

NATO SANS CLASSIFICATION

Communicable à : Monténégro

6 décembre 2016

DOCUMENT

C-M(2016)0071-AS1 (INV)

**RAPPORT DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES
DE L'OTAN (IBAN) SUR LA VÉRIFICATION DES ÉTATS FINANCIERS 2015
DU COLLÈGE DE DÉFENSE DE L'OTAN (NADEFCOL)**

NOTE SUR LA SUITE DONNÉE

Le 6 décembre 2016, au terme d'une procédure d'accord tacite, le Conseil a pris note du rapport de l'IBAN, joint au C-M(2016)0071 (INV), sur la vérification des états financiers 2015 du NADEFCOL et a approuvé la recommandation du RPPB concernant la communication au public.

(signé)

Rose E. Gottemoeller
Secrétaire générale déléguée

NB : La présente note fait partie du C-M(2016)0071 (INV) et doit être placée en tête de ce document.

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Procédure d'accord tacite :

6 déc 2016 17:00

**RAPPORT DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES
DE L'OTAN SUR LA VÉRIFICATION DES ÉTATS FINANCIERS 2015
DU COLLÈGE DE DÉFENSE DE L'OTAN (NADEFCOL)**

Note de la secrétaire générale déléguée

1. On trouvera ci-joint le rapport du Collège international des commissaires aux comptes de l'OTAN (IBAN) sur la vérification des états financiers 2015 du Collège de défense de l'OTAN (NADEFCOL).
2. L'IBAN a émis une opinion sans réserve sur les états financiers ainsi qu'une opinion sans réserve sur la conformité.
3. Le rapport de l'IBAN a été examiné par le Bureau de la planification et de la politique générale des ressources (RPPB) (voir annexe 1), qui a estimé en conclusion que l'opinion sans réserve émise par l'IBAN sur les états financiers 2015 du NADEFCOL témoignait du travail acharné accompli pour mettre en application l'ensemble des mesures approuvées par le Conseil ces dernières années en vue d'améliorer la réglementation comptable et financière, la gouvernance, la transparence et le compte rendu.
4. Je ne pense pas que cette question nécessite un débat au Conseil. Par conséquent, **sauf avis contraire me parvenant d'ici au mardi 6 décembre 2016 à 17 heures**, je considérerai que le Conseil aura pris note du rapport de l'IBAN sur la vérification des états financiers 2015 du NADEFCOL et qu'il aura approuvé la recommandation du RPPB concernant la communication au public.

(signé) Rose E. Gottemoeller

4 annexes
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**RAPPORT DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES
DE L'OTAN SUR LA VÉRIFICATION DES ÉTATS FINANCIERS 2015 DU COLLÈGE
DE DÉFENSE DE L'OTAN (NADEFCOL)**

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

Références :

- (a) IBA-A(2016)75 – Rapport du Collège international des commissaires aux comptes de l'OTAN
- (b) C-M(2015)0025 – Règlement financier de l'OTAN (NFR)
- (c) IMSTAM(FC)-0048-2016 – Lettre du contrôleur des finances de l'EMI
- (d) PO(2015)0052 – Mandat issu du sommet du pays de Galles concernant la transparence et l'obligation de rendre compte

Introduction

1. Le présent rapport contient les observations et les recommandations du RPPB concernant le rapport du Collège international des commissaires aux comptes de l'OTAN (IBAN) sur la vérification des états financiers 2015 du NADEFCOL (référence (a)).

Examen de la question

2. Le RPPB note avec satisfaction que l'IBAN a émis une opinion sans réserve sur les états financiers du NADEFCOL ainsi qu'une opinion sans réserve sur la conformité pour l'exercice 2015.

3. Le RPPB se félicite des avancées que l'IBAN a constatées s'agissant de la conformité avec les articles de la version révisée du NFR (référence (b)) qui concernent le contrôle interne, la gestion des risques et l'audit interne. L'exercice 2015 étant considéré comme une année de transition, le RPPB compte bien que le NADEFCOL réalisera des progrès supplémentaires dans un avenir proche. Il invite le responsable OTAN de la politique en matière d'information financière à encourager les entités OTAN à communiquer sur les bonnes pratiques en la matière.

4. Le RPPB note que le contrôleur des finances de l'EMI a confirmé (référence (c)) que rien n'empêchait la communication au public des états financiers 2015 du NADEFCOL.

Conclusions

5. Le RPPB note avec satisfaction que l'IBAN a émis une opinion sans réserve sur les états financiers du NADEFCOL, ce qui témoigne du travail acharné de la direction et du personnel pour mettre en application l'ensemble des mesures recommandées par le RPPB et approuvées par le Conseil ces dernières années en vue d'améliorer la réglementation comptable et financière, la gouvernance, la transparence et le compte rendu. Le RPPB note toutefois qu'il y a encore à faire pour assurer la pleine mise en application de ces mesures.

6. Enfin, le RPPB estime que le rapport de l'IBAN et les états financiers du NADEFCOL correspondants ne contiennent 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.

Recommandations

7. Le RPPB recommande au Conseil :

- a) de prendre note du rapport de l'IBAN sur la vérification des états financiers 2015 du NADEFCOL ainsi que du présent rapport ;
- b) d'entériner ses conclusions, figurant aux paragraphes 5 et 6 ;
- c) d'approuver la communication au public du présent rapport, du rapport de l'IBAN (référence (a)) et des états financiers du NADEFCOL correspondants, conformément à la politique établie dans le document de référence (d).

**Note succincte
du Collège international des commissaires aux comptes de l'OTAN
à l'intention du Conseil
sur la vérification des états financiers du Collège de défense de l'OTAN
(NADEFCOL)
pour l'exercice clos le 31 décembre 2015**

Le Collège international des commissaires aux comptes de l'OTAN (IBAN) a procédé à la vérification des états financiers du Collège de défense de l'OTAN (NADEFCOL), qui est chargé d'organiser des stages et d'autres programmes conçus pour préparer des officiers et des responsables appelés à servir à des postes importants à l'OTAN ou en rapport avec l'OTAN, et pour faire connaître les initiatives et les intérêts de l'OTAN. Le montant total des dépenses du NADEFCOL pour l'exercice clos le 31 décembre 2015 s'est établi à 9,88 millions d'euros.

Le Collège a émis une opinion sans réserve sur les états financiers du NADEFCOL et sur la conformité pour l'exercice clos le 31 décembre 2015.

À l'issue de l'audit, le Collège a formulé deux observations, assorties de recommandations, à propos du défaut de conformité avec les articles révisés du Règlement financier de l'OTAN concernant le contrôle interne, la gestion des risques et l'audit interne, ainsi que de la dérogation aux règles d'acquisition. Ces constatations sont présentées dans la lettre d'observations et de recommandations (annexe 4).

Aucune observation n'avait été formulée lors de l'audit précédent.

Par ailleurs, le Collège a adressé une lettre (IBA-AML(2016)04) à la direction du NADEFCOL pour appeler son attention sur certains points.

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COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN

**OPINION SUR LES ÉTATS FINANCIERS
DU COLLÈGE DE DÉFENSE DE L'OTAN**

(NADEFCOL)

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2015

**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 Collège de défense de l'OTAN (NADEFCOL), composés de l'état de la situation financière au 31 décembre 2015 et 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 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 2015.

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 qu'ils 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 NADEFCOL au 31 décembre 2015, 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 28 juillet 2016

Lyn Sachs
Présidente

COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN

**LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS
CONCERNANT LE COLLÈGE DE DÉFENSE DE L'OTAN (NADEFCOL)**

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2015

Introduction

Le Collège international des commissaires aux comptes de l'OTAN (IBAN) a procédé à la vérification des états financiers du Collège de défense de l'OTAN (NADEFCOL), qui est chargé d'organiser des stages et d'autres programmes conçus pour préparer des officiers et des responsables appelés à servir à des postes importants à l'OTAN ou en rapport avec l'OTAN, et pour faire connaître les initiatives et les intérêts de l'OTAN. Le montant total des dépenses du NADEFCOL pour l'exercice clos le 31 décembre 2015 s'est établi à 9,88 millions d'euros.

Le Collège a émis une opinion sans réserve sur les états financiers du NADEFCOL et sur la conformité pour l'exercice clos le 31 décembre 2015.

Observations et recommandations

À l'issue de l'audit, le Collège a formulé deux observations, assorties de recommandations.

Elles peuvent être récapitulées comme suit :

1. Défaut de conformité avec les articles révisés du Règlement financier de l'OTAN concernant le contrôle interne, la gestion des risques et l'audit interne
2. Dérogation aux règles d'acquisition.

Aucune observation n'avait été formulée lors de l'audit précédent.

1. DÉFAUT DE CONFORMITÉ AVEC LES ARTICLES RÉVISÉS DU RÈGLEMENT FINANCIER DE L'OTAN CONCERNANT LE CONTRÔLE INTERNE, LA GESTION DES RISQUES ET L'AUDIT INTERNE

Contexte

1.1 Le Conseil de l'Atlantique Nord a approuvé la version révisée du Règlement financier de l'OTAN (NFR) en date du 4 mai 2015. Il s'agissait de la première révision du NFR en plus de trente ans. Bien que l'article 36 prévoie que le Règlement entre en vigueur dès son approbation (à savoir le 4 mai 2015), le Conseil a accepté que cette nouvelle version du NFR ne soit pleinement d'application qu'à la fin de 2015.

