

NATO SANS CLASSIFICATION

24 novembre 2015

DOCUMENT
C-M(2015)0075-AS1

**RAPPORT DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE
L'OTAN (IBAN) SUR LA VÉRIFICATION DES ÉTATS FINANCIERS DU BUREAU DES
FORACS OTAN POUR L'EXERCICE 2014**

SUITE DONNÉE

Le 23 novembre 2015, au terme d'une procédure d'accord tacite, le Conseil a pris note du rapport de l'IBAN diffusé sous la cote IBA-AR(2015)18 et a approuvé la recommandation du RPPB visant la communication au public de ce rapport.

(signé) Alexander Vershbow
Secrétaire général délégué

NOTE : La présente note fait partie du C-M(2015)0075 et doit être placée en tête de ce document.

NATO SANS CLASSIFICATION

18 novembre 2015

DOCUMENT

C-M(2015)0075

Procédure d'accord tacite :

23 nov 2015 18:00

**RAPPORT DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE
L'OTAN SUR LA VÉRIFICATION DES ÉTATS FINANCIERS DU BUREAU DES
FORACS OTAN POUR L'EXERCICE 2014**

Note du secrétaire général délégué

1. On trouvera en annexe le rapport du Collège international des commissaires aux comptes de l'OTAN (IBAN) sur la vérification des états financiers du Bureau des FORACS OTAN pour l'exercice clos le 31 décembre 2014. Ce rapport contient une opinion sans réserve.
2. Le rapport a été examiné par le Bureau de la planification et de la politique générale des ressources (RPPB). Conformément au PO(2015)0052, celui-ci recommande au Conseil, dans une note qu'il a approuvée le 25 septembre 2015, de communiquer au public le rapport de l'IBAN ainsi que les états financiers correspondants (voir annexes).
3. J'estime que ce rapport ne nécessite pas d'examen plus approfondi. Par conséquent, sauf avis contraire me parvenant d'ici au **lundi 23 novembre 2015 à 18 heures**, je considérerai que le Conseil aura pris note du rapport de l'IBAN diffusé sous la cote IBA-AR(2015)18 et qu'il aura approuvé la recommandation du RPPB visant la communication au public des documents précités.

(signé) Alexander Vershbow

4 annexes

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**RAPPORT DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES
DE L'OTAN (IBAN) SUR LA VÉRIFICATION DES ÉTATS FINANCIERS DU BUREAU
DES FORACS OTAN POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2014**

Références : (A) IBA-A(2015)123 // IBA-AR(2015)18
(B) Note de couverture accompagnant les états financiers 2014 du Bureau des FORACS OTAN – référence FC(2015)067

1. En vertu du PO(2015)0052, les rapports non classifiés du Collège international des commissaires aux comptes de l'OTAN (IBAN), assortis le cas échéant des états financiers correspondants, sont en principe rendus publics après leur examen par le Conseil de l'Atlantique Nord.
2. L'IBAN a émis une opinion sans réserve sur les états financiers 2014 du Bureau des FORACS OTAN. Son rapport (référence (A)) sera transmis au Conseil afin qu'il en prenne note, ainsi que le prévoient les procédures agréées.
3. Le contrôleur des finances du Secrétariat international a estimé que les états financiers 2014 du Bureau des FORACS OTAN pouvaient être rendus publics (référence (B)).
4. Le Bureau de la planification et de la politique générale des ressources estime quant à lui que le rapport de l'IBAN ne contient pas d'informations qui, en vertu de la politique relative à la mise en lecture publique de l'information OTAN, ne peuvent être rendues publiques et, conformément à la politique agréée dans le PO(2015)0052, il recommande par conséquent que le Conseil approuve la communication au public de ce rapport et des états financiers correspondants.

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**Note succincte
du Collège international des commissaires aux comptes de l'OTAN
à l'intention du Conseil
sur la vérification des états financiers du Bureau des FORACS OTAN
pour l'exercice clos le 31 décembre 2014**

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 2014, la dotation budgétaire du Bureau des FORACS OTAN (reports compris) s'élevait à 1,74 million d'euros, et les dépenses au titre du budget ont représenté 0,86 million d'euros.

Le Collège a émis une opinion sans réserve sur les états financiers du Bureau des FORACS OTAN ainsi que sur la conformité pour l'exercice clos le 31 décembre 2014.

À l'issue de l'audit, le Collège a formulé deux observations et trois recommandations, ayant trait aux faiblesses constatées dans le processus d'établissement et d'examen des états financiers ainsi qu'à l'insuffisance des documents produits à l'appui des rapprochements bancaires. Ses conclusions sont récapitulées dans la lettre d'observations et de recommandations (annexe 4).

Par ailleurs, le Collège a fait le point sur la suite donnée à l'observation formulée lors de l'audit précédent, et il a constaté que la question n'avait pas encore été réglée.

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COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN

**OPINION SUR LES ÉTATS FINANCIERS DU BUREAU DES FORACS OTAN
POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2014**

**OPINION DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE
L'OTAN À L'INTENTION DU CONSEIL DE L'ATLANTIQUE NORD**

Rapport sur les états financiers

Le Collège international des commissaires aux comptes de l'OTAN a procédé à la vérification des états financiers du Bureau des FORACS OTAN, composés de l'état de la situation financière au 31 décembre 2014, de l'état de la performance financière, de l'état des variations de l'actif net et du tableau des flux de trésorerie pour l'exercice clos à cette date, ainsi que d'un résumé des méthodes comptables importantes et de diverses notes explicatives. Le Collège a également vérifié l'état de l'exécution du budget pour l'exercice clos le 31 décembre 2014.

Responsabilité de la direction

La direction est chargée d'établir les états financiers conformément au cadre comptable OTAN et aux dispositions du Règlement financier de l'OTAN tels qu'ils ont été fixés par le Conseil de l'Atlantique Nord, et de veiller à ce que les états financiers donnent une image fidèle de la situation de l'entité. Elle est ainsi responsable de la conception, de l'application et de la tenue d'un système de contrôle interne de nature à permettre l'établissement et la présentation d'états financiers qui soient exempts d'inexactitudes significatives, que celles-ci relèvent d'une fraude ou d'une erreur.

Responsabilité du Collège

Il incombe au Collège de formuler sur ces états financiers une opinion qui soit fondée sur son travail de vérification, lequel aura été effectué conformément aux dispositions de sa charte et aux normes internationales d'audit. Ces normes exigent que le Collège respecte certains principes déontologiques, et qu'il planifie et effectue sa vérification de manière à parvenir à une assurance raisonnable sur le point de savoir si les états financiers sont exempts d'inexactitudes significatives.

