780,031.20				60,780,056.22	
Prepaid expenses	5	1,045,545.00				1,349,979.72	128,430.68			2,494,524.80	
Prepayments	6	3,048,688.18					65,150.00			3,113,838.18	
Other current assets	7	3,521,008.75	10,387.48	33,678.68	0.00	10,000,000.00				3,178,795.91	
Inventories	8	350,288.07							10,387,687.00	350,288.07	
		135843619.22	399,222.83	221,296.29	942,678.71	36,186,192.24	2,292,475.48	1,126,474.53	10,387,687.00	187,557,488.39	
Non-current assets											
Receivables	9					0.00				0.00	
Property, plant & equipment	10	938,232,675.30				0.00	2,542,657.60			938,775,632.90	
Intangible assets	11	6,277,754.78				0.00				6,277,754.78	
Other non-current assets	12	9,787,308.00				0.00	9,787,308.00		9,787,308.00	9,787,308.00	
		95229738.89	0.00	0.00	9.99	0.00	12,339,865.60	8.88	9,787,308.00	9,944,486,655.48	
Total assets		1,088,241,356.39	399,222.83	221,296.29	942,678.71	36,186,192.24	4,532,471.08	1,126,474.53	20,174,975.00	1,122,339,104.97	
Liabilities											
Current liabilities											
Payables	13	27,889,265.20	86,244.68	42,435.65	942,678.71	353,872.30	79,188.45	1,519,575.16	823,798.86	31,549,390.01	
Deferred revenue	14	20,393,995.80				35,702,468.79		10,379,171.40		66,476,633.99	
Advances	15	55,480,530.18	393,978.15			0.00		91,042.46		55,855,550.79	
						0.00				0.00	
Short term provisions	16	68,892.00								68,892.00	
Other current liabilities	17	32,030,135.08	178,860.84			111,853.15	7,742.71	91,636.92	113,635.19	22,533,263.97	
		135843619.22	399,222.83	221,296.29	942,678.71	36,186,192.24	86,931.16	11,989,783.48	1,126,474.53	178,483,538.48	
Non-current liabilities											
Provisions	18					0.00				0.00	
Long term provisions	19	942,510,430.08				0.00		2,542,657.60		945,053,087.68	
Deferred revenue	20	9,787,308.00				0.00		2,542,657.60	9,787,308.00	9,787,308.00	
Other non-current liabilities		95229738.89	0.00	0.00	0.00	0.00	0.00	0.00	0.00	945,953,387.48	
Total liabilities		1,088,241,356.39	399,222.83	221,296.29	942,678.71	36,186,192.24	4,532,471.08	1,126,474.53	20,174,975.00	1,121,539,104.14	
Net assets	21										
Capital assets											
Reserves											
Current year Surplus / (Deficit)						302,548.28				302,548.28	
Accumulated surplus / (deficit) prior year						557,879.95				557,879.95	
Total net assets/equity		0.88	0.88	0.88	0.88	0.88	8.88	0.88	0.88	881,155.93	

Eliminations correspond essentially to cash movements between segments related to the fact that short term investments, for practical reasons, are done from the IS bank accounts.

Notes										2018	
Revenue	IS	Refundable Expenses	HR Shared Services	Extra Budgetary Funds	Partner Accommodation	Building Z Staff Center	Neutralisation of Internal Transactions				
Non exchange revenue	22	251,437,608.89		5,841,825.67		1,741,889.47		259,921,205.00		249,181,944.26	
Exchange revenue	23	8,452,697.00	1,590,748.14	220,882.32	2,572,835.90	67,730.72	1,395,520.31	12,153,989.78		15,899,501.86	
Other revenue	24	1,773,448.53	788,703.65		0.00	3,470,303.15	1,311,400.71	7,203,508.24		1,368,520.98	
Financial revenue	25	116,638.04		109,932.82			0.00	225,368.69		398,177.16	
Total revenue		261,776,880.46	1,590,748.14	6,060,585.97	6,000,465.21	3,470,303.15	3,726,882.13	1,305,020.31	278,884,269.75	269,148,144.26	
Expenses											
Personnel	26	122,530,347.42	77,898.32	295,878.46		188,222.68	21,809.84		124,007,060.08	123,205,008.76	
Contractual supplies and services	26	87,851,610.29	1,892,779.82	723,707.51	5,020,444.80	3,294,090.49	3,703,868.18	1,305,820.31	103,958,514.50	103,989,685.97	
Depreciation and amortization	26	49,220,381.62							49,220,381.52	37,823,699.60	
Provision	26								0.00	5,251.84	
Provisions	26	2,043,886.98		-1.88	378.00		64.84		2,044,129.82	2,033,220.00	
Other expenses	26			338.00					185.00	11,121.27	
Finance costs	26	113,974.37		3,972.57		1,098.49			119,024.15	394,050.67	
Total expenses		261,776,880.46	1,590,748.14	6,060,585.97	6,000,465.21	3,470,303.15	3,726,882.13	1,305,020.31	278,447,598.03	269,544,638.61	
Surplus/(deficit) for the period	27	0.00	0.00	0.00	0.00	218,911.72	0.00	0.00	0.00	302,548.28	

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Revenue	IS	Reimbursable Expenses	PMIS	OCS	Extra Budgetary Funds	Partner Accommodation	Building 2 Refurbishment	Staff Center	Neutralisation of Internal Transactions	2016	
										2016	2017
Non exchange revenue	22	243 173 710.41		351 830.20	5 154 405.23			501 060.22		240 181 044.26	103 002 091.50
Exchange revenue	23	8 418 859.84	4 473 764.60	201 380.34	200 010.20	2 619 775.00		371 048.70		15 809 501.86	13 008 852.87
Other revenue	24	331 430.70	475 222.22			0.00	324 263.81	227 007.17		1 304 520.90	908 747.21
Financial revenue	25	323 300.71	4 720.87		65 650.10			0.31		3 061 177.18	208 200.73
Total revenue		352 250 300.75	4 477 764.60	661 422.53	357 480.20	5 420 054.81	2 619 775.00	324 263.81	1 108 078.50	307 067 000	208 404 144.26
										208 477 082.50	
Expenses											
Personnel	26	123 124 882.55	170 317.20	185 255.50		640 705.88		83 348.51		123 205 200.70	110 808 000.86
Contractual supplies and services	28	80 234 192.11	4 207 441.34	405 513.70	340 272.02	4 711 180.15	2 210 200.72	2 40 918.20	715 233.54	103 240 065.87	84 422 420.86
Depreciation and amortisation	29	37 523 000.00								37 523 000.00	2 541 460.55
Investment	20									5 251.84	24 078.42
Provision	26	68 882 000			1.86					60 882 000	
Other expenses	20	1 975 200.88			2 008.03			387 067 000		1 978 210.50	1 814 300.87
Finance costs	25	323 872.83		654.10	2 630.28	65 100.17		1 000.21		304 050.67	378 450.25
Total expenses		352 250 300.75	4 477 764.60	661 422.53	357 480.20	5 420 054.81	2 619 200.72	324 263.81	1 108 078.50	307 067 000	208 404 144.26
Surplus (Deficit) for the period	27		0.00	0.00	0.00	0.00	383 000.28	0.00	0.00	0.00	303 300.28
										207 078 400.83	208 072.87

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 Manfred Wörner building. However, in consideration of the fact that NATO-1S 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.

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. 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.

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. 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 Belgium would decide to use the building and facilities, it shall pay a fair indemnity to NATO. If Belgium should decide to demolish them, it will not be obliged to pay an indemnity to NATO neither will NATO have to contribute to demolition costs. 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.

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IS 2019 WRITE-OFF REPORT								
Serial	Ref. Document	Date	Location	Type of Items	Acquisition Value	Net Book Value	Reason for Write-off	Disposal Method
1	Dossier 001-2019	7/2/2019	NLO Kyiv	Vehicle Skoda	18,545.00	-	Not in use due to Obsolescence Obsolete	Sale locally
2	BC-DI(2003)0034 (INV)	13/3/2019	IS HQ	All items of Furnitures, Fixtures and Equipment left behind in the PMHQ	n.d	n.d	Obsolescence and no foreseeable use in the CMHQ	Dismantling, removal and disposal/recycling was outsourced to a contractor
3	Dossier 003-2019	28/5/2019	NLO Vienna	Armoured cabinet	484.00	-	Not in use due to Obsolescence Obsolete	Dismantled and Scrapped locally
4	FC(FAC)(2019)001	23/8/2019	IS HQ	Irrecoverable debt from IS0700 Fund (Children Summer Camps fund)	336.00	n.a	Debts from a former NCIA Staff member that left the organization in 2016. All recovery attempts failed. The fund had enough accumulated surplus to absorb the write-off without any negative impact in NATO's common funding.	Write-off Receivable
5	Dossier 004/2019	16/12/2019	IS HQ	Batch of Audio, Telecom and IT Equipment	35,005.00		Unserviceable and Obsolete	Hard Drives destroyed and rest send for waste/recycle
TOTALS					54,370.00	-		

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:

NATO IS		NATO Civilians	
	31-12-19		31-12-18
Total Approved PE	1137		1103
Total Filled Positions	1028		1037
Arrivals in the year	75		70
Departures in the year	90		79

NATO IS		Total Approved PE	Total Filled Positions
Civilian (PE)		1137	1028
VNC		n.a.	104
Short term (Temps + Interns)		n.a.	145
Others – (consultants)		n.a.	11

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 9.5% (increased to 11.8% in 2020) of staff salaries is made and contributed to the annual financing of this plan. The funding mechanism of the DBPS provides that

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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.

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	2019	2018	
DBPS	381	423	
DCPS	641	618	

The table below indicates the contributions made by IS to the pension schemes:

(Amounts in EUR)		2019	2018
DBPS	Staff	3,229,395.06	3,487,491.57
	Employer	-	-
	Total	3,229,395.06	3,487,491.57
DCPS	Staff	3,969,128.32	3,776,170.17
	Employer	5,670,565.78	5,343,693.78
	Total	9,639,694.10	9,119,863.95
TOTAL	Staff	7,198,523.38	7,263,661.74
	Employer	5,670,565.78	5,343,693.78
	Total	12,869,089.16	12,607,355.52

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	2019	2018
US	7	12
Norway	3	3
Netherlands	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 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.

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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.

Extraordinary Compensatory payment

Further to an analysis covering the last years of the history of death in service risks in relation to premiums paid by the Organisation during 2012-2015, a compensation of EUR 6 million at the NATO-wide level was agreed by the insurance company. End 2018, the NATO Secretary General decided that a fraction of this amount (circa EUR 1,7 million) should be paid to NATO staff who were members of the DCPS during the period 2012-2015 in proportion to the contributions they made to the DCPS. Staff employed by IS during the period 2012-2015 and affiliated to the DCPS are therefore entitled to a payment to be made from the NATO DCPS accounts. The overall entitlement of IS staff amounts to EUR 267,776.60. During 2019 EUR 153,494.91 were paid mainly to serving staff, while the remaining EUR 114,281.69 that relate to retired or former employees is expected to be settled in the course of 2020.

However, this information is being provided here solely for clarity and cross reference purposes, since these transactions are not reflected in IS books and thus in these financial statements, but instead have been managed directly in DCPS accounts and therefore will be disclosed in the later financial statements.

As per BC-DS(2019)0067(INV), the Budget Committee decided that the "Employers' part of this compensatory payment, in the total amount of EUR 4,273,893.73, shall be returned to the respective NATO bodies.

An adequate accrual has been posted in IS books by the amount of its correspondent receivable (EUR 663,827.16).

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 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 aggregate remuneration of the 20 staff members considered as Key Managers (15 in 2018) was EUR 3,398,100.55 (EUR 3,745,443.34 in 2018). In addition to the figures above, in 2019 the following additional payments were made: loss of job indemnity (EUR 171,185.93) and payment in lieu of untaken leave (EUR 15,672.67).

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 below chart provides comparative data on the residence costs for two consecutive years:

SG Residence Costs	
2019	2018
EUR 309,00.00	EUR 339,000.00

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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 2019 was EUR 67,792.99 (EUR 74,387.32 in 2018).

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.

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 2019 the IS has invoiced under these income categories, the following amounts:

Type of Income	2019	2018
Accommodation Costs	8,452,497	6,449,197
Admin and HR Services	2,573,689	4,438,047
MWR and Commercial Entities	1,135,191 260,429	

The 2019 accommodation costs income includes the correction for the difference between the 2018-invoiced amount, based on budget estimates, and the 2018 actual expenditures.

Host Nation Belgium

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:

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Belgium – Delegation Militaire de la Sécurité Technique		
	2019	2018
Costs	589,375.50	535,420,29

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 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.

In the Appendixes it is provided a breakdown of the Statements of Financial Position and of Financial Performance for 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 Center 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).

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Notes	IS2050	IS2060	IS2090	IS2100	IS2105	IS2110	IS2130	IS2140
Assets								
<i>Current assets</i>								
Cash and cash equivalents	1,421,500.00	1,759,301.11	762,004.21	1,569,017.70	347,560.16	1,436,842.25	7,561.11	813.16
Short term investments	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
Prepayments	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
Inventories	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	1,421,500.00	1,759,301.11	762,004.21	1,569,017.70	347,560.16	1,436,842.25	7,561.11	813.16
<i>Non-current assets</i>								
Receivables	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
Intangible assets	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
Total assets	1,421,500.00	1,759,301.11	762,004.21	1,569,017.70	347,560.16	1,436,842.25	7,561.11	813.16
Liabilities								
<i>Current liabilities</i>								
Payables	0.00	0.00	2,500.00	0.00	0.00	0.00	0.00	0.00
Deferred revenue	1,421,500.00	1,759,301.11	759,504.21	1,569,017.70	347,560.16	1,436,842.25	10,848.61	813.16
Advances	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	-3,287.50	0.00
Other current liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	1,421,500.00	1,759,301.11	762,004.21	1,569,017.70	347,560.16	1,436,842.25	7,561.11	813.16
<i>Non-current liabilities</i>								
Payables	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
Deferred revenue	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
Total liabilities	1,421,500.00	1,759,301.11	762,004.21	1,569,017.70	347,560.16	1,436,842.25	7,561.11	813.16
Net assets								
<i>Capital assets</i>								
Reserves	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Current year Surplus / (Deficits)	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
Total net assets/ equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

TF Armenia TF Ukraine TF CANAD TF Jordan TF Jordan TF Serbia Global NAF TF
II Phase 2 VNCF III IV IV (TF APM Ukraine II
Destruction SALW
Belarus) Mun.
Destr.

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Notes	IS2160	IS2170	IS2191	IS2200	IS2201	IS2211	IS2220	IS2230
	TF NATO DEFENCE CAPACITY BUILDING	JWGDR Prof Dev Pgrm	TF Mauritania II	TF Building Integrity	TF Building Integrity - Phase 4	TF SPS- DEXTER	TF Georgia Professional Development	TF UKRAINE MCT
Assets								
Current assets								
Cash and cash equivalents	18,606,339.95	690,414.32	312,414.36	82,796.51	1,044,806.48	290,755.94	282,161.09	87,603.29
Short term investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Receivables	0.00	457.45	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
Other current assets	0.00	0.00	0.00	37,080.00	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
	18,606,339.95	690,871.77	312,414.36	119,876.51	1,044,806.48	290,755.94	282,161.09	87,603.29
Non-current assets								
Receivables	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
Intangible assets	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
Total assets	18,606,339.95	690,871.77	312,414.36	119,876.51	1,044,806.48	290,755.94	282,161.09	87,603.29
Liabilities								
Current liabilities								
Payables	105,593.51	0.00	0.00	0.00	99,960.48	13,876.25	0.00	8,154.08
Deferred revenue	18,500,746.44	690,818.10	312,414.36	119,845.13	944,846.00	276,879.69	283,281.97	42,152.28
Advances	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
Other current liabilities	0.00	53.67	0.00	31.38	0.00	0.00	-1,120.88	37,296.93
	18,606,339.95	690,871.77	312,414.36	119,876.51	1,044,806.48	290,755.94	282,161.09	87,603.29
Non-current liabilities								
Payables	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
Deferred revenue	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
Total liabilities	18,606,339.95	690,871.77	312,414.36	119,876.51	1,044,806.48	290,755.94	282,161.09	87,603.29
Net assets								
Capital assets								
Reserves	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Current year Surplus / (Deficits)	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
Total net assets/ equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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	Notes									
	IS2240	IS2260	IS2270	IS2290	IS2310	IS2360	IS2380	IS2370		
Assets	TF UKRAINE TF UKRAINE TF UKRAINE TF UKRAINE TF NATO- TF UKRAINE TF UKRAINE UKRAINE C4 MEDICAL UKRAINE UKRAINE Defense & PLATIFORM Common L&S REHABILITATION EOD/CIED Campaign ON Countering location Activities TF DEEP -Pilot phase HYBRIDE In W- BIH WARFARE Balkans									
	Current assets									
	Cash and cash equivalents	1,222,379.51	3,728,789.98	2,135,048.72	668,724.44	26,230.30	231,917.57	25,410.90	93,470.73	
	Short term investments	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	
	Prepayments	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	
	Inventories	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
		1,222,379.51	3,728,789.98	2,135,048.72	668,724.44	26,230.30	231,917.57	25,410.90	93,470.73	
Non-current assets	Receivables									
	Property, plant & equipment	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	
	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	
Liabilities	Current liabilities									
	Payables	0.00	1,158,086.84	290,000.00	0.00	0.00	7,594.92	0.00	0.00	
	Deferred revenue	1,222,379.51	2,570,703.14	1,845,048.72	668,724.44	26,230.30	224,322.65	23,710.90	93,470.73	
	Advances	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	
	Other current liabilities	0.00	0.00	0.00	0.00	0.00	0.00	1,700.00	0.00	
		1,222,379.51	3,728,789.98	2,135,048.72	668,724.44	26,230.30	231,917.57	25,410.90	93,470.73	
Non-current liabilities	Payables									
	Long term provisions	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	
	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	
Total liabilities		1,222,379.51	3,728,789.98	2,135,048.72	668,724.44	26,230.30	231,917.57	25,410.90	93,470.73	
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	
Accumulated surpluses / (deficits) prior year		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	

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Notes											Neutralisation of Internal Transactions	2019	2018
TF Ukraine													
Disposal of													
Radioactive													
Waste II													
TF NRC													
CAI IV													
TF Counter Narcotics													
TF Monitoring													
TF Stratcom													
TF MIC-SPS													
Women, Peace and Security													
IMAG													
CURT													
Current assets													
Cash and cash equivalents	300,000.00	177,132.33	128,733.80	167,980.16	405,520.11	100,000.00	416,295.64		41,254,243.12	13,439,184.32			
Short-term investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	10,780,031.20			
Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00		288,319.53	1,948,978.72			
Prepayments	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	37,080.00	0.00	10,000,000.00			
Inventories	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00			
	300,000.00	177,132.33	128,733.80	167,980.16	405,520.11	100,000.00	416,295.64	37,080.00	41,520,562.65	36,168,182.24			
Non-current assets													
Receivables	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			
Intangible assets	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			
Total assets	300,000.00	177,132.33	128,733.80	167,980.16	405,520.11	100,000.00	416,295.64	37,080.00	41,520,562.65	36,168,182.24			
Liabilities													
Current liabilities													
Payables	0.00	0.00	0.00	0.00	1,399.71	0.00	3,467.61		1,662,313.97	353,872.30			
Deferred revenue	300,000.00	177,132.33	118,022.88	167,980.16	404,661.77	100,000.00	410,026.29		36,849,583.25	35,702,468.79			
Advances	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			
Other current liabilities	0.00	0.00	9,711.04	0.00	-561.37	0.00	2,601.74	37,080.00	178,665.43	111,853.15			
	300,000.00	177,132.33	128,733.80	167,980.16	405,520.11	100,000.00	416,295.64	37,080.00	41,520,562.65	36,168,182.24			
Non-current liabilities													
Payables	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			
Deferred revenue	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			
Total liabilities	300,000.00	177,132.33	128,733.80	167,980.16	405,520.11	100,000.00	416,295.64	37,080.00	41,520,562.65	36,168,182.24			
Net assets													
Capital assets													
Reserves	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00			
Current year Surplus / (Deficits)	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			
Total net assets/ equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00			

