16 décembre 2016

DOCUMENT
C-M(2016)0072-AS1 (INV)

RAPPORT DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN SUR LA VÉRIFICATION DES ÉTATS FINANCIERS DU GROUPE DE BUDGETS DE L'ÉTAT-MAJOR MILITAIRE INTERNATIONAL POUR L'EXERCICE 2015

NOTE SUR LA SUITE DONNÉE

Le 15 décembre 2016, au terme d'une procédure d'accord tacite, le Conseil a pris note du rapport du Collège international des commissaires aux comptes de l'OTAN sur la vérification des états financiers du groupe de budgets de l'État-major militaire international pour l'exercice 2015, joint au C-M(2016)0072 (INV), et il a approuvé la recommandation du Bureau de la planification et de la politique générale des ressources concernant la communication au public.

(signé) Rose E. Gottemoeller
Secrétaire générale déléguée

NOTE : La présente note fait partie du C-M(2016)0072 (INV) et doit être placée en tête de ce document.

NATO SANS CLASSIFICATION
Communicable au Monténégro

30 novembre 2016

DOCUMENT
C-M(2016)0072 (INV)
Procédure d'accord tacite :
15 déc 2016 18:00

RAPPORT DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN SUR LA VÉRIFICATION DES ÉTATS FINANCIERS DU GROUPE DE BUDGETS DE L'ÉTAT-MAJOR MILITAIRE INTERNATIONAL POUR L'EXERCICE 2015

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 groupe de budgets de l'État-major militaire international (IMS).

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 de l'EMI témoignait du travail acharné visant à 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 jeudi 15 décembre 2016 à 18 heures**, je considérerai que le Conseil aura pris note du rapport de l'IBAN sur la vérification des états financiers 2015 du groupe de budgets de l'EMI et qu'il aura approuvé la recommandation du RPPB concernant la communication au public.

(signé) Rose E. Gottemoeller

4 annexes
1 pièce jointe

Original : anglais

PAGE BLANCHE

ANNEXE 1
C-M(2016)0072 (INV)

RAPPORT DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN SUR LA VÉRIFICATION DES ÉTATS FINANCIERS DU GROUPE DE BUDGETS DE L'ÉTAT-MAJOR MILITAIRE INTERNATIONAL POUR L'EXERCICE 2015

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

Références :

a) IBA-A(2016)73 – Rapport du Collège international des commissaires aux comptes de l'OTAN
b) C-M(2015)0025 – Règlement financier de l'OTAN
c) IMSTAM(FC)-0048-2016
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 groupe de budgets de l'État-major militaire international (EMI) (document de 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 de l'EMI et une opinion sans réserve sur la conformité pour l'exercice 2015.

3. Le RPPB note que l'IBAN a constaté des avancées s'agissant de la conformité avec les articles de la version révisée du Règlement financier de l'OTAN (document de référence (b)) qui concernent le contrôle interne, la gestion des risques et l'audit interne. Il croit comprendre que 2015 est une année de transition et il constate que les travaux doivent se poursuivre. Tout en prenant note des observations exprimées en bonne et due forme par le contrôleur des finances de l'EMI, le RPPB charge l'EMI de faire, dans un avenir proche, davantage de progrès pour se conformer pleinement au Règlement financier de l'OTAN, en particulier s'agissant de la politique en matière de gestion des risques et de l'élaboration d'un cadre de contrôle interne. Il invite le responsable OTAN de la politique en matière d'information financière à encourager les entités OTAN à communiquer sur les meilleures pratiques en la matière.

4. Le RPPB note que l'EMI a été aidé par la NCIA dans le domaine de la gestion des risques et que des hauts responsables ont bénéficié d'une formation dispensée par un prestataire externe. L'EMI reconnaît que davantage doit être fait, mais, qu'étant donné les ressources limitées, son contrôleur des finances ne s'attend pas à ce que les travaux soient achevés avant 2018.

5. Le RRPB prend note des observations de l’IBAN sur les dépenses relatives à l'indemnité de représentation et souhaite que l'EMI rende plus stricts les processus nécessaires pour assurer le respect des règles et procédures générales approuvées par le Conseil pour cette indemnité.

6. Le RRPB note qu'il a été confirmé (document de référence (c)) qu'il n'y a aucune raison de ne pas communiquer au public les états financiers 2015 de l'EMI.

Conclusions

7. Le RPPB note avec satisfaction que l'IBAN a émis une opinion sans réserve sur les états financiers de l'EMI, ce qui témoigne du travail acharné de sa direction et de son 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 charge l’EMI de poursuivre ses travaux pour assurer la pleine conformité avec le Règlement financier de l’OTAN, en particulier s’agissant de la politique en matière de gestion des risques et de l’élaboration d’un cadre de contrôle interne, et d’achever ses travaux d’ici à 2018.

8. Le RPPB estime que le rapport de l'IBAN à l'examen et les états financiers de l'EMI 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 pas être rendues publiques.

Recommandations

9. Le RPPB recommande au Conseil :

(a) de prendre note du rapport de l'IBAN sur la vérification des états financiers 2015 de l'EMI ainsi que du présent rapport ;

(b) d'entériner les conclusions exposées aux paragraphes 6 et 7 ;

(c) d'approuver la communication au public du présent rapport, du rapport de l'IBAN (document de référence (a)) et des états financiers 2015 de l'EMI 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 de l'État-major militaire international (EMI), du Bureau OTAN de normalisation (NSO), du Partenariat pour la paix (PPP), du Dialogue méditerranéen (DM), de l'Initiative de coopération d'Istanbul (ICI),

et des Autres coopérations militaires (OMC)

pour l'exercice clos le 31 décembre 2015

Introduction

L'État-major militaire international (EMI) est l'organe exécutif du Comité militaire, la plus haute instance militaire de l'OTAN. Il est chargé de veiller à l'application des politiques et décisions du Comité militaire. Par ailleurs, il prépare des plans, entreprend des études et émet des recommandations sur les orientations à suivre pour les questions militaires.

Le groupe de budgets de l'EMI englobe les éléments suivants :

- le Bureau OTAN de normalisation (NSO), qui est un bureau indépendant de l'OTAN, composé de personnel militaire et de personnel civil et placé sous la responsabilité d'un directeur. La mission du NSO consiste à lancer, coordonner, soutenir et administrer les activités de normalisation menées sous l'autorité du Comité OTAN de normalisation ;

- le programme de travail du Partenariat pour la paix (PPP), qui est exécuté dans le cadre du programme du PPP à l'échelle de l'OTAN ;

- le Dialogue méditerranéen (DM), dont le but consiste à contribuer à la sécurité et à la stabilité pour l'Alliance par l'instauration d'une meilleure compréhension mutuelle et la rectification des conceptions erronées ;

- l'Initiative de coopération d'Istanbul (ICI), qui a été mise en place pour proposer une coopération dans la région du Moyen-Orient élargi grâce à une coopération pratique et à une assistance dans différents domaines, ainsi qu'à des activités spécifiques ;

- les Autres coopérations militaires (OMC), qui reflètent l'évolution de la coopération avec l'Afghanistan, le Pakistan et l'Union africaine.

Les états financiers des éléments ci-dessus sont réunis en un tout qui fait l'objet du présent rapport.

La dotation totale (EMI, NSO, PPP, DM, ICI et OMC) relative à l'exercice clos le 31 décembre 2015 s'établissait à 24 millions d'euros.

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

À l'issue de l'audit, le Collège a formulé deux observations ainsi que des recommandations. Ses constatations sont présentées dans la lettre d'observations et de recommandations (annexe 3).

On trouvera ci-dessous un relevé des principales constatations.

1. Nécessité de prendre des mesures complémentaires pour respecter pleinement la version révisée du Règlement financier de l'OTAN, en particulier les articles relatifs au contrôle interne, à la gestion des risques et à l'audit interne.

2. Indemnité de représentation. Certaines dépenses n'étaient pas assorties de factures. Des fonds ont été versés sous forme d'avance, mais le remboursement n'a pas encore été demandé.

COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN

OPINION SUR LES ÉTATS FINANCIERS

DE L'ÉTAT-MAJOR MILITAIRE INTERNATIONAL (EMI), DU BUREAU OTAN DE NORMALISATION (NSO), DU PARTENARIAT POUR LA PAIX (PPP), DU DIALOGUE MÉDITERRANÉEN (DM), DE L'INITIATIVE DE COOPÉRATION D'ISTANBUL (ICI), ET DES AUTRES COOPÉRATIONS MILITAIRES (OMC)

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 (le Collège) a procédé à la vérification des états financiers de l'État-major militaire international (EMI), qui concernent l'EMI, le Bureau OTAN de normalisation (NSO), le Partenariat pour la paix (PPP), le Dialogue méditerranéen (DM), l'Initiative de coopération d'Istanbul (ICI) et les Autres coopérations militaires (OMC), et qui sont 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 et du tableau des flux de trésorerie pour l'exercice clos à cette date, des notes jointes aux états financiers, ainsi que d'un résumé des méthodes comptables importantes. 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 de l'EMI, du NSO, du PPP, du DM, de l'ICI et des OMC 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
Président

COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN

LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS CONCERNANT

L'ÉTAT-MAJOR MILITAIRE INTERNATIONAL (EMI), LE BUREAU OTAN DE NORMALISATION (NSO), LE PARTENARIAT POUR LA PAIX (PPP), LE DIALOGUE MÉDITERRANÉEN (DM), L'INITIATIVE DE COOPÉRATION D'ISTANBUL (ICI) ET DES AUTRES COOPÉRATIONS MILITAIRES (OMC)

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2015

Introduction

Le Collège international des commissaires aux comptes de l'OTAN a procédé à la vérification des états financiers de l'État-major militaire international (EMI) pour l'exercice clos le 31 décembre 2015 (IMSTAM(FC)-0015-2016, du 30 mars 2016), 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 ainsi que des recommandations.