1.2 Les dispositions révisées du NFR sont plus explicites que celles de la version précédente s'agissant de la gestion des risques (article 11), du contrôle interne (article 12), de l'audit interne (article 13) et de l'établissement d'une commission consultative sur l'audit (article 16). Selon ces dispositions, il faut définir des procédures de gestion des risques conformes aux critères d'efficacité, d'efficience et d'économie, mettre en place les fonctions de gestion nécessaires à un contrôle interne efficace, donner aux organismes OTAN accès à une fonction d'audit interne permanente, dotée de ressources suffisantes et exercée conformément aux normes d'audit interne reconnues au niveau international, et établir une commission consultative sur l'audit.

1.3 Cette version révisée du NFR est l'occasion pour les organismes OTAN de renforcer et de codifier leur cadre général de contrôle interne, y compris la gestion des risques. Elle prévoit aussi la mise en place de fonctions d'audit interne, qu'elles soient exécutées au sein des organismes ou externalisées, l'objectif déclaré étant de pouvoir ainsi évaluer pleinement l'efficacité et l'efficience des activités et des contrôles internes, y compris la gestion des risques.

Constatations

1.4 Le Collège a constaté que le NADEFCOL avait réalisé des progrès mais qu'à la fin de 2015, il ne se conformait pas encore pleinement à l'ensemble des articles de la version révisée du NFR. La constatation faite par le Collège n'a rien de surprenant sachant que la version révisée du NFR n'a été approuvée par le Conseil qu'en mai 2015 et que les règles et procédures financières (FRP) de l'OTAN, plus détaillées, n'ont été approuvées par le Comité des budgets qu'en février 2016.

1.5 En l'absence de telles règles détaillées jusqu'à la fin de 2015, le Collège considère cet exercice comme une année de transition. Il a décidé de rendre compte des progrès réalisés à l'égard de certains des articles révisés du NFR et de formuler des recommandations sur cette base. Les observations ainsi faites n'auront pas d'incidence sur l'opinion relative à la conformité pour l'exercice 2015, mais il n'en ira plus de même à partir de 2016.

Article 3 – Responsabilité et obligation de rendre compte

1.6 Le Collège a constaté que seul le commandant du NADEFCOL avait signé la déclaration sur le contrôle interne.

Article 11 – Gestion des risques

1.7 Le Collège a constaté que le NADEFCOL ne disposait pas encore d'un cadre ou d'une politique de gestion des risques en bonne et due forme ni de procédures en la matière. Une telle politique est indispensable pour garantir et pour montrer clairement aux diverses parties concernées que des procédures de gestion des risques conformes aux critères d'efficacité, d'efficience et d'économie sont en place et que la gestion des risques cadre avec les objectifs opérationnels et financiers globaux de l'État-major militaire international (EMI).

1.8 Cela étant, le NADEFCOL prend actuellement diverses mesures visant à intégrer le concept de gestion des risques dans la « culture » de l'organisation, parmi lesquelles :

- la révision, avec l'aide du service d'audit interne de l'Agence OTAN d'information et de communication (NCIA), de ses processus de travail, axée exclusivement sur les concepts de gestion et d'évaluation des risques, et ce conformément à l'alinéa 1 de la FRP XI : « toutes les divisions [peuvent] identifier les [...] risques... » ;
- la création de registres des risques dans chaque division pour le suivi de l'évolution des risques, des mesures d'atténuation, etc. ;
- la définition, dans le cadre du projet de budget annuel, de domaines de gestion des risques, pondérés par rapport au budget global et aux activités spécifiques.

Article 12 – Contrôle interne

1.9 Le Collège a constaté que le NADEFCOL n'avait pas adopté un cadre de contrôle interne spécifique. Un tel cadre, étayé par des documents et des procédures spécifiques, est indispensable pour garantir et pour montrer clairement aux diverses parties concernées qu'un système complet de contrôle financier et budgétaire interne est en place.

1.10 Dans le cadre de son audit des états financiers 2015 du NADEFCOL, le Collège n'a pas relevé de faiblesses significatives dans le contrôle interne. Néanmoins, tant qu'un cadre de contrôle interne spécifique n'aura pas été défini et été étayé par l'établissement systématique de documents sur les procédures de contrôle interne, le Collège ne sera pas en mesure de déclarer qu'un système complet de contrôle interne conforme à l'article 12 de la version révisée du NFR est bien en place.

1.11 Il est à noter que certaines mesures de contrôle interne étaient déjà appliquées dans le cadre de l'ancienne version du NFR, mais la mise en place du nouveau NFR était l'occasion, entre autres choses, d'en renforcer certains aspects :

- une délégation de pouvoirs officielle en faveur de certains agents, signée par le commandant, a été instaurée en 2016, et l'exercice de certaines fonctions n'est plus seulement dicté par le tableau des effectifs ni par les descriptions de poste, comme par le passé ;
- le système financier actuellement disponible (FinS) prévoit déjà une stricte séparation des tâches ; celle-ci sera réexaminée et, si possible, renforcée dans la nouvelle version du système, en cours de déploiement ;
- le NADEFCOL est déterminé à améliorer sa conformité avec l'article 12 du NFR dans le cadre de l'étude des effectifs prévue pour novembre 2016, qui abordera la question du contrôle interne notamment à la lumière des ressources disponibles.

Article 13 – Audit interne

1.12 Si des audits internes continuent d'être régulièrement menés au niveau local par des auditeurs non professionnels (liquidités, biens, activités sociorécréatives), des progrès sont enregistrés s'agissant des audits internes réalisés par des auditeurs professionnels conformément aux instructions du contrôleur des finances de l'EMI. Comme le prévoit l'article 13, le NADEFCOL, par l'intermédiaire de l'EMI, a demandé au service d'audit interne de la NCIA d'analyser le Groupe de budgets de l'EMI sur une base cyclique, et plus particulièrement de déterminer si les procédures en place sont appropriées.

1.13 Le service d'audit de la NCIA a déjà entamé ses travaux au NADEFCOL en présentant aux services du NADEFCOL le périmètre de l'audit et la méthodologie utilisée, en distribuant des questionnaires sur l'évaluation des risques et en organisant un atelier pour jauger l'auto-évaluation des risques et pour recenser les domaines à risque devant faire l'objet d'un suivi. L'audit interne devrait être achevé et les résultats, disponibles pour l'automne 2016.

Article 16 – Commission consultative sur l'audit

1.14 Le Collège a constaté que le NADEFCOL n'avait pas encore mis en place la commission consultative sur l'audit que requiert l'article 16. Cela étant, le mandat relatif au NADEFCOL a déjà été établi, et il tient compte notamment de la nécessité pour la commission de compter au moins un membre d'un autre organisme OTAN comme prévu à l'alinéa 4 des FRP XVI. La commission consultative sur l'audit sera opérationnelle après les congés d'été 2016.

Recommandations

1.15 Le Collège formule les recommandations ci-après.

- Le NADEFCOL devrait élaborer une politique de gestion des risques applicable à toute l'entité, et des registres des risques devraient être créés et utilisés par l'ensemble des départements du NADEFCOL et pour toutes ses activités. Une coordination devrait être assurée de façon à ce que l'on procède de la même manière dans l'ensemble des organismes OTAN.
- Le NADEFCOL devrait adopter un cadre de contrôle interne spécifique, reconnu au niveau international, et celui-ci devrait être étayé par l'établissement systématique de documents détaillés concernant les procédures de contrôle interne. Une coordination devrait être assurée de façon à ce que l'on procède de la même manière dans l'ensemble des organismes OTAN.
- Le NADEFCOL devrait étendre ses activités d'audit interne, par le recours à l'externalisation si cette option devait s'avérer plus intéressante sur le plan financier.
- Le NADEFCOL devrait mettre en place une commission consultative sur l'audit.
- Le NADEFCOL devrait se conformer à l'article 3 du NFR en faisant en sorte que la déclaration sur le contrôle interne soit signée à la fois par le commandant du NADEFCOL et par le contrôleur des finances de l'EMI.

2. DÉROGATION AUX RÈGLES D'ACQUISITION

Contexte

2.1 L'article 2.a des instructions permanentes (SOP) n° 71 du NADEFCOL concernant l'acquisition de biens et de services dispose que « les biens et services doivent normalement être acquis auprès des sources gouvernementales ou commerciales les plus économiques dans l'un des pays membres de l'OTAN ».

2.2 L'article 3.d des SOP n° 71 du NADEFCOL concernant l'acquisition de biens et de services dispose qu'« il peut être dérogé aux obligations ci-dessus pour des considérations de sécurité, d'urgence, de normalisation ou autres, moyennant le respect des pouvoirs délégués par le contrôleur des finances de l'EMI au contrôleur des finances de l'entité concernée ».

Observation

2.3 Le Collège a constaté que le NADEFCOL avait attribué un marché d'un montant de 85 000 euros pour des travaux dans la zone du bar et le remplacement du comptoir sans respecter les exigences relatives aux appels d'offres ni avoir obtenu l'autorisation de passer un marché de gré à gré. L'argument avancé était que ces travaux « visaient à éliminer, dans les plus brefs délais, les risques existants en matière de santé et de sécurité ». Cet argument n'a cependant pas été validé ni documenté par des experts en la matière.

Recommandation

2.4 Le Collège recommande au NADEFCOL de respecter les exigences relatives aux appels d'offres pour l'ensemble des acquisitions en tant que de besoin et, si nécessaire, d'approuver la passation de marchés de gré à gré en fonction de la décision du contrôleur des finances.