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Extra Budgetary Funds Statement of financial performance As at 31 December 2019													
(All amounts in EUR)													
Notes	IS0600	IS0700	IS0800	IS0900	IS1000	IS1200	IS2010	IS2040	IS2050	IS2060	IS2090	IS2100	IS2105
	Von Karman Institute	Children Summer Camps	US Tramil	EW Trial Air	EW Trial Nav	Audit of Multi- Nationally Funded Bodies	TF Moldova III	TF Azerbaija n (PFP Proj JCP)	TF Armenia	TF Ukraine II Phase 2	TF CNAD VNCf	TF Jordan III	TF Jordan IV
Revenue													
Non exchange revenue	0.00	334.32	1,032,213.90	30,214.64	60,004.84	-35,770.07	0.00	0.00	0.00	0.00	83,747.08	0.00	0.00
Exchange revenue	0.00	0.00	0.00	0.00	0.00	48,926.92	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	0.00	64,296.99	0.00	0.00	0.00	0.00	0.00	0.00	0.00	52.92	0.00	0.00
Total revenue	0.00	334.32	1,096,510.89	30,214.64	60,004.84	13,156.85	0.00	0.00	0.00	0.00	83,800.00	0.00	0.00
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
Contractual supplies and services	0.00	0.00	1,094,389.29	30,209.77	60,000.00	13,156.85	0.00	0.00	0.00	0.00	83,800.00	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
Impairment	0.00	-1.68	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	336.00	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	2,121.60	4.87	4.84	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total expenses	0.00	334.32	1,096,510.89	30,214.64	60,004.84	13,156.85	0.00	0.00	0.00	0.00	83,800.00	0.00	0.00
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

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(All amounts in EUR)														
Notes	IS2110	IS2130	IS2140	IS2160	IS2170	IS2191	IS2200	IS2201	IS2211	IS2220	IS2230	IS2240		
	TF Serbia IV	Global NAF (TF APM Destruction Belarus)	TF Ukraine II SALW Mun. Destr.	TF NATO DEFENCE CAPACITY	TF JWGDR Prof Dev Pgm	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		
Revenue	0.00	-39,635.24	0.00	1,253,368.49	315,607.80	0.00	-2,238.57	538,335.10	13,876.25	120,314.13	125,762.51	0.00		
Non 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		
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		
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		
Financial revenue	0.00	40,016.39	0.00	0.00	90.36	0.00	2.29	0.00	0.00	22.49	247.09	0.00		
Total revenue	0.00	381.15	0.00	1,253,368.49	315,698.16	0.00	-2,236.28	538,335.10	13,876.25	120,336.62	126,009.60	0.00		
Expenses	0.00	0.00	0.00	93,313.99	154,598.01	0.00	0.00	268,032.04	13,876.25	10,320.47	4,226.64	0.00		
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		
Contractual supplies and services	0.00	0.00	0.00	1,160,054.50	161,100.15	0.00	-2,362.12	269,537.60	0.00	110,016.15	121,782.96	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		
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		
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		
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		
Finance costs	0.00	381.15	0.00	0.00	0.00	0.00	125.84	765.46	0.00	0.00	0.00	0.00		
Total expenses	0.00	381.15	0.00	1,253,368.49	315,698.16	0.00	-2,236.28	538,335.10	13,876.25	120,336.62	126,009.60	0.00		
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		

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(All amounts in EUR)

Notes	IS2260	IS2270	IS2290	IS2310	IS2360	IS2360	IS2370	IS2380	IS6000	IS6061	IS6061	IS6070	IS6090	IS6000	2019
	TF UKRAINE C4	TF UKRAINE MEDICAL REHABILITATION	TF UKRAINE EOD/CIED	TF NATO Defense & Security Campaign -Pilot phase	TF NATO- UKRAINE PLATFORM ON COUNTERING HYBRIDE WARFARE	TF Communication Activities in W- Balkans	TF DEEP BIH	TF Ukraine Disposal of Radioactive Waste II	TF NRC CAI IV	TF Counter Narcotics	TF Montenegro	TF UK Stratcom	TF MIC- SPS G5395 FR MICR IMAG CURT	Women, Peace and Security	
Revenue															
Non exchange revenue	1,158,086.84	290,000.00	0.00	89,507.70	31,439.14	15,531.71	0.00	0.00	0.00	109,320.93	0.00	272,238.87	100,000.00	279,367.30	5,841,625.67
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	0.00	48,926.92
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	0.00
Financial revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,115.89	0.00	-911.80	0.00	0.00	109,932.62
Total revenue	1,158,086.84	290,000.00	0.00	89,507.70	31,439.14	15,531.71	0.00	0.00	0.00	115,436.82	0.00	271,325.07	100,000.00	279,367.30	6,000,485.21
Expenses															
Personnel	0.00	0.00	0.00	19,460.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	230,048.95	0.00	181,856.81	975,733.36
Contractual supplies and services	1,158,086.84	290,000.00	0.00	70,047.50	31,439.14	15,531.71	0.00	0.00	0.00	115,370.96	0.00	40,773.23	100,000.00	97,510.43	5,020,444.96
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	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	-1.68
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 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	336.00
Finance costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	65.86	0.00	502.89	0.00	0.06	3,972.57
Total expenses	1,158,086.84	290,000.00	0.00	89,507.70	31,439.14	15,531.71	0.00	0.00	0.00	115,436.82	0.00	271,325.07	100,000.00	279,367.30	6,000,485.21
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	0.00

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FINANCIAL STATEMENTS Financial Year 2019

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 Deulhacq

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NATO MSIAC

Statement of financial position

As at 31 December 2019

(in EUR)

Notes	Current Year	Prior Year	Variance
	2019	2018	CY - PY
Assets			
Current assets			
Cash and cash equivalents	1,395,389.05	1,382,075.21	13,313.84
Short term investments	0.00	0.00	0.00
Receivables	5,000.00	0.00	5,000.00
Prepayments	918.16	1,662.22	-744.06
Other current assets	64,151.21	20,996.71	43,154.50
Inventories			0.00
	1,465,458.42	1,404,734.14	60,724.28
Non-current assets			
Receivables	0.00	0.00	0.00
Property, plant & equipment	0.00	0.00	0.00
Intangible assets	0.00	0.00	0.00
Other non-current assets	0.00	0.00	0.00
	0.00	0.00	0.00
Total assets	1,465,458.42	1,404,734.14	60,724.28
Liabilities			
Current liabilities			
Payables	590,033.06	707,125.96	-117,092.90
Deferred revenue	0.01	11,850.00	-11,849.99
Advances	176,000.00	0.00	176,000.00
Short term provisions	0.00	0.00	0.00
Other current liabilities	79,713.88	46,245.50	33,468.38
	845,746.95	765,221.46	80,525.49
Non-current liabilities			
Payables	0.00	0.00	0.00
Long term provisions	0.00	0.00	0.00
Non Current Deferred revenue	0.00	0.00	0.00
Other non-current liabilities	0.00	0.00	0.00
	0.00	0.00	0.00
Total liabilities	845,746.95	765,221.46	80,525.49
Net assets			
Capital assets			
Reserves			
Accumulated surplus / (deficit)	591,711.47	219,512.68	372,198.79
Current year surplus / (deficit)	28,000.00	420,000.00	-392,000.00
Total net assets/ equity	619,711.47	639,512.68	-19,801.21
Control Sum Assets-Liabilities=Net Assets	0.00	0.00	0.00

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Statement of financial performance

As at 31 December 2019

(in EUR)

	Notes	Current Year 2019	Prior Year 2018	Variance CY - PY
Revenue	16			
Non exchange revenue		1,744,538.92	1,799,417.57	-54,878.65
Services, Joining Fees and Early Access Contributions		28,000.00	420,000.00	-392,000.00
Exchange revenue		0.00	0.00	0.00
Other revenue		10,898.78	0.00	10,898.78
Financial revenue		0.00	0.00	0.00
Total revenue		1,783,437.70	2,219,417.57	-435,979.87
Expenses	17			
Personnel		1,308,315.21	1,359,256.00	-50,940.79
Contractual supplies and services		413,299.49	417,237.98	-3,938.49
Depreciation and amortization		0.00	0.00	0.00
Impairment		0.00	0.00	0.00
Provisions		33,212.41	20,996.71	12,215.70
Other expenses		0.00	0.00	0.00
Finance costs		610.59	1,926.88	-1,316.29
Total expenses		1,756,437.70	1,799,417.57	-43,979.87
Surplus/(Deficit) for the period		28,000.00	420,000.00	-392,000.00

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Statement of cash flow

As at 31 December 2019

	(in EUR)	
	2019	2018
Cash flow from operating activities		
Surplus/(Deficit)		
Non-cash movements		
Depreciation/ Amortisation	28,000.00	420,000.00
Impairment		
Use of Cash Reserves		
Increase /(decrease) in payables	-47,801.21	-254,417.39
Increase/ (decrease) in other current liabilities	-117,092.90	23,111.48
Increase/ (decrease) in provisions	197,618.39	-76,006.76
(Gains)/losses on sale of property, plant and equipment		
Decrease/ (Increase) in other current assets	-42,410.44	-22,270.75
Decrease/ (Increase) in receivables	-5,000.00	7,060.73
Decrease/ (Increase) in other non-current assets		
Net cash flow from operating activities	13,313.84	97,477.31
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	0.00	0.00
Cash flow from financing activities		
Net cash flow from financing activities	0.00	0.00
Net increase/(decrease) in cash and cash equivalents	13,313.84	97,477.31
Cash and cash equivalent at the beginning of the period	1,382,075.21	1,284,597.90
Cash and cash equivalent at the end of the period	1,395,389.05	1,382,075.21

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Statement of Change in Net Assets/Equity

As at 31 December 2019

(in EUR)	
Balance at the beginning of the period 2018	473,930.07
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	-254,417.39
Surplus/(deficit) for the period	420,000.00
Change in net assets/equity for the year ended 2018	639,512.68
Balance at the beginning of the period 2019	639,512.68
Changes in accounting policy	
Restated balance	
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 end of the period 2019	619,711.47

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Statement of Budget Execution
as at 31 December 2019

Initial budget	Transfers	BA2	Transfers	BA3	Increase/Decrease	Final budget	Actuals	Carry forward	Lapsed
1,280,700	1,280,700	1,280,700	1,280,700	434,350	30,000	1,310,700	1,308,315	0	2,385
434,350	434,350	434,350	434,350	434,350		434,350	413,910	0	20,440
0	0	0	0	0		0	0		0
0	0	0	0	0		0	0		0
1,715,050	0	1,715,050	0	1,715,050	30,000	1,745,050	1,722,225	0	22,825
0						0			0
0						0			0
11,850	11,850	11,850	11,850	11,850		11,850	11,850	0	0
0	0	0	0	0		0	0	0	0
0	0	0	0	0		0	0	0	0
0	0	0	0	0		0	0	0	0
11,850	0	11,850	0	11,850	0	11,850	0	0	11,850
0						0			0
0						0			0
0						0			0
0						0			0
0						0			0
1,726,900	0	1,726,900	0	1,726,900	30,000	1,756,900	1,722,225	0	34,675

(Amounts in euro)

Budget 2019
Chapter 1
Chapter 2
Chapter 3
Chapter 4
Total FY 2019

Budget 2018
Chapter 1
Chapter 2
Chapter 3
Chapter 4
Total FY 2018

Budget 2017
Chapter 1
Chapter 2
Chapter 3
Chapter 4
Total FY 2017

Total all budgets

EXPLANATORY NOTES TO MSIAC 2019 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. In 2018, Poland joined MSIAC bringing the membership to fourteen, and the Republic of Korea was granted early access, which allows using MSIAC services pending the completion of the accession procedure. So in 2019 Poland was a full member, while The Republic of Korea is not an official MSIAC's member yet as their joining MOU has not yet been signed by all Member 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).

In 2019, there were 10 nations paying 1 share and 4 nations paying 2 shares (total of 17 shares from official members, with the Republic of Korea paying a full, 18th share as "Early Access Member").

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).

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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 2019 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

Changes in accounting policy

In 2018, the untaken leave was disclosed as "Other Expenses". However, we have reconsidered this policy because, although NATO IS policy is that untaken leave must be paid only as a last recourse (Staff is compelled to take all their leave before retiring), we believe that, for informative and transparency purposes, this liability should be recognized as if NATO would shut down its activities as of 31Dec19 and disclosed as a Provision instead of an actual expense since its realization is uncertain.

Reclassification of Financial Statements of Previous Years

Due to the change in the Untaken Leave Accounting Policy, below you can find the 2018 Re-classified Statement of Financial Performance for comparative purposes:

(in EUR)	Current Year		Prior Year (New Policy)		Prior Year (Former Policy)	
	2019		2018		2018	
Expenses						
Personnel	1,308,315.21		1,359,256.00		1,359,256.00	
Contractual supplies and services	413,299.49		417,237.98		417,237.98	
Depreciation and amortization	0.00		0.00		0.00	
Impairment	0.00		0.00		0.00	
Provisions	33,212.41		20,996.71		0.00	
Other expenses	0.00		0.00		20,996.71	
Finance costs	610.59		1,926.88		1,926.88	
Total expenses	1,755,437.70		1,799,417.57		1,799,417.57	

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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 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:

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BANK NAME	COUNTRY OF HQ	SHORT TERM RATINGS AS AT 10.01.20		
		FITCH	S&P	Moody's
ING BANK	NE	F1+	A-1	P1

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 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. 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.

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.

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 the advances on future staff benefits).

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e. Inventories

As mentioned above, 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.

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.

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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 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

As mentioned above 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.

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b. Intangible Assets

As mentioned above, 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

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.

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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 properly 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.

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) and joining fees from new Member Nations.

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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.

Statement of Financial position

NOTE 3 & 4: CASH AND CASH EQUIVALENTS – SHORT TERM INVESTMENTS

The current bank accounts are held in EUR. Cash deposited is immediately available, since it is held in interest-bearing bank accounts deposits. There are no short-term investments. MSIAC does not manage funds for third parties. Below is a snapshot of MSIAC's cash and cash equivalents at year-end:

cash (in EUR)	2019	2018
Cash at bank	1,395,389.05	1,382,075.21
Petty cash	-	-
Total	1,395,389.05	1,382,075.21

NOTE 5: ACCOUNTS RECEIVABLE

Below a snapshot of MSIAC's Receivables at year-end:

Receivables (in EUR)	2019	2018
Budgetary contributions	-	
Others	5,000.00	
Total	5,000.00	

The only receivable corresponds to a debt from Estonia relating to the attendance at an MSIAC training in Germany.

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.

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Below there is a table with all amounts billed during 2019 to both member and partner nations.

(in EUR)	Contributions	Other Revenue	Grand Total
1 - Member Nations	1,320,000.00		1,320,000.00
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
2 - Partner Nations	352,000.00	28,000.00	380,000.00
Australia	88,000.00		88,000.00
Croatia		1,000.00	1,000.00
Estonia		5,000.00	5,000.00
Finland	88,000.00		88,000.00
Latvia		2,000.00	2,000.00
New Zealand		20,000.00	20,000.00
Republic of Korea	88,000.00		88,000.00
Sweden	88,000.00		88,000.00
Grand Total	1,672,000.00	28,000.00	1,700,000.00

NOTE 6: 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.).

(in EUR)	2019	2018
Prepayments to Suppliers	918.16	1,662.22
Prepayments to Staff	-	-
Other Current Assets	64,151.21	20,996.71
Total	65,069.37	22,658.93

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 2019. For 2019 the recognized Untaken Leave amount is EUR 33,212.41.

This item also includes EUR 20,040.02 of Education Allowance advances and EUR 10,898.78 related with MSIAC's share of the accrual for the DCPS Group insurance compensatory payment (employers part).

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FC(2020)0016**NOTE 7: INVENTORIES**

Nothing to report, inventories are not considered material.

NOTE 8: NON-CURRENT ASSETS

MSIAC has registered no non-current assets.

NOTE 9: ACCOUNTS PAYABLE

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 the estimated accrual obligation to third parties for goods and services received but not yet invoiced.

The EUR 27,077.66 of accruals are comprised by a portion (EUR 18,812.90) related to un-invoiced supplies/services and EUR 8,264.76 linked to credit card expenses, commit&pay invoices and other minor accruals.

Payables (in EUR)	2019	2018
Suppliers	116,465.92	24,360.10
Personnel	270.50	1,170.00
Member Nations	446,218.98	622,218.98
Accrued expenses/Education	-	-
Accruals - Others	27,077.66	59,376.88
Total	590,033.06	707,125.96

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 2019, 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 446,218.98 (622,218.98-176,000.00).

NOTE 10: DEFERRED REVENUE**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 2019 there were no appropriations subject to a special carry-forward.

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NOTE 11: ADVANCES

The United Kingdom has paid its 2019 contribution (EUR 176,000.00) twice and has requested that the double payment be considered as an advance on the 2020 contribution.

NOTE 12: SHORT TERM PROVISIONS

There were no short-term provisions.

NOTE 13: OTHER CURRENT LIABILITIES

Other Current Liabilities include the Current Year Budget Surplus. Amounts corresponding to the current year budgetary surplus of MSIAC (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).

(amounts in EUR)	2019	2018
Lapsed Appropriations	34,674.70	25,248.79
Net Financial Income	5.43	-
Miscellaneous Income	11,021.34	-
Others	34,012.41	20,996.71
Total	79,713.88	46,245.50

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: NET ASSETS

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. At the Steering Committee meeting in March 2019, the nations agreed to keep the target range between EUR 400 and EUR 650K.

At the fall meeting, in October 2019, nations mandated the Program Manager to write a brief explaining the rationale for the MSIAC surplus reserve in order to document a waiver from the NFR's to be approved by the NAC.

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In February 2020, the NATO IS Financial Controller and MSIAC's Project Manager have submitted to the RPPB a request for the approval of the stated waiver. This request, if endorsed by the RPPB, will be submitted to the NAC for final approval.

	(in EUR)	2019	2018
Cumulated Surplus beginning of the year		639,512.68	473,930.07
+ Lapses from previous year		25,248.79	129,155.73
+ Net Financial Income (Interest, Bank Fees) previous year			- 2,783.40
+ Miscellaneous Income previous year			1,360.28
- Surplus allocated to current year budget		- 73,050.00	- 382,150.00
Cumulated Surplus end of the year		591,711.47	219,512.68
Current Year Extraordinary Surplus		28,000.00	420,000.00
Net Assets as off 01 Jan Y+1		619,711.47	639,512.68

The Project Accumulated surplus reduced between 2018 and 2019, in accordance with the policy agreed by the Steering Committee. At the end of 2019, it amounts to EUR 619,711.47 which includes additional income proceeding from training fees collected from partners (EUR 28K), which will revert to equity in the following year.

Statement of Financial Performance

NOTE 16: REVENUE

	(in EUR)	2019	2018
Non exchange revenue		1,744,538.92	1,799,417.57
Called from Nations		1,672,000.00	1,428,000.00
Additional budget to be taken from reserve fund		30,000.00	50,000.00
Budget to be taken from refundable surplus		9,326.51	300,420.86
Provision for Untaken Leave as off 31Dec19		33,212.41	20,996.71
Services, Joining Fees and Early Access Contributions		28,000.00	420,000.00
Training fees		28,000.00	-
Joining fees			420,000.00
Other revenue		10,898.78	-
DCPS Allianz Compensatory		10,898.78	-
Total revenue		1,783,437.70	2,219,417.57

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, 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 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.

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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

It contains the posting of Untaken Leave as of 31 December 2019.

The amount is EUR 33,212,41.