Elles peuvent être récapitulées comme suit :

1. Nécessité de prendre des mesures complémentaires pour respecter pleinement la version révisée du Règlement financier de l'OTAN, en particulier les articles relatifs au contrôle interne, à la gestion des risques et à l'audit interne.

2. Indemnité de représentation. Certaines dépenses n'étaient pas assorties de factures. Des fonds ont été versés sous forme d'avance, mais le remboursement n'a pas encore été demandé.

Aucune observation formulée lors de l’audit précédent ne restait en suspens.

1. NÉCESSITÉ DE MESURES COMPLÉMENTAIRES POUR UNE PLEINE CONFORMITÉ AVEC LA VERSION REVISEE DU REGLEMENT FINANCIER DE L'OTAN, ET EN PARTICULIER AVEC LES ARTICLES RELATIFS AU CONTROLE INTERNE, A LA GESTION DES RISQUES ET A 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. Par ailleurs, il est stipulé à l'article 4 de la version révisée du NFR que « le comité financier [...] adopte [...] une série de règles et procédures financières qui donnent des orientations supplémentaires propres à assurer la bonne exécution du présent Règlement. ».

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. De plus, l'article 3 stipule que, dans un souci de saine gestion financière et aux fins du respect de l'obligation de rendre compte, les états financiers et les déclarations sur le contrôle interne doivent être signés chaque année par le chef d'organisme OTAN et par le contrôleur des finances.

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. Enfin, le Conseil veillera à ce que les règles et procédures financières soient, dans toute la mesure possible, cohérentes dans l'ensemble de l'OTAN.

Observations

1.4 Le Collège a constaté que l'EMI avait réalisé des progrès mais qu'il devait prendre d'autres mesures pour respecter pleinement toutes les dispositions révisées du NFR. Le Collège mentionne la déclaration sur le contrôle interne, dans laquelle l'EMI déclare que 2015 a été un exercice de transition et qu'en 2016, il mettra en application des dispositions renforcées de contrôle interne et de gestion des risques.

1.5 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 FRP, plus détaillées, demandées à l'article 4 de cette version n'ont été approuvées par le Comité des budgets qu'à la fin du mois de février 2016.

1.6 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.

1.7 Le Collège fait le point de la situation dans les domaines énumérés ci-après.

Article 3 – Responsabilité et obligation de rendre compte

1.7.1 Le Collège a constaté qu'à l'EMI, seul le chef d'organisme avait signé la déclaration sur le contrôle interne et que seul le contrôleur des finances avait signé les états financiers.

Article 11 – Gestion des risques

1.7.2 Le Collège a constaté que l'EMI 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'EMI.

1.7.3 Le Bureau du contrôleur des finances (OFC) a établi, avec l'aide du service d'audit interne de l'Agence OTAN d'information et de communication (NCIA), un registre des risques qui recense les risques le concernant uniquement. Ce registre indique les contrôles qui sont en place sans fixer de seuil de tolérance des risques ni suggérer des mesures en cas de concrétisation des risques. En outre, le Collège a constaté qu'en 2015, il n'y avait pas de registre pour les entités de l'EMI ni pour l'EMI dans son ensemble.

Article 12 – Contrôle interne

1.7.4 Le Collège a constaté que l'EMI n'avait pas encore adopté – et donc pas encore appliqué – un cadre de contrôle interne qui lui soit propre. Par ailleurs, on ne dispose pas non plus d'un cadre de contrôle interne applicable à l'ensemble de l'OTAN. Or 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.

1.7.5 L'audit des états financiers de 2015 n'a pas révélé de faiblesses significatives dans le contrôle interne. Néanmoins, tant qu'un cadre de contrôle interne spécifique n'aura pas été défini et 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.

Article 13 – Audit interne

1.7.6 Comme l'article 13 le permet, l'EMI a demandé au service d'audit interne de la NCIA d'évaluer la pertinence des procédures en place pour deux domaines précis : (1) le processus budgétaire : efficience et efficacité des activités menées par l'OFC et (2) l'évaluation des risques par l'OFC, notamment l'élaboration d'un registre des risques et d'un plan d'audit interne pour 2015-2017.

1.7.7 Les activités de l'OFC mentionnées plus haut sont un bon début. Toutefois, le Collège a constaté que les activités d'audit interne ne sont menées que pour l'OFC. De ce fait, on ne peut affirmer à ce stade que l'EMI a effectué un travail d'audit interne afin d'évaluer pleinement, dans l'ensemble de l'organisation, l'exposition aux risques et l'efficacité des contrôles internes pour ce qui est de la gestion des risques inhérents à la gouvernance, à l'exploitation et aux systèmes d'information, ainsi que le prévoit l'article 13 de la version révisée du NFR.

Article 16 – Commission consultative sur l'audit

1.7.8 Le Collège a constaté que, contrairement à ce qu'exige l'article 16, l'EMI n'avait pas encore établi une commission consultative sur l'audit.

Recommandations

1.8 Le Collège formule les recommandations figurant ci-après :

a) l'EMI devrait élaborer une politique de gestion des risques pour l'ensemble de l'état-major et établir des registres des risques qui seraient utilisés dans tous les organes et pour toutes les activités de l'EMI ; de l'avis du Collège, une coordination devrait être assurée de façon à ce que l'on procède de la même manière dans l'ensemble des organismes OTAN ;

b) l'EMI 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 ; de l'avis du Collège, une coordination devrait être assurée de façon à ce que l'on procède de la même manière dans l'ensemble des organismes OTAN ;

c) l'EMI devrait veiller, en recourant à l'externalisation si elle est jugée plus intéressante sur le plan financier, à ce que les activités d'audit interne analysent la gestion des risques et le contrôle interne dans l'ensemble de l'EMI – pas uniquement pour l'OFC ;

d) l'EMI devrait mettre en place une commission consultative sur l'audit ;

e) l'EMI devrait respecter l'article 3 du NFR et faire ainsi en sorte qu'aussi bien le chef d'organisme que le contrôleur des finances signent la déclaration sur le contrôle interne et les états financiers.

Commentaires du contrôleur des finances de l'EMI

Réponse à la recommandation sur la gestion des risques (article 11) (alinéa 1.8 (a))

Question partiellement réglée.

L'EMI n'accepte pas les propos selon lesquels il n'a pas encore élaboré une politique de gestion des risques en bonne et due forme. Un exemple de gestion des risques à l'EMI figure dans le document MC 0002/15. Dans ce document de niveau stratégique, l'EMI est chargé par les pays d'établir, de coordonner et d'actualiser une « évaluation des risques des autorités militaires de l'OTAN (NMA) », qui sera soumise à l'examen des ministres de la Défense.

Néanmoins, compte tenu de la nouvelle version du NFR, l'EMI s'engage à élaborer une politique de gestion des risques à l'échelle de l'entité, notamment à tenir des registres de risques pour toutes ses divisions. Cependant, il est difficile de se conformer pleinement à l'article 11, cela exige du temps et, très probablement, des ressources financières et des effectifs supplémentaires. Il y a en outre des questions de calendrier.

Comme cela a été expliqué au Collège, le programme de réforme de l'OTAN adopté lors du sommet de Chicago a enclenché une revue de l'EMI par une équipe consultative indépendante externe. Une nouvelle structure (plus légère), tenant compte de l'évolution des besoins de l'Alliance, a été approuvée par le Conseil (PO(2015)0367, du 23 juin 2015).

La pleine mise en œuvre de la nouvelle structure, des tableaux d'effectifs et des responsabilités opérationnelles ne sera achevée qu'une fois l'année 2017 bien entamée. Par exemple, les nouveaux arrangements de travail prévoient la colocalisation et l'intégration de certains éléments de l'EMI avec le Secrétariat international dans le nouveau siège de l'OTAN.

Les exercices 2016 et 2017 doivent donc être considérés comme des exercices de transition. Les initiatives relatives à la gestion des risques pourraient être dépassées par les événements. La gestion des risques sera adoptée lorsque les activités de l'EMI auront atteint leur rythme de croisière.

Enfin, la contribution possible du responsable de la politique d'information financière qui assurerait « un traitement cohérent de tous les organismes OTAN » est une question relevant du Bureau OTAN des ressources (NOR). Nous estimons que le Collège devrait soumettre une telle question directement au directeur du NOR. Si le NOR décidait de lancer une initiative dans ce sens, l'EMI y contribuerait pleinement.

Position du Collège

Le document MC 0002/15, mentionné par l'EMI, est un document de niveau stratégique, qui stipule que l'EMI est chargé par les pays d'établir, de coordonner et d'actualiser une « évaluation des risques des NMA », qui sera soumise à l'examen des ministres de la Défense. Selon ce document, l'évaluation des risques des NMA est une des missions de l'EMI. Elle ne peut pas être considérée comme une politique de gestion des risques, qui est supposée être un document détaillé définissant des processus pour la gestion des risques (analyse, évaluation, réponse, suivi, communication), la propension au risque de l'organisation et les responsabilités des entités associées à la gestion des risques.

Réponse à la recommandation sur le cadre de contrôle interne (article 12) (alinéa 1.8 (b))

Question non réglée.

Le NFR n'exige pas que les organismes OTAN adoptent un cadre de contrôle interne « agréé au niveau international ». La recommandation du Collège n'est donc pas fondée sur un texte réglementaire.

