6 décembre 2016

DOCUMENT
C-M(2016)0068-AS1 (INV)

RAPPORT DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN (IBAN) SUR LA VÉRIFICATION DES ÉTATS FINANCIERS 2015 DE L'ORGANISATION OTAN POUR LA SCIENCE ET LA TECHNOLOGIE (STO)

NOTE SUR LA SUITE DONNÉE

Le 6 décembre 2016, au terme d'une procédure d'accord tacite, le Conseil a pris note du rapport de l'IBAN, joint au C-M(2016)0068 (INV), sur la vérification des états financiers 2015 de la STO et a approuvé la recommandation du RPPB concernant la communication au public.

(signé) Rose E. Gottemoeller
Secrétaire générale déléguée

NB : La présente note fait partie du C-M(2016)0068 (INV) et doit être placée en tête de ce document.

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RAPPORT DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN SUR LA VÉRIFICATION DES ÉTATS FINANCIERS 2015 DE L'ORGANISATION OTAN POUR LA SCIENCE ET LA TECHNOLOGIE (STO)

Note de la secrétaire générale déléguée

1. On trouvera ci-joint le rapport du Collège international des commissaires aux comptes de l'OTAN (IBAN) sur la vérification des états financiers 2015 de l'Organisation OTAN pour la science et la technologie (STO).

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 la STO témoignait du travail acharné accompli pour mettre en application l'ensemble des mesures approuvées par le Conseil ces dernières années en vue d'améliorer la réglementation comptable et financière, la gouvernance, la transparence et le compte rendu.

4. Je ne pense pas que cette question nécessite un débat au Conseil. Par conséquent, **sauf avis contraire me parvenant d'ici au mardi 6 décembre 2016 à 17 heures**, je considérerai que le Conseil aura pris note du rapport de l'IBAN sur la vérification des états financiers 2015 de la STO 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

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RAPPORT DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN SUR LA VÉRIFICATION DES ÉTATS FINANCIERS 2015 DE L'ORGANISATION OTAN POUR LA SCIENCE ET LA TECHNOLOGIE (STO)

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

Références :
- (a) IBA-A(2016)90 – Rapport de l'IBAN
- (b) C-M(2015)0025 – Règlement financier de l'OTAN (NFR)
- (c) IMSTAM(FC)-0048-2016 – Lettre du contrôleur des finances
- (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 de la STO (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 la STO ainsi qu'une opinion sans réserve sur la conformité pour l'exercice 2015.

3. Le RPPB prend note des mesures que la STO a prises (en particulier la demande d'aide adressée au service d'audit interne de l'Agence OTAN d'information et de communication) en vue d'une mise en conformité avec les articles de la version révisée du NFR (référence (b)) qui concernent le contrôle interne, la gestion des risques et l'audit interne. L'exercice 2015 étant considéré comme une année de transition, le RPPB compte bien que la STO réalisera des progrès supplémentaires dans un avenir proche. Il invite le responsable OTAN de la politique en matière d'information financière à encourager les entités OTAN à communiquer sur les bonnes pratiques en la matière.

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

Conclusions

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

6. Enfin, le RPPB estime que le rapport de l'IBAN et les états financiers de la STO correspondants ne contiennent pas d'informations qui, en vertu de la politique relative à la mise en lecture publique de l'information OTAN, ne peuvent être rendues publiques.

Recommandations

7. Le RPPB recommande au Conseil :

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

(b) d'entériner ses conclusions, figurant aux paragraphes 5 et 6 ;

(c) d'approuver la communication au public du présent rapport, du rapport de l'IBAN (référence (a)) et des états financiers de la STO 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 consolidés
de l'Organisation pour la science et la technologie (STO)
pour l'exercice clos le 31 décembre 2015

Le Collège a procédé à la vérification des états financiers de l'Organisation pour la science et la technologie (STO), devenue un organisme OTAN le 1er juillet 2012. La STO a pour mission de contribuer à ce que les investissements réalisés par les pays et par l'OTAN dans le domaine de la science et de la technologie jouent le rôle de catalyseurs stratégiques des savoirs et de l'avantage technologique pour la posture de défense et de sécurité des pays membres et des pays partenaires de l'OTAN.

La STO comporte trois organes exécutifs : le Bureau du conseiller scientifique (OCS), implanté à Bruxelles (Belgique) et placé sous l'autorité du conseiller scientifique, le Bureau de soutien à la collaboration (CSO), implanté à Neuilly-sur-Seine (France) et placé sous l'autorité de son directeur, et le Centre pour la recherche et l'expérimentation maritimes (CMRE), implanté à La Spezia (Italie) et placé sous l'autorité de son directeur.

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

À l'issue de l'audit, le Collège a formulé une observation, assortie de recommandations, concernant la nécessité de mesures complémentaires pour une pleine conformité avec la version révisée du Règlement financier de l'OTAN, et en particulier avec les articles relatifs au contrôle interne, à la gestion des risques et à l'audit interne.

Les commentaires factuels et officiels de la STO au sujet de l'observation et des recommandations du Collège ont été intégrés dans la lettre d'observations et de recommandations. La STO souscrit à l'observation du Collège.

Le Collège a par ailleurs fait le point sur la suite donnée aux observations formulées à l'issue de l'audit précédent, et il a constaté qu'une question avait été partiellement réglée et que l'autre restait à régler.

Pour les commentaires officiels de la STO, on se reportera à la lettre d'observations et de recommandations (annexe 4).

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COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN

OPINION SUR LES ÉTATS FINANCIERS CONSOLIDÉS DE L'ORGANISATION POUR LA SCIENCE ET LA TECHNOLOGIE

(STO)

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2015

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

Rapport sur les états financiers

Le Collège international des commissaires aux comptes de l'OTAN a procédé à la vérification des états financiers de l'Organisation pour la science et la technologie (STO), qui se composent 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 la situation nette et du tableau des flux de trésorerie pour l'exercice clos à cette date, ainsi que d'un résumé des méthodes comptables importantes et de diverses notes explicatives. Le Collège a également vérifié les états de l'exécution du budget du Bureau du conseiller scientifique et du Bureau de soutien à la collaboration, qui figurent en annexe aux états financiers.

Responsabilité de la direction

La direction est chargée d'établir les états financiers conformément au cadre comptable OTAN et au 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 consolidés donnent une image fidèle, conforme au cadre comptable OTAN, de la situation financière de la STO 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 23 août 2016

Lyn Sachs
Présidente

COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN

LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS CONCERNANT L'ORGANISATION POUR LA SCIENCE ET LA TECHNOLOGIE

(STO)

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 consolidés de la STO pour l'exercice clos le 31 décembre 2015, 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 une observation, assortie de recommandations :

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

Le Collège a par ailleurs fait le point sur la suite donnée aux observations formulées à l'issue de l'audit précédent, et il a constaté que deux questions avaient été réglées et que deux autres devaient encore l'être.

La présente lettre d'observations et de recommandations a été examinée par la STO, dont les commentaires officiels ont été intégrés dans la lettre.

OBSERVATIONS ET RECOMMANDATIONS

1. NÉCESSITÉ DE MESURES COMPLÉMENTAIRES POUR UNE PLEINE CONFORMITÉ AVEC LA VERSION RÉVISÉE DU RÈGLEMENT FINANCIER DE L'OTAN, ET EN PARTICULIER AVEC LES ARTICLES RELATIFS AU CONTRÔLE INTERNE, À LA GESTION DES RISQUES ET À L'AUDIT INTERNE

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 de ce texte en plus de trente ans. Bien que l'article 36 de cette nouvelle version prévoie que le Règlement entre en vigueur dès son approbation (à savoir le 4 mai 2015), le Conseil a reconnu que l'on ne pouvait s'attendre à ce qu'il soit pleinement d'application avant la fin de 2015. Par ailleurs, il est stipulé à l'article 4 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 du NFR révisé 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 qui soient conformes aux critères d'efficacité, d'efficience et d'économie, mettre en place les fonctions de gestion nécessaires à un contrôle interne efficace, faire en sorte que les organismes OTAN disposent d'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 nouvelle version 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 assurées au sein même des organismes ou externalisées, l'objectif déclaré étant d'obtenir une capacité d'analyse approfondie de l'efficacité et de 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 Compte tenu de l'absence de 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.

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

Article 3 – Responsabilité et obligation de rendre compte

1.4.1.1 Le Collège a constaté que tant le conseiller scientifique de l'OTAN que le contrôleur des finances de la STO avaient signé la déclaration sur le contrôle interne, mais que seul le conseiller scientifique de l'OTAN avait signé les états financiers.

Article 11 – Gestion des risques

1.4.1.2 Le Collège a constaté que la STO 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 à tous 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 la STO.

1.4.1.3 Il a été indiqué au Collège que le CSO (entité financée en commun) et le CMRE (entité financée par le client), qui font tous deux partie de la STO, allaient mettre en place, avec l'aide du service d'audit interne de l'Agence OTAN d'information et de communication (NCIA), des registres dans lesquels seront consignés les risques liés à leurs activités.