Other Expenses

There are no such expenses in 2019. In 2018, the Untaken Leave booking was presented here.

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.

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

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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 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.

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Reconciliation between Budget Execution and Statement of Financial Performance

BUDGET EXECUTION	2019	2018
Total Budget (including carried-forward from previous year)	(a) 1,756,900.00	1,815,519.65
Credits Carried Forward in Following Year	(b) 0.00	11,850.00
Lapsed Appropriations	(c) 34,674.71	25,248.79
Budget Execution Expenses	(d) = (a-b-c) 1,722,225.29	1,778,420.86

RECONCILIATION	2019	2018
Financial Performance Expenses (total)	(e) 1,722,225.29	1,799,417.57
Other net expenses (financial and miscellaneous)	(f) 0.00	20,996.71
Increase in Non-Current Assets	(g)	
Other Elements	(h)	
Sub-Total	(i)=(e-f+g+h) 1,722,225.29	1,778,420.86
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.

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.. In 2018 as a result of the accession of Poland and the Republic of Korea, EUR 315,000.00 were collected as joining fees.

There were no new accessions in 2019

Member Nations' contributions are assessed based on a share value of EUR 88,000. In 2019, ten nations paid 1 share and four nations paid 2 shares (total of 18 shares from official and early members).

As directed by the Steering Committee, the calls covered EUR 1,672,000 in 2019.

During 2019, MSIAC also collected 28,000.00 EUR of training fees, due to training provided to partner nations' staff.

Croatia: 1,000 EUR
Estonia: 5,000 EUR
Latvia: 2,000 EUR
New Zealand: 20,000 EUR

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.

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

amounts in EUR	2,019	2018
Initial Budget	1,715,050.00	1,760,150.00
Revised Budget	30,000.00	50,000.00
Total Annual Budget	1,745,050.00	1,810,150.00
Advance called previous year	-	-
Call in current year	1,672,000.00	1,428,000.00
Total Cash Calls	1,672,000.00	1,428,000.00
Use of Previous Year's Surplus		
Use of Project Accumulated Surplus	73,050.00	382,150.00
Other Funding Sources	73,050.00	382,150.00
Total Funding	1,745,050.00	1,810,150.00

NOTE 19: WRITE-OFFS

There are no Write-offs to report in 2019.

NOTE 20: LEASES

MSIAC does not have any financial leases.

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 2019.

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 2018, untaken leave was estimated EUR 20,996.71. At 2019 end, the untaken leave was assessed to be EUR 33,212.41.

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MSIAC's employee breakdown as of 31 December 2019, is shown below:

MSIAC	Total Approved PE	Total Filled Positions
Civilian (PE)	10	10
VNC	0	0
Short term	0	0
Interns	4	4
Others - explain	0	0

For 2019, MSIAC had an approved Personnel Establishment of 10 positions funded by the MSIAC budget (10 for 2018).

In 2018, one staff member was employed on a reimbursable basis with an agreement between NATO-IS and the United States (same for 2017). The individual was remunerated and accrued pension rights under the United States pension scheme. However, by the end of 2019, MSIAC has no longer any staff member under this arrangement.

From 4 November 2019 to 4 December 2019, there was an overlap of the incoming and exiting project managers.

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 2019, 10 staff members (8 in 2018) 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 2019, there was still 1 employee (1 in 2018) participating in NATO's Defined Benefit Pension Scheme (DBPS): a deduction of 9.5% (increased to 11.8% in 2020) 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:

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		2019	2018
Provident Fund	Staff		-
	Employer		-
	Total		-
Co-ordinated Pension Scheme	Staff	5,866.68	6,843.36
	Employer	11,733.36	14,476.41
	Total	17,600.04	21,319.77
Defined Contribution Pension Scheme	Staff	80,475.37	73,993.56
	Employer	99,271.12	86,889.74
	Total	179,746.49	160,883.30
TOTAL	Staff	86,342.05	80,836.92
	Employer	111,004.48	101,366.15
	Total	197,346.53	182,203.07

Further to an analysis covering the previous years' history of death in service risks in relation to premiums paid by the Organisation during 2012-2015, into the DCPS Group Insurance scheme, a compensation of EUR 6 million at the NATO-wide level was agreed by the insurance company.

End 2018, the NATO Secretary General decided that a fraction of this amount (circa EUR 1,7 million) should be paid to NATO staff who were members of the DCPS during the period 2012-2015 in proportion to the contributions they made to the DCPS. Staff employed by MSIAC during the period 2012-2015 and affiliated to the DCPS are therefore entitled to a compensatory payment. MSIAC staff had initially a global entitlement of EUR 5,183.27. However, this was reduced since one staff member (EUR 666.57) moved to NSPA and thus MSIAC's overall staff amount was decreased accordingly, i.e. EUR 4,516.70. By 31 December 2019, all active staff have been paid (EUR 1,851.69) and during 2020 we plan to complete the payment to the retired staff (EUR 2,665.01). However, this information is being provided here solely for clarity and cross-reference purposes since these transactions are not reflected in MSIAC's books and thus in these financial statements. The stated transactions have been managed directly in DCPS accounts and therefore will be disclosed in the financial statements of the DCPS.

As per BC-DS(2019)0067(INV), the Budget Committee decided that the "Employers" part of this compensatory payment, in the total amount of EUR 4,273,893.73, shall be returned to the respective NATO bodies. An adequate accrual corresponding to this receivable (MSIAC share of EUR 10,898.78) has been booked in MSIAC's 2019 Financial Statements.

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.

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NOTE 26: RELATED PARTIES

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

In 2019, NATO International Staff charged MSIAC for the following burden sharing costs:

Burden Sharing charges		
	2019	2018
COMOPS	57,921.76	35,465.00
ADMIN Costs	47,258.50	59,440.46
Others		

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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
PPE	Property, Plant and Equipment
RPPB	Resource Planning and Prioritization Board
NAC	North Atlantic Council
RMCF	Retirees Medical Claims Fund

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**NATO COORDINATED PENSION SCHEME
FINANCIAL STATEMENTS**

For the year ended
31 December 2019

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

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Annex 1 to
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NATO COORDINATED PENSION SCHEME
Statement of Net Assets Available for Benefits

(All amounts in EUR)			
	Notes	Current Year	Previous Year
		31-Dec-19	31-Dec-18
Assets			
Cash and cash equivalents	4	115,465,541.61	27,216,210.62
Financial investments	5	0.00	40,000,000.00
Staff member contributions receivable	6	535,961.57	368,164.67
Employer contributions receivable	7	32,200.24	1,352,786.02
Nation contributions receivable	8	98,683,407.03	144,756,106.41
Pension tax adjustment contributions receivable	9	28,675,509.02	25,436,772.09
Credit for past service to be refunded by staff	10	55,010.41	65,962.93
Other	2,11	429,467.63	464,877.54
Total assets		243,877,097.51	239,660,880.28
Liabilities			
Contributions called for y+1	8	167,472,848.00	163,964,400.00
Voluntary advances	8	0.00	659,149.87
Pension tax adjustments called for y+1	9	31,107,500.00	27,543,000.00
Other	12	1,135,978.55	550,732.92
Total Liabilities		199,716,326.55	192,717,282.79
Net assets available for benefits	13	44,160,770.96	46,943,597.49

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Annex 2 to
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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-19	31-Dec-18
Increase in net assets		
Interest income	2,14 1,094,132.42	1,066,848.89
Transfers from other pension funds	15 35,478.14	32,790.38
Other	16 957,205.98	947,287.18
		86,771.33
101,448.30		
Contributions		
Staff members	6 169,939,138.99	168,123,326.27
Employers	7 14,463,111.37	15,308,114.68
Nations	8 270,755.07	292,980.18
Regularizations previous years	0.00	152,802,326.98
		-280,095.57
Tax adjustments	9 27,767,387.69	27,176,320.84
Total increase in net assets available for benefits	198,800,659.10	196,366,496.00
Decrease in net assets		
Pension benefits	18 173,816,097.94	164,496,896.32
Leaving allowances	18 173,329,282.12	164,147,209.15
Other costs	2,17 405,691.78	157,631.90
Bank costs	2,14 81,124.04	192,055.27
Tax adjustments	9 27,767,387.69	27,176,320.84
Total decrease in net assets available for benefits	201,583,485.63	191,673,217.16
Net change for the year	-2,782,826.53	4,693,278.84
Net assets available for benefits, beginning of year	46,943,597.49	42,250,318.65
Net assets available for benefits, end of year	44,160,770.96	46,943,597.49

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ANNEX 3 to
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**EXPLANATORY NOTES TO THE
2019 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 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.

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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.

In late 2019 the nations approved the CCR recommendation to implement the below changes to the DBPS pension scheme, as of 01 January 2020.

- a. Increase the serving staff rate to 11.8%.
- b. Disconnect the annual pension increases from the serving staff salaries increase, which has been the rule since the inception of the scheme, and link the DBPS annual pension increases to the inflation rate of the countries of retirement.

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 New NATO Headquarters Project Office (NHQPO), 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).

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.

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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. In the framework of the coordinated system, this unit is referred to as Computation Unit II. 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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

Declaration of conformity

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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 2019.

Restatement of financial statements of previous year

In 2018 financial statements, accrued interest for a total amount of EUR 8,189.71 has not been presented.

To allow a proper data comparison between two consecutive years, 2018 Statement of Financial Position and 2018 Statement of Financial Performance are restated, as per below:

Annex 1: Statement of Net Assets Available for Benefits			
(All amounts in EUR)	Restatement		Prior Year FS
	2018		2018
Assets			
Cash and cash equivalents	27,216,210.62		27,216,210.62
Financial investments	40,000,000.00		40,000,000.00
Staff member contributions receivable	368,164.67		368,164.67
Employer contributions receivable	1,352,786.02		1,352,786.02
Nation contributions receivable	144,756,106.41		144,756,106.41
Pension tax adjustment contributions receivable	25,436,772.09		25,436,772.09
Credit for past service to be refunded by staff	65,962.93		65,962.93
Other	464,877.54		456,687.83
Total assets	239,660,880.28		239,652,690.57
Total Liabilities	192,717,282.79		192,717,282.79
Net assets available for benefits	46,943,597.49		46,935,407.78

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Annex 2: Statement of Changes in Net Assets Available for Benefits

(All amounts in EUR)	Restatement	Prior Year FS
	2018	2018
Increase in net assets	1,066,848.89	1,058,659.18
Interest income	32,790.38	24,600.67
Transfers from other pension funds	947,287.18	947,287.18
Other	86,771.33	86,771.33
Contributions	168,123,326.27	168,123,326.27
Tax adjustments	27,176,320.84	27,176,320.84
Total increase in net assets available for benefits	196,366,496.00	196,358,306.29
Decrease in net assets	164,496,896.32	164,496,896.32
Tax adjustments	27,176,320.84	27,176,320.84
Total decrease in net assets available for benefits	191,673,217.16	191,673,217.16
Net change for the year	4,693,278.84	4,685,089.13
Net assets available for benefits, beginning of year	42,250,318.65	42,250,318.65
Net assets available for benefits, end of year	46,943,597.49	46,935,407.78

A minor reclassification has been done, concerning other and bank costs. Currency exchange rate losses (EUR 87,737.07), presented originally as bank charges, are now properly classified as other costs.

The below table discloses a reclassification of 2018 Statement of Changes of Net Assets Available for Benefits.

Statement of Changes in Net Assets Available for Benefits			
(All amounts in EUR)	Re-Classification	Prior Year FS	
	2018	2018	
Increase in net assets	1,058,659.18	1,058,659.18	
Contributions	168,123,326.27	168,123,326.27	
Tax adjustments	27,176,320.84	27,176,320.84	
Total increase in net assets available for benefits	196,358,306.29	196,358,306.29	
Decrease in net assets	164,496,896.32	164,496,896.32	
Pension benefits	164,147,209.15	164,147,209.15	
Leaving allowances	0.00	0.00	
Other costs	157,631.90	69,894.83	
Bank costs	192,055.27	279,792.34	
Tax adjustments	27,176,320.84	27,176,320.84	
Total decrease in net assets available for benefits	191,673,217.16	191,673,217.16	
Net change for the year	4,685,089.13	4,685,089.13	
Net assets available for benefits, beginning of year	42,250,318.65	42,250,318.65	
Net assets available for benefits, end of year	46,935,407.78	46,935,407.78	

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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.

Gains and losses resulting from the settlement of such transactions and from the revaluation at the reporting dates of monetary assets and liabilities denominated in foreign currencies are recognized as expenses and revenues.

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.

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.

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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. In 2018 DBPS used also a “floored floater” 3-year, capital-guaranteed note held with a registered banking, with an amount of EUR 40,000,000.00, but this note was liquidated during 2019.

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	RATING DATE	SHORT TERM RATINGS		
		FITCH	S&P	MOODY'S
ING	10.01.2020	F1+	A-1	P1
BNP PARIBAS FORTIS	08.03.2020	A+	A+	A2

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, with the exception of the Staff Centre, these bodies are directly funded by member Nations or indirectly in the case of customer funding.

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 equivalents.

The table below provides a breakdown of the DBPS pension related payments by currency during 2019.

Currency	Percentage/EUR
EUR	84.83%
GBP	7.79%

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USD	3.08%
NOK	1.34%
DKK	1.18%
CAD	1.06%
TRY	0.41%
CHF	0.11%
THB	0.05%
AUD	0.05%
MXN	0.03%
SEK	0.03%
NZD	0.03%
CZK	0.01%
PLN	0.01%
Total	100.00%

The calls for contributions from Nations related to Pension Adjustment 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 Adjustment 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 2019 DBPS is not exposed to market risks. Since 2016, DBPS had a EUR 40,000,000 bank-guaranteed note, yielding 3-month Euribor with a minimum of 0.03% per year.

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At the date of maturity (28/06/2019), the note was no longer renewed. The note earned net interests of 0.09%.

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 or 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 2019 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 2019 provided to ISRP by NATO.

NATO has also supplied data regarding DBPS cash flows over 2019.

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 2018.

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

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value whilst demographic assumptions reflect the likelihood of payment and factors internal to NATO.

Financial Assumptions

The below financial assumptions were considered:

Assumption	Assumption as at 31 December 2018	Assumption as at 31 December 2019
Discount Rate		
- Pension Schemes	0.85%	0.27%
Price Inflation	2.00%	2.00%
- Salary Inflation	2.24%	2.24%
Pension Increase Rate	2.24%	2.00%

The discount rate used was the Euro area AAA Government Yield Curve, as at 31 December 2019. The change in discount rate is due to the change in financial market conditions over 2019.

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 recommended, during 2018, by the Administrative Committee on Pensions of the Coordinated Organizations (CAPOC).

The pension increase rate was adjusted to be in line with price inflation for the DBPS from 1 January 2020. Previously the pension increase rate was in line with changes in the salary scale. Therefore, the pension increase rate assumption is 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 2018 and the ICSLT 2018 projected from 2019:

	ICSLT 2018 (2018 Projection)	ICSLT 2018 (2019 Projection)
Males -		
60 year old	28.3	28.4
40 year old now at 60	29.0	29.0
Females -		
60 year old	31.0	31.1
40 year old now at 60	31.5	31.5

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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 NAMSA (now NSPA), 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 as of 31 December 2019:

Cash and Cash Equivalents (EUR)	
As at 31/12/2019	As at 31/12/2018
115,465,541.61	27,216,210.62

The sizeable increase in Cash and Cash Equivalents in 2019 is caused by the liquidation of EUR 40,000,000 bank-guaranteed note and the increase of amounts paid in response to y+1 contribution calls (see Note 8- Nations Contributions).

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 31/12/2019	As at 31/12/2018
Total	65,907,518.93	2,708.74

NOTE 5: FINANCIAL INVESTMENTS

At 31 December 2019, the DBPS has no financial investments. EUR 40,000,000 bank-guaranteed note was not renewed at its date of maturity (28/6/2019).

NOTE 6: STAFF MEMBER CONTRIBUTIONS

Staff member contributions are paid monthly by the NATO payroll centers. Since 1 January 2015, contributions to the NATO DBPS from serving staff have been 9.5% of basic salary (previous contribution rate was 9.0% since 1 January 2010). As of 01 January 2020, a new staff contribution rate of 11.8% will be in force.

The reduction in the number of contributing staff, as newly recruited staff are members of the DCPS, results in reductions in the value of staff member contributions. This trend is partially offset by the increase of the contribution rate.

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 2020.

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

DBPS Staff Contributions		
	2019	2018
CIV	3,316,962.33	3,545,314.62
MIL	11,146,149.04	11,762,800.06
Total	14,463,111.37	15,308,114.68

NOTE 7: EMPLOYER CONTRIBUTIONS

Employer contributions are due from the following NATO bodies: MSIAC, FORACS, NAGSMA, the NATO BICES Agency, and the New NATO Headquarters Project Office. NATO Headquarters Staff Centre ceased to exist in 2018 as thus stopped its contributions. The Employer contributions are paid monthly.

The outstanding amounts (Receivables) decreased significantly in 2019. The Staff Center EUR 1,352,786.02 debt to DBPS was settled through the Civil Budget contribution.

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

DBPS Employer Contributions		
	2019	2018
CIV	75,940.10	115,645.80
MIL	194,814.97	177,334.38
Total	270,755.07	292,980.18

The increase in the Military Employers' contribution reflects the salary increases of , BICES and NAGSMA, while the decrease in the Civil Employers' contribution (which comprises FORACS, MSIAC, NHQPO and the former Staff Center) is explained by the liquidation of the Staff Centre as well as the reduced number of staff in the NHQPO.

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:

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Budget called in Y-1	2020		2019	
	CIV	MIL	CIV	MIL
	38,562,848.00	128,910,000.00	38,134,400.00	125,830,000.00
	167,472,848.00		163,964,400.00	

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	2019	2018
CIVIL		
Call Y	38,134,400.00	37,842,700.00
Regul revised call Y	1,000,000.00	0.00
Regul call Y-1	-585,419.82	-844,334.09
	38,548,980.18	36,998,365.91
MILITARY		
Call Y	125,830,000.00	116,700,000.00
Regul revised call Y	-4,270,000.00	0.00
Regul call Y-1	-4,903,707.66	-896,038.91
	116,656,292.34	115,803,961.09
Rounding difference	0.03	0.02
TOTAL	155,205,272.55	152,802,326.98

Uncollected budgetary contributions from Nations (Receivables) relate mainly to the call for the 2020 pension budget. In 2019, because of the increase of amounts paid in response to y+1 contribution call, the amounts due at the end of the year are lower than in 2018, when reached the level of EUR 144,756,106.41.

Hereunder is a breakdown of such outstanding contributions as at 31 December 2019:

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DBPS Nations outstanding receivables as at 31/12/2019	
ALBANIA	180,103.88
BELGIUM	4,300,948.59
BULGARIA	750,166.60
CANADA	2,421,671.88
DENMARK	1,426,331.00
FINLAND	-1,216.07
FRANCE	16,038,498.31
GERMANY	4,840,859.28
GREECE	249,623.37
ICELAND	54,652.36
ITALY	3,091,346.83
LUXEMBOURG	575,874.82
NAMFI	26,896.87
NETHERLANDS	5,902,170.60
NORWAY	3,247,990.32
ROMANIA	3,275,525.66
SLOVAKIA	422,370.55
SLOVENIA	79,765.24
SPAIN	7,488,075.98
SWEDEN	-6,688.25
TURKEY	2,823,681.16
USA	41,494,758.05
Total:	98,683,407.03

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	
2019	2018
0.00	659,149.87

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.