NATO DEFENSE COLLEGE FINANCIAL STATEMENTS (BUDGET 303)

2015



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STATEMENT OF INTERNAL CONTROL

As Commandant of the NDC, I have responsibility under Section III of the NATO Financial Regulations (NFRs), for maintaining a sound system of Risk Management and Internal Control that supports the achievement of the organisation's policies, aims and objectives, set by NATO, whilst safeguarding funds and assets in accordance with the responsibilities assigned to me.

The system of Risk Management and Internal Control is designed to manage and reduce, rather than eliminate, the risk of failure to achieve the organisation's policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of Risk Management and Internal Control is based on an on-going process designed to identify the principal risks to the achievement of the organisation's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 December 2015 and up to the date of approval of the annual financial report and accounts.

The main elements of the Risk and Control framework are designed to ensure that:

- qualified officials are assigned to the financial positions as prescribed by the NFRs;
- the tasks and responsibilities of those officials are clearly reflected in the relevant Job Descriptions;
- formal delegation of authority for financial matters is in place;
- specific procedures (SOPs and ToRs) are in place to adapt NATO financial rules to local circumstances;
- audits from the International Board of Auditors for NATO (IBAN), Internal Auditors appointed by the IMS, and audits from internal NDC agents are carried out regularly, and the results and findings are brought to my attention; and
- regular scrutiny of financial and other performance monitoring data is undertaken by NDC Managers and Finance Officials.

I also have responsibility for reviewing the effectiveness of the system of Risk Management and Internal Control. My review is informed by the work of the Auditors and Managers within the organisation.

Internal audits during 2015 for both NATO and non-appropriated funds did not raise any particular area of attention. The IBAN audit of the FY 2014 NATO Defense College Financial Statements - undertaken in 2015 - resulted in an unqualified opinion, and did not require particular actions or intervention from the senior management. NDC Managers and Finance Officials provided on going assurance during the year.

As a result, I am satisfied that the control systems in operation at the NDC during the year were adequate and effective.

In February 2016, revised Financial Rules and Procedures (FRPs) were approved by the Budget Committee (BC-D(2015)0260-REV1). These FRPs provide for a revised framework of Internal Control and Risk Management. In 2016, the NDC will implement enhanced Internal Control and Risk Management arrangements.

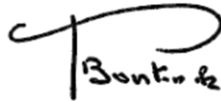


Janusz BOJARSKI
Major General, POLAF
Commandant, NATO Defense College

Rome, 01 March 2016

Introduction by the Financial Controller

1. The NATO Defense College's (NDC) mission and organisation is formally established under the document MC 123/8 (Final). The mission is to contribute to the effectiveness and cohesion of the Alliance by serving as the cornerstone of Alliance education, playing a strong role in public outreach efforts, acting as a forum of excellence for transatlantic security studies and conducting research projects contributing to the identification and analysis of issues important for the Alliance.
2. The IMS Budget Group covers a number of budgets and entities linked together for financial management purposes by a Financial Controller. The IMS Financial Controller is also the Financial Controller of the Science and Technology Organisation (STO). The STO and IMS are therefore related parties under a common Financial Controller.
3. These Financial Statements are specific to the NDC. The NDC statements reflect the financial position, the financial performance, the budget execution, the cash flow and the change in net assets for the reporting period. Notes provide further disclosures on key transactions following the materiality principle. The financial statements have been prepared primarily using the FinS accounting software, where the NDC has a separate set of financial books. The statements cover the execution of the main NDC budget code 303, and include the elements of Outreach budgets for which the NDC has operational control.
4. The Financial Statements 2015 have been produced in accordance with the NATO Accounting Framework. This Accounting Framework is based on International Public Sector Accounting Standards (IPSAS), as adapted by NATO under C-M(2013)0039. The NATO Financial Regulations (NFRs) were amended by the Nations in May 2015 (C-M(2015)0025), and the associated Financial Rules and Procedures (FRPs) were approved by the Budget Committee in February 2016 (BC-D(2015)0260-REV1). The Financial Statements are presented in the improved common layout applying the RPPB Notice AC/335-N(205)0088 dated 11 December 2015.
5. As the NATO Accounting Framework is continuously evolving, compliance is a dynamic process that requires staff to keep updating their knowledge. Also it requires that the accounting tools are suitably maintained and, when appropriate, upgraded. An on-going challenge is that NATO entities undertake financial reporting in a consistent way. Therefore the NDC, through the IMS FC and his Office, maintains a dialogue with the other NATO entities and plays a full part in the NATO Accounting Working Group and the Working Group of Financial Controllers. The NDC remains committed to developing its Financial Reporting expertise and producing Financial Statements fully compliant with the applicable standards and instructions as issued by Nations. The NDC will also continue to work openly and constructively with the IBAN.



P. BONTINCK
BELCV - Financial Controller
International Military Staff &
Science and Technology Organisation

NATO DEFENSE COLLEGE STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

(in EUR)

	<u>2015</u>	<u>2014</u>	<i>Comments</i>
ASSETS			
Current Assets			
Cash and Cash Equivalents			
Cash Accounts	10,110	4,474	Note 1-a
Petty Cash and Advances	1,500	6,600	Note 1-b
Current Bank Accounts	2,583,314	2,989,510	Note 1-c
Total Cash and Cash Equivalents	<u>2,594,924</u>	<u>3,000,583</u>	
Receivables			
Receivable Budget Increase thru IYR BC 28 N	-	75,000	Note 2-a
Receivables from non-consolidated NATO Entities	126,974	121,266	Note 2-b
Receivables from Staff Members	14,555	17,645	Note 2-c
Receivables from Governments	-	3,498	Note 2-d
Receivable Financial Result BC 28 N	15,711	2,119	Note 2-e
Total Receivables	<u>157,241</u>	<u>219,527</u>	
Advances and other Current Assets			
Advances - Non Assigned Expenditures	16,014	6,723	Note 3
Total Advances and other Current Assets	<u>16,014</u>	<u>6,723</u>	
Non-Current Assets			
Fixed Assets - Property, Plant & Equipment			
Fixed Assets	16,570,034	16,398,171	Note 4-a
Fixed Assets Accumulated Depreciation	(3,686,268)	(3,403,587)	Note 4-b
Total Fixed Assets - Property, Plant & Equipment	<u>12,883,766</u>	<u>12,994,585</u>	
TOTAL ASSETS	<u>15,651,944</u>	<u>16,221,418</u>	
LIABILITIES			
Current Liabilities			
Payables			
Payable to Suppliers	(36,967)	(49,474)	Note 6-a
Inventory AP Accrual	(256,468)	(317,630)	Note 6-b
Total Payables	<u>(293,435)</u>	<u>(367,104)</u>	
Unearned Revenue & Advance Contributions			
Unearned Revenue BC 303	(318,184)	(688,730)	Note 7-a
Liability Operational Result	(2,832)	(2,418)	Note 7-b
Liability Financial Result	-	-	Note 7-c
Liability Lapses BC 303	(51,999)	(57,182)	Note 7-d
BC Advance Contributions	(2,100,000)	(2,100,000)	Note 7-e
Advance Contributions National borne costs	(1,729)	(11,400)	Note 7-f
Total Unearned Revenue & Advance Contributions	<u>(2,474,744)</u>	<u>(2,859,730)</u>	
Non-Current Liabilities			
Long-term Provisions			
Property, Plant & Equipment	(12,883,766)	(12,994,585)	Note 8
Total Long-term Provisions	<u>(12,883,766)</u>	<u>(12,994,585)</u>	
TOTAL LIABILITIES	<u>(15,651,944)</u>	<u>(16,221,418)</u>	
TOTAL NET ASSETS/EQUITY	<u>0</u>	<u>0</u>	



Janusz BOJARSKI
Major General, POLAF
Commandant



Vincenzo DISTEFANO
ITACV
Financial Controller (Delegated)

NATO DEFENSE COLLEGE **STATEMENT OF FINANCIAL PERFORMANCE**

for the year ended 31 December 2015

(in EUR)

	2015	2014	Comments
OPERATING PERFORMANCE			
Revenue			
Revenue from BCode 303 Operating Activities	(8,310,710)	(7,903,923)	Note 9-a
Revenue from Non-BCode 303 Operating Activities	(1,198,283)	(1,014,337)	Note 9-b
Financial Revenue	(2,973)	(14,301)	Note 9-c
Revenue Recognition from PP & E	(372,827)	(362,253)	Note 9-d
Total Revenue	(9,884,794)	(9,294,814)	
Expenses			
BCode 303 Expenses			
Personnel	5,463,509	5,233,607	Note 10-a-1
Contractual Supplies and Services	2,665,466	2,632,386	Note 10-a-2
Capital and Investments Budgeting	181,736	37,930	Note 10-a-3
Total BCode 303 Expenses	8,310,710	7,903,923	
Non-BCode 303 Expenses			
Personnel	122,403	68,869	Note 10-b-1
Contractual Supplies and Services	1,075,881	945,468	Note 10-b-2
Total Non-BCode 303 Expenses	1,198,283	1,014,337	
Finance Costs	2,973	14,301	Note 10-c
Depreciation PP & E	372,827	362,253	Note 10-d
Total Expenses	9,884,794	9,294,814	
SURPLUS / DEFICIT FOR THE PERIOD	0	0	Note 11

NATO DEFENSE COLLEGE STATEMENT OF CASH FLOWS

for the year ended 31 December 2015

(in EUR)