Article 12 – Contrôle interne

1.4.1.4 Le Collège a constaté que la STO 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 appropriées, est indispensable pour garantir et pour montrer clairement à tous qu'un système complet de contrôle financier et budgétaire interne est en place.

1.4.1.5 L'audit des états financiers 2015 de la STO 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 été étayé par l'établissement systématique de documents sur les procédures de contrôle interne, le Collège ne sera pas en mesure de déclarer qu'un système complet de contrôle interne conforme à l'article 12 de la version révisée du NFR est bien en place.

Article 13 – Audit interne

1.4.1.6 Il a été indiqué au Collège que le CSO et le CMRE allaient demander au service d'audit interne de la NCIA de les appuyer, à compter de 2016, dans les domaines suivants : 1) atelier d'auto-évaluation du contrôle pour l'exercice 2016 et 2) activités d'audit à réaliser dans le courant de 2017 à la lumière de l'atelier précité.

1.4.1.7 Les activités susmentionnées ne concernent que le CMRE et le CSO. De ce fait, on ne peut affirmer à ce stade que la STO a effectué un travail d'audit interne aux fins d'une analyse approfondie, dans l'ensemble de l'entité, de l'exposition aux risques et de 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

1.4.1.8 Le Collège a constaté que, contrairement à ce qu'exige l'article 16, la STO n'avait pas encore établi de commission consultative sur l'audit.

Recommandations

1.5 Le Collège formule les recommandations ci-après :

a) la STO devrait élaborer une politique de gestion des risques à l'échelle de l'entité, et faire en sorte que des registres de risques soient mis en place et utilisés dans toutes les entités et pour toutes les activités de la STO ; 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 ;

Commentaires officiels de la STO

La STO souscrit partiellement à la recommandation.

Compte tenu de la nouvelle version du Règlement financier de l'OTAN (NFR), chaque organe exécutif de la STO sera – en fonction de sa taille relative, de sa complexité et de ses responsabilités – couvert en tant que de besoin par une politique de gestion des risques qui sera mise en place à l'échelle de la STO. Cette politique inclura l'établissement de registres des risques qui concerneront les activités importantes de la STO. Cela étant, la mise en conformité avec l'article 11 du NFR est une tâche complexe, qui nécessitera plusieurs années de transition.

b) la STO devrait établir 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 choisisse un cadre commun pour l'ensemble des organismes OTAN.

Commentaires officiels de la STO

La STO ne souscrit pas à cette recommandation.

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

De plus, nous réfutons l'affirmation de l'IBAN (alinéas 1.5.5 et 1.5.6) selon laquelle la STO fonctionne sans « cadre de contrôle interne spécifique en bonne et due forme ».

À la STO, le cadre de contrôle interne se compose de plusieurs éléments dûment documentés, à savoir :

- *la charte de la STO, qui définit les responsabilités du conseiller scientifique de l'OTAN et du Comité OTAN pour la science et la technologie (STB) en matière de gouvernance ;*
- *le mandat du sous-groupe Finances et Audit (FASG), qui rend compte au STB deux fois par an en matière de finances, de budget, de reporting, de gestion des risques et d'audit interne et externe ;*
- *les politiques et directives du STB, qui déterminent la planification et l'exécution du programme de travail de la STO ;*
- *le cadre de contrôle interne, qui comprend également les procédures financières de la STO telles qu'approuvées par le STB (AC/323-D(2013)0006) ; ce document, qui compte quelque 120 pages, est étayé, au CMRE, par 150 pages de notes de service et d'instructions d'application.*

En plus des éléments ci-dessus, tous les organes exécutifs de la STO sont tenus de se conformer au Règlement financier de l'OTAN. Les travaux des auditeurs internes et externes (l'IBAN) sont un autre élément constitutif dûment documenté du contrôle interne.

Position du Collège

Le Collège maintient sa position. Les documents précités ne constituent pas un cadre de contrôle interne. Par ailleurs, étant habilité à recommander l'application de pratiques plus efficaces et plus cohérentes, le Collège recommande à nouveau l'adoption d'un cadre de contrôle interne « reconnu au niveau international » ; en effet, il estime inutile que la STO consacre du temps et des ressources à l'élaboration d'un cadre distinct.

c) la STO devrait veiller, en recourant à l'externalisation si elle est jugée plus intéressante sur le plan financier, à ce que les activités d'audit interne comportent une analyse de la gestion des risques et du contrôle interne dans l'ensemble de la STO.

Commentaires officiels de la STO

La STO souscrit à cette recommandation.

C'est dans cette optique que le conseiller scientifique de l'OTAN a participé, en juillet 2016, à une formation et à un atelier organisés par le directeur général de l'État-major militaire international (DGIMS) sur le thème de la gestion des risques.

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

d) la STO devrait mettre en place une commission consultative sur l'audit.

Commentaires officiels de la STO

La STO souscrit à cette recommandation.

Le FASG de la STO, agissant conformément au mandat que le STB a approuvé pour lui, est responsable de la plupart des activités relevant de la commission consultative sur l'audit à mettre en place au titre de l'article 16 du NFR.

Le mandat du FASG sera modifié aux fins d'une pleine conformité avec l'article 16. La nécessité pour le FASG de compter au moins un membre indépendant (alinéa 4 de la FRP XVI) sera dûment prise en considération.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

Le Collège a fait le point sur la suite donnée aux observations et recommandations formulées à l'issue de son audit précédent. On en trouvera un récapitulatif dans le tableau ci-dessous.

Suites données aux observations antérieures

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
(1) Rapport d'audit 2014 sur la STO IBA-AR(2015)36, paragraphe 1.1 Nécessité d'améliorer la comptabilité de gestion par projet **Recommandation**		
Le Collège recommande au CMRE de mettre au point une méthode lui permettant de déterminer les coûts par projet, et notamment les frais généraux imputables sur chacun d'eux. Il pourra ainsi calculer le montant du bénéfice ou de la perte propre à chaque projet et fournir à la direction des informations utiles pour la gestion de l'activité.	Le Collège a constaté qu'en 2016, le CMRE avait lancé un processus visant à imputer les frais généraux sur les différents projets. Bien que ce processus n'ait pas encore atteint sa pleine maturité et ne soit pas encore relié au système de comptabilité financière, il peut déjà aider le CMRE à détecter les problèmes tout en continuant d'évoluer vers un modèle plus abouti, qui sera *in fine* intégré dans un système de comptabilité financière.	Observation **restant à régler**.
(2) Rapport d'audit 2014 sur la STO IBA-AR(2015)36, paragraphe 1.2 Nécessité d'améliorer le rattachement des charges aux produits **Recommandations**		
Le Collège recommande à la STO de réexaminer la méthode comptable qu'elle applique pour la constatation des produits du CMRE de façon à ce que les charges soient rattachées aux produits qu'elles génèrent, comme le veut le statut d'entité financée par le client.	Le Collège a constaté que les charges étaient désormais rattachées aux produits.	Observation **réglée.**
Le Collège recommande de constater les produits sur la base d'une évaluation des biens ou des services qui ont été fournis au cours de la période considérée en vertu des contrats conclus avec les clients.	Le Collège a constaté que les produits de l'exercice étaient désormais comptabilisés sur la base des biens et services fournis au cours de l'exercice.	Observation **réglée.**

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
(3) Rapport d'audit 2014 sur la STO IBA-AR(2015)36, paragraphe 2 **CMRE – Étiquetage insuffisant des immobilisations corporelles** **Recommandation** Le Collège recommande au CMRE de mettre au point un système de marquage ou d'identification qui permette de faire automatiquement le lien avec le registre comptable et de contribuer au suivi de l'utilisation des actifs.	Il a été indiqué au Collège qu'un inventaire avait été lancé en 2016, mais il était toujours en cours au moment de l'audit. Une décision doit encore être prise s'agissant de l'étiquetage.	Observation **restant à régler**.

Financial Statements of the

NATO SCIENCE AND TECHNOLOGY ORGANIZATION

31 December 2015

Index

Executive Summary and Statement of Internal Control

Executive Summary

The Science & Technology Organization (STO) was created in July 2012 as part of NATO Agencies Reform. The mission of the STO is to help position S&T investments as a strategic enabler of the NATO's knowledge and technology advantage for the defence and security posture of NATO and partner Nations by:

a. Conducting and promoting S&T activities that augment and leverage the capabilities and programmes of the Alliance, of the NATO Nations and the partner Nations, in support of NATO's objectives;

b. Contributing to NATO's ability to enable and influence security and defence related capability development and threat mitigation in NATO and partner Nations, in accordance with NATO policies; and

c. Supporting decision-making in NATO Nations and NATO.

The STO is composed of the Science and Technology Board (STB); three Executive Bodies; and Scientific and technical committees.