In 2019 the DCPS tax adjustments advanced by DBPS amounted to EUR 101,149.16 (EUR 95,008.26 in 2018)

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

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

DBPS Tax Adjustments Payments			
Country	2019	2018	
ALBANIA	0.00	0.00	
BELGIUM	13,272,599.60	13,025,918.00	
BULGARIA	0.00	0.00	
CANADA	267,570.08	250,367.41	
CROATIA	0.00	0.00	
CZECH REPUBLIC	981.68	0.00	
DENMARK	490,933.71	493,519.44	
ESTONIA	0.00	0.00	
FRANCE	1,529,604.00	1,595,347.00	
GERMANY	2,429,179.00	2,245,624.00	
GREECE	188,183.00	172,998.00	
ITALY	2,161,027.38	2,173,432.00	
LATVIA	0.00	0.00	
LITHUANIA	0.00	0.00	
LUXEMBOURG	1,558,720.00	1,378,309.00	
NETHERLANDS	2,864,784.65	2,948,180.00	
NORWAY	402,695.50	343,631.77	
POLAND	17,519.67	17,605.03	
PORTUGAL	141,462.00	162,755.00	
ROMANIA	0.00	0.00	
SLOVAKIA	0.00	0.00	
SLOVENIA	0.00	0.00	
SPAIN	402,397.00	288,658.00	
TURKEY	0.00	0.00	
UNITED KINGDOM OF GREAT BRITAIN	1,559,705.55	1,697,877.61	
UNITED STATES OF AMERICA	368,573.71	287,342.71	
DCPS transfers	101,149.16	95,008.26	
Adjustments	10,302.00	-252.39	
Total	27,767,387.69	27,176,320.84	

Pension Adjustment amounts paid to pensioners as reported in euro in the table 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.

In 2020 there will be a need to perform adjustments to 2019 transactions. The amount at stake is not material (EUR 10,302.00), however it has been properly segregated in the table "DBPS Tax Adjustments Payments".

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

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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	2020		2019	
	CIV	MIL	CIV	MIL
	11,208,000.00	19,899,500.00	10,190,800.00	17,352,200.00
	31,107,500.00		27,543,000.00	

In 2019, the DBPS tax adjustments calls balance (difference between what is called from the nations and what is paid to pensioners) shows an accumulated deficit of EUR 296,415.69. This accumulated deficit is the sum of 2018 accumulated deficit (EUR 145,692.13) and 2019 deficit (EUR 150,723.56), which means that in 2019 the call for contributions was not high enough to cover the expenses.

Consequently, this accumulated deficit has been classified, in the statement of net assets available for benefits, as a tax adjustment contribution receivable.

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

DBPS Nations outstanding tax adjustment receivables as at 31/12/2019	
BELGIUM	14,291,684.00
CANADA	329,629.57
DENMARK	501,019.44
FRANCE	1,806,747.00
GERMANY	2,569,361.00
GREECE	158,736.00
ITALY	2,628,784.00
NETHERLANDS	3,715,459.00
NORWAY	330,391.89
PORTUGAL	173,655.00
SPAIN	315,718.00
UK	1,308,248.04
USA	249,660.39
Accumulated deficit	296,415.69
Total	28,675,509.02

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.

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

2019	2018
55,010.41	65,962.93

NOTE 11: OTHER ASSETS

These are essentially accrued interests, occasional advances to the DCPS and miscellaneous amounts to be regularized.

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 Adjustment), 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 2019.

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	2019	2018
Credits for Past Services	55,010.41	65,962.93
Pensions rights transferred to DBPS	42,337,523.35	41,380,317.37
Budgetary Surplus at End of Year	1,768,237.20	5,489,127.48
Total:	44,160,770.96	46,935,407.78

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 2019 will be returned to Nations with the call for the 2021 budget to be issued end 2020).

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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:

	2019	2018
Bank Charges	81,124.04	192,055.27
Financial Income	35,478.14	32,790.38

The decrease in the bank costs is mainly a result of the renegotiation of the bank charges on the monthly pensions' payments. The upturn of the financial income result mainly from the increase in cash holdings.

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 milion), the Netherlands (EUR 0.369 million) and Luxembourg (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 milion), the Netherlands (EUR 2.026 million) and Luxembourg (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).

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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, which resulted in a balance of EUR 42,337,523.35 at the end of the year.

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 373,004.55 in 2019 and EUR 125,630.52 in 2018), the cost of the actuarial study (EUR 21,707.52 in 2019 and EUR 20,973.45 in 2018), and other miscellaneous expenses.

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NOTE 18: PENSIONS AND LEAVING ALLOWANCES

The tables under notes 18 and 21 provide a breakdown of payments and collections according to the kind of pensions paid in 2019.

CIVIL BUDGET	
PAYMENTS / PAIEMENTS	
Retirement Pension / Pension d'Ancienneté	30,264,774.74
Survivor Pension / Pension de Survie	5,746,612.98
Orphans Pension / Pension d'Orphelins	130,682.51
Invalidity Pension / Pension d'Invalidité	4,863,139.18
Family Allowance / Allocations Familiales	1,843,629.01
Leaving Allowance / Allocations de Départ	0.00
Validation Costs Paid / Coûts de Validation payés	0.00
Miscellaneous / Divers	76,657.64
Total Payments / Paiements	42,925,496.06
RECEIPTS / RECETTES	
Staff Contributions / Contributions des Agents	3,316,962.33
Employer Contributions / Contributions de l'Employeur	75,940.10
Validation Costs Received / Coûts de Validation reçus	0.00
Interests, Profit & Loss / Intérêts, Pertes & Profits	0.00
Miscellaneous / Divers	0.00
Contributions due by Staff Center	0.00
Total Receipts / Recettes	3,392,902.43
Funding Requirement / Besoin de financement	39,532,593.63
MILITARY BUDGETS	
PAYMENTS / PAIEMENTS	
Retirement Pension / Pension d'Ancienneté	92,181,703.20
Survivor Pension / Pension de Survie	17,469,048.34
Orphans Pension / Pension d'Orphelins	490,303.41
Invalidity Pension / Pension d'Invalidité	14,056,708.80
Family Allowance / Allocations Familiales	6,282,679.95
Leaving Allowance / Allocations de Départ	0.00
Validation Costs Paid / Coûts de Validation payés	0.00
Miscellaneous / Divers	233,432.81
Total Payments / Paiements	130,713,876.51
RECEIPTS / RECETTES	
Staff Contributions / Contributions des Agents	11,146,149.04
Employer Contributions / Contributions de l'Employeur	194,814.97
Validation Costs Received / Coûts de Validation reçus	0.00
Interests, Profit & Loss / Intérêts, Pertes & Profits	0.00
Miscellaneous / Divers	-20,656.66
Total Receipts / Recettes	11,320,307.35
Funding Requirement / Besoin de financement	119,393,569.17
TOTAL CIVIL + MILITARY BUDGETS	
TOTAL Funding Requirement	158,926,162.80

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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 apart 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 prorates:

BUDGET EXECUTION 2019		Prorata MISC & FIN expenses	
CIV		MISC & FIN except 654/754 & 655/755	FIN 654/754
		-5,615.04	336,362.17
Payments	Main	42,848,838.42	25%
	Misc	76,657.65	23%
	Rounding diff	-0.01	
		76,657.64	78,045.75
Receipts	Main	3,392,902.43	23%
	Misc		
MIL			
Payments	Main	130,480,443.70	75%
	Misc	233,432.81	
Receipts	Main	11,340,954.01	77%
	Misc	20,656.66	
		173,329,282.12	100%
		14,733,866.44	100%

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.

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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).

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SEGMENT TABLE NATO BODIES 2019 (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	23,260,075.39	14,456,784.73	204,833.68	350,076.11	36,110.14	985,263.69	25,744.94	179,158.94	1,712,854.22	966,955.53	3,905,183.34
Survivor Pension / Pension de Survie	6,409,504.86	2,110,248.36	0.00	35,140.47	13,991.77	695,657.00	1,570.40	3,813.83	703,374.82	477,490.21	721,536.14
Orphans Pension / Pension d'Orphelins	97,239.51	44,676.13	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Invalidity Pension / Pension d'Invalidité	2,063,650.83	5,319,270.97	0.00	86,342.57	6,195.20	199,453.70	66,032.53	22,218.54	71,192.87	36,051.49	581,971.07
Family Allowance / Allocations Familiales	1,430,960.99	1,332,119.40	9,030.12	35,589.48	2,906.58	58,699.38	2,900.85	10,556.38	61,180.37	60,265.72	214,315.01
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	59,505.54	41,618.27	382.61	907.30	105.92	3,469.05	172.19	385.98	4,559.51	2,756.46	9,701.89
Total Payments / Paiements	33,320,937.12	23,304,717.86	214,246.41	508,055.93	59,309.61	1,942,542.82	96,420.91	216,133.67	2,553,161.79	1,543,519.41	5,432,707.45
RECEIPTS / RECETTES											
Staff Contributions / Contributions des Agents	2,064,237.50	1,692,512.18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	550,445.10
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	135,154.70
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	-3,759.84	-3,082.78	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-1,248.77
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	2,060,477.66	1,689,429.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	684,351.03
Funding Requirement / Besoin de financement	31,260,459.46	21,615,288.46	214,246.41	508,055.93	59,309.61	1,942,542.82	96,420.91	216,133.67	2,553,161.79	1,543,519.41	4,748,356.42

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SEGMENT TABLE NATO BODIES 2019 (2/2)	IS	NAHEMA (5N)	NAMEADSMA (2N)	NAMMA (3N)	NAPMA (16N)	NCIA	NEFMA (4N)	NETMA (4N)	NSPA	Total
PAYMENTS / PAIEMENTS										
Retirement Pension / Pension d'Ancienneté	30,264,774.74	56,186.67	0.00	29,138.51	2,074,754.36	20,194,796.54	89,396.40	637,282.08	23,017,107.93	122,446,477.94
Survivor Pension / Pension de Survie	5,746,612.98	0.00	0.00	39,007.44	433,828.69	1,589,109.12	80,988.72	235,226.28	3,918,560.23	23,215,661.32
Orphans Pension / Pension d'Orphelins	130,682.51	0.00	0.00	0.00	7,692.24	99,424.30	0.00	16,253.16	225,018.07	620,985.92
Invalidity Pension / Pension d'Invalidité	4,863,139.18	0.00	0.00	78,293.14	445,746.05	1,512,492.67	93,245.28	162,003.78	3,312,548.11	18,919,847.98
Family Allowance / Allocations Familiales	1,843,629.01	7,463.70	0.00	2,530.93	171,066.81	1,389,281.18	8,830.92	42,025.92	1,442,956.21	8,126,308.96
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	76,657.65	113.87	0.00	266.51	5,605.17	44,341.18	487.44	1,955.03	57,098.87	310,090.46
Total Payments / Paiements	42,925,496.07	63,764.24	0.00	149,236.53	3,138,693.32	24,829,444.99	272,948.76	1,094,746.25	31,973,289.42	173,639,372.58
RECEIPTS / RECETTES										
Staff Contributions / Contributions des Agents	3,316,962.33	0.00	13,247.18	0.00	108,589.46	3,844,573.21	0.00	0.00	2,872,544.41	14,463,111.37
Employer Contributions / Contributions de l'Employeur	75,940.10	0.00	0.00	0.00	0.00	59,660.27	0.00	0.00	0.00	270,755.07
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	-24.13	0.00	-197.79	-7,111.25	0.00	0.00	-5,232.11	-20,656.66
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	3,392,902.43	0.00	13,223.05	0.00	108,391.67	3,897,122.23	0.00	0.00	2,867,312.30	14,713,209.78
Funding Requirement / Besoin de financement	39,532,593.64	63,764.24	-13,223.05	149,236.53	3,030,301.65	20,932,322.76	272,948.76	1,094,746.25	29,105,977.12	158,926,162.80

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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 2019

(amounts in EUR)	Initial Budget (a)	Revised Budget (b)	Actuals (c)	Difference (b-c)
CIVIL BUDGET				
PAYMENTS / PAIEMENTS				
Retirement Pension / Pension d'Ancienneté	29,193,900.00	30,043,900.00	30,264,774.74	-220,874.74
Survivor Pension / Pension de Survie	5,723,800.00	5,823,800.00	5,746,612.98	77,187.02
Orphans Pension / Pension d'Orphelins	176,300.00	176,300.00	130,682.51	45,617.49
Invalidity Pension / Pension d'invalidité	4,946,500.00	4,946,500.00	4,863,139.18	83,360.82
Family Allowance / Allocations Familiales	1,780,700.00	1,830,700.00	1,843,629.01	-12,929.01
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	76,657.64	-76,657.64
Total Payments / Paiements	41,821,200.00	42,821,200.00	42,925,496.06	-104,296.06
RECEIPTS / RECETTES				
Staff Contributions / Contributions des Agents	3,535,600.00	3,535,600.00	3,316,962.33	218,637.67
Employer Contributions / Contributions de l'Employeur	151,200.00	151,200.00	75,940.10	75,259.90
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	3,686,800.00	3,686,800.00	3,392,902.43	293,897.57
Funding Requirement / Besoin de financement	38,134,400.00	39,134,400.00	39,532,593.63	-398,193.63
MILITARY BUDGETS				
PAYMENTS / PAIEMENTS				
Retirement Pension / Pension d'Ancienneté	96,930,000.00	93,000,000.00	92,181,703.20	818,296.80
Survivor Pension / Pension de Survie	17,960,000.00	17,960,000.00	17,469,048.34	490,951.66
Orphans Pension / Pension d'Orphelins	700,000.00	600,000.00	490,303.41	109,696.59
Invalidity Pension / Pension d'invalidité	14,600,000.00	14,600,000.00	14,056,708.80	543,291.20
Family Allowance / Allocations Familiales	6,690,000.00	6,600,000.00	6,282,679.95	317,320.05
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	233,432.81	-233,432.81
Total Payments / Paiements	136,880,000.00	132,760,000.00	130,713,876.51	2,046,123.49
RECEIPTS / RECETTES				
Staff Contributions / Contributions des Agents	10,950,000.00	11,000,000.00	11,146,149.04	-146,149.04
Employer Contributions / Contributions de l'Employeur	100,000.00	200,000.00	194,814.97	5,185.03
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	-20,656.66	20,656.66
Total Receipts / Recettes	11,050,000.00	11,200,000.00	11,320,307.35	-120,307.35
Funding Requirement / Besoin de financement	125,830,000.00	121,560,000.00	119,393,569.17	2,166,430.83
TOTAL CIVIL + MILITARY BUDGETS				
TOTAL Funding Requirement	163,964,400.00	160,694,400.00	158,926,162.80	1,768,237.20

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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:

	2019		2018	
	CIV	MIL	CIV	MIL
Budget called in Y-1	38,134,400.00	125,830,000.00	37,842,700.00	116,700,000.00
	163,964,400.00		154,542,700.00	
Regularization in Y	1,000,000.00	-4,270,000.00	0.00	0.00
	-3,270,000.00		0.00	
Revised budget in Y	39,134,400.00	121,560,000.00	37,842,700.00	116,700,000.00
	160,694,400.00		154,542,700.00	
Regularization in Y+1			-585,419.82	-4,903,707.66
			-5,489,127.48	
Revised budget in Y+1			37,257,280.18	111,796,292.34
			149,053,572.52	

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 2019, 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 administrative expenses related to the management of all pensions schemes by NATO IS were close to KEUR 1000 in 2019. This includes miscellaneous operating costs and the personnel costs.

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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 2019 was EUR 120,819.35.

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 Dependant'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

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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

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NATO FORACS OFFICE
FINANCIAL STATEMENTS
Financial Year 2019

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



M. PAGE
Project Manager FORACS



M. BORYCZKA
Financial Controller NATO-IS

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ANNEX 1 to
FC(2020)0026NATO FORACS OFFICE
Statement of Financial Position

As at 31 December 2019

	Notes	(in EUR)		
		Current Year	Prior Year	Variance
		2019	2018	CY - PY
Assets				
<i>Current assets</i>				
Cash and cash equivalents	(3),(4)	5 398 957.26	3 467 883.54	1 931 073.72
Short term investments	(3),(4)	0.00	866 701.33	-866 701.33
Receivables	(5)	703 063.67	85 592.30	617 471.37
Prepayments	(6)	1 636 053.33	2 614 906.77	-978 853.44
Other current assets	(6)	24 386.09	19 008.40	5 377.69
Inventories	(7)			0.00
		7 762 460.35	7 054 092.34	708 368.01
<i>Non-current assets</i>				
Receivables				0.00
Property, plant & equipment				0.00
Intangible assets	(8)	1 685 581.64	1 685 581.64	0.00
		1 685 581.64	1 685 581.64	0.00
Total assets		9 448 041.99	8 739 673.98	708 368.01
Liabilities				
<i>Current liabilities</i>				
Payables	(9)	502 084.38	753 881.85	-251 797.47
Deferred revenue	(10)	26 491.74	52 063.83	-25 572.09
Advances	(11)	5 352 081.27	5 079 662.88	272 418.39
Provisions	(12)	12 676.55	11 243.58	1 432.97
Other current liabilities	(13)	1 431 662.52	784 341.34	647 321.18
		7 324 996.46	6 681 193.48	643 802.98
<i>Non-current liabilities</i>				
Provisions		0.00	0.00	0.00
Deferred revenue	(14)	1 685 581.64	1 685 581.64	0.00
Other non-current liabilities				0.00
		1 685 581.64	1 685 581.64	0.00
Total liabilities		9 010 578.10	8 366 775.12	643 802.98
Surplus/Deficit		0.00		0.00
Retained earnings	(15)	437 463.89	372 898.86	64 565.03
Reserves				
Total net assets		437 463.89	372 898.86	64 565.03
Control Sum		0.00	0.00	0.00

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NATO FORACS OFFICE
Statement of Financial Performance

As at 31 December 2019

(in EUR)			
Notes	Current Year	Prior Year	
	2019	2018	Variance
Revenue			
Non-Exchange Revenue	1,192,453.76	970,033.34	222,420.42
Exchange revenue	-	85,239.00	-85,239.00
Financial revenue	226.06	42,158.60	-41,932.54
Other revenue	13,400.56	19,418.42	-6,017.86
Total revenue	(16) 1,206,080.38	1,116,849.36	89,231.02
Expenses			
Personnel	655,607.37	655,525.96	81.41
Contractual supplies and services	527,559.16	400,983.99	126,575.17
Depreciation and amortization	0.00	0.00	0.00
Impairment	0.00	0.00	0.00
Provisions	12,676.55	11,243.58	1,432.97
Other expenses	0.00	0.00	0.00
Finance costs	10,237.30	49,095.83	-38,858.53
Total expenses	(17) 1,206,080.38	1,116,849.36	89,231.02
Surplus/(Deficit) for the period	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

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NATO FORACS OFFICE Statement of Cash Flow

As at 31 December 2019

	(in EUR)	
	Notes	
	Current Year 2019	Prior Year 2018
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	64,565.03	-219,375.89
Increase/(decrease) in payables	-251,797.47	-115,100.70
Increase/(decrease) in other current liabilities	894,167.48	362,409.60
Increase/(decrease) in provisions	1,432.97	0.00
Increase/(decrease) in other non current liabilities	0.00	287,160.02
(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	356,004.38	-774.13
Net cash flow from operating activities	1,064,372.39	314,318.90
Cash flow from investing activities		
Purchase of property plant and equipment / Intangible assets	0.00	-287,160.02
Proceeds from sale of property plant and equipment	0.00	0.00
Net cash flow from investing activities	0.00	-287,160.02
Cash flow from financing activities		
Decrease/(increase) Deposit	0.00	0.00
Net cash flow from financing activities	0.00	0.00
Net increase/(decrease) in cash and cash equivalents	1,064,372.39	27,158.88
Cash and cash equivalent at the beginning of the period	4,334,584.87	4,307,426.00
Cash and cash equivalent at the end of the period	5,398,957.26	4,334,584.87

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NATO FORACS OFFICE
Statement of Changes in Net Assets/Equity

As at 31 December 2019

(in EUR)

Balance at the beginning of the period 2018	
Changes in accounting policy	
Restated balance	<u>(592,274.75)</u>
Net (gains)/losses recognised directly in net assets/equity	
Exchange difference on translating foreign operations	
Use of cash Reserves	219,375.89
Gain on property revaluation	
Surplus/(deficit) for the period	
Change in net assets/equity for the year ended 2018	<u>(372,898.86)</u>
Balance at the beginning of the period 2019	
Changes in accounting policy	
Restated balance	<u>(372,898.86)</u>
Net (gains)/losses recognised directly in net assets/equity	
Exchange difference on translating foreign operations	
Use of cash Reserves	
Gain on property revaluation	(64,565.03)
Surplus/(deficit) for the period	
Change in net assets/equity for the year ended 2019	<u>(437,463.89)</u>

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ANNEX 5 to
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NATO FORACS OFFICE
Statement of Budget Execution
 As at 31 December 2019

(Amounts in euro)	Initial budget	Budget increase	BA2	Budget Revision	BA3	Transfers	Final budget	Commitments	Expenses	Total spent	Carry forward	Lapsed
Budget 2019												
Chapter 1	717,000		717,000	-	717,000		717,000					
Chapter 2	409,810	160,000	569,810	100,000	669,810		669,810	1,337	855,607	655,607		61,393
Chapter 3	66,000	289,246	355,246	126,550	481,796		481,796	25,155	384,699	386,036		283,774
Chapter 4									91,182	116,337		365,460
Total	1,192,810	449,246	1,642,056	226,550	1,868,606	-	1,868,606	26,492	1,131,488	1,157,980	-	710,626
Budget 2018												
Chapter 1	-		-	-	-		-					
Chapter 2	1,419		1,419	-	1,419		1,419		1,092	1,092		326
Chapter 3	33,782		33,782	-	33,782		33,782		33,723	33,723		59
Total	35,200	-	35,200	-	35,200	-	35,200	-	34,815	34,815	-	385
Budget 2017												
Chapter 1												
Chapter 2	16,863		16,863	-	16,863		16,863		16,863	16,863		(0)
Chapter 3												
Total	16,863	-	16,863	-	16,863	-	16,863	-	16,863	16,863	-	(0)
Total All Budgets	1,244,874	449,246	1,694,120	226,550	1,920,670	-	1,920,670	26,492	1,183,167	1,209,659	-	711,011

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EXPLANATORY NOTES TO NATO FORACS OFFICE 2019 FINANCIAL STATEMENTS

NOTE 1: GENERAL INFORMATION

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 AUTEC (Atlantic Underwater Test and Evaluation Center) became an affiliated NATO FORACS test range called NATO FORACS AUTEC (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 also as 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

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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 in 2017 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.