De plus, nous n'acceptons pas l'affirmation (alinéa 1.7.5) selon laquelle l'EMI fonctionne sans un « cadre de contrôle interne spécifique en bonne et due forme ». Comme cela a été expliqué au Collège, le cadre de contrôle interne de l'EMI se compose de plusieurs éléments : par exemple, il y a dix procédures d'exploitation normalisées consistant en près de 1 000 pages de règles et procédures détaillées sur des questions allant de la gestion de crise aux technologies de l'information. En outre, le NFR et les FRP sont en eux-mêmes des documents fondamentaux de contrôle interne. Les travaux de nos auditeurs internes et externes (le Collège) sont un autre élément constitutif solide du contrôle interne.

Enfin, la contribution possible du responsable de la politique d'information financière qui assurerait « un traitement cohérent de tous les organismes OTAN » en matière de contrôle interne est une question relevant du NOR. Nous estimons que le Collège devrait soumettre une telle question directement au directeur du NOR. Toutefois, si le NOR décidait de lancer une initiative dans ce sens, l'EMI y contribuerait pleinement.

Position du Collège

Le Collège recommande à nouveau à l'EMI d'élaborer un cadre de contrôle interne spécifique et agréé au niveau international. La recommandation du Collège est fondée sur son mandat qui découle de sa charte.

Réponse à la recommandation sur l'audit interne (article 13) (alinéa 1.8 (c))

Question réglée.

Lorsque les nouvelles procédures de gestion des risques de l'EMI seront en place, notre service d'audit interne sera invité à effectuer une évaluation. Entre-temps, le service en question sera encouragé à examiner les questions concernant les activités non financières.

Réponse à la recommandation sur la commission consultative sur l'audit (article 16) (alinéa 1.8 (d))

Question réglée.

Le 27 mai, le directeur général a autorisé l'établissement d'une commission consultative sur l'audit à l'EMI, conformément au document IMS(FC)-0024-2016, du 28 avril 2016.

Réponse à la recommandation sur les signataires des états financiers (article 3) (alinéa 1.8 (e))

Question réglée.

Pour les états financiers 2016, le directeur général et le contrôleur des finances signeront chacun séparément les parties qui les concernent.

2. INDEMNITE DE REPRESENTATION. CERTAINES DEPENSES N'ETAIENT PAS ASSORTIES DE FACTURES. DES FONDS ONT ETE VERSES SOUS FORME D'AVANCE, MAIS LE REMBOURSEMENT N'A PAS ENCORE ETE DEMANDE.

Contexte

2.1 En 2013, le Conseil de l'Atlantique Nord a approuvé une procédure et des règles actualisées relatives à la perception et à l'utilisation de l'indemnité de représentation (PO(2013)0154). Le paragraphe 1 stipule ce qui suit : « À partir du 1er juin 2013, l'indemnité de représentation sera gérée selon de nouvelles modalités, qui s'appliqueront à tous les bénéficiaires. Alors qu'actuellement, ceux-ci perçoivent l'indemnité sous forme d'avance et restituent les montants non dépensés à l'organisme OTAN dont ils font partie, ils se verront désormais rembourser les dépenses autorisées jusqu'à concurrence de l'indemnité qui leur est allouée. »

2.2 En janvier 2015, le contrôleur des finances de l'EMI a diffusé une directive détaillée sur la perception et l'utilisation de l'indemnité de représentation. Selon cette directive, un montant équivalant à trois mois d'indemnité de représentation sera versé sous forme d'avance chaque année au début du mois de janvier. Les remboursements seront effectués suite à des contrôles réguliers de l'admissibilité des dépenses effectués par l'OFC de l'EMI.

Observations

2.3 Le Collège a constaté que la directive diffusée par l'EMI en 2015 n'était pas conforme au PO(2013)0154, car des fonds sont versés sous forme d'avance aux bénéficiaires.

2.4 En outre, le Collège a constaté que des dépenses d'un montant de 971 euros exposées au début de 2015 n'étaient pas assorties de reçus ou de factures. L'OFC a essayé de régler la question, mais il n'a finalement pas obtenu les reçus et les factures demandés à un bénéficiaire qui avait quitté l'Organisation. Malheureusement, l'OFC avait déjà versé les fonds sous forme d'avance au bénéficiaire ; il n'était donc pas en mesure de suspendre les remboursements, comme prévu dans le PO(2013)0154. L'OFC n'a pas demandé au bénéficiaire de rembourser les dépenses non justifiées.

Recommandations

2.5 Le Collège formule les recommandations figurant ci-après.

a.) L'EMI devrait veiller à ce que sa directive interne sur l'indemnité de représentation soit conforme au PO(2013)0154, à savoir que des fonds ne soient pas versés sous forme d'avance et que les dépenses exposées au titre de l'indemnité de représentation ne soient remboursées qu'après la remise de justificatifs montrant que le bénéficiaire a bien droit à cette indemnité.

b.) L'EMI devrait demander au bénéficiaire de rembourser les dépenses non justifiées.

Commentaires du contrôleur des finances de l'EMI

Réponse à la recommandation sur l'indemnité de représentation (alinéa 2.5 (a))

Question partiellement réglée.

Contrairement à ce que laisse entendre le Collège à l'alinéa 2.3, des fonds ne sont pas versés sous forme d'avance aux bénéficiaires. Toutefois, l'EMI utilise un système de caisse à montant fixe pour le personnel de soutien de trois hauts responsables ayant droit à l'indemnité de représentation. L'OFC de l'EMI examinera les incidences qu'aurait la révision de ce système avec les responsables concernés.

Position du Collège

Selon le PO(2013)0154 diffusé par le secrétaire général, tous les bénéficiaires de l'indemnité de représentation devront étayer leurs demandes de remboursement par des factures, des reçus ou des attestations.
Les documents IMSTAM(FC)-077-2014, IMSTAM(FC)-0078-2014 et IMSTAM(FC)-0078-2014 diffusés par le contrôleur des finances de l'EMI stipulent que 25 % environ de l'indemnité annuelle seront versés début janvier 2015.

En outre, le fait qu'on se trouve dans une situation dans laquelle un des bénéficiaires a quitté l'Organisation après avoir dépensé un montant de 971 euros au titre de l'indemnité de représentation au début de 2015 sans avoir présenté de reçus ou factures montre que les fonds correspondant à l'indemnité de représentation ne sont pas accordés selon les modalités énoncées dans le PO(2013)0154, à savoir après présentation de factures étayant une demande de remboursement des dépenses exposées.

Réponse à la recommandation sur l'indemnité de représentation (alinéa 2.5 (b))

Question réglée.

L'EMI soumettra une pièce justificative de recouvrement à l'autorité compétente.

INTERNATIONAL MILITARY STAFF (IMS) FINANCIAL STATEMENTS 2015

Incorporating
<u>IMS (301), NSO (302), PfP (504), MD (508), ICI (514) and OMC (524)</u>

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STATEMENT ON INTERNAL CONTROL

As the Director General, International Military Staff (IMS) and Head of the NATO Standardization Office (NSO), I have responsibility under Section III of the NATO Financial Regulations (NFRs), for maintaining a sound system of Risk Management and Internal Control in support of the aims and objectives of the IMS, as set by the North Atlantic Council and the Military Committee, whilst safeguarding funds and assets in compliance with the responsibilities assigned to me.

The system of Risk Management and Internal Control is designed to manage and reduce- rather than entirely eliminate - the risks of non-compliance with authorities or the failure to achieve the IMS objectives. It can therefore provide only a reasonable, but 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 non-compliance and the achievement of the IMS 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 issue of these annual Financial Statements.

The system of internal control includes the following risk reduction elements:

a) Senior Managers and Finance Officials regularly scrutinise operational and financial performance;

b) In accordance with NATO Financial Regulations (NFRs) Article 11 (FRP XI) the Financial Controller is responsible to the Head of NATO Body for the management of financial risk and for the maintenance of financial risk management standards. No significant financial issues arose in 2015;

c) Staff working throughout the IMS are suitably qualified and trained. This includes having a sound understanding of their responsibilities in accordance with IMS Standard Operating Procedures and NATO Financial Regulations;

d) Administrative tasks are 'outsourced' to the NATO International Staff (IS) where practical. This is also a measure of efficiency as it avoids the duplication of services. The tasks of guarding the premises, operating and maintaining the facilities, arranging for utilities, and administering entitlements and processing payrolls for civilian personnel are carried out by the relevant services of the IS and I am relying, in the first instance, on the internal review of these services as conducted by the IS Financial Controller;

e) Three times a year, interim Budgetary Execution Reports are presented to, and reviewed by, the Budget Committee; and

f) On a periodic basis, Internal Audit Service providers are asked to perform audits on behalf of the IMS Financial Controller. Transactions and vouchers are routinely re-examined on a sample basis by the Deputy Financial Controller.

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

Internal audits during 2015 for both NATO and non-appropriated funds did not raise any particular matters for attention. The IBAN External Audit of the FY 2014 Financial Statements- undertaken in 2015 - resulted in an unqualified opinion, and did not require particular actions or Management intervention. IMS Senior Managers and Finance Officials provided on-going assurance throughout the year.

As a result, I am satisfied that the Internal Control system in operation at the IMS during the year were adequate and effective.

The revised NATO Financial Regulations as endorsed by the Nations (C-M(2015)0025) became effective part way through the year in May 2015. Moreover, in February 2016, revised Financial Rules and Procedures (FRPs) were approved by the Budget Committee (BC-D(2015)0260- REV1). The revised NFRs and FRPs provide for a new framework of Internal Control and Risk Management. As such, 2015 was a transitional year, and in 2016 the IMS will implement enhanced Internal Control and Risk Management arrangements.