	<u>2015</u>	<u>2014</u>	<i>Comments</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Surplus/Deficit from ordinary activities</i>	-	-	
Non-cash movements			
Depreciation / Amortization	372,827	362,253	Note 4 / 10-d
Increase - (Decrease) in payables	(73,669)	33,050	
Increase - (Decrease) in other current liabilities	(384,986)	539,819	
(Increase) - Decrease in receivables	62,287	(57,151)	
(Increase) - Decrease in other current assets	(9,291)	10,207	
(Increase) - Decrease in Long-term Provisions	(110,819)	(241,953)	
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>(143,651)</u>	<u>646,225</u>	
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property plant and equipment	(262,009)	(120,300)	Note 4
Proceeds from sale of property plant and equipment	-	-	
Proceeds from sale of investments	-	-	
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(262,009)</u>	<u>(120,300)</u>	
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	3,000,000	-	Note 1-c
Repayment of borrowings	(3,000,000)	-	
NET CASH FLOWS FROM FINANCING ACTIVITIES	-	-	
Net Increase - (Decrease) in cash and cash equivalents	<u>(405,659)</u>	<u>525,925</u>	
Cash and cash equivalents at the beginning of the period	<u>3,000,583</u>	<u>2,474,659</u>	
Cash and cash equivalents at the end of the period	<u>2,594,924</u>	<u>3,000,583</u>	Note 1

NATO DEFENSE COLLEGE
STATEMENT OF CHANGES IN NET ASSETS/EQUITY

for the year ended 31 December 2015

(in EUR)

	Capital contributions	Reserves	Accumulated surplus/(deficit)	Total
Balance at the beginning of the period 2013	0	0	0	0
Changes in accounting policy				
Restated balance	0	0	0	0
Exchange difference on translating foreign operations				
Gain / (losses) on property revaluation				
Net gain / (losses) recognized directly in net assets/equity				
Surplus / (deficit) for the period				
Change in net assets/equity for the year ended 2014	0	0	0	0
Balance at the beginning of the period 2014	0	0	0	0
Changes in accounting policy				
Restated balance	0	0	0	0
Exchange difference on translating foreign operations				
Gain / (losses) on property revaluation				
Net gain / (losses) recognized directly in net assets/equity				
Surplus / (deficit) for the period				
Change in net assets/equity for the year ended 2015	0	0	0	0
Balance at the end of the period 2015	0	0	0	0

NATO DEFENSE COLLEGE
STATEMENT OF THE BUDGET EXECUTION AS AT 31 DECEMBER 2015 AND FOR THE YEAR ENDED
 (Annex as per the NFRs para 34)

Budget Currency EURO	Initial Budget	Transfers	BA-2	Transfers	BA-3	Transfers	Final Budget	Commitments	Expenses	Total Spent	Carry Forward	Lapsed
BUDGET 303 - 2015												
Chapter 1	5,368,404	(40,000)	5,328,404	0	5,328,404	73,159	5,401,563	42,174	5,359,388	5,401,563	42,174	0
Chapter 2	2,855,813	0	2,855,813	0	2,855,813	(78,039)	2,777,774	268,260	2,509,514	2,777,774	268,260	0
Chapter 3	29,955	40,000	69,955	0	69,955	4,881	74,836	0	74,836	74,836	0	0
TOTAL FY 2015	8,254,172	0	8,254,172	0	8,254,172	0	8,254,172	310,434	7,943,738	8,254,172	310,434	0
BUDGET 303 - 2014												
				Note 10-d								
Chapter 1	136,959	0	136,959	0	136,959	0	136,959	3,000	104,120	107,120	3,000	29,839
Chapter 2	174,157	0	174,157	0	174,157	0	174,157	4,750	162,369	167,119	4,750	7,038
Chapter 3	350,759	0	350,759	0	350,759	0	350,759	0	350,759	350,759	0	0
TOTAL FY 2014	661,875	0	661,875	0	661,875	0	661,875	7,750	617,249	624,999	7,750	36,877
BUDGET 303 - 2013												
Chapter 1	15,122	0	15,122	0	15,122	0	15,122	0	0	0	0	15,122
Chapter 2	11,733	0	11,733	0	11,733	0	11,733	0	11,733	11,733	0	0
Chapter 3	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL FY 2013	26,855	0	26,855	0	26,855	0	26,855	0	11,733	11,733	0	15,122
GRAND TOTAL BUDGET 303 ALL FYs	8,942,902	0	8,942,902	0	8,942,902	0	8,942,902	318,184	8,572,719	8,890,903	318,184	51,999

Expenses are recognized / recorded on an accrual basis

A. Accounting Policies

Accounting Period

These Financial Statements are based on the accounting records of the NATO Defense College (NDC) as of 31 December 2015. In accordance with Article 2 of the NATO Financial Regulations (NFRs), the financial year at the NDC begins on 01 January and ends on 31 December of the year.

Reporting Currency

The functional and reporting currency used throughout these Financial Statements is the Euro (EUR - €).

Basis of Preparation

The Financial Statements have been prepared on a going-concern basis.

Financial Reporting Framework

The Financial Statements 2015 have been produced in accordance with the NATO Accounting Framework. This Accounting Framework is based on International Public Sector Accounting Standards (IPSAS), as adapted by NATO under C-M(2013)0039. The NATO Financial Regulations were amended by the Nations in May 2015 (C-M(2015)0025), and the associated Financial Rules and Procedures (FRPs) were approved by the Budget Committee in February 2016 (BC-D(2015)0260-REV1). The Financial Statements are presented in the improved common layout applying the RPPB Notice AC/335-N(205)0088 dated 11 December 2015.

The accounting principles recognized as appropriate for the recognition, measurement and reporting of the financial position, performance and cash flows on an accrual based accounting using historical costs have been applied consistently throughout the reporting period to ensure that the financial statements provide information that is relevant to the decision-making and reliable, comparable, and understandable in light of the qualitative characteristics of financial reporting as well as of the principle of the right balance between the benefits derived from the information and the costs of providing it as required by IPSAS 1.29 and further summarized in Appendix A of IPSAS 1.

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

No accounting standard has been adopted earlier than the application date as stated in the IPSAS standards. The following IPSAS are not relevant for the NDC Financial Statements 2015: IPSAS 26 - Impairment of Cash-Generating Assets, IPSAS 27 - Agriculture. The following IPSAS have no material effect on the financial statements: IPSAS 5, IPSAS 6, IPSAS 7, IPSAS 8, IPSAS 10, IPSAS 11, IPSAS 16 and IPSAS 18 and IPSAS 32.

Five new IPSAS pronouncements were issued in 2015 covering: IPSAS 34 - Separate Financial Statements; IPSAS 35 - Consolidated Financial Statements; IPSAS 36 - Investments in Associates and Joint Ventures; IPSAS 37 - Joint Arrangements; and IPSAS 38 - Disclosure of Interests in Other Entities.

The standards are effective for annual financial statements covering periods beginning on or after 1 January 2017. They have not been applied by the IMS in preparing the Financial Statements for 2015. The new standards are not expected to have a material impact on the presentation of the NDC Financial Statements.

Changes in Accounting Policy

There have been no changes to NDC accounting policies in 2015.

Foreign Currency Transactions

Transactions in currencies other than the functional currency are converted into Euro at the NATO exchange rates prevailing at the time of the transaction.

Realized gains and losses resulting from the settlement of such transactions are recognized in the Statement of Financial Performance. The NDC has neither monetary assets nor liability at-year-end nor unrealized gains and losses denominated in foreign currencies.

Consolidation

Consolidated Financial Statements include the financial results of the controlling entity and its controlled entities. When consolidation occurs, inter-entity balances and transactions are eliminated.

However, the NDC as separate NATO Body with its own legal entity and operational and geographical independence does not consolidate its Financial Statements with any other bodies in IMS Budget Group (BG). Moreover, consistent with NATO Accounting Framework and IPSAS 6 - Adapted therein, any Morale and Welfare Activities are not consolidated.

Services In-Kind

Services in-kind are services provided by individuals to public sector entities in a non-exchange transaction. These services meet the definition of an asset because the entity controls a resource from which future economic benefits or service potential is expected to flow to the entity. An entity may, but is not required to, recognize services in-kind as revenue and as an asset, and a decrease in an asset and an expense upon consumption of the service in-kind. Due to many circumstances surrounding services in-kind, including the ability to exercise control over the services, and measuring the fair value of the services, IPSAS does not require the recognition of services in-kind.

Assets – Current Assets

The entity holds the following types of current assets:

a. Cash and Cash Equivalents

Cash and Cash Equivalents are defined as short-term assets. They include cash on-hand, petty cash, current bank accounts, deposits held with banks, other short-term highly liquid investments.

b. Receivables

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

In accordance with IPSAS, receivables are broken down into amounts receivable from user charges, taxes, receivables from related parties, etc.

Contributions receivable are recognized when a call for contribution has been issued to the member nations. No allowance for loss is recorded with respect to Member countries' assessed contributions receivable except for exceptional and agreed technical reasons.

c. Inventories

IPSAS 12 defines inventories, establishes measurement requirements under the historical costs system and establishes disclosure requirements. The NDC assesses inventories under IPSAS 12 and 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. This is the same approach as in the Financial Statements 2013 but this policy will be reviewed each fiscal year for changes in materiality.

d. Prepayments

This reflects prepayments given to suppliers and to other NATO entities.