The following IPSAS have no material effect on the 2019 NFO financial statements:

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- 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

In 2018 the untaken leave was disclosed as "Other Expenses", however the NFO has reconsidered this policy, since even though NATO-IS policy is that untaken leave shall be paid only as a last recourse (Staff is compelled to take all their leave before retiring), the NFO believes that for informative and transparency purposes, this liability should be recognized as if NATO would shut down its activities as of 31 December 2019 and disclosed as a Provision instead of an actual expense, since its realization is uncertain.

Restatement of Financial Statements of Previous Years

None.

Reclassification of Financial Statements of Previous Years

A minor reclassification was done, concerning untaken leave. As explained above there was a change in accounting policy, and thus it is no longer disclosed as "Other Expense" in the statement of financial performance, but as a Provision.

The table below summarises the change.

	Re-Classification 2018	Prior Year FS 2018
Revenue		
Non-Exchange Revenue	970 033.34	970 033.34
Exchange revenue	85 239.00	85 239.00
Financial revenue	42 158.60	42 158.60
Other revenue	19 418.42	19 418.42
Total revenue	1,116 849.36	1,116 849.36
Expenses		
Personnel	655 525.96	655 525.96
Contractual supplies and servic	400 983.99	400 983.99
Depreciation and amortization	-	-
Impairment	-	-
Provisions	11 243.58	11 243.58
Other expenses	-	-
Finance costs	49 095.83	49 095.83
Total expenses	1,116 849.36	1,116 849.36
Surplus/(Deficit) for the period	-	-

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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 2019.

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.

NFO does not have any unrealised gains or losses resulting from the translation of statements.

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:

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BANK NAME	COUNTRY OF HQ	SHORT TERM RATINGS AS AT 10.01.20		
		FITCH	S&P	Moody's
ING BANK	NE	F1+	A-1	P1

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.

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.

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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.

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:

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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.

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

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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

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

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Integrated system	€50,000	4 years	Straight line
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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.

FORACS capitalizes integrated systems and include research, development, implementation and can include both software and hardware elements. But 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

FORACS capitalizes other types of intangible assets acquired after 1 January 2013 including:

- Copyright
- Intellectual Property Rights
- Software development

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

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.

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 currently undergoing formal acceptance trials before formal introduction into service with NATO FORACS.

Current Liabilities

- a. Payables

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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. Up until 2015, Advances only concerned advances linked to the NFO budget call for contributions. Advances linked to the Ranges' budgets were classified as Payables. As from 2016, Advances include all advances linked to the budget process of the NFO and of the Ranges. This better 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 (lapsed credits + net financial income + 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 FORACS' Project Accumulated Surplus. Project Accumulated Surplus relates to funds resulting from past years contributions by 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 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 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.

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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 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, SHORT TERM INVESTMENTS – NATO FORACS OFFICE

The current NFO bank accounts are held in EUR. Deposits (if any) are held in interest-bearing bank accounts, immediately available

Cash and cash equivalents			
in EUR		2019	2018
NFO		2,686,848	2,429,847
Petty Cash		0	0
TOTAL		2,686,848	2,429,847

NOTE 4: CASH AND CASH EQUIVALENTS, SHORT TERM INVESTMENTS - FUNDS MANAGED FOR THIRD PARTIES

The NATO-IS Office of Financial Control holds funds, in cash, contributed to the NFG, NFA and, since 2013, NFN budgets. These bank accounts are controlled by 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.

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FUNDS MANAGED FOR THIRD PARTIES

in EUR	2019	2018
NFA	1,003,632	37,471
NFA short term deposit	0	866,701
NFG	623,427	611,836
NFN	1,085,050	388,729
TOTAL	2,712,109	1,904,738

NOTE 5: ACCOUNTS RECEIVABLE

At the end of 2019 this position consists only 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 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 2019 year-end there was no outstanding contributions receivable to report.

During the Audit to 2018 Financial Statements (IBA(-AR(2019)0022), IBAN made a recommendation that the annual budgetary surpluses of the Ranges, usually known around April of the following year, should be reported as a Current Asset (Receivable) and Liability (refundable Surplus to Nations) in NFO's Financial Statements. In 2019, this recommendation was taken into account and therefore NFO is now reporting those figures (please see also Note 13)

The below table provides an overview of open receivables at year-end for two consecutive years:

Receivables (in EUR)	2019	2018
Budgetary contributions	-	-
Ranges	703,063.67	
Staff	-	-
Other NATO bodies	-	353.30
Users of FORACS services	-	85,239.00
Total	703,063.67	85,592.30

NOTE 6: PREPAYMENTS AND OTHER CURRENT ASSETS

(in EUR)	2019	2018
Prepayments to the Ranges	1,630,421.86	2,610,555.62
Prepayments to Suppliers	2,433.47	-
Prepayments to Staff	3,198.00	4,351.15
Other Current Assets	24,381.07	19,008.40
Total	1,660,434.40	2,633,915.17

Advances are made to the Ranges based on their respective following year's budget in accordance with the process of centralisation of all budgetary calls under the NFO umbrella.

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Prepayments to the Ranges (in EUR)	2019	2018
NFA	624,964.33	560,520.54
NFG	355,350.00	348,396.00
NFN	650,107.53	1,701,639.08
TOTAL	1,630,421.86	2,610,555.62

Prepayments to staff (typically advances on salaries, advances on education allowances, travel expenses) are done in accordance with the NATO Civilian Personnel Regulations.

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.

NOTE 7: INVENTORIES

Nothing to report, inventories are not considered material.

NOTE 8: NON CURRENT 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 2019 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

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NOTE 9: ACCOUNTS PAYABLES

Payables (in EUR)	2019	2018
Suppliers	102,474.80	65,742.52
Personnel	306.92	-
Other FORACS entities	57,466.02	388,109.73
Member Nations	147,417.60	153,960.68
Accruals	194,419.04	146,068.92
Total	502,084.38	753,881.85

Payables and accrued expenses (accruals) are to commercial suppliers, staff, other NATO bodies, FORACS Member Nations or other FORACS entities.

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 (accruals) correspond to the estimated accrual obligation to third parties for goods and services received but not yet invoiced.

Payables to other FORACS entities

Payables to NFA, NFG and NFN are amounts previously called by the NATO-IS Office of Financial Control and due to the related Ranges in order to fund their respective budgets and for which a decision to transfer the funds has been taken and payment is pending.

Payable to Participating Nations

A payable of EUR 147,417.60 (EUR 153,960.68 end 2018) 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 2019 was used to offset the budgetary contribution of the US called in 2019. The net outstanding amount remains to be regularised.

NOTE 10: DEFERRED REVENUE

Deferred Revenue

This item is limited to NFO since it is the only FORACS entity over which the IS Office of Financial Control exercises budget 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.

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NOTE 11: ADVANCES

The standard call for contribution process includes an advance on the following year's budgets for all FORACS components. The 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.

Advances called (in EUR)	2019	2018
NFO	1,004,291.00	954,248.00
NFA	1,666,571.19	1,494,721.80
NFG	947,599.00	929,054.00
NFN	1,733,620.08	1,701,639.08
TOTAL	5,352,081.27	5,079,662.88

NOTE 12: PROVISIONS

The only 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 12,676.55 (EUR 11,243.58 end 2018).

NOTE 13: OTHER CURRENT LIABILITIES

Amounts corresponding to the current year budgetary surplus of NFO (lapsed credits + net financial income + 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 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 there is a snapshot of NFO's current year surplus at year end.

Current Year Budget Surplus NFO			
(in EUR)	2019		2018
Lapsed Appropriations	711,011.02		659,776.33
Net Financial Income	9,930.52		36,202.71
Miscellaneous Income	13,400.56		104,657.42
Total Surplus Current Year NFO	714,481.06		800,636.46

Miscellaneous income is an over-accrual from 2018 of EUR 10,558 and another accrual for the payment that FORACS will receive in 2020 due to its Employers share of the DCPS Group Insurance compensatory payment receivables from Allianz of EUR 2,842.

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 Ranges (lapsed credits + net financial income) and provision for the untaken leave.

Detailed breakout is presented in the table below.

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Other Current Liabilities	2019	2018
NFO Current Year Budget Surplus	714,481.06	800,636.46
Lapses NFA	308,886.25	
Lapses NFG	67,515.00	
Lapses NFN	326,662.42	
Financial Surplus Ranges	14,117.79	16,295.12
Provision for Untaken Leave	12,676.55	11,243.58
Other		
TOTAL	1,444,339.07	795,584.92

As explained in Note 5, the Ranges lapsed credits were not presented in the 2018 financial statements, thus for comparative purposes, below we provide the respective figures:

2018 Ranges Budgetary Surpluses		
	Local Currency	EUR
Lapses NFN (NOK)	3,071,054.00	266,415.73
Lapses NFG (EUR)	67,420.00	67,420.00
Lapses NFA (USD)	128,051.00	118,554.76
Total		452,390.49

NOTE 14: 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 accounts will be used as a counterpart of the IDATS, once it becomes available for operational used and thus is recognized as an Intangible Asset.

NOTE 15: RETAINED EARNINGS

Retained earnings correspond to FORACS' Project Accumulated Surplus.

Project Accumulated Surplus relates to funds resulting from past contributions by 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 FORACS. 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 16: 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.

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Exchange Revenue may result from services provided by 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 2019 revenue breakdown:

(in EUR)	2019	2018
Non Exchange revenue	1,192,453.76	970,033.34
Called from Nations	238,335.94	226,627.00
Budget to be taken from refundable surplus	800,636.46	665,320.40
Budget to be taken from Operational Reserve	124,840.00	-215,090.00
To be received/paid from/to the ranges	-124,840.00	294,680.00
Provision untaken leave	12,676.55	11,243.58
Extra budget to be taken from call	140,804.81	-12,747.64
Exchange revenue	0.00	85,239.00
Services provided by FORACS to non member Nations		85,239.00
Financial Revenue	226.06	42,158.60
Exchange gain	226.06	42,158.60
Other revenue	13,400.56	19,418.42
DCPS Allianz Compensatory payment	2,842.30	0.00
Overaccrual	10,558.26	19,418.42
Total Revenue	1,206,080.38	1,116,849.36

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.

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.

Depreciation and Amortization

Nothing to report.

Impairments

Nothing to report.

Provisions

This item includes any provisions disclosed in the financial statements, including a valuation of the untaken leave liability.

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Other Expenses

Nothing to report.

NOTE 18: BUDGET INFORMATION

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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 budget control.

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 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.

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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 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.

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amounts in EUR		
	2019	2018
Initial Budget	1,192,810	1,133,135
Supplementary Budget		
Additions/Reductions	675,796	840,000
Total Annual Budget	1,868,606	1,973,135

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.

BUDGET EXECUTION			
Total Budget (including carried-forward from previous year)	(a)		1,920,670
Credits Carried Forward in Following Year	(b)		26,492
Lapsed Appropriations	(c)		711,011
Budget Execution Expenses	(d) = (a-b-c)		1,183,167

RECONCILIATION			
Financial Performance Expenses (Excluding financial costs)	(d)		1,195,843
Increase in Non-Current Assets	(e)		-
Provisions	(f)		(12,677)
Other Expenses	(g)		-
Sub-Total	(h) = (d+e+f+g)		1,183,167
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.

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amounts in EUR		2019	2018
Initial Budget		1,192,810	1,133,135
Supplementary Budget		675,796	840,000
Total Annual Budget		1,868,606	1,973,135
Advance called previous year		954,248	906,508
Call in current year		238,562	226,627
Total Cash Calls		1,192,810	1,133,135
Use of Previous Year's Surplus		800,636	665,320
Use of (Contribution to) Project Accumulated Surplus		-	294,680
Transfer from (to) other FORACS entities		124,840	120,000
Other Funding Sources		675,796	840,000
Total Funding		1,868,606	1,973,135

NOTE 19: WRITE-OFFS

There were no write-offs during 2019.

NOTE 20: LEASES

NFO does not have any financial leases.

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.

NOTE 24: EMPLOYEE DISCLOSURE

Employee Status

The tables below provide comparative data about FORACS staff for two consecutive years:

FORACS	NATO Civilians	
	31-12-19	31-12-18
Total Approved PE	4	4
Total Filled Positions	4	4
Arrivals in the year	0	0
Departures in the year	0	0

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FORACS	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 9.5% (increased to 11.8% in 2020) 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.

The table below provides comparative data about the staff affiliation to the different pension schemes for two consecutive years:

FORACS STAFF PENSION SCHEME AFFILIATION		
	2019	2018
DBPS	2	2
DCPS	1	1

Out of the 4 permanent staff of the NFO, one is a US reimbursable employee and as such it is not affiliated to any of the pension schemes.

The table below indicates the contributions made by NFO to the various pension programs.

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(amounts in EUR)		2019	2018
Co-ordinated Pension Scheme	Staff	17,156.64	16,751.22
	Employer	34,313.28	33,502.44
	Total	51,469.92	50,253.66
Defined Contribution Pension Scheme	Staff	16,046.07	15,357.90
	Employer	14,811.69	14,176.44
	Total	30,857.76	29,534.34
TOTAL	Staff	33,202.71	32,109.12
	Employer	49,124.97	47,678.88
	Total	82,327.68	79,788.00

Extraordinary Compensatory payment

Further to an analysis covering the last years of the history of death in service risks in relation to premiums paid by the Organisation during 2012-2015, a compensation of EUR 6 million at the NATO-wide level was agreed by the insurance company. At the end of 2018, the NATO Secretary General decided that a fraction of this amount (circa EUR 1,7 million) should be paid to NATO staff who were members of the DCPS during the period 2012-2015 in proportion to the contributions they made to the DCPS. Staff employed by NFO during the period 2012-2015 and affiliated to the DCPS are therefore entitled to a payment to be made from the NATO DCPS accounts. The overall entitlement of FORACS staff amounts to EUR 1,140.69. During 2019 EUR 327.11 were paid to FORACS serving staff, while the remaining EUR 813.58 that relate to retired or former employees is expected to be settled in the course of 2020. This information is being provided here solely for clarity and cross reference purposes, since these transactions are not reflected in FORACS books and thus in these financial statements, but instead have been managed directly in DCPS accounts and therefore will be disclosed in the later financial statements.

As per BC-DS(2019)0067(INV), the Budget Committee decided that the Employers' part of this compensatory payment, in the total amount of EUR 4,273,893.73, shall be returned to the respective NATO bodies.

An adequate accrual has been posted in FORACS books by the amount of its correspondent receivable (EUR 2,842.30).

NOTE 25: 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 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.

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NOTE 26: 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 AUTEK and 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 officials respectively, under the supervision of the Range Managers to execute their budget following their national rules.

NATO Office of Financial Control holds the surplus funds of the all 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 2019, NATO International Staff charged FORACS for the following cost- sharing:

FORACS BURDEN SHARING CHARGES		
	2019	2018
COMOPS	19,333.37	16,699.00
ADMIN COSTS	31,999.73	36,550.45
OTHER	0	0
TOTAL	51,333.10	53,249.45

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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	NFO
NFSC	NATO FORACS Steering Committee
PPE	Property, Plant and Equipment

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FC(2020)0040

**NATO NEW HQ
FINANCIAL STATEMENTS**

For the year ended
31 December 2019

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

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ANNEX 1 to
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NATO NEW HQ

Statement of financial position

As at 31 December 2019
(All amounts in EUR)

Notes	2019	2018
Assets		
<i>Current assets</i>		
Cash and cash equivalents	3 20,250,908.51	24,792,449.59
Short term investments	4 30,600,000.00	40,601,828.11
Receivables	5 616,264.13	2,401,197.74
Prepayments	6 8,087,650.70	14,415,775.05
Other current assets	7 5,319.16	90,356.07
Inventories	2 0.00	0.00
	<u>59,560,142.50</u>	<u>82,301,606.56</u>
<i>Non-current assets</i>		
Receivables	0.00	0.00
Property, plant & equipment	8 0.00	0.00
Intangible assets	0.00	0.00
Other non-current assets	<u>0.00</u>	<u>0.00</u>
	<u>59,560,142.50</u>	<u>82,301,606.56</u>
Total assets		
	<u>59,560,142.50</u>	<u>82,301,606.56</u>
Liabilities		
<i>Current liabilities</i>		
Payables	9 9,696,609.97	12,294,904.13
Deferred revenue	10 41,710,212.41	66,373,700.87
Advances	11 3,216,780.51	3,048,041.40
Short term provisions	13 652,342.53	73,382.26
Other current liabilities	12 4,283,997.08	511,577.90
	<u>59,560,142.50</u>	<u>82,301,606.56</u>
<i>Non-current liabilities</i>		
Payables	0.00	0.00
Long term provisions	13 0.00	0.00
Deferred revenue	14 0.00	0.00
Other non-current liabilities	<u>0.00</u>	<u>0.00</u>
	<u>59,560,142.50</u>	<u>82,301,606.56</u>
Total liabilities		
	<u>59,560,142.50</u>	<u>82,301,606.56</u>
Net assets		
Capital assets	0.00	
Reserves	0.00	
Current year Surplus / (Deficits)	0.00	
Accumulated surpluses / (deficits) prior year	0.00	
	<u>0.00</u>	<u>0.00</u>
Total net assets/ equity		
	<u>17 0.00</u>	<u>0.00</u>

NATO NEW HQ

Statement of financial performance

As at 31 December 2019
(All amounts in EUR)