Un audit consiste à appliquer des procédures permettant d'obtenir des éléments probants relatifs aux montants et aux informations figurant dans les états financiers. Les procédures retenues à cette fin sont laissées à l'appréciation de l'auditeur, qui évalue notamment les risques d'inexactitudes significatives dans les états financiers, que celles-ci relèvent d'une fraude ou d'une erreur. Pour l'évaluation de ces risques, le système de contrôle interne sur lequel s'appuient l'établissement et la présentation des états financiers de l'entité concernée est pris en considération, 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. Il s'agit aussi de déterminer si les méthodes comptables appliquées sont appropriées et si les estimations comptables faites par la direction sont raisonnables, ainsi que d'évaluer la présentation générale des états financiers.

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

Opinion sur les états financiers

L'opinion du Collège est qu'à tous égards significatifs, les états financiers donnent une image fidèle, conforme au cadre comptable OTAN, de la situation financière du Bureau des FORACS OTAN au 31 décembre 2014, ainsi que de sa performance financière et de ses flux de trésorerie pour l'exercice clos à cette date.

Rapport sur la conformité

Responsabilité de la direction

En plus d'être responsable, comme il est dit plus haut, de l'établissement et de la présentation des états financiers, la direction est chargée de veiller à ce que les opérations financières et les informations présentées dans les états financiers soient conformes aux dispositions du Règlement financier de l'OTAN et du Règlement du personnel civil de l'OTAN telles qu'elles ont été fixées par le Conseil de l'Atlantique Nord.

Responsabilité du Collège

En plus d'être responsable, comme il est dit plus haut, de la formulation d'une opinion sur les états financiers, le Collège est chargé de se prononcer sur le point de savoir si les opérations financières et les informations présentées dans les états financiers sont, à tous égards significatifs, conformes au Règlement financier de l'OTAN et au Règlement du personnel civil de l'OTAN. Il lui incombe notamment d'appliquer des procédures lui permettant d'obtenir une assurance raisonnable sur le point de savoir si les fonds ont été utilisés pour le règlement de dépenses autorisées et si les opérations correspondantes ont été exécutées conformément à la réglementation en vigueur dans le domaine financier et en matière de personnel. De telles procédures prévoient notamment l'évaluation des risques de non-conformité significative.

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

Opinion sur la conformité

Le Collège estime que les opérations financières et les informations présentées dans les états financiers sont, à tous égards significatifs, conformes au Règlement financier de l'OTAN et au Règlement du personnel civil de l'OTAN.

Bruxelles, le 2 septembre 2015

Lyn Sachs
Présidente

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COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN

**LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS
CONCERNANT LE BUREAU DES FORACS OTAN
POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2014**

Introduction

Le Collège international des commissaires aux comptes de l'OTAN a procédé à la vérification des états financiers du Bureau des FORACS OTAN pour l'exercice clos le 31 décembre 2014, et il a émis une opinion sans réserve à leur sujet ainsi que sur la conformité.

Observations et recommandations

À l'issue de l'audit, le Collège a formulé deux observations et trois recommandations, ayant trait aux faiblesses constatées dans le processus d'établissement et d'examen des états financiers, ainsi qu'à l'insuffisance des documents produits à l'appui des rapprochements bancaires.

Par ailleurs, le Collège a fait le point sur la suite donnée à l'observation formulée lors de l'audit précédent, et il a constaté que la question n'avait pas été réglée.

OBSERVATIONS ET RECOMMANDATIONS

1. FAIBLESSES DANS LE PROCESSUS D'ÉTABLISSEMENT ET D'EXAMEN DES ÉTATS FINANCIERS

Contexte

1.1 Selon l'article 27 du Règlement financier de l'OTAN (NFR) tel qu'applicable à l'exercice 2014, les états financiers annuels doivent être soumis au Collège international des commissaires aux comptes de l'OTAN ainsi qu'au Comité financier au plus tard le 30 avril qui suit la fin de l'exercice financier. Le NFR révisé stipule que les états financiers afférents à l'exercice 2015 devront être publiés au plus tard le 31 mars.

1.2 Par ailleurs, les états financiers doivent être exempts de toute erreur de chiffres, de toute incohérence, ou de toute autre erreur. Chaque entité doit disposer d'un système approprié de contrôle interne, et notamment d'une procédure d'examen, lui permettant de s'assurer de la cohérence et de l'exactitude des informations présentées dans ses états financiers avant leur publication.

Observations

1.3 Les états financiers de 2014 ont été publiés le 22 juin 2015, soit avec près de deux mois de retard.

1.4 Le Collège a relevé plusieurs erreurs dans le projet d'états financiers, dont certaines étaient significatives. Ces erreurs ont été corrigées dans les états financiers finalement publiés.

1.5 Le Collège prend note en particulier des éléments suivants :

- il n'existe pas de procédure écrite pour l'établissement des états financiers, s'agissant notamment des responsabilités et de la procédure d'examen ; en revanche, un manuel semble avoir déjà été mis au point pour le nouveau logiciel de comptabilité ;
- le processus repose, dans une très large mesure, sur les épaules du contrôleur des finances du Secrétariat international, ce qui limite les possibilités d'examen et, partant, accroît le risque d'erreur.

Recommandations

1.6 Le Collège recommande que les états financiers soient établis, examinés et publiés dans les délais fixés par le Règlement financier de l'OTAN.

Commentaires du Comité directeur des FORACS OTAN

Le Comité directeur souscrit à la recommandation.

1.7 Le Collège recommande de mettre en place des procédures internes solides qui définissent les responsabilités, les exigences et les contrôles associés à l'établissement des états financiers, le but étant de faire en sorte que ceux-ci soient exempts de toute erreur de chiffres, de toute incohérence, ou de toute autre erreur.

Commentaires du Comité directeur des FORACS OTAN

Le Comité directeur souscrit à la recommandation.

2. SÉPARATION DES TÂCHES – RAPPROCHEMENTS BANCAIRES

Contexte

2.1 Le rapprochement des comptes bancaires est un contrôle interne essentiel puisqu'il permet de s'assurer que les soldes apparaissant dans le système comptable correspondent aux soldes des comptes bancaires après prise en compte des éléments pertinents. Il est également nécessaire de veiller à la séparation des tâches dans le processus de rapprochement comptable. La personne qui procède au rapprochement (le préparateur) devrait être différente de celle qui l'examine (l'examineur) et, pour respecter les meilleures pratiques, l'examineur devrait occuper un poste de supervision.