Sir Christopher Harper
Air Marshal
Director General
International Military Staff

INTRODUCTION BY THE FINANCIAL CONTROLLER (FC)

1. The International Military Staff (IMS) is an international organisation created by the Ottawa Agreement and operating under the authority of the North Atlantic Council (NAC), and is domiciled in Belgium. The principal functions of the IMS are to support the Military Committee in its decision making process and to coordinate the implementation of its decisions.

2. 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.

3. The expenses were charged over six budgets covering the: IMS (Budget Code 301); NATO Standardisation Office (NSO, BC 302); Partnership for Peace (PfP, BC 504); Mediterranean Dialogue (MD, BC 508); Istanbul Cooperation Initiative (ICI, BC 514); and Other Military Cooperation (OMC, BC 524). The Statements also cover the NATO Iraq Trust Fund.

4. The Financial Statements reflect the financial position, the financial performance, the budget execution, the cash flow and the change in net assets for year. Notes disclose the significant variations and changes, following the materiality principle. The statements also take into account comments made by the IBAN during their audits of prior years.

5. The IMS Financial Controller is also the Financial Controller of the Science and Technology Organisation (STO) and the NATO Defence College (NDC). The IMS, STO and NDC are therefore related parties under a common Financial Controller.

6. In order to efficiently and effectively execute its budget the IMS has instructed the NDC and the STO to undertake certain outreach activities which are accounted for as Reimbursable Activities. Subject to the provisions of the applicable IPSAS, the revenue and expenditure made through the reimbursable budgets are fully accounted for in the IMS financial statements with corresponding entries in the separate NDC and STO financial statements.

7. 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 OFC, 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 IMS OFC 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 OFC will also continue to work openly and constructively with the IBAN.

P. BONTINCK
BELCV
Financial Controller, IMS

IMS
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015
(in euro)

	Notes	2015	2014
ASSETS			
Current Assets	Notes		
Cash and Cash Equivalents	3	12,735,660	14,230,541
Receivables	4	1,465,480	128,006
Prepayments	5	825,216	1,019,025
		15,026,356	15,377,572
Non-current Assets			
Property Plant and Equipment	6	112,110	132,923
Intangible assets	6	291,177	-
		403,287	132,923
TOTAL ASSETS		**15,429,643**	**15,510,496**
LIABILITIES			
Current Liabilities			
Payables	7	2,085,854	2,253,399
Deferred revenue	8	12,940,503	13,124,174
		15,026,356	15,377,572
Non-current Liabilities			
Provisions	9	403,287	132,923
TOTAL LIABILITIES		**15,429,643**	**15,510,496**

IMS
STATEMENT OF FINANCIAL PERFORMANCE AS AT 31 DECEMBER 2015
(in euro)

	Notes	2015	2014
Revenue			
Revenue	10a	23,523,540	23,624,378
Financial Revenue	10b	11,597	20,968
Other revenue	10c	76,104	42,538
Total Revenue		23,611,241	23,687,884
Expenses			
Personnel	11a	(18,344,201)	(18,229,714)
Contractual supplies and services	11b	(5,179,340)	(5,394,663)
Capital and investments budgeting	11c	-	-
Depreciation and amortization	11d	(76,104)	(42,538)
Finance costs	11e	(11,597)	(20,968)
Total Expenses		(23,611,241)	(23,687,884)
Surplus/(Deficit) for the period	12	0	0

IMS
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

	31/12/2015 Euro	31/12/2014 Euro
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus/Deficit	-	-
Non-cash movements		
Depreciation	76,104	42,538
Increase /(decrease) in payables	(167,545)	(983,382)
Increase/ (decrease) in other current liabilities	(183,671)	(781,885)
Decrease/ (Increase) in receivables	(1,337,474)	37,734
(Gains)/losses on sale of property, plant and equipment	-	(3,713)
(Gains)/losses on transfer of property, plant and equipment	-	1,259,991
Decrease/ (Increase)in other current assets	193,809	(3,345)
Increase/ (decrease) in Long-Term provisions	270,364	(1,246,000)
NET CASH FLOWS FROM OPERATING ACTIVITIES	(1,148,413)	(1,678,063)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property plant and equipment	(346,468)	(61,315)
Proceeds from sale of property plant and equipment		8,500
Cash Advances	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	(346,468)	(52,815)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	-	-
Repayment of borrowings	-	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	-	-

	31/12/15 Euro	31/12/14 Euro
Year-end cash on hand and balances with banks	12,735,660	14,230,541
Short term investments	-	-

Notes to the Cash Flow Statement

Cash and Cash Equivalents

Year-end cash equivalents consist of cash on hand and balances with banks.

Property, Plant and Equipment

During the period, payments of EUR 346,468 were made to purchase non current assets

IMS
STATEMENT OF CHANGES IN NET ASSETS/EQUITY FOR THE YEAR ENDED DECEMBER 31 2015

	Capital assets	Reserves	Accumulated surplus/deficit	Total
Balance at 31 December 2014	-	-	-	-
Changes in accounting policy	-	-	-	-
Restated balance	-	-	-	-
Net gains/(losses) recognised directly in net assets/equity	-	-	-	-
Exchange difference on translating foreign operations	-	-	-	-
Gain on property revaluation	-	-	-	-
Surplus/(deficit) for the period	-	-	-	-
Change in net assets/equity for the year ended 2015	-	-	-	-
Balance at 31 December 2015	-	-	-	-

NOTES

Note 1: Significant Accounting Policies

A. Basis of preparation

The financial statements of the IMS have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and based on International Financial Reporting Standards (IFRS/IAS), as adopted by the North Atlantic Council (NAC) in 2002. In 2013, the NAC adopted an adaptation to IPSAS to better suit the specific requirements of the Alliance and an associated NATO accounting framework, applicable for financial reporting periods beginning on 1 January 2013.

The Financial Statements comply with the accounting requirements of the NATO Financial Regulations (NFRs) and the relevant entity directives and policies. In instances where there is a conflict between IPSAS and the NFRs this has been noted.

The Financial Statements have been prepared on a going-concern basis. An IMS Peacetime Establishment (PE) review is concluded and a revised structure MC0002/15(Final) together with the Initial Peacetime Establishment (ISPE) has been approved by the Council in June 2015 (PO(2015)0367-AS1). It is expected that the End State Peacetime Establishment (ESPE) will be approved by April 2016. The review did not change the core mission of the IMS – support to the Military Committee.

On 1 July 2014, as agreed by Defense Ministers, the functions and activities of the NATO Standardization Agency (NSO) were transferred, without change, into a single integrated NATO HQ staff element named the NATO Standardization Office (NSO). DG IMS is the Head of the NATO Body (HONB) and the Peacetime Establishment Authority (PEA). The NSO is financed from the Military budget under a distinct and separate budget (code 302). The NSO reports to the Military Committee (MC) and to the Committee for Standardization (CS). Organizational governance is exercised by the MC and domain governance exercised by the CS.

The Financial Statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value at the end of each reporting period. The principal accounting policies are set out below. They have been applied consistently to all periods presented. The accounting principles recognised 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.

The Financial Statements cover the period from the 1st January to 31 December 2015.

B. Accounting estimates and judgements

In accordance with IPSAS and 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 judgements 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, revenue 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. Changes in accounting policy and standards

The same accounting policies are applied within each period and from one period to the next, unless a change in accounting policy meets one of the criteria set in IPSAS 3. For the 2015 financial statements, the accounting policies have been applied consistently throughout the reporting period. The impacts of any other change to the entity accounting policy have been identified in the notes under the appropriate headings.

D. Changes in pronouncements

The following IPSAS are not relevant for the IMS 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, 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 expected to have no material impact on the presentation of the Financial Statements.

E. Foreign currency transactions

The functional and reporting currency used throughout these Financial Statements is the Euro (€).Foreign currency transactions 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 translated into Euro using the NATO rates of exchange that were applicable at 31 December 2015. 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 Position and Performance. An assessment was made of all assets and liabilities in foreign currencies as of 31 December 2015. The amount of unrealised gains in negligible and deemed immaterial.

F. 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 IMS does not consolidate its financial statements. Although the bodies are linked by a common Financial Controller, the other IMS BG constituent bodies retain their operational independence.

While Morale & Welfare activities are under the control of the head of the NATO body, in accordance with the NATO Accounting Framework, they have not been consolidated into these financial statements. A separate activity report as required by the NFRs is submitted to the Military Budget Committee.

G. Services in Kind

In these financial statements, services in kind are recognised neither as revenue nor as an asset.

H. Financial instruments

The IMS 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, the IMS incurs credit risk from trade receivables and transactions with banking institutions. The IMS manages its exposure to credit risk by:

- Holding current account bank balances and short-term deposits with registered banking institutions with a high credit rating;
- 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. If receivables are considered uncollectible, they are adequately provided for. There is a very limited credit risk associated with the realization of these instruments.

Currency risk: The IMS'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.

I. Leases

Leases are classified as finance leases whenever the terms of the lease transfers substantially all the risks and rewards of ownership to the lessee.
All other leases are classified as operating leases.
Rental payable under lease contract are recognised as an expense in the statement of financial performance on a straight line basis over the lease term.