Assets – Non-Current Assets

In this category, the NDC is reporting all assets invested for more than 12 months or receivable beyond 12 months from the closing date of the Financial Statements.

a. Financial Assets

Long-term receivables from the nations for future payment of provisions are reported as a financial asset.

b. Property, Plant and Equipment

Basic Principles:

- Buildings are offered to be used by the NDC by the MOD Italy. The amounts shown represent the historic cost as provided by the MOD Italy and will be revalued in case any relevant information is received from the MOD Italy;
- All other property, plant and equipment are stated at historical cost less accumulated depreciation and any recognized impairment loss;
- No external evaluator to set values for assets;
- The capitalization threshold has been set at € 5,000 unless specifically stated otherwise;
- No grouping of assets;

- Depreciation is calculated on a straight-line basis;
- Full depreciation / amortization in the month of acquisition, and nil in the month of disposal.
- As an accounting principle, land cannot be depreciated. The land value shown represents its fair value after internal investigation.

PP&E categorizations for purposes of determining the appropriate depreciable life of the assets is listed in the tables below - the categories for both tangible and intangible assets complete with the years in which the asset is to be depreciated. Straight-line depreciation method is used for all categories; however the depreciable life of an asset is dependent on the particular category it is in.

For assets acquired on or after 1 January 2013 the NATO Accounting Framework has been applied, which includes adaptations to IPSAS 17 PPE. NDC continues to recognize assets acquired pre-2013.

Capitalization Thresholds.

Taking account of the above mentioned control criteria, and the guidance in IPSAS 17, the IMS (including the NSA) and NDC shall capitalize each item of PPE above the following thresholds and apply the stated depreciation life below:

Category	Threshold – per item (no grouping)	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 (e.g. airco)	€ 5,000	10 years	Straight line
Machinery	€ 5,000	10 years	Straight line
Vehicles	€ 5,000	5 years	Straight line
Mission equipment	€ 5,000	3 years	Straight line
Furniture	€ 5,000	10 years	Straight line
Communications (e.g. networks; PABX)	€ 5,000	3 years	Straight line
Automated information systems	€ 5,000	3 years	Straight line

Impairment of tangible assets

The carrying values of fixed assets are reviewed for impairment if events or changes in circumstances indicate that they may be not recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Any provision for impairment is charged against the statement of financial performance in the year concerned.

c. Intangible Assets

The NDC had no intangibles acquired post 1 January 2015 that met the criteria for capitalization under the NATO Accounting Framework.

d. Leases (IPSAS 13)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rental payments under such leases are charged to the Statement of Financial Performance on straight-line basis.

Liabilities – Current Liabilities

a. Payables

Payables are amounts due to third parties for goods received or services provided that remain unpaid as of the reporting date. Accruals are estimates of the cost for goods and services received at year-end but not yet invoiced.

b. Unearned Revenue and Advances

Unearned revenue represents contributions from Nations and/or third parties that have been called for current or prior years' budgets but that have not yet been recognized as revenue. Funds are called in advance of their need because the entity has no capital that would allow it to pre-finance any of its activities. Contributions called for following-year budgets are recorded as advances.

c. Employee benefits

IPSAS 25 prescribes the accounting treatment of the following employee benefits:

- Short-term benefits which fall due wholly within twelve months after the end of the accounting period in which employees render the related service;
- Post-employment benefits;
- Termination benefits.

Defined Contribution plans

Certain employees were members of the Provident Fund up to 2013. Certain employees are members of the NATO-wide Defined Contribution Pension Scheme (DCPS). The assets of the plans are held separately from those of NDC in funds under the control of independent trustees or an Administrator. The NDC is required to contribute a specified percentage of payroll costs to the DCPS to fund the benefits. Payments to the DCPS are recognized as an expense when employees have rendered service entitling them to the contributions. The only obligation of NDC with respect to the DCPS is to make the specified contributions.

Defined Benefit plans

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

The assets and liability for the NATO's Defined Benefit Plan and the Retirees Medical Contribution Fund (RMCF) are accounted for centrally at NATO Headquarters by the International Staff and therefore are not recognized in these financial statements.

Liabilities - Non-Current Liabilities

Provisions - Including Long-term Provisions for PP & E

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

Long-term Provisions are non-current liabilities of uncertain value or timing.

They can also derive from the recognition of the fixed assets' present net value to be spent in the form of depreciation/amortization, which is not due for at least one fiscal year and perhaps will not be settled until many years in the future.

Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly in the control of the entity. A contingent liability is not recognized as a liability because it is yet to be confirmed whether there is a present obligation that could lead to a possible outflow of resources or a sufficiently reliable estimate of the obligation cannot be made.

Net Assets

Net assets represent the residual interest in the assets of the entity after deducting its liabilities.

Revenue and Expense Recognition

a. 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. Contributions when called are booked as unearned revenue and subsequently recognized as revenue when it is earned.

Revenue comprises contributions from Member Nations and other customers to fund the entity's budgets. It is recognized as revenue in the Statement of Financial Performance when such contributions are used for their intended purpose as envisioned by operational budgets. 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 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 recognizes a liability until the condition is fulfilled.

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

Bank interests earned as of 31 December 2015, exchange rate revenue due to transactions in foreign currency and realized exchange rate revenue in accordance with the entity Policy IPSAS 4 - Effect of the foreign exchange rate - are recognized as financial revenue.

b. Expenses

Budgetary expenses are recognized when occurred. Accruing of expenses is based on the concept of accruing when goods and services are received. Bank charges, exchange rate losses due to transactions in foreign currency and realized exchange rate losses are recognized as financial expenses.

Bank charges, exchange rate losses due to transaction in foreign currency and realized exchange rate losses in accordance with the IPSAS 4 - Effect of the foreign exchange rate - are recognized as financial expenses.

Surplus or Deficit for the Period

In accordance with the IMS Budget Group accounting policies, the NDC revenue is recognized up to the amount of the matching expenses.

Other Issues – Related Party Disclosure (IPSAS 20)

A formal process is followed to verify the existence or not of any related party relationships. All key personnel have to make a written declaration. Any such relationships have to be fully disclosed in the notes to the Financial Statements.

B. Significant Accounting Judgments and Estimates

In accordance with Generally Accepted Accounting Principles, the Financial Statements necessarily include amounts based on estimates and assumptions made by the management and based on historical experience as well as on the most reliable information available. In exercising the judgments to make the estimates, a degree of caution was included in light of the principle of 'prudence' required by IPSAS in order not to overstate assets or revenue or understate liabilities or expenses.

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

C. Notes to Statement of Financial Position

Assets – Current Assets

1. Cash and Cash Equivalents

	31-Dec-2015	31-Dec-2014
a. Cash Accounts	10,110	4,474
b. Petty Cash and Advances	1,500	6,600
c. Current Bank Accounts in Euros	2,583,314	2,989,510
Total	2,594,924	3,000,583

a. Cash is normally the money invested on a short term deposit or business account. For cash and cash equivalents, there are restrictions on their use.

b. Petty Cash holdings is a small amount of cash (1,500 EUR) kept in the NATO Defense College P&C to pay minor expenses. 2 rechargeable cards available in 2014 for other purchases and travel tickets through the internet have been replaced with credit cards in 2015.

c. Current Bank Accounts are held in Euro. The accounts reflect the situation reconciled with the bank statements as at 31 December 2015.

Short-term Loans, to cover the cash requirements during the period between the contributions, received from the IMS totalling 3 MEUR, were refunded before the end of FY 2015.

2. Accounts Receivable

	31-Dec-2015	31-Dec-2014
a. Receivables Budget Increase thru IYR BC 28N	0	75,000
b. Receivables from NATO Entities	126,974	121,266
c. Receivables from Staff Members	14,555	17,645
d. Receivables from Governments	0	3,498
e. Receivable Financial Result BC 28N	15,711	2,119
Total	157,241	219,528

a. Receivables Budget Increase thru IYR BC 28N

For 2015 there are no Receivables Budget Increases i.e. supplementary Budget Authorizations not taken into account in the 2nd Contribution Call 2015.

b. Receivables from NATO Entities

The Receivables from NATO Entities at year-end 2015 reflect the following:

- Invoice to NATO IMS for the reimbursement of the expenses paid for against the Outreach (ZNC/504-508-514-524) Budgets 2015 (€ 126,974);

c. Receivables from Staff Members

These receivables include advances for the participation of subsidized Course Members to the Field Study in December 2015 and a minor amount for language training material.

d. Receivables from Governments

No Receivables from Governments at year-end 2015.

e. Receivable Financial Result BC 28 N

Financial Result is the difference between financial revenues and financial expenses. For 2015 the expenses were higher than the revenues. See also Note 7c.

3. Prepayments and Miscellaneous Assets

Prepayments are mainly in respect of advance payments to be finally settled in FY 2016.

	31-Dec-2015	31-Dec-2014
Advances - Non Assigned Expenditures	16,014	6,723
Total	16,014	6,723

- Advances to Civilian Staff for their participation to the Field Study of December 2015 (€ 5,550);
- Various advances for 2016 travel and other services (€ 10,464).

Assets - Non-current Assets

4. Property, Plant and Equipment

	31-Dec-2015	31-Dec-2014
a. Fixed Assets	16,570,034	16,398,171
b. Accumulated Depreciation	-3,686,268	-3,403,587
Total	12,883,766	12,994,585

For the FY 2015 only items that meet the capitalization threshold of EUR 5,000 are included here. Opening balances have been calculated as of 1 January 2015 and all subsequent changes to arrive at the closing balance are disclosed below. The deletions refer to assets entirely depreciated at 31 December 2014, thus having zero value at 1 January 2015.