	Notes	2019	2018
Revenue	15		
Non exchange revenue		12,827,129.77	27,835,769.99
Exchange revenue			
Other revenue		0.00	0.00
Financial revenue		51,479.91	0.00
		37,671.22	0.00
Total revenue		12,916,280.90	27,835,769.99
Expenses	16		
Personnel		1,530,559.64	3,547,791.42
Contractual supplies and services		10,727,992.91	24,196,328.29
Depreciation and amortization		0.00	0.00
Impairment		0.00	0.00
Provisions		652,342.53	73,382.26
Other expenses		0.00	
Finance costs		5,385.82	18,268.02
Total expenses		12,916,280.90	27,835,769.99
Surplus/(Deficit) for the period	17	0.00	0.00

NATO NEW HQ
Statement of cash flowAs at 31 December 2019
(All amounts in EUR)

	Notes	2019	2018
Cash flow from operating activities	18	-	-
Surplus/(Deficit)		-	-
Non-cash movements			
Depreciation/ Amortisation		-	-
Impairment		-	-
Increase/(decrease) in payables		(2,598,094.16)	8,733,138.95
Increase/(decrease) in other current liabilities		(20,722,330.17)	(70,673,258.62)
Increase/(decrease) in provisions		(578,960.27)	-
(Gains)/losses on sale of property, plant and equipment		-	-
Decrease/(increase) in receivables		1,784,933.61	13,644,910.59
Decrease/(increase) in other current assets		6,413,161.26	21,816,982.08
Increase/(decrease) in other non-current liabilities		-	(1,060,427,743.29)
Net cash flow from operating activities		(15,701,289.73)	(1,086,905,970.29)
Cash flow from investing activities	18	-	1,060,427,743.29
Purchase of property plant and equipment / Intangible assets		-	-
Proceeds from sale of property plant and equipment		-	1,060,427,743.29
Net cash flow from investing activities	18	-	1,060,427,743.29
Cash flow from financing activities	18	-	-
Net cash flow from financing activities	18	-	-
Net increase/(decrease) in cash and cash equivalents	18	(15,701,289.73)	(26,478,227.00)
Cash and cash equivalent at the beginning of the period		65,394,277.70	91,872,504.71
Cash and cash equivalent at the end of the period		50,850,908.51	65,394,277.70

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ANNEX 4 to
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NEW NATO HEADQUARTERS

STATEMENT OF CHANGES IN NET ASSETS AS AT 31/12/2019

	(in EUR)
	Accumulated surpluses/(deficits)
Balance at 31 December 2017	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 2018	0.00
Balance at 31 December 2018	0.00
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

(1) fixed assets in progress

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NEW NATO HEADQUARTERS
BUDGETARY OPERATIONS FOR FINANCIAL YEAR 2019 - Common Funding
n= 2018

CHAPTER Article		BUDGET AUTHORIZATIONS				BUDGETARY SUPPORT			
		BUDGET (n+1) C-M(2017)070	AUTHORIZED TRANSACTIONS	ADJUSTED CREDITS	COMMITMENTS	EXPENDITURES	CREDITS CARRIED FORWARD TO n+1	LARGED CREDITS	
		(1)	(2)	(3) = (1)+(2)	(4)	(5)	(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	
	Carried forward								
	Financial year n-1	1 437 800.06	0.00	1 437 800.06	0.00	567 751.60	860 048.46	0.00	
	Financial year n-2	1 430 002.05	0.00	1 430 002.05	1 430 002.05	1 346 843.26	163 158.79	0.00	
	Financial year n-3	501 893.48	0.00	501 893.48	501 893.48	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	15 555.90	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	
	Financial year n	3 385 395.57	0.00	3 385 395.57	3 385 395.57	1 904 339.80	1 481 055.77	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					
	Carried forward								
	Financial year n-1	5 186 205.64	0.00	5 186 205.64	4 135 600.80	1 060 614.74	0.00	0.00	
	Financial year n-2	3 739 081.16	0.00	3 739 081.16	1 569 914.25	2 170 171.84	0.00	0.00	
	Financial year n-3	582 887.23	0.00	582 887.23	246 837.86	336 049.35	0.00	0.00	
	Financial year n-4	46 392.06	0.00	46 392.06	46 392.06	46 392.06	0.00	0.00	
	Financial year n-5	8 174.95	0.00	8 174.95	83.80	8 091.05	0.00	0.00	
	Financial year n-6	4 341.42	0.00	4 341.42	2 007.00	2 334.42	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	
	Financial year n	9 547 287.48	0.00	9 547 287.48	5 844 834.02	3 802 453.46	0.00	0.00	
III.	INTELLECTUAL SERVICES								
03.01	Contractors & 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	
03.06	Overall CDT fees on behalf COMET IV	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
	Financial year n		0.00	0.00					
	Carried forward								
	Financial year n-1	378 161.00	0.00	378 161.00	608.25	377 552.75	0.00	0.00	
	Financial year n-2	115 865.13	0.00	115 865.13	242 996.80	-127 131.67	0.00	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	0.00	100 000.02	0.00	0.00	
	Financial year n-5	49 999.98	0.00	49 999.98	0.00	49 999.98	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	
	Financial year n	644 026.13	0.00	644 026.13	243 995.85	400 230.28	0.00	0.00	
IV.	CONSTRUCTION WORKS								
04.01	Various Requirements	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
	Financial year n		0.00	0.00					
	Carried forward								
	Financial year n-1	11 260 724.43	0.00	11 260 724.43	0.00	11 260 724.43	0.00	0.00	
	Financial year n-2	8 828 619.64	0.00	8 828 619.64	1 203 868.00	8 664 751.64	0.00	0.00	
	Financial year n-3	1 184 710.29	0.00	1 184 710.29	446 066.27	746 655.02	0.00	0.00	
	Financial year n-4	7 357 228.22	0.00	7 357 228.22	3 308 346.25	4 048 879.97	0.00	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	
	Financial year n	29 641 290.46	0.00	29 641 290.46	5 017 288.52	24 623 999.95	0.00	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					
	Carried forward								
	Financial year n-1	360 983.49	0.00	360 983.49	55 822.61	264 640.88	0.00	0.00	
	Financial year n-2	4 152 006.45	0.00	4 152 006.45	1 408 702.39	2 743 304.06	0.00	0.00	
	Financial year n-3	1 300 802.69	0.00	1 300 802.69	278 513.16	1 024 289.40	0.00	0.00	
	Financial year n-4	206 361.05	0.00	206 361.05	38 032.16	170 328.89	0.00	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	
	Financial year n	6 016 733.68	0.00	6 016 733.68	1 817 170.38	4 202 663.20	0.00	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	18 633 654.62	0.00	18 633 654.62	4 790 124.56	13 843 530.06	0.00	0.00	
	Financial year n-2	19 295 584.36	0.00	19 295 584.36	5 272 344.80	13 543 239.48	0.00	0.00	
	Financial year n-3	3 550 368.67	0.00	3 550 368.67	1 008 163.54	2 462 234.90	0.00	0.00	
	Financial year n-4	7 728 079.35	0.00	7 728 079.35	3 344 627.44	4 383 451.91	0.00	0.00	
	Financial year n-5	58 174.63	0.00	58 174.63	43.80	58 091.03	0.00	0.00	
	Financial year n-6	4 341.42	0.00	4 341.42	2 007.00	2 334.42	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	
GRAND TOTAL		48 238 823.25	0.00	48 238 823.25	14 887 226.38	34 310 786.87	0.00	0.00	

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NEW NATO HEADQUARTERS
BUDGETARY OPERATIONS FOR FINANCIAL YEAR 2018
n= 2018

ANNEX 5 to
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CHAPTER Article		BUDGET AUTHORISATIONS				BUDGETARY SURPLUS			
		BUDGET (ref.) C-M(2017)0070	AUTHORIZED TRANSFERS	ADJUSTED CREDITS (3) = (1)+(2)	COMMITMENTS (4)	EXPENDITURES (5)	CREDITS CARRIED FORWARD TO n+1		
							(6) = (4) - (5)	LAPSED CREDITS (7) = (3) - (4)	
I.	PERSONNEL COSTS								
01 01	Basic salaries and related expenses	1,865,200.00	0.00	1,865,200.00	1,865,200.00	427,369.94	1,437,830.06	0.00	
01 02	Temporary staff and consultants	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
01 03	Salary leave	1,865,200.00	0.00	1,865,200.00	1,865,200.00	427,369.94	1,437,830.06	0.00	
	Financial year n								
	Carried forward:								
	Financial year n-1	3,241,861.65	0.00	3,241,861.65	3,241,861.65	1,669,619.12	1,572,242.53	0.00	
	Financial year n-2	1,782,686.32	0.00	1,782,686.32	1,782,686.32	1,260,794.86	501,893.46	0.00	
	Financial year n-3	105,787.87	0.00	105,787.87	105,787.87	90,287.87	15,500.00	0.00	
	Financial year n-4	50,864.32	0.00	50,864.32	50,864.32	50,864.32	0.00	0.00	
	Financial year n-5	11,273.50	0.00	11,273.50	11,273.50	11,273.50	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	
	GRAND TOTAL	7,057,675.66	0.00	7,057,675.66	7,057,675.66	3,720,238.51	3,327,438.05	0.00	
II.	OPERATING COSTS								
02 01	Administrative missions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
02 02	Administrative support	125,000.00	0.00	125,000.00	125,000.00	0.00	0.00	0.00	
02 03	Hostpitality	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	8,186,000.00	0.00	8,186,000.00	8,186,000.00	5,092,794.36	3,086,205.64	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	8,314,000.00	0.00	8,314,000.00	8,314,000.00	5,217,794.36	3,086,205.64	0.00	
	Carried forward:								
	Financial year n-1	6,952,253.03	0.00	6,952,253.03	6,952,253.03	3,213,181.84	3,739,071.19	0.00	
	Financial year n-2	1,124,051.40	0.00	1,124,051.40	1,124,051.40	2,782,048.87	-1,658,000.72	0.00	
	Financial year n-3	1,646,647.86	0.00	1,646,647.86	1,646,647.86	1,307,867.64	338,780.22	0.00	
	Financial year n-4	11,178.23	0.00	11,178.23	11,178.23	2,261.70	8,916.54	0.00	
	Financial year n-5	4,341.42	0.00	4,341.42	4,341.42	0.00	4,341.42	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	
	GRAND TOTAL	18,052,471.84	0.00	18,052,471.84	18,052,471.84	12,526,951.40	5,525,520.54	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	289,842.00	0.00	289,842.00	289,842.00	0.00	0.00	0.00	
03 04	Concept design team	108,319.00	0.00	108,319.00	108,319.00	0.00	0.00	0.00	
03 05	Overall CDT fees on addl Contrs IV	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
	Financial year n	378,161.00	0.00	378,161.00	378,161.00	0.00	0.00	0.00	
	Carried forward:								
	Financial year n-1	6,631,221.00	0.00	6,631,221.00	6,631,221.00	6,515,365.87	115,855.13	0.00	
	Financial year n-2	487,767.72	0.00	487,767.72	487,767.72	1,184,710.26	-1,184,710.26	0.00	
	Financial year n-3	228,557.07	0.00	228,557.07	228,557.07	99,959.05	130,600.02	0.00	
	Financial year n-4	139,999.87	0.00	139,999.87	139,999.87	48,999.88	46,999.98	0.00	
	Financial year n-5	387.04	0.00	387.04	387.04	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	
	GRAND TOTAL	7,877,093.80	0.00	7,877,093.80	7,877,093.80	7,233,087.87	644,026.13	0.00	
IV.	CONSTRUCTION WORKS								
04 01	Works Requirements	15,331,054.00	0.00	15,331,054.00	15,331,054.00	0.00	0.00	0.00	
	Financial year n	15,331,054.00	0.00	15,331,054.00	15,331,054.00	0.00	0.00	0.00	
	Carried forward:								
	Financial year n-1	18,301,080.90	0.00	18,301,080.90	18,301,080.90	8,463,794.46	9,837,286.44	0.00	
	Financial year n-2	1,742,283.56	0.00	1,742,283.56	1,742,283.56	3,457,553.27	-1,715,269.71	0.00	
	Financial year n-3	9,079,408.00	0.00	9,079,408.00	9,079,408.00	2,322.18	7,357,085.82	0.00	
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	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	
	GRAND TOTAL	45,053,808.46	0.00	45,053,808.46	45,053,808.46	11,333,468.51	33,720,339.95	0.00	
V.	SPECIAL EQUIPMENT								
05 01	Special equipment	402,430.00	0.00	402,430.00	402,430.00	41,868.51	360,561.49	0.00	
	Carried forward:								
	Financial year n-1	11,227,824.80	0.00	11,227,824.80	11,227,824.80	7,075,918.45	4,151,906.35	0.00	
	Financial year n-2	5,578,343.50	0.00	5,578,343.50	5,578,343.50	4,277,540.81	1,300,802.69	0.00	
	Financial year n-3	776,719.21	0.00	776,719.21	776,719.21	970,348.18	-206,367.05	0.00	
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	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	
	GRAND TOTAL	17,085,417.81	0.00	17,085,417.81	17,085,417.81	11,985,684.03	6,018,733.56	0.00	
	GRAND TOTAL	28,280,845.00	0.00	28,280,845.00	28,280,845.00	5,687,060.81	20,603,784.19	0.00	
	Carried forward:								
	Financial year n-1	48,354,341.48	0.00	48,354,341.48	48,354,341.48	27,137,819.74	19,217,521.74	0.00	
	Financial year n-2	10,725,114.50	0.00	10,725,114.50	10,725,114.50	9,388,705.83	1,336,408.67	0.00	
	Financial year n-3	12,438,120.01	0.00	12,438,120.01	12,438,120.01	4,420,079.40	8,018,040.61	0.00	
	Financial year n-4	202,042.52	0.00	202,042.52	202,042.52	143,116.10	58,926.42	0.00	
	Financial year n-5	18,001.96	0.00	18,001.96	18,001.96	11,660.54	4,341.42	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	
	GRAND TOTAL	96,028,465.47	0.00	96,028,465.47	96,028,465.47	46,788,442.22	49,238,023.25	0.00	

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EXPLANATORY NOTES TO NEW NATO HEADQUARTERS PROJECT 2019 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 (NHNQ) 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.

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 the 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 HQ Project Office and the Transition Office were consolidated in October 2017 under the dual oversight of the Defence Investment Division and Executive Management of the International Staff. The transition process encompasses 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 the final return to Host Nation Belgium in August 2020.

In light of the forthcoming closure of the Headquarters Project Office and Transition Office (NHPQ/TO) in June 2020, most of the activities of HQPO/TO were transferred to EM as of 1 April 2020, except for the management of the Long Term Programme Budget (LTPB) which will remain with Defence Investment Division until 30 June 2020.

NATO member nations maintain oversight of the project through the Deputies Committee (DPRC), a Board comprised of the Deputy Permanent Representatives. HQPO/TO is responsible for financial management and for coordination with the DPRC, the Budget Committee, the RPPB, and the North Atlantic Council.

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

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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. 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

The following IPSAS have no material effect on the 2019 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

In 2018 the untaken leave was disclosed as "Other Expenses", however we have reconsidered this policy, since even though NATO IS policy is that untaken leave shall be paid only as a last recourse (Staff is compelled to take all their leave before retiring), we believe that for informative and transparency purposes, this liability should be recognized as if NATO would shut down its activities as

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off 31 December 2019 and disclosed as a Provision instead of an actual expense, since its realization is uncertain.

There is also a change in accounting policy towards the way the offset of the cost for the Untaken Leave provision is recognized. Until 2018, this was done by booking a notional receivables towards nations, while in 2019, due to the non-going concern basis, the offset is done by reducing the Project's accumulated surplus.

Until 2018 the costs to the NHQPO, were fully capitalized into the NHQ Project work in progress, however in 2019, as a consequence of the move's completion in June 2018 and subsequent transfer of all fixed assets to NATO IS and NCIA, the work of the NHQPO/TO has no longer been focused on the NHQ project but rather on the Building Z project, the management of the remnants of the L TPB, the maintenance of the PNHQ until its hand-over to the Host Nation, plus some residual NHQ project related activities. Hence, in 2019 the costs related with NHPO have no longer been capitalized, but rather expensed when incurred.

Restatement of Financial Statements of Previous Years

None.

Reclassification of Financial Statements of Previous Years

A minor reclassification was done, concerning untaken leave. As explained above there was a change in our accounting policy, and thus it is no longer disclosed as "Other Expense" in the statement of financial performance, but rather as a Provision.

The table below summarises the change.

NATO NEW HQ			
Statement of financial performance			
As at 31 December 2018			
(All amounts in EUR)			
	Notes	2018 - Reclassified	2018
Revenue			
15			
Non exchange revenue		27,835,769.99	27,835,769.99
Exchange revenue		0.00	0.00
Other revenue		0.00	0.00
Financial revenue		0.00	0.00
Total revenue		27,835,769.99	27,835,769.99
Expenses			
16			
Personnel		3,547,791.42	3,547,791.42
Contractual supplies and services		24,196,328.29	24,196,328.29
Depreciation and amortization		0.00	0.00
Impairment		0.00	0.00
Provisions		73,382.26	73,382.26
Other expenses			18,268.02
Finance costs		18,268.02	18,268.02
Total expenses		27,835,769.99	27,835,769.99
Surplus/(Deficit) for the period	17	0.00	0.00

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:

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- 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 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 Non-Current Liabilities.

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 AION (former Monte Paschi), which have the following short term credit ratings:

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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 entities managed by the IS Office of Financial Control.

As explained in the "Changes to Accounting Policy", until 2018 this item also included the receivable counterpart of the Untaken Leave provision, but due to the non-going concern basis of the preparation of these Financial Statements, NATO IS decided that in 2019 the value of the untaken leave provision will instead be offset against the project accumulated surplus under Other Current Liabilities.

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 NNNHQ 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 NNNHQ 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

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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 judgement using the best available information from relevant sources. With regard to land on which the buildings are erected, see note on Leases.

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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:

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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: LTPB Contribution to the Building Z project and surplus from the US sponsored 9/11 Memorial

Considering the Non-Going Concern issue, NATO IS decided that in 2019 the value of the undertaken leave provision will be offset against the project accumulated surplus (see Note 13)

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.

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 the new site in 2018, 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 relate 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 2019 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.

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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:

NHQ Cash Positions		
(amounts in EUR)	2019	2018
Common Funded	12,687,137.66	14,913,687.79
Nationally Funded	2,593,501.75	2,465,763.62
Fit-Out	4,929,860.16	7,372,589.24
Eurocontrol	40,408.94	40,408.94
TOTAL	20,250,908.51	24,792,449.59

NOTE 4: SHORT TERM INVESTMENTS

The below table provides comparative data on the NHQ's Short term Investments, over two consecutive years:

NHQ Short Term Invested Funds		
(amounts in EUR)	2019	2018
Common Funded	30,000,000.00	40,001,828.11
Nationally Funded	600,000.00	600,000.00
Fit-Out		0.00
TOTAL	30,600,000.00	40,601,828.11

These short-term investments are available at 35 days' notice.

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.

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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 2018 to 2019.

There are other receivables from Nations concerning amounts due for cases other than contributions to the NINHQ 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)	2019	2018
Budgetary contributions	543,132.85	2,375,270.14
Recoverable Expenses	328.64	25,927.60
Long Outstanding Debts	29,010.52	-
Accruals	43,792.12	
Total	616,264.13	2,401,197.74

The budgetary contributions refer mainly to the outstanding debt from Montenegro (acquisition of delegation space). The accruals are linked primarily to the compensatory payment to receive from Allianz (see note 25) and the interest to be received from Montenegro for 2019 on the outstanding receivable.

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 the Fit-out (Germany) and 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)	2019	2018
Prepayment PMT	2,939,029.07	6,260,931.71
Prepayment NCIA	4,918,751.76	7,497,135.92
Other suppliers	215,823.20	619,202.26
Staff (Education Allowance)	14,046.67	38,505.16
Total	8,087,650.70	14,415,775.05

The final liquidation of these outstanding prepayments will be done in the course of 2020.