Observation

2.2 Le Collège note que, bien que les rapprochements des comptes bancaires du Bureau des FORACS OTAN aient été effectués régulièrement (de manière automatique dans le système comptable), un rapport officiel de rapprochement bancaire n'a été établi qu'en fin d'exercice. Il n'existe pas de preuve écrite de la réalisation, en temps opportun, de ce rapprochement bancaire au cours de l'exercice. De plus, seul le préparateur a signé le rapport de rapprochement bancaire établi au 31 décembre 2014. En l'absence de signature de l'examineur du rapprochement bancaire du Bureau des FORACS OTAN, il n'existe pas de preuve écrite de la réalisation de l'examen.

Recommandation

2.3 Le Collège recommande qu'un rapport de rapprochement bancaire soit établi régulièrement, et pas uniquement en fin d'exercice. De plus, le Bureau des FORACS OTAN devrait veiller à ce que la séparation des tâches soit appropriée : les rapprochements bancaires devraient être signés à la fois par le préparateur et par le chef de la trésorerie (ou son adjoint) en sa qualité d'examineur.

Commentaires du Comité directeur des FORACS OTAN

Le Comité directeur souscrit à la recommandation.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

Le Collège a fait le point sur la suite donnée à l'observation formulée à l'issue de l'audit précédent. On en trouvera un résumé dans le tableau ci-dessous.

(1) Suites données aux observations antérieures

OBSERVATION / RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
Rapport d'audit 2013 IBA-AR(2014)23, paragraphe 1.2 Excédents cumulés Recommandation du Collège Le Collège recommande au Bureau des FORACS OTAN et au Comité directeur de s'attacher à réduire le montant détenu au titre de la réserve pour budget supplémentaire, afin qu'il corresponde au montant approuvé.	La réserve pour budget supplémentaire approuvée pour 2014 s'élevait à plus de 1,3 million d'euros. Si le solde « Excédent cumulé des projets » a diminué de 300 000 euros par rapport à 2013, le solde « Annulations de crédits NFO » a quant à lui augmenté de 650 000 euros. Ces annulations de crédits sont comptabilisées dans le solde de l'excédent cumulé. De ce fait, on enregistre une hausse nette des excédents cumulés de 350 000 euros par rapport à 2013. Les excédents cumulés continuent donc de dépasser le montant des réserves approuvé en 2008 par le Comité directeur. D'après le compte rendu de la 82^e réunion du Comité directeur des FORACS OTAN (NFO(2015)1), le Comité directeur a décidé de lier la taille de la réserve de trésorerie au budget global de fonctionnement des FORACS OTAN (NFO et polygones) afin de garantir une taille relative adéquate et de se prémunir contre l'inflation ; il a également accepté que la réserve de trésorerie soit généralement plafonnée à 20 % du budget de fonctionnement combiné en euros (soit quelque 1,2 million d'euros sur la base des budgets actuels).	Question restant à régler. Le Collège fera le point lors des audits à venir sur le respect de la nouvelle décision du Comité directeur.
Commentaires du Comité directeur des FORACS OTAN <i>Le Comité directeur prend note de l'intention du Collège de faire le point lors des audits à venir sur le respect de sa nouvelle décision. Le Comité directeur confirme par ailleurs que le projet visant à développer un logiciel pour le système intégré d'acquisition de données et d'essai (IDATS) vX progresse, et il note que ce projet mobilisera une large part de la réserve de trésorerie existante.</i>		

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NATO FORACS OFFICE

FINANCIAL STATEMENTS AS AT 31/12/2014
FINANCIAL YEAR 2014

Annexes :

- 1 Statement of financial position
- 2 Statement of financial performance
- 3 Cash flow statement
- 4 Changes in net assets
- 5 Budgetary operations
- 6 Explanatory notes to the financial statements

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ANNEX 1 to
FC(2015)065

NATO FORACS OFFICE
STATEMENT OF FINANCIAL POSITION
as at 31 December 2014

(All amounts in Euro)

	Notes	Current Year 31-Dec-14	Prior Year 31-Dec-13	Variance CY - PY
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	3			
Cash		307.44	308.08	-0.64
Current bank accounts		2,874,923.43	2,636,723.40	238,200.03
Cash equivalents		0.00	0.00	0.00
Subtotal Cash & Equivalent NFO		2,875,230.87	2,637,031.48	238,199.39
Cash Managed for Third Parties	4	2,487,909.67	1,534,448.45	953,461.22
Total Cash and Cash Equivalents		5,363,140.54	4,171,479.93	1,191,660.61
Accounts Receivable	5			
Contributions from Member Nations		0.00	0.00	0.00
Other Receivable from Nations/Partners		0.00	0.00	0.00
Receivable from Staff Members		0.00	0.00	0.00
Receivable from other NATO Bodies		361,263.47	0.00	361,263.47
Bank interest accrued		6,336.72	10,168.94	-3,832.22
Other accounts receivable		0.00	0.00	0.00
Total Accounts Receivable		367,600.19	10,168.94	357,431.25
Prepayments	6			
Prepaid expenses		13,724.06	27,250.00	-13,525.94
Total Prepayments		13,724.06	27,250.00	-13,525.94
TOTAL CURRENT ASSETS		5,744,464.79	4,208,898.87	1,535,565.92
NON CURRENT ASSETS				
Receivables	7	0.00	0.00	0.00
Infrastructure, plant and equipment		0.00	0.00	0.00
Land and buildings		0.00	0.00	0.00
Intangible assets		0.00	0.00	0.00
TOTAL NON CURRENT ASSETS		0.00	0.00	0.00
TOTAL ASSETS		5,744,464.79	4,208,898.87	1,535,565.92