Governance of the STO is vested in the STB, which reports to the NAC through the Military Committee and the Conference of National Armaments Directors (CNAD). Leadership of the STO is exercised by the NATO Chief Scientist through his roles as Chair of the STB and Senior scientific advisor to NATO leadership.

The three executive bodies of the STO are:

a. The Office of the Chief Scientist (OCS), located within NATO Headquarters, Brussels, which provides executive and administrative support to the NATO Chief Scientist in fulfilling his/her roles as the Chair of the Science & Technology Board (STB) and the Senior Scientific Advisor at NATO Headquarters.

b. The S&T Collaboration Support Office (CSO), located in Neuilly sur Seine, Paris, which provides the executive and administrative support to the collaborative S&T activities conducted through the STO level 2 committees and level 3 working groups.

c. The Centre for Maritime Research and Experimentation (CMRE) located in La Spezia, Italy, which organizes and conducts scientific research and technology development and which delivers innovative and field-tested S&T solutions to address the defence and security needs of the Alliance.

In accordance with the STO Charter, the NATO Chief Scientist, supported by STO Financial Controller (FC), shall submit to the STB and IBAN consolidated financial statements[1] in accordance with the NATO Accounting Framework[2], and NATO Financial Regulations.

The STB shall approve the consolidated annual financial statements taking into account the audit report of the International Board of Auditors for NATO (IBAN) and the comments of the STB Finance

[1] C-M(2012)0046 Annex 1 para 25.1

[2] C-M(2013)0039

and Audit Sub-Group (FASG).

These consolidated Financial Statements (FS) for the STO cover the period from 1 January 2015 to 31 December 2015. As recommended by the IBAN, adjustments have been made to the prior year comparative balances, in accordance with IPSAS 3.

These FY 2015 statements reflect the financial position, the financial performance, the budget execution, the cash flow and the change in net assets for the reporting period. Notes provide further disclosures on key transactions following the materiality principle and where appropriate, segmented reporting.

The STO pursues full compliance. It remains committed to developing its Financial Reporting expertise and to producing fully compliant Financial Statements in accordance with the applicable standards, and any instructions issued by Nations, e.g. from the NATO Resource Policy and Planning Board. It also remains dedicated to continue to work openly and constructively with the IBAN.

Conditions for success need to be met. Staff needs to maintain up-to-date knowledge as the NATO Accounting Framework and IPSAS standards are continuously evolving. Accounting tools need to be suitably maintained and, when appropriate, upgraded. NATO Bodies should undertake financial reporting in a consistent way. The STO will therefore continue to maintain a dialogue with the other NATO Bodies and to play a full part in the Accounting Working Group and the Working Group of Financial Controllers.

Statement of Internal Control

The NATO Chief Scientist, Chairman of the Science and Technology Board (STB), the Director of the Centre for Maritime Research and Experimentation (CMRE) and the Director of the Collaborative Support Office (CSO), as Heads of the three Executive Bodies of the STO, collectively exercise overall responsibility for the safeguarding of assets, and for maintaining a sound system of Risk Management and Internal Control, in accordance with Section III of the NATO Financial Regulations (NFRs). In addition, the STO Financial Controller is, under NFR Article 11, (FRP XI) responsible for the management of financial risk and the maintenance of financial risk management standards.

The system of Risk Management and Internal Control is designed to manage and reduce - rather than entirely eliminate - the risks to STO operational aims and objectives, and the risks to compliance with NFRs and corporate governance principles. It therefore provides 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 the achievement STO policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 December 2015 and up to the date of these Financial Statements.

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

a. Senior Managers and Finance Officials regularly scrutinise operational and financial activities;

b. The STB and the Budget Committee periodically scrutinise in-year financial execution, the STB and its FASG making this a recurrent agenda point;

c. Policies, rules, and procedures governing financial management activities are documented;

d. Suitably qualified staff are employed throughout the financial system, to help ensuring that staff have a sound understanding of their responsibilities as set out in the NATO Financial Regulations (NFR) and the policies promulgated by the STB;

e. Usage of the common accounting system, FinS, having built-in approval workflows and controls together with audit trails. Transactions are recorded using a consistent approach based on the Military Budget Chart of Accounts;

f. Internal Audit Service providers are commissioned on an occasional basis by the STO Financial Controller and the STB; and

g. Recommendations and observations arising from IBAN audits are acted upon promptly.

In addition, we are advised and assisted in discharging our responsibilities by the STB Finance and Audit Sub-Group (FASG). Meeting twice a year, the key roles of the FASG are to assess the activities of the STO Executive Bodies, and provide advice and recommendations to the STB in support of Financial Management, Financial Planning and Execution, and Audit.

As Chairman of the STB, and Financial Controller, we also have collective responsibility for reviewing the effectiveness of the system of internal control. Our review is informed by the work of STO Senior Managers, External Audits, and internal quality reviews.

The advice and recommendations of the FASG, and the results of internal reviews during 2015, are being used by the Executive Bodies. The IBAN External Audit of the 2014 Financial Statements - undertaken in 2015 - resulted in an unqualified opinion. IBAN observations on the recognition of revenue have been taken into account for these Financial Statements.

Overall, we are satisfied that the Risk Management and Internal Control systems in operation across the STO 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). These 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 STO will implement enhanced Risk Management and Internal Control procedures, in full compliance with the new framework.

Albert Husniaux,
Major General, BEAF
Chairman
NATO Science and Technology Board
NATO Chief Scientist

Peter Bontinck,
Financial Controller
Science and Technology Organization

Statement 1 – STO Consolidated Statement of Financial Position

as at 31 December 2015
(in EUR)

	Notes	2015	2014*	2014
Assets				
Current assets				
Cash and cash equivalents	1	11,215,363	13,334,405	13,334,405
Receivables	2	5,880,575	2,580,229	2,669,500
Prepayments	3	595,126	459,727	459,727
		17,691,064	16,374,361	16,463,632
Non-current assets				
Property, plant & equipment	4	1,278,645	675,042	675,042
		1,278,645	675,042	675,042
Total assets		18,969,709	17,049,403	17,138,674
Liabilities				
Current liabilities				
Payables	5	2,224,002	1,863,902	1,863,902
Deferred revenue	6	364,456	368,387	5,531,643
Advances	7	2,591,456	2,041,495	269,367
Credit facilities	8	1,100,000		
Provisions	9	200,490		
Other current liabilities	10	156,047	150,374	
		6,636,451	4,424,158	7,664,911
Non-current liabilities				
Provisions	11		842,658	842,658
Deferred revenue	12	185,745		675,042
		185,745	842,658	1,517,699
Total liabilities		6,822,196	5,266,816	9,182,610
Surplus/Deficit	13	364,926	2,864,323	829,675
Retained earnings	14	11,782,587	8,918,264	7,126,388
Total net assets		12,147,513	11,782,587	7,956,063
Total net assets and liabilities		18,969,709	17,049,403	17,138,674

*This column reports the restatement of prior year comparative balances. Refer to Section A (changes in accounting policy) and Section C.

Statement 2 – STO Consolidated Statement of Financial Performance

for the year ended 31 December 2015
(in EUR)

	Notes	2015	2014*	2014
Revenue	15			
Revenue		34,651,097	35,367,083	33,332,436
Financial revenue		99,017	55,399	55,399
Total revenue		34,750,114	35,422,482	33,387,835
Expenses	16			
Personnel		20,224,721	19,977,528	19,977,528
Contractual supplies and services		13,640,083	12,257,618	12,257,618
Depreciation and amortization		470,114	278,439	278,439
Finance costs		50,270	44,575	44,575
Total expenses		34,385,188	32,558,159	32,558,159
Surplus/(Deficit) for the period	17	364,926	2,864,323	829,675

*This column reports the restatement of prior year comparative balances. Refer to Section A (changes in accounting policy) and Section C.

Statement 3 – STO Consolidated Statement of Cash Flow

(in EUR)

	2015	2014*	2014
Cash flow from operating activities			
Surplus/(Deficit)	364,926	2,864,323	829,675
Non-cash movements			
Depreciation/ Amortisation	470,114	278,439	278,439
Increase /(decrease) in payables	360,101	618,200	618,200
Increase/ (decrease) in other current liabilities	551,701	(2,416,464)	824,289
Increase/ (decrease) in provisions	(456,422)	(225,855)	449,186
Decrease/ (Increase) in other-current assets	(135,399)	(51,737)	(159,448)
Decrease/ (Increase) in receivables	(3,300,346)	(70,177)	(51,737)
Net cash flow from operating activities	(2,145,325)	996,728	2,788,604
Cash flow from investing activities			
Purchase of property plant and equipment / Intangible assets	(1,073,717)	(844,198)	(844,198)
Net cash flow from investing activities	(1,073,717)	(844,198)	(844,198)
Cash flow from financing activities	1,100,000	(309,329)	(2,101,206)
Net cash flow from financing activities	1,100,000	(309,329)	(2,101,206)
Net increase/(decrease) in cash and cash equivalents	(2,119,042)	(156,800)	(156,800)
Cash and cash equivalent at the beginning of the period	13,334,405	13,491,204	13,491,204
Cash and cash equivalent at the end of the period	11,215,363	13,334,405	13,334,404

*This column reports the restatement of prior year comparative balances. Refer to Section A (changes in accounting policy) and Section C.