Changes in Property, Plant and Equipment and related depreciation for the year were as follows:

	AIS and Communication Systems	Furniture	Machinery	Installed Equipment	Land	Building	Totals
Gross Book Value (31 Dec 2014)	109,521.94	26,960.65	66,580.00	1,538,108.21	7,718,220.00	6,938,780.49	16,398,171.29
Deletions (31 Dec 2014 / 1 Jan 2015)	-7,584.89	0.00	0.00	-82,561.29	0.00	0.00	-90,146.18
Gross Book Value (1 Jan 2015)	101,937.05	26,960.65	66,580.00	1,455,546.92	7,718,220.00	6,938,780.49	16,308,025.11
Accumulated Depreciation (31 Dec 2014)	-74,691.51	-16,176.39	-17,018.67	-723,903.67	0.00	-2,571,796.49	-3,403,586.72
Deletions (31 Dec 2014 / 1 Jan 2015)	7,584.89	0.00	0.00	82,561.29	0.00	0.00	90,146.18
Accumulated Depreciation (1 Jan 2015)	-67,106.62	-16,176.39	-17,018.67	-641,342.38	0.00	-2,571,796.49	-3,313,440.54
Net Book Value (1 Jan 2015)	34,830.43	10,784.26	49,561.33	814,204.54	7,718,220.00	4,366,984.00	12,994,584.56
Additions in 2015	68,384.60	0.00	0.00	193,624.00	0.00	0.00	262,008.60
Disposal in 2015	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation in 2015	-41,119.49	-2,696.07	-6,658.00	-148,884.30	0.00	-173,469.51	-372,827.36
Net Book Value (31 Dec 2015)	62,095.54	8,088.19	42,903.33	858,944.24	7,718,220.00	4,193,514.48	12,883,765.80
Gross Book Value (31 Dec 2015)	170,321.65	26,960.65	66,580.00	1,649,170.92	7,718,220.00	6,938,780.49	16,570,033.71
Accumulated Depreciation (31 Dec 2015)	-108,226.11	-18,872.46	-23,676.67	-790,226.68	0.00	-2,745,266.00	-3,686,267.91
Net Book Value (31 Dec 2015)	62,095.54	8,088.19	42,903.33	858,944.24	7,718,220.00	4,193,514.48	12,883,765.80

5. Intangible Assets

The NDC owns no intangible assets.

Liabilities – Current Liabilities

6. Payables

	31-Dec-2015	31-Dec-2014
a. Payables to Suppliers	36,967	49,474
b. Accruals	256,468	317,630
Total	293,435	367,104

a. Payables to Suppliers

Payables to Suppliers include invoices received from suppliers but not yet settled.

b. Accruals

Accounts payable Accrued include goods and services received from suppliers but not yet billed/invoiced as of 31 December 2015. Some are based on estimates.

7. Unearned Revenue and Advances

	31-Dec-2015	31-Dec-2014
a. Unearned Revenue BCode 303	318,184	688,730
b. Liabilities from Operational Result	2,832	2,418
c. Liabilities from Financial Result	0	0
d. Liabilities from Lapsed Budget Authorization	51,999	57,182
e. BC Advance Contributions	2,100,000	2,100,000
f. Advance Contributions National borne costs	1,729	11,400
Total	2,474,744	2,859,730

a. Unearned Revenue and Advances

Unearned Revenue consists of contributions and other transfers received or receivable, but for which corresponding charges will be incurred after the reporting date.

It is accounted for by type, cost-share, budget and year in accordance with the IMS Budget Group policy.

a. FY 2014 credits carried-forward to FY 2016	7,750
b. FY 2015 credits carried-forward to FY 2016	310,434
Total	318,184

b. Liabilities from Operational Results

In accordance with the IMS Budget Group policy, the Liabilities from Operational Results are shown separately for reasons of clarity. They are composed of miscellaneous income generated by reimbursements and include the accrual write-off for previous years where the final invoice was lower than the estimated accrued amount.

a. FY 2014	2,832
Total	2,832

FY 2014 accrual write-off refers to various minor discrepancies between accrued and finally billed services.

c. Liabilities from Financial Results

The Liabilities from Financial Results are, after offsetting the expenses, the net amount of bank interest received, bank charges and realized gains and losses generated during 2015, which is negative. In this respect the NDC liability is NIL, whilst the negative amount of € 15,711 is reported as "Receivable Financial Results BC 28 N" (see Note 2-e). In accordance with the IMS Budget Group policy, the amount is shown separately for reason of clarity. Details are provided in the following table:

	31-Dec-2015	31-Dec-2014
i. Gross Bank Interest	2,939	14,274
ii. Realized exchange rate Gains	34	27
Gross Amount due to the Nations	2,973	14,301
iii. Bank Charges	-7,353	-9,822
iv. Realized exchange rate Losses	-5,647	-5,051
v. Rounding Account	-5,684	-0
vi. Interest paid	0	-1,547
Total Financial Expenses	-18,684	-16,420
Total to be paid by the Nations	-15,711	-2,119

The decrease of the gross interest derives of the global economic situation whilst the decrease of bank charges is the result of the agreement with a new bank.

The realized exchange rate losses compared to the one of last year confirms the continuation of fluctuation between the weekly NATO and the daily bank exchange rates.

The rounding account reflects corrections by the NATO IS Treasury as reported in the first contribution call of 2015 (FC(CC)(2015)0012(MB-01)-COR1).

d. Liabilities from Lapses

The lapses from budget authorizations are broken down as follows:

i.	FY 2013	15,122
ii.	FY 2014	36,877
	Total	51,999

The lapses are mainly generated in the Personnel area, by far the largest in the NDC Budget.

e. Advance Contribution

The advance Contribution is called to cover the Fiscal Year 2016 until the arrival of the 1st Contribution and represents the 25% of the 2015 Budget Authorization 3 rounded to the nearest 100 KEUR.

f. Advance Contributions for National borne costs

Advance Contribution for National borne costs received (and carried forward into 2016 to cover the remaining of the Senior Course up to February 2016) from the former Yugoslav Republic of Macedonia¹ (EUR 1,729) for the participation of a Course Member in the Senior Course 127 (second semester 2015). See Budget MC4 line of the Non-BC-Code 303/Reimbursable Budget Execution Statement.

Liabilities – Non-Current Liabilities**8. Long-term provisions: PP&E and Intangible Assets**

Revenue is recognized incrementally and equally with the depreciation.
The provision is the counterpart of the PP&E Assets Net Value.

¹ Turkey recognizes the Republic of Macedonia with its constitutional name.

D. Notes to Statement of Financial Performance

9. Revenue

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

Contributions when called are booked as an advance under unearned revenue and subsequently recognized as revenue when earned.

The revenue recognition is matched with the recognition of expenses against the NDC budget (303). For the IMS Reimbursable Budgets (ZNC-504/508/514/524), revenues are recorded when the invoices are sent to the IMS for reimbursement every quarter.

The table below shows the breakdown of the operating revenue between different sources:

	31-Dec-2015	31-Dec-2014
a. Revenue from BCode 303 Operating Activities	8,310,710	7,903,923
b. Revenue from Non-BCode 303 Operating Activities	1,198,283	1,014,337
c. Financial Revenue	2,973	14,301
d. Revenue for Depreciation	372,827	362,253
Total	9,884,794	9,294,814

a. Revenue from BCode 303 Operating Activities

The revenue recognition is matched with the recognition of expenses exclusively against the NATO Defense College Budget (303). **The amount is net of the capitalized PP&E.** (See Note 10a).

b. Revenue from Non-BCode 303 Operating Activities

The revenue is the total from NATO/Other Entities and Nations matched with the recognition of expenses (See Note 10b) for several activities such as:

- Outreach/Cooperation activities (PfP, MED, ICI and OMC)
- Reimbursable Activities – National borne expenses.

Field Study expenses paid for on behalf of Nations are not included (see the NON-BCode 303/Reimbursable Budget Execution Statement) since the NDC acts as a "Procurement Agent" for those services i.a.w. IPSAS 9, Paragraph 12 - Revenue from Exchange Transactions.

c. Financial Revenue

The Financial Revenue consists of the bank interest earned and realized exchange rate gains and is recognized up to the amount of financial expenses incurred (See Note 7c and 10c).

d. Revenue for Depreciation

The revenue is matched to the depreciation in order to match revenue earned with the consumption of the Assets which is in line with the Accrual Accounting assumption in IPSAS 1 and the income method described in IAS 20 (see Note 4 and 10d).

Reconciliation between Revenue and Unearned Revenue

The table below explains to what extent the unearned revenue from previous years and the net calls in the current year are recognized as operating revenue in the current year. The remaining balance is unearned revenue for the funds that are carried-forward to future years and payable credits that are lapsed and payable for budget decreases.