NOTE 7: OTHER CURRENT ASSETS

Other Current Assets correspond, essentially to reciprocal bank transactions between the New NATO HQ Project and NATO International Staff accounts and transactions to be regularised. In 2018, this item

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also included the receivable counterpart of the Untaken Leave provision, but due to the non-going concern basis of the preparation of these Financial Statements, in 2019 the value of the untaken leave provision is offset against the project accumulated surplus under Other Current Liabilities.

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 2018 until the end of 2019.

(amounts in EUR)	Carrying Amount end 2017	Additions	Disposals	Depreciation	Other Changes	Carrying Amount end 2018
COMMON FUNDED						
Personnel (chapter 1)	22,412,209	891,433			(23,303,642)	0
Operating Costs (chapter 2)	50,840,175	3,311,193			(54,151,368)	0
Professional fees (chapter 3)	137,330,474	637,871			(137,968,345)	0
Works (chapter 4)	636,830,828	7,180,289			(644,011,117)	0
Special Equipment (chapter 5)	11,575,136	2,136,981			(13,712,117)	0
SUB-TOTAL COMMON FUNDED	858,988,822	14,157,767	0	0	(873,146,589)	0
NATIONALLY FUNDED						
Works	99,025,316	0			(99,025,316)	0
SUB-TOTAL NATIONALLY FUNDED	99,025,316	0	0	0	(99,025,316)	0
TOTAL	958,014,138	14,157,767	0	0	(972,171,905)	0

(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
NATIONALLY FUNDED						
Works	0	0			0	0
SUB-TOTAL NATIONALLY FUNDED	0	0	0	0	0	0
TOTAL	0	863,909	0	0	(863,909)	0

For 2019, included is an amount of EUR 863,909 corresponding to costs incurred by the PMT for completed works at end 2019. These assets were transferred to IS at 2019 year-end.

The following table reconciles the ANWI Assets since 2018 until the end of 2019:

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(amounts in EUR)	Carrying Amount end 2017	Additions	Disposals	Depreciation	Other Changes	Carrying Amount end 2018
COMMON FUNDED						
Personnel (chapter 1)	0	0				0
Operating Costs (chapter 2)	0	0				0
Professional fees (chapter 3)	15,076,004	5,993,979			(21,069,983)	0
Works (chapter 4)	0	0				0
Special Equipment (chapter 5)	87,337,602	(927,555)			(86,410,047)	0
TOTAL COMMON FUNDED	102,413,606	5,066,424	0	0	(107,480,030)	0

(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

During 2019, an additional EUR 1,382,239, were delivered by NCIA in relation to the ANWL, which in accordance with the NATO Accounting Framework is to be considered an NCIA asset and thus were purged out of NNNHQ books.

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 of interns or temporary staff, travel expenses and hospitalities.

Payable to Nations

A payable of EUR 1,513,305.90 (EUR 1,513,305.90 end 2018) 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 4,936,958.72 that need to be returned to Nations In 2020 the majority of the nations have decided to offset their Fit-Out surpluses against the Civil Budget call (80.98%), while the others have preferred to offset against 2020 Accommodation Cost charges or receiving direct returns.

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:

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Payables (in EUR)	2019	2018
Payable to suppliers	1,543,591.62	5,951,340.95
Payable to staff	9,268.24	8,716.93
Surplus Fit out to reimburse to Nations	4,936,958.72	
US Reimbursable	1,513,305.90	1,513,305.90
Accruals	1,693,685.49	4,803,675.13
Other Nato Entity		17,865.22
Total	9,696,809.97	12,294,904.13

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 will be incurred after the reporting date of 31 December 2019. The Unearned Revenue includes principally those amounts of contributions which will be spent until the closure of the L TPB, as credits carried-forward resulting from the budget execution 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 2019 year-end the deferred revenue from budgetary appropriations amounts to EUR 42,314,003.00 for the Common funded and EUR 6,070.40 for the National funded parts of the project.

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 2019 year end there are only EUR 6,070.40 left from the National Funding, corresponding to accumulated interest (EUR 3,772.85) and a leftover from the US grant for the 9/11 monument (EUR 2,297.55).

The decision of the use of final balance of Deferred Revenue positions lies with the respective contributors during the final closure of the NHQ accounts.

NOTE 11: ADVANCES

Advances Related to the Budgetary Process

No advances related with the common funded component of the project were paid/received in 2018 and 2019. At 2019 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)	2019	2018
Advance from Member Nations	3,176,371.60	3,046,002.49
Advance from Third Parties	40,408.91	2,038.91
Total	3,216,780.51	3,048,041.40

At 2019 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

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Other Current Liabilities (in EUR)	2019	2018
Contribution LTPB to Building Z	3,762,403.00	-
Surplus Miscellaneous result	47,437.37	4,042.54
Surplus Financial result	504,235.67	494,084.07
Surplus 9/11 Memorial	12,257.52	20,557.52
Offset (Provision untaken leave)	- 42,336.48	
Other		978.85
Total	4,283,997.08	511,577.90

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 of either NATO IS or NCIA, the NNHQ accounts no longer hold any non-current assets, and hence there is no Long Term Unearned Revenue.

NOTE 15: 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.

After the closure of the project Nations will have to decide what to do with outstanding assets and liabilities of the NHQ project and unspent remnants of the LTPB.

Statement of financial performance

NOTE 16: REVENUE

Until 2018 budgetary revenue has been matched to recognised expenses relating to the activities of the Transition Office.

In 2019 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 and currency exchange gains, while Miscellaneous revenue originate from minor cost reimbursements and mainly from the compensatory payment obtained from Allianz for the DCPS group insurance (see note on Employee Disclosure- Extraordinary Compensatory Payment).

NOTE 17: 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), as off 2019 all costs related to NHQPO were 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 5,385.82 has been recognized as financial cost deriving mainly from currency exchange rate losses.

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There are also Provision costs for Untaken Leave, Impairment of Long Outstanding Receivables and LOJIs payable to NHQPO/TO staff.

During 2019, the NHQ project did not purchased any additional items of PPE, except those mentioned in Note 8.

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:

- a. Project Authorization to Ministry of Defense BE: C-M(2007)0076-AS1,
- b. MOU between Ministry of Defense BE and NATO: SG(2004)1220-REV4,
- c. CDT Contract signed between Belgium and CDT in December 2004 (PMT responsibility),
- d. 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:

- 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).
- 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,
- National Funding for Fit-Out of Delegations: based on actual costs to fit-out the occupied space of each Delegation.

As per the latest NHQPO Financial Status Report (DPRC-N(2019)0022-REV1 (INV), the New NATO Headquarters Project 2018 initial budget authorization for the Common Funded part amounted to EUR 26,290,845. In addition, an amount of EUR 69,735,620 (considering the correction of the EUR 1,97 MEUR correction of the 2017 "Accounting Overlook") related to credits carried over from the previous financial years, also remained available to be used under the LTPB. There were no new requirements for National Funding nor for the Fit-Out programme for 2018 and 2019. The NHPO is due to present an update report (2019 execution) to the DPRC by the end of April 2020.

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. After this date Nations will have to decide what to do with outstanding assets and liabilities of the NHQ Project and unspent remnants of the LTPB.

It should be noted that the credits approved for 2019, 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 2019 commitments and expenses.

Budget execution statements for 2019 and 2018 are provided at Annex 5.

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The Revised LTPB (DPRC-N(2019)0022-REV1 (INV)) is shown in Addendum 1 at the end of these notes. It corresponds to the most recent update of the LTPB.

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 2019 only EUR 2,246,148.39 were capitalized and transferred at year-end to NATO IS (EUR 863,909.17) and NCIA (EUR 1,382,239.22)

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 2019.

2019 Reconciliation of Budget to Financial Performance				
BUDGET EXECUTION		Common Funded	National Funded	Total
Total budget (including Carry-forward from Previous Year)	(a)	49,238,023.25	0.00	49,238,023.25
Credits Carried Forward in Following Year	(b)	34,310,786.87	0.00	34,310,786.87
Budget Execution Expenses	(c) = (a-b)	14,927,236.38	0.00	14,927,236.38
RECONCILIATION				
Financial Performance Expenses (excluding Depreciation, Financial and Other costs)	(d)	12,071,226.97	0.00	12,071,226.97
Increase in Non-Current Assets	(e)	2,246,148.42	0.00	2,246,148.42
Provision LOII	(f)	609,860.99		
Sub-Total	(g) = (d+e+f)	14,927,236.38	0.00	14,927,236.38
Difference to Budget Expenses	(c-g)	0.00	0.00	0.00

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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 in 2018 and 2019.

Nationally Funded component

	Up to 2012	2013	2014	2015	2016	2017	2018	2019	(amounts in EUR) Cumulative
Approved Amounts	37,790,467	12,756,605	25,327,510	21,211,531	1,422,252	516,950	0	0	99,025,315
Cash advances	12,000,000	27,099,999	26,500,000	16,000,000	16,908,366	516,950	0	0	99,025,315
Expenses	11,423,370	22,126,329	22,168,519	21,948,229	18,174,145	3,184,723	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 2019 the following operational leases were funded by the LTPB:

Contract No (CPA)	ASSET LEASED	AMOUNT PAID IN 2019	EXPENSE ACCOUNT CHARGED	AMOUNT TO PAY IN 2020
34231	Building FX	2,332.80	NH0100-0000-000000-00000-0000-444023-00000-0-0	-
38888	Building FX	5,804.20	NH0100-0000-000000-00000-0000-444023-00000-0-0	-
34230	Building XRAY	3,120.00	NH0100-0000-000000-00000-0000-444023-00000-0-0	3,000.00
39355	Building Group Entrance	1,671.53	NH0100-2017-940011-000000-0000-615340-25030-0-0	-
37501	Building AB	18,227.86	NH0100-2017-940011-000000-0000-615340-25030-0-0	-
37582	Building NE 1 Level	21,645.32	NH0100-2017-940011-000000-0000-615340-25030-0-0	-
37583	Building NE 2 Level	21,645.32	NH0100-2017-940011-000000-0000-615340-25030-0-0	-
37584	Building NE 3 Level	21,645.32	NH0100-2017-940011-000000-0000-615340-25030-0-0	-
37500	Building NG	714,375.83	NH0100-0000-000000-000000-0000-444023-00000-0-0	-

These leases refer mainly to rental of prefabricated buildings in on the PNHQ, which felt under the Project responsibility after the completion of the move to the new site, during the dual operations period, up till the final hand-over to Host Nation Belgium

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NOTE 22: RESTRICTIONS ON FIXED ASSETS

There are no restrictions on fixed assets.

NOTE 23: CONTINGENCY CREDITS AND CONTINGENT LIABILITIES

Contingency credits overview (budgetary approach)

References:

- (a) DPRC-N(2019)0022-REV1 (INV)
- (b) DPRC-N(2019)0021-REV3
- (c) DPRC-N(2019)0037-REV1 (INV)
- (d) DPRC-N(2019)0040 (INV)
- (e) DPRC-N(2019)0065-REV1-AS1 (INV)
- (f) DPRC-N(2019)0067-REV1-AS1 (INV)

At reference (a), the DPRC noted the financial status report for the LTPB as of 31 December 2018. A financial status report for the LTPB as of 31 December 2019 will be presented to the DPRC by the NHQPO/TO after the issuance of these financial statements.

The Headquarters Project Office and Transition Office reported that the amount of KEUR 22,854 (reference (a)) is available in contingencies under DPRC control. At reference (b), the Committee approved to use of KEUR 3,762 from contingencies under DPRC control to fund specific costs for the Building Z refurbishment programme. At reference (d), the Committee approved the release of KEUR 2,100 from contingencies under DPRC control to fund continued dual operations until 31 December 2019. At reference (e) the Committee approved the release of KEUR 2,320 from contingencies under DPRC control to fund continued dual operations in the PNHQ from 1 January 2020 until 30 June 2020.

As per DPRC-N(2019)0067-REV1-AS1 (INV), the Nations declared their intent to perform the closure of the Long Term Programme Budget and the disestablishment of the HQPO/TO on 30 June 2020. After this date Nations will have to decide what to do with outstanding assets and liabilities of the NHQ project and unspent remnants of the LTPB.

Reference (f), provides the latest status of the LTPB contingencies under DPRC control, as shown in the table below.

	Amount (KEUR)
1 Currently available contingencies under DPRC control (ref. (a))	22,854
2 Building Z refurbishment costs funded from the LTPB (ref. (b))	-3,762
3 Accounting error - briefed to the DPRC (ref. (c))	-1,970
4 Dual operations funding 2019 (ref. (d))	-2,100
5 Estimated ANWI security risk exposure – noted by the DPRC as a risk: no contingencies released (ref. (a))	-4,934
6 Estimated refund from HN Belgium from the construction contract – noted by the DPRC (ref. (a))	15,400
7 Total estimated amount of available contingencies under DPRC control (lines 1+2+3+4+5+6)	25,488
8 Dual operations funding 2020 – pending DPRC approval of document at ref. (e)	-2,320
9 Total estimated amount of contingencies under DPRC control after DPRC approval of document at ref. (e) (lines 7+8)	23,168

Contingent Liabilities

The stakeholders of the Project are regularly informed at DPRC 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.

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In accordance with information collected from the NHQPO/TO Director, no contingent liabilities are known at 2019 year-end.

NOTE 24: CONTINGENT ASSETS

Nothing to report.

NOTE 25: EMPLOYEE DISCLOSURE

For administrative and project management purposes two posts dedicated to the Building Z Project are attached to the HQPO but have a specific funding mechanism with no impact on the New NATO Headquarters project.

Employee Status

At 31 December 2019, New NATO Headquarters Project Office and Transition Office had the below approved Personnel Establishment.

HQPO	NATO Civilians	
	31-12-19	31-12-18
Total Approved PE	4	12
Total Filled Positions	4	12

HQPO	Total Approved PE	Total Filled Positions
Civilian (PE)	4	4
VNC	n.a.	n.a.
Short term (Temps)	5	5
Interns	n.a.	n.a.

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 9.5% (increased to 11.8% in 2020) 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		
	2019	2018
DCPS	3	9
DBPS	1	3

During 2019 the NHQPO/TO paid the following amount as contributions for DBPS and DCPS pension schemes:

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amounts in EUR	2019			2018		
	Staff	Employer	Total	Staff	Employer	Total
Co-ordinated Pension Scheme	14,946.68	29,893.36	44,840.04	22,335.00	44,670.00	67,005.00
Defined Contribution Pension Scheme	37,247.68	59,157.95	96,405.63	57,128.26	74,887.16	132,015.42
TOTAL	52,194.36	89,051.31	141,245.67	79,463.26	119,557.16	199,020.42

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).

Considering that these financial statements are presented under a non-going concern basis (see Note 2- Basis of Preparation), NATO IS has made an assessment of this liability as per 15 April 2020, and concluded that only 0.25 days of leave from 2019 remain unused (which equates to EUR 156.80), while for 2020 there are still 15 days of leave to be used until 30 June 2020 (which equates to EUR 9,408.11 at 2019 salary scales).

Extraordinary Compensatory payment

Further to an analysis covering the last years of the history of death in service risks in relation to premiums paid by the Organisation during 2012-2015, a compensation of EUR 6 million at the NATO-wide level was agreed by the insurance company.

End 2018, the NATO Secretary General decided that a fraction of this amount (circa EUR 1.7 million) should be paid to NATO staff who were members of the DCPS during the period 2012-2015 in proportion to the contributions they made to the DCPS. Staff employed by NHQPO during the period 2012-2015 and affiliated to the DCPS are therefore entitled to a payment to be made from the NATO DCPS accounts. The overall entitlement of NHQPO staff amounts to EUR 8952.16. During 2019 EUR 1,291.49 were paid to NHQPO serving staff, while the remaining 7,660.67 EUR that relate to retired or former employees is expected to be settled in the course of 2020.

This information is being provided here solely for clarity and cross reference purposes, since these transactions are not reflected in NHQ books and thus in these financial statements, but instead have been managed directly in DCPS accounts and therefore will be disclosed in the later financial statements.

As per BC-DS(2019)0067(INV), the Budget Committee decided that the "Employers' part of this compensatory payment, in the total amount of EUR 4,273,893.73, shall be returned to the respective NATO bodies.

An adequate accrual has been posted in NHQ books by the amount of its correspondent receivable (EUR 25,308.93).

Loss of Job Indemnities (LOJI)

The NHPO/TO is to cease its operations in 30 June 2020 as per DPRC-N(2019)0067-REV1- AS1 (INV) and as such in 2020 there are LOJI's that will be paid to the respective staff in lieu with the separation. The total amount have been assessed to be EUR 609,860.99.

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.

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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.

For the purposes of IPSAS 20 implementation, Key Management Personnel of New NATO HQ Project consists of the Director of the NHQPO/TO. This position is remunerated in accordance with its NATO A6 grade.

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.

In 2019, NATO International Staff charged the NHQPO/TO an amount of EUR 194,854 for administrative support costs (EUR 207,301 in 2018).

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 of 31 December 2019, there were still unfinished elements of the ANWI project that will be delivered during 2020.

The IS acts also as a Host Nation concerning the procurement of Furniture (all as been acquired until 2018) and the Business Data and Applications Migration Project.

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 the 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.