Statement 4 – STO Consolidated Statement of Change in Net Assets

for the year ended 31 December 2015
(in EUR)

	CMRE commitments / legal obligations	CMRE Depreciation Reserve (NBV of CMRE assets)	Reserve for CMRE vessel modifications	STB CMRE Net Equity Fund	General CMRE Reserve	Total
Balance at the end of the period 2013		109,282		3,500,000	3,626,388	7,235,670
Changes in accounting policy		(109,282)				(109,282)
Restated balance				3,500,000	3,626,388	7,126,388
Net gains/(losses) recognised directly in net assets/equity						
Exchange difference on translating foreign operations						
Gain on property revaluation						
Surplus/(deficit) for the period					829,675	829,675
Change in net assets/equity for the year ended 2014					829,675	829,675
Balance at the end of the period 2014				3,500,000	4,456,063	7,956,063
Changes in accounting policy	3,151,482	675,042				3,826,524
Restated balance	3,151,482	675,042		3,500,000	4,456,063	11,782,587
Net gains/(losses) recognised directly in net assets/equity						
Exchange difference on translating foreign operations						
Gain on property revaluation						
Surplus/(deficit) for the period	(2,343,948)	417,858	4,853,000		(2,561,984)	364,926
Change in net assets/equity for the year ended 2015	(2,343,948)	417,858	4,853,000		(2,561,984)	364,926
Balance at the end of the period 2015	807,534	1,092,900	4,853,000	3,500,000	1,894,079	12,147,513

*This column reports the restatement of prior year comparative balances. Refer to Section A (changes in accounting policy) and Section C.

NOTES TO THE STO CONSOLIDATED FINANCIAL STATEMENTS

A. ACCOUNTING POLICIES

Basis for Preparation

The STO financial statements have been prepared in accordance with the NATO Accounting Framework . The North Atlantic Council (NAC) adopted IPSAS in 2002 and implemented an adaptation to IPSAS in 2013 to better suit the specific requirements of the Alliance. The NATO Accounting Framework is applicable for financial reporting periods since 1 January 2013.

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 have been prepared on a going-concern basis.

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.

In accordance with Article 2.1 of the NFRs, the financial year of the STO is 1 January to 31 December.

The STO includes the Centre for Maritime Research and Experimentation (CMRE), the Collaboration Support Office (CSO) and the Office of the Chief Scientist (OCS).

Accounting estimates and judgments

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.

Financial Reporting Framework

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

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

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

No accounting standard has been adopted earlier than the application date as stated in the IPSAS standards.

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 STO in preparing the Financial Statements for 2015. The new standards are not expected to have a material impact on the presentation of the STO Financial Statements.

Changes in Accounting Policy

There are changes in accounting policy for the CMRE segment for FY 2015.

The reserve for depreciation is now accounted for under Net Assets as Net Book Value (NBV), rather than long-term liabilities. Depreciation expense and the revenue associated with the acquisition of assets in the Statement of Financial Performance are part of the result of the period.

The reserve for commitment carried forward is now accounted for under Net Equity, rather than short term liabilities – Unearned revenues. This amount is part of the result of the period.

Foreign Currency Transactions

These financial statements are presented in Euros, which is the STO's functional and reporting currency. Foreign currency transactions are translated into Euro at the NATO exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at year-end are translated into Euro using the NATO exchange rates applicable at 31 December 2015. Resulting realized and unrealized gains and losses are recognized in the Statement of Financial Performance.

Consolidation

According to the Article 25 of the Charter of the NATO Science and Technology Organization, the Chief Scientist, supported by the STO Financial Controller, shall submit to the STB and the International Board of Auditors for NATO (IBAN) Consolidated Annual Financial Statements.

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.

Services In-Kind

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

The STO received services in-kind in the form of military personnel provided by the NATO nations. Such personnel are assigned to specific, military positions on the personnel establishments of the executive bodies and / or provided as voluntary contributions. In addition, military personnel crew the research vessels ALLIANCE and LEONARDO.

Financial Instruments disclosure/presentation

STO uses only non-derivative financial instruments as part of its operations. These financial instruments include, cash, bank accounts, deposit accounts, accounts receivable, provisions and credit facilities 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, STO incurs credit risk from trade receivables and transactions with banking institutions. The STO 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. There is a very limited credit risk associated with the realization of these instruments. Receivables considered uncollectible are adequately provided for.

Currency risk: The STO'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 in other 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.

For CSO & OCS 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. For CMRE liquidity risk is minimized by the cash available in the Net Equity Fund (NEF) and by the policy of requiring pre-payments & stage payments from customers.

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

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Assets

a. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, petty cash, current bank accounts, deposits held with banks, other short-term investments (with a maturity of three months or less).

b. Short-term investments

These are short-term investments (with a maturity of more than three and less than twelve months).

c. Receivables

Receivables are stated at net realizable value, after provision for doubtful and uncollectible debts. It can also include amounts due by other NATO entities and nations.

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

d. Inventories

IPSAS 12 defines inventories, establishes measurement requirements under the historical costs system, and establishes disclosure requirements. The STO assesses inventories under IPSAS 12 and the outcome of this assessment is that the value of the inventories is immaterial both in value and in terms of the nature of the items held. Consequently, inventory is fully expensed on receipt.

e. Prepayments

Prepayments are mainly in respect of advance payments made to third parties.

f. Property, Plant and Equipment (PP&E)

Property, plant and equipment with the exception of land are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of the assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of financial performance.

PP&E categories are listed in the table below:

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

In accordance with the NATO Accounting Framework, PP&E acquired prior to 1 January 2013 have been fully expensed and the STO's policy has followed not grouping assets.

g. 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.

h. Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives, and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss, arising on the disposal or retirement of an intangible asset, is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the statement of financial performance.

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

i. Impairment of tangible and intangible assets

At the end of each accounting period, the entity reviews the carrying amounts of its tangible and intangible to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated, being the greater of the asset's fair value less costs to sell and value in use. Impairment losses, if any, are recognised in the statement of financial performance.

j. Prepayments

Prepayments are mainly in respect of advance payments made to third parties.

Liabilities

a. Payables

Payables (including amounts due to other NATO entities) are amounts due to third parties for goods and services received that remain unpaid as of the reporting date. They are recognised at their fair value. This includes estimates of accrued obligations for goods and services received at year-end but not yet invoiced.

b. Deferred Revenue

For CSO and OCS, deferred revenue represents contributions from Nations that have been called for current or prior year budgets but for which corresponding charges will be incurred after the reporting period.

For CSO and OCS, revenue is recognized incrementally and equally with the depreciation expenses. The reserve for depreciation is the counterpart of the PP&E and Intangible Assets Net Book Value.

For CMRE, deferred revenue represents revenue from customers for current or prior year activities for which goods have not been delivered / services have not been rendered at year-end.

c. Advances

For CSO and OCS, advances are income or contributions from member nations or third parties called or received related to future year budgets.

For CMRE, advances from customers are either cash received as working capital or result from advance billings to customers where the rate of expenditure has fallen behind the agreed payment milestones.

d. Provision

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.

e. Employee benefits

The STO employees participate in one of the three NATO pensions funds: the Provident Fund, the Coordinated Pension Scheme or the Defined Contribution Pension Scheme (DCPS) and the Retirees Medical Claims Fund (RMCF).

<u>DCPS and Provident Fund:</u> The STO contributes a specified percentage of payroll costs to the DCPS and Provident Fund for future benefits. In addition to the employer's contribution, a portion of the employees' salaries is deducted and contributed to the DCPS or Provident Fund. These contributions are recognised as an expense during the year the services are rendered and represent the total pension obligation of the STO.

<u>Coordinated Pension Scheme:</u> employees who have joined NATO before 1 July 2005 are members of the NATO Coordinated Pension Scheme which is a funded defined benefit plan. Under the plans and upon completion of 10 years employment with NATO, the employees are entitled to

retirement benefits of 2% per year of service of final basic salary on attainment of a retirement age of 60.

The Retirees' Medical Claims Fund (RMCF): this fund is a reserve to ensure that sufficient resources available for the years to come to enable NATO to meet its obligations under Art. 51.2 of the Civilian Personnel Regulations (CPRs).

The assets and liabilities NATO's pension funds and the RMCF are accounted for centrally at NATO Headquarters and therefore are not recognised in these financial statements.

Net Assets

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

NATO entities perform their activities on a no-profit / no loss basis globally over the reporting period. However, this does not prohibit the realisation of operating surplus or deficit in the financial reporting period.