Unearned Revenue Opening Balance 01-Jan-2015	688,730
a. Assessment call for the Budget increase/decrease	0
b. Contributions called for the year 2015	
1 st - FC(CC)(2015)0012(MB-01)-COR1 - Funds received from Italy	6,190,629
2 nd - FC(CC)(2015)0012(MB-02)(FINAL) - Funds received from Italy	2,063,543
Total Contributions called	8,254,172
c. Revenue earned in 2015 (Budget Execution including Chapter 73)	-8,572,719
d. Lapses 31-Dec-2015	-51,999
Unearned Revenue Closing Balance 31-Dec-2015	318,184

10. Expenses

Expenses are recognized by nature within the following groups:

		31-Dec-2015	31-Dec-2014
a. BCode 303 Expenses			
	FY 2015	5,359,388	0
1. Personnel	FY 2014	104,120	5,158,541
	FY 2013	0	75,066
	Sub-Total Ch.71	5,463,509	5,233,607
	FY 2015	2,491,364	0
2. Contractual Supplies and Services	FY 2014	162,369	2,559,139
	FY 2013	11,733	71,247
	FY 2012	0	2,000
	Sub-Total Ch.72	2,665,466	2,632,386
	FY 2015	36,106	0
3. Capital and Investment	FY 2014	145,630	33,330
	FY 2013	0	0
	FY 2012	0	4,600
	Sub-Total Ch.73	181,736	37,930
	Total BCode 303 Expenses (Chapters)	8,310,710	7,903,923
	Sub-Total FY 2015	7,886,858	0
	Sub-Total FY 2014	412,120	7,751,010
	Sub-Total FY 2013	11,733	146,313
	Sub-Total FY 2012	0	6,600
	Total BCode 303 Expenses (Fiscal Years)	8,310,710	7,903,923
b. Non-BCode 303/Reimbursable Expenses			
1. Personnel		122,403	68,869
2. Contractual Supplies and Services		1,075,881	945,468
3. Capital and Investment		0	0
	Total Non-BCode 303/Reimbursable Expenses	1,198,283	1,014,337
c. Finance Costs		2,973	14,301
d. Depreciation Expenses		372,827	362,253
Total		9,884,794	9,294,814

a. BCode 303 Expenses

These expenses are funded exclusively through the BCode 303 Budget. See Part H for Capital & Investments reconciliation.

a.1. Personnel

All civilian Personnel expenses as well as other non-salary related expenses, in support of common funded activities, include expenses for salaries and emoluments for approved NATO permanent civilian positions and temporary personnel; other salary related and non-related allowances, such as overtime; medical examinations; recruitment; installation; removal expenses etc. About the Employee Benefits see Part F.

a.2. Contractual Supplies and Services

Contractual Supplies and Services expenses required for administrative support to the NDC. Includes expenses for general administrative overheads, and the maintenance costs of buildings/grounds, communications and information systems, transportation, travel expenses, representation/hospitality and miscellaneous expenses. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term and are included in Contractual Supplies and Services expenses.

a.3. Capital and Investments

Capital and Investment expenses costing more than 50% of level A of EFL, including only the non-capitalized expenditures.

b. Non-Budget Code 303/Reimbursable Expenses

These expenses are funded through various sources to include the Cooperation/Outreach Budgets (504-508-514-524), which are treated as Reimbursable Budgets from the IMS. Other portions are funded as reimbursable costs from other NATO and Partner Entities for several activities. Field Study expenses paid on behalf of Nations are not included. For the detailed presentation see the Non-BCode 303/Reimbursable Budget Execution Statement.

b.1. Personnel

Personnel costs refer to Experts, Lecturers, Interpreters and Language Teachers. No Salary related charges in the Outreach Budgets.

b.2. Contractual Supplies and Services

Supplies and Services refer to transport, subsidization and other organizational costs.

b.3. Capital and Investments

No Capital/Investments in the Outreach Budgets.

c. Finance costs

Finance costs (total 18,789 EUR) include bank charges, realized exchange rate losses and rounding/corrections as detailed in note 7c. They are matched to the financial revenue (2,973 EUR). The difference (-15,711 EUR) is reported as "Receivable" in the Statement of Financial Position.

d. Depreciation expenses of the period

	31-Dec-2015	31-Dec-2014
a. AIS	41,119	32,803
b. Furniture	2,696	2,696
c. Machinery	6,658	6,526
d. Installed Equipment	148,884	146,759
e. Land	0	0
f. Buildings	173,470	173,470
Total	372,827	362,253

11. Surplus or Deficit for the Period

In accordance with the NATO/IMS accounting policies, revenue is recognized up to the amount of the matching expenses and therefore the result is zero, i.e. no surplus or deficit.

E. Related Parties Disclosure

Under IPSAS 20, Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial and operating decisions. IPSAS 20 requires the disclosure of the existence of related party relationships, where control exists, and the disclosure of information about transactions between the entity and its related parties. This information is required for accountability purposes and to facilitate a better understanding of the financial position and performance of the reporting entity.

A specific statement on disclosure of Related Parties is signed by the Management Personnel and retained for auditing purposes.

The key management personnel includes: the Commandant, the Dean, the Director of Management, the Chief Personnel & Administration Branch, the Purchasing & Contracting Officer and the Head of Budget & Finance Branch. They are all rotated, typically every three years with the exception of the Head Budget & Finance Branch. The detailed work related to these tasks tends to be undertaken by staff officers. The key management personnel of the entity have no significant known related party relationships that could affect the operation of this reporting entity. Key management is remunerated in accordance with the applicable National or NATO pay scales. They do not receive from NATO any additional remuneration for Board responsibilities or access to preferential benefits such as the entitlement to receive loans over and above those available to all NATO personnel under normal rules.

For areas such as recruitment and procurement any potential risks are mitigated as follows:

- the appropriate staffs, drawing on their professional competence, lead on carrying out the related day-to-day tasks rather than key personnel;
- there is segregation of duties e.g. requirements definition is separate from the procurement and contracting function, and also a number of internal actors are involved in staffing an issue for key personnel decision(s);
- maximum use is made of competition including advertising via the NDC website;

- documentation trails are maintained for all decisions and there are compliance checks against the relevant NATO regulations;
- periodic Internal Audits are conducted independently upon instructions by the IMS FC being also the NDC FC.

A specific statement on disclosure of Related Parties is signed by the key Management Personnel and retained in Budget & Finance files for auditing purposes.

During the year, the NDC entered into material transactions with other NATO entities outside the IMS Budget Group, as set out below:

Party	Nature of relationship	Transaction	2015 Expenses
NSPA	NATO Entity	Purchases of Software Licenses	58,365
NCIA/SHAPE	NATO Entity	Procurement of CIS System	23,646
NATO IS	NATO Entity	Consultancy on Personnel issues	1,501
NATO IS	NATO Entity	PMIS – Annual contribution	1,478

F. Employee Disclosure

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

Peacetime Establishment (PE)

	Authorized PE *	Filled Positions
Civilians	53	51
Military (IMP)	52	43
Consultants**	-	-
National Manpower Overage	1	1
Voluntary National Contribution (VNC)	-	-
Host Nation	32	29
Partnership Posts	4	1
Civilians (CBC)	-	-
LWR	-	-
Total	142	125

* NDC PE is governed by the MC-500/2 change 4 dated Jul 2015.

** Consultants are not included since their number is variable as reported to the NDMC.

Employee Benefits

The costs in Chapter 71 are for staff members hired under the NATO Civilian Personnel Regulations. The figures represent the costs of personnel including basic salary, allowances, insurance and pension plan contributions.

	31-Dec-2015	31-Dec-2014
a. Employee benefits	4,056,987	3,946,167
b. Provident Fund	0	0
c. DCPS	190,364	177,245
Total	4,247,351	4,123,412

Different pension plans are applicable to employees in the NDC; defined benefit plan, and defined contribution plan. All pension plans are centrally managed by NATO HQ and are therefore not included in the NDC Financial Statements. Contributions to the plans are expensed when occurred.

Representation Allowance

The NDC Budget 2015 included an amount of 4,317 EUR as Representation allowance for the entire FY 2015. This was used to settle transactions to cover social events (mainly hosted meals in the Commandant's residence etc.) and was accounted for and documented in expenses.

Untaken Leave

The untaken leave at the end of 2015 is 527 days. Since the estimated amount involved (€ 80,869) is not material (less than 1% of the budget), no adjusting entry has been recorded for untaken leave. The NDC has taken measures to ensure all leave is taken by 30 April of the following year in accordance with NATO Civilian Personnel Regulations (CPRs). Already the untaken leave days decreased to 458 as of 11 January 2016 and to 279 as of the end of February 2016 whilst the same trend is expected in the following months. Leave is only paid on exceptional circumstances and in 2015 no such has been paid.

G. Financial Instruments Disclosure/Presentation

The NDC uses only non-derivative financial instruments as part of its normal operations. These financial instruments include, cash, bank accounts, deposit accounts, accounts receivable, provisions and loans between NATO entities. All the financial instruments are recognized in the Statement of Financial Position at their fair value.

Credit Risk: In the normal course of business, NDC incurs credit risk from trade receivables and transactions with banking institutions (local and in Belgium). NDC manages its exposure to credit risk by:

- Holding current account bank balances and short-term deposits with registered banking institutions, concentrating assets in bank(s) with a minimum rating of "B";
- Maintaining credit control procedures over receivables.

The maximum exposure as at 31 December 2015 is equal to the total amount of bank balances, short-term deposits, and receivables disclosed in the Statement of Financial Position. Receivables considered uncollectible are adequately provided for. There is a very limited credit risk associated with the realization of these instruments.

Currency risk: The NDC's exposure to foreign currency exchange risk is very limited, as most of its transactions are dealt with in Euros. A limited number of transactions are paid to suppliers in foreign currencies.