J. Assets – Current Asset

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 in hand, deposits held with banks, pre-paid credit cards and 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 IMS Budget Group 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, all inventories are fully expensed on receipt. This is the same approach as FS2007 onwards but this policy is reviewed each year for changes in materiality.

d. Prepayments

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

K. Non Current Assets

In this category are included 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:

- All property, plant and equipment is 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 per item unless specifically stated otherwise;
- No grouping of assets;
- Depreciation is calculated on a straight-line basis; however the depreciable life of an asset is dependent on the particular category it is in.
- Full depreciation in the month of acquisition, and nil in the month of disposal.
- As an accounting principle, land cannot be depreciated.

For assets acquired on or after 1 January 2013 the NATO Accounting Framework as stated in C-M (2013)0039 is applied. For legacy assets the policy that was in force up to and including 31 December 2012 is applied.

The major differences are summarised in the following table:

	Before 31st December 2012	**After 1st of January 2013**
Recognition Criteria	IPSAS	IPSAS as adapted by C-M (2013)0039
Useful Life	As in C-M (2013)0039, except for vehicles (7 years), Communications and CIS (4 years),Networks (10 years)	As in C-M (2013)0039
Thresholds	€5,000 per item except for land and buildings (€100,000)	€5,000 per item except for land and buildings (€200,000)

c. Impairment

The carrying values of Non-Current 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.

d. Intangible Assets.

No intangibles assets met the IPSAS 31 criteria for capitalisation prior to 31 December 2012. Since January 2013, the NATO Accounting Framework C-M (2013)0039 has been applied, with the main difference being the recognition criteria. Based on the nature of the IMS business, the only intangible assets are in the software category. It has been determined that the useful life of such software is 4 years and that they are amortized on a straight line basis.

L. Current liabilities

a. Payables

Payables are amounts due to third parties based on goods received or services provided unpaid. This includes an estimate of accrued obligation to third parties for goods and services received but not yet invoiced.

b. Deferred revenue and Advances.

Deferred 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 recognised 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. Advances are contributions received related to future year's budgets.

c. Employee Benefits – Post Employment 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 are members of the Provident Fund. Certain employees are members of the NATO-wide Defined Contribution Pension Scheme (DCPS). The assets of the plans are held separately from those of IMS in funds under the control of independent trustees or an Administrator. The IMS 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 IMS with respect to the DCPS is to make the specified contributions.

Defined Benefit plan

Employees who joined NATO before 1 July 2005 are members of the NATO Coordinated Pension Scheme which is a funded defined benefit plan. Under the plan 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. Staff members whose length of service is not sufficient to entitle them to a retirement pension are eligible for a leaving allowance.

Continued Medical Coverage

Some qualifying retirees may also benefit from Continued Medical Coverage (CMC).

The assets and liabilities for all of NATO's post employment benefit schemes are accounted for centrally at NATO Headquarters by the International Staff and therefore are not recognized in these financial statements.

M. Non-Current Liabilities

a. Provisions – Long term Provisions for Non-Current Assets

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.
They are derived from the recognition of the non-current 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.

b. *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 recognised 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.

N. Net Assets

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

O. 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 and accrued 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 IPSAS 4 – Effect of the foreign exchange rate are recognized as financial expenses.

P. Surplus or Deficit for the Period

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

Q. Trust Funds

The IMS manages the NATO-Iraq Trust Fund on behalf of the contributing nations. NATO recognises an asset when it controls access to the asset and gains economic benefit or service potential but matches this to an equal liability. The IMS does not recognise any expenditure or revenue in relation to the Trust Funds which it does not control in its Statements of Financial Performance.

R. Other Issues – Related Party Disclosures

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.

Note 2: Accounting Judgements 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.

Notes to the Statement of Financial Position

Note 3 : Cash and Cash Equivalents

	31-Dec-15	31-Dec-14
Petty Cash and Advances		
Petty Cash	1,200	1,200
Advances	25,000	25,000
Total Petty Cash and Advances	**26,200**	**26,200**
Current Bank Accounts IMS	3,544,935	10,264,864
Current Bank Accounts NATO Iraq Trust	1,707,536	2,004,282
Cash Equivalents	7,456,990	1,935,196
Total Cash and Cash Equivalents	**12,735,660**	**14,230,541**

a. Petty Cash holdings are small amounts of cash kept in the International Military Staff (IMS) - € 700 and the NATO Standardization Office (NSO) - € 500 to pay for small expenses. The IMS has delegated some expenses to the office in Moscow (MLM) - € 25,000. Regularly the advance account holders report on their use of funds.

b. Current Bank Accounts are held in euros. Deposits are partly held in interest-bearing current bank accounts in immediately available funds. The accounts reflect the situation on the bank statements.

c. Cash Equivalents are held in euros and is the money invested on a short term deposit or business account. For cash and cash equivalents, there are restrictions on their use. The increase is explained by routine allocation of funds between current bank accounts and interest bearing accounts based on the calls for contributions and the forecasted cash needs of the IMS.

d. The average cash holdings of the IMS were equivalent to 7 months expenditure in FY 2015. Average cash holdings are largely determined by the timing of the receipt of national contributions. Calls are issued simultaneously for the budgets of all NATO Bodies. Typically 25% of funds are received in advance of the year, with the remaining 75% in March or April of the current year. Given that IMS monthly payments tend to be consistent, the average level of cash holdings at the IMS will remain at similar levels each year, subject to the profile and timing of national contributions. For example in 2015 the first call was received relatively yearly in February, which resulted in an increase of the average cash holdings for the year.

Note 4 : Receivables

	31-Dec-15	31-Dec-14
Receivables Budget Increases		
Transfers from OMC	21,760	80,000
Transfer from MD	78,240	0
Transfer from OCS	40,000	0
Total Receivables Budget Increases	**140,000**	**80,000**
Receivables from Non-Consolidated NATO Entities		
Receivable from CSO	1,100,000	0
Total Receivables from Non-Consolidated NATO Entities	**1,100,000**	**0**
Other Receivables/Recoverables		
Receivables from Staff Members	158	815
VAT Receivable	0	933
Accrued Revenue	8,130	42,834
Receivables from Third Parties	217,192	3,424
Total Other Receivables/Recoverables	**225,480**	**48,006**
Total Receivables	**1,465,480**	**128,006**

a. Receivables Budget Increases

Due to the unpredictable political situation in some partner countries some funds became available in the outreach budgets. The OCS contribution to NATO IS HQ administrative and operating costs, and to maintenance and repairs, was lower than originally indicated. These amounts were used in support of unfunded IMS POW requirements.

b. Receivables from Non-Consolidated NATO Entities

The amount is a temporary cash loan to the CSO due to delays in the Second Call for Contributions.

c. Other Receivables

Receivables from Staff Members include the private use of telephones for several staff members.

VAT receivable relates to VAT refunds due from national tax offices. There were no such receipts in 2015.

Accrued revenue consists of bank interest that is earned in 2015, but for which the cash is received in 2016. The decrease is explained by the lower interest rates and the reduced amount of cash.

Most of the receivables from third parties are covered by an invoice on the NATO Iraq trust fund for container services reimbursed to the Fund. The remainder includes several small invoices for procurement and services on behalf of third parties.

Note 5 : Prepayments and Miscellaneous Assets

	31-Dec-15	31-Dec-14
Non-Assigned Expenditures	135,359	111,653
Advances and Prepayments to suppliers	689,857	907,372
Total Prepayments and Miscellaneous Assets	**825,216**	**1,019,025**

a. The account "Non-Assigned Expenditures" is used for temporary posting of expenditures, which cannot be assigned yet to the appropriate expenditure account because they belong to the next fiscal year. The most significant element is the instalments for education allowances that staff members have asked to cover the entire school year 2015-2016 (€ 126,853). The remainder includes airplane tickets for missions starting in 2016 as well as vehicle insurance for the same year.

b. Advances and Prepayments are mainly in respect of advance payments made to suppliers and other entities. The Advance Funds Request for NAMSA/NSPA Software licenses (€ 230,110) has been repaid to the IMS in 2015 and hence the decrease. The account includes the contractually agreed Working capital deposit at the NCIA for the IMS POW (€ 663,000). These advances are yearly reviewed and adjusted according to the expected requirements for the year. The remainder is advances to MLM Moscow (€ 18,357) and advances for representation (€ 8,500).

Note 6: Non-Current Assets

As of 1st of January 2013 an IPSAS adaption is applicable according to C-M (2013)0039. This policy was applied for the Non-Current Assets acquired in 2015. The policy that was in place up to and including 31 December 2012 applies for property plant and equipment acquired prior to 2013.

Opening balances have been calculated as of 1 January 2015 and all subsequent changes to arrive at the closing balance are disclosed below:

	Furniture	Transport Equipment	Installed Equipment	Software	Totals
Opening Balance	-	128,308	4,615	-	132,923
Additions	-	22,518	-	323,950	346,468
Disposals	-	-	-	-	-
Depreciation	-	42,551	780	32,773	76,104
Closing Balance	**-**	**108,275**	**3,835**	**291,177**	**403,287**
Gross Carrying Amount	9,193	321,158	7,800	323,950	662,100
Accumulated Depreciation	9,193	212,883	3,965	32,773	258,813
Net Carrying Amount	**-**	**108,275**	**3,835**	**291,177**	**403,287**

a. The assets included under the furniture category are used for storing servers and other similar items.

b. Transport equipment includes the staff motor vehicles of the IMS and the NSO. One new vehicles was recognized in 2015.

c. Installed equipment includes a machine that is used for binding in the IMS Registry Services.

d. Software includes bespoke assets for the requirements of the NHQC3S. Three software packages were recognized in 2015.

More details are included in Annex 1.