Revenue and Expense Recognition

a. Revenue

Revenue comprises contributions from Member Nations and income from customers to fund STO's activities. 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.

For common funded bodies (CSO and OCS), revenue is recognised in the year when these appropriated funds are used for their intended purpose as envisioned for STO's programmes. Unused contributions and other revenue that relate to future periods are deferred accordingly.

For CMRE, revenue is recognised as goods and services are delivered to customers.

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 realised exchange rate revenue in accordance with the entity Policy IPSAS 4 – Effect of the foreign exchange rate are recognised as financial revenue.

b. Expenses

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 realised exchange rate losses are recognised as finance costs.

Surplus or Deficit for the Period

For the CSO and OCS, common funded entities, revenue is recognised up to the amount of the matching expenses, in accordance with STO's accounting policies. Any resulting surplus is recorded as a current liability (see note 10). This amount represents a liability owed to the funding nations that is deducted from the contributions called in the subsequent year.

For the CMRE, the surplus or deficit of the period is recognized when services are rendered.

Cash-flow statement

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

B. RESTATEMENT OF PRIOR YEAR FY 2014 COMPARATIVE BALANCE

The prior year IBAN Audit (IBA-AR(2015)159) resulted in an unqualified audit opinion on the FY 2014 STO Financial Statements (STO-OCS(2015)0048). However, Observation 1.2 of the IBAN Audit Report recommended that STO improve the matching of revenue to expenses at the CMRE. Following the IBAN proposal, a revised accounting policy is applied to 2015 CMRE revenue (reference Note E 12). In addition, four adjustments have been made to the prior year comparative figures for 2014 CMRE Operating Revenue:

CMRE FY 2014 Operating Revenue	Nature of Prior-Year Correction
27,080,919	**Operating Revenue 2014 as per Audited 2014 Financial Statement**
(1,791,876)	less 2013 year-end CMRE Unearned Revenue (formerly classified as 2014 Revenue)
3,240,753	add 2014 Revenue (formerly classified as CMRE Unearned Revenue as 2014 year-end liability)
675,042	add 2014 Revenue (expensing of the former CMRE Depreciation Reserve as 2014 year-end liability)
(89,271)	less 2014 Revenue (correction of opening 2014 CMRE receivables)
29,115,567	**Operating Revenue 2014 (corrected) as per 2015 Financial Statements**

The adjustments arise from the change in accounting policy at the CMRE. Previously, a portion of revenue derived from delivery of CMRE services to customers would be classified as a liability under Unearned Revenue. This deferred revenue would be recognised in the subsequent year and matched to legal obligations carried forward. This approach has been in place since before the CMRE became customer funded, and followed the traditional NATO treatment of matching revenue to the execution of a budget.

The revised approach to revenue recognition now defines CMRE revenue as the entire value of goods and services delivered to customers during the year. This new accounting policy has been applied to 2015 CMRE revenue and the prior year comparative balances. The overall impact of this change is that some elements of revenue are now recognised earlier than previously accounted for

In accordance with IPSAS 3, the above adjustments have been applied retrospectively to the prior year (2014) comparative figures for Operating Revenue. The net result is to increase 2014 revenue in the Statement of Financial Performance by EUR 2,034,648.

In addition, on the restated 2014 Statement of Financial Position, the above adjustments result in an increase to closing Net Equity of EUR 3,826,524. This change is also recognised in the Statement of Changes to Net Equity.

C. NOTES TO THE STATEMENT OF FINANCIAL POSITION

1. Cash and cash equivalents

		(in euro)		
		2015	**2014**	**Variance**
Petty Cash		8,618	8,716	(97)
Bank accounts	EUR	10,658,408	11,225,530	(567,122)
	GBP	7,345	6,737	608
	USD	540,991	143,422	397,570
Short-term deposits			1,950,000	(1,950,000)
Total		**11,215,363**	**13,334,405**	**(2,119,042)**

Bank accounts are held in highly liquid non-interest and interest-bearing bank accounts.

Short-term deposits are partly held in interest-bearing current bank accounts in immediately available funds. Current bank accounts are held in EUR, GBP and USD. Balances have been converted to the reporting currency at the NATO exchange rates at 31 December 2015.

Due to the delay in payment of the CSO 2015 2nd call for contribution and advance call 2016, no short-term deposits were booked at year end 2015.

2. Receivables

	(in euro)		
	2015	**2014***	**Variance**
Receivable from NATO	1,345,936	1,749,570	(403,634)
Receivable from Staff Members	37,221	7,916	29,304
Receivable from Third Parties	1,506	360	1,146
Receivable from Governments	3,836,664	441,023	3,395,641
Prepaid Expenses	126,956	56,243	70,713
Invoices to be established	526,737	318,818	207,919
Other Receivable	5,556	6,299	(743)
Total	**5,880,575**	**2,580,229**	**3,300,346**

Receivable from NATO

Significant receivables from NATO Entities at year-end 2015 include a CMRE Invoices to NATO HQ SACT for the 2015 Programme of Work (EUR 1,256,586).

Receivable from Staff Members

These are receivables from staff members, such as credit facilities, salaries to be reimbursed, prepaid allowances to staff members. Collections are assured through payroll withholding.

Receivable from Governments

These are the 2015 2nd Call for Contribution for CSO and the advance for 2016 (EUR 2,546,410), the Value Added Tax (VAT) paid by the CSO that is subject to reimbursements from the Host Nation (EUR 252,576) and CMRE invoices for services rendered in 2015 to customer Nations (EUR 1,107,168).

Prepaid expenses

This item relates to the Ship Management contract for the management of the vessel NRV Alliance. The Ship Management Company receives an advance from CMRE and makes trial balance reconciliations that reflect prepayments, accruals and petty cash transactions.

Invoices to be established

This relates to services that have been provided to CMRE customers including European Community Consortia Projects (EUR 507,543), but for which the related invoices have not been issued at the end of the reporting period.

3. Prepayments

Prepayments are mainly in respect of advance payments provided to the Ship Management Company (EUR 491,474), for crew salaries, stores, insurance and spare parts.

4. Property, Plant and Equipment

(in euro)

	Mission Equipment	AIS Equipement	Installed Equipment	Working in progress	Total
Gross Book Value (31 Dec 2014)	835,317			172,805	1,008,122
Deletions (31 Dec 2014)					
Gross Book Value (1 Jan 2015)	**835,317**			**172,805**	**1,008,122**
Accumulated Depreciation (31 Dec 2014)	(333,080)				(333,080)
Deletions (31 Dec 2013)					
Accumulated Depreciation (1 Jan 2015)	**(333,080)**				**(333,080)**
Net Book Value (1 Jan 2015)	**502,236**			**172,805**	**675,042**
Additions in 2015	188,294	285,433	403,997	195,994	1,073,717
Disposal in 2015					
Depreciation in 2015	(341,203)	(95,144)	(33,766)		(470,114)
Net Book Value (31 Dec 2015)	**349,327**	**190,288**	**370,231**	**368,799**	**1,278,645**
Gross Book Value (31 Dec 2015)	**1,023,610**	**285,433**	**403,997**	**368,799**	**2,081,839**
Accumulated Depreciation (31 Dec 2015)	**(674,283)**	**(95,144)**	**(33,766)**		**(803,194)**
Net Book Value (31 Dec 2015)	**349,327**	**190,288**	**370,231**	**368,799**	**1,278,645**

CMRE

Mission Equipment:

- Two Tailcones for the Autonomous Underwater Vehicles (AUVs)
- High pressure tolerant battery

AIS Equipment

- EMC Isilon NL400, scalable Network Attached Storage (NAS)
- EMC VNX 5200, High Performance, Hybrid Storage Server Farm

Installed Equipment

- HVAC system
- Dynamic positioning system for vessel CRV Leonardo

Work in progress

- Electricity sub-station
- Very Low Frequency Synthetic Aperture Sonar (VLFSAS) Receiver and Projector prototype

CSO

Installed Equipment

- Server facility

CMRE also has 132 assets that were purchased prior to the implementation of the NATO accounting framework (01 Jan 2013).

- *Vessels (custodian is Headquarter, Supreme Allied Command Transformation HQ SACT)*
  - *The NRV Alliance*
  - *The CRV Leonardo*
- *IT Equipment*
  - *Disaster recovery*
  - *Satellite communication system*
  - *Various workstations and servers*
- *Mission Equipment*
  - *Multiple types of autonomous vehicles*
  - *Towed acoustics arrays*
  - *Multiple types of sonar*
- *Vehicles*
  - *Cars*
  - *Fork lift*
- *Machinery*
  - *Industrial shredding machine*
- *Installed Equipment*
  - *Air condition systems for the new and old building*
  - *Uninterrupted Power Supply (UPS) systems*
  - *TV closed circuit system*

CSO owns two staff cars and other IT equipment (software) purchased before 1 January 2013.