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List of Acronyms:

ANWI: Area Network Infrastructure
EUROCONTROL: European Organization for the Safety of Air Navigation
DPRC: Deputy Permanent Representatives Committee
IS: International Staff
LOJ: 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

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Latest Budget Execution Report as per DPRC-N(2019)0037-REV1 (INV)

NEW NATO HQ BUDGET EXECUTION REPORT AS OF 31 DECEMBER 2018													
		CREDITS CARRIED FORWARD TO 2018						BUDGET 2018					2019
	DESCRIPTION	CARRY FORWARDS AT 1JAN18	COMMITTED AND PAID AT 31DEC18	COMMITTED 30JUN18	PAID AT 31DEC18	AVAILABLE 31DEC18	EFFECTED TRANSFERS TRANSFERS	2018 APPROVED BUDGET	COMMITTED AND PAID AT 31DEC18	COMMITTED 30JUN18	PAID 31DEC18	AVAILABLE AT 31DEC18	CARRIED FORWARD
		(1)	(2)	HIDE	(3)	(4)=(1)-(2)	(5)	(6)	(7)	HIDE	(8)	(9)=(6)-(7)	(10)
	TOTAL BUDGET (CF)	71,705,750	50,490,967	9,389,584	41,101,382	21,214,783		26,290,845	12,810,169	7,123,108	5,687,061	13,480,676	51,246,137
01-01-01-00	Basic Salaries	1,163,802	551,430		551,430	612,371		1,213,200	326,654		326,654	886,546	1,498,918
01-01-02-00	Other Emoluments	389,721	365,115		365,115	24,606		250,000	43,247		43,247	206,753	231,359
01-01-04-00	Instruction and Staff Training	462,408	131,818		131,818	330,590	-400,000	38,000	12,428		12,428	25,572	356,162
	Transition Management - Staff												
01-01-06-00	Restructuring	2,500,000	1,951,652		1,951,652	548,348		294,000	0			294,000	842,348
01-01-08-00	Pensions	272,755	74,486		74,486	198,269		70,000	45,071		45,071	24,929	223,198
01-02-01-00	Temporary Staff	286,283	158,704	1,151	157,554	127,579		0	0	0		0	128,729
01-02-02-00	Consultants	174,981	95,960	25,460	70,500	79,022		0	0			0	104,482
01-03-03-00	Travel on Home Leave	285	285		285	0		0	0			0	0
CHAPTER 1	PERSONNEL COSTS	5,250,235	3,329,450	26,610	3,302,840	1,920,785	-400,000	1,865,200	427,400	0	427,400	1,437,800	3,385,196
02-01-00-00	Travel on official business	5,457	3,131		3,131	2,326		0	0		0	0	2,326
02-02-00-00	Administrative Support	0	0			0		125,000	125,000		125,000	0	0
02-03-00-00	Hospitality	4,341	0		0	4,341			0			0	4,341
	Communications												
02-04-00-00	(postage/tel./fax,etc)	756	756		756	0			0			0	0
02-05-01-00	Operating Expenses	1,394,441	1,073,006	23,868	1,049,138	321,436			0			0	345,304
	Operating Expenses -Overlap												
02-05-01-01	costs (Transition)	3,204,969	3,145,658	736,744	2,408,914	59,311		7,778,000	5,251,000	172,945	5,078,055	2,527,000	3,496,000
	Disposal or current HQ site												
02-05-03-00	(Transition)	3,387,530	1,337,426	390,262	947,164	2,050,105		181,000	14,740		14,740	166,260	2,606,626
02-05-04-00	New HQ Launch (Transition)	2,591,863	2,240,918	233,358	2,007,560	350,945	400,000	230,000	0		0	230,000	814,303
02-06-00-00	Construction Site Guard	1,043,495	895,423	4,554	890,869	148,071			0			0	152,625
02-10-00-00	Miscellaneous and Unforeseen	26,687	625		625	26,062		0	0			0	26,062
CHAPTER 2	OPERATING EXPENSES	11,659,539	8,696,942	1,388,785	7,308,157	2,962,597	400,000	8,314,000	5,390,740	172,945	5,217,795	2,923,260	7,447,587
03-01-04-01	Legal Consultancy NATO	150,000	0		0	150,000			0			0	150,000
03-01-13-01	ICT Progr Mgt	603,327	584,306		584,306	19,021			0			0	19,021
03-02-00-00	Belgian Project Managt Team	14,000	14,000	14,000	0	0		269,842	269,842	269,842		0	283,842
03-02-01-00	NCIA fees for ICT	6,731,605	6,682,878	34,116	6,648,762	48,727			0			0	82,843
03-04-00-00	Concept Design Team Fees	0	0			0		108,319	0			108,319	108,319

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NEW NATO HQ BUDGET EXECUTION REPORT AS OF 31 DECEMBER 2018													
		CREDITS CARRIED FORWARD TO 2018						BUDGET 2018					2019
	DESCRIPTION	CARRY FORWARDS AT 1JAN18	COMMITTED AND PAID AT 31DEC18	COMMITTED 30JUN18	PAID AT 31DEC18	AVAILABLE 31DEC18	EFFECTED TRANSFERS TRANSFERS	2018 APPROVED BUDGET	COMMITTED AND PAID AT 31DEC18	COMMITTED 30JUN18	PAID 31DEC18	AVAILABLE AT 31DEC18	CARRIED FORWARD
		(1)	(2)	HIDE	(3)	(4)=(1)-(2)	(5)	(6)	(7)	HIDE	(8)	(9)=(6)-(7)	(10)
	TOTAL BUDGET (CF)	71,705,750	50,490,967	9,389,584	41,101,382	21,214,783		26,290,845	12,810,169	7,123,108	5,687,061	13,480,676	51,246,137
CHAPTER 3	INTELLECTUAL SERVICES	7,498,932	7,281,184	48,116	7,233,068	217,748	0	378,161	269,842	269,842	0	108,319	644,025
04-01-02-00	Construction of new Site and Passive Network	14,331,000	14,331,000	5,928,420	8,402,580	0		6,257,234	6,257,234	6,257,234		0	12,185,654
04-01-02-01	Electronic Security System	25,000	25,000	25,000		0		0	0			0	25,000
04-01-02-02	Addit.conting.Works on DPRC Release	12,864,392	2,464,987	142,805	2,322,182	10,399,405	-175,500	8,650,733	0			8,650,733	19,192,943
04-01-02-04	Conting. On Transition Programme (DPRC)	542,400	76,970	15,786	61,184	465,430		0	0			0	481,216
04-01-02-05	Conting. On one-time requirements Transition Programme (DPRC)	1,651,720	924,239	407,831	516,408	727,481		0	0			0	1,173,298
04-01-03-00	Audio Visual Equipment	209,000	209,000	209,000		0		423,087	423,087	423,087		0	632,087
04-01-05-00	Construction Security Equipment Programme	90,543	31,145		31,145	59,398		0	0			0	59,398
CHAPTER 4	CONSTRUCTION COSTS	29,714,056	18,062,341	6,728,842	11,333,499	11,651,715	-175,500	15,331,054	6,680,321	6,680,321	0	8,650,733	33,749,596
05-01-01-00	ICT Active Network Infrastructure (NCIA)	10,969,650	8,738,414	145,575	8,592,839	2,231,236		0	0			0	2,376,811
05-01-02-00	ICT Technical Application Migration & ICTM	2,911,348	1,377,470	876,691	500,779	1,533,877		124,000	0			124,000	2,534,568
05-01-03-00	Furniture either internal or external (loose)	1,325,863	1,309,198	160,571	1,148,627	16,665		0	0			0	177,236
05-01-03-00	Furniture Contingencies DPRC	400,000	0		0	400,000		0	0			0	400,000
05-01-03-01	Sports or recreational equipment	175,500	108,281	703	107,578	67,219	175,500	0	0			0	67,922
05-01-04-00	Relocation costs	1,800,627	1,587,686	13,691	1,573,995	212,941		278,430	41,866		41,866	236,564	463,196
CHAPTER 5	SPECIAL EQUIPMENT	17,582,988	13,121,049	1,197,231	11,923,818	4,461,938	175,500	402,430	41,866	0	41,866	360,564	6,019,733
TOTAL BUDGET COMMON FUNDING		71,705,750	50,490,967	9,389,584	41,101,382	21,214,783	0	26,290,845	12,810,169	7,123,108	5,687,061	13,480,676	51,246,137

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**NATO RETIREES MEDICAL CLAIMS FUND
FINANCIAL STATEMENTS**

For the year ended
31 December 2019

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

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NATO RETIREES MEDICAL CLAIMS FUND
Statement of Net Assets Available for Benefits

(All amounts in EUR)

	Notes	Current Year 31-Dec-19	Prior Year 31-Dec-18
Assets			
Cash and cash equivalent	(4)	1,014,435.07	1,397,570.31
Investments at market value	(5)	369,868,416.37	314,569,443.02
Accounts receivable	(6)	944,473.83	441,394.37
Total Assets		371,827,325.27	316,408,407.70
Liabilities			
Accounts payable	(7)	4,573,090.31	2,402,099.99
Total Liabilities		4,573,090.31	2,402,099.99
Net assets available for benefits		367,254,234.96	314,006,307.71

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NATO RETIREES MEDICAL CLAIMS FUND

Statement of Changes in Net Assets Available for Benefits

(All amounts in EUR)	Notes	Current Year	Prior Year
		31-Dec-19	31-Dec-18
Increase in net assets			
Net unrealized gain in market value of investments	(5)	54,789,687.99	-11,607,218.82
Contributions for current year	(8)	26,476,762.44	24,976,569.03
Profit sharing per agreement with insurer	(9)	-	-
Fund rebates	(5)	509,285.36	518,563.99
Interest income	(10)	-	-
Miscellaneous	(12)	2,529.58	1,690.00
Total increase in net assets available for benefits		81,778,265.37	13,889,604.20
Decrease in net assets			
Insurance premiums	(11)	26,905,920.00	23,480,363.55
Insurance management fee	(11)	1,615,138.20	1,469,660.34
Fund purchase fees/financial costs	(10)	7,653.54	4,621.48
Miscellaneous	(12)	1,626.38	11,127.01
Total decrease in net assets available for benefits		28,530,338.12	24,965,772.38
Net increase for the year		53,247,927.25	-11,076,168.18
Net assets available for benefits, beginning of year		314,006,307.71	325,082,475.89
Net assets available for benefits, end of year		367,254,234.96	314,006,307.71

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EXPLANATORY NOTES TO THE 2019 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 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). This rate was increased, from 3%, as from 1 January 2013.

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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, 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 2019, 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, 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.

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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.

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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 gains and losses resulting from such transactions appear in the Statement of Changes in Net Assets Available for Benefits.

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.

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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 are 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 with the aim of increasing the assets available for benefits over time. This risk will be reassessed since the RMCF is nearing the point where disinvestments will have to be made to pay the 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 2019 according to the International Public Sector Accounting Standards (IPSAS).
- Producing the IPSAS accounting disclosures related to these liabilities.

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The study is based on comprehensive data of the affiliated population at the end of 2019 provided to ISRP by NATO.

NATO has also supplied data regarding RMCF cash flows over 2019 and asset information for the RMCF up to 31 December 2019.

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 2018.

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. The pensioners pay 1.67% of their last salary towards the medical coverage.

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:

Assumption	Assumption as at 31 December 2018	Assumption as at 31 December 2019
Discount Rate		
- Post-Employment Medical Scheme	0.91%	0.34%
Price Inflation	2.00%	2.00%
- Medical Inflation	4.00%	4.00%

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The discount rate used was the Euro area AAA Government Yield Curve, as at 31 December 2019. The change in discount rate is due to the change in financial market conditions over 2019. 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 2.0% 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 2018 and the ICSLT 2018 projected from 2019:

	ICSLT 2018 (2018 Projection)	ICSLT 2018 (2019 Projection)
Males		
60 year old	28.3	28.4
40 year old now at 60	29.0	29.0
Females		
60 year old	31.0	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.

6.6% of medical reimbursements paid to pensioners are considered for an estimate of the future administrative costs.

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 2019 is KEUR 3,442,045. It has increased by approximately 15% compared to the 2018 year-end.

The estimation of the present value of the Post-Employment Medical Scheme Obligation at the end of 2018 was KEUR 2,980,591. The change in the liability during 2019 can be summarized as follows:

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Financial Year	2019
Currency	KEUR
Obligation at 1 January	2,980,591
Current Service Cost	192,695
Interest Cost	27,006
Benefits Paid	(25,808)
Actuarial (Gains)/Losses	267,561
Obligation at 31 December	3,442,045

Overall, the medical obligation has increased by 461.454 KEUR during 2019. An actuarial loss of KEUR 267,561 on the liabilities occurred during 2019. 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 gains and losses is included below:

Impact of change in ...	Type of loss / (gain)	Amount KEUR	% of 2019 YE liability
Population	Experience	(260,164)	-7.6%
Financial assumptions	Assumption	527,725	+15.3%
Total actuarial loss / (gain)		267,561	+7.8%

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

	2019		2018	
	EUR	%	EUR	%
Euro Gov't Bond Index Fund	164,663,770.78	44.52%	154,839,123.45	49.22%
Europe Stock Index Fund	98,489,666.72	26.63%	77,713,225.57	24.70%
Global Stock Index Fund	106,714,978.87	28.85%	82,017,093.99	26.07%
TOTAL	369,868,416.37	100.00%	314,569,443.01	100.00%

Details of the changes in investment fund balances available for benefits over the past two years are as follows:

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in EUR	Euro Govt Bond Index Fund 281010	Europe Stock Index Fund 280030	Global Stock Index Fund 280000	TOTAL
Purchases before purchase fees	2,500,000.00	0.00	0.00	2,500,000.00
Withdrawals	0.00	0.00	0.00	0.00
Distributions	0.00	0.00	0.00	0.00
Rebates received	181,612.11	187,450.36	149,501.52	518,563.99
Purchase Fees	0.00	0.00	0.00	0.00
2018 net transactions	2,681,612.11	187,450.36	149,501.52	3,018,563.99
Sum of 31 Dec 2017 balance and 2018 net transactions	153,649,272.83	86,860,598.15	85,666,790.86	326,176,661.84
Gain/loss in market value excluding 2018 net transactions	1,189,850.63	-9,147,372.58	-3,649,696.87	-11,607,218.82
31 Dec 2018 balance	154,839,123.46	77,713,225.57	82,017,093.99	314,569,443.02
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
Gain/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

Fund's Overall Performance

In 2019, 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	2019	2018	2019	2018
IE0007472990	Euro Government Bond Index Fund EUR Institutional Shares	6.35%	0.89%	Spliced Euro Govt Float Adj Bond Index	6.34% 0.92%
IE0007987708	European Stock Index Fund EUR Institutional Shares	26.73%	10.34%	MSCI Europe	26.05% 10.57%
IE00B03HD191	Global Stock Index Fund EUR Institutional Shares	30.11%	-4.09%	MSCI World	30.02% -4.11%

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:

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	2019			2018		
	Units	NAV in EUR	Market Value in EUR	Units	NAV in EUR	Market Value in EUR
Euro Gov't Bond Index Fund	692,964.30	237.6223	164,663,770.78	692,197.24	223.6922	154,839,123.45
Europe Stock Index Fund	4,324,596.88	22.7743	98,489,666.72	4,316,130.56	18.0053	77,713,225.57
Global Stock Index Fund	3,769,928.14	28.3069	106,714,978.87	3,763,961.34	21.7901	82,017,093.99
TOTAL			369,868,416.37			314,569,443.02

NOTE 6: ACCOUNTS RECEIVABLE

Receivables at year-end were as follows:

(amounts in EUR)	2019	2018
Contributions	944,473.83	441,394.37
Receivable from insurer	-	-
Total accounts receivable	944,473.83	441,394.37

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.

Amounts receivable from the insurance company and the third party administrator relate to the final assessment of the premium and of the management fee, which are paid in monthly advances during the year.

There are profit sharing agreements in place for the periods 2012-2016 and 2017-2021; they are considered under the contingent asset note.

NOTE 7: ACCOUNTS PAYABLE

The chart below provides comparative data of the amounts receivable at year end for the last two consecutive years:

(amounts in EUR)	2019	2018
Insurance Premiums	3,425,556.45	2,301,663.55
Insurer Management Fee	145,477.85	71,034.48
Cash Advance	1,000,000.00	-
Miscellaneous	2,056.01	29,401.96
Total accounts payable	4,573,090.31	2,402,099.99

The cash advance refers to the monthly cash advance made to the third party administrator (ALLIANZ) in lieu with the annual insurance premium.
Miscellaneous amounts correspond to operations to be regularised with contributors.

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NOTE 8: CONTRIBUTIONS RECEIVED

Contributions received in the course of the year were as follows:

(amounts in EUR)			
Contributions from		2019	2018
Active Staff and NATO Employer		25,721,653.04	24,398,862.60
Retired Staff from DBPS (Defined Benefit Pension Scheme)		704,692.87	545,392.19
Retired Staff from DCPS (Defined Contribution Pension Scheme)		8,140.43	7,949.80
Other Retired Staff		42,276.10	24,364.44
Total		26,476,762.44	24,976,569.03

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.

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.

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 (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 chart provides comparative data on the insurance premiums and management fee costs over the last two consecutive years:

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RMCF Insurance Premiums and Management Fees Costs (EUR)			
	2019	2018	
Insurance Premium	26,905,920.00	23,480,363.55	
Management Fee	1,615,138.20	1,469,660.34	

In 2019, for the first time, the contributions received during the year were lower than the costs (Insurance premiums and Management Fee).

The chart below provides comparative data for the two last consecutive years:

	2019	2018
Contributions	26,476,762.44	24,976,569.03
Insurance Premiums	26,905,920.00	23,480,363.55
Management Fees	1,615,138.20	1,469,660.34
Net Result	(2,044,295.76)	26,545.14

The negative net result is the combined effect of the 2019 increase of:

- Insurance Premiums, caused by 5% rise of its rate and by 7% increase of number of beneficiaries (affiliates and their family members);
- Management Fees, caused by 10% increase of the number of family members.

The actual increase of cost on both the insurance Premium and the Management Fees, has been higher than estimated in spring 2019. It is to be expected that the trend will continue in the coming years which will, eventually, have a growing impact on the long term RMCF financial sustainability.

The below chart shows the gap between the estimated and the verified 2019 costs:

Dif Estimation vs Real Costs		
Insurance Premiums	3,425,556.45	
Management Fees	145,477.85	
	3,571,034.30	

NOTE 12: MISCELLANEOUS

Corresponds to miscellaneous transactions essentially net financial results (including negative interests paid on the current bank account) and foreign exchange results.

NOTE 13: CONTINGENT ASSETS

As indicated above under Note 9, there is a profit-sharing agreement with the insurer, covering the period 2017-2021.

Annually NATO IS Human Resources checks with ALLIANZ if the yearly execution produced any positive profit-sharing dues. For 2019 the profit sharing mechanism did not produce any income to RMCF.

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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 claims were introduced in relation to the deletion of the Civil Personnel Regulation provision concerning staff obtaining free medical coverage after 25 years of contributions. These cases have not yet been addressed by the NATO Administrative Tribunal. The related risk is not considered as having a material impact on these financial statements.

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.

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NOTE 17: STATISTICAL INFORMATION

Evolution of RMCF membership (number of affiliates)		
year-end	2000	Affiliates 0
year-end	2001	Affiliates 166
year-end	2002	Affiliates 415
year-end	2003	Affiliates 640
year-end	2004	Affiliates 868
year-end	2005	Affiliates 1,181
year-end	2006	Affiliates 1,412
year-end	2007	Affiliates 1,646
year-end	2008	Affiliates 1,942
year-end	2009	Affiliates 2,240
year-end	2010	Affiliates 2,519
year-end	2011	Affiliates 2,881
year-end	2012	Affiliates 3,119
year-end	2013	Affiliates 3,324
year-end	2014	Affiliates 3,795
year-end	2015	Affiliates 4,018
year-end	2016	Affiliates 4,611
year-end	2017	Joined 286
	2017	Exited -211
year-end	2017	Affiliates 4,686
year-end	2018	Joined 305
	2018	Exited -146
year-end	2018	Affiliates 4,845
year-end	2019	Joined 350
	2019	Exited -214
year-end	2019	Affiliates 4,981

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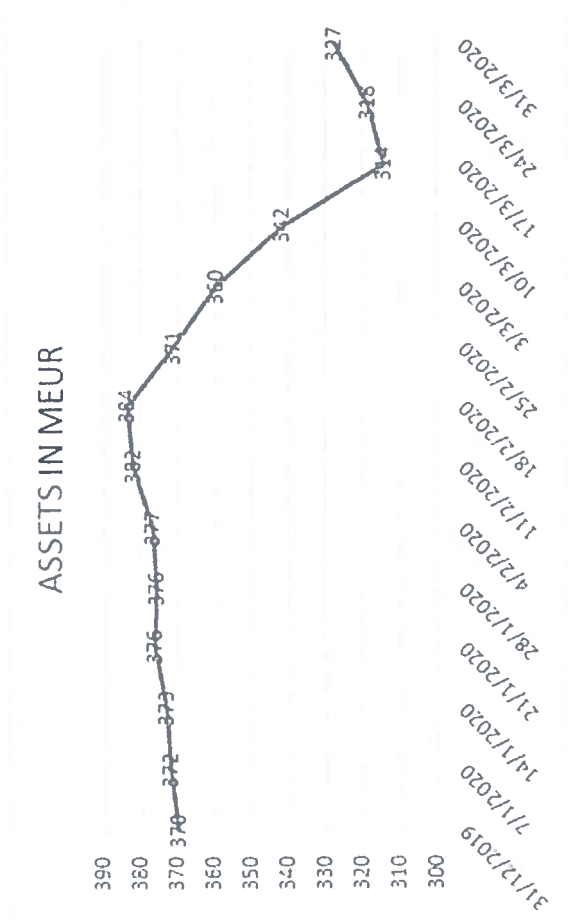
3-16

NOTE 18: EVENTS AFTER THE REPORTING DATE

As at 31 December 2019 the RMCF Investments had a market value of MEUR 369,868.42 having recorded at year-end a unrealized market value gain of MEUR 54,789.69

Due to the COVID19 crisis the financial markets have plummeted since mid-February 2020, and as such IS-OFC is disclosing the latest available information on the market value of such investments.

The below graphic shows the evolution of the market value of RMCF investments, since the beginning of 2020 until 31 March 2020.



As of 31 March 2020 the RMCF Investment portfolio shows an unrealized loss of MEUR 42,562.28

Given the ongoing COVID19 crisis, it is very difficult to predict the short to medium term behavior of the markets, but it's not unreasonable to expect that the high volatility will persist in the coming months, therefore resulting in further value decline.