Note 7: Payables

	31-Dec-15	31-Dec-14
Payables to Suppliers	58,243	159,068
Accruals	2,025,198	2,066,019
Total Payable to Suppliers	**2,083,440**	**2,225,086**
Payables to Staff Members	1,023	684
Other Payables	1,390	27,628
Total Other Payables	**2,413**	**28,312**
Total Payables	**2,085,854**	**2,253,399**

a. Payables to suppliers includes routine invoices that due to year end operating procedures are paid in 2016. The accruals have been split over two accounts. Account 231900 (€1,990,559) is the default AP accrual account used in the accounting system. The main components of the accruals are the IMS POW, the NCIA SLA and outreach activities.
The assessed accruals have been charged to account 231950 (€34,634) in order to make the distinction at month end reconciliation between the sub ledger and general ledger. They include mostly education allowance and overtime for the IMS and NSO staff members.

b. Other Payables

Payables to Staff Members include insurance for interns and temporary staff approved but not paid out due to close of the year.
Other payables includes 3 small training invoices.

Note 8: Deferred Revenue and Advance Contributions

	31-Dec-15	31-Dec-14
Deferred Revenue		
Deferred Revenue (See also Note 10)	4,243,780	4,238,530
Deferred Revenue Trust Funds	1,906,279	2,009,352
Advanced Contributions for next FY	6,100,000	6,000,000
Total Deferred Revenue	**12,250,059**	**12,247,882**
Liabilities from Lapses	**90,540**	**628,050**
Liabilities from Operational Results	**86,959**	**41,222**
Liabilities from Financial Results	**29,901**	**43,058**
Liabilities from Budget Decreases		
Transfers IMS to ACO	257,834	
Transfers PFP to ACO	22,582	
Transfers MD to ACO	44,080	
Transfers ICI to ACO	29,848	
Transfers OMC to ACO	28,701	
Transfer MD to IMS	78,240	
Transfers OMC to IMS	21,760	
Total Liabilities from Budget Decreases	**483,045**	**163,961**
Total Deferred Revenue and Advance Contributions	**12,940,503**	**13,124,174**

a. Deferred Revenue consists of contributions received or receivable, but for which corresponding expenses will be incurred after the reporting date. It is accounted for by type, budget and year in accordance with the IMS Budget Group policy. Deferred Revenue is equal to the carryforward and more detail can be found in the Budget Execution Statement.

The deferred revenue for trust funds is the corresponding liability for the cash received by nations to fund the NATO-Iraq Trust Fund. It also includes the accrued bank interest and a reimbursement for services rendered by the TF to Iraq. See also Annex 2.

The Advanced Contributions are called for FY 2016 and represent 25% of the provisional BA1 for 2016.

b. The Liabilities from Lapses are the unspent balances at year end. The detailed information can be found on the budget execution statement.

c. The Liabilities from Operational Results include the miscellaneous income (€ 56,144), which is mostly related to the reimbursement of the IS share of the NHQC3S costs.

Additionally the accrual write-off (€ 30,815) i.e. where the invoice turned out to be lower than the estimated accrual amount, has been posted here. In accordance with IMS Budget Group policy the amount is shown separately for reason of clarity. It is accounted for by type, cost share, budget and year. All listed accrual write-off are related to FY 2015.

d. The Liabilities from Financial Results are, after offsetting the expenses such as bank charges/realised losses, the net amount of bank interest received and realized gains generated during 2015. In accordance with IMS Budget Group policy the amount is shown separately for reason of clarity. The decrease in interest reflects lower market interest rates than in 2014. Details are provided in the following table.

Financial Revenue (1)	41,498
Financial Expenses (2)	11,597
Total to be returned to Nations (1) – (2)	**29,901**

e. The Liabilities from Budget Decreases are the transfers out of the budget authorizations and not taken into account in the 2nd Call for Contribution 2015, i.e. after BA3. It is explained by the postponement of O&M expenditures due to the move to the new NATO HQ and the variability of expense patterns on outreach activities and travel.

Note 9: Non – Current Liabilities

Represents the Net Carrying amount of PP&E and Intangible Assets as of 31st December 2015. Similarly to the Current Deferred revenue it is owed to Nations, because the corresponding expenses have not been incurred yet. The liability is decreased with the annual depreciation/amortization and increased with any new acquisitions. A summary is provided below.

	Furniture	Transport Equipment	Installed Equipment	Software	Totals
Gross Carrying Amount	9,193	321,158	7,800	323,950	662,100
Accumulated Depreciation	9,193	212,883	3,965	32,773	258,813
Net Carrying Amount	**-**	**108,275**	**3,835**	**291,177**	**403,287**

<u>Notes to the Statement of Financial Performance</u>

Note 10: Revenue

	31-Dec-15	31-Dec-14
Revenue from Contributions	23,523,540	23,624,378
Financial Revenue	11,597	20,968
Revenue for Depreciation	76,104	42,538
Total Revenue (See also Note 10)	**23,611,241**	**23,687,884**

a. 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. Contributions when called are booked as an advance under deferred revenue and subsequently recognised as revenue when it is earned. All revenue is recognised as revenue from exchange transactions and is matched with the incurred expenses against the International Military Staff Budget (301), NATO Standardisation Office Budget (302), Partnership for Peace

Budget (504), Mediterranean Dialogue Budget (508), the Istanbul Cooperation Initiative Budget (514) and the Other Military Cooperation Budget (524).

b. Financial revenue is recognized only to the amount of finance costs. (See also Note 8d.)

c. Revenue for depreciation/amortization is matched with the depreciation/amortization expense for the year and accounted for as a reduction in Provisions for Non-Current Assets.

Reconciliation between Budget Revenue and Deferred Revenue.

The table below explains to what extent the deferred revenue from previous years and the net calls made in 2015 for the annual budgets are recognized as budget operating revenue in the fiscal year. The remaining balance is deferred revenue for the funds that are carried forward to future years, payables for the annual budgets credits that are lapsed, payables for budget decreases and receivables for budget increases.

	31-Dec-15	31-Dec-14
Deferred revenue opening balance		**4,238,530**
Contributions called for 2015		
Call 1 FC(CC)(2015)0012(MB-01) - GERMANY	18,231,630	
Call 2 FC(CC)(2015)0012(MB-02) - GERMANY	6,077,212	
Total Contributions Called	**24,308,842**	
Budget expenses in 2015	**(23,870,008)**	
Lapses	**(90,540)**	
Budget increases	**140,000**	
Budget decreases	**(483,045)**	
Deferred revenue Closing Balance	**4,243,780**	

Note 11: Expenses

	31-Dec-15	31-Dec-14
Personnel	18,344,201	18,229,714
Contractual Supplies and Services	5,179,340	5,394,663
Capital and Investments	0	0
Depreciation and Amortization	76,104	42,538
Finance Cost	11,597	20,968
Total Expenses	**23,611,241**	**23,687,884**

a. All civilian and military personnel expenses (Chapter 1) as well as other non-salary related expenses, in support of common funded activities. The expenses are further broken down in the following table:

	31-Dec-15	31-Dec-14
Employee Benefits	9,228,061	8,827,879
IMS POW	4,423,098	4,236,741
Admin Bill	3,824,921	3,831,602
Consultants and Contractors	164,518	549,838
MOUS	254,660	310,069
Outreach	278,055	251,983
Recruitment and Separation	32,118	95,878
Training	90,620	84,084
Other Costs	48,150	41,640
Total Expenses	**18,344,201**	**18,229,714**

The slight increase in personnel expenses is explained by an increase in salaries in 2015 as well as a higher than expected lapse factor, partially offset by decrease in the cost of consultants and contractors, which are of non-recurrent nature. Furthermore in 2015 € 323,950 on the IMS POW have been capitalized, compared to 2014 when no POW expenses met the capitalization criteria.

b. Contractual Supplies and Services (Chapter 2) are expenses required for administrative support to the Military Committee. 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. The expenses are further broken down in the following table:

	31-Dec-15	31-Dec-14
CIS	2,059,519	2,102,698
Outreach	1,502,055	1,493,373
Utilities,Maintenance and Furniture	798,767	917,209
Travel and Hospitality	614,394	553,530
Rent/Lease	62,867	158,156
Office Supplies and Reference Materials	87,964	112,812
Services	53,774	56,886
Total Expenses	**5,179,340**	**5,394,663**

The expenses have decreased due to postponement of O&M expenditures because of the move to the new NATO HQ. This has been partially compensated by Outreach activities and travel.

Contractual Supplies and Services (Chapter 2) include operating leases recognised as an expense on a straight-line basis over the lease term. The IMS has four contracts classified as operating leases as they do 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 majority of the item’s estimated economic life and the leases do not contain a bargain purchase option. This approach is reviewed every year.

The following rental/lease contracts are included in Chapter 2 expenses:

- Contracts IMS 2013-003/004/005 for copiers for a period of 3 years with a yearly cost of 60,265 EUR; and
- Contract IMS 2012-004 for an armored vehicle signed January 2013 for a period of 3 years, with a yearly cost of 54,000 EUR;

c. Capital and Investments expenditures on the statement of financial performance are items with a value above EUR 5,000 but which do not meet the control recognition criteria for assets as stated in C-M(2013)0039. There were no such items in 2015.

d. The depreciation/amortization for 2015 calculated on a straight line basis and summarized below:

	Furniture	Transport Equipment	Installed Equipment	Software	**Totals**
Depr/Amort 2015	-	42,551	780	32,773	**76,104**
Depr/Amort 2014	153	41,605	780	-	**42,538**

e. Finance costs include bank charges of and realized exchange rate losses of They are matched to financial revenue. (See also note 8d.)