CMRE Premises

CMRE is located in La Spezia (Italy) on the Italia Navy compound, Centro Supporto e Sperimentazione Navale (CSSN). The majority of the premises are provided by the Host Nation (HN) at no cost to CMRE.

CSO Premises

The Collaboration Support Office (CSO) is located in Neuilly-sur-Seine, France. The premises are provided by the Host Nation (HN). The CSO pays a nominal annual charge for use of the facilities. Extensions and significant upgrades have been added to the existing facilities. As they were done prior to 1 January 2013, they have been fully expensed in accordance with the NATO Accounting Framework.

OCS Premises

The OCS is hosted in the NATO headquarters in Brussels. The premises are provided at no cost to the OCS.

5. Payables

	(in euro) 2015	2014	Variance
Payables to Suppliers	608,485	562,669	45,816
Accruals	1,615,517	1,301,233	314,284
Total	**2,224,002**	**1,863,902**	**360,100**

Payables to Suppliers

This includes invoices received from suppliers but not yet settled.

Accruals

Accrued expenses are accounted for goods and services received from suppliers but for which invoices have not been received at 31 December 2015.

6. Deferred revenue

It consists of 2014 and 2015 contributions/revenues received for which corresponding expenses will be incurred after the reporting period (EUR 364,456 for CSO).

7. Advances

	2015	2014	Variance
From customers	951,303	269,367	681,936
Contributions	1,608,961	1,700,000	(91,039)
Other	31,192	72,128	(40,937)
Total	**2,591,456**	**2,041,495**	**549,960**

From Customers

At year-end 2015, CMRE advances from customers amount to EUR 951,303. This includes amounts pre-financed by European Community Consortia for CMRE projects valued at EUR 101,170 and EUR 810,185 by ACT related to a 2015 POW project that has been delayed into 2016.

Contributions

This balance represents the advance Contributions correspond to cash called from the Nations for the following financial year and represent approximately 25% of the provisional total budget allocation. This mechanism is applicable to the common fund organizations (CSO and OCS).

At year-end 2015, the advances amount to EUR 1,608,961. This includes the advances for CSO EUR 1,400,000 and OCS EUR 208,961.

Other

This amount consists mainly of advances for future S&T activities, including EUR 15,690 VNC Funds, and EUR 13,000 invoiced to ACT for cost-shared events including ITEC 2015 and ITSEC 2016.

8. Credit facilities

This represents a credit facility that CSO has received from the IMS to bridge the cash shortage resulting from the late payment of the 2nd call or contribution including the advance for 2016 from the Nations.

9. Current Provision

This amount represents an indemnity for loss of employment for a NATO staff member. Such indemnities are payable in accordance with the NATO regulations on the indemnity for loss of job set out in the NATO Civilian Personnel Regulations.

10. Other current liabilities

	(in euro)		
	2015	2014	Variance
Liabilities from Lapsed Budget Authorization	50,276	105,981	(55,705)
Liabilities from Operational Result	17,260	35,967	(18,707)
Liabilities from Financial Result	3,555	8,426	(4,871)
Liabilities from Budget decrease	84,955		84,955
Total	**156,047**	**150,374**	**5,672**

Liabilities from Lapsed Budget Authorisations 2015

The Liabilities from Lapsed Budget Authorisation are, for the common-funded entities (CSO and OCS), predominantly due to lower than expected costs in the execution of the STO Program of Work as well as in the operation and maintenance area.

The lapses from budget authorizations are composed of lapse from the 2015 budget and lapse from the 2014 and 2013 budgets carried-forward to 2015.

Liabilities from Operational Results

The Liabilities from Operational Results are applicable to the common-funded organizations (CSO and OCS).

They are mainly composed miscellaneous revenues and written-off accruals from previous years where the final invoice was lower than the estimated accrued amount.

Liabilities from Financial Results

The Liabilities from Financial Results are, for the common-funded entities (CSO and OCS), the net amount of bank interest received, bank charges and realized gains and losses generated during 2015, after offsetting the expenses. The surplus of financial revenue has been transferred to the liabilities from financial results for an amount of € 3,555.

As the CMRE is customer-funded, there is no offsetting of financial revenue and expenses and the financial result has been reported as a gain of € 48,747. This results mainly from gain on exchange rate.

11. Non-current Provision

The provision related to the payment of the cruise leave has been fully settled during the course of 2015.

12. Deferred revenue

This provision represents, for the common funded entities (CSO and OCS), the Net book value of PP&E as of 31 December 2015. The provision is decreased with the annual depreciation expense and increased with any new acquisition. For CMRE the NBV balance is located into the Net Equity.

13. Result for the period

The 2015 result for the period is € 364,926.

14. Accumulated Surplus

The STO Charter[3] provides that the governing board may establish a Net Equity Fund to facilitate the operations of the CMRE. The fund has been established to provide liquidity for projects, acts as a buffer for project gains and losses, and provides a source of funds for investment.

Reserve	CMRE commitments / legal obligations	CMRE Depreciation Reserve (NBV of CMRE assets)	Reserve for CMRE vessel modifications	STB CMRE Net Equity Fund	General CMRE Reserve	Total
Net Equity (restated) 31st December 2014	**3,151,482**	**675,042**		**3,500,000**	**4,456,063**	**11,782,587**
Creation of Refurbishment reserve			4,853,000		(4,853,000)	
Net change in PPE		417,858			(417,858)	
Net Change in CCF	(2,343,948)				2,343,948	
Surplus for the year 2015					364,926	
Net Equity 31st December 2015	**807,534**	**1,092,900**	**4,853,000**	**3,500,000**	**1,894,079**	**12,147,513**

[3] STO Charter (C-M(2012)0046) articles 23.3 and 24.1

Commitments

The reserve for commitments represents the value of orders for goods and services placed in one fiscal year, but not received and invoiced until the following fiscal year(s).

Net Book Value (NBV)

The balance for the NBV represents the reserve for future depreciation.

Vessels

The reserve for Vessels represents the estimated cost of dry-docking and modifying the research vessel NRV Alliance in 2016. The reserve is used to accumulate resources in current periods to fund major vessel upkeep projects. NRV Alliance undergoes one major and one minor upkeep period in a five year period.

Net Equity Fund (NEF)

As provided for in Article 23 of the STO Charter, the STB has established a Net Equity Fund (NEF) for the CMRE to provide liquidity for its projects and to act as a buffer for project gains and losses.

D. NOTES TO STATEMENT OF FINANCIAL PEFORMANCE

15. Revenue

Operating Revenues

(in euro)

	2015	2014	Variance
Revenues from Contributions	5,955,158	6,244,821	(289,662)
Revenues from Services	28,686,959	29,115,566	(428,607)
Revenues from Reimbursable and Delegated Budget	8,980	6,696	2,283
Financial Revenues	99,017	55,399	43,618
Total	**34,750,114**	**35,422,482**	**(672,368)**

Revenue from Contributions

For the CSO and OCS, contributions when called are booked as an advance under deferred revenue and subsequently recognized as revenue when earned. Revenue is recognized up to the amount of the matching expenses.

Revenue from Services

Following an observation from the IBAN, accounting policies for CMRE revenue recognition have been revised in these Financial Statements.

The revenue indicated for the CMRE is now the value of work completed and delivered during the year, under the customer funded business model.

Previously, a portion of revenue derived from the delivery of CMRE services to customers was classified as a liability under Unearned Revenue. This deferred revenue would be recognised in the subsequent years as it was matched to expenditures from legal obligations carried forward. This approach has been in place since before the CMRE became customer funded. The approach followed the traditional NATO treatment of matching revenue to the execution of a budget.

The revised approach to revenue recognition now defines CMRE revenue as the entire value of goods and services delivered to customers during the year. This new accounting policy applies to 2015 CMRE revenue and the prior year comparative balances (refer Note B: Restatement of Prior year Balances).

Revenues from Reimbursable budget

This relates to the CSO Partnership for Peace (PfP) budget for reimbursable activities.

For the Reimbursable Budget (International Military Staff Budget ZNC-504/508), revenues are recorded when the invoices are presented for reimbursement every quarter.

16. Expenses

	(in euro)		
	2015	**2014**	**Variance**
Category			
Personnel	20,224,721	19,977,528	247,193
Supplies and Services	13,202,015	11,866,663	1,335,352
Capital and Investments	438,068	390,955	47,113
Depreciation	470,114	278,439	191,675
Financial Costs	50,270	44,574	5,696
Total	**34,385,188**	**32,558,159**	**1,827,029**

Personnel

Personnel expenses for the period include salaries and emoluments for civilian employees and temporary personnel and consultants, other salary related and non-related allowances, such as overtime, medical examinations, and the cost of recruitment, installation, and household goods removal, and training.

Supplies and Services

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

Capital and Investments

Capital and Investments are reported as expenses. Capital and Investments which exceed the capitalisation thresholds are capitalized as PP&E and depreciated.