Liquidity risk: The liquidity risk is based on the assessment whether the organization will encounter difficulties in meeting its obligations associated with financial liabilities. There is a very limited exposure to liquidity risk because of the budget funding mechanism that guarantees contributions in relation to approved budgets. The limited risks are primarily the validity of forecasts that result in the calls for contributions.

Interest rate risk: The organization is restricted from entering into borrowings and investments, and therefore there is no interest rate risk identified.

H. Comparison of Budget Execution and Statement of Financial Performance

Budget Execution

The Budget Execution Statement shows the budget allocations and their execution status for the fiscal year 2015 including the credits carried-forward from 2013 and 2014 for the budget 303 (NDC).

There are two budget execution statements, one for the BCode 303 NDC Budget and another one for all reimbursable budgets (ZNC/504 (PfP) - 508 (MD) - 514 (ICI) - 524(OMC)), reimbursable expenses (Z01 and MC4) and multinational budgets for the field study program (FSP).

The initial budget was reviewed by the Budget Committee and issued in BA1: BC-BA(2015)0001 dated 19 December 2014. Similarly, the 2015 revised authorizations were issued in BA2: BC-BA(2015)0002 dated 25 June 2015 and BA3: BC-BA(2015)0003 dated 19 October 2015.

In accordance with the NFRs, all the changes between the initial and the final budget, which were due to reallocations, were either authorized by the BC or were within the authority of the IMS/STO Financial Controller. These changes are presented in the Budget Execution Statement that is prepared on the same basis as the Financial Statements.

The credits carried forward are presented in the Budget Execution Statement. They represent the unspent balances at year-end for which there is a legal liability and are equal to the closing Unearned Revenue (see also Note 9).

The following elements are disclosed in the Budget Execution Statement on the face of the Financial Statements:

- The original and final budget;
- The actual amounts expended and carried forward;
- The lapsed amounts.

Reconciliation between the NDC Budget Execution Report and the NDC Statement of Financial Performance:

	Statement of Financial Performance	Budget Execution Statement	Difference
a. Personnel (Chapter 71)	5,463,509	5,463,509	0
b. Contractual Supplies and Services (Chapter 72)	2,665,465	2,683,615	-18,150
c. Capital & Investments (Chapter 73)	181,736	425,595	-243,859
Total	8,310,710	8,572,719	-262,009

As shown above, the expenses in Chapters 72 and 73 of the Budget Execution Statement and the corresponding expenses in the Statement of Financial Performance diverge due to the inclusion of the capitalized expenditures in the Budget Execution Statement. (See note 4 and 10).

Statement of Credits Carried-Forward

The table below provides further detail on the Credits Carry-Forward in 2016 and the reconciliation with unearned revenue:

BC 303 - Budget	
a. Carry-forward from 2014 into 2016	7,750
b. Carry-forward from 2015 into 2016	310,434
Total	318,184

Non-BCode 303 - Budget	
a. Carry-forward from 2015 into 2016	68,531
Total	68,531

Statement of Transfers

In accordance with the NATO Financial Regulations (NFR Art. 26), all the changes between the initial and the final budget, which were due to reallocations, were either authorized by the BC or by the Financial Controller in accordance with the NFRs for inter and intra-budget transfers.

Transfers IN – Transfers OUT	NDC Budget
a. Chapter 71 – Personnel	33,159
b. Chapter 72 – Contractual Supplies and Services	-78,039
c. Chapter 73 – Capital and Investment	44,880
Total	0

I. Write-Off

In accordance with the NATO Financial Regulations (NFR Art. 17), an annual summary of property and cash written-off in 2015 is annexed to the annual financial statements at the following table.

Items (Quantity)	Purchased in	Total cost	Report of Survey	Reason for write -off
Furniture (224)	1967 → 2013	26,080	03-04-07-09-10/2015	Beyond state of repair. No more serviceable
CIS (241)	2002 → 2012	74,799	02-05-06-08/2015	
Audio Visual (7)	1990 → 2006	5,726	01/2015	
Total		106,605		

J. Operating Lease

The NDC has 1 rental/lease contract which started in 2015 that has been classified as cancelable operating leases as it does not transfer substantially all the risks and rewards incidental to ownership. The classification has been based on the fact that the ownership is not transferred by the end of the lease term, the lease term is not for the major part of the asset's economic life and the leases do not contain a bargain purchase option. This approach is reviewed every year. The rental/lease Contract NDC 02/2013 for copiers signed in December 2013 for a period of 5 years with a yearly cost of 40,879 EUR is included in Chapter 72 expenses (see Note 10.a.2.).

K. Morale & Welfare Activity

Morale & Welfare Activity (MWA) is conducted at the NATO Defense College on a relatively limited scale. The majority of transactions refer to Petrol products, Rationed items and a small Shop offering mementoes and other few items. In accordance with the new IPSAS Accounting Framework (C-M(2013)0039), there is no need to consolidate the MWA into the Entity's Financial Statements. An annual MWA report, including the NDC relevant information, is issued by the IMS for Budget Committee screening and assessment.

NATO DEFENSE COLLEGE
STATEMENT OF NON BCode 303 / REIMBURSABLE BUDGET EXECUTION AS AT 31 DECEMBER 2015
AND FOR THE YEAR ENDED

Budget Currency EURO	Initial Budget	Transfers Adjustments	Final Budget	Commitments	Expenses	Total Spent	Carry Forward	Lapsed
REIMBURSABLE BUDGETS								
BUDGET ZNC (504 - PfP (IMS))*	490,000	(37,482)	452,518	30,713	421,805	452,518	30,713	0
BUDGET ZNC (508 - MD (IMS))*	320,000	(11,998)	308,002	22,006	285,996	308,002	22,006	0
BUDGET ZNC (514 - ICI (IMS))*	150,000	(26,824)	123,176	0	123,176	123,176	0	0
BUDGET ZNC (524 - OMC (IMS))*	300,000	(42,643)	257,357	14,083	243,275	257,357	14,083	0
TOTAL 2015	1,260,000	(118,947)	1,141,053	66,802	1,074,251	1,141,053	66,802	0
BUDGET ZNC (504 - PfP (IMS))*	55,687	(19,697)	35,990	0	35,990	35,990	0	0
BUDGET ZNC (508 - MD (IMS))*	27,487	(4,385)	23,102	0	23,102	23,102	0	0
BUDGET ZNC (514 - ICI (IMS))*	25,000	0	25,000	0	25,000	25,000	0	0
BUDGET ZNC (524 - OMC (IMS))*	9,412	(843)	8,570	0	8,570	8,570	0	0
TOTAL 2014	117,587	(24,925)	92,661	0	92,661	92,661	0	0
TOTAL REIMBURSABLE BUDGETS (BY FISCAL YEAR)	1,377,587	(143,873)	1,233,714	66,802	1,166,912	1,233,714	66,802	0
TOTAL BUDGET ZNC (504 - PfP (IMS))*	545,687	(57,180)	488,508	30,713	457,795	488,508	30,713	0
TOTAL BUDGET ZNC (508 - MD (IMS))*	347,487	(16,383)	331,104	22,006	309,098	331,104	22,006	0
TOTAL BUDGET ZNC (514 - ICI (IMS))*	175,000	(26,824)	148,176	0	148,176	148,176	0	0
TOTAL BUDGET ZNC (524 - OMC (IMS))*	309,412	(43,485)	265,927	14,083	251,844	265,927	14,083	0
TOTAL REIMBURSABLE BUDGETS (ALL FISCAL YEARS)	1,377,587	(143,873)	1,233,714	66,802	1,166,912	1,233,714	66,802	0
REIMBURSABLE EXPENSES								
BUDGET Z01 (REIMBURSABLE EXPENSES)	27,700	0	27,700	0	27,700	27,700	0	0
BUDGET MC4 (NATIONAL BORNE EXPENSES)	5,400	0	5,400	1,729	3,671	5,400	1,729	0
TOTAL 2015	33,100	0	33,100	1,729	31,371	33,100	1,729	0
TOTAL REIMBURSABLE EXPENSES	33,100	0	33,100	1,729	31,371	33,100	1,729	0
GRAND TOTAL ALL NON BCode303 / REIMBURSABLE BUDGETS AND EXPENSES	1,410,687	(143,873)	1,266,814	68,531	1,198,283	1,266,814	68,531	0
MULTINATIONAL								
BUDGET FS1 (EUROPEAN PERSPECTIVES - SC 126)	135,836	0	135,836	0	135,836	135,836	0	0
BUDGET FS2 (TRANSATLANTIC LINK - SC 126)	166,738	0	166,738	0	166,738	166,738	0	0
BUDGET FS3 (REGIONAL APPROACH - SC 126)	151,816	0	151,816	0	151,816	151,816	0	0
BUDGET FS4 (EUROPEAN PERSPECTIVES - SC 127)	181,854	0	181,854	0	181,854	181,854	0	0
BUDGET FS5 (TRANSATLANTIC LINK - SC 127)	213,488	0	213,488	0	213,488	213,488	0	0
BUDGET FS6 (REGIONAL APPROACH - SC 127)	174,153	0	174,153	0	174,153	174,153	0	0
TOTAL 2015	1,023,884	0	1,023,884	0	1,023,884	1,023,884	0	0
TOTAL MULTINATIONAL - FIELD STUDY BUDGETS	1,023,884	0	1,023,884	0	1,023,884	1,023,884	0	0

(*) According to the IMS Directives, since PfP, MD, ICI and OMC are reimbursable budgets, the accrued and carried forward amounts are shown in both IMS and NDC books.
Expenses are recognized / recorded on an accrual basis