Note 12: Surplus or deficit for the Period

In accordance with the 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.

Note 13: Related Parties

The key management personnel includes: the DG IMS, Directors, and Heads of Independent Offices. They are all rotated, typically every three years, and with the exception of the Financial Controller, have only management oversight of routine operating and maintenance activities. The detailed work related to these tasks tends to be undertaken by staff officers. The IMS Financial Controller is also the Financial Controller of the Science and Technology Organisation (STO) and the NATO Defence College (NDC). The IMS, STO and NDC are therefore related parties under a common Financial Controller.

The other key management personnel of the entity have no significant known related party relationships that could affect the operation of this reporting entity. Key management are 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.
A specific statement on disclosure of Related Parties is signed by the key Management Personnel and retained for auditing purposes.

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 eg. requirements definition is separate from the procurement and contracting function, and also a number internal actors are involved in staffing an issue for key personnel decision(s);
- maximum use is made of competition including advertising via the NATO website;
- documentation trails are maintained for all decisions and there are compliance checks against the relevant NATO regulations;
- On a periodic basis, Internal Audit Service providers are asked to perform audits on behalf of the IMS.

Note 14: Employee disclosure

Peacetime Establishment (PE)

	Total Approved PE - IMS	Filled Positions - IMS	Total Approved PE - NSO	Filled Positions - NSO
Civilians (MBC)	85	78	18	16
Military	328	286	27	23
Voluntary National Contribution (VNC)	20	20	0	0
National Manpower Overage (NMO)	28	28	0	0
Host Nation	67	56	0	0
PFP	7	5	2	1
Local Wage Rate (LWR)	1	1	0	0

The Total Approved PE figures are based on document MC 0500/2 Final. Filled Positions are extracted from the relevant IMS and NSO HR records.

Employee Benefits

Employees are compensated for the service they provide in accordance with rules and amounts established by NATO.
The compensation consists of basic salary, various allowances, health insurance, pension plan and other benefits as agreed with each Host Nation and the Protocols of NATO. Cash compensations are exempt from income tax in accordance with NATO Nations agreement.

Certain employees participate in the Provident Fund or the Defined Contribution Pension Scheme (DCPS) administered by NATO. Contributions to these Plans are limited to matching the employees' contributions for current service. Other employees participate in NATO's Defined Pension Scheme; a portion of their salaries is deducted and contributed to the annual financing of this Plan. These contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the entity. The assets and liabilities for the NATO's Defined Benefit Pension Scheme and the RMCF are accounted for centrally at NATO Headquarters by the International Staff and therefore are not recognised in these financial statements. Employee Benefits are summarised in the following table.

	31-Dec-15	31-Dec-14
Employee Benefits	8,898,749.62	8,530,753.76
Providend Fund	2,975.35	8,776.80
DCPS	326,335.88	288,348.83
Total Expenses	**9,228,061**	**8,827,879**

Untaken Leave

The Balance of untaken leave at 31.12.2015 is 10 days for NSO and 200 days for IMS. There are management procedures in place in the IMS and NSO, ensuring that all leave is taken before 30th April the following year. Only in exceptional circumstances the outstanding balance is allowed to be carried forward; however it is forfeited if not taken by 31st of October. Normally at final departure there is no compensation for leave not taken, unless it has not been possible to take the leave entitlement due to supporting a Council approved operation/mission, or an extended period of sick leave. However that compensation does not exceed 15 days for the first 5 years of service, increased by one additional day for each year of service thereafter up to a maximum of 30 days. Measures are also taken to ensure that all staff takes their leave before their date of departure. The efficiency of these measures was proven in 2015, when no leave was paid at final departure.

Untaken leave is not recognized as a liability or expense for several reasons. The amount is immaterial. The probability that employees may leave before they use an accumulated leave entitlement is considered to be very low. Because of that the normal expectation is that untaken leave will not be paid and therefore it is not possible to reliably measure the expected cost.

Note 15 Representation Allowance

Representation Allowance is available to certain designated NATO high officials whose position entails responsibility for maintaining relationships of value to NATO. Representation Allowance can be used to complement national funds and is made available to support social events and catering. In 2015 three senior IMS officials received Representation Allowances totalling EUR 26,785.

Note 16 Write Off

In accordance with the NATO Financial Regulations (Art. 17), a statement of write-offs performed in 2015 is presented in the following table.

Quantity	Description	Year of purchase	NBV, EUR	Reason for write-off	Disposition
29	Workstations	2008-2011	-	Non repairable	Destroyed
22	Monitors	2008-2011	-	Non repairable	Destroyed
2	Servers	2008-2011	-	Non repairable	Destroyed
257	Furniture and Office Equipment	1990-2012	2,531	Non repairable	Destroyed

All property write-off transactions were within the authority of the IMS Financial Controller.

Note 17: MWA Activities

The regulation of MWAs is governed by PO(97)98 and MBC-DS(97)0023. In accordance with the NATO Accounting Framework (C-M(2013)0039), MWAs will not be consolidated into NATO entity Financial Statements.

MWA within the IMS Budget Group consists mainly of the provision of rationed items and fuel, and language training services. Total expenditures on MWA in 2015 amounted to approximately 680 KEUR. Each year a detailed financial report covering MWA transactions is submitted to the Budget Committee.

ANNEX 1
Budget execution statement

EURO	Initial Budget	Transfers	BA2	Transfers	BA3	Transfers	Final Budget	Commitments	Expenses	Total Spent	Carry Forward	Lapsed
BUDGET 301 (IMS)2015												
Chapter 1	15,528,086	-	15,528,086	647,000	16,175,086	267,761	16,442,847	3,436,160	13,006,687	16,442,847	3,436,160	-
Chapter 2	4,370,905	-	4,370,905	(309,705)	4,061,200	(385,595)	3,675,605	1,364	3,627,714	3,629,078	1,364	46,527
Chapter 3	30,000	-	30,000	(30,000)	-	-	-	-	-	-	-	-
TOTAL	**19,928,991**	**-**	**19,928,991**	**307,295**	**20,236,286**	**(117,834)**	**20,118,452**	**3,437,524**	**16,634,401**	**20,071,925**	**3,437,524**	**46,527**
BUDGET 302 (NSO)2015												
Chapter 1	2,327,798	-	2,327,798	(160,000)	2,167,798	35,774	2,203,572	112,470	2,091,101	2,203,572	112,470	-
Chapter 2	360,463	-	360,463	(147,295)	213,168	(35,774)	177,394	-	177,394	177,394	-	-
TOTAL	**2,688,261**	**-**	**2,688,261**	**(307,295)**	**2,380,966**	**(0)**	**2,380,966**	**112,470**	**2,268,496**	**2,380,966**	**112,470**	**-**
BUDGET 504 (PFP)2015												
Chapter 1	105,560	-	105,560	-	105,560	(45,103)	60,457	3,000	57,457	60,457	3,000	-
Chapter 2	593,626	-	593,626	-	593,626	22,521	616,147	27,713	588,434	616,147	27,713	-
TOTAL	**699,186**	**-**	**699,186**	**-**	**699,186**	**(22,582)**	**676,604**	**30,713**	**645,891**	**676,604**	**30,713**	**-**
BUDGET 508 (MD)2015												
Chapter 1	67,696	-	67,696	-	67,696	(50,382)	17,314	9,450	7,864	17,314	9,450	-
Chapter 2	400,168	-	400,168	-	400,168	(71,938)	328,230	12,556	315,675	328,230	12,556	-
TOTAL	**467,864**	**-**	**467,864**	**-**	**467,864**	**(122,320)**	**345,544**	**22,006**	**323,538**	**345,544**	**22,006**	**-**
BUDGET 514 (ICI)2015												
Chapter 1	29,810	-	29,810	-	29,810	(15,374)	14,436	-	14,436	14,436	-	-
Chapter 2	139,150	-	139,150	-	139,150	(14,474)	124,676	-	124,676	124,676	-	-
TOTAL	**168,960**	**-**	**168,960**	**-**	**168,960**	**(29,848)**	**139,112**	**-**	**139,112**	**139,112**	**-**	**-**
BUDGET 524 (OMC)2015												
Chapter 1	59,880	-	59,880	-	59,880	(40,998)	18,882	5,663	13,218	18,882	5,663	-
Chapter 2	295,700	-	295,700	-	295,700	(9,462)	286,238	8,419	277,818	286,238	8,419	-
TOTAL	**355,580**	**-**	**355,580**	**-**	**355,580**	**(50,461)**	**305,119**	**14,083**	**291,037**	**305,119**	**14,083**	**-**
TOTAL FY2015	**24,308,842**	**-**	**24,308,842**	**-**	**24,308,842**	**(343,045)**	**23,965,797**	**3,616,796**	**20,302,475**	**23,919,270**	**3,616,796**	**46,527**