NATO FORACS OFFICE
STATEMENT OF FINANCIAL POSITION
as at 31 December 2014

(All amounts in Euro)				
	Notes	Current Year	Prior Year	Variance
		31-Dec-14	31-Dec-13	CY - PY
LIABILITIES				
CURRENT LIABILITIES				
ACCOUNTS PAYABLE	8			
Payable to Nations				
Interest		5,595.13	332.11	5,263.02
Lapsed credits NFO		796,916.61	146,574.22	650,342.39
Miscellaneous receipts		0.00	32,869.04	-32,869.04
US reimbursables		174,028.42	120,736.70	53,291.72
Project accumulated surplus		1,376,147.88	1,654,157.00	-278,009.12
Other payables		0.00	0.00	0.00
Total Payable to Nations		2,352,688.04	1,954,669.07	398,018.97
Payable to Staff				
		0.00	0.00	0.00
Payable to NATO Bodies				
FORACS GREECE		569,446.39	588,461.79	-19,015.40
FORACS AUTECH		1,042,423.61	818,681.87	223,741.74
FORACS NORWAY		914,341.63	127,304.79	787,036.84
IS/NCIA/NSPA		0.00	10,950.36	-10,950.36
Total Payable to NATO Bodies		2,526,211.63	1,545,398.81	980,812.82
Payable to Suppliers				
Payable to Suppliers		298.54	3,371.68	-3,073.14
Accrued expenses		4,000.00	6,314.46	-2,314.46
Total Payable to Suppliers		4,298.54	9,686.14	-5,387.60
Payable to Others				
Other Accounts Payable		666.11	0.00	666.11
Trust Funds		0.00	0.00	0.00
Total Payable to Others		666.11	0.00	666.11
Total Accounts Payable		4,883,864.32	3,509,754.02	1,374,110.30
Unearned Revenue and Advance Contribution: 9				
Unearned revenue from budgetary credits		78,977.47	35,064.85	43,912.62
Unearned revenue from pre-financing		0.00	0.00	0.00
Unearned revenue from lapsed credits		0.00	0.00	0.00
Unearned revenue from accumulated surplus		0.00	0.00	0.00
Advance contributions		781,623.00	664,080.00	117,543.00
Total Unearned Revenue and Advance Contributions		860,600.47	699,144.85	161,455.62
Total Extrabudgetary Funds		0.00	0.00	0.00
TOTAL CURRENT LIABILITIES				
		5,744,464.79	4,208,898.87	1,535,565.92
NON CURRENT LIABILITIES 10				
Provisions		0.00	0.00	0.00
Long Term unearned Revenue Funding PPE		0.00	0.00	0.00
Long Term unearned Revenue Intangible Assets		0.00	0.00	0.00
TOTAL NON CURRENT LIABILITIES				
		0.00	0.00	0.00
TOTAL LIABILITIES				
		5,744,464.79	4,208,898.87	1,535,565.92
NET ASSETS				
Surplus/Deficit of the period		0.00	0.00	0.00
Total Net Assets		0.00	0.00	0.00
TOTAL NET ASSETS				
		0.00	0.00	0.00

NATO FORACS OFFICE
STATEMENT OF FINANCIAL PERFORMANCE
as at 31 December 2014
(All amounts in EUR)

	Notes	Current Year	Prior Year	Variance
		31-Dec-14	31-Dec-13	CY - PY
Revenue	11			
Revenue from non exchange transactions		874,018.96	831,179.38	42,839.58
Revenue from exchange transactions		0.00	0.00	0.00
Financial Revenue		6,336.72	10,192.09	-3,855.37
Other revenue		0.00	32,869.04	-32,869.04
Total Revenue		880,355.68	874,240.51	6,115.17
Expenses	12			
Wages, salaries and employee benefits		635,823.42	609,153.52	26,669.90
Supplies and consumables used		238,195.54	222,025.86	16,169.68
Financial Costs		741.59	9,859.98	-9,118.39
Other expenses (to be reimbursed to nations)		5,595.13	33,201.15	-27,606.02
Total Expenses		880,355.68	874,240.51	6,115.17
Surplus/Deficit for the period		0.00	0.00	0.00

NATO FORACS OFFICE

CASH FLOW STATEMENT

	Note	2014	2013
OPERATING ACTIVITIES			
RECEIPTS	13		
Contributions		964,620.00	713,332.00
Financial Revenue		10,362.42	12,815.01
Others		121,461.64	396,837.22
TOTAL		1,096,444.06	1,122,984.23
PAYMENTS	13		
Personnel Costs		(582,531.70)	(495,611.43)
Operating Costs		(274,562.37)	(261,759.69)
Miscellaneous Payments		(282.64)	(266,261.06)
Financial Costs		(867.96)	(9,932.28)
TOTAL		(858,244.67)	(1,033,564.46)
NET CASH FLOW FROM OPERATING ACTIVITIES		238,199.39	89,419.77
INVESTING ACTIVITIES	13	0.00	0.00
RECEIPTS		0.00	0.00
PAYMENTS		0.00	0.00
NET CASH FLOW FROM INVESTING ACTIVITIES		0.00	0.00
FINANCIAL ACTIVITIES	13		
RECEIPTS		0.00	0.00
PAYMENTS		0.00	0.00
NET CASH FLOW FROM FINANCING ACTIVITIES		0.00	0.00
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		238,199.39	89,419.77
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1	2,637,031.48	2,547,611.71
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1	2,875,230.87	2,637,031.48
CASH HELD FOR THIRD PARTIES	13		
RECEIPTS		4,826,598.05	7,605,549.55
PAYMENTS		(3,873,136.84)	(7,949,498.43)
NET INCREASE (DECREASE) IN CASH HELD FOR THIRD PARTIES		953,461.22	(343,948.88)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1	1,534,448.45	1,878,397.33
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1	2,487,909.67	1,534,448.45

NATO FORACS OFFICE

STATEMENT OF CHANGES IN NET ASSETS AS AT 31/12/2014

(in EUR)

	Accumulated surpluses/(deficits)
Balance at 31 December 2013	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 2014	0.00

(1) fixed assets in progress

**NATO UNCLASSIFIED
NATO FORACS OFFICE**

ANNEX 5 to
FC(2015)065

BUDGETARY OPERATIONS FOR FINANCIAL YEAR 2014

(n = 2014)

(in EUR)