17. Surplus or Deficit for the Period

The STO's result for 2015 showed a surplus of € 364,926. This represents the surplus from operations at CMRE. Surpluses and deficits for the period are credited or debited to the CMRE Net Equity Fund as described above in note 14.

For the common funded entities (CSO and OCS), the operating revenue is recognized up to the amount of the matching expenses. The financial revenue and the miscellaneous revenue, after offsetting the related expenses, are booked as liabilities to the Nations. Therefore they generate no surplus or deficit.

E. SEGMENT REPORTING

In accordance with IPSAS 18, the STO discloses financial statement information about distinguishable activities of its consolidated reporting entities. A 'segment' is a distinguishable activity or group of activities of an entity for which it is appropriate to separately report financial information. IPSAS 18 distinguishes two types of 'segments':

- 'Service segments' refer to a distinguishable component of an entity that is engaged in providing related outputs or achieving particular operating objectives consistent with the overall mission of each entity; and
- 'Geographical segments' are a distinguishable component of an entity that is engaged in providing outputs or achieving particular operating objectives within a specific geographical area.

STO is segmented into three executive bodies as provided in the STO Charter, CSO, CMRE and OCS.

The segment reporting includes the Statement of Financial Position, Performance and Budget Execution. For CMRE the Budget Execution Statement is omitted because the entity is customer funded.

COLLABORATION SUPPORT OFFICE

STATEMENT OF FINANCIAL POSITION

as at 31 December 2015
(in EUR)

	Notes	2015	2014
Assets			
Current assets			
Cash and cash equivalents	1	215,603	2,056,695
Receivables	2	2,819,371	139,965
Prepayments	3	34,098	48,741
		3,069,072	2,245,401
Non-current assets			
Property, plant & equipment	4	185,745	
		185,745	
Total assets		3,254,817	2,245,401
Liabilities			
Current liabilities			
Payables	5	106,518	215,862
Deferred revenue	6	364,456	337,907
Advances	7	1,431,192	1,572,128
Credit facilities	8	1,100,000	
Provisions	9		
Other current liabilities	10	66,906	119,504
		3,069,072	2,245,401
Non-current liabilities			
Provisions	11		
Deferred revenue	12	185,745	
		185,745	
Total liabilities		3,254,817	2,245,401
Surplus/Deficit	13		
Retained earnings	14		
Total net assets			
Total net assets and liabilities		3,254,817	2,245,401

COLLABORATION SUPPORT OFFICE

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 December 2015

(in EUR)

	Notes	2015	2014
Revenue	15		
Revenue		5,199,635	5,460,835
Financial revenue		11,388	5,812
Total revenue		5,211,023	5,466,646
Expenses	16		
Personnel		4,082,142	4,147,879
Contractual supplies and services		1,104,225	1,312,956
Depreciation and amortization		13,268	
Finance costs		11,388	5,812
Total expenses		5,211,023	5,466,646
Surplus/(Deficit) for the period	17		

CENTER FOR MARITIME RESEARCH & EXPERIMENTATION

STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

(in EUR)

	Notes	2015	2014*	2014
Assets				
Current assets				
Cash and cash equivalents	1	10,728,534	11,072,408	11,072,408
Receivables	2	3,060,155	2,430,251	2,519,522
Prepayments	3	533,232	392,539	392,539
		14,321,921	13,895,198	13,984,469
Non-current assets				
Property, plant & equipment	4	1,092,900	675,042	675,042
		1,092,900	675,042	675,042
Total assets		15,414,821	14,570,240	14,659,511
Liabilities				
Current liabilities				
Payables	5	2,115,515	1,645,628	1,645,628
Deferred revenue	6		30,000	3,270,753
Advances	7	951,303	269,367	269,367
Provisions	9	200,490		
		3,267,308	1,944,995	5,185,748
Non-current liabilities				
Provisions	11		842,658	842,658
Other non-current liabilities	12			675,042
			842,658	1,517,700
Total liabilities		3,267,308	2,787,653	6,703,448
Surplus/Deficit	13	364,926	2,864,323	829,675
Retained earnings	14	11,782,587	8,918,264	7,126,388
Total net assets		12,147,513	11,782,587	7,956,063
Total net assets and liabilities		15,414,821	14,570,240	14,659,511

*This column reprots the restatment of previous year comparative balances. Refer to Section A (Change in accounting policy) and Section C

CENTER FOR MARITIME RESEARCH & EXPERIMENTATION

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 December 2015

(in EUR)

	Notes	2015	2014*	2014
Revenue	15			
Revenue		28,686,959	29,115,567	27,080,919
Financial revenue		87,194	48,189	48,189
Total revenue		28,774,153	29,163,756	27,129,108
Expenses	16			
Personnel		15,431,874	15,107,079	15,107,079
Contractual supplies and services		12,482,060	10,876,550	10,876,550
Depreciation and amortization		456,846	278,439	278,439
Finance costs		38,447	37,365	37,365
Total expenses		28,409,227	26,299,433	26,299,433
Surplus/(Deficit) for the period	17	364,926	2,864,324	829,675

*This column reprots the restatment of previous year comparative balances. Refer to Section A (Change in accounting policy) and Section C

OFFICE OF THE CHIEF SCIENTIST

STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

(in EUR)

	Notes	2015	2014
Assets			
Current assets			
Cash and cash equivalents	1	271,226	205,302
Receivables	2	1,048	10,013
Prepayments	3	27,796	18,448
		300,070	233,762
Non-current assets			
Property, plant & equipment	4		
Total assets		300,070	233,762
Liabilities			
Current liabilities			
Payables	5	1,969	2,412
Deferred revenue	6		480
Advances	7	208,961	200,000
Credit facilities	8		
Provisions	9		
Other current liabilities	10	89,140	30,870
		300,070	233,762
Non-current liabilities			
Provisions	11		
Other non-current liabilities			
Total liabilities		300,070	233,762
Surplus/Deficit	13		
Retained earnings	14		
Total net assets			
Total net assets and liabilities		300,070	233,762

OFFICE OF THE CHIEF SCIENTIST

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 December 2015

(in EUR)

	Notes	2015	2014
Revenue	15		
Revenue		764,503	790,682
Financial revenue		436	1,398
Total revenue		764,939	792,080
Expenses	16		
Personnel		710,705	722,570
Contractual supplies and services		53,798	68,112
Depreciation and amortization			
Finance costs		436	1,398
Total expenses		764,939	792,080
Surplus/(Deficit) for the period	17		

F. RELATED PARTIES DISCLOSURE

The key management personnel of the STO have no significant known related party relationships that could affect the operation of the STO. However, the STO Financial Controller is also the Financial Controller of the NATO Defence College (NDC) and the International Military Staff (IMS). The STO, IMS and NDC are therefore related parties under a common Financial Controller. STO key management personnel and S&T Board Members are remunerated in accordance with the applicable NATO or National pay scales.

Key management personnel include the following officials:

Office of the Chief Scientist	• NATO Chief Scientist
Centre for Maritime Research and Experimentation	• CMRE Director • CMRE Chief Operating Officer & Deputy Director
Collaborative Support Office	• CSO Director • CSO Deputy Director

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

Compensation of key management personnel

S&T Board members receive no remuneration from NATO. Board Members do not receive any additional remuneration or access to preferential benefits from NATO for their Board responsibilities, such as the entitlement to receive credit facilities.

STO's key management personnel are remunerated in accordance with the published NATO salary scales. The compensation consists of basic salary, various allowances, health insurance, pension plan and other benefits as agreed with each Host Nation.

	2015	2014
Basic salaries	546,921	542,809
Allowances	99,346	99,439
Post-employment benefits	65,630	65,137
Employer's contribution to Insurance	78,099	75,228
Total	789,996	782,613

G. EMPLOYEE DISCLOSURE

Employees of the STO are remunerated in accordance with the published NATO salary scales. The compensation consists of basic salary, various allowances, health insurance, pension plan and other benefits as agreed with each Host Nation.

Compensation is exempt from income tax in accordance with NATO Treaties. STO is not responsible for retirement benefits.

STO Workforce

The personnel establishments (PE) of the STO entities are shown above. For the OCS, CSO, and the military component of the CMRE, the personnel establishment is fixed annually.

Personnel Establishment	PE - Authorized			PE - Filled		
	Mil	Civ	Total	Mil	Civ	Total
CSO	14	35	49	11	31	42
OCS	4	5	9	3	5	8
CMRE	9	-	9	7		7
International Manpower Celling	**27**	**40**	**67**	**21**	**36**	**57**
CMRE - Customer Funded positions	N/A				151	151
Total Establishment Strength	**27**	**40**	**67**	**21**	**187**	**208**

The size of the CMRE civilian workforce is set annually by the governance board based on the anticipated workload. The figure above reflects the number of filled positions on 31 December 2015.