EURO	Initial Budget	Transfers	BA2	Transfers	BA3	Transfers	Final Budget	Commitments	Expenses	Total Spent	Carry Forward	Lapsed
BUDGET 301 (IMS)2014												
Chapter 1	3,091,122	-	3,091,122	-	3,091,122	-	3,091,122	626,984	2,452,366	3,079,350	626,984	11,772
Chapter 2	4,449	-	4,449	-	4,449	-	4,449	-	4,309	4,309	-	140
Chapter 3	22,518	-	22,518	-	22,518	-	22,518	-	22,518	22,518	-	-
TOTAL	**3,118,089**	**-**	**3,118,089**	**-**	**3,118,089**	**-**	**3,118,089**	**626,984**	**2,479,193**	**3,106,177**	**626,984**	**11,912**
BUDGET 302 (NSO)2014												
Chapter 2	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	**7,197**	**-**	**7,197**	**-**	**7,197**	**-**	**7,197**	**-**	**7,197**	**7,197**	**-**	**-**
BUDGET 504 (PFP)2014												
Chapter 1	8,000	-	8,000	-	8,000	-	8,000	-	5,149	5,149	-	2,851
Chapter 2	47,687	-	47,687	-	47,687	-	47,687	-	30,841	30,841	-	16,846
TOTAL	**55,687**	**-**	**55,687**	**-**	**55,687**	**-**	**55,687**	**-**	**35,990**	**35,990**	**-**	**19,697**
BUDGET 508 (MD)2014												
Chapter 1	7,000	-	7,000	-	7,000	-	7,000	-	4,193	4,193	-	2,807
Chapter 2	20,486	-	20,486	-	20,486	-	20,486	-	18,908	18,908	-	1,578
TOTAL	**27,486**	**-**	**27,486**	**-**	**27,486**	**-**	**27,486**	**-**	**23,102**	**23,102**	**-**	**4,384**
BUDGET 514 (ICI)2014												
Chapter 2	5,000	-	5,000	-	5,000	-	5,000	-	5,000	5,000	-	-
TOTAL	**25,000**	**-**	**25,000**	**-**	**25,000**	**-**	**25,000**	**-**	**25,000**	**25,000**	**-**	**-**
BUDGET 524 (OMC)2014												
Chapter 1	-	-	-	-	-	-	-	-	-	-	-	-
Chapter 2	9,412	-	9,412	-	9,412	-	9,412	-	8,570	8,570	-	842
TOTAL	**9,412**	**-**	**9,412**	**-**	**9,412**	**-**	**9,412**	**-**	**8,570**	**8,570**	**-**	**842**
TOTAL FY2014	**3,242,871**	**-**	**3,242,871**	**-**	**3,242,871**	**-**	**3,242,871**	**626,984**	**2,579,051**	**3,206,035**	**626,984**	**36,836**
BUDGET 301 (IMS)2013												
Chapter 1	995,659	-	995,659	-	995,659	-	995,659	-	988,483	988,483	-	7,177
TOTAL	**995,659**	**-**	**995,659**	**-**	**995,659**	**-**	995,659	**-**	**988,483**	**988,483**	**-**	**7,177**
BUDGET 302 (NSO)2013												
Chapter 1	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
BUDGET 524 (OMC)2013												
Chapter 2	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL FY2013	**995,659**	**-**	**995,659**	**-**	**995,659**	**-**	**995,659**	**-**	**988,483**	**988,483**	**-**	**7,177**
TOTAL ALL BUDGETS	**28,547,372**	**-**	**28,547,372**	**-**	**28,547,372**	**(343,045)**	**28,204,327**	**4,243,780**	**23,870,008**	**28,113,788**	**4,243,780**	**90,540**

The budget covers the financial year from 1 January 2015 to 31 December 2015 and includes the following budgets: 301 (IMS), 302 (NSO), 504 (PFP), 508 (MD), 514 (ICI),524 (OMC).

In accordance with the NFRs, all the changes between the initial and the final budget which were due to reallocations, were either authorised by the Budget Committee or were within the authority of the IMS Financial Controller. These changes are presented in the Budget Execution Statement.

Commitments carried forward are presented in the Budget Execution Statement. They represent the unexpended balances at year end for which there is a legal liability. They are equal to the closing Unearned Revenue (see also Note 7).

The initial 2015 budget was reviewed by the Budget Committee and issued in BC-BA(2015)0001 on the 19th of December 2014. Similarly the 2015 revised authorizations BA 2 and BA3 were issued in BC-BA(2015)0002 and BC-BA(2015)0003on the 25th of June and 19th of October respectively.

The Budget and the Financial Statements are not prepared on the same basis. In the financial statements only current year depreciation/amortization is recognized as an expense, while in the budget all noncurrent assets are fully expensed during the year. The following table summarizes the differences.

	Financial Performance	Budget	Difference
Total Expenses	23,611,241	23,870,008	258,767
Personnel	18,344,201	18,668,151	(323,950)
Contractual Supplies and Services	5,179,340	5,179,340	-
Capital and Investments	-	22,518	(22,518)
Depreciation Expense	76,104	-	76,104
Finance Cost	11,597	-	11,597
Difference			**0**

ANNEX 2
IMS Non Current Asset Register

Asset Category	AssetDescription	Date Placed In Service	Retirement Date	Beginning Balance	Additions	Cost Retired	Net Cost	Accum Depr/ Amort	Current Depr/ Amort	Total Depr/Amort	Retired Depr/Amort	Net Depr/Amort	Net Book Value
Furniture	RAYONNAGE	4-Mar-04		9,193	-	-	9,193	9,193	-	9,193	-	9,193	-
Total - Furniture				**9,193**	**-**	**-**	**9,193**	**9,193**	**-**	**9,193**	**-**	**9,193**	**-**
Transport Equipment	AUDI A6	20-Apr-07		22,876	-	-	22,876	22,876	-	22,876	-	22,876	-
Transport Equipment	VW PASSAT COMFORTLINE	30-Dec-07		19,639	-	-	19,639	19,639	-	19,639	-	19,639	-
Transport Equipment	VW PASSAT COMFORTLINE	30-Jun-08		20,043	-	-	20,043	18,850	1,193	20,043	-	20,043	-
Transport Equipment	VOLSWAGEN TRANSPORTER MLM	30-Mar-09		17,858	-	-	17,858	14,882	2,551	17,433	-	17,433	425
Transport Equipment	SKODA SUPERB	26-Jun-09		22,954	-	-	22,954	18,308	3,279	21,587	-	21,587	1,366
Transport Equipment	SKODA SUPERB	26-Jun-09		22,954	-	-	22,954	18,308	3,279	21,587	-	21,587	1,366
Transport Equipment	BMW 520D	16-May-11		29,758	-	-	29,758	15,588	4,251	19,839	-	19,839	9,919
Transport Equipment	FORD MINIVAN	19-Sep-11		19,995	-	-	19,995	9,521	2,856	12,378	-	12,378	7,617
Transport Equipment	Mercedes 200 CDI	24-Apr-12		30,624	-	-	30,624	12,031	4,375	16,406	-	16,406	14,218
Transport Equipment	Mercedes 200 CDI	24-Apr-12		30,624	-	-	30,624	12,031	4,375	16,406	-	16,406	14,218
Transport Equipment	DUTY CAR FOR NATO MLM	6-Mar-14		32,496	-	-	32,496	5,416	6,499	11,915	-	11,915	20,581
Transport Equipment	NLO KYIV DUTY CAR	29-Jul-14		28,819	-	-	28,819	2,882	5,764	8,646	-	8,646	20,174
Transport Equipment	FORD TOURNEO CUSTOM TREND	6-Feb-15		-	22,518	-	22,518	-	4,128	4,128	-	4,128	18,389
Total - Transport Equipment				**298,640**	**22,518**	**-**	**321,158**	**170,332**	**42,551**	**212,883**	**-**	**212,883**	**108,275**
Installed Equipment	BINDING MACHINE	31-Dec-10		7,800	-	-	7,800	3,185	780	3,965	-	3,965	3,835
Total - Installed Equipment				**7,800**	**-**	**-**	**7,800**	**3,185**	**780**	**3,965**	**-**	**3,965**	**3,835**
Software	ADat-P 3	10-Jul-15		-	210,000	-	210,000	-	26,250	26,250	-	26,250	183,750
Software	SMIR Online	13-Nov-15		-	28,750	-	28,750	-	1,198	1,198	-	1,198	27,552
Software	TDL CaT	22-Oct-15		-	85,200	-	85,200	-	5,325	5,325	-	5,325	79,875
Total - Software				**-**	**323,950**	**-**	**323,950**	**-**	**32,773**	**32,773**	**-**	**32,773**	**291,177**
TOTALS				**315,633**	**346,468**	**-**	**662,100**	**182,709**	**76,104**	**258,813**	**-**	**258,813**	**403,287**

ANNEX 3
NATO-Iraq Trust Fund Status as of 31st December 2015

FISCAL YEAR	IN COUNTRY COURSES	OUT OF COUNTRY COURSES			TOTAL
	EXPENSES	EXPENSES	SLOTS OFFERED	SLOTS TAKEN	
2005	€133,235	€1,494,235	123	200	**€1,627,470**
2006	€966,684	€1,355,890	444	253	**€2,322,574**
2007	€745,024	€1,230,390	223	197	**€1,975,414**
2008	€2,900,068	€1,105,880	230	208	**€4,005,948**
2009	€200,557	€1,263,332	220	208	**€1,463,889**
2010	€218,647	€1,737,842	412	336	**€1,956,489**
2011	€44,135	€1,733,875	468	420	**€1,778,010**
2012	€0	23,366	23	15	**€23,366**
2013	€0	176,359	42	42	**€176,359**
2014	€0	10,340			**€10,340**
2015		301,817	62	62	**€301,817**
TOTAL	€5,208,350	€10,131,509			**€15,641,676**

NATO-IRAQ TRUST FUND STATUS AS OF 31 DEC 2015	
FUND DONATED	**€17,176,421**
INTEREST EARNED (net of bank charges)	**€371,534**
FUND USED	**€15,641,676**
FUND AVAILABLE	**€1,906,279**

NOTE: The expenses in 2015 were for 2 Iraq tailored operational and key leader courses in the NATO School in Oberammergau and one NRCC course in the NATO Defence College in Rome.