CHAPTER Article		BUDGET AUTHORISATIONS			COMMITMENTS	EXPENDITURES	BUDGETARY SURPLUS	
		BUDGET (ref.) NFO/R(2014)2	AUTHORIZED TRANSFERS	ADJUSTED CREDITS			Credits carried forward to n+1	Lapsed credits
		(1)	(2)	(3) = (1)+(2)	(4)	(5)	(6) = (4) - (5)	(7) = (3) - (4)
I.	PERSONNEL COSTS							
01.01	Basic salaries, allowances & recruit	623,500.00	0.00	623,500.00	592,478.34	592,478.34	0.00	31,021.66
01.02	Training	2,000.00	0.00	2,000.00	1,125.58	1,125.58	0.00	874.42
01.04	Administrative support	45,000.00	0.00	45,000.00	42,219.50	42,219.50	0.00	2,780.50
	Financial year n	670,500.00	0.00	670,500.00	635,823.42	635,823.42	0.00	34,676.58
	Carried forward:							
	Financial year n-1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-2	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		670,500.00	0.00	670,500.00	635,823.42	635,823.42	0.00	34,676.58
II.	COMMON OPERATING COSTS							
02.01	Transport on official duty	96,074.00	0.00	96,074.00	83,033.45	82,310.19	723.26	13,040.55
02.02	Office and computer supplies/ maintenance computer equipment	4,403.33	0.00	4,403.33	1,174.18	970.59	203.59	3,229.15
02.03	Communications	3,400.00	0.00	3,400.00	2,783.39	2,200.20	583.19	616.61
02.05	Buildings	25,050.00	0.00	25,050.00	23,548.71	23,548.71	0.00	1,501.29
02.06	Support of meetings	9,000.00	0.00	9,000.00	4,572.13	4,572.13	0.00	4,427.87
02.07	Library	250.00	0.00	250.00	174.86	174.86	0.00	75.14
02.09	Equipment and services	847,946.67	0.00	847,946.67	120,177.10	67,769.25	52,407.85	727,769.57
02.10	Cost of courses	0.00	0.00	0.00	0.00	0.00	0.00	0.00

NATO UNCLASSIFIED

(in EUR)

CHAPTER Article		BUDGET AUTHORISATIONS			COMMITMENTS	EXPENDITURES	BUDGETARY SURPLUS	
		BUDGET (ref.) NFO/R(2014)2	AUTHORIZED TRANSFERS	ADJUSTED CREDITS			Credits carried forward to n+1	Lapsed credits
		(1)	(2)	(3) = (1)+(2)	(4)	(5)	(6) = (4) - (5)	(7) = (3) - (4)
	Financial year n	986,124.00	0.00	986,124.00	235,463.82	181,545.93	53,917.89	750,660.18
	Carried forward:							
	Financial year n-1	13,877.02	0.00	13,877.02	6,167.61	6,167.61	0.00	7,709.41
	Financial year n-2	252.29	0.00	252.29	0.00	0.00	0.00	252.29
		1,000,253.31	0.00	1,000,253.31	241,631.43	187,713.54	53,917.89	758,621.88
III.	CAPITAL COSTS							
03.03	Equipment	64,529.00	0.00	64,529.00	60,910.85	41,320.85	19,590.00	3,618.15
	Financial year n	64,529.00	0.00	64,529.00	60,910.85	41,320.85	19,590.00	3,618.15
	Carried forward:							
	Financial year n-1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-2	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		64,529.00	0.00	64,529.00	60,910.85	41,320.85	19,590.00	3,618.15
	GRAND TOTAL							
	Financial year n	1,721,153.00	0.00	1,721,153.00	932,198.09	858,690.20	73,507.89	788,954.91
	Carried forward:							
	Financial year n-1	13,877.02	0.00	13,877.02	6,167.61	6,167.61	0.00	7,709.41
	Financial year n-2	252.29	0.00	252.29	0.00	0.00	0.00	252.29
	GRAND TOTAL	1,735,282.31	0.00	1,735,282.31	938,365.70	864,857.81	73,507.89	796,916.61

**EXPLANATORY NOTES TO NATO FORACS OFFICE
2014 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.

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 AUTECH (Atlantic Underwater Test and Evaluation Center) became an affiliated NATO FORACS test range called NATO FORACS AUTECH (NFA).

Nations maintain oversight of the project through the NFSC. 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 Financial Control provides accounting and budgeting for the NATO FORACS Office and handles annual call to nations to fund operations for the Project.

These financial statements relate only to the NATO FORACS Office (NFO). The three NATO FORACS ranges (NFA, NFG and NFN) are responsible for executing their own budgets and issuing their own financial statements under their national budgeting and financial rules.

In 2014, NATO FORACS conducted 39 tests for eight Alliance nations in response to NATO's tasking to provide mission capable platforms. This testing also supported 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 and between nations. In 2013, FORACS adopted a strategic tag line: *Operational Confidence Through Accuracy*

NATO FORACS uses a balanced score card methodology to measure and track performance of the Project with the four major areas being: Operational Perspective; Business Perspective; Internal Operations Perspective and Organizational Perspective. There are 27 project level metrics that are reported to the Steering Committee as a means to objectively provide performance measures. The metrics provide transparency on the operation and execution of NATO FORACS.

Customer satisfaction and membership effectiveness are two key metrics. Both metrics have continuously scored high (approaching 90 %). The remaining metrics show the project is generally performing effectively and efficiently across the four major areas.

The NATO FORACS Project continues to demonstrate a quality management culture based on ISO 9001:2008 and in 2014 achieved recertification for a further three years. Routine internal and external annual audits will take place in 2015.

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 the NATO Financial Regulations (NFRs), the Financial Rules and Procedures (FRPs) and the NATO Accounting Framework, which is an adapted version of the International Public Sector Accounting Standards (IPSAS).

Basis of Preparation

The IS IT financial system, currently used by NFO, is a budgetary driven system which is cash based. It does not have an accrual based accounting functionality. Commitments are recorded in the IT financial system for budget execution and control purposes, in accordance with NATO Financial Regulations. Commitment of credits is defined as the advance acceptance and recording of the financial consequence resulting from a legal obligation incurred during the financial year.

Contributions are registered as unearned revenue on the date they are called and revenue is recognized afterwards on the basis of expenditure. In the financial system, commitments are recorded for budget execution and control purposes, in accordance with NATO Financial Regulations. Payments linked to those commitments are recorded when the settlement of invoices is due.

Transformational entries for accruals are made based on an analysis of the commitments carried-forward at year-end, in order to determine the expenditure in the statement of financial performance and the matching earned revenue from budgetary contributions.

The NFO financial statements are currently IPSAS compliant using the transformational method described above.

NFO will transition to full transactional accrual accounting with the implementation of an integrated Enterprise Resource Planning (ERP) solution.

Transitional provisions have been adopted in preparing the statements. NFO applied IPSAS 9 Revenue from exchange transactions and IPSAS 23 Revenue from non-exchange transactions.

The financial statements have been prepared on a going-concern basis and the amounts shown in these financial statements are presented in EUR. NFO will continue in operation for the foreseeable future.