Employee Benefits

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

Representation Allowance

Three STO officials received Representation Allowances totalling EURO 9,364. This allowance is paid to those senior officials whose positions entail responsibilities for establishing and maintaining relationships of value for their organisation. [4]

[4] PO(2014)0154 dated 27 March 2013

Representation Allowance	2015
	(in euro)
CMRE	543
CSO	7,134
OCS	1,687
Total	**9,364**

The representation allowance was used to settle transactions to cover social events and for rental supplement (CSO).

Untaken Leave

NATO civilian staff earn 2.5 days of leave for each month worked. Untaken leave at year-end may be carried-over to the following year and used until 30 April.

The STO has taken measures to ensure all leave is taken by 30 April of the following year. Exceptionally, annual leave not taken by 31 October following the year in which it was accrued shall be forfeited (NCPR 42.3.6).

The balance of untaken leave as of 31 December 2015 is shown below:

Untaken leave balance	2015
	(in days)
OCS	16
CSO	279
CMRE	1,933
Total	**2,228**

H. WRITE OFF

In accordance with the NATO Financial Regulations (NFRs Art. 17.1, and 17.4), a global statement of amounts written-off and donations shall be reported in the annual financial statements.

For the STO no items have been written-off during the financial year 2015.

I. EVENTS AFTER REPORTING DATE

Under IPSAS 14.5 (Events after the reporting date) reporting entities are required to disclose any event, both favourable and unfavourable, which occurs between the reporting date and the date when the financial statements are authorized for issue. STO's reporting date is the 31 Dec 2015.

The CMRE - and its predecessor organisations - acquired full operational control and beneficial ownership of the NATO vessel NRV Alliance in 1988, and the NATO vessel CRV Leonardo in 2002. Following a North Atlantic Council decision on 21 December 2015, custody of both vessels (on behalf of NATO) was transferred from the Supreme Allied Commander Transformation, to the STO Centre for Maritime Research and Experimentation (CMRE) with effect from 1 January 2016.

Notwithstanding the change in custody, both vessels have been under the full operational control of the CMRE since their introduction into service. The acquisition date of both vessels remains unchanged by the transfer of custody. In accordance with the NATO Accounting Framework, the STO "may consider Plant, Property and Equipment (PP&E) acquired prior to 2013 as fully expensed". Therefore, as per the accounting treatment in prior years, these assets are not capitalised as PP&E on the face of the Statement of Financial Position. The transfer of custody on behalf of NATO is a non-adjusting event taking place after the reporting date.

J. MORALE & WELFARE ACTIVITY

Morale and Welfare Activities (MWA) such as sport, community service, retail and concessionary activities are conducted by CMRE. The OCS participates in the services and activities of NATO Headquarters. The CSO has no such MW activities.

In accordance with the NATO Accounting Framework, IPSAS 6 (Adapted) NATO Reporting Entities shall not consolidate MWA and / or Staff Association activities into their respective financial statements. The STO follows this practice and reports on the financial viability of MWA and Staff Association activities separately.

ANNEX-TO THE NOTES TO THE FINANCIAL STATEMENTS

Budget execution statement.

The basis used for the budget and actual numbers in the budget execution statement is the commitment basis and is therefore different to the accrual basis used to prepare these financial statements. The budget presents the cash requirements for planned payments in the areas (chapters) of personnel, operation and maintenance, investment and reinforcement staff.

Reconciliation of actual budget amounts per the budget execution statement to actual expenses per the statement of financial performance

CSO

	(in euro)
Expenses	**Actuals**
Personnel	4,082,142
Supplies and Services	1,224,609
Capital and Investments	78,629
Total Expenses as per Budget Execution	**5,385,380**
Property Plant and Equipment capitalized	
(Recognition from Capital and Investments)	(199,013)
Depreciation	13,268
Financial Costs	11,388
Total Expenses as per Financial Performance	**5,211,023**

OCS

	(in euro)
Expenses	**Actuals**
Personnel	710,705
Supplies and Services	53,798
Capital and Investments	
Total Expenses as per Budget Execution	**764,503**
Property Plant and Equipment capitalized	
(Recognition from Capital and Investments)	
Depreciation	
Financial Costs	436
Total Expenses as per Financial Performance	**764,939**

Statement of transfers

In accordance with the NATO Financial Regulations (NFRs Art. 26), all the changes between the initial and the final budget, which were due to reallocations, were either authorized by the BC or by the Financial Controller in accordance with the NFRs for inter and intra-budget transfers. All transfers of approved appropriation shall be recorded in the financial statements.

OCS Budget Transfers

EURO	Initial Budget	Transfers	Final Budget
BUDGET 907 (OCS)2015			
Chapter 1	749,563	(38,858)	710,705
Chapter 2	99,895	(46,097)	53,798
Chapter 3			
TOTAL	**849,458**	**(84,955)**	**764,503**

CSO Budget Transfers

EURO	Initial Budget	Transfers	Final Budget
BUDGET 908 (CSO) 2015			
Chapter 71	4,209,961	(158,626)	4,051,335
Chapter 72	1,191,880	187,280	1,379,160
Chapter 73	50,904	(28,654)	22,250
TOTAL	**5,452,745**		**5,452,745**

Budget Execution

Office of Chief Scientist
STATEMENT OF BUDGET EXECUTION AS AT 31 DECEMBER 2015

EURO	Initial Budget	Transfers	BA2	Transfers	BA3	Transfers	Final Budget	Commitments	Expenses	Total Spent	Carry Forward	Lapsed
BUDGET 907 (OCS)2015												
Chapter 1	749,563		749,563		749,563	(38,858)	710,705		710,705	710,705		
Chapter 2	99,895		99,895		99,895	(46,097)	53,798		53,798	53,798		
Chapter 3												
TOTAL	**849,458**		**849,458**		**849,458**	**(84,955)**	**764,503**		**764,503**	**764,503**		

EURO	Initial Budget	BA2	Transfers	BA3	Transfers	Final Budget	Commitments	Expenses	Total Spent	Carry Forward	Lapsed
BUDGET 907 (OCS)2014											
Chapter 1	480	480		480		480					480
Chapter 2											
Chapter 3											
TOTAL	**480**	**480**		**480**		**480**					**480**

Collaboration Support Office
STATEMENT OF BUDGET EXECUTION AS OF 31 DECEMBER 2015

EURO	Initial Budget	Transfers	BA2	Transfers	BA3	Transfers	Final Budget	Commitments	Expenses	Total Spent	Carry-Forward	Lapsed
BUDGET 908 (CSO) 2015												
Chapter 71	4,209,961		4,209,961		4,209,961	(158,626)	4,051,335	27,907	4,023,428	4,051,335	27,907	
Chapter 72	1,191,880		1,191,880		1,191,880	187,280	1,379,160	328,610	1,050,549	1,379,160	328,610	
Chapter 73	50,904		50,904		50,904	(28,654)	22,250		22,250	22,250		
TOTAL	**5,452,745**		**5,452,745**		**5,452,745**		**5,452,745**	**356,518**	**5,096,227**	**5,452,745**	**356,518**	
BUDGET 908 (CSO) 2014												
Chapter 71	68,045						68,045		53,633	53,633		14,412
Chapter 72	183,239						183,239	7,938	164,483	172,421	7,938	10,817
Chapter 73	58,154						58,154		56,379	56,379		1,775
TOTAL	**309,438**						**309,438**	**7,938**	**274,495**	**282,433**	**7,938**	**27,005**
BUDGET 908 (CSO) 2013												
Chapter 71	8,391						8,391		5,081	5,081		3,309
Chapter 72	20,078						20,078		597	597		19,481
Chapter 73												
TOTAL	**28,469**						**28,469**		**5,678**	**5,678**		**22,790**
TOTAL BUDGET 908 (CSO)	**5,790,653**						**5,790,653**	**364,456**	**5,376,400.75**	**5,740,857**	**364,456**	**49,795**
BUDGET 504 (PfP) 2015												
Chapter 71												
Chapter 72	10,000			3,000	13,000	(3,318)	9,682	702	8,980	9,682	702	
TOTAL	**10,000**					**(3,318)**	**9,682**	**702**	**8,979.52**	**9,682**	**702**	
BUDGET 508 (MD) 2015												
Chapter 2	5,000					(5,000)						
TOTAL	**5,000**					**(5,000)**						
TOTAL ZNC (Reimbursable) 2015	**15,000**					**(8,318)**	**9,682**	**702**	**8,980**	**9,682**	**702**	

Statement of Credits Carried-Forward

As required by the NATO Financial Regulations the credits carried forward are presented in the Budget Execution Statement. They represent the unexpended balances at year end for which there is a legal liability and are equal to the closing Deferred Revenue.

Commitments	(in euro)		
	2015	2014	Variance
Entity			
CSO	364,456	337,907	26,549
OCS		480	(480)
Total	**364,456**	**338,387**	**26,069**