The following IPSAS have no material effect on the 2014 NFO financial statements:

IPSAS 5: Borrowing Costs
IPSAS 6: Consolidated and Separate Financial Statements
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 February of 2013 Council decided to adapt a number of IPSAS standards to better suit the specific requirements of the Alliance (C-M(2013)0006). The adaptations were spelt out in C-M(2013)0039 of July 2013 defining a NATO Accounting Framework, among which were specific items addressing IPSAS 6 Consolidated and Separate Financial Statements, IPSAS 12 Inventories, IPSAS 17 Property Plant and Equipment (PPE) and IPSAS 31, Intangible Assets.

Reclassification of Prior Year's Financial Statements

Nothing to report

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 calls 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 that were applicable at 31 December 2014.

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 31 December 2014 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:

ING Bank	Credit Ratings as at 31.12.2014			
	Fitch	S&P	Moody's	Date of last rating update
Short term	A+	A	A2	19.12.2014

The NFO outstanding accounts receivable are managed by maintaining control procedures over receivables. Most cash receivables are due from NATO member nations, which are considered credit worthy.

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 inaccuracy 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, 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.

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. They are represented as a separate item in the cash flow statement of the entity in order to avoid any confusion.

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.

e. Inventories

As mentioned above, NATO's adaptations of IPSAS were spelled out in C-M(2013)0039 of July 2013, which included IPSAS 12 Inventories. It is described as follows:

Control of NATO Inventories was refined with a set of 10 criteria to be used in assessing the level of control of an asset. A positive response on six of the criteria will lead to the asset being capitalised in the Financial Statements if it is above the capitalisation threshold. This is applied from January, 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.

Capitalisation thresholds relevant to the financial statement are as follow:

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

Slow moving inventory – Assuming turnover of stock is over a 12 month period, any items not used over a 36 month period will be deemed to be slow moving.

Strategic stock – Some complex elements of slow moving stock can be identified as strategic if they are deemed essential to the effective operation of an asset and cannot be readily replaced by commercial off the shelf items or cannot be purchased due to market decisions to close production lines of key inventory items due to the advanced age of the strategic asset to which the stock relates

NFO will capitalise 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.

NFO 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.

NFO may consider 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**

In February of 2013 Council decided to adapt a number of IPSAS standards to better suit the specific requirements of the Alliance (C-M(2013)0006). The adaptations were spelled out in C-M(2013)0039 of July 2013, among which were specific items addressing IPSAS 17 PPE.

Control of NATO PPE was refined with a set of 10 criteria to be used in assessing the level of control of an asset. A positive response on six of the criteria will lead to the asset being capitalised in the Financial Statements if it is above the capitalisation threshold. This is applied from January, 2013.

Capitalisation thresholds relevant to the financial statement are as follow:

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

NATO FORACS 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 were spelled out in C-M(2013)0039 of July 2013, which included IPSAS 31 Intangible Assets. It is described as follows:

Control of NATO Intangible Assets was refined with a set of 10 criteria to be used in assessing the level of control of an asset – they are the same as mentioned above under Inventory. A positive response on six of the criteria will lead to the asset being capitalised in the Financial Statements if it is above the capitalisation threshold. This is applied from January, 2013.

NATO Intangible Assets Capitalisation Thresholds - the NATO FORACS will capitalise 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

FORACS will capitalise all controlled intangible assets above the NATO Intangible Asset Capitalisation Threshold. For anything below the threshold, the NATO FORACS will have the flexibility to expense specific items.

FORACS will capitalise integrated systems and include research, development, implementation and can include both software and hardware elements. But FORACS will not capitalise 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 will capitalise other types of intangible assets acquired after 1 January 2013 including:

- Copyright
- Intellectual Property Rights
- Software development

FORACS may consider 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 capitalise 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, FORACS 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 capitalised.

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.

The NFO has no Intangible Assets.

Current Liabilities**a. Payables**

Payables are amounts due to third parties, 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.

b. Advances and unearned revenue

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

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

Non-Current Liabilities

The NFO has no non-current liabilities.

Revenue Recognition

Revenue comprises contributions from 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.

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 were 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.

Statement of Financial Position**NOTE 3: CASH AND CASH EQUIVALENTS**

The current bank accounts are held in EUR. Deposits are held in interest-bearing bank accounts, immediately available.

Considering the various interest rates paid on the various types of bank accounts, all funds were placed in current accounts as of 31 December 2014.

NOTE 4: 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 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. The breakdown is as follows.

in EUR	2014	2013
NFG	569,446.39	588,461.79
NFA	1,004,121.65	818,681.87
NFN	914,341.63	127,304.79
TOTAL	2,487,909.67	1,534,448.45

NOTE 5: ACCOUNTS RECEIVABLE

Contributions receivable are funds requested from the nations to finance the 2014 and 2015 Budgets. The call for contribution was issued on 20 August, 2014. As directed by the Steering Committee, the call includes 20% of the current year's budget credits and an advance of 80% for next financial year.

No outstanding receivables relating to previous financial years on budget contribution calls are reported.

EUR 361,263.47 from NFN was to be regularised in relation to the process by which excess budgetary funds of the other ranges are transferred to NFO.

Other receivables were limited to bank interest accrued.

NOTE 6: PREPAYMENTS

Correspond to travel expenses for the following year and advances for services to be provided by the NCIA.

NOTE 7: NON CURRENT ASSETS

FORACS has registered no non-current assets.

NOTE 8: ACCOUNTS PAYABLES

Payable to Nations

The payable of EUR 5,595.13 represents the net revenue in 2014 from interest, foreign exchange difference gains or losses, bank charges and miscellaneous revenues as shown below.

	31 December 2014	31 December 2013
Revenue		
Interest	6,336.72	10,192.09
Foreign Exchange rate gain	-	-
Total revenue	6,336.72	10,192.09
Expenses		
Bank costs	261.42	209.70
Foreign Exchange rate loss	480.17	9,650.28
Total expense	741.59	9,859.98
Net revenue to return to nations	5,595.13	332.11

EUR 796,916.61 relates to NFO Budget lapsed credits. The increase compared to 2013 can be explained by the fact that credits foreseen for the development of software were not used due to delay in the approval to proceed with the project.

The payable of EUR 174,028.42 in relation to the reimbursable salaries represents the amount due to the United States (US) for a civilian staff member who is paid directly by the US government. This amount payable is usually applied by the US against the US' annual contribution to NFO.

Project Accumulated Surplus in the amount of EUR 1,376,147.88 relates to funds held at the direction of the Steering Committee essentially in the case of emergency funding needs for the Project 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. The decrease from EUR 1,654,157.00 at the end of 2013 is explained as follows. Deductions: 694,298.63 allocated to the 2014 NFO supplementary budget and EUR 38,301.96 allocated to the 2014 NFA supplementary budget, and increases: EUR 93,328.00 transferred from NFG 2013 surplus and EUR 361,263.47 transferred from NFN 2013 surplus.

Payable to NATO Bodies

Payables to NFG, NFA and NFN are amounts called by the NATO-IS Office of Financial Control to finance the related ranges. There are also small amounts due to NSPA, NCIA and NATO IS.

Payable to Suppliers and Accrued Expenses

Payable to suppliers relate 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 2014.

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

Payable to Others

These are mainly bank charges and miscellaneous transactions to be regularised.

NOTE 9: UNEARNED REVENUE AND ADVANCES**Unearned Revenue**

Unearned revenue corresponds to contributions called for the 2014 budget but for which corresponding expenditures will be incurred after the reporting date of 31 December 2014. They include principally those amounts of contributions which will be spent in subsequent years on the NFO Budget.

The unearned revenue is composed of credits carried forward, as per the NATO Financial Regulations, plus adjustments for prepayments made out of approved budgetary credits minus accrued expenses. The resulting unearned revenue from budgetary credits is foreseen to be spent in subsequent years. If the funds are not spent by the end of the second year following the year in which they have been approved, these funds may be kept and used an additional year.

Reconciliation between Carry Forward (Budget Execution Statement) and Unearned Revenue		
	2014	2013
Commitment based carry forward (+)	73,507.89	14,129.31
Adjustment for accrued expenses (-)	4,000.00	6,314.46
Adjustment for prepayments from budget credits (+)	9,469.58	27,250.00
Unearned revenue	78,977.47	35,064.85

Advances

Advances called amounting to EUR 781,623.20 relate to funding the NFO 2015 budget (FC(CC)(2014)0009(FOR-01)).

NOTE 10: 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.

Statement of Financial Performance**NOTE 11: 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. The revenue related to the NFO Budget that has been recognised in 2014 relates directly to the expenses: the total revenue is matched with the total expenses recognised in 2014.

Contributions, when called, are booked as an Unearned Revenue and subsequently recognized as Revenue when it is earned.

NOTE 12: 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.

NOTE 13: BUDGET INFORMATION

Presently the NATO FORACS budgets are not made available to the public.

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 actual amounts referred to by IPSAS 24 ("amounts that result from execution of the budget") are considered to be the commitment of credits.

The NFO Budget is prepared for the same period (1 January to 31 December) and encompasses the same entity as these financial statements. The budget and accounting bases differ. Consequently, the reconciliation is done with the cash flow statement, in accordance with IPSAS 24. In addition, the NFO manages a series of non-appropriated funds.

The NFO budget is prepared and executed on a commitment basis; it is not prepared on an accrual basis. The main causes for differences are the following.

- 1) The commitment of credits is the advance acceptance and recording of the financial consequence resulting from a legal obligation incurred during the financial year. As a consequence credits are allocated, and commitments are approved, for goods, services and works to be delivered at a later stage. Commitments are settled when an invoice is presented for payment, and not when the service is rendered or goods delivered as is the case for expenses under accrual accounting. All invoices received after 31 December, 2014, but relating to 2014 have been taken into account and allocated against the appropriate commitment as expenditure.
- 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 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 credits from previous years' budgets.
- 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 credits eventually lapsing.

- 4) Commitments are only made in respect of future payments 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 credits 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 NFO 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 credits (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.

Outstanding commitments can be carried forward during two years.

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

The NFO 2014 budget execution is shown at Annex 5, which compares the budget's authorized credits and the actual amounts committed and expended.

Credits transferred between chapter are done under the authority delegated to the NATO-IS Financial Controller by the NATO Financial Regulations and Financial Rules and Procedures, (Part III). There have been no such transfers in 2014.

Reconciliation Between Budget Execution and Outflows of Cash

As required by IPSAS 24, actual amounts as presented in the Budget Execution Statement are to be reconciled to the actual amounts in the financial statements with the Cash Flow Statement. Actual amounts concerning the budget are the amounts of committed credits. The differences between the budget actual amounts and the Cash Flow Statement are due to the difference in bases.

The 2014 initial budget was approved in the amount of EUR 847,079.00. The final budget authorization in 2014 amounted to EUR 1,721,153.00. The difference relates to the way in which FORACS deals with funding. Every year, a basic budget is requested in order to provide contributors with a stable level of contribution and a significant amount is planned for under the supplementary budget. In 2014, the supplementary budget usage was projected to cover mainly the development of specific software.

Credits carried forward from 2013 were also available.

		BUDGET		ACTUALS			DIFFERENCE		DIFFERENCE		
		Initial	Final	Commitment	Expenses in Budget Statement	Cash Flow 2014	Commitment minus exp in budget statement	Exp in budget statement minus cash flow	BASIS	TIMING	ENTITY
U S e o f F u n d s	Personnel Costs	670,500	670,500	635,823	635,823	582,532	0	53,292	53,292		
	Operating Costs	229,179	1,000,253	241,631	187,714	274,562	53,918	-86,849	-86,849		
	Capital Costs	21,529	64,529	60,911	41,321	0	19,590	41,321	41,321		
	Programmes Costs	0	0	0	0	0	0	0	0		
	SUBTOTAL Budgetary Operations	921,208	1,735,282	938,366	864,858	857,094	73,508	7,764	7,764		
	Non-budgetary Operations					1,151		-1,151	-1,151		0
	SUBTOTAL Non-budgetary Operations					1,151		-1,151	-1,151	0	0
	SUBTOTAL	921,208	1,735,282	938,366	864,858	858,245	73,508	6,613	6,613	0	0

Actual commitments amounted to EUR 938,365.70. The difference with the approved final budget amounted to EUR 796,916.61 and lapsed. This is mainly due to delay in obtaining approval to proceed with the project. As such the latter amount becomes part of the annual 2014 budget surplus and should be returned to the contributing Nations in unless they should decide to re-use this surplus.

Based on the committed credits, an amount of EUR 864,857.81 was considered as expended, due to 2014 invoices paid in 2014 or received at the date of closure of the accounts. Of these, EUR 298.54 were 2014 related, pending certification and were not yet paid. The difference with the committed credits amounted to EUR 73,507.89 and was carried-forward.

The out-flows of cash in 2014 amounted to EUR 858,244.67 of which EUR 857,094 related to budget operations and EUR 1,151 related to miscellaneous transactions. The difference between the expenditures in the budget execution statement and the cash flow statement is explained as follows.

- 1) Concerning Personnel Costs: The difference relates mainly to US reimbursable staff. The corresponding expenses are credited to the US account. There is no related cash flow. They might be used as a US contribution to the NFO Budget.
- 2) Concerning Operating Costs: Capital Expenditures in the FORACS budget do not meet the criteria to be considered as investment in IPSAS terms and are therefore recognized under O&M. The difference relates mainly to the settlement of supplier account invoices relating to 2013 paid in 2014, and conversely to invoices received in 2014, but not paid pending certification but considered spent from a budget perspective.

Outflows of cash relating to operations of the other FORACS entities amounted to EUR 3,873,136.84.

Reconciliation between Budget Funding and Inflows of Cash

The funding of the budget is made of an advance call and a call for contributions, carried over credits and a part of previous years' surplus, and on occasion a contribution from the Project's Accumulated Surplus.

S o u r c e o f F u n d s	BUDGET AUTHORIZATIONS 2014		in EUR
		Current year	1,721,153.00
		Carried forward	14,129.31
		TOTAL :	1,735,282.31
	MEANS OF FINANCING		
	A.	SURPLUS OF THE YEAR 2013	
		Surplus 2013 allowed to budget 2014	179,775.37
	B.	CREDITS CARRIED OVER TO 2014	14,129.31
	C.	CONTRIBUTIONS CALLED	
		- Advance in 2013	664,080.00
		- Call 2014	182,999.00
	D.	REALLOCATION FROM PROJECT SURPLUS	694,298.63
		TOTAL :	1,735,282.31

The total 2014 NFO Budget authorization was EUR 1,735,282.31. An amount of EUR 14,129.31 corresponded to credits carried-forward from previous financial years. The related amounts were fully funded by contributions called in 2013 and 2014.

The budget authorisation specific to 2014 amounted to EUR 1,721,153.00. It was funded as follows. The call for 2014 was issued on 11 July, 2013 FC-CC(2013)0009(FOR-01) for EUR 624,880.00 as an advance and on 20 August, 2014 FC-CC(2014)0009(FOR-01) for EUR 182,999.00. The remainder of EUR 874,047.00 for the 2013 annual budget was financed by EUR 179,775.37 NFO refundable surplus reported from previous years and EUR 694,298.63 reallocations from the Project Accumulated Surplus.

EUR 964,622.20 was called in 2014. It consisted of EUR 182,999 which was the balance of cash to be called in relation to the 2014 budget and EUR 781,623.20 as an advance on the 2015 budget.

The total in-flow of cash in 2014 was EUR 1,096,444. All amounts called in 2014, including an advance on 2015, were paid: EUR 964,622.

The inflows of cash related to operations with the other NATO FORACS entities amounted to EUR 4,826,598.07.

NOTE 14: INVENTORIES

Nothing to report; inventories are not considered material.

NOTE 15: SUPPLIES

Nothing to report.

NOTE 16: LEASES

NFO does not have any financial leases.

NOTE 17: CONTINGENT LIABILITIES

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

NOTE 18: CONTINGENT ASSETS

Nothing to report

NOTE 19: WRITE-OFFS

Nothing to report.

NOTE 20: 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.

It should be noted that the NATO-IS is managing centrally three pension programs, namely the Defined Benefit Pension Scheme (DBS), the Provident Fund 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 NATO-IS Office of Financial Control for the three Pension Schemes and the RMCF, therefore, no related assets or liabilities are recognised in these financial statements.

At December 31, 2014, NFO had an approved Personnel Establishment of 4 positions funded by the FORACS budget.

At December 31, 2014 two staff members participated in the Defined Contribution Pension Scheme (DCPS) administered by NATO. The DCPS provides that the NFO budget makes a 12 percent monthly matching contribution to the staff members' contributions for current service. Two other employees participated in NATO's Defined Benefit Pension Scheme (DBPS): a deduction of 9% of their salaries is made and contributed to the annual financing of this Plan. In addition, the NFO budget makes a monthly matching contribution of 18% to the DBPS. Consequently, the NFO has neither DBPS nor DCPS liabilities for its staff members. These contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the entity. During the first part of the year a staff member was employed on a reimbursable basis with an agreement between NATO-IS and the United States. The individual was paid and accrued pension rights under the United States pension scheme.

Untaken leave by NFO staff is not considered material.

NOTE 21: KEY MANAGEMENT PERSONNEL AND RELATED PARTIES

The NATO FORACS Steering Committee (one representative per member nation) is the governing body of the NFO and of the NFG, NFN and NFA. Therefore for the purpose of IPSAS 20 the latter are considered related parties. 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 range's 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.

For part of the of the year, the NFO Project Manager's salary was paid by the US using national salary scales under reimbursable procedures agreed at the NATO wide level, by which the US is reimbursed the costs corresponding to the grade of Project Manager established post (A5)

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

NOTE 22: 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 are called 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 AUTECH 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.

In addition, at end 2014 EUR 1,376,147.88 originating from the surplus of the various NATO FORACS entities is held at NATO HQ on an NFO bank account and used by the Steering Committee for reallocation when their supplementary budgets are approved. These funds are not controlled by the NFO Project Manager. This information is provided to the Steering Committee to enable it to implement its supplementary budget authorisations.

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

In 2014, NATO International Staff charged NFO an amount of EUR 42,219.50 for administrative support costs (EUR EUR 39,722.45 in 2013) and EUR 10,579.64 for common operating costs (EUR 11,357.29 in 2013). In addition, the International Staff charges annual rent for office space occupied in Building Z (EUR 12,969.07 in 2014 and 2013).

* * * * *

List of acronyms:

AHWGFC	Ad Hoc Working Group of Financial Controllers
AUTEC	Atlantic Underwater Test and Evaluation Center
BC	Budget Committee
DI	Defence Investment Division
FORACS	Naval Forces Sensor and Weapon Accuracy Check Sites
IPSAS	International Public Sector Accounting Standards
IS	International Staff
IWG	IPSAS Working Group
MOU	Memorandum of Understanding
NCIA	NATO Communication and Information Agency
NSPA	NATO Support Agency
NNAG	NATO Naval Armaments Group
NFA	NATO FORACS AUTEC
NFG	NATO FORACS Greece
NFN	NATO FORACS Norway
NFO	NATO FORACS Office
NFSC	NATO FORACS Steering Committee
PPE	Property, Plant and